

## SAM—AUDITING OF STATE AGENCIES

### AUDIT COORDINATION

20020

(Revised 09/13)

#### General

To prevent duplication of the annual financial audit conducted by the State Auditor, [GC 8546.4\(e\)](#) prescribes that except for those state agencies that are required by state law to obtain an annual audit, no state entity shall encumber funds appropriated by the Legislature for the purpose of funding annual financial audits that may be covered by the single audit performed by the State Auditor.

In addition, GC 8546.4(e) states that no state entity shall enter into a contract for a financial or compliance audit without prior written approval of the Director of Finance and the State Controller.

#### Internal Audit Coordination

[GC 13071](#) assigns the Director of Finance the primary responsibility of coordinating state internal audit activities. This coordination will not affect audit activities that are an integral part of an entity's functions, such as regulatory and tax auditors, or other auditors who work directly with selected industries or taxpayers.

Finance also issues Audit Memos. These memos may establish uniform policy, interpretations, procedures or technical requirements, or provide advice or information. Copies are available from OSAE, or electronically on the Finance website at [http://www.dof.ca.gov/Programs/Osae/Audit\\_Memos/](http://www.dof.ca.gov/Programs/Osae/Audit_Memos/).

In addition, Finance may coordinate the implementation of internal audit standards by conducting quality assurance reviews of internal audit units.

#### Single Audit Coordination

Pursuant to the Federal Single Audit Act of 1984 and the Single Audit Act Amendment of 1996, the Federal Office of Management and Budget has issued [Circular A-133](#). This circular sets standards for the audits of states, local governments, and non-profit organizations expending federal awards.

At the state level, California meets the federal requirements through the State Auditor's annual single audit of the general purpose financial statements included in the SCO's Annual Report to the Governor.

(Continued)

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(Continued)

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As part of its annual audit of the state, the State Auditor requests the Director of Finance to make certain representations regarding the state's financial operations. To allow Finance to submit a single representation letter to the State Auditor, each entity head is required to submit annually to Finance a representation letter on the entity's operations. A sample representation letter can be obtained from [OSAE](#). The "as of" date for the representation letter will be communicated annually to the agencies by OSAE. These letters are compiled into a single representation letter that Finance submits to the State Auditor for the state's annual single audit.

Finance also compiles information from state entities for inclusion in the Schedule of Expenditures of Federal Awards.

In conjunction with the single audit, the SCO submits an audit inquiry letter to the Attorney General requesting information on pending or threatened litigation. This information is then forwarded to the State Auditor.

#### Federal Audit Coordination

To ensure that federal audit requests are coordinated, state agencies shall immediately notify the Director of Finance, the State Auditor, and the State Controller, when they are required to obtain federally required audits as stated in [GC 8546.4\(d\)](#). The three audit agencies shall coordinate the procurement by state agencies of the federally required audits, including any negotiations with cognizant federal agencies.