



Association of Local Government Auditors

December 16, 2016

Germaine F. Brewington
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, 2013 through June 30, 2016. 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 whether 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. 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 procedure.

Due to variances in individual performance and judgement, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based upon results of our review, it is our opinion that the City of Durham, Audit Services Department's internal control system was suitably designed and operating efficiently to provide reasonable assurance of compliance with Government Auditing Standards for audits and attestation engagements during the period July 1, 2013 to June 30, 2016.

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

Sincerely,

Richard Edwards, CIA, CGAP
Internal Audit Director
Durham County Government
Durham, NC

Qian Yuan, CIA, CISA
Principal Auditor
Metropolitan Government of
Nashville and Davison County
Nashville, TN

Ronnie Kelley
Senior Administrator
Wake County Public School
System
Raleigh, NC



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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, 2013 through June 30, 2016, and issued our report thereon dated December 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:

- Format of audit planning programs.
- Quality control efforts show continuous improvement.
- Audit Staff was well trained and knowledgeable of government standards.

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

- Section 3.88 states that "Audit organizations should establish policies and procedures on independence, legal, and ethical requirements that are designed to provide reasonable assurance that the audit organization and its personnel maintain independence and comply with applicable legal and ethical requirements."

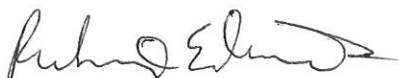
In complying with this requirement, we recommend that the Department update its SOP to more clearly explain its operating processes and procedures.

- In another issue relating to Section 3.88, the Department conducts waste, fraud and abuse reviews as required, which were usually generated through complaints from sources external to the Audit Department. The Department has a system to assure that independence is not compromised when conducting this non-audit work. However, the SOP does not address the process or steps taken to assure independence with respect to the fraud investigations.

We recommend that the Department specifically address in its SOP the processes it uses to initiate work addressing fraud claims and the steps it has developed to address independence related to that work.

We extend our thanks to you, your staff, and the Audit Committee member that spoke with us for the hospitality and cooperation extended to us during our review.

Sincerely,



Richard Edwards, CIA, CGAP
Internal Audit Director
Durham County Government
Durham, NC



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