

# County of Santa Clara

Finance Agency  
Controller-Treasurer



County Government Center  
70 West Hedding Street, East Wing 2<sup>nd</sup> floor  
San Jose, California 95110-1705  
(408) 299-5206 FAX 287-7629

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January 22, 2014

## **PROCESS FOR COUNTY AUDITOR-CONTROLLER RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS) 14-15A REVIEW**

Health and Safety Code section 34182.5 provides that county auditor-controllers may review ROPS and object to items listed therein that do not qualify as enforceable obligations and/or do not propose an appropriate funding source.<sup>1</sup> County Finance staff is committed to working informally with each Successor Agency to try to resolve any concerns about items through an advance review period, with the goal of providing each Successor Agency with a “No Objection Letter” for inclusion in the relevant Oversight Board meeting packet. Consequently, the County Finance Agency strongly encourages Successor Agencies to submit ROPS as early as possible to ensure the timely resolution of any outstanding matters. The following process is intended to facilitate the collaborative and efficient review of ROPS:

1. Please provide, in the DOF-approved format updated on January 15, 2014, the Successor Agency populated Excel version copy of the ROPS from the DOF website to [ropsreview@fin.sccgov.org](mailto:ropsreview@fin.sccgov.org) at least seven (7) business days prior to the date that materials must be submitted to the Successor Agency for inclusion in an Oversight Board packet. It would be much appreciated if you could submit the ROPS as early as possible.<sup>2</sup>

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<sup>1</sup> Health and Safety Code section 34182.5 provides that:

A county auditor-controller may review the Recognized Obligation Payment Schedules and object to the inclusion of any items that are not demonstrated to be enforceable obligations and may object to the funding source proposed for any items. This review may take place prior to the submission of the Recognized Obligation Payment Schedule to the oversight board or subsequent to oversight board action. The county auditor-controller shall promptly transmit notice of any of those objections to the successor agency, the oversight board, and the Department of Finance. If an oversight board disputes the finding of the county auditor-controller, it may refer the matter to the Department of Finance for a determination of what will be approved for inclusion in the Recognized Obligation Payment Schedule.

<sup>2</sup> The latest a Successor Agency may submit a copy of the ROPS to the County Finance Agency is when the ROPS is submitted to the Oversight Board. (Health & Saf. Code § 34177(l)(2)(B).)

**Board of Supervisors:** Mike Wasserman, Cindy Chavez, Dave Cortese, Ken Yeager, S. Joseph Simitian  
**County Executive:** Jeffrey V. Smith

2. Please indicate the date of the scheduled Oversight Board meeting in the body and subject of the e-mail and the deadline for inclusion of the item in the Oversight Board's packet.
3. Please include supporting documentation for any items that were not included on a prior approved ROPS, or otherwise not previously reviewed by County staff. Please provide sufficient supporting documentation to establish that the item is an enforceable obligation and to verify the total amount of the obligation and the amount payable in the relevant ROPS period.
4. "True Up" Items: Pursuant to Health and Safety Code section 34186(a), differences between actual payments and past ROPS estimates must be reported on subsequent ROPS. These amounts and estimates are subject to audit by county auditor-controllers. DOF's ROPS form requires these items to be separately listed. Our office will use the agency's self-reported Prior Period Adjustment (PPA) form emailed to us by the agency to perform our audit of the reported expenditures and complete the county auditor-controller sections on the PPA form. Please provide supporting documentation (cancelled checks, bank statements, invoices, etc.) to verify actual payments to third parties against the estimated amounts. Please also include bank statements and reconciliations to support available balances for the ROPS period. As requested by DOF, true-up amounts may be reported to DOF separately from the ROPS letters described below.
5. Reserves for Bond Payments Within Calendar Year: Pursuant to Health and Safety Code section 34171(d)(1)(A), in certain circumstances a reserve for bond payments may be established. If such an item is requested by the Successor Agency, unless previously provided, please provide documentation of the schedule of bond payments, including the full calendar year's bond payments, and an estimate of other income and property tax allocation for the subsequent ROPS period.
6. County Finance staff will prioritize responding to ROPS that are submitted at least seven (7) business days before the date that materials must be submitted to the Successor Agency for inclusion in an Oversight Board packet. This will allow us to resolve any concerns about items during the review period prior to the meeting. If all issues are resolved, the Finance Agency will provide the Successor Agency with a No Objection Letter in time for inclusion in the Oversight Board's packet, generally three days prior to the Oversight Board meeting. (See Sample Letter A.) If the review cannot be fully completed by then, the Finance Agency will issue a Continued Review Letter that specifies those items under continued review. (See Sample Letter B.)
7. If the County Finance Agency staff and Successor Agency staff cannot informally agree to an item or funding source, the Finance Agency will accordingly issue a Letter of Objection. (See Sample Letter C.)

8. In accordance with Health and Safety Code section 34182.5, if a No Objection Letter or Letter of Objection is issued as a final decision of the Auditor-Controller, it will be copied to the Successor Agency, Oversight Board, and DOF. If a Continued Review Letter is issued, it will only be sent to the Successor Agency and Oversight Board because a final decision has not been made, and County Finance Agency staff will continue to work informally with Successor Agency staff to resolve any outstanding issues and complete the review as soon as possible.
9. Please promptly notify the County Finance Agency of any Oversight Board changes to the submitted ROPS. Notification should be provided to [ropsreview@fin.sccgov.org](mailto:ropsreview@fin.sccgov.org).
10. Pursuant to Health and Safety Code section 34182.5, in the event that items or funding sources are objected to by the Auditor-Controller, and the Oversight Board disagrees with that objection, the Oversight Board may choose to refer the disputed item(s) to DOF for final determination.

