

**Independent External Peer Review
Report for**

***THE CITY OF NEW YORK,
OFFICE OF THE COMPTROLLER
AUDIT BUREAU***

October 29, 2010

INDEPENDENT EXTERNAL PEER REVIEW REPORT.....	1
Introduction.....	1
Background.....	1
Scope	2
Commendable Areas.....	2
Opinion	3

INDEPENDENT EXTERNAL PEER REVIEW REPORT

Introduction

The City of New York, Office of the Comptroller engaged The Institute of Internal Auditors, Inc. (IIA) to conduct an independent External Peer Review (review) of the auditing engagement practices of the Audit Bureau (Bureau). The Bureau is required to conduct its activities in accordance with the *Generally Accepted Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States. The purpose of this review was to determine whether the Bureau's internal quality control system was adequate, and whether its policies and procedures were complied with to provide it with reasonable assurance that it conforms with GAGAS.

The review was based on the 2007 Revision of GAGAS, for the period of July 1, 2009 through June 30, 2010. The review was conducted from October 18, through October 29, 2010 by a team of qualified independent audit professionals. The review was conducted in compliance with the sections of GAGAS applicable to conducting external peer reviews.

Background

The mission of the Bureau is to:

- Reduce the Cost of City Government;
- Improve the Quality of City Government Services; and
- Maintain the Integrity of the City Government Environment.

This mission is accomplished by conducting audits and other analyses of City-funded operations in accordance with the New York City Charter, and by providing findings and recommendations to those City managers and officials who are authorized and empowered to effect change. The Bureau also releases findings and recommendations to inform the public of how City government is working. The Comptroller is required to:

- Perform an audit of some aspect of every City agency at least once every four years;
- Perform financial audits of City transactions, revenues, and expenditures;
- Perform operational audits of City agencies to determine whether goals are being met and funds are used effectively and efficiently;
- Undertake studies on how the City uses computers and other new technology;
- Conduct audits in accordance with generally accepted government auditing standards (GAGAS); and
- Issue an annual report to the Mayor and City Council by March 1, describing the previous fiscal year's major audits, audit recommendations and the implementation status of the audit recommendations.

Scope

Bureau management has exercised its professional judgment in accordance with GAGAS, and elected to comply with the GAGAS performance audit standards. Accordingly, the scope of the review included:

- Comparing the Bureau's Audit Policy and Instruction Manual (April 2008, as amended) with the applicable sections of the July, 2007 Revision of GAGAS, chapters 1 through 3, 7 and 8. These chapters include the *General Standards for Independence, Personal and Organizational Impairments, Professional Judgment, Competence, and Quality Control and Assurance; and the Field Work and Reporting Standards for Performance Audits*.
- Assessing the effectiveness and independence of the Bureau's Quality Assurance function, including the documentation maintained.
- Interviewing 34 of the Audit Bureau's professional employees, including the Deputy Comptroller for Audits, all bureau directors, eight of nine managers, and randomly selected supervisors and staff auditors.
- Reviewing 30 of 66 audit reports issued during the period of review for compliance with GAGAS.
- Reviewing one report issued during the period of review and identified as non-GAGAS to verify that designation.
- Reviewing 12 sets of engagement work papers of audits completed during the period of review for compliance with GAGAS.
- Verifying the educational backgrounds of those professional staff, who were interviewed, for compliance with the Bureau's established requirements.
- Validating the Bureau's procedures for administering Continuing Professional Education (CPE).
- Verifying CPE earned by individual professional staff members to ensure compliance with GAGAS requirements.
- Validating the Bureau's procedures pertaining to assuring independence.
- Verifying that individual professional staff members complied with independence procedures.

Commendable Areas

During the course of the review, areas were noted for which the Bureau should be commended. These areas include:

- The *Audit Policy and Instruction Manual* is well written and generally addresses the relevant aspects of GAGAS. The manual contains complete, easily understood guidance, providing a reliable resource to help assure that all audit staff members comply with GAGAS on a consistent basis.
- Quality control and assurance is effectively achieved within the Bureau through the design of its organizational structure; the quality of the audit manual; and a diligent and independent Quality Assurance group whose primary goal is to help assure the Bureau's compliance with GAGAS.

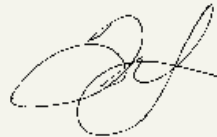
- The Bureau's documentation is comprehensive and contains such features as thorough cross-references; detailed chronologies of audit steps performed, and audit supervisory review evidence.
- The Bureau has undergone external peer reviews every three years since 1992. The prior review had no findings requiring our follow-up during this review. It is noteworthy that this successful trend has continued through a change in administration which occurred during the period of the current review.
- The Bureau's audit staff expressed appreciation for a perceived increase in commitment to professional auditing demonstrated in the strong support from a newly elected Comptroller and his appointment of a Deputy Comptroller dedicated solely to audit.
- Bureau management has identified a need for enhancing its ability to better add value to the operations of the City of New York, by taking initiatives to be more productive and to forge better working relationships with agency management. These initiatives are demonstrated by an increased focus on the use of IT in its audit work, such as the implementation of automated audit software, and periodic meetings with agency operating management. The Bureau is encouraged to continue these efforts.

Opinion

Based on the results of our External Peer Review, we found the Bureau's internal quality control system was adequate, and it complied with its policies and procedures in a manner that provides reasonable assurance that it conforms with GAGAS. As part of the review process, each member of the review team independently assessed the Bureau's compliance with the applicable sections of GAGAS. Accordingly, in our opinion, the City of New York, Office of the Comptroller's Audit Bureau, generally complies with the 2007 Revision of GAGAS.



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