



External Quality Control Review

of the
City of Corpus Christi
City Auditor's Office

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

for the period January 1, 2021, to December 31, 2023



Association of Local Government Auditors

May 5, 2025

George Holland, City Auditor
1201 Leopard St.
Corpus Christi, TX 78401

Dear Mr. Holland,

We have completed a peer review of the City of Corpus Christi City Auditor's Office for the period January 1, 2021, to December 31, 2023. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide for Assessing Conformance with Government Auditing Standards* published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests to determine whether your internal quality control system was adequately designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* (GAS) 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 engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing current and former auditing staff.

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 Corpus Christi City Auditor's Office has received a rating of fail due to serious deficiencies in your internal quality control system.

We noted the following deficiencies in your internal quality control system that resulted in noncompliance with aspects of *Government Auditing Standards* and make the following recommendations to help your organization achieve full compliance with *Government Auditing Standards*:

1. *Auditors and audit organizations must maintain independence from the audited entity in all matters related to GAS engagements (3.18), evaluate threats to independence using the conceptual framework (3.30), and document identified threats to independence and the safeguards applied to mitigate these threats (3.33). Auditors should assess the impact of any nonaudit services provided to a prospective auditee and document the results (3.83). Audit organizations must also annually obtain written affirmations of compliance with independence policies and procedures from all relevant personnel (5.09).*

We found that the City Auditor's Office did not adequately evaluate, discuss, or document potential threats to independence as required by GAS. This includes assigning staff to audit areas in which they had prior responsibilities without developing documented mitigation plans, not properly assessing independence threats such as close relationships or previous nonaudit services, and treating independence forms as formalities rather than tools for meaningful evaluation. Additionally, documentation of certain annual affirmations and

nonaudit service assessments were not maintained and further indicate weaknesses in independence oversight.

Recommendation: The City Auditor's Office should prioritize independence by dedicating the necessary time and attention to establish and enforce a robust process for identifying, evaluating, and documenting threats to independence, ensuring compliance with GAS and safeguarding the integrity of audit engagements.

2. *GAS 3.109 requires auditors to use professional judgment (includes exercising reasonable care and professional skepticism) in planning and conducting engagements and in reporting the results.*

The handling of the Municipal Solid Waste audit raises concerns regarding the application of professional judgment and skepticism, as well as adherence to the quality control processes. The decision to halt testing prematurely and disregard evidence of discrepancies did not reflect a questioning mindset or critical assessment of the situation, undermining the detection of possible misstatements due to error or fraud – demonstrating deficiencies in the exercise of professional skepticism (GAS Application Guidance 3.110). The issuance of the report without proper quality control, oversight, or investigation into significant issues contradicted principles of diligence, objectivity, and adherence to professional standards – demonstrating deficiencies in the exercise of professional judgment (GAS Application Guidance 3.113). The modification of the quality control assessment and the absence of corrections to the audit report eroded transparency and accountability, undermining public trust in the audit process – demonstrating deficiencies in the exercise of ethical principles (GAS Ethical Principles 3.02-3.04).

Recommendation: The City Auditor should identify relevant training on ethical principles promulgated in the GAO's Yellow Book Chapter 3 and other ethical principles expected of professional auditors who perform government audits, for all members of the City Auditor's Office to participate in and complete, and provide an update on this participation to the City Council. Additionally, the City Auditor should provide the City Council with a detailed plan of action that the City Auditor will take to address this peer review finding to ensure that an ethical culture is fostered through management's leadership, clear communication, and reinforcement of acceptable behavior, which are essential for public trust.

