

**COUNTY OF HUMBOLDT
SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2019**



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**INDEPENDENT AUDITORS' 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, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 25, 2020. Our report included an adverse opinion for the omission of the discretely presented component unit, and unmodified opinions on all other opinion units.

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 of this section 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 as items 2019-001 through 2019-009 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-010 to be a significant deficiency.

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*.

County’s Response to Findings

The County’s response to the findings identified in our audit is 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.



CliftonLarsonAllen LLP

Roseville, California
September 25, 2020



CliftonLarsonAllen LLP
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**INDEPENDENT AUDITORS' 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 THE UNIFORM GUIDANCE**

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 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, 2019. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2019.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2019, and have issued our report thereon dated September 25, 2020, which contained an adverse opinion for the omission of the discretely presented component unit and unmodified opinions on all other opinion units. 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 the Uniform Guidance 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.



CliftonLarsonAllen LLP

Roseville, California
September 25, 2020

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**COUNTY OF HUMBOLDT
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures	Passed through to Subrecipients
<u>U.S. Department of Agriculture</u>				
Passed through State Department of Public Health:				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.578	15-10069 A03	\$ 1,129,421	\$ -
Nutrition, Education, Obesity Prevention	10.551	16-10150 A01	267,758	37,410
Passed through State Department of Social Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		6,632,428	-
Passed through State Department of Health Services:				
CalFresh SSI Cash Out	10.561		370,278	
Subtotal SNAP Cluster			<u>7,270,464</u>	-
National School Lunch Program	10.555		43,628	-
Passed through U.S. Forest Service:				
USDA Forest Services Campground / Patrol Operations	10.704		2,567	
Passed through CA Fire Safe Council:				
FLASH USDA Clearinghouse Grant	10.664		42,805	-
Direct Programs:				
Title 3	10.665		316,848	-
Subtotal Forest Service Schools and Roads Cluster			<u>316,848</u>	-
Total U.S. Department of Agriculture			<u>\$ 8,805,733</u>	<u>\$ 37,410</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 Microenterprise Subtotal CDBG Cluster	14.228	16-CDBG-11150	\$ 2,571,511	\$ -
			<u>2,571,511</u>	-
HOME First Time Homebuyer Program - Outstanding Loan Balance	14.239	15-HOME-10612 Fund 3960	244,862	-
	14.239		<u>16,049,023</u>	-
			16,293,885	-
Passed through State Department of Public Health, Office of AIDS				
HOPWA	14.241	16-10297 A01	81,288	-
HART	14.267	CA1585L9T221600	72,829	-
Direct Program:				
Supportive Housing Program	14.235		80,278	-
Total U.S. Department of Housing and Urban Development			<u>\$ 19,099,791</u>	<u>\$ -</u>

**COUNTY OF HUMBOLDT
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures	Passed through to Subrecipients
<u>U.S. Department of Justice</u>				
Direct Programs:				
Child Abuse Treatment (XT) Program	16.575		\$ 96,629	\$ -
Substance Abuse Prevention and Treatment (SAPT) Block Grant	16.575		66,957	-
Subtotal CFDA Number 16.575			163,586	-
Equitable Share Asset Forfeiture - Drug Task Force	16.922		76,695	-
Equitable Share Asset Forfeiture - Drug Task Force	16.922		84,603	-
Subtotal CFDA Number 16.922			161,298	-
Passed through Governor's Office of Emergency Services:				
Promoting Evidence Integration in Sex Offender Management Discretionary Grant Program	16.203		90,141	-
Passed through Drug Enforcement Agency (DEA):				
Domestic Cannabis Eradication/Suppression Program	16.579		85,487	-
Domestic Cannabis Eradication/Suppression Program	16.579		49,465	-
Subtotal CFDA Number 16.579			134,952	-
Passed through FBI:				
Organized Crime Drug Enforcement Task Forces	16.301		42,049	-
Passed through Office of Justice Programs:				
Bulletproof Vest Program (BVP)	16.607		6,166	-
Total U.S. Department of Justice			\$ 598,192	\$ -
<u>U.S. Department of Labor</u>				
Passed through State Employment Development Department:				
WIOA Slingshot Regional Planning Implementation	17.258	K9110012-1145	\$ 5,076	\$ 5,076
WIOA Slingshot Implementation	17.258	K7102030-1075	747,654	695,781
WIOA High Performing Boards	17.258	K7102030-1080	10,359	-
WIOA Regional Training Coordinator	17.258	K7102030-1087	120,874	-
WIOA Regional Training Coordinator	17.258	K9110012-1144	37,577	-
WIOA Regional Organizers	17.258	K7102030-1089	22,612	-
WIOA CalJOBS VOS	17.258	K7102030-1090	660	-
WIOA Slingshot Additional Funds	17.258	K7102030-1105	97,870	88,973
WIOA Adult Formula - Round 1	17.258	K9110012-201	44,512	40,061
WIOA Adult Formula - Round 1	17.258	K8106176-201	192	173
WIOA Adult Formula - Round 2	17.258	K9110012-202	205,747	201,493
WIOA Adult Formula - Round 2	17.258	K8106176-201	21,796	2,784
WIOA Regional Plan Implementation	17.258	K81060176-1122	374,603	316,690
Subtotal CFDA Number 17.258			1,689,532	1,351,031
WIOA Youth Formula	17.259	K8106176-301	48,354	37,543
WIOA Youth Formula	17.259	K9110012-301	271,586	227,661
Subtotal CFDA Number 17.259			319,940	265,204

