

# Santa Cruz County

Single Audit Report

Year Ended June 30, 2019



A Report to the Arizona Legislature

Lindsey A. Perry  
Auditor General





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Comprehensive Annual Financial Report



MELANIE M. CHESNEY  
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL  
LINDSEY A. PERRY

JOSEPH D. MOORE  
DEPUTY AUDITOR GENERAL

## **Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with *Government Auditing Standards***

Members of the Arizona State Legislature

The Board of Supervisors of  
Santa Cruz County, Arizona

We have audited, in accordance with U.S. generally accepted auditing standards 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, business-type activities, each major fund, and aggregate remaining fund information of Santa Cruz County as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 24, 2020.

### **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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic 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 basic 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-01 and 2019-02, that we consider to be significant deficiencies.

## **Compliance and other matters**

As part of obtaining reasonable assurance about whether the County's basic 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 determination of financial statement amounts. 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*.

## **County response to findings**

The County's responses to the findings identified in our audit are presented in its corrective action plan at the end of this report. The County is responsible for preparing a corrective action plan to address each finding. The County's responses and corrective action plan were not subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

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

Lindsey Perry, CPA, CFE  
Auditor General

March 24, 2020



MELANIE M. CHESNEY  
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL  
LINDSEY A. PERRY

JOSEPH D. MOORE  
DEPUTY AUDITOR GENERAL

**Independent auditors' report on compliance for each major federal program;  
report on internal control over compliance; and report on schedule of  
expenditures of federal awards required by the Uniform Guidance**

Members of the Arizona State Legislature

The Board of Supervisors of  
Santa Cruz County, Arizona

**Report on compliance for each major federal program**

We have audited Santa Cruz County's 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 its major federal programs for the year ended June 30, 2019. 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 U.S. generally accepted auditing standards; 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). 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 opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

### ***Opinion on each major federal program***

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, 2019.

### **Report on internal control over compliance**

The County's management 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.

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. 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.

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

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 County's governmental activities, business-type activities, each major fund, and aggregate remaining fund information as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 24, 2020, that contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the County's 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 the County's 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 basic 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 U.S. generally accepted auditing standards. 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.

Lindsey Perry, CPA, CFE  
Auditor General

March 24, 2020





# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Summary of auditors' results

### Financial statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles Unmodified

#### Internal control over financial reporting

Material weaknesses identified? No

Significant deficiencies identified? Yes

Noncompliance material to the financial statements noted? No

### Federal awards

#### Internal control over major programs

Material weakness identified? No

Significant deficiencies identified? None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)? No

#### Identification of major programs

CFDA number	Name of federal program or cluster
10.665	Forest Service Schools and Roads Cluster
17.258/17.259/17.278	WIOA Cluster
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? No

**Other matters**

Auditee's summary schedule of prior audit findings required to be reported in accordance with 2 CFR §200.511 (b)? Yes

# Financial statement findings

**2019-01**

## Managing risk

**Condition and context**—The County’s process for managing and documenting its risks did not include an overall risk assessment process that included identifying, analyzing, and responding to the County-wide information technology (IT) risks, such as potential harm from unauthorized access, use, disclosure, disruption, modification, or destruction of IT data and systems. Also, it did not include evaluating and determining the business functions and IT systems that would need to be restored quickly if the County were impacted by disasters or other system interruptions.

**Criteria**—Effectively managing risk at the County includes an entity-wide risk assessment process that involves members of the County’s administration and IT management to determine the risks the County faces as it seeks to achieve its objectives to not only report accurate financial information and protect its IT systems and data but to also carry out its overall mission and service objectives. The process should provide the basis for developing appropriate responses based on identified risk tolerances and specific potential risks to which the County might be subjected. To help ensure the County’s objectives can be met, an annual risk assessment should consider IT risks. For each identified risk, the County should analyze the identified risk and develop a plan to respond within the context of the County’s defined objectives and risk tolerances. The process of managing risks should also address the risk of losing the continuity of business operations in the event of a disaster or system interruption.

**Effect**—Without correcting these deficiencies, the County’s administration and IT management may put the County’s operations and IT systems and data at unintended and unnecessary risk.

**Cause**—The County’s risk-assessment process included only basic system backup and lacked any entity-wide elements. In addition, policies and procedures were not established as of June 30, 2019.