3. *Standard 4.02 requires audit teams to collectively possess the necessary competence for engagement objectives, while Standards 4.03 and 4.04 mandate that management assign qualified auditors and establish robust processes for recruitment, development, and evaluation of personnel. Paragraph 4.07 specifies the need for proficiency in applying GAS, understanding applicable standards and regulations, and utilizing professional tools and techniques, with paragraph 4.08 highlighting that achieving this competence may involve relevant experience, continuing professional education (CPE), or certifications (Application Guidance). Additionally, Standard 5.16 requires audit organizations to implement policies ensuring auditors meet CPE requirements and maintain proper documentation of completed training.*

Evidence gathered during the peer review indicated that leadership and staff members of the City Auditor's Office did not have sufficient experience or expertise in government performance auditing and applying GAS. When experienced performance audit staff left the City Auditor's Office, auditors who lacked specific expertise in government performance auditing were hired. While these hires may have brought other relevant skills and credentials, inadequate supervision and targeted development left them unprepared to fulfill their roles effectively. Furthermore, insufficient staff development, inadequate training opportunities, and non-compliance with GAS CPE standards exacerbated these challenges, with 43%¹ of staff (six out of fourteen) not meeting the required CPE credits during the review period.

¹ This calculation excludes staff that the Office designated as interns (see GAS 4.27).

Recommendation: The City Auditor's Office should develop a well-designed evaluation process that aims to support the growth and development of staff by fostering a culture of continuous improvement. It should provide clear, constructive feedback on performance, highlighting strengths and identifying areas for development. Ultimately, the process should not only improve individual performance but also strengthen team dynamics and overall organizational success by ensuring audit staff are sufficiently knowledgeable to perform audits in compliance with GAS.

4. *GAS require audit organizations to establish policies and procedures, ensuring quality across all aspects of their operations, including leadership accountability, supervision, and adherence to professional standards. These policies should ensure appropriate oversight, sufficient expertise for quality control, compliance with GAS and CPE requirements, effective documentation and consultation on complex issues, and proper supervision and review of engagement team members to maintain audit quality and compliance (see GAS 5.05, 5.06, 5.16, 5.22, 5.24, and 5.36).*

The City Auditor's Office's Internal Audit Guide outlines adequate policies, but the Office leadership is not adhering to several key policies essential to quality control, resulting in non-compliance with GAS. Required quality assurance activities are not being completed adequately, monitoring of CPE compliance is neglected or misunderstood, resulting in almost half the City Auditor's Office's staff being non-compliant, and significant disagreements during audits are not properly documented. A delay in initiating the scheduling of the peer review process was noted, despite findings from the prior peer review.

Recommendation: The City Auditor's Office should develop an improved process for monitoring staff's adherence to the documented policies and procedures outlined in the Internal Audit Guide to maintain effective quality control and compliance with professional standards. If existing policies are deemed insufficient or impractical, the City Auditor's Office should develop and implement updated processes that align with GAS. These processes should then be formally documented in the Office's policies and procedures to ensure consistent application and accountability.

5. *GAS 8.87 and 8.90 require supervisors to ensure that audit work meets objectives, complies with GAS, and that findings and conclusions are supported by sufficient, appropriate evidence.*

The City Auditor's Office leadership does not appear to provide adequate guidance, supervision, or mentorship during audits, and supervisors seem to lack the necessary expertise, training, or mentorship to effectively oversee government performance audits. For example, audit files contained little to no evidence of supervisory review, and key workpapers were modified just before or during our site visit, raising concerns about the timing and rigor of reviews. Audits published nearly a year ago remain open with essential audit work awaiting the City Auditor's documented review and approval. The City Auditor's involvement was limited to planning and risk assessment documents, which were modified just prior to our site visit, casting doubt on the extent of his involvement.

Recommendation: The City Auditor should actively fulfill the core responsibilities of the position, including providing direct guidance, performing timely reviews, and ensuring audits are conducted with rigor and accountability in compliance with GAS and the Office's policies and procedures. While delegation of tasks can be appropriate, the City Auditor should retain responsibility for overseeing critical tasks, ensuring that proper follow-up and ownership of outcomes are maintained, as explicitly cited in the Office's documented policies and procedures.

