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# External Quality Control Review

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of the  
Office of the City Auditor  
Sacramento, California

April 2016

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

for the period January 1, 2013 to December 31, 2015

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## Association of Local Government Auditors

April 8, 2016

Jorge Oseguera  
City Auditor  
915 "I" Street, 2<sup>nd</sup> 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, 2013 through December 31, 2015. 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 and management 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 Office of 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 during the period January 1, 2013 through December 31, 2015.

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

F. Michael Taylor  
Director of Internal Audit  
Hanover County, VA

Alan D. Ash  
Assistant Auditor General (retired)  
City of Toronto, ON



## Association of Local Government Auditors

April 8, 2016

Jorge Oseguera  
City Auditor  
915 "I" Street, 2<sup>nd</sup> 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, 2013 through December 31, 2015 and issued our report dated April 8, 2016. 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:

- Department staff are competent and possess diverse educational and work backgrounds. This diversity helps produce useful audit results.
- The audit excellence of the department has been recognized by multiple ALGA Knighton awards in recent years.
- The cooperative effort between management and audit to add an auditor devoted to utilities demonstrates an overall commitment to improving operations of the organization.

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

- Standard 3.29 states "Safeguards... may mitigate threats resulting from governmental structures. Structural threats may be mitigated if the head of an audit organization meets any of the following criteria in accordance with constitutional or statutory requirements: ...b. elected or appointed by a legislative body, subject to removal by a legislative body, and reports the results of audits to and is accountable to a legislative body."

The Sacramento City Auditor satisfies the GAS independence requirement through City ordinance. While a City ordinance establishes a statutory foundation for the establishment of the City Auditor's Office, the Ordinance could be stricken at the pleasure of City Council. A provision in the City Charter would strengthen the independence of the audit function as charter changes require the vote of the electorate.

We recommend the City develop charter language related to the City Auditor for inclusion in any proposed changes to the City Charter.

- Government Auditing Standards require auditors to consider and document any threats to their independence in conducting audit work. Standard 3.02 states "the audit organization and individual auditor, whether government or public, must be independent". Standards 3.02, 3.08 and 3.14 include a number of factors to consider regarding the auditor's independence in conducting audit work.

City Auditor Policies and Procedures include a "Staff Assignment/Impairment Sheet" for audit staff to complete. In 2011, considerations related to auditor independence were revised in Government Auditing Standards. The form currently used by the audit staff was not revised to include consideration and evaluation of potential threats as required by the 2011 Standards.

We recommend the form be updated to include independence threats identified in section 3.14 of the standards.

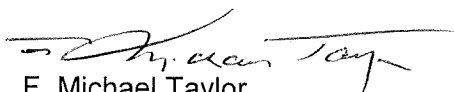
- Standard 6.11 states "Auditors should assess audit risk and significance within the context of the audit objectives by gaining an understanding of the following: ...e) ongoing investigations or legal proceedings within the context of the audit objectives".

While the Preliminary Survey Checklist requires inquiries related to fraud, waste and abuse, the Checklist does not specifically address on-going hotline investigations or legal proceedings.

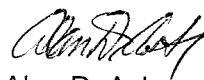
We recommend the Office update the Preliminary Survey Checklist to include a reference to ongoing hotline investigations and legal proceedings and document the review results in audit work papers.

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,



F. Michael Taylor  
Director of Internal Audit  
Hanover County, Virginia



Alan D. Ash  
Assistant Auditor General (retired)  
City of Toronto, ON





CITY OF SACRAMENTO  
CALIFORNIA

Office of the City Auditor  
Jorge Oseguera, City Auditor

April 8, 2016

Mr. Taylor:  
Mr. Ash:

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 continue to advocate for the City Auditor to become a City Charter position. I will update our staff assignment sheet to more closely reflect the 2011 Yellowbook language regarding threats to the auditor's independence. Lastly, we will update our preliminary survey audit program to better document our review of ongoing investigations or legal proceedings.

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  
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, 2013 through December 31, 2015.

Matt Weller  
ALGA Peer Review Committee Chair

Kymber Waltmunson  
ALGA President