

**COUNTY OF HUMBOLDT
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2013**

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COUNTY OF HUMBOLDT

Single Audit Report
For the Year Ended June 30, 2013

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**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**

Board of Supervisors
County of Humboldt
Eureka, California

We have audited 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Humboldt (County) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 11, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (2013-001, 2013-002, 2013-003, and 2013-004).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Supervisors
County of Humboldt
Eureka, California

County's Response to Findings

The County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result of that testing, and not to provide an opinion on the effectiveness of the County'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gallina LLP".

Roseville, California
March 11, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

Board of Supervisors
County of Humboldt
Eureka, California

Report on Compliance for Each Major Federal Program

We have audited the County of Humboldt's (County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2013. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County'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 for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended June 30, 2013, and have issued our report thereon dated March 11, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Roseville, California
March 11, 2014

COUNTY OF HUMBOLDT

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through State Department of Economic Development USDA Rural Business Enterprise Grant	10.001	--	\$ 21,434
Passed through State Department of Food and Agriculture: Plant and Animal Disease, Pest Control, and Animal Care			
Phytophthora Ramorum	10.025	09-8523-0572-CA	17,372
Asian Defoliating Moth Trapping	10.025	10-8523-0689-CA	7,797
Enhanced Exotic Pest Survey	10.025	10-8520-1164-CA	5,390
Pierce's Disease Control Program	10.025	09-8500-0484-CA	13,342
Subtotal CFDA Number 10.025			<u>43,901</u>
Passed through State Department of Education:			
National School Lunch Program	10.555	--	<u>58,081</u>
Passed through State Department of Public Health:			
Infants, and Children	10.557	08-85426	<u>893,821</u>
Passed through State Department of Public Works			
FLASH USDA Clearinghouse Grant	10.664	12USFS-SFA0074	<u>160,846</u>
Passed through State Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	--	<u>5,559,159</u>
Total U.S. Department of Agriculture			\$ <u>6,737,242</u>
<u>U.S. Department of Commerce - (NOAA)</u>			
Direct Program:			
NOAA Programs for Disaster Relief Appropriations Act - Non-construction and Construction	11.483	P111034	<u>42,053</u>
U.S. Department of Commerce - NOAA			\$ <u>42,053</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through the State Department of Housing and Community Development:			
Community Development Block Grants/Entitlement Grants - Outstanding Loan Balance	14.218	--	<u>2,509,802</u>
Supportive Housing Program	14.235	--	<u>31,978</u>
HOME Investment Partnerships Program - Outstanding Loan Balance	14.239	--	<u>14,266,924</u>

See accompanying Notes to Schedule of Expenditure of Federal Awards.

COUNTY OF HUMBOLDT

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Housing and Urban Development</u> (continued)			
Passed through the State Department of Housing and Community Development (continued):			
HOPWA	14.241	10-10132	\$ 2,932
Total U.S. Department of Housing and Urban Development			<u>\$ 16,811,636</u>
<u>U.S. Department of Justice</u>			
Direct Programs:			
Improving the Investigation and Prosecution of Child Abuse	16.758	2-EURE-CA-SA12	5,025
Improving the Investigation and Prosecution of Child Abuse	16.758	2-EURE-CA-SA13	4,330
Subtotal CFDA Number 16.758			<u>9,355</u>
Passed through California Emergency Management Agency:			
Victim Witness Assistance Program	16.575	VW12030120	73,607
Victim Witness Assistance Program	16.575	UV12030120	83,496
Victim Witness Assistance Program	16.575	UV11020120	41,331
Subtotal CFDA Number 16.575			<u>198,434</u>
Edward Byrne Memorial Formula Grant Program			
Domestic Cannabis Eradication/Suppression	16.579	2012-20/2013-22	171,623
DEA Task Force	16.579	--	15,832
Edward Byrne Memorial Justice Assistance Grant Program - Marijuana Suppression Grant	16.738	2012-DJ-BX-0053	16,645
Edward Byrne Memorial Justice Assistance Grant Program - Anti-Drug Abuse Grant	16.738	ZP09010120	17,371
Subtotal Pass-Through			<u>221,471</u>
Passed through the Board of State and Community Corrections:			
Juvenile Justice and Delinquency Prevention			
Allocation to States	16.540	CSA 358-11	102,500
Juvenile Justice and Delinquency Prevention			
Allocation to States	16.540	CSA 205-11	103,070
Subtotal CFDA Number 16.540			<u>205,570</u>
Anti-Drug Abuse Enforcement Program	16.738	BSCC 649-12	22,327
Marijuana Suppression Grant	16.738	BSCC 672-12	128,019
Subtotal			<u>150,346</u>
Total U.S. Department of Justice			<u>\$ 785,176</u>
<u>U.S. Department of Labor</u>			
Passed through State Employment Development Department:			
WIA Title I Adult Formula	17.258	K282474-202	16,090
WIA Title I Adult Formula	17.258	K386296-201	31,136
WIA Title I Adult Formula	17.258	K386296-202	376,947
WIA Career Technical Education	17.259	K178659-480	283,481
WIA Title I Youth Formula	17.259	K282474-301	230,012
WIA Title I Youth Formula	17.259	K386296-301	264,934

