



July 21, 2023
2022-004

Honorable Malia M. Cohen, State Controller
Office of the State Controller
300 Capitol Mall, Suite 1850
Sacramento, California 95814

Dear Controller Cohen:

The California State Auditor's Office presents its Independent Auditor's Report on the State Controller's Office (SCO) *Schedule of Other Postemployment Benefits (OPEB) Pay-As-You-Go Contributions, Schedule of OPEB Prefunding Contributions, and Schedule of OPEB Amounts* for the plans of the State of California, as of and for the year ended June 30, 2021. The schedules and related notes provide certain state entities and their auditors with information related to the Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and are presented in conformity with accounting principles generally accepted in the United States of America.

Our report is intended solely for the parties included in the restriction on use paragraph contained in the Independent Auditor's Report and is not intended to be and should not be used by anyone other than these specified parties.

We conducted the audit under the authority of Government Code section 8546.4.

Respectfully submitted,

A handwritten signature in black ink that reads 'Linus Li'.

LINUS LI, CPA
Deputy State Auditor

Enclosure



Independent Auditor's Report

THE LEGISLATURE OF THE STATE OF CALIFORNIA
AND THE CALIFORNIA STATE CONTROLLER'S OFFICE

Report on the Audit of the Schedules

Opinions

We have audited the accompanying Schedule of OPEB Pay-As-You-Go Contributions and Schedule of OPEB Prefunding Contributions by Valuation Group for the Other Postemployment Benefits (OPEB) plans (the plans) of the State of California for the year ended June 30, 2021, and the related notes. We have also audited the net OPEB liability, deferred outflows of resources, deferred inflows of resources, and total OPEB expense included in the accompanying Schedule of OPEB Amounts by Valuation Group for the plans as of and for the year ended June 30, 2021, and the related notes.

In our opinion, the accompanying schedules present fairly, in all material respects, the OPEB pay-as-you-go contributions, the OPEB prefunding contributions, the net OPEB liability, deferred outflows of resources, deferred inflows of resources, and total OPEB expense for the plans as of and for the year ended June 30, 2021, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (generally accepted auditing standards) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedules section of our report. We are required to be independent of the State of California and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedules

Our objectives are to obtain reasonable assurance about whether the schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not

detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the schedules.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedules, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedules.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of California's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedules.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Restriction on Use

Our report is intended solely for the information and use of the California State Controller's Office; Gabriel, Roeder, Smith & Company; and the plans' employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2023, on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the fiscal year ended June 30, 2021. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of California's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of California's internal control over financial reporting and compliance.

CALIFORNIA STATE AUDITOR



LINUS LI, CPA
Deputy State Auditor

Sacramento, California

July 19, 2023