

AUDIT MEMO

SUBJECT: Corrective Action Plans for Single Audit Findings and Reporting of Expenditures of Federal Awards	NO.: 15-01
REFERENCES: California Single Audit Report for Fiscal Year 2013-14; Office of Management and Budget Circular A-133; State Administrative Manual section 7974.1	DATE ISSUED: July 16, 2015

PURPOSE

This memo requires state departments to take corrective actions on findings reported in the fiscal year 2013-14 California Single Audit Report and to follow guidance on the reporting of expenditures of federal awards.

BACKGROUND

Annually, the California State Auditor (State Auditor) conducts the State of California Single Audit which consists of three components:

1. Financial Report
2. Internal Control and State and Federal Compliance Audit Report
3. Federal Compliance Audit Report

For the current 2014-15 fiscal year audit, the State Auditor has contracted with Macias, Gini, and O'Connell LLP (MGO) to conduct the federal compliance portion of the audit.

The Department of Finance (Finance) provides statewide oversight and direction to carry out the state's responsibilities in accordance with the Single Audit Act, and monitors the corrective actions taken by state departments.

ISSUE

State departments must address and mitigate their respective audit findings timely. For the year ended June 30, 2014, the Single Audit identified instances of noncompliance, including material weaknesses and significant deficiencies. These deficiencies, if not corrected, may result in the delay or loss of federal funding for particular programs.

REQUIREMENTS

State departments receiving federal awards are required to take the following actions:

1. Distribute this Audit Memo to the appropriate staff within your organization.
2. Review the 2013-14 Single Audit Report which can be located at the following link: www.dof.ca.gov/osae/audit_reports/single_audit_reports/ for findings pertaining to your organization.
3. Establish policies and procedures to regularly follow-up on prior audit findings, and develop, implement, and monitor the corrective action plans for new findings.

- a. State departments with an internal audit unit are required by the *International Standards for the Professional Practice of Internal Auditing* to follow-up and determine if appropriate action has been taken on the audit findings. The Omnibus Audit Accountability Act of 2006 also outlines the internal auditing standards and processes.
 - b. Finance will periodically follow-up with state departments regarding the corrective actions taken until the audit findings are fully corrected.
 - c. Finance may consult with state departments to identify effective audit resolutions, which will strengthen state departments' internal controls, compliance, and administration of federal awards.
4. Adhere to Finance's guidance and reporting requirements located at http://www.dof.ca.gov/osae/audit_reports/single_audit_reports/ , the State Administrative Manual (SAM) sections 7974 - 7974.1, and other periodic Finance bulletins and memos issued during the year. Timely respond to all information requests from Finance throughout the year, as critical reporting deadlines are established by the federal cognizant agencies and federal regulations. It is mandatory that responses be submitted to Finance by the established deadlines.
5. Schedule of Expenditures of Federal Awards (SEFA):
- a. State departments are responsible for ensuring the accuracy and completeness of the expenditure data. Should departments update or revise any of the expenditure amounts, such revised expenditure data must be re-submitted to Finance immediately. All data provided to Finance must agree with amounts provided to the State Auditor and MGO.
 - b. For single audit reporting purposes, continue to report expenditures and payments to subrecipients on a cash basis. This accounting treatment may differ from the general purpose financial report departments submit to the State Controller's Office. Guidance is explained in SAM section 7974.1 and questions can be directed to the hotline below. Expenditure reports are due annually to Finance by the established deadlines to be communicated to all departments.

CONTACTS

If you have any questions, please contact the Finance Single Audit hotline at: OSAESingleAudit@dof.ca.gov.

/s/ Richard R. Sierra

Richard R. Sierra, Chief
Department of Finance
Office of State Audits and Evaluations