

# **ANNUAL REPORT TO THE FIRST 5 CALIFORNIA COMMISSION**

## **RESULTS OF AUDIT OVERSIGHT OF LOCAL COMMISSIONS**

*For the Period of July 1, 2009, through June 30, 2010*



**JOHN CHIANG**  
California State Controller

October 2011



**JOHN CHIANG**  
*California State Controller*

October 31, 2011

Kris Perry, Executive Director  
First 5 California  
2389 Gateway Oaks Drive, Suite 260  
Sacramento, CA 95833

Dear Ms. Perry:

I am pleased to submit our annual report to the First 5 California Commission. Our report summarizes the results of our review of the independent audits of the local First 5 county commissions (local commissions) for Fiscal Year (FY) 2009-10. This report also summarizes the results of our review of the audit findings identified in the independent auditor's reports to the local commissions.

This is the fourth report submitted in accordance with Senate Bill 35 (Chapter 243, Statutes of 2005), which mandated an expanded audit of every county commission funded by the California Children and Families Program Act of 1998. Each commission is required to adopt a range of policies, including contracting and procurement, administrative expenditure limits, conflict of interest, staff compensation, and long-range financial planning. Each local commission is required to have an annual independent audit that is reviewed by the State Controller's Office (SCO).

Our review focused on the local commissions' compliance with program requirements (as reported by their independent auditors) specified in the Health and Safety Code. We also verified the independent auditors' compliance with audit standards and the expanded audit guidelines when performing the local commission audits. As required by statute, our annual report summarizes the results of our review and assesses the audit reports issued by the independent auditors. In addition, the audit findings and audit finding follow-up section of our report presents information related to the findings from each local commission's independent audit report. Lastly, our report contains comparative statistics from the results of our desk reviews of the independent audits for FY 2009-10, FY 2008-09, and FY 2007-08, where applicable.

I hope our report will be useful to you in assessing the local commissions' activities and compiling your annual report to the Legislature. Please direct any comments regarding the content of the report to Lisa Hughes, Chief, Community Related Audits Bureau, at (916) 322-8489.

Sincerely,

*Original signed by*

JOHN HIBER  
Chief Operating Officer

cc: Terry Miller, Chief  
Administrative Services Division  
First 5 California Commission  
Jennifer Kent, Commission Chair  
First 5 California Commission  
Kathryn Icenhower, Ph.D., Commissioner  
First 5 California Commission  
Conway Collis, Commissioner  
First 5 California Commission  
Maria Minon, M.D., Commissioner  
First 5 California Commission  
Patrick Duterte, Commissioner  
First 5 California Commission  
Casey McKeever, Commissioner  
First 5 California Commission  
Joyce Iseri, Commissioner  
First 5 California Commission  
Diana Dooley, Ex Officio Member  
Health and Human Services Agency  
First 5 California Commission

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# Executive Summary

The California Children and Families Act (Act) was created in 1998 by the passage of Proposition 10. The Act was amended in 2005, giving the State Controller's Office (SCO) oversight responsibility for audits of local First 5 county commissions (local commissions). The objective of the amendment was to provide the state commission with independently verified fiscal and state compliance information obtained from audits performed in accordance with applicable standards and requirements.

The State Controller's oversight responsibility includes providing audit guidelines, reviewing local commissions' annual audit reports for compliance with applicable auditing standards and guidelines, and following up on findings contained in the audit reports to ensure compliance with policies and practices specified in the Health and Safety Code. As needed, the SCO approves and makes substantive changes to the audit guide after consultation with an audit guide committee composed of representatives from the First 5 state commission and local commissions.

This is the fourth report submitted in accordance with the expanded audit statutes chaptered into law in 2005; therefore, this report includes comparative results. In summary, our report contains the following key observations made during our review of the local commissions' independent audit reports:

- Of the 58 independent audit reports, 23 (40%) local commissions complied with audit guide requirements and/or audit standards, a decrease compared with prior reporting periods. In Fiscal Year (FY) 2008-09, 60% of the independent audit reports complied with all standards and/or requirements, and in FY 2007-08 only 43% were in compliance. The decrease is related to the independent auditors' non-compliance with the new state compliance reporting standards.
- Of the 58 counties, 40 (69%) submitted the required audit reports by the November 1 deadline. In comparison, 60% of the reports in FY 2008-09 and 67% of the audits in FY 2007-08 were submitted by the deadline.

In addition to the observations we made during our review of the reports, the independent auditors identified a total of 14 audit findings at 11 local commissions categorized as either "internal control" (13) or "state compliance" (1). In comparison, 16 of the FY 2008-09 audit reports contained 27 audit findings (18 internal control and 9 state compliance). In FY 2007-08, 14 of the audit reports contained 24 audit findings (19 internal control and 5 state compliance).

For FY 2009-10 the SCO did not recommend withholding funding allocations for any commission for failure to correct (or provide a viable plan to correct) audit findings.

# Introduction

## Overview

The State Controller's Office (SCO), Division of Audits, is responsible for performing the oversight activities for the independent audits of local commissions administering the First 5 program authorized by the California Children and Families Act. Oversight activities consist of:

- Developing an audit guide based on the Health and Safety Code, auditing standards generally accepted in the United States, and government auditing standards;
- Verifying (via desk reviews/analysis) that the independent audit reports contracted for by the local First 5 commissions (local commissions) comply with auditing standards and the audit guide; and
- Verifying local commission compliance with policies and practices (specified in Health and Safety Code) by reviewing and following up on audit findings reported in the independent audits.

