

City Council
City of Garden Grove, California

In planning and performing our audit of the financial statements of the City of Garden Grove as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to *be* significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible*. The chance of the future event or events occurring is more than remote but less than likely.
- *Probable*. The future event or events are likely to occur.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following issue to conform to that definition:

(1) Accounting Adjustments Recorded During the Audit

During the audit we identified material and immaterial adjustments to correct the accounting records. Adjustments were made to correct capital assets, to correct balances related to the new lease accounting standard, and to correct interest payable, accrued liabilities, compensated absences, other post employment benefit liabilities, and claims payable. The City also identified and recorded adjustments to the records after the year end close was completed. The auditing standards acknowledge that the auditor should not be part of the City's system of internal controls because adjusting material transactions in the financial statements creates an independence threat and reduces auditor transparency.

Recommendation

To minimize adjustments identified during the audit, the City should establish procedures to, whenever possible, identify adjustment in the reporting period in which the related transactions occurred. These procedures could include performing a comprehensive review of the year end accounting balances prior to the start of the audit fieldwork.

The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
January 31, 2023