



Joint Legislative Audit Committee
Office of the Auditor General



**FINANCIAL AUDIT REPORT
DEPARTMENT OF VETERANS AFFAIRS
GENERAL FUND, INDEMNITY FUND,
POST FUND, TRUST FUND, GENERAL
FIXED ASSETS ACCOUNT GROUP
YEAR ENDED JUNE 30, 1979**

REPORT TO THE
CALIFORNIA LEGISLATURE

REPORT **F-890**

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

890

FINANCIAL AUDIT REPORT
DEPARTMENT OF VETERANS AFFAIRS
GENERAL FUND, INDEMNITY FUND, POST FUND,
TRUST FUND, AND GENERAL FIXED ASSETS ACCOUNT GROUP
YEAR ENDED JUNE 30, 1979

OCTOBER 1980



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

SENATORS
ALBERT RODDA
PAUL CARPENTER
JOHN NEJEDLY
ROBERT PRESLEY

ASSEMBLYMEN
S. FLOYD MORI
DANIEL BOATWRIGHT
LEROY GREENE
BRUCE NESTANDE

- STATE CAPITOL
SACRAMENTO 95814
(916) 445-7380
- 925 L STREET
SUITE 750
SACRAMENTO 95814
(916) 445-0255

S. FLOYD MORI
CHAIRMAN

November 21, 1980

890

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's financial audit report of the Department of Veterans Affairs, year ended June 30, 1979.

The auditors are Richard I. LaRock, CPA; Jeffrey A. Winston; Arthur G. Rogers; Ramon Juarez; and Stephen Lozano.

Respectfully submitted,

S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

Attachment

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
AUDITOR'S OPINION	2
FINANCIAL STATEMENTS	
BALANCE SHEET	4
GENERAL FUND	
INDEMNITY FUND	
POST FUND	
TRUST FUND	
GENERAL FIXED ASSETS ACCOUNT GROUP	
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN OPERATING CLEARING	5
GENERAL FUND	
STATEMENT OF REVENUES, EXPENSES, AND CHANGES FUND BALANCES	6
INDEMNITY FUND	
POST FUND	
TRUST FUND	
STATEMENT OF CHANGES IN FINANCIAL POSITION	7
INDEMNITY FUND	
POST FUND	
TRUST FUND	
NOTES TO THE FINANCIAL STATEMENTS	8
SUPPLEMENTAL INFORMATION	14
COMPARISON OF THE LEGALLY ADOPTED BUDGET WITH ACTUAL DATA ON THE BUDGETARY BASIS	15
OTHER COMMENTS	16

INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the Department of Veterans Affairs' General Fund, Indemnity Fund, Post Fund, Trust Fund, and General Fixed Assets Account Group. This audit was conducted under the authority vested in the Auditor General by Sections 10527 and 10528 of the Government Code.

The objectives of the Department of Veterans Affairs are to assist qualified California veterans and their dependents in obtaining their legal benefits and rights, to offer educational assistance to veterans' dependents eligible for counseling and financial assistance, and to administratively support the Veterans' Home of California. The department also administers the Veterans' Farm and Home Purchase Act of 1974 which authorizes the department to acquire a farm or home and contract with the veteran for its purchase by the veteran.

The department's programs are supported by federal funds, appropriations from the State's General Fund, interest on trust funds, unclaimed estates of members of the Veterans Home, and profits from enterprises operated at the Veterans Home.

AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the financial statements of the General Fund, Indemnity Fund, Post Fund, Trust Fund, and the General Fixed Assets Account Group of the Department of Veterans Affairs as of June 30, 1979. Except as set forth in the following paragraphs, our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We did not observe the taking of the physical inventory for the Post Fund as of June 30, 1978 (stated at \$46,318) and as of June 30, 1979 (stated at \$43,912). We were unable to confirm the inventory quantities using other auditing procedures.

