

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

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

*For the Period of July 1, 2011, through June 30, 2012*



**JOHN CHIANG**  
California State Controller

October 2013

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**JOHN CHIANG**  
**California State Controller**

October 25, 2013

Camille Maben, Executive Director  
First 5 California  
2389 Gateway Oaks Drive, Suite 260  
Sacramento, CA 95833

Re: Annual Report to First 5 California Commission Results of Audit Oversight of  
Local Commissions

Dear Ms. Maben:

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) 2011-12. 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 sixth 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 was 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.

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 2011-12, FY 2010-11, and FY 2009-10, where applicable.

Camille Maben, Executive Director  
October 25, 2013  
Page 4

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, by phone at (916) 322-8489, or by email at lhughes@sco.ca.gov.

Sincerely,

*Original signed by*

GEORGE LOLAS  
Chief Operating Officer

Enclosure

cc: Jennifer Clark, Chief, Administrative Services Division, First 5 California Commission  
George Halvorson, Commission Chair, First 5 California Commission  
Kathryn Icenhower, Ph.D., Commissioner, First 5 California Commission  
Conway Collis, Commissioner, First 5 California Commission  
Magdalena Carrasco, Commissioner, First 5 California Commission  
Muntu Davis, Commissioner, First 5 California Commission  
Casey McKeever, Commissioner, First 5 California Commission  
Joyce Iseri, Commissioner, First 5 California Commission  
Diana Dooley, Ex Officio Member, First 5 California Commission  
Jim Suennen, Designee, 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 the 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 audit 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 sixth 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 we made during our review of the local commissions' independent audit reports:

- Of the 58 independent audit reports, 41 (71%) independent auditors complied with audit guide requirements and/or audit standards, an increase compared with prior reporting periods. In fiscal year (FY) 2010-11, only 64% of the independent audit reports submitted complied with all standards and/or requirements, while in FY 2009-10, only 40% were in compliance.
- Of the 58 counties, 53 (91%) submitted the required audit reports by the November 1 deadline. In comparison, 83% of the audits in FY 2010-11 and 69% of the audits in FY 2009-10 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 15 audit findings at 14 local commissions categorized as either "internal control" (11) or "state compliance" (4). In comparison, 14 of the FY 2010-11 audit reports contained 19 audit findings (14 internal control and 5 state compliance). In FY 2009-10, 11 of the audit reports contained 14 audit findings (13 internal control and 1 state compliance).

For FY 2011-12 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, audit 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 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> that require independent auditors to review local commission compliance with policies and practices related to:

- Contracting and Procurement
- Administrative Costs
- Conflict of Interest
- County Ordinance
- 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 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 requires that the First 5 program be funded by surtaxes imposed on the sale and distribution of cigarettes and tobacco products. The Act further requires 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 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 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 enumerated 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 state commission, and the local commissions. Health and Safety Code section 130151(b) states that the scope of the independent audits will address the local commissions' policies and practices related to:

- Contracting and Procurement
- Administrative Costs
- Conflict of Interest
- County Ordinance
- 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, 2012, was the sixth year that the 58 local commissions were subject to the SCO's expanded audit guidelines; the resulting audit reports were due by November 1, 2012.

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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:

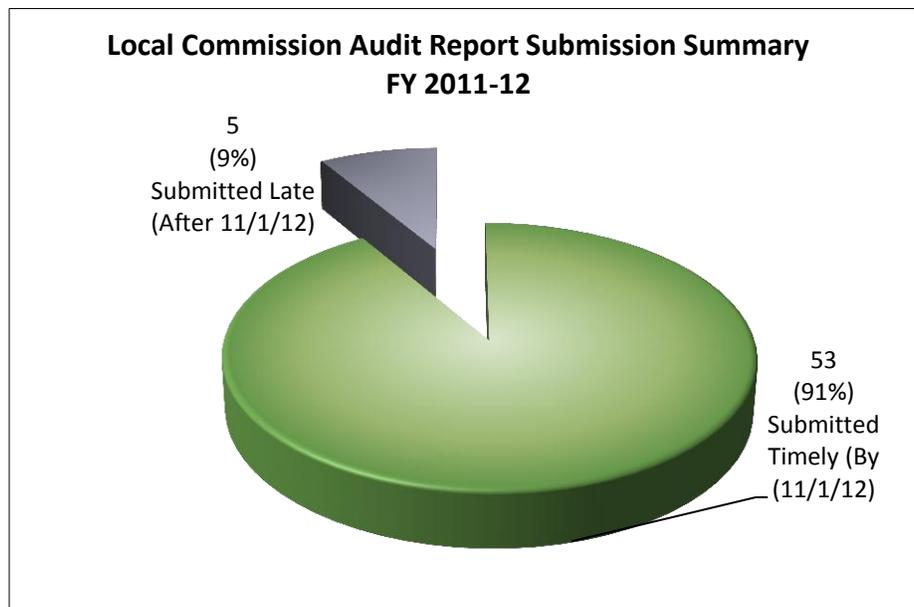
- Health and Safety Code section 130151(c) requires that "the auditor for the state commission or the county commission shall submit each audit report, upon completion, simultaneously to both the Controller and to the state commission or applicable county commission."
- Health and Safety Code section 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