COUNTY OF HUMBOLDT
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures	Passed through to Subrecipients
WIOA Transfer Dislocated Worker to Adult	17.278	K8106176-500	15,515	-
WIOA Dislocated Worker - Round 1	17.278	K81060176-501	1,232	210
WIOA Dislocated Worker - Round 2	17.278	K81060176-502	32,463	29,993
WIOA Rapid Response - Round 1	17.278	K81060176-540	1,699	-
WIOA Rapid Response - Round 2	17.278	K81060176-541	13,490	5,899
WIOA Layoff Aversion - Round 1	17.278	K81060176-292	28	28
WIOA Layoff Aversion - Round 2	17.278	K81060176-293	1,477	1,477
WIOA Transfer Dislocated Worker to Adult	17.278	K9110012-499	10,000	9,000
WIOA Transfer Dislocated Worker to Adult	17.278	K9110012-500	963	-
WIOA Dislocated Worker - Round 1	17.278	K9110012-501	34,078	31,050
WIOA Dislocated Worker - Round 2	17.278	K9110012-502	114,598	110,498
WIOA Rapid Response - Round 1	17.278	K9110012-540	18,501	16,651
WIOA Rapid Response - Round 2	17.278	K9110012-541	91,918	82,727
WIOA Layoff Aversion - Round 1	17.278	K9110012-292	5,218	4,722
WIOA Layoff Aversion - Round 2	17.278	K9110012-293	9,729	8,844
Subtotal CFDA Number 17.278			350,909	301,099
Subtotal WIOA Cluster			2,360,381	1,917,334
Total U.S. Department of Labor			\$ 2,360,381	\$ 1,917,334
 <u>U.S. Department of Transportation</u>				
Direct Programs:				
Airport improvement program	20.106		3,464,355	-
Passed through State Department of Transportation:				
Highway Bridge Replacement & Rehabilitation	20.205		\$ 3,939,490	\$ -
Emergency Relief	20.205		1,110,467	-
Safe Routes to School	20.205		18,348	17,953
Ferry Boat Discretionary	20.205		30	-
Highway Safety Improvement Program	20.205		383,195	-
Subtotal Highway Planning and Construction Cluster			5,451,530	17,953
Total U.S. Department of Transportation			\$ 8,915,885	\$ 17,953
 <u>U.S. Environmental Protection Agency</u>				
Direct Programs:				
EPA Brownfield Revolving Loan Fund	66.818	BF-96986701-0	\$ 136,548	\$ -
Passed through State Water Resource Control Board:				
Public Beach Safety Grant Program	66.472	D1714102	35,000	-
Total U.S. Environmental Protection Agency			\$ 171,548	\$ -