In addition, we did not confirm veterans' deposits in the Trust Fund. It was not practical at the time of our audit to confirm these deposits because the department had not issued periodic statements to the veterans. Also, 47 percent of the deposits were deposits of veterans deceased prior to June 30, 1979. We were unable to verify veterans' deposits using other auditing procedures.

The financial statements of the Department of Veterans Affairs, Veterans Farm and Home Building Fund of 1943 for the year ended June 30, 1979 have not been included in the accompanying financial report. An independent public accounting firm has examined the financial statements of the Veterans' Farm and Home Building Fund of 1943 for the years ending June 30, 1978 and June 30, 1979 and has issued its separate report dated September 12, 1979.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to observe the physical inventories, the aforementioned financial statements present fairly the financial position of the General Fund, Indemnity Fund, Post Fund, and the General Fixed Assets Account Group of the Department of Veterans Affairs as of June 30, 1979 and the results of operations and changes in operating clearing, fund balance, and financial position for the year then ended, in conformity with generally

accepted accounting principles applied on a basis consistent with that of the preceding year. Since we did not confirm veterans' deposits and were unable to apply adequate audit procedures regarding these deposits, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the Trust Fund.

The accompanying supplemental information is not necessary for a fair presentation of the financial statements but is presented as additional analytical data and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.


WESLEY E. NOSS
Assistant Auditor General

Date: June 9, 1980

Staff: Richard I. LaRock, CPA
Jeffrey A. Winston
Arthur G. Rogers
Ramon Juarez
Stephen Lozano

DEPARTMENT OF VETERANS AFFAIRS
BALANCE SHEET
GENERAL FUND, INDEMNITY FUND, POST FUND, TRUST FUND,
AND GENERAL FIXED ASSETS ACCOUNT GROUP

JUNE 30, 1979

ASSETS	Governmental Fund Type	Proprietary Fund Types		Fiduciary Fund Type	Account Group
	General Fund	Indemnity Fund	Post Fund	Trust Fund	General Fixed Assets
Cash	\$ 344,374	\$ (9,864)	\$114,553	\$ 8,833	\$ --
Deposits in Surplus Money Investment Fund (Note 3)	--	1,801,600	--	--	--
Investments, at cost (Note 4)	--	--	605,167	2,570,000	--
Accounts receivable	177,258	--	11,961	953	--
Allowance for deferred and uncollectible accounts receivable	(40,636)	--	--	--	--
Due from other governments (Note 5)	341,262	--	--	--	--
Allowance for deferred and uncollectible amounts due from other governments (Note 5)	(341,262)	--	--	--	--
Due from other funds	72,727	92,367	--	--	--
Advances to employees	57,261	--	--	--	--
Deferred charges	5,216	--	--	--	--
Prepayments to other funds	74,635	--	--	--	--
Inventories, at cost (Note 6)	--	--	43,912	--	--
Land	--	--	--	--	63,781
Improvements	--	--	57,541	--	17,815,080
Accumulated depreciation (Note 7)	--	--	(29,567)	--	--
Equipment	--	--	54,108	--	2,329,634
Accumulated depreciation (Note 7)	--	--	(39,319)	--	--
Advances to Architecture Revolving Fund	--	--	--	--	1,575,276
Property held in trust	--	--	--	117,731	--
Donated property	--	--	--	3,932	--
Total Assets	\$ 690,835	\$1,884,103	\$818,356	\$2,701,449	\$21,783,771
LIABILITIES, ENCUMBRANCES OUTSTANDING, AND FUND EQUITY					
Liabilities:					
Accounts payable	\$ 1,059,694	\$ 8,596	\$ 90,017	\$ --	\$ --
Due to other funds	26,381	--	91,930	--	--
Total Liabilities	1,086,075	8,596	181,947	--	--
Encumbrances outstanding	1,216,843	--	--	--	--
Fund Equity:					
Investment in general fixed assets	--	--	--	--	20,208,495
Fund balances:					
Reserved for construction	--	--	--	--	1,575,276
Designated for depositors	--	--	--	2,517,301	--
Designated for special trusts	--	--	--	66,417	--
Undesignated	--	1,875,507	636,409	--	--
Property held in trust	--	--	--	117,731	--
Operating clearing (Note 8)	(1,612,083)	--	--	--	--
Total Fund Equity	(1,612,083)	1,875,507	636,409	2,701,449	21,783,771
Total Liabilities, Encumbrances Outstanding, and Fund Equity	\$ 690,835	\$1,884,103	\$818,356	\$2,701,449	\$21,783,771

The notes to the financial statements are an integral part of this statement.

