

**STANDARDS AND PROCEDURES FOR  
AUDITS OF LOCAL ENTITIES  
ADMINISTERING THE  
CALIFORNIA CHILDREN AND  
FAMILIES ACT  
(FIRST 5)**



**BETTY T. YEE**  
California State Controller

June 2020

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## I. PURPOSE OF THE AUDIT GUIDE

The State Controller's Office *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5)* is designed to assist auditors in performing the expanded annual audits of the First 5 Program in participating counties. It offers general insight into the nature and scope of the engagement and provides guidelines for performing the expanded audits that are necessary for compliance with statutory requirements pursuant to Health and Safety Code sections 130150(a) and 130151(b). It is not intended to be a complete manual of procedures, nor is it intended to supplant the auditor's judgment. The provisions of this guide are applicable to audits of fiscal years beginning after June 30, 2008.

In July 2018, the United States Government Accountability Office (GAO) issued *Government Auditing Standards, 2018 Revision* (the 2018 Yellow Book). The 2018 Yellow Book is effective for financial audits, attestation engagements, and reviews of financial statements for periods ending on or after June 30, 2020. The 2020 edition of the American Institute of Certified Public Accountants' (AICPA) *Government Auditing Standards and Single Audits (GAS/SA Audit Guide)* is expected to be released in early summer of 2020. **The illustrative reports included in this Audit Guide should not be used without considering any amendments made by the American Institute of Certified Public Accountants (AICPA) to report illustrations.** Although these illustrative reports are based on the 2019 edition of the GAS/SA Audit Guide for audits performed under the 2011 Yellow Book, AICPA has indicated that it does not expect to make significant amendments to address the 2018 Yellow Book.

This June 2020 revision was produced with authoritative reference materials that were available as of June 2020. If any subsequent revision is required, an updated guide will be made available on the SCO's website and local entities will be notified of its availability. As described in Appendix A of this guide, the independent auditor performing the audit is responsible for identifying and applying the audit standards applicable to the audit period and the audit entity.

The expanded annual audit must be performed in conjunction with the county commission's annual audit. The Appendix to this guide includes an illustrative audit report. The First 5 Association of California's *Financial Management Guide* provides guidance on the annual audit ([https://www.cfc.ca.gov/pdf/about/budget\\_perf/First-5-Financial-Management-Guide-Fifth-Edition-032515.pdf](https://www.cfc.ca.gov/pdf/about/budget_perf/First-5-Financial-Management-Guide-Fifth-Edition-032515.pdf)).

## II. AUDIT ADMINISTRATION

### A. Audit Requirements

The audit will be performed in accordance with auditing standards generally accepted in the United States of America as promulgated by the AICPA and the standards applicable to financial audits set forth in *Government Auditing Standards*.

### B. Audit Report Due Date

In accordance with Health and Safety Code sections 130150(a) and 130151(c), each county commission's auditor shall annually submit the audit report for the preceding fiscal year by November 1. The report must be filed with **both** the State Controller's Office (SCO) and the California Children and Families Commission (First 5 California) at the following addresses:

State Controller's Office  
Division of Audits  
ATTN: First 5 Audit Oversight Unit  
P.O. Box 942850  
Sacramento, CA 94250

First 5 California  
ATTN: Administrative Services Division  
2389 Gateway Oaks Drive, Suite 260  
Sacramento, CA 95833

Reports sent through a private carrier (UPS, Federal Express, etc.) that requires a physical address should be sent to:

State Controller's Office  
Division of Audits/Financial Bureau  
ATTN: First 5 Audit Oversight Unit  
3301 C Street, Suite 725  
Sacramento, CA 95816

C. Audit Report Submission via File Transfer Protocol (FTP)

The First 5 audit reports may be submitted to SCO via File Transfer Protocol (FTP). In May 2014, the SCO issued user IDs and passwords to the local commission contacts and the local commissions' independent auditors of record. To request changes or additional user IDs/passwords, contact [First5Audits@sco.ca.gov](mailto:First5Audits@sco.ca.gov). Report submission instructions are posted on the SCO FTP site at <https://eft.sco.ca.gov/EFTClient/SCOEFTRReferenceGuide.pdf>

D. Electronic Report File Naming Convention and Format

Name the file according to the entity name, the document type, and fiscal year end. For example, for First 5 ABC, the following names would be used:

- Report = First5ABCRpt.20.pdf
- Revisions = First5ABCRevision20.pdf
- Revised Report = First5ABCRevisedRpt20.pdf

The SCO requests that the electronic audit report files be in **unsecured** PDF file format. Electronic files submitted in this format facilitate efficient processing of the annual independent audit reports.