COUNTY OF HUMBOLDT
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures	Passed through to Subrecipients
<u>U.S. Department of Health and Human Services</u>				
Passed through the State Department of Health Care Services:				
CHDP - Health Care Program for Children in Foster Care	93.994		141,144	-
CHDP - Foster Care Administration	93.994		14,712	-
CHDP - PPM&O	93.994		21,865	-
Passed through State Department of Public Health:				
California Home Visiting Program	93.994	15-10156	733,147	127,914
Maternal Child And Adolescent Health	93.994		256,099	-
Child Health and Disability Prevention	93.994		208,060	-
California Childrens Services	93.994		424,446	-
Subtotal CFDA Number 93.994			1,799,473	127,914
Hospital Preparedness Program	93.899	17-10155	178,581	-
HIV CARE Program X07 Funding	93.917	15-11054	245,298	-
HIV Care ADAP	93.917	16-10408	10,420	-
HIV CARE Program X08 Funding	93.917	16-10847	247,154	-
Subtotal CFDA 93.917			502,872	-
Immunization Local Assistance Funding	93.268	17-10318	85,914	-
Public Health Emergency Preparedness (PHEP)	93.069	17-10155	77,884	-
Public Health Emergency Preparedness (PHEP)	93.069	17-10155	682,055	-
Subtotal CFDA Number 93.069			759,939	-
California Safe and Active Communities Program Prescription Drug Overdose Prevention Project	93.136	16-10875	72,043	-
Passed through State Department of Social Services:				
Guardianship Assistance	93.090		58,714	-
Guardianship Assistance	93.090		456,869	-
Subtotal CFDA Number 93.090			515,583	-
Promoting Safe and Stable Families	93.556		95,265	-
Temporary Assistance for Needy Families	93.558		14,045,343	-
Temporary Assistance for Needy Families	93.558		2,928,454	-
Subtotal TANF Cluster			16,973,797	-
Adoptions Incentives	93.603		76,009	-
Refugee and Entrant Assistance State Administered Program	93.566		578	-
Refugee and Entrant Assistance State Administered Program	93.566		1,518	-
Subtotal CFDA Number 93.566			2,096	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645		120,088	-
Foster Care Title IV-E	93.658		6,307,191	-
Foster Care Title IV-E	93.658		2,565,391	-
Subtotal CFDA Number 93.658			8,872,582	-

**COUNTY OF HUMBOLDT
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures	Passed through to Subrecipients
Adoption Assistance	93.659		464,202	-
Adoption Assistance	93.659		4,132,628	-
Subtotal CFDA Number 93.659			4,596,830	-
Social Services Block Grant	93.667		253,484	-
Social Services Block Grant	93.667		515,964	-
Subtotal CFDA Number 93.667			769,448	-
Chafee Foster Care Independence Program	93.674		86,715	-
Medical Assistance Program	93.778		10,068,828	-
Passed through the State Department of Health Care Services:				
CHDP - HCPCFC Caseload Realief	93.778		67,527	-
Subtotal Medicaid Cluster			10,136,355	-
Passed through SAMSHA:				
Drug Free Communities	93.276	2H79SP080807-06	82,402	-
Federal McKinney Projects for Assistance in Transition from Homelessness (PATH)	93.150		46,720	-
Community Mental Health Services Block Grant (MHBG)	93.958		777,996	-
Substance Abuse Prevention and Treatment (SAPT) Block Grant	93.959		832,916	-
Passed through State Department of Child Support Services:				
North Coast Regional Department of Child Support Services	93.563		2,868,032	-
Total U.S. Department of Health and Human Services			<u>\$ 50,251,656</u>	<u>\$ 127,914</u>
<u>Executive Office of the President</u>				
Passed through Northern CA HIDTA:				
High Intensity Drug Trafficking Area	95.001		\$ 4,957	\$ -
Total Executive Office of the President			<u>\$ 4,957</u>	<u>\$ -</u>

