



JOHN CHIANG
Controller of the State of California

July 16, 2009

To: Local Governments, Special Districts, Redevelopment Agencies, and Certified Public Accountants Performing Audits of Local Governments, Special Districts, and Redevelopment Agencies

Re: Annual Audits for Fiscal Year 2008-09

This advisory provides information to assist independent auditors in planning and preparing for the fiscal year 2008-09 audits of local governments, special districts, and redevelopment agencies.

The American Recovery and Reinvestment Act (Recovery Act) was signed into law by the President on February 17, 2009. The Recovery Act provides substantial new funding for local governments, special districts, and redevelopment agencies either through State of California agencies or directly from the federal government. Funding may augment programs already in place or implement new programs.

It is expected that limitations on the use of Recovery Act funding will be in place and that reporting requirements, in some instances related to information on the benefits of this investment, will be required. Information about limitations and reporting can be found on the following web sites:

www.Recovery.gov: The federal site for information about all programs affected by the Recovery Act.

www.Recovery.ca.gov: The site for information about all programs in California affected by the Recovery Act.

Currently there is not sufficient detail to determine the specific procedures that independent auditors of local governments, special districts, and redevelopment agencies should employ. The State Controller's Office will release more information as that information becomes available. In the meantime, independent auditors should be aware that the Recovery Act will impact federal program testing and that auditors may have to use multiple sources to determine compliance requirements.

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Guidance related to federal program testing can be found at OMB A-133 Single Audit Compliance Supplement: www.whitehouse.gov//omb/circulars_a133_compliance_09toc/.

This audit guide advisory is available on the Internet, <http://www.sco.ca.gov/Files-AUD/SingleAud/localgovernmentadvisoryfy0809recoveryact.pdf>.

Should you have any questions or need additional information, please contact Casandra Moore-Hudnall, Chief, Financial Audits Bureau, Division of Audits, at (916) 322-4846.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, Chief
Division of Audits

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