



Memorandum

TO: Rules & Open Government Committee

FROM: Joe Rois
City Auditor

SUBJECT: *External Quality Control Review of the Office of the City Auditor for the Period July 1, 2017 to June 30, 2019*

DATE: November 12, 2019

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, 2017 to June 30, 2019*, which representatives of the Association of Local Government Auditors (ALGA) prepared on November 7, 2019.

Joe Rois
City Auditor

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External Quality Control Review

of the
City of San Jose
Office of the City Auditor

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



Association of Local Government Auditors

November 7, 2019

Joe Rois, City Auditor
Office of the City Auditor
City of San Jose
200 East Santa Clara Street
San Jose, California 95113

Dear Mr. Rois,

We have completed a peer review of the Office of City Auditor, City of San Jose, for the period July 1, 2017 to June 30, 2019. 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, 2017 to June 30, 2019.

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

Jason Hadavi
Jason Hadavi, CPA, CFE
City of Austin, TX

Brooke Leary
Brooke Leary
King County, WA



Association of Local Government Auditors

November 7, 2019
Joe Rois, City Auditor
Office of the City Auditor
City of San Jose
200 East Santa Clara Street
San Jose, California 95113

Dear Mr. Rois,

We have completed a peer review of the Office of the City Auditor, City of San Jose, for the period July 1, 2017 to June 30, 2019 and issued our report thereon dated November 7, 2019. 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 new audit program template that was implemented in 2018 is a strong audit tool that incorporates thorough planning activities focused on identifying suitable criteria and an effective risk assessment tool that integrates risks with associated controls and audit tests.
- The office's policies and procedures for providing auditee progress updates represents a great approach to auditee communication, ensuring the auditee is consistently up to date on the audit's progress. The procedures also enable auditors to ensure potential findings are reasonable and well supported through regular discussions with the auditee.

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

- Standard 6.69 (Evidence) requires that auditors should perform and document an overall assessment of the collective evidence used to support findings and conclusions, including the results of any specific assessments conducted to conclude on the validity and reliability of specific evidence.

While reviewing the office's working papers, we noted that audit teams used various approaches to comply with this standard. In particular, those auditors that utilized thorough findings development sheets as called for in your policy manual, appeared to more thoroughly comply with this standard. In one engagement, an alternative approach was utilized successfully, involving a compilation table. However, in two engagements, auditors didn't fully utilize findings development sheets or any other alternative method for demonstrating compliance with this standard.

We understand your office is striving to assess the sufficiency and adequacy of evidence throughout the course of each audit. We applaud this effort as it helps auditors produce high quality work. Nonetheless, we recommend you enhance your procedures for documenting an overall assessment of evidence near the conclusion of the fieldwork phase of each audit.

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

Sincerely,

Jason Hadavi

Jason Hadavi, CPA, CFE
City of Austin

Brooke Leary

Brooke Leary
King County Washington

November 7, 2019

Jason Hadavi, Deputy City Auditor
City of Austin, Office of the City Auditor
200 W. Cesar Chavez Suite 200
Austin, TX 78701

Brooke Leary, Senior Principal Management Auditor
King County Auditor's Office
516 Third Avenue, Room W-1033
Seattle, WA 98104

Dear Mr. Hadavi and Ms. Leary:

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 recommendation to enhance our procedures for documenting an overall assessment of evidence near the conclusion of the fieldwork phase of each audit. We will revise our internal policies and procedures accordingly.

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,



Joe Rois
City Auditor