E. Late Audit Reports

The state commission may withhold a county commission's funds from the California Children and Families Trust Fund until the county commission submits the required audit report [Health and Safety Code section 130150(b)(3)].

F. Unresolved Audit Findings

The SCO shall determine whether the county commission successfully corrected any findings identified in the prior audit report. The SCO may recommend to the state commission that it withhold the allocation of money that the county commission would otherwise receive from the California Children and Families Trust Fund [Health and Safety Code section 130151(e)].

G. Quality Control Reviews

Health and Safety Code section 130151(a) authorizes the SCO to conduct quality control reviews. The county commission's auditor shall make audit documentation available to the SCO upon request. The county commission's auditor shall maintain the audit documentation for a minimum of seven years as required by Business and Professions Code section 5097(e) and Title 16, *California Code of Regulations*, Article 9, Section 68.3.

### **III. AUDIT OBJECTIVES**

The general objectives of each expanded audit are to determine whether the county commission:

- Established contracting and procurement policies pursuant to paragraph (4) of subdivision (d) of Health and Safety Code section 130140, operated in accordance with these policies, and incorporated into these policies' provisions to ensure that the commission's grants and contracts are consistent with its strategic plan;
- Established administrative cost definitions that comply with the state commission's guidelines, and established a process for monitoring these costs;
- Established conflict-of-interest policies and procedures pursuant to paragraph (4) of subdivision (d) of Health and Safety Code section 130140 and complied with all applicable state and local conflict-of-interest statutes and regulations;
- Established policies and practices designed to ensure its adherence to the county ordinance established pursuant to Health and Safety Code section 130140(a)(1);
- Created a long-range financial plan and formally adopted it in a public hearing;
- Communicated its financial condition as required by law;
- Documented its program evaluation expenditure amounts and results; and
- Established salaries and benefits policies pursuant to paragraph (6) of subdivision (d) of Health and Safety Code section 130140.

### **IV. BACKGROUND**

The California Children and Families Act of 1998 (Act), an initiative measure, requires that the California Children and Families Program (established by the Act) be funded by surtaxes imposed statewide on the sale and distribution of cigarettes and tobacco products and deposited into the California Children and Families Trust Fund. The money deposited into the fund shall be used for the implementation of comprehensive early childhood development and smoking-prevention programs.

Existing law established a state commission, First 5 California, with powers and duties related to the administration of the Act at the state level, and authorized county boards of supervisors to establish children and families commissions to administer the Act at the county level.

Providing that certain requirements are met, a county commission receives a portion of the total funds available to all county commissions equal to the percentage of the number of births recorded in that county relative to the number of births recorded in all of the counties participating in the First 5 Program.

Health and Safety Code section 130150 requires each county commission, on or before October 15 of each year, to conduct an audit of, and issue a written report on the implementation and performance of, its functions during the preceding fiscal year. Section 130150 also requires the state commission to prepare a written report that consolidates, summarizes, analyzes, and comments on the annual audits and reports submitted by all of the county commissions.

Health and Safety Code section 130151 directs the SCO to issue guidelines for expanded annual audits of each county commission and to perform associated quality control functions.

## V. STATE COMPLIANCE REQUIREMENTS

### A. Contracting and Procurement

Compliance Requirement:

County commissions must adopt, in a public hearing, contracting and procurement policies that are consistent with the following state laws:

- Government Code, Article 7, section 54201 (Purchases of Supplies and Equipment by Local Agencies)
- Public Contract Code, Chapter 2, section 2000 (Responsive Bidders)
- Public Contract Code, Chapter 3, Article 5, section 3410 (Preference for United States-Grown Produce and Processed Foods in Contract of Public Entity for Purchase of Food)
- Public Contract Code, Chapter 3.5, section 22150 (Recycled Product Procurement Mandates Pertaining to Local Governments)

The contracting and procurement policies must contain provisions to ensure that the grants and contracts are consistent with the county commission's strategic plan [Health and Safety Code sections 130140(d)(4) and 130151(b)(1)].

