

**COUNTY OF LASSEN
SUSANVILLE, CALIFORNIA**

SINGLE AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2019**

COUNTY OF LASSEN
SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
 <u>FINANCIAL SECTION</u>	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance and Schedule of Expenditures of Federal Awards Required by the Uniform Guidance and Supplemental Schedule of the California Office of Emergency Services (CalOES) Grant Expenditures	3
Schedule of Expenditures of Federal Awards.....	5
Notes to the Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs.....	8
Summary Schedule of Prior Audit Findings.....	11
Corrective Action Plan	13
Supplemental Schedule of the California Office of Emergency Services (CalOES) Grant Expenditures.....	16



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Supervisors
of the County of Lassen
Susanville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Lassen, California (the "County"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 10, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 and 2019-002 that we consider to be a material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2019-001.

County's Response to Findings

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Price Pange & Company

Clovis, California
April 10, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE AND SUPPLEMENTAL SCHEDULE OF THE CALIFORNIA OFFICE OF EMERGENCY SERVICES (CALOES) GRANT EXPENDITURES

To the Board of Supervisors
of the County of Lassen
Susanville, California

Report on Compliance for Each Major Federal Program

We have audited the County of Lassen, California's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2019. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County of Lassen, California, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

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Report on Internal Control Over Compliance

Management of the County of Lassen, California, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Lassen, California, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated April 10, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. The accompanying Supplemental Schedule of California Office of Emergency Services (CalOES) Grant Expenditures is presented for purposes of additional analysis as required by CalOES and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards and Supplemental Schedule of California Office of Emergency Services (CalOES) Grant Expenditures are fairly stated in all material respects in relation to the basic financial statements as a whole.

Price Pange & Company

Clovis, California
April 10, 2020

COUNTY OF LASSEN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Contract/ Pass-Through Entity Identifying Number	Passed through to Subrecipients	Federal Expenditures 2019
U.S. Department of Agriculture				
Passed through the State Controller's Office:				
Forest Service Schools and Roads Cluster:				
Schools and Roads - Grants to Counties (Title I)	10.666	N/A	\$ -	\$ 624,769
Schools and Roads - Grants to Counties (Title III)	10.666	N/A	-	-
Subtotal Forest Service Schools and Roads Cluster			-	624,769
Total U.S. Department of Agriculture			-	624,769
U.S. Department of Commerce				
Total U.S. Department of Commerce			-	-
U.S. Department of Housing and Urban Development				
Passed through the State Department of Housing and Community Development:				
Community Development Block Grant/State's Program	14.228	N/A	-	140,080
Total U.S. Department of Housing and Urban Development			-	140,080
U.S. Department of the Interior				
Direct Programs:				
Recreation Resource Management	15.225	N/A	-	35,441
Payment in Lieu of Taxes	15.226	N/A	-	2,053,473
Distribution of Receipts to State and Local Government	15.227	N/A	-	10,789
Geothermal Resources	15.434	N/A	-	72,039
Total U.S. Department of Interior			-	2,171,742
U.S. Department of Justice				
Passed through the California Office of Emergency Services (CalOES):				
Lassen County Victim Witness	16.807	VW16240180	-	163,685
Child Advocacy Center	16.575	KC17010180	-	172,439
Total U.S. Department of Justice			-	336,124
U.S. Department of Transportation				
Highway Planning and Construction Cluster				
Direct Programs:				
Federal Exchange Agreement	20.205	N/A	-	2,835,940
Total U.S. Department of Transportation			-	2,835,940
U.S. Department of Health and Human Services				
Passed through the State Department of Social Services:				
Promoting Safe and Stable Families	93.556	N/A	-	19,144
TANF Cluster:				
Temporary Assistance for Needy Families	93.558	N/A	-	1,586,037
Subtotal TANF Cluster			-	1,586,037
Stephanie Tubbs Jones Child Welfare Services Program	93.645	N/A	-	90,525
Foster Care - Title IV-E	93.658	N/A	-	522,068
Guardianship Assistance	93.090	N/A	-	320
Adoption Assistance	93.659	N/A	-	8,534
Social Services Block Grant	93.667	N/A	-	35,007
Chafee Foster Care Independence Program	93.674	N/A	-	63,124

See Notes to the Schedule of Expenditures of Federal Awards.

