



September 24, 2024

BY EMAIL

Dennis R. Sutton  
Inspector General  
City of Tallahassee  
Dennis.Sutton@Talgov.com

Dear Mr. Sutton,

On behalf of the City of Rochester's Office of Public Integrity (OPI), I would like to thank you and the other members of your team, Ms. Claudia Casasola, and Mr. Spencer Bright, for conducting the external peer review of OPI's internal audit operations. This review is an integral part of our continuing efforts to improve the quality of our audits and maintain the public's trust in our internal audit proficiency.

We are pleased that your independent peer review team concluded that OPI's internal quality control system was adequately designed and operating effectively to provide reasonable assurance of conformance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and reasonable assurance of compliance with Government Auditing Standards issued by the Comptroller General of the United States, as well as applicable legal and regulatory requirements.

Our office found the peer review to be a valuable and informative experience. We appreciate the constructive feedback your team provided throughout the process and, in the end, our team felt your analysis of our work was fair and balanced. We were particularly pleased with your positive comments on the quality of our audit work and the preparation of our comprehensive risk assessment.

We are in agreement with your findings and recommendations set forth in the management letters and offer the following responses regarding proposed corrective actions:

**Peer Review Finding and Recommendation #1**

We offer the following findings and recommendations to enhance your organization's demonstrated conformance to *International Standards for the Professional Practice of Internal Auditing*:

- Standard 1110 requires:  
"The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity." ...



This has been interpreted to mean:

*“Organizational independence is effectively achieved when the chief audit executive reports functionally to the board. Examples of functional reporting to the board involve the board:*

- *Approving the internal audit charter;*
- *Approving the risk based internal audit plan;*
- *Approving the internal audit budget and resource plan;*
- *Receiving communications from the chief audit executive on the internal audit activity’s performance relative to its plan and other matters;*
- *Approving decisions regarding the appointment and removal of the chief audit executive;*
- *Approving the remuneration of the chief audit executive; and*
- *Making appropriate inquiries of management and the chief audit executive to determine whether there are inappropriate scope or resource limitations.*

During our evaluation of organizational independence, we noted the Director of the Office of Public Integrity reports to and serves at the pleasure of the Mayor. Based on the above noted standard, the current placement of the Office of Public Integrity under the control of the Mayor results in an impairment to Office’s independence. This impairment was identified in prior peer reviews.

We recommend consideration be given to creating an Audit Committee that can serve to mitigate, but not eliminate, the independence impairment resulting from the organizational placement of the Office of Public Integrity.

### **OPI Response #1:**

The reporting structure of OPI is set forth in Section 3-14 of the City Charter and any amendments to the language would require approval of the Mayor and City Council through the legislative process. OPI will coordinate further discussion with the Administration regarding the consideration and adoption of this recommendation.

### **Peer Review Finding and Recommendation #2**

We offer the following findings and recommendations to enhance your organization’s demonstrated adherence to *Government Auditing Standards*:

- **Standard 3.64** requires:  
*“Before auditors agree to provide a nonaudit service to an audited entity, they should determine whether providing such a service would create a threat to independence, either by itself or in aggregate with other nonaudit services provided, with respect to any GAGAS engagement they conduct.”*

**Standard 3.83** requires:

*“Auditors who previously provided nonaudit services for an entity that is a prospective subject of an engagement should evaluate the effect of those nonaudit services on independence before agreeing to conduct a GAGAS engagement. If auditors provided a*

*nonaudit service in the period to be covered by the engagement, they should (1) determine if GAGAS expressly prohibits the nonaudit service; (2) if audited entity management requested the nonaudit service, determine whether the skill, knowledge, or experience of the individual responsible for overseeing the nonaudit service was sufficient; and (3) determine whether a threat to independence exists and address any threats noted in accordance with the conceptual framework.”*

We noted as part of our interviews of staff, such determinations and evaluations were occurring. However, demonstrating compliance with Standards 3.64 and 3.83 would be enhanced by documenting and including such determinations and evaluations in the workpapers supporting such engagements. Accordingly, we recommend an evaluation of the impact of any nonaudit services provided by the Office of Public Integrity be documented within the respective engagement’s workpapers.

