



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Santa Cruz County

Year Ended June 30, 2009



Debra K. Davenport
Auditor General

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Santa Cruz County
Single Audit Reporting Package
Year Ended June 30, 2009

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
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 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, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 13, 2010. We conducted our audit 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's basic financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider items 09-01 through 09-08 described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 09-01 and 09-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of 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 determination of financial statement amounts. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings and Questioned Costs as items 09-01, 09-05, 09-07, and 09-08.

Santa Cruz County's responses to the findings identified in our audit are presented on pages 27 through 30. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, management, others within the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Jay Zsorey, CPA
Financial Audit Director

August 13, 2010



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133**

Members of the Arizona State Legislature

The Board of Supervisors of
Santa Cruz County, Arizona

Compliance

We have audited the compliance of Santa Cruz County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2009. The County's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of the County's compliance with those requirements.

As described in item 09-103 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding Equipment and Real Property Management that are applicable to its High Intensity Drug Trafficking Area and Homeland Security Grant Cluster programs. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, Santa Cruz 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 major federal programs for the year ended June 30, 2009. The

results of our auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133, and that are described in the accompanying Schedule of Findings and Questioned Costs as items 09-101, 09-102, and 09-104.

Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in the County's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider items 09-101 through 09-104 described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 09-101, 09-102, and 09-103 to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited 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, 2009, and have issued our report thereon dated August 13, 2010. 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 OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Santa Cruz County's responses to the findings identified in our audit are presented on pages 27 through 30. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, management, others within the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Jay Zsorey, CPA
Financial Audit Director

October 8, 2010, except for the
Schedule of Expenditures of Federal
Awards, for which the date is August 13, 2010.

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Santa Cruz County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
U.S. Office of National Drug Control Policy			
High Intensity Drug Trafficking Areas, passed through Pima County	7.unknown	HT17-07-1914, HT18-08-1914, HT19-09-1914, HT18-08-1913, HT19-09-1913	<u>\$ 600,338</u>
U.S. Department of Agriculture			
Schools and Roads—Grants to States, passed through the Arizona State Treasurer	10.665	None	<u>154,883</u>
U.S. Department of Housing and Urban Development			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii, passed through the Arizona Department of Housing	14.228	129-09	<u>22,753</u>
U.S. Department of the Interior			
Payments in Lieu of Taxes	15.226		<u>1,358,250</u>
U.S. Department of Justice			
Crime Victim Assistance, passed through the Arizona Criminal Justice Commission	16.575	VA-09-029	19,572
Crime Victim Compensation, passed through the Arizona Criminal Justice Commission	16.576	VC-09-061	2,860
Community Capacity Development Office, passed through the Arizona Criminal Justice Commission	16.595	2007-WS-Q7-0125 2008-WS-QX-0071	223,788
State Criminal Alien Assistance Program	16.606		81,098
Edward Byrne Memorial Justice Assistance Grant Program, passed through the Arizona Criminal Justice Commission	16.738	DC-09-028, DC-09-023	<u>218,910</u>
Total U.S. Department of Justice			<u>546,228</u>
U.S. Department of Labor			
WIA Cluster:			
WIA Adult Program, passed through the Arizona Department of Economic Security	17.258	DE070303001, DE091210001 DE081296001	241,789
ARRA—WIA Adult Program, passed through the Arizona Department of Economic Security	17.258	DE091210001	<u>8,701</u>
Total WIA Adult Program			<u>250,490</u>

(Continued)

See accompanying notes to schedule.