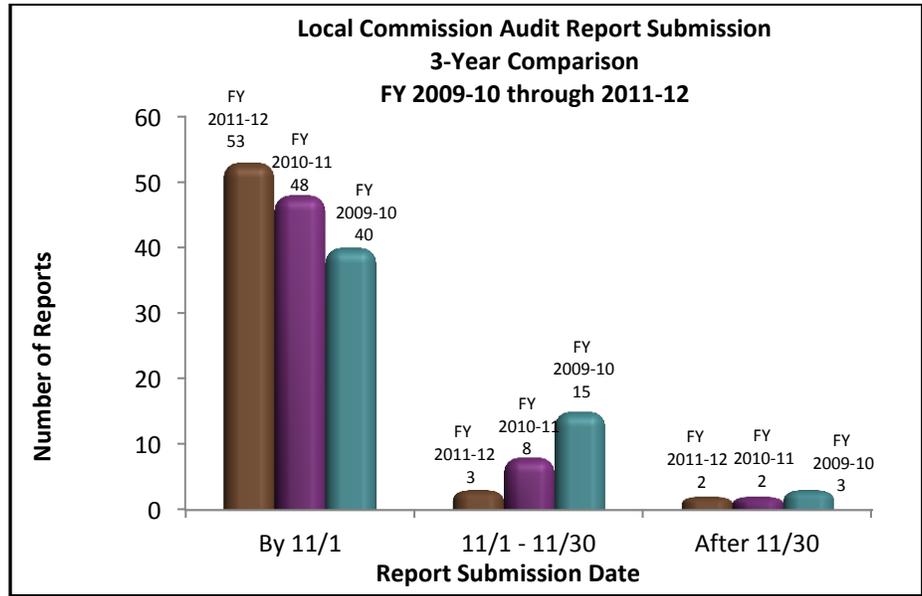
Audit reports for the preceding fiscal year must be filed with the SCO by November 1 of the current fiscal year. As noted in Figure 1, for FY 2011-12, 53 of 58 (91%) local commission audit reports were submitted by the required deadline. Another 3 (6%) were submitted within 30 days of the deadline, while the remaining two audit reports (3%) were submitted more than 30 days late. The two local commissions that submitted their reports more than 30 days late, indicated they were unable to prepare the financial statements in a timely manner.

Figure 1



Compared with the FY 2010-11 audit review cycle, in 2011-12 there was an increase in audit reports submitted on time. There was no change in the number of reports submitted more than 30 days late in FY 2011-12 compared with the FY 2010-11 audit review cycle. See Figure 2 for comparative data on report submissions.

**Figure 2**



## Audit Review and Certification Process

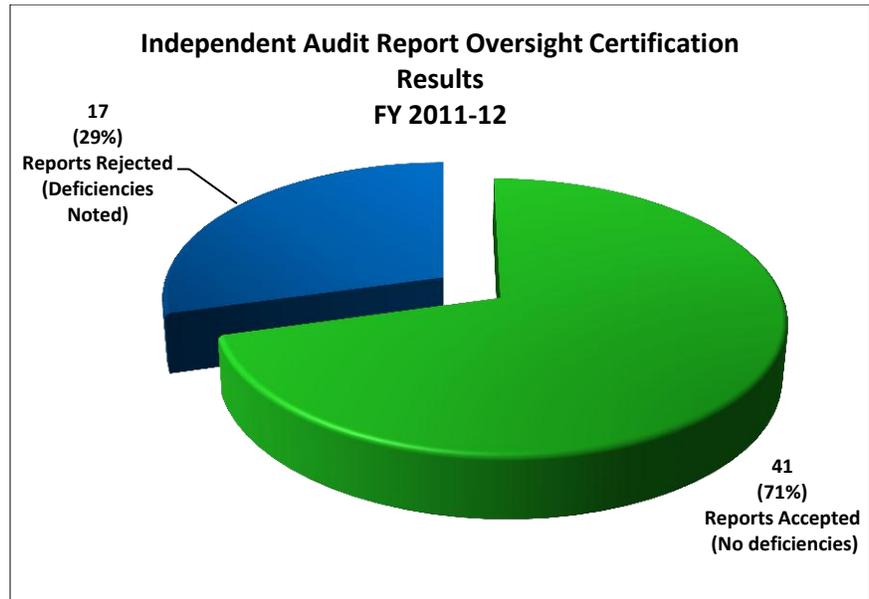
In accordance with Health and Safety Code section 130151, the SCO reviews and certifies (certification cycle) the annual independent audit reports issued by the auditors for each local commission for compliance with applicable auditing standards and audit guidelines set out in the *Standards and Procedures 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. Any instances of non-compliance we found in the preparation of the independent auditors’ reports (Audit Report Deficiencies) are summarized in this report.