See accompanying Notes to Schedule of Expenditure of Federal Awards.

COUNTY OF HUMBOLDT

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Labor</u> (continued)			
Passed through State Employment Development Department (continued):			
Title I Dislocated Worker	17.260	K282474-502	\$ 110,623
Title I Rapid Response	17.260	K282474-541	8,790
Title I Dislocated Worker	17.278	K386296-499	26,319
Title I Dislocated Worker	17.278	K386296-500	79,124
Title I Dislocated Worker	17.278	K386296-501	26,320
Title I Dislocated Worker	17.278	K386296-502	107,153
WIA Title I Adult Formula	17.278	K386296-505	3,229
Title I Rapid Response	17.278	K386296-540	30,164
Title I Rapid Response	17.278	K386296-541	75,848
Subtotal WIA Cluster			<u>1,670,170</u>
 Total U.S. Department of Labor			 <u>\$ 1,670,170</u>
<u>U.S. Department of Transportation</u>			
Direct Program:			
Airport Improvement Program	20.106	--	<u>324,251</u>
Passed through State Department of Transportation:			
Highway Bridge Replacement and Rehabilitation	20.205	--	3,806,450
Emergency Relief	20.205	--	777,153
Safe Routes to School	20.205	--	77,367
Transportation Enhancement	20.205	--	93,286
Healthy Rural Roads	20.205	--	53,349
Ferry Boat Discretionary	20.205	--	25,852
Subtotal CFDA Number 20.205			<u>4,833,457</u>
Passed through State Office of Traffic Safety:			
State and Community Highway Safety	20.600	AL1136	<u>28,410</u>
 Total U.S. Department of Transportation			 <u>\$ 5,186,118</u>
<u>U.S. Environmental Protection Agency</u>			
Direct Programs:			
EPA Brownfield Revolving Loan Fund	66.818	BF-96986701-0	47,051
EPA Brownfield Assessment Grant	66.818	BF-96931601-0	145,355
Subtotal CFDA Number 66.818			<u>192,406</u>
Passed through Air Pollution Control Officers Association:			
Public Beach Safety Grant Program	66.472	12-026-250	15,540
Local Oversight Program	66.805	12-003-250	331,415
Subtotal Pass-Through			<u>346,955</u>
 Total U.S. Environmental Protection Agency			 <u>\$ 539,361</u>

See accompanying Notes to Schedule of Expenditure of Federal Awards.

