



David G. Elledge
Controller-Treasurer

Bill Perrone, CIA
Supervising Internal Auditor

June 9, 2006

Assignment 10121

To: Distribution List

Subject: Review of the State-County Property Tax Administration Grant Program

We have completed a review of the State-County Property Tax Administration Grant Program. We conducted the review during the period December 2005 through April 2006 covering fiscal year 2005.

We thank the staff of the Assessor's Office and the Tax Collector's Office involved in the review for their cooperation. Their assistance contributed significantly to the successful completion of this review.

Respectfully submitted,

(Signatures on file)

David G. Elledge
Controller-Treasurer

Bill Perrone, CIA
Supervising Internal Auditor

Distribution List:

Department of Finance, State of California
Lawrence E. Stone, Assessor
Mary Solseng, Assistant Assessor
Martha Williams, Tax Collector
Bruce Overoye, Information Systems Director, Tax Collector's Office
Peter Kutras, Jr., County Executive
John V. Guthrie, Director, Finance Agency
Board of Supervisors
Civil Grand Jury

COUNTY OF SANTA CLARA

Review of the State-County Property Tax Administration Grant Program



Assignment 10121
June 9, 2006

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Executive Summary

Conclusion Based upon the results of our review, the Assessor's reported values and calculations are arithmetically correct and the County met the performance requirements specified in Section 5 under the agreement as shown in Exhibit B. In addition, we verified the Tax Collector's report of completed workload and revenue generated as shown in Exhibit C.

Background of Review We conducted a review of the County's performance in the State-County Property Tax Administration Grant Program (AB 589) as required by the June 22, 2004 agreement between the County of Santa Clara and the State of California. Starting in 1995, the State has assisted in the funding of the County assessment activities. Through 2002, the program was structured as a loan in which payment was forgiven if the County achieved various performance measures such as the reduction of transaction backlogs. Beginning in 2003, the funding was provided as a grant in which the County's performance requirement is achieved when the schools' share of revenues generated from the current year's assessment activities exceed the amount of the grant.

Objective and Scope of Review The objective is to review the Assessor and Tax Collector's performance under AB589 program as codified in Revenue and Taxation Code Section 95.31 and as agreed in the County's contract with the State. The review includes verifying the Assessor's computation of performance results as specified in Section 5 of the State County Property Tax Administration Grant Program Agreement. For the Assessor's Office, we reviewed the total value change of transfers, new construction, supplemental value added, mandatory and non-mandatory audits, Proposition 8 restorations, assessment appeals, and all secured and unsecured personal property and fixture values. For the Tax Collector's Office, we reviewed actual workload completed and revenues generated from returned mail, unsecured property bankruptcy proceedings, and delinquent unsecured assessments.

(Signatures on file)

David G. Elledge
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County of Santa Clara

**Controller-Treasurer Department
Internal Audit Division**

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June 9, 2006

Chris Hill
Department of Finance, State of California
915 L Street
Sacramento, CA 95814

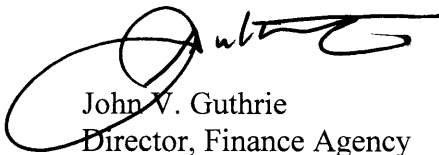
Dear Mr. Hill:

We have reviewed the AB589 State-County Property Tax Administration Grant Program Performance Results report (Exhibit B) for fiscal year 2004-2005 to verify that the Assessor's reported values and calculations are arithmetically correct and that the performance results satisfy the requirements specified in Section 5 of the Agreement for State-County Property Tax Administration Program. In addition, we reviewed the Tax Collector's Projects and Revenues report (Exhibit C) of completed workload and the associated revenue generated for Returned Mail, Unsecured Property Bankruptcy Proceedings, and Delinquent Unsecured Assessments.

Our review included performing analytical reviews and procedures that we considered necessary under the circumstances to perform this verification. These procedures included a review of supporting documentation and interviews with Assessor and Tax Collector management and staff. We also recomputed the Assessor's calculations of the amount of additional revenue received by schools.

Based on our review, we conclude the Assessor's calculations shown on the above referenced report are arithmetically correct and that the performance results as computed satisfy the requirements specified in Section 5 of the Agreement for State-County Property Tax Administration Program. While we are not issuing an opinion on the report, we are not aware of any modifications that should be made to the amounts reported.

