

Santa Cruz County

Single Audit Report

Year Ended June 30, 2021



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.

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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 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, 2021, 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 31, 2022.

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 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 2021-01, 2021-02, and 2021-03, 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 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 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 A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

March 31, 2022



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

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, 2021. 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, 2021.

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, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 31, 2022, 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 A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

May 17, 2022



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 weaknesses 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

Assistance Listings number	Name of federal program or cluster
21.019	COVID-19 - Coronavirus Relief Fund
93.268	COVID-19 - Immunization Cooperative Agreements
93.323	COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

Financial statement findings

2021-01

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.

Cause—The County relied on informal processes while it develops and documents formal policies and procedures. In addition, some formal policies and procedures were not implemented as of June 30, 2021.

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. The risk assessment should 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 unauthorized access and use, modification, or loss of sensitive information and the risk of losing the continuity of business operations in the event of a disaster or system interruption.

Recommendations—The County should:

1. Identify, analyze, and reduce risks to help prevent undesirable incidents and outcomes that could impact business functions and IT systems and data.
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.

2021-02

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 relied on informal processes while it develops and documents formal policies and procedures. In addition, some formal policies and procedures were not implemented as of June 30, 2021.

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 follows:

- **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 and document comprehensive IT policies and procedures and develop a process to ensure the procedures are being consistently followed.

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. Remove terminated employees' access to IT systems and data.
4. Review all other account access to ensure it remains appropriate and necessary.
5. 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:

6. Establish and follow a documented change and patch management process.
7. Review proposed changes for appropriateness, justification, and security impact.
8. Document changes, testing procedures and results, change approvals, and post-change review.
9. Develop and document a plan to roll back changes in the event of a negative impact to IT systems.
10. Test changes prior to implementation.
11. Separate responsibilities for the change management process or, if impractical, perform a post-implementation review to ensure the change was implemented as approved.
12. Maintain configurations for all system services, assets, and infrastructure; manage configuration changes; and monitor the system for unauthorized or unintended configuration changes.

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

13. Perform proactive key user and system activity logging and log monitoring, particularly for users with administrative access privileges.
14. Prepare and implement a security incident response plan clearly stating how to report and handle such incidents.
15. Provide all employees 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:

16. 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.
17. Test the contingency plan.
18. 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 2020-01.

2021-03

The County Superior Court lacked written agreements and monitoring procedures to ensure it received all the indigents' legal defense services for which it paid \$645,229 to 14 attorneys during the year, putting the County at risk of wasting public monies

Condition—The County Superior Court (Court) lacked written contractual agreements with the attorneys who provided indigents' legal defense services and did not require documentation of services billed for or conduct monitoring of the attorneys' performance. Specifically, through email communications, the Court established informal agreements with the 14 attorneys it selected to provide indigents' legal defense services, specifying only 1 allowed hourly billing rate of \$80 for the services provided during fiscal year 2021 but no required documentation to support their billed services, such as court hearings and meeting attendee names, dates and times, and sign-in logs, for the Court to verify the billings' accuracy. During the year, the 14 attorneys billed the Court, and it paid them a total of \$645,229 for indigents' legal defense services. Of this amount, 1 attorney received \$205,637, or 32 percent.¹

Effect—The Court risks being overbilled and paying for services it does not receive or need or for poor-quality services that may have taken longer than reasonable to perform. Specifically, the Court risks having wastefully paid some of the \$645,299 to the attorneys for indigents' legal defense services during the fiscal year.

Cause—The County did not have policies and procedures that required written contractual agreements and monitoring of professional services contracts and billings. Therefore, the Court's employees instead followed an informal process of hiring indigents' legal defense attorneys without contractual agreements that specified terms, such as the specific services the attorneys were to provide and what support they should provide when billing for services.

¹ The County Attorney's Office and the County's Superior Court Administrator notified us in December 2021 that they were concerned that the County may not have received the services it paid for and could have been overbilled by at least 1 attorney who provided indigents' legal defense services. We noted from the County's general ledger records the Court paid its 14 attorneys providing these services a total of \$645,229 of which it paid 1 attorney \$205,637, or 32 percent, with the remaining 13 attorneys receiving a combined \$439,592, or 68 percent.

