

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

## **RESULTS OF AUDIT OVERSIGHT OF COUNTY COMMISSIONS**

*For the Period of July 1, 2014, through June 30, 2015*



**BETTY T. YEE**  
California State Controller

October 2016

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**BETTY T. YEE**

**California State Controller**

October 20, 2016

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

**SUBJECT: Annual Report to First 5 California Commission  
Results of Audit Oversight of County Commissions**

Dear Ms. Maben:

I am pleased to submit our annual report to the First 5 California Commission. The report summarizes the results of our review of the independent audits of the First 5 county commissions for fiscal year (FY) 2014-15. This report also summarizes the results of our review of the audit findings identified in the independent auditor's report to the county commissions.

This is the ninth 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 county commission is required to have an annual independent audit that is reviewed by the State Controller's Office.

Our review focused on the county commissions' compliance with program requirements (as reported by their independent auditors) specified in the California Health and Safety Code. We also verified the independent auditors' compliance with audit standards and the expanded audit guidelines when performing the county commission audits. The audit findings and audit finding follow-up section of our report provide information related to the findings from each county commission's independent audit report. Lastly, where applicable, our report contains comparative statistics from the results of our desk reviews of the independent audits for FY 2014-15, FY 2013-14, and FY 2012-13.

Camille Maben  
October 20, 2016  
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I hope our report will be useful to you in assessing the county commissions' activities and compiling your annual report to the California State Legislature. Please direct any comments regarding the content of the report to Lisa Hughes, Chief of the Controller's Community Related Audits Bureau, at (916) 322-8489 or [lhughes@sco.ca.gov](mailto:lhughes@sco.ca.gov).

Sincerely,

*Original signed by*

GEORGE LOLAS  
Chief Operating Officer

GL/lis

Enclosure

cc: Sierra Losh, Director, Fiscal Services Office, First 5 California Commission  
George Halvorson, Commission Chair, First 5 California Commission  
Joyce Iseri, Commission Vice Chair, First 5 California Commission  
Conway Collis, Commissioner, First 5 California Commission  
Muntu Davis, Commissioner, First 5 California Commission  
Erin K. Pak, Commissioner, First 5 California Commission  
Lupe Jaime Commissioner, First 5 California Commission  
Shana Hazan, 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 was created in 1998 by the passage of Proposition 10. The California Children and Families Act was amended in 2005, giving the State Controller's Office (SCO) oversight responsibility for audits of the First 5 county 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.

SCO oversight responsibility includes providing audit guidelines, reviewing county 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 (HSC). As needed, 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 (state commission) and county commissions.

Each year, SCO performs its oversight activities in a cycle of receiving, reviewing, and reporting on the auditor's reports for each county commission. This report summarizes the results of our review of independent auditors' reports for compliance with applicable standards and requirements. This report also summarizes the results of our review and follow-up on the audit findings identified in the independent auditors' reports to the county commissions.

This is the ninth 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 county commissions' independent audit reports:

- Of the 58 independent audit reports, 56 (97%) independent auditors complied with audit guide requirements and/or audit standards, an increase compared with prior reporting periods. In fiscal year (FY) 2013-14, 88% of the independent audit reports submitted complied with all standards and/or requirements, while in FY 2012-13, 60% were in compliance.
- Of the 58 counties, 45 (78%) submitted the required audit reports by the November 1 deadline. In comparison, 93% of the audits in FY 2013-14 and 88% of the audits in FY 2012-13 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 seven audit findings at seven county commissions; six of the audit findings were categorized as “internal control” and one was categorized as “state compliance.” In comparison, eight of the FY 2013-14 audit reports contained a total of ten audit findings (eight internal control and two state compliance). In FY 2012-13, nine of the audit reports contained a total of ten audit findings, all of which were categorized as “internal control.”

Lastly, for FY 2014-15, 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

SCO, Division of Audits, is responsible for performing the oversight activities for the independent audits of county 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 HSC and applicable auditing standards;
- Verifying (via desk reviews/analysis) that the independent audit reports contracted for by the county commissions complied with auditing standards and the audit guide; and
- Verifying county commission compliance with policies and practices (specified in the HSC) by reviewing and following up on audit findings reported in the independent audits.

HSC section 130151 (added by Chapter 243, Statutes of 2005) requires that SCO issue guidelines for annual expanded audits<sup>1</sup> that require independent auditors to review county 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 summary, HSC section 130151 also requires that 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 county commissions unable to provide SCO with a viable plan to correct identified audit findings; and

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

- Submit to the State’s First 5 Commission, by November 1 of each year, a report summarizing the results of the reviews of the county commissions’ audits for the preceding reporting cycle.

