

MACIAS, GINI, O'CONNELL, LLP

Review Report

QUALITY CONTROL REVIEW

For the Firm's Audit of the
California Institute for Regenerative Medicine (CIRM)
for the Fiscal Year Ended June 30, 2015



BETTY T. YEE
California State Controller

January 2016



BETTY T. YEE
California State Controller

January 26, 2016

Richard Green, Partner
Macias, Gini, O'Connell, LLP
3000 S Street, Suite 300
Sacramento, CA 95816

Dear Mr. Green:

The State Controller's Office (SCO) completed a quality control review of Macias, Gini, O'Connell, LLP. We reviewed the audit working papers for the firm's audit of the California Institute for Regenerative Medicine for the fiscal year ended June 30, 2015.

Macias, Gini, & O'Connell, LLP's audit was performed in accordance with the standards and requirements set forth in GAGAS, GAAS, and the California Business and Professions Code.

If you have any questions, please contact Jim L. Spano, Interim Chief, Financial Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/as

cc: Craig Harner, Manager
Macias, Gini, O'Connell, LLP
Alan Trounson, President
California Institute for Regenerative Medicine
Independent Citizens' Oversight Committee
California Institute for Regenerative Medicine
Financial Accountability Oversight Committee

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Review Report

Summary

The State Controller's Office (SCO) completed a quality control review of Macias, Gini, O'Connell, LLP's working papers for the audit of the California Institute for Regenerative Medicine (CIRM) for the fiscal year ended June 30, 2015.

The firm's audit was performed in accordance with the standards and requirements set forth in *Government Auditing Standards*, issued by the Comptroller General of the United States, often referred to as generally accepted government auditing standards (GAGAS); auditing standards generally accepted in the United States of America (GAAS); and the California Business and Professions Code.

Background

CIRM is a California state agency formed pursuant to the provisions of Proposition 71 approved by California voters in November 2004. Proposition 71, the California Stem Cell Research and Cures Initiative, amended the California Constitution by adding an article thereto; amended a section of the California Government Code; and added sections to the California Health and Safety Code. The purpose of the legislation was the formation of the institute to:

- Make grants and loans for stem cell research, for research facilities, and for other vital research opportunities to realize therapies, protocols, and/or medical procedures that will result in, as speedily as possible, the diagnosis, treatment, and cure for, and/or substantial mitigation of, major diseases, injuries, and orphan diseases.
- Support all stages of the process of developing treatments and cures, from basic research and discovery through preclinical and translational research, to the conduct of successful clinical trials.
- Establish the appropriate regulatory standards and oversight bodies for research and facilities development.

Health and Safety Code section 125290.30 requires the institute to "annually commission an independent financial audit of its activities from a certified public accounting firm, which shall be provided to the State Controller, who shall review the audit and annually issue a public report of that review."

Macias, Gini, O'Connell, LLP is an independent certified public accountant with offices located in Sacramento, Walnut Creek, Oakland, Culver City, Newport Beach, and San Diego, California. The CPA has been the independent auditor for the CIRM since fiscal year 2005-06.

Objectives, Scope, and Methodology

The general objectives of our quality control review were to determine whether this audit was conducted in compliance with GAGAS, GAAS, and the California Business and Professions Code.

We conducted the quality control review at the Sacramento office of Macias, Gini, & O'Connell, LLP. We compared the audit work performed by the firm, as documented in the working papers, with the standards stated in the general objectives.

Conclusion

Macias, Gini, & O'Connell, LLP's audit was performed in accordance with the standards and requirements set forth in GAGAS, GAAS, and the California Business and Professions Code.

This report is applicable solely to the audit working papers referred to above and is not intended to pertain to any other work of Macias, Gini, & O'Connell, LLP.

Firm's Response

We discussed the review results with Craig Harner, Manager, on December 10, 2015. Mr. Harner agreed with the review results presented in this report. Mr. Harner declined a draft report and agreed that we could issue the report as final.

Restricted Use

This report is intended solely for the information and use of the specified parties; it is not intended to be and should not be used for any other purpose. This restriction is not meant to limit distribution of the report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

January 26, 2016

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>