Health and Safety Code section 130151 (added by Chapter 243, Statutes of 2005) requires that the SCO issue guidelines for annual expanded audits<sup>1</sup>, which require independent auditors to review local commission compliance with policies and practices related to:

- Contracting and Procurement
- Administrative Costs
- Conflict of Interest
- County Ordinances
- Long-Range Financial Plans
- Financial Condition of Commission
- Program Evaluation
- Salaries and Benefit Policies

In addition, Health and Safety Code section 130151 also requires that the SCO:

- Determine, within six months of the state or county commission's response pursuant to subdivision 130151(d), whether the county commission has successfully implemented corrective action in response to the findings contained in its audit report;
- Recommend that the state commission withhold the funding allocation for local commissions unable to provide the SCO with a viable plan to correct identified audit findings; and
- Submit to the First 5 California Commission, by November 1 of each year, a report summarizing the results of the reviews of the local commissions' audits for the preceding reporting cycle.

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<sup>1</sup> *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5).*

## Background

### First 5 Program

The California Children and Families Act of 1998 (Act) authorized the First 5 program. The Act required that the First 5 program be funded by surtaxes imposed on the sale and distribution of cigarettes and tobacco products. The Act further required that the funds be deposited into the California Children and Families Trust Fund, for the implementation of comprehensive early childhood and smoking-prevention programs.

### SCO Oversight

The SCO's oversight and reporting requirements (Health and Safety Code section 130151) were added by Senate Bill (SB) 35 (Chapter 243, Statutes of 2005). Prior to passage of SB 35, existing law already included a fiscal/audit reporting component; therefore, the addition of SCO oversight was considered to be an expansion of those requirements. Consequently, the local First 5 county commissions (local commissions) refer to the SCO audit guidelines as "expanded" audit guidelines.

The SCO, along with a committee—composed of representatives from the First 5 California Commission, local commissions, the Government Finance Officers Association, county auditor-controllers, and independent auditors—developed the initial audit guide based on statutory requirements stated in Health and Safety Code section 130151(b). The guide is updated as needed by a committee composed of representatives from the SCO, the First 5 California Commission, and the local commissions. Health and Safety Code section 130151(b) states that the scope of the independent audits will address the commissions' policies and practices related to:

- Contracting and Procurement
- Administrative Costs
- Conflict of Interest
- County Ordinances
- Long-Range Financial Plans
- Financial Condition of Commission
- Program Evaluation
- Salaries and Benefit Policies

### ***Independent Audit Report Requirements***

The Health and Safety Code requires the auditors for the local commissions, or the local commissions themselves<sup>2</sup>, to submit an independent audit report to both the SCO and the First 5 California Commission each year by November 1. The fiscal year ended June 30, 2010, was the fourth year that the 58 local commissions were subject to the SCO expanded audit guidelines; the resulting audit reports were due by November 1, 2010.

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<sup>2</sup> Submission deadline is based on two statutory codes, one requiring the submission and one specifying the deadline. Specifically:

- Health and Safety Code section 130151(c) requires that "the auditor for the state commission or the county commission shall submit each audit report, upon completion, simultaneously to both the Controller and to the state commission or applicable county commission."
- Health and Safety Code section 130150(a) requires that ". . . on or before November 1 of each year, each county commission shall submit its audit and report to the state commission. . . ."

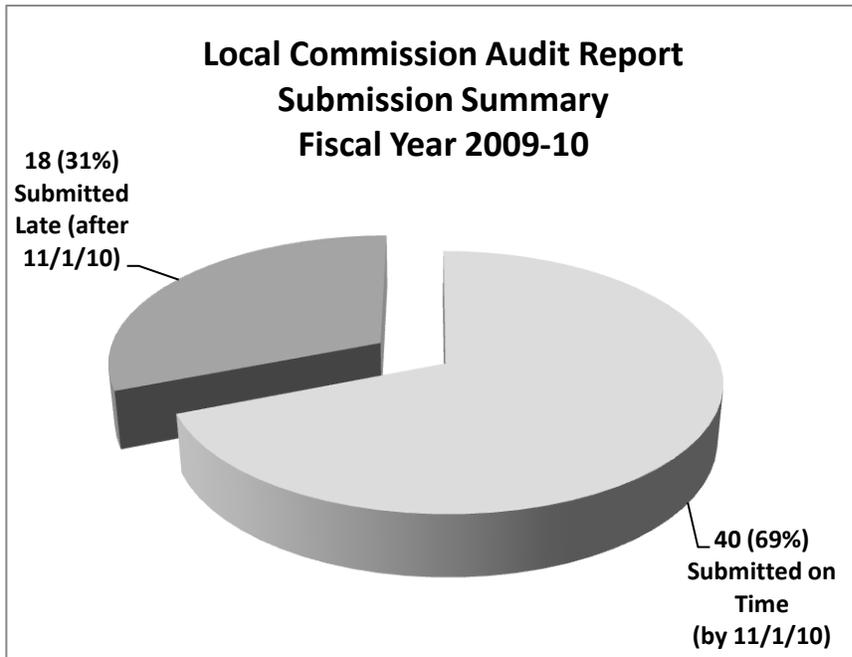
# Results of Oversight Activities

## Audit Report Submissions

Audit reports for the preceding fiscal year must be filed with the SCO by November 1 of the current fiscal year. As noted in Figure 1, 40 of 58 (69%) local commission audit reports were submitted by the required deadline for FY 2009-10. Another 15 (26%) were submitted within 30 days of the deadline, while the remaining 3 audit reports (5%) were submitted more than 30 days late. Local commissions provided a variety of reasons for reports that were submitted more than 30 days late, including:

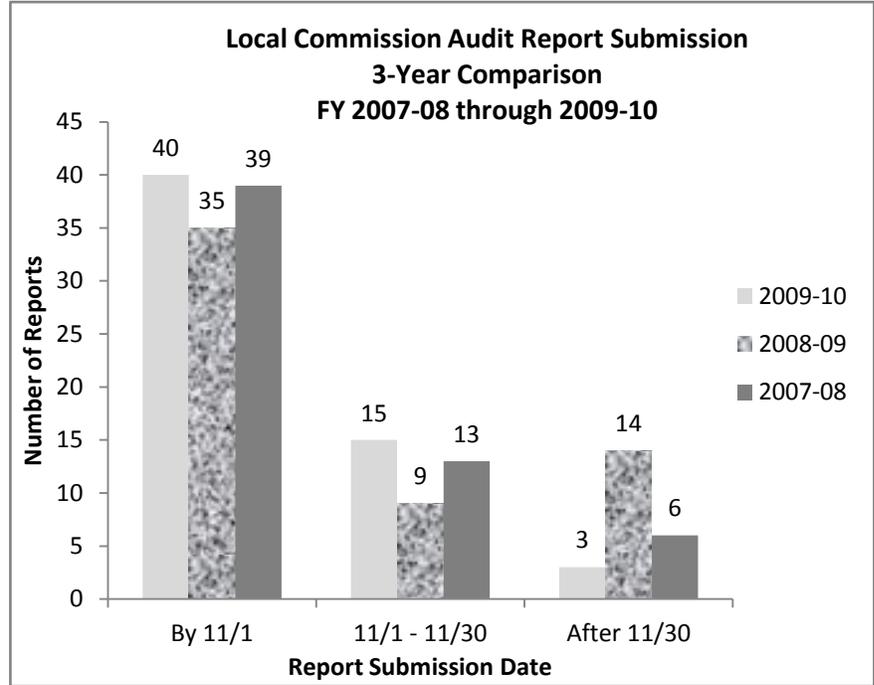
- Reports were mailed only to the First 5 California Commission; and
- Auditors assumed that the local commission would mail the report to the SCO.

Figure 1



In FY 2009-10, more audit reports were submitted on time than for the FY 2008-09 reporting cycle, and there were fewer reports submitted more than 30 days late. See Figure 2 for comparative data on report submissions.

**Figure 2**



### **Audit Review and Certification Process**

In accordance with Health and Safety Code section 130151, the SCO reviews and certifies (certification cycle) the annual independent audit reports issued by the auditors for each local commission for compliance with applicable auditing standards and audit guidelines set out in the *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act – First 5* (First 5 Audit Guide).

To facilitate the consistent review and certification of each audit, the SCO created a comprehensive desk review checklist that details and categorizes the program requirements specified in the First 5 Audit Guide. The desk review checklist also includes the required components of an audit based on both auditing standards generally accepted in the United States and Government Auditing Standards. Based on the SCO desk reviews, any errors found in the independent auditors’ reports (Audit Report Deficiencies) are summarized in this report.

At the end of the FY 2007-08 audit report certification cycle, the SCO issued an advisory (dated September 10, 2009) to all independent auditors for the local commissions. The advisory provided information to assist independent auditors in performing audits of the First 5 program in accordance with auditing standards and the audit guide.

The advisory, which applies to audit years beginning with FY 2008-09, provided clarification of the:

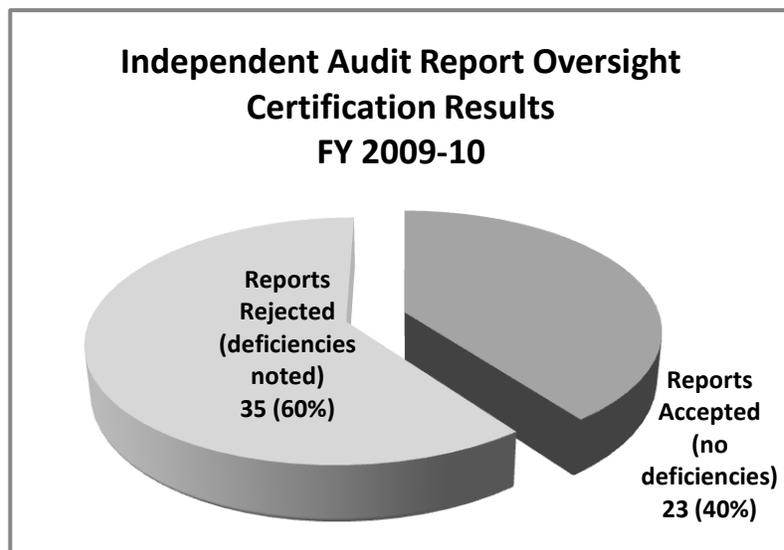
- Applicability of certain audit requirements (public disclosure wording in auditor opinions);
- Need for independence-related disclosures required by government auditing standards when the audit is performed by the county auditor-controller;
- Need for audit reports to comply with the Governmental Accounting Standards Board (GASB) Statement 34 reporting model;
- Disclosure required when a local commission exercises the option not to provide a Management Discussion and Analysis to introduce their financial statements; and
- Request to submit commission agendas, minutes and approved corrective action plans needed for the SCO to perform audit finding follow-up and verify public discussion of audit findings.

