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May 22, 2025

Sandeep Singh, Manager
Local Government Policy Section
Local Government Programs and Services Division

Dear Sandeep,

This letter serves as the County of Sonoma's response to the County Cost Allocation Plan Field Review Report for the Fiscal Year Ended June 30, 2024, Report issued May 5, 2025.

<u>Finding 1 – Self-Insured Health Insurance ISF</u>

On Page 2 the Field Review Report states "Additionally, under 2 CFR 200.447(d)(5), whenever funds are transferred from a self-insurance reserve to other accounts, refunds must be made to the Federal Government for its share of funds transferred. Before drawing down any remaining balance, the County must reconcile and certify that no residual federal-funded reserves remain. If any reserves remain, those reserves must be refunded to the awarding agency immediately."

The County wishes to clarify that funds in the Self-Insured Health Insurance ISF are not being transferred to another account. The County will maintain a recommended reserve for the continued life of the County's Self-Insured medical plan based on sound actuarial principles using historical experience and reasonable assumptions. At the point the County Self-Insured plan is no longer feasible, any residual fund balance will be thoroughly analyzed for compliance with 2 CFR 200.447(d)(5) and other applicable state and federal requirements and appropriate distribution.

<u>Recommendations</u>

The County agrees with the recommendations. To ensure full compliance and accountability, between now and the next Cost Plan submission the County will do the following:

1) Request a Board of Supervisors resolution authorizing the termination of the County's self-insured medical plan which will include a set timeline and transition plan.
2) Collect procurement records to show that all vendor selections complied with Uniform Guidance procurement standards under 2 CFR 200.320.

The information above will be submitted with the next Cost Plan submission due in December 2025.

Sincerely,

Erick Roeser,
Auditor-Controller-Treasurer-Tax Collector