Suggested Audit Procedures:

1. Obtain meeting minutes to confirm that the commission adopted, in a public hearing and/or meeting, its contracting and procurement policies, including the applicable amendments to the policies.
2. Obtain the county commission's written contracting and procurement policies and gain an understanding of how they are applied.
3. Obtain a representation letter from the commission's legal representative stating whether the commission's contracting and procurement policies are consistent with state law.
4. Test a representative sample of contract and procurement transactions against supporting source documentation, as follows:
  - a. Determine whether the transactions are in compliance with the commission's contracting and procurement policies (e.g., test for evidence of contract splitting, which occurs when multiple contracts are awarded to a single contractor in order to avoid monetary limits).
  - b. Determine whether expenditures are consistent with those identified in contracts and other types of agreements (e.g., grants, contracts, and memoranda of understanding).
  - c. Verify that the commission has determined whether grants, contracts, and other types of agreements are consistent with the commission's strategic plan.
5. Include a finding in the Findings and Recommendations section of the audit report, if noncompliance is identified through the foregoing audit procedures. The finding should state that future allocations may be withheld.

**B. Administrative Costs**

**Compliance Requirement:**

Administrative cost definitions must comply with the state commission's guidelines and the county commission must have a process in place to monitor these costs [Health and Safety Code sections 130140(d)(5) and 130151(b)(2)].

**Suggested Audit Procedures:**

1. Review meeting minutes to confirm that the commission adopted, in a public hearing and/or meeting, a limit on the percentage of the operating budget that may be spent on administrative functions.
2. Determine whether the administrative costs definition is consistent with the state commission guidelines that define administrative functions.
3. Verify through inquiry and inspection whether the county commission has implemented a system to monitor its administrative costs.
4. Include a finding in the Findings and Recommendations section of the audit report, if noncompliance is identified through the foregoing audit procedures. The finding should state that future allocations may be withheld.

**C. Conflict of Interest**

**Compliance Requirement:**

County commissions must adopt, for commission members, conflict-of-interest policies that are consistent with the following applicable state laws:

- Government Code, Article 4, section 1090, et seq. (Prohibitions Applicable to Specified Officers)
- Government Code, Article 4.7, section 1125, et seq. (Incompatible Activities)
- Government Code, Chapter 7, section 87100, et seq. (Conflict of Interest)

These conflict-of-interest policies must be designed to ensure that the county commission complies with all applicable state and local conflict-of-interest statutes and regulations [Health and Safety Code sections 130140(d)(4) and 130151(b)(3)].

**Suggested Audit Procedures:**

1. Review the commission's public hearing and/or meeting minutes to confirm that the county commission has adopted conflict-of-interest policies.
2. Obtain a representation letter from the county commission's legal representative stating whether or not the conflict-of-interest policies are consistent with applicable state and local conflict-of-interest statutes and regulations.
3. Determine whether the commission is complying with the conflict-of-interest policies and procedures.

4. Include a finding in the Findings and Recommendations section of the audit report, if noncompliance is identified through the foregoing audit procedures. The finding should state that future allocations may be withheld.

D. County Ordinance

Compliance Requirement:

The county commission must adopt policies and practices to ensure that it is adhering to the county ordinance establishing the commission. The ordinance must be adopted by the county's board of supervisors and contain the minimum provisions specified in the Health and Safety Code [Health and Safety Code sections 130140(a)(1), 130140(d)(1), and 130151(b)(4)].

Suggested Audit Procedures:

1. Obtain a management representation letter that describes how the commission is complying with each component of the ordinance.
2. Verify that the county commission followed its written policies and procedures for adherence to the county ordinance:
  - a. Review source documents (e.g., commission by-laws, organization charts, minutes, and accounting records) to verify that the county commission complied with the county ordinance.
  - b. Obtain commission minutes to confirm that the commission conducted the annual review of the strategic plan.
  - c. Review the minutes to confirm that the commission conducted at least one public hearing and/or meeting before it adopted any revisions to the plan.
3. Include a finding in the Findings and Recommendations section of the audit report, if noncompliance is identified through the foregoing audit procedures. The finding should state that future allocations may be withheld.

E. Long-Range Financial Plans

Compliance Requirement:

The county commission must have a long-range financial plan that has been adopted in a public hearing [Health and Safety Code section 130151(b)(5)].

Suggested Audit Procedures:

1. Verify that the county commission has a long-range financial plan.
2. Review the meeting minutes to confirm that the county commission formally adopted a long-range financial plan.
3. Include a finding in the Findings and Recommendations section of the audit report, if noncompliance is identified through the foregoing audit procedures.

