

SAM—AUDITING OF STATE AGENCIES

CENTRAL AUDIT ORGANIZATIONS

20010

(Revised 09/13)

The state's central audit organizations include the Department of Finance, the California State Auditor, and the State Controller's Office.

[Department of Finance](#)

The Director of the Department of Finance has general responsibility for supervising matters concerning the state's financial and business policies. Additionally, the Director is responsible for coordinating the internal audit function for the executive branch of state government, as well as acting as the Governor's representative in coordinating the executive branch response to the State Auditor's annual single audit of the state.

Numerous statutes require Finance to perform audits of various state funds and/or programs. Finance's Office of State Audits and Evaluations assists in fulfilling these responsibilities. Finance's broad oversight responsibilities result in a wide variety of audits being conducted, including financial audits, financial related audits, performance audits, information technology audits, and compliance audits. Additionally, Finance monitors and coordinates the implementation of the Financial Integrity and State Manager's Accountability Act as described in SAM sections 20050 and 20060. As part of its internal control oversight function, Finance evaluates the work of the state's internal audit organizations by completing quality assurance reviews, and issues Audit Memos instructing internal audit organizations on audit policies, procedures, and requirements. Finally, Finance performs reviews of suspected instances of fraud and special program reviews as requested by the Governor's Office, the Director of Finance, or other state agencies. Many of these activities are conducted on a cost reimbursement basis.

[California State Auditor](#)

Senate Bill 37, Chapter 12, Statutes of 1993 ([GC 8543](#)), created the Bureau of State Audits. GC 8543 was amended in September 2012, establishing the California State Auditor. To assure its independence, the State Auditor is free from the control of the Executive and Legislative branches; a state commission oversees its administrative operations. The State Auditor performs an annual examination (single audit) of the state's general-purpose financial statements as prepared by the SCO. The federal government, as a condition of receiving federal funds, requires this audit. The single audit also includes a review of major federal programs for compliance with federal laws and regulations, and recommendations to improve the state's financial systems and internal control.

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The State Auditor also conducts financial and performance audits as directed by statute, and other government audits requested by the Joint Legislative Audit Committee. The State Auditor has the explicit authority to audit any entity that receives state funds. Consequently, it sometimes audits at the local government level. In addition, the State Auditor administers the "Reporting of Improper Governmental Activities Act," which includes a hotline for anonymous reporting.

State Controller's Office

The primary function of the State Controller's Office is to provide sound fiscal control over both receipts and disbursements of public funds and to report periodically on the financial operations and condition of both state and local government. Consequently, the SCO performs financial audits and financial related audits of federal and state funds, and audits state entities' payroll procedures in connection with the SCO's central disbursing function. Additionally, the SCO performs audits under contract for state and federal entities and is responsible for coordinating single audit activities in local government and K-12 school districts.

The SCO also provides pre-audits and post-audits of claims for payment as part of the state's central disbursement function. The SCO functions in a coordinating role for Auditor/Controllers at the local government level.