## **Background**

### ***First 5 Program***

The California Children and Families Act authorized the First 5 program. The California Children and Families Act requires that the First 5 program be funded by surtaxes imposed on the sale and distribution of cigarettes and tobacco products. The California Children and Families 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***

SCO oversight and reporting requirements (HSC §130151) were added by State’s 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 county commissions refer to SCO audit guidelines as “expanded” audit guidelines.

SCO—along with a committee composed of representatives from the State’s First 5 California Commission, county commissions, the Government Finance Officers Association, county auditor-controllers, and independent auditors—developed the initial audit guide based on statutory requirements enumerated in HSC section 130151(b). The guide is updated as needed by a committee composed of representatives from SCO, the state commission, and the county commissions. HSC section 130151(b) states that the scope of the independent audits will address the county 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 HSC requires the auditors for the county commissions, or the county commissions themselves<sup>2</sup>, to submit an independent audit report to both the SCO and the state commission each year by November 1. The fiscal year ended June 30, 2015, was the ninth year that the 58 county commissions were subject to SCO's expanded audit guidelines; the resulting audit reports were due by November 1, 2015.

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

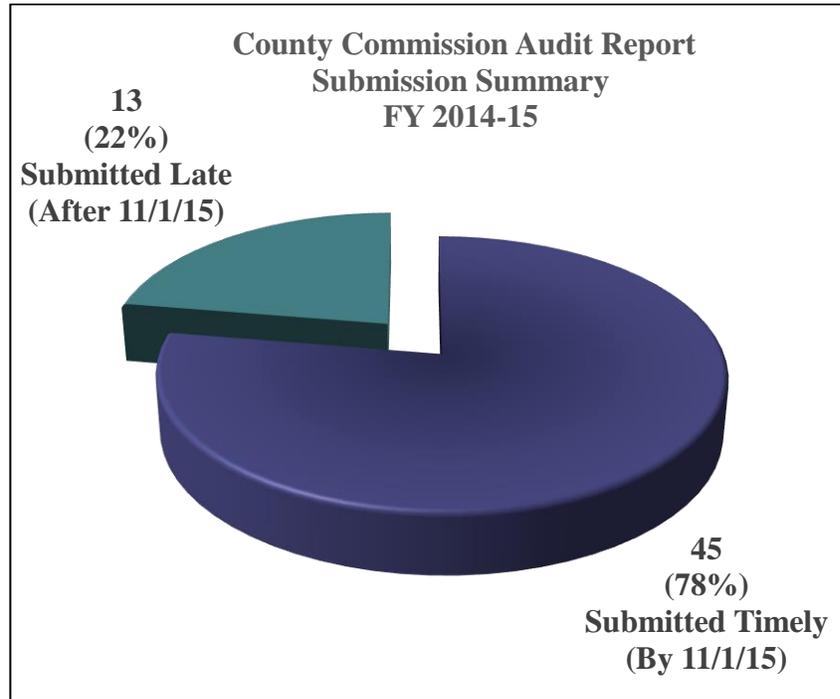
- HSC section 130151(c) requires that “the auditor for the state commission or the county commission shall submit each audit report, upon completion, simultaneously to both the Controller and to the state commission or applicable county commission.”
- HSC section 130150(a) requires that “. . . on or 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