F. Financial Condition of the Commission

Compliance Requirement:

The county commission must have established policies and practices with respect to communicating its financial condition [Health and Safety Code section 130151(b)(6)].

Suggested Audit Procedures:

1. Verify that the county commission has policies and practices with respect to communicating its financial condition. At a minimum, the policies and procedures should include the annual audit required by the state commission guidelines.
2. Include a finding in the Findings and Recommendations section of the audit report, if noncompliance is identified through the foregoing audit procedures.

G. Program Evaluation

Compliance Requirement:

The county commission must have policies and practices with respect to the amount it spends on program evaluation and documenting results of these expenditures [Health and Safety Code section 130151(b)(7)].

Suggested Audit Procedures:

1. Verify that the amount spent on program evaluation is in compliance with the commission's policies and/or practices for evaluation costs (e.g., the adopted budget, commission minutes, funding resolution, or board action). For guidance, refer to section 8.2 of the chapter on Administrative Costs in the First 5 Financial Management Guide.
2. Confirm the existence of evaluation data collected and/or reports prepared on program evaluation. Evidence may be in the form of minutes of meetings at which evaluation results were presented, written reports, or other data files that document program evaluation.
3. Include the notes to the financial statements, a statement that identifies the amount spent on program evaluation during the period under audit. Examples are as follows:

Program Evaluation

The commission spent \$\_\_\_\_\_ on program evaluation during the audit period.

*or*

The commission did not maintain documentation to identify the amount spent on program evaluation during the audit period.

4. Include a finding in the Findings and Recommendations section of the audit report, if noncompliance is identified through the foregoing audit procedures.

H. Salaries and Benefits Policies

Compliance Requirement:

The county commission must adopt, in a public hearing, policies and procedures for establishing salaries and benefits for its employees. The employees' salaries and benefits policies must

comply with those set forth in the commission policies or the county government policies [Health and Safety Code sections 130151(b)(8) and 130140 (d)(6)].

Suggested Audit Procedures:

1. Obtain meeting minutes to confirm that the commission has adopted salaries and benefits policies and procedures.
2. Test a representative sample of payroll and benefit transactions. Verify that the actual salaries and benefits of commission employees are consistent with the salaries and benefits policies adopted by the commission.
3. Include a finding in the Findings and Recommendations section of the audit report, if noncompliance is identified through the foregoing audit procedures. The finding should state that future allocations may be withheld.

## Appendix A— Illustrative Auditor’s Report

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### SCO Guidance on Using Illustrative Auditor’s Report

The illustrations provided are not intended to be all-inclusive or representative of the specific reporting requirements for a particular county commission audit. The independent auditor performing the audit is responsible for identifying and applying the audit standards applicable to the audit period and the audit entity.

The following illustrative auditor’s reports are provided in this appendix:

- The independent auditor’s report on the financial statements (**page A-2**);
- The independent auditor’s report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* (**page A-4**); and
- The independent auditor’s report on state compliance (**page A-6**)<sup>1</sup>.

The county commission’s management discussion and analysis, the financial statements, corresponding note disclosures, and required supplementary information should be presented as prescribed in the American Institute of Certified Public Accountants’ (AICPA) *Audit and Accounting Guide for State and Local Governments*. Other supplementary information should be presented as prescribed by the state commission and/or county.

Additional authoritative reference materials that should be consulted in conducting the audit include, but are not limited to:

- AU-C – AICPA *Codification of Statements on Auditing Standards*;
- GAGAS – *Government Auditing Standards*, published by the Comptroller General of the United States; and
- GASB – Governmental Accounting Standards Board *Codification of Governmental Accounting and Financial Reporting Standards*, issued by the Governmental Accounting Standards Board.

### Auditor Independence – County Auditor-Controller’s Offices:

It is the responsibility of the county auditor-controller to determine his or her own office’s independence. For guidance on determining auditor independence, refer to *Government Auditing Standards* (Yellow Book), paragraphs 3.17 through 3.117. Specifically, paragraphs 3.52 through 3.55 refer to government auditors and audit organization structure. These standards are effective for financial audits for periods ending on or after June 30, 2020.

For county auditor-controller’s offices that are not independent, the auditor should disclaim his or her opinion and should specifically state that he or she is not independent (AU-C section 705.16). For guidance, refer to AU-C section 705, contained in the AICPA Professional Standards. This section is effective for audits of financial statements for periods ending on or after December 15, 2020.

