

AUDIT MEMO

SUBJECT: Single Audit Activities and Requirements	NUMBER: 25-03
REFERENCES: California Single Audit Report for Fiscal Year 2024-25 The Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards State Administrative Manual sections 7974 through 7974.1	DATE ISSUED: August 22, 2025

TO: Agency Secretaries
State Entity Directors
State Entity Budget and Accounting Officers
State Entity Audit Directors

FROM: California Department of Finance

DISTRIBUTE TO APPROPRIATE STAFF WITHIN YOUR STATE ENTITY

I. PURPOSE

This Audit Memo informs state entities of the Single Audit process and requirements.

II. BACKGROUND

Annually, the California State Auditor (State Auditor) conducts the State of California Single Audit. The Single Audit encompasses an audit of California's financial statements, including the Schedule of Expenditures of Federal Awards, consideration of internal controls and compliance applicable to financial reporting, and an audit of compliance with federal and state laws and regulations at the state entity level and at the major federal program level.

The State Auditor contracts with an external auditor (External Auditor) to assist in conducting the federal compliance portion of the state's annual audit. State entities participating in the statewide Single Audit may be audited by the External Auditor regardless of whether the entity individually expended less than the threshold requiring a Single Audit¹ because the State of California is considered a single entity under the Single Audit Act. As such, the External Auditor may select a sample of individual state entities within the State of California for audit. The External Auditor is currently CliftonLarsonAllen, LLP (CLA).

Finance provides statewide oversight and direction to fulfill the state's responsibilities in accordance with the Single Audit Act, and monitors the corrective actions taken by the state entities specifically related to programs that expended federal funds.

¹ Effective October 1, 2024, a non-federal entity expending \$1,000,000 or more in federal awards during the fiscal year must have a Single Audit pursuant to [2 CFR 200.501](#). Prior to October 1, 2024, a non-federal entity expending \$750,000 or more in federal awards was required to have a Single Audit.

III. SUBMISSION REQUIREMENTS

State entities that expended federal funds are required to report expenditure data, information pertaining to donated personal protective equipment, and the status of corrective actions for prior Single Audit findings, and submit management representation letters to Finance. Respective due dates are established by the State Auditor and External Auditor based upon the progress of the audit and will be separately communicated by Finance upon notification. The following provides a description of each significant activity and actions to be taken by the state entities.

Expenditure Reporting

State entities that expended federal funds during fiscal year 2024-25 are required to report expenditure data in compliance with the Office of Management and Budget's (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and Finance's reporting requirements.

State entities are also required to report federal funds expended during 2024-25 in response to the 2019 Novel Coronavirus (COVID-19) pandemic. The federal expenditures related to COVID-19 for all the following acts addressing the economic and health impacts due to the COVID-19 pandemic in the United States are required to be reported:

- Coronavirus Preparedness and Response Supplemental Appropriations Act
- Families First Coronavirus Response Act
- Coronavirus Aid, Relief, and Economic Security Act
- Paycheck Protection Program and Health Care Enhancement Act
- Coronavirus Response and Relief Supplemental Appropriations Act
- America Rescue Plan Act

State entities that did not expend federal awards during 2024-25 are required to certify that federal funds were not expended. Entities must report their information through the Single Audit Expenditure Reporting Database (Database). A link to the Database can be located on [Finance's Single Audit website](#).

State entities reporting federal awards in the Database are required to perform the following actions:

1. Review [The California Single Audit - Reporting Entity Responsibilities](#) training located on Finance's Single Audit website.
2. Maintain written policies and procedures for the following:
 - a. Preparation of the Report of Expenditures of Federal Funds, Report 13.
 - b. Reporting of federal expenditures to the Database.

Policies and procedures may be subject to review by Finance.

3. Ensure the accuracy and completeness of expenditure data. All expenditure data provided to Finance must agree with amounts provided to the State Auditor and the External Auditor. If there are any changes after reporting expenditure data to the Database, please immediately notify Finance's Single Audit hotline at OSAESingleAudit@dof.ca.gov.
4. Report expenditures directly awarded by the federal government on a cash basis. Cash basis expenditures are defined as expenditures incurred and disbursed as of June 30. Cash basis expenditures do not include accruals of valid

obligations, accrual reversals, or encumbrances as of June 30. This accounting treatment differs from the general-purpose financial reports submitted to the State Controller's Office. Refer to SAM section 7974.1 for guidance and direct questions to the Single Audit hotline. Expenditure reports are due annually to Finance by established deadlines, which will be communicated at a later date to all state entities.

