

Santa Cruz County

Single Audit Report

Year Ended June 30, 2023



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





The Arizona Auditor General’s mission is to provide independent and impartial information and specific recommendations to improve the operations of State and local government entities. To this end, the Office provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, State agencies, and the programs they administer.

The Joint Legislative Audit Committee

Representative **Matt Gress**, Chair

Representative **Tim Dunn**

Representative **Alma Hernandez**

Representative **Beverly Pingerelli**

Representative **Marcelino Quiñonez**

Representative **Ben Toma** (ex officio)

Senator **Sonny Borrelli**, Vice Chair

Senator **David C. Farnsworth**

Senator **Anthony Kern**

Senator **Juan Mendez**

Senator **Catherine Miranda**

Senator **Warren Petersen** (ex officio)

Audit Staff

Melanie M. Chesney, Deputy Auditor General and Acting Director, Financial Audit Division

Don Bohart, Manager

Contact Information

Arizona Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018-7271

(602) 553-0333

contact@azauditor.gov

www.azauditor.gov



TABLE OF CONTENTS

Auditors section

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* 1

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 3

Schedule of findings and questioned costs 7

Summary of auditors' results 7

Financial statement findings 8

Federal award findings and questioned costs 13

County section

Schedule of expenditures of federal awards 17

Notes to schedule of expenditures of federal awards 19

County response

Corrective action plan

Summary schedule of prior audit findings

Report issued separately

Annual Comprehensive Financial Report



LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
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 U.S. Comptroller General, 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, 2023, 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 28, 2024.

Report on 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 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-01, 2023-02, and 2023-03, that we consider to be significant deficiencies.

Report on 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 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and that is described in the accompanying schedule of findings and questioned costs as item 2023-01.

County response to findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's responses to the findings identified in our audit that 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 other 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 A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

March 28, 2024



LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
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

Qualified and unmodified opinions

We have audited Santa Cruz County's compliance with the types of compliance requirements identified as subject to audit 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, 2023. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Qualified opinion on WIOA Cluster

In our opinion, except for the noncompliance described in the basis for qualified and unmodified opinions section of our report, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the WIOA Cluster for the year ended June 30, 2023.

Unmodified opinion on each of the other major federal programs

In our opinion, based on our audit, the County complied, in all material respects, with the 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, 2023.

Basis for qualified and unmodified opinions

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 U.S. Comptroller General, and the audit requirement of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the auditors' responsibilities for the audit of compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Matters giving rise to qualified opinion on WIOA Cluster

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding the WIOA Cluster for earmarking as described in item 2023-101. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Management's responsibilities for compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditors' responsibilities for the audit of compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the County's internal control over compliance. Accordingly, we express no such opinion.

We are required to communicate with those charged with governance regarding, among other matters, the audit's planned scope and timing and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other matters

The results of our auditing procedures disclosed other instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and that are described in the accompanying schedule of findings and questioned costs as items 2023-102 and 2023-103. Our opinion on each major federal program is not modified with respect to these matters.

Report on internal control over compliance

Our consideration of internal control over compliance was for the limited purpose described in the auditors' responsibilities for the audit of compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified 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 2023-101, 2023-102, and 2023-103 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 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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

County response to findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's responses to the noncompliance and internal control over compliance findings that 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 other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 28, 2024, that contained unmodified opinions on

those financial statements. Our audit was performed 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, based on our audit and the procedures performed as described previously, 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 A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

March 28, 2024



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

Is a going concern emphasis-of-matter paragraph included in the auditors' report? No

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 weaknesses identified? Yes

Significant deficiencies identified? None reported

Type of auditors' report issued on compliance for major programs

Unmodified for all major federal programs except the WIOA Cluster, which was qualified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)? Yes

Identification of major programs

Assistance Listings number	Name of federal program or cluster
17.258/17.259/17.278	WIOA Cluster
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
93.323	COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
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

Financial statement findings

2023-01

The County Assessor's Office lacked oversight and written policies and procedures for its property valuation process, increasing the risk of the Office's inaccurately valuing properties on which the County's property tax levy is based and the County's levying and collecting more or less property taxes than it is entitled to

Condition—The County Assessor's Office (Office) lacked oversight and written policies and procedures to ensure that its property valuation process complied with State laws and guidance and technical standards. Specifically, as we reported in the prior year, the Office's existing process did not ensure that the Office maintained the required documentation to support property valuations and performed and documented all necessary approvals of those valuations prior to recording them in the Office's system and preparing the County's property tax levy.¹

Effect—The Office's internal control weaknesses, including the lack of documented oversight, review, and approval of its property-valuation process, have the potential risk to allow fraudulent activity to occur. Specifically, as we reported in the prior year, these weaknesses may have allowed the former County Assessor to allegedly engage in bribery schemes, in which he allegedly co-conspired with a property owner and another individual in the community for personal gain, without these activities being prevented or detected in a timely manner. Further, the Office has an increased risk of inaccurately valuing properties on which the County's property tax levy is based, which could potentially result in the County's levying and collecting more or less property taxes than it is entitled to. The County levied and collected property taxes totaling \$19.2 million during fiscal year 2023, comprising almost half of the County's total general revenues it reported on its statement of activities for the year.

Cause—The Office did not have an opportunity during the year to develop and implement all the corrective actions we recommended in the County's Single Audit Report for the year ended June 30, 2023, since our report was not issued until September 29, 2023, nearly 3 months after fiscal year-end.¹

Criteria—State law prescribes that county assessors follow certain requirements related to property valuation (Arizona Revised Statutes [A.R.S.] §42-13101). In addition, the Arizona Department of Revenue (ADOR) is responsible for exercising general supervision over county assessors' administration of the State's property tax laws to ensure all property within the State is uniformly valued for property tax purposes (A.R.S. §42-13002). As such, ADOR forms and guidelines specify the property-valuation approaches county assessors are required to use when performing property valuations. Further, the assessing officers' and appraisers' technical standards provide guidance on various topics related to property valuations, including mass appraisals, that certified professionals involved in property valuations are required to follow.² Finally, developing and implementing written policies and procedures over the County's property-valuation process, including overseeing the process and monitoring adherence to the County's policies and procedures that are based on internal control standards, such as the *Standards for Internal Control in the Federal Government*, are an integral part of preventing or detecting fraud and errors and are essential components in internal control for achieving the County's and Office's financial reporting and compliance objectives related to property taxes.³

Recommendations—The Office should:

1. Develop and implement draft written policies and procedures to align its property-valuation processes with State laws, ADOR guidance, and assessing officers' and appraisers' technical standards. These policies should specify the documentation required to be maintained to support its property valuations as well as the necessary approvals to be performed and documented.
2. Prepare and retain documentation to support property valuations, valuation adjustments, and revaluations for all property assessed and require oversight, review, and approval of such documentation and the valuations, valuation adjustments, and revaluations prior to recording them in the Office's system and preparing the County's property tax levy.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2022-02 and was initially reported in fiscal year 2022.

¹ Arizona Auditor General. (2023). *Santa Cruz County Single Audit Report, year ended June 30, 2022*. [SantaCruzCountyJune30_2022SingleAudit.pdf](https://www.azauditor.gov/SantaCruzCountyJune30_2022SingleAudit.pdf) (azauditor.gov)

² International Association of Assessing Officers (IAAO). (2022). IAAO Technical Standards Executive Summaries (pp. 2,4,6, and 8). Retrieved 2/22/2024 from https://www.iaao.org/media/standards/Technical_Standards_Summary.pdf.

³ U.S. Government Accountability Office (GAO). (2014). *Standards for internal control in the federal government*. Retrieved 2/22/2024 from <https://www.gao.gov/assets/670/665712.pdf>.

2023-02

The County's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk of potential harm

Condition—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 systems and data. Also, it did not include identifying, classifying, and inventorying sensitive information that might need stronger access and security controls and 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.

Effect—The County's administration and IT management may put the County's operations and IT systems and data at unintended and unnecessary risk of potential harm.

Cause—The County's administration and IT management reported that they began developing and implementing procedures but did not prioritize them due to limited IT personnel resources and, instead, focused resources on continued operations.

Criteria—Establishing a process for managing risk that follows a credible industry source, such as the National Institute of Standards and Technology, helps the County to effectively manage risk related to IT systems and data. Effectively managing risk includes an entity-wide risk assessment process that involves members of the County's administration and IT management. An effective risk assessment process helps the County determine the risks it faces as the County 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 compliance and service objectives. Additionally, an effective risk management process provides the County the basis for developing appropriate responses based on identified risk tolerances and specific potential risks to which it might be subjected. To help ensure the County's objectives can be met, an effective annual risk assessment considers and identifies IT risk in the County's operating environment, analyzes and prioritizes each identified risk, and develops a plan to respond to each risk within the context of the County's defined objectives and risk tolerances. Finally, effectively managing risk includes the County's process for identifying, classifying, and inventorying sensitive information that might need stronger access and security controls to address the risk of unauthorized access and use, modification, or loss of that sensitive information and the process of evaluating risk of losing the continuity of business operations in the event of a disaster or system interruption.

Recommendations—The County's administration and IT management should:

1. Prioritize developing, documenting, and implementing written IT policies and procedures; developing a process to manage risks; planning where to allocate resources; and determining where to implement critical controls.
2. 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.
3. Evaluate and manage the risks of holding sensitive information by identifying, classifying, and inventorying the information the County holds to assess where stronger access and security controls may be needed to protect data in accordance with State statutes and federal regulations.
4. 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 payroll and accounting, and determine how to prioritize and plan for recovery.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2022-03 and was initially reported in fiscal year 2021.

2023-03

The County's control procedures over IT systems and data were not sufficient, which increases the risk that the County may not adequately protect those systems and data

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

- **Restricting access**—Procedures did not consistently help prevent or detect unauthorized or inappropriate access to its IT systems and data.
- **Managing system configurations and changes**—Procedures did not ensure configuration settings were securely maintained and all IT system changes were adequately managed.

- **Securing systems and data**—IT security policies and procedures lacked controls to prevent unauthorized or inappropriate access or use, manipulation, damage, or loss.
- **Ensuring operations continue**—Contingency plan should include steps necessary for restoring operations in the event of a disaster or other system 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’s administration and IT management reported that they began developing and implementing procedures but did not prioritize them due to limited IT personnel resources and, instead, focused resources on continued operations.

Criteria—Implementing effective internal controls that follow a credible industry source, such as the National Institute of Standards and Technology, help the County to protect its IT systems and ensure the integrity and accuracy of the data it maintains as it seeks to achieve its financial reporting, compliance, and operational objectives. Effective internal controls include the following:

- **Restrict access through logical 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.
- **Manage system configurations and changes through 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. Separating responsibilities is an important control for system changes; the same person who has authority to make system changes should not put the change into production. If those responsibilities cannot be separated, a post-implementation review should be performed to ensure the change was implemented as designed and approved.
- **Secure systems and data through 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.
- **Ensure operations continue through a 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.

Recommendations—The County should:

1. Make it a priority to develop, document, and implement comprehensive IT policies and procedures, develop a process to ensure the procedures are being consistently followed, and plan for where to allocate resources.

Restrict access—To restrict access to its IT systems and data, develop, document, and implement processes to:

2. Assign and periodically review employee user access ensuring appropriateness and compatibility with job responsibilities.

3. Review all other account access to ensure it remains appropriate and necessary.
4. Enhance authentication requirements for IT systems.

Manage system configurations and changes—To configure IT systems securely and manage system changes, develop, document, and implement processes to:

5. Establish and follow a documented change-management process.
6. Review proposed changes for appropriateness, justification, and security impact.
7. Document changes, testing procedures and results, change approvals, and post-change review.
8. Develop and document a plan to roll back changes in the event of a negative impact to IT systems.
9. Test changes prior to implementation.
10. Separate responsibilities for the change-management process or, if impractical, perform a post-implementation review to ensure the change was implemented as approved.

Secure systems and data—To secure IT systems and data, develop, document, and implement processes to:

11. Prepare and implement a security incident response plan clearly stating how to report and handle such incidents.
12. Provide all employees with ongoing training on IT security risks and their responsibilities to ensure systems and data are protected.

Ensure operations continue—To ensure operations continue, develop, document, and implement processes to:

13. 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.
14. Test the contingency plan.
15. Train staff responsible for implementing the contingency plan.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2022-04 and was initially reported in fiscal year 2015.

Federal award findings and questioned costs

2023-101

Cluster name:	WIOA Cluster
Assistance Listings numbers and names:	17.258 WIOA Adult Program 17.259 WIOA Youth Activities 17.278 WIOA Dislocated Worker Formula Grants
Award number and years:	DI21-002288 A1, April 1, 2021 through June 30, 2023
Federal agency:	U.S. Department of Labor
Pass-through grantor:	Arizona Department of Economic Security
Compliance requirement:	Earmarking
Questioned costs:	\$116,512

Condition—Contrary to federal regulation, the County’s Workforce Development Department (Department) failed to ensure that it spent the required 75 percent, or \$305,536, of WIOA Youth Activities monies earmarked to provide services to out-of-school youth from April 2021 through June 2023. Instead, the Department spent only 46 percent, or \$189,024, of the required 75 percent and spent the remaining 29 percent, or \$116,512, to provide services to in-school youth, which was an allowable activity because it did not meet the earmarking requirements.

Effect—County out-of-school youth did not receive \$116,512 in services that the federal program intended.

Cause—The Department used a tracking mechanism to report its in-school youth and out-of-school youth spending throughout the fiscal year but did not have written policies and procedures requiring it to properly monitor and adjust its spending to provide in-school and out-of-school youth services to ensure earmarking requirements are met during the fiscal year and throughout the award period. While the Department submitted a waiver to the pass-through grantor to modify the earmarking ratio to address the demographic constraints experienced by the County, the Department lacked sufficient time to implement prior-year audit recommendations during fiscal year 2023 due to the County’s fiscal year 2022 single audit report not being issued until September 29, 2023, nearly 3 months after the end of the County’s 2023 fiscal year-end.

Criteria—Federal regulation requires the Department to earmark and spend no less than 75 percent of its WIOA Youth Activities monies on out-of-school youth services. Additionally, federal regulation also requires the Department to monitor such expenditures and report them to the pass-through grantor monthly throughout the award period to ensure it is spending the monies in a timely manner to meet the earmarking requirement (20 CFR §681.410). Also, federal regulation requires establishing and maintaining effective internal control over federal awards that provides reasonable assurance that federal programs are being managed in compliance with all applicable laws, regulations, and award terms (2 CFR §200.303).

Recommendations—The Department should:

1. Spend no less than the required 75 percent of its WIOA Youth Activities monies to provide out-of-school youth services.

2. Develop written policies and procedures for its WIOA Youth Activities program to:
 - a. Work with the pass-through grantor to develop an effective strategy to recruit and retain qualified out-of-school youth who will benefit from program services.
 - b. Monitor its out-of-school services spending throughout the fiscal year and award period.
 - c. Adjust spending to meet the earmarking requirement if out-of-school youth participation is lower than expected.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2022-101 and was initially reported in fiscal year 2022.

2023-102

Assistance Listings number and name: 97.067 **Homeland Security Grant Program**

Award numbers and years: 19-AZDOHS-OPSG-190427-03, June 1, 2022 through May 31, 2023; 20-AZDOHS-OPSG-200431-02, January 1, 2021 through April 30, 2023; 21-AZDOHS-OPSG-210440-01/02, March 1, 2022 through March 31, 2023; and 22-AZDOHS-OPSG-220435-01/02, April 1, 2023 through March 31, 2024

Federal agency: **U.S. Department of Homeland Security**

Pass-through grantor: Arizona Department of Homeland Security

Compliance requirements: Reporting

Questioned costs: None

Condition—Contrary to federal guidance and the County Sheriff's Office (Sheriff's Office) State grant award terms, the Sheriff's Office did not prepare and submit timely program information to the Arizona Department of Homeland Security (AZDOHS) for monitoring. Specifically, the Sheriff's Office submitted 17 of 25 required quarterly reports late, ranging from 5 to 213 days late, averaging 28 days late.

Effect—The Sheriff's Office reporting untimely program information delayed its receiving federal reimbursement for program expenditures and negatively impacts AZDOHS's ability to effectively monitor the Sheriff's Office program administration and compliance with program requirements, prevent and detect fraud, and evaluate the program's success. The Sheriff's Office is also at risk that this finding applies to other federal programs that it administers.

Cause—The Sheriff's Office relied on its office manager to prepare quarterly reports and ensure the reports were submitted within 15 days after the quarter's end. However, the office manager retired during the fiscal year, and the Sheriff's Office assigned multiple staff who either did not have sufficient time available to prepare these reports timely or were not properly trained on the preparation of these reports. Further, the County and Sheriff's Office lacked policies and procedures ensuring required reports were submitted timely to the awarding agency.

Criteria—The Sheriff's Office federal award terms require them to submit quarterly financial and programmatic reports to the AZDOHS no later than 15 days after each quarter's end. Also, federal regulation requires establishing and maintaining effective internal control over federal awards that provides

reasonable assurance that federal programs are being managed in compliance with all applicable laws, regulations, and award terms (2 CFR §200.303).

Recommendations—

1. The County and Sheriff's Office should develop and implement written policies and procedures for federal grant awards, 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 and submitted on time.
2. The Sheriff's Office should immediately complete and submit any late or missing federal grant award reports to the AZDOHS.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

2023-103

Assistance Listings number and name:	21.027 COVID-19 Coronavirus State and Local Fiscal Recovery Funds
Award number and year:	SLFRP1826, May 1, 2021 through December 31, 2026
Federal agency:	U.S. Department of the Treasury
Compliance requirements:	Reporting
Questioned costs:	N/A

Condition—Contrary to federal guidance, the County's Finance Department (Department) reported inaccurate program information to the federal grantor agency in its 2023 annual project and expenditure report submitted in April 2023. Specifically, the Department reported that it incurred cumulative expenditures totaling the entirety of its \$9,031,691 award amount, when it had only spent \$3,170,013, resulting in an overstatement of \$5,861,678 of the cumulative expenditures reported.

Effect—The Department's reporting inaccurate program information impacts the federal agency's ability to effectively monitor the Department's program administration and compliance with program requirements, prevent and detect fraud, and evaluate the program's success. The County is also at risk that this finding applies to other federal programs that it administers.

Cause—The County did not have written policies and procedures requiring the Department to perform and document an independent, detailed review and approval of the program's report before submitting it to the federal agency. Additionally, although the former County Manager initialed the report as approved, the review was not sufficient enough to detect the nearly \$6 million in overstated expenditure reporting errors we identified.

Criteria—Federal agency guidance requires the County to verify and confirm that all program information that it reports is accurate and approved before submission, in addition to reporting the total dollar value of cumulative expenditures for the project.¹ Also, federal regulation requires establishing and maintaining effective internal control over federal awards that provides reasonable assurance that federal programs are being managed in compliance with all applicable laws, regulations, and award terms (2 CFR §200.303).

Recommendations—The County should:

1. Develop and implement written policies and procedures requiring all County departments to perform and document an independent, detailed review and approval of all federal reports before submitting them to the federal agency or grantor to ensure the reports are accurate, agree to County records, and contain only allowable expenditures.
2. After developing and implementing the policies and procedures in recommendation 1, train department employees who are responsible for preparing and reviewing federal reports on the information required to be gathered and documented.
3. Adjust or resubmit reports the Department submitted to the federal agency when errors are detected, and inform the federal agency of those errors on previously submitted reports.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

¹ U.S. Department of Education. (2023). Compliance and Reporting Guidance – State and Local Fiscal Recovery Funds. Retrieved 3/19/2024 from [SLFRF-Compliance-and-Reporting-Guidance.pdf \(treasury.gov\)](#).

COUNTY SECTION

SANTA CRUZ COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2022 - 6/30/2023

Federal Awarding Agency/Program Title	Federal CFDA Number	Additional Award Identification (Optional)	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
DEPARTMENT OF AGRICULTURE									
RURAL BUSINESS DEVELOPMENT GRANT	10.351					\$18,750	\$18,750	N/A	\$0
SCHOOLS AND ROADS - GRANTS TO STATES	10.665					\$354,539	\$354,539	FOREST SERVICE SCHOOLS AND ROADS CLUSTER	\$354,539
TOTAL DEPARTMENT OF AGRICULTURE						<u>\$373,289</u>			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT									
COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII	14.228		ARIZONA DEPARTMENT OF HOUSING	119-23		\$9,402	\$9,402	N/A	\$0
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						<u>\$9,402</u>			
DEPARTMENT OF THE INTERIOR									
DISTRIBUTION OF RECEIPTS TO STATE AND LOCAL GOVERNMENT	15.227					\$962	\$962	N/A	\$0
TOTAL DEPARTMENT OF INTERIOR						<u>\$962</u>			
DEPARTMENT OF JUSTICE									
CRIME VICTIM COMPENSATION	16.576		ARIZONA CRIMINAL JUSTICE COMMISSION	VC-23-013		\$7,300	\$7,300	N/A	\$0
TREATMENT COURT DISCRETIONARY GRANT PROGRAM	16.585					\$145,727	\$145,727	N/A	\$0
STATE CRIMINAL ALIEN ASSISTANCE PROGRAM	16.606					\$100,000	\$100,000	N/A	\$0
STOP SCHOOL VIOLENCE	16.839					\$181,736	\$181,736	N/A	\$0
TOTAL DEPARTMENT OF JUSTICE						<u>\$434,763</u>			
DEPARTMENT OF LABOR									
WIA ADULT PROGRAM	17.258		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI21-002288 A1 & A2		\$207,389	\$207,389	WIOA CLUSTER	\$850,350
WIA YOUTH ACTIVITIES	17.259		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI21-002288 A1 & A2		\$454,775	\$454,775	WIOA CLUSTER	\$850,350
H-1B JOB TRAINING GRANTS	17.268		PIMA COUNTY	CT-CR-21-361		\$62,596	\$62,596	N/A	
WIA DISLOCATED WORKER FORMULA GRANTS	17.278		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI21-002288 A1 & A2		\$188,186	\$188,186	WIOA CLUSTER	\$850,350
TOTAL DEPARTMENT OF LABOR						<u>\$912,946</u>			
DEPARTMENT OF TRANSPORTATION									
COVID 19 - AIRPORT IMPROVEMENT PROGRAM, COVID-19 AIRPORTS PROGRAMS AND INFRASTRUCTURE INVESTMENT AND JOBS ACT PROGRAM	20.106	COVID-19				\$32,000	\$32,000	N/A	\$0
STATE AND COMMUNITY HIGHWAY SAFETY	20.600		ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2022-AL-031, 2022-PTS-059, 2021-AL-029, 2023-PTS-056 & 2023-AL-029		\$15,374	\$15,374	HIGHWAY SAFETY CLUSTER	\$22,331
NATIONAL PRIORITY SAFETY PROGRAMS	20.616		ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2022-405b-007 & 2023-405b-006 693JK131940003HMPEP, 693JK2240018HMPEP, 693JK32240018HMPEP		\$6,957	\$6,957	HIGHWAY SAFETY CLUSTER	\$22,331
INTERAGENCY HAZARDOUS MATERIALS PUBLIC SECTOR TRAINING AND PLANNING GRANTS	20.703		ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY	2022-405b-007 & 2023-405b-006 693JK131940003HMPEP, 693JK2240018HMPEP, 693JK32240018HMPEP		\$19,759	\$35,058	N/A	\$0
TOTAL DEPARTMENT OF TRANSPORTATION						<u>\$19,759</u>	<u>\$89,389</u>		
DEPARTMENT OF TREASURY									
EQUITABLE SHARING	21.016					\$22,980	\$22,980	N/A	\$0
COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	COVID-19				\$1,480,000	\$2,907,023	N/A	\$0
COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	COVID-19	ARIZONA STATE PARKS	ASPT# 672302		\$20,000	\$2,927,023	N/A	\$0
COVID 19 - LOCAL ASSISTANCE AND TRIBAL CONSISTENCY FUND	21.032	COVID-19				\$34,604	\$34,604	N/A	\$0
TOTAL DEPARTMENT OF TREASURY						<u>\$1,480,000</u>	<u>\$2,984,607</u>		
DEPARTMENT OF EDUCATION									
ADULT EDUCATION - BASIC GRANTS TO STATES	84.002		ARIZONA DEPARTMENT OF EDUCATION	23FPRLECC-313397-01A; 23FEAEWF-313397-01; 23FABASC-313397-01A, 23FIELCC-313397-01A; 23FIETCC-313397-01A; 2023FIETCC-313397-01A		\$132,114	\$132,114	N/A	\$0
TITLE I STATE AGENCY PROGRAM FOR NEGLECTED AND DELINQUENT CHILDREN AND YOUTH	84.013		ARIZONA DEPARTMENT OF EDUCATION	22FLCCL-213341-02A, 23FLCCL-313341-02A		\$4,905	\$4,905	N/A	\$0
SPECIAL EDUCATION GRANTS TO STATES	84.027		ARIZONA DEPARTMENT OF EDUCATION	22FESCBG-210731-09A, 22FARPIB-210731-01A & 23FESCBG-310731-09A		\$1,303	\$1,303	SPECIAL EDUCATION CLUSTER (IDEA)	\$1,303
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS	84.334					\$125,748	\$732,704	N/A	\$0
TOTAL DEPARTMENT OF EDUCATION						<u>\$125,748</u>	<u>\$871,026</u>		
DEPARTMENT OF HEALTH AND HUMAN SERVICES									
MEDICAL RESERVE CORPS SMALL GRANT PROGRAM	93.008		ARIZONA DEPARTMENT OF HEALTH SERVICES	MRC RISE 22-1874/MRC RISE 23-1874		\$16,086	\$16,086	N/A	\$0
PUBLIC HEALTH EMERGENCY PREPAREDNESS	93.069		ARIZONA DEPARTMENT OF HEALTH SERVICES	CTROS5219 (BP3-PO348019)/(BP4-PO422011)		\$162,888	\$162,888	N/A	\$0
FOOD AND DRUG ADMINISTRATION, RESEARCH	93.103		ASSOCIATION OF FOOD AND DRUG OFFICIALS	G-MP-2105-09377; G-BDEV-202109-00794		\$12,809	\$12,809	N/A	\$0
IMMUNIZATION COOPERATIVE AGREEMENTS	93.268		ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR060280 (POS29526); CTR060047 (POS04250)		\$221,856	\$422,360	N/A	\$0
COVID 19 - IMMUNIZATION COOPERATIVE AGREEMENTS	93.268	COVID-19	ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR060280 (POS33887)		\$141,086	\$422,360	N/A	\$0
COVID 19 - EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC)	93.323	COVID-19	ARIZONA DEPARTMENT OF HEALTH SERVICES	IGA2021-062/CTROS8658 (POFY21-276); CTROS8663 (POFY21-190); CTROS7221 (PO398163)		\$540,551	\$540,551	N/A	\$0
PUBLIC HEALTH EMERGENCY RESPONSE: COOPERATIVE AGREEMENT FOR EMERGENCY RESPONSE: PUBLIC HEALTH CRISIS RESPONSE	93.354		ARIZONA DEPARTMENT OF HEALTH SERVICES	CTROS5219 (PO422011)		\$66,873	\$66,873	N/A	\$0
CHILD SUPPORT SERVICES	93.563		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	G1804A24004		\$109,192	\$109,192	N/A	\$0
FOSTER CARE TITLE IV-E	93.658					\$238	\$238	N/A	\$0
RURAL HEALTH CARE SERVICES OUTREACH, RURAL HEALTH NETWORK DEVELOPMENT AND SMALL HEALTH CARE PROVIDER QUALITY IMPROVEMENT	93.912		MARIPOSA COMMUNITY HEALTH CENTER			\$1,590	\$1,590	N/A	\$0
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES						<u>\$221,856</u>	<u>\$1,332,587</u>		
EXECUTIVE OFFICE OF THE PRESIDENT									
HIGH INTENSITY DRUG TRAFFICKING AREAS PROGRAM	95.001		CITY OF TUCSON	HT-21-2951, HT-22-2951, HT-23-2951; HT-21-2954		\$387,757	\$387,757	N/A	\$0
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT						<u>\$387,757</u>			

DEPARTMENT OF HOMELAND SECURITY

EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97.042	ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS	EMF-2022-EP-00009-S01 20-AZDOHS-OPSG-200431-02; 21- AZDOHS-OPSG-210440-01/02; 22- AZDOHS-OPSG-220435-01/02; 19- AZDOHS-OPSG-190427-03	\$159,309	\$159,309	N/A	\$0
HOMELAND SECURITY GRANT PROGRAM	97.067	ARIZONA DEPARTMENT OF HOMELAND SECURITY		\$1,048,744	\$1,048,744	N/A	\$0
TOTAL DEPARTMENT OF HOMELAND SECURITY				\$1,208,053			
TOTAL EXPENDITURE OF FEDERAL AWARDS				\$1,847,363	\$8,604,781		

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 7/1/2022 - 6/30/2023

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 County elected to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

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, 2023. 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*.

Federal Assistance Listings number

The program titles and Federal Assistance Listings numbers were obtained from the federal or pass-through grantor or the 2023 Federal Assistance Listings.

COUNTY RESPONSE



ADMINISTRATIVE SERVICES SANTA CRUZ COUNTY

Mauricio A. Chavez, CMPI
Deputy County Manager/CFO

March 28, 2024

Lindsey A. Perry
Arizona 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,

A handwritten signature in blue ink, appearing to read "Mauricio A. Chavez".

Mauricio A. Chavez
Deputy County Manager/CFO

Santa Cruz County

Corrective action plan

Year ended June 30, 2023

Financial statement findings

2023-01

The County Assessor's Office lacked oversight and written policies and procedures for its property valuation process, increasing the risk of the Office's inaccurately valuing properties on which the County's property tax levy is based and the County's levying and collecting more or less property taxes than it is entitled to

Pablo A. Ramos, County Assessor

Anticipated completion date: June 30, 2024

To ensure compliance with relevant regulations, subsequent to June 30, 2023 the Assessor's office has implemented policies and procedures to align our property-valuation process with Arizona Revised Statutes Title 42, the articles of the Arizona Constitution about taxation, guidelines from the Arizona Department of Revenue (ADOR), and technical standards set by the International Association of Assessing Officers (IAAO). These guidelines include the use of market, cost, and income approaches for valuing agricultural properties, real properties, and personal properties. Additionally, we are committed to revaluing properties as necessary to maintain accuracy and fairness in our assessments.

These updates to our office policies and procedures are aimed at improving the accuracy and fairness of our property valuation process. By aligning with the relevant laws and regulations, such as the Arizona Revised Statutes Title 42 and the Arizona Constitution, we ensure that our assessments are conducted in a legally sound manner.

The guidelines provided by the Arizona Department of Revenue (ADOR) are crucial in guiding our valuation practices. These guidelines help us determine the appropriate valuation methods to use for different types of properties. Market data analysis, cost analysis, and income approach using cap rates provided by ADOR are some of the valuation methods we employ.

For agricultural properties, real properties, and personal properties, we utilize specific valuation methods tailored to each property type. This ensures that our assessments accurately reflect the market value of these properties.

Regular reassessments are also conducted by our team to ensure that our assessments remain accurate over time. We understand that market conditions and property values can change, and we need to stay up to date and adjust our assessments accordingly.

Overall, our commitment to following the guidelines set forth by ADOR and adhering to the technical standards outlined by the International Association of Assessing Officers (IAAO) helps us maintain a high level of professionalism and accuracy in our property valuation process.

Our team is committed to maintaining thorough documentation to ensure accurate property valuations. This includes conducting field inspections and making valuation adjustments according to ADOR-prescribed forms. The oversight of revaluations for all properties by the Assessor and Chief Deputy is essential, as they review and

Santa Cruz County

Corrective action plan

Year ended June 30, 2023

approve the documentation and valuation adjustments. Rest assured, we are dedicated to upholding the highest standards in property appraisal.

To achieve this objective, our office follows a structured process for property valuation. This process involves several key steps:

- **Field Documentation:** Our experienced team conducts thorough on-site inspections of properties, collecting all relevant information such as property size, condition, and any unique features. This information is essential for accurate valuation.
- **Valuation Adjustments:** Based on the gathered field documentation, our team applies appropriate adjustments to the property's value. These adjustments account for factors such as location, market conditions, improvements, and any other relevant considerations.
- **Revaluations:** Regular revaluations are conducted to ensure that property valuations remain accurate and up-to-date. These evaluations take into account changes in market conditions and property improvements, ensuring fairness and equity in the assessment process.
- **Review and Approval:** All property valuations, adjustments, and revaluations undergo a rigorous review and approval process by the Assessor, Chief Deputy or Chief Appraiser. This ensures that the assessments adhere to the guidelines and standards set by the ADOR.

By implementing this comprehensive system, our office ensures that all properties within our jurisdiction are assessed accurately and fairly. We are committed to maintaining the highest standards of professionalism and integrity in our valuation practices, providing confidence to property owners and other stakeholders in the accuracy of our assessments.

An appropriate percentage of economic or functional obsolescence will be applied to the applicable portion of the property, taking into account the specific circumstances of each case.

Additionally, the percentage of obsolescence applied may also depend on the age and condition of the property, as well as any technological advancements or changes in demand that may make certain features or amenities outdated. In cases where there is a significant amount of vacancy or a decline in neighborhood conditions, the percentage of obsolescence applied may be higher to reflect the decreased demand for the property and potential difficulty in finding tenants or buyers.

Consistently incorporating economic obsolescence factors, such as neighborhood degradation, is important in the valuation process to ensure that the property is accurately assessed for its true value. These factors can have a significant impact on the marketability and value of a property, and failing to consider them can result in an inaccurate valuation.

Therefore, it is crucial to consistently gather and analyze relevant data regarding neighborhood conditions, vacancy rates, and any other economic obsolescence factors that may affect the property. This can involve conducting market research, studying trends in the local real estate market, and staying up to date with any changes or developments in the area.

Santa Cruz County

Corrective action plan

Year ended June 30, 2023

By accurately considering economic obsolescence factors, appraisers, real estate agents, and other professionals involved in property valuation can provide a more reliable and accurate assessment of a property's value, helping buyers, sellers, and lenders make informed decisions.

Our Office is dedicated to upholding our collaboration with ADOR to effectively collect, evaluate, and authenticate data about properties within our County. Our objective is to consistently meet all ADOR standards for Agricultural property valuations within our jurisdiction by meticulously abiding by the stipulations outlined in ARS statutes and ADOR guidelines. By doing so, we aim to ensure fair and accurate property assessments, promote transparency, and support the local agricultural community.

To achieve our objective, we maintain a strong partnership with ADOR, the state authority responsible for overseeing property assessments. Through this collaboration, we exchange data and information, enabling us to collect reliable and comprehensive data on agricultural properties.

Once collected, our dedicated team evaluates the data using a thorough and meticulous process. We analyze factors such as land use, soil quality, irrigation systems, crop yields, market prices, and other relevant parameters. This comprehensive assessment allows us to provide accurate valuations that align with ADOR standards.

Moreover, we ensure that our evaluation process complies with the stipulations outlined in ARS statutes and ADOR guidelines. These regulations define specific methodologies, timelines, and criteria for property valuations. By meticulously abiding by these regulations, we establish a consistent and standardized approach to property assessments.

Our commitment to meeting ADOR standards is rooted in our aspiration to support and promote the agricultural sector within our jurisdiction. We understand the importance of fair and accurate property valuations in maintaining the economic sustainability of farms, ranches, and other agricultural enterprises. Through our collaboration with ADOR, we strive to provide a reliable and trusted source of property data for both property owners and the wider community.

Overall, our organization's dedication to upholding our collaboration with ADOR ensures that we collect, evaluate, and authenticate data about properties within our County meticulously and fairly. We are committed to consistently meeting ADOR standards for Agricultural property valuations and supporting the local agricultural community through our work.

Following recommendations provided by the Office of the Auditor General, subsequent to June 30, 2023 we have successfully implemented all suggested measures. The concluding item, which comprises ensuring our staff completes their respective ethics training courses, is projected to be achieved before June 30th, 2024.

The preliminary versions of the policies have been finalized and are now ready to be presented to the Board of Supervisors for formal approval.

Santa Cruz County

Corrective action plan

Year ended June 30, 2023

2023-02

The County's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk of potential harm

Juan Balderas, CIO

Anticipated completion date: December 31, 2024

The County's IT team has diligently worked to implement comprehensive measures to mitigate potential risks to our operations, IT systems, and data. The County continues to enhance its documentation procedures and regular risk assessments.

2023-03

The County's control procedures over IT systems and data were not sufficient, which increases the risk that the County may not adequately protect those systems and data

Juan Balderas, CIO

Anticipated completion date: December 31, 2024

The County continues to make progress in addressing this item. We have invested in training programs to enhance staff awareness of cybersecurity best practices and their role in safeguarding our IT systems and data. Furthermore, county personnel are further developing procedures for reviewing employee user access and change-management processes.

Federal award findings and questioned costs

2023-101

Assistance Listings number and program name:	17.259 WIOA Youth Activities
Contact Person(s):	Irasema Olvera, WIOA Director
Anticipated completion date:	June 30, 2025

To assist the County, meet the WIOA 75% earmarking requirement for out-of-school youth program, the County continues to develop written policies and procedures for its WIOA Youth Activities program. The County continues to provide eligible out-of-school youth the opportunity of paid work experiences (WEX). The County will also work with the pass-through grantor to develop an effective strategy to recruit and retain eligible out-of-school youth. Through the pass-thru grantor, the County requested a waiver of the of the 75% out-of-school youth program earmark ultimately seeking a more balanced 50% for the out-of-school youth program and 50% for the in-school youth program distribution. The County will continue to monitor the out-of-school services spending throughout the fiscal year and award period.

Santa Cruz County

Corrective action plan

Year ended June 30, 2023

2023-102

Assistance Listings number and program name: 97.067 **Homeland Security Grant Program**
Contact Person(s): Augustin Huerta Jr., Commander
Anticipated completion date: April 30, 2024

Due to unexpected staff turnover, including the retirement of the office manager responsible for submitting Homeland Security Grant Program quarterly reports, the Sheriff's Office ultimately relied on staff that was not properly trained nor have sufficient time to prepare the reports. The Sheriff's Office has since improved the understanding of grant administration and submission process. The Sheriff's Office is working collaboratively to ensure accurate and timely submission of required documents to the grantor. Subsequent to June 30, 2023, the Sheriff's Office implemented calendar reminders of deadlines, statistic and financial reports are generated one week in advance of the due date, and quarterly reports are completed by the 13th day of each month. The Sheriff's Office will work with County finance staff to develop and implement written policies and procedures.

2023-103

Assistance Listings number and program name: 21.027 **COVID-19 Coronavirus State and Local Fiscal Recovery Funds**
Contact Person(s): Mauricio A. Chavez, Deputy County Manager/CFO
Anticipated completion date: April 30, 2024

The County's finance department reported the entirety of the allocation based on County's interpretation of the final rule and multiple subsequent reporting guidelines. The County will revise and resubmit reports to the Treasury Department and will work with staff to correct any deficiencies for future reports. The County will meet with staff to assess all present and future grant reporting guidelines.



ADMINISTRATIVE SERVICES
SANTA CRUZ COUNTY

Mauricio A. Chavez, CMPI
Deputy County Manager/CFO

March 28, 2024

Lindsey A. Perry
Arizona 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,

A handwritten signature in blue ink, appearing to read "Mauricio A. Chavez".

Mauricio A. Chavez
Deputy County Manager/CFO

Santa Cruz County
Summary schedule of prior audit findings
Year ended June 30, 2023

Status of financial statement findings

The County failed to provide key financial information to auditors timely and issues its Annual Comprehensive Financial Report (ACFR) late, resulting in untimely financial information to decisionmakers

Finding number: 2022-01 This finding initially occurred in fiscal year 2022
Status: Corrected

The County Assessor's office did not follow State property-valuation laws and guidelines for some properties we reviewed and did not have an oversight process, which contributed to inaccurate valuations and may have allowed the former County Assessor to allegedly engage in bribery schemes to alter property values in exchange for providing reduced property taxes and other benefits to a property owner also allegedly involved in the schemes

Finding number 2022-02 This finding initially occurred in fiscal year 2022
Status: Partially Corrected

The County Assessor will implement policies and procedures to align the property-valuation process with the Arizona Revised Statutes Title 42, the articles of the Arizona Constitution about taxation, guidelines from the Arizona Department of Revenue (ADOR), and technical standards set by the International Association of Assessing Officers (IAAO). For agricultural properties, real properties, and personal properties, the County Assessor will utilize specific valuation methods tailored to each property type. Implement the re-appraisal with cap rates on agricultural land will be conducted annually including new and existing leases. The County Assessor started to conduct monthly queries within the CAMA system to flag any variance of 15% change in value to trigger a review by a supervisor. The County Assessor's office will review & document property appraisals by with field documentation, valuation adjustments, revaluations, review and approvals by the Assessor and Chief Assessor. Furthermore, the County Assessor will consistently gather and analyze relevant data regarding neighborhood conditions, vacancy rates, and any other economic obsolescence factors that may affect the property. The County Assessor's office periodically schedules code of ethics training for staff with IAAO and ADOR.

The County's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk of potential harm

Finding number: 2022-03 This finding initially occurred in fiscal year 2021.

Status: Partially corrected

Due to limited resources, the County was not able to address and correct the entirety of this finding, however the County continues to make progress in addressing this item; the identification, classification, and inventorying of sensitive data has commenced, along with a corresponding policy. The county has also developed a risk assessment policy and conducted a risk assessment of its infrastructure and will be implemented in FY24. Staff will continue to make it a priority to classify and inventory all sensitive information. In addition, staff will finalize and present the corresponding policies for Board approval.

The County's control procedures over IT systems and data were not sufficient, which increases the risk that the County may not adequately protect those systems and data

Finding number: 2022-04 This finding initially occurred in fiscal year 2015.

Status: Partially corrected

Due to limited resources, the County was not able to address and correct the entirety of this finding, however the County has implemented logging and reporting mechanisms to promptly alert when users with administrative privileges make significant system changes. Email phishing simulations and ongoing IT security risk training have been fully implemented across the organization IN FY24. In addition, county staff have begun developing and documenting processes to review employee user access and change-management processes. A complete Incident Response Plan is still being developed and is expected to be completed by December 31, 2024.

The County's Superior Court lacked written agreements and monitoring procedures to ensure it received all the indigents' legal defense services for which it paid \$832,456 to 28 attorneys during the year, putting the County at risk of wasting public monies

Finding number: 2022-05 This finding initially occurred in fiscal year 2021.

Status: Corrected

Status of Federal Award Findings and Questioned Costs

Assistance Listings number and program name:

WIOA Cluster

17.258 WIOA Adult Program

17.259 WIOA Youth Activities

17.278 WIOA Dislocated Worker Formula Grants

Finding Number: 2022-101 This finding initially occurred in fiscal year 2022

Status: Not Corrected

The County is developing policies and procedures for its WIOA Youth Activities program. The County has previously struggled to fulfill the requirement due to our geographical location, access to trade schools and training, high graduation rates, and high transiency. The County continues to work directly with local school districts for potential out-of-school recruitment opportunities. The County formally requested a 50% ISY and 50% OSY waiver from the U.S. Department of Labor through the Arizona Department of Economic Security.

Assistance Listings number and program name:

93.323 COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases

Finding Number: 2022-102 This finding initially occurred in fiscal year 2022

Status: Corrected

Assistance Listings number and program name:

None

Finding Number: 2022-103 This finding initially occurred in fiscal year 2022

Status: Corrected

