COUNCIL AGENDA: 09-25-07
ITEM: 2.10

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Lee Price, MMC
City Clerk

SUBJECT: **AUDIT OF THE CITY AUDITOR'S OFFICE**

DATE: September 21, 2007

RECOMMENDATION

As recommended by the Rules and Open Government Committee on September 19, 2007 approve adoption of a resolution authorizing the City Clerk to execute an agreement with the Association of Local Government Auditors to perform an audit of the City Auditor's Office, as outlined in the attached memo previously submitted to and approved by the Rules & Open Government Committee.

RULES COMMITTEE: 09-19-07
ITEM: G4

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: City Council

FROM: Mayor Chuck Reed

SUBJECT: Audit of the City Auditor's Office

DATE: September 10, 2007

APPROVED Chuck Reed

DATE 9/10/07

RECOMMENDATION

Adoption of a resolution authorizing the City Clerk to execute an agreement with the Association of Local Government Auditors (A.L.G.A.) to perform an audit of the City Auditor's Office for Fiscal Year 2005-06 and FY 2006-07, pursuant to the peer review guidelines of the A.L.G.A., 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 A.L.G.A performed the last audit in San José two years ago.

The A.L.G.A peer review provides a mechanism for skilled and qualified audit personnel to perform audits of other local government audit organizations. A.L.G.A is prepared to send a team of three government auditors to conduct an audit of the San José City Auditor's Office beginning November 5, 2007. The team will include Mike Widner (team leader), Lead Auditor, City and County of Denver, Colorado; George McGowan, Manager, Audit Services and Management Support, City of Orlando, Florida; and Mary Jo Emanuele, Audit Manager, Kansas City, Missouri.

The objectives of the audit will be to determine if the City Auditor's Office1) 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 A.L.G.A team will select and review several audits the City Auditor issued in Fiscal Years 2005-06 and 2006-07, and it will submit a written report to the City Council no later than December 10, 2007.

COST IMPLICATIONS

As a recipient of an A.L.G.A 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 $6,500. 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 arrangement to bring the A.L.G.A 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: 001-45-008790-4052