Criteria—Establish and implement effective written policies and procedures to guide the County's oversight of professional services contracting. These include requiring a written contract for the services and monitoring billings to ensure services were provided before approving payment. Such policies and procedures are an essential part of internal control standards, such as the *Standards for Internal Control in Federal Government* issued by the Comptroller General of the United States. They are integral to preventing the waste of public monies and ensuring that the County receives the intended services and is not overbilled.²

Recommendations—The County should:

1. Develop and implement written policies and procedures for professional services contract oversight, including requiring a written contract agreement for the services and staff requirements for monitoring contract performance and subsequent billings. The written contract agreements should clearly specify items such as the scope of services to be provided to the County, including the service provider's compensation or fees for specific services and the billing arrangements; any expected performance criteria and deliverables and reporting to the County; whether the contract is subject to additional approval if it exceeds a certain total amount; and documentation and records that are required to be submitted to the County either with the billing or if requested.
2. Require the Court to follow the County's newly established policies and procedures for written contractual agreements. Ensure the Court establishes written contractual agreements that include specific terms for attorneys it selects to provide indigent legal defense services and monitor each attorney's performance and receipt of the intended services and associated billings, such as reviewing billing invoices against supporting documentation requested from the attorney or performing an analysis of the work performed from Court records.

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.

Federal award findings and questioned costs

None reported.

² U.S. Government Accountability Office (2014). *Standards for Internal Control in Federal Government*. Washington, DC. <https://www.gao.gov/assets/670/665712.pdf>.

COUNTY SECTION

SANTA CRUZ COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2020 - 6/30/2021

