



Administration
Connie Beck, Director
507 F Street, Eureka, CA 95501
phone: (707) 441-5400 | fax: (707) 441-5412

November 3, 2021

To: Karen Paz Dominguez, Auditor-Controller and
Distinguished Members of the Audit Workgroup Committee

From: Trevis Green, Deputy Director of Finance for Department of Health and Human Services

RE: Year End Closing and Impacts to Departments

Good Afternoon Auditor-Controller Karen Paz Dominguez and Distinguished Members of the Audit Workgroup Committee,

I am writing this letter as a follow up to the October 12, 2021, letter I submitted to the committee. As of 8:30 a.m. on November 2, 2021 DHHS has tracked the posting of approximately 52 of its 365+ Fiscal Year (FY) 20/21 journals.

It is now over three weeks since the "soft close" period has ended and two weeks since the "last call" period ended and there has been no communication from you, Karen, on the status of closing FY 20/21. During the "soft close," departments were under the impression that the backlog of journals would be posted, so departments would be able to complete any year-end adjustment journals during the "last call" period. Since this did not happen, I will ask the same question I asked in my October 12 letter, will the "soft close" and "last call" timelines be extended?

So far you have set due dates four times for the FY 20/21 year end and have not been able to achieve any of them. I appreciate you sending out an email to the Fiscal Team on Monday, October 25, 2021, however, the contents of your message only stated you are working on several updates to send to us and that you are challenged by continuing network connectivity, server issues and working with a reduced staff. Your message did not communicate anything substantive to departments on the status of the work you or your office is completing for the county and its departments or any next steps you will be taking now that deadlines have passed. You have also not issued any further communication since October 25, 2021.

Departments need to know the status of the year end to effectively plan. Why are you continuing to not communicate with all of us on where you are in your process and when you will finish? There is a growing back-log of items that need to be completed that have impacts on our ability to do our work, costs to the county in terms of lost revenue (Public Health was unable to claim \$357,716 due to your late posting of FY 19/20 and FY 20/21 Internal Service Fund/Cost Allocation Plan [ISF/CAP] charges), and recently DHHS's CalWORKs Home Visiting Program allocation was cut \$59,838 from the prior year partly as a result of the late posting of ISF/CAP costs. Social Services is also still dealing with a cashflow issue as



Behavioral Health
phone: (707) 268-2990
fax: (707) 476-4049

Public Health
phone: (707) 445-6200
fax: (707) 445-6097

Social Services
phone: (707) 476-4700
fax: (707) 441-2096

a result of the late posting of FY 19/20 ISF/CAP costs and will be suffering the same cashflow impact again for the late posting of FY 20/21 ISF/CAP costs.

The fiscal year-end process only seems to be getting worse not better as time goes on. DHHS has already been impacted from the way FY 19/20 is being closed and at this time last year DHHS did not have nearly the number of unposted journals pending. Last year, around this time, DHHS had approximately 13 unposted journals along with the unposted FY 19/20 ISF/CAP charges, totaling an estimated combined amount of \$27 million. This year, DHHS still has more than 300 unposted FY 20/21 journals and the unposted FY 20/21 ISF/CAP charges, totaling an estimated combined amount of \$100 million.

DHHS is extremely concerned that the way things are going, the department will lose the ability to claim even more reimbursements, see more allocation cuts and suffer through even more cash flow issues as we move forward.

DHHS staff would like to know if any of the changes you have made to FY 19/20 finances impacted operational budgets—particularly expenses. If your recent actions added more expenses to any of DHHS's budgets for FY 19/20, there will be no way to claim for them and draw down any federal, state and/or grant funding. Can you give an explanation of the changes that were made to FY 19/20? In a prior Audit Committee meeting, you stated that FY 19/20 was essentially closed, and only minor adjustments were needed and will post as a prior period adjustment. I'm hearing that there were an estimated \$100 million in transactions moved to FY 19/20 in Finance Enterprise. Is this true? This does not sound like a minor adjustment to the County's General Ledger.

DHHS staff continue to appreciate the work of Macias Gini & O'Connell LLP (MGO) in prioritizing Social Services' Q2 FY 20/21 journals so the Q2 revised County Expense Claim (CEC) could be completed and submitted. DHHS staff further appreciate that MGO has completed the review and approval of all the journals you have assigned them. Unfortunately, what has been assigned to them thus far only represented a fraction of all the journals DHHS has pending for FY 20/21. DHHS Social Services is now nearing the Q3 revised CEC claiming period and will yet again need to ask that specific journals from FY 20/21 be pulled out and prioritized due to the continued delays in processing journals. Social Services will need all its pending Q3 journals prioritized so they are reviewed, approved, and posted timely to meet the timelines of this claim as this will be the last chance to claim them or they will be excluded and DHHS will lose reimbursements on \$2.1 million from other government agencies.

DHHS continues to be concerned that at the pace with which journals are being reviewed, approved, and posted to Finance Enterprise, the county is going to continue to be behind. The continual late posting of journals creates a backlog of work for departments and additional workload to track unposted items on a daily basis. DHHS is further troubled by learning late last week that the Auditor-Controller's Office (ACO's) records of the journals that have been submitted by DHHS to the ACO's journal email box do not match the record of what DHHS has submitted.

To conclude, when will the FY 19/20 audit documents be sent to CliffordLarsonAllen (CLA)? Per my October 12 letter, will the negative interest apportionments that hit DHHS accounts be reversed? Lastly, when will all of the FY 20/21 journals, ARs, and accruals post? Will the "soft close" and "last call" periods be extended again? As the year-end close for 20/21 continues to be extended, there is growing concern over current year operations and your office's ability to meet deadlines and communicate with departments. One such concern is the submittal of the FY 21/22 Cost Allocation Plan (CAP) to the State Controller's Office. The County of Humboldt is now only one of seven counties that have yet to have



Humboldt County Department of Health & Human Services

their 21/22 CAP approved by the State Controller's Office. Will we be the last again like we were for the FY 20/21 CAP which contributed to the late posting of the ISF/CAP charges for that FY? The functions of your office correlate to the work and reporting departments perform and communication is imperative, please provide departments with an update.

Sincerely,



Trevis Green
Deputy Director of Finance
Department of Health and Human Services
tgreen@co.humboldt.ca.us
(707) 441-5422

CC: Connie Beck, Director of Department of Health and Human Services