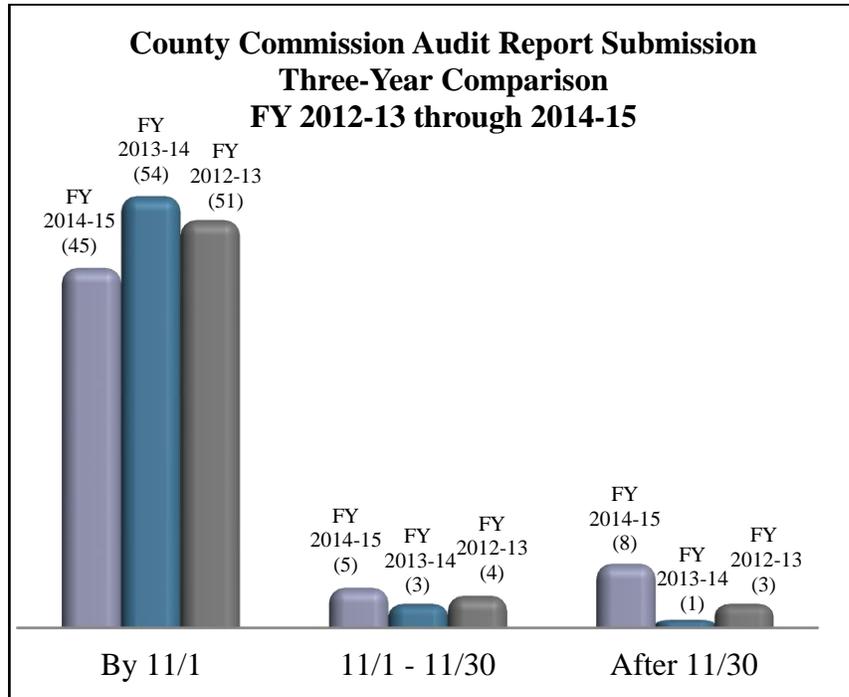
Independent auditors' reports for each county commission for the preceding fiscal year must be submitted to SCO by November 1 of the current fiscal year. As noted in Figure 1, for FY 2014-15, 45 of 58 (78%) county commission audit reports were submitted by the required deadline, while 13 (22%) were submitted after the required deadline. Of the 13 reports submitted after the required deadline, five (9%) were submitted within 30 days of the deadline, while the remaining eight audit reports (13%) were submitted more than 30 days late. Seven of the eight county commissions stated that the reports were more than 30 days late due to the new reporting requirements in Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The county commissions experienced delays in obtaining the required financial documentation from the agency that manages the pension benefits. One of the eight county commissions submitted its report more than 30 days late due to unforeseen circumstances.

**Figure 1**



Compared with the FY 2013-14 audit review cycle, in 2014-15 the number of audit reports submitted on time decreased. During the FY 2014-15 review cycle, eight audit reports were submitted more than 30 days late. During the FY 2013-14 review cycle, only one audit report was 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 HSC section 130151, SCO reviews and certifies the annual independent audit reports issued by the auditors for each county commission for compliance with applicable auditing standards and the 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).

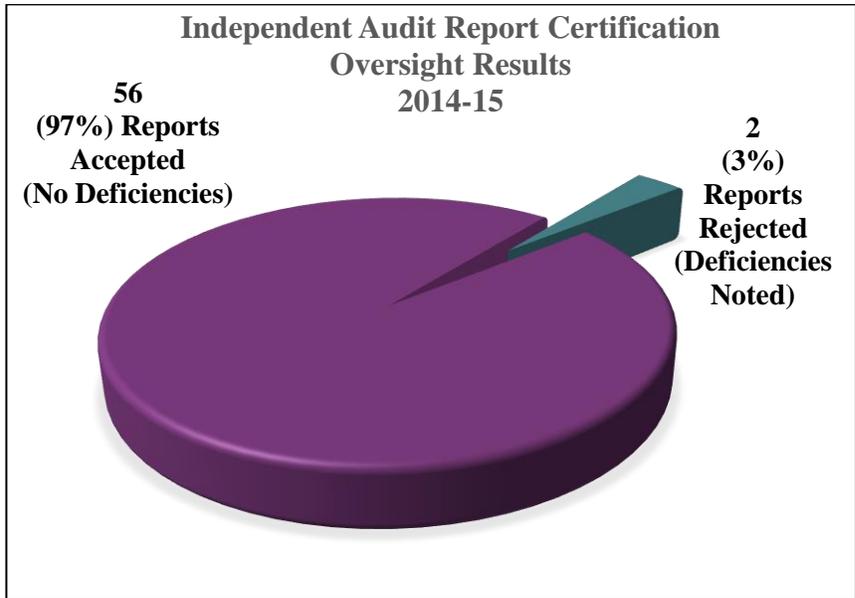
To facilitate the consistent review and certification of each audit report, SCO created a comprehensive desk review checklist that details and categorizes the program requirements specified in the First 5 Audit Guide. The desk review checklist also includes the required components of an audit report based on auditing standards generally accepted in the United States and government auditing standards. The desk review checklist also is annually updated in response to changes in auditing standards and program requirements. This report summarizes the instances of non-compliance we found in the preparation of the independent auditors’ reports (audit report deficiencies).

**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 SCO. Independent auditors, not county commissions, are responsible for addressing deficiencies in their reports on the county commissions.

