



David G. Elledge
Controller-Treasurer

Bill Perrone, CIA
Supervising Internal Auditor

March 16, 2007

Assignment 10118

To: Distribution List

Subject: Trust Fund Monitoring

We have completed an audit of the internal controls governing the agency, combined and operating trust funds. We conducted the audit from June 2006 through February 2007.

We thank the employees from the various departments for their cooperation. Their assistance contributed significantly to the successful completion of the audit.

Respectfully submitted,

Signature on file

Bill Perrone, CIA
Supervising Internal Auditor

Distribution List:

Jesse Durazo, Registrar of Voters
David Elledge, Controller-Treasurer
John V. Guthrie, Director, Finance Agency
Peter Kutras, Jr., County Executive
Virginia Lee, Sr. Accountant, Registrar of Voters
Leshia Luu, Division Manager – Accounting, Controller-Treasurer
Board of Supervisors
Civil Grand Jury

COUNTY OF SANTA CLARA

CONTROLLER-TREASURER DEPARTMENT - INTERNAL AUDIT DIVISION

INTERNAL AUDIT REPORT
Trust Fund Monitoring



Assignment 10118
March 16, 2007

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Executive Summary

Conclusion In our opinion the departments have adequate procedures for properly and timely reconciling the trust funds under their control. Departmental staff reconcile the funds' general ledger accounts – primarily cash – to their internal recordkeeping systems, although they are not always guided by written procedures. Generally, the departments timely transfer cash to the general fund and other funds unless legally restricted. There is, however, \$900,891 in the Registrar of Voters Trust Fund that should be transferred to the General Fund.

The funds are still required as defined when established. Commencing in 2001, the Board of Supervisor's management auditor and the Controller-Treasurer reviewed the trust funds to verify the continuing business needs of the trust funds. We identified five minor funds with a total cash balance of \$16,968 that could be closed and the cash transferred to the General Fund. The departments with ownership responsibilities of these five funds have either closed the funds or are in the process of closing them; Appendix A identifies these funds.

We also noted the following:

- In 2006, the Controller-Treasurer commenced monitoring trust funds with negative cash balances. The departments affected are addressing the Controller-Treasurer's concerns and will reply to the Controller-Treasurer.
- Of the departments we visited, those lacking a fiscal officer employ administrative services managers or senior accountants who actively manage the trust funds under their control.
- The Controller-Treasurer is developing alternative methods that will reduce the quantity of property tax allocation trust (agency) funds.
- All agency, combined or operating trust funds are properly classified.

The Controller-Treasurer and the Registrar of Voters are in agreement with our finding and recommendation contained in this report.

Audit Objectives The objectives were to determine if the departments controlling the trust funds have adequate procedures for reconciling the funds properly and timely, are doing the reconciliations and the funds are still required as defined when established.

Audit Scope The scope of the audit included:

- Evaluating the risk exposure of the 329 agency, combined and operating funds in order to derive a test sample.
- Verifying that all trust-agency funds are truly agency.
- Reviewing what policies and procedures exist for the monitoring and reconciling of funds.
- Determining the business need for retaining funds currently classified as trust-combined or trust-operating.
- Ascertaining the proper performance of reconciliations.
- Identifying the timeliness of the trust-combined or trust-operating

asset transfers to the general fund.

Appendix B summarizes the agency, combined and operating trust funds from the total June 30, 2006 population to our audit sample size.

Audit The Controller-Treasurer requested this audit to achieve the above-stated
Background objectives. We included this audit in our FY07 workplan.

We conducted our audit in accordance with the Professional Practices Framework established by the Institute of Internal Auditors.

Details about our findings and recommendations are provided below.

Signatures on file

Bill Perrone, CIA
Supervising Internal Auditor

Brian P. Mark, CIA
Sr. Internal Auditor

Finding and Recommendation

Finding **The Registrar of Voters Trust Fund’s \$900,891 cash balance can be transferred to the General Fund**

The Registrar of Voters Trust fund serves as a settlement account for special elections called by the cities, school districts and special districts within Santa Clara County. These jurisdictions are obligated to reimburse the County for all expenses the County incurs – paid through the General Fund – to conduct these elections. The jurisdictions advance the County some cash prior to the election and remit the balance due after the Registrar calculates the total expenses incurred. Ultimately, the cash reimbursements are transferred to the General Fund.

As of this report date, all special elections’ claims and reimbursements have been settled with the jurisdictions. Therefore, this fund should not have any cash or fund balances. The sources and causes of the accumulated cash are unknown and appear to not have occurred within the past three years.

Recommendation The Registrar of Voters should transfer the \$900,891 cash balance to the General Fund. [Priority 1]

Management Action On March 5, 2007, the Registrar of Voters and the Controller-Treasurer completed the transfer of \$900,891 from the Registrar of Voters Trust Fund to the General Fund.

APPENDIX A

IDLE FUNDS

Fund Number	Fund Name	Department Responsible	Cash Balance January 31, 2007	Disposition
0249	Quincentennial Commission	Clerk of the Board	\$ 76.86	Closed during audit
0334	Anti-drug abuse grant	District Attorney	15,876.70	To be closed by June 30, 2007
0337	Auto Fraud Insurance	District Attorney	961.17	To be closed by June 30, 2007
0348	Paying Agent	Controller	45.00	Closed during audit
0384	Casa 2 nd Mortgage	Affordable Housing	7.91	Closed during audit
TOTAL CASH BALANCE			\$ 16,967.64	

APPENDIX B

FUND COUNT SUMMARY – AUDIT SELECTION

	Agency	Combined	Operating	Total
Total Population	220	36	73	329
Less: Property tax allocation funds	-177			-177
Closed in the SAP financial accounting module	-1		-2	-3
Average daily balance and fund balance are less than \$100,000 and greater than \$0.	-29	-18	-31	-78
SSA account (to be audited in a future FY07 audit)			-1	-1
Zero Fund Balance	-4	-4	-3	-11
Child Support Services fund to close December 2006	-1			-1
Inactive but open in SAP			-1	-1
Superior Court -- minimal impact on County	-1	-3		-4
Sample Selection Base	<u>7</u>	<u>11</u>	<u>35</u>	<u>53</u>
Audit Selections				
non-response to survey			1	1
reconciliation-related	1		4	5
negative cash balance		2	2	4
possible policy deficiencies			2	2
management oversight	3	1	4	8
Total Selections	<u>4</u>	<u>3</u>	<u>13</u>	<u>20</u>
Percentage of sample selection base actually selected	<u>57%</u>	<u>27%</u>	<u>37%</u>	<u>38%</u>

County of Santa Clara

Registrar of Voters

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March 6, 2007

TO: Brian Mark, Internal Audit Division

FROM: Virginia Lee, Registrar of Voters Department *V. Lee*

SUBJECT: Cash Balance in Trust Fund

The department is in agreement with Internal Audit's recommendation that the current cash balance of \$900,891 in the Registrar of Voters Trust Fund be transferred to the General Fund.

A journal entry (Doc. #100457199) was prepared and input into SAP on March 5, 2007, to transfer the above amount from the department's Trust Fund account to Election Services Revenue account in the General Fund.

The Registrar of Voters, who is the director of the department, has authorized me to respond to the audit report.

Cc: Jesse Durazo, Registrar of Voters

