

VIA EMAIL

November 19, 2021

Elishia Hayes, County Administrative Officer
County of Humboldt
825 5th Street
Eureka, CA 95501

Dear Ms. Hayes:

This law firm represents First 5 Humboldt. We write to raise serious concerns about the County's failure to comply with the Memorandum of Understanding (MOU) between the County and First 5 Humboldt executed by the parties in July of 2000. Under that MOU the County agreed to provide certain services to First 5 Humboldt, specifically including "Fiscal Services" through the County Auditor-Controller. The MOU also provided that the County would indemnify First 5 Humboldt for "any and all claims, suits, actions, judgments or losses . . . arising out of acts or omissions of the County, its employees or agents."

As you know, First 5 Humboldt is an independent government entity, created by state law, and charged with implementing an integrated system of services that help young children and their families meet their highest potential. First 5 Humboldt is very concerned about its ability to carry out its most basic functions as a direct result of the County Auditor-Controller's failure to provide prompt and efficient service. This failure has led to a delay of First 5 Humboldt's independent audit and timely reporting as required by state law. The result has been to place First 5 Humboldt funds and grant monies in jeopardy, as well as leading to unnecessary and costly time devoted to dealing with the County Auditor-Controller's delays in performing its functions under the MOU. Ultimately, this has distracted First 5 Humboldt from performing its core work with which it is mandated by law to provide.

California Health and Safety Code Sections 130100-130155 require First 5 Humboldt to submit to the State an annual audit and report by November 1 of each year. This requirement is well known to the County Auditor-Controller as that office has been made aware of this requirement every year First 5 Humboldt has been in existence. On Aug. 11, 2021, First 5 Humboldt notified the Auditor Controller, Human Resources and Information Technology offices of the items required to complete First 5 Humboldt's independent audit. Human Resources and Information Technology both responded in a timely manner. In contrast, the Auditor-Controller's Office did not respond to multiple requests for the required information, even though that information should have been known to that office over a year ago if it was complying with normal accounting procedures. Only this past week, after the State deadline, did the Auditor-Controller provide the requested balances to First 5 Humboldt's bank accounts for FY 2020-21, the year currently under audit. Even that information required follow up contact from my client to verify the information provided.

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As a direct result of the untimely information provided the Auditor-Controller, First 5 Humboldt was required to ask for an extension of time from the State in order to comply with the statutorily mandated audit deadline. This is the first time my client has had to seek such an extension.

In addition to the above problem, there have been other recent complications with the services provided by the Auditor-Controller under the MOU. Those problems have centered around payroll accounting/services, a core function of that office pursuant to the MOU. While not as critical as to causing my client to miss a State imposed deadline, these payroll issues have led to distractions for First 5 Humboldt staff, as well as impacting individual First 5 Humboldt employees.

We call these problems to your attention since they directly implicate the contract between the County and First 5 Humboldt. As an organization, First 5 Humboldt has a responsibility to not only meet its statutory requirements, but maintain a level of fiscal transparency. First 5 Humboldt also views its responsibility to include ensuring the children and families of Humboldt County have a full array of services due them. First 5 Humboldt is very concerned about the ability of the Auditor-Controller's office to meet the County's contractual obligations to my client, as well as broader concerns about the County's ability to continue to serve the needs of young children and their families.

While the immediate crisis caused by the Auditor-Controller is now resolved, my client desires to make known to the County the seriousness of these problems. While First 5 Humboldt is not asking to invoke the "Dispute Resolution" requirements of the MOU, if further problems arise it may need to take these issues to a higher level of resolution.

Sincerely,



Lance H. Olson

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