COUNTY OF HUMBOLDT

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2020

THIS PAGE INTENTIONALLY LEFT BLANK

COUNTY OF HUMBOLDT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2020

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 9, 2022. Our report included an adverse opinion for the omission of the discretely presented component unit, a qualified opinion for the governmental activities for the lack of an updated compensated absences liability balance, a qualified opinion for the aggregate remaining fund information for lack of sufficient appropriate audit evidence on which to base an opinion on for investment trust fund cash and investments, 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) as a basis for designing 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 2020-001 through 2020-004 and 2020-006 through 2020-008 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 2020-005 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 financial statements. 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 no 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

CliftonLarsonAllen LLP

Roseville, California
August 9, 2022

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, 2020. 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, 2020.

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.

Board of Supervisors
County of Humboldt

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, 2020, and have issued our report thereon dated August 9, 2022, which contained an adverse opinion for the omission of the discretely presented component unit, a qualified opinion for the governmental activities for the lack of an updated compensated absences liability balance, a qualified opinion for the aggregate remaining fund information for lack of sufficient appropriate audit evidence on which to base an opinion on for investment trust fund cash and investments, and unmodified opinions on all other opinion units. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Roseville, California
August 9, 2022

THIS PAGE INTENTIONALLY LEFT BLANK

COUNTY OF HUMBOLDT
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed through State Department of Public Health:				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.578	19-10150	$ 1,082,266	$ -
Nutrition, Education, Obesity Prevention	10.551	19-10355	191,840	40,713
Passed through State Department of Social Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		6,969,046	-
Subtotal SNAP Cluster			7,160,886	40,713
Passed through State Department of Education:				
National School Lunch Program	10.555		23,616	-
Subtotal Child Nutrition Cluster			23,616	-
Passed through U.S. Forest Service:				
USDA Forest Services Campground / Patrol Operations	10.704		1,455	
Passed through CA Fire Safe Council:				
FLASH USDA Clearinghouse Grant	10.664		21,870	-
Direct Programs:				
Secure Rural Schools Title III	10.665		329,361	-
Total U.S. Department of Agriculture			$ 8,619,454	$ 40,713
U.S. Department of Housing and Urban Development				
Passed through the State Department of Housing and Community Development:				
CDBG Microenterprise Program	14.228	16-CDBG-11150	$ 16,468	$ 16,468
CDBG Microenterprise Program	14.228		72,224	59,186
CDBG - Outstanding Loans	14.228		2,569,976	-
Subtotal CFDA 14.228			2,658,668	75,654
HOME First Time Homebuyer Program -	14.239	Fund 3960	40,447	-
Outstanding Loan Balance	14.239	Fund 3960	15,934,311	-
Subtotal CFDA 14.239			15,974,758	-
Passed through State Department of Public Health, Office of AIDS				
HOPWA	14.241	19-10513	92,515	-
HART	14.267	CA0852L9T221807	80,192	-
Direct Program:				
Supportive Housing Program	14.267		255,263	-
Subtotal CFDA 14.267			335,455	-
Total U.S. Department of Housing and Urban Development			$ 19,061,396	$ 75,654

