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October 15, 2009

Mr. Craig Hametner, CPA, CIA, CMA, CFE
City Auditor
Internal Audit Department
City of Garland
200 N. Fifth Street
Garland, Texas

Dear Mr. Hametner,

We have completed a peer review of the City of Garland's Internal Audit Department for the period October 1, 2007 to September 30, 2009. In conducting our review, we followed standards and guidelines in the Peer Review Guide published by the Association of Local Government Auditors.

We reviewed your organization's internal quality control system 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. 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 Garland's Internal Audit Department's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards for audits engagements conducted during the period October 1, 2007 to September 30, 2009. We have prepared a separate letter offering additional suggestions to further strengthen your internal quality control system.

Mike Edmonds, CIA

Jason Hadavi, CFE
City of Austin



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October 15, 2009

Mr. Craig Hametner, CPA, CIA, CMA, CFE
City Auditor
Internal Audit Department
City of Garland
200 N. Fifth Street
Garland, Texas

Dear Mr. Hametner,

We have completed a peer review of the City of Garland's Internal Audit Department for the period October 1, 2007 through September 30, 2009, and issued our full compliance on October 15, 2009. We are issuing this companion letter noting areas which your office excels and offering certain observations and suggestions for enhancing the office's compliance with Government Auditing Standards.

We would like to mention some of the areas in which we believe your office excels:

- The City Auditor and his staff have demonstrated a strong commitment to following Government Auditing Standards by:
 - Developing policies and procedures that address standards;
 - Implementing an automated workpaper system to improve documentation of audit evidence;
 - Obtaining quality training to develop staff;
 - Maintaining well-organized records to document continuing professional education; and
 - Obtaining an external peer review.

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

- **Observation #1:** Section 8.09 of Government Auditing Standards requires auditors to include in the audit report a description of the audit objectives and the scope and methodology used for addressing the audit objectives. Report users need this information to understand the purpose of the audit, the nature and extent of the audit work performed. Section 8.10 of Government Auditing Standards further states that auditors should communicate audit objectives in a clear, specific, neutral, and unbiased manner. When audit objectives are limited and broader objectives can be inferred by users, stating in the audit report that certain issues were outside the scope of the audit can avoid potential misunderstanding. Although the audit reports reviewed included a statement of the audit objectives, scope, and methodology, we noted that several reports included statements of the audit objectives that were overly broad. These statements could cause misunderstandings regarding the work performed on these audits.


- **Recommendation #1:** We suggest that your office ensure that the audit objectives described in the report more precisely define the work that was undertaken.

- **Observation #2:** Section 7.77 of Government Auditing Standards requires auditors to prepare audit documentation related to planning, conducting, and reporting for each audit. Auditors should prepare audit documentation in sufficient detail to enable an experienced auditor, having no previous connection to the audit, to understand from the audit documentation the nature, timing, extent, and results of audit procedures performed, the audit evidence obtained and its source and the conclusions reached, including evidence that supports the auditors' significant judgments and conclusions. Section 7.79 of Government Auditing Standards further states that audit documentation is an essential element of audit quality. Audit documentation serves to (1) provide the principal support for the auditors' report, (2) aid auditors in conducting and supervising the audit, and (3) allow for the review of audit quality. On several reports, we noted that the audit documentation was not sufficiently organized to enable us to easily review the audit evidence supporting the audit conclusions.


- **Recommendation #2:** We suggest that your office take steps to ensure that your audit documentation related to planning, conducting, and reporting for each audit is sufficiently organized to facilitate supervisory review and review of audit quality

We extend our thanks to you and your staff for the hospitality and cooperation extended to us during our review.

Sincerely,



Mike Edmonds, CIA



Jason Hadavi, CFE
City of Austin



City of Garland
P.O. Box 469002
Garland, TX 75046-9002
972-205-2000

October 15, 2009

Mr. Mike Edmonds, Peer Review Team Leader
Mr. Jason Hadavi, Peer Review Team Member

Dear Mr. Edmonds & Mr. Hadavi:

This is the City of Garland's first Peer Review in at least 12 years. Generally Accepted Government Auditing Standards (GAGAS) require a Peer Review every 3 years. It was my goal when I arrived in Garland to work within standards, therefore; I requested this Peer Review. Additionally, for this Internal Audit organization to continue to improve, a Peer Review was needed. I am very proud of the fact that we have attained a Full Compliance opinion, which is the highest opinion issued for an ALGA Peer Review. Your Management Letter has two recommendations.

Observation #1: Section 8.09 of Government Auditing Standards requires auditors to include in the audit report a description of the audit objectives and the scope and methodology used for addressing the audit objectives. Report users need this information to understand the purpose of the audit, the nature and extent of the audit work performed. Section 8.10 of Government Auditing Standards further states that auditors should communicate audit objectives in a clear, specific, neutral, and unbiased manner. When audit objectives are limited and broader objectives can be inferred by users, stating in the audit report that certain issues were outside the scope of the audit can avoid potential misunderstanding. Although the audit reports reviewed included a statement of the audit objectives, scope, and methodology, we noted that several reports included statements of the audit objectives that were overly broad. These statements could cause misunderstandings regarding the work performed on these audits.

Recommendation #1: We suggest that your office ensure that the audit objectives described in the report more precisely define the work that was undertaken.

Response #1: Concur. We will immediately ensure that the audit objectives described in the report more precisely define the work that was undertaken.

Observation #2: Section 7.77 of Government Auditing Standards requires auditors to prepare audit documentation related to planning, conducting, and reporting for each audit. Auditors should prepare audit documentation in sufficient detail to enable an experienced auditor, having no previous connection to the audit, to understand from the audit documentation the nature, timing, extent, and results of audit procedures performed, the audit evidence obtained and its

source and the conclusions reached, including evidence that supports the auditors' significant judgments and conclusions. Section 7.79 of Government Auditing Standards further states that audit documentation is an essential element of audit quality. Audit documentation serves to (1) provide the principal support for the auditors' report. (2) aid auditors in conducting and supervising the audit, and (3) allow for the review of audit quality. On several reports, we noted that the audit documentation was not sufficiently organized to enable us to easily review the audit evidence supporting the audit conclusions.

Recommendation #2: We suggest that your office take steps to ensure that your audit documentation related to planning, conducting, and reporting for each audit is sufficiently organized to facilitate supervisory review and review of audit quality.

Response #2: Concur. We will immediately ensure that our office takes steps to ensure that audit documentation related to planning, conducting, and reporting for each audit is sufficiently organized to facilitate supervisory review and review of audit quality.

I would like to thank both of you for your thorough review of our operations. I commend your professionalism during this review.

Also, I would like to thank the Association of Local Government Auditors for having the Peer Review Program.

Craig Hametner
City Auditor
City of Garland, TX