6. *GAS 8.90-8.92 require auditors to obtain sufficient and appropriate evidence to provide a reasonable basis for addressing audit objectives and supporting findings and conclusions. These standards also mandate that auditors assess whether evidence is relevant, valid, and reliable, and ensure that there is enough appropriate evidence to persuade a knowledgeable person that the findings are reasonable. GAS 8.116-8.117 direct auditors*

to plan and perform procedures to develop the criteria, condition, cause, and effect of findings, as relevant and necessary to achieve audit objectives. Additionally, auditors must consider internal control deficiencies when determining the cause of findings.

Audit workpapers reviewed lacked a documented, adequate and timely assessment of the sufficiency and appropriateness of evidence to provide a reasonable basis for addressing audit objectives and supporting findings and conclusions and to ensure compliance with established standards. Historically, the City Auditor was responsible for completing the quality control assessment, including evaluating evidence, prior to audit release. For the Municipal Solid Waste audit, this responsibility was delegated after the report had been issued. The auditor who conducted the assessment determined that the evidence was insufficient. The quality control assessment has yet to be appropriately reviewed or approved at the time of the peer review. Additionally, auditors did not adequately evaluate internal controls or link weaknesses to the causes of findings.

Recommendation: The City Auditor's Office should ensure that, at the conclusion of each audit and prior to report release, a comprehensive evaluation of evidence is conducted to confirm that all elements of findings are supported by relevant, sufficient, and appropriate evidence. This evaluation should follow the quality control process outlined in the Office's policies and procedures and comply with GAS, ensuring the audit conclusions are well-founded and reliable.

7. *GAS require auditors to prepare and maintain sufficient documentation throughout the audit process—planning, conducting, and reporting—to support findings, conclusions, and recommendations before issuing the final report. Auditors must document the audit's objectives, scope, and methodology, the work performed, and evidence obtained to support judgments and conclusions, and supervisory review of evidence supporting the findings, conclusions, and recommendations before issuing the audit report. In addition, auditors are required to document departures from standards (GAS 8.132-8.136).*

Audit reports reviewed lacked clear links to supporting documentation, making it difficult to trace amounts back to workpapers that document the work performed, and evidence obtained to support findings, conclusions, and recommendations. Findings were only documented in the report, without sufficient development, particularly regarding the causes of identified issues. Workpapers lacked clear descriptions of methodology and proper conclusions, which are crucial for supporting audit findings. Key test work workpapers were modified during our site visit (and many others just before our visit), raising concerns about documentation integrity. Furthermore, departures from GAS requirements were not consistently documented in audit reports, and some audits followed International Professional Practice Framework standards instead of GAS, despite city ordinance mandating compliance with GAS during the audit period.

Recommendation: The City Auditor should oversee the quality control process before issuing audit reports, ensuring compliance with GAS and proper documentation of any departures from established standards. Throughout the audit, the City Auditor must ensure that workpapers adequately document audit methodologies, conclusions, and rationale for departures, and receive thorough review, with review notes clearly documented and attributed, to strengthen the integrity and reliability of the audit process.

8. *GAS 9.03 requires auditors to use specific language to clearly communicate compliance with the standards.*

Three of the six audit reports published during the peer review period contained incorrect and inconsistent language when stating the required GAGAS compliance statement. Divergent or incorrect language creates confusion about the level of assurance provided.

Recommendation: The City Auditor's Office should cite auditing standards according to GAS 9.03. Audit report readers—including City Council, management, and the public—rely on consistent language to understand the standards under which audits are conducted. If

there is a divergence from standards, the divergence should be clearly stated in audit reports.

