



# COUNTY OF HUMBOLDT

For the meeting of: 6/7/2022

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File #: 22-573

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**To:** Board of Supervisors

**From:** First 5

**Agenda Section:** Consent

**SUBJECT:**

Memorandum of Understanding between the County of Humboldt and the Humboldt County Children and Families Commission.

**RECOMMENDATION(S):**

That the Board of Supervisors:

1. That the Board approve the renegotiated Memorandum of Understanding between the County of Humboldt and the Humboldt County Children and Families Commission.

**SOURCE OF FUNDING:**

Proposition 10 of 1998; California Children and Families Act tobacco tax funding

**DISCUSSION:**

In 1998, California voters approved Proposition 10, the California Children and Families Act, designating a tax on tobacco sales and establishing the state and county Children and Families Commissions. Local Commissions use those funds to work toward an “integrated, comprehensive, and collaborative system of information and services to enhance optimal early childhood development” with an emphasis on local decision making. On July 25, 2000, the Humboldt County Children and Families Commission (also known as First 5 Humboldt) and the County of Humboldt entered into an agreement, whereby the Proposition 10 funds were held in the County Treasury and, among other services, the County provided “Fiscal Services” including “Deposits and Disbursements,” “Accounting Services,” and “Payroll Services” performed by the County Auditor Controller.

In December, 2021, the Commission’s annual independent audit noted, “that the County of Humboldt Auditor Controller’s Office did not meet the expectations included in the Commission’s agreement for accounting and oversight services.” The recommendation of the independent auditor was that “the Commission work with the County of Humboldt’s Auditor Controller’s Office to ensure that the financial closing process is followed and the elements of their agreement for accounting and oversight services are followed.”

Despite outreach to both the Auditor Controller’s Office and advocacy to the Board of Supervisors, as stipulated in our Corrective Action Plan submitted to the State Controller’s Office, year-end closing procedures have still not occurred for multiple fiscal years, leaving the Commission open to additional

audit findings pertaining to the current fiscal year and in subsequent fiscal years. The Commission's Corrective Action Plan further stipulates that in the event of no improvement in procedures, the Commission will sever the current agreement with the County as it relates to Commission funds and establish accounts separate from the County Treasury into which the County will deposit Commission funds. In addition, as stipulated, the Commission has established new fiscal operating procedures in accordance with best business practices.

The Commission's legal counsel has worked with County Counsel to renegotiate the Memorandum of Understanding (MOU), removing fiscal, deposit and disbursement, and accounting services from the MOU and establishing a method of covering payroll expenses which protects both the County and the Commission's shared interests.

The new MOU makes the fewest changes possible while adequately responding to the Corrective Plan of Action and will be reviewed annually by the Commission and the County to monitor and respond to the any concerns that arise from this contractual relationship.

This new agreement preserves the close relationship between the Commission and the County, which reflects the many common goals that the Commission and the County hold, with a focus on the well-being of Humboldt County's youngest children and their families.

FINANCIAL IMPACT:

The County will eventually receive less from the Commission in A87 charges; these charges lag by a couple of years. Accordingly, the Auditor Controller's Office's workload will be reduced, though it is unlikely that a financial savings would be realized. Costs to the Commission will increase during the intervening years, due to increased staffing costs. The difference between A87 charges and increased staff costs is yet to be determined.

STRATEGIC FRAMEWORK:

This action supports your Board's Strategic Framework by protecting vulnerable populations .

OTHER AGENCY INVOLVEMENT:

None.

ALTERNATIVES TO STAFF RECOMMENDATIONS:

The Board could choose to not approve the new Memorandum of Understanding and reenter negotiations. This is not recommended as it leaves the Commission open to the possibility that the State Controller's Office will determine that the Commission has not complied with the Corrective Plan of Action.

ATTACHMENTS:

Draft MOU between the Humboldt County Children and Families Commission and the County of Humboldt.

PREVIOUS ACTION/REFERRAL:

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