



**External
Quality
Control Review**

of the
City of Dallas - Office of the City
Auditor

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors for the period** for the period May 1,
2007 through April 30, 2010



Association of Local Government Auditors

June 14, 2010

Craig D. Kinton, City Auditor
Office of the City Auditor
1500 Marilla Street, Room 2FN
Dallas, Texas 75201

Dear Mr. Kinton,

We have completed a peer review of the City of Dallas - Office of the City Auditor for the period May 1, 2007, through April 30, 2010. 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 if 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. 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 Dallas - Office of the City Auditor 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 review period.

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

Marcus Richardson, CICA
City and County of Denver

Craig Schroder, CPA, CIA, CISA
City of Charlotte, North Carolina

Mark Swann, CIA, CISA
Metropolitan Government of
Nashville and Davidson County



Association of Local Government Auditors

June 14, 2010

Craig D. Kinton, City Auditor
Office of the City Auditor
1500 Marilla Street, Room 2FN
Dallas, Texas 75201

Dear Mr. Kinton,

We have completed a peer review of the City of Dallas - Office of the City Auditor for the period May 1, 2007, through April 30, 2010, and issued our report thereon dated June 14, 2010. 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:

- Supervision is consistently documented in the audit files. The organization also has a quality control manager that thoroughly documents key audit processes for Policy and Procedure Manuals and Quality Control Assessments.
- The organization's diverse staff is highly qualified and talented. In addition, the office has developed a cost effective and unique staff training program. The training program provides staff with the opportunity to train their colleagues and exchange valuable audit information at monthly staff meetings. (The organization could explore opportunities to incorporate CPE credits for these training sessions.)
- Audit focus meeting minutes reviewed were detailed and provided direction and guidance during the audit planning phase.
- The work papers contained in the audit files provide a clear understanding of the source, purpose, and conclusions.

- Audits reports reviewed were easy to read, concise, and addressed very important issues. Overall, audit engagement recommendations provided valuable enhancement information for departments and agencies.
- The risk assessment process used to develop the annual audit plan is creative and effectively supports engagement selections.
- The City Auditor's Office implemented CCH TeamMate during 2008. The software provides a streamlined process for managing audit projects. Important information such as program steps, findings, coaching notes, sign-offs and edit histories are contained in database tables.

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

Observation: Effective January 2008, changes to Government Auditing Standards (GAS) were made regarding nonaudit services. These changes streamlined the discussion of nonaudit services and their impact on auditor independence. Specifically, GAS 3.25 discusses three categories of nonaudit services:

1. Nonaudit services that do not impair the audit organization's independence.
2. Nonaudit service that would not impair the audit organization's independence as long as the audit organization complies with the supplemental safeguards in GAS 3.30.
3. Nonaudit services that do impair the audit organization's independence.

During our review, the organization had the following nonaudit service activities:

- Grant Compliance Reviews;
- Investigations;
- Other Activities; and
- Participation on the Employee's Retirement Fund (ERF) Board of Trustees.

Suggestion: We suggest that the organization enhance their policies and procedures to evaluate all nonaudit service activities in accordance with GAS 3.25. Documenting your consideration of these three categories, will strengthen your system of quality control by:

- Providing a clear explanation to staff;
- Assuring correct application of GAS;
- Addressing past peer review concerns; and
- Safeguarding independence.

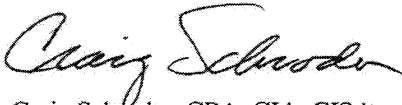
Craig D. Kinton
June 14, 2010
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We extend our thanks to you, your staff and the other city officials we met for the hospitality and cooperation extended to us during our review.

Sincerely,

A handwritten signature in cursive script that reads "Marcus Richardson". The signature is written in black ink and is enclosed within a thin, hand-drawn oval.

Marcus Richardson, CICA
City and County of Denver

A handwritten signature in cursive script that reads "Craig Schroder". The signature is written in black ink.

Craig Schroder, CPA, CIA, CISA
City of Charlotte, North Carolina

A handwritten signature in cursive script that reads "Mark Swann". The signature is written in black ink.

Mark Swann, CIA, CISA
Metropolitan Government of Nashville and Davidson County



City of Dallas

June 17, 2009

Marcus Richardson, CICA
City and County of Denver

Craig Schroder, CPA, CIA, CISA
City of Charlotte, North Carolina

Mark Swann, CIA, CISA
Metropolitan Government of
Nashville and Davidson County

Dear Peer Review Team:

Thank you for performing an external quality control review of the City of Dallas – Office of the City Auditor (Office) for the period of May 1, 2007 through April 30, 2010. We appreciate receiving the Peer Review Team's (Team) opinion that our internal quality control system was suitably designed and operating effectively in accordance with Government Auditing Standards (GAS). We also value the Team's acknowledgement of areas where our Office excels and the observations and suggestions to enhance the Office's documentation of the following non-audit service activities (Non-audit Services):

- Grant Compliance Reviews;
- Investigations;
- Other Activities; and,
- Participation on the Employee's Retirement Fund Board of Trustees.

We offer the following response to the Team's suggestion:

We concur. We will enhance our policies and procedures to ensure that all Non-audit Services are evaluated and documented in accordance with GAS 3.25.

We appreciate the Team's professionalism, organization, and courtesy. It was evident that the Team members were experienced and well prepared to conduct this review. We also welcomed the opportunity to share and exchange ideas during the course of this engagement.

Sincerely,

Craig D. Kinton
City Auditor