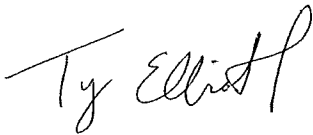
9. According to GAS 9.61-9.63, if information is omitted from an audit report due to confidentiality or sensitivity, auditors must disclose the omission, explain the necessity, and assess whether it could distort the audit results, making revisions if needed. Additionally, GAS 9.68 mandates that auditors follow proper procedures if insufficient or inappropriate evidence is discovered after the report is issued.²

The City Attorney's advice was cited by the City Auditor's Office as the reason for not issuing a correction for the Municipal Solid Waste audit that omitted material information. However, if the reason for the omission was as claimed, the appropriate standard should have been followed, and a correction issued with the appropriate disclosure. Additionally, there is no documentation in the workpapers of such advice. Omission of material information without proper disclosure and explanation can distort audit conclusions, leading to misleading findings.

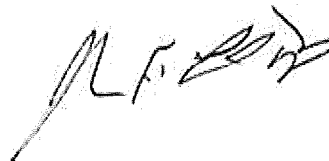
Recommendation: The City Auditor's Office should adhere to GAS standards by disclosing and explaining any omitted material information and issuing corrections when necessary. Legal advice, including guidance from the City Attorney, should be documented in the workpapers to ensure accountability and transparency. These steps will enhance audit reliability, support informed decision-making, and maintain public trust. Failure to disclose material omissions or document legal advice can lead to misleading findings, weaken audit credibility, and reduce its value to stakeholders.

Based on the results of our review, it is our opinion that the City of Corpus Christi City Auditor's Office internal quality control system was not adequately designed and was not operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* and applicable legal and regulatory requirements for engagements during the period January 1, 2021, to December 31, 2023.

Respectfully,



Ty Elliott, CIA, CFE, CGAP
City Auditor
City of College Station, TX



Joseph Lisitano, CPA, CIA
City Auditor
City of Mesa, AZ

² Audit standard 9.68 requires auditors, after issuing a report, to communicate any discovery that the evidence supporting their findings or conclusions was insufficient. They must notify those involved in the audit process—such as governance officials and the audited entity—using the same method as the original distribution. If the report was posted publicly, it should be removed, and a public notice should be issued. The auditors should then decide whether to perform additional work to either reissue the report with revised findings or conclusions or repost the original report if no changes are necessary.

George Holland



The City of Corpus Christi

The Auditor's Office

Response to The Peer Review Report

For the Period from January 1, 2021, to December 31, 2023

Date 05/21/2025

To: Mr. Trevor L. Williams, CPA, CIGA
Chief Audit Executive
Office of Internal Audit
University of Florida
Peer Review Team Lead

We've addressed the peer review findings, and our responses are detailed below:

1. *Auditors and audit organizations must maintain independence from the audited entity in all matters related to GAS engagements (3.18), evaluate threats to independence using the conceptual framework (3.30), and document identified threats to independence and the safeguards applied to mitigate these threats (3.33). Auditors should assess the impact of any nonaudit services provided to a prospective auditee and document the results (3.83). Audit organizations must also annually obtain written affirmations of compliance with independence policies and procedures from all relevant personnel (5.09).*

We found that the City Auditor's Office did not adequately evaluate, discuss, or document potential threats to independence as required by GAS. This includes assigning staff to audit areas in which they had prior responsibilities without developing documented mitigation plans, not properly assessing independence threats such as close relationships or previous nonaudit services, and treating independence forms as formalities rather than tools for meaningful evaluation. Additionally, documentation of certain annual affirmations and nonaudit service assessments were not maintained and further indicate weaknesses in independence oversight.

Recommendation: The City Auditor's Office should prioritize independence by dedicating the necessary time and attention to establish and enforce a robust process for identifying, evaluating, and documenting threats to independence, ensuring compliance with GAS and safeguarding the integrity of audit engagements.