COUNTY OF HUMBOLDT

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Health and Human Services</u>			
Passed through State Department of Alcohol & Drug Programs:			
Block Grants for Prevention & Treatment of Substance Abuse	93.959	--	\$ <u>1,073,609</u>
Passed through the State Department of Mental Health:			
Projects for Assistance in Transition from Homelessness	93.150	--	47,575
Block Grants for Community Mental Health Services			
Substance Abuse and Mental Health Services Administration	93.958	--	<u>473,714</u>
Subtotal Pass-Through			<u>521,289</u>
Passed through the State Department of Health Care Services:			
Medical Assistance Program - Administration	93.778	--	6,781,800
CA 4 HEALTH	93.991	1017764	316,918
Preventive Health and Health Services Block Grant	93.991	11-10207	138,344
Preventive Health and Health Services Block Grant	93.991	12-10161	141,311
Maternal and Child Health Services Block Grant to States	93.994	201212	659,284
Maternal and Child Health Services Block Grant to States	93.994	--	118,610
Maternal and Child Health Services Block Grant to States	93.994	--	101,259
Maternal and Child Health Services Block Grant to States	93.994	Title V Funds	86,484
Maternal and Child Health Services Block Grant to States	93.994	Title XIX Funds	104,860
Maternal and Child Health Services Block Grant to States	93.994	--	180,155
Maternal and Child Health Services Block Grant to States	93.994	--	<u>462,292</u>
Subtotal Pass-Through			<u>9,091,317</u>
Passed through State Department of Public Health:			
Public Health Emergency Preparedness	93.069	--	396,630
Pandemic Flu	93.069	--	<u>64,654</u>
Subtotal CFDA Number 93.069			<u>461,284</u>
Guardianship Assistance	93.090	--	732
System of Care Expansion Planning Team	93.104	--	284,288
System of Care Expansion Implementation Cooperative	93.104	--	162,057
Tuberculosis Control Programs	93.116	--	12,344
Drug Free Communities	93.276	10SP17142A	114,416
Hospital Preparedness Program	93.899	--	104,364
HIV Care Formula Grants	93.917	10-95259	<u>121,918</u>
Subtotal			<u>800,119</u>
Subtotal Pass-Through			<u>1,261,403</u>
Passed through State Department of Social Services:			
Temporary Assistance for Needy Families	93.558	--	12,229,189
Temporary Assistance for Needy Families	93.558	--	<u>440,009</u>
Subtotal CFDA Number 93.558			<u>12,669,198</u>
Foster Care - Title IV-E	93.658	--	4,379,091
ARRA - Foster Care - Title IV-E	93.658	--	<u>963,411</u>
Subtotal CFDA Number 93.658			<u>5,342,502</u>

See accompanying Notes to Schedule of Expenditure of Federal Awards.

COUNTY OF HUMBOLDT

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Health and Human Services (continued)</u>			
Passed through State Department of Social Services (continued):			
Adoption Assistance	93.659	--	\$ 2,770,778
Adoption Assistance	93.659	--	693,020
Subtotal CFDA Number 93.659			<u>3,463,798</u>
Promoting Safe and Stable Families	93.556	--	88,380
Child Welfare Services - State Grants	93.645	--	121,857
Child Welfare Research Training or Demonstration	93.648	--	454,176
Social Services Block Grant	93.667	--	301,161
Chafee Foster Care Independence Program	93.674	--	94,620
Subtotal			<u>1,060,194</u>
Subtotal Pass-Through			<u>22,535,692</u>
Passed through State Department of Child Support Services:			
Child Support Enforcement	93.563	--	4,260,014
Total U.S. Department of Health and Human Services			<u>\$ 38,743,324</u>
<u>U.S. Department of Homeland Security</u>			
Passed through State Office of Homeland Security:			
Public Assistance Grant	97.001	FEMA-1628-CA & 2011 CTP	79,793
Transportation Security Administration	97.001	HSTS0213HSLR077	210,981
Subtotal CFDA Number 97.001			<u>290,774</u>
Passed through California Emergency Management Agency:			
Emergency Management Performance Grant	97.042	2011-0048	150,121
Pre-Disaster Mitigation	97.047	Cal EMA 2-101	64,686
Homeland Security Grant Program	97.067	2010-0085;	239,089
Subtotal Pass-Through			<u>453,896</u>
Total U.S. Department of Homeland Security			<u>\$ 744,670</u>
Total Expenditures of Federal Awards			<u>\$ 71,259,750</u>

See accompanying Notes to Schedule of Expenditure of Federal Awards.

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COUNTY OF HUMBOLDT

Notes to Schedule of Federal Awards
For the Year Ended June 30, 2013

NOTE 1: REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the County of Humboldt. The County of Humboldt's reporting entity is defined in Note 1 to the County's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the County and is presented based on Generally Accepted Accounting Principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 3: RELATIONSHIP TO FINANCIAL STATEMENTS

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the County's financial statements. Federal award revenues are reported principally in the County's financial statements as intergovernmental revenues in the General and Special Revenue funds and grant revenue in the Enterprise funds.

