

**COUNTY OF TRINITY
SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2021**



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**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**

Board of Supervisors
County of Trinity
Weaverville, 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 Trinity (the County), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 27, 2022. Our report was modified for the omission of the financial statements of the Waterworks District No. 1, a discretely presented component, as described in our report on the County of Trinity's financial statements.

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) as a basis for designing 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.

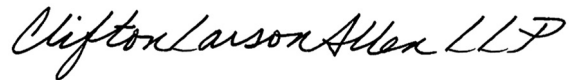
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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



CliftonLarsonAllen LLP

Roseville, California
June 27, 2022



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

Board of Supervisors
County of Trinity
Weaverville, California

Report on Compliance for Each Major Federal Program

We have audited the County of Trinity's (the County) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (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, 2021. The County's major federal programs are identified in the summary of auditors' 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.

Auditors' 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 (CFR) 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 qualified and unmodified opinions on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Basis for Qualified Opinion on Community Development Block Grant

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding Assistance Listing Number 14.228 Home Partnership Investment Program as described in finding number 2021-001 for Allowable Costs and Activities. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Community Development Block Grant

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the Community Development Block Grant for the year ended June 30, 2021.

Basis for Qualified Opinion on Home Partnership Investment Program

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding Assistance Listing Number 14.239 Home Partnership Investment Program as described in finding number 2021-002 for Allowable Costs and Activities. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Home Partnership Investment Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the Home Partnership Investment Program for the year ended June 30, 2021.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

The County's response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the County 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 2021-001 and 2021-002 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.

The County's response to the internal control over compliance 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 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, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 27, 2022, which contained an adverse opinion for the omission of Waterworks District No. 1, a discretely presented component unit. 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. 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.



CliftonLarsonAllen LLP

Roseville, California
June 27, 2022

**COUNTY OF TRINITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
<u>U.S. Department of Agriculture</u>				
Passed through the State Department of Social Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ 573,152	\$ -
Subtotal - SNAP Cluster			573,152	
Passed through the State Department of Health Services:				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		248,962	-
Passed through State Department of Public Works:				
USDA Forest Service Co-Operative LE Controlled Substance Shasta-Trinity NF	10.704	16-LE-11051360-029	4,599	-
USDA Forest Service Co-Operative LE Controlled Substance Six Rivers NF	10.704	16-LE-11051360-030	1,940	-
USDA Forest Service Co-Operative LE Patrol Operations Shasta-Trinity NF	10.704	16-LE-11051360-029	4,231	-
USDA Forest Service Co-Operative LE Patrol Operations Six Rivers NF	10.704	16-LE-11051360-030	92	-
USDA Forest Service Co-Op LE Controlled Substance Shasta-Trinity	10.704	16-LE-11051360-018	4,574	-
USDA Forest Service Co-Op LE Controlled Substance Six Rivers	10.704	16-LE-11051360-030	4,114	-
USDA Forest Service Co-Op LE Patrol Shasta Trinity NF	10.704	21-LE-11051360-018	2,444	-
Subtotal - Assistance Listing Number 10.704			21,994	-
USDA Forest Service Co-Op LE Patrol Six Rivers NF	10.705	21-LE-11051360-019	1,365	-
Total U.S. Department of Agriculture			\$ 845,473	\$ -
<u>U.S. Department of Housing and Urban Development</u>				
Passed through State Department of Housing and Community Development:				
Community Development Block Grants/Entitlement Grants (outstanding loan)	14.228		895,818	-
Home Investment Partnership Program (outstanding loan)	14.239		2,587,181	-
Total U.S. Department of Housing and Urban Development			3,482,999	-
<u>U.S. Department of the Interior</u>				
Direct Program:				
Central Valley Improvement Act Title XXXIV	15.532		19,283	-
Total U.S. Department of the Interior			19,283	-
<u>U.S. Department of Justice</u>				
Direct Programs:				
Board of State & Community Corrections (BSCC) JAG	16.804	BSCC 643-19	112,025	-
Domestic Cannabis Eradication Suppression Program (CEP)	16.922	2020-49	44,182	-
Domestic Cannabis Eradication Suppression Program (CEP)	16.922	2021-51	56,775	-
Subtotal - Assistance Listing Number 16.922			100,957	-
Passed through California Emergency Management Agency:				
Crime Victim Witness Program	16.575	VW18230530	212,607	-
Adult Drug Court Discretionary Grant FY 19	16.585	BJA-Drug Courts	110,634	-
Total U.S. Department of Justice			536,223	-
<u>U.S. Department of Transportation</u>				
Passed through the State Department of Transportation:				
Highway Planning and Construction	20.205	BRLO-5905(082)	110,150	-
Highway Planning and Construction	20.205	BRLS-5905(071)	46,325	-
Highway Planning and Construction	20.205	BRLS-5905(072)	1,258	-
Highway Planning and Construction	20.205	BRLO-5905(111)	79,702	-
Highway Planning and Construction	20.205	BPMP-5905(104)	8,101	-
Highway Planning and Construction	20.205	BPMP-5905(105)	385	-
Highway Planning and Construction	20.205	BPMP-5905(106)	1,197	-

