



# COUNTY OF HUMBOLDT

## Legislation Details (With Text)

**File #:** 22-1238      **Version:** 1      **Name:**  
**Type:** Special Presentation      **Status:** Passed  
**File created:** 9/10/2022      **In control:** County Administrative Office  
**On agenda:** 9/20/2022      **Final action:** 9/20/2022  
**Title:** 2:30 PM - Presentation of Fiscal Year 2019-2020 Audit Reports

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. Staff Report, 2. 2020 Humboldt County Financial Statements, 3. 2020 Humboldt County Single Audit, 4. 2020 Humboldt County Governance Ltr, 5. 2020 Humboldt County Mgmt Ltr, 6. FY 19-20 Action Plan, 7. 2021 - 2022 Humboldt audit services proposed fees.pdf

Date	Ver.	Action By	Action	Result
9/20/2022	1	Board of Supervisors	approved	Pass

**To:** Board of Supervisors

**From:** Auditor-Controller

**Agenda Section:** Time Certain Matter

### SUBJECT:

2:30 PM - Presentation of Fiscal Year 2019-2020 Audit Reports

### RECOMMENDATION(S):

That the Board of Supervisors:

1. Receive and file the audit reports prepared by CliftonLarsonAllen LLP (CLA), regarding the financial statements of the County of Humboldt for the fiscal year ended June 30, 2020; and
2. Receive and file the Corrective Action Plan on behalf of the County of Humboldt as a response to the findings identified in the Single Audit Report for the fiscal year ended June 30, 2020.
3. Approve audit engagements for the fiscal year ended June 30, 2021, and June 30, 2022, and authorize the County Administrative Officer to sign the proposal, execute the engagement contracts, and all subsequent amendments regarding the provision of external audit services, after review and approval by County Counsel and Risk Management.

### SOURCE OF FUNDING:

General Fund

### DISCUSSION:

CliftonLarsonAllen LLP has completed the long-awaited audit of the financial statements of the County of Humboldt for the year ended June 30, 2020, and has issued its reports dated Aug. 9, 2022.

Those reports include the “Financial Statements” (Attachment 1), the “Single Audit Report” (Attachment 2), the “Governance Communication Letter” (Attachment 3), and the “Management Letter” (Attachment 4). Copies of the Financial Statements” and the “Single Audit Report” are being distributed to the appropriate state and federal agencies in compliance with the Federal Single Audit Act and the California (CA) State Controller’s Office mandates. The firm’s principal auditor, Rich Gonzalez, Certified Public Accountant (CPA), will present the reports to your Board and answer questions.

The Single Audit Report Section II, includes eight financial statement findings, seven of the findings are “Material Weakness in Internal Control over Financial Reporting” and one finding is “Significant Deficiency in Internal Control over Financial Reporting”. Seven of the eight findings are repeat findings from the prior fiscal year 2018-19. In response to the findings, the Interim Auditor-Controller and Acting Assistant Auditor-Controller submitted an action plan (Attachment 5) to address the findings stemming from practices and procedures of the prior elected Auditor-Controller. The action plan sets forth corrective actions based on the recommendations of CliftonLarsonAllen. The action plan, like the milestones outlined in the Board-approved settlement agreement for the recent lawsuit filed by the California State Attorney General on behalf of the State Controller’s Office against then-Auditor Controller, Karen Paz Dominguez, and the county, set forth an aggressive plan for the Auditor-Controller’s Office to bring the financial reporting current by June 30, 2023. This means completing, auditing and issuing 3 years of financial reports in a single 12-month period.

Section 25250 of the California Government Code requires that the Board of Supervisors of each county audit the financial accounts and records of all officers having responsibility for the care, management, collection, or disbursement of moneys belonging to the county or money received or disbursed under the authority of law. Pursuant to Section 25250, a Board may employ the services of an independent Certified Public Accountant to perform an examination of the county’s financial statements in accordance with generally accepted account standards.

