

Santa Cruz County

Annual financial statement and compliance audits

The County's fiscal year 2023 reported financial information is reliable. However, we reported deficiencies and noncompliance over financial reporting and federal programs, summarized on the next page.

Audits' purpose

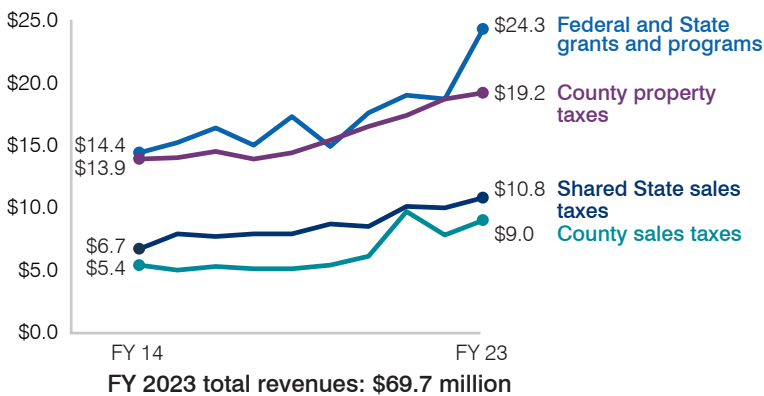
To express our opinions on the County's financial statements and on compliance with certain federal requirements and, if applicable, to report findings over noncompliance with certain laws and regulations or other financial deficiencies.

Primary revenue sources and how they were spent

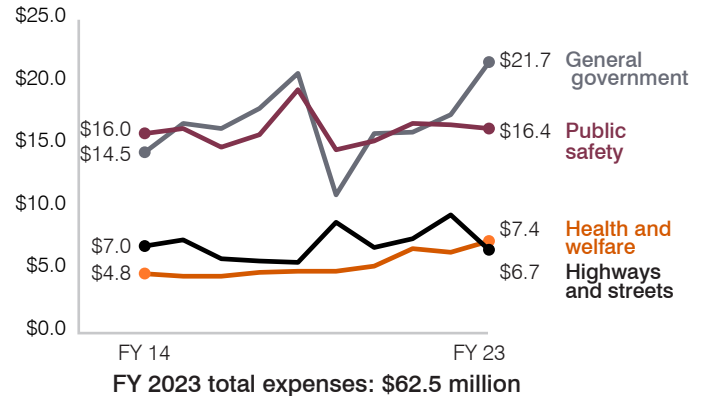
Fiscal years (FY) 2014 through 2023

(In millions)

Primary revenue sources



Primary expense purposes



Source: Auditor General staff summary of information obtained from the County's financial statements.

Largest primary revenue sources FY 2023

- **Federal and State grants and programs 34.9%**—Includes federal and State government grants and programs awarded as assistance to the County and its residents, including highway user tax revenues for authorized transportation purposes.
- **County property taxes 27.6%**—Levied and collected from property owners based on the assessed value of real and personal property within the County.

Largest primary expense purposes FY 2023

- **General government 34.8%**—Costs for general operation, oversight, and administration of County operations, including property assessments and taxes, budgeting and finance, and elections.
- **Public safety 26.2%**—Costs for protecting the County's persons and property with the largest portion for County jail operations, County Sheriff's office services, probation services, and Flood Control District operations.

County's net position increased in FY 2023

County revenues were \$7.2 million greater than its expenses, increasing total net position to \$80.5 million at June 30, 2023. Net position includes all assets, such as buildings, vehicles, and cash and investments, less all liabilities, such as unpaid pension and other payroll obligations, long-term debt, and accounts payable. None of this net position is unrestricted, meaning some is not in spendable form, and the rest is restricted by external parties.

Auditor findings and recommendations

Summarized below are our findings and recommendations included in the County's [Single Audit Report](#) where there is further information and the County's responses.

- The County Assessor's Office needs to develop and implement written policies and procedures to ensure its property valuation process complies with laws, guidance, and standards; require documentation to support all property valuations, including adjustments and revaluations; and develop guidance to consistently apply losses in property value. Policies and procedures need to require oversight, review, and approval of property valuations and the documentation supporting them. We found that the Office's lack of these policies and procedures increases the risk that properties may not be valued correctly due to error or fraud, and as we reported in the prior year, may have allowed the former County Assessor to allegedly engage in bribery schemes without being detected in a timely manner. This finding was initially reported in fiscal year 2022.
- The County needs to continue to develop, document, and implement policies and procedures to effectively respond to risks and to prevent, detect, and respond to unauthorized or inappropriate access, damage, or loss to its information technology systems and data, including financial and sensitive data. This finding was initially reported in fiscal year 2015.
- The County needs to develop written policies and procedures for its Workforce Innovation and Opportunity Act (WIOA) Youth Activities program to work with the pass-through grantor or federal agency to develop an effective strategy to recruit and retain qualified out-of-school youth who will benefit from program services, monitor its out-of-school services spending, and adjust its spending for this program area based on monitoring results. We found that the County's Workforce Development Department failed to ensure that it spent the required 75 percent, or \$305,536, of federal WIOA Youth Activities monies for out-of-school youth from April 2021 through June 2023. This finding was initially reported in fiscal year 2022.
- The County needs to develop and implement written policies and procedures for reporting federal grant awards, require an independent review and approval of federal reports, train staff on these policies, and monitor its departments' required reporting for federal awards by tracking when reports are due to be submitted to ensure reports are completed accurately and submitted on time. We found that the County's Sheriff's Department submitted 17 of 25 required Homeland Security Grants program quarterly reports late, ranging from 5 to 213 days late, and with an average submitted 28 days late. Additionally, we found that the County's Finance Department reported that it spent the entirety of its \$9,031,691 award amount for the State & Local Fiscal Recovery Fund, when it had actually only incurred cumulative expenditures of \$3,170,013, resulting in an overstatement of \$5,861,678.

Auditor General website report links

- The June 30, 2023, Santa Cruz County Annual Comprehensive Financial Report and Single Audit Report that are summarized in these highlights can be found at this [link](#). These reports should be read to fully understand the County's overall financial picture and our reporting responsibilities.
- The County's reports from prior years are available at this [link](#).
- For help in understanding important information presented in these reports, please refer to our user guides at the following links:
 - [Financial Report User Guide for State and Local Governments](#).
 - [Internal Control and Compliance Reports User Guide](#).