## Audit Report Deficiencies

This section describes deficiencies found in the independent auditors’ reports. A deficiency is an instance of an independent auditor’s non-compliance with auditing standards and/or the expanded audit guidelines (First 5 Audit Guide) issued by the SCO. Independent auditors (not local commissions) are responsible for addressing deficiencies in their reports of the local commissions. Based on our desk reviews of the FY 2011-12 county commission audits, we found that 17 of the 58 independent audits (Figure 3) contained a total of 32 deficiencies. 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**



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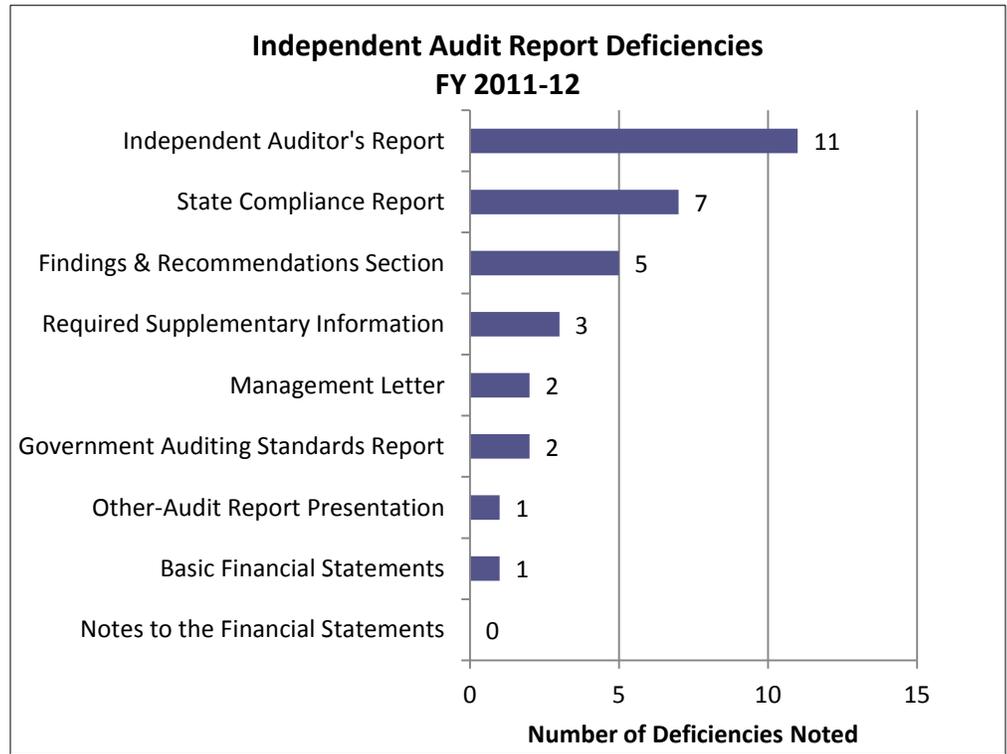
***Notable Audit Report Deficiencies***

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As detailed in Figure 4, during this review and certification cycle the SCO identified 32 deficiencies in the 17 rejected reports. The audit report deficiencies were 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:

- The Independent Auditor's Reports were not prepared in accordance with Statements on Auditing Standards (SAS) No. 119 and No. 120;
- The State Compliance Report referenced an incorrect applicable compliance requirement or referenced the incorrect title of the SCO First 5 Audit Guide;
- Findings and recommendations were missing the required element(s) of an audit finding and/or did not include the schedule of prior year audit findings;
- The Required Supplementary Information (RSI) of the budgetary comparison data for the general fund and any major special revenue funds did not total correctly;
- Audit reports referenced management letters that were not submitted to the SCO with the annual audit report; and
- The Government Auditing Standards Report included erroneous dates and/or contradicting statements that result in ambiguity in the independent auditor's opinion.