NOTE 4: SUBRECIPIENTS

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the County of Humboldt provided federal awards to subrecipients as follows:

Federal CFDA	Program Title	Amount Provided to Subrecipient
14.253	Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	\$ 455,744
17.000	Workforce Investment Act Cluster	1,408,901
93.991	Preventive Health and Health Services Block Grant	64,652
93.944	Maternal and Child Health Services Block Grants to States	<u>292,996</u>
		<u>\$ 2,222,293</u>

COUNTY OF HUMBOLDT

Notes to Schedule of Federal Awards
For the Year Ended June 30, 2013

NOTE 5: PROGRAM CLUSTERS

Federal programs, which must be audited together as a program cluster, include the following:

Federal CFDA	Program Title	Amount Provided to Subrecipient
17.258	WIA Title I Adult Formula	\$ 16,090
17.258	WIA Title I Adult Formula	31,136
17.258	WIA Title I Adult Formula	376,947
17.259	WIA Career Technical Education	283,481
17.259	WIA Title I Youth Formula	230,012
17.259	WIA Title I Youth Formula	264,934
17.260	Title I Dislocated Worker	110,623
17.260	Title I Rapid Response	8,790
17.278	Title I Dislocated Worker	26,319
17.278	Title I Dislocated Worker	79,124
17.278	Title I Dislocated Worker	26,320
17.278	Title I Dislocated Worker	107,153
17.278	WIA Title I Adult Formula	3,229
17.278	Title I Rapid Response	30,164
17.278	Title I Rapid Response	75,848
	Total	<u>\$ 1,670,170</u>

NOTE 6: PASS-THROUGH ENTITIES' IDENTIFYING NUMBER

When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the County either determined that no identifying number is assigned for the program or was simply unable to obtain an identifying number from the pass-through entity.

NOTE 7: LOANS WITH CONTINUING COMPLIANCE REQUIREMENT

Outstanding federally-funded program loans, with a continuing compliance requirement, carried balances as of June 30, 2013 as follows:

Federal CFDA #	Program Title	Outstanding Loans	Prior Year Loans with Continuing Compliance Requirements	New Loans
14.218	Community Development Block Grants/Entitlement Grants	\$ 2,145,170	\$ 2,509,802	\$ --
14.239	HOME Investment Partnerships Program	14,241,924	14,266,924	82,138

COUNTY OF HUMBOLDT

Notes to Schedule of Federal Awards
For the Year Ended June 30, 2013

NOTE 8: TOTAL FEDERAL AWARDS EXPENDED BY CFDA NUMBER

When there is more than one program under a single CFDA number, the Schedule of Expenditures of Federal Awards totals all programs under the one CFDA number. Occasionally, however, this total could not be conveniently displayed because all programs under one CFDA number were not contiguous. When this occurred, this total is not shown in the Schedule, but instead is provided below:

<u>CFDA No.</u>	<u>Total Federal Expenditures</u>
16.579	\$ 187,455
16.738	184,362
17.258	424,173
17.259	778,427
17.260	119,413
17.278	348,157
93.104	446,345
93.991	596,573
93.994	1,712,944

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COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section 1

Financial Statements

Summary of Auditor's Results

- | | |
|--|---------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal controls over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Reported |
| 2. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)? | No |

4. Identification of major programs:

CFDA Number

Name of Federal Program

10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
14.218	Community Development Block Grants/ Entitlement Grants
14.239	HOME Investment Partnerships Program
93.558	Temporary Assistance for Needy Families
93.658	Foster Care – Title IV-E

- | | |
|---|--------------|
| 5. Dollar Threshold used to distinguish between Type A and Type B programs? | \$ 2,137,792 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | No |

COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section 2

Financial Statement Findings

Accounting for Outstanding Warrants and Related Cash	2013-001
Year-End Closing and Procedures	2013-002
Reconciliation of General Ledger Accounts	2013-003
Review and Approval of Journal Entries	2013-004

Section 3

Federal Award Findings and Questioned Costs

None Reported

COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs Financial Statement Findings For the Year Ended June 30, 2013

Finding 2013-001 Accounting for Outstanding Warrants and Related Cash

Criteria

Year-end reconciliation and adjustments to checks payable and related activity will ensure meaningful and accurate financial statements and reports that can be used to help in the management decision-making process.

