



COUNTY OF SUTTER, CALIFORNIA

FOR THE YEAR ENDED JUNE 30, 2024

SINGLE AUDIT REPORT

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on YOU



COUNTY OF SUTTER, CALIFORNIA

Single Audit Report

For the Year Ended June 30, 2024

COUNTY OF SUTTER, CALIFORNIA

Single Audit Report

For the Year Ended June 30, 2024

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Supervisors and Grand Jury
County of Sutter, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the County of Sutter, California (hereafter, the County)'s compliance with the types of compliance requirements identified as subject to audit 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, 2024. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County 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, 2024.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's federal programs.



To the Board of Supervisors and Grand Jury
County of Sutter, California

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2024-003 and 2024-004. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.



To the Board of Supervisors and Grand Jury
County of Sutter, California

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-003 and 2024-004 to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-004 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated August 6, 2025, which contained unmodified opinions on those financial statements. Our audit was performed 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. 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 basic 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

LSL, LLP

Sacramento, California
August 6, 2025



INDEPENDENT AUDITORS' 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 and Grand Jury
County of Sutter, 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 County of Sutter, California (the "County"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 6, 2025.

Report on Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2024-001, 2024-002 and 2024-003 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2024-004 to be a significant deficiency.

Report on 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 financial statements. 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 responses as items 2024-003 and 2024-004.



To the Board of Supervisors and Grand Jury
County of Sutter, California

County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LSL, LLP

Sacramento, California
August 6, 2025

COUNTY OF SUTTER, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal Assistance Listing Number</i>	<i>Entity Unique Identifier Number</i>	<i>Total Federal Expenditures</i>
SNAP Cluster*			
Department of Agriculture Pass-Through Programs from:			
State of California Department of Public Health			
Special Supplemental Nutrition Program	10.551	KD2JSY6LNMW7	\$ 108,296
Special Supplemental Nutrition Programs for Women, Infants, & Children	10.557	KD2JSY6LNMW7	848,739
Supplemental Nutrition Assistance Program	10.561	KD2JSY6LNMW7	2,242,878
Subtotal - Assistance Listings 10.551, 10.557, and 10.561			3,199,913
Total Department of Agriculture Programs			3,199,913
Total SNAP Cluster			3,199,913
Highway Planning and Construction Cluster			
Federal Highway Administration Pass-Through Programs from:			
State of California Department of Transportation			
Highway Planning and Construction Cluster- Road CA	20.205	EHEGWCLJEVJ4	632,387
Subtotal 20.205			632,387
Total Federal Highway Administration Programs			632,387
Total Highway Planning and Construction Cluster			632,387
477 Cluster			
Department of Health and Human Services Pass-Through Programs from:			
State of California Department of Social Services			
Temporary Assistance for Needy Families	93.558	LDJ1MM9L56K7	9,446,494
Subtotal 93.558			9,446,494
Total Department of Health and Human Services Programs			9,446,494
Total 477 Cluster			9,446,494
Medicaid Cluster			
Department of Health and Human Services Pass-Through Programs from:			
State of California Department of Health Care Services			
Medical Assistance Program DHS	93.778	JE73CDQUAPA7	6,361,996
State of California Department of Social Services			
Medical Assistance Program *	93.778	LDJ1MM9L56K7	485,964
Subtotal 93.778			6,847,960
Total Department of Health and Human Services Programs			6,847,960
Total Medicaid Cluster			6,847,960
Other Programs			
Department of Agriculture Pass-Through Programs from:			
State of California Department of Food and Agriculture			
Cooperative Forestry Assistance	10.664	HHPESLCJ4381	79,975
Subtotal Assistance Listing 10.664			79,975
Department of Housing and Urban Development Pass-Through Programs from:			
State of California Department of Housing and Community Development			
Community Development Block Grants (Beginning Loans Balance) *	14.228	L4JQPJ7N5NT4	1,178,196
Subtotal Assistance Listing 14.228			1,178,196
Home Investments Partnerships Program			
2010 HOME Program (Beginning Loans Balance)	14.239	N/A	21,330
Total Department of Housing and Urban Development Programs			1,199,526
Department of Transportation Pass-Through Programs from:			
State of California Federal Aviation Administration			
Airport Improvement Program	20.106	N5VKWJAJBTG1	10,000
Total Department of Transportation Programs			10,000