Santa Cruz County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
WIA Youth Activities, passed through the Arizona Department of Economic Security	17.259	DE070303001 DE081296001	\$ 354,804
ARRA—WIA Youth Activities, passed through the Arizona Department of Economic Security	17.259	DE091210001	<u>12,768</u>
Total WIA Youth Activities			<u>367,572</u>
WIA Dislocated Workers, passed through the Arizona Department of Economic Security	17.260	DE070303001 DE081296001	80,599
ARRA—WIA Dislocated Workers, passed through the Arizona Department of Economic Security	17.260	DE091210001	<u>2,900</u>
Total WIA Dislocated Workers			<u>83,499</u>
Total WIA Cluster			<u>701,561</u>
Incentive Grants—WIA Section 503, passed through the Arizona Department of Economic Security	17.267	DE091085001 DE081296001 DE070303001	22,811
H-1B Job Training Grants, passed through Pima County	17.268	01-69-S-140387-0707	15,163
Veterans' Employment Program, passed through Pima County	17.802	01-69-S-139352-0706	23,125
Summer Youth Employment	17.unknown		<u>3,097</u>
Total U.S. Department of Labor			<u>765,757</u>
U.S. Department of Transportation			
Airport Improvement Program	20.106		69,031
State and Community Highway Safety, passed through the Governor's Office of Highway Safety	20.600	2007-PT-021, 2009-PT-022	<u>838</u>
Total U.S. Department of Transportation			<u>69,869</u>
U.S. Department of Environmental Protection Agency			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		<u>111,029</u>
U.S. Department of Education			
Adult Education—Basic Grants to States, passed through the Arizona Department of Education	84.002	09FAEABE-970755-02A 09FAECIV-970755-04A	131,425
Title I Grants to Local Educational Agencies, passed through the Arizona Administrative Office of the Courts	84.010	IGA 29831	31,469
Special Education—Grants to States, passed through the Arizona Department of Education	84.027	IGA 29831, H027A080007 H027A050007	34,533
Rehabilitation Services—Service Projects, passed through the Arizona Department of Education	84.128	H128J050126	54,136

(Continued)

See accompanying notes to schedule.

Santa Cruz County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Safe and Drug-Free Schools and Communities National Programs, passed through the Arizona Administrative Office of the Courts	84.184	Q184E070054	\$ 184,893
Safe and Drug-Free Schools and Communities State Grants, passed through the Administrative Office of the Courts	84.186	IGA 29831	67
Fund for the Improvement of Education	84.215		159,041
Twenty-First Century Community Learning Centers, passed through the Arizona Department of Education	84.287	S287C0800005A	40,314
State Grants for Innovative Programs, passed through the Arizona Administrative Office of the Courts	84.298	IGA 29831	74
Parental Information and Resource Centers, passed through the Chandler Education Foundation	84.310	U310A060070	142,454
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		557,782
Arts in Education, passed through the Arizona Department of Education	84.351	U351C060097	243,303
Improving Teacher Quality State Grants, passed through the Arizona Administrative Office of the Courts	84.367	IGA 29831	11,566
Improving Teacher Quality State Grants, passed through the Arizona Department of Education	84.367	S367A60049	<u>34,278</u>
Total CFDA 84.367			<u>45,844</u>
Total U.S. Department of Education			<u>1,625,335</u>
 U.S. Department of Health and Human Services			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs, passed through the Arizona Department of Health Services	93.116	HG854559	69,773
Immunization Grants, passed through the Arizona Department of Health Services	93.268	HG854295, HG754204	258,714
Centers for Disease Control and Prevention—Investigations and Technical Assistance, passed through the Arizona Department of Health Services	93.283	HG754204	13,184
Child Support Enforcement, passed through Arizona Department of Economic Security	93.563	E7205023	80,394
Social Services Block Grant, passed through the Southeastern Arizona Governments Organization	93.667	09-1	85,463
Preventive Health Services—Sexually Transmitted Diseases Control Grants, passed through the Arizona Department of Health Services	93.977	HG854324	4,200
Maternal and Child Health Services Block Grant to the States, passed through the Arizona Department of Health Services	93.994	HG861389	<u>32,755</u>
Total U.S. Department of Health and Human Services			<u>544,483</u>

(Continued)

See accompanying notes to schedule.

