

**COMMUNICATION TO THE COMMON COUNCIL**

TO: The Common Council

DATE: December 10, 2014

FROM: The Department of Audit & Control

SUBJECT: Peer Review Audit

Section 7-10 of the City of Buffalo Charter states:

*"At least once every three years, the comptroller shall take such steps as are necessary to have the department of audit and control reviewed by a professional, non-partisan objective organization utilizing nationally recognized guidelines such as those adopted by the National Association of Local Government Auditors to evaluate the department's compliance with generally accepted government auditing standards. A copy of the written report shall be provided to the council and mayor and filed with the city clerk."*

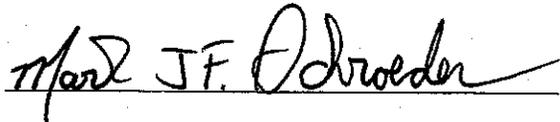
After a Request for Proposals (RFP) process, the Comptroller's Office selected Amato, Fox & Company, Certified Public Accountants, to conduct the Peer Review audit described above.

To our knowledge, this is the first time this charter-required Peer Review Audit has been conducted. Attached, please find the resulting audit report from Amato, Fox & Company, which found that *"the City of Buffalo's Department of Audit and Control's internal quality control system was suitably designed and operating effectively."*

DEPARTMENT HEAD: Mark J. F. Schroeder

TITLE: Comptroller

SIGNATURE:

Handwritten signature of Mark J. F. Schroeder in black ink, written over a horizontal line.

# Amato, Fox & Company, PC

Certified Public Accountants

Amato  
Fox

December 4, 2014

Mark J. F. Schroeder, Comptroller  
City of Buffalo  
65 Niagara Street  
Buffalo, NY 14202

Dear Mr. Schroeder:

We have completed a peer review of the City of Buffalo's Department of Audit and Control for the period April 1, 2013 through October 31, 2014. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide for Assessing Conformance with International Standards for the Professional Practice of Internal Auditing* by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of conformance with the *International Standards for the Professional Practice of Internal Auditing (the Standards)* issues by the Institute of Internal Auditors as part of their *Professional Practices Framework*. Due to variances in individual performance and judgment, conformance 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 Buffalo's Department of Audit and Control's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of conformance with *the Standards* for assurance and consulting engagements during the period April 1, 2013 through October 31, 2014.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

*Amato, Fox & Company, P.C.*

Amato, Fox & Company, P.C.

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Tonawanda, New York 14150  
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December 4, 2014

Mark J. F. Schroeder, Comptroller  
City of Buffalo  
65 Niagara Street  
Buffalo, NY 14202

Dear Mr. Schroeder:

We have completed an external peer review of the City of Buffalo's Department of Audit and Control (the Department) for audits issued during the period April 1, 2013 through October 31, 2014 and issued our report thereon dated December 4, 2014. We are issuing this letter to offer certain observations and suggestions resulting from our quality control review.

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

1. Through discussions with the City Auditor and the interviews with his audit staff, it is apparent that his knowledge, drive and energy level are a positive compliment to the Department. His plans and objectives for departmental improvements are evident in the audits reviewed and the workpapers supporting the audits. His involvement in the overall management of the department has generated improvements on engagements performed through the period of the review.
2. The Departmental training schedule is well designed to meet the needs of Departmental staff and engagements performed.
3. Audit memorandum in workpapers is well documented with concise language addressing systemic issues.
4. Reports are concise and results are clearly communicated in a manner that enhances improvement acceptance by auditees.
5. Our interviews of Department staff indicate that they are experienced, competent and qualified professionals.
6. We commend the City Auditor and his staff for generating reports that are clear, concise and easily read. This manner of reporting provides for more accurately communicating the results of internal audit reports and thereby enhancing their usefulness.

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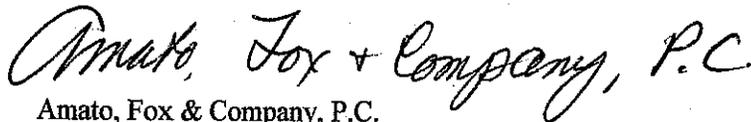
7. The "Tone-at-the-Top" in the Comptroller's Internal Audit Department is quality and service to the City Council and citizens of Buffalo which exhibits itself in the audit professionals and engagements performed by them.

We offer the following observations and suggestions to further strengthen your existing system of internal quality control:

- While the City Comptroller and his Deputy comptroller for Audit carefully plan the audit coverage of the various departments, agencies and related entities of City government, optimal coverage on a rotating basis is difficult with the limited audit staff in the department. Limited number of audit staff creates a challenge to audit the City effectively given the relationship between the number of auditors on staff and the number of employees and reporting units within the City. Presently there are over eighteen departments contained in excess of thirty-two divisions for audit coverage. Staffing level needs to be sufficient to meet the annual objectives, based on the three to five year audit rotation schedule as well as addressing unexpected projects and anonymous trips that may require additional resources throughout the year. The internal audit department effectiveness is further dependent on engagement follow up and monitoring.
- While engagement are planned, the process could be greatly enhanced by expanding the initial engagement scope by further defining expectations, risks - which are internal, inherent and external as well as fraud, errors and misstatement risks.
- Present audit programs have served engagements however a need exists for more comprehensive programs and procedures with links to planning/scope outlines. Perhaps Thomas Reuter's Governmental Audit Guidelines and Programs could compliment the Department's library and serve as a resource in the further development of the City Internal Audit Department programs.
- While reports are clear and concise they should reference the ALGA guides and International Standards both in opening and opinion paragraphs.

We wish to thank you and your staff for the assistance and the hospitality extended to us during our peer review of the Department.

Sincerely,



Amato, Fox & Company, P.C.  
Certified Public Accountants