COUNTY OF HUMBOLDT
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures	Passed Through to Subrecipients
U.S. Department of Justice				
Direct Programs:				
Equitable Share Asset Forfeiture - Drug Task Force	16.922		$ 394	$ -
County Victim Services (XC) Program	16.575		17,005	-
Child Abuse Treatment (XT) Program	16.575		26,323	-
Passed through Governor's Office of Emergency Services:				
Crime Victim Assistance (Victim Witness Assistance Program)	16.575	VW18360120	93,742	-
Crime Victim Assistance (Victim Witness Assistance Program)	16.575	VW19370120	190,646	-
Crime Victim Assistance (Underserved Victim Advocacy & Outreach Program) Federal	16.575	UV18030120	77,729	-
Crime Victim Assistance (Underserved Victim Advocacy & Outreach Program) Federal	16.575	UV19040120	81,033	-
Child Advocacy Center Program	16.575	KC18020120	161,960	-
Child Advocacy Center Program	16.575	KC19020120	33,166	-
Subtotal CFDA 16.575			681,604	-
Promoting Evidence Integration in Sex Offender Management Discretionary Grant Program	16.203		83,356	-
Passed through Drug Enforcement Agency (DEA):				
Domestic Cannabis Eradication/Suppression Program	16.579		129,887	-
Domestic Cannabis Eradication/Suppression Program	16.579		183,739	-
Subtotal CFDA Number 16.579			313,626	-
Passed through Office of Justice Programs:				
Byrne JAG Local Coronavirus Supplemental Grant	16.034		60,602	-
Bulletproof Vest Program (BVP)	16.607		6,780	-
Byrne JAG Local Grant 2018	16.738		18,242	-
Byrne JAG Local Grant 2019	16.738		18,245	-
Passed through Board of State and Community Corrections:				
Byrne JAG State Pass-Through Grant	16.738		123,592	28,965
Subtotal CFDA Number 16.738			160,079	28,965
Total U.S. Department of Justice			$ 1,306,441	$ 28,965
U.S. Department of Labor				
Passed through State Employment Development Department:				
WIOA Adult	17.258		$ 268,048	$ 241,243
WIOA Dislocated Worker	17.258		237,845	214,061
WIOA Rapid Response	17.258		94,834	85,351
WIOA Layoff Aversion	17.258		22,511	20,260
Subtotal CFDA Number 17.258			623,238	560,915
WIOA Youth Formula	17.259		311,324	280,192
Passed through State Workforce Development Board:				
WIOA RPI/Slingshot 3.0	17.278		325,000	292,500
WIOA Regional Plan Implementation 4.0	17.278		342,235	308,012
WIOA Prison to Employment (P2E)	17.278		303,175	272,858
WIOA NDWG	17.278		400,000	372,000
Subtotal CFDA Number 17.278			1,370,410	1,245,370
Subtotal WIOA Cluster			2,304,972	2,086,477
Total U.S. Department of Labor			$ 2,304,972	$ 2,086,477

COUNTY OF HUMBOLDT
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures	Passed Through to Subrecipients
U.S. Department of Transportation				
Direct Programs:				
Airport improvement program	20.106		$ 2,058,220	$ -
Passed through State Department of Transportation:				
Safe Routes to Schools	20.205		44,997	-
Highway Bridge Replacement & Rehabiliitation	20.205		843,396	-
Emergency Relief	20.205		3,830,417	-
Ferry Boat Discretionary	20.205		193	-
Highway Safety Improvement Program	20.205		198,397	-
Subtotal Highway Planning and Construction Cluster			4,917,400	-
Passed through California Office of Emergency Services:				
Hazardous Materials Emergency Prpeparedness Grant	20.703	319-10, Cal OES #023-00000	4,078	-
Total U.S. Department of Transportation			$ 6,979,698	$ -
U.S. Department of Treasury				
Direct Programs:				
Equitable Share Asset Forfeiture - Drug Task Force	21.016		$ 349	$ -
Total U.S. Department of Treasury			$ 349	$ -
U.S. Environmental Protection Agency				
Passed through State Water Resource Control Board:				
Public Beach Safety Grant Program	66.472	D1914102	$ 34,225	$ -
Direct Programs:				
Brownfield Grant	66.818	BF-96986701-0	253,765	-
Total U.S. Environmental Protection Agency			$ 287,990	$ -
U.S. Department of Health and Human Services				
Passed through State Department of Public Health:				
Pan Flu (PHEP grant)	93.074	17-10155	$ 45,707	$ -
Public Health Emergency Preparedness (PHEP)	93.074	17-10155	474,452	-
Hospital Preparedness Program	93.074	17-10155	110,691	-
Subtotal CFDA Number 93.074			630,850	-
California Safe and Active Communities Program Prescription Drug Overdose Prevention Project	93.136	17-84295 A04	76,007	-
Immunization Local Assistance Funding	93.268	17-10318	85,396	-
HIV CARE Program X07	93.917	18-10867	198,670	-
HIV CARE Program X08 Funding	93.917	16-10847	152,845	-
HIV Care ADAP	93.917	16-10408	15,945	-
Subtotal CFDA 93.917			367,460	-
California Home Visiting Program	93.994	19-10156	691,430	-
Maternal Child And Adolescent Health	93.994	N/A	206,944	-
Subtotal CFDA Number 93.994			898,374	-
Child Health and Disability Prevention	93.778	N/A	196,277	-
California Childrens Services	93.778	N/A	223,583	-