**Figure 4**



*See Appendix A-1 for detailed category breakdown.*

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

Fewer audits (32) had deficiencies in FY 2011-12 than in the prior year (FY 2010-11), when 39 deficiencies were identified. For FY 2009-10, 114 deficiencies were identified. Of the 114 total audit deficiencies noted during FY 2009-10, a significant amount (76) of the deficiencies were related to the 25 local commission independent auditor reports that contained state compliance reports that were not prepared in accordance with SAS No. 117. SAS No. 117 provided new compliance reporting requirements effective for fiscal periods ending on or after June 30, 2010.

During this review cycle, the SCO identified no recurring deficiencies. For FY 2010-11, the independent audit reports did not contain recurring audit report deficiencies. For FY 2009-10, we noted three of the independent audit reports had one or more deficiencies previously identified for FY 2008-09.

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

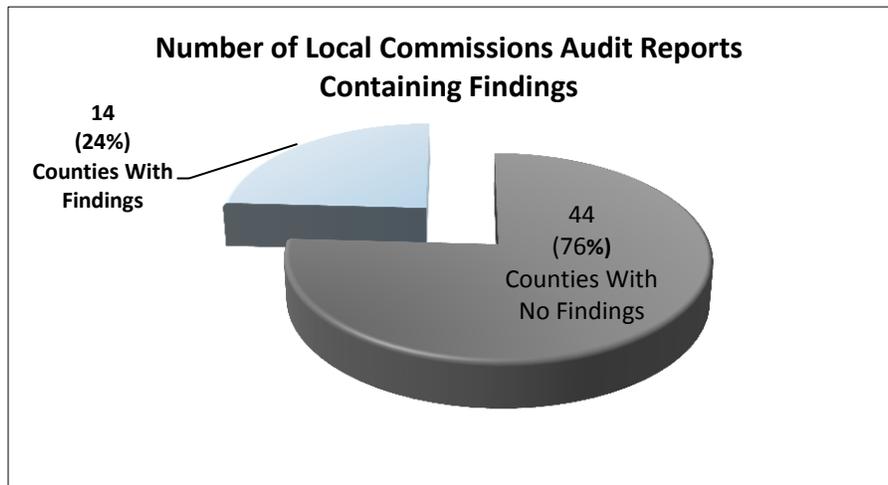
**Figure 5  
Independent Audit Report Deficiencies - Comparison by Fiscal Year**

| Category                             | Number of Occurrences |                  |                   |
|--------------------------------------|-----------------------|------------------|-------------------|
|                                      | 2011-12               | 2010-11          | 2009-10           |
| Independent Auditor's Report         | 11                    | 1                | 0                 |
| Basic Financial Statements           | 1                     | 2                | 2                 |
| Notes to the Financial Statements    | 0                     | 1                | 2                 |
| Required Supplementary Information   | 3                     | 1                | 0                 |
| Government Auditing Standards Report | 2                     | 15               | 19                |
| Management Letter                    | 2                     | 2                | 2                 |
| State Compliance Report              | 7                     | 10               | 76                |
| Findings and Recommendations Section | 5                     | 7                | 9                 |
| Other – Audit Report Presentation    | <u>1</u>              | <u>0</u>         | <u>4</u>          |
| <b>Total</b>                         | <b><u>32</u></b>      | <b><u>39</u></b> | <b><u>114</u></b> |