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<sup>1</sup> Auditors must use the provided format for the Independent Auditor’s Report on State Compliance and provide an opinion on the commission’s compliance with requirements described in Section V of this audit guide.

***[Independent Auditor's Letterhead]***

Board of Commissioners  
ABC County Children and Families Commission  
City, CA XXXXX

INDEPENDENT AUDITOR'S REPORT

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the ABC County Children and Families Commission (Commission), a component unit of ABC County, as of and for the year ended June 30, 20XX, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion<sup>2</sup>**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the ABC County Children and Families Commission as of June 30, 20XX, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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<sup>2</sup> Refer to AU-C Section 705 if modification to the auditor's opinion on the financial statements is necessary.

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information on pages XX through XX and XX through XX, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the ABC County Children and Families Commission's basic financial statements. The organization table and summary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.<sup>3</sup>

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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<sup>3</sup> If audit procedures were not applied to the referenced information, then modify the statement in accordance with applicable audit standards.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated [date of report] on our consideration of the Commission’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the ABC County Children and Families Commission’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ABC County Children and Families Commission’s internal control over financial reporting and compliance.

*[Manual or printed signature of firm]*

*[Firm’s city and state]*

*[Date of the firm’s report]*

***[Independent Auditor's Letterhead]***

Board of Commissioners  
ABC County Children and Families Commission  
City, CA XXXXX

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of ABC County Children and Families Commission (Commission), a component unit of ABC County, as of and for the year ended June 30, 20XX, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated *[date of report]*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention from those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.<sup>1</sup>

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.<sup>1</sup>

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*[Manual or printed signature of firm]*

*[Firm’s city and state]*

*[Date of the firm’s report]*

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<sup>1</sup> This section of the report should be modified if findings were noted. Refer to the AICPA’s *Audit Guide: Government Auditing Standards and Single Audits* for guidance.

***[Independent Auditor's Letterhead]***

Board of Commissioners  
ABC County Children and Families Commission  
City, CA XXXXX

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

**Compliance**

We have audited the ABC County Children and Families Commission's (Commission) compliance with the requirements specified in the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 20XX.

**Management's Responsibility**

Management is responsible for compliance with the requirements of the laws and regulations applicable to the California Children and Families Act.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Commission's compliance with the requirements referred to above based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office. Those standards and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above could have a direct and material effect on the statutory requirements listed below. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of the Commission’s compliance with those requirements. In connection with the audit referred to above, we selected and tested transactions and records to determine the Commission’s compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Audit Guide Procedures<sup>1</sup></u>	<u>Procedures Performed<sup>2</sup></u>
Contracting and Procurement	6	
Administrative Costs	3	
Conflict-of-Interest	3	
County Ordinance	4	
Long-range Financial Plans	2	
Financial Condition of the Commission	1	
Program Evaluation	3	
Salaries and Benefit Policies	2	

**Opinion<sup>3,4</sup>**

In our opinion, ABC County California Children and Families Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 20XX.

**Other Matters<sup>5</sup>**

The results of our auditing procedures disclosed other instances of noncompliance, which are described in the accompanying Schedule of Findings and Questioned Costs as items [List finding reference numbers, for example, 20XX-001 and 20XX-002].

The Commission’s response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Commission’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***[Manual or printed signature of firm]***

***[Firm City and State]***

***[Date of the firm’s report]***

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<sup>1</sup> Do not change the number of procedures listed in this column.  
<sup>2</sup> Indicate “yes” or “no.” If the response is “no,” include a statement explaining why procedures were not performed.  
<sup>3</sup> If non-compliance results in a modified opinion, the auditor should include a section with an appropriate heading, indicating the basis for the modified opinion, and include a description of such non-compliance in an accompanying Schedule of Findings and Questioned Costs. See AU-C Section 935.30 for additional guidance.  
<sup>4</sup> If the auditor expresses a modified opinion (qualified, adverse, or disclaimer), the auditor should use a heading that indicates the type of opinion expressed (e.g. Qualified Opinion). See AU-C Section 705 for additional guidance.  
<sup>5</sup> If noncompliance is not identified in the Schedule of Findings and Questioned Costs, the *Other Matters* section should be omitted.