Very truly yours,



John V. Guthrie
Director, Finance Agency

JVG:DE:bpm

County of Santa Clara - Office of the Assessor
 Property Tax Administration Grant Program

AB 589

Exhibit B

Fiscal Year 2004-2005

Total Value Change Categories:

1	Transfers	
2a	New Construction - Complete	
2b	New Construction - Partially Complete	
3	Supplemental Value Added	
4	Mandatory and Non-mandatory Audits	
5	Proposition 8 - Restoration Project	
6	AAB's	
7	Total Changed Value	
	Total Secured & Unsecured Business Property	
8	Business Total (all personal property & fixtures - secured and unsecured)	
9	TOTAL VALUE	
10		Tax Revenue
11		Assessor's PTAP %
12		Schools Share %
13		PTAP Grant Amount

SUMMARY
 Schools Share of Total Value
 Less: PTAP Grant Amount
 State General Fund Gain Resulting from PTAP

	PROJECTION		PERFORMANCE		DIFFERENCE	
	UNITS	ESTD NET VALUE	UNITS	NET VALUE	UNITS	NET VALUE
1	35,500	\$ 10,100,000,000	41,254	\$ 12,414,189,581	5,754	\$ 2,314,189,581
2a	7,500	700,000,000	8,837	964,343,615	1,337	264,343,615
2b	4,000	500,000,000	4,222	691,682,040	222	191,682,040
3	43,000	5,400,000,000	50,091	6,689,266,598	7,091	1,289,266,598
4	950	1,900,000,000	1,011	2,122,514,803	61	222,514,803
5	20,500	1,150,000,000	21,947	1,958,287,141	1,447	808,287,141
6	2,900	15,000,000,000	5,587	16,009,754,523	2,687	1,009,754,523
7		34,750,000,000		\$ 40,850,038,301		\$ 6,100,038,301
8						
9	80,000	18,500,000,000	87,298	\$ 20,025,684,036	7,298	\$ 1,525,684,036
		53,250,000,000		\$ 60,875,722,337		\$ 7,625,722,337
10		532,500,000		608,757,223		76,257,223
11		108,323,476		123,836,054		15,512,578
12		54,345,888		62,128,548		7,782,660
13		4,213,639		4,213,639		0
		54,345,888		62,128,548		7,782,660
		4,213,639		4,213,639		0
		50,132,249		57,914,909		7,782,660

County of Santa Clara - Office of the Assessor
Property Tax Administration Grant Program

AB 589

Exhibit B

Fiscal Year 2004 - 2005

Notes by line number:

- 1 The unit count is of transfers with a value change recorded 1/1/04-12/31/04. The value is the sum of the differences in value attributable to the transfers.
- 2a The unit count is of APNs with a value change due to new construction completed 1/1/04-12/31/04. The value is the sum of the differences in value attributable to the new construction.
- 2b The unit count is of APNs with construction in progress as of lien date January 1, 2005. Value of construction in progress is not subject to supplemental assessment and is not included in line 3.
- 3 The unit count is the sum of lines 1 and 2a counts. The value is the sum of the values on lines 1 and 2a times 50%.
- 4 Total value of Audits billed by January 1, 2006.
- 5 The unit count and value are for restorations enrolled by June 30, 2005.
- 6 The difference between the Taxpayer's opinion of value and the AAB's final value for appeals resolved through 12/31/2004.
- 7 Total of categories reflecting a change in value.
- 8 All secured and unsecured personal property and fixture value on the 2005-06 assessment roll.
- 9 Total of categories reflecting a change in value and the secured and unsecured personal property and fixture values.
- 10 Basic 1% Rate
- 11 Property Tax Administration Program percentage calculation (PTAP grant amount divided by Assessor Department budget (Estimate based upon 2004-05 approved Budget)).
- 12 Schools Share (estimate based upon 2005-06 assessment roll apportionment after ERAF III & VLF in-lieu). Corrected May, 2006 to 50.17%.
- 13 PTAP Grant Amount

County of Santa Clara - Tax Collector
Property Tax Administration Grant Program
AB 589 EXHIBIT C
Fiscal Year 2004-05

	PROJECTION		PERFORMANCE		DIFFERENCE	
	UNITS	REVENUE	UNITS	REVENUE	UNITS	REVENUE
Returned Mail 01/01/05 - 12/31/05	7,500	\$ 20,000,000	8,532	\$ 25,527,060	1,032	\$ 5,527,060
Bankruptcy 01/01/05 - 12/31/05	400	1,000,000	641	1,215,597	241	215,597
Delinquent Collection 01/01/05 - 12/31/05	8,500	10,000,000	10,025	13,776,690	1,525	3,776,690
TOTAL REVENUE		\$ 31,000,000		\$ 40,519,347		\$ 9,519,347
SCHOOLS SHARE 50%		\$ 15,552,700		\$ 20,328,556		\$ 4,775,856