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# External Quality Control Review

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of the  
PORT OF SEATTLE  
INTERNAL AUDIT DEPARTMENT  
GAS STANDARDS

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

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## Association of Local Government Auditors

August 9, 2012

Ms. Joyce Kirangi, Director  
Internal Audit Department  
Port of Seattle  
Pier 69 Corporate Headquarters  
2711 Alaskan Way  
Seattle, WA 98121

Dear Ms. Kirangi:

We have completed a peer review of the Port of Seattle Internal Audit Department for the period of July 1, 2011 through June 30, 2012. 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 engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff, management, and members of the Audit Committee 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.

Based on the results of our review, it is our opinion that the Port of Seattle Internal Audit Department's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audit engagements during the period of July 1, 2011 through June 30, 2012.

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

Ruthe Holden  
Los Angeles County  
Metropolitan Transportation  
Authority

David A. Schroeder  
City of Houston

Janice G. Williams  
San Antonio VIA  
Metropolitan Transit

Nicole Rollins  
Jackson County, Oregon



# Association of Local Government Auditors

August 9, 2012

Ms. Joyce Kirangi, Director  
Internal Audit Department  
Port of Seattle  
Pier 69 - Corporate Headquarters  
2711 Alaskan Way  
Seattle, WA 98121

Dear Ms. Kirangi,

We have completed a peer review of the Port of Seattle Internal Audit Department for the period July 1, 2011 through June 30, 2012 and issued our report thereon dated August 9, 2012. 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:

- The risk assessment process used for the engagements is very comprehensive and provides a great framework for ensuring that staff resources are focused in areas that are auditable and important.
- You have effectively implemented the automated work paper package software, TeamMate Workpaper module, and then integrating your paper processes to take advantage of the software's capabilities.
- Internal Audit Management promotes an interactive environment where staff are empowered to take ownership of key portions of the internal audit function.

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

### **Implementation of Annual Monitoring of Quality**

GAS 3.95 - Requires the audit organization to analyze and summarize the results of its monitoring process at least annually that identifies areas needing improvement and related corrective actions.

The Internal Audit Department does not summarize at least annually on their monitoring of quality assurance including the identification of any systemic issues along with recommendations for corrective action.

- We recommend the Director implement a process that identifies key elements and metrics to measure the success of the Quality Assurance function. This should be performed on an annual basis and include systemic issues and related corrective actions to be performed by Internal Audit Department Management.

### **Updating the Internal Audit Department's Auditor's Handbook**

GAS 3.82, *System of Quality Control*, states that the organization's policies and procedures are designed to provide reasonable assurance of complying with professional standards. The Internal Audit Department's *Auditor's Handbook* (Handbook) dated February 14, 2012 includes



## Association of Local Government Auditors

most of the substantive elements of GAS. However we noted that directives associated with standards that address unusual circumstances were not included.

In addition, the language in the Auditor's Handbook needs to be revised for the following standards:

3.95 - Requires the audit organization to analyze and summarize the results of its monitoring process at least annually that identifies areas needing improvement and related corrective actions.

6.65 - Requires the auditor to obtain assurance over the reliability of audit evidence

- We recommend that the Handbook be updated to include direction on how to apply the standards noted above.

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,

Ruthe Holden  
Los Angeles County  
Metropolitan Transportation  
Authority

David A. Schroeder  
City of Houston

Janice G. Williams  
San Antonio VIA  
Metropolitan Transit

Nicole Rollins  
Jackson County, Oregon



P.O. Box 1209  
Seattle, WA 98111-1209  
Tel: (206) 728-3000

[www.portseattle.org](http://www.portseattle.org)

August 9, 2012

Ruthe Holden  
Team Leader  
Los Angeles County Metropolitan

Dear Ms. Holden:

I would like to thank you, the members of your peer review team (David Schroeder, Janice Williams, and Nicole Rollins), and the Association of Local Government Auditors (ALGA) for the peer review covering the period July 1, 2011 through June 30, 2012. This was the first peer review of the Port of Seattle Internal Audit Department since the department was formally established in 2008. We benefitted greatly from the experience.

We are pleased to learn that your independent peer review found no significant weaknesses in the department's quality control system. Your opinion letter dated August 9, 2012 concluded that the department's quality control system is suitably designed and operating effectively to provide reasonable assurance of compliance with the *Government Auditing Standards* (commonly known as the Yellow Book).

We are also pleased to be in receipt of your companion letter to the opinion describing areas of improvement in our quality control system. We concur with each of your observations and recommendations. We will act to implement each of your recommendations as follows:

**Recommendation:**

Government Auditing Standards (GAS) 3.95—requires the audit organization to analyze and summarize the results of its monitoring process at least annually that identifies areas needing improvements and related corrective actions. We *recommend* the Director implement a process that identifies key elements and metrics to measure the success of the Quality Assurance function.

**Response:**

We concur with the recommendation. We will develop and implement a process that identifies key elements and metrics to measure the success of our Quality Assurance function. This recommendation will be implemented before the end of 2012.

**Recommendation:**

GAS 3.82 -- System of Quality Control, states that the organization's policies and procedures are designed to provide reasonable assurance of complying with professional standards. The department Policies and Operating Procedure Manual did not address directives associated with standards that address unusual circumstances. We *recommend* that the Handbook be updated to include direction on how to apply the standards noted above.





P.O. Box 1209  
Seattle, WA 98111-1209  
Tel: (206) 728-3000

[www.portseattle.org](http://www.portseattle.org)

**Response:**

We concur with the recommendation. We will immediately start updating our department Handbook and incorporate GAS standards that address unusual circumstances. In addition, we will update our Policies and Procedures Manual and enhance documentation language on GAS 3.95 – annual monitoring process and GAS 6.95 – assurance over the reliability of audit evidence. This recommendation will be implemented before the end of 2012.

Again, thank you for your thorough review and valuable insight. We will implement your recommendations.

Sincerely,

A handwritten signature in black ink that reads "Kirangi".

Joyce Kirangi  
Director, Internal Audit Department  
Port of Seattle, Washington

cc: Erin Kenney, ALGA Peer Review Coordinator  
David A. Schroeder, Team Member  
Janice G. Williams, Team Member  
Nicole Rollins, Team Member