Santa Cruz County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
U.S. Department of Homeland Security			
Homeland Security Grant Program Cluster:			
Homeland Security Grant Program, passed through the Arizona Department of Emergency and Military Affairs	97.067	333403-01, 333403-02, 333403-03, 333403-04, 333403-05, 333403-06, 333403-07, 333403-08, 444409-01, 444402-02, 222419-10, 2006-GE-T6-0007	\$ 795,878
Law Enforcement Terrorism Prevention Program, passed through the Arizona Department of Emergency and Military Affairs (2006)	97.074	444409-02, 444409-03 2007-GE-T7-0006	<u>26,339</u>
Total Homeland Security Grant Program Cluster			<u>822,217</u>
Emergency Management Performance Grants, passed through the Arizona Department of Emergency and Military Affairs (2004)	97.042	2008 EMPG, 2009 EMPG	58,022
Cooperating Technical Partners, Cooperative Agreement, passed through the Arizona Department of Emergency and Military Affairs	97.045	EMF-2005-GR-0518	11,488
Citizen Corps, passed through the Arizona Department of Emergency and Military Affairs	97.053	333403-10, 444402-01	<u>353</u>
Total U.S. Department of Homeland Security			<u>892,080</u>
Total Expenditures of Federal Awards			<u>\$ 6,691,005</u>

See accompanying notes to schedule.

Santa Cruz County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Note 1 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Santa Cruz County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Catalog of Federal Domestic Assistance (CFDA) Number

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2009 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word "unknown" were used.

Note 3 - Subrecipients

The County did not provide any federal awards to subrecipients during the year ended June 30, 2009.

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Santa Cruz County
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2009

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:		Unqualified	
Internal control over financial reporting:		Yes	No
Material weaknesses identified in internal control over financial reporting?		<u> X </u>	<u> </u>
Significant deficiencies identified not considered to be material weaknesses?		<u> X </u>	<u> </u>
Noncompliance material to the financial statements noted?		<u> </u>	<u> X </u>

Federal Awards

Internal control over major programs:			
Material weaknesses identified in internal control over major programs?		<u> X </u>	<u> </u>
Significant deficiencies identified not considered to be material weaknesses?		<u> X </u>	<u> </u>
Type of auditors' report issued on compliance for major programs: Unqualified for all major programs except for Equipment and Real Property management compliance requirement for the High Intensity Drug Trafficking Areas and Homeland Security Grant Cluster programs, which were qualified.			
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?		<u> X </u>	<u> </u>

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
7.unknown	High Intensity Drug Trafficking Areas
15.226	Payments in Lieu of Taxes
	WIA Cluster:
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.260	WIA Dislocated Workers
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)
	Homeland Security Grant Program Cluster:
97.067	Homeland Security Grant Program
97.074	Law Enforcement Terrorism Prevention Program

Santa Cruz County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Yes No

Auditee qualified as low-risk auditee?

_____ X

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?

 X _____

Santa Cruz County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Financial Statement Findings

09-01

The County Treasurer should improve controls over deposits and investments

Criteria: The County Treasurer's Office is responsible for managing and investing millions of dollars in public monies. Therefore, County Treasurer's office must safeguard these public monies, promote overall operating efficiency and effectiveness, and ensure compliance with applicable state deposit and investment laws specified in Arizona Revised Statutes §§15 and 35 and debt agreements.

Condition and Context: At June 30, 2009, the County Treasurer had approximately \$94 million in deposits and investments that included \$65 million for Santa Cruz County and another \$29 million for other political subdivisions, such as school districts. However, the Treasurer's Office did not have comprehensive written internal control policies and procedures that adequately controlled the process over investing, managing, recording, and tracking deposits and investments held for both the County and political subdivisions. Specifically auditors noted that the County Treasurer's Office:

- Did not record interest earned on its pooled investments based on average monthly balances when the interest was earned as required by state laws. Instead, interest was recorded up to several months after it was earned, and the apportioned interest amounts were based on individual entities' average balances when the interest was apportioned rather than when it was earned.
- Did not reconcile cash and investments balances included in its accounting system to the various financial institutions that hold deposits and investments for the County Treasurer.
- Did not always distinguish within its accounting records whether individual entities' accounts included pooled or unpooled deposits and investments, including separately identifying restricted monies such as loan proceeds.
- Had not recorded in its accounting records deposits of more than \$286,000 that had been deposited into its servicing bank account. Most of these deposits were wire transfers made within the last 18 months; however, some were made up to 9 years ago.
- Inappropriately paid a \$372,000 Qwest lawsuit settlement from unrecorded investment earnings that had not yet been apportioned to the County Treasurer's pool participants or recorded for the unpooled individual accounts. This settlement was paid on behalf of both Santa Cruz County and other legally separate taxing authorities. The Treasurer allowed all taxing authorities to repay their prorated amount at their earliest convenience without monitoring whether the amounts were paid. At June 30, 2009, five taxing authorities had not repaid their settlements totaling \$140,212, including \$120,181 from Santa Cruz County.