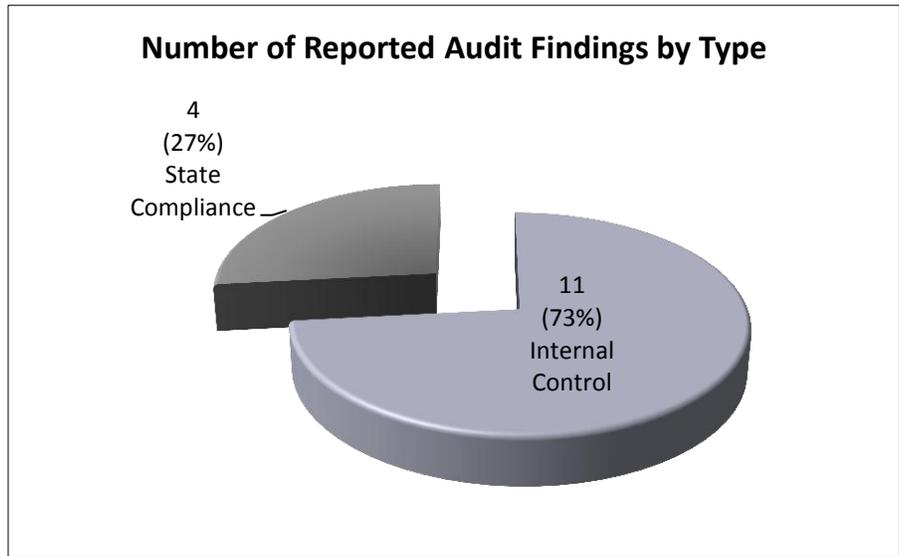
**Findings Reported  
by the Independent  
Auditors**

This section describes the audit findings reported by the local commissions' independent auditors. The independent auditors for 14 of the 58 local commissions (Figure 6A) reported a total of 15 audit findings (Figure 6B) categorized as either "internal control" or "state compliance."

**Figure 6A**



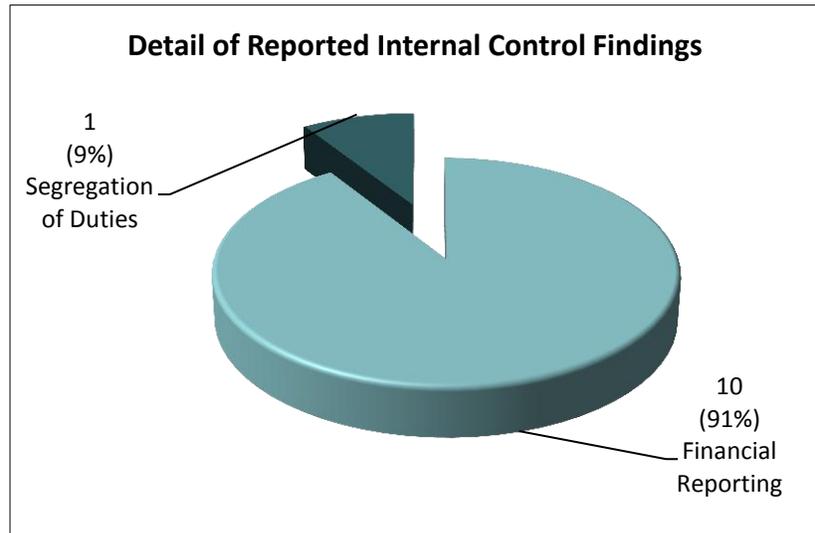
**Figure 6B**



***Breakdown of  
Reported Internal  
Control Findings***

Two functional areas are represented in the 11 internal control findings reported for FY 2011-12, as summarized in Figure 7.

**Figure 7**



The majority of the internal control findings (10 of the 11) are in the financial reporting category. Eight of the 10 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 local commissions' reliance on their independent auditors to draft financial statements and/or the accompanying notes to the financial statements.

Statement on Auditing Standards 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 2011-12. However, all 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, our review of corrective action plans included in commission meeting minutes, and the local commissions' responses to audit findings, we noted that:

- Five 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; and
- Three of the eight local commissions have determined that it is not cost-effective to engage someone to prepare the financial statements and accompanying notes, and they plan to continue relying on their independent auditor to prepare the annual financial statements.

Our review of local commissions' board minutes indicated that all eight local commissions kept their governing commissions apprised of their attempts to take 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, all eight findings determined to have carried forward from FY 2010-11 (repeat findings) were related to local commissions relying on their auditors to prepare the financial statements and accompanying notes.

In comparison, the 14 internal control findings that were reported for FY 2010-11 were in four functional areas. The FY 2009-10 audits contained a total of 13 internal control findings, in two functional areas. Taking into account the issue previously discussed, the local commissions appear to be correcting audit findings within a reasonable time.