Based on our desk reviews of the FY 2014-15 county commission audits, we found that two of the 58 independent audits (Figure 3) contained deficiencies. SCO notified each independent auditor and county commission in writing that the audit report required correction(s). The rejection letters identified the deficiency/deficiencies noted during our review and the criteria used to determine non-compliance.

**Figure 3**



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***Notable Audit Report Deficiencies***

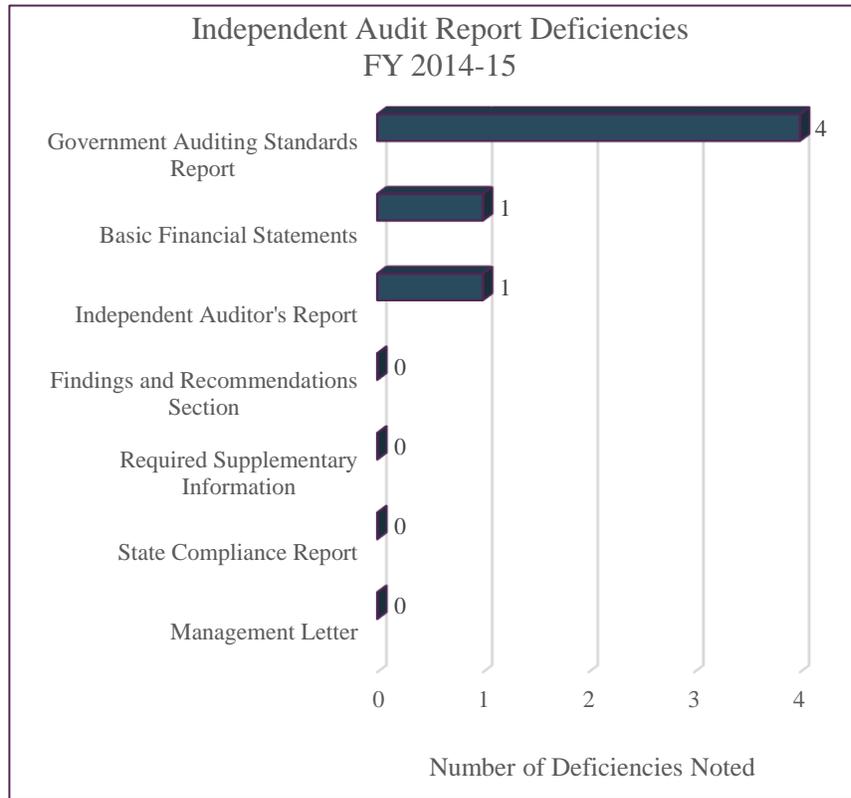
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As detailed in Figure 4, during this review and certification cycle SCO identified six deficiencies in the two rejected reports. The audit report deficiencies were related to the independent auditor’s report, basic financial statements, and the government auditing standards report. The majority of the deficiencies we identified during our review pertained to non-compliant language in the Independent Auditor’s Report on Internal Control Over Financial Reporting on Compliance and Other Matters (GAS Report). Specifically, the report did not contain the required language when material weaknesses, significant deficiencies, or reportable instances of noncompliance or other matters are identified. These and other deficiencies we identified during our review are described in detail in Appendix A-1 and comparatively in Appendix A-2. Other notable deficiencies we identified were:

- The *Independent Auditor’s Report* contained an inaccurate or inconsistent reference to a separate report;
- The Basic Financial Statements – *The Governmental Statement of Revenues, Expenditures, and Changes in Fund Balance* did not total correctly; and

- The GAS Report contained an inaccurate or inconsistent reference to a separate report.

**Figure 4**



See Appendix A-1 for detailed category breakdown.

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

During this review cycle (FY 2014-15) we found six audit report deficiencies, a decrease from the prior year (FY 2013-14), in which eight deficiencies were identified. For FY 2012-13, 54 deficiencies were identified. Of the six audit report deficiencies identified for FY 2014-15, four of the deficiencies (67%) were related to the GAS Report. One county commission’s independent audit report was not in accordance with Governmental Auditing Standards, which specifies the requirements when material weaknesses or significant deficiencies are identified.

During this review cycle, SCO did not identify any independent audit reports that contained recurring deficiencies previously identified during the FY 2013-14 review cycle. In comparison with FY 2013-14, one independent audit report contained one recurring deficiency, and in FY 2012-13, one independent audit report contained one recurring audit report deficiency.

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.

