



Management
County of Humboldt
Eureka, California

In planning and performing our audit of the financial statements of County of Humboldt as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the entity'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

However, during our audit we became aware of other matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. Our comments and suggestions regarding those matters are summarized below. A separate communication dated August 9, 2022 contains our written communication of significant deficiencies and material weaknesses in the entity's internal control. This letter does not affect our report on the financial statements, nor our internal control communication contained in the single audit report dated August 9, 2022.

DISAGGREGATION OF RECEIVABLES

Condition

Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Disclosures*, requires components of significant receivables to be disclosed in the financial statements. Components of receivables include accounts receivable (due from citizens), taxes (property, sales taxes, transient occupancy) receivable, interest receivable, amounts due from other governments and notes receivable.

Currently, the County records accounts receivable, taxes receivable and due from other governments within the same receivable account within its general ledger. However, the County has recently updated its chart of accounts to include separate accounts for the various types of receivables.

Recommendation

We recommend the County utilize its chart of accounts to account for the various receivable and payable types, including accounts receivable, loans receivable, interfund advances (and payables) and amounts due from other governments. Year-end closing procedures should be modified to capture receivable balances into each of these accounts according to their nature.

BUDGETS

Condition

The County prepares an annual budget and amends the budget throughout the year with most amendments requiring board approval. As budgets are amended, the County's accounting system is updated by the auditor-controller's office to reflect the final amended budget which is utilized to control authorized spending at the fund or department level. During our audit, we identified a few instances in which a department's total expenditures exceeded its final amended budget.

Recommendation

We recommend the County utilize its accounting system to ensure that actual spending does not exceed authorized spending. Accordingly, the County should update the amended budget amounts recorded in its accounting system timely as budget amendments are formally approved while utilizing these recorded budgets as a control for preventing unauthorized spending.

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We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various entity personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, Board of Supervisors, and others within the entity, and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Roseville, California
August 9, 2022