***Breakdown of  
Reported State  
Compliance Findings***

For FY 2011-12 there were four state compliance findings in four functional areas. In comparison, five state compliance findings were reported in 2010-11 and one state compliance finding was reported in FY 2009-10. Fiscal year comparison by year is summarized in Figure 8:

**Figure 8**

| <b>Comparative Detail of Audit Findings–State Compliance</b> |                |                |                |
|--|----------------|----------------|----------------|
|  | <u>2011-12</u> | <u>2010-11</u> | <u>2009-10</u> |
| Strategic Plan   | 1              | 0              | 0              |
| Report Submission  | 1              | 1              | 0              |
| Program Evaluation   | 1              | 1              | 0              |
| Procurement and Contracting                                  | 0              | 0              | 0              |
| Policies and Procedures                                      | 0              | 2              | 0              |
| Conflict of Interest   | 1              | 0              | 1              |
| County Ordinances  | 0              | 0              | 0              |
| Administrative Costs   | <u>0</u>       | <u>1</u>       | <u>0</u>       |
|  | <u>4</u>       | <u>5</u>       | <u>1</u>       |

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

In addition to performing our desk review of the local commission audits, the SCO is 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 commission minutes, signed commission meeting agenda item documentation, and commission-approved audit finding responses.
2. Review of the subsequent fiscal year financial and compliance audit. Audit standards require that the independent auditor or auditor-controller determine the status of previously reported audit findings.
3. On-site visits or telephone conference by SCO staff with local commissions with audit findings.

For the FY 2011-12 audit review cycle, the SCO performed follow-up via telephone conference with 5 of the 14 local commissions whose independent audit reports contained findings. Our follow-up resulted in a review of 36% of the total reported findings for all 14 local commissions. All five local commissions provided corrective action plans and other documentation to substantiate resolution of their FY 2011-12 audit findings. The SCO conducted a telephone conference to follow-up on the finding that was previously reported in FY 2010-11. Based on our follow-up, the FY 2010-11 finding will be corrected by FY 2012-13.

Based on our desk reviews of commission meeting minutes and telephone conference 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.

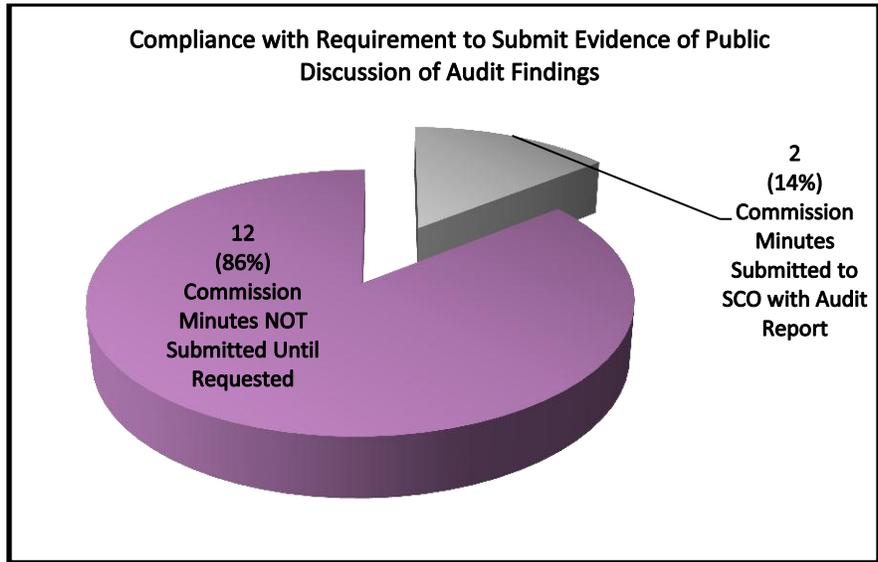
### **Compliance with Requirement for Public Discussion of Reported Audit Findings**

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 (e.g., 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 five review cycles, a significant number of local commissions have not submitted the required documentation until requested to do so by the SCO. For FY 2011-12, only 2 (14%) of the 14 local commissions whose independent audits contained findings submitted public discussion-related documentation to the SCO with their audit reports (Figure 9). Upon request, the remaining 12 local commissions submitted similar documentation. Based on the SCO's review of the documentation submitted, all 14 local commissions with audit findings held public hearings discussing the findings and related corrective action plans.

**Figure 9**



Our review of the public discussion-related documentation submitted by the local commissions indicated that 12 local commissions with audit findings held public hearings discussing the findings and related corrective action plans. The documentation initially submitted by one local commission with audit findings did not contain detail sufficient to determine compliance with the public hearing requirement. The remaining local commission with audit findings contained an incorrect fiscal year reference. At the request of the SCO, the two local commissions presented their findings at a subsequent public hearing and submitted the required documentation. We conclude that all 14 local commissions with audit findings complied with the requirement to discuss their audit findings and related corrective action plans in a public hearing.

