



To the Board of Directors
San Jose Convention and Visitors Bureau
San Jose, California

In planning and performing our audit of the financial statements of San Jose Convention and Visitors Bureau (the Bureau) as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Bureau's internal control over financial reporting as a basis for designing our auditing procedures 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 Bureau's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bureau's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal controls that we consider to be significant.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control:

The Bureau did not record a receivable due from the San Jose Airport as of June 30, 2008. The unrecorded receivable relate to marketing expenses that had been incurred prior to the year-end. Under an existing agreement with the City of San Jose, the Bureau is entitled to receive reimbursement from the City's Airport Fund when the marketing expenses are incurred. Therefore, the revenue and receivable should have been recorded when the expenses were incurred.

We recommend that the Bureau implement policies to ensure that revenue and related receivable are recorded on a timely basis and in the correct accounting period.

Management's Response:

Management has implemented procedures to ensure that all transactions are properly recorded in the period in which the expense or revenue occurred.

In addition, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 31, 2008 on the financials statements of the Bureau. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

We believe that the implementation of these recommendations will provide the Bureau with a stronger system of internal control while also making its operations more efficient. We will be happy to discuss the details of these recommendations with you and assist in any way possible with their implementation.

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

The Bureau's written response to the significant deficiencies identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We would like to express our appreciation for the opportunity to serve San Jose Convention & Visitors Bureau and to the staff for their efforts during our examination.


Petrinovich Pugh & Company, LLP

San Jose, California
October 31, 2008

MEMORANDUM

CASH

- During the course of our audit, we noted that the Bureau had cash on deposit in excess of the federally insured limit in a financial institution. This presents a potential for losses to the Bureau in the event of bank or institutional failure. We understand that due to the large deposits of cash receipts it is difficult to maintain less than federally insured limit in the operating account. We strongly suggest that management closely monitor cash balances and transfer excess balances to other banks, where possible, to reduce the potential for loss of monetary amounts in excess of the federally insured level.

Management's comments:

Management reviews its cash balances and monitors the risk of having funds in excess of the federally insured limits. Management believes that at this time the risk associated with its cash balances is reasonable.

- During the course of our audit, we noted that the Bureau does not have a formal written investment policy. The Bureau should formulate and establish a formal written investment policy that details the board's philosophies, policies, and goals (both short- and long-term). The policy would allow the board to maximize the income earned on investments at an acceptable level of risk and would safeguard the Bureau's assets against misuse. The policy should include who has the right to transfer between the investment accounts, transaction amount limits, what kind of investments can be made, and who can authorize purchases and sales. The policy should also address the investment goals of the Bureau, the targeted return for the investment portfolio, the amount of acceptable risk, and evaluate the risk/reward of investment alternatives. The investment returns and composition should be analyzed at least quarterly to evaluate performance and adherence to the investment policy. This should greatly enhance the Bureau's income from investments.

Management's comments:

Management has implemented an investment policy that was presented to and approved by the Finance Committee.

- During the course of our audit, we noted that the Bureau has commercial paper investments with a fair market value below cost.

We recommend that the Bureau reviews the performance of investments on a regular basis in adherence to a formal written investment policy described in the previous item and evaluate the risk and rewards of investment alternatives when the fair market value is below cost.

Management's comments:

Management has implemented an investment policy that was presented to and approved by the Finance Committee.

REVENUE AND EXPENSES

- During the course of our audit, we noted that the Bureau conducts transactions with related parties which affect various revenue and expense accounts. These transactions include reimbursements for expenses incurred for joint marketing activities, reimbursements for expenses for which one organization has paid the initial cost, and payment for various administrative services. Such transactions resulted in outstanding receivables and payables to related parties at year-end.

We recommend that the Bureau implement procedures to ensure that such transactions are conducted at arm's-length. We further recommend that significant related-party transactions require the approval of at least one non-related party such as the Board of Directors.

Management's comments:

Management currently has all transactions reviewed by the Finance Committee Chair on a monthly basis. In the future, management will review any significant related-party transactions with the Finance Committee Chair.

OTHER

- During the course of our audit, we noted that the Bureau does not have a formal policy regarding the selection and approval of events to subsidize.

We recommend that the Bureau implement a formal policy regarding the selection and approval of events to subsidize. We further recommend that the policy dictates that such subsidies require approval from the Board of Directors.

Management's comments:

Management has written a formalized policy for the selection and approval of events subsidies. This policy has been review and approved by the Finance Committee.

- During the course of our audit, we noted that three board minutes from the Board of Director meetings and Finance Committee meetings contained erroneous dates.

We recommend that the Bureau reviews all Board of Director minutes and Finance Committee minutes on a timely basis and corrects all clerical errors in order to ensure accurate record-keeping.

Management's comments:

Minutes for the Board of Director and Finance Committee meetings are reviewed in a timely manner. A portion of the review includes the correction of clerical errors to ensure accurate record keeping.