DEPARTMENT OF VETERANS AFFAIRS

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN OPERATING CLEARING
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

Revenues:	
Intergovernmental revenues	\$ 5,222,654
Other	<u>22,157</u>
Total Revenues	<u>5,244,811</u>
Other Sources:	
Appropriations (Note 9)	16,571,280
Operating transfers in	72,730
Refunds to reverted appropriations	<u>88,378</u>
Total Other Sources	<u>16,732,388</u>
Total Revenues and Other Sources	<u>21,977,199</u>
Expenditures:	
Current:	
Personal services	14,753,156
Operating expenses and equipment	5,160,760
Educational assistance	1,217,660
County veteran service officers	1,000,000
Miscellaneous (Note 10)	5,561
Reimbursements	(2,598,560)
Expenditures reimbursed to the General Fund (Note 11)	(390,000)
Capital outlay	<u>337,015</u>
Total Expenditures	19,485,592
Other Uses:	
Intrafund transfers (Note 8)	<u>3,104,567</u>
Total Expenditures and Other Uses	<u>22,590,159</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>(612,960)</u>
Operating Clearing - July 1 (Note 8)	<u>(999,123)</u>
Operating Clearing - June 30 (Note 8)	<u><u>\$(1,612,083)</u></u>

The notes to the financial statements are an integral part of this statement.

DEPARTMENT OF VETERANS AFFAIRS
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCES
INDEMNITY FUND, POST FUND, AND TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	Proprietary Fund Types		Fiduciary Fund Type
	Indemnity Fund	Post Fund	Trust Fund
Operating Revenues:			
Fees from participants	\$ 573,273	\$ --	\$ --
Sales	--	641,414	--
Charges for services	--	40,654	--
Other	--	4,489	--
Total Operating Revenues	<u>573,273</u>	<u>686,557</u>	<u>--</u>
Operating Expenses:			
Payments to participants	178,732	--	--
Personal services	--	586,705	--
Cost of goods sold	--	399,954	--
Insurance	452,165	20,853	--
Sales tax	--	27,732	--
Depreciation	--	3,198	--
Special trusts	--	--	37,872
Other	--	106,642	--
Total Operating Expenses	<u>630,897</u>	<u>1,145,084</u>	<u>37,872</u>
Operating Income (Loss)	<u>(57,624)</u>	<u>(458,527)</u>	<u>(37,872)</u>
Nonoperating Revenues (Expenses):			
Interest	143,493	--	233,616
Improvements and equipment	--	(25,807)	--
Receipts from depositors	--	--	1,811,585
Payments to depositors	--	--	(1,451,960)
Gifts - Special trusts	--	--	73,860
Dividends	--	--	337
Total Nonoperating Revenues (Expenses)	<u>143,493</u>	<u>(25,807)</u>	<u>667,438</u>
Income (Loss) before Operating Transfers	85,869	(484,334)	629,566
Operating Transfers In (Out)	--	430,911	(270,025)
Net Income (Loss)	<u>85,869</u>	<u>(53,423)</u>	<u>359,541</u>
Fund Balances - July 1, as previously reported	1,789,638	658,871	2,341,908
Restatement:			
Correction of prior period errors	--	30,961	--
Fund Balances - July 1, as restated	<u>1,789,638</u>	<u>689,832</u>	<u>2,341,908</u>
Fund Balances - June 30	<u>\$1,875,507</u>	<u>\$ 636,409</u>	<u>\$ 2,701,449</u>

The notes to the financial statements are an integral part of this statement.