## Appendix A-1 Summary of Independent Audit Report Deficiencies Fiscal Year 2011-12

| Description of Audit Report Deficiency  | Number of Occurrences |
|---|-----------------------|
| <u>Independent Auditor's Report</u>   |                       |
| The Independent Auditor's Report did not contain the word <i>independent</i> in the title of the auditor's report.  | 1                     |
| The Independent Auditor's Report did not include all of the elements regarding the required supplementary information.  | 5                     |
| The Independent Auditor's Report contained an inaccurate or inconsistent reference to a separate audit report.  | 1                     |
| The Independent Auditor's Report did not include all of the required elements regarding the supplementary information.  | 2                     |
| The Independent Auditor's Report did not include a statement that in the Auditor's opinion the supplementary information was fairly stated, in all material respects, in relation to the financial statements as a whole. | 2                     |
|   | <u>11</u>             |
| <u>Basic Financial Statements</u>   |                       |
| The <i>Governmental Statement of Revenues, Expenditures, and Changes in Fund Balance</i> , did not total correctly.   | 1                     |
|   | <u>1</u>              |
| <u>Required Supplementary Information (RSI)</u>   |                       |
| The RSI of the budgetary comparison data for the general fund and any major special revenue funds did not total correctly.  | 3                     |
|   | <u>3</u>              |
| <u>The Report on Internal Control Over Financial Reporting and Compliance and Other Matters (GAS Report)</u>  |                       |
| The GAS Report included erroneous dates that result in ambiguity in the independent auditor's report.   | 1                     |
| The GAS Report included contradicting statements that result in ambiguity in the independent auditor's report.  | 1                     |
|   | <u>2</u>              |
| <u>Management Letter</u>  |                       |
| The audit report referred to a separate management letter that was not submitted to the SCO.  | 2                     |
|   | <u>2</u>              |

## Appendix A-1 (continued)

| Description of Audit Report Deficiency   | Number of Occurrences |
|--|-----------------------|
| <u>Auditor's Report State Compliance (State Compliance Report)</u>   |                       |
| The state compliance report did not contain the word <i>independent</i> in the title of the auditor's report.  | 1                     |
| The state compliance report referenced the incorrect applicable compliance requirement or reference.   | 3                     |
| The state compliance report referenced the incorrect title of the SCO First 5 Audit Guide.   | 3                     |
|  | <u>7</u>              |
| <u>Findings and Recommendations</u>  |                       |
| The reported audit findings did not include all elements required by <i>Government Auditing Standards</i> (criteria, effect, cause, recommendation). | 4                     |
| The audit report did not include a Schedule of Prior Audit Findings.   | 1                     |
|  | <u>5</u>              |
| <u>Other</u>   |                       |
| The auditor's reports contained inaccurate or inconsistent date reference to the Independent Auditor's Report.                                       | 1                     |
|  | <u>1</u>              |
| Total  | <u><u>32</u></u>      |

## Appendix A-2

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

| Description of Audit Report Deficiency   | Number of Occurrences |         |         |
|--|-----------------------|---------|---------|
|  | 2009-10               | 2010-11 | 2011-12 |
| <u>Independent Auditor's Report</u>  |                       |         |         |
| The Independent Auditor's Report did not include the word <i>independent</i> in the title of the auditor's report as required.   | 0                     | 0       | 1       |
| The Independent Auditor's Report did not include all of the elements regarding the required supplementary information.   | 0                     | 0       | 5       |
| The Independent Auditor's Report contained an inaccurate or inconsistent reference to a separate report.   | 0                     | 0       | 1       |
| The Independent Auditor's Report did not contain a statement that the purpose of the separately issued Government Auditing Standards. 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                     | 1       | 0       |
| The Independent Auditor's Report did not include all of the required elements regarding the supplementary information.   | 0                     | 0       | 2       |
| The Independent Auditor's Report did not include a statement that in the auditor's opinion the supplementary information was fairly stated, in all material respects, in relation to the financial statements as a whole.  | 0                     | 0       | 2       |
| <u>Basic Financial Statements</u>  |                       |         |         |
| The <i>Balance Sheet-Governmental Funds</i> in the basic financial statements did not total correctly.   | 1                     | 2       | 0       |
| The <i>Governmental Statement of Revenues, Expenditures, and Changes in Fund Balance</i> did not total correctly.  | 0                     | 0       | 1       |
| The <i>Statement of Activities</i> in the basic financial statements did not total correctly.  | 1                     | 0       | 0       |
| <i>Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets</i> amounts shown did not match amounts referenced in the notes to the financial statements.  | 1                     | 0       | 0       |
| <u>Notes to the Financial Statements</u>   |                       |         |         |
| The notes to the financial statements did not include adequate disclosure of long-term debt; it did not include a schedule of changes or a statement of debt service requirements to maturity.   | 1                     | 1       | 0       |
| 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       |
| <u>Required Supplementary Information (RSI)</u>  |                       |         |         |
| The RSI of the budgetary comparison data for the general fund and any major special revenue funds did not total correctly.   | 0                     | 1       | 3       |

