External Quality Control Review

of the

City of Durham, Audit Services Department

Conducted in accordance with guidelines of the

Association of Local Government Auditors

for the period July 1, 2007 to June 30, 2010

Association of Local Government Auditors

December 16, 2010

Germaine F. Brewington, CPA,
Director, Audit Services Department
City of Durham
101 City Hall Plaza, Ste 1700
Durham, NC 27701

Dear Ms. Brewington,

We have completed a peer review of the City of Durham, Audit Services Department for the period July 1, 2007 to June 30, 2010. In conducting our review, 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 if your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. 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.

Based on the results of our review, it is our opinion that the City of Durham, Audit Services Department's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during the period July 1, 2007 to June 30, 2010.

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

Lesia Johnson, CIA, CISA, CGAP
Team Leader
Senior Financial Systems Auditor
City Auditor's Office
City of Atlanta, GA

Richard Edwards, CIA, CGAP
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Association of Local Government Auditors

December 16, 2010

Germaine F. Brewington, CPA,
Director, Audit Services Department
City of Durham
101 City Hall Plaza, Ste 1700
Durham, NC 27701

Dear Ms. Brewington,

We have completed a peer review of the City of Durham Audit Services Department for the period July 1, 2007 to June 30, 2010 and issued our report thereon dated December 16, 2010. 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:

- Work papers are very well organized and allowed for a quick and efficient review of audit documentation.

- Audit risk assessments, objectives, purposes, and scope are documented in the engagements we examined.

- The auditors are very knowledgeable of Government Audit Standards and have a thorough understanding of the Audit Services Department's quality control system.

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

- Departures from Government Audit Standards requirements and the impact on the audit and auditor's conclusions (GAS 7.81) should be documented in audit reports. During the review period, we observed that your previous external quality control review occurred in December 2005. In order to be in compliance, reports completed after December 2008 should disclose that a quality control review had not been conducted within the three year period required by the Government Auditing Standards and the impact this has on the audit and auditor's conclusions.

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.

Sincerely,

Lesia Johnson, CIA, CISA, CGAP
Team Leader
Senior Financial Systems Auditor
City Auditor's Office
City of Atlanta, GA

Richard Edwards, CIA, CGAP
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