DEPARTMENT OF VETERANS AFFAIRS

STATEMENT OF CHANGES IN FINANCIAL POSITION
INDEMNITY FUND, POST FUND, AND TRUST FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	Proprietary Fund Types		Fiduciary Fund Type
	Indemnity Fund	Post Fund	Trust Fund
Sources of Funds:			
Operations:			
Net income (loss)	\$ 85,869	\$(53,423)	\$359,541
Items not requiring working capital:			
Depreciation	--	3,198	--
Reduction of inventory	--	2,406	--
Total Operations	85,869	(47,819)	359,541
Other Sources	--	11,105	--
Total Sources of Funds	<u>85,869</u>	<u>(36,714)</u>	<u>359,541</u>
Application of Funds:			
Net increase in investments	--	30,036	260,006
Acquisition of improvements and equipment	--	26,105	--
Total Application of Funds	<u>--</u>	<u>56,141</u>	<u>260,006</u>
Net Increase (Decrease) in Working Capital	<u>\$ 85,869</u>	<u>\$(92,855)</u>	<u>\$ 99,535</u>
Elements of Net Increase (Decrease) in Working Capital:			
Cash	(10,578)	(18,563)	4,139
Deposits in Surplus Money			
Investment Fund	36,000	--	--
Accounts receivable	--	(17,234)	(1,462)
Property held in trust	--	--	96,752
Due from other funds	18,712	(108)	106
Accounts payable	41,735	(56,950)	--
Net Increase (Decrease) in Working Capital	<u>\$ 85,869</u>	<u>\$(92,855)</u>	<u>\$ 99,535</u>

The notes to the financial statements are an integral part of this statement.

DEPARTMENT OF VETERANS AFFAIRS
GENERAL FUND, INDEMNITY FUND, POST FUND,
TRUST FUND, AND GENERAL FIXED ASSETS ACCOUNT GROUP
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and results of operations of the General Fund, Indemnity Fund, Post Fund, Trust Fund, and General Fixed Assets Account Group of the Department of Veterans Affairs. The statements for the General Fund, Indemnity Fund, Post Fund, and the General Fixed Assets Account Group have been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting.

The accompanying financial statements are structured into a Governmental Fund Type, Proprietary Fund Types, a Fiduciary Fund Type, and an Account Group. The Department of Veterans Affairs accounts for only its portion of the Governmental Fund Type category. The State Controller maintains central accounts for all state funds and annually publishes fund statements.

GOVERNMENTAL FUND TYPES

Governmental Fund Types are those through which most governmental functions are financed. The acquisition, use, and balances of the government's expendable financial resources and the related current liabilities--except for those accounted for in Proprietary Funds--are accounted for through governmental funds. The General Fund is the only Governmental Fund Type used by the department.

General Fund

This fund includes all financial resources not accounted for in another fund.

The Governmental Fund Type is maintained on the modified accrual basis of accounting. These are some of its more significant elements:

Income

Income from revenues and reimbursements is recognized in the accounting period in which it is measurable and available to pay liabilities of the period.

Expenditures

Expenditures are recognized, if measurable, in the accounting period in which the liability is incurred. Expenditures also include encumbrances for goods or services not received at the end of the year.

Liabilities

Retirement Plan - Regular employees of the department are members of the Public Employees' Retirement System (PERS) which is a defined benefit, contributory retirement plan. The amount the department and its employees contribute to PERS is actuarially determined under a program in which contributions plus retirement system earnings provide the necessary funds to pay retirement costs as accrued. The department's share of retirement contributions for the year totaled \$1,941,762.

Vacation and Sick Leave - Costs of vacation and sick leave are charged at the time these benefits are used rather than when they are earned.

