



Bill Perrone, CIA
Internal Audit Manager

October 1, 2010

Assignment 10240

To: Distribution List

Subject: Internal Audit Report: Custody Audit – Financial Report of the Facilities and Fleet Department.

We have completed the Custody Audit - Financial Report of the Facilities and Fleet Department as of June 30, 2009. We conducted the audit from November 2009 through September 2010.

We thank the staff of the Facilities and Fleet Department for their cooperation. Their assistance contributed significantly to the successful completion of the audit.

Respectfully submitted,

Signature on file

Bill Perrone, CIA
Internal Audit Manager

Distribution List:

Phyllis Boden, Department Fiscal Officer, Facilities and Fleet
Jeffrey Draper, Director, Facilities and Fleet
Emily Harrison, Deputy County Executive
Vinod Sharma, Acting Director, Finance Agency
Dave Snow, Fleet Manager, Facilities and Fleet
Jeffrey V. Smith, County Executive
Board of Supervisors
Civil Grand Jury

COUNTY OF SANTA CLARA

CONTROLLER-TREASURER DEPARTMENT – INTERNAL AUDIT DIVISION

INTERNAL AUDIT REPORT

Custody Audit – Financial Report

Facilities and Fleet Department



Assignment 10240
October 1, 2010

Table of Contents

	Page
Executive Summary	1
Conclusion	1
Audit Objective and Scope.....	1
Audit Background.....	1
Independent Auditor’s Report.....	2
Statement of Assets	3
Notes to the Statement of Assets.....	4

Executive Summary

Conclusion Based upon the results of our testing, we express an unqualified opinion on \$50,956,745.87 of assets.

This Financial Report consists only of the verification of reported assets. In addition to this audit, we will be conducting reviews of the internal controls in the Facilities and Fleet Department. The results of these reviews will be issued in a separate Internal Controls Audit Report.

The Facilities and Fleet Department is in agreement with this report.

Audit Objective And Scope The objective was to perform a financial audit of the reported assets as specified by the County Charter. The scope of the audit included:

- Testing internal controls over the assets,
- Verifying the existence, valuation and completeness of amounts of the assets,
- Determining whether the assets under the department's control are presented in conformity with generally accepted accounting principles as of June 30, 2009,
- Budget Units 135 and 263
- General Fund
- Capital Projects Fund (Fund 50)
- Internal Service Funds (Funds 70 and 73)
- Trust Fund 367

Audit Background Santa Clara County Charter Section 602(b) requires an audit upon the vacancy in any office charged with the responsibility for County assets. Mr. Larry Jinkins left in May of 2009 and Mr. Jeffrey Draper became director in July of 2009. We mutually agreed to establish the audit date of June 30, 2009.

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

Signature on file

Bill Perrone, CIA
Internal Audit Manager

INDEPENDENT AUDITOR’S REPORT

Jeffrey Draper
Facilities and Fleet Department
San Jose, California

We have audited the accompanying Statement of Assets of the Facilities and Fleet Department (FAF) as of June 30, 2009. This statement is the responsibility of FAF management. Our responsibility is to express an opinion on this statement based on our audit.

Except as discussed in the paragraph below, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement of Assets is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement of Assets. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the Statement of Assets. We believe that our audit provides a reasonable basis for our opinion.

The Statement of Assets is presented to report the assets for which the manager has custodial responsibility and is not intended to present fairly the financial position and results of operations of FAF.

In our opinion, the Statement of Assets referred to above, presents fairly, in all material respects, the assets under the control of the department as of June 30, 2009, in conformity with accounting principles generally accepted in the United States of America.