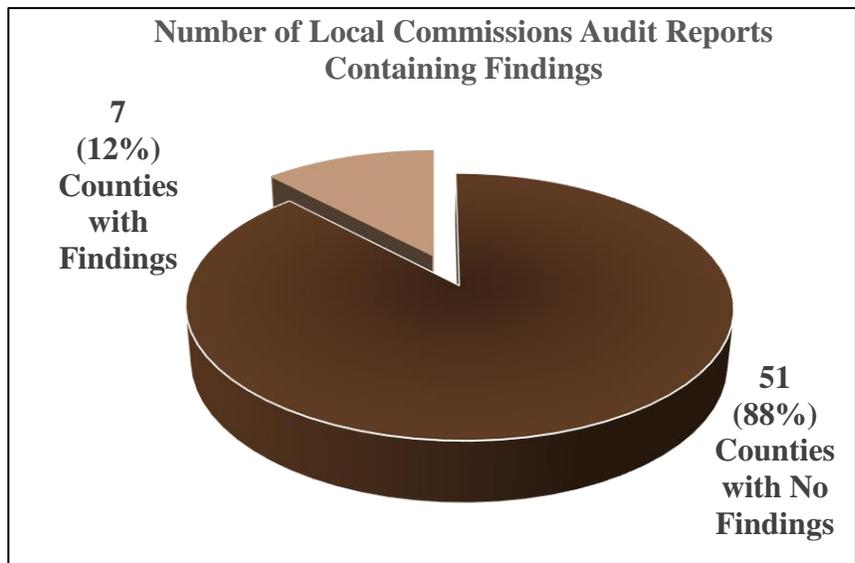
**Figure 5  
Independent Audit Report Deficiencies – Comparison by Fiscal Year**

Category	Number of Occurrences		
	2014-15	2013-14	2012-13
Independent Auditor’s Report	1	0	13
Basic Financial Statements	1	4	4
Required Supplementary Information	0	1	1
Government Auditing Standards Report	4	2	21
Management Letter	0	0	1
State Compliance Report	0	0	10
Findings and Recommendations Section	0	1	4
<b>Total</b>	<b><u>6</u></b>	<b><u>8</u></b>	<b><u>54</u></b>

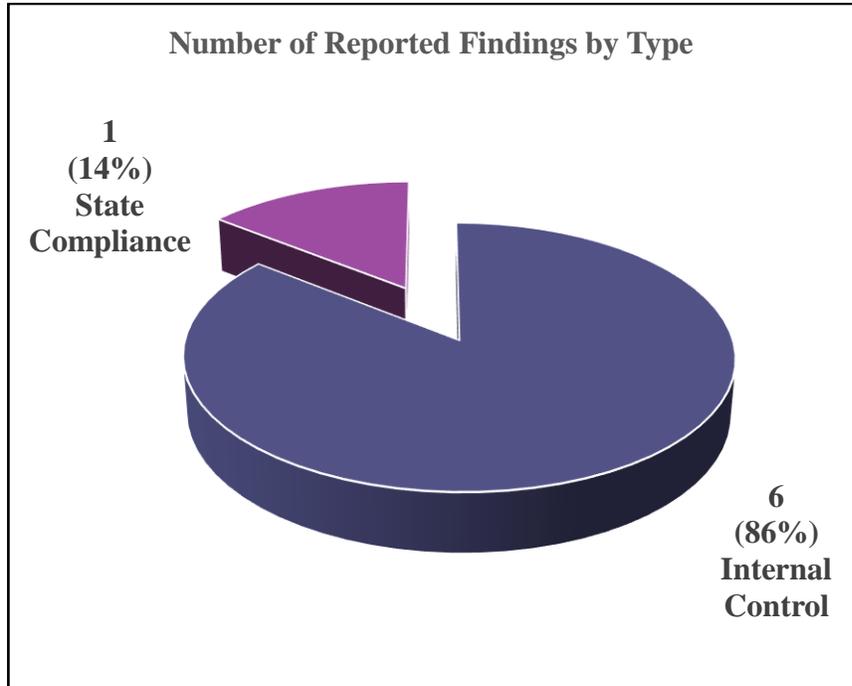
**Findings Reported by the Independent Auditors**

This section describes the audit findings reported by the county commissions’ independent auditors. The independent auditors for seven of the 58 county commissions reported a total of seven audit findings (Figure 6A); six categorized as “internal control” and one categorized as “state compliance” (Figure 6B).

