



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

November 26, 2013

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 for the Period July 1, 2011 to June 30, 2013*, which representatives of the Association of Local Government Auditors (ALGA) prepared on November 8, 2013. 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 19, 2013 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 José, California

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**

for the period July 1, 2011 to June 30, 2013



Association of Local Government Auditors

November 8, 2013

Ms. Sharon Erickson, City Auditor
Office of the City Auditor
City of San José
200 East Santa Clara Street
San José, California 95113

Dear Ms. Erickson

We have completed a peer review of the Office of the City Auditor, City of San José, for the period July 1, 2011 to June 30, 2013. 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 whether 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 and management 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, City of San José, internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits during the period July 1, 2011 to June 30, 2013.

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

Sincerely,

Van Lee
City and County of Honolulu, HI

Paige Alderete
City of Oakland, CA



Association of Local Government Auditors

November 8, 2013

Ms. Sharon Erickson, City Auditor
Office of the City Auditor
City of San José
200 East Santa Clara Street
San José, California 95113

Dear Ms. Erickson:

We have completed a peer review of the San José Office of the City Auditor for the period July 1, 2011 through June 30, 2013 and issued our report thereon dated November 8, 2013. 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:

- The Office of the City Auditor (Office) issues clear, substantive, well-written and timely reports.
- The Office's staff is well qualified and knowledgeable. The Office maintains and enhances performance through continuing education.
- The Office maintains a comprehensive and well written policy and procedures manual.

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

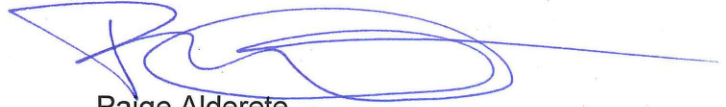
- Standard 6.53 states audit supervisors or those designated to supervise auditors must properly supervise audit staff and Standard 6.83c requires that auditors document evidence of supervisory review. As found in the previous peer review, while there is evidence of supervisory review, there continues to be inconsistencies in the documentation. We recommend that the Office ensure that appropriate evidence of supervisory review is documented.
- Standard 3.95 states the audit organization should analyze and summarize the results of its quality control monitoring process at least annually. The standards further require that systemic or repetitive issues needing improvement be identified and communicated to appropriate personnel, along with recommendations for corrective action. Appendix 3.10c provides additional guidance on the systems of quality control. Although the Office reviews its policies and procedures manual annually, to fully comply with the requirements we suggest strengthening the annual monitoring process by including reviews of engagement workpapers and administrative files.

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,

A handwritten signature in black ink that reads "Van Lee". The letters are cursive and connected.

Van Lee
City and County of Honolulu, HI

A handwritten signature in blue ink that reads "Paige Alderete". The signature is highly stylized with large loops and a long horizontal line extending to the right.

Paige Alderete
City of Oakland

November 8, 2013

Van Lee, Deputy City Auditor
Office of the City Auditor, City and County of Honolulu
1001 Kamokila Blvd, Suite 216
Kapolei, Hawaii 96707

Paige Alderete, Assistant City Auditor
City of Oakland Office of the City Auditor
1 Frank H. Ogawa Plaza, 4th Floor
Oakland, CA 94612

Dear Mr. Lee and Ms. Alderete:

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 found that our system of internal controls provided reasonable assurance of compliance with *Government Auditing Standards* during the period audited.

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 suggestions to improve documentation of supervisory review and the results of our internal quality control monitoring process. We have already begun revising our policies and procedures, and are in the process of implementing your suggestions.

We would like to thank you, the Association of Local Government Auditors, and the engagement coordinator, Wendy Simeon of Phoenix, Arizona. We appreciate that you have taken time from your own work to evaluate our operation, and thank you for sharing your insights and perspectives.

Sincerely,



Sharon W. Erickson
City Auditor



The Association of Local Government Auditors

Awards this

Certificate of Compliance

to

*Office of the City Auditor
City of San José, California*

Recognizing that the organization's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards for audit and attestation engagements during the period July 1, 2011, through June 30, 2013.

Gary S. Chapman

Gary S. Chapman
ALGA Peer Review Committee Chair

Bill Greene

Bill Greene
ALGA President