



External Quality Control Review

of the
Office of the City Auditor
Palo Alto, CA

Conducted in accordance with guidelines of the
**National Association of Local
Government Auditors**
for the period July 2001 through June 2005



National Association of Local Government Auditors

October 20, 2005

Sharon Winslow Erickson
City Auditor
City of Palo Alto
Office of the City Auditor

Dear Ms. Erickson

We have completed a peer review of the City of Palo Alto Office of the City Auditor for the period July 2001 through June 2005. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published in May 2004 by the National Association of Local Government Auditors (N.A.L.G.A.).

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. 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 City of Palo Alto Office of the City Auditor's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during June 2001 through July 2005.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

Sincerely,

Amanda Noble, C.I.A., C.I.S.A.
Deputy City Auditor
Office of the City Auditor
Atlanta, GA

Jerry Shaubel, C.A., C.I.S.A., C.G.A.P.
Director
Auditor General's Office
Toronto, ON



National Association of Local Government Auditors

October 20, 2005

Sharon Winslow Erickson
City Auditor
City of Palo Alto
Office of the City Auditor

Dear Ms. Erickson

We have completed a peer review of the City of Palo Alto Office of the City Auditor for the period July 2001 through June 2005 and issued our report dated October 20, 2005. We are issuing this companion letter to offer additional observations and suggestions stemming from our peer review.

First we would like to recognize you and your staff for your commitment to following *Government Auditing Standards* and some areas in which we believe your office excels:

- Your staff is highly qualified and your innovative process for developing and evaluating staff provides good opportunities for staff to remain motivated and to continue to develop professionally. The evaluation process encourages on-going, two-way communication and the use of a professional development allowance provides flexibility for staff members to achieve individual development objectives.
- Your reports are consistently well written and informative for multiple audiences.
- Your thorough planning procedures allow auditors to develop in-depth understanding of the issues affecting the program under audit.
- Information about your office, including audit reports, Quarterly Status Reports, Annual Work Plans and Audit Recommendation Status are publicly available and easily accessible to people. Elected officials, management, and members of the community seem engaged in the work of the Office of the City Auditor.

We offer the following observations and suggestions to enhance your organization's demonstrated adherence to government auditing standards:

- We observed that while the office followed *Government Auditing Standards* in conducting all types of projects, some reports did not state that they were conducted in compliance with standards and some reports did not contain the views of responsible officials. Reporting Standards for Performance Audits state that the audit report should include a reference to compliance with generally accepted government auditing standards and the views of responsible officials (8.07). Providing this information in the reports – including more narrowly scoped reviews – helps to assure the reader that the audit is fair and credible. We recommend that you cite standards in all of the reports for which you followed standards and include the views of responsible officials.

- We observed that the office has not set a measurement period for monitoring compliance with CPE requirements. Government Auditing Standards require auditors to complete 80 hours of CPE every two years that directly enhances their professional proficiency (3.45). We recommend setting a fixed two-year measurement period to enable easier monitoring for compliance with this standard.
- We observed that audit work programs were not consistently cross-indexed to completed workpapers. *Government Auditing Standards* require auditors to prepare and maintain audit documentation to support findings, recommendations and conclusions (7.66). While we were able to assure ourselves that all findings, recommendations and conclusions we reviewed were supported by audit work, cross-indexing audit work plans is one of the office's controls to ensure that this standard is met. We recommend that auditors consistently cross-index work programs to the completed work or describe why a step was omitted or not applicable.

We extend our thanks to you, your staff and the other city officials we met for the hospitality and cooperation extended to us during our review.

Sincerely,



Amanda Noble, C.I.A., C.I.S.A.
Deputy City Auditor
Office of the City Auditor
Atlanta, GA



Jerry Shaubel, C.A., C.I.S.A., C.G.A.P.
Director
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City of Palo Alto

Office of the City Auditor

October 20, 2005

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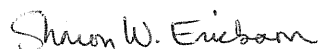
Dear Ms. Noble,

I have reviewed your report of October 20, 2005 containing the results of your external quality control review of the City of Palo Alto's Office of the City Auditor. I am pleased that an independent peer review team has found that our office conducts our work in full compliance with generally accepted government auditing standards.

The City Auditor's Office is committed to continuously improving our audit services. I appreciate your thoughtful comments about the areas where you found our office excels, including staff qualifications and development, quality of our written reports, thorough planning, and community engagement. I also appreciate your additional observations and suggestions to further enhance our operations, including citing our compliance with government auditing standards and including the views of responsible officials in all our audit reports, establishing a fixed measurement period for continuing professional education, and thorough cross-indexing of audit programs. We agree with your suggestions, and plan to implement your suggested changes immediately.

I'd like to extend my personal thanks to you and to Jerry Shaubel for taking the time to review our operations, and for your participation in the N.A.L.G.A. peer review program. I will forward the results of your review and this response to the City Council.

Sincerely,



Sharon W. Erickson
City Auditor

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