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Board of Directors
Fallbrook Regional Health District
Fallbrook, California

In planning and performing our audit of the financial statements of the governmental activity and general fund of the Fallbrook Regional Health District as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered Fallbrook Regional Health District'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fallbrook Regional Health District's internal control. Accordingly, we do not express an opinion on the effectiveness of Fallbrook Regional Health District's internal control.

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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 following deficiencies in internal control to be material weaknesses:

- 1) District Does Not Maintain Personnel Files with Authorized Pay Rates – During the course of our audit over payroll, we were not able to confirm that amounts paid to employees were authorized due to the District not being able to show us supporting documentation of authorized pay rates.

CLA recommends that personnel files be maintained that includes documentation of authorized pay rates paid to all employees.

Management's Response:

The process for organizing Personnel Files has undergone a full review and the omission has been corrected. Future audits will find clear and transparent communications regarding rate of pay, changes to pay and all other payroll related matters.

- 2) No Supporting Documentation for Approval of Journal Entries – During our test of journal entries we were not able to see that journal entries are being approved before they are being entered into the accounting records.

CLA recommends that all journal entries be approved by an authorized approver who is not the same person who created the journal entry before it is entered into the accounting records.

Management's Response:

Management and financial advisors will approve journal entries for the current month in conjunction with the monthly close of the prior month.

Fallbrook Regional Health District's written responses to the material weaknesses identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

In addition, we noted other matters involving internal control and the operation that we have reported to management of the District in a separate letter dated January 7, 2021.

This communication is intended solely for the information and use of Management, the Board of Directors, and others within Fallbrook Regional Health District, and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Carlsbad, California
January 7, 2021