**Figure 6A**



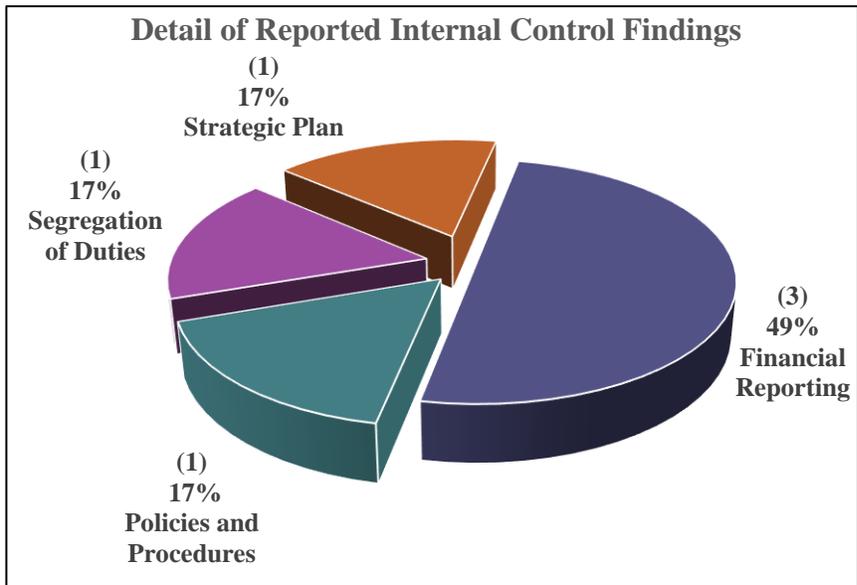
**Figure 6B**



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

During the FY 2014-15 review cycle, we identified three functional areas represented in the six internal control findings reported for FY 2014-15, as summarized in Figure 7.

**Figure 7**



Three of six internal control findings are in the financial reporting category and are related to a recurring situation that is not readily corrected in one reporting cycle. Specifically, these findings

address the county commissions' reliance on their independent auditors to draft financial statements and/or the accompanying notes to the financial statements.

Consistent with Statements of Auditing Standards No. 122, section AU-C 200.05, management has acknowledged responsibilities for the financial statements and the accompanying notes. 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 2014-15. However, all three county commissions whose report contained a financial reporting finding of this nature indicated that 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 county commissions' responses to audit findings, we noted that:

- Two of the three county commissions indicated it is cost-prohibitive to hire staff or retain a public accountant to prepare the financial statements, but that they are working with their county's auditor-controller to assist in preparing the financial statements and/or accompanying notes.
- One of the three county commissions has determined that it is not cost-effective to engage an independent accountant to prepare the financial statements and accompanying notes, and it plans to continue relying on its independent auditor to prepare the financial statements.

Our review of county commissions' board meeting minutes indicated that all three county commissions apprised their governing commissions of 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 county commissions. As a result, all three repeat findings from FY 2013-14 were related to county commissions relying on their auditors to prepare the financial statements and accompanying notes.

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

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For FY 2014-15, there was one state compliance finding. In comparison, in FY 2013-14, there were two state compliance findings. During the review cycle for FY 2012-13, there were no state compliance findings. Fiscal-year comparison by year is summarized in Figure 8.

**Figure 8**

<b>Comparative Detail of Audit Findings–State Compliance</b>			
	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>
Conflict of Interest	1	0	0
Contracting & Procurement	0	2	0
Strategic Plan	0	0	0
Report Submission	0	0	0
Program Evaluation	0	0	0
Policies and Procedures	0	0	0
Administrative Costs	0	0	0
	<u>1</u>	<u>2</u>	<u>0</u>

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

In addition to performing our desk review of the county commission audits, SCO is required to follow up on findings reported in the county commission audits. Specifically, HSC 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 county commissions, in accordance with HSC section 130151(d) and *Government Auditing Standards* paragraphs 4.33, through 4.36, 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 county 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. Onsite visits or telephone conference by SCO staff with county commissions with audit findings.

For the FY 2014-15 audit review cycle, SCO performed audit finding follow-up via telephone conference with three of the seven county commissions whose independent audit reports contained findings. Our follow-up resulted in a review of 43% of the total reported findings for all seven county commissions. All three county commissions provided corrective action plans and other documentation to substantiate resolution of their FY 2014-15 audit findings.