Effect: The Treasurer's Office was at risk of exposing public monies to misuse and potential loss and did not ensure that investment earnings were properly distributed to the various county funds and political subdivisions in accordance with state laws and other regulations. This finding is both a material weakness in internal control over financial reporting and instances of noncompliance.

Cause: The County Treasurer's office lacked comprehensive internal control policies and procedures.

Santa Cruz County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Recommendation: The County should develop and implement policies and procedures to help ensure that deposits and investments are adequately safeguarded, promote overall operating efficiency and effectiveness, and ensure compliance with laws and regulations. Those policies and procedures should include, at a minimum, detailed instructions for:

- Apportioning interest earnings to pooled investment accounts on at least a quarterly basis and determining the amounts to be apportioned based on pooled average monthly balances when the amounts were earned.
- Reconciling the balances for both pooled and unpooled balances in the accounting records to those reported by the various financial institutions, including investigating and determining the reasons for all differences.
- Organizing the accounting records so that pooled account balances, deposits, and withdraws can be distinguished from unpooled accounts.
- Following requirements that monies are invested, recorded, and transferred in compliance with state laws and debt agreements.

09-02

The County should improve its procedures to prepare accurate and timely financial statements

Criteria: The County must issue accurate and timely financial statements to satisfy the audit requirements imposed by federal and state laws, regulations, grants, contracts, and long-term debt covenants.

Condition and Context: The County took 14 months after year-end to issue its financial statements. In addition, the County's procedures were not adequate to detect and correct material financial statement misstatements. Specifically, auditors noted that the County improperly recorded \$598,698 of receivables and revenues for expenditures incurred under various grant awards that were not reimbursable to the County.

Effect: The federal reporting deadline for the County's Single Audit Reporting Package was March 31, 2010; however, the County did not issue its Single Audit Reporting Package until September 2010. In addition, the \$598,698 misstatement resulted in a restatement of the prior-year financial statements.

Cause: The County lacked comprehensive internal control policies and procedures needed to prepare accurate financial statements and issue them in a timely manner.

Recommendation: To help ensure that the financial statements are prepared accurately and issued in a timely manner, the County should:

- Establish comprehensive written internal control policies and procedures and dedicate sufficient resources to monitor financial transactions and prepare accurate financial statements. These procedures should include detailed instructions for obtaining information from the accounting system, as well as obtaining information not readily available from the accounting system but necessary for financial statement preparation.

Santa Cruz County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

- Assign employees specific responsibilities and establish completion dates to help meet the Single Audit Reporting Package federal reporting deadline of March 31, 9 months after fiscal year-end.
- Require an employee not responsible for financial statement preparation to review the statements and accompanying notes. This reviewer should ensure that the amounts are accurate and properly supported and the financial statements are presented in accordance with generally accepted accounting principles.

09-03

The County should strengthen access controls over its financial information systems

Criteria: The County's computerized systems process and store information that is vital to its daily operations. Therefore, it is imperative that the County establish written internal control policies and procedures over computerized operations to help prevent or detect unauthorized use, damage, intentional misstatement or disclosure, loss, and unintended or unauthorized changes.

Condition and Context: While performing testwork over access controls to the County's computerized financial information systems, auditors noted the following deficiencies:

- Users were not required to change their passwords on a regular basis.
- The County did not review security reports produced by the computer system. These reports help identify unauthorized attempts to access the computer system and monitor users' access.
- Users were not required to sign security statements informing them of proper security practices.
- Backup tapes of critical computer data were not encrypted to prevent unauthorized access.

Effect: The County's financial data was exposed to risk. For example, ineffective password controls increase the risk of unauthorized system access, and without signed security statements, users may not be aware of and may not follow computer security practices. In addition, failure to monitor security reports prevents the detection of unauthorized attempts to gain access to critical computer systems and data. Further, backup data that is unencrypted exposes the data to unintended use if accessed by unauthorized users. This finding is a significant deficiency in internal control over financial reporting.