**COUNTY OF HUMBOLDT
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures	Passed through to Subrecipients
<u>U.S. Department of Homeland Security</u>				
Direct Programs:				
Disaster Grants - Public Assistance	97.036		\$ 1,387,259	\$ -
Passed through the Governor's Office of Emergency Services:				
Hazard Mitigation Grant Program FY18	97.039		99,394	-
Emergency Management Performance Grant FY18	97.042		152,445	-
Active Transportation Program	97.047		1,057	-
Homeland Security Grant Program FY16	97.067		152,499	-
Homeland Security Grant Program FY17	97.067		89,319	-
Subtotal CFDA Number 97.067			<u>241,818</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>\$ 1,881,973</u>	<u>\$ -</u>
Total Expenditures of Federal Awards			<u>\$ 92,090,116</u>	<u>\$ 2,100,611</u>

COUNTY OF HUMBOLDT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

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 accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, *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 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 5 INDIRECT COST RATE

The County did not elect to use the 10% de minimis indirect cost rate as covered in 2 CFR §200.414. Uniform Guidance, §200.510(6), requires the County to disclose whether or not it elected to use the 10 percent de minimis cost rate that §200.414(f) allows for nonfederal entities that have never received a negotiated indirect cost rate.

**COUNTY OF HUMBOLDT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019**

NOTE 6 LOANS WITH CONTINUING COMPLIANCE REQUIREMENT

Outstanding federally-funded program loans, with a continuing compliance requirement, carried balances as of June 30, 2019 as follows:

Federal CFDA #	Program Title	SEFA June 30, 2019	FY 18/19 Paydowns	County Balance June 30, 2019
14.228	Community Development Block Grants/States Program	\$ 2,571,511	\$ 1,535	\$ 2,569,976
14.239	HOME Investment Partnerships Program	16,049,023	160,554	15,907,969

NOTE 7 OTHER LOANS

Outstanding federally-funded program loans, carried balances as of June 30, 2019 as follows:

Federal CFDA #	Program Title	Outstanding Loans June 30, 2019
66.818	Brownsfield Loans	\$ 1,445,866

**COUNTY OF HUMBOLDT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section I – Summary of Auditors’ Results

Financial Statements

Adverse for omission of discretely presented component unit, unmodified all other opinion unites

1. Type of Auditors' Report Issued:
2. Internal Control over Financial Reporting:
- Material Weakness(es) Identified? _____ X _____ Yes _____ No
 - Significant Deficiency(ies) Identified not Considered to be Material Weakness(es)? _____ X _____ Yes _____ No
3. Noncompliance Matters to Financial Statements Noted? _____ Yes _____ X _____ No

Federal Awards

1. Internal Control over Major Programs:
- Material Weakness(es) Identified? _____ Yes _____ X _____ No
 - Significant Deficiency(ies) Identified not Considered to be Material Weaknesses? _____ Yes _____ X _____ No
2. Type of Auditors' Report Issued on Compliance for Major Programs: Unmodified
3. Any Audit Findings Disclosed that are Required to be Reported in Accordance with the Uniform Guidance? _____ Yes _____ X _____ No

4. Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
10.561	Supplemental Nutrition Assistance Program Cluster
93.659	Adoptions Assistance Program
93.558	Temporary Assistance for Needy Families Cluster
93.658	Foster Care Title IV-E

5. Dollar Threshold used to Distinguish Between Type A and Type B Programs? \$2,762,703 Type A
\$690,676 Type B
6. Auditee Qualified as Low-Risk Auditee Under the Uniform Guidance, Section 520? _____ Yes _____ X _____ No

**COUNTY OF HUMBOLDT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section II – Financial Statement Findings

2019 – 001

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: During the audit, we noted several significant account balances such as cash with fiscal agent (PARS), unavailable revenue, long-term liabilities and related deferred inflows/outflows of resources and interfund loans and transfers 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.

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

Context: The condition is a systemic problem since the County currently does not have a process for reconciling all of its significant account balances on a periodic basis.

Effect: The County will not detect errors or fraud in a timely manner. Also, the lack of a reconciliation process at year-end resulted in several significant audit adjustments to the County's accounting records at year-end.

Cause: The County currently does not have a process in place to update and reconcile year-end schedules for certain account balances to ensure accurate reporting.

Repeat Finding: Finding is a repeat finding from the prior year (2018-002).

