



JOHN CHIANG
California State Controller

October 16, 2014

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

Re: Local Government Audit Advisory for Fiscal Year 2013-14

This advisory provides information to counties, cities, towns, and special districts (local governments) and assists independent auditors in performing annual single audits of local governments for fiscal year (FY) 2013-14.

SINGLE AUDITS WEB PAGE

The California State Controller's Office (SCO) Single Audits webpage is located at http://www.sco.ca.gov/aud_single_audits.html. This audit advisory and general guidelines for single audits of local governments are available on this internet site.

SINGLE AUDIT REPORTING PACKAGE

The SCO considers the single audit reporting package receipt date to be when all applicable parts of the package are received. A complete single audit reporting package includes several parts: 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 2013-14

1. Following are recently issued Governmental Accounting Standards Board (GASB) statements that auditors should consider for their FY 2013-14 audit reports:
 - GASB 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position
 - GASB 65, Items Previously Reported as Assets and Liabilities
 - GASB 67, Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25

MAILING ADDRESS P.O. Box 942850, Sacramento, CA 94250-5874
SACRAMENTO 3301 C Street, Suite 700, Sacramento, CA 95816 (916) 324-8907
LOS ANGELES 901 Corporate Center Drive, Suite 200, Monterey Park, CA 91754-7619 (323) 981-6802

2. Assembly Bill (AB) 1345 added new provisions and amendments to Government Code section 12410 regarding annual audits of local governments. The AB 1345 advisory is available on the SCO Single Audits webpage.
3. The SCO Desk Review Checklist will be available on the SCO Single Audits webpage on November 21, 2014, which is the planned release date.

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 2013-14, the SCO requests that auditors attend to the following requirements when completing their audit reports. Failure to comply with these 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 must include the specific name of the pass-through State agency or agencies. For example, "Passed through State of California Department of Agriculture" instead of "Passed through State of California." This information is particularly important because the SCO is responsible for sending management decision letters, if applicable, and copies of audit reports to pass-through State agencies identified in the schedule.

If the identifying number assigned by the pass-through entity is not reported, the schedule should include a note explaining why the identifying number is not included.

2. **Federal Compliance Findings:** Federal compliance findings must be presented in accordance with the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, subpart E–Auditors, section .510.

If applicable, the finding detail must include the specific name of the pass-through State agency or agencies. For example, "Passed through State of California Department of Agriculture" instead of "Passed through State of California." 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 findings.

3. **Financial Statement Findings:** Financial statement findings 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 2014 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_2014

If you have any questions or need additional information, please contact Carolyn Baez, Chief, Financial Audits Bureau, Division of Audits, by telephone 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