

First 5 California (Children and Families) Program
Expanded Audit Guide

Frequently Asked Questions

Topic Area	Question	SCO Response	Statute/Citation/Authority
<p>Implementation timeframe for AB 2932</p>	<p>Will the modified Standards and Procedures apply to the entire FY 2006-07, or will there be a different set of rules for the first half and the second half of the fiscal year?</p>	<p>AB 2932 clarified existing language by specifying which Government Code and Public Contract Code sections should be followed. Since the law went into effect January 1, 2007, we expect some indication of action towards compliance. For example, the commission may currently be in the process of reviewing its conflict of interest, contract, and procurement policies to ensure compliance with AB 2932. This review would indicate that the commission is working towards compliance with state law.</p> <p>However, we expect full compliance with AB 2932 in FY 2007-08.</p>	<p>Conflict of Interest:</p> <ul style="list-style-type: none"> • 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) <p>Contracting and Procurement:</p> <ul style="list-style-type: none"> • Government Code, article 7, section, 54201 Purchases of Supplies & Equipment by Local Agencies • Public Contract Code, chapter 2, section 2000 (Responsive Bidders) • Public Contract Code, chapter 3, article 5, section 3410 (Preference For Nationally 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)

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Finding	What constitutes a “finding?” Statute is not clear; can this be clarified further?	“Finding” is a term that your auditors should be familiar with. In general, it is an instance where the existing situation or activity does not comply with applicable regulations and/or requirements.	General Accounting Office’s (GAO) <i>Government Audit Standards (2003 Revision)</i>
Finding	Will you differentiate between a finding that has been corrected and one that has not? Specifically, is an error that has self-corrected during the normal course of business a finding?	In general, an error that has self-corrected during the normal course of business is <i>not</i> a finding; it is evidence that there are controls place that are working. A finding detected during the course of the audit that has not been corrected would be a finding. The auditor has the final determination of what is reportable. We may report a systemic issue if there are repeated self-correcting errors in the same sample because, despite detection, this is indicator of a systemic issue needing attention.	N/A
Materiality	Please clarify the materiality standard regarding potential findings?	There is no materiality standard for <i>compliance</i> findings. If the regulation or requirement is not followed, a finding should be reported.	N/A
Management Representation Letter	One of the audit procedures requires the auditor to obtain a management representation letter that describes how a commission is complying with the components of the ordinance that established the commission.	Your current auditors should already be obtaining a management representation letter from the commissions as part of the annual financial audit. That letter would now include a section describing how the commission is complying with the each component of the ordinance.	N/A
Management Representation Letter	Will auditors expect this (management) letter in a particular format?	The key issue with any management representation letter is the <i>content</i> , not the format.	N/A

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Management Representation Letter	Are there models for this type of letter?	<p>Yes.</p> <p>For management representation letters, Statement on Auditing Standards Nos. 85, 89, and 99 (Codification reference AU§333).</p> <p>For legal representation letters, Statement on Auditing Standards No. 12 (Codification reference AU§337)</p>	N/A
General	Do you feel you will need to revise the audit guidelines or will references to “applicable state law” simply refer to the statutes specified in AB 2932?	<p>The guide has been revised to include the code sections specified in AB 2932. The revised version of the expanded Audit Guide is posted on the SCO Web site at http://www.sco.ca.gov/aud/manuals/ccfp_audit_guide.pdf</p>	N/A
General	Is there an e-mail address at the SCO for First 5 California questions & correspondence?	<p>Yes. The SCO has set up an MS Outlook mailbox exclusively for the First 5 California program. The address is: First5Audits@sco.ca.gov.</p>	N/A

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Reporting	How did you determine the number of audit procedures in Appendix A, Independent Auditor's Report on State Compliance?	<p>Using Contracting and Procurement as an example, page A-6 indicates that there are a total of 6 procedures. This was calculated as follows, using the procedures on page 3 of the Audit Guide:</p> <p style="margin-left: 40px;"> Procedure #1 = 1 procedure Procedure #2 = 1 procedure Procedure #3 = 1 procedure Procedure #4a = 1 procedure Procedure #4b = 1 procedure Procedure #4c = <u>1 procedure</u> Total = 6 procedures </p> <p>Item 5 under Contracting and Procurement is not counted as a procedure because it is guidance for the auditor in the event there is noncompliance with any or all of the 6 procedures.</p> <p>Applying this methodology to the County Ordinance section of the Audit Guide issued in July 2007, you will find that page A-5 of that Audit Guide is incorrect. There are 4 County Ordinance procedures <i>not 10</i> as stated. A revision to the Audit Guide is posted to the SCO Web site at http://www.sco.ca.gov/aud/manuals/ccfp_audit_guide.pdf.</p>	N / A