The Auditor's office response:

Since early 2023, the City of Corpus Christi ("City") Audit Department ("City Audit") employees have been required to complete a form confirming their ability to independently perform each project audit. Since January 2023, each City Audit employee is also required to complete an annual independence statement. These actions are intended to ensure that each audit is conducted by a City Audit employee who is independent of the department being audited. Some safeguards were in place for the years 2021 and 2022, but these were evidently inadequate and have been steadily improved since early 2023. City Audit acknowledges one instance of a City Audit staff member working within the general area of her prior responsibilities, but City Audit disputes that no mitigation measures were in place (the staff member was not charged with audit responsibility and was only one of five team members who were all in a position to assure the independence of the audit process). Finally, City Audit is aware of one person who may have treated independence forms as a mere formality, but this City Audit staff person is no longer employed by City Audit (this is corrective action taken). Although City Audit does periodically (at the start of each project) engage a "robust" process for identifying... threats, City Audit is now further committed to ensuring the independence of each City Audit by better "documenting" such threats to safeguard the integrity of the process.

2. *GAS 3.109 requires auditors to use professional judgment (includes exercising reasonable care and professional skepticism) in planning and conducting engagements and in reporting the results.*

The handling of the Municipal Solid Waste audit raises concerns regarding the application of professional judgment and skepticism, as well as adherence to the quality control processes. The decision to halt testing prematurely and disregard evidence of discrepancies did not reflect a questioning mindset or critical assessment of the situation, undermining the detection of possible misstatements due to error or fraud – demonstrating deficiencies in the exercise of professional skepticism (GAS Application Guidance 3.110). The issuance of the report without proper quality control, oversight, or investigation into significant issues contradicted principles of diligence, objectivity, and adherence to professional standards – demonstrating deficiencies in the exercise of professional judgment (GAS Application Guidance 3.113). The modification of the quality control assessment and the absence of corrections to the audit report eroded transparency and accountability, undermining public trust in the audit process – demonstrating deficiencies in the exercise of ethical principles (GAS Ethical Principles 3.02-3.04).

Recommendation: The City Auditor should identify relevant training on ethical principles promulgated in the GAO's Yellow Book Chapter 3 and other ethical principles expected of professional auditors who perform government audits, for all members of the City Auditor's Office to participate in and complete, and provide an update on this participation to the City Council. Additionally, the City Auditor should provide the City Council with a detailed plan of action that the City Auditor will take to address this peer review finding to ensure that an ethical culture is fostered through management's leadership, clear communication, and reinforcement of acceptable behavior, which are essential for public trust.

The Auditor's office response:

City Audit acknowledges that there was a single instance of an "alteration of the quality control assessment" document, and immediate action was taken to assure each City Audit employee was fully aware that no alteration of a document should ever occur as part of the audit process. This same City Audit employee, however, was also recognized for identifying an error in the methodology used by a City vendor which resulted in City recouping \$312,000.00 (relating to the Municipal Solid Waste audit). Presently, each City Audit staff member is required to complete 40 hours of CPE (Continuing Professional Education), and this is tracked by City Audit and reported to the City's Audit Committee – but not to City Council as recommended by this external peer review. City Audit will share this peer review recommendation with City Audit Committee and seek guidance from City Audit Committee and/or City Council as to whom CPE data should be periodically presented. To the extent that internal training protocols may not satisfy the peer review concern expressed herein, City Audit fully supports additional ethical training of City Audit staff through third-party courses, seminars, and other (subject to City funding of same).

3. *Standard 4.02 requires audit teams to collectively possess the necessary competence for engagement objectives, while Standards 4.03 and 4.04 mandate that management assign qualified auditors and establish robust processes for recruitment, development, and evaluation of personnel. Paragraph 4.07 specifies the need for proficiency in applying GAS, understanding applicable standards and regulations, and utilizing professional tools and techniques, with paragraph 4.08 highlighting that achieving this competence may involve relevant experience, continuing professional education (CPE), or certifications (Application Guidance). Additionally, Standard 5.16 requires audit organizations to implement policies ensuring auditors meet CPE requirements and maintain proper documentation of completed training.*

Evidence gathered during the peer review indicated that leadership and staff members of the City Auditor's Office did not have sufficient experience or expertise in government performance auditing and applying GAS. When experienced performance audit staff left the City Auditor's Office, auditors who lacked specific expertise in government performance auditing were hired. While these hires may have brought other relevant skills and credentials, inadequate supervision and targeted development left them unprepared to fulfill their roles effectively. Furthermore, insufficient staff development, inadequate training opportunities, and non-compliance with GAS CPE standards exacerbated these challenges, with 43%¹ of staff (six out of fourteen) not meeting the required CPE credits during the review period.