Recommendation: We recommend that reconciliations of significant accounts, including cash with fiscal agent (PARS), unavailable revenue, long-term liabilities and related deferred inflows/outflows of resources, interfund loans and transfers be performed at least once a year prior to closing to ensure that the County's general ledger is accurate. In addition, we recommend the County modify its chart of accounts for significant accounts that should reconcile throughout the year such as interfund transfers and advances, which are currently being recorded to various account numbers.

We further recommend the County develop a formal year-end closing schedule that indicates specific personnel responsibilities and corresponding time requirements to ensure all significant account balances are reviewed and reconciled during year-end closing.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding. The Auditor-Controller is in the process of hiring and training staff who will be tasked with these closing procedures.

**COUNTY OF HUMBOLDT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

2019 – 002

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: The County is currently maintaining more than 145 governmental trust funds with approximately \$46 million in cash to track activity benefitting the General Fund and other primary operating funds of the County.

While the County has significantly reduced the use of miscellaneous revenue and expenditure accounts in these funds, there is still the potential for double reporting of revenues and expenditures when resources are transferred from these trust funds into operating funds since the County must manually prepare reclassification journal entries to eliminate the double reporting of revenues and expenditures. Finally, as the County does not budget for any activity in these governmental trust funds, any deviations from the adopted budget are not apparent until after the end of the fiscal year and thus cannot be addressed when they occur.

During our testing of trust fund activity, we noted checks totaling \$963,282 being paid directly to cities out of the Drug Task Force Fund 3644 instead of within operating funds that have established budgets. In addition, we noted a wire transfer of \$1,982,602 being paid directly out of the AFDC Children Trust Fund 3940 which does not have an established budget.

Criteria: According to the Accounting Standards and Procedures for Counties Guide published by the State Controller's office, "Governmental units should establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established. Using too many funds causes inflexibility and undue complexity in financial management. It should be avoided in the interest of efficient and economical financial administration."

Context: The condition is a systemic problem since several departments rely on trust funds for tracking various programs and activities.

Effect: By excluding transaction activity in these funds, balances for revenues and expenses in the County's own financial reports (including budgetary reports) are not complete. There is the potential to double-report revenues and expenditures when resources are transferred into operating funds. Using multiple funds within the accounting system to control the flow of revenues increases the potential for reporting revenues and expenditures twice.

As the County does not budget for any activity occurring in these governmental trust funds, any deviations from the adopted budget are not apparent until well after the end of the fiscal year and thus cannot be addressed when they occur.

Cause: The County currently does not have a formal process for establishing new funds requested by departments or closing funds that are not required or necessary for County operations and reporting.

Repeat Finding: Finding is a repeat finding from the prior year (2018-003).

Recommendation: We recommend the Auditor-Controller's Office implement the following procedures:

**COUNTY OF HUMBOLDT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Analyze each of its governmental trust funds to determine if there is a particular need to account for resources separately from the operating funds of the County. Close several of these trust funds to combine the balances and activities of these funds with existing County operating funds.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

**COUNTY OF HUMBOLDT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

2019 – 003

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: During a prior audit, we noted a component unit, Fortuna Fire Protection District (District), which was being presented as a blended component unit when it should be classified as a discretely presented component unit. While the governing board of the County appoints all of the members of the District's governing board, the District should be discretely presented because its governing board is not substantively the same as the County's.

In addition, we noted that its external auditors did not audit the capital asset records for the District.

Criteria: Generally Accepted Accounting Principles in the United States of America (GAAP) requires the County's financial statements to present the activities of the County and its component units.

Context: The District's capital assets likely represent a majority of the District's total assets.

Effect: Users of the financial statements are not able to rely on the capital asset listing maintained by the District.

Cause: The District has not yet engaged for its listing of capital assets to be audited, including analyzing the historical costs of all its structures, equipment and vehicles.

Repeat Finding: Finding is a repeat finding from the prior year (2018-004).

Recommendation: We recommend the County work closely with the District to establish a system for tracking and reporting its capital assets, especially with the District's recent purchase of a new fire engine. We further recommend the District engage with its current auditors or another entity to audit its complete listing of capital assets to remove the adverse opinion from its audit report.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

**COUNTY OF HUMBOLDT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

2019 – 004

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: During the audit, we noted two subsequent receipts in the road fund totaling \$239 thousand and two subsequent receipts in the aviation fund totaling \$1.5 million that were not correctly recognized in the period under audit.

