

CITY OF SAN JOSÉ, CALIFORNIA

**EXTERNAL QUALITY
CONTROL REVIEW**

**For the period July 1, 1999
through June 30, 2001**

**Issued
November 1, 2001**



CITY OF SAN JOSÉ, CALIFORNIA

800 N. First Street • San Jose, California 95112 • Tel: (408) 277-4601

GERALD A. SILVA
City Auditor

November 1, 2001

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

Attached is the independent auditor's report that representatives of the National Association of Local Government Auditors (NALGA) prepared in October 2001. Our comments in response to the audit report are also included. Jim Williamson, Assistant City Auditor from the Oklahoma City, Oklahoma, Internal Audit Office and a member of the audit team, will present this report to the Finance and Infrastructure Committee at its November 14, 2001 meeting.

Should you have any questions, please contact me at extension 4601.

Respectfully submitted,

Gerald A. Silva
City Auditor

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GS:bh

Attachments





National Association of Local Government Auditors

October 18, 2001

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

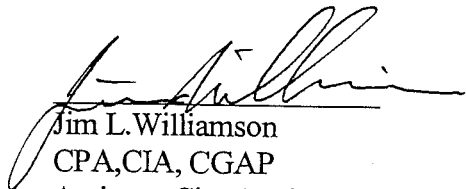
We have completed an external quality control review of the San Jose Office of the City Auditor for audits issued during the period July 1, 1999 through June 30, 2001. In conducting our review, we followed the standards and guidelines contained in the NALGA *Quality Control Review Guide* published in May 1995, by the National Association of Local Government Auditors.

As prescribed by the NALGA *Guide*, we reviewed the internal quality control system of your audit organization and tested a sample of audits conducted by your office for compliance with government auditing standards issued by the Comptroller General of the United States. Due to variance in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

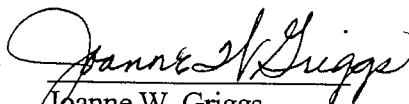
We have concluded from our review that your system of internal quality control was suitably designed and provided reasonable assurance that applicable government auditing standards were followed in the audit work. We have also concluded from the sample of audits tested that the quality controls were working effectively and that audits were conducted in conformance with applicable standards during the period under review.

It is our opinion, therefore, that the San Jose Office of the City Auditor was in compliance with Government Auditing Standards during the period July 1, 1999 through June 30, 2001. We have prepared a separate letter to management which offers suggestions for further strengthening your internal quality controls.

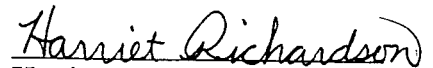
Sincerely,



Jim L. Williamson
CPA, CIA, CGAP
Assistant City Auditor
Oklahoma City, OK



Joanne W. Griggs
CPA, CFE, CGFM
City Auditor
Virginia Beach, VA



Harriet Richardson
CPA, CIA
Principal Management Auditor
King County, WA



National Association of Local Government Auditors

October 18, 2001

Mr. Gerald A. Silva, City Auditor
Office of the City Auditor
800 North First Street
San Jose, CA 95110

Dear Mr. Silva:

We have completed an external quality control review of the San Jose Office of the City Auditor ("the Office") for audits issued during the period July 1, 1999 through June 30, 2001. We have issued a report stating our opinion that the Office was in compliance with Government Auditing Standards. We suggest that this letter be read in conjunction with our opinion report.

The following are areas in which your office excels:

- Encouraging the professional expertise of management and staff.
- Using innovative methods to communicate interim audit findings for timely management action.
- Developing a strong internal control process ensuring audit quality.
- Innovative risk-based planning to ensure comprehensive auditing of important subject matter.
- Thoroughly following-up on significant findings included in all audit reports.

While we found that the Office excelled in several areas, there are two minor areas in which we offer the following comments and suggestions for improving your operations and better demonstrating your compliance with Government Auditing Standards.

