

SAM—AUDITING OF STATE AGENCIES

AUDIT COORDINATION

20020

(Revised 12/2017)

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 agency 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 agency shall enter into a contract for a financial or compliance audit without prior written approval of Finance and the Controller.

INTERNAL AUDIT COORDINATION

[GC 13071](#) assigns Finance the primary responsibility of coordinating state internal audit activities. This coordination will not affect audit activities that are an integral part of an agency'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 policies, interpretations, procedures or technical requirements, or provide advice or information. Copies are available from Finance's OSAE, or electronically on the Finance website at 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. See SAM section 20050 for Quality Assurance Reviews of the state's internal audit units to determine their compliance with appropriate audit standards.

SINGLE AUDIT COORDINATION

Pursuant to the Single Audit Act, the OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (commonly called "Uniform Guidance") was officially implemented in December 2014. The Uniform Guidance, which is a government-wide framework for federal awards/grants management, supersedes guidance from earlier OMB Circulars including OMB A-133. See SAM section 20030 for new requirements under the Uniform Guidance. The Single Audit Act and Uniform Guidance establish standards for the expenditure and audit of federal funds.

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At the state level, California meets the federal audit requirements through the State Auditor's annual single audit of the Schedule of Expenditures of Federal Awards (SEFA). The Single Audit also includes an audit of federal programs for compliance with federal laws and regulations, and recommendations to improve the state's financial systems and internal control.

Finance serves as the federal audit liaison and coordinates and carries out responsibilities related to the Single Audit Act. These responsibilities include:

- Compiling information received from state agencies for inclusion in the SEFA.
- Compiling individual entity management representation letters into a single representation letter signed by the Director of Finance and submitted to the State Auditor, as required in SAM 20080, Notification of Fraud or Error, Single Audit Notification.
- Coordinating state agency corrective action plans specific to prior year audit findings.
- Submitting the Single Audit Report to the federal government.

See the [Single Audit page](#) on Finance's website for guidance.

The Controller serves as the single audit oversight agency for most California local governments. Additionally, the Controller submits an audit inquiry letter to the Attorney General requesting information on pending or threatened litigation. This information is provided directly to the State Auditor as part of the single audit process.