## Appendix B— Audit Guide Revision Log

Revision Date	Revision Description	Revised Page
July 2007	<u>Added</u> specific language regarding standards to be followed in performing the audit.	1
July 2007	<u>Updated</u> the name and address of the Commission in the report submission/due date section.	1
July 2007	<u>Added</u> specific procurement code sections specified in AB 2932 to Contracting and Procurement audit area.	3
July 2007	<u>Added</u> specific conflict of interest code sections specified in AB 2932 to Conflict of Interest audit area.	5
July 2007	<u>Added</u> Appendix B to track audit guide changes.	B-1
September 2007	<u>Corrected</u> number of audit procedures listed under County Ordinance in Appendix A.	A-6
September 2007	<u>Updated</u> the sample report language in Appendix A to reflect Statement on Auditing Standards 112 (SAS No. 112).	A-4
July 2008	<u>Updated</u> dates.	Cover, 1
July 2008	<u>Added</u> statutory reference for the audit report due date.	1
July 2008	<u>Updated</u> statutory references and examples.	All
August 2008	<u>Corrected</u> statutory reference for the audit report due date.	1
April 2009	<u>Updated</u> the program name to First 5 Program.	All
April 2009	<u>Updated</u> Standards and Procedures revision date.	Cover
April 2009	<u>Added</u> roman numerals to main sections.	All
April 2009	<u>Added</u> statutory reference to audit report due date.	1
April 2009	<u>Added</u> specific language regarding audit report due date and late audit reports.	1, 2
April 2009	<u>Revised</u> wording on the special note preceding the illustrative audit report to clarify independent auditor's responsibility.	A-1
April 2009	<u>Added</u> footnote 1 and revised footnote 2.	A-6
September 2009	<u>Amended</u> link to First 5 Financial Management Guide.	1
September 2009	<u>Revised</u> reference section G based on revision to First 5 Financial Management Guide.	7
May 2010	<u>Updated</u> Standards and Procedures revision date.	Cover
May 2010	<u>Updated</u> the sample report language in Appendix A to reflect SAS No. 115 (AU 325), which supersedes SAS No. 112.	A-4
May 2010	<u>Updated</u> the physical address for the State Controller's Office, Division of Audits.	1

<b>Revision Date</b>	<b>Revision Description</b>	<b>Revised Page</b>
June 2011	<u>Updated</u> Standards and Procedures revision date.	Cover
June 2011	<u>Added</u> the title and page number for each Illustrative Auditor's Report to the table of contents.	Contents
June 2011	<u>Updated</u> the State Controller's Office, Division of Audits, and Bureau Name.	1
June 2011	<u>Added</u> footnote 1.	A-1
June 2011	<u>Updated</u> the sample report language in Appendix A to reflect SAS No. 115 (AU 325).	A-2
June/August 2011	<u>Updated</u> the sample report language in Appendix A to reflect SAS No. 117 (AU 801), which supersedes SAS No. 74.	A-4
August 2011	<u>Added</u> footnote 2.	A-2
May 2012	<u>Updated</u> Standards and Procedures revision date.	Cover
May 2012	<u>Updated</u> the sample report language in the sample report in Appendix A to reflect SAS Nos. 118-120 (AU 550, 551, and 558).	A-2
June 2013	<u>Omitted</u> footnote 1 and <u>replaced</u> with footnote 2.	A-1, A-2
June 2013	<u>Added</u> guidance for County Auditor-Controller's Offices regarding auditor independence reflecting the 2011 revisions of Government Auditing Standards (paragraphs 3.02 through 3.59); and SAS Nos. 122 and 123 (AU-C section 705).	A-1
June 2013	<u>Updated</u> Clarity Project: The AICPA converged and clarified its Auditing Standards. The clarified standards supersede the prior standards associated with the auditor's report for financial statement audits. The clarity standards change the appearance of the auditor's report.	A-2
June 2013	<u>Updated</u> the sample report language in Appendix A to reflect SAS No. 122 (AU-C sections 725 and 730). Contains required changes in specific paragraphs and footnotes.	A-2
June/September 2013	<u>Updated</u> the sample report language in Appendix A to reflect SAS Nos. 122 and 125 (AU section 265).	A-4, A-6
June 2013	<u>Added</u> section headings to the sample report in Appendix A to reflect SAS No. 122 (AU-C 935.30). SAS No. 117 was originally codified as AU section 801. SAS No. 122, Clarification and Recodification, redesignates AU section 801 as section 935, but does not supersede SAS No. 117.	A-6
September 2013	<u>Updated</u> the sample report language in Appendix A-4 to reflect SAS No. 125 (AU-C section 905). This section addresses requirements to include an alert that restricts the use of the auditor's written communication.	A-4
September 2013	<u>Updated</u> the sample report language in Appendix A-6 to reflect conforming changes necessary due to the issuance of SAS No. 123. Amended December 2011 to reflect conforming	A-4, A-6

