
N.A.L.G.A.

National Association of Local Government Auditors

N.A.L.G.A. Peer Review Committee
2401 Regency Road, Suite 302
Lexington, KY 40503
(606) 276-0686

October 15, 1999

Gary Blackmer, CIA
Portland City Auditor
1221 SW Fourth Avenue, Room 140
Portland, OR 97204

Dear Mr. Blackmer,

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 July 1, 1996 through June 30, 1999. In conducting our review, we followed the standards and guidelines contained in the *N.A.L.G.A. Quality Control Review Guide (N.A.L.G.A. Guide)* published in May 1995 by the National Association of Local Government Auditors.

As prescribed by the *N.A.L.G.A. 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 July 1, 1996 through June 30, 1999. We have prepared a separate letter that offers suggestions for further strengthening your internal quality controls.



Richard Wallace, Team Leader
Principal Auditor
City of Jacksonville, FL



Les Petersen
Audit Manager
DFW Airport, TX



Eduardo Luna
Senior Auditor
City of San Jose, CA



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Gary Blackmer, CIA
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Portland, OR 97204

Dear Mr. Blackmer,

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 July 1, 1996 through June 30, 1999. We have issued a report stating our opinion that the Audit Services Division was in full compliance with government auditing standards during the period reviewed. 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.

First, we would like to mention a few of the areas in which the Portland's Audit Services Division (Division) excels:

- The Division has issued many reports which have made significant audit recommendations that have improved the operations and performance of Portland City government.
- Responses from City Commissioners to your audits demonstrate good relationships between your office and the City Commissioners.
- The Division has attracted and maintained a very competent, conscientious, independent, dedicated and knowledgeable staff.
- The administrative side of your operations is well organized and professional.

As demonstrated in the above areas, you have many fine accomplishments. However, we did note a few areas for your consideration, which may increase the Division's effectiveness:

Quality Control

We found that the Division has established adequate policies and procedures to comply with auditing standards regarding quality control. These procedures provide the audit staff with directions on referencing working and final drafts of audit reports. Based on a review of selected reports, we found that these audits did not fully comply with established policies and procedures regarding referencing of the final report. We suggest that you direct the audit staff to follow established procedures regarding referencing, including referencing any additions based on input from Bureau management to insure the final draft comments are fully supported.

Working Papers

An important attribute of working papers is to allow outside auditors and others to review the audit's quality. The audit of BES Construction Contracts (#238) utilized the services of Arthur Anderson to supplement the Division's audit staff. We found that Division audit staff used an audit plan prepared by Arthur Anderson. Although staff initialed the steps performed, we found that no working paper reference was noted in the audit program to indicate where the documentation of work performed was located within the job files. In another case, we found that the survey phase audit plan for Emergency Response Statistics (#237) contained steps for reviewing management controls. The audit plan indicated that these steps were performed. However, we found a weakness in that the audit plan was not linked or cross-referenced to the working papers. As a result, we could not verify that these steps were performed. We suggest that you revise the audit process to ensure that procedures regarding referencing working papers to audit programs be performed in every audit.

Additionally, we found that the working paper files contained numerous documents that are self-explanatory, such as contracts but also include other documents, such as copies of payments, etc. that have no indication or cross-reference to why they're in the file. We suggest that the Division evaluate the practice of filing all documents collected during the audit.

Continuing Professional Education (CPE)

The Division has good CPE files, where annual and total CPE hours are documented to demonstrate compliance to Government Auditing Standards. However, the requirement to complete 24 hours of the 80 hours of CPE in subjects directly related to the government environment and governmental auditing is not readily available. We suggest that the Division consider adding a column to record the associated governmental hours.

As a follow-up to the prior Quality Control review it was suggested that the former City Auditor's CPE documentation be included in the central CPE file maintained by the Division. A review of the files indicates that the procedure has not been established. We suggest that that in order to take advantage of the Division's quality control system for CPE that the City Auditor maintain his CPE documentation with the Division.

We hope that the above comments assist you in continuing the high quality of professional work that we observed during the review. We appreciate the hospitality and cooperation extended by your staff during our stay in Portland.

Sincerely,



Richard Wallace, Team Leader
Principal Auditor
City of Jacksonville, FL



Les Petersen
Audit Manager
DFW Airport, TX



Eduardo Luna
Senior Auditor
City of San Jose, CA



CITY OF
PORTLAND, OREGON

OFFICE OF THE CITY AUDITOR
Audit Services Division

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October 19, 1999

Richard Wallace
Review Team Leader
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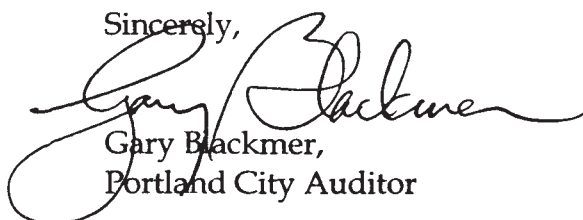
Dear Mr. Wallace:

I have reviewed your report dated October 15, 1999, containing the results of your external quality control review of Portland's Audit Services Division. I am pleased that our office was once again found to conduct its audit work in compliance with *Government Auditing Standards*. I am also pleased that you found our audit function to be well organized and staffed with competent and knowledgeable auditors.

I also appreciate the recommendations you made for strengthening our internal quality control system. I agree with all of your recommendations and have directed Audit Services Division staff to begin implementing them immediately. We will increase our efforts to ensure that all steps in our audit work plans, plus all information contained in our audit reports, are cross-referenced to the working papers. We will also improve our tracking of staff training by delineating hours of governmental training, and by maintaining the City Auditor's training documentation in the Division's training file.

Finally, I want to personally thank you, Les Petersen, and Eduardo Luna for the professional manner in which you conducted this review of our office. I appreciate the time you were willing to take away from your individual homes and offices. I will share your report with our City Council and make it available to the media and the public.

Sincerely,



Gary Blackmer,
Portland City Auditor