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									
SCHOOLS AND ROADS - GRANTS TO STATES	10.665					\$300,961	\$300,961	FOREST SERVICE SCHOOLS AND ROADS CLUSTER	\$300,961
TOTAL DEPARTMENT OF AGRICULTURE						<u>\$300,961</u>			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT									
COVID-19 - COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII	14.228	COVID-19	ARIZONA DEPARTMENT OF HOUSING	140-21 CDBG-CV 127-20		\$40,803	\$176,461	N/A	\$0
COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII	14.228		ARIZONA DEPARTMENT OF HOUSING	122-20 121-20	\$74,858	\$135,658	\$176,461	N/A	\$0
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					<u>\$74,858</u>	<u>\$176,461</u>			
DEPARTMENT OF JUSTICE									
CRIME VICTIM ASSISTANCE	16.575		ARIZONA DEPARTMENT OF PUBLIC SAFETY	2018-331		\$15,800	\$15,800	N/A	\$0
CRIME VICTIM ASSISTANCE/DISCRETIONARY GRANTS	16.582		NORTHERN ARIZONA UNIVERSITY	1003806-01		\$9,639	\$9,639	N/A	\$0
STATE CRIMINAL ALIEN ASSISTANCE PROGRAM	16.606					\$7,015	\$7,015	N/A	\$0
STOP SCHOOL VIOLENCE	16.839					\$26,290	\$26,290	N/A	\$0
TOTAL DEPARTMENT OF JUSTICE						<u>\$58,744</u>			
DEPARTMENT OF LABOR									
WIA ADULT PROGRAM	17.258		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI19-002207 A1,A2&A3 DI21-002288		\$273,748	\$273,748	WIOA CLUSTER	\$790,731
WIA YOUTH ACTIVITIES	17.259		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI19-002207 A1,A2&A3 DI21-002288		\$367,681	\$367,681	WIOA CLUSTER	\$790,731
H-1B JOB TRAINING GRANTS	17.268		PIMA COUNTY	CT-CR-21-361		\$1,127	\$1,127	N/A	\$0
WIA DISLOCATED WORKER FORMULA GRANTS	17.278		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI19-002207 A1,A2&A3 DI21-002288		\$149,302	\$149,302	WIOA CLUSTER	\$790,731
TOTAL DEPARTMENT OF LABOR						<u>\$791,858</u>			
DEPARTMENT OF TRANSPORTATION									
AIRPORT IMPROVEMENT PROGRAM	20.106	COVID-19				\$38,144	\$38,144	N/A	\$0
STATE AND COMMUNITY HIGHWAY SAFETY	20.600		ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2020-AL-030 2020-PTS-055 2020-OP-016 2021-AL-029 2021-PTS-060 2021-OP-019		\$12,286	\$12,286	HIGHWAY SAFETY CLUSTER	\$12,286
INTERAGENCY HAZARDOUS MATERIALS PUBLIC SECTOR TRAINING AND PLANNING GRANTS	20.703		ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY	HM-HMP-0583-16-01-00 693JK31940003HMEP	\$2,485	\$43,951	\$43,951	N/A	\$0
TOTAL DEPARTMENT OF TRANSPORTATION					<u>\$2,485</u>	<u>\$94,381</u>			
DEPARTMENT OF TREASURY									
CORONAVIRUS RELIEF FUND	21.019	COVID-19	STATE OF ARIZONA OFFICE OF THE GOVERNOR	ERMT-CRF-21-1019 ERMT-20-078		\$1,903,927	\$1,903,927	N/A	\$0
TOTAL DEPARTMENT OF TREASURY						<u>\$1,903,927</u>			
DEPARTMENT OF EDUCATION									
ADULT EDUCATION - BASIC GRANTS TO STATES	84.002		ARIZONA DEPARTMENT OF EDUCATION	21FEAEWF-113397-01 21FAWIOA-113397-01A 21FABSE-113397-01A 21FIELCE-113397-01A 21FIETFE-113397-01A 21FPROFL-113397-01A		\$180,238	\$180,238	N/A	\$0
TITLE I STATE AGENCY PROGRAM FOR NEGLECTED AND DELINQUENT CHILDREN AND YOUTH	84.013		ARIZONA DEPARTMENT OF EDUCATION	20FLCCCL-013341-02A 21FLCCCL-113341-02A 20FESCBG-010731-09A 21FESCBG-110731-09A 20FESCBG-010725-09A 21FESCBG-110725-09A		\$9,240	\$9,240	N/A	\$0
SPECIAL EDUCATION GRANTS TO STATES	84.027		ARIZONA DEPARTMENT OF EDUCATION			\$499	\$499	SPECIAL EDUCATION CLUSTER (IDEA)	\$499
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS	84.334				\$42,929	\$643,934	\$643,934	N/A	\$0
IMPROVING TEACHER QUALITY STATE GRANTS	84.367		ARIZONA DEPARTMENT OF EDUCATION	21FT17II-113341-03A 20FT17II-013341-03A		\$232	\$232	N/A	\$0
EDUCATION STABILIZATION FUND	84.425	COVID-19, 84.425D	ARIZONA DEPARTMENT OF EDUCATION	20FERFNT-013341-01-A		\$34,982	\$34,982	N/A	\$0
TOTAL DEPARTMENT OF EDUCATION					<u>\$42,929</u>	<u>\$869,125</u>			
DELTA REGIONAL AUTHORITY or DENALI COMMISSION or ELECTION ASSISTANCE COMMISSION or JAPAN U.S. FRIENDSHIP COMMISSION									
2018 HAVA ELECTION SECURITY GRANTS	90.404		ARIZONA SECRETARY OF STATE	AZ18101001		\$94,368	\$94,368	N/A	\$0
TOTAL DELTA REGIONAL AUTHORITY or DENALI COMMISSION or ELECTION ASSISTANCE COMMISSION or JAPAN U.S. FRIENDSHIP COMMISSION						<u>\$94,368</u>			
DEPARTMENT OF HEALTH AND HUMAN SERVICES									
PUBLIC HEALTH EMERGENCY PREPAREDNESS	93.069		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS17-133199 (AMENDMENT #8-PO244023)		\$135,263	\$135,263	N/A	\$0
IMMUNIZATION COOPERATIVE AGREEMENTS	93.268	COVID-19	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS18-177689	\$363,612	\$383,975	\$383,975	N/A	\$0
EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC)	93.323	COVID-19	ARIZONA DEPARTMENT OF HEALTH SERVICES	IGA2021-062 IGA2021-036		\$915,372	\$915,372	N/A	\$0
PUBLIC HEALTH EMERGENCY RESPONSE: COOPERATIVE AGREEMENT FOR EMERGENCY RESPONSE: PUBLIC HEALTH CRISIS RESPONSE	93.354	COVID-19	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS17-133199 (AMENDMENT #7 & #8)		\$203,726	\$203,726	N/A	\$0
CHILD SUPPORT ENFORCEMENT	93.563		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	G1804AZ4004		\$87,480	\$87,480	N/A	\$0
VOTING ACCESS FOR INDIVIDUALS WITH DISABILITIES GRANTS TO STATES	93.617		ARIZONA SECRETARY OF STATE THE SOUTHEASTERN ARIZONA GOVERNMENTS ORGANIZATION	NONE		\$6,528	\$6,528	N/A	\$0
SOCIAL SERVICES BLOCK GRANT	93.667			121-21		\$35,000	\$35,000	N/A	\$0
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES						<u>\$363,612</u>	<u>\$1,767,344</u>		
EXECUTIVE OFFICE OF THE PRESIDENT									
HIGH INTENSITY DRUG TRAFFICKING AREAS PROGRAM	95.001		CITY OF TUCSON	HT-29-2932 HT-20-2954 HT-19-2931 HT-20-2951 HT-21-2951		\$380,700	\$380,700	N/A	\$0
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT						<u>\$380,700</u>			