COUNTY OF HUMBOLDT
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services (Continued)				
Passed through the State Department of Health Care Services:				
Medical Assistance Program (CEC)	93.778		$ 9,778,640	$ -
Local Dental Pilot Project - DTI	93.778	16-93571	977,240	431,392
CHDP - Health Care Program for Children in Foster Care	93.778	N/A	148,558	-
CHDP - Foster Care Administration	93.778	N/A	13,537	-
CHDP - PPM&O	93.778	N/A	21,953	-
CHDP - HCPCFC Caseload Realief	93.778	N/A	70,406	-
Subtotal CFDA Number 93.778			11,430,194	431,392
Passed through State Department of Social Services:				
Guardianship Assistance	93.090		8,040	-
Guardianship Assistance	93.090		552,229	-
Subtotal CFDA Number 93.090			560,269	-
Promoting Safe and Stable Families	93.556		111,515	-
Temporary Assistance for Needy Families	93.558		12,696,601	-
Temporary Assistance for Needy Families	93.558		2,711,529	-
Subtotal TANF Cluster			15,408,130	-
Refugee and Entrant Assistance State Administered Program	93.566		3,782	-
Adoptions Incentives	93.603		59,267	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645		111,532	-
Foster Care Title IV-E	93.658		7,910,934	-
Foster Care Title IV-E	93.658		3,024,449	-
Subtotal CFDA Number 93.658			10,935,383	-
Adoption Assistance	93.659		419,899	-
Adoption Assistance	93.659		4,833,709	-
Subtotal CFDA Number 93.659			5,253,608	-
Social Services Block Grant	93.667		190,113	-
Social Services Block Grant	93.667		383,549	-
Subtotal CFDA Number 93.667			573,662	-
Chafee Foster Care Independence Program	93.674		70,609	-
Passed through SAMSHA:				
Drug Free Communities	93.276	2H79SP080807-06	123,190	-
Federal McKinney Projects for Assistance in Transition from Homelessness (PATH)	93.150		46,728	-
Community Mental Health Services Block Grant (MHBG)	93.958		781,750	-
Substance Abuse Prevention and Treatment (SAPT) Block Grant	93.959		809,337	-
Passed through State Department of Child Support Services:				
North Coast Regional Department of Child Support Services	93.563		2,717,658	-
Total U.S. Department of Health and Human Services			$ 51,054,701	$ 431,392

COUNTY OF HUMBOLDT
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures	Passed Through to Subrecipients
U.S. Department of Homeland Security				
Direct Programs:				
Disaster Grants - Public Assistance	97.036		$ 3,619,996	$ -
Passed through the Governor's Office of Emergency Services:				
Hazard Mitigation Grant Program FY19	97.039		10,606	-
Emergency Management Performance Grant FY18	97.042		151,483	-
Homeland Security Grant Program FY17	97.067		122,421	74,156
Homeland Security Grant Program FY18	97.067		117,628	115,005
Homeland Security Grant Program FY19	97.067		97,759	-
Subtotal CFDA Number 97.067			337,808	189,161
Total U.S. Department of Homeland Security			$ 4,119,893	$ 189,161
Total Expenditures of Federal Awards			$ 93,734,894	$ 2,852,362

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Humboldt County under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Humboldt County, it is not intended to and does not present the financial position or changes in net position of Humboldt County.

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedule includes the federal grant activity of the County and is presented on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

The amounts reported in the accompanying Schedule agrees, 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 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.