5. For loan or loan guarantee programs, identify the beginning balance of outstanding loans from the previous year, the value of new loans made or received, any interest subsidy, cash, or administrative cost allowance received, and loan balances outstanding at the end of 2024-25.
6. Disclose whether the de minimis indirect cost rate is used for indirect costs.²

Donated Personal Protective Equipment

Due to the COVID-19 pandemic, federal agencies and recipients donated personal protective equipment (PPE) purchased with federal assistance funds to many non-federal entities, including the State of California. For Single Audit reporting purposes, the State of California is required to disclose the fair market value of PPE received at the time of receipt per [OMB's 2024 Compliance Supplement](#). The fair market value of donated PPE should be reported in the Single Audit Database, as applicable.

Corrective Action Plans

State entities must take timely action to address and mitigate Single Audit findings. State entities will be required to report the status of prior audit findings for the years ended June 30, 2022 and June 30, 2023 to be included in the Single Audit Report for the year ended June 30, 2024, which is in process by the External Auditor. State entities must be aware that upon completion of the Single Audit for the year ended June 30, 2025, state entities will again be required to report on the status of prior audit findings for the two preceding fiscal years. Uncorrected findings related to federal funds may result in the delay or loss of federal funding for the related programs.

To address Single Audit findings related to federal funds, the following actions are required:

1. Develop and maintain policies and procedures to regularly review prior Single Audit findings. Policies and procedures may be subject to review by Finance.
2. Develop, implement, and monitor the corrective action plans for Single Audit findings.
 - a. State entities with an internal audit unit are required by the *International Standards for the Professional Practice of Internal Auditing* (prior to January 9, 2025) and the *Global Internal Audit Standards* (after January 9, 2025) to review and determine if appropriate action has been taken to eliminate or mitigate findings. The Omnibus Audit Accountability Act of 2006 also outlines internal auditing standards and processes.

² Effective October 1, 2024, recipients and subrecipients that do not have a current federally negotiated indirect cost rate, including provisional rate, may elect to charge a de minimis indirect cost rate of up to 15 percent according to [2 CFR 200.414](#). The de minimis indirect cost rate prior to October 1, 2024 was 10 percent.

3. Adhere to the State Administrative Manual (SAM) sections 7974 through 7974.1, relevant Finance bulletins and memos issued during the year, and Finance's guidance and reporting requirements located on [Finance's Single Audit website](#).
4. Respond timely to all requests from Finance throughout the year, as critical reporting deadlines are established by the federal cognizant agencies and federal regulations. It is mandatory that the status of corrective actions be submitted to Finance by the communicated deadlines.

Finance will monitor state entities' progress regarding the corrective actions taken until Single Audit findings are fully corrected. Finance may also consult with state entities to identify effective audit resolutions that will assist in strengthening state entities' internal controls, compliance, and administration of federal awards.

Management Representation Letters

As part of its annual audit, the State Auditor and the External Auditor request Finance to make certain representations regarding the financial operations of state entities. To allow the Finance Director to submit a single statewide management representation letter (MRL), state entities are required to submit an MRL for their operations. Individual state entity MRLs provide the basis for the statewide MRL. Finance will communicate the MRL submission due date upon notification by the State Auditor and the External Auditor. Submission of the MRL requires the following actions³:

1. Certify the MRL directly into the Database. This will serve as your official electronic acknowledgement.
2. The MRL must be signed by two authorized signatories and must include the state entity Director or designee.

IV. FINANCE CONTACT INFORMATION

Communications will be disseminated through the [Single Audit Distribution List](#) and users established in the Database. Finance may contact subscribers and Database users to verify contact information and other relevant information for the upcoming Single Audit cycle.

If you have any questions or need additional information, visit [Finance's Single Audit website](#) or contact the Finance Single Audit hotline at OSAESingleAudit@dof.ca.gov.

/s/ Cheryl L. McCormick

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³ Finance is enhancing the Database, which may change the MRL submission process. Instructions will be provided once the enhancements are implemented.