DEPARTMENT OF HOMELAND SECURITY									
<i>DISASTER GRANTS - PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)</i>	97.036	COVID-19	ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS	4524-DR-AZ DR-4524-COVID-19	\$15,321	\$401,175	\$401,175	N/A	\$0
<i>EMERGENCY MANAGEMENT PERFORMANCE GRANTS</i>	97.042		ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS	EMF-2020-EP-00009 180432-03 190427-01 190427-02 200431-01 200431-02		\$150,556	\$150,556	N/A	\$0
<i>HOMELAND SECURITY GRANT PROGRAM</i>	97.067		ARIZONA DEPARTMENT OF HOMELAND SECURITY			\$745,204	\$745,204	N/A	\$0
TOTAL DEPARTMENT OF HOMELAND SECURITY					<u>\$15,321</u>	<u>\$1,296,935</u>			
TOTAL EXPENDITURE OF FEDERAL AWARDS					<u>\$499,205</u>	<u>\$7,734,804</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 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2020 - 6/30/2021

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, 2021. 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.

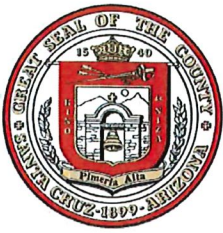
Federal Assistance Listings number

The program titles and Federal Assistance Listings numbers were obtained from the federal or pass-through grantor or the 2021 Federal Assistance Listings.

Donated personal protective equipment (PPE)

The County received donated Personal Protective Equipment (PPE) from Public Health Emergency Response (Federal Assistance Listings #93.354) passed through the Arizona Department of Health Services and issued \$23,984 of PPE to the County's Environmental Health Department, County's Emergency Management Department, Carondelet Holy Cross Hospital, Nogales Fire Department and the Mariposa Community Health Clinic.

COUNTY RESPONSE



ADMINISTRATIVE SERVICES
SANTA CRUZ COUNTY

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

May 10, 2022

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, 2021

Financial statement findings

2021-01

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: January 31, 2023

The County concurs with the finding and to ensure data integrity and accuracy, Santa Cruz County has begun developing Policies and Procedures that will govern its internal IT Systems controls and the procedures are planned to be implemented before January 31, 2023. These Policies will be based on NIST SP 800-53 rev 5.

2021-02

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: January 31, 2023

The County continues to develop policies and procedures to help prevent and detect unauthorized access or use of IT resources. The County implemented a several software solutions to assist with logging, monitoring, and classifying of its data.

2021-03

The County Superior Court lacked written agreements and monitoring procedures to ensure it received all the indigents' legal defense services for which it paid \$645,229 to 14 attorneys during the year, putting the County at risk of wasting public monies

Gian Schultz, Interim Court Administrator

Anticipated completion date: December 31, 2022

The Santa Cruz County Superior Court will develop and implement policies and procedures for professional services contract oversight, including requiring a written contract for the services. The policies and procedures will also include staff requirements for monitoring contract performance and subsequent billings.

The written contract agreement will include the scope of services to be provided to the County, service provider's compensation or fees for specific services and the billing arrangements. In addition, it will include expected performance standards and deliverables and reporting to the County; will state if contract is subject to additional approval if it exceeds a certain total amount; and require that documentation and records be submitted to the Court with the billing or if requested.



ADMINISTRATIVE SERVICES
SANTA CRUZ COUNTY

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

May 10, 2022

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", is written over a light blue horizontal line.

Mauricio A. Chavez
Director of Finance & Administrative Services

Santa Cruz County
Summary schedule of prior audit findings
Year ended June 30, 2021

Status of financial statement findings

The County's control procedure 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: 2020-01. This finding initially occurred in fiscal year 2020.

Status: Partially corrected

The County made significant progress in the developing the control that will govern the IT systems and data. The County has engaged a consultant to assist with completing the written policies and procedures and the new expected completion date is January 31, 2023.