NOTE 6 LOANS WITH CONTINUING COMPLIANCE REQUIREMENT

Outstanding federally funded program loans, with a continuing compliance requirement, carried balances as of June 30, 2020 as follows:

Federal CFDA #	Program Title	SEFA June 30, 2020	FY 19/20 Paydowns	County Balance June 30, 2020
14.228	Community Development Block Grants/States Program	$ 2,569,976	$ 65,273	$ 2,504,703
14.239	HOME Investment Partnerships Program	15,934,311	117,610	15,816,701

NOTE 7 OTHER LOANS

Outstanding federally funded program loans, carried balances as of June 30, 2020 as follows:

Federal CFDA #	Program Title	Outstanding Loans June 30, 2020
66.818	Brownsfield Loans	$ 1,659,381

COUNTY OF HUMBOLDT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

Section I – Summary of Auditors' Results

Financial Statements

1. Type of Auditors' Report Issued:

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-type Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Qualified
Discretely Presented Component Unit	Adverse

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:

CFDA Number(s)	Name of Federal Program
10.561	Supplemental Nutrition Assistance Program Cluster
14.239	HOME Program
93.558	Temporary Assistance for Needy Families Cluster
93.778	Medical Assistance Program
97.036	Disaster Grants - Public Assistance

5. Dollar Threshold used to Distinguish Between Type A and Type B Programs? $2,812,047 Type A
   $703,012 Type B

6. Auditee Qualified as Low-Risk Auditee Under the Uniform Guidance, Section 520? ______ Yes ___X___ No

Section II – Financial Statement Findings

2020 – 001

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: During the audit, we noted several significant account balances such as pooled cash and investments, cash with fiscal agent (PARS), unavailable revenue, various long-term liability accounts such as long-term debt, compensated absences and claims liabilities, and interfund loans and transfers, that were not reconciled in the general ledger. We identified some account balances, such as cash with fiscal agent (PARS) and unavailable revenue, that were not reflected in the general ledger at all despite having significant account balances of $6.1 million and $24.3 million, respectively.

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. In addition, 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 established processes 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 (2019-001).

Recommendation: We recommend that reconciliations of significant accounts, including pooled cash and investments, cash with fiscal agent (PARS), unavailable revenue, long-term liabilities, interfund loans and transfers be performed at least once a year prior to closing to ensure that the County's general ledger is accurate.

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: 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.

Section II – Financial Statement Findings (Continued)

2020 – 002

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: The County is currently maintaining more than 140 governmental trust funds with approximately $33 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 wire transfers of $1,454,056 and $500,000 being paid directly out of Funds 3742 (Support Services) and 3940 (AFDC – Children's Trust), respectively, instead of within operating funds that have established budgets.

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 closing funds that are not required or necessary for County operations and reporting.

Section II – Financial Statement Findings (Continued)

2020 – 002 (Continued)

Repeat Finding: Finding is a repeat finding from the prior year (2019-002).

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

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: There is no disagreement with the audit finding.

2020 – 003

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: The County cannot present the discretely presented component unit, Fortuna Fire Protection District (District), in the reporting entity as required because audited financial statements for the district have not been prepared since FY 18. 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 are not able to audit the capital asset records for the district as they are not currently auditable.

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 (2019-003).

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: There is no disagreement with the audit finding.

Section II – Financial Statement Findings (Continued)

2020 – 004

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: During our audit of year-end receivables, we noted the following misstatements:

- The initial trial balance received in August of 2021 for the audit was not complete. During our audit of the submitted trial balance, we identified several receivable balances from the prior year that were not updated or cleared at June 30, 2020. While most of these discrepancies were addressed with the submission of the December 2021 trial balance in response to our inquiries, we learned most departments had provided their accounts receivable reports to the auditor-controller's office prior to August 2021.

- During our audit of the revised December 2021 trial balance, we identified beginning balances of three receivable transactions totaling $2.2 million that were not properly cleared resulting in duplicate reporting of revenues during the current year.

- During our review of subsequent transactions, we identified seven subsequent receipts totaling $4.5 million that were not accrued and should have been in both the General Fund and Road Fund. We also identified a $4 million receivable based on an updated Medi-Cal summary cost report from the State of California Health and Human Services Agency Department of Health Care Services that was not recorded by the County.

- During our review of accounts receivable reports submitted by departments to the auditor-controller's office, we identified a misstatement of $700 thousand as a result of a clerical error that was not addressed during the review by both the department and the auditor-controller's office.

