



External Quality Control Review

of the
Office of Audit and Performance –
City of Indianapolis

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**
for the period January 1, 2020, to December 31,
2022



Association of Local Government Auditors

April 14, 2023

Joe Glass, Director
Office of Audit and Performance – City of Indianapolis
200 E Washington Street, suite 2101
Indianapolis, Indiana 46204

Dear Mr. Glass,

We have completed a peer review of the Office of Audit and Performance for the period January 1, 2020, through December 31, 2022. In accordance with generally accepted government auditing standards peer review requirements, 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 was adequately designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States and applicable legal and regulatory requirements. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit engagements 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. Organizations can receive a rating of pass, pass with deficiencies, or fail. The Office of Performance and Audit has received a rating of pass.

Further, based on the results of our review, it is our opinion that the Office of Audit and Performance's internal quality control system was adequately designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* and applicable legal and regulatory requirements for audits during January 1, 2020, to December 31, 2022.

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

Michael Eglinski

Michael Eglinski
Senior Auditor
Audit Services
Johnson County, KS

Joan Pu

Joan Pu, CISA
Retired
Kansas City, MO



Association of Local Government Auditors

April 14, 2023

Joe Glass, Director
Office of Audit and Performance – City of Indianapolis
200 E Washington Street
Indianapolis, Indiana 46204

Dear Mr. Glass,

We have completed a peer review of the Office of Audit and Performance for the period January 1, 2020, to December 31, 2022, and issued our report thereon dated April 14, 2023. 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 *Audit Program Guide and or Outline* provides a concise, easy to follow guide and helps ensure consistent work in planning, fieldwork, and reporting.
- The risk and fraud evaluation in the engagements we reviewed were detailed, comprehensive, and involve people from outside the audit team. This helps to define and focus the scope of the audit work.

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

- Standards 4.02-4.03 require assigning auditors to engagements who collectively possess the needed competence to address the engagement objectives, and that they possess the competence before beginning work on the engagement. In reviewing engagement working papers, we did not see documentation that the Office considered 4.02-4.03 in assigning auditors.

We suggest including a working paper within the audit engagement that addresses the standard.

- Standards 4.16-4.17 require auditors to complete at least 80 hours of continuing professional education in every 2-year period with at least 20 hours in each year of the 2-year period. In reviewing the Office's records, we observed that not all employees met the requirements during the review period.

We suggest the Office review staff hours and, as needed, develop plans to ensure all staff meet the required standard.

- Standards 5.24, 8.27, 8.82 and 8.108 require procedures and documentation about:
 - Consulting on difficult or contentious issues that arise among engagement team members;

- Inquiring of management about any investigations or ongoing legal proceedings that are significant to the audit objectives;
- Assessing the independence of any specialists engaged for the audit; and
- Performing and documenting an overall assessment of the collective evidence used to support findings and conclusions.

In reviewing the Office's Standard Operating Procedures, we observed that the procedures do not clearly address those standards.

We suggest the Office revise its Standard Operating Procedures to address those standards.

We also suggest the Office consider developing an engagement review form or checklist to complete for each audit engagement. The ALGA peer review *Form 9: Review of Audit Engagement* could be used as a model.

- Standards 5.42-5.44 require establishing policies and procedures for monitoring the Office's system of quality control, performing those monitoring procedures, and analyzing and summarizing the results at least annually. In reviewing the Office's Standard Operating Procedures for auditing, we did not find procedures to address these standards.

We suggest the Office revise its Standard Operating Procedures to address monitoring procedures. If the Office begins to use a *Review of Audit Engagement checklist*, those lists could provide materials to review as part of the annual monitoring process.

- Standard 8.30 requires evaluating whether an audited entity took appropriate actions to address findings from previous engagements that are significant in the context of the current audit objectives. In reviewing the Office's working papers, we didn't see this consideration clearly documented.

We suggest the working papers for each engagement include identifying previous findings that are significant to the current audit, evaluating those that are significant, and documenting the considerations. If the Office begins to use a *Review of Audit Engagement checklist*, the checklist would provide a control to ensure compliance with the standard.

- Standard 8.116 requires planning and performance work to develop elements of a finding including the "effect," if relevant and necessary to achieve the audit objectives. In reviewing the Office's working papers, we did not see evidence that the engagement included developing the effect element.

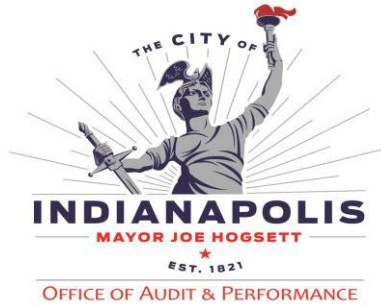
We suggest the working papers for each engagement include documentation about the effect element of any findings if relevant and necessary to achieve the audit objectives. If the Office begins to use a *Review of Audit Engagement checklist*, the checklist would provide a control to ensure compliance with the standard.

We extend our thanks to you, your staff, and the other officials we met for the hospitality and cooperation extended to us during our review.

Sincerely,

Michael Eglinski
Michael Eglinski
Senior Auditor
Johnson County, KS

Joan Pu
Joan Pu, CISA
Retired
Kansas City, MO



April 17, 2023

Sent by electronic mail

Michael Eglinski
Senior Auditor
Johnson County, KS
michael.egliniski@jocogov.org

Joan Pu, CISA
Retired
Kansas City, MO

Dear Mr. Eglinski and Ms. Pu,

Thank you for the thorough and professional peer review of our internal audit team. Your assessment provides critical and independent assurance to those relying on our work. Our team is pleased you found our internal quality control system to be adequately designed and operating effectively during the period of review.

Our internal audit team is committed to continuous improvement and appreciates the observations and suggestions contained in the April 14th, 2023 management letter. We have begun discussing your insights as a team and will amend our internal processes and policies accordingly.

Thank you both again for your insight, candor and courtesy throughout the process. It was a pleasure working with you both.

Sincerely,

A handwritten signature in black ink that reads "Joe Glass". The signature is written in a cursive style with a large, stylized "J" and "G".

Joe Glass
Director
Office of Audit and Performance—City of Indianapolis