The single audit, which was previously referred to as the OMB Circular A-133, is an organization-wide financial statement and federal awards’ audit of a non-federal entity that spends \$750,000 or more in federal funds in a fiscal year. The single audit focuses on compliance with grants as well as the internal controls over compliance. For FY 2019-20, the county expended \$93.7 million in federal awards, well above the \$750,000 trigger for the single audit.

Each year, the county contracts with a certified public accounting firm to conduct an audit of the county’s finances and to prepare the associated financial statements, reports and schedules required by federal agencies and the Single Audit. CliftonLarsonAllen LLP has performed the annual audit of the county’s finances for a number of years and provided the county with a proposal for fees associated with the cost to perform these services for FY 2020-21 and FY 2021-22 (Attachment 6).

Staff recommends that the Board approve and authorize the Chair of the Board to approve the audit engagements for the fiscal years ending June 30, 2021, and June 30, 2022, and authorize the County Administrative Officer to sign the proposal, execute the engagement contracts, and all subsequent amendments regarding the provision of external audit services, after review and approval by County Counsel and Risk Management.

### FINANCIAL IMPACT:

Total estimated expenditures in FY 2022-23 related to the three audits mentioned above is \$271,530. Expenditures related to completing the FY 2019-20 single audit are \$114,150. Of that amount, \$91,000 was paid during FY 2021-22, leaving \$23,150 outstanding. The total amount payable for the FY 2020-21 audit is \$121,770 and the FY 2021-22 audit is \$126,610. These estimates differ from the amounts listed in Attachment 6 because there is additional service around new GASB requirements that must be included in the work. All of these costs are included in the FY 2022-23 budget. While completing three audits in one fiscal year will increase the costs for audits in FY 2022-23, the total costs of the engagements over the 3-year period should not be increased, just compressed.

Appropriations related to the three single audits will be included in the adopted budget for the Board of Supervisors (1100-101) to be presented to your Board on Sept. 27, 2022. The adopted budget will include an additional General Fund allocation request in the amount of \$165,000. This amount was budgeted in FY 2020-21 and FY 2021-22 and not spent on audit services. Staff estimates this funding is available in fund balance. The remaining \$106,530 in funding was included in budget for FY 2022-23 and is available through the base General Fund allocation.

Receiving and filing the annual audit report and the correction action plan and implementing the actions contained therein will have a significant financial impact on the county. Many state and federal funding sources require the county to have a single audit completed each year in order to continue funding county services. As stated above, the county expended \$93.7 million in federal awards, and this funding as well as state funding is at risk without timely audits completed.

### STRATEGIC FRAMEWORK:

This action supports your Board's Strategic Framework by fostering transparent, accessible, welcoming and user friendly services, providing community-appropriate levels of service, and enforcing laws and regulations to protect residents.

### OTHER AGENCY INVOLVEMENT:

**State Agencies:** CA State Auditor, CA Department of Finance, CA State Controller's Office, CA Employment Development Department, and other state agencies.

**Federal Agencies:** Federal Aviation Administration, and the Office of Management and Budget.

**County:** All County departments and agencies who hold funds in the county's treasury.

**All special districts governed by the Humboldt County Board of Supervisors:** Fortuna Fire Protection District, Loleta Fire Protection District, Whitethorn Fire Protection District, Garberville Lighting District, Hydesville Lighting District, Loleta Lighting District, Rohnerville Lighting District, Weott Maintenance & Lighting District, Redcrest Street Lighting Maintenance District, Myers Flat Street Lighting Maintenance District, Pacific Manor Street Lighting Maintenance District, Humboldt County Flood Control District, Subzone 1-1, Janes Creek Storm Drain Maintenance District.

### ALTERNATIVES TO STAFF RECOMMENDATIONS:

Board discretion.

ATTACHMENTS:

1. 2020 Humboldt County Financial Statements
2. 2020 Humboldt County Single Audit
3. 2020 Humboldt County Governance Letter
4. 2020 Humboldt County Management Letter
5. 2020 Action Plan
6. 2021 Engagement Proposal

PREVIOUS ACTION/REFERRAL:

Board Order No.: 21-263

Meeting of: 3/2/2021

File No.: L3