

Honorable Alan Butkovitz  
City Controller  
Office of the Controller  
City of Philadelphia  
Room 1230, Municipal Services Building  
Philadelphia, PA 19102

We have reviewed the system of quality control for the Post Audit Division, City of Philadelphia (the City), Office of the Controller (the Division), in effect for the year ended June 30, 2006 as required by the City of Philadelphia's Home Rule Charter. A system of quality control encompasses the Division's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of CPAs (AICPA). The Division is responsible for designing a system of quality control and complying with it to provide the Division reasonable assurance of conforming with professional standards in all material respects. The acceptance and continuance of clients standards in the Quality Control Standards issued by the AICPA are not applicable to the Division since the Home Rule Charter requires all departments of the City to be audited by the Division. Further, the membership requirements under standards of the Peer Review Board of the AICPA (Board) and the Board's oversight and acceptance of the peer review are not applicable. Our responsibility is to express an opinion on the design of the system of quality control and the Division's compliance with its system of quality control based on our review.

Our review was conducted in accordance with standards established by the Peer Review Board of the AICPA as well as the applicable standards set forth in *Government Auditing Standards*, issued by the Comptroller General of the United States. During our review, we read required representations from the Division, interviewed firm personnel, and obtained an understanding of the nature of the Division's accounting and auditing practice as well as the design of the Division's system of quality control sufficient to assess the risks implicit in its practice. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the Division's system of quality control. The engagements selected represented a reasonable cross-section of the Division's accounting and auditing practice with emphasis on higher-risk engagements. (The engagements selected included engagements performed under *Government Auditing Standards*.) Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with the Division's management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the Division's accounting and auditing practice. In addition, we tested compliance with the Division's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the Division's policies and procedures on selected engagements. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it. There are inherent limitations in the effectiveness of any system of quality control, and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice of the Post Audit Division, City of Philadelphia, Office of the Controller in effect for the year ended June 30, 2006, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and was complied with during the year then ended to provide the Division with reasonable assurance of conforming with professional standards.

*Mitchell & Titus, LLP*

January 31, 2007