### **OPI Response #2:**

OPI will implement a procedure to ensure the evaluation of the impact of nonaudit services provided by the office are documented within each respective engagement’s workpapers.

### **Peer Review Finding and Recommendation #3**

- **Standard 5.43** requires,  
*“The audit organization should perform monitoring procedures that enable it to assess compliance with professional standards and quality control policies and procedures for GAGAS engagements. Individuals performing monitoring should have sufficient expertise and authority within the audit organization.”*
- **Standard 5.44** requires,  
*“The audit organization should analyze and summarize the results of its monitoring process at least annually, with identification of any systemic or repetitive issues needing improvement, along with recommendations for corrective action. The audit organization should communicate to the relevant engagement partner or director, and other appropriate personnel, any deficiencies noted during the monitoring process and recommend appropriate remedial action. This communication should be sufficient to enable the audit organization and appropriate personnel to take prompt corrective action related to deficiencies, when necessary, in accordance with their defined roles and responsibilities. Information communicated should include the following:*
  - a. a description of the monitoring procedures performed;*
  - b. the conclusions reached from the monitoring procedures; and*
  - c. when relevant, a description of systemic, repetitive, or other deficiencies and of the actions taken to resolve those deficiencies.”*

The peer review team noted that due to the small size of the Office and the hands-on nature of the Director, such monitoring occurs on a continuous basis. As such risks associated with the absence of a formal monitoring process are mitigated. We recommend a formal documented monitoring of the Office of Public Integrity’s audit activities be conducted and the results of those monitoring procedures be communicated to appropriate individuals



### **OPI Response #3:**

OPI will enhance its current process of monitoring compliance with professional standards and quality control policies and procedures. We will build on our most recent internal self - assessment conducted in March 2024 and will implement a policy and procedure to conduct this comprehensive self-assessment on an annual basis beginning in 2025.

### **Peer Review Finding and Recommendation #4**

- **Standard 8.27** requires:

*“Auditors should inquire of management of the audited entity whether any investigations or legal proceedings significant to the audit objectives have been initiated or are in process with respect to the period under audit, and should evaluate the effect of initiated or in process investigations or legal proceedings on the current audit.”*

- Standard 8.59** requires:

*“The effectiveness of significant internal controls frequently depends on the effectiveness of information systems controls. Thus, when obtaining an understanding of internal control significant to the audit objectives, auditors should also determine whether it is necessary to evaluate information systems controls.”*

- Standard 8.68** requires:

*“Auditors should identify any provisions of laws, regulations, contracts, and grant agreements that are significant within the context of the audit objectives and assess the risk that noncompliance with provisions of laws, regulations, contracts, and grant agreements could occur. Based on that risk assessment, the auditors should design and perform procedures to obtain reasonable assurance of detecting instances of noncompliance with provisions of laws, regulations, contracts, and grant agreements that are significant within the context of the audit objectives.”*

- Standard 8.71** requires:

*“Auditors should assess the risk of fraud occurring that is significant within the context of the audit objectives. Audit team members should discuss among the team fraud risks, including factors such as individuals’ incentives or pressures to commit fraud, the opportunity for fraud to occur, and rationalizations or attitudes that could increase the risk of fraud. Auditors should gather and assess information to identify the risk of fraud that is significant within the scope of the audit objectives or that could affect the findings and conclusions.”*

As part of the audit engagement planning process certain procedures must be conducted. During our interviews of staff, we concluded such procedures were taking place; however, we did not always identify evidence supporting the completion of those procedures within audit engagement workpapers. We recommend the consideration and completion of each of the above noted standards be documented within the workpapers of all audit engagements.

### **OPI Response #4:**

OPI will implement a procedure to more formally document the consideration and completion of the above cited standards within the workpapers of each audit engagement.

We extend our sincere gratitude to your team and the Association of Local Government Auditors for playing an important role in strengthening OPI's internal audit operations. We have greatly benefited from this review.

Sincerely,

Handwritten signature of Timothy R. Weir in black ink.

Timothy R. Weir  
Director of the Office Public Integrity

xc: Paula Ward, ALGA Peer Review Coordinator