



Association of Local Government Auditors

June 16, 2016

Earl T. Jeter, CPA
City Auditor
City of Wilmington
800 N. French Street, 5th Floor
Wilmington, Delaware 19801

Dear Mr. Jeter,

We have completed a peer review of the City of Wilmington City Auditor's Office for the period January 1, 2015 through May 31, 2016 and issued our report thereon dated June 16, 2016. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

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

- Your Charter was approved by the Delaware state legislature and clearly defines the authority and responsibilities of the office.
- The audit workpapers were very thorough in documenting the 1) nature and extent of audited programs and user needs; 2) design and implementation of internal controls; 3) legal, regulatory, contract, and grant provisions; and 4) results of previous audits.
- The Audit Review Committee Member we spoke with was very well informed and had well considered insight into both existing and prospective audit operations.

We offer the following observation and suggestions to enhance your organization's demonstrated adherence to *Government Auditing Standards (GAS)*:

- GAS 3.02 requires that both the audit organization and individual auditors be independent. We noted that, in most cases, only the staff member assigned to the audit completed the independence statement; other supervisory staff did not. Also, the independence statement used did not include any reference to a potential bias threat as required by GAS 3.14(c).

We recommend that all audit staff who participate on an audit project, including supervisory staff, complete the independence statement for each audit. We also recommend that the language of the independence statement be amended so that it references potential bias threats.

- GAS 3.39 requires that, in connection with nonaudit services, auditors should establish and document their understanding with the audited entity's management or those charged with governance, as appropriate, regarding the following:
 - a. Objectives of the nonaudit service;
 - b. Services to be performed;
 - c. Audited entity's acceptance of its responsibilities;
 - d. The auditor's responsibilities; and
 - e. Any limitations on the nonaudit service.

While the Policy and Procedures Manual addressed nonaudit services, it did not include a form that documented their understanding of prospective nonaudit services.

We recommend that your office develop a form that documents its understanding of prospective nonaudit services.

- GAS 3.76 requires individual auditors to complete at least 80 hours of continuing professional education in a 2-year period, with at least 24 of those hours directly related to government auditing, and at least 20 hours each year. We noted the one staff member who initially began work in March 2015 had only completed seven hours of CPE at the time of our review, although efforts had been made to get this staff member the required training.

We recommend that all audit staff who participate on GAGAS audit projects obtain the required hours of training necessary to comply with GAGAS standards. In this case, efforts should be made to ensure the employee completes the required training as expeditiously as possible.

- GAS 3.95 requires the audit organization should analyze and summarize the results of its monitoring process at least annually, with identification of any systemic or repetitive issues needing improvement, along with recommendations for corrective action. We noted that, while an ALGA QCS form was completed for each individual audit, no annual summary occurred.

We recommend that an annual report that summarizes the QCS system reviews be completed. The report should attempt to identify any systemic or repetitive issues needing improvement, along with recommendations for corrective action.

- GAS 7.05 indicates that audit reports should be made available to the public unless specifically limited. Although the City Auditor's reports were provided to management and the Audit Review Committee, they were not posted in the City Auditor's website.

We recommend that completed audit reports be posted on the City Auditor's website, to allow the general public greater access to the information.

We extend our thanks to you, your staff and the other City officials we met for the hospitality and cooperation extended to us during our review.



Association of Local Government Auditors

Mr. Jeter

- 2 -

June 16, 2016

Sincerely

Jay Poole, CPA, CIA, CFE, CGMA City Auditor Chesapeake, VA	Robert Wasserbach JD, CPA, CIA County Auditor New Castle County, DE	Michelle Cleveland, CFE Senior Auditor Johnson County, KS
--	---	---