

External Peer Review of the
City of Rochester
Office of Public Integrity
Internal Audit Activity

ISSUED:
June 9, 2021

HVaudit
Hungerford Vinton **LLC**



PEER REVIEW REPORT

June 9, 2021

Mr. Timothy Weir
Director of the Office of Public Integrity
City of Rochester
85 Allen Street, Suite 100
Rochester, NY 14608

Dear Mr. Timothy Weir,

We have completed a peer review of the City of Rochester's (the City) Office of Public Integrity's (OPI) Internal Audit Activity (Internal Audit) for the period January 1, 2018 through December 31, 2020. In conducting our review, we followed the standards and guidelines for external peer review contained in the Generally Accepted Government Auditing Standards (GAGAS) set by the Government Accountability Office (GAO).

We reviewed the quality control system of your audit organization and conducted tests to determine whether your internal quality control system operated to provide reasonable assurance of compliance with GAGAS. Our procedures included:

- Reviewing OPI's quality control policies and procedures.
- Reviewing the adequacy and results of OPI's internal monitoring procedures.
- Reviewing a selection of audit reports and audit file documentation.
- Reviewing documents related to independence, training, and development of audit staff.
- Interviewing audit staff and the Director of OPI to assess their understanding of, and compliance with, quality control policies and procedures; and
- Interviews with the Deputy Mayor and Senior Management to assess the organization's views on the professionalism, effectiveness, and credibility of OPI.

The nature of our review included sampling and selective testing; therefore, it would not necessarily identify all system design and compliance matters. Our review found compliance in most cases; however, it does not guarantee compliance in its entirety.

Based on the results of our external peer review, we found that the City of Rochester Office of Public Integrity's Internal Audit Activity's internal quality control system is adequate. The internal control system was complied with in a manner that provides reasonable assurance of conformance with GAGAS.

Therefore, it is our opinion that the City of Rochester Office of Public Integrity's Internal Audit Activity complies with GAGAS.

Findings of our review are included in the *Letter of Comment* on page 6. We have prepared a separate letter offering recommendations to further strengthen your internal quality control system. These recommendations do not affect the opinion we expressed in this report.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Timothy Hungerford, CPA, CIA, CFE, CMA, CISA, CFM, CGAP
External Peer Review Team
Partner in Charge
Hungerford Vinton, LLC

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Scope and Methodology

We performed testing to assess OPI’s Internal Audit Activity’s conformance with GAGAS for the period January 1, 2018 through December 31, 2020. This testing included interviewing Internal Audit staff, the Director of OPI, Senior Management, and the Deputy Mayor. A total of 10 formal interviews were conducted during our review.

We reviewed Internal Audit’s policy and procedures documents to determine whether the organization’s system of quality review was designed in conformance with GAGAS. This included inspecting Internal Audit documents for compliance with GAGAS standards.

We selected a sample of completed engagements performed by Internal Audit to determine whether the organization is operating in conformance with GAGAS. Each engagement was reviewed and assessed on planning, fieldwork, and reporting requirements. A total of ten (10) audits were completed within the past year fiscal year ended 6/30/2020. We selected four (4) completed audits for our testing, which included 55% of total engagement hours worked. See the “Engagements Reviewed” chart below for the list of engagements reviewed in our peer review.

Engagements Reviewed			
Report Date	Department	Audit	Hours
12/31/2019	Central Library Cash Collections	Central Library Cash Collections	419
7/24/2019	Public Market	Public Market	353
7/19/2019	Police	Auto Pound Operations	263.5
5/26/2020	Fire	NYS Homeland Security Program Administration	276.5

Letter of Comment:

Finding 1: Lack of independence due to reporting structure

The *Standards* (3.56.c) require that the chief audit executive must be located organizationally outside the staff or line management function of the unit under audit. We noted that the City does not have an Audit Committee. Functionally, OPI and the Internal Audit Activity report directly to the Mayor. Because the Director of OPI is appointed by the Mayor, and the department reports directly to the Mayor, this reporting structure could result in a perceived conflict of interest for OPI, in the event the Mayor's activities are under scrutiny. Based on our interviews, stakeholders expressed their concerns about sharing information with OPI due to the perceived lack of independence due to the organizational structure. *Therefore, an issue of independence is perceived by stakeholders and affects the confidence in the Internal Audit Activity.*

Based on our interviews, OPI has never been told they cannot audit any department or program. The Mayor has allowed OPI to perform any engagement deemed necessary without interference. However, when an audit of the Mayor needs to be performed, OPI should refer the work to an outside organization so that the independence of OPI would not be questioned or compromised.

The Mayor has proposed that the OPI unit be transitioned into an Inspector General's Office. This would change the reporting structure of OPI and remove the perceived issue of a lack of independence. The OPI Director would no longer be reporting to the Mayor, and their employment would not be contingent upon the Mayor's appointment or approval. This proposal remains under consideration by the City Council.

Recommendation: We recommend that OPI work with the Mayor and City Council to formalize the Inspector General Office designation for OPI thus changing the reporting structure. This finding was also identified by OPI in their self-assessment.

Distribution List

Timothy Weir

Cheryl Ferguson

Timothy Hungerford

Appendix A: Office of Public Integrity Responses

Finding 1: Lack of independence due to reporting structure

The reporting structure of the Office of the Public Integrity (OPI) is set forth in Section 3-13 of the City Charter. Any amendments to the Charter language require the introduction of new legislation. The OPI Director has coordinated with the Mayor to introduce new legislation to City Council to create an Office of Inspector General. Creation of an Office of Inspector General would allow for greater independence in both fact and appearance and act as a safeguard against undue influence. On October 27, 2020, the Mayor introduced this Charter Amendment to City Council and is currently awaiting legislative approval.