Cause: According to the County, it lacked the resources to establish internal control policies and procedures to ensure security over its New World computer financial system and its sensitive financial data.

Recommendation: The County should establish and implement adequate written policies and procedures over system access and database management. Specifically, these controls should include requiring users to change their passwords regularly and new employees to sign security statements prior to becoming users of the computer system. In addition, security reports produced by the computer system should be reviewed regularly and unauthorized access attempts should be investigated. Finally, all critical backup data should be encrypted to safeguard the data from unauthorized use.

Santa Cruz County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

09-04

The County should develop, implement, and test a disaster recovery plan

Criteria: To help ensure the continuity of operations and that electronic data files are not lost in the event of a system or equipment failure or other interruption, the County should have a documented and tested disaster recovery plan for its significant computer systems.

Condition and context: The County did not have a written and tested disaster recovery plan for its New World financial system.

Effect: The disruption of services, caused by disaster could result in significant harm or inconvenience to the County and its citizens. In addition, inadequate disaster recovery controls subject the County to risks that can result in inaccurate or incomplete financial or management information, expensive recovery efforts, and financial losses. This finding is a significant deficiency in internal control over financial reporting.

Cause: According to the County, because of a lack of resources, a formal disaster recovery plan had not been developed.

Recommendation: The County should develop a disaster recovery plan for its New World financial system. At a minimum, the County's plan for computer disaster recovery should include the following:

- A risk analysis identifying and prioritizing critical applications to determine which applications should be recovered first.
- A listing of current employees assigned to disaster teams, including telephone numbers.
- Employee assignments and responsibilities.
- A designated alternative computer facility or arrangements with vendors to support hardware and software requirements.
- Details of off-site storage locations and availability of information stored at these locations.
- A list of procedures for processing critical transactions, including forms or other documents to use.
- Restoration procedures for backup media such as tapes and servers.
- Documentation of overall testing strategies, testing frequencies, and disaster plan test results.

09-05

The County should comply with laws governing sales of asset forfeitures

Criteria: Arizona Revised Statutes (A.R.S.) §13-2314.03 require that all monies obtained from the sale of seized assets be deposited into the County's anti-racketeering revolving fund. The A.R.S. along with the U.S. Department of Justice's *Guide to Equitable Sharing for State and Local Law Enforcement Agencies* provides permissible uses for those monies.

Santa Cruz County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Condition and Context: The County did not have adequate policies and procedures in place to ensure that all monies collected from its seized vehicle auctions were deposited into the County's anti-racketeering revolving fund. Specifically, auditors noted three auctions were held in fiscal year 2009, and auction proceeds totaling \$5,400 were not deposited. From the amounts not deposited, the County purchased \$1,200 of food and beverages for individuals who worked the auctions, and the County could not provide support detailing how the remaining \$4,200 of auction proceeds were spent. Further, auction related revenues and expenditures were not recorded on the County's financial accounting system or in its financial statements.

Effect: The County was subject to misuse and possible theft of public monies and noncompliance with A.R.S. §13-2314.03 and the U.S. Department of Justice's *Guide to Equitable Sharing for State and Local Law Enforcement Agencies*. Those regulations do not permit the purchase of food or beverages with anti-racketeering monies. In addition, the revenues and expenditures associated with the auctions were not recorded in the County's accounting records. This finding is both a significant deficiency in internal control over financial reporting and an instance of noncompliance.

Cause: The County did not have adequate policies and procedures to monitor auctions of seized assets to ensure all auction proceeds were deposited into the County's anti-racketeering fund, used for allowable purposes, and properly recorded in accounting records.

Recommendation: The County should develop and implement adequate policies and procedures over the sale of seized assets and the use of those proceeds. The policies and procedures should require that all seized asset auction proceeds be deposited directly into the County's anti-racketeering fund and only be used for authorized purposes. In addition, the County should require an employee not involved in the auction process to perform a reconciliation of auction proceeds to amounts deposited into the County's anti-racketeering fund and ensure the amounts were properly recorded in the accounting records.

