



CALIFORNIA STATE AUDITOR

Elaine M. Howle, State Auditor

FACT SHEET

Date: March 29, 2011

Report: 2010-002

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, 2010*

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 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 of dollars in federal funds each year. From July 1, 2009 through June 30, 2010, California received \$120.7 billion in federal funds to carry out more than 350 programs or program clusters—with \$42.0 billion for education programs and \$38.7 billion for health and human services programs. Funds received under the American Recovery and Reinvestment Act of 2009 accounted for \$23.0 billion of the \$120.7 billion received. We audited 32 major federal programs or program clusters totaling \$116.9 billion, which represents 97 percent of the total federal assistance California received.

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, 2010, we reviewed the major federal programs or program clusters in 13 state departments. We also followed up on prior-year findings at an additional eight departments. Below are some key results:

- We identified 82 findings and in these findings we noted:
 - ✓ 74 deficiencies in internal controls, which are those management and program policies, procedures, and guidance that help prevent, detect, or correct noncompliance with federal requirements.
 - ✓ The State did not materially comply with certain requirements for 10 of the 32 federal programs or clusters of programs we audited. Additionally, although we were able to conclude that the State materially complied with requirements for the remaining federal programs we audited, we reported various instances of noncompliance relating to those programs.
- Although many of the current-year findings were reported in the prior year, many prior-year findings are no longer issues. In fact, the number of findings decreased from more than 130 in the last year's audit to 82 for this year.
- We also reported an issue that encompasses all programs and is therefore a statewide issue. California's automated accounting system does not identify expenditures of federal awards for each individual federal program. As a result, the State prepares its Schedule of Federal Assistance on a cash-receipts basis instead of an expenditure basis as required under U.S. Office of Management and Budget Circular A-133.

