



Office of the Auditor-Controller  
**COUNTY OF HUMBOLDT**  
825 5th Street, Room 126, Eureka, CA 95501-1153  
Telephone (707) 476-2452 Fax (707) 445-7449

The County of Humboldt respectfully submits the following corrective action plan for the year ended June 30, 2019.

Audit period: July 1, 2018 to June 30, 2019

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### **FINDINGS—FINANCIAL STATEMENT AUDIT**

#### Material Weakness:

2019-001

Closing procedures

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

Explanation of disagreement with audit finding: We agree with this finding.

Action planned in response to finding: While we do have a formal year-end closing schedule, its successful implementation is wholly dependent upon all departments, special districts, and schools' districts meeting the deadlines with the closing schedule. Further, the Auditor-Controller continues to be inadequately staffed with only 3 accountant positions and 2 senior accountant positions. It is a challenge for 5 accountants to reconcile the work of 21 departments and hundreds of funds. In response to this finding, we intend to continue to use our formal year-end closing schedule and we will continue training county departments on reconciliations, accruals, and revenue recognition. We will also request of the Board additional accountant positions be allocated to our department to ensure we have the capacity to close the year timely. Given the uncertainty of the coronavirus pandemic, this may need to be delayed further.

As of July 1, 2019, we discontinued the allowance of incomplete interfund transfers and eliminated duplicative object codes and obsolete object codes previously used to post transfers.

Name(s) of the contact person(s) responsible for corrective action: Karen Paz Domínguez

Planned completion date for corrective action plan: To be dependent upon receiving additional staffing allocations and no other unexpected natural disasters or pandemics.

2019-002

Number of funds

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.

Explanation of disagreement with audit finding: We agree with this finding

Action planned in response to finding: We will continue to investigate the existence of specific funds and move forward with closure of non-mandated trust funds. This work is

already in progress and we anticipate having a complete restructuring of the chart of accounts.

Name(s) of the contact person(s) responsible for corrective action: Karen Paz Domínguez

Planned completion date for corrective action plan: To be completed 6/30/2021

2019-003

Fortuna Fire District

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.

Explanation of disagreement with audit finding: We agree with this finding

Action planned in response to finding: We will request a walkthrough with Fortuna Fire Protection District to record their capital assets and with their permission, we will work with their external auditors to have an independent audit completed that includes capital assets.

Name(s) of the contact person(s) responsible for corrective action: Karen Paz Domínguez

Planned completion date for corrective action plan: To be completed 6/30/2021

2019-004

Receivables

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

Explanation of disagreement with audit finding: We agree with this finding.

Action planned in response to finding: Addressing this finding will be a significant undertaking as it would require an overhaul of our current deposit process. Most departments currently don't provide backup (as they do for Accounts Payable) to substantiate or clarify their deposits. Our action planned is to convene a meeting with all departments to explain this finding and walk them through the changes necessary to address it and correct it. Given the date of this letter and the coronavirus pandemic, it is likely that this will take 2 years to be fully addressed and corrected.

Name(s) of the contact person(s) responsible for corrective action: Karen Paz Domínguez

Planned completion date for corrective action plan: To be completed by 6/30/2022

2019-005

Subsequent Disbursements

Recommendation: We recommend the County update its controls over accounts payable to ensure subsequent disbursements after the department cutoff period are reviewed to ensure expenses are reported in the correct period.

Explanation of disagreement with audit finding: We agree with this finding.

Action planned in response to finding: The items that generated this finding were related to the use of a separate software known as CAMS and how those transactions were separated by posting date. The department separated invoices based upon the year in which they were paid instead of the year in which they were incurred. This imported information arrives pre-filled and was posted as such. The Auditor-Controller department will implement new procedures to review each invoice in the CAMS batches individually and separate them based upon the year in which the expenditure is incurred.

Name(s) of the contact person(s) responsible for corrective action: Karen Paz Domínguez

Planned completion date for corrective action plan: To be completed by 6/30/2021

2019-006

Year-end capital assets

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.

Explanation of disagreement with audit finding: We agree with this finding.

Action planned in response to finding: We will implement additional steps to further reconcile the information we receive from departments related to capital assets and construction-in-progress. Within our department, we will train on reconciliation of capital assets within the journal entries to post them and within the general ledger.

Name(s) of the contact person(s) responsible for corrective action: Karen Paz Domínguez

Planned completion date for corrective action plan: To be completed by 6/30/2021

2019-007

Accounting for PARS contributions

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 budgeted.

Explanation of disagreement with audit finding: We agree with this finding.

Action planned in response to finding: We will create a bank account within the general ledger to record activity occurring outside of the Treasury in a US Bank account monitored by PARS. We will require the timely submission of the US bank accounts being monitored by PARS (within 5 days following the end of a month) from the County Administrative Office and will post and reconcile to the general ledger.

Name(s) of the contact person(s) responsible for corrective action: Karen Paz Domínguez

Planned completion date for corrective action plan: To be completed by 6/30/2021

2019-008

Interfund activity

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.

Explanation of disagreement with audit finding: We agree for this finding for the period ended 6/30/19.

Action planned in response to finding: Beginning July 1, 2019, our office discontinued allowing the posting of incomplete transfers, eliminated inappropriate object codes being erroneously used for transfers, and required that all transfers be complete ("transfer in" equals "transfer out"). We believe that part of the finding has been addressed for fiscal year 2019-20.

Name(s) of the contact person(s) responsible for corrective action: Karen Paz Domínguez

Planned completion date for corrective action plan: June 30, 2020

2019-009

SEFA reconciliation

Recommendation: We recommend 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.

Explanation of disagreement with audit finding: We agree with this finding.

Action planned in response to finding: While we wholeheartedly agree with this finding and its recommendation, there is a high likelihood that given our staffing levels, we will not be able to correct this for fiscal year 2019/20 or 2020/21. We will make a request to our Board for additional appropriations to be used for staffing so that we can address this finding.

Name(s) of the contact person(s) responsible for corrective action: Karen Paz Domínguez

Planned completion date for corrective action plan: Completion date will be dependent upon additional appropriations for staffing to perform this task.

2019-010

Cash Reconciliation

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.

Explanation of disagreement with audit finding: We agree with this finding.

Action planned in response to finding: Our office will request complete information from all departments and a certification from each department head to either acknowledge or deny the existence of outside bank accounts. We will request timely submission (within 10 days following the end of a month) of bank statements to ensure that we can reconcile them in time to comply with government code 26905. Further, we will require that the Treasurer's daily cash balance reports the investments at cost rather than market.

Name(s) of the contact person(s) responsible for corrective action: Karen Paz Domínguez

Planned completion date for corrective action plan: To be completed by 6/30/2021.

For questions regarding this plan, please call Karen Paz Domínguez at (707) 476-2452.