

SAM—AUDITING OF STATE AGENCIES

FEDERAL PASS-THROUGH FUNDS

20070

(Revised 09/13)

The Federal Single Audit Act of 1984 as amended by the Single Audit Act Amendment of 1996 and amendments in conjunction with OMB [Circular A-133](#), defines a pass-through entity as a non-federal entity that provides a federal award to a sub recipient to carry out a federal program. OMB Circular A-133, section .310(b), requires a schedule of expenditures of federal awards be prepared each year and lists the requirements for completing the schedule of expenditures, including the requirement to identify the total amount provided to sub recipients.

To facilitate the identification and tracking of federal funds transferred between state agencies or state agencies and local governments, each contract, interagency agreement, or any other document controlling the disbursement of federal financial assistance must cite the applicable catalog number from the Catalog of Federal Domestic Assistance. If state matching funds are involved, specify the percentage of state and federal funds. Where federal funds are disbursed through a claim schedule, the catalog number should be recorded.

OMB Circular A-133, Subpart D, describes the responsibilities of federal agencies and pass-through entities. Specifically, section .400(d) prescribes the responsibilities of a pass-through entity for the federal awards it makes.

To ensure that the State of California carries out its responsibilities in accordance with this federal act, the following procedures shall apply:

1. As part of the annual Single Audit, Finance requires state agencies to provide certain financial information related to federal awards received. Specifically, agencies must provide schedules of cash and non-cash federal assistance. The information provided is consolidated by Finance and forwarded to the State Auditor for inclusion in the Single Audit Report. Refer to Audit Memos on the Finance website for further guidance.

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2. The [SCO](#) will coordinate single audit compliance with local governments.
 - a. Each state entity will monitor the federal funds it disburses to local governments to ensure compliance with federal laws and regulations. State entities will receive local government audit reports performed in accordance with the Single Audit Act of 1984, P.L. 98-502, and the Single Audit Act Amendments of 1996, P.L. 104-156, from the SCO when the audit report includes a schedule of findings and questioned costs with respect to federal funds that were passed through state entities. In addition, the SCO will distribute the single audit reports to state entities when the prior fiscal year's single audit report included audit findings related to federal funds. The state entity will review these reports and evaluate the corrective action plans submitted in response to findings of noncompliance.
 - b. All contracts or agreements issued by state entities concerning disbursement of federal funds to local governments will include the requirement for an audit in accordance with P.L. 104-156 and amendments.
 - c. The SCO will inform units of local government to submit copies of audit reports and corrective action plans, when warranted, prepared in accordance with P.L. 104-156 and amendments directly to the SCO.
 - d. The SCO will distribute copies of each audit report and corrective action plan to state entities affected by audit findings.
 - e. State entities will follow up on audit findings pertaining to federal programs which they administer, and the SCO will follow up on general findings such as those relating to internal control.
 - f. The SCO will review and monitor the audit reports issued by external independent auditors. The SCO will determine whether or not the audit reports conform to *Government Auditing Standards*.