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ACCOUNTANCY CORPORATION

Title: TID Management Letter FY 2017
Source: Nick Kaspar, SC Chamber of Commerce CEO
Date: 10/25/2018
Prepared by: G Matayoshi, TAP International
Purpose: To document the TID's financial audit management letter

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To the Board of Directors and Management of
Santa Clara Tourism Improvement District
Santa Clara, California

In planning and performing our audit of the financial statements of Santa Clara Tourism Improvement District as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered Santa Clara Tourism Improvement District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in Santa Clara Tourism Improvement District's internal control presented on page 2 of this letter to be significant deficiencies.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Johanson & Yau
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San Jose, California

October 25, 2017

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**Communication of Internal Control Related Matters Identified in the Audit
Year Ended June 30, 2017**

Significant Deficiencies

1) Record Storage and Retrieval

During our audit we noticed that accounting records frequently could not be located when needed. The causes of the problem were numerous:

- Lack of a clearly specified system for filing records
- Failure of those who removed records from the files to indicate who took the record
- Failure to return the record to the files or misfiling it when it was returned

The result was that employees spent nonproductive time searching for needed documents. We have been informed that procedures have been implemented subsequent to yearend to address this issue.

2) Support for Cash Disbursement Needed

During our audit we noticed that certain expenses were charged to credit cards belonging to the Santa Clara Chamber of Commerce, which the Santa Clara Tourism Improvement District subsequently reimbursed to the Santa Clara Chamber of Commerce. Employees were required to prepare expense reports to be turned in to the accounting department on a monthly basis, however, it was determined that several receipts and other supporting documentation for charges were not properly maintained. This practice could result in the payment of unsubstantiated expenses.

We recommend that Santa Clara Tourism Improvement District require that supporting receipts be submitted for all charges for which it is practical to obtain a receipt and that the business purpose of the expense be clearly documented and a formal policy be adopted that prohibits the personal use of business credit cards and requires sufficient supporting documentation for all charges.

3) Bank Account Access Capabilities

During our audit we noticed that personnel who are no longer involved with the District still have access to the bank account with KeyPoint Credit Union. We recommend that the Board to contact KeyPoint to update authorized users and remove inactive persons timely, to avoid any unplanned account activity.

4) Documentation and Maintenance of Critical Information

During our audit we noted that the Santa Clara Tourism Improvement District began paying the Santa Clara Convention Center to perform all services necessary to direct, manage and supervise the operations of the District as of September 1, 2016; however, there was no formal agreement maintained by either party documenting the agreed-upon terms. In order to protect Santa Clara Tourism Improvement District and to eliminate potential problems that can arise from oral agreements, we recommend that a written agreement be prepared and signed. The agreement should name the parties involved, and list the terms of the services and the fees.

5) **Board Meetings**

We noted during our audit that no minutes of board meetings were available because the Santa Clara Tourism Improvement District has not had a Board meeting in the past two years. Board meetings can be crucial in documenting compliance with accounting and other regulatory issues. It is strongly recommended that Santa Clara Tourism Improvement District has at least an annual meeting of the Board of Directors. Discussion minutes of the meeting should be taken to clearly document all decisions made and approved by the Board. The minutes should also be retained as evidence of the meeting and related actions.