



External Quality Control Review

of the
City of Chesapeake
Audit Services

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



May 22, 2014

Attention: Jay Poole, City Auditor, Chesapeake, Virginia

Dear Jay Poole,

We have completed a peer review of the City of Chesapeake, Virginia, Audit Services Department for the period April 01, 2011, through March 31, 2014. 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 engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff, management, and members of the Audit Committee 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 Chesapeake, Virginia, Audit Services Department's 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 April 01, 2011, through Mar 31, 2014.

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

Carlos L. Holt, CPA, CFF, CIA, CFE
Team Leader
Office of Internal Audit
Metro Nashville Government
Nashville, Tennessee

Sharon Hulehan, CPA
Team Member
Internal Audit
Virginia Beach City Public Schools
Virginia Beach, Virginia



May 22, 2014

Attention: Jay Poole, City Auditor, Chesapeake, Virginia

Dear Jay Poole,

We have completed a peer review of the City of Chesapeake, Virginia, Audit Services Department for the period of April 01, 2011, through March 31, 2014, and issued our report thereon dated May 22, 2014. 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 staff are thoroughly knowledgeable of *Government Auditing Standards* and the internal policies and procedures.
- The annual audit plan is effective at communicating when departmental audits will occur.
- The structure and reporting relationship of the City Auditor to the City Council, and the composition of the Audit Committee, is effective and a best practice.

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

- Standard 6.83 requires documentation of "supervisory review, before the audit report is issued..." In reviewing the audit work papers, we observed this was not always performed in a timely manner.

We recommend that a timely review be conducted in all instances.

- Standard 3.26 requires that threats to independence first observed after issuance of the report be evaluated for required actions. In reviewing the policies and procedures they contained no reference to this area.

We recommend that this be added to your internal policies and procedures.

- Standard 3.34 (revised 2011) requires that prior to non-audit services being undertaken, the risk of independence threats be addressed. In reviewing your non-audit services we found that investigations contained no assessment documentation.

We recommend this be added to your internal policies and procedures and performed prospectively.

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,



Carlos L. Holt, CPA, CFF, CIA, CFE
Team Leader
Office of Internal Audit
Metro Nashville Government
Nashville, Tennessee



Sharon Hulehan, CPA
Team Member
Internal Audit
Virginia Beach City Public Schools
Virginia Beach, Virginia

May 22, 2014

Mr. Carlos Holt
Team Leader
Audit Manager
Metro Nashville and Davidson County
222 3rd Avenue North, #401
Nashville, Tennessee 37210

Dear Mr. Holt:

We have reviewed the conditions and recommendations from your ALGA Peer Review Committee's external quality control review of the City of Chesapeake Audit Services Department for audits conducted during the period April 1, 2011 through March 31, 2014. Enclosed is the response to your management comments. We plan to implement all three recommendations.

Recommendation:

- Standard 6.83 requires documentation of "supervisory review, before the audit report is issued..." In reviewing the audit work papers, we observed this was not always performed in a timely manner.

We recommend that a timely review be conducted in all instances.

Response:

This recommendation will be implemented. Initially, to ensure that reviews are completed timely, we will develop an audit workpaper status spreadsheet that tracks the status of any incomplete workpapers once audit work has been completed. Longer term, we will seek funding for an automated workpaper system that has the capability of tracking open workpaper items.

Recommendation:

- Standard 3.26 requires that threats to independence first observed after issuance of the report be evaluated for required actions. In reviewing the policies and procedures they contained no reference to this area.

We recommend that this be added to your internal policies and procedures.

Response:

This recommendation will be implemented. We will add a disclosure requirement to Section IV of our Audit Procedures Manual to read as follows:

E. Subsequent Events

Should Audit Services subsequently become aware of any issues or circumstances that adversely impact the accuracy of information reported as of the date of the audit or the independence of any auditors who worked on the report, this information will be disclosed in an addendum to the report and posted next to the report on the Audit Services website.

Recommendation:

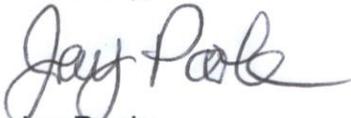
- Standard 3.34 (2011 revision) requires that prior to non-audit services be undertaken, the risk of independence threats be addressed. In reviewing your non-audit services we found that investigations contained no assessment documentation.

Response:

This recommendation will be implemented. We will include our non-audit services evaluation worksheet in all investigation files beginning with investigations initiated in Fiscal Year 2014.

Thank you and Sharon again for your hard work, thoughtful insight, and valuable assistance on this peer review. Please call if you have questions.

Sincerely,



Jay Poole
City Auditor
City of Chesapeake, Virginia

cc: Sharon Hulehan, Team Member
Paul Geib, ALGA Peer Review Coordinator