INDEPENDENCE

Government Auditing Standard 3.11 requires the audit organization and the individual auditors to be free from personal and external impairments to independence, and to maintain an independent attitude and appearance in all matters relating to the audit work. To meet this standard, the Office has established a policy that auditors will not be assigned to an audit where an impairment exists, unless the assignment is unavoidable and a justification is provided. The

Mr. Gerald A. Silva, City Auditor
October 18, 2001
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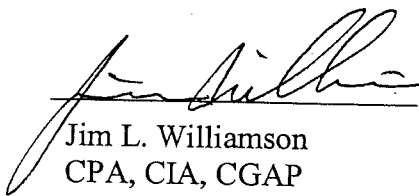
Office implements this policy by requiring each staff auditor assigned to an audit to complete a Staff Advisement Sheet advising the City Auditor of any personal impairments associated with the project. We believe that the Office is in compliance with the Government Auditing Standards. However, procedures could be strengthened by also requiring all supervisory and quality control review staff to sign Staff Advisement Sheets.

CONTINUING EDUCATION REQUIREMENTS

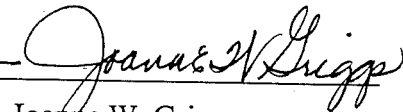
Government Auditing Standard 3.6 requires that each auditor responsible for planning, directing, conducting, or reporting on audits complete, every two years, a minimum of 80 hours of continuing education and training which contributes to the auditor's professional proficiency. At least 24 of the 80 hours should be directly related to the government environment and to government auditing. The audit staff in the Office met this requirement; however, our review of the Office's continuing education and training files identified the following areas that could be strengthened to ensure that this requirement continues to be met:

- Ensure that supporting documentation is included in the files.
- Ensure that staff are familiar with the publication, "Interpretation of Continuing Education and Training Requirements."

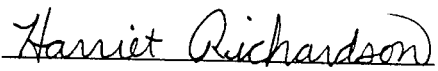
We appreciate the courtesy and cooperation provided by your staff during our review.



Jim L. Williamson
CPA, CIA, CGAP
Assistant City Auditor
Oklahoma City, OK



Joanne W. Griggs
CPA, CFE, CGFM
City Auditor
Virginia Beach, VA



Harriet Richardson
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GERALD A. SILVA
City Auditor

October 18, 2001

Mr. Jim Williamson, Assistant City Auditor
Office of the City Auditor
Oklahoma City, Oklahoma
200 N. Walker, Room 212
Oklahoma City, OK 73102

Dear Mr. Williamson:

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

I am pleased that the independent auditors did not find any significant weaknesses in the Office of the City Auditor's (Office) internal quality control system. The auditors stated that our system of internal control provided reasonable assurance of compliance with Generally Accepted Government Auditing Standards (GAGAS) and met the objectives of the National Association of Local Government Auditors quality control guidelines during the period audited.

I am also extremely gratified that in the management letter the auditors noted the following areas in which the Office excels:

- Encouraging the professional expertise of management and staff.
- Using innovative methods to communicate interim audit findings for timely management action.
- Developing a strong internal control process ensuring audit quality
- Innovative risk-based planning to ensure comprehensive audits of important subject matter.
- Thoroughly following up on significant audit findings included in all audit reports.



Mr. Jim Williamson
October 18, 2001
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The audit team's management letter also included two suggestions to improve the Office's operations and better demonstrate compliance with GAGAS. We concur with these suggestions and will take steps immediately to implement them.

The City Auditor's Office is committed to continuously improving and refining its audit processes. As such, we welcome the audit team's review and suggestions. We believe that the audit team's insights and perspectives will be helpful in improving the work of the City Auditor's Office. We also wish to thank the audit team, Joanne Griggs, Harriet Richardson, and you for the professionalism, openness, and courtesy displayed during this audit.

Sincerely,

A handwritten signature in cursive script that reads "Gerald A. Silva".

Gerald A. Silva
City Auditor

GS:bh

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