



National Association of Local Government Auditors

October 30, 2003

The Honorable Mayor Kay Barnes
and Members of the City Council
City of Kansas City
414 East 12th Street, 29th Floor
Kansas City, MO 64106

We have completed an external quality control review of the City Auditor's Office, City of Kansas City, for audits issued during the period December 1, 2000 through July 31, 2003. In conducting our review, we followed the standards and guidelines contained in the *N.A.L.G.A. Quality Control Review Guide* published in May 1995, by the National Association of Local Government Auditors. We also used the companion N.A.L.G.A. publication, *Guide to Government Auditing Standards Amendment #3*, where appropriate.

As prescribed by the N.A.L.G.A. *Guide*, we reviewed the internal quality control system of the City Auditor's Office and tested a sample of audits it conducted for compliance with Government Auditing Standards issued by the Comptroller General of the United States. Due to variance in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

We have concluded from our review that the City Auditor's Office's system of internal quality control was suitably designed and provided reasonable assurance that applicable Government Auditing Standards were followed in its audit work. We have also concluded from the sample of audits tested that the quality controls were working effectively and that audits were conducted in conformance with applicable standards during the period under review.

It is our opinion, therefore, that the City Auditor's Office, City of Kansas City, was in compliance with Government Auditing Standards during the period December 1, 2000 through July 31, 2003. We have prepared a separate letter to management which offers suggestions for further strengthening its internal quality controls.

Sincerely,

Jere A. Trudeau
Senior Audit Supervisor
Milwaukee County, WI

Ruth Merino, CISA
Senior Program Performance Auditor
City of San Jose, CA

David Givans, CPA
County Internal Auditor
Deschutes County, OR



National Association of Local Government Auditors

October 30, 2003

Dr. Mark Funkhouser, City Auditor
City Auditor's Office
414 East 12TH Street, 21st Floor
Kansas City, Missouri 64106

Dear Dr. Funkhouser:

We have completed an external quality control review of the City Auditor's Office, City of Kansas City, for audits issued during the period December 1, 2000 through July 31, 2003. We issued a report stating our opinion that your office complied with Government Auditing Standards (GAS). We are presenting you with this companion letter to highlight some of the areas where we believe your office has excelled and to offer some suggestions that may further enhance your internal system of quality control.

We want to start by mentioning those areas in which we believe your office excelled. Through observations, interviews and an examination of policies, procedures, and audit workpapers, we offer the following comments:

- The City Auditor's Office staff is comprised of exceptionally well-qualified and credentialed audit professionals.
- The City Auditor's Office has established an organizational culture that places a demonstrably high priority on consideration of, and adherence to, Government Auditing Standards. We were especially impressed with your comprehensive policies and procedures, including your use of the extended review team to help provide a variety of perspectives when planning audit work and reviewing audit progress. We believe this provides an invaluable resource for helping ensure audits stay on track.
- The audit workpapers were very thorough and supported the findings and recommendations for the six audits examined.

The above are a few of the qualities of your office that impressed us during the review. The following comments and suggestions arise from the peer review team's discussion of issues throughout the course of the review.

Assessing the Reliability of Computer-Processed Data (GAS 6.62)

Government Auditing Standards state that a data reliability assessment be performed for all data used as support for engagement findings, conclusions, or recommendations. In planning, auditors should identify potential sources of computer-processed data that could be used as audit evidence and consider the validity and reliability of these data. During fieldwork, auditors should obtain

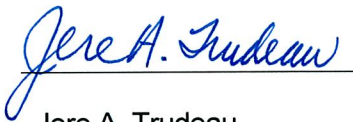
sufficient, competent, and relevant evidence that computer-processed data are valid and reliable when those data are significant to the auditors' findings.

We noted instances where the assessments of computer-processed data were not performed. In looking at your planning and quality control documents, we found that steps to show compliance with the standard were either not followed or not properly documented. We recommend that you emphasize the need to document properly the assessment of computer-processed data and provide training to staff as needed.

Obtaining an Understanding of Relevant Management Controls (GAS 6.39)

Government Auditing Standards state that in planning, auditors should obtain an understanding of management controls. During the peer review, we noted a couple of instances where the extent of the auditor's knowledge of pertinent management controls was not clearly documented in the planning workpapers. Planning documents include steps to address this standard, but workpapers addressing this step did not adequately convey a sufficient understanding of management controls. Demonstrating a clear understanding of management controls is important in developing the scope and objectives of the audit. We recommend you emphasize the need to document properly an understanding of management controls, and to provide training to staff as needed.

We appreciate the courtesy and cooperation extended by you and each of your staff members during our on-site review visit.



Jere A. Trudeau
Senior Audit Supervisor
Milwaukee County , WI



Ruth Merino, CISA
Senior Program Performance Auditor
City of San Jose, CA



David A. Givans, CPA
County Internal Auditor
Deschutes County, OR

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November 20, 2003

Jere A. Trudeau
Senior Audit Supervisor
County of Milwaukee
2711 W. Wells St. – 9th Floor
Milwaukee WI 53208

Dear Mr. Trudeau:

This letter includes my response to your reports on the external quality control review of our office. My comments address both the opinion letter and the management letter.

I am pleased that the review team concluded that the City Auditor's Office complies with government auditing standards. The audit staff has devoted a great deal of effort to developing and implementing an internal quality control system to help us achieve this goal. I also appreciate your positive comments on the review team's overall impression of the office.

I agree with the review team's recommendations to document properly and provide training on assessing computer-processed data and understanding management controls. With input from the audit staff, I will review office procedures and direct appropriate revisions to address the issues you raise.

Thank you for your constructive suggestions for improving the City Auditor's Office. I appreciate the thoroughness and professionalism with which you and the other team members conducted the review.

Sincerely,

Mark Funkhouser
City Auditor

cc: Ruth Merino, Senior Program Performance Auditor, City of San Jose, California
David A. Givans, County Internal Auditor, Deschutes County, Oregon