COUNTY OF LASSEN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019
(Continued)

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Contract/ Pass-Through Entity Identifying Number	Passed through to Subrecipients	Federal Expenditures 2018
U.S. Department of Health and Human Services (Continued)				
Passed through the Department of Child Support Enforcement: Child Support Enforcement	93.563	N/A	-	628,975
Passed through State Department of Health Care Services: Center for Disease Control and Prevention Investigations and Technical Assistance	93.283	N/A	-	46,490
Medicaid Cluster:				
Medical Assistance Program	93.778	N/A	-	1,014,380
Subtotal Medicaid Cluster			-	<u>1,014,380</u>
Passed through the State Department of Public Health:				
Public Health Emergency Preparedness	93.069	N/A	-	128,152
Childhood Lead Poisoning Prevention	93.197	N/A	-	7,292
Immunization Grant	93.268	N/A	-	47,172
Adoption Opt. Project	93.652	N/A	-	570
Children's Health Insurance Program	93.767	N/A	-	106,774
National Bioterrorism Hospital Preparedness Program	93.889	N/A	-	130,859
HIV Prevention Activities-Health Department Based	93.940	N/A	-	2,219
Maternal and Child Health Services Block Grant to the States	93.994	N/A	-	86,033
SNAP Cluster				
Supplemental Nutrition Assistance Program	10.551	N/A	-	120,360
Subtotal SNAP Cluster			-	<u>120,360</u>
Passed through the State Department of Mental Health: Block Grants for Community Mental Health Services	93.958	07-771180-0100	-	152,802
Passed through the State Department of Alcohol and Drug Abuse Programs: Block Grants for Prevention and Treatment of Substance Abuse (SAPT)	93.959	N/A	-	<u>475,004</u>
Total U.S. Department of Health and Human Services			-	<u>5,271,841</u>
U.S. Department of Homeland Security				
Passed through the California Office of Emergency Services (CalOES):				
Homeland Security - CalEMA	97.067	CalEMA 035-00000	-	100,883
Emergency Management Performance Grant (OES)	97.042	CalEMA 035-00000	-	131,238
FEMA 4308-CR-CA	97.036	N/A	-	<u>71,739</u>
Total U.S. Department of Homeland Security			-	<u>303,860</u>
Total Federal Awards Expenditures, Excluding Loans			-	<u>11,684,356</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 11,684,356</u>

See Notes to the Schedule of Expenditures of Federal Awards.

COUNTY OF LASSEN
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

A. Reporting Entity

The financial reporting entity, as defined by the Government Accounting Standards Board (“GASB”), consists of the primary government, which is the County of Lassen, California (the “County”), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

B. Basis of Accounting

Funds received under the various grant programs have been recorded within various funds of the County. The County utilizes the modified accrual basis of accounting for these funds. The accompanying Schedule of Expenditures of Federal Awards (the “SEFA”) is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the presentation of County's basic financial statements.

C. Schedule of Expenditures of Federal Awards

The accompanying SEFA presents the activity of all federal financial assistance programs of the County. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other agencies is included in the SEFA. The SEFA was prepared only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the County.

When the County receives federal awards as a sub-recipient, the pass-through agency generally provides the County with a pass-through number that will be referenced on the SEFA. If the pass-through agency does not generate or provide such a number, the County will denote “N/A” on the SEFA in the absence of a pass-through number.

D. Indirect Cost Rate

The County has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

**COUNTY OF LASSEN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
 Material weaknesses identified? X Yes No
 Significant deficiencies identified that
 are not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? X Yes No

Federal Awards

Internal control over major programs:
 Material weaknesses identified? Yes X No
 Significant deficiencies identified that
 are not considered to be material weaknesses? Yes X None reported

Type of auditor's report issued on compliance
 for major programs: Unmodified

Any audit findings disclosed that are required
 to be reported in accordance with 2CFR
 section 200.516(a)? Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medical Assistance Program
93.558	Temporary Assistance for Needy Families

Dollar threshold used to distinguish between Type A
 and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

COUNTY OF LASSEN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2019-001 - Tracking of Unused Realignment Funds (Material Weakness) - Compliance

Condition: Funding that has been transferred from the Mental Health Realignment, Social Services Realignment and Public Health Realignment in previous years to cover budget deficits has accrued a significant balance over time. These funding sources may carry different purpose restrictions and the department is unaware of how much of the remaining funding in the Health and Social Services Fund is applicable to each of the funding source.

