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Office of the Auditor-Controller  
**COUNTY OF HUMBOLDT**

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**CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 2018**

The County of Humboldt respectfully submits the following corrective action plan for the year ended June 30, 2018.

Audit period: July 1, 2017 – June 30, 2018

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**

**SIGNIFICANT DEFICIENCY**

2018-001      Loans Receivable

Recommendation: We recommend the County continue to perform reconciliations of the loan receivables to the general ledger on a monthly basis while working with departments administering the loan programs to investigate any discrepancies to prevent misstatements in future years.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned in response to finding: The Auditor-Controller department will begin implementation of the Accounts Receivable module within our finance software, ONE Solution. All county departments will be asked to submit all information related to their loan programs to be entered into the A/R module and tracking will be facilitated by real-time posting of receivable balances. Individuals who are granted loans from the County will be entered into the system as customers and will have their running balances correspond to payments made by them to reduce their loan balance. The Accounts Receivable module will be kept in the control of the Auditor-Controller department for the first year of implementation and, dependent upon training and staffing, will be made available to county departments to enter their own receivables in real time. Until the time of full implementation, the Auditor-Controller department will continue to reconcile loan receivables to the general ledger using spreadsheet information provided by departments.

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

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

2018-002 Year-End Closing Procedures

Recommendation: We recommend that reconciliations of significant accounts, including cash with fiscal agent (PARS), unearned revenue, interfund loans and transfers, and long-term receivables 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: There is no disagreement with the audit finding.

Action planned in response to finding: The Auditor-Controller department has identified the various existing accounts the County holds for cash, loans, transfers, receivables, revenues, and expenditures, and has begun developing a process for regular monitoring and reconciling of transactions posted to these accounts. Also, the Auditor-Controller is currently restructuring the chart of accounts. This project is being completed with the assistance of the County Information Technology department. In addition, the Auditor-Controller is investing in technical training for the accountant-auditors and fiscal assistants on staff.

In addition to the above, the Auditor-Controller and the Assistant Auditor-Controller are developing a formal year-end closing schedule and procedure manual that will outline the timeline to complete tasks and identify responsible staff.

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

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

2018-003 Excessive Number of Funds

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

- 1) Modify the chart of accounts of these trust funds to allow for the proper recording of inflows and outflows to the appropriate revenue and expense accounts to provide more accurate classification of these accounts and/or
- 2) 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: There is no disagreement with the audit finding.

Action planned in response to finding: The Auditor-Controller department, as part of its restructuring of the chart of accounts, will identify funds that can be eliminated as well as funds that are of like-kind and can be consolidated. Also, the Auditor-Controller will no longer open new funds at department request unless legally required to do so. In order to allow the proper recording of inflows and outflows, the Auditor-Controller has endeavored to host trainings for all fiscal staff related to fund types and recording transactions across similar and different fund types.

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

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

2018-004 Component Unit Classification

Recommendation: We recommend the County perform periodic reviews of its funds to determine whether an organization is a component unit and whether a component unit's financial data should be reported using the blended or the discrete method based on applicable GASB publications.

We further 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.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned in response to finding: The Auditor-Controller department has identified the 12 dependent districts of the County of Humboldt and will begin recording their capital assets in the same manner as departments. The Auditor-Controller will communicate this plan with the managing bodies of those dependent districts.

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

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

2018-005 Revenue Recognition

Recommendation: We recommend the County review revenue recognition controls in place to ensure subsequent receipts are reviewed for the correct revenue recognition period.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned in response to finding:

Below are the steps the Auditor-Controller department is taking to correct our revenue recognition process for subsequent receipts:

- A. The A-C department will post deposits only on the dates that they actually occurred at the bank, not the date the deposit information is received by us (which is usually before or after it's been deposited). If the bank accepted a deposit on 7/1, then we will post that deposit on our general ledger to 7/1. If a deposit is received subsequent to the end of the fiscal year, then we will examine the backup to identify when the revenue was earned. If it was earned in the prior period, then we will accrue it back as a receivable on the date it was actually earned.
- B. The A-C department will be correcting object codes for deposits when necessary. For example, a payment to the county for services performed will be recorded to a specific revenue line for "Charges for Services", not to 808000 "Other Revenue".

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

Planned completion date for corrective action plan: August 31, 2019

2018-006 Unrecorded Liabilities

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.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned in response to finding: Accounts Payable staff have received internal training on how to examine subsequent disbursements to identify the period in which the expenses were incurred, regardless of when the request for payment was made by the department or special district. Additionally, Accounts Payable staff will be attending a formal out-of-county financial training in mid-July hosted by the California State Association of Counties.

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

Planned completion date for corrective action plan: August 31, 2019

#### **FINDINGS—FEDERAL AWARD PROGRAMS AUDITS**

There were no findings in the current year that require a corrective action plan.

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