October 1, 2010

Signatures on file

Bill Perrone, CIA
Internal Audit Manager

Barbara Hartman
Senior Internal Auditor

Santa Clara County, Internal Audit Division

**COUNTY OF SANTA CLARA
FACILITIES AND FLEET DEPARTMENT
STATEMENT OF ASSETS
JUNE 30, 2009**

	Reported Assets	Audit Adjustments	Adjusted Balance
Cash (Note 2)	1,920.00	0	1,920.00
Receivables (Note 3)	9,414,848.31	0	9,414,848.31
Inventories (Note 4)	615,891.84	0	615,891.84
Fixed Assets (Note 5)	40,924,085.72	0	40,924,085.72
TOTAL ASSETS	<u>\$50,956,745.87</u>	<u>\$0.00</u>	<u>\$50,956,745.87</u>

The accompanying notes are an integral part of this statement.

**COUNTY OF SANTA CLARA
FACILITIES AND FLEET DEPARTMENT
NOTES TO THE STATEMENT OF ASSETS
JUNE 30, 2009**

Note 1 Summary of Significant Accounting Policies

Introduction

The Statement of Assets of FAF is prepared in accordance with generally accepted accounting principles (GAAP) as applicable to governmental units, in accordance with the Governmental Accounting Standards Board. The Statement of Assets is presented to report the assets for which FAF has responsibility and is not intended to present fairly the financial position and results of operations of FAF. The following is the summary of significant accounting policies.

Basis of Accounting

FAF accounts for its financial activities in the General Fund, Internal Service Funds, Capital Projects Fund, and Trust Fund. The General Fund, Capital Projects Fund, and Trust Funds are accounted for under the modified accrual basis of accounting. The Internal Service Funds are accounted for under the accrual basis of accounting.

Under the modified accrual basis of accounting, revenues and related accounts receivable are recognized when they are both “measurable and available.” Measurable means the amount can be determined. Available means the amounts are collectible within an established period. At the County that period is 180 days.

Under the accrual basis of accounting, expenditures are recorded when the related fund liability is incurred and revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

Note 2 Cash

The commingled cash balance represents client cash deposited in the County’s commingled pool. Monthly, the Internal Audit Division audits the cash in the pool; therefore, Internal Audit does not include testing for the commingled cash pool in the custody audit. However, the client requested a review of the cash balance in Fund 50, which will be conducted in the Internal Controls Audit.

The imprest cash balance consists of cash on hand (petty cash). The Controller-Treasurer issues petty cash funds to departments for minor purchases.

The imprest cash balance consists the following:

Fleet	\$	1,000.00
Administration	\$	170.00
Building Operatons	\$	750.00
Total imprest cash	\$	<u>1,920.00</u>

Note 3 Receivables

The receivables balance consists of time and materials billed out to other funds within the County, other government agencies and various entities such as Amtrak.

The receivables balance consists of the following:

Accounts Receivable – Miscellaneous	\$	1,257,095.48
DFOF – VMC Enterprise Fund 0060	\$	4,576,484.91
DFOF – Miscellaneous Funds	\$	3,511,164.28
Interest Receivable – Accrual	\$	55,540.64
DFOGA Other – Government Miscellaneous	\$	<u>14,563.00</u>
Total Receivables	\$	<u><u>9,414,848.31</u></u>

Note 3 Inventories

The inventories balance consists of the following:

Inventory Garage - Gasoline	\$	191,668.84
Inventory Garage – Tires	\$	45,476.05
Inventory Garage – Auto Parts	\$	<u>378,746.95</u>
Total Inventories	\$	<u><u>615,891.84</u></u>

Note 5 Fixed Assets

Fixed assets are shown at original cost. Since FAF fixed assets are accounted for in the General Fund, book value depreciation is not computed. The fixed asset balance consists of buildings, vehicles, equipment and furniture. Internal Audit did not include low value assets in the total as we do not test items listed on the low value asset report. Low value assets are assets purchased for under \$5,000 which include items such as computers, monitors, printers, servers, etc.

The total fixed assets balance consists of the following:

Buildings and Improvements	\$	1,140,610.90
Vehicles – Law and Non-Law Enforcement	\$	38,474,791.72
Furniture and Equipment	\$	<u>1,308,683.10</u>
Total Fixed Assets	\$	<u><u>40,924,085.72</u></u>