External Quality Control Review

of the
San Diego City Employees’ Retirement System - Internal Auditor

Conducted in accordance with guidelines of the Association of Local Government Auditors for the period September 23, 2013 through October 31, 2014
March 13, 2015

Lee Parravano
Internal Auditor
San Diego City Employees’ Retirement System
401 West A Street, Suite 400
San Diego, CA 92101

Dear Mr. Parravano

We have completed a peer review of the San Diego City Employees’ Retirement System - Internal Auditor for the period from September 23, 2013 to October 31, 2014. In conducting our review, we followed the standards and guidelines contained in the Peer Review Guide for Assessing Conformance with International Standards for the Professional Practice of Internal Auditing 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 conformance with the International Standards for the Professional Practice of Internal Auditing (the Standards) issued by the Institute of Internal Auditors as part of their Professional Practices Framework. Due to variances in individual performance and judgment, conformance 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 San Diego City Employees’ Retirement System – Internal Auditor internal quality control system was suitably designed and operating effectively to provide reasonable assurance of conformance with the Standards for assurance and consulting engagements during the period from September 23, 2013 to October 31, 2014.

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

Sincerely,

Edmundo S. Calderon, CIA, CGAP, CRMA
City of El Paso
El Paso, Texas

Sheila M. Roberts, CPA, CIA, CFF, CGMA
Orange County Comptroller
Orlando, Florida
March 13, 2015

Lee Parravano
Internal Auditor
San Diego City Employees’ Retirement System
401 West A Street, Suite 400
San Diego, CA 92101

Dear Mr. Parravano,

We have completed a peer review of the San Diego City Employees’ Retirement System - Internal Auditor for the period of September 23, 2013 to October 31, 2014 and issued our report dated March 13, 2015. 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:

- Developing an Annual Audit Plan with a detailed Risk Assessment with measured risks.

- Creating a comprehensive set of Policies & Procedures that address the International Standards for the Professional Practice of Internal Auditing. These Policies & Procedures were created within the last year and a half.

- Having an extremely qualified Internal Auditor with the necessary education, experience, and multiple professional certifications. These traits have contributed to the successful completion of this Peer Review.

We offer the following observations and suggestions to enhance your organization’s demonstrated conformance to International Standards for the Professional Practice of Internal Auditing:

**Communicating Results**

**Observation 1:** Performance Standard 2410.A1 states that final communication of engagement results must, where appropriate, contain the internal auditors’ opinion and/or conclusion. The current practice is to list the objectives that were met in the Audit Results Section of the Audit Report. Comments regarding an opinion or a conclusion are contained in the Cover Memorandum.

**Suggestion 1:** The Internal Auditor should consider including a Conclusion Section to the Audit Reports. Conclusions and opinions are based on the Internal Auditor’s evaluation of the objectives established for each engagement.
We extend our thanks to you, your staff and the other San Diego City Employees’ Retirement System officials we met for the hospitality and cooperation extended to us during our review.

Sincerely,

Edmundo S. Calderon, CIA, CGAP, CRMA
City of El Paso
El Paso, Texas

Sheila M. Roberts, CPA, CIA, CFF, CGMA
Orange County Comptroller
Orlando, Florida
March 16, 2015

Edmundo Calderon, CIA, CGAP, CRMA
Sheila Roberts, CPA, CIA, CFF, CGMA
ALGA External Quality Control Review

Dear Mr. Calderon and Ms. Roberts:

The San Diego City Employees’ Retirement System (SDCERS) has received your opinion on SDCERS’ Internal Auditor’s internal quality controls system and the letter of suggestions to further strengthen the Internal Auditor’s internal quality control system for the period September 23, 2013 to October 31, 2014.

For the time period under review, the opinion stated, SDCERS Internal Auditor’s internal quality control system was suitably designed and operating effectively to provide reasonable assurance of conformance with the Standards for assurance and consulting engagements. SDCERS Internal Auditor has reviewed the suggestion offered to further strengthen the internal quality control system and has provided a response below.

Observation 1: Performance Standard 2410.A1 states that final communication of engagement results must, where appropriate, contain the internal auditors’ opinion and/or conclusion. The current practice is to list the objectives that were met in the Audit Results Section of the Audit Report. Comments regarding an opinion or a conclusion are contained in the Cover Memorandum.

Suggestion 1: The Internal Auditor should consider including a Conclusion Section to the Audit Reports. Conclusions and opinions are based on the Internal Auditor’s evaluation of the objectives established for each engagement.

Internal Audit Response: Agree

In addition to the current practice of listing objectives met in the Audit Results section of the Audit Report and comments regarding an opinion listed in the Cover Memorandum a new conclusion section will be added to Audit Reports issued by SDCERS’ Internal Auditor. The new conclusion section will assist the reader in putting the observations and recommendations in perspective based on their overall implications. This section will also clearly identify any engagement conclusions and may include an opinion on the overall assessment of controls or may be limited to specific controls or aspects of the engagement.

Regards,

Lee Parravano, Internal Auditor