

REPORT HIGHLIGHTS
 SINGLE AUDIT

Subject

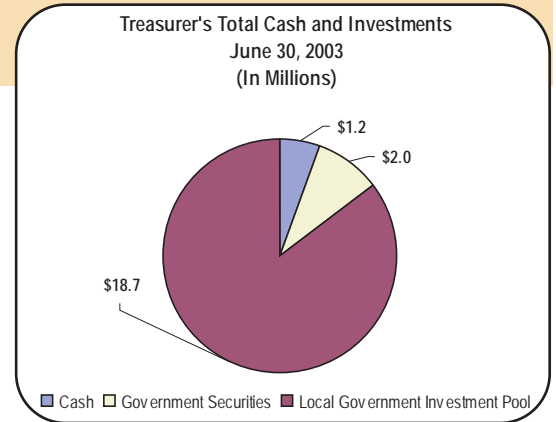
Santa Cruz County spent \$4.6 million of federal monies and additional required state-matching monies this past year for 34 programs. The largest federal grants were for job training, law enforcement, and education. In return, the County must be accountable for its use of both federal and state monies, maintain strong internal controls, and comply with federal program requirements.

Our Conclusion

The County maintained adequate internal controls over financial reporting. The County also maintained adequate internal controls over and complied with the federal program requirements for the three programs tested.

The County Treasurer Needs to Improve its Controls over Cash and Investments

The primary responsibility of the County Treasurer's Office is to manage the County's and political subdivisions' monies. As of June 30, 2003, the Treasurer's Office held approximately \$22 million in public monies. A breakout of the Treasurer's total cash and investments at June 30, 2003, is presented in the figure to the right.



The Treasurer's Office had not established effective control procedures and had not accurately reconciled its cash journal to the Treasurer's Report, daily cash reconciliation, bank statement, or investment ledger. Our report included examples of internal control and reconciliation deficiencies, as follows:

- Lack of proper reconciliation procedures resulted in an unreconciled difference of over \$310,000 between the Treasurer's cash journal and Treasurer's Report.
- More than 100 reconciling items dating back to 1993 were identified but had not been investigated or corrected.

- More than \$1.2 million in warrants paid and \$324,000 of deposits made prior to June 30, 2003, were not recorded in the Treasurer's Report for the year ended June 30, 2003.
- All three authorized signers could prepare, approve, and sign checks, and had access to blank checks.

The Treasurer's Office should establish a control environment that sets the tone and structure for conducting operations and safeguarding its cash and investments. Our report included the following recommendations that the County Treasurer should implement.

Recommendations

- Implement prior audit recommendations.
- Reconcile the cash journal to the Treasurer's Report, daily cash reconciliation, bank statement, and investment ledger at least monthly.
- Identify and promptly investigate reconciling items and make correcting adjustments or have the bank correct its records.
- Record all transactions in the appropriate fiscal year.
- Establish necessary guidelines to ensure employee responsibilities are effectively separated.



2003

Year Ended June 30, 2003

Expenditures of Federal Awards Decreased Almost \$1.7 Million

The County's expenditures of federal monies decreased almost \$1.7 million, or 27 percent, from fiscal year 2002 to fiscal year 2003 as illustrated in the figure at the bottom of the page. This decrease occurred after a significant increase in the prior fiscal year.

The largest decreases were due to a \$2 million decrease in a Federal Emergency Management grant for disaster assistance money and a \$250,000 decrease in the Community Development Block Grant. Both programs were completed in fiscal year 2002, and no similar funding was received during fiscal year 2003.

The largest increase was \$700,000 of additional funding received from the Department of Labor for Welfare-to-Work and youth activities programs. The County has continued to expand services with this additional federal money.

The County received federal funding from ten different federal agencies in fiscal year 2003. The County expended the monies for the activities as illustrated in the figure below except that Payments in Lieu of Taxes can be used by the County for substantially any county function.

TO OBTAIN MORE INFORMATION

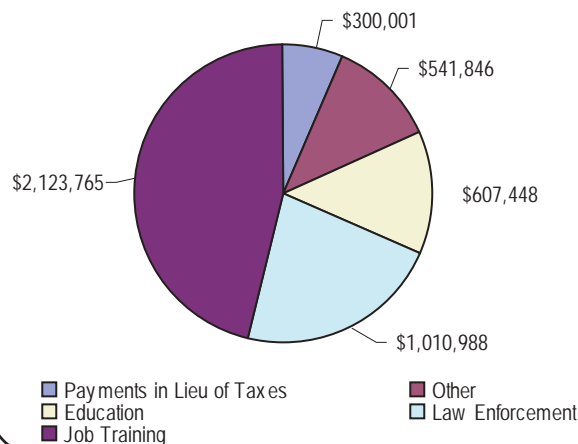
A copy of the full report can be obtained by calling
(602) 553-0333



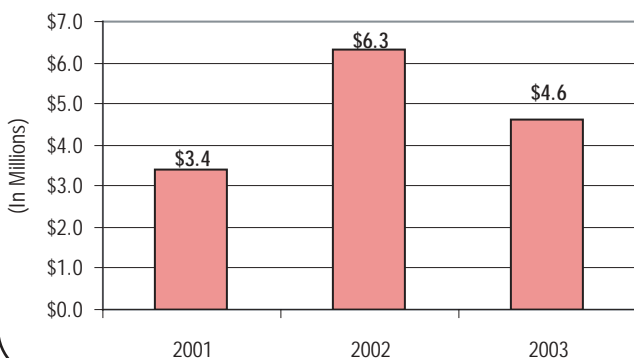
or by visiting our Web site at:
www.auditorgen.state.az.us

Contact person for this report:
Philip Shultz

Use of Federal Expenditures
Year Ended June 30, 2003



Federal Expenditures
Years Ended June 30, 2001, 2002, and 2003



The Single Audit Fact Sheet

- One weakness in financial reporting internal controls.
- No material weaknesses in financial reporting or federal compliance internal controls.
- No violations of federal program compliance requirements.
- No program costs were questioned as a result of our audit.

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Year Ended June 30, 2003