The advisory also made the independent auditors aware of miscellaneous quality control issues (i.e., incorrect report titles, typographical errors in opinions and financial statements, report reproduction issues).

### **Audit Report Deficiencies**

Based on our desk reviews of the FY 2009-10 local commission audits, we found that 35 of the 58 independent audits (see Figure 3) contained a total of 114 instances of non-compliance (deficiencies) with auditing standards and/or the First 5 Audit Guide. The SCO notified the independent auditor and local commission in writing that the audit report required correction(s). The written rejection letters identified the deficiency/deficiencies noted and the criteria used to determine non-compliance.

**Figure 3**



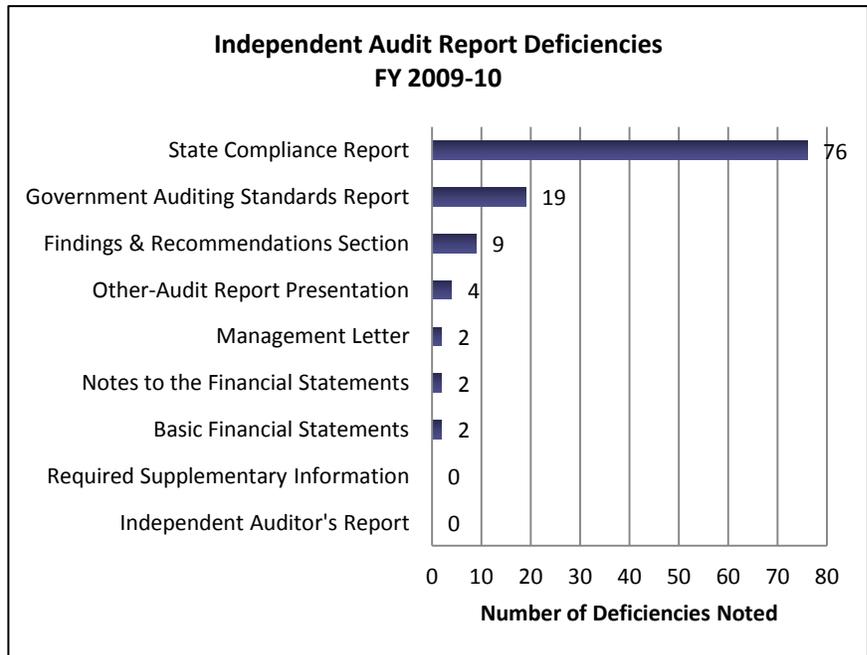
**Notable Audit Report Deficiencies**

As detailed in Figure 4, during this review and certification cycle, the SCO noted 114 deficiencies in the 35 rejected reports. The audit report deficiencies related to basic financial statements, state compliance reports, the findings and recommendations section of the audit, and the audit report presentation. The most notable issues were:

- State compliance reports that were not prepared in accordance with Statement on Auditing Standards (SAS) No. 117, and/or were not in the required format;
- The Government Auditing Standards Report was not prepared in accordance with SAS No. 115;
- Findings and recommendations that were missing the required element(s) of an audit finding;
- Audit reports referencing management letters that were not submitted to the SCO with the annual audit report.
- Basic Financial Statements that did not total correctly and/or amounts shown did not match amounts referenced to in the notes to the financial statements;

Of the 114 total audit deficiencies we noted during our review, a significant number (76) of the deficiencies were related to local commission independent auditor’s state compliance reports that were not prepared in accordance with SAS No. 117 or the SCO’s First 5 Audit Guide. SAS No. 117 provided new compliance reporting requirements for state compliance reports, effective for fiscal periods ending on or after June 15, 2010.

**Figure 4**



See Appendix A-1 for detailed category breakdown.

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***Comparison of Audit  
Report Deficiencies  
by Fiscal Year***

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For FY 2009-10, 35 audit reports had deficiencies; an increase when compared with prior years (23 from FY 2008-09 and 33 in FY 2007-08). There also was an increase in the total number of identified deficiencies in the audit reports. During this review cycle, the SCO noted that three of the independent audits had one or more audit report deficiencies identified in FY 2008-09 that had not been corrected in the FY 2009-10 audit report; an increase from two recurring deficiencies identified from FY 2007-08 to FY 2008-09.

The significant increase in report deficiencies is due primarily to the amount of deficiencies attributed to the independent auditor's state compliance reports that did not comply with SAS No. 117. Specifically, 25 of the 58 state compliance reports reviewed were missing one or more of the elements required by SAS No. 117.

SAS No. 117 (AU 801.30), effective for fiscal periods ending on or after June 15, 2010, set forth content requirements for compliance audit reports. In addition, provisions of SAS No. 117 require the independent auditor to comply with the new compliance reporting requirements, even if the First 5 Audit Guide has not been updated. Specifically, SAS No. 117 (AU 801.22) states:

In instances where audit guidance provided by a governmental agency for the performance of compliance audits has not been updated for, or otherwise conflicts with, current GAAS or Government Auditing Standards, the auditor should comply with the most current applicable GAAS and Government Auditing Standards instead of the outdated or conflicting guidance.

Figure 5 provides a breakdown of audit deficiencies (by category) for the current and previous reporting periods. Appendix A-2 provides additional detail for each category for the three audit years.

