



# National State Auditors Association

**State of California  
National State Auditors Association  
Peer Review  
July 1, 2011 to June 30, 2012**



# National State Auditors Association

November 2, 2012

The Honorable John Chiang  
California State Controller  
300 Capitol Mall, 18<sup>th</sup> Floor  
Sacramento, CA 95814

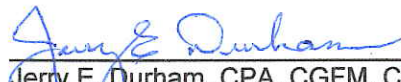
Dear Mr. Chaing:

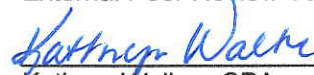
We have reviewed the system of quality control of the California State Controller's Office (the office) in effect for the period July 1, 2011 to June 30, 2012. A system of quality control encompasses the office's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with government auditing standards. The design of the system and compliance with it are the responsibility of the office. Our responsibility is to express an opinion on the design of the system, and the office's compliance with the system based on our review.

We conducted our review in accordance with the policies and procedures for external peer reviews established by the National State Auditors Association (NSAA). In performing our review, we obtained an understanding of the office's system of quality control for engagements conducted in accordance with government auditing standards. In addition, we tested compliance with the office's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the office's policies and procedures on selected engagements. The engagements selected represented a reasonable cross-section of the office's engagements conducted in accordance with government auditing standards. We believe that the procedures we performed provide a reasonable basis for our opinion.

Our review was based on selective tests; therefore it would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it. Also, there are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control of the California State Controller's Office in effect for the period July 1, 2011 to June 30, 2012 has been suitably designed and was complied with during the period to provide reasonable assurance of conforming with government auditing standards.

  
Jerry E. Durham, CPA, CGFM, CFE  
Team Leader  
National State Auditors Association  
External Peer Review Team

  
Kathryn Walker, CPA  
Concurring Reviewer  
National State Auditors Association  
External Peer Review Team