



External Quality Control Review

of the
City Auditor's Office
Lawrence, Kansas

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**

For the period
May 1, 2008 through September 1, 2011



Association of Local Government Auditors

September 23, 2011

Mr. Michael Eglinski
City Auditor – City of Lawrence, Kansas
6 East 6th Street, PO Box 708
Lawrence, KS 66044

Dear Mr. Eglinski,

We have completed a peer review of the City Auditor's Office, Lawrence Kansas for the period May 1, 2008 through September 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 City Auditor'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 May 1, 2008 through September 1, 2011.

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

David Givans, CPA, CIA
Deschutes County, Oregon

Paige Alderete
City and County of San Francisco, California



Association of Local Government Auditors

September 23, 2011

Mr. Michael Eglinski
City Auditor – Lawrence, Kansas
6 East 6th Street, PO Box 708
Lawrence, KS 66044

Dear Mr. Eglinski,

We have completed a peer review of the City Auditor's Office, Lawrence Kansas for the period May 1, 2008 through September 1, 2011 and issued our report thereon dated September 23, 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 City Auditor demonstrates commitment to follow government auditing standards in performing quality audit work.
- Discussions with City officials indicate that the City Auditor provides value and benefit to the City.
- The City Auditor showed an ability to be concise and effective with audit evidence.

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

- Standard 8.19 requires auditors to report the scope of their work on internal control and any deficiencies in internal control that are significant within the context of the audit objectives and audit work performed.

During our review of some of the Office's work papers and Office's policies and procedures, we observed that the documentation of assessments around internal controls and the reporting of the extent of work performed were not always clearly stated. The policies and procedures did not provide sufficient details as enumerated in the standards around the requirements on internal controls.



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We believe the City auditor's recommendations could have been further strengthened by addressing how they fit into the internal control framework.

We recommend the reports more clearly address the requirements to address the extent of work performed on internal controls and whether any of the findings constitute significant deficiencies in internal control. We recommend additional documentation of the auditor's understanding, testing, and assessment of internal controls that are significant within the context of the audit objectives to enhance demonstrated compliance with government auditing standards. We recommend the policies and procedures reflect these changes. One potential avenue of documentation that may aide the Office is a finding development worksheet that would identify the cause and address whether it related to internal controls.

- Standard 3.54 requires auditors to analyze summarize results of its monitoring procedures at least annually, with identification of any systematic issues needing improvement, along with recommendations for corrective action.

Based on our review of your procedures, the City Auditor's Office has not established procedures for annual monitoring.

We recommend the policies and procedures be expanded to include annual monitoring and the resulting improvement plans.

- In review of the policies and procedures manual, we identified a number of areas where the policies and procedures did not fully address the areas covered by the standard. It did not appear these had an impact on audit quality and many of these are areas that are not routinely encountered during audits.

The standards classifications (and associated standards) which were not fully addressed included:

- Obtaining sufficient, appropriate evidence (7.68);
- Documentation (7.77-81); and
- Reporting (8.07, 8.15, 8.21-23, 8.24-.26, 8.31, 8.34-43)

During our discussions with the City Auditor, he indicated that these areas were not ones that had come up frequently in his Office, but understood the importance of a comprehensive set of policies and procedures.

We recommend the policies and procedures be updated to reflect the considerations of those standards noted during the review.



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- The City code relating to the Office of City Auditor was created prior to the hiring of the City Auditor. The City Code identifies a number of professional standards, including the Standards for the Professional Practice of Internal Auditing (as published by the Institute of Internal Auditors), Governmental Auditing Standards (issued by the Comptroller General of the United States), and International Organization of Supreme Audit Organizations . The code language could more clearly identify the selection and usage of professional audit standards by the Office of the City Auditor.

Many governmental auditors utilize GAS and it is widely used in city and county organizations.

We recommend the City Commission consider clarifying the language in the City Code whereby professional standards are adopted.

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

Sincerely,

David Givans, CPA, CIA
Deschutes County, Oregon

Paige Alderete
City and County of San Francisco, California



City of Lawrence

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September 30, 2011

David Givans, CPA, CIA
Deschutes County, Oregon

Paige Alderete
City and County of San Francisco, California

Dear Mr. Givans and Ms. Alderete,

I reviewed your report of September 23, 2011 containing the results of your external quality control review of the City Auditor's Office.

I am pleased that you found that the office's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards*. I also appreciate your recognition of areas where the office excels.

The City Auditor is proud to follow national standards for government auditing. The standards provide assurances to the public that performance audits are conducted professionally. Government audit offices nationwide – at the federal, state, and local level – are required by these standards to maintain systems of internal quality control and to have an external quality review once every three years. Successful completion of reviews, like this one, allows the City Auditor's Office to state in each audit report that work conducted was in accordance with generally accepted government auditing standards. Each report meets the requirements such as auditor independence, due care, continuing professional education, fieldwork, and audit reporting.

I am always looking to improve and I appreciate the suggestions to enhance the office's operations and ensure standards are met. I agree with your suggestions and plan to implement them.

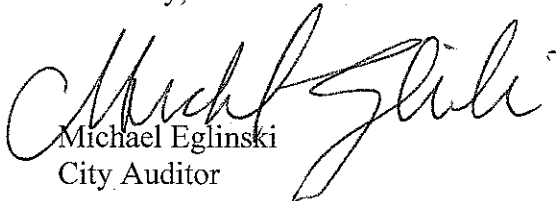


- I will immediately implement the use of a finding sheet to better address and document work related to internal controls.
- I will immediately implement a process for annually summarizing the results of my process to monitor my internal quality control policies and procedures.
- I will update my written policies and procedures to incorporate the above changes. In addition, I will expand my written policies and procedures to better address the areas you identified in your management letter. I plan to make these revisions as I review my written policies and procedures to ensure that they address the forthcoming revision of *Government Auditing Standards*. That revision takes effect for performance audits that begin after December 15, 2011.

Now that the audit function has been in place for over three years and has gone through an external peer review, I believe it is appropriate to review the City Code regarding audit standards. The external peer review team noted that the City Code could more clearly identify the selection and use of professional audit standards. I will review the City Code and, if appropriate, identify language that could clarify the City Code while ensuring that audit work remains conducted in accordance with professional auditing standards.

I want to thank both of you for your work on the peer review. I also want to thank Erin Kenney, Departmental Audit Manager-Internal Audit Section for the Los Angeles Fire and Police Pensions, who coordinated this peer review on behalf of the Association of Local Government Auditors. I found the team to be professional and thorough and the process to be constructive.

Sincerely,



Michael Eglinski
City Auditor