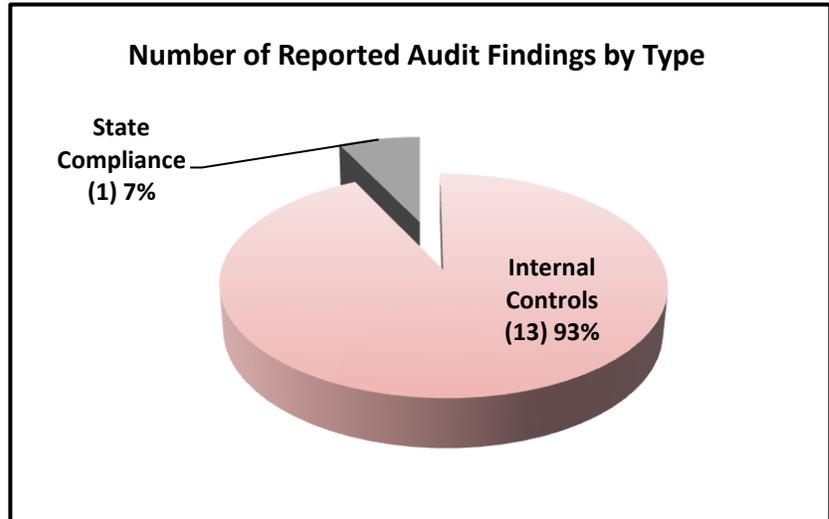
**Figure 5**

<b>Independent Audit Report Deficiencies—Comparison by Fiscal Year</b>			
<i>Category</i>	<i>Number of Occurrences</i>		
	<i>FY 2009-10</i>	<i>FY 2008-09</i>	<i>FY 2007-08</i>
Independent Auditor's Report	0	4	3
Basic Financial Statements	2	6	2
Notes to the Financial Statements	2	0	1
Required Supplementary Information	0	3	1
Government Auditing Standards Report	19	5	31
Management Letter	2	4	2
State Compliance Report	76	6	14
Findings and Recommendations Section	9	3	14
Other-Audit Report Presentation	4	2	7
<b>Total</b>	<b><u>114</u></b>	<b><u>33</u></b>	<b><u>75</u></b>

## Findings Reported by the Independent Auditors

The independent auditors for eleven of the local commissions reported a total of 14 audit findings (see Figure 6) categorized as either “internal control” or “state compliance.”

Figure 6



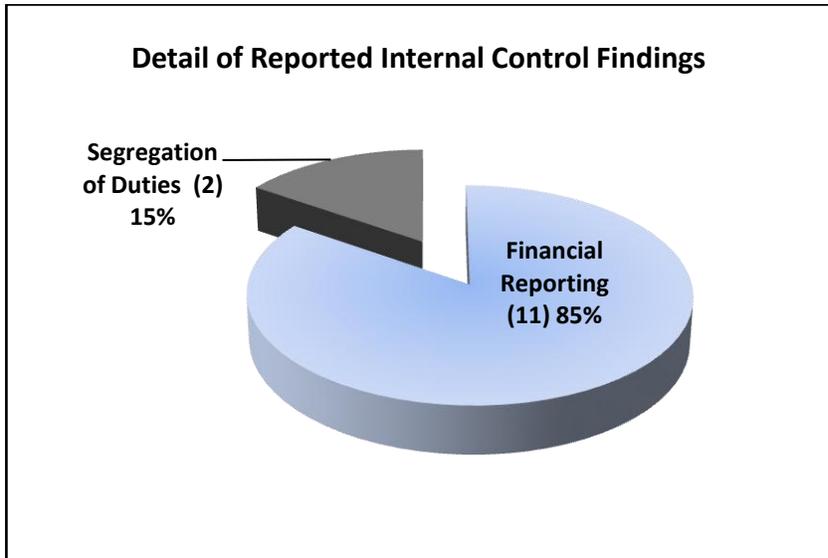
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### *Breakdown of Reported Internal Control Findings*

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Two functional areas are represented in the 13 internal control findings reported for FY 2009-10, as summarized in Figure 7.

Figure 7



The majority (11 of the 13) of the internal control findings are in the financial reporting category. The majority (8 of the 11) of the financial reporting findings included in the audit reports relate to a recurring situation that is not readily corrected in one reporting cycle. Specifically, these findings address the commissions’ reliance on their independent auditors to draft financial statements and/or the accompanying notes to the financial statements.

SAS No. 1, Section AU 110.03, states that the financial statements and the accompanying notes are the responsibility of management. Therefore, when the independent auditor must prepare (or significantly assist in preparing) these documents, it must be reported as an internal control finding under auditing standards applicable to FY 2009-10. However, eight local commissions indicated they do not have the resources and/or do not find it feasible to hire staff to prepare the financial statements and/or accompanying notes. Based on our audit finding follow-up visits, our review of corrective action plans included in Board/Commission meeting minutes, and the local commissions' responses to audit findings, we noted that:

- Six of the eight local commissions indicated it is cost prohibitive to hire staff or retain a public accountant to prepare the financial statements but are working with their county's auditor-controller to assist in preparing the financial statements and/or accompanying notes;
- One of the eight local commissions has determined that it is not cost-effective to engage someone to prepare the financial statements and accompanying notes, and plans to continue to rely on their independent auditor to prepare the annual financial statements; and
- One local commission was unable to work with its auditor-controller and continues to research other options.

