



City Auditor

7447 E. Indian School Rd, Suite 205
Scottsdale, AZ 85251

PHONE 480-312-7756
FAX 480-312-2634
WEB www.scottsdaleaz.gov
INTEGRITY LINE 480-312-8438

May 22, 2015

Honorable Mayor and City Council Members:

Attached is the report resulting from the external peer review of my Office, which was completed on May 21, 2015. Van Lee, Deputy City Auditor for the City and County of Honolulu, Hawaii, and Adam Figon, Lead Auditor for the City of Milwaukee, Wisconsin, were the team assigned by the Association of Local Government Auditors (ALGA) to conduct the review.

I am pleased to report that the external peer review team determined that my Office was in full compliance with government auditing standards during the three years reviewed, January 2012 through December 2014.

The City Charter and Scottsdale Revised Code both require the City Auditor to follow generally accepted government auditing standards. To comply with these standards, external peer reviews are required once every three years. A peer review evaluates whether the Office has an internal quality control system that is both suitably designed and effectively operating to provide reasonable assurance of compliance with these standards.

In addition to the peer review team's opinion letter, their report includes a management letter and my response letter. Their management letter provides one suggestion, which we are in the process of implementing, and recognizes several areas in which my Office excels.

If you have any questions regarding this report, please contact me.

Sincerely,

Sharron E. Walker, CPA, CFE, CLEA
City Auditor



The Association of Local Government Auditors
Awards this

Certificate of Compliance

to

*Office of the City Auditor
City of Scottsdale, AZ*

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, 2012 through December 31, 2014.

Matt Weller
ALGA Peer Review Committee Chair

Kymber Waltmunson
ALGA President



External Quality Control Review

of the
Scottsdale City Auditor's Office
Scottsdale, Arizona

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**
for the period January 1, 2012 to December 31, 2014



Association of Local Government Auditors

May 21, 2015

Ms. Sharron Walker, CPA, CFE
City Auditor
Office of the City Auditor
7447 E. Indian School Road, Suite 205
Scottsdale, AZ 85251

Dear Ms. Walker:

We have completed a peer review of the Office of the City Auditor, Scottsdale, Arizona for the period January 1, 2012 through December 31, 2014. 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).

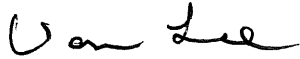
We reviewed the internal quality control system of your audit organization and conducted tests in order to determine whether your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit, attestation engagements, non-audits and other engagements 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 Office of the Auditor General'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 January 1, 2012 through December 31, 2014.

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



Van Lee, CRMA
Team Leader
Deputy City Auditor
Office of the City Auditor
City and County of Honolulu



Adam Figon, CRMA
Team Member
Lead Auditor
Office of the Comptroller
City of Milwaukee



Association of Local Government Auditors

May 21, 2015

Ms. Sharron Walker, CPA, CFE
City Auditor
Office of the City Auditor
7447 E. Indian School Road, Suite 205
Scottsdale, AZ 85251

Dear Ms. Walker:

We have completed a peer review of the Office of the City Auditor, Scottsdale, Arizona for the period January 1, 2012 through December 31, 2014 and issued our report thereon dated May 21, 2015. 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:

- ❖ Audits are sharply focused, concise, and well-written, thereby contributing to the continued productivity and excellence of the office.
- ❖ The organization of working papers with the office's Document Management system and work plan is exemplary.
- ❖ Staff are well-qualified, motivated, and have complementary skills that result in a highly professional and functioning office.
- ❖ The City Auditor maintains and promotes a professional and supportive work environment resulting in a highly, motivated, well-trained, and collaborative staff that consistently meets rigorous project goals.

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

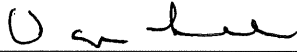
GAS 3.20 states auditors should evaluate threats to independence using the conceptual framework when the facts and circumstances under which the auditors perform their work may create or augment threats to independence... GAS 3.44 states an auditor in a government entity may be required to perform a nonaudit service that could impair the auditor's independence with respect to a required audit. The Office of the City Auditor's Policy and Procedure Manual (page 12) states "...the City Auditor's Office will determine and document that providing such a service (nonaudit) will not create a threat to independence."

In our review of engagements, there was no documentation that consideration of nonaudit service potential threat to independence had been evaluated. In our review of a quarterly nonaudit service provided, there was no documentation of the determination that *providing such a service will not create a threat to independence* pursuant to the office's policy and procedures.


We recommend that the office ensure the evaluation of threats to independence for this recurring nonaudit service be determined and documented.

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

Sincerely,



Van Lee, CRMA
Team Leader
Deputy City Auditor
Office of the City Auditor
City and County of Honolulu



Adam Figon, CRMA
Team Member
Lead Auditor
Office of the Comptroller
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May 21, 2015

Mr. Van Lee
Mr. Adam Figon

Thank you for performing the external quality control review of the Scottsdale City Auditor's Office. We recognize the importance of our continued compliance with Government Auditing Standards and are pleased with your conclusion that our Office was in full compliance for the period January 1, 2012, through December 31, 2014.

As well, thank you for recognizing my Office's commitment to excellence in both the high quality of our work and audit reports and the qualifications and productivity of my staff. I will continue to build upon these strengths. Your management letter recommends that I document my consideration of potential threats to independence that providing the nonaudit service of Taxpayer Problem Resolution Officer may create. We provided you with my informal documentation of this evaluation, based on which I determined that there is no threat presented. However, I fully agree with your suggestion to formally document the analysis in our policies and procedures.

We appreciate the time you took from your own offices to conduct this review. I thank you for your professionalism and the thorough manner in which the work was completed.

Sincerely,

Sharron E. Walker, CPA, CFE, CLEA
City Auditor

cc: Ms. Erin Kenney