



CITY OF

FORT LAUDERDALE

City Auditor's Office

Memorandum No: 14/15-02

Date: July 1, 2015

To: Honorable Mayor and Commissioners

From: John Herbst, CPA, CGFO, CGMA
City Auditor

Re: Independent External Quality Review

The City Auditor's Office follows Government Auditing Standards. These standards provide assurance to the public that the office conducts its work professionally. Government audit offices nationwide at the federal, state, and local level are required by Government Auditing Standards to maintain systems of internal quality control to ensure compliance with these standards and to have an external quality review once every three years to assess the organization's compliance. The attached letter and report contain the results of our most recent external quality control review, also known as a "peer review."

This month, a peer reviewer came to our office to review our reports, working papers, policies and procedures, and interviewed audit staff and other stakeholders. The peer reviewer found that our office fully complies with Generally Accepted Government Auditing Standards. The review period was from July 1, 2012 through June 30, 2015.

Successful completion of reviews like this one allows our office to state in each of our reports that we conducted our work in accordance with generally accepted government auditing standards. Each report meets the requirements for issues like auditor independence, due care, professional education, fieldwork, and audit reporting.

Please contact me if you have any questions about the peer review process or our office. While we always look for ways to further improve, we are pleased to have our office's professionalism confirmed by other auditors.

Independent External Quality Report



THE CITY OF FORT LAUDERDALE

External Quality Review

The City of Fort Lauderdale

Prepared by Lucas Delgado JD, CPA, CIA, CGAP, CRMA, MBA

For the Three Year Period of July 1st,
2012 to June 30th, 2015

Report Dated July 1st 2015

Independent External Quality Report

July 1st, 2015

John Herbst
City Auditor
City of Fort Lauderdale
Fort Lauderdale FL

Dear Mr. Herbst:

I have completed a peer review of the City Auditor's Office of the City of Fort Lauderdale for the period of July 1st, 2012 to June 30th, 2015. In conducting our review, we followed the Government Auditing Standards issued by the Comptroller General of the United States.

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 audit staff.
- Interviewing audit staff, management, and members of the City Commissioners 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 Fort Lauderdale internal quality control system over the City Auditor's Office was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards for audits and attestation engagements during the Reviewed Period.



Lucas Delgado, JD, CIA, CPA, CGAP, CRMA, MBA

Independent External Quality Report

July 1st, 2015

John Herbst
City Auditor
City of Fort Lauderdale
Fort Lauderdale FL

Dear Mr. Herbst:

We have completed a peer review of the City Auditor's Office of the City of Fort Lauderdale for the period from July 1st, 2012 to June 30th, 2015 and issued our report thereon dated July 1st, 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:

- Based on the information provided the audit office performs a Risk Assessment as part of the Annual Audit Plan process. A risk assessment is not required by the Government Auditing Standards "Yellow Book" in order to prepare and present an annual audit plan. However, this tool adds value to the audit function by making a dynamic contribution to better governance, robust risk management, and more reliable controls.

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

- As mentioned above, the City Auditor's Office currently performs a Risk Assessment as part of the Annual Audit Plan process. That process, as complete and inclusive as it currently is, is based on a methodology created by your personnel's previous engagement experiences, professional expertise, and knowledge of the City needs.

We suggest that the methodology used and applied in the process be properly documented and updated every year. A written methodology not only will help maintain supporting documentation for the assumptions and considerations applied, but also it will be useful for future evaluations and review processes.

- As part of the engagement assignments and supervision, we recommend that each audit be assigned a specific engagement time budget to perform each engagement. The engagement time budget establishes the estimated amount of work necessary to satisfy the audit objectives. Formulation of a reasonable time budget requires an understanding of the audit objectives, knowledge of the types of

Independent External Quality Report

data available, and an understanding of the methods and techniques that can be used to gather and analyze audit evidence, which are currently part of the planning process.

The Audit Manager should be responsible for preparing the time budget, which should be approved by the City Auditor. The time budget may be modified during the course of the engagement when circumstances warrant with the approval of the City Auditor.

- The City Auditor's Office Charter covers the office role, independence, authority, and required standards to be followed. However, the Charter does not include any reference to the City Code of Ethics.

We suggest that proper citation of the City Code of Ethics as per Florida Statutes, Chapter 1123, Part III, "*Code of Ethics for Public Officers and Employees*" be included and made part of the City Auditor's Office Charter.

- We also noted that the City Auditor adds a tremendous amount of value to his organization by performing new or existing business evaluations for the City Commissioners and Mayor. This type of engagement is known as "Due Diligence".

We suggest that the office documents this type of advisory services as part of the Consulting Services. Thompson Reuters and other entities have books and guidelines on how to perform these types of engagements, which we recommend, and you should consider acquiring, to properly document future engagements. This guide¹ includes checklists and sample provisions as well as tips on advising a client on project evaluations, preparing a business plan, and closing business deals.

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,



Lucas Delgado,
Juris Doctore, (JD)
Certified Public Accountant (CPA)
Certified Internal Auditor (CIA)
Certified Government Professional Auditor (CGAP)
Certified in risk Management Assurance (CRMA)
Master Business Administration in Finance (MBA)

¹ PPC's Guide to Buying or Selling a Business