



JOHN CHIANG
California State Controller

October 29, 2013

To: Certified Public Accountants and Their Auditees: Counties, Cities, Towns, and Special Districts.

Re: Annual Audits for Fiscal Year 2012-13

This advisory provides information to local government entities and assists independent auditors in performing the fiscal year (FY) 2012-13 audits of counties, cities, towns, and special districts.

Single Audits Webpage

This audit advisory, as well as general guidelines for single audits of local governments, is available on the California State Controller's Office (SCO) Single Audits website, at http://www.sco.ca.gov/aud_single_audits.html.

Single Audit Reporting Package

The SCO considers the single audit reporting package receipt date when all applicable parts of the package are received. A complete single audit reporting package includes several parts, which consist of the Comprehensive Annual Financial Report (CAFR) (or, if applicable, the Financial Statement Report), the Single Audit Report, and if applicable, the Management Letter. For example, the single audit reporting package receipt date in the following scenario would be 8/15/XX:

- CAFR or Financial Statement Report received 3/15/XX
- Single Audit Report received 4/15/XX; and Management Letter, if applicable, received 8/15/XX

NEW FOR FISCAL YEAR 2012-13

The following Statements on Auditing Standards (SAS) issued by the Auditing Standards Board and Governmental Accounting Standards Board (GASB) are effective for audits of financial statements for periods ending on or after December 15, 2012:

- 2011 Revision of Government Auditing Standards (Yellow Book)
- SAS No. 122, Statements on Auditing Standards: Clarification and Recodification
- SAS No. 123, Omnibus Statement on Auditing Standards – 2011

- SAS No. 125, Alert That Restricts the Use of Auditor's Written Communication
- SAS No. 126, The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern (Redrafted)
- GASB 61, The Financial Reporting Entity: Omnibus— an amendment of GASB Statements No. 14 and No. 34
- GASB 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

Auditors should consider how the new statements impact their audit reports for fiscal year 2012-13 and update their reports accordingly.

REPORT CERTIFICATION COMPLIANCE REMINDERS

During the SCO's annual audit report certification process, a significant amount of time is spent corresponding with independent auditors regarding audit report deficiencies. To expedite certification of audit reports for FY 2012-13, the SCO requests that auditors adhere to the following requirements when completing their audit reports. Failure to comply with the requirements will result in audit reports being rejected.

1. **The Schedule of Expenditures of Federal Awards (SEFA):** The SEFA must list federal programs by federal agency. For federal awards received as a subrecipient, the SEFA must include the name of the pass-through entity and the identifying number assigned by the pass-through entity as required by Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, section .310(b)(1)(2) and (3).

The schedule should include the specific name of the pass-through state agency or agencies. This information is particularly important because the SCO is responsible for sending copies of audit reports to pass-through state agencies identified in the schedule.

2. **Federal Compliance Findings:** For single audits with federal findings, the SCO will not accept reports if the findings are not presented in accordance with OMB Circular A-133, subpart E—Auditors, section .510.

If applicable, the finding detail should include the specific name of the pass-through State agency or agencies. This information is particularly important because the SCO is responsible for sending management decision letters and copies of audit reports to pass-through state agencies identified in the audit finding.

3. **Financial Statement Findings:** Each audit finding should contain the elements of a finding as described in *Government Auditing Standards*.

- 4. Schedule of Prior Audit Findings:** The summary schedule of prior audit findings should be included in the audit report package as required by OMB Circular A-133, section .315(b). The SCO recommends that the audit report include a footnote if the entity had no audit findings in the prior year or if the entity was classified as either “exempt” or no “review.”

Review the 2013 OMB Circular A-133 Compliance Supplement for additional information and guidance. It can be obtained at:

http://www.whitehouse.gov/omb/circulars/a133_compliance_supplement_2013

If you have any questions or need additional information, please contact Carolyn Baez, Chief, Financial Audits Bureau, Division of Audits, at (916) 324-6442 or by email at singleaudits@sco.ca.gov.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

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cc: Carolyn Baez, Bureau Chief
Division of Audits, State Controller's Office