



# Memorandum

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**TO:** Rules & Open Government Committee

**FROM:** Sharon W. Erickson  
City Auditor

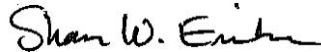
**SUBJECT:** *External Quality Control Review of the Office of the City Auditor for the Period July 1, 2015 to June 30, 2017*

**DATE:** November 2, 2017

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## RECOMMENDATION

We recommend that the Rules and Open Government Committee accept the independent auditor's report, *External Quality Control Review of the Office of the City Auditor, San Jose, CA for the Period July 1, 2015 to June 30, 2017*, which representatives of the Association of Local Government Auditors (ALGA) prepared on November 2, 2017.

  
Sharon W. Erickson  
City Auditor

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# External Quality Control Review

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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 July 1, 2015 to June 30, 2017

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## Association of Local Government Auditors

November 2, 2017

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

Dear Ms. Erickson,

We have completed a peer review of the Office of City Auditor, City of San Jose, for the period July 1, 2015 to June 30, 2017. 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 City Auditor, City of San Jose internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards for audits during the review period of July 1, 2015 to June 30, 2017.

We have prepared a separate letter offering suggested opportunities to strengthen your internal quality control system.

Jacqueline Rowland, CPA, PMP, CFE  
City of Colorado Springs

Nia D. Young, CGAP  
City of Atlanta



## Association of Local Government Auditors

November 2, 2017  
Sharon Erickson, City Auditor  
Office of the City Auditor  
City of San Jose  
200 East Santa Clara Street  
San Jose, California 95113

Dear Ms. Erickson,

We have completed a peer review of the Office of the City Auditor, City of San Jose, (Office) for the period July 1, 2015 to June 30, 2017 and issued our report thereon dated November 3, 2017. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention areas in which we believe your office excels:

- The Preliminary Survey and Risk Assessment programs exemplify commitment to quality auditing. Standard, comprehensive, and methodical audit processes surrounding the planning and scoping of each audit serves to ensure highest and best value of the Office' mission as well as audit standards quality compliance.
- City Auditor's onboarding orientation process, whereby new auditors are trained in one hour weekly sessions for 16 weeks with the City Auditor, is another example of excellence. Using a prepared weekly agenda and spreading the training over 16 weeks allows new auditors to build a strong foundation of auditing, office administration, engagement with management, and timely intentional communications.

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

Standard 6.79 states that Auditors must prepare audit documentation related to planning, conducting, and reporting for each audit. Auditors should prepare audit documentation in sufficient detail to enable an experienced auditor, having no previous connection to the audit, to understand from the audit documentation the nature, timing, extent, and results of audit procedures performed, the audit evidence obtained and its source and the conclusions reached, including evidence that supports the auditors' significant judgments and conclusions.

Standard 6.82 states that audit documentation is an essential element of audit quality. The process of preparing and reviewing audit documentation contributes to the quality of an audit. Audit documentation serves to (1) provide the principal support for the auditors' report, (2) aid auditors in conducting and supervising the audit, and (3) allow for the review of audit quality.

Standard 6.83(c) states that auditors should document supervisory review, before the audit report is issued, of the evidence that supports the findings, conclusions, and recommendations contained in the audit report.

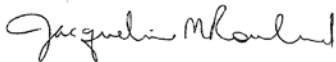
In reviewing the Office's work papers, we observed evidence of supervisor's review and oversight during the audit and surrounding key work documents, such as biweekly meeting notes, audit program approval and audit report referencing checks. However, some key work papers, such as those containing significant supporting data and data analysis, did not consistently list data sources, explain how data was verified, and/or evidence supervisory review. For example, data included in a spreadsheet containing significant activity in form of pivot tables, sorting, and summarizing did not consistently document sources, explain audit process detail, and supervisory review of results.

We understand the Office is striving to balance value added audit processes with audit efficiency. Nonetheless, we recommend implementing standardized source and considering secondary review documentation where significant data analysis work papers are utilized.

Comments about supervisory review documentation have been included, either in verbal or management letter communications in the past two peer reviews of the Office. Past peer review suggestions have been implemented indicating the Office values and responds to continuous improvement opportunities.

We extend our thanks to you and your staff for the hospitality and cooperation extended to us during our review.

Sincerely,



Jacqueline Rowland, CPA, PMP, CFE  
City of Colorado Springs



Nia D. Young, CGAP  
City of Atlanta

November 2, 2017

Jacqueline Rowland, Assistant City Auditor  
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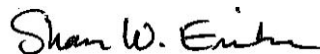
Dear Ms. Rowland and Ms. Young:

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 implement standardized sourcing and secondary review of documentation where significant data analysis work papers are utilized. We will revise our internal policies and procedures to implement your suggestions.

We would like to thank you, the Association of Local Government Auditors, and the engagement coordinator, Lori Brooks of the City of Arlington, Texas. 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