



Transmitted via e-mail

February 15, 2011

Ms. Melissa Jones, Executive Director
Energy Resources Conservation and
Development Commission
1516 Ninth Street, MS-39
Sacramento, CA 95814-5512

Dear Ms. Jones:

**Management Letter—Energy Resources Conservation and Development Commission,
Renewable Resource Trust Fund Audit**

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its financial audit of the Energy Resources Conservation and Development Commission's (Commission) Renewable Resource Trust Fund for the fiscal year ended June 30, 2010. In planning and performing our audit of the Commission's financial statements for the fiscal year then ended, we considered the Commission's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of a matter that presents an opportunity for strengthening the Commission's internal control. This management letter summarizes our comments and suggestions regarding this matter. This letter does not affect our report dated January 19, 2011 on the Commission's financial statements.

The Commission could strengthen the internal control by reassessing staff's access to the various functions of the California Accounting and Reporting System (CALSTARS) and current job duties to maximize the segregation of duties. Where the duties cannot be adequately segregated due to the small size of the office, the Commission should ensure procedures are in place to mitigate the risk of misappropriation of assets or misstatement to the financial statements.

This letter is intended as an internal management tool to assist the Commission in improving internal control and accountability for the Renewable Resource Trust Fund.

We appreciate the assistance and cooperation of the Commission's management and staff. If you have any questions regarding this letter, please contact Kimberly Tarvin, Manager, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, CPA
Chief, Office of State Audits and Evaluations

Enclosure

cc: Mr. Mark Hutchison, Deputy Director, Energy Resources Conservation and Development Commission
Mr. Tony Goncalves, Manager, Renewable Energy Office, Energy Resources Conservation and Development Commission
Mr. Mark Jones, Accounting Administrator, Energy Resources Conservation and Development Commission
Ms. Sherri Guzman, Associate management Auditor, Energy Resources Conservation and Development Commission