Based on our review of local commissions' board minutes, all eight local commissions kept their governing commissions apprised of their attempts to find corrective action or implement mitigating procedures. This issue is not easily remedied due to a number of factors, including limited resources/options on the part of smaller or remotely located local commissions. As a result, seven of the eight findings determined to have carried forward from FY 2008-09 (repeat findings) were related to local commissions relying on their independent auditors to prepare the financial statements and accompanying notes.

In comparison, 19 internal control findings were reported for fiscal year FY 2007-08 were in four functional areas. The FY 2008-09 audits contained a total of 18 internal control findings (in three functional areas). Taking into account the issue previously discussed, the local commissions appear to be correcting audit findings within a reasonable time frame.

**Breakdown of  
Reported State  
Compliance Findings**

For FY 2009-10 there was only one state compliance finding. In comparison, nine state compliance findings (in three functional areas) were reported in 2008-09. In FY 2007-08, four functional areas were represented in five of the state compliance findings. Comparative by fiscal year is summarized in Figure 8:

**Figure 8**

<b>Comparative Detail of Audit Findings–State Compliance</b>			
	<u>FY 2009-10</u>	<u>FY 2008-09</u>	<u>FY 2007-08</u>
Program Expenditure and Allocation	0	0	1
Procurement and Contracting	0	3	0
Policies and Procedures	0	0	1
Expenditures	0	0	1
Conflict of Interest	1*	4	0
County Ordinance	<u>0</u>	<u>2</u>	<u>2</u>
	<u>1</u>	<u>9</u>	<u>5</u>

\* Commissioners failed to file their Form 700 Statement of Economic Interest

**SCO Follow-Up of  
Reported Audit  
Findings**

In addition to our desk review of the local commission audits, we are required to follow up on findings reported in the local commission audits. Specifically, Health and Safety Code section 130151(e) requires:

Within six months of the state or county commission's response pursuant to subdivision (d), the Controller shall determine whether a county commission has successfully corrected its practices in response to the findings contained in the audit report. The Controller may, after that determination, recommend to the state commission to withhold the allocation of money that the county commission would otherwise receive from the California Children and Families Trust Fund until the Controller determines that the county commission has a viable plan and the ability to correct the practices identified in the audit.

The commissions, in accordance with Health and Safety Code section 130151(d) and *Government Auditing Standards*, paragraph 5.32, are required to submit a response to findings in their audit reports. Audit finding follow-up is accomplished in three ways.

1. Review of evidence that the local commission has adopted a corrective action plan and/or resolved any findings. Evidence reviewed includes board/commission minutes, signed board/commission meeting agenda item documentation, and board/commission approved audit finding responses.
2. Review of the subsequent fiscal year financial and compliance audit. Auditing standards require that the independent auditor or auditor-controller determine the status of previously reported audit findings.
3. On-site visits by SCO staff to local commissions with audit findings.

For the FY 2009-10 audit review cycle, the SCO performed follow-up visits on-site or via teleconference for 7 of the 11 local commissions whose independent audits contained findings. Our follow-up resulted in a review of a total of 10 of the FY 2009-10 findings, representing 71% of the total reported findings for all 11 local commissions. In addition, we followed up on seven FY 2008-09 findings during FY 2009-10. All seven local commissions provided corrective action plans and other documentation to substantiate resolution of their FY 2009-10 audit findings. We also verified that seven FY 2008-09 findings were corrected.

Based on our desk reviews of commission/board meeting minutes and on-site follow-up of audit findings, the SCO did not recommend withholding funding allocations for any commission for failure to correct (or provide a viable plan to correct) audit findings.

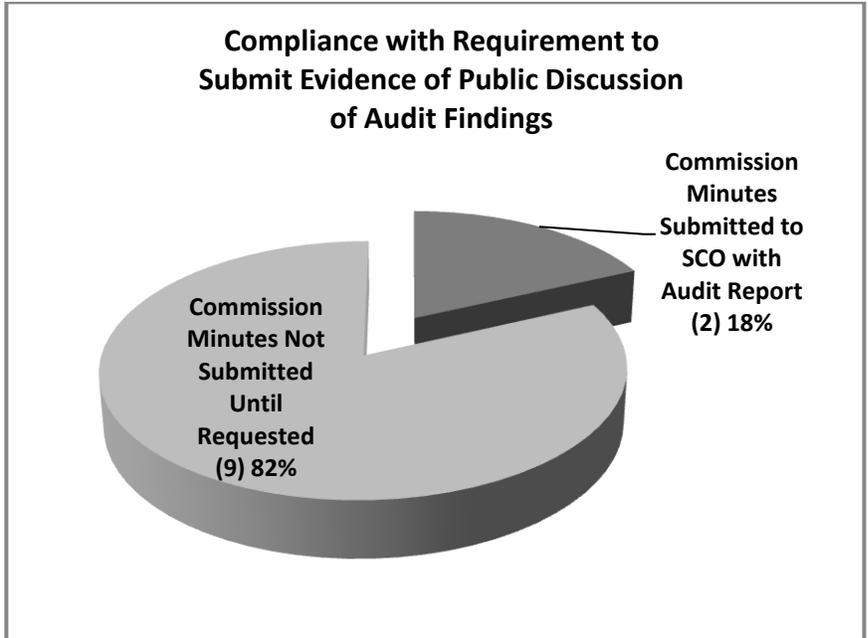
### **Compliance with Requirement for Public Discussion of Reported Audit Findings**

The local commissions are required to discuss their audit findings in a public hearing. Specifically, Health and Safety Code section 130151(d) states, in part, that:

... each respective county commission shall schedule a public hearing within two months of receipt of the audit to discuss findings within the report and any response to the findings. Within two weeks of the public hearing, the state or county commission shall submit to the Controller a response to the audit findings.

