Office of the Mayor and City Council
City of Sunnyvale
456 West Olive Avenue
Sunnyvale, CA 94088

Honorable Thomas P. Hansen
Presiding Judge
Santa Clara County Superior Court
191 North First Street
San Jose, CA 95113

August 24, 2004

Dear Judge Hansen:

This letter serves as the City of Sunnyvale's response to the Grand Jury findings and recommendations regarding audit operations in the 2003/2004 report entitled "Inquiry into Financial and Performance Audits for the County and Cities in the County."

Per Penal Code Section 933.05, the City is required to "agree" or "disagree" with the findings and respond to the recommendation with one of four possible actions.

Findings I-III

The City *agrees* with the findings.

Recommendations II-A and II-B

"All municipalities in the County should consider performing and annually updating a formal risk analysis of their operations similar to that done by San Jose; Municipalities in the County should consider performing internal or external audits of the most vulnerable operations identified in a risk analysis."

These recommendations have been *implemented*. The City of Sunnyvale already employs an annual risk assessment, which is the basis for the annual performance audit work plan.

Sunnyvale's risk assessment assigns a numerical rating to operations based on the following factors:

- The size of the program;
- The program's sensitivity/visibility and complexity;
- Known or suspected problems, including turnover;
- The severity of any previous audit findings;
- The amount of time since the program's most recent audit;

- The amount of time since its most recent restructure;
- Whether the program provides important fiscal control functions.

After assigning a numerical score to each program, staff averages all of the scores. Then staff ranks the operations on the basis of their scores. Programs with high scores are audited first.

Recommendation III

"Municipalities in the County without auditing programs should consider using local external auditors such as the City Auditor, via a contract, or the County's external auditor to perform audits if an internal auditor is not cost-effective."

This recommendation has been *implemented*. As indicated in Appendix A of the Grand Jury report, Sunnyvale already has internal and external auditors who conduct performance, operational and financial audits.

Respectfully,

Mayor John Howe
City of Sunnyvale
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