Recommendation: The City Auditor's Office should develop a well-designed evaluation process that aims to support the growth and development of staff by fostering a culture of continuous improvement. It should provide clear, constructive feedback on performance, highlighting strengths and identifying areas for development. Ultimately, the process should not only improve individual performance but also strengthen team dynamics and overall organizational success by ensuring audit staff are sufficiently knowledgeable to perform audits in compliance with GAS.

The Auditor's office response:

The Audit Department agrees that several team members were lacking expertise in government performance auditing (2021 and 2022). Hiring and continuing to employ adequately trained City Audit staff members with government performance auditing experience is difficult in the current market, especially when considering the budget constraints of the City Audit Department. Since 2021, three (3) inexperienced City Audit staff members have left the City Audit team (corrective action) – and others who remained have added to their level of ability and experience (and continue to do so). City Audit continues to support development of its staff members' abilities, continued staff training, and further compliance with CPE standards (in fact, City Audit believes that City Audit staff members met or exceeded CPE annual credit requirements in 2023).

Also, we would like to emphasize on that one part time former employee was included the Calculation of missing CPE.

4. *GAS require audit organizations to establish policies and procedures, ensuring quality across all aspects of their operations, including leadership accountability, supervision, and adherence to professional standards. These policies should ensure appropriate oversight, sufficient expertise for quality control, compliance with GAS and CPE requirements, effective documentation and consultation on complex issues, and proper supervision and review of engagement team members to maintain audit quality and compliance (see GAS 5.05, 5.06, 5.16, 5.22, 5.24, and 5.36).*

The City Auditor's Office's Internal Audit Guide outlines adequate policies, but the Office leadership is not adhering to several key policies essential to quality control, resulting in non-compliance with GAS. Required quality assurance activities are not being completed adequately, monitoring of CPE compliance is neglected or misunderstood, resulting in almost half the City Auditor's Office's staff being non-compliant, and significant disagreements during audits are not properly documented. A delay in initiating the scheduling of the peer review process was noted, despite findings from the prior peer review.

Recommendation: The City Auditor's Office should develop an improved process for monitoring staff's adherence to the documented policies and procedures outlined in the Internal Audit Guide to maintain effective quality control and compliance with professional standards. If existing policies are deemed insufficient or impractical, the City Auditor's Office should develop and implement updated processes that align with GAS. These processes should then be formally documented in the Office's policies and procedures to ensure consistent application and accountability.

The Auditor's office response:

The peer reviewers recommend an improved process for monitoring City Audit staff's adherence to documented policies and procedures. This is an ongoing process that City Audit committed to in 2023, but results were not fully realized until 2024 and 2025 (with letting go of the three (3) inexperienced City Audit staff members and hiring of others, along with improved processes). The peer reviewers further recommend 'updating of processes to align with GAS,' and this has been an on-going process also (see attached revision log which properly documents the updates that have been completed to support consistent application of GAS (and related staff accountability)).

5. *GAS 8.87 and 8.90 require supervisors to ensure that audit work meets objectives, complies with GAS, and that findings and conclusions are supported by sufficient, appropriate evidence.*

The City Auditor's Office leadership does not appear to provide adequate guidance, supervision, or mentorship during audits, and supervisors seem to lack the necessary expertise, training, or mentorship to effectively oversee government performance audits. For example, audit files contained little to no evidence of supervisory review, and key workpapers were modified just before or during our site visit, raising concerns about the timing and rigor of reviews. Audits published nearly a year ago remain open with essential audit work awaiting the City Auditor's documented review and approval. The City Auditor's involvement was limited to planning and risk assessment documents, which were modified just prior to our site visit, casting doubt on the extent of his involvement.

