



March 10, 2021

To the Little Hoover Commission
Sacramento, California

We have audited the financial statements of the California State Auditor's Office (State Auditor) of the State of California for the year ended June 30, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in the engagement letter dated August 12, 2020, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by the State Auditor are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Because an audit is designed to provide reasonable, but not absolute assurance, and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the State Auditor. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the State Auditor's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

In addition, as stated in our contract agreement, we considered the following as part of the tests performed to determine the State Auditor's compliance with such provisions:

- a. To the extent that the State Auditor has adopted regulations, whether those regulations were adopted in accordance with the Administrative Procedures Act;
- b. The State Auditor meets the criteria and objectives established by the State Personnel Board providing annual reports on the bureau's employment goals for the disabled, the Bureau's upward mobility program, and an analysis of the State Auditor's workforce by race, by ethnic background, and by gender;
- c. The fiscal and administrative policies used by the State Auditor are in conformity with the State Administrative Manual;
- d. The payroll is accurately reported and properly administered;

- e. The State Auditor has employed legal counsel under those terms that he or she deems necessary to conduct legal business of, or render legal counsel to, the State Auditor;
- f. Contracts for goods and services are appropriate in furtherance of the State Auditor's mission, accurately recorded and properly administered.
- g. The State Auditor's personnel administration is consistent with his or her statutory authority.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the State Auditor are described in Note 2 to the financial statements. We noted no transactions entered into by the State Auditor for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was as follows:

Management's estimate of accrued vacation liabilities for State Auditor is based on the hours accrued for each employee multiplied by their hourly rate at June 30, 2020. The current portion of the liability is estimated based on the dollar amount of accrued vacation used during the fiscal year. The remaining portion is expected to be used in fiscal year 2021 and beyond.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit, however, there were delays in the completion of the engagement related to timing of receipt of requested documentation and support.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. No such misstatements were noted as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 10, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the California State Auditor’s Office’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were engaged to report on the Budgetary Comparison Schedule – Legal Basis, and the Schedule of Expenditures – Fund Basis, which accompany the financial statements but are not Required Supplementary Information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Little Hoover Commission and management of the California State Auditor’s Office and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Gilbert CPAs

GILBERT CPAs
Sacramento, California