## Appendix A-2 (continued)

| Description of Audit Report Deficiency  | Number of Occurrences |         |         |
|---|-----------------------|---------|---------|
|   | 2009-10               | 2010-11 | 2011-12 |
| <u>Government Auditing Standards (GAS) Report</u>   |                       |         |         |
| 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 was not properly titled and/or was not in the correct format.                         | 0                     | 1       | 0       |
| The GAS Report was not prepared in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards (SAS) No. 115.  | 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 did not include a statement that deficiencies identified were considered significant deficiencies, and/or the description of the significant deficiencies (including management views/response and 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 included erroneous dates that resulted in ambiguity in the independent auditor's opinion.  | 0                     | 1       | 1       |
| 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 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 weakness. | 0                     | 1       | 0       |
| The GAS Report did not include the correct and/or complete definition of a deficiency in internal control or a material weakness.   | 0                     | 1       | 0       |
| The GAS Report did not include the correct statement of the auditor's consideration of internal control over financial reporting, when material weaknesses are noted.   | 0                     | 5       | 0       |
| The GAS Report included contradicting statements that result in ambiguity in the independent auditor's report.  | 1                     | 0       | 1       |
| The GAS Report did not include the statement that "providing an opinion on compliance with those provisions was not an objective of the audit and that, accordingly, the auditor does not express such an opinion."   | 0                     | 6       | 0       |

## Appendix A-2 (continued)

| Description of Audit Report Deficiency   | Number of Occurrences |                |                |
|--|-----------------------|----------------|----------------|
|  | <u>2009-10</u>        | <u>2010-11</u> | <u>2011-12</u> |
| <u>Management Letter</u>   |                       |                |                |
| The audit report referred to a separate management letter that was not submitted to the SCO.   | 2                     | 2              | 2              |
| <u>Auditor's Report State Compliance (State Compliance Report)</u>   |                       |                |                |
| The state compliance report was not in the format required by the SCO First 5 Audit Guide.   | 0                     | 1              | 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 responsibility of local commission's management.                                     | 3                     | 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 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 the word <i>independent</i> in the title of the report.  | 1                     | 0              | 1              |
| The state compliance report referenced the incorrect applicable compliance requirement or reference.   | 21                    | 4              | 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                    | 1              | 0              |
| The state compliance report referenced the incorrect title of the SCO First 5 Audit Guide.   | 0                     | 4              | 3              |
| 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 state compliance report was not in the format required by the SCO First 5 Audit Guide.   | 4                     | 0              | 0              |
| <u>Findings and Recommendations Section</u>  |                       |                |                |
| Audit Findings did not include all elements required by government auditing standards.   | 5                     | 6              | 4              |
| Schedule of Prior Audit Findings was not included in the audit report.   | 2                     | 1              | 1              |
| Audit report did not indicate that the current-year finding was also an audit finding in a prior year.   | 1                     | 0              | 0              |
| <u>Other Audit Report Presentation Issues</u>  |                       |                |                |
| Auditor's reports contained inaccurate or inconsistent date reference to the Independent Auditor's Report.   | 0                     | 0              | 1              |

## Appendix A-2 (continued)

| Description of Audit Report Deficiency   | Number of Occurrences         |                  |                  |
|--|-------------------------------|------------------|------------------|
|  | <u>2009-10</u>                | <u>2010-11</u>   | <u>2011-12</u>   |
| The auditor's opinions within the audit report were not signed and/or dated as required by auditing standards.   | 3                             | 0                | 0                |
| Audit report presentation was not consistent with government accounting standards (GASB 334) or audit standards. | <u>1</u>                      | <u>0</u>         | <u>0</u>         |
| <b>Total</b>   | <b><u>114<sup>a</sup></u></b> | <b><u>39</u></b> | <b><u>32</u></b> |

- a. The number of report deficiencies is attributed to 25 independent auditors' 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.

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