



External Quality Control Review

of the
Audit Services Division,
Office of the City Auditor,
City and County of Denver

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**
for the period May 1, 2015 through December 31,
2017



Association of Local Government Auditors

March 8, 2018

Mr. Timothy M. O'Brien, CPA
Denver Auditor
Office of the Auditor, City and County of Denver
201 West Colfax Avenue, Department 705
Denver, Colorado 80202

Dear Auditor O'Brien,

We have completed a peer review of the Denver Audit Services Division for the period May 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 and attestation engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff, management, and members of the Audit Committee 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 Denver Audit Services Division 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 May 1, 2015 through December 31, 2017.

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

Sharon W. Erickson, CIA,
CGFM
Office of the City Auditor
City of San Jose, CA

Claudette R. Biemeret,
CGAP
Office of the City Auditor
City of Berkeley, CA

Cameron A. Lagrone, CGAP
Office of the City Auditor
City of Austin, TX



Association of Local Government Auditors

March 8, 2018

Mr. Timothy M. O'Brien, CPA
Denver Auditor
Office of the Auditor, City and County of Denver
201 West Colfax Avenue, Department 705
Denver, Colorado 80202

Dear Auditor O'Brien,

We have completed a peer review of the Denver Audit Services Division for the period May 1, 2015 through December 31, 2017 and issued our report thereon dated March 8, 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:

- Audit staff are competent and highly trained, and have a good understanding of Government Auditing Standards. The Office has a strong review process to ensure the quality of its reports.
- The Office audit plan includes a wide variety of topics of interest to stakeholders.
- The Office continues to explore innovative audit techniques including using real-time data to drive audit projects, and to issue reports that consider the needs of various readers.

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

- The Office could better demonstrate compliance with GAGAS 3.08 ("auditors should apply the conceptual framework at the organization, audit, and individual auditor levels") regarding independence by:
 - Documenting an organizational assessment of Office functions that reside outside the audit services division (e.g. prevailing wage and contract administration). GAGAS 3.10 states "for consideration of auditor independence, offices or units of an audit organization, or related or affiliated entities under common control, are not differentiated from one another. Consequently, for the purposes of independence evaluation using the conceptual framework, an audit organization that includes multiples offices or units, or includes multiple entities related or affiliated through common control, is considered to be one audit organization."
 - Consistently documenting at the start of each audit project that ASD staff have evaluated the impact of any previously performed nonaudit services (GAGAS 3.42). We recommend this include third party services, as well as other functions contained within the Auditor's Office.
 - Documenting that, before agreeing to provide a nonaudit service, an assessment has been conducted as to whether providing such services would create a threat to independence, either by itself or in aggregate with other nonaudit services provided, with respect to any GAGAS audit the Office performs (GAGAS 3.33-3.34).

We extend our thanks to you and your staff, particularly Katja Freeman, for the hospitality and cooperation extended to us during our review.

Sincerely,



Sharon W. Erickson, CIA,
CGFM
Office of the City Auditor
City of San Jose, CA



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City of Austin, TX



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201 West Colfax Avenue, Dept. 705 • Denver, Colorado 80202

720-913-5000 • Fax 720-913-5253 • www.denvergov.org/auditor

Timothy M. O'Brien, CPA
Auditor

March 9, 2018

Ms. Sharon Erickson
City Auditor
San Jose, California

Ms. Claudette Biemeret
Audit Manager
Berkeley, California

Ms. Cameron Lagrone
Senior Auditor
Austin, Texas

Dear Ms. Erickson, Ms. Biemeret, and Ms. Lagrone,

Thank you for your peer review letter dated March 8, 2018, providing your opinion that the Audit Services Division of the Denver Auditor's Office is in full compliance with Government Auditing Standards for our internal quality control system over audit and nonaudit services during the period May 1, 2015 through December 31, 2017.

This determination is the highest level of compliance with Government Auditing Standards under the Association of Local Government Auditors' (ALGA) peer review program. We have worked to continuously improve our internal quality control system to help us achieve this goal.

I very much appreciate the thoughtful observations and suggestions identified in your companion letter to the compliance letter. You cited areas where the Audit Services Division excels, including the competence of our highly-trained people, our quality reports that consider the needs of various readers, and our broad variety of audit topics of interest to our stakeholders. I am pleased that the letter emphasizes our use of innovative audit techniques such as using real-time data to drive audit projects. We are very fortunate to have a staff that has been able to produce award-winning audits, as recognized by the ALGA Knighton awards program.

We will take action to address the observations in the companion letter pertaining to Standard 3.08 related to auditor independence. Using your valuable guidance, we will document relevant organizational safeguards and supplement our policies and procedures for audits and nonaudit services to ensure the consistent assessment of potential threats to independence.

Thank you for your professionalism and thoughtful feedback, and for taking time away from your families and work obligations to conduct this review. Your commitment to the audit profession and your combined experience and expertise are obvious, and we thank you for providing this valuable, much appreciated service to the City and County of Denver. We also extend our sincere gratitude to ALGA, especially the Peer Review Committee, for its sponsorship and facilitation of this peer review.

Sincerely,

A handwritten signature in black ink, appearing to read 'Timothy M. O'Brien'.

Timothy M. O'Brien, CPA
Denver Auditor