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: The proposed audit adjustments were material to the County's financial statements.

Effect: The County materially misstated revenues and receivables in the Road Fund and General Fund by $343.9 thousand and $2.8 million, respectively.

Cause: The County did not have an effective process in place for the 1) review of significant receipts subsequent to year end to determine if they were related to the current year, 2) review of beginning balances of all receivable balances rolling forward from the prior year for accuracy and 3) review of ending balances by both the auditor-controller's office and departments submitting the year-end receivable information for recording.

Repeat Finding: Finding is a repeat finding from the prior year (2019-004).

Section II – Financial Statement Findings (Continued)

2020 – 004 (Continued)

Recommendation: We recommend the County establish procedures to ensure subsequent receipts are reviewed for the correct revenue recognition period. We further recommend that year-end receivable balances posted to the general ledger at year-end are reviewed by both the auditor-controller's office and the departments submitting the accounts receivable listing for posting. This review should include an analysis of the beginning balances rolling forward from the prior reporting period.

Views of responsible officials: There is no disagreement with the audit finding.

2020 – 005

Type of Finding:

- Significant Deficiency 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 payables and expenditures in the General Fund by $408 thousand.

Cause: The invoice was not entered into the accruals tracking spreadsheet by the accounts payable clerk after it was approved for payment.

Repeat Finding: Finding is a repeat finding from the prior year (2019-005).

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: There is no disagreement with the audit finding.

Section II – Financial Statement Findings (Continued)

2020 – 006

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: During our review of interfund activity, we noted the following:

- Reconciliations of interfund advances and transfers were not performed until months after the year-end close, resulting in several significant adjustments to the financial statements.

- Interfund transfers within the primary government were out of balance by a net of approximately $2.3 million. The County did not appear to distinguish interfund activity with County funds from interfund activity with fiduciary funds which result in different reporting requirements.

- Interest apportionments of approximately $6 million made to eligible funds within the County Treasury were reported as interfund transfers instead of interest revenue.

- Interfund advances totaling $7.9 million were erroneously reported between the debt service fund and other governmental funds to reflect future contributions to the debt service fund to pay down outstanding bonds payable. In addition, the portion of contributions to pay down debt service interest expenditures was erroneously reported as interest revenue in the debt service fund instead of interfund transfers. Finally, upon further review of the journal entry to establish the interfund loan, we noted that the interfund receivable was recorded backwards, resulting in an $18.6 million audit adjustment to the lease receivable and fund balance accounts in the debt service fund.

Criteria: Generally Accepted Accounting Principles (GAAP) in the United States of America require that interfund transfers net to $0 throughout the year. The term “transfer” is strictly limited to activity within the primary government. Equivalent situations involving external parties, including legally separate units with the government’s financial reporting entity, but not part of the primary government are transactions rather than interfund activity, and consequently should be reported as revenues and expenditures/ expenses rather than as transfers.

Context: Before reclassifications, interfund transfers were out of balance by more than $2.3 million. In addition, the County did not report interest income within any of its funds since interest apportionments were commingled with interfund transfers.

Effect: Several revenue and expenditure/expense account balances were misclassified because of transfers not being in balance or properly grouped based on the type of transaction.

Cause: The County currently does not have a process for reconciling interfund transfers throughout the year, nor does the County have a process for identifying and reclassifying interfund transfers that do not meet the definition of interfund transfers under GAAP, such as interest apportionments and transfers of resources between the primary government and fiduciary funds.

Section II – Financial Statement Findings (Continued)

2020 – 006 (Continued)

Repeat Finding: Finding is a repeat finding from the prior year (2019-007 and 2019-008).

Recommendation: We recommend the County develop formal procedures for reconciling the County's interfund activity throughout the year. The County should identify all interfund transactions that do not meet the definition of "transfers" and report those transactions appropriately.

Views of responsible officials: There is no disagreement with the audit finding.

