

Honorable Alan Butkovitz
City Controller
Office of the Controller
City of Philadelphia
Room 1230, Municipal Services Building
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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, 2009 as required by the City of Philadelphia's Home Rule Charter (Home Rule Charter). Our review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Board). The standards established by the Board related to the acceptance and continuance of clients 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 Board and the Board's oversight and acceptance of the peer review are not applicable. Our review was also conducted in accordance with the applicable standards set forth in *Government Auditing Standards*, issued by the Comptroller General of the United States. The Division is responsible for designing a system of quality control and complying with it to provide the Division with reasonable assurance of performing and reporting in conformity with applicable standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the Division's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the Appendix.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*.

In our opinion, the system of quality control for Post Audit Division, City of Philadelphia, Office of the Controller in effect for the year ended June 30, 2009, has been suitably designed and complied with to provide the Division with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The Division can receive a rating of pass, pass with deficiencies or fail. The Division has received a peer review rating of pass.

Mitchell & Titus, LLP

May 3, 2010

Appendix

Summary of the Nature, Objectives, Scope, Limitations of, and Procedures Performed in System Reviews

A System Review is a type of peer review that is a study and appraisal by an independent evaluator, known as a peer reviewer, of the Division's system of quality control to perform auditing work. The system represents the policies and procedures that the Division has designed, and is expected to follow, when performing its work. The peer reviewer's objective is to determine whether the system is designed to ensure conformity with applicable standards and whether the Division is complying with its system appropriately.

Professional standards are literature, issued by various organizations, that contain the framework and rules that the Division is expected to comply with when designing its system and when performing its work. Professional standards include but are not limited to the Statements on Quality Control Standards issued by the American Institute of Certified Public Accountants (AICPA) that pertain to leadership responsibilities for quality within the Division ("tone at the top"); independence, integrity, objectivity, and other legal and ethical requirements; human resources; engagement performance and engagement documentation; and monitoring.

To plan a System Review, a peer reviewer obtains an understanding of (1) the Division's auditing practice, such as the industries of the organizations it audits and (2) the design of the Division's system, including its policies and procedures and how the Division checks itself that it is complying with them. The reviewer assesses the risk levels implicit within different aspects of the Division's practice and its system. The reviewer obtains this understanding through inquiry of firm personnel and review of documentation on the system, such as the Division's manuals.

Based on the peer reviewer's planning procedures, the reviewer looks at a sample of the Division's work, individually called engagements. The reviewer selects engagements for the period covered by the review from a cross section of the Division's practice with emphasis on higher risk engagements. The engagements selected include those performed under *Government Auditing Standards*. The scope of a peer review only covers auditing engagements. The reviewer will also look at administrative elements of the Division's practice to test the elements listed previously from the Statements on Quality Control Standards issued by the AICPA.

The reviewer examines engagement working paper files and reports, interviews selected firm personnel, reviews representations from the Division, and examines selected administrative and personnel files. The objectives of obtaining an understanding of the system and then testing the system forms the basis for the reviewer's conclusions in the peer review report.

When the Division receives a report from the peer reviewer with a peer review rating of pass, the report means that the system is appropriately designed and being complied with by the Division in all material respects.

There are inherent limitations in the effectiveness of any system and, therefore, noncompliance with the system may occur and not be detected. A peer review is based on selective tests. It is directed at assessing whether the design of and compliance with the Division's system provides the firm with reasonable, not absolute, assurance of conforming to applicable professional standards. Consequently, it would not necessarily detect all weaknesses in the system or all instances of noncompliance with it. It does not provide assurance with respect to any individual engagement conducted by the Division or that none of the financial statements audited by the Division should be restated. Projection of any evaluation of a system to future periods is subject to the risk that the system may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.