Condition

During the audit, we identified \$2 million in checks payable recorded on the General Ledger for school-related funds that did not agree to the report maintained by the corresponding Fund departments. This issue dates back to 2002. The County uses a checks payable account to track checks issued but not cashed. Cash net of checks payable should reflect available cash. Periodic reconciliation of the checks payable account is necessary to ensure meaningful and accurate financial statements.

Cause

The County likely reported the wrong balances for checks payable, because it relies on information from schools to update and clear outstanding checks and the information may not be received in a timely manner.

Effect of Condition

The County overstated the checks payable balances in the general ledger and as a result understated total cash.

Recommendation

We recommend the County communicate with the school funds at year-end to obtain accurate schedule and reconcile the accounts for General Ledger.

Management Response

We have proposed the possibility of opening a read-only link between one of the Auditor-Controller's work stations and the Office of Education financial system in order to improve fund reconciliation. Verbal and email communication between the County and Schools is actually quite good – the more significant limitation is that there aren't enough accountants in the Auditor-Controller's office to reconcile these funds. There are at present 545 school trust funds in the County's general ledger, any of which could be subject to errors or inaccuracies. Fundamental incompatibilities exist between the Schools' data processing system and the County's, and when those system incompatibilities give rise to inaccurate balances an accountant in the Auditor-Controller's office has to resolve those issues. We have one accountant who works on reconciliation of school funds at the close of the year, and that responsibility is only a small part of her overall portfolio of duties. Total assurance of accuracy is not achievable under these circumstances. The read-only access mentioned above could help with reconciliation if it is instituted, but that would still leave the problem of too few accountants to review the funds. These sorts of control issues will likely persist until the County finds the resources to allocate appropriate staffing levels to the maintenance of fiscal control.

COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs Financial Statement Findings For the Year Ended June 30, 2013

Finding 2013-002 Year-End Closing and Procedures

Criteria

Year-end reconciliations and adjustments for activity type allocation will ensure meaningful and accurate financial statements and reports that can be used to help in the management decision-making process.

Condition

During the audit, we noted that the County numerous accounts to reflect transfers-in and transfers-out as well as interfund activities without a proper reconciling schedule for these activities. Further, the capital assets reconciliation in the general ledger was made in one entry recording net of current year activity. The year-end reconciling journal entry that nets all these activities does not reflect allocation of those activities to corresponding accounts on the Income Statement. Additionally, the County does not currently record all of our year-end audit adjustments.

Cause

The County currently does not have a process in place to update and reconcile year-end schedules that would ensure accurate reporting.

Effect of Condition

The lack of a reconciliation process at year-end resulted in several significant audit adjustments to the County's accounting records at year-end, especially affecting income statement, interfund transactions and capital assets.

Recommendation

We recommend the adoption of a policy whereby year-end closing schedules are developed, year-end closing checklist is compiled, procedures are written, external staff familiar with processes is involved while overseen by the Auditor-Controller Office.

Management Response

These issues regarding inaccuracies in the closing process are persistent problems that arise from the decentralization of accounting controls in this organization. Checklists, schedules and procedures are all useful, and we are willing to issue those along with our standard closing memos, but unless there are an adequate number of qualified accountants to oversee these processes our results are unlikely to improve significantly. The Auditor-Controller does issue year-end closing memos describing the information to be gathered and reported, but the quality of information coming from outlying departments is contingent on the training and diligence of the departmental staff. If fiscal staff is not appropriately trained and motivated they won't be able to use the checklists and schedules correctly. If the Auditor-Controller had adequate staffing to oversee the closing processes at the departments the result would be better quality financial data and enhanced fiscal control. The likelihood of gaining additional accounting personnel to oversee the closing process is, at present, remote due to budgetary constraints. It may be possible to contract with outside expert accountants to assist with the annual close for short periods, and we will explore that possibility and associated costs.

COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs Financial Statement Findings For the Year Ended June 30, 2013

Finding 2013-003 Reconciliation of General Ledger Accounts

Criteria

Frequent reconciliations and adjustments will ensure meaningful and accurate financial statements and reports that can be used to help in the management decision-making process.