Recommendation: The City Auditor should actively fulfill the core responsibilities of the position, including providing direct guidance, performing timely reviews, and ensuring audits are conducted with rigor and accountability in compliance with GAS and the Office's policies and procedures. While delegation of tasks can be appropriate, the City Auditor should retain responsibility for overseeing critical tasks, ensuring that proper follow-up and ownership of outcomes are maintained, as explicitly cited in the Office's documented policies and procedures.

The Auditor's office response:

Some of these failures occurred in 2021 and 2022, and have been the subject of improved processes since beginning of 2023. Presently, City Auditor: (1) provides direct guidance to audit team members on an almost-daily basis, advises on issues as such issues may arise, and advises on next-steps whenever a team audit effort needs further direction; (2) reviews and comments on draft audits; and (3) attends entrance meetings to kick-off each audit, attends auditee status meetings, attends exit meetings with auditees (upon completion of audits), and directly participates with audit team members to make recommendations to auditees. Some of City Auditor's involvements in the process can be confirmed by emails, but many of the support encounters are in-person with members of the audit team. All of City Auditor's involvements are for the purpose of assuring "rigor and accountability" in compliance with GAS, and in compliance with the Audit Department's policies and procedures.

6. *GAS 8.90-8.92 require auditors to obtain sufficient and appropriate evidence to provide a reasonable basis for addressing audit objectives and supporting findings and conclusions. These standards also mandate that auditors assess whether evidence is relevant, valid, and reliable, and ensure that there is enough appropriate evidence to persuade a knowledgeable person that the findings are reasonable. GAS 8.116-8.117 direct auditors to plan and perform procedures to develop the criteria, condition, cause, and effect of findings, as relevant and necessary to achieve audit objectives. Additionally, auditors must consider internal control deficiencies when determining the cause of findings.*

Audit workpapers reviewed lacked a documented, adequate and timely assessment of the sufficiency and appropriateness of evidence to provide a reasonable basis for addressing audit objectives and supporting findings and conclusions and to ensure compliance with established standards. Historically, the City Auditor was responsible for completing the quality control assessment, including evaluating evidence, prior to audit release. For the Municipal Solid Waste audit, this responsibility was delegated after the report had been issued. The auditor who conducted the assessment determined that the evidence was insufficient. The quality control assessment has yet to be appropriately reviewed or approved at the time of the peer review. Additionally, auditors did not adequately evaluate internal controls or link weaknesses to the causes of findings.

Recommendation: The City Auditor's Office should ensure that, at the conclusion of each audit and prior to report release, a comprehensive evaluation of evidence is conducted to confirm that all elements of findings are supported by relevant, sufficient, and appropriate evidence. This evaluation should follow the quality control process outlined in the Office's policies and procedures and comply with GAS, ensuring the audit conclusions are well-founded and reliable.

The Auditor's office response:

City Audit understands the importance of securing evidence to support audit findings. Historically, City Audit had a practice of securing evidence in an informal manner. This practice was consistent with more relaxed standards as previously existed. More rigorous standards have since been applied, and City Audit now has (since 2024) and updated check-list to assure all audit findings are supported by compelling evidence. Further, City Audit now adheres to a system to cross-reference audit findings to the evidence in the work papers.