2020 – 007

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: During our audit, the auditor-controller's office was not able to provide any evidence of cash reconciliations being performed between the Treasurer's daily cash balance and the County's total cash and investments reported in the general ledger. Upon further inquiry, we learned that the auditor-controller's office did not perform any reconciliations during the year and was several months behind on performing the required monthly cash reconciliations. In addition, we determined that the outstanding check listing maintained for the school districts whose cash is reported in the investment trust fund was not accurate and contained checks that cleared the bank in previous years. Finally, the County identified $377,929 of deposits that were reported in the bank statements and not recorded in the County's general ledger.

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: The auditor-controller's office did not perform any cash reconciliations between the Treasury and the County's general ledger during the year under audit.

Effect: Lack of a timely and thorough reconciliations could result in undiscovered fraud and unresolved errors resulting in inaccurate general ledger balances. Unreconciled cash could also lead to delays in other significant activities related to cash such as apportioning interest to County funds and external pool participants, including schools and special districts, on a timely basis.

Cause: The auditor-controller's office did not appear to have prioritized this task since no individuals appeared to be assigned for completing these monthly reconciliations nor did the County engage with outside consultants to assist with the reconciliations until several months after year end. In addition, former employees of the auditor-controller's office do not appear to have maintained written procedures and worksheets supporting cash reconciliations and reviews performed in previous years.

Repeat Finding: Finding is a repeat finding from the prior year (2019-010).

Section II – Financial Statement Findings (Continued)

2020 – 007 (Continued)

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. Any reconciled differences should be resolved, and any journal entries deemed necessary as a result should be recorded. The reconciliation should include a review of the outstanding check listings, including those provided by external parties such as school districts who maintain cash in the Treasurer's pool, for accuracy.

The County should also consider engaging with outside consultants to perform these timely reconciliations if the auditor-controller's office does not have the experience or resources to stay current with the monthly cash reconciliations.

Finally, we recommend that that formal reconciliation instructions for monthly cash reconciliations be developed and should at a minimum, include the following matters: purpose, timetables outlining appropriate due dates, sample formats and schedules and instructions for schedules to be prepared.

Views of responsible officials: There is no disagreement with the audit finding.

2020 – 008

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: We were engaged to audit the County's financial statements for the year ended June 30, 2020. The County did not provide a closed trial balance until August 2021, or approximately 19 months after the June 30 year-end.

Upon receipt of the trial balance in August 2021, the County continued to record several significant adjustments to the general ledger resulting in approximately $30 million of adjustments to asset accounts of County funds between August 2021 and December 2021.

The revised trial balance was submitted on December 31, 2021.

Criteria: Single audit reporting packages, which at a minimum consists of the audited financial statements and the single audit report, are due nine months after the entity's fiscal year end (March 31 for the County of Humboldt) under 2 CFR 200.512 of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). On March 19, 2021, OMB issued memorandum M-21-20 extending the submission date by six months to September 30, 2021.

Section II – Financial Statement Findings (Continued)

2020 – 008 (Continued)

Context: The County was not able to meet the mandatory September 30, 2021 deadline for filing its reporting package consisting of the County's financial statements and single audit. The submission date had been extended by the Executive Office of the President Office of Management and Budget by six months beyond the normal due date.

Effect: Failure to submit reports by the statutory deadline could result in funding losses and have a significant account on other key functions of the County such as qualifying for grants and completing the annual budget with reliable fund balance information.

Cause: The year-end closing appeared to be delayed because some important procedures were not performed on time. The results were delays in producing closing entries, trial balances, schedules, reconciliations, account analyzes, and other financial reports needed by management and the auditors.

Another problem is that there is little to no documentation of the processes former employees had followed before leaving the organization.

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

Recommendation: We recommend the County develop both month-end and year-end closing schedules which includes all tasks necessary to close the periods. The list should, at a minimum, include the following: the month-end period; a list of month-end tasks (for example, cash reconciliation, interfund transfers reconciliations, etc.); the due date for each task and the responsible employee and management reviewer for each task with accompanying signed initials at completion.

We further recommend the County institute a program to methodically identify and document its significant operational and accounting processes for employees to follow when key employees leave the organization.

Views of responsible officials: There is no disagreement with the audit finding.

Section III – Federal Award Findings and Questioned Costs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).