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**GAGAS Peer Review
New York City Comptroller's Office
Audit Bureau**

For the Period Ended June 30, 2013

November 1, 2013

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INDEPENDENT EXTERNAL PEER REVIEW REPORT.....	1
Introduction.....	1
Background.....	1
Scope.....	2
Commendable Areas.....	3
Opinion.....	6

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INDEPENDENT EXTERNAL PEER REVIEW REPORT

Introduction

The City of New York, Office of the Comptroller engaged G. Shemo Consulting, Inc. (GSC) 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 2011 Revision of GAGAS, for the period of July 1, 2012 through June 30, 2013. The review was conducted from October 21, through November 1, 2013 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

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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 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 (June, 2012, as updated) with the applicable sections of the December, 2011 Revision of GAGAS, chapters 1 through 3, 6 and 7. 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.

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- Interviewing 42 of the Audit Bureau's professional employees, including the Deputy Comptroller for Audits, both Assistant Comptrollers, and randomly selected directors, managers, audit supervisors and staff auditors.
- Reviewing 30 of 67 audit reports issued during the period of review for compliance with GAGAS.
- Reviewing two reports issued during the period of review and identified as non-GAGAS reports to verify that designation.
- Reviewing 13 sets of engagement work papers of audits completed during the period of review for compliance with GAGAS.
- Assessing the Bureau's process for preparing its annual plan.
- Verifying the educational backgrounds of those professional staff members, who were interviewed, for compliance with the Bureau's established requirements.
- Validating the Bureau's procedures for administering the Continuing Professional Education (CPE) program.
- Verifying CPE credits earned by individual professional staff members to ensure compliance with GAGAS requirements.
- Validating the Bureau's procedures pertaining to assuring organizational and auditor independence.
- Verifying that individual professional staff members complied with auditor independence procedures.

Commendable Areas

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

- The Audit Policy and Instruction Manual is well written and fully addresses the relevant aspects of GAGAS, and was updated to reflect the recent changes to GAGAS on a very timely basis. The manual contains complete, easily understood guidance, providing a reliable resource to help assure that all audit staff members comply

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with GAGAS on a consistent basis and properly utilize the recently obtained audit engagement software package.

- 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. Specifically, we have found that QA effectively does so through providing technical guidance during the audit process and pre and post report issuance review and monitoring.
- The Review Team's IT specialist has noted the Bureau's IT Audit group is highly competent, and they have developed a very effective audit scope.
- The Bureau's audit engagement work papers provide documentation which is fully comprehensive and contains such features as thorough cross-references, detailed chronologies of audit steps performed, and evidence of audit supervisory review.
- The Training/Curriculum Development Manager effectively monitors GAGAS CPE compliance, issues regular reports to all staff, and provides guidance to staff auditors on recommended training classes.
- 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.
- Bureau management has identified an objective of continually improving the quality of audits conducted to better add value to the operations of the City of New York. Initiatives to support this objective include:
 1. Developing an annual plan that is forward looking, focusing on New York City issues and priorities, and the risks the City faces.
 2. The purchase of TeamMate, an audit software package that has fully automated the process of preparing and reviewing the work papers for audit engagements. The software is fully

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implemented and functioning very well. This is attributed to the staff's commitment to using the software and the support it has received through the establishment of the "TeamMate Governance Committee", guidance provided by QA, guidance provided in the "Audit Policy and Instruction Manual", and the development of additional TeamMate administrative procedures.

3. Enhancing the use of computer assisted audit techniques by introducing software such as ACL and ACERNO to assist in data analytics.
4. Designating a QA Manager as an "Audit Specialist" to serve as a resource to the staff to assist in using database analysis, data mining and restricted access information.
5. Developing ABEL, an electronic library, that provides audit personnel centralized access to websites and resources related to professional development and audit research, testing and tools.

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Opinion

Based on the results of our External Peer Review, for the year ended June 30, 2013 we found that the Audit Bureau's system of quality control was suitably designed and complied with to provide the Bureau with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. 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 Peer Review Rating for the Audit Bureau is "Pass". This rating is the highest of the three ratings provided within GAGAS, with the other ratings being "Pass With Deficiencies", and "Fail".



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