



External Quality Control Review

of the Office of the City Auditor
City and County of Honolulu

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

for the period July 1, 2012 to
June 30, 2015



Association of Local Government Auditors

November 19, 2015

Mr. Edwin S. W. Young, City Auditor
Office of the City Auditor
City and County of Honolulu
1001 Kamokila Boulevard, Suite 216
Kapolei, Hawaii 96707

Dear Mr. Young,

We have completed a peer review of the City and County of Honolulu's Office of the City Auditor for the period July 1, 2012 to June 30, 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 audit, non-audit services, 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 and County of Honolulu's 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, attestation engagements and non-audit services during the period July 1, 2012 to June 30, 2015.

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

Paul Geib,
Milwaukee Public Schools

Kelly Hammond,
Frederick County Maryland-Retired



Association of Local Government Auditors

November 19, 2015

Mr. Edwin S.W. Young, City Auditor
Office of the City Auditor
City and County of Honolulu
1001 Kamokila Boulevard, Suite 216
Kapolei, Hawaii 96707

Dear Mr. Young,

We have completed a peer review of the City and County of Honolulu Office of the City Auditor for the period July 1, 2012 to July 31, 2015 and issued our report thereon dated November 19, 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:

- The staff in the Office of the City Auditor is very qualified, and all the staff has at least one certification. In addition, the staff is knowledgeable about their policies and procedures and *Government Auditing Standards*.
- Office of the City Auditor's continuous monitoring and supervision helps ensure their work is properly supervised and evidence is sufficient and appropriate.
- The Control Checklists for planning, fieldwork and reporting further enhance the office's adherence to government auditing standards.

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

- Standard 2.12 states that when providing non-audit services, audit organizations should communicate with requestors and those charged with governance to clarify that the work performed does not constitute an audit conducted in accordance with GAGAS.

Observation: In reviewing the Office's work papers, we observed that both Non-Audit services reviewed did not include documentation on this communication. This was a recurring finding.

We Suggest: Policies and Procedures be updated to include language for Non Audit Services that requires communication to the requestor and those charged with governance that the work performed does not constitute an audit conducted in accordance with GAGAS.

- Standard 7.19 states that auditors should include in the audit report (1) the scope of their work on internal control and (2) any deficiencies in internal control that are significant within the context of the audit objectives and based upon the audit work performed.

Observation: In the four performance audits reviewed, there was no statement regarding their scope of work on internal control and the results.

We Suggest: Performance audits include a statement on the scope of their work on internal controls.

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

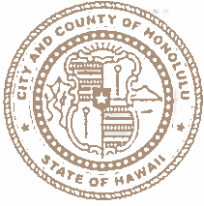
Sincerely,



Paul Geib
Milwaukee Public Schools



Kelly Hammond
Frederick County
Maryland (Retired)



**OFFICE OF THE CITY AUDITOR
CITY AND COUNTY OF HONOLULU**

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**EDWIN S.W. YOUNG
CITY AUDITOR**

November 19, 2015

**Mr. Paul Geib, Milwaukee Public Schools
Ms. Kelly Hammond, Frederick County, MD (Retired)**

Aloha Mr. Geib and Ms. Hammond:

On behalf of the Office of the City Auditor, I would like to extend our personal thanks to you, the peer review team, for your professionalism, knowledge and courtesies extended to us during the peer review process. We found the peer review process to be constructive, value added, and helpful. We also thank you, the Association of Local Government Auditors (ALGA), and the many others who provided support during the peer review.

I am pleased that the independent peer review team concluded that the City and County of Honolulu's Office of the City Auditor internal control system is suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards for the period of July 1, 2012 to June 30, 2015. We will share your peer review results with our City Council and make it available to the public on our website.

We are also pleased that the peer review team found that:

- The Office of the City Auditor staff is very qualified with at least one certification; is knowledgeable about the office policies and procedures; and is knowledgeable of Government Auditing Standards.
- The office's continuous monitoring and supervision helps to ensure the audit work is properly supervised and evidence is sufficient and appropriate, and
- The control checklists for planning, fieldwork, and reporting enhance the office's adherence to government auditing standards.

In our efforts to continuously improve, we thank you for your suggestions for improving our audit operations and to enhance our office's demonstrated adherence to Government Auditing Standards. The following are our responses to your recommendations:

Mr. Paul Geib, Milwaukee Public Schools
Ms. Kelly Hammond, Frederick County, MD (Retired)
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Recommendation 1: Policies and procedures should be updated to include language for Non-audit Services that require communications to the requestor and those charged with governance that the work performed does not constitute an audit conducted in accordance with GAGAS.

We concur. We will update our policies and procedures to ensure that, for Non-audit Services, requestors and those responsible for governance are notified that the work performed does not constitute a GAGAS audit.

Recommendation 2: Performance audits should include a statement on the scope of the work on internal controls.

We concur. We will update our policies and procedures for performance audits to include statements regarding internal controls in our audit scope and methodology, and any significant deficiencies in internal controls that relate to the audit objectives and the audit work performed.

We again thank you for your value added inputs. Our office found the ALGA peer review process to be very constructive and valuable. We appreciate your willingness to take time away from your busy schedules to evaluate our operations and express our thanks for the thoroughness of your work and the opportunity to share ideas that we can apply in our organization.

Sincerely and Mahalo,


Edwin S. W. Young
City Auditor