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

**For the Period Ended June 30, 2016**

**October 21, 2016**

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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, 2015 through June 30, 2016. The review was conducted from October 11, through October 21, 2016 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.
- Verifying the Bureau's Quality Assurance function, including the documentation maintained, and assessing its effectiveness and independence.

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- Interviewing 43 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 28 of 63 audit reports issued during the period of review for compliance with GAGAS.
- Reviewing 2 reports issued during the period of review and identified as non-GAGAS reports to verify that designation.
- Reviewing 16 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 items were noted for which the Bureau should be commended. These areas include:

- Through a strong commitment to comply with GAGAS, the Bureau is highly effective in meeting its mission for service to the City of New York.
- The Audit Policy and Instruction Manual is well written and fully addresses the relevant aspects of GAGAS, and has been updated, as needed, on a timely basis. The manual contains complete, easily understood guidance, providing a reliable resource to help assure that all audit staff members comply with GAGAS on a consistent basis and properly utilize the audit engagement software package.

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- 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. Since the last peer review, for the period ended June 30, 2013, there has been a change in Bureau Administration as well as QA Management. The new QA Director has implemented procedures to minimize the risks inherent in any transitional period. This proactive approach by QA included improvements in work paper and report reviews as well as a training curriculum directed towards enhancing the auditors' competency. Specifically, we have found that QA is highly effectively in assuring for Bureau compliance with GAGAS by providing technical guidance during the audit process, and pre-and post-report issuance review and monitoring.
- The Bureau's Information Technology (IT) audit group effectively addresses IT risks related to the areas selected for audit.
- 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.
- The Bureau's audit staff has increased access to assistance from Comptroller's Office attorneys, and thus, has increased effectiveness in developing relevant audit objectives.

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## Opinion

Based on the results of our External Peer Review, for the year ended June 30, 2016 we have 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".



George J. Shemo, CPA, CGMA  
Peer Review Team Leader  
President of G. Shemo Consulting, Inc.

### **Peer Review Team Members:**

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