



National Association of Local Government Auditors

NALGA Peer Review Committee
Municipal Center, Room 341
Virginia Beach, VA 23456-9012
(804) 426-5870

September 20, 1996

Barbara Clark, CPA
Portland City Auditor
Office of City Auditor, Audit Services Division
1220 SW Fifth Avenue, Room 120
Portland, OR 97204

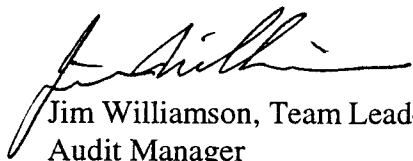
Dear Ms. Clark,

We have completed an external quality control review of the Audit Services Division of the Office of City Auditor in Portland, Oregon. The review covered audits issued during the period May 1, 1993 through June 30, 1996. In conducting our review, we followed the standards and guidelines contained in the *NALGA Quality Control Review Guide (NALGA Guide)* published in May 1995 by the National Association of Local Government Auditors.


As prescribed by the *NALGA Guide*, we reviewed the internal quality control system of the Audit Services Division and tested a sample of audits conducted by your office for compliance with government auditing standards issued by the Comptroller General of the United States. Due to variance in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

We have concluded from our review that your system of internal quality control was suitably designed and provided reasonable assurance that applicable government auditing standards were followed in your audit work. We have also concluded from the sample of audits tested that your quality controls were working effectively and that audits were conducted in conformance with applicable standards during the period under review.

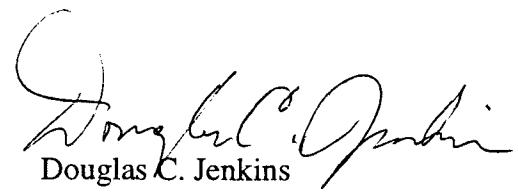
It is our opinion, therefore, that the Audit Services Division was in compliance with government auditing standards during the period May 1, 1993 through June 30, 1996. We have prepared a separate letter which offers suggestions for further strengthening your internal quality controls.



Jim Williamson, Team Leader
Audit Manager
Oklahoma City, OK



F. Michael Taylor
City Auditor
Stockton, CA



Douglas C. Jenkins
Deputy Director of Audits
Milwaukee County, WI



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Office of City Auditor, Audit Services Division
1220 SW Fifth Avenue, Room 120
Portland, OR 97204

Dear Ms. Clark,

We have completed an external quality control review of the Audit Services Division of the Office of City Auditor in Portland, Oregon. The review covered audits issued during the period May 1, 1993 through June 30, 1996. We have issued a report stating our opinion that the Audit Services Division was in compliance with government auditing standards during the period reviewed. The peer review team was favorably impressed with the Audit Services Division's selection of meaningful audits and its thorough planning and research efforts. We are issuing this letter to offer suggestions for further strengthening the Audit Services Division's internal system of quality controls. This letter should be read in conjunction with our opinion report.

1. ***Auditor Independence Statements:*** We noted in our review of your quality control system that neither the City Auditor nor the Audit Services Director is required to sign an Auditor Independence Statement.

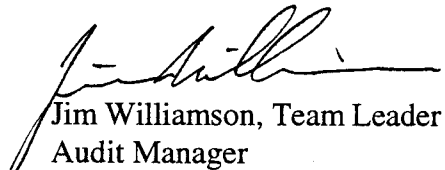
While we found no indication of impairment of auditor independence, we believe the internal system of quality controls would be enhanced by establishing a policy whereby both the City Auditor and the Audit Services Director sign statements attesting to their independence. This could be accomplished with an annual statement from those individuals acknowledging that any impairments to independence will be disclosed.

In addition, we noted instances where some staff auditors assigned to projects did not sign the Auditor Independence Statements. Usually, but not in every case, these auditors were assigned to review cross-referenced draft reports and supporting workpapers as part of a quality assurance process. We also noted that on two of the six audits reviewed, the Audit Services Director's signatures on the forms (attesting that he had determined there were no impairments to the independence of auditors assigned to the projects) preceded the signature dates of some of the audit staff who were assigned after the beginning of the projects.

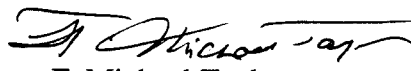
Due to the small number of staff involved and the Audit Services Director's familiarity with staff, we do not believe the items noted above indicate a problem with staff independence in fact. We also acknowledge improvements the Audit Services Division has made to the form subsequent to those forms contained in the audits we reviewed. We believe the internal system of quality controls could be improved by developing additional procedures to ensure each auditor assigned to a project signs an Auditor Independence Statement. The Audit Services Director's sign-offs should occur after each auditor signs the form.

2. ***Continuing Professional Education:*** We noted instances in both 1994-95 and 1995-96 where some auditors did not acquire the minimum number of required CPE credits. We also noted several relatively minor problems with documentation of individuals' CPE credits. This included the omission of CPE documentation for the City Auditor from the central CPE file maintained by the Audit Services Division.

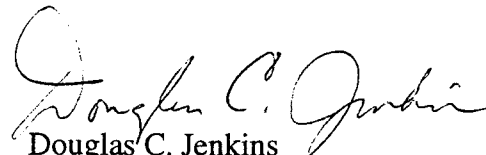
Collectively, these problems indicate a need to strengthen the Audit Services Division's internal system of quality controls concerning CPE documentation. This could be accomplished by developing procedures to maintain all CPE documentation in one location and to periodically notify individuals of their current CPE status.



Jim Williamson, Team Leader
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Oklahoma City, OK



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CITY OF

PORTLAND, OREGON

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September 23, 1996

Jim Williamson
Review Team Leader
City of Oklahoma City
200 N. Walker, Room 109
Oklahoma City, OK 73102

Dear Mr. Williamson:

I have reviewed your report dated September 20, 1996, containing the results of your external quality control review of Portland's Audit Services Division. I am pleased with your conclusion that our office is conducting audits in accordance with *Government Auditing Standards*.

I am also in agreement with your recommendations for strengthening our system of internal quality controls, as contained in the management letter accompanying your report. We will tighten our procedures for obtaining independence statements from audit staff and establish a requirement that both the City Auditor and Director of Audit Services sign annual independence statements. In addition, we will strengthen our system for tracking continuing education to ensure all audit staff meet minimum hourly requirements.

We appreciate the time you, Doug Jenkins, and Michael Taylor took away from your own offices to participate in this review of our audit office. You are to be commended for the professional and thorough manner in which you conducted your work.

Barbara Clark

Barbara Clark, CPA
Portland City Auditor

