



CALIFORNIA STATE AUDITOR

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FACT SHEET

Date: May 27, 2009

Report: 2008-002

The California State Auditor released the following report today:

State of California
*Internal Control and State and Federal Compliance Audit Report for the
Fiscal Year Ended June 30, 2008*

BACKGROUND

Since 1985 and as mandated in statute, the State Auditor's Office, and its predecessor, has annually conducted California's statewide Single Audit—a combination of the independent audit of the State's basic financial statements and the independent audit of numerous federal programs administered by California. The federal government requires the Single Audit to be conducted as a condition for California to receive billions in federal funds each year. From July 1, 2007 through June 30, 2008, California received nearly \$87.4 billion in federal funds to carry out 323 programs or program clusters—with \$38.7 billion for education programs and \$30.5 billion for health and human services programs. We audited 39 major federal programs or program clusters totaling \$72 billion (which represents 82 percent of the total federal assistance received) as determined by the parameters set out by the federal government.

KEY FINDINGS

For our audit of California's internal controls and compliance with state and federal laws and regulations for the year ended June 30, 2008, we reviewed the major federal programs or program clusters in 19 state departments. Below are some key results:

- More than half of the 138 findings we identified in this audit were also reported in the prior year. Further, in these findings, we noted:
 - ✓ 234 material and significant deficiencies in internal controls—management and program policies, procedures, and guidance that help ensure effective and efficient use of resources; prevention and detection of fraud, waste, and abuse; and the reliability of financial reporting.
 - ✓ The State did not comply with certain federal requirements in 20 of the 39 major programs or program clusters that we audited. Further, we could not express an opinion as to whether the State complied with certain requirements for nine programs or program clusters because of insufficient documentation.
- We also reported issues that encompass all programs and are therefore statewide issues:
 - ✓ California's automated accounting system does not identify expenditures of federal awards for each individual federal program.
 - ✓ The State still does not have adequate written policies and procedures to, nor did it, accurately calculate federal and other interest liabilities by program as required in its cash management agreement with the federal government.
 - ✓ The database the State uses to prepare its statewide cost allocation plan, which is used to recover a portion of the State's costs for administering federal programs, is problematic in that the programming is difficult to understand and inadequately documented, and errors are difficult to identify and correct. Further, the State did not submit required information to the federal government with the proposed cost allocation plan.
 - ✓ The State cannot ensure local governments are taking prompt and appropriate corrective action to address audit findings after it receives the local governments' audit reports. However, the federal government requires the State to issue management decisions on audit findings within six months of receiving these reports. This condition is partly attributable to the amount of time the State Controller's Office (SCO) takes to certify audit reports and forward the reports and corrective action plans to the appropriate state departments. We found that for 26 of the 58 counties, the SCO took between 1.2 months and 9.2 months to certify the reports and forward them to the appropriate state entities.

