



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Management Letter

Santa Cruz County

Year Ended June 30, 2004



Debra K. Davenport
Auditor General

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

April 22, 2005

Board of Supervisors
Santa Cruz County
2150 North Congress Drive
Nogales, AZ 85621

Members of the Board:

In planning and conducting our single audit of Santa Cruz County for the year ended June 30, 2004, we performed the following as required by *Government Auditing Standards* (GAS) and Office of Management and Budget (OMB) Circular A-133:

- Considered the County's internal controls over financial reporting,
- Tested its internal controls over major federal programs, and
- Tested its compliance with laws and regulations that could have a direct and material effect on its financial statements and major federal programs.

All audit findings that are required to be reported by GAS and OMB Circular A-133 have been included in the County's Single Audit Reporting Package for the year ended June 30, 2004. In addition, our audit disclosed an internal control weakness that does not meet the reporting criteria. Management should correct this deficiency to ensure that it fulfills its responsibility to establish and maintain adequate internal controls. Our recommendation is described below.

**The County should properly record and report
transactions relating to federal awards**

The Board of Supervisors depends on accurate accounting records and financial statements so it can fulfill its oversight responsibility and report accurate and timely information to the public, lenders, and agencies from which it receives funding. To achieve this objective, management should ensure that transactions are recorded accurately in the appropriate accounts. However, the County did not always achieve this objective. For example, expenditures were not always recorded accurately in the accounting records and, as a result, the accounting records did not always support the reimbursement requests. Also, some federal monies received were not recorded in the accounting records or were recorded in a County Treasurer's suspense account and not transferred to the appropriate account for several years.

To help ensure that the County records and reports accurate financial information to its citizens, lenders, and agencies from which it receives funding, the County should:

- Have a second employee reconcile accounting records to supporting documents monthly and make all necessary corrections.
- Require that a supervisor review and approve all reimbursement requests and agree all amounts to the accounting records.
- Ensure that all bank accounts are included in the accounting records.
- Require that the County Treasurer analyze the suspense account monthly and transfer the balance to the appropriate accounts.

In addition, as required by Arizona Revised Statutes §41-1279.21(A)(1), we reviewed the County's financial records to evaluate whether the County used Highway User Revenue Fund monies and any other dedicated state transportation monies solely for authorized transportation purposes. However, we have requested an opinion from the Arizona Attorney General about whether certain types of county transportation department expenditures are for transportation purposes authorized by the Constitution and state laws, but have not yet received a response to our request. Once we receive the opinion, we will complete our review and report any instances of noncompliance in a separate letter.

This letter is intended solely for the information of the Santa Cruz County Board of Supervisors and is not intended to be and should not be used by anyone other than the specified party. However, this letter is a matter of public record, and its distribution is not limited.

Should you have any questions concerning its contents, please let us know.

Sincerely,

Dennis L. Mattheisen, CPA
Financial Audit Director

BOARD OF SUPERVISORS
SANTA CRUZ COUNTY

MANUEL RUIZ
District 1

ROBERT DAMON
District 2

JOHN MAYNARD
District 3

April 22, 2005

Ms. Debbie Davenport, Auditor General
State of Arizona, Office of the Auditor General
2910 North 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

In response to the Management Letter for the County's audit for the fiscal year ended June 30, 2004, I concur in general with the finding and will establish guidelines to improve the areas noted in the report.

The County should properly record and report transactions relating to federal awards

Concur. The County has various checks and balances to help ensure that transactions are recorded accurately and that subsequent reimbursements are properly supported. We will take greater care in the future when recording and approving transactions. Further, the County plans to hire an additional accountant that will help with the workload and approval process.

Sincerely,

Jennifer K. St. John, CPA
Director of Administrative Services