In September 2009, the SCO issued an advisory requesting that the local commissions submit evidence (board/commission minutes, signed commission meeting agenda item documentation) of public discussion of audit findings and any related corrective action plans with their independent audit reports. However for the last three review cycles, a significant number of local commissions have not submitted the required documentation until requested by the SCO. For FY 2009-10, only 2 (18%) of the 11 local commissions whose independent audits contained findings, submitted public discussion-related documentation to the SCO with their audit reports (see Figure 9). Upon request, the remaining 9 local commissions submitted similar documentation. Based on the SCO's review of the documentation submitted, all 11 local commissions with audit findings held public hearings discussing the findings and related corrective action plans.

**Figure 9**



## Appendix A-1

### Summary of Independent Audit Report Deficiencies

### Fiscal Year 2009-10

<i>Description of Audit Report Deficiency</i>	<i>Number of Occurrences</i>	
<u>Basic Financial Statements</u>		
The Statement of Activities in the basic financial statements did not total correctly.	1	
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets amounts shown did not match amounts referenced in the notes to the financial statements.	<u>1</u>	2
<u>Notes to the Financial Statements</u>		
The notes to the financial statements did not include adequate disclosure of long-term debt; did not include a schedule of changes or a statement of debt service requirements to maturity.	1	
The notes to the financial statements did not include adequate disclosure of all material items necessary for a fair presentation of the financial statements.	<u>1</u>	2
<u>The Report on Internal Control Over Financial Reporting and Compliance and Other Matters (GAS Report)</u>		
The GAS Report was not prepared in accordance American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards (SAS) No.115.	3	
The GAS Report did not include the correct or complete definition of a deficiency in internal control or a material weakness.	7	
The GAS Report did not include the required SAS No. 115 language for the auditor's consideration of internal control over financial reporting.	1	
The GAS Report included contradicting statements that result in ambiguity in the independent auditor's opinion.	1	
The GAS Report did not include the statement that deficiencies identified are considered significant deficiencies, and/or description of the significant deficiencies (including management views/response, corrective action).	2	
The GAS Report did not include the definition of a significant deficiency when significant deficiencies were identified, or included the definition when no significant deficiencies were identified.	3	
The GAS Report did not include the statement that no material weaknesses were identified when no significant deficiencies were identified.	1	
The GAS Report did not include the statement that no material weaknesses were identified when significant deficiencies were noted.	<u>1</u>	19
<u>Management Letter</u>		
Audit report refers to a separate management letter that was not submitted to the SCO.		2

## Appendix A-1 (continued)

<u>Description of Audit Report Deficiency</u>	<u>Number of Occurrences</u>	
<u>Auditor's Report on State Compliance (State Compliance Report)</u>		
The state compliance report did not include the word <i>independent</i> in the title of the report.	1	
The state compliance report did not identify applicable compliance requirements or a reference to where they can be found.	21	
The state compliance report did not include the statement that compliance with the requirements of laws, regulations, contracts, and grants applicable to the California Children and Families Act (Act) is the responsibility of the local commission's management.	3	
The state compliance report did not include the statement that the auditor's responsibility is to express an opinion on the local commission's compliance with the applicable compliance requirements based on the compliance audit.	15	
The state compliance report did not include the statement that the compliance audit includes examining, on a test basis, evidence about the local commission's compliance with those requirements and performing such other procedures as the auditor considered necessary in the circumstances.	14	
The state compliance report was not in the format required by the SCO First 5 Audit Guide.	4	
The state compliance report did not include the statement that the compliance audit does not provide a legal determination of the local commission's compliance with compliance audit requirements.	7	
The state compliance report did not include an opinion on whether the local commission complied in all material respects, with the applicable compliance requirements.	<u>11</u>	76
<u>Findings and Recommendations</u>		
The reported audit findings did not include all elements required by GAS (criteria, cause, management views/response).	5	
The audit report did not include a corrective action plan to address noncompliance with state laws, federal laws, or internal control weaknesses.	1	
The audit report did not include a Schedule of Prior Audit Findings.	2	
The audit report did not indicate that the current-year audit finding was also an audit finding in a prior year.	<u>1</u>	9
<u>Other Audit Report Presentation Issues</u>		
Auditor's opinions within the audit report were not signed and/or dated as required by auditing standards.	3	
Audit report presentation was not consistent with Government Accounting Standards (GASB 34) or audit standards.	<u>1</u>	<u>4</u>
Total		<u>114*</u>

\* The number of report deficiencies primarily is due to the 25 independent auditor's state compliance reports that did not comply with SAS No. 117. Specifically, the 25 reports contained a total of 72 instances of noncompliance with SAS No. 117.

