



Association of Local Government Auditors

November 3, 2011

Mr. David G. Jones, City Auditor
City of Seattle, Washington
700 Fifth Avenue, Suite 2410
Seattle WA 98124-4729

Dear Mr. Jones,

We have completed a peer review of the Seattle City Auditor's Office for the period August 2, 2008 through August 1, 2011. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the Seattle City Auditor's Office's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during the period August 2, 2008 through August 1, 2011.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

Sincerely,

Gary White
City Auditor
Office of the City Auditor
City of Kansas City, MO

Tonia Lediju
Audit Director
City and County of
San Francisco, CA
Controller's Office

Jennifer Li
Police Performance Auditor
City of Los Angeles, CA



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Mr. David G. Jones, City Auditor
City of Seattle, Washington
700 Fifth Avenue, Suite 2410
Seattle WA 98124-4729

Dear Mr. Jones,

We have completed a peer review of the Seattle City Auditor's Office for the period August 2, 2008 through August 1, 2011 and issued our report thereon dated November 3, 2011. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention some of the areas in which we believe your office excels:

- The office has a detailed Policies and Procedures Manual that helps ensure compliance with *Government Auditing Standards*.
- Audit work papers were well organized, easy to follow, and consistently included the evidence and support for answering the audit objectives.
- The office staff is competent, collaborative, and clearly driven to improve government operations through the development of comprehensive, useful reports.
- Conversations with elected officials revealed the office is well respected and considered a vital informational resource, while remaining appropriately independent.
- It also should be noted the office received the 2010 Knighton Award for its *Anti-Graffiti Efforts – Best Practices and Recommendations* report.

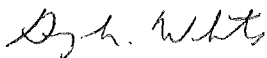
We offer the following observations and suggestions to enhance your organization's demonstrated adherence to *Government Auditing Standards*:

- Standard 1.34 requires auditors to consider independence when agreeing to perform non-audit work. The office's Master Job Checklist requires the completion of a Job Start and Termination Form which includes a place to document that "the City Auditor and Auditor-In Charge have discussed this project and determined that it does not impair our independence" when the project is a non audit. In reviewing a sample of non-audits, we identified instances lacking this documentation. We suggest the office ensure consideration of the impact proposed non-audit work will have on independence is documented for every non-audit in accordance with the office's own requirements.

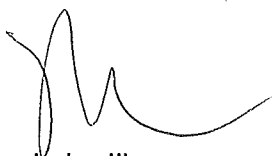
- Standard 3.07 requires assessing personal independence for auditors participating in assignments. The office's Master Job Checklist requires the completion of an Independence Statement. The working papers for a project completed in 2009 did not include the auditor independence statement, because the project followed-up on work previously completed by the same audit staff in 2006, when the determination of independence from personal impairments was assessed and documented. However, for projects spanning over several years, we suggest personal independence impairments be assessed periodically to acknowledge the possibility of impairments arising over time and documented to ensure the office complies with its own requirement.
- Standard 1.33 requires audit management to always inform requestors of non-audit work that this work will not be completed in accordance with Government Auditing Standards. We understand from the City Auditor this information is communicated for most projects, but he could not guarantee the information was communicated for every non-audit project. Because a significant percentage of the projects completed during the peer review period (40%) were non audits, we suggest the office develop a mechanism to ensure this requirement is consistently followed.
- Standard 8.38 requires noting when sensitive or confidential information has been omitted from audit reports. The office's policies and procedures specify auditors should "report the nature of the information omitted and the requirement that makes the omission necessary," but according to the City Auditor, reports released with omitted information do not always include the notice. To ensure compliance with standard 8.38, we suggest the office comply with the requirements included in their own policies and procedures.
- Standard 8.07 requires communicating with governance officials, auditees, and other interested parties when issued audit reports are subsequently found to include insufficient evidence, removing the reports from publically accessible websites and considering whether to conduct additional work. While the audit organization's description of its quality control system indicates the office will follow audit standards when handling the situation, we suggest their policies and procedures manual include this requirement as well as identify the steps required under the standard.

We extend our thanks to you, your staff and the other city officials we met for the hospitality and cooperation extended to us during our review.

Sincerely,



Gary White
City Auditor
Office of the City Auditor
City of Kansas City, MO



Tonia Lediju
Audit Director
City and County of
San Francisco, CA
Controller's Office



Jennifer Li
Police Performance Auditor
City of Los Angeles, CA



City of Seattle

Office of City Auditor

November 14, 2011

Mr. Gary White, City Auditor
City of Kansas City
414 E. 12th Street, Suite 2103
Kansas City, MO 64106

Re: Response to November 3, 2011 ALGA Peer Review Letter

Dear Mr. White:

On behalf of Seattle's Office of City Auditor, I would like to thank you, the Association of Local Government Auditors (ALGA), and the other members of your peer review team (Tonia Lediju, Audit Director, Controller's Office, City and County of San Francisco, CA; Jennifer Li, Police Performance Auditor, Internal Audits and Inspections Division, Los Angeles Police Department, CA) for the recently performed ALGA peer review of our office. This was the first time that our office, which began operations in 1993, has undergone a formal ALGA peer review, and we benefited greatly from the experience.

We were pleased to learn that your independent peer review team did not find any significant weaknesses in our office's quality control system. In the team's November 3, 2011 report, you concluded that our internal quality control system is suitably designed and operated to provide reasonable assurance of compliance with the *Government Auditing Standards* issued by the Comptroller General of the United States. We also appreciate the companion letter to the report that described those areas in which we excelled as well as areas in which we could improve our internal control systems. We concur with each of the improvement suggestions, and will act to implement each of them as follows:

Independence Statements

We will ensure that, for non-audit projects, we consistently complete the independence assessment section of our Job Start and Termination form. We discussed this topic during our recent staff meeting, and will require management review of the forms.

We will revise our policies and procedures to ensure that we update independence statements signed by our staff for projects that span several years, such as following up on work completed several years ago.

Informing Requesters about Non-Audit Work

We will revise our policies and procedures to help ensure that we inform requesters of non-audit projects that we will not be performing the work in accordance with the *Government Auditing Standards*, and that we document this communication.

Omission of Information

We will revise our policies and procedures to help ensure that the statement required by Standard 8.38 is included in audit reports in which sensitive or confidential information has been omitted. As we discussed with the peer review team, we issued accompanying memos containing sensitive information not mentioned in two audit reports to allow City departments the time to take steps to protect vulnerable City resources.

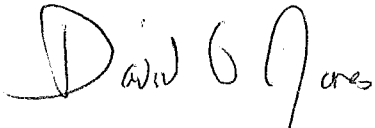
Including Reference to Standard 8.07 in our Policies and Procedures Manual

We will revise our policies and procedures manual to include a reference to Standard 8.07, which requires notification to relevant parties when published audit reports are subsequently found to include insufficient evidence. As we discussed with the peer review team, our office has not experienced such a situation.

Conclusion

We appreciate the work performed by the peer review team during the week it spent in our office. The team performed thorough work that resulted in no disruptions to our normal operations. The observations shared by the team were valuable, and we thank you for your leadership of the team, and ALGA for providing us with such a highly experienced team of auditors to perform the review.

Sincerely,



David G. Jones, CGFM, CIA, CISA
Seattle City Auditor

Cc: Seattle City Councilmembers
Drew Harmon, Chair, ALGA Peer Review Committee
Erin Kenney, ALGA Region V Peer Review Coordinator