7. *GAS require auditors to prepare and maintain sufficient documentation throughout the audit process—planning, conducting, and reporting—to support findings, conclusions, and recommendations before issuing the final report. Auditors must document the audit's objectives, scope, and methodology, the work performed, and evidence obtained to support judgments and conclusions, and supervisory review of evidence supporting the findings, conclusions, and recommendations before issuing the audit report. In addition, auditors are required to document departures from standards (GAS 8.132-8.136).*

Audit reports reviewed lacked clear links to supporting documentation, making it difficult to trace amounts back to workpapers that document the work performed, and evidence obtained to support findings, conclusions, and recommendations. Findings were only documented in the report, without sufficient development, particularly regarding the causes of identified issues. Workpapers lacked clear descriptions of methodology and proper conclusions, which are crucial for supporting audit findings. Key test work workpapers were modified during our site visit (and many others just before our visit), raising concerns about documentation integrity. Furthermore, departures from GAS requirements were not consistently documented in audit reports, and some audits followed International Professional Practice Framework standards instead of GAS, despite city ordinance mandating compliance with GAS during the audit period.

Recommendation: The City Auditor should oversee the quality control process before issuing audit reports, ensuring compliance with GAS and proper documentation of any departures from established standards. Throughout the audit, the City Auditor must ensure that workpapers adequately document audit methodologies, conclusions, and rationale for departures, and receive thorough review, with review notes clearly documented and attributed, to strengthen the integrity and reliability of the audit process.

The Auditor's office response:

See two (2) previous "Audit Department Comment[s]."

8. *GAS 9.03 requires auditors to use specific language to clearly communicate compliance with the standards.*

Three of the six audit reports published during the peer review period contained incorrect and inconsistent language when stating the required GAGAS compliance statement. Divergent or incorrect language creates confusion about the level of assurance provided.

Recommendation: The City Auditor's Office should cite auditing standards according to GAS 9.03. Audit report readers—including City Council, management, and the public—rely on consistent language to understand the standards under which audits are conducted. If there is a divergence from standards, the divergence should be clearly stated in audit reports.

The Auditor's office response:

City Audit is aware of this criticism, and related "Recommendation." Since receipt of this peer review criticism, City Audit now assures correct and consistent language to clearly communicate compliance with GAS standards. City Audit believes that appropriate remedial action has been taken on this item.

9. According to GAS 9.61-9.63, if information is omitted from an audit report due to confidentiality or sensitivity, auditors must disclose the omission, explain the necessity, and assess whether it could distort the audit results, making revisions if needed. Additionally, GAS 9.68 mandates that auditors follow proper procedures if insufficient or inappropriate evidence is discovered after the report is issued.²

The City Attorney's advice was cited by the City Auditor's Office as the reason for not issuing a correction for the Municipal Solid Waste audit that omitted material information. However, if the reason for the omission was as claimed, the appropriate standard should have been followed, and a correction issued with the appropriate disclosure. Additionally, there is no documentation in the workpapers of such advice. Omission of material information without proper disclosure and explanation can distort audit conclusions, leading to misleading findings.

Recommendation: The City Auditor's Office should adhere to GAS standards by disclosing and explaining any omitted material information and issuing corrections when necessary. Legal advice, including guidance from the City Attorney, should be documented in the workpapers to ensure accountability and transparency. These steps will enhance audit reliability, support informed decision-making, and maintain public trust. Failure to disclose material omissions or document legal advice can lead to misleading findings, weaken audit credibility, and reduce its value to stakeholders.

The Auditor's office response:

City Auditor agrees that for 2021 and 2022, City Audit control systems were not adequately designed and not operating appropriately. For the year 2023, new leadership initiated improved processes for City Audit – and has since been able to relieve City's inexperienced staff members of their job duties and add more competent staff to City Audit teams. These improvements were initiated in 2023, and have been more successfully deployed in 2024 (to present). City Audit is committed to full compliance with GAS.

The CAO in consultation with the Director of IT is replacing the legacy audit documentation software which will improve the accuracy, availability and security of information. The current software has known cybersecurity risks as inappropriate user access was noted with the intentional deletion of data by a disgruntled former employee with non-administrative level access. This was confirmed through audit logs. Please see attached. The inadequate application controls requires that the information be stored and protected on the server and therefore this report is protected as outlined in Texas Code Section 552.139. "Access logs violation attached"

Signature *George Holland*

Date : 5/23/2025