## Appendix A-2

### Summary of Independent Audit Report Deficiencies Three-Year Comparison

<i>Description of Audit Report Deficiency</i>	<i>Number of Occurrences</i>		
	<i>Fiscal Year</i>		
	<i>2009-10</i>	<i>2008-09</i>	<i>2007-08</i>
<b><u>Independent Auditor's Report</u></b>			
The introductory paragraph of the Independent Auditor's Report did not indicate which financial statements were covered by the independent auditor's opinion, as required.	0	1	0
The Independent Auditor's Report did not include the independence-related disclosure statement required by government auditing standards when the audit is prepared by the county auditor-controller.	0	1	0
The Independent Auditor's Report did not contain a statement that the purpose of the separately issued GAS Report is to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.	0	2	3
<b><u>Basic Financial Statements</u></b>			
The <i>Statement of Activities</i> in the basic financial statements did not total correctly.	1	6	2
<i>Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets</i> amounts shown did not match amounts referenced to in the notes to the financial statements.	1	0	0
<b><u>Notes to the Financial Statements</u></b>			
The notes to the financial statements did not include adequate disclosure of long-term debt; did not include a schedule of changes or a statement of debt service requirements to maturity.	1	0	0
The notes to the financial statements did not include a statement identifying the amount spent on program evaluation during the period being audited.	0	0	1
The notes to the financial statements did not include adequate disclosure of all material items necessary for a fair presentation of the financial statements.	1	0	0
<b><u>Required Supplementary Information</u></b>			
The Schedule of Budgetary Comparison is missing a required element (final version of legally adopted budget), had improperly labeled amounts, did not total correctly (contained mathematical error/errors), and/or was not in a presentation consistent governmental accounting principles.	0	3	1
<b><u>Government Auditing Standards (GAS) Report</u></b>			
Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (GAS Report) included in the audit report is not properly titled and/or was not in the correct format.	0	1	1
The GAS Report did not include the statement that the auditor considered the entity's internal control over financial reporting as a basis for designing audit procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting.	7	2	0

## Appendix A-2 (continued)

<i>Description of Audit Report Deficiency</i>	<i>Number of Occurrences</i>		
	<i>Fiscal Year</i>		
	<i>2009-10</i>	<i>2008-09</i>	<i>2007-08</i>
The GAS Report included an incomplete and/or incorrect statement that the auditor's consideration of the internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses.	3	0	0
The GAS Report did not include the correct and/or complete definition of a deficiency in internal control or a material weakness.	7	0	0
The GAS Report did not include the correct statement for the auditor's consideration of internal control over financial reporting, when material weaknesses were noted.	1	0	0
The GAS Report included contradicting statements that result in ambiguity in the independent auditor's opinion.	1	0	0
The GAS Report did not include a statement that deficiencies identified are considered significant deficiencies, and/or the description of the significant deficiencies (including management views/response, corrective action).	2	0	0
The GAS Report did not include the definition of a significant deficiency when significant deficiencies were identified and/or included the definition when no significant deficiencies were identified in the audit report.	3	0	0
The GAS Report did not include the statement that no material weaknesses were identified when no significant deficiencies were noted in the audit report.	1	0	0
The GAS Report did not include the statement that no material weaknesses were identified when significant deficiencies were noted in the audit report.	1	0	0
The GAS Report did not include the statement regarding test results which identifies noncompliance or other matters that are required to be reported under GAS.	0	0	3
The closing paragraph of the GAS Report did not properly identify recipients of the report, including the SCO.	0	2	20
<u>Management Letter</u>			
The Audit report refers to a separate management letter that was not submitted to the SCO.	2	4	1
Management letter issued, and submitted to SCO, but is not referred to in the GAS Report.	0	0	1
<u>Auditor's Report State Compliance (State Compliance Report)</u>			
The state compliance report did not include the word <i>independent</i> in the title of the report.	1	0	0
The state compliance report did not identify applicable compliance requirements or a reference to where they can be found.	21	0	0
The state compliance report did not include the statement that compliance with the requirements of laws, regulations, contracts, and grants applicable to the California Children and Families Act (Act) is the responsibility of the local commission's management.	3	0	0

## Appendix A-2 (continued)

<i>Description of Audit Report Deficiency</i>	<i>Number of Occurrences</i>		
	<i>Fiscal Year</i>		
	<i>2009-10</i>	<i>2008-09</i>	<i>2007-08</i>
The state compliance report did not include the statement that the auditor's responsibility is to express an opinion on the local commission's compliance with the applicable compliance requirements based on the compliance audit.	15	0	0
The state compliance report did not include the statement that the compliance audit includes examining, on a test basis, evidence about the local commission's compliance with those requirements and performing such other procedures as the auditor considered necessary in the circumstances.	14	0	0
The state compliance report was not in the format required by the SCO First 5 Audit Guide.	4	6	10
The state compliance report did not include the statement that the compliance audit does not provide a legal determination of the local commission's compliance with compliance audit requirements.	7	0	0
The state compliance report did not include an opinion on whether the local commission complied in all material respects, with the applicable compliance requirements.	11	0	0
The closing paragraph of the state compliance report does not properly identify recipients of the report, including the SCO.	0	0	4
<b><u>Findings and Recommendations Section</u></b>			
Audit Findings did not include all elements required by government auditing standards.	5	3	7
Auditee's corrective action plan to correct non-compliance was not included.	1	0	2
Schedule of Prior Audit Findings was not included in the audit report.	2	0	4
Audit report did not indicate that the current-year finding was also an audit finding in a prior year.	1	0	1
<b><u>Other Audit Report Presentation Issues</u></b>			
Auditor's opinions within the audit report were not signed and/or dated as required by auditing standards.	3	1	2
Audit report presentation was not consistent with Government Accounting Standards (GASB 34) or auditing standards.	<u>1</u>	<u>1</u>	<u>5</u>
Total	<u>114</u> *	<u>33</u>	<u>75</u>

\* The increase in the number of report deficiencies primarily is due to the 25 independent auditor's state compliance reports that did not comply with SAS No. 117. Specifically, the 25 reports contained a total of 72 instances of noncompliance with SAS No. 117.

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**