PROPRIETARY FUND TYPES

Proprietary Fund Types are used to account for the measurement of net income and capital maintenance within a government's organizations and activities. These fund types resemble those found in the private sector. The Indemnity Fund and the Post Fund are the Proprietary Fund Types used by the department.

Indemnity Fund

This fund is used to account for fees charged participants. The fees finance the repair of damages not required to be insured and the payment of insurance premiums to cover risks otherwise payable from the fund.

Post Fund

The Post Fund, authorized by Section 1047 of the Military and Veterans Code, finances the operation of the Veterans' Home Exchange, motion picture theatre, library, and other recreational and entertainment facilities for the Veterans' Home and its resident members. Primary sources of income are derived from interest on investments and from estates of deceased resident members.

The Indemnity and Post Funds are maintained on the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and measured; expenses are recognized in the period incurred, if measurable.

FIDUCIARY FUND TYPES

Fiduciary Fund Types are used to account for assets held by a governmental unit as a trustee or as an agent for individuals or private organizations. The Trust Fund is the only Fiduciary Fund Type used by the department. Trust Fund accounting policies are discussed in Note 2.

ACCOUNT GROUP

The Account Group is used to account for general fixed assets. Assets purchased or constructed are recorded as expenditures in the appropriate fund in the year of acquisition or encumbrance. General fixed assets increased by a net of \$1,026,019 during the fiscal year.

2. TRUST FUND ACCOUNTING POLICIES

The department maintains the Trust Fund to account for all monies or other property veterans have voluntarily deposited with the Veterans Home. Veterans may withdraw these deposits at any time. All interest obtained from the investment of veterans' deposits is deposited to the credit of the Post Fund and is used for the common benefit of veterans. After designated periods of time, the proceeds from the sale of unclaimed property and deposits are paid to the Post Fund. The department accounts for the Trust Fund as a nonexpendable trust fund. Revenues and expenses are accounted for on the accrual basis of accounting.

3. DEPOSITS IN SURPLUS
MONEY INVESTMENT FUND

This account shows the amount of the department's money in the Surplus Money Investment Fund, which accounts for the monies that have been transferred for investment purposes. All earnings derived from investments of the fund are apportioned to the contributing funds. At June 30, interest due from the Surplus Money Investment Fund amounted to \$72,054.

4. INVESTMENTS

This account represents the investments of funds deposited by members of the Veterans Home. The amount recorded in the Trust Fund at June 30, 1979 consists of savings accounts yielding between 7 and 11.25 percent interest. The amounts recorded in the Post Fund consist primarily of United States Treasury bonds and notes yielding from 3.6 to 6.25 percent interest; the amounts shown are net of premiums and discounts. All interest obtained from these investments is credited to the Post Fund in accordance with Section 1042 of the Military and Veterans Code.

5. DUE FROM OTHER GOVERNMENTS AND ALLOWANCE
FOR DEFERRED AND UNCOLLECTIBLE AMOUNTS

This account shows the amount due from the Federal Government under the Medicare reimbursement program for services provided to veterans in the Veterans Home Hospital. The amount the department will collect and the date of collections depend upon future determinations by the federal Medicare bureau. The Medicare bureau has cited several problems with accounting for Medicare reimbursements. These problems resulted from program and personnel changes in the federal Medicare bureau. The department has developed and is in the process of implementing a cost accounting system designed to correct the problems cited by the Medicare bureau.

6. INVENTORIES, AT COST

This account is used to record the cost of purchased inventories intended for resale through the Veterans Home Post Fund. The inventories are valued at cost.

7. ACCUMULATED DEPRECIATION

The department depreciates the cost, less any salvage value, of the Post Fund's improvements and equipment over its estimated useful life in equal annual amounts. Depreciation expenses for the fiscal year amounted to \$3,198.

8. OPERATING CLEARING AND INTRAFUND TRANSFERS

Operating clearing is the connecting link between the records of the department and the central fund accounts maintained by the State Controller for the General Fund. The balance at June 30 represents the net assets and liabilities for which the department is accountable.