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF TRINITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Highway Planning and Construction	20.205	BPMP-5905(107)	\$ 1,724	\$ -
Highway Planning and Construction	20.205	BRLO-5905(108)	19,078	-
Highway Planning and Construction	20.205	BRLO-5905(109)	28,462	-
Highway Planning and Construction	20.205	BRLO-5905(114)	41,397	-
Highway Planning and Construction	20.205	RPSTPL-5905(036)	10,111	-
Highway Planning and Construction	20.205	RPSTPL-5905(069)	4,017	-
Highway Planning and Construction	20.205	RPSTPL-5905(102)	80,699	-
Hazardous Elimination Safety Program	20.205	HSIPL-5905(099)	4,764	-
Hazardous Elimination Safety Program	20.205	HSIPL-5905(100)	11,445	-
Hazardous Elimination Safety Program	20.205	HSIPL-5905(101)	22,183	-
Hazardous Elimination Safety Program	20.205	HSIPL-5905(0119)	13,816	-
Hazardous Elimination Safety Program	20.205	HSIPL-5905(118)	22,424	-
Subtotal - Highway Planning and Construction Cluster			507,238	-
Formula Grants for Rural Areas	20.509	64BC17-00509	74,378	-
Formula Grants for Rural Areas	20.509	64V020-01127	198,642	-
Formula Grants for Rural Areas CARES Act	20.509	64KO20-01262	147,378	-
Subtotal - Assistance Listing Number 20.509			420,398	-
National Highway Traffic Safety Administration/Child Passenger Safety Program	20.616		5,245	-
Total U.S. Department of Transportation			932,881	-
<u>U.S. Department of Education</u>				
Passed through State Office of Education:				
Special Education Grants (IDEA)	84.027		14,601	-
Subtotal - IDEA Cluster			14,601	-
Total U.S. Department of Education			14,601	-
<u>U.S. Department of Health and Human Services</u>				
Passed through the State Department of Social Services:				
Guardianship Assistance	93.090		28,185	-
Promoting Safe and Stable Families	93.556		27,527	-
Child Support Enforcement	93.563		244,355	-
Community Services Block Grant - Food Bank Services	93.569		10,000	-
Community Based Child Abuse Prevention Grants	93.590		9,460	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645		137,348	-
Foster Care Title IV-E	93.658		634,943	-
Foster Care Title IV-E	93.658		36,489	-
Foster Care Title IV-E	93.658		333,801	-
Subtotal - Assistance Listing Number 93.568			1,005,233	-
Adoption Assistance	93.659		1,077,840	-
Adoption Assistance	93.659		39,899	-
Subtotal - Assistance Listing Number 93.569			1,117,739	-
Social Services Block Grant	93.667		140,072	-
Chafee Foster Care Independence Program	93.674		13,256	-
Passed through the State Department of Social Services:				
Temporary Assistance for Needy Families	93.558		1,535,493	-
Subtotal TANF Cluster			1,535,493	-

