

AUDIT MEMO

SUBJECT: Financial Integrity and State Manager's Accountability Act Reporting Requirements	NO.: 07-02
REFERENCES: State Administrative Manual Section 20000 et seq. Government Code 13400 through 13407	DATE ISSUED: November 2006 Supersedes Audit Memos 01-02, 04-01 & 05-01

PURPOSE: This memo reminds agencies about the reporting requirements of the Financial Integrity and State Manager's Accountability Act (FISMA) and highlights some of the recent changes to Government Code 13405 and 13406.

BACKGROUND: Government Codes 13400 through 13407, known as the Financial Integrity and State Manager's Accountability Act of 1983 (FISMA), was enacted to reduce the waste of resources and strengthen accounting and administrative control. FISMA requires each state agency to maintain effective systems of internal accounting and administrative control, to evaluate the effectiveness of these controls on an ongoing basis, and to biennially review and prepare a report on the adequacy of the agency's systems of internal accounting and administrative control.

GOVERNMENT CODE CHANGES: To allow departments increased flexibility and to clarify the FISMA requirements, Government Codes 13405 and 13406 have been revised effective this reporting period as follows:

Review Requirement and Reporting Deadline: 13405 (a) Each state agency shall conduct an internal control review and prepare a report on the adequacy of their agency's systems of internal accounting and administrative control on a biennial basis but no later than December 31 of each odd-numbered year, in accordance with the guide prepared by the Director of the Department of Finance. *Each agency now must conduct an internal review of their controls and prepare a report. A certification letter alone will not meet the FISMA requirements. The new reporting deadline allows departments increased flexibility to schedule their internal control review and prepare a report any time during a two-year period.*

Report Distribution: 13405 (b) *This remains unchanged.* Copies of the report, including the state agency's response to the review's recommendations, shall be distributed to the Director of the Department of Finance, the Legislature, the State Auditor, the Governor, and to the State Library.

Report Content: 13405 (c) The report shall identify any material inadequacy or material weakness in an agency's systems of internal accounting and administrative control that prevents the head of the agency from stating that the agency's systems comply with the FISMA. *This reinforces the requirement that agencies submit a report on the adequacy of their systems of internal accounting and administrative control.*

Follow up: 13405 (c) No later than 30 days after the report is submitted, the agency shall provide to the Director of the Department of Finance, a plan and schedule for correcting the identified inadequacies and weaknesses, which shall be updated every six months until all corrections are completed. *This action plan to correct identified weaknesses is a new FISMA requirement. The Department of Finance, Office of State Audits and Evaluations (OSAE), will follow up to ensure agencies comply with this new requirement. Please use the reporting matrix available on the website at <http://www.dof.ca.gov/FISA/OSAE/OSAEHOME.htm>.*

General Framework: 13405 (d) The Director of the Department of Finance, in consultation with the State Auditor and the Controller, shall establish, and may modify from time to time as necessary, a system of reporting and a general framework to guide state agencies in conducting internal reviews of their systems of internal accounting and administrative control. *Pursuant to 13405 (a), the biennial review of the systems of control is to be performed using the guidance provided by the Department of Finance. The updated (2006 Edition) review guide and new certification letter can be obtained from the OSAE or electronically at the OSAE website at <http://www.dof.ca.gov/FISA/OSAE/OSAEHOME.htm>. As authorized by this section, and in consultation with the State Auditor and the Controller, the OSAE will soon be soliciting internal audit units for their ideas and assistance in making additional revisions the internal control review guide.*

Conforming Changes: 13406 Technical changes were made to ensure this section conforms to changes in 13405.

If you have any questions regarding the above changes, contact Janet I. Rosman, Assistant Chief, at (916) 322-2985, Extension 3103.

Original Signed By:

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