Condition

During the audit, we noted several significant account balances such as capital assets, loans receivable, interfund transfers and long-term liabilities that were not reconciled in the general ledger. While the County was able to produce reliable schedules to support its account balances, these balances were not reflected in the general ledger. Additionally, the County does not currently record all of our year-end audit adjustments.

Cause

The County currently does not have a process in place to update its general ledger to reflect its supporting schedules for certain account balances, including capital assets, interfund loans and transfers and compensated absences.

Effect of Condition

The lack of a reconciliation process at year-end resulted in several significant audit adjustments to the County's accounting records at year-end.

Recommendation

We recommend that reconciliations of significant accounts, including capital assets, loans receivable, interfund loans and transfers, and long-term liabilities be performed at least once a year prior to closing to ensure that the county's general ledger is accurate. Also, we recommend the County modify its chart of accounts to include identifiable accounts for significant account balances that should reconcile throughout the year such as interfund transfers and advances which are currently being recorded to various account numbers.

Management Response

We can modify our chart of accounts to more clearly identify interfund activity and eliminate misleading revenue/expenditure postings. This has been a focus of our accounting efforts in recent years.

We can also work more closely with our external auditors to implement a schedule of adjustments that will conform to our chart of accounts and bring our general ledger into agreement with the external auditor's records. Communications with the external auditor continue on this issue.

COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs
Financial Statement Findings
For the Year Ended June 30, 2013

Finding 2013-003

Reconciliation of General Ledger Accounts (continued)

Management Response (continued)

Reconciliation of accounts is a critical measure in providing a sound control environment. Reconciliation is a task performed by qualified accountants, and the few accountants we have in the Auditor-Controller's office are fully occupied by account reconciliation, among their other duties. However, given the size and complexity of this organization, not enough reconciliation is occurring. The standard remedy for this situation would be to hire more accounting staff, however, as noted earlier, that may not be practical given the budgetary constraints currently facing the County. An alternative would be to bring in an accounting contractor on a temporary basis at year-end to assist with closing reconciliations. There are reputable accountants with extensive governmental experience who take these sorts of temporary assignments and we shall explore the practicality of that option.

COUNTY OF HUMBOLDT

Schedule of Findings and Questioned Costs Financial Statement Findings For the Year Ended June 30, 2013

Finding 2013-004 Review and Approval of Journal Entries

Criteria

The County should establish and enforce policies and procedures to ensure that all adjustments made by departments are reviewed prior to posting to the general ledger.

Condition

During the audit, we noted that the County posted a duplicate \$2.56 million entry to a revenue account in the General Fund and an overstatement of Loans Receivable for a Community Development Block Grant (CDBG) loan. The transaction had overstated Other Revenue in the current year. As a result, we proposed and the County recorded an audit adjustment of the same amount to reverse the entry and to reflect accurate reporting.

Cause

The journal entry did not appear to be properly authorized prior to posting, and no one identified that there were no additions to the CDBG loans receivable during the fiscal year ended June 30, 2013.

Effect of Condition

Lack of proper review of journal entries could result in erroneous entries being posted to the County's general ledger resulting in inaccurate reporting.

Recommendation

We recommend the adoption of a policy whereby all journal entries will be approved by an accounting supervisor or other designated member of management in the Auditor-Controller's Office.

Management Response

The Auditor-Controller has reviewed the journal entry in question and it was prepared by one of our two Senior Accountants in this office, whose duties include reviewing journal entries coming in from departments. The report she used to draft the journal entry was in a newer format than in the past and she simply misread the information on it. The only higher levels of review above Senior Accountant would be the Auditor-Controller or Assistant Auditor-Controller and it would not be practical to have every journal go through our reviews also. In looking at that report, the Auditor-Controller is not confident he would necessarily have picked up the right number if he had prepared the journal.

2,955 journals were posted to the County's general ledger in 2012-13. These journals are written in large part by departmental fiscal staff, who vary in skills and experience. It is not uncommon for journals to be rejected upon review and sent back for reworking. Sometimes an erroneous one can get through though. More staffing would be required to provide redundant layers of review, and that is not likely to be feasible in the near term.