<b>Revision Date</b>	<b>Revision Description</b>	<b>Revised Page</b>
	changes necessary due to the issuance of SAS No. 125 (AU-C section 935).	
June 2014	<u>Updated</u> Standards and Procedures revision date.	Cover
June 2014	<u>Added</u> audit report submission instructions using File Transfer Protocol (FTP).	1
June 2014	<u>Added</u> references to applicable auditing standards.	3, A-2, A-8
April 2015	<u>Updated</u> Controller’s name.	Cover
June 2015	<u>Updated</u> Standards and Procedures revision date.	Cover
June 2015	<u>Revised</u> wording on the auditor’s responsibility in the illustrative Independent Auditor’s Report.	A-2
June 2015	<u>Omitted</u> paragraph disclaiming an opinion on Supplementary Information in the illustrative Independent Auditor’s Report.	A-3
June 2015	<u>Added</u> footnote 5.	A-7
May 2016	<u>Updated</u> Standards and Procedures revision date.	Cover
May 2016	<u>Added</u> the sub-title Independent Auditor’s Report to the illustrative Independent Auditor’s Report.	A-4
May 2017	<u>Updated</u> Standards and Procedures revision date.	Cover
May 2017	<u>Amended</u> heading “Opinions” to “Opinion.”	A-2
May 2017	<u>Updated</u> Footnote 1 – Title reference to AICPA’s Audit Guide.	A-4
May 2017	<u>Amended</u> Paragraph structure under the heading Auditor’s Responsibility.	A-6
May 2017	<u>Amended</u> Finding reference numbers.	A-7
August 2017	<u>Amended</u> Language in Auditor’s Responsibility paragraph in illustrative Independent Auditor’s Report.	A-2
June 2018	<u>Updated</u> Standards and Procedures revision date.	Cover
June 2018	<u>Updated</u> SCO Division of Audits Bureau and physical address for reports sent through a private carrier (UPS, Federal Express, etc.).	1
June 2018	<u>Revised</u> the first sentence in the first paragraph for the Audit Report Submission via File Transfer Protocol (FTP).	2
June 2018	<u>Updated</u> the fiscal year-end under the heading Electronic Report File Naming Convention and Format.	2
June 2018	<u>Corrected</u> the page title for Appendix A to be consistent with the table of contents.	A-1
June 2018	<u>Added and Revised</u> authoritative reference materials.	A-1
June 2018	<u>Added</u> subheading Required Supplementary Information under the subheading Other Matters.	A-3

<b>Revision Date</b>	<b>Revision Description</b>	<b>Revised Page</b>
June 2018	<u>Revised</u> wording on the Other Information section in the illustrative Independent Auditor's Report.	A-3
June 2018	<u>Added</u> "and each major fund" to the auditor's report on internal control, first paragraph.	A-4
May 2019	<u>Updated</u> Standards and Procedures revision date.	Cover
May 2019	<u>Updated</u> the month and year revision date under the heading Purpose of the Audit Guide.	1
May 2019	<u>Revised</u> the name of the Commission from "state commission" to "California Children and Families Commission" in the Audit Report Due Date section.	1
May 2019	<u>Updated</u> the fiscal year-end under the heading Electronic Report File Naming Convention and Format.	2
May 2019	<u>Revised</u> Illustrative Auditor's Reports to correct grammar and clarify language.	A-3, A-4, and A-6
June 2020	<u>Updated</u> Standards and Procedures revision date.	Cover
June 2020	<u>Updated</u> the month and year revision date under the heading Purpose of the Audit Guide.	1
June 2020	<u>Added</u> disclosure regarding illustrative reports based on the 2018 Yellow Book.	1
June 2020	<u>Updated</u> the fiscal year-end under the heading Electronic Report File Naming Convention and Format.	2
June 2020	<u>Updated</u> the Generally Accepted Government Auditing Standards paragraphs in the guidance section for County Auditor-Controller's Offices regarding auditor independence reflecting the 2018 Yellow Book revisions (paragraphs 3.17 through 3.117 and 3.52 through 3.55).	A-1