**Recommendations**—The County should identify, analyze, and reduce risks to help prevent undesirable incidents and outcomes that could impact business functions and IT systems and data. It also should plan for where to allocate resources and where to implement critical controls. To help ensure it has effective entity-wide policies and procedures to achieve these objectives, the County should follow guidance from a credible industry source, such as the National Institute of Standards and Technology. Responsible administrative officials and management over finance, IT, and other entity functions should be asked for input in the County’s process for managing risk. The County should conduct the following as part of its process for managing risk:

- Perform an annual entity-wide IT risk assessment process that includes evaluating and documenting risks and safeguards. Such risks may include inappropriate access that would affect financial data, system changes that could adversely impact or disrupt system operations, and inadequate or outdated system security.
- Evaluate and determine the critical organization functions and IT systems that would need to be restored quickly given the potential impact disasters or other IT system interruptions could have on the organization’s operations, such as public safety, and operations, such as payroll and accounting, and determine how to prioritize and plan for recovery.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2018-01.

## 2019-02

### Information technology (IT) controls—access, configuration and change management, security, and contingency planning

**Condition and context**—The County's control procedures were not sufficiently designed, documented, and implemented to respond to risks associated with its IT systems and data. The County lacked adequate procedures over the following:

- **Restricting access to its IT systems and data**—Procedures did not consistently help prevent or detect unauthorized or inappropriate access.
- **Configuring systems securely and managing system changes**—Procedures did not ensure all IT system changes were adequately managed and configuration settings maintained.
- **Securing systems and data**—IT security policies and procedures lacked controls to prevent unauthorized or inappropriate access or use, manipulation, damage, or loss.
- **Developing and documenting a contingency plan**—No plan existed for restoring operations in the event of a disaster or other system interruption.

**Criteria**—The County should have effective internal controls to protect its IT systems and help ensure the integrity and accuracy of the data it maintains:

- **Logical access controls**—Help to ensure systems and data are accessed by users who have a need, systems and data access granted is appropriate, and key systems and data access is monitored and reviewed.
- **Well-defined, documented configuration management process**—Ensures the County's IT system configurations are documented and that changes to the systems are identified, documented, evaluated for security implications, tested, and approved prior to implementation. This helps limit the possibility of an adverse impact on the system's security or operation.
- **IT security internal control policies and procedures**—Help prevent, detect, and respond to instances of unauthorized or inappropriate access or use, manipulation, damage, or loss to its IT systems and data.
- **Comprehensive, documented, and tested contingency plan**—Provides the preparation necessary to place the plan in operation and helps to ensure business operations continue and systems and data can be recovered in the event of a disaster, system or equipment failure, or other interruption.

**Effect**—There is an increased risk that the County may not adequately protect its IT systems and data, which could result in unauthorized or inappropriate access and/or the loss of confidentiality or integrity of systems and data. It also increases the County's risk of not being able to effectively continue daily operations and completely and accurately recover vital IT systems and data in the event of a disaster or system interruption.

**Cause**—The County is still developing some policies and procedures and others were not fully implemented as of June 30, 2019.

**Recommendations**—To help ensure the County has effective policies and procedures over its IT systems and data, the County should follow guidance from a credible industry source such as the National Institute of Standards and Technology. To help achieve these control objectives, the County should develop, document, and implement control procedures in each IT control area described below:

### Access

- Assign and periodically review employee user access ensuring appropriateness and compatibility with job responsibilities.
- Remove terminated employees' access to IT systems and data.
- Review all other account access to ensure it remains appropriate and necessary.
- Enhance authentication requirements for IT systems.

### Configuration and change management

- Establish and follow a documented change management process.
- Review proposed changes for appropriateness, justification, and security impact.
- Document changes, testing procedures and results, change approvals, and post-change review.
- Develop and document a plan to roll back changes in the event of a negative impact to IT systems.
- Test changes prior to implementation.
- Maintain configurations for all system services, assets, and infrastructure; manage configuration changes; and monitor the system for unauthorized or unintended configuration changes.

### Security

- Perform proactive key user and system activity logging and log monitoring, particularly for users with administrative access privileges.
- Prepare and implement a security incident response plan clearly stating how to report and handle such incidents.
- Provide all employees ongoing training on IT security risks and their responsibilities to ensure systems and data are protected.

### Contingency planning

- Develop and implement a contingency plan and ensure it includes all critical elements to restore critical operations, including being prepared to move critical operations to a separate alternative site if necessary.
- Test the contingency plan.
- Train staff responsible for implementing the contingency plan.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year findings 2018-02.

## Federal award findings and questioned costs

None reported.

# COUNTY SECTION

**SANTA CRUZ COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Period 7/1/2018 - 6/30/2019**

Federal Awarding Agency/Program Title	Federal CFDA Number	Name of Funder Pass-Through Entity	Identifying Number Assigned By Funder Pass-Through Entity	Total Amount Provided to Sub-Recipients	Federal Expenditures	Federal Program Total	Cluster Name	Cluster Total
<b>DEPARTMENT OF AGRICULTURE</b>								
SCHOOLS AND ROADS - GRANTS TO STATES	10.665				\$627,670	\$627,670	FOREST SERVICE SCHOOLS AND ROADS CLUSTER	\$627,670
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>					<u>\$627,670</u>			
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>								
COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII	14.228	ARIZONA DEPARTMENT OF HOUSING	117-18		\$23,703	\$23,703	N/A	\$0
<b>TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>					<u>\$23,703</u>			
<b>DEPARTMENT OF JUSTICE</b>								
CRIME VICTIM ASSISTANCE	16.575	ARIZONA DEPARTMENT OF PUBLIC SAFETY	2018-331		\$113,994	\$113,994	N/A	\$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738	ARIZONA CRIMINAL JUSTICE COMMISSION	DC-19-012 DC-19-032		\$43,866	\$43,866	N/A	\$0
<b>TOTAL DEPARTMENT OF JUSTICE</b>					<u>\$157,860</u>			
<b>DEPARTMENT OF LABOR</b>								
WIA ADULT PROGRAM	17.258	ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI16-002111 A4 DI16-002111 A5 DI19-002207		\$216,761	\$216,761	WIOA CLUSTER	\$649,967
WIA YOUTH ACTIVITIES	17.259	ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI16-002111 A5 DI19-002207		\$282,360	\$282,360	WIOA CLUSTER	\$649,967
YOUTHBUILD	17.274	PIMA COUNTY	CT-CS-15*20	\$7,503	\$112,097	\$112,097	N/A	\$0
WIA DISLOCATED WORKER FORMULA GRANTS	17.278	ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI16-002111 A4 DI19-002207		\$150,846	\$150,846	WIOA CLUSTER	\$649,967
<b>TOTAL DEPARTMENT OF LABOR</b>				<u>\$7,503</u>	<u>\$762,064</u>			
<b>DEPARTMENT OF TRANSPORTATION</b>								
AIRPORT IMPROVEMENT PROGRAM	20.106				\$106,107	\$106,107	N/A	\$0
STATE AND COMMUNITY HIGHWAY SAFETY	20.600	ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2018-AL-024 2018-PTS-061 2018-OP-014 2019-AL-026 2019-PTS-048		\$11,317	\$11,317	HIGHWAY SAFETY CLUSTER	\$11,317
NATIONAL PRIORITY SAFETY PROGRAMS	20.616	ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2019-405B-009		\$190	\$190	N/A	\$0
INTERAGENCY HAZARDOUS MATERIALS PUBLIC SECTOR TRAINING AND PLANNING GRANTS	20.703	ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY	HM-HMP-0583-16-01-00		\$23,687	\$23,687	N/A	\$0
<b>TOTAL DEPARTMENT OF TRANSPORTATION</b>					<u>\$141,301</u>			
<b>DEPARTMENT OF EDUCATION</b>								
ADULT EDUCATION - BASIC GRANTS TO STATES	84.002	ARIZONA DEPARTMENT OF EDUCATION	19FAEAPL-913397-01A 19FAEWF-913397-01 19FAEABE-913397-01A 19FAEIEL-913397-01A 19FAELET-913397-01A		\$146,220	\$146,220	N/A	\$0
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	ARIZONA DEPARTMENT OF EDUCATION	18FLCCL-813341-02A 19FLCCL-913341-02A		\$8,330	\$8,330	N/A	\$0
SPECIAL EDUCATION GRANTS TO STATES	84.027	ARIZONA DEPARTMENT OF EDUCATION	18FESCBG-813341-09A 19FESCBG-910731-09A 18FESCBG-810725-09A 19FESCBG-910725-09A 18FESCBG-810731-09A 18FESSCG-813341-55B 18FESSCG-810725-55B		\$4,939	\$4,939	SPECIAL EDUCATION CLUSTER (IDEA)	\$4,939
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215				\$41,421	\$41,421	N/A	\$0
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS	84.334			\$13,262	\$281,015	\$281,015	N/A	\$0
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	ARIZONA DEPARTMENT OF EDUCATION	18FT1TI-813341-03A 19FT1TI-913341-03A		\$1,013	\$1,013	N/A	\$0
<b>TOTAL DEPARTMENT OF EDUCATION</b>				<u>\$13,262</u>	<u>\$482,938</u>			
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>								
PUBLIC HEALTH EMERGENCY PREPAREDNESS	93.069	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS17-133199		\$217,154	\$217,154	N/A	\$0
FOOD AND DRUG ADMINISTRATION RESEARCH	93.103	ASSOCIATION OF FOOD AND DRUG OFFICIALS	G-SP-1611-04294 G-T-1810-06398		\$1,042	\$1,042	N/A	\$0
IMMUNIZATION COOPERATIVE AGREEMENTS	93.268	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS18-177689	\$35,557	\$35,557	\$35,557	N/A	\$0
EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC)	93.323	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS17-163353		\$9,033	\$9,033	N/A	\$0
PPHF CAPACITY BUILDING ASSISTANCE TO STRENGTHEN PUBLIC HEALTH IMMUNIZATION INFRASTRUCTURE AND PERFORMANCE FINANCED IN PART BY PREVENTION AND PUBLIC HEALTH FUNDS	93.539	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS18-177689	\$212,575	\$212,575	\$212,575	N/A	\$0
CHILD SUPPORT ENFORCEMENT	93.563	ARIZONA DEPARTMENT OF ECONOMIC SECURITY	KR18-0262 KR18-0681		\$107,594	\$107,594	N/A	\$0
SOCIAL SERVICES BLOCK GRANT	93.667	SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION	121-19		\$27,451	\$27,451	N/A	\$0
RURAL HEALTH CARE SERVICES OUTREACH, RURAL HEALTH NETWORK DEVELOPMENT AND SMALL HEALTH CARE PROVIDER QUALITY IMPROVEMENT PROGRAM	93.912	MARIPOSA COMMUNITY HEALTH CENTER	D06RH21674		\$5,035	\$5,035	N/A	\$0

<i>BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE</i>	93.959	ARIZONA DEPARTMENT OF HEALTH SERVICES	IGA-SABG-GR-19-100118-13	\$40,446	\$59,353	\$59,353	N/A	\$0
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				<u>\$288,578</u>	<u>\$674,794</u>			
<b>EXECUTIVE OFFICE OF THE PRESIDENT</b>								
			HT-17-2730; HT-18-2830					
			HT-17-2731					
<i>HIGH INTENSITY DRUG TRAFFICKING AREAS PROGRAM</i>	95.001	CITY OF TUCSON	HT-18-2831		\$424,550	\$424,550	N/A	\$0
<b>TOTAL EXECUTIVE OFFICE OF THE PRESIDENT</b>					<u>\$424,550</u>			
<b>DEPARTMENT OF HOMELAND SECURITY</b>								
<i>EMERGENCY MANAGEMENT PERFORMANCE GRANTS</i>	97.042	ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS	EMF-2018-EP-00012-S01		\$150,115	\$150,115	N/A	\$0
			17-AZDOHS-OPSG-170432-01					
<i>HOMELAND SECURITY GRANT PROGRAM</i>	97.067	ARIZONA DEPARTMENT OF HOMELAND SECURITY	18-AZDOHS-HSGP-180404-01		\$647,164	\$647,164	N/A	\$0
			18-AZDOHS-OPSG-180432-01					
<b>TOTAL DEPARTMENT OF HOMELAND SECURITY</b>					<u>\$797,279</u>			
<b>TOTAL EXPENDITURE OF FEDERAL AWARDS</b>					<u>\$309,343</u>	<u>\$4,092,159</u>		

**Please Note:**

*Italicized award lines indicate pass-through funding*

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of the schedule.



**SANTA CRUZ COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Period 7/1/2018 - 6/30/2019**

**Significant Accounting Policies Used in Preparing the SEFA**

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 this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**10% De Minimis Cost Rate**

The auditee used the de minimis cost rate.

**Basis of presentation**

The accompanying schedule of expenditures of federal awards (schedule) includes Santa Cruz County's federal grant activity for the year ended June 30, 2019. 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.

**Catalog of Federal Domestic Assistance (CFDA) number**

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2019 Catalog of Federal Domestic Assistance.

# COUNTY RESPONSE



# ADMINISTRATIVE SERVICES SANTA CRUZ COUNTY

Mauricio A. Chavez, CMPI  
Director of Finance &  
Administrative Services

March 24, 2020

Lindsey Perry  
Auditor General  
2910 N. 44th St., Ste. 410  
Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying corrective action plan as required by the standards applicable to financial audits contained in *Government Auditing Standards* and by 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*. Specifically, for each finding, we are providing you with our responsible officials' views, the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

Mauricio A. Chavez  
Director of Finance & Administrative Services

Santa Cruz County  
Corrective action plan  
Year ended June 30, 2019

## Financial statement findings

### 2019-01

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Managing risk

Juan Balderas, IT Director

Anticipated Completion Date: June 30, 2021

**Corrective Action:** The County concurs with the finding, and will develop and implement formal Information Security Risk Categorization and Risk Assessment Process. The County will continue to work with the Auditor General's Office in addressing these findings.

### 2019-02

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Information technology (IT) controls—access, configuration and change management, security, and contingency planning

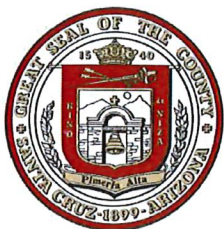
Juan Balderas, IT Director

Anticipated Completion Date: June 30, 2021

**Corrective Action:** The County concurs with the finding, and will develop and implement formal Information Security Configuration Management Policies. The County will continue to work with the Auditor General's Office in addressing these findings.

## Federal award findings and questioned costs

None reported.



## ADMINISTRATIVE SERVICES SANTA CRUZ COUNTY

Mauricio A. Chavez, CMPI  
Director of Finance &  
Administrative Services

March 24, 2020

Lindsey Perry  
Auditor General  
2910 N. 44th St., Ste. 410  
Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying summary schedule of prior audit findings as required by 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*. Specifically, we are reporting the status of audit findings included in the prior audit's schedule of findings and questioned costs. This schedule also includes the status of audit findings reported in the prior audit's summary schedule of prior audit findings that were not corrected.

Sincerely,

Mauricio A. Chavez  
Director of Finance & Administrative Services

**Santa Cruz County**  
**Summary schedule of prior audit findings**  
**Year ended June 30, 2019**

**Status of financial statement findings**

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**Managing Risk**

**Finding number:** 2018-01 & 2017-01  
**Status:** Not corrected

The County continues to develop formal policies and procedures to analyze, and reduce risks to help prevent undesirable access to county systems. The County implemented software to assist in the review of logs.

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**Information technology (IT) controls—access, configuration and change management, security, and contingency planning**

**Finding number:** 2018-02, 2017-02, 2017-03, 2017-04, 2017-05, 2016-03, 2016-04, 2016-05, 2015-03 & 2015-04  
**Status:** Not corrected

The County continues to develop formal policies and procedures to help prevent and detect unauthorized access to IT resources. The County implemented software to assist in the review of logs to detect unauthorized or inappropriate access to county systems.

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**Annual financial report preparation**

**Finding number:** 2018-03, 2017-07, 2016-01 & 2015-01  
**Status:** Corrected

The County worked with the independent consultant and addressed the review and approval process of the annual financial report preparation.

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**Sheriff's Office—inadequate personnel policies and procedures**

**Finding number:** 2018-04  
**Status:** Corrected

**Santa Cruz County**  
**Summary schedule of prior audit findings**  
**Year ended June 30, 2019**

County Management stopped the practice of paying Sheriff's Office employees for hours not worked immediately. County Management encouraged the Sheriff's Office to follow the County established personnel policies and procedures for compensating its employees.

**Public Fiduciary**

Finding number: 2018-05  
Status: Partially corrected

The public fiduciary made significant progress, worked with the banks, and properly closed all pending accounts. The public fiduciary will request to fill a vacant position to assist the department with all pending files.

**Status of federal award findings and questioned costs**

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CFDA number and name: 97.067 Homeland Security Grant Program  
Finding number: 2018-101, 2017-102, 2016-102, 2015-102, 2014-102 & 2013-104  
Status: Corrected

The County significantly improved the fixed asset listing and properly tags all equipment when practical.

