

External Peer Review of the
City of Rochester
Office of Public Integrity
Internal Audit Activity

ISSUED:
June 9, 2021

HVaudit
Hungerford Vinton **LLC**



PEER REVIEW REPORT

June 9, 2021

Mr. Timothy Weir
Director of the Office of Public Integrity
City of Rochester
85 Allen Street, Suite 100
Rochester, NY 14608

Dear Mr. Timothy Weir,

We have completed a peer review of the City of Rochester's (the City) Office of Public Integrity's (OPI) Internal Audit Activity (Internal Audit) for the period January 1, 2018 through December 31, 2020. In conducting our review, we performed an external validation of OPI's self-assessment to evaluate OPI's conformance with the International Standards for the Professional Practice of Internal Auditing (*Standards*) and the Code of Ethics set by the Institute of Internal Auditors (IIA).

We reviewed the self-assessment performed by your audit organization and performed validation procedures to determine whether your internal quality control system operated to provide reasonable assurance of compliance with the *Standards* and the Code of Ethics. Our procedures included:

- Reviewing OPI's quality control policies and procedures.
- Reviewing the adequacy and results of OPI's internal monitoring procedures.
- Reviewing a selection of audit reports and workpaper documentation.
- Reviewing documents related to independence, training, and development of audit staff.
- Reviewing OPI's Quality Self-Assessment of the Internal Audit Activity; and
- Interviewing audit staff and the Director of OPI to assess their understanding of, and compliance with, quality control policies and procedures.
- Interviews with the Deputy Mayor and Senior Management to assess the organization's views on the professionalism, effectiveness, and credibility of OPI.

The nature of our review included sampling and selective testing; therefore, it would not necessarily identify all system design and compliance matters. Our review found compliance in most cases; however, it does not guarantee compliance in its entirety.

Based on this work, we concur with the conclusions and recommendations of the self-assessment as presented by the OPI. Additionally, we found that the City of Rochester Office of Public Integrity's

Internal Audit Activity's internal quality control system is adequate. The internal control system was complied with in a manner that provides reasonable assurance of conformance with the *Standards* and the Code of Ethics. Therefore, it is our opinion that the City of Rochester Office of Public Integrity's Internal Audit Activity complies with the *Standards* and the Code of Ethics.

Findings of our review are included in the *Letter of Comment* on page 6. We have prepared a separate letter offering recommendations to further strengthen your internal quality control system. These recommendations do not affect the opinion we expressed in this report.

A handwritten signature in black ink, appearing to read 'Timothy Hungerford', with a horizontal line extending to the right from the end of the signature.

Timothy Hungerford, CPA, CIA, CFE, CMA, CISA, CFM, CGAP
External Peer Review Team
Partner in Charge
Hungerford Vinton, LLC

Table of Contents

Scope and Methodology.....	5
Letter of Comment:.....	6
Finding 1: Lack of independence due to reporting structure	6
Distribution List.....	6
Appendix A: Office of Public Integrity Responses.....	6
Finding 1: Lack of independence due to reporting structure	6

Scope and Methodology

We performed testing to assess OPI's Internal Audit Activity's conformance with the *Standards* for the period January 1, 2018 through December 31, 2020. This testing included interviewing Internal Audit staff, the Director of OPI, Senior Management, and the Deputy Mayor. A total of 10 formal interviews were conducted during our review.

We reviewed Internal Audit's policy and procedures documents to determine whether the organization's system of quality review was designed in conformance with the *Standards*. This included inspecting Internal Audit documents for compliance with the *Standards*.

We selected a sample of completed engagements performed by Internal Audit to determine whether the organization is operating in conformance with the *Standards*. Each engagement was reviewed and assessed on planning, fieldwork, and reporting requirements. A total of ten (10) audits were completed within the past year fiscal year ended 6/30/2020. We selected four (4) completed audits for our testing, which included 55% of total engagement hours worked for the completed audits. See the "Engagements Reviewed" chart below for the list of engagements reviewed in our peer review.

Engagements Reviewed			
Report Date	Department	Audit	Hours
12/31/2019	Central Library Cash Collections	Central Library Cash Collections	419
7/24/2019	Public Market	Public Market	353
7/19/2019	Police	Auto Pound Operations	263.5
5/26/2020	Fire	NYS Homeland Security Program Administration	276.5

Letter of Comment:

Finding 1: Lack of independence due to reporting structure

The *Standards* require that the chief audit executive must report to a level within the organization that allows Internal Audit to fulfill its responsibilities. We noted that the City does not have an Audit Committee. Functionally, OPI and the Internal Audit Activity report directly to the Mayor. Because the Director of OPI is appointed by the Mayor, and the department reports directly to the Mayor, this reporting structure could result in a perceived conflict of interest for OPI, in the event the Mayor's activities are under scrutiny. Based on our interviews, stakeholders expressed their concerns about sharing information with OPI due to the perceived lack of independence. *Therefore, an issue of independence is perceived by stakeholders and affects the confidence in the Internal Audit Activity.*

Based on our interviews, OPI has never been told they cannot audit any department or program. The Mayor has allowed OPI to perform any engagement deemed necessary without interference. However, if an audit of the Mayor needed to be performed, OPI should refer the work to an outside organization so that the independence of OPI would not be questioned or compromised.

The Mayor has proposed that the OPI unit be transitioned into an Inspector General's Office. This would change the reporting structure of OPI and remove the perceived issue of a lack of independence. The OPI Director would no longer be reporting to the Mayor, and their employment would not be contingent upon the Mayor's appointment or approval. This proposal remains under consideration by the City Council.

Recommendation: We recommend that OPI work with the Mayor and City Council to formalize the Inspector General Office designation for OPI thus changing the reporting structure. This finding was also identified by OPI in their self-assessment.

Distribution List

Timothy Weir

Cheryl Ferguson

Timothy Hungerford

Appendix A: Office of Public Integrity Responses

Finding 1: Lack of independence due to reporting structure

The reporting structure of the Office of the Public Integrity (OPI) is set forth in Section 3-13 of the City Charter. Any amendments to the Charter language require the introduction of new legislation. The OPI Director has coordinated with the Mayor to introduce new legislation to City Council to create an Office of Inspector General. Creation of an Office of Inspector General would allow for greater independence in both fact and appearance and act as a safeguard against undue influence. On October 27, 2020, the Mayor introduced this Charter Amendment to City Council and is currently awaiting legislative approval.