



To the Board of Directors  
Team San Jose, Inc. dba San Jose Convention and Visitors Bureau  
San Jose, California

In planning and performing our audit of the financial statements of Team San Jose, Inc. dba San Jose Convention and Visitors Bureau (the Organization) as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, 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 December 7, 2010 on the financial statements of the Organization. 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 Organization 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 not be used by anyone other than these specified parties.

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

Petrinovich Pugh & Company, LLP

San Jose, California  
December 7, 2010

**MEMORANDUM**

**CASH**

- During the course of our audit, we noted that the Organization had cash on deposit in excess of the federally insured limit in a financial institution. This presents a potential for losses to the Organization 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 will take the necessary steps to minimize this exposure. Upon Board approval, management plans to open additional bank accounts and/or investment accounts whereby excess funds may be transferred.

**OTHER**

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

We recommend that the Organization establish a formal written policy regarding the selection and approval of events to subsidize. The policy should include the type of events and amounts to be subsidized and who has authority to approve the subsidy. The policy should also dictate that such subsidies require approval from the Board of Directors.

**Management's comments:**

Management will develop/implement a policy that will document subsidy approval processes. These procedures will include the auditors recommendations as stated above.

- During the course of our audit, we noted that the Organization did not have proper sign-off approval prior to posting a general journal entry.

We recommend that the Organization adhere to its policy in reviewing general journal entries prior to posting in order to minimize accounting errors and to mitigate the potential for fraudulent reporting.

**Management's comments:**

The auditors noted one journal in their selection that was missing an approval signature. Team San Jose will take steps to ensuring that all journal entries are reviewed and approved by either the Senior Accountant, Assistant Controller or CFO prior to the posting of journals.



May 14, 2010

Mr. Charles Toeniskoetter  
Team San Jose dba San Jose Convention & Visitors Bureau  
408 Almaden Boulevard  
San Jose, CA 95110

Dear Mr. Toeniskoetter:

We are pleased to confirm our understanding of the services we are to provide for Team San Jose dba San Jose Convention & Visitors Bureau ("the Organization") for the year ended June 30, 2010.

We will audit the statement of financial position of the Organization as of June 30, 2010, and the related statements of activities and changes in net assets, and cash flows for the year then ended.

We will also assist in preparing the following items:

- The Organization's federal and state information returns for the year ended June 30, 2010.
- The Organization's annual financial statements and accompanying footnotes for the year ended June 30, 2010.
- Any necessary adjusting journal entries relating to the misstatements found from our financial audit for the year ended June 30, 2010.

#### **Audit Objective**

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. If our opinion is other than unqualified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

#### **Audit Procedures**

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from the Organization's attorneys as part of the engagement. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Organization or to acts by management or employees acting on behalf of the Organization.

Because an audit is designed to provide reasonable, but not absolute, assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our audit will include obtaining an understanding of the Organization and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to you and those charged with governance internal control related matters that are required to be communicated under professional standards.

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

### **Management Responsibilities**

Management is responsible for making all management decisions and performing all management functions; for designating an individual with suitable skill, knowledge, or experience to oversee the tax services and any other nonattest services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, changes in net assets, and cash flows in conformity with U.S. generally accepted accounting principles. Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Management's responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Organization involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Management's responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others. In addition, Management is responsible for identifying and ensuring the Organization complies with applicable laws and regulations and for taking timely and appropriate steps to remedy any fraud, illegal acts, or violations of contracts or grant agreements that we may report.

#### **Engagement Administration, Fees, and Other**

We understand that your employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing.

David Doolin is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

We estimate that our fees for these services will be \$22,500 for the audit and \$4,500 for the information returns. The Organization will also be billed for travel and other out-of-pocket costs such as report production, word processing, postage, etc. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

For your information, our current hourly rates are as follows:

Partner	\$280 - \$400
Professional Staff	\$135 - \$275
Clerical	\$75

If any dispute arises among the parties hereto, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Rules for Professional Accounting and Related Services Disputes, before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties.

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Client and accountant both agree that any dispute over the fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the Rules for Professional Accounting and Related Services Disputes of the American Arbitration Association. Such arbitration will be binding and final. IN AGREEING TO ARBITRATION, WE BOTH ACKNOWLEDGE THAT, IN THE EVENT OF A DISPUTE OVER FEES CHARGED BY THE ACCOUNTANT, EACH OF US IS GIVING UP THE RIGHT TO HAVE THE DISPUTE DECIDED IN A COURT OF LAW BEFORE A JUDGE OR JURY AND INSTEAD WE ARE ACCEPTING THE USE OF ARBITRATION FOR RESOLUTION.

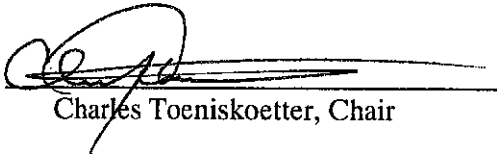
We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

  
Petrinovich Pugh & Company LLP

RESPONSE:

This letter correctly sets forth the understanding of Team San Jose dba San Jose Convention & Visitors Bureau.

Signature: 

Charles Toeniskoetter, Chair

Date: 6-23-10