We look forward to working with each successor agency in this semi-annual process, and we appreciate everyone's effort and cooperation to ensure it goes smoothly!

Attachments:

- Sample Letter A – Notice of No Objection
- Sample Letter B – Notice of Continued Review
- Sample Letter C – Notice of Objection

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## SAMPLE LETTER A

### NOTICE OF NO OBJECTION TO ROPS

[Date]

[Name] Successor Agency  
[Address]

[Name] Oversight Board  
[Address]

Department of Finance  
[Address]

**ROPS Period:** \_\_\_\_\_

**Successor Agency:** \_\_\_\_\_

To the Successor Agency, Oversight Board, and Department of Finance:

Pursuant to Health and Safety Code section 34182.5, our office has reviewed the Recognized Obligation Payment Schedule (ROPS) submitted by the above-noted successor agency for the above-noted period. After reviewing all items and funding sources, the Santa Clara County Auditor-Controller does not object to any items or funding sources on the submitted ROPS.

Please note that items and/or funding sources not questioned during this review are subject to subsequent review if they are included on a future ROPS. We also reserve the right to object to an item and/or funding source (including, but not limited to, the use of fund balance) on a future ROPS, even if no objection was made on a preceding ROPS.

Notice of No Objection ROPS  
[Date]

Additionally, pursuant to Health and Safety Code section 34186(a), the County Auditor-Controller may audit the prior period payments and the prior period estimated versus actual payments reported on the ROPS. This audit is ongoing, and this letter does not apply to the true-up of prior period payments.

Sincerely yours,

Irene Lui, C.P.A.  
Controller-Treasurer  
County of Santa Clara

SAMPLE

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## SAMPLE LETTER B

### NOTICE OF CONTINUED REVIEW OF ROPS

[Date]

[Name] Successor Agency  
[Address]

[Name] Oversight Board  
[Address]

**ROPS Period:** \_\_\_\_\_

**Successor Agency:** \_\_\_\_\_

To the Successor Agency and Oversight Board:

Pursuant to Health and Safety Code section 34182.5, our office is reviewing the Recognized Obligation Payment Schedule (ROPS) submitted by the above-noted successor agency for the above-noted period. Unfortunately, because of complexity, time constraints, the need to review additional documentation, submission by the Successor Agency with inadequate time for review, or other reasons, we have been unable to complete the review of all items on the ROPS in time for inclusion in the Oversight Board packet.

We, therefore, will continue to review the ROPS, as allowed by statute, with a final decision no later than 60 days prior to the scheduled property tax distribution date. We will continue working with Successor Agency staff to try to informally resolve any concerns. Although we reserve the right to continue to review all items and funding sources, our continuing review is focused on the following items:

Line No.:      Item:

Notice of Continued Review of ROPS

[Date]

Additionally, pursuant to Health and Safety Code section 34186(a), the County Auditor-Controller may audit the prior period payments and the prior period estimated versus actual payments reported on the ROPS. This audit is ongoing, and this letter does not apply to the true-up of prior period payments.

Sincerely yours,

Irene Lui, C.P.A.  
Controller-Treasurer  
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SAMPLE

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## SAMPLE LETTER C

### NOTICE OF OBJECTION TO ROPS

[Date]

[Name] Successor Agency  
[Address]

[Name] Oversight Board  
[Address]

Department of Finance  
[Address]

**ROPS Period:** \_\_\_\_\_

**Successor Agency:** \_\_\_\_\_

To the Successor Agency, Oversight Board, and Department of Finance:

Pursuant to Health and Safety Code section 34182.5, our office has reviewed the Recognized Obligation Payment Schedule (ROPS) submitted by the above-noted successor agency for the above-noted period. After reviewing all items and funding sources, the Santa Clara County Auditor-Controller objects to the following items and/or funding sources on the submitted ROPS:

<u>Line No.:</u>	<u>Item:</u>	<u>Funding Source:</u>	<u>Reason for Objection:</u>
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In accordance with section 34182.5, if the Oversight Board disputes any of these objections, it may choose to refer such disputed findings to the Department of Finance for final determination.

Please note that items and/or funding sources not questioned during this review are subject to subsequent review if they are included on a future ROPS. We also reserve the right to object to an item and/or funding source (including, but not limited to, the use of fund balance) on a future ROPS, even if no objection was made on a preceding ROPS.

**Board of Supervisors:** Mike Wasserman, Cindy Chavez, Dave Cortese, Ken Yeager, S. Joseph Simitian  
**County Executive:** Jeffrey V. Smith

Notice of Objection to ROPS  
[Date]

Additionally, pursuant to Health and Safety Code section 34186(a), the County Auditor-Controller may audit the prior period payments and the prior period estimated versus actual payments reported on the ROPS. This audit is ongoing, and this letter does not apply to the true-up of prior period payments.

Sincerely yours,

Irene Lui, C.P.A.  
Controller-Treasurer  
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SAMPLE