



External Quality Control Review

of the
Office of the City Auditor
Palo Alto, California

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**
for the period July 2005 through June 2008



Association of Local Government Auditors

February 5, 2009

Ms. Lynda Brouchoud
City Auditor
City of Palo Alto
Office of the City Auditor

Dear Ms. Brouchoud,

We have completed a peer review of the City of Palo Alto Office of the City Auditor for the period July 2005 through June 2008. 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 if 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 the period July 2005 through June 2008.

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

Bill Greene
City of Phoenix, AZ

Jim Williamson
City of Oklahoma City, OK



Association of Local Government Auditors

February 5, 2009

Ms. Lynda Brouchoud
City Auditor
City of Palo Alto
Office of the City Auditor

Dear Ms. Brouchoud,

We have completed a peer review of the City of Palo Alto Office of the City Auditor for the period July 2005 through June 2008 and issued our report thereon dated February 5, 2009. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention some of the areas in which we believe your office excels:

- Project objectives are meaningful and thoroughly assessed.
- Audit reports are persuasive and contain well developed opinions and conclusions.
- Office productivity is exceptional given significance of work and staff size.

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

- GAS 3.21 requires audit organizations to establish policies and procedures for accepting nonaudit services. Your policies and procedures address nonaudit services at a high level; however, they should provide additional guidance for assessing and documenting nonaudit considerations on an individual project basis.

Page 2
Ms. Lynda Brouchoud
February 5, 2009

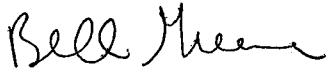
We suggest you develop policies and procedures for assessing and documenting:

- rationale in determining how a project will be conducted (e.g., audit project or nonaudit service);
- potential impact on organizational independence;
- whether certain procedures are required to protect independence when nonaudit services will be provided.

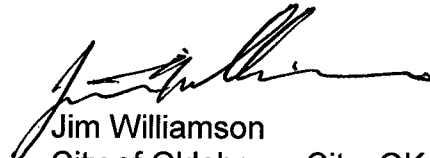
Upon completion of the above steps, for those projects deemed audit services, additional procedures should be developed to ensure all GAS requirements are addressed.

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,



Bill Greene
City of Phoenix, AZ



Jim Williamson
City of Oklahoma City, OK

City of Palo Alto

Office of the City Auditor

February 5, 2009

Mr. Bill Greene
Peer Review Team Leader
Association of Local Government Auditors
449 Lewis Hargett Circle, Suite 290
Lexington, KY 40503

Dear Mr. Greene:

I have reviewed your report of February 5, 2009 containing the results of your external quality control review of the City of Palo Alto's Office of the City Auditor. I am pleased the independent peer review team has found that our office conducts our work in full compliance with Government Auditing Standards.

I am also very gratified that the management letter noted a number of areas in which our office excels:

- Project objectives are meaningful and thoroughly assessed.
- Audit reports are persuasive and contain well developed opinions and conclusions.
- Office productivity is exceptional given the significance of work and staff size.

The management letter also included a suggestion to establish policies and procedures for accepting nonaudit services, and recommended steps to consider in developing these policies and procedures. We concur with these suggestions and will take the appropriate steps to implement them.

The Office of the City Auditor is committed to continuously improving and refining its audit processes. As such, we welcome the auditors' review and suggestions. We believe their insights and perspectives will be helpful in improving the office's work.

We also wish to thank you and Jim Williamson for your participation on the Peer Review Team, and for your professionalism, openness, cooperation, and courtesy during the audit.

Sincerely,



Lynda Flores Brouchoud
City Auditor