

Santa Cruz County

Annual financial statement and compliance audits

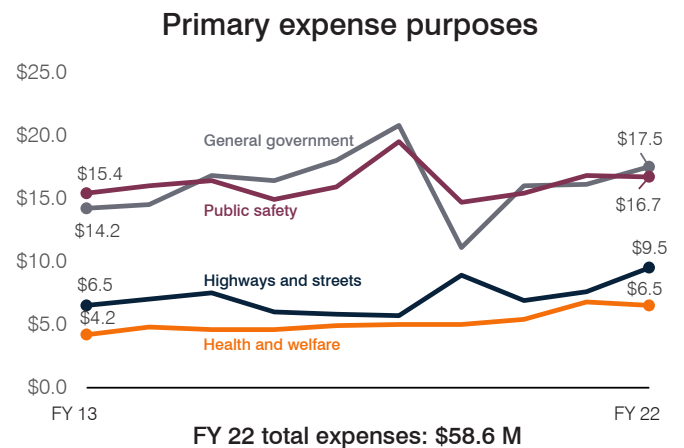
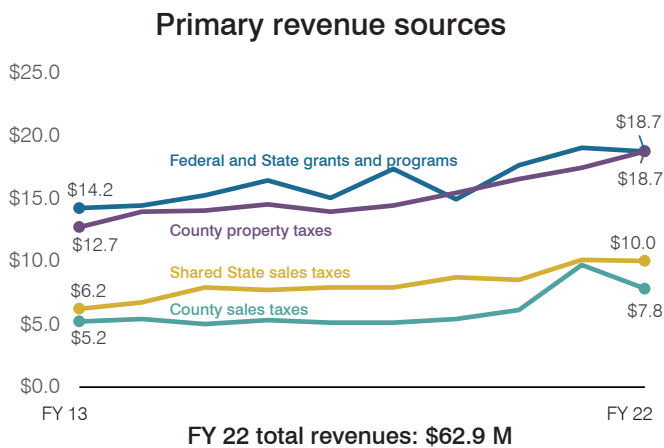
The County's fiscal year 2022 reported financial information is reliable. However, we reported deficiencies and noncompliance over financial reporting and federal programs, summarized on the next page.

Audits' purpose

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

Primary revenue sources and how they were spent

Fiscal years (FY) 2013 through 2022
(In millions)



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

Largest primary revenue sources FY 2022

- **County property taxes 29.8%**—Levied and collected from property owners based on the assessed value of real and personal property within the County.
- **Federal and State grants and programs 29.7%**—Includes federal and State government grants and programs awarded as assistance to the County and its residents, including highway user tax revenues for authorized transportation purposes.

Largest primary expense purposes FY 2022

- **General government 29.9%**—Costs for general operation, oversight, and administration of County operations, including property assessments and taxes, budgeting and finance, and elections.
- **Public safety 28.6%**—Costs for protecting the County's persons and property with the largest portion for County jail operations, County Sheriff's office services, probation services, and Flood Control District operations.

County's net position increased in FY 2022

County revenues were \$4.3 million greater than its expenses, increasing total net position to \$72.2 million at June 30, 2022. Net position includes all assets, such as buildings, vehicles, and cash and investments, less all liabilities, such as unpaid pension and other payroll obligations, long-term debt, and accounts payable. None of this net position is unrestricted, meaning some is not in spendable form, and the rest is restricted by external parties.

Auditor findings and recommendations

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

- The County Assessor's Office needs to develop and implement written policies and procedures to ensure its property valuation process complies with laws, guidance, and standards; require documentation to support all property valuations, including adjustments and revaluations; and develop guidance to consistently apply losses in property value. Policies and procedures need to require oversight, review, and approval of property valuations and the documentation supporting them. We found that the Office's lack of these policies and procedures contributed to properties we reviewed being valued incorrectly and may have allowed 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.
- The County needs to continue to develop, document, and implement policies and procedures to effectively respond to risks and to prevent, detect, and respond to unauthorized or inappropriate access, damage, or loss to its information technology systems and data, including financial and sensitive data. We reported similar findings in the prior year.
- The County should develop and implement written policies and procedures for County departments to follow for contracting and monitoring professional services, including requiring a written contract agreement for the services and staff requirements for monitoring contract performance and subsequent billings. We found that during the fiscal year the County 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.
- The County should develop written policies and procedures for its Workforce Innovation and Opportunity Act (WIOA) Youth Activities program to work with the pass-through grantor or federal agency to develop an effective strategy to recruit and retain qualified out-of-school youth who will benefit from program services, monitor its out-of-school services spending, and adjust its spending for this program area based on monitoring results. We found that the County's Workforce Development Department failed to ensure that it spent the required 75 percent, or \$289,562, of federal WIOA Youth Activities monies for out-of-school youth from April 2020 through June 2022.
- The County should develop and implement written policies and procedures for recording the actual number of units of goods or services it provides when providing services under a federal award with fixed price per unit arrangements. These policies and procedures should include steps for departments to follow to document the support for costs when requesting reimbursement of federal program monies to help ensure that they request reimbursement for only actual costs incurred under federal programs. We found that the County's Health Services Department requested and received reimbursement of \$66,984 in federal program monies for its Border Region Partnership award for services it did not provide and for which it was ineligible to be reimbursed.
- The County needs to provide key financial information to auditors by the agreed-upon deadlines established at the beginning of the audit to ensure timely issuance of its Annual Financial Report, Single Audit Report, and Annual Expenditure Limitation Report. We found that the County issued its combined Annual Financial and Single Audit Reports to the federal audit clearinghouse 6 months past the required March 31, 2023 deadline.

Auditor General website report links

- The June 30, 2022, Santa Cruz County Annual Comprehensive Financial Report and Single Audit Report that are summarized in these highlights can be found at this [link](#). These reports should be read to fully understand the County's overall financial picture and our reporting responsibilities.
- The County's reports from prior years are available at this [link](#).
- For help in understanding important information presented in these reports, please refer to our user guides at the following links:
 - [Financial Report User Guide for State and Local Governments](#).
 - [Internal Control and Compliance Reports User Guide](#).