CITY OF SAN JOSÉ, CALIFORNIA

EXTERNAL QUALITY CONTROL REVIEW

For The Period July 1, 1997 through June 30, 1999

Issued
November 19, 1999
November 19, 1999

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

Enclosed is the independent auditor’s report that representatives of the National Association of Local Government Auditors prepared in November 1999. Our comments in response to the audit report are also included. Jeremiah Carroll II, from the Clark County, Nevada, Internal Audit Office and a member of the audit team, will present this report at the December 8, 1999, Finance Committee Meeting.

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

Respectfully submitted,

[Signature]

Gerald A. Silva
City Auditor

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GS: bh
November 19, 1999

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

Attached is the audit report of our external quality control review of the Office of the City Auditor for audits issued during the period July 1, 1997 through June 30, 1999. In conducting our review, we followed the standards and guidelines established in the National Association of Local Government Auditors' Review Guide published in 1995.

The report includes the auditors' opinion stating that the Office of the City Auditor conducted audits in accordance with Government Auditing Standards. In addition, a separate management letter has been prepared which offers suggestions to further strengthen the office's internal quality controls in two minor areas. The Office of the City Auditor's response to our suggestions has been included with the management letter.

Mr. Jeremiah Carroll II, Director of Internal Audits for Clark County, Nevada, will be available to present the reports to the Finance Committee at their December 1999 meeting.

Respectfully submitted by
Quality Control Review Team Members,

[Signatures and names]

Harry L. Brooks
Audit Manager
Milwaukee Public Schools
Milwaukee, WI

Jeremiah Carroll II, CPA
Director
Internal Audit
Clark County, NV

Nancy Hunt, JD
Audit Supervisor
City Auditor's Office
Kansas City, MO
NALGA
National Association of Local Government Auditors

November 19, 1999

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 Office of the City Auditor for the City of San Jose for audits issued during the period July 1, 1997, through June 30, 1999. 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 the Office of the City Auditor and tested a sample of audits conducted by the 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 the 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 Office of the City Auditor for the City of San Jose was in compliance with government auditing standards during the period July 1, 1997, through June 30, 1999. We have prepared a separate letter to management that offers suggestions for further strengthening the internal quality controls in two minor areas in addition to addressing the timeliness of the report issuance.

Sincerely,

Harry Brooks
Audit Manager
Milwaukee Public Schools
Milwaukee, WI

Jeremiah Carroll II, CPA
Director
Internal Audit
Clark County, NV

Nancy Hunt, JD
Audit Supervisor
City Auditor's Office
Kansas City, MO
NALGA

National Association of Local Government Auditors

November 19, 1999

Gerald A. Silva, City Auditor
Office of the City Auditor
800 N. First Street
San Jose, California 95110

Dear Mr. Silva:

We have completed an external quality control review of the Office of the City Auditor for the City of San Jose for audits issued during the period July 1, 1997, through June 30, 1999. We have issued a report stating our opinion that the Office of the City Auditor was in compliance with Government Auditing Standards. We are presenting you with this companion letter offering additional observations and some suggestions that, in our opinion, will further increase the value of the City Auditor to the City of San Jose.

While we found that the office excelled in several areas of the standards, 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. We have also provided follow-up information on the timeliness of reports being issued.

Noteworthy Accomplishments
Standard 7.44

The Office is not currently developing or verifying through the audit process the noteworthy accomplishments presented by management. The accomplishments are intended by the standard to provide a more fair presentation of the situation by providing appropriate balance to the report of areas within the scope of the review. In addition, inclusion of such accomplishments may lead to improved performance by other government organizations that read the report. While the accomplishments are received from the auditee and qualified as being received from the auditee, they are unaudited and could be construed as an endorsement by the auditor or cause the reader to rely on unaudited information. Also, this process could cause the report to include conflicting information between the auditee and the auditor regarding information in the report. We suggest that only audited noteworthy accomplishments be included in the body of the report. Unaudited accomplishments presented by management could be included in an appendix but should be clearly identified as unaudited.
Audit Scope
Standard 7.11

Although the Auditor’s Office currently includes a scope and methodology in the body of the report, we noted that the date and purpose of the work could be more clearly defined in this section. We suggest a more clearly defined scope of work will help the reader with the objectives and time frame covered by the audit and allow management to verify, if necessary, results presented in the audit report.

Follow-up to previous timeliness issue

According to Government Auditing Standards on report issuance, Standard 7.67:

Audit reports should be distributed in a timely manner to officials interested in the results. Such officials include those designated by law or regulation to receive such reports, those responsible for acting on the findings and recommendations, those of other levels of government who have provided assistance to the auditee, and legislators.

This standard has been interpreted to mean that reports should be issued in a timely fashion to be meaningful to the reader. In our opinion, the Office of the City Auditor distributes reports in a timely manner and in accordance with Government Auditing Standards.

We hope that the above comments assist you in continuing the professional work observed during the review. We appreciate the hospitality and cooperation extended by your staff during our stay in San Jose.

Sincerely,

Harry Brooks, Audit Manager
Milwaukee Public Schools, Milwaukee, WI

Jeremiah Carroll II, CPA, Director
Internal Audit
Clark County, NV

Nancy Hunt, JD, Audit Supervisor
City Auditor’s Office
Kansas City, MO