We also identified \$1.7 million of program advances for July 2019 that were improperly accrued as receivables in the General Fund at June 30.

Criteria: Generally Accepted Accounting Principles (GAAP) in the United States of America require that revenues be recorded in the period in which they are earned.

Context: While performing audit procedures for revenue recognition, it was noted that the County does not have a process to review all significant subsequent receipts to ensure correct revenue recognition in accordance with U.S. GAAP.

Effect: The County materially misstated revenues and receivables in the Road Fund and General Fund by \$239 thousand and \$1.7 million, respectively. In addition, the County misstated revenue and receivables in the aviation fund by \$1.5 million.

Cause: The County did not have a process in place to review significant receipts subsequent to year end to determine if they were related to the current year.

Repeat Finding: Finding is a repeat finding from the prior year (2018-005).

Recommendation: We recommend the County establish procedures to ensure subsequent receipts are reviewed for the correct revenue recognition period.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

**COUNTY OF HUMBOLDT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

2019 – 005

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: During the audit, we noted one subsequent disbursement that was not correctly recognized in the period under audit.

Criteria: Generally Accepted Accounting Principles (GAAP) in the United States of America require that expenses be recorded in the period in which they are incurred.

Context: While performing audit procedures to search for unrecorded liabilities, it was noted that the County did not have a process to review disbursements processed after their internal cutoff date to ensure expenses and accounts payables are accurate and complete in accordance with U.S. GAAP.

Effect: The County materially understated construction in progress and payables by \$292 thousand in the Aviation enterprise fund.

Cause: The County did not review disbursements after its internal cutoff date to determine which period in which to recognize the payable and expense. Invoices received by the Auditor-Controller's office subsequent to this cutoff date were reported as fiscal year 2019/20 expenses.

Repeat Finding: Finding is a repeat finding from the prior year (2018-006).

Recommendation: We recommend the County review accounts payable disbursement controls in place to ensure subsequent disbursements are reviewed, after the department cutoff period, to ensure expenses are reported in the correct period.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

**COUNTY OF HUMBOLDT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

2019 – 006

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: During the audit, we noted that capital asset balances were misstated by approximately \$1.5 million in two internal service funds due to an incorrect journal entry not identified until the audit.

Criteria: Journal entries should be thoroughly reviewed by designated individuals within the auditor-controller's office prior to posting. Account balances being adjusted should be reviewed to ensure the adjustment was accurate and properly recorded in the general ledger with any discrepancies being resolved immediately.

Context: The erroneous adjustment resulting in total capital assets being misstated in two internal service funds.

Effect: The County materially understated equipment in one fund and overstated equipment in another fund by \$1.5 million.

Cause: The County did not properly reconcile their capital asset accounts for each fund to their own listings at year-end.

Repeat Finding: Finding is not a repeat finding from the prior year.

Recommendation: We recommend that all journal entries be reviewed thoroughly before and after posting them to the accounting system, including reconciling general ledger balances to detailed account schedules while investigating any discrepancies.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

**COUNTY OF HUMBOLDT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

2019 – 007

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: During our review of the County's PARS account activity, we noted that the County netted contributions from departments with transfers to an external bank account in an expenditures account within Fund 3249.

Criteria: Transfers from departments should be reported in accounts designated by the auditor-controller to reflect all contributions during the year.

Context: Approximately one third (or \$1.2 million) of total contributions for PARS was netted with expenditures in a designated expenditure account.

Effect: The County materially misclassified interfund transfers and expenditures by \$1.2 million. External accounts can be used to hide transfers of the County's assets to others without proper benefit to the entity.

Cause: The County did not reconcile its transfers to the external PARS account at year-end. Additionally, the County has not yet established an account in its general ledger to reflect the cash held with PARS throughout the year.

Repeat Finding: Finding is not a repeat finding from the prior year.

Recommendation: While the County has designated accounts within its general ledger to account for contributions from its departments into the external PARS account, we recommend that the auditor-controller reconcile the PARS activity throughout the year to ensure all contributions and transfers to the external PARS account are properly recorded and appropriated within the fund making the disbursement.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

**COUNTY OF HUMBOLDT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

2019 – 008

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: During our review of interfund activity, we noted that interfund transfers were not in balance by several million dollars.