Criteria: A strong system of internal control over financial reporting ensures that the use of all restricted funding is limited to the appropriate purpose.

Cause: The County does not have a mechanism to delineate between unused Mental Health Realignment, Social Services Realignment and Public Health realignment funds within the Health and Human Services Funds.

Effect: Since there is no mechanism in place to track the realignment funding remaining within the Health and Social Services Fund, there is a potential of improper use of that funding.

Recommendation: We recommend the County review at least five years of activity within the Health and Human Services Fund and develop an analysis of realignment revenue transferred into and other revenue received compared to eligible expenditures for each grant and realignment type. The result of the analysis would be a calculation of how much of the cash and investments remaining in the fund is related to each type of realignment funding. Additionally, we recommend the department develop a mechanism to track any unused realignment funds by type each year and develop and implement controls to oversee this process.

Management's Response: See Corrective Action Plan.

COUNTY OF LASSEN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Finding 2019-002 - Unavailable Revenue (Material Weakness)

Condition: The County did not properly account for revenue the County received subsequent to the 60- or 180-day availability period for non-grant and grant related revenues, respectively.

Criteria: Generally accepted accounting principles require that revenue received after the 60- or 180-day availability period be classified as unavailable revenues (a deferred inflow of resources) in the governmental fund financial statements in accordance with the modified accrual basis of accounting.

Cause: The County does not have a closing process that revenue is only being recognized after meeting the availability criteria.

Effect: Revenues reported in the Health and Human Services and Welfare Administration funds were overstated by \$44,493 and \$1,023,043, respectively, and deferred inflows of resources were understated by the same amount.

Recommendation: We recommend that the County develop and implement controls over the year-end closing process to ensure that revenue received subsequent to the period of availability is properly recorded in the general ledger in accordance with the modified accrual basis of accounting.

Management's Response: See Corrective Action Plan.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reportable.

**COUNTY OF LASSEN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL STATEMENT FINDINGS

None reportable.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reportable.

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County of Lassen
Auditor



Julie Morgan
Auditor

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COUNTY OF LASSEN
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2019

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	Discussions with the Health and Social Services Department staff indicate there is program tracking of the cash and investments remaining in the fund related to each type of realignment funding. Due to unanticipated vacancies current staff have been doing additional duties and a complete tracking is not available. Health and Social Services staff will conduct an analysis of the fund balance lead by Health and Social Services Chief Fiscal Manager. The Chief Fiscal Manager will assign each fiscal officer to track the restricted program funds. Staff will research past transfers and program expenditures when necessary to track any realignment funding by program in order to ensure the funding is limited to the appropriate purpose.	Health and Social Services staff will be working on this in the next 12 months.	Julie Morgan, County Auditor
2019-002	The County will develop and implement controls over the year-end closing process to ensure that revenue received subsequent to the period of availability is properly recorded in the general ledger in accordance with the modified accrual basis of accounting and that revenue is only being recognized after meeting the availability criteria.	The County Auditor will work with staff to implement this for the next fiscal audit.	Julie Morgan, County Auditor

Julie Morgan
Julie Morgan
County Auditor

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**SUPPLEMENTAL SCHEDULE OF
CALIFORNIA OFFICE OF EMERGENCY SERVICES (CALOES)
GRANT EXPENDITURES**

**COUNTY OF LASSEN
 SUPPLEMENTAL SCHEDULE OF THE CALIFORNIA OFFICE OF
 EMERGENCY SERVICES (CALOES) GRANT EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2019**

Program	Expenditures Claimed		Current Year		
	For the Year Ended June 30, 2018	For the Year Ended June 30, 2019	Federal Share	State Share	County Share
VW10180180 - Victim Witness Assistance Program					
Personnel services	\$ 127,634	\$ 154,081	\$ 134,706	\$ 19,375	\$ -
Operating expenses	<u>31,380</u>	<u>41,541</u>	<u>28,979</u>	<u>12,562</u>	<u>-</u>
Total	<u>\$ 159,014</u>	<u>\$ 195,622</u>	<u>\$ 163,685</u>	<u>\$ 31,937</u>	<u>\$ -</u>