



Peer Review Results

City of Milwaukee

Internal Audit Division

November 15, 2022

Agenda

- What is a Peer Review?
- Yellow Book Requirements
- Overall Conclusions
- Observations
- Recommendations
- Steps Taken
- Remediation Status

What is a Peer Review?

- The objective of a peer review is to determine whether an audit organization's quality control system is suitably designed and is in place and operating effectively. A peer review also provides assurance that an audit organization is following its established policies and procedures and applicable auditing standards.
- Internal Audit is a member of the Association of Local Government Auditors (ALGA).
 - Other members of ALGA completed the peer review of Internal Audit.
- ALGA's peer review program is intended to help member organizations in their efforts to meet Government Auditing Standards (GAS) as set forth by the U.S. Government Accountability Office.

Yellow Book Requirements

- What is Yellow Book?
 - Yellow Book is used by auditors of government entities and entities that receive government awards. It outlines the requirements for audit reports, professional qualifications for auditors, and audit organization quality control. Auditors of federal, state, and local government programs use these standards to perform their audits and produce their reports.
- Yellow Book requires that, “Each audit organization conducting engagements in accordance with GAS must obtain an external peer review conducted by reviewers independent of the audit organization being reviewed.”
- Yellow Book also requires audit organizations to obtain an external peer review at least once every 3 years.

Overall Conclusions

- The peer reviewer's procedures included:
 - Reviewing the audit organization's written policies and procedures.
 - Reviewing internal monitoring procedures.
 - Reviewing a sample of audit engagements and working papers.
 - Reviewing documents related to independence, training, and development of auditing staff.
 - Interviewing auditing staff to assess their understanding of, and compliance with, relevant quality control policies and procedures.
- Internal Audit received a rating of pass, which is the highest rating possible.
- The peer reviewers concluded that Internal Audit's quality control system is adequately designed and operating effectively.

Observations

Areas Internal Audit excelled in:

- Developing a training program to allow entry-level Audit staff to gain knowledge and skills for quality internal audits.
- Developing a quality assurance review process that will increase the compliance with standards on project-by-project basis.

Recommendations

The following recommendations were suggested:

1. Audit Management incorporate the same level of details used to support the work performed in their planning documents when preparing their reports.
2. Management update their current policy to identify the actions to be taken if team members encounter difficult or contentious issues.
3. Management incorporate a specific question during their entrance conference presentation that would identify any legal proceedings or investigations that may be pertinent to the audit objectives being discussed.
4. Management develop a process for employees leaving the department to ensure required documentation is obtained in advance.

Steps Taken

- Internal Audit updated its policies and procedures to require additional details for reporting and what to do if auditors encounter a difficult situation.
 - Addresses recommendations #1 and #2
- Internal Audit added a specific question to planning documents for the auditor to ask the auditee to identify any legal proceedings or investigations that may be pertinent to the audit objectives being discussed.
 - Addresses recommendation #3
- Internal Audit established a process for daily uploads of workpapers to the shared drive. This process has also been incorporated into Internal Audit's policies and procedures.
 - Addresses recommendations #4

Remediation Status

- Internal Audit accepted all the recommendations suggested by the peer review.
- Internal Audit has completed changes to incorporate the recommendations made.



Thank You.

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