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

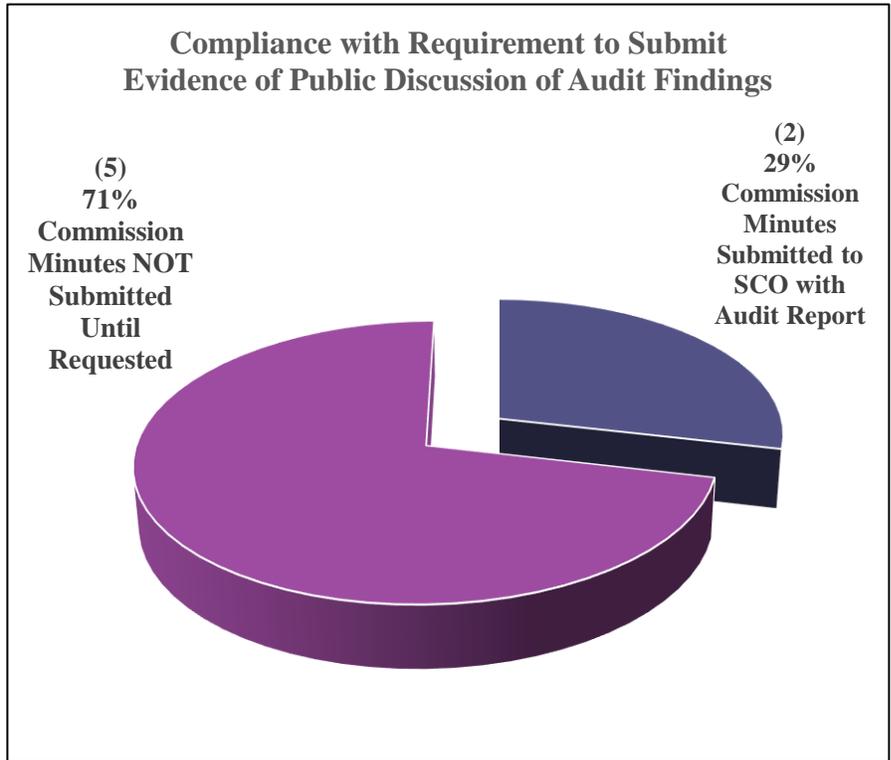
### **Compliance with Requirement for Public Discussion of Reported Audit Findings**

The county commissions are required to discuss their audit findings in a public hearing. Specifically, HSC 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, SCO issued an advisory requesting that the county commissions submit evidence (e.g., commission minutes and 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 nine review cycles, many county commissions failed to submit the required documentation until requested to do so by SCO. For FY 2014-15, only two (29%) of the seven county commissions whose independent audits contained findings submitted public discussion-related documentation to SCO with their audit reports (Figure 9). Upon request, the remaining five county commissions submitted similar documentation. Based on the SCO review of the documentation submitted, all seven county commissions with audit findings held public hearings discussing the findings and related corrective action plans as required by HSC section 130151(d).

**Figure 9**



**Appendix A-1**  
**Summary of Independent Audit Report Deficiencies**  
**Fiscal Year 2014-15**

Description of Audit Report Deficiency	Number of Occurrences
<u>Independent Auditor’s Report</u>	
The Independent Auditor’s Report contains an inaccurate or inconsistent reference to a separate report.	1
	<u>1</u>
<u>Basic Financial Statements</u>	
The Basic Financial Statements – <i>The Governmental Statement of Revenues, Expenditures, and Changes in Fund Balance</i> did not total correctly.	1
	<u>1</u>
<u>GAS Report</u>	
The GAS Report contains an inaccurate or inconsistent reference to a separate report.	1
The GAS Report did not include a section with the heading “Response to Findings” when material weaknesses, significant deficiencies, or reportable instances of noncompliance or other matters were identified.	1
The GAS Report did not include the statement that the audited entity’s response to the findings identified in the audit are described in the accompanying schedule or in the body of the report	1
The GAS Report did not include a statement that the audited entity’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, the auditor did not express an opinion on it.	1
	<u>4</u>
Total	<u><u>6</u></u>

## Appendix A-2

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

Description of Audit Report Deficiency	Number of Occurrences		
	2012-13	2013-14	2014-15
<u>Independent Auditor's Report</u>			
The Independent Auditor's Report did not include a section with the heading "Management's Responsibility for the Financial Statements."	1	0	0
The Independent Auditor's Report did not include a statement that management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.	1	0	0
The Independent Auditor's Report did not include a statement that the responsibility of the auditor is to express an opinion on the financial statements based on the audit.	1	0	0
The Independent Auditor's Report did not include a statement that an audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.	1	0	0
The Independent Auditor's Report did not include a discussion of the audit procedures, risk assessment of material misstatement to the financial statements, and a statement that the auditor does not express an opinion on the effectiveness of the entity's internal control.	1	0	0
The Independent Auditor's Report did not include a statement that an audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.	1	0	0
The Independent Auditor's Report did not state whether the auditor believes that the audit evidence obtained is sufficient and appropriate to provide a basis for the auditor's opinion.	1	0	0
The Independent Auditor's Report did not include a section with the heading "Opinion."	1	0	0
The Independent Auditor's Report did not include a section with the heading "Other Matters."	1	0	0
The Independent Auditor's Report did not identify the supplementary information accompanying the financial statements.	1	0	0

