



Office of the City Auditor
Sharon W. Erickson, City Auditor

December 2, 2011

Honorable Mayor and Members of the City Council
200 East Santa Clara Street
San Jose, CA 95113

Attached is the independent auditor's report, *External Quality Control Review of the Office of the City Auditor, San Jose, CA*, which representatives of the Association of Local Government Auditors (ALGA) prepared on November 17, 2011. Our comments in response to the audit report are also included.

The report will be presented to the Public Safety, Finance and Strategic Support Committee at its December 15, 2011 meeting.

If you have any questions, please contact me at extension 51238.

Respectfully submitted,

Sharon W. Erickson
City Auditor

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Attachments



External Quality Control Review

of the
Office of the City Auditor
City of San Jose, California

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors** for the period of July 1, 2009 through
June 30, 2011



Association of Local Government Auditors

November 17, 2011

Sharon Erickson
City Auditor
200 East Santa Clara Street
San Jose, California 95113

Dear Ms. Erickson,

We have completed a peer review of the City of San Jose's Office of the City Auditor for the period July 1, 2009 through June 30, 2011. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published 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 compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff to assess their understanding of, and compliance with, relevant quality control policies and procedures.


Due to variances in individual performance and judgment, compliance 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 Office of the City Auditor's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during July 1, 2009 through June 30, 2011.

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


Michael Eglinski
City of Lawrence, KS


Debra DeVault
City of Phoenix, AZ


Jennifer Scott
City of Portland, OR



Association of Local Government Auditors

November 17, 2011

Sharon Erickson
City Auditor
200 East Santa Clara Street
San Jose, California 95113

Dear Ms. Erickson,

We have completed a peer review of the City of San Jose's Office of the City Auditor for the period July 1, 2009 through June 30, 2011 and issued our report thereon dated November 17, 2011. 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:

- Reports from the City Auditor's Office are well written, effectively use graphics, and are well structured for the reader.
- The City Auditor's Office staff is well qualified and knowledgeable. The office maintains and enhances performance through continuing education.
- The City Auditor's Office work was thorough and includes strong assessment of relevant risks.


We offer the following observations and suggestions to enhance your organization's demonstrated adherence to *Government Auditing Standards*:

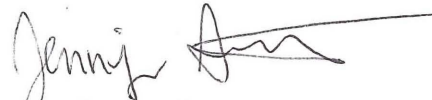
- Standard 7.80 requires that auditors document evidence of supervisory review. We noted some inconsistency in documenting biweekly meetings that provide significant supervisory review. We suggest the Office of the City Auditor more consistently document supervisory review before the report is issued.

We extend our thanks to you, your staff and the other city officials we met for the hospitality and cooperation extended to us during our review.

Sincerely,


Michael Eglinski
City of Lawrence, KS


Debra DeVault
City of Phoenix, AZ


Jennifer Scott
City of Portland, OR

November 17, 2011

Michael Eglinski
City Auditor
City of Lawrence
E East 6th Street
P.O. Box 708
Lawrence, KS 66044

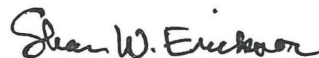
Dear Mr. Eglinski:

The San Jose City Charter requires a biennial audit of the Office of the City Auditor to ensure compliance with *Government Auditing Standards*. We are very pleased that you and your team of independent auditors found that our system of internal controls provided reasonable assurance of compliance with *Government Auditing Standards* during the period audited, and that you did not find any significant weakness in our internal quality control system.

Our office is committed to continuously improving and refining our audit processes. Thank you for your observations about our office – the ways in which we excel, as well as ways that we can improve. We concur with your suggestion regarding documentation of supervisory review, and will implement your suggestion.

We would like to thank the Association of Local Government Auditors and the engagement coordinator, Matt Weller of Oklahoma City. Our thanks to you, your team - Debra DeVault and Jennifer Scott - for your professionalism and openness during the audit. Your insights and perspectives will be helpful in improving our Office's work.

Sincerely,



Sharon Erickson
City Auditor

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