



External Quality Control Review

of the
City of Memphis
Internal Audit Service Center

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**

for the period of January 1, 2019 through
December 31, 2021



Association of Local Government Auditors

March 23, 2022

Ms. Debbie Banks, City Auditor
City of Memphis, Internal Audit Service Center
Room, 536, 125 North Main Street
Memphis, TN 38103-2089

Dear Ms. Banks,

We have completed a peer review of the City of Memphis Internal Audit Service Center for the period January 1, 2019 to December 31, 2021. In accordance with generally accepted government auditing standards peer review requirements, we followed the standards and guidelines contained in the *Peer Review Guide* published 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 whether your internal quality control system was adequately designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States and applicable legal and regulatory requirements. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit and attestation engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff and management to assess their understanding of, and compliance with, relevant quality control policies and procedures.

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. Organizations can receive a rating of pass, pass with deficiencies, or fail. The City of Memphis Internal Audit Service Center has received a rating of pass.

Further, based on the results of our review, it is our opinion that the City of Memphis Internal Audit Service Center's internal quality control system was adequately designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* and applicable legal and regulatory requirements for audits, and attestation engagements, during the period January 1, 2019 to December 31, 2021.

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

Angela W. Baxter
Director of Internal Audit
Hanover County, Virginia

Steve W. Sanderson
Assistant Director of Internal Audit
Chesterfield County, Virginia



Association of Local Government Auditors

March 23, 2022

Ms. Debbie Banks, City Auditor
City of Memphis, Internal Audit Service Center
Room 536, 125 North Main Street
Memphis, TN 38103-2089

Dear Ms. Banks,

We have completed a peer review of the City of Memphis Internal Audit Service Center for the period January 1, 2019 to December 31, 2021 and issued our report thereon dated March 23, 2022. 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:

- A robust and comprehensive Policies and Procedures Manual that was easy to follow and provides specific guidance to the Audit Staff to further enhance their ability to adhere to Government Auditing Standards
- Workpapers were well organized and easy to follow
- Internal policy and professional standard training program encourages Staff involvement while enhancing individual and collaborative work performance

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

- **Standard 7.78** establishes requirements for "agreed-upon procedures engagements in addition to the requirements for agreed-upon procedures engagements contained in the American Institute of Certified Public Accountants' (AICPA) SSAEs. Auditors should comply with the additional GAGAS requirements, along with the applicable AICPA requirements, when citing GAGAS in their agreed-upon procedures (AUP) engagement reports." During three attestation engagements, the peer review team observed the following AICPA standards were not being followed:
 1. The AUP report did not include a statement that the practitioner was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the subject matter (AT-C 215.34.o.) and
 2. The internal auditor did not request from the engaging party written representations in the form of a letter addressed to the internal auditor after AUP were performed (AT-C 215.27).We suggest the office revise their current procedures and workpaper templates to incorporate AICPA requirements.

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

Sincerely,

Angela W. Baxter
Director of Internal Audit
Hanover County, Virginia

Steve W. Sanderson
Assistant Director of Internal Audit
Chesterfield County, Virginia



JIM STRICKLAND
MAYOR

EXECUTIVE DIVISION

March 23, 2022

Ms. Angela Baxter, CPA
Director of Internal Audit
Hanover County, Virginia
7507 Library Drive, Chenault-Weems Building, Room 28
Hanover, VA 23069

Mr. Steve W. Sanderson, CIA, CISA, CFE
Assistant Director of Audit
Chesterfield County, Virginia
9901 Lori Road, Room 142
Chesterfield, VA 23832

Dear Ms. Baxter and Mr. Sanderson:

On behalf of the City of Memphis, I would like to thank you and the Association of Local Government Auditors (ALGA) for the time and effort spent coordinating and performing our external peer review for the period January 1, 2019 through December 31, 2021. We are pleased to receive a rating denoting that we passed the peer review.

In accordance with your management letter dated March 23, 2022, we will review *AT-C 215 Agreed-Upon Procedures Engagements* and develop a checklist that complies with GAS and AICPA requirements for agreed-upon procedure engagements.

Again, we thank you for sharing your expertise and knowledge of GAGAS with us during this review.

Sincerely,

Debbie Banks, CFE, CICA, CMFO
City Auditor