Intrafund transfers represent revenues, reimbursements, and refunds to reverted appropriations for which the department has transferred accountability to the State Controller.

9. APPROPRIATIONS

These funds consist of cash disbursed by the State Controller from the department's appropriations for the year ended June 30, 1979 and liquidation of expenditures accrued against appropriations made in prior periods.

10. MISCELLANEOUS

Miscellaneous expenditures represent the difference between the accrual of expenditures, abatements, and reimbursements in the prior year and the actual amounts received, incurred, or accrued during the current fiscal year but related to a prior fiscal year.

11. EXPENDITURES REIMBURSED
TO THE GENERAL FUND

The General Fund is the accounting entity for the department's operating expenses and is reimbursed for certain expenses incurred. For the fiscal year 1978-79, the Veterans' Farm and Home Building Fund of 1943 reimbursed the General Fund for departmental expenses.

SUPPLEMENTAL INFORMATION

The data presented as supplemental information compares the legally adopted budget with actual data on the budgetary basis.

The State's annual budget represents departmental appropriations as authorized by the Budget Act of 1978 and any authorized revisions during the year that reflect changes in programs and activities. The State's annual budget does not include operations of the Indemnity Fund, the Post Fund, the Trust Fund, and certain accounts in the General Fund. Accordingly, the budgetary comparison covers only those budgeted General Fund accounts of the department.

DEPARTMENT OF VETERANS AFFAIRS

COMPARISON OF THE LEGALLY ADOPTED BUDGET WITH
ACTUAL DATA ON THE BUDGETARY BASIS
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	<u>Budget as Adjusted</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
For Support of the Department			
Headquarters:			
Personal services	\$ 1,578,507	\$ 1,500,569	\$ 77,938
Operating expenses and equipment	320,977	260,879	60,098
Less expenditures reimbursed to the General Fund	(414,546)	(390,000)	(24,546)
Less federal funds (Intergovernmental revenues)	<u>(66,430)</u>	<u>(13,264)</u>	<u>(53,166)</u>
Total Support - Headquarters	<u>1,418,508</u>	<u>1,358,184</u>	<u>60,324</u>
Veterans Home:			
Personal services	14,195,037	13,252,587	942,450
Operating expenses and equipment	4,954,150	4,899,881	54,269
Less reimbursements	(2,739,242)	(2,598,560)	(140,682)
Less federal funds (Intergovernmental revenues)	<u>(5,577,880)</u>	<u>(5,209,390)</u>	<u>(368,490)</u>
Total Support - Veterans Home	<u>10,832,065</u>	<u>10,344,518</u>	<u>487,547</u>
Total Support	<u>12,250,573</u>	<u>11,702,702</u>	<u>547,871</u>
For Educational Assistance	<u>1,781,250</u>	<u>1,217,660</u>	<u>563,590</u>
For County Veteran Service Officers	<u>1,000,000</u>	<u>1,000,000</u>	<u>--</u>
For Capital Outlay:			
Headquarters	12,581	12,581	--
Veterans Home	<u>548,812</u>	<u>324,434</u>	<u>224,378</u>
Total Capital Outlay	<u>561,393</u>	<u>337,015</u>	<u>224,378</u>
Total	<u>\$15,593,216</u>	<u>\$14,257,377</u>	<u>\$1,335,839</u>

OTHER COMMENTS

As an integral part of our examination, we reviewed the accounting procedures and the related system of internal accounting control to the extent we considered necessary to properly form an opinion concerning the fairness with which the Department of Veterans Affairs' financial statements present its financial position and the results of operations and changes in financial position in accordance with generally accepted accounting principles consistently applied.

Our review of accounting procedures and related system of internal accounting control enables us to suggest improvements which may result in better operating procedures or in better internal accounting controls. A management letter describing the suggested improvements was issued to the department in conjunction with certain recommended adjusting entries necessary to achieve compliance with generally accepted accounting principles.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps