

ANNUAL REPORT TO THE FIRST 5 CALIFORNIA COMMISSION

RESULTS OF AUDIT OVERSIGHT OF LOCAL COMMISSIONS

For the Period of July 1, 2012, through June 30, 2013



JOHN CHIANG
California State Controller

October 2014

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JOHN CHIANG
California State Controller

October 22, 2014

Camille Maben, Executive Director
First 5 California
2389 Gateway Oaks Drive, Suite 260
Sacramento, CA 95833

Re: Annual Report to First 5 California Commission
Results of Audit Oversight of Local Commissions

Dear Ms. Maben:

I am pleased to submit our annual report to the First 5 California Commission. Our report summarizes the results of our review of the independent audits of the local First 5 county commissions (local commissions) for fiscal year (FY) 2012-13. This report also summarizes the results of our review of the audit findings identified in the independent auditor's reports to the local commissions.

This is the seventh report submitted in accordance with Senate Bill 35 (Chapter 243, Statutes of 2005), which mandated an expanded audit of every county commission funded by the California Children and Families Program Act of 1998. Each commission was required to adopt a range of policies, including contracting and procurement, administrative expenditure limits, conflict of interest, staff compensation, and long-range financial planning. Each local commission is required to have an annual independent audit that is reviewed by the State Controller's Office.

Our review focused on the local commissions' compliance with program requirements (as reported by their independent auditors) specified in the Health and Safety Code. We also verified the independent auditors' compliance with audit standards and the expanded audit guidelines when performing the local commission audits. As required by statute, our annual report summarizes the results of our review and assesses the audit reports issued by the independent auditors. In addition, the audit findings and audit finding follow-up section of our report provide information related to the findings from each local commission's independent audit report. Lastly, our report contains comparative statistics from the results of our desk reviews of the independent audits for FY 2012-13, FY 2011-12, and FY 2010-11, where applicable.

I hope our report will be useful to you in assessing the local commissions' activities and compiling your annual report to the Legislature. Please direct any comments regarding the content of the report to Lisa Hughes, Chief, Community Related Audits Bureau, by phone at (916) 322-8489, or by email at lhughes@sco.ca.gov.

Sincerely,

Original signed by

GEORGE LOLAS
Chief Operating Officer

GL/sk

Enclosure

cc: Jennifer Clark, Chief, Administrative Services Division, First 5 California Commission
George Halvorson, Commission Chair, First 5 California Commission
Joyce Iseri, Commission Vice Chair, First 5 California Commission
Kathryn Icenhower, Ph.D., Commissioner, First 5 California Commission
Conway Collis, Commissioner, First 5 California Commission
Muntu Davis, Commissioner, First 5 California Commission
Casey McKeever, Commissioner, First 5 California Commission
Diana Dooley, Ex Officio Member, First 5 California Commission
Jim Suennen, Designee, First 5 California Commission
Magdalena Carrasco, Commissioner, First 5 California Commission

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Executive Summary

The California Children and Families Act (Act) was created in 1998 by the passage of Proposition 10. The Act was amended in 2005, giving the State Controller's Office (SCO) oversight responsibility for audits of the local First 5 county commissions (local commissions). The objective of the amendment was to provide the state commission with independently verified fiscal and state compliance information obtained from audits performed in accordance with applicable standards and requirements.

The SCO's oversight responsibility includes providing audit guidelines, reviewing local commissions' annual audit reports for compliance with applicable audit standards and guidelines, and following up on findings contained in the audit reports to ensure compliance with policies and practices specified in the Health and Safety Code. As needed, the SCO approves and makes substantive changes to the audit guide after consultation with an audit guide committee composed of representatives from the First 5 state commission (state commission) and local commissions.

Each year, the SCO performs its oversight activities in a cycle of receiving, reviewing, and reporting on the auditor's reports for each local commission. This report summarizes the results of our review of independent auditors' reports for compliance with applicable standards and requirements. This report also summarizes the results of our review and follow-up on the audit findings identified in the independent auditors' reports to the local commissions.

This is the seventh report submitted in accordance with the expanded audit statutes chaptered into law in 2005; therefore, this report includes comparative results. In summary, our report contains the following key observations we made during our review of the local commissions' independent audit reports:

- Of the 58 independent audit reports, 35 (60%) independent auditors complied with audit guide requirements and/or audit standards, a decrease compared with prior reporting periods. In fiscal year (FY) 2011-12, 71% of the independent audit reports submitted complied with all standards and/or requirements, while in FY 2010-11, 64% were in compliance.
- Of the 58 counties, 51 (88%) submitted the required audit reports by the November 1 deadline. In comparison, 91% of the audits in FY 2011-12 and 83% of the audits in FY 2010-11 were submitted by the deadline.

In addition to the observations we made during our review of the reports, the independent auditors identified a total of ten audit findings at nine local commissions; all of which were categorized as "internal control." There were no audit findings categorized as "state compliance." In

comparison, 14 of the FY 2011-12 audit reports contained a total of 15 audit findings (11 internal control and four state compliance). In FY 2010-11, 14 of the audit reports contained a total of 19 audit findings (14 internal control and five state compliance).

Lastly, for FY 2012-13 the SCO did not recommend withholding funding allocations for any commission for failure to correct (or provide a viable plan to correct) audit findings.

Introduction

Overview

The State Controller's Office (SCO), Division of Audits, is responsible for performing the oversight activities for the independent audits of local commissions administering the First 5 program authorized by the California Children and Families Act. Oversight activities consist of:

- Developing an audit guide based on the Health and Safety (H&S) Code, and applicable auditing standards;
- Verifying (via desk reviews/analysis) that the independent audit reports contracted for by the local commissions comply with auditing standards and the audit guide; and
- Verifying local commission compliance with policies and practices (specified in the Health and Safety Code) by reviewing and following up on audit findings reported in the independent audits.

Health and Safety Code section 130151 (added by Chapter 243, Statutes of 2005) requires that the SCO issue guidelines for annual expanded audits¹ that require independent auditors to review local commission compliance with policies and practices related to:

- Contracting and Procurement
- Administrative Costs
- Conflict of Interest
- County Ordinance
- Long-Range Financial Plans
- Financial Condition of Commission
- Program Evaluation
- Salaries and Benefit Policies

In addition, H&S Code section 130151 also requires that the SCO:

- Determine, within six months of the state or county commission's response pursuant to subdivision 130151(d), whether the county commission has successfully implemented corrective action in response to the findings contained in its audit report;
- Recommend that the state commission withhold the funding allocation for local commissions unable to provide the SCO with a viable plan to correct identified audit findings; and
- Submit to the First 5 Commission, by November 1 of each year, a report summarizing the results of the reviews of the local commissions' audits for the preceding reporting cycle.

¹ *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5).*

Background

First 5 Program

The California Children and Families Act of 1998 (Act) authorized the First 5 program. The Act requires that the First 5 program be funded by surtaxes imposed on the sale and distribution of cigarettes and tobacco products. The Act further requires that the funds be deposited into the California Children and Families Trust Fund, for the implementation of comprehensive early childhood and smoking-prevention programs.

SCO Oversight

The SCO's oversight and reporting requirements (H&S Code section 130151) were added by Senate Bill (SB) 35 (Chapter 243, Statutes of 2005). Prior to SB 35, existing law already included a fiscal/audit reporting component; therefore, the addition of SCO oversight was considered to be an expansion of those requirements. Consequently, the local commissions refer to the SCO audit guidelines as "expanded" audit guidelines.

The SCO—with a committee composed of representatives from the First 5 California Commission, local commissions, the Government Finance Officers Association, county auditor-controllers, and independent auditors—developed the initial audit guide based on statutory requirements enumerated in H&S Code section 130151(b). The guide is updated as needed by a committee composed of representatives from the SCO, the First 5 state commission, and the local commissions. H&S Code section 130151(b) states that the scope of the independent audits will address the local commissions' policies and practices related to:

- Contracting and Procurement
- Administrative Costs
- Conflict of Interest
- County Ordinance
- Long-Range Financial Plans
- Financial Condition of Commission
- Program Evaluation
- Salaries and Benefit Policies

Independent Audit Report Requirements

The Health and Safety Code requires the auditors for the local commissions, or the local commissions themselves², to submit an independent audit report to both the SCO and the First 5 California Commission each year by November 1. The fiscal year ended June 30, 2013, was the seventh year that the 58 local commissions were subject to the SCO's expanded audit guidelines; the resulting audit reports were due by November 1, 2013.

² The submission deadline is based on two statutory codes, one requiring the submission and one specifying the deadline:

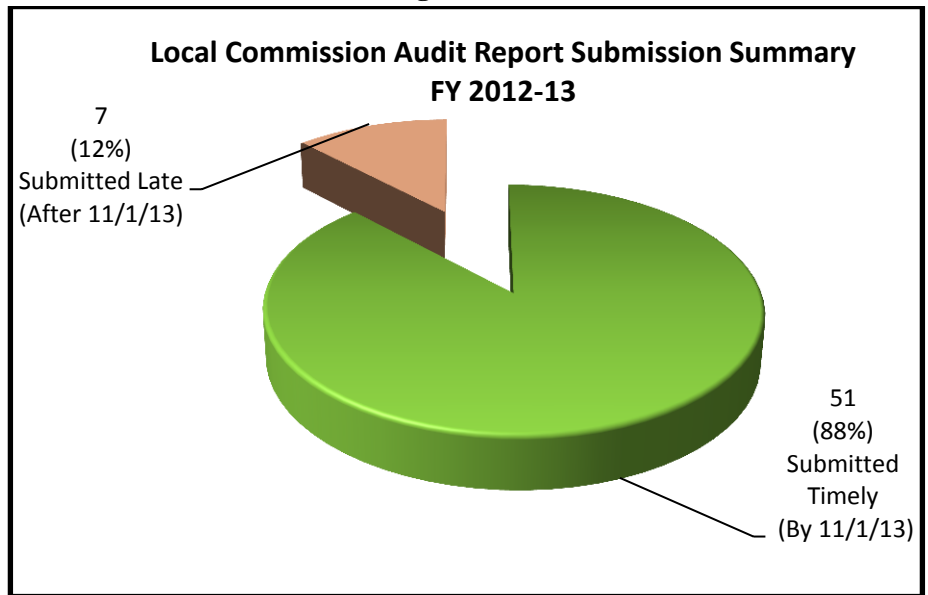
- H&S Code section 130151(c) requires that "the auditor for the state commission or the county commission shall submit each audit report, upon completion, simultaneously to both the Controller and to the state commission or applicable county commission."
- H&S Code section 130150(a) requires that "... on or before November 1 of each year, each county commission shall submit its audit and report to the state commission. . . ."

Results of Oversight Activities

Audit Report Submissions

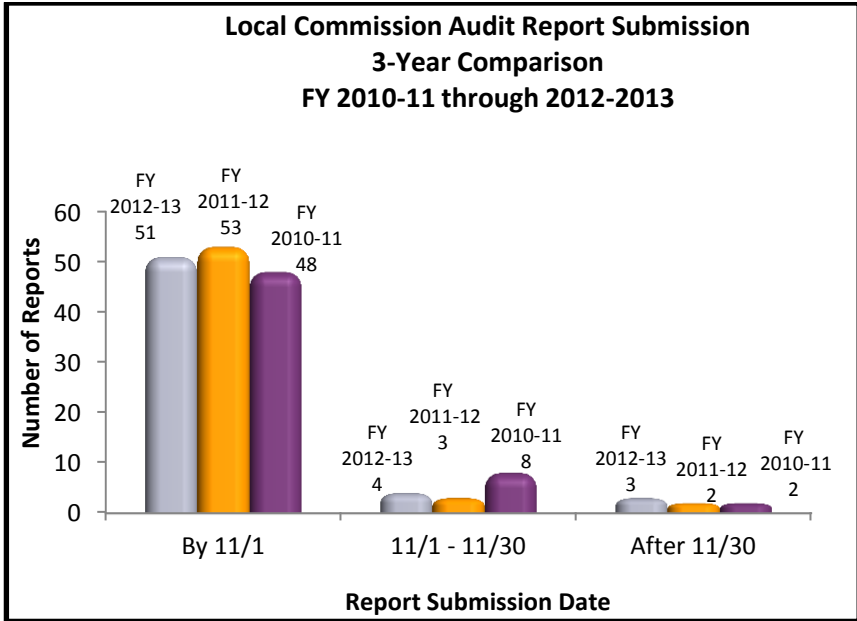
Independent auditors’ reports for each local commission for the preceding fiscal year must be submitted to the State Controller’s Office (SCO) by November 1 of the current fiscal year. As noted in Figure 1, for fiscal year (FY) 2012-13, 51 of 58 (88%) local commission audit reports were submitted by the required deadline, while seven (12%) were submitted after the required deadline. Of the seven reports submitted after the required deadline, four (7%) were submitted within 30 days of the deadline, while the remaining three audit reports (5%) were submitted more than 30 days late. The three local commissions that submitted their reports more than 30 days late indicated that they were unable to prepare the financial statements in a timely manner.

Figure 1



Compared with the FY 2011-12 audit review cycle, in 2012-13 there was a decrease in the number of audit reports submitted on time. During the FY 2012-13 review cycle three audit reports were submitted more than 30 days late. During the FY 2011-12 review cycle only two audit reports were submitted more than 30 days late. See Figure 2 for comparative data on report submissions.

Figure 2



Audit Review and Certification Process

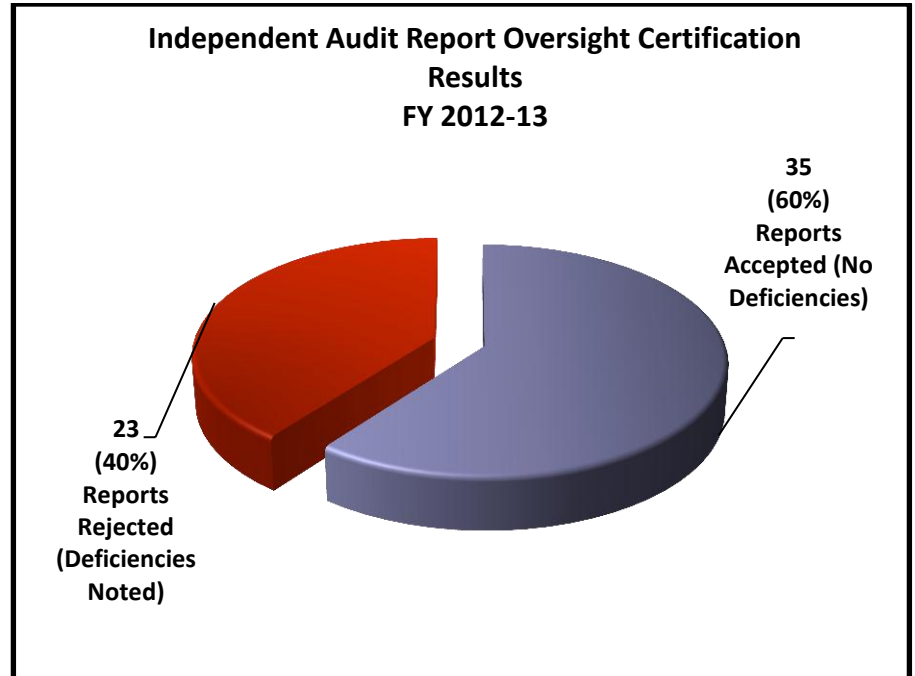
In accordance with Health and Safety (H&S) Code section 130151, the SCO reviews and certifies the annual independent audit reports issued by the auditors for each local commission for compliance with applicable auditing standards and the audit guidelines set out in the *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act – First 5* (First 5 Audit Guide).

To facilitate the consistent review and certification of each audit report, the SCO created a comprehensive desk review checklist that details and categorizes the program requirements specified in the First 5 Audit Guide. The desk review checklist also includes the required components of an audit report based on auditing standards generally accepted in the United States and government auditing standards. The desk review checklist also is annually updated in response to changes in auditing standards and program requirements. This report summarizes the instances of non-compliance we found in the preparation of the independent auditors’ reports (audit report deficiencies).

Audit Report Deficiencies

This section describes deficiencies found in the independent auditors’ reports. A deficiency is an instance of an independent auditor’s non-compliance with auditing standards and/or the expanded audit guidelines (First 5 Audit Guide) issued by the SCO. Independent auditors (not local commissions) are responsible for addressing deficiencies in their reports of the local commissions. Based on our desk reviews of the FY 2012-13 county commission audits, we found that 23 of the 58 independent audits (Figure 3) contained deficiencies. The SCO notified each independent auditor and local commission in writing that the audit report required correction(s). The rejection letters identified the deficiency/deficiencies noted during our review and the criteria used to determine non-compliance.

Figure 3



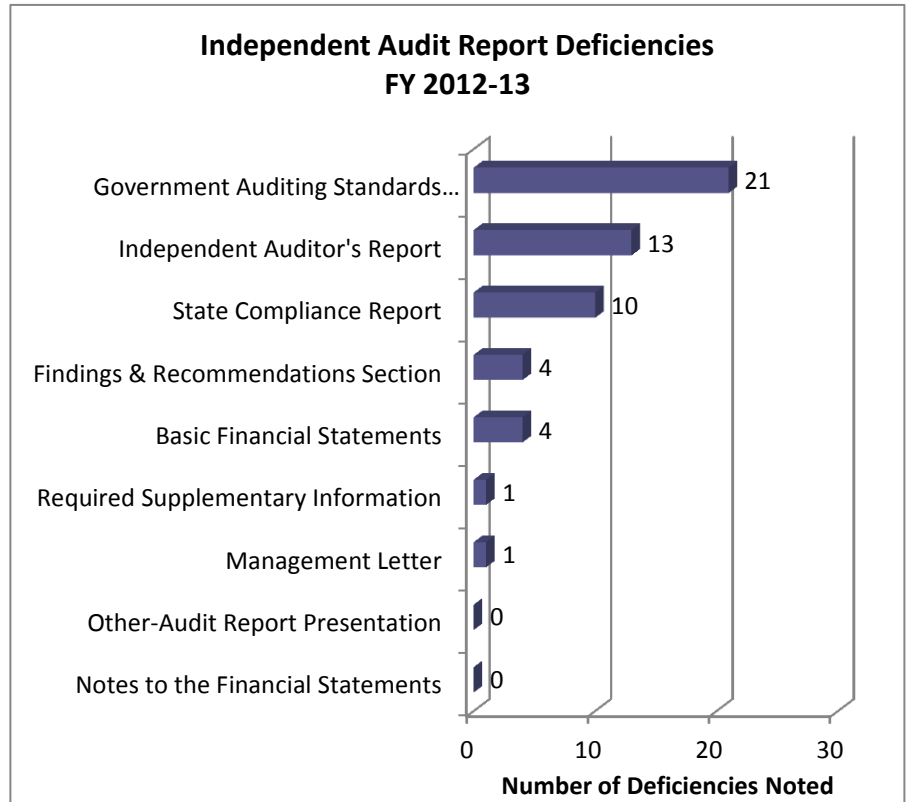
***Notable Audit Report
Deficiencies***

As detailed in Figure 4, during this review and certification cycle the SCO identified 54 deficiencies in the 23 rejected reports. The audit report deficiencies were related to independent auditors' reports, basic financial statements, government auditing standards reports, state compliance reports, and the findings and recommendations section of the audit. The majority of the deficiencies we identified during our review pertained to non-compliant language in the Independent Auditor's Report and the Independent Auditor's Report on Internal Control Over Financial Reporting on Compliance and Other Matters (GAS Report). Specifically, most of these deficiencies were due to outdated report language or language that did not comply with recently updated Statements on Auditing Standards (SAS) Nos. 122 through 125, collectively known as "The Clarity Project." These and other deficiencies we identified during our review are described in detail in Appendix A-1 and comparatively in Appendix A-2. Other notable deficiencies we identified were:

- The Independent Auditor's Reports were not prepared in accordance with SAS Nos. 119 and 120;
- The State Compliance Reports referenced incorrect applicable compliance requirements or were not prepared in accordance with SAS No. 117;
- The Findings and Recommendations did not include the schedule of prior year audit findings;
- The Required Supplementary Information of the budgetary comparison data for the general fund and any major special revenue funds did not total correctly;

- The Independent Auditor’s Report referenced a management letter that was not submitted to the SCO with the annual audit report; and
- The independent auditors’ Government Auditing Standards Report included contradicting statements that resulted in ambiguity in the independent auditors’ opinions and/or were not prepared in accordance with SAS Nos. 122 and 125.

Figure 4



See Appendix A-1 for detailed category breakdown.

Comparison of Audit Report Deficiencies by Fiscal Year

During this review cycle (FY 2012-13) we found more audit report deficiencies (54) than in the prior year (FY 2011-12), in which 32 deficiencies were identified. For FY 2010-11, 39 deficiencies were identified. Of the 54 audit report deficiencies identified for FY 2012-13, 21 of the deficiencies (39%) were related to the Government Auditing Standards Report included in the independent audit reports for 18 local commissions. In these instances, the Government Auditing Standards Reports were not prepared in accordance with SAS Nos. 122 and 125, which specified new reporting requirements effective for financial statement for periods ending on or after December 15, 2012.

During this review cycle, the SCO identified one independent audit report that contained one recurring deficiency, which had been previously identified during the FY 2011-12 review cycle. In comparison with FY 2011-12, and FY 2010-11, the independent audit reports did not contain recurring audit report deficiencies.

Figure 5 provides a breakdown by category of audit deficiencies for the current and previous reporting periods. Appendix A-2 provides additional detail for each category for the three audit years.

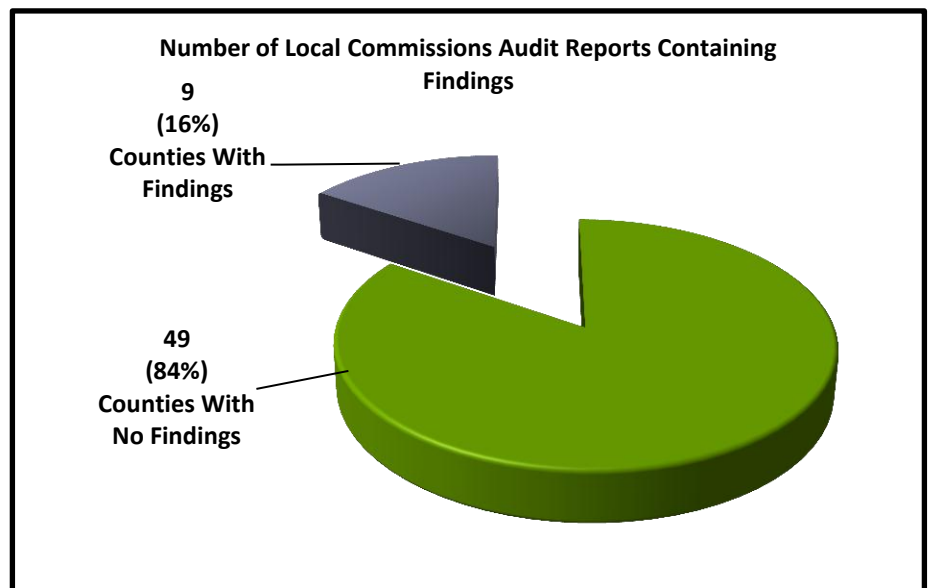
**Figure 5
Independent Audit Report Deficiencies – Comparison by Fiscal Year**

Category	Number of Occurrences		
	2012-13	2011-12	2010-11
Independent Auditor's Report	13	11	1
Basic Financial Statements	4	1	2
Notes to the Financial Statements	0	0	1
Required Supplementary Information	1	3	1
Government Auditing Standards Report	21	2	15
Management Letter	1	2	2
State Compliance Report	10	7	10
Findings and Recommendations Section	4	5	7
Other – Audit Report Presentation	<u>0</u>	<u>1</u>	<u>0</u>
Total	<u>54</u>	<u>32</u>	<u>39</u>

Findings Reported by the Independent Auditors

This section describes the audit findings reported by the local commissions' independent auditors. The independent auditors for nine of the 58 local commissions (Figure 6A) reported a total of ten audit findings. For FY 2012-13, all ten audit findings are categorized as "internal control."

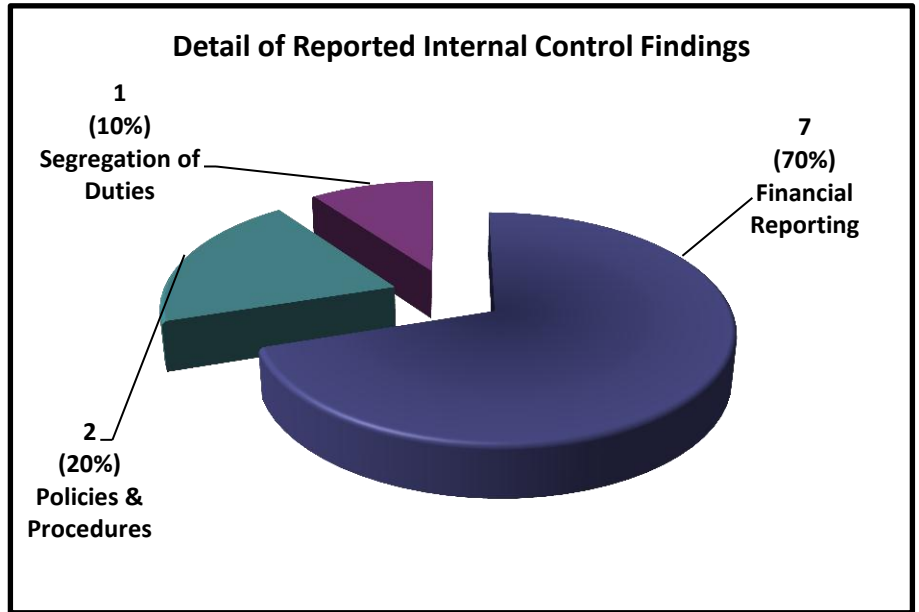
Figure 6A



***Breakdown of
Reported Internal
Control Findings***

During the FY 2012-13 review cycle we identified three functional areas which were represented in the ten internal control findings reported for FY 2012-13, as summarized in Figure 7.

Figure 7



Seven of ten internal control findings are in the financial reporting category. Six of the seven financial reporting findings included in the audit reports relate to a recurring situation that is not readily corrected in one reporting cycle. Specifically, these findings address the local commissions' reliance on their independent auditors to draft financial statements and/or the accompanying notes to the financial statements.

Consistent with SAS No. 122, section AU-C 200.05, management has acknowledged responsibilities for the financial statements and the accompanying notes. Therefore, when the independent auditor must prepare (or significantly assist in preparing) these documents, it must be reported as an internal control finding under auditing standards applicable to FY 2012-13. However, all six local commissions whose report contained a financial reporting finding of this nature indicated that they do not have the resources and/or do not find it feasible to hire staff to prepare the financial statements and/or accompanying notes. Based on our audit finding follow-up, our review of corrective action plans included in commission meeting minutes, and the local commissions' responses to audit findings, we noted that:

- Three of these six local commissions indicated it is cost prohibitive to hire staff or retain a public accountant to prepare the financial statements, but are working with their county's auditor-controller to assist in preparing the financial statements and/or accompanying notes; and

- Three of these six local commissions have determined that it is not cost-effective to engage someone to prepare the financial statements and accompanying notes, and they plan to continue relying on their independent auditor to prepare the annual financial statements.

Our review of local commissions’ board meeting minutes indicated that all six local commissions apprised their governing commissions of attempts to take corrective action or implement mitigating procedures. This issue is not easily remedied due to a number of factors, including limited resources/options on the part of smaller or remotely located local commissions. As a result, all six repeat findings from FY 2011-12 were related to local commissions relying on their auditors to prepare the financial statements and accompanying notes.

***Breakdown of
Reported State
Compliance Findings***

During our review cycle for FY 2012-13, we did not identify any state compliance findings. In comparison, we noted four state compliance findings in FY 2011-12 and five state compliance findings during the review cycle for FY 2010-11. Fiscal-year comparison by year is summarized in Figure 8:

Figure 8

Comparative Detail of Audit Findings–State Compliance			
	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>
Strategic Plan	0	1	0
Report Submission	0	1	1
Program Evaluation	0	1	1
Policies and Procedures	0	0	2
Conflict of Interest	0	1	0
Administrative Costs	<u>0</u>	<u>0</u>	<u>1</u>
	<u>0</u>	<u>4</u>	<u>5</u>

**SCO Follow-up of
Reported Audit
Findings**

In addition to performing our desk review of the local commission audits, the SCO is required to follow up on findings reported in the local commission audits. Specifically, H&S Code section 130151(e) requires:

Within six months of the state or county commission's response pursuant to subdivision (d), the Controller shall determine whether a county commission has successfully corrected its practices in response to the findings contained in the audit report. The Controller may, after that determination, recommend to the state commission to withhold the allocation of money that the county commission would otherwise receive from the California Children and Families Trust Fund until the Controller determines that the county commission has a viable plan and the ability to correct the practices identified in the audit.

The local commissions, in accordance with H&S Code section 130151(d) and *Government Auditing Standards* paragraphs 4.33, through 4.36 are required to submit a response to findings in their audit reports. Audit finding follow-up is accomplished in three ways:

1. Review of evidence that the local commission has adopted a corrective action plan and/or resolved any findings. Evidence reviewed includes commission minutes, signed commission meeting agenda item documentation, and commission-approved audit finding responses.
2. Review of the subsequent fiscal year financial and compliance audit. Audit standards require that the independent auditor or auditor-controller determine the status of previously reported audit findings.
3. Onsite visits or telephone conference by SCO staff with local commissions with audit findings.

For the FY 2012-13 audit review cycle, the SCO performed audit finding follow-up via telephone conference with three of the nine local commissions whose independent audit reports contained findings. Our follow-up resulted in a review of 30% of the total reported findings for all nine local commissions. All three local commissions provided corrective action plans and other documentation to substantiate resolution of their FY 2012-13 audit findings.

Based on our desk reviews of commission meeting minutes and telephone conference follow-up of audit findings, the SCO did not recommend withholding funding allocations for any commission for failure to correct or provide a viable plan to correct audit findings.

Compliance with Requirement for Public Discussion of Reported Audit Findings

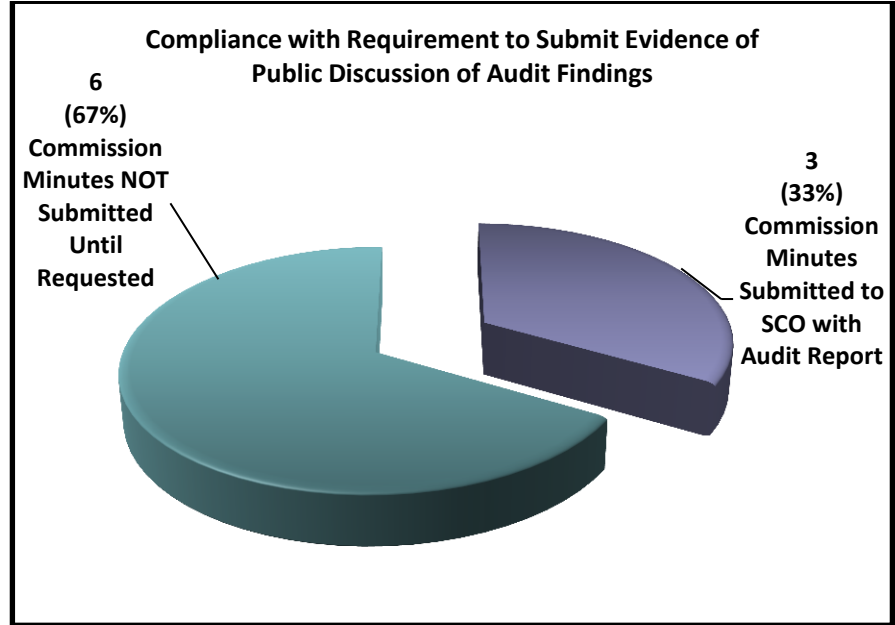
The local commissions are required to discuss their audit findings in a public hearing. Specifically, H&S Code section 130151(d) states, in part, that:

... each respective county commission shall schedule a public hearing within two months of receipt of the audit to discuss findings within the report and any response to the findings. Within two weeks of the public hearing, the state or county commission shall submit to the Controller a response to the audit findings.

In September 2009, the SCO issued an advisory requesting that the local commissions submit evidence (e.g., commission minutes, signed commission meeting agenda item documentation) of public discussion of audit findings and any related corrective action plans with their independent audit reports. However for the last seven review cycles, many local commissions failed to submit the required documentation until requested to do so by the SCO. For FY 2012-13, only three (33%) of the nine local commissions whose independent audits contained findings submitted public discussion-related documentation to the SCO

with their audit reports (Figure 9). Upon request, the remaining six local commissions submitted similar documentation. Based on the SCO's review of the documentation submitted, all nine local commissions with audit findings held public hearings discussing the findings and related corrective action plans as required by H&S Code section 130151(d).

Figure 9



Appendix A-1

Summary of Independent Audit Report Deficiencies Fiscal Year 2012-13

Description of Audit Report Deficiency	Number of Occurrences
<u>Independent Auditor's Report</u>	
The Independent Auditor's Report did not include a section with the heading "Management's Responsibility for the Financial Statements."	1
The Independent Auditor's Report did not include a statement that management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.	1
The Independent Auditor's Report did not include a statement that the responsibility of the auditor is to express an opinion on the financial statements based on the audit.	1
The Independent Auditor's Report did not include a statement that an audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.	1
The Independent Auditor's Report did not include a discussion of the audit procedures, risk assessment of material misstatement to the financial statements, and a statement that the auditor does not express an opinion on the effectiveness of the entity's internal control.	1
The Independent Auditor's Report did not include a statement that an audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.	1
The Independent Auditor's Report did not state whether the auditor believes that the audit evidence obtained is sufficient and appropriate to provide a basis for the auditor's opinion.	1
The Independent Auditor's Report did not include a section with the heading "Opinion."	1
The Independent Auditor's Report did not include a section with the heading "Other Matters."	1
The Independent Auditor's Report did not identify the supplementary information accompanying the financial statements.	1
The Independent Auditor's Report did not include a statement whether the supplementary information was fairly stated, in all material respects, in relation to the financial statements as a whole.	1
The Independent Auditor's Report did not include a section with the heading "Other Reporting Required by Government Auditing Standards."	2
	<u>13</u>
<u>Basic Financial Statements</u>	
The Statement of Net Position title and line items did not conform with the requirements set forth by the Governmental Accounting Standards Board (GASB).	1
The independent auditor's presentation of the Governmental Funds Balance Sheet's line items, and references to the notes to the financial statements did not conform to GASB requirements, and/or did not total correctly.	1
The independent auditor's presentation of the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position (title, and line items) did not conform to GASB requirements, and/or did not total correctly.	2
	<u>4</u>

Appendix A-1 (continued)

Description of Audit Report Deficiency	Number of Occurrences
<u>Required Supplementary Information (RSI)</u>	
The RSI of the budgetary comparison data for the general fund and any major special revenue funds did not total correctly.	1
	<u>1</u>
<u>Report on Internal Control Over Financial Reporting and Compliance on and Other Matters (GAS Report)</u>	
The GAS Report did not include a statement that the auditor's consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies when no significant deficiencies or material weaknesses have been identified.	13
The GAS Report included contradicting statements concerning significant deficiencies and material weaknesses, which resulted in ambiguity in the independent auditor's report.	1
The GAS Report did not include the required statement of the auditor's consideration of internal control over financial reporting, when material weaknesses are noted.	1
The GAS Report included erroneous statements on the description of the material weaknesses and/or significant deficiencies identified in the independent auditor's report.	3
The GAS Report did not include the alert paragraph that describes the purpose of the report and that the report is not suitable for any other purpose.	3
	<u>21</u>
<u>Management Letter</u>	
The audit report referred to a separate management letter that was not submitted to the SCO.	1
	<u>1</u>
<u>Auditor's Report on State Compliance (State Compliance Report)</u>	
The State Compliance Report did not include a section with the heading "Management's Responsibility" that includes a statement that compliance with the applicable compliance requirements is the responsibility of the entity's management.	3
The State Compliance Report's reference to the list of audit guide procedures (by compliance area), as required by the audit guide was incorrect.	2
The State Compliance Report did not contain a section with the heading "Opinion" that includes the auditor's opinion at the level specified by the governmental audit requirement, on whether the entity complied, in all material respects, with the applicable compliance requirements.	5
	<u>10</u>
<u>Findings and Recommendations</u>	
The audit report did not include a Schedule of Prior Audit Findings and/or the Status of Findings.	4
	<u>4</u>
Total	<u>54</u>

Appendix A-2

Summary of Independent Audit Report Deficiencies Three-Year Comparison

Description of Audit Report Deficiency	Number of Occurrences		
	2010-11	2011-12	2012-13
<u>Independent Auditor's Report</u>			
The Independent Auditor's Report did not include the word <i>independent</i> in the title of the auditor's report as required.	0	1	0
The Independent Auditor's Report did not include a section with the heading "Management's Responsibility for the Financial Statements."	0	0	1
The Independent Auditor's Report did not include a statement that management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.	0	0	1
The Independent Auditor's Report did not include a statement that the responsibility of the auditor is to express an opinion on the financial statements based on the audit.	0	0	1
The Independent Auditor's Report did not include a statement that an audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.	0	0	1
The Independent Auditor's Report did not include a discussion of the audit procedures, risk assessment of material misstatement to the financial statements, and a statement that the auditor does not express an opinion on the effectiveness of the entity's internal control.	0	0	1
The Independent Auditor's Report did not include a statement that an audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.	0	0	1
The Independent Auditor's Report did not state whether the auditor believes that the audit evidence obtained is sufficient and appropriate to provide a basis for the auditor's opinion.	0	0	1
The Independent Auditor's Report did not include a section with the heading "Opinion."	0	0	1
The Independent Auditor's Report did not include a section with the heading "Other Matters."	0	0	1
The Independent Auditor's Report did not include all of the elements regarding the required supplementary information.	0	5	0
The Independent Auditor's Report did not identify the supplementary information accompanying the financial statements.	0	2	1
The Independent Auditor's Report did not include a statement whether the supplementary information was fairly stated, in all material respects, in relation to the financial statements as a whole.	0	2	1
The Independent Auditor's Report did not include a section with the heading "Other Reporting Required by Government Auditing Standards."	0	0	2
The Independent Auditor's Report contained an inaccurate or inconsistent reference to a separate report.	0	1	0

Appendix A-2 (continued)

Description of Audit Report Deficiency	Number of Occurrences		
	2010-11	2011-12	2012-13
The Independent Auditor's Report did not contain a statement that the purpose of the separately issued Government Auditing Standards Report is to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.	1	0	0
<u>Basic Financial Statements</u>			
The Statement of Net Position title and line items did not conform with the requirements set forth by the Governmental Accounting Standards Board (GASB).	0	0	1
The independent auditor's presentation of the Governmental Funds Balance Sheet's line items, and references to the notes to the financial statements did not conform to GASB requirements and/or did not total correctly.	2	0	1
The independent auditor's presentation of the Governmental Statement of Revenues, Expenditures, and Changes in Fund Balance did not total correctly.	0	1	0
The independent auditor's presentation of the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position (title, and line items) did not conform to GASB requirements and/or did not total correctly.	0	0	2
<u>Notes to the Financial Statements</u>			
The Notes to the Financial Statements did not include adequate disclosure of long-term debt; it did not include a schedule of changes or a statement of debt service requirements to maturity.	1	0	0
<u>Required Supplementary Information (RSI)</u>			
The RSI of the budgetary comparison data for the general fund and any major special revenue funds did not total correctly.	1	3	1
<u>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters (GAS Report)</u>			
The GAS Report included in the audit report was not properly titled and/or was not in the correct format.	1	0	0
The GAS Report included erroneous dates that result in ambiguity in the independent auditor's opinion.	1	1	0
The GAS Report did not include a correct and/or complete definition of a deficiency in internal control or a material weakness.	1	0	0
The GAS Report did not include a statement that the auditor's consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses when no significant deficiencies or material weaknesses have been identified.	1	0	13
The GAS Report included contradicting statements concerning significant deficiencies and material weaknesses, which resulted in ambiguity in the independent auditor's opinion.	0	1	1
The GAS Report did not include the required statement of the auditor's consideration of internal control over financial reporting, when material weaknesses were noted.	5	0	1

Appendix A-2 (continued)

Description of Audit Report Deficiency	Number of Occurrences		
	2010-11	2011-12	2012-13
The GAS Report included erroneous statements on the description of the material weaknesses and/or significant deficiencies identified in the independent auditor's report.	0	0	3
The GAS Report did not include the statement that providing an opinion on compliance with those provisions was not an objective of the audit and that, accordingly, the auditor does not express such an opinion.	6	0	0
The GAS Report did not include the alert paragraph that describes the purpose of the report and that the report is not suitable for any other purpose.	0	0	3
<u>Management Letter</u>			
The audit report referred to a separate management letter that was not submitted to the SCO.	2	2	1
<u>Auditor's Report on State Compliance (State Compliance Report)</u>			
The State Compliance Report was not in the format required by the SCO First 5 Audit Guide.	1	0	0
The State Compliance Report did not contain the word "independent" in the title of the auditor's report.	0	1	0
The State Compliance Report referenced the incorrect applicable compliance requirement or reference.	4	3	0
The State Compliance Report did not include a section with the heading "Management's Responsibility" that includes a statement that compliance with the applicable compliance requirements is the responsibility of the entity's management.	0	0	3
The State Compliance Report did not include the statement that the auditor's responsibility is to express an opinion on the local commission's compliance with the applicable compliance requirements based on the compliance audit.	1	0	0
The State Compliance Report referenced the incorrect title of the SCO First 5 Audit Guide.	4	3	0
The State Compliance Report's reference to the list of procedures (by compliance area) as required by the audit guide was incorrect.	0	0	2
The State Compliance Report did not contain a section with the heading "Opinion" that includes the auditor's opinion at the level specified by the governmental audit requirement, on whether the entity complied, in all material respects, with the applicable compliance requirements.	0	0	5
<u>Findings and Recommendations</u>			
Reported audit findings did not include all elements required by GAS (criteria, effect, cause, recommendation).	6	4	0
The audit report did not include a Schedule of Prior Audit Findings and/or the Status of Findings.	1	1	4
The auditor's reports contained inaccurate or inconsistent date references to the Independent Auditor's Report.	<u>0</u>	<u>1</u>	<u>0</u>
Total	<u>39</u>	<u>32</u>	<u>54</u>

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

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