Criteria: Generally Accepted Accounting Principles (GAAP) in the United States of America require that interfund transfers net to \$0 throughout the year.

Context: Before reclassifications, interfund transfers were out of balance by more than \$4 million.

Effect: Several revenue and expenditure/expense account balances were misclassified because of transfers not being in balance.

Cause: The County currently does not have a process for reconciling interfund transfers throughout the year.

Also, the County has designated more than 40 accounts to account for interfund transfers, including approximately 20 different accounts to record transfers to one fund for debt service payments. The use of several accounts for recording interfund transfers may add to the complexity of reconciling interfund transfers throughout the year.

Repeat Finding: Finding is not a repeat finding from the prior year.

Recommendation: We recommend the County develop formal procedures for reconciling the County's interfund activity throughout the year. We further recommend the County consider reducing the number of accounts currently being used to record interfund transfers between funds such as using one designated account to record transfers to its debt service fund (fund 3810) for debt payments instead of assigning a different account for each fund.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

**COUNTY OF HUMBOLDT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

2019 – 009

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: During our review of the Schedule of Expenditures of Federal Awards (SEFA), we noted that the County did not include federal expenditures of \$3,464,355 for the Airport Improvement Program.

Criteria: The Auditee's responsibility per the Uniform Guidance, Section 200.508 Part B, is to "prepare appropriate financial statements, including the Schedule of Expenditures of Awards".

The SEFA, while not part of the Basic Financial Statements, is audited in relation to the basic financial statements, in accordance with the requirements of the Uniform Guidance. The Uniform Guidance requires auditors to determine major programs and perform risk assessments based on information reported on the SEFA..

Context: In the process of analytically testing the County's federal expenditures reported on the SEFA, we noted the Airport Improvement Program was incorrectly showing \$0 instead of the correct amount of \$3,464,355 for the current year, therefore understating total expenditures on the SEFA.

Effect: The County materially understated expenditures on the SEFA by \$3,464,355.

Cause: The County's aviation department recently separated from the public works department to become its own department. The department did not submit their expenditures to the Auditor-Controller Office because the department head of public works was still listed as the contact for the airport improvement program.

Repeat Finding: Finding is not a repeat finding from the prior year.

Recommendation: The County should adopt a process that reconciles expenditures and revenues under federal programs to ensure the completeness of the SEFA. Additionally, this reconciliation should include the provisions for any applicable sharing ratios so that the portions of federal, state and county can be identified, and the federal portion of the expenditures can be properly reported on the SEFA.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

**COUNTY OF HUMBOLDT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

2019 – 010

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Condition: During our audit of cash and investments at June 30, we noted an unreconciled variance in the County's cash balance of \$23,258. Upon further review, we noted the Auditor Controller's Office is not reconciling the total cash and investments in the general ledger with the Treasurer's daily cash report on a regular basis.

Criteria: A cash reconciliation that reconciles from the Treasurer's balance to the general ledger balance should be prepared to determine that all cash transactions have been recorded properly and to discover bank errors.

Context: While the difference we identified was not material, small differences that are not reconciled on a monthly basis can build up to a significant amount over time.

Effect: Lack of a timely and thorough reconciliation could result in unresolved errors resulting in inaccurate general ledger balances.

Cause: While the Auditor-Controller's Office has a process for reconciling the operating accounts in the Treasury, it currently does not have a process for reconciling pooled cash and investments in the general ledger to the total cash and investments summarized in the Treasurer's daily cash report.

Repeat Finding: Finding is not a repeat finding from the prior year.

Recommendation: We recommend the Auditor-Controller's Office reconcile the total cash and investments balance in the County's financial system to the total cash and investments reported in the Treasurer's daily cash balance report on a regular basis. The Auditor-Controller's reconciliation of cash and investments should begin with the total cash and investments reported in the Treasurer's daily cash balance to ensure the cash reported in the general ledger is complete and accurate.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

Section III – Federal Award Findings and Questioned Costs

None Reported.