



External Quality Control Review

of the
City of Corpus Christi,
City Auditor's Office

Peer Review Period:
January 1, 2015 – December 31 ,2017

October 17, 2018



Association of Local Government Auditors

October 17, 2018

Kimberly Houston, Interim City Auditor
City of Corpus Christi, Texas
City Auditor's Office
1201 Leopard Street
Corpus Christi, TX 78401

Dear Ms. Houston,

We have completed a peer review of the City of Corpus Christi, City Auditor's Office for the period January 1, 2015 through December 31, 2017. 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 engagements 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 Corpus Christi, City Auditor's Office 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 from January 1, 2015 through December 31, 2017.

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

Cameisha Smith, CIA, CGAP
Sr. Auditor
Office of the City Auditor
Tallahassee, FL

Renee Kenney, CPA, CIA, CIG, CISA
Inspector General
Maryland-National Capital Park and Planning Commission
Greenbelt, MD



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Kimberly Houston, Interim City Auditor
City of Corpus Christi, Texas
City Auditor's Office
1201 Leopard Street
Corpus Christi, TX 78401

Dear Ms. Houston,

We have completed a peer review of the City of Corpus Christi, City Auditor's Office (CAO) for the period January 1, 2015 through December 31, 2017 and issued our report thereon dated October 17, 2018. 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:

- The CAO has inclusive planning processes to help ensure audits address key risks and possible fraud, waste and abuse. Examples include:
 - comprehensive Audit Planning Memorandum;
 - collaborative Risk Assessment Matrix; and
 - collaborative fraud brainstorming sessions.
- The CAO has earned the support and trust of the Audit Committee.

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

- Per Standard 2.12, if a nonaudit service is performed for an entity for which the audit organization performs a GAGAS audit, the audit organizations should communicate with requestors that the work performed does not constitute an audit conducted in accordance with GAGAS. In addition, Standard 3.34 requires the auditor to determine if providing a nonaudit service to an audited entity would create a threat to independence. For the period reviewed, the CAO completed 43 nonaudit services as compared to nine (9) Performance Audits. Six (6) of the nonaudit services were follow-up reviews for previously committed Performance Audits. The final nonaudit reports do not contain required language that the follow-up work does not constitute an audit conducted in accordance with GAGAS. In addition, the auditors did not consistently include an independence statement in the nonaudit services workpapers.

We recommend that the City Auditor ensure all nonaudit service reports contain language consistent with Standard 2.12. In addition, the City Auditor should ensure assigned auditors assess any threats to independence for all nonaudit services and include a completed independence statement in the respective workpapers.

- Per Standard 6.11(e), Auditors should assess audit risk and significance within the context of the audit objectives by gaining an understanding of ongoing investigations or legal proceedings within the context of the audit objectives. The CAO's Audit Planning Memo contains language to ensure assessment of five areas (a-d, f) but does not address requirement 6.11(e). In addition, the CAO's Internal Audit Guide, Section 6.2 *Background and Planning* does not reference ongoing investigations or legal proceedings.

We recommend that the City Auditor update their Audit Planning Memo template and Internal Audit Guide to include assessment of ongoing investigations or legal proceedings.

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.



Cameisha Smith, CIA, CGAP
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Tallahassee, FL



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October 17, 2018

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Tallahassee, FL

Dear Ms. Kenney and Ms. Smith,

We have received the results from our external quality control review (peer review) of the City of Corpus Christi's City Auditor's Office for the period of January 1, 2015 through December 31, 2017. We are pleased the results show our system of internal quality control complied with Government Auditing Standards. We appreciate that your report includes areas in which you believe our office excels as well as suggestions to help improve our audit processes.

We have carefully reviewed the recommendations presented in the peer review letter, and our plans to correct the issues are described below. We will revise our audit guide and documentation accordingly.

- *We recommend the City Auditor ensure all nonaudit service reports contain language consistent with Standards 2.12. In addition, the City Auditor should ensure assigned auditors assess any threats to independence for all nonaudit services and include a complete independence statement in the respective workpapers.*

We will incorporate language in nonaudit services reports to demonstrate compliance with Standards 2.12. When performing future nonaudit services, we will assess any threats to independence and ensure completed independence statements are included in workpapers.

- *We recommend the City Auditor update their Audit Planning Memo template and Internal Audit Guide to include assessment of ongoing investigations or legal proceedings.*

We will update our Audit Planning Memo and Internal Audit Guide to include assessment of ongoing investigations or legal proceedings.

I would like to extend my appreciation to our peer review team for their dedication to Association of Local Government Auditor's and to the profession of internal auditing. We appreciate the professionalism you demonstrated during the review, and we value the ideas and suggestions provided to us.





City of
Corpus
Christi

Respectfully,

Kimberly L. Houston
Interim City Auditor
City of Corpus Christi, Texas

cc: Trevor Williams

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