



Meeting Date: 8/6/02  
Agenda Item No.:  
Manager: P. Sakai  
Extension: 2848  
Director: All

16

**BOARD AGENDA MEMO**

- Discussion
- Action
- Consent
- Information

**SUBJECT:** Proposed Response Letter to 2001–2002 Santa Clara County Civil Grand Jury Examination of Audits and Financial Reports, Final Report Dated June 26, 2002

**RECOMMENDATION:**

That the Chair be authorized to sign the proposed District response letter addressing the findings and recommendations outlined in the Examination of Audits and Financial Reports, Final Report issued to the District's Board by the Santa Clara County Civil Grand Jury on June 26, 2002.

**RATIONALE:**

California Penal Code § 933c requires that a governing body of the particular public agency or department which has been the subject of a Grand Jury final report shall respond within 90 days to the Presiding Judge of the Superior Court on the findings and recommendations pertaining to matters under control of the governing body.

Per these guidelines, the District response letter is due to the Honorable Richard C. Turrone, Office of the Presiding Judge of the Santa Clara County Superior Court no later than September 25, 2002.

**SUMMARY:**

In the Examination of Audits and Financial Report—Final Report, the Santa Clara County Civil Grand Jury recommendations that the boards and councils named in the report (including the Santa Clara Valley Water District):

1. Implement a program of continuing management audits.
2. Modify and expand accounting procedures to encompass the requirements of Government Accounting Standards Board Standard No. 34—Basic Financial Statements and Management' Discussion and Analysis (GASB 34).

The District agrees with the recommendations as stated. Both items are complete and have been implemented as outlined in the attached response. The format and content of the District's response letter is in compliance with the response requirements outlined in California Penal Code § 933.05 and adheres to the response instructions contained in the Santa Clara County Grand Jury Final Report.

0730h

**APPROVED**  
AUG 06 2002



*page 2 revised*

**PROPOSED LETTER**

August 6, 2002

The Honorable Richard C. Turrone  
Office of the Presiding Judge  
Santa Clara County Superior Court  
191 North First Street  
San Jose, CA 95113

Subject: Examination of Audits and Financial Reports

Dear Judge Turrone:

In accordance with California Penal Code § 933.05, the Santa Clara Valley Water District (District) offers the following responses to the findings and recommendations stated in the Final Report, Examination of Audits and Financial Reports issued by the 2001-2002 Santa Clara County Civil Grand Jury on June 26, 2002.

**Finding:**

1. *Management audits are not a routine function of the entities contacted by the Grand Jury.*
2. *GASB No. 34 requires revised financial reporting standards. These revised standards identify the changes necessary for governmental agencies to comply with the new requirements. When implemented, annual reports will be more comprehensive and easier to understand. The activities necessary to meet those requirements and the current status of progress are not routinely addressed in public documents. This results in restricted information available to the public.*

**Recommendations:**

1. *Implement a program of continuing management audits.*
2. *Modify and expand accounting procedures to encompass the requirements of GASB No. 34.*

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**District Response:**

1. Agree—Implemented

The Santa Clara Valley Water District has developed and implemented a District-wide Performance Audit Program, which is a continuous improvement program consisting of performance improvement reviews and management audits. The program began in fall 2002 and is managed by the District's Office of Performance Systems Management.

2. Agree—Implemented

As noted in the Grand Jury's Final Report, the Santa Clara Valley Water District is one of the first entities to report compliance with the Government Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis (GASB 34).

The District implemented the requirements of GASB 34 one year early, with the publication of the District's Comprehensive Annual Financial Report (CAFR) for Fiscal Year Ending June 30, 2001.

Recommendations three and four were directed to the Santa Clara County Board of Supervisors and do not apply to the District.

Additionally, the District received a Certificate of Recognition from the Government Accounting Standards Board for early implementation of GASB 34.

Sincerely,

Rosemary C. Kamei  
Chair/Board of Directors

cc: Office of the County Clerk  
nd:mf  
0730h-l

Honorable Richard C. Turrone  
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bcc: Board of Directors (7), Office of the Clerk of the Board, S. Williams, P. Romero,  
W. Wadlow, S. Fitts, O. Martin Steele, N. Chu, J. Atmore, D. Uriarte



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AUG 06 2002

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**STANLEY M. WILLIAMS**  
CHIEF EXECUTIVE OFFICER  
**LAUREN L. KELLER**  
CLERK OF THE BOARD

August 6, 2002

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**Recommendations:**

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Honorable Richard C. Turrone  
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Rosemary C. Kamei  
Chair/Board of Directors

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0730h-l