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**COUNTY OF TRINITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Passed through the State Department of Health Care Services:				
Medical Assistance Programs	93.778		\$ 597,864	\$ -
Medical Assistance Programs - Foster Care	93.778		13,712	-
Medical Assistance Programs - Foster Care PMM&O	93.778		3,502	-
Medical Assistance Programs	93.778		7,344	-
Medical Assistance Programs - CHDP	93.778		16,016	-
Medical Assistance Programs	93.778		273	-
Medical Assistance Programs	93.778		18,428	-
Subtotal - Medicaid Cluster			657,139	-
Immunization Cooperative Agreements	93.268		57,647	-
Public Health Emergency Response - COVID CT/CI	93.323		1,031,514	-
Public Health Emergency Response - COVID	93.354		63,546	-
Children's Health Insurance Program	93.767		2,144	-
Maternal and Child Health Services Block Grant to the States	93.994		35,764	-
Passed through the State Department of Public Health:				
Hospital Preparedness Program (HPP)	93.889		130,820	-
Public Health Emergency Preparedness Program	93.069		69,206	-
Passed through the State Department of Mental Health:				
Assistance in Transition from Homelessness	93.150		16,667	-
Substance Abuse and Mental Health Services Administration (SAMSHA)	93.958		217,305	-
Community Mental Health Services Block Grant (MHBG) ca20mat347	93.958		16,919	-
Subtotal - Assistance Listing Number 93.569			234,224	-
Passed through the State Department of Alcohol and Drug Abuse Programs:				
Block Grants for Prevention and Treatment of Substance Abuse (SAPT)	93.959		429,887	-
Total U.S. Department of Health and Human Services			6,997,226	-
<u>U.S. Department of Homeland Security</u>				
Passed through the State Department of Homeland Security:				
Homeland Security Grant Program	97.067	2018-0054	70,730	-
Homeland Security Grant Program	97.067	2018-0054	43,426	-
Subtotal - Assistance Listing Number 97.067			114,156	-
Passed through the California Emergency Management Agency:				
Emergency Management Performance Grants	97.042	2020-0019	1,336	-
Emergency Management Performance Grants	97.042	2019-0003	34,870	-
Subtotal - Assistance Listing Number 97.042			36,206	-
Total U.S. Department of Homeland Security			150,362	-
Total Expenditures of Federal Awards			\$ 12,979,048	\$ -

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**COUNTY OF TRINITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards programs of the County of Trinity for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. 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. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 ASSISTANCE LISTING NUMBER (ALN)

The Assistance Listing Numbers included in this report were determined based on the program name, review of grant or contract information and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

NOTE 4 INDIRECT COST RATE

The County did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414. Uniform Guidance §200.510(6) requires the County to disclose whether or not it elected to use the 10 percent de minimis cost rate that §200.414(f) allows for nonfederal entities that have never received a negotiated indirect cost rate. They calculate the information on the indirect cost against the salary and benefits and are reimbursed up to 25%.

NOTE 5 LOANS WITH CONTINUING COMPLIANCE REQUIREMENTS

Outstanding federally-funded program loans, with a continuing compliance requirement, carried balances as of June 30, 2021 as follows:

<u>ALN No.</u>	<u>Federal Program</u>	<u>Outstanding Loans</u>	<u>Loans with Continuing Compliance Requirements</u>
14.228	Community Development Block Grant/States Program	\$ 784,804	\$ 895,818
14.239	Home Investment Partnership Program	3,301,288	2,587,181

**COUNTY OF TRINITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

NOTE 6 PASS-THROUGH ENTITIES' IDENTIFYING NUMBER

When federal awards were received from a pass-through entity, the schedule of expenditures of federal awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the County determined that no identifying number is assigned for the program or the County was unable to obtain an identifying number from the pass-through entity.

**COUNTY OF TRINITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? x yes _____ no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified for all major federal programs except for the Home Investment Partnership Program, CFDA 14.239 and Community Development Block Grant, CFDA 14.228, which were qualified.
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes _____ no

Identification of Major Federal Programs

Assistance Listing Number

14.238
14.239
93.323
93.558

Name of Federal Program or Cluster

Community Development Block Grant
Home Investment Partnership Program
Epidemiology Laboratory Capacity
Temporary Assistance for Needy Families Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes x no

**COUNTY OF TRINITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

2021 – 001

Federal agency: U.S. Department of Housing and Urban Development

Federal program title: Community Development Block Grant

Assistance Listing Number: 14.228

Pass-Through Agency: State Department of Housing and Urban Development

Pass-Through Number(s): N/A

Award Period: July 1, 2020 to June 30, 2021

Type of Finding: Material Weakness in Internal Control over Compliance, Material Noncompliance

Criteria: Grant compliance requires that Community Development Block Grant loans be monitored for compliance with the loan provisions on a regular basis. Such loan requirements are required to ensure CDBG loan funds are used in accordance with all program requirements. The requirements are noted in the OMB 24 CFR Part 570.483 and 570.490. This requirement states the participating jurisdiction "has committed and expended CDBG funds, as required, and has met CDBG program requirements particularly as they relate to eligible activities, income targeting, affordability, and matching contribution requirement."