**Appendix A-2 (continued)**

Description of Audit Report Deficiency	Number of Occurrences		
	2012-13	2013-14	2014-15
The Independent Auditor’s Report did not include a statement whether the supplementary information was fairly stated, in all material respects, in relation to the financial statements as a whole.	1	0	0
The Independent Auditor’s Report did not include a section with the heading “Other Reporting Required by Government Auditing Standards.”	2	0	0
The Independent Auditor’s Report contained an inaccurate or inconsistent reference to a separate report.	0	0	1
<u>Basic Financial Statements</u>			
The Statement of Net Position title and/or line items did not conform with the requirements set forth by the GASB.	1	3	0
The Statement of Activities was not included with the financial statements as required by GASB. The Statement of Activities was replaced by a Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.	0	1	0
The independent auditor’s presentation of the Governmental Funds Balance Sheet’s line items, and references to the notes to the financial statements did not conform to GASB requirements and/or did not total correctly.	1	0	0
The independent auditor’s presentation of the Governmental Statement of Revenues, Expenditures, and Changes in Fund Balance did not total correctly.	0	0	1
The independent auditor’s presentation of the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position (title, and line items) did not conform to GASB requirements and/or did not total correctly.	2	0	0
<u>Required Supplementary Information</u>			
The Required Supplementary Information of the budgetary comparison data for the general fund and any major special revenue funds did not total correctly.	1	1	0
<u>GAS Report</u>			
The GAS Report included erroneous dates that result in ambiguity in the independent auditor’s opinion.	0	1	1

**Appendix A-2 (continued)**

Description of Audit Report Deficiency	Number of Occurrences		
	2012-13	2013-14	2014-15
The GAS Report did not include a section with the heading “Response to Findings” when material weaknesses, significant deficiencies, or reportable instances of noncompliance or other matters were identified.	0	0	1
The GAS Report did not include the required heading “Internal Control Over Financial Reporting” and/or a statement that the auditor’s consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses when no significant deficiencies or material weaknesses have been identified.	13	1	0
The GAS Report included contradicting statements concerning significant deficiencies and material weaknesses, which resulted in ambiguity in the independent auditor’s opinion.	1	0	0
The GAS Report did not include the required statement of the auditor’s consideration of internal control over financial reporting, when material weaknesses were noted.	1	0	0
The GAS Report did not include the statement that the audited entity’s response to the findings identified in the audit are described in the accompanying schedule or in the body of the report.	0	0	1
The GAS Report did not include a statement that the audited entity’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, the auditor does not express an opinion on it.	0	0	1
The GAS Report included erroneous statements on the description of the material weaknesses and/or significant deficiencies identified in the independent auditor’s report.	3	0	0
The GAS Report did not include the alert paragraph that describes the purpose of the report and that the report is not suitable for any other purpose.	3	0	0
<u>Management Letter</u>			
The audit report referred to a separate management letter that was not submitted to the SCO.	1	0	0

**Appendix A-2 (continued)**

Description of Audit Report Deficiency	Number of Occurrences		
	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
<u>Auditor’s Report on State Compliance (State Compliance Report)</u>			
The State Compliance Report did not include a section with the heading “Management’s Responsibility” that includes a statement that compliance with the applicable compliance requirements is the responsibility of the entity’s management.	3	0	0
The State Compliance Report’s reference to the list of procedures (by compliance area) as required by the audit guide was incorrect.	2	0	0
The State Compliance Report did not contain a section with the heading “Opinion” that includes the auditor’s opinion at the level specified by the governmental audit requirement, on whether the entity complied, in all material respects, with the applicable compliance requirements.	5	0	0
<u>Findings and Recommendations</u>			
The audit report did not include a Schedule of Prior Audit Findings and/or the Status of Findings.	4	1	0
Total	<u>54</u>	<u>8</u>	<u>6</u>

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