



External Quality Control Review

of the
Office of the City Auditor
City of Sacramento, CA

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**
for the period January 1, 2016 to December 31, 2018



Association of Local Government Auditors

June 6, 2019

Jorge Oseguera
City Auditor
915 "I" Street, 2nd Floor, Room 219
Sacramento, CA 95814

Dear Mr. Oseguera,

We have completed a peer review of the City of Sacramento's Office of the City Auditor for the period January 1, 2016 through December 31, 2018. 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 whether 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. Our procedures included:

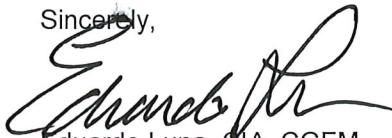
- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audits and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff to assess their understanding of, and compliance with, relevant quality control policies and procedures.

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 of Sacramento's Office of the City Auditor 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 January 1, 2016 through December 31, 2018.

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

Sincerely,


Eduardo Luna, CIA, CGFM
City of Beverly Hills


Heidi Pinner, CIA, CFE, CISA, CRMA
Hillsborough County



Association of Local Government Auditors

June 5, 2019

Jorge Oseguera
City Auditor
915 "I" Street, 2nd Floor, Room 219
Sacramento, CA 95814

Dear Mr. Oseguera,

We have completed a peer review of the City of Sacramento's Office of the City Auditor for the period January 1, 2016 through December 31, 2018 and issued our report thereon dated June 5, 2019. 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:

- A clear emphasis is placed on the continuing education and qualifications of audit staff. This was demonstrated by both the substantial training opportunities supported by the City Auditor and the quality of training content pursued. Also, of note was that several staff members have recently received audit certifications or are in the process of pursuing additional certifications.
- The camaraderie and team mindset demonstrated by the audit staff was phenomenal. It is clear that employees enjoy working for the department and that a healthy and collaborative environment has been fostered from the top down.
- The entrance conference process utilized by the department was consistent and extremely thorough within all of the audits reviewed. It is clear that this process has been well designed and evolved over time to create a sound basis for the audit.

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

- Standard 2.13 requires that when audit organizations provide non audit services to entities for which they also provide GAGAS audits, they should assess the impact providing those non audit services may have on auditor and audit organization independence and respond to any identified threats to independence in accordance with the GAGAS standard. In reviewing the Office's work papers, we observed two instances in which your office provided non audit services and did not complete the assessment of independence and impairment until after the completion of the services.

We recommend that going forward the office ensures that a thoughtful, deliberate and timely assessment be performed for any non audit service provided. The process outlined in the Office's P&P manual appears sufficient to address this issue if performed timely.

- Standard 3.95 requires an audit organization to analyze and summarize the results of its monitoring process at least annually, with identification of any systemic or repetitive issues needing improvement, along with recommendations for corrective action. In reviewing the Office's Quality Control Structure, we observed that the City Auditor's Office did not have a formalized process to perform this analysis and monitoring.

We recommend that the office implement a process to address the monitoring requirement of standard 3.95.

- Standard 3.08 requires that auditors apply the conceptual framework at the audit organization, audit and individual auditor levels. It was observed during review of the Office's work papers, and also noted by the 2016 peer review team, that the "Staff Assignment/ Impairment Sheet" currently utilized by the City Auditor's Office does not reflect the consideration and evaluation of potential threats as required by the 2011 revision to the Government Auditing Standards.

We recommend that the City Auditor update this form to include independence threats identified in section 3.14 of the standards.

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

Sincerely,



Eduardo Luna, CIA, CGFM
City of Beverly Hills



Heidi Pinner, CIA, CFE, CISA, CRMA
Hillsborough County Clerk of Court



CITY OF SACRAMENTO
CALIFORNIA

Office of the City Auditor
Jorge Oseguera, City Auditor

June 10, 2019

Mr. Luna
Ms. Pinner:

Thank you for performing the external quality control review of the Sacramento City Auditor's Office. I recognize the importance of our compliance with Government Auditing Standards. Further, I am pleased with your conclusion that my Office's internal quality control system is suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards.

I value the suggestions you made to enhance my office's adherence to Government Auditing Standards. The suggestions are well taken, and I will work quickly to address the recommendations. Specifically, I will update the staff assignment/impairment sheet to reflect the 2011 Yellowbook regarding consideration and evaluation of potential threats. In addition, I will incorporate a thoughtful and timely assessment of the impacts of non audit services provided by my office. Lastly, I will analyze and summarize the results of our annual monitoring process to enhance our overall internal quality control practices.

I appreciate the time that you took away from your own responsibilities to conduct this review. I also appreciate your professionalism and the thorough manner in which the work was completed. Thank you again for your review and suggestions.

Sincerely,

Jorge Oseguera,
Sacramento City Auditor



The Association of Local Government Auditors
Awards this

Certificate of Compliance

to

***Office of the City Auditor, City of Sacramento
California***

Recognizing that the organization's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audit and attestation engagements during the period January 1, 2016, through December 31, 2018.

Paul Geib

Paul Geib
ALGA Peer Review Committee Chair

Pamela L. Weipert

Pamela L. Weipert
ALGA President