Condition: During our test of the outstanding loans for continuing compliance, we noted the County did not have adequate documentation to support monitoring of program loans to ensure compliance with loan provisions for six of the loans. These six loans were investigated by the County who discovered five of the residents were in default and one was in foreclosure. The County did not begin the foreclosure procedures to recover the outstanding loan balances.

Questioned costs: Known questioned costs of \$623,153, the value of the loans, though the County is not yet able to determine the amount to be recovered through the foreclosure process.

Context: CDBG loans must be monitored annually to ensure recipients are still living in the residence covered by the loan. CLA haphazardly selected 8 loans of a population of 42 CDBG Program loans to test continuing compliance and found that 6 of those loans did not have adequate documentation to show continued monitoring occurred.

Cause: Due to an empty employment position at the time of monitoring, the County was unable to perform foreclosure filing procedures in a timely manner after realizing loans were not in compliance.

Effect: Not following through on continual monitoring requirements could result in noncompliance with program requirements and could potentially cause an overstatement of program loan receivables reported by the County. The department was not aware of any other loans requiring foreclosure procedures.

**COUNTY OF TRINITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Repeat Finding: Not a repeat finding.

Recommendation: CLA recommends the County develop procedures, such as including a compliance checklist in the receivables listing sent to the auditor's office, to ensure that outstanding loan continuing compliance is performed timely and documented in accordance with the HOME grant loan provision.

Views of responsible officials: There is no disagreement with the audit finding.

2021 – 002

Federal agency: U.S. Department of Housing and Urban Development

Federal program title: Home Partnership Investment Program

Assistance Listing Number: 14.239

Pass-Through Agency: State Department of Housing and Urban Development

Pass-Through Number(s): N/A

Award Period: July 1, 2020 to June 30, 2021

Type of Finding: Material Weakness in Internal Control over Compliance, Material Noncompliance

Criteria: Grant compliance requires that Home Investment Partnership Program loans be monitored for compliance with the loan provisions on a regular basis. Such loan requirements are required to ensure HOME loan funds are used in accordance with all program requirements. The requirements are noted in the OMB 24 CFR Part 92.500 and 92.201(b). This requirement states the participating jurisdiction "has committed and expended HOME funds, as required, and has met HOME program requirements particularly as they relate to eligible activities, income targeting, affordability, and matching contribution requirement."

Condition: During our test of the outstanding loans for continuing compliance, we noted the County did not have adequate documentation to support monitoring of program loans to ensure compliance with loan provisions for three of the loans. These three loans were investigated by the County who later discovered two of the residents were deceased and one in foreclosure. The County followed up with successors of each loan. However, when no successors decided to inherit the loans, The County did not begin the foreclosure procedures to recover the outstanding loan balances.

Questioned costs: Known questioned costs of \$310,294, the value of the loans, though the County is not yet able to determine the amount to be recovered through the foreclosure process.

Context: HOME loans must be monitored annually to ensure recipients are still living in the residence covered by the loan. CLA haphazardly selected 6 loans of a population of 21 HOME Program loans to test continuing compliance and found that 3 of those loans did not have adequate documentation to show continued monitoring occurred.

Cause: Due to an empty employment position at the time of monitoring, the County was unable to perform foreclosure filing procedures in a timely manner after realizing loans were not in compliance.

Effect: Not following through on continual monitoring requirements could result in noncompliance with program requirements and could potentially cause an overstatement of program loan receivables reported by the County. The department was not aware of any other loans requiring foreclosure procedures.

**COUNTY OF TRINITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Repeat Finding: Repeat finding.

Recommendation: CLA recommends the County develop procedures, such as including a compliance checklist in the receivables listing sent to the auditor's office, to ensure that outstanding loan continuing compliance is performed timely and documented in accordance with the HOME grant loan provision.

Views of responsible officials: There is no disagreement with the audit finding.

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