09-06

The County should improve procedures over capital asset reporting and stewardship

Criteria: The County should safeguard its capital assets and maintain a reliable capital asset listing to ensure proper reporting of capital assets in its financial statements

Condition and Context: The County did not always follow its policies and procedures over capital assets. In addition, the County's capital asset lists were not accurate and complete. Also, auditors noted that the County's capital asset balance and depreciation expense reported on the financial statements were overstated by \$33,111 and \$8,278, respectively. In addition, auditors noted that the County:

- Violated its capitalization policy by capitalizing a group of like assets, totaling \$33,111, that were individually below the County's capitalization threshold.
- Had not performed a capital asset inventory since fiscal year 2006.
- Did not properly tag a capital asset to prevent theft or misuse.
- Had not updated its capital asset listing for all capital asset activity and did not reconcile the listing to the capital assets reported on the financial statements.

Santa Cruz County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Effect: The County's capital assets were exposed to potential theft or misuse and were misstated on the financial statements. This finding is a significant deficiency in internal control over financial reporting.

Cause: The County did not establish responsibility and a process to ensure that it followed its capital assets policies and procedures.

Recommendation: To help ensure compliance with the County's capital asset policies, to safeguard the County's capital assets against theft or misuse, and ensure that its capital assets are properly reported in the financial statements, the County should:

- Establish procedures that help ensure that only assets that meet the County's capitalization thresholds are capitalized.
- Ensure that all County capital assets are properly tagged.
- Dedicate sufficient resources to perform a capital asset inventory at least every 2 years and reconcile the inventory results to the County's capital asset listing.
- Designate an individual to update and maintain the capital asset listing for all activity and reconcile the listing to the County's financial statements.
- Monitor operations to ensure the County's capital asset policies are followed.

09-07

The County should improve procurement procedures

Criteria: The County's purchasing policy and Arizona Revised Statutes (A.R.S.) §41-2536 require that when sole source procurements are made, a written determination of the basis for the sole source procurement must be included in the contract file. In addition, A.R.S. §41-2632 allows the County to make purchases under a cooperative purchasing agreement with the State of Arizona. However, purchases under the agreement are limited to items specifically identified within the individual vendor's contract with the State of Arizona.

Condition and Context: The County did not have adequate purchasing procedures in place to ensure its purchases complied with state law and the County's purchasing policy. As a result, auditors identified the following instances of noncompliance:

- The County did not maintain a written determination of the basis for a sole-source procurement of 14 hazardous material suits, totaling \$33,111.
- The County purchased a pickup truck under a state vendor's procurement contract, but this type of vehicle was not included within the vendor's contract with the State of Arizona.

Effect: The County did not comply with state laws and could have paid more than necessary for goods and services. This finding is both a significant deficiency in internal control over financial reporting and an instance of noncompliance.

Santa Cruz County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Cause: The County did not have adequate purchasing procedures that required documentation be prepared and retained supporting sole source procurements. In addition, the County's purchasing procedures did not require an independent review of purchases made under state procurement contracts to ensure that the items purchased were allowable under the contract.

Recommendation: To help ensure compliance with state laws, the County should develop and implement adequate purchasing procedures that help ensure written documentation supporting the basis for sole source procurements is prepared and retained. In addition, the County should designate a person to perform an independent review of purchases made under state procurement contracts to ensure that items purchased are allowable under the contract.

09-08

The County should ensure all transfers are approved by the County Board of Supervisors

Criteria: Arizona Revised Statutes §42-17106 (B) requires that transfers of monies between budget items must be approved by a majority of the County Board of Supervisors at a public meeting.

Condition and Context: The County had not developed and implemented policies and procedures to ensure that all transfers of monies between budget items were approved by the County Board of Supervisors. Auditors noted that the County transferred over \$119,000 between County funds and those transfers were not approved by the County Board of Supervisors.

Effect: The County did not comply with state laws requiring the County Board of Supervisors approval of transfers of monies between budget items. This finding is both a significant deficiency in internal control over financial reporting and an instance of noncompliance.

Cause: The County does not have formal policies or