COUNTY OF HUMBOLDT

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2013

Reference Number	12-SA-1
Federal Program Title	JAG Program Cluster
CFDA Numbers	16.738, 16.803, 16.804
Federal Agency	U.S. Department of Justice
Pass Through Entity	California Emergency Management Agency
Compliance Requirement	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Recommendation:

We recommend the District Attorney's Office develop and implement procedures to ensure that the claims filed for reimbursement with the grantor are prepared accurately based on the appropriate back-up.

Status: Recommendation is no longer applicable as the program no longer exists.

AVIATION PASSENGER FACILITIES CHARGES



**INDEPENDENT ACCOUNTANT'S REPORT ON THE PROCEDURES PERFORMED
PURSUANT TO FEDERAL AVIATION ADMINISTRATION REGULATION
(TITLE 14, CODE OF FEDERAL REGULATIONS, PART 158)**

Board of Supervisors
County of Humboldt
Eureka, California

We have examined management's assertion, included in the accompanying Schedule of Revenues and Expenditures and Changes in Fund Balance (Schedule) – Passenger Facilities Charges (PFC), of the County of Humboldt (County), complied with the requirements below for the year ended June 30, 2013.

The Schedule is the responsibility of the County's management.

In connection with the examination referred to above, we applied the procedures enumerated below to the Statement of Revenues, Expenditures and Changes in Fund Balance – Passenger Facility Charges of the County of Humboldt for the year ended June 30, 2013. These procedures, which were agreed to by the County of Humboldt were performed solely for the purpose of meeting your contractual obligation with the Department of Transportation, Federal Aviation Administration. We applied the procedures enumerated below in accordance with Federal Aviation Administration Regulations (Title 14, Code of Federal Regulation, Part 158).

1. We examined the revenue received by collecting carriers and determined if those funds are being properly deposited into a separate interest bearing account.
2. We examined and verified that interest earned on such revenue, that amounts used on each project and the amount reserved for currently approved projects.
3. We examined the expenditures to ensure they are only for aviation capital projects.

These agreed-upon procedures are substantially less in scope than an audit, the objective of which is the expression of an opinion of the County of Humboldt's Schedule of Revenues, Expenditures and Changes in Fund Balance – Passenger Facility Charges. Accordingly, we do not express such an opinion.

Based on the application of the procedures referred to above, nothing came to our attention that caused us to believe that the County of Humboldt was not in compliance with the control procedures specified in the Federal Aviation Administration Regulation (Title 14, Code of Federal Regulations, Part 158). Had we performed additional procedures or had we performed an audit of the County's Schedule of Revenues, Expenditures and Changes in Fund Balance – Passenger Facility Charges matters might have come to our attention that would have been reported to you.

This report is intended for the information of management and various county, state and federal regulatory agencies and is not intended to be, and should not be, used by anyone but these specified parties.

Roseville, California
March 11, 2014

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COUNTY OF HUMBOLDT

Schedule of Revenues and Expenditures
and Changes in Fund Balances - Passenger Facility Charges
For the Year Ended June 30, 2013

Revenues:	
Passenger Facility Charges (3989, 3991, 3992, 3993, 3994)	\$ 241,951
Interest	<u>1,832</u>
Total Revenue	<u>243,783</u>
Expenditures:	
Principle on Loan Payments	70,340
Interest Expense	11,862
Contributions to other funds for Aviation Capital Projects	<u>27,927</u>
Total Expenditures	<u>110,129</u>
Excess of Revenues Over (Under) Expenditures	133,654
Fund Balance at Beginning of Year	<u>306,497</u>
Fund Balance at End of Year	<u>\$ 440,151</u>

(1) Basis of Accounting-

The Schedule of Revenue and Expenditures and Changes in Fund Balance - Passenger Facility Charges has been prepared on a cash basis, as prescribed by Section 9110 and 9111 of the Aviation Safety and Capacity Expansion Act of 1990, issued by the Federal Aviation Administration of the United States Department of Transportation.

Revenues include amounts collected by the airport. Expenses are presented on a cash basis and include only the expenses on approved PFC projects.

The total amount of interest reported this year consists of the actual interest for the fourth quarter of the prior year and the actual interest for the report year through June 30.