

OFFICE OF THE CITY AUDITOR  
CITY OF SAN JOSE  
QUALITY CONTROL REVIEW  
FOR THE 25 MONTHS ENDED APRIL 30, 1993

REPORT

RECEIVED  
JUN 16 1993

CITY AUDITOR

KARL W. DOLK  
Certified Public Accountant  
5508 State Avenue  
Sacramento, California 95819  
(916) 452-4406

June 9, 1993

Honorable Mayor and Members  
of the City Council  
801 North First Street, Room 600  
San Jose, California 95110


Dear Mayor and Members:

I have reviewed the system of quality control to obtain a reasonable assurance of compliance with generally accepted government auditing standards in effect for the Office of the City Auditor of City of San Jose for audits issued during the period April 1, 1991 through April 30, 1993 and have issued a separate letter of comments thereon dated June 9, 1993. I have conducted my review in conformity with the policies and procedures for quality control peer reviews established by both the National State Auditors Association (NSAA) and the National Association of Local Government Auditors (NALGA). I tested the Office's compliance with the system of quality control policies and procedures to the extent I considered necessary in the circumstances. These tests included the application of the Office's policies and procedures to selected audit engagements.

In performing my review, I have given consideration to the general characteristics of a system of quality control as described in the quality control peer review guidelines issued separately by the NSAA and by the NALGA. Such a system should be appropriately comprehensive and suitably designed in relation to the Office of the City Auditor's organizational structure, its policies, and the nature of its functions. Because variance in individual performance can effect the degree of compliance with the Office of the City Auditor's prescribed quality control policies and procedures, adherence to all policies and procedures in every case may not be possible. Nevertheless, compliance does require the Office to adhere to prescribed policies and procedures in most situations.

In my opinion, the system of quality control provided reasonable assurance of compliance with generally accepted government auditing standards for the Office of the City Auditor of the City of San Jose in effect for audits issued during the period April 1, 1991 through April 30, 1993, met the objectives of the quality control peer review guidelines separately established by the NSAA and the NALGA, and was being complied with during the 25 months under review.

Sincerely,



Karl W. Dolk

OFFICE OF THE CITY AUDITOR  
CITY OF SAN JOSE  
QUALITY CONTROL REVIEW  
FOR THE 25 MONTHS ENDED APRIL 30, 1993

LETTER OF COMMENTS

**KARL W. DOLK**  
*Certified Public Accountant*  
5508 State Avenue  
Sacramento, California 95819  
(916) 452-4406

June 9, 1993

Mr. Gerald A. Silva  
City Auditor  
151 W. Mission Street, Room 109  
San Jose, California 95110

Dear Mr. Silva:

I have reviewed the system of quality control for the audits issued by the Office of the City Auditor of the City of San Jose during the period April 1, 1991 through April 30, 1993. I have issued a separate report, dated June 9, 1993, on my review of that system. This letter should be read in conjunction with that report.

The Office of the City Auditor has designed and implemented a comprehensive system of quality control policies and procedures that are very effective. During my review, I did not find any significant weaknesses in the internal quality control system.

Background

The office performs performance audits of City departments, offices or agencies to determine whether resources are managed and utilized in an economical and efficient manner, the causes of inefficiencies or uneconomical practices, whether desired results are being achieved, and whether City Council objectives are being met. In addition, the office conducts special audits and investigations as assigned by the City Council. I reviewed these functions of the Office for conformance with the Government Auditing Standards issued by the Comptroller General of the United States. I also assessed the Office's quality controls and procedures for audits issued.

I performed this review using the guidelines separately prepared by the National State Auditors Association (NSAA) and the National Association of Local Government Auditors. In selecting audit engagements for review, I was guided by the policies and procedures for performing quality control reviews approved by NSAA. I selected engagements for review from a list of reports provided by the Office. This listing contained 21 reports issued during the period under review including 19 performance reports prepared by office staff, one informational study, and one review of financial statements. I selected a representative sample of three audits for review in a manner that allowed me to examine the work of most of the auditors employed during the period under review.

My review was intended to be a constructive one, and my purpose was to point out areas for improvement. The absence of extensive comments of a complimentary nature does not, therefore, imply that the quality control system of the Office is deficient or unsound.

#### Timeliness of Reports

As part of the review of the Office, I was required to analyze the timeliness of reports. Government Auditing Standards require audit reports to be issued promptly to make information available for timely use by management and elected officials. The Office is not required by charter or by the City Council to meet specific reporting deadlines. For reports issued during the period I reviewed, the City Auditor provided the City Council with estimated release dates as part of the Monthly Activity Report. Based on the dates originally provided to the City Council for each of the 19 performance audits and one informational study issued during the period reviewed, I determined that three of the reports were issued early, five were issued on time, and three were issued within 33 days of the estimated dates. Six of the remaining nine reports were issued from 67 to 143 days late, and the other three reports were issued from 189 to 235 days late. While the Office did not always meet the City Auditor's projected issue dates during the period under review, there was a marked reduction in average days late as shown in the following table:

7/1/87 to 6/30/89	17 reports	181 days late
7/1/89 to 3/31/91	19 reports	125 days late
4/1/91 to 4/30/93	20 reports	64 days late

Predicting the completion date of an audit is an uncertain process. City management and the City Council rely on the City Auditor's predicted date in order to use the report. The City Auditor's estimated report issue dates may be altered for various reasons including expansion of audit scope, unavailability of timely data, slow responses from the audited entities, changing audit priorities, and staff turnover. In order to better control the audit's progress, the Office has implemented a sophisticated time reporting system that identifies audit hours by audit objective, requires staff to inform the City Auditor of timing variations, and assists management in predicting audit completion dates.

#### Prior Report Recommendations

As part of my review of the Office's quality control policies and procedures, I reviewed the recommendations from the management letter accompanying the April 30, 1991, quality review report.

Gerald A. Silva  
June 9, 1993  
Page 3

Both of the recommendations were implemented. Policies to implement one of the two recommendations were included in the Office's Operations Manual. In addition, my review of audits and Monthly Activity Reports disclosed that the policies had been implemented.

This letter of comments is intended solely for the City Auditor of the City of San Jose and should not be used for any other purpose, except at the discretion of the City Auditor. I appreciate the cooperation and assistance extended by the management and staff of the Office of the City Auditor. Their assistance was invaluable in the timely completion of this project.

Sincerely,

A handwritten signature in black ink, appearing to read 'Karl W. Dolk', with a stylized flourish above the name.

Karl W. Dolk



## CITY OF SAN JOSÉ, CALIFORNIA

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151 W. MISSION STREET, ROOM 109  
SAN JOSE, CALIFORNIA 95110  
(408) 277-4601

GERALD A. SILVA  
City Auditor

June 22, 1993

Mr. Karl W. Dolk, CPA  
5508 State Avenue  
Sacramento, CA 95819

Dear Mr. Dolk:

The Office of the City Auditor submits the following comments in response to the performance audit of its operations.

I am pleased that the auditor did not find any significant weaknesses in the Office's internal quality control system. The auditor stated that our system of quality control provided reasonable assurance of compliance with generally accepted government auditing standards and that we met the objectives of the NSAA and NALGA quality control peer review guidelines during the period audited.

As the auditor noted, we have made significant improvements in the timely issuance of our reports. We have already implemented a rigorous audit planning, monitoring, and time-reporting system. By following our system more vigilantly, we will continue to improve our timeliness record.

Sincerely,

Gerald A. Silva  
City Auditor

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