



2004-2005 SANTA CLARA COUNTY CIVIL GRAND JURY

REVIEW OF AUDITS AND FINANCIAL REPORTS

The 2004-2005 Santa Clara County Civil Grand Jury (Grand Jury) examined documents received from local government entities throughout the county, including financial reports, audited financial statements, budgets, and performance audit reports. The Grand Jury reviewed the financial reports and statements and made an assessment of their timeliness and completeness. Each was reviewed with the prospect of further investigation, if warranted.

A Comprehensive Annual Financial Report (CAFR) is a financial report defined by the Government Accounting Standards Board (GASB), that includes the income, expenses, special funds, or designated funds that are part of a government entity's financial activities. The CAFR is composed of three sections: an introductory section (e.g. transmittal letter, list of officials, organization chart), basic financial statements, and a statistical section that includes trend data covering prior periods. The basic financial statements are themselves composed of three sections: government-wide financial statements, fund financial statements, and notes to the financial statements. To receive an unqualified audit opinion, a local government is required to produce basic financial statements that conform to generally accepted accounting principles. As part of its oversight responsibility, the Grand Jury annually reviews the CAFRs or basic financial statements for the county, the cities and towns within Santa Clara County, and a limited number of special districts and joint powers agencies. This year, a number of special districts and joint powers agencies were examined in more detail, and the results can be found in a separate portion of this report entitled "Special Districts and Joint Powers Agencies".

The Grand Jury contacted, by telephone, each of the cities and towns within Santa Clara County, as well as the County itself, and requested CAFRs and copies of other financial reports. Many government entities now have their CAFRs on-line. The table in Appendix A lists for each entity contacted, its name, whether or not the CAFR was found on-line, and a URL (Universal Resource Locator) for on-line financial data.

Each audit report received was reviewed to determine if any additional action or follow-up by the Grand Jury would be warranted. All of the CAFRs and Audits reviewed by the Grand Jury were found to be in substantial compliance with GASB standards. Note that GASB issued new guidelines on May 11, 2004, to provide for transparent financial reporting for post-employment benefit plans other than pensions, such as healthcare. Appendix B lists the audits and reports received and reviewed by the Grand Jury. No further inquiries were conducted.

Two common themes were noted in the CAFRs examined by the Grand Jury this year – revenue sources were reduced from a high in 2001-2002 and contributions for employee benefits, such as pensions, were increasing dramatically.

References

Documents

1. "The GASB's New Financial Reporting Model: An Overview for Finance Officers July 1999," Government Finance Officers Association website:
www.gfoa.org/services/specials/gasb.shtml. (Last accessed on 6 May 2005.)
2. "GASB Issues Standards to Improve Post-employment Benefit Plan Reporting," Government Accounting Standards Board website:
www.gasb.org/news/nr051104A.html. (Last accessed on 6 May 2005.)

Appendix A

2003-2004 Comprehensive Annual Financial Reports On-Line Access Information

<u>ENTITY</u>	<u>2003-2004 CAFR On-line</u>	<u>Website*</u>
Campbell	✓	www.ci.campbell.ca.us
County of Santa Clara	✓	sccgov.org
Cupertino		cupertino.org/city_government
Gilroy		www.ci.gilroy.ca.us
Los Altos		ci.los-altos.ca.us
Los Altos Hills	✓	losaltoshills.ca.gov
Los Gatos	✓	www.town.los-gatos.ca.us
Milpitas	✓	ci.milpitas.ca.gov
Monte Sereno		montesereno.org
Morgan Hill	✓	www.morgan-hill.ca.gov/html/gov/budget.asp
Mountain View		www.ci.mtnview.ca.us
Palo Alto	✓	www.cityofpaloalto.org/finance/cafr.html
San Jose	✓	www.csjfinance.org
Santa Clara		ci.santa-clara.ca.us
Santa Clara Valley Water District	✓	www.valleywater.org/About_Us/District_Info/Financial_Info/
Saratoga	✓	www.saratoga.ca.us/pdf/CAFR%20Final%202004.pdf
Sunnyvale	✓	sunnyvale.ca.gov/Departments/Finance/Budget

*URL (Uniform Resource Locator). Use "search" if the website does not immediately link to the CAFR.

Appendix B

Financial and Performance Audits and Reports Received and Reviewed

CAMPBELL

1. CAFR – June 30, 2004.
2. Operating and Capital Budget – Fiscal Year 2004-2005.

COUNTY OF SANTA CLARA

1. CAFR – June 30, 2004.
2. Office of the County Assessor – 2004-2005 Annual Report.
3. Office of the County Assessor – Prop 13, 25 Years Later.
4. Office of the Public Defender – Annual Report – FY 2004.
5. Internal Audit – Controller-Treasurer Dept. – Audit of Rates & Charges, Jan. 7, 2005.
6. Internal Audit – Controller-Treasurer Dept. – Review of the State-County Property Tax Administration Grant Program.
7. Internal Audit – Controller-Treasurer Dept. – Office of the Medical Examiner-Coroner – Audit of Rates & Charges.
8. Internal Audit – Department of Corrections – Audit of Rates & Charges Dec. 17, 2005.
9. Internal Audit – Tax Collector’s Office – Audit of Rates & Charges, Feb. 25, 2005.
10. Internal Audit – Medical Examiner-Coroner Office – Audit of Rates & Charges, April 15, 2005.
11. Internal Audit – Department of Corrections Funds – Audit of Rates & Charges.
12. Internal Audit – Parks & Recreation Custody Audit, Internal Controls Dec. 10, 2005.
13. Internal Audit – Tax Property Administration Program.
14. Internal Audit – Clerk-Recorder’s Office – Audit of Rates & Charges March 4, 2005.
15. Internal Audit – Goods Received.
16. Single Audit Report – Federal Funds Usage – Ending June 30, 2004.
17. Single Audit Report – Expenditure of Federal Awards.
18. Single Audit Report – Internal Control over Financial Reporting and Compliance Based on Audits Performed in Accordance with Government Auditing Standards.
19. Single Audit Report – Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with US Office of Management and Budget (OMB).
20. Internal Audit Report of the California Department of Insurance: Workers’ Compensation Insurance Fraud Grant for the Fiscal Year ended June 30, 2004.

COUNTY OF SANTA CLARA (cont'd.)

21. Internal Audit Report – California Department of Insurance: Automobile Insurance Fraud Grant for the Fiscal Year Ended June 30, 2004.
22. Audit Report of the California Department of Insurance Organized Automobile Fraud Activity Interdiction Program (Urban Grant) for the Fiscal Year ended June 30, 2004.
23. County of Santa Clara Final Budget – Fiscal Year 2004.
24. Management Audit of the Controller-Treasurer Department of the Finance Agency.
25. Management Audit of the Department of Child Support Services.
26. Management Audit of the Department of Family and Children's Services.
27. Management Audit of the Facilities Department Capital Programs Division of the General Services Agency.
28. Management Audit of the Department of Mental Health.
29. Management Audit of the Housing Bond/MCC Program Trust Fund.
30. County of Santa Clara Recommended Budget – Fiscal Year 2004.
31. Review of the State-County Property Tax Administration Grant Program April 15, 2005.
32. SB 90 Quarterly Status Report for the Quarter Ended June 30, 2003.
33. Social Services Agency Child Development Program – Independent Auditor's Report – June 30, 2003.
34. Social Services Agency Information Systems Department Internal Control Report – June 27, 2003
35. Treasury Quarterly Investment Review as of June 30, 2003.
36. Treasury Quarterly Investment Review as of Sept. 30, 2003.

CUPERTINO

1. CAFR – June 30, 2004.
2. Single Audit Report: Schedule of Expenditures of Federal Awards for Year Ended June 30, 2004.
3. Single Audit Report: On Compliance and on Internal Control Over Financial Statements Performed in Accordance with Government Auditing Standards.
4. Single Audit Report on Compliance Applicable to Each Major Federal Award Program.
5. Redevelopment Agency FY 2004/2005 Annual Operating and Capital Budget.
6. Memorandum on Internal Control Structure for the Year Ended June 30, 2004.

GILROY

1. General Purpose (Basic) Financial Statement – Year Ended June 30, 2004.

LOS ALTOS

1. CAFR – June 30, 2004.

LOS ALTOS HILLS

1. CAFR – June 30, 2004.
2. Operating and Capital Improvements Program Budgets – Fiscal Year 2003-2004.

LOS GATOS

1. CAFR – June 30, 2004.
2. Redevelopment Agency FY 2003/04 Annual Operating and Capital Budget.
3. Capital Improvement Plan Budget for FY 2003/04 – 2007/08.

MILPITAS

1. CAFR - June 30, 2004.
2. 2003-2004 Budget & Financial Plan.

MONTE SERENO

1. Audited Basic Statement Financial Report for Year Ending June 30, 2004.

MORGAN HILL

1. CAFR – June 30, 2004.
2. Operating and CIP Budget – Fiscal Year 2004/2005.

MOUNTAIN VIEW

1. CAFR – June 30, 2004.

PALO ALTO

1. CAFR – June 30, 2004.
2. Audit of Code Enforcement.
3. Audit of City of Palo Alto's Financial Statements as of June 30, 2004 and Management Letter.
4. Audit of Overtime Expenditures.
5. Independent Auditor's Quarterly Report on Basic Financial Statements – May 2004.
6. Independent Auditor's Quarterly Report on Basic Financial Statements – Sept. 2004.
7. Independent Auditor's Quarterly Report on Basic Financial Statements – Nov. 2004.
8. Memorandum on Internal Control Structure for the Year Ended June 30, 2003.

PALO ALTO (cont'd.)

9. Proposal for Environmental Services Center – 9/9/04.
10. City Auditor's Report on the Status of Audit Recommendations – Sept. 9, 2004.
11. City Auditor's Review of Environmental Services Center Proposal – Nov. 10, 2004.
12. Service Efforts and Accomplishments Report 2003-2004.

SAN JOSE

1. CAFR – June 30, 2004.
2. Office of the City Auditor – Audit of the Concentrated Code Enforcement Program; April, 2004.
3. Office of the City Auditor – Semi-Annual Recommendation Follow-up Report on all Outstanding Audit Recommendations for the Six Months Ended June 30, 2004.
4. Office of the City Auditor – A Review of the Request for Proposal for the New Civic Center Converged Network System; August 2004.
5. Office of the City Auditor – An Audit of the Crossing Guard Program; May 2004.
6. Office of the City Auditor – An Audit of the Department of Public Works' Real Estate Division Read Property Acquisition Process; May 2004.
7. Office of the City Auditor – An Audit of the Utilization and Replacement of the City's Transport Vehicles; June 2004.
8. Office of the City Auditor – An Audit of the City's Cellular Phone Program – Nov. 2004.

SANTA CLARA

1. CAFR for FY Ended June 30, 2004.
2. Audit Report Electric Utility Enterprise Fund (Silicon Valley Power) for the Year Ended June 30, 2004.
3. Audit Report Electric Utility Enterprise Fund (Silicon Valley Power) on Basic Financial Statements for the Year Ended June 30, 2004.
4. Memorandum on Internal Control Structure.
5. Redevelopment Agency Component Unit Financial Statements for Year Ended June 30, 2004.
6. Single Audit Report on Schedule of Expenditures of Federal Awards for Year Ended June 30, 2004.
7. Single Audit Report on compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
8. Single Audit Report on Compliance and Internal Control over Compliance Applicable to Each Major Federal Award Program.
9. Single Audit Report Schedule of Findings and Questioned Costs Program.

SANTA CLARA VALLEY WATER DISTRICT

1. CAFR for Year Ended June 30, 2003 (Received April 5, 2004).
2. CAFR for Year Ended June 30, 2004.

SARATOGA

1. CAFR for Year Ended June 30, 2004.
2. One-page replacement to CAFR March 1, 2005.

SUNNYVALE

1. CAFR (Paper & CD) for Year Ended June 30, 2004.
2. Review of FY 2001/2002 Performance Results for Program 453 – Animal Control.
3. Review of FY 2002/2003 Performance Results for Program 265 – Neighborhood Parks and Open Spaces Management.
4. Review of FY 2001/2002 Performance Results for Program 452 – Emergency Preparedness.
5. Internal Audit – CA Board of Corrections: Mentally Ill Offender Crime Reduction Grant.