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

COUNTY OF SUTTER, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal Assistance Listing Number</i>	<i>Entity Unique Identifier Number</i>	<i>Total Federal Expenditures</i>
Department of Justice Direct Programs:			
Organized Crime Drug Enforcement Task Forces	16.000	N/A	1,861
State Criminal Alien Assistance Program	16.606	N/A	179,487
Bulletproof Vest Partnership	16.607	N/A	1,598
State and Community Highway Safety	20.600	T1CSSJGRW1M1	29,980
Total Department of Justice Direct Programs			212,926
Department of Justice Pass-Through Programs from:			
State of California's Office of Emergency Services			
Crime Victim Assistance	16.575	UTM3S7LKYQZ4	679,209
Total Department of Justice Pass-Through Programs			679,209
Department of Treasury Pass-Through Programs from:			
State of California Treasurer's Office			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds *	21.027	NUDGYLBB4S99	554,365
Subtotal - Assistance Listing 21.027			554,365
Total Department of Treasury			554,365
Department of Education Pass-Through Programs from:			
State of California Department of Education			
Ca Dept Ed-Citizenship	84.002A	HWEYC7CDW9Y7	226,317
Subtotal - Assistance Listing 84.002A			226,317
Total Department of Education Programs			226,317
Department of National Endowment for the Humanities Pass-Through Programs from:			
California State Library			
Grants to States	45.310	SEF8B2944EP9	109,410
Subtotal - Assistance Listing 45.310			109,410
Total Department of Education Programs			109,410
Department of Health and Human Services Pass-Through Programs from:			
State of California Department of Public Health			
Maternal and Child Health Federal Consolidated Programs	93.110	KD2JSY6LNMW7	150,364
Project Grants and Cooperative Agreements for Tuberculosis Control programs	93.116	KD2JSY6LNMW7	12,724
Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead			
Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	KD2JSY6LNMW7	15,491
Immunization Cooperative Grants	93.268	KD2JSY6LNMW7	448,048
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases Enh	93.323	KD2JSY6LNMW7	115,802
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases Exp	93.323	KD2JSY6LNMW7	799,942
Cooperative Agreement for Emergency Response: Public Health Crisis Respon	93.354	KD2JSY6LNMW7	238,420
Activities to Support State, Tribal, Local and Territorial Health Department	93.391	KD2JSY6LNMW7	54,059
Centers for Medicare and Medicaid Services	93.779	KD2JSY6LNMW7	38,444
Centers for Medicare and Medicaid Services	93.779	KD2JSY6LNMW7	101,646
National Bioterrorism Hospital Preparedness Program	93.889	KD2JSY6LNMW7	196,812
Centers for Disease Control and Prevention	93.977	CXVUVFANSLH3	167,300
State of California Department of Social Services			
Guardianship Assistance	93.090	LDJ1MM9L56K7	28,873
Promoting Safe and Stable Families	93.556	LDJ1MM9L56K7	17,597
Refugee Cash Assistance	93.566	LDJ1MM9L56K7	155,415
Stephanie Tubbs Jones Child Welfare Services Program	93.645	LDJ1MM9L56K7	48,597
Foster Care Title IV-E*	93.658	LDJ1MM9L56K7	10,819,532
Adoption Assistance *	93.659	LDJ1MM9L56K7	3,844,978
Social Services Block Grant - Title XX Assistance	93.667	LDJ1MM9L56K7	838,591
Subtotal - Assistance Listing 93.667			838,591
Chafee Foster Care Independence Program	93.674	LDJ1MM9L56K7	69,390

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

COUNTY OF SUTTER, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal Assistance Listing Number</i>	<i>Entity Unique Identifier Number</i>	<i>Total Federal Expenditures</i>
State of California Work Opportunity and Responsibility Maternal, Infant, and Early Childhood Home Visiting Grant	93.870	Not Available	293,070
State of California Department of Health Care Services Project for Assistance in Transition for Homelessness	93.150	JE73CDQUAPA7	83,283
Block Grants for Community Mental Health Services	93.958	JE73CDQUAPA7	630,919
State of California Department of Alcohol and Drug Program Block Grants for Prevention and Treatment of Substance Abuse	93.959	Not Available	1,247,451
Total Department of Health and Human Services Programs			20,416,748
Department of Homeland Security Direct Programs:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	18,846
Assistance for Firefighters Grant	97.044	N/A	154,378
Department of Homeland Security Pass-Through Programs from:			
California Governor's Office of Emergency Services Emergency Management Performance Grant	97.042	UTM3S7LKYQZ4	151,082
Homeland Security Grant Program	97.067	UTM3S7LKYQZ4	196,587
Subtotal - Assistance Listing 97.067			196,587
Total Department of Homeland Security Programs			520,893
Total Other Programs			24,009,369
Total Expenditures of Federal Awards			\$ 44,136,123

* Major Program

¹ There was no federal awards expended in the form of noncash assistance and insurance in effect during the year.

² The amount provided to subrecipients during the year was \$0.

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

COUNTY OF SUTTER, CALIFORNIA
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

A. Scope of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the County of Sutter, California (the "County") under programs of the federal government for the year ended June 30, 2024. The information in this Schedule 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). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

B. Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the County becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The County has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 2: MEDICAID CLUSTER

Except for Medi-Cal administrative expenditures, Medicaid (Medi-Cal) and Medicare program expenditures are excluded from the Schedule. These expenditures represent fees for services; therefore, neither is considered a federal award program of the County for purposes of the Schedule or in determining major programs. The County assists the State of California in determining eligibility and provides Medi-Cal and Medicare services through County-owned health facilities. Medi-Cal administrative expenditures are included in the Schedule as they do not represent fees for services.

NOTE 3: LOAN PROGRAMS WITH CONTINUING COMPLIANCE REQUIREMENTS

The following schedule presents the amount of outstanding loans receivable by Assistance Listing number. All loans with continuing compliance requirements are included on the accompanying Schedule. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule.

The balance of loans outstanding at June 30, 2024, consists of:

Assistance Listing No.	Federal Program	Outstanding Loans at June 30, 2024
14.228	Community Development Block Grants	\$ 1,178,196
14.239	2010 Home Program	21,330
	Total	<u>\$ 1,199,526</u>

COUNTY OF SUTTER, CALIFORNIA
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Material weaknesses identified? ☒ yes ☐ no
- Significant deficiencies identified? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? ☒ yes ☐ no
- Significant deficiencies identified? ☒ yes ☐ none reported

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? ☒ yes ☐ no

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.561	Supplemental Nutrition Assistance Program
14.228	Community Development Block Grant
93.658	Foster Care – Title IV-E
93.659	Adoption Assistance
93.778	Medical Assistance Program

Dollar threshold used to distinguish between type A and type B program \$1,324,727

Auditee qualified as low-risk auditee? ☐ yes ☒ no

SECTION II - FINANCIAL STATEMENT FINDINGS

Reference Number

2024-001 – Financial Reporting

Evaluation of Finding

Material Weakness

Criteria

Management is responsible for the preparation and fair presentation, as well as the accuracy of its financial statements, including disclosures in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud. An important element of control over financial reporting is for management to ensure the year-end close process incorporates an evaluation over beginning fund balances and net positions agreeing to the prior year issued financial statements.

Condition

Due to the implementation of Workday, the County experienced a delay in the year-end closing process, resulting in corrections to the trial balance provided at the start of the audit related to equity.

Additionally, testing performed over pooled cash activity revealed that pooled cash activity was not properly reconciled to the general ledger, due to issues from the financial accounting system conversion, resulting in significant audit adjustments to the trial balance provided at the start of the audit.

Through the testing of construction-in-process, we noted activity in the Road Fund amounting to \$111,053 was improperly recorded in the 2024 fiscal year, as the activity was incurred during the 2023 fiscal year.

Cause of Condition

The established year-end closing procedures did not capture all corrections required to present final financial statements in a timely manner, and the system conversion created errors within the bank reconciliation process.

Effect or Potential Effect of Condition

It was necessary to make adjustments to accurately report equity and construction-in-process activities, with significant corrections provided by the County to reconcile cash transactions due to errors arising from the system conversion.

Context

Misstatements in financial statements can rise to a material amount when aggregated and/or when they can reasonably be expected to influence the decisions of the financial statement users.

Repeat Finding

Yes, in relation to accounting for activity in the appropriate fiscal year.

Recommendation

We recommend the County evaluate their year-end closing procedures for possibilities of adjustments that can provide stronger assurance and strengthen reliability on financial reports. Efforts should be made to enhance the County's year-end closing procedures to also include a thorough review of final trial balance and fund balance amounts from previous years, and to perform timely bank reconciliations to ensure errors from the system conversion are rectified.

Management's Response and Corrective Action

The County agrees with the finding. The County implemented a new Enterprise Resource Platform (ERP), Workday, and went live in April 2024. Due to the implementation, the County experienced delays with processing transactions which effected our ability to close the books timely and the resultant delay in the audit fieldwork schedule. The County communicated these delays with the external auditors. In effect, additional transactions including adjustments were posted at a later date in order to close the books. Our year-end procedures have been the same, if not improved, over the years.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

The County strived to resolve the cash reconciliation issues by employing external consultants and pooling resources between Treasurer's Office, Auditor-Controller's Office, and County Administrator's Office. The County continues to employ external consultants to improve cash reconciliation processes and does not anticipate the recurrence of the same issue.

Development Services will work with program staff and vendors to receive the invoices in a timely manner and work with Auditor-Controller's Office to record any construction-in-progress amounts as year-end adjustment. Additionally, the Department will notify the Auditor-Controller's Office if they receive a late invoice from the closing fiscal year.

Reference Number

2024-002 – Grant Reconciliation

Evaluation of Finding

Material Weakness

Criteria

According to Government Auditing Standards, entities are required to maintain effective internal controls over financial reporting to ensure accurate and timely financial information. In addition, Generally Accepted Accounting Principles (GAAP) require that revenues and expenditures are recognized in the appropriate periods and that financial statements fairly present the financial position and results of operations in accordance with authoritative standards. Under GAAP, entities must recognize grant revenue when all eligibility requirements have been met and only to the extent that expenditures have been incurred. GAAP also requires that financial statements are prepared using consistent accounting methods that ensure accuracy, reliability, and comparability of financial data.

Condition

The year-end grant reconciliation process improperly recognized Behavioral Health Bridge Housing program revenues of \$1,486,575, as no expenditures were incurred during the 2024 fiscal year. The error caused an initial overstatement of net position and an understatement of unearned revenue.

Cause of Condition

The established grant reconciliation procedures did not appropriately reconcile the Behavioral Health Bridge Housing program revenues and expenditures for the 2024 fiscal year.

Effect or Potential Effect of Condition

Incorrectly recognizing grant revenue without any corresponding incurred expenditures results in several adverse effects on the County's financial statements. Specifically, it leads to an overstatement of revenues and net position, giving a misleading impression of the County's financial health and performance for the period. This misstatement also causes an understatement of unearned revenue, which should represent grant funds received but not yet earned due to unmet eligibility requirements. Such errors distort the accuracy and reliability of the financial records, potentially impairing users' ability to make informed decisions and undermining compliance with GAAP and Government Auditing Standards. Moreover, these inaccuracies may require subsequent adjustments, eroding stakeholders' confidence in the County's financial management practices.

Context

The County received the grant in fiscal year 2024, but since no expenditures were incurred by June 30, 2024, no revenue should be recognized for that year.

Repeat Finding

No

Recommendation

We recommend that the County strengthen its grant reconciliation process by ensuring that revenues are only recognized when corresponding expenditures have been incurred. The reconciliation procedures should include a comprehensive review of both grant revenue and expenditure accounts to verify that all recognized revenues are supported by actual, eligible expenditures within the reporting period. This approach will help maintain the accuracy of financial statements and ensure compliance with applicable accounting standards.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

Management's Response and Corrective Action

The County agrees with the finding. Health and Human Services – Behavioral Health (HHS-BH) has implemented an enhanced review process as part of its Fiscal Year 2024–25 year-end close procedures. This new process includes a thorough reconciliation of grant revenue received against actual expenditures incurred. As part of this review, HHS-SYBH will prepare the necessary journal entries to properly defer unearned revenue in the County's Workday financial system, thereby ensuring compliance with revenue recognition standards moving forward.

Reference Number

2024-003 – Delays in Financial Reporting

Evaluation of Finding

Material Weakness and Noncompliance

Criteria

Management is responsible for providing timely and accurate financial information. Because the County has expended over \$750,000 in federal awards, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), requires non-federal entities to submit their financial statements and single audit reports to the Federal Audit Clearinghouse (FAC) within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period.

Condition

The County did not submit its financial statements and single audit reports to the FAC within the required timeframe for the fiscal year ended June 30, 2024. The financial statements and single audit reports were submitted after the deadline of March 31, 2025.

Cause of Condition

The County implemented new financial accounting software during the 2024 fiscal year. Additionally, the County has experienced significant turnover in key personnel in the County's Auditor-Controller Office in recent years. The implementation of new software and turnover have resulted in delayed audit completion.

Effect or Potential Effect of Condition

The late submission of the financial statements and single audit reports impairs the ability of the federal awarding agencies and pass-through entities to monitor the County's compliance with federal requirements and to make informed decisions regarding the continuation or modification of federal awards. The late submission also results in noncompliance with the Uniform Guidance, and increases the risk of fraud, waste, and abuse of federal funds.

Context

The County's financial statements and single audit reports are used by the federal awarding agencies and pass-through entities to assess the non-federal entity's financial condition, internal controls, and compliance with federal requirements. Before the 2024 fiscal year, the County regularly presented the Single Audit Reporting Package on time as mandated.

Repeat Finding

No.

Recommendation

To address the challenges caused by staffing shortages and ensure the County's ability to fulfill its financial reporting obligations, it is crucial to prioritize recruitment, retention, and professional development within key departments. Additionally, exploring partnerships with external consultants or temporary staffing agencies could offer short-term relief while permanent solutions are implemented. By strengthening the County's workforce, the risk of delayed reporting and noncompliance with federal requirements can be significantly reduced, supporting operational stability and responsible stewardship of public funds.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

Management's Response and Corrective Action

The County agrees with the finding. Due to extenuating circumstances resulting in delays from the ERP implementation, the County made efforts to inform the cognizant agencies and requested a filing extension. Unfortunately, the extension request was denied. The County does not anticipate these delays will affect future reporting periods as they were one-time occurrences due to system conversion and post go-live difficulties. The County has been compliant with Single Audit submission deadline for at least the 9 prior years.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Reference Number

2024-003 – Delays in Financial Reporting

Evaluation of Finding

Material Weakness and Noncompliance

Federal Award Information

Assistance Listing Number: All Federal Programs reported on the SEFA

Program Title: All Federal Programs reported on the SEFA

Federal Award Year(s): FY 2023-24

Criteria

Refer to finding 2024-003 in section II above.

Condition

Refer to finding 2024-003 in section II above.

Cause of Condition

Refer to finding 2024-003 in section II above.

Effect or Potential Effect of Condition

Refer to finding 2024-003 in section II above.

Questioned costs

None.

Context

Refer to finding 2024-003 in section II above.

Repeat Finding

Refer to finding 2024-003 in section II above.

Recommendation

Refer to finding 2024-003 in section II above.

Management Response

Refer to finding 2024-003 in section II above.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Reference Number

2024-004 Continuing Loan Compliance

Evaluation of Finding

Significant Deficiency/Noncompliance

Federal Award Information

Assistance Listing Number: 14.228

Program Title: Community Development Block Grant (CDBG)

Federal Award Year(s): FY 2023-24

Name of Federal Agency: U.S. Department of Housing and Urban Development

Passed through: State of California Department of Housing and Community Development

Criteria or Specific Requirement

The County is required to meet continuing loan compliance requirements for the loans disbursed under the CDBG grant program. These continuing loan compliance requirements include maintaining loan documentation and obtaining confirmation of insurance and address associated with the loans and their recipients.

Condition

We noted that of the 8 loan balances we sampled over the course of our audit, the County was unable to provide supporting documentation relating to proof of insurance and/or address for 3 of the selected loans.

Cause of the Condition

Per our inquiries with the County, due to the significant age of the selected loans, County personnel were unable to obtain the supporting documentation as a significant number of the selected loans had inception dates of ten years or more.

Effect or Possible Effect

Adequate supporting documentation of outstanding loans is not being effectively maintained and archived by County personnel. Additionally, the County was unable to provide proof of confirmation attempts to verify insurance and address associated with the loans and their recipients to meet compliance requirements.

Questioned Costs

None.

Context

Without maintaining current information surrounding ongoing loans the County is unable to best monitor grant recipients and evaluate the accuracy and reasonableness of the outstanding loan balances each year.

Repeat Finding

This is a repeat finding for the year ended June 30, 2024. See prior year finding 2023-001.

Recommendation

We recommend that management monitors each loan to ensure that the County maintains the most up-to-date information. Additionally, we recommend attempts are made annually to confirm insurance and address associated with the loans and their recipients to meet compliance requirements.

Management's Response and Corrective Action

The County agrees with the finding. Development Services sent certified letters to loan recipients and retained certified or returned mail. In some cases, the department sent up to 4 letters and physically verified the houses are still occupied. Code Enforcement staff also hand delivered letters to some of the non-responsive loan recipients. Moreover, the Department has secured the services of an outside consultant, Adams Ashby Group, to review and assist in efforts to comply with the loan requirements and provide their outside opinion on best practice in handling loans. Lastly, the Department is working with County Administrator's Office, Treasurer-Tax Collector's Office, and County Counsel on proper and legal way to handle sold properties, delinquent taxes, or simply not responding to the County's correspondence and requests.

COUNTY OF SUTTER



NATHAN M. BLACK, CPA

AUDITOR-CONTROLLER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2023

Finding: 2023-001: Financial Reporting

Reason for Recurrence:

The established year-end closing procedures did not capture all corrections required to present financial statements in a timely manner.

Planned Corrective Action:

The County agrees with the finding. The Auditor-Controller will perform additional analysis of balances and reconciliation of fund balances and net position. Additionally, the County Auditor-Controller will perform additional training to departmental staff regarding year-end procedures as provided in our Year-End Closing Checklist and Calendar.

Current Year Reference Number:

2024-001

Finding: 2023-002: Loan Compliance

Reason for Recurrence:

The Development Services Department was unable to supply documentation supporting the attempt made by the department to collect proof of insurance and/or proof of address for the loans that must comply with continuing loan compliance requirements.

Planned Corrective Action:

The County agrees with the finding. The Auditor-Controller will work with Development Services to show proof of attempts to collect current insurance certificates and proof of address from loan recipients.

Current Year Reference Number:

2024-004

COUNTY OF SUTTER



NATHAN M. BLACK, CPA

AUDITOR-CONTROLLER

CORRECTIVE ACTION PLAN

Reference Number

2024-001 – Financial Reporting

Name of Contact Person

Nathan Black, Auditor-Controller

Management's Response and Corrective Action

The County agrees with the finding. The County implemented a new Enterprise Resource Platform (ERP), Workday, and went live in April 2024. Due to the implementation, the County experienced delays with processing transactions which effected our ability to close the books timely and the resultant delay in the audit fieldwork schedule. The County communicated these delays with the external auditors. In effect, additional transactions including adjustments were posted at a later date in order to close the books. Our year-end procedures have been the same, if not improved, over the years.

The County strived to resolve the cash reconciliation issues by employing external consultants and pooling resources between Treasurer's Office, Auditor-Controller's Office, and County Administrator's Office. The County continues to employ external consultants to improve cash reconciliation processes and does not anticipate the recurrence of the same issue.

Development Services will work with program staff and vendors to receive the invoices in a timely manner and work with Auditor-Controller's Office to record any construction-in-progress amounts as year-end adjustment. Additionally, the Department will notify the Auditor-Controller's Office if they received a late invoice from the closing fiscal year.

Proposed Completion Date

6/30/2025

Reference Number

2024-002 – Grant Reconciliation

Name of Contact Person

Nathan Black, Auditor-Controller

Management's Response and Corrective Action

The County agrees with the finding. Health and Human Services – Behavioral Health (HHS-BH) has implemented an enhanced review process as part of its Fiscal Year 2024–25 year-end close procedures. This new process includes a thorough reconciliation of grant revenue received against actual expenditures incurred. As part of this review, HHS-SYBH will prepare the necessary journal entries to properly defer unearned revenue in the County's Workday financial system, thereby ensuring compliance with revenue recognition standards moving forward.

Proposed Completion Date

Continuous process.

Reference Number

2024-003 – Delays in Financial Reporting

Name of Contact Person

Nathan Black, Auditor-Controller

Management's Response and Corrective Action

The County agrees with the finding. Due to extenuating circumstances resulting in delays from the ERP implementation, the County made efforts to inform the cognizant agencies and requested a filing extension. Unfortunately, the extension request was denied. The County does not anticipate these delays will affect future reporting periods as they were one-time occurrences due to system conversion and post go-live difficulties. The County has been compliant with Single Audit submission deadline for at least the 9 prior years.

Proposed Completion Date

08/08/2025

Reference Number

2024-004 – Continuing Loan Compliance

Name of Contact Person

Nathan Black, Auditor-Controller

Management's Response and Corrective Action

The County agrees with the finding. Development Services sent certified letters to loan recipients and retained certified or returned mail. In some cases, the department sent up to 4 letters and physically verified the houses are still occupied. Code Enforcement staff also hand delivered letters to some of the non-responsive loan recipients. Moreover, the Department has secured the services of an outside consultant, Adams Ashby Group, to review and assist in efforts to comply with the loan requirements and provide their outside opinion on best practice in handling loans. Lastly, the Department is working with County Administrator's Office, Treasurer-Tax Collector's Office, and County Counsel on proper and legal way to handle sold properties, delinquent taxes, or simply not responding to the County's correspondence and requests.

Proposed Completion Date

Ongoing process.