



Memorandum

TO: City Council

FROM: Mayor Ron Gonzales

SUBJECT: Audit of the City Auditor's Office

DATE: August 9, 2005

APPROVED

DATE

8/9/05

RECOMMENDATION

Adoption of a resolution authorizing the City Clerk to execute an agreement with the National Association of Local Government Auditors to perform an audit of the City Auditor's Office for Fiscal Year 2003-04 and FY 2004-05, pursuant to the peer review guidelines of the Association, in exchange for reimbursement of expenses for the audit team and the provision of reciprocal audit services by the City Auditor's Office.

BACKGROUND

City Charter Section 805.2 requires the City Council to contract with an independent audit firm, which has no other contracts with the City, to conduct a performance audit of the City Auditor's Office at least every two years. An audit team associated with the Association performed the last audit in San José two years ago.

The Association peer review provides a mechanism for skilled and qualified audit personnel to perform audits of other local government audit organizations. The Association is prepared to send a team of three government auditors to conduct an audit of the San José City Auditor's Office beginning October 17, 2005. The team will include Alan Ash, Director, Toronto Auditor General's Office; LaVonne Griffin-Valade, Auditor, Multnomah County, Oregon; and Drew Harmon, City Auditor, Roanoke, Virginia.

The objectives of the audit will be to determine if the City Auditor's Office 1) has an internal control system that is operating economically, efficiently and effectively, and 2) conducts its auditing work in accordance with Generally Accepted Government Auditing Standards.

The Association team will select and review several audits the City Auditor issued in Fiscal Years 2003-04 and 2004-05, and it will submit a written report to the City Council no later than November 21, 2005.

COST IMPLICATIONS

As a recipient of an Association peer review, the City of San José incurs two obligations. First, the City must pay for the travel, lodging, meals, and other expenses of the audit team. The City Auditor's Office estimates that these expenses will be approximately \$5,000. The City will not be charged for the audit team's time. Second, the San José City Auditor's Office will be committed to provide up to three auditors to participate in similar peer reviews at another jurisdiction within the next two years.

Upon approval of this agreement, the Mayor's Budget Office and the City Clerk's Office will complete the arrangements to bring the National Association of Local Government Auditors audit team to San José.

PUBLIC OUTREACH

Not applicable.

COORDINATION

This memorandum has been coordinated with the Offices of the City Auditor, City Clerk, and City Attorney.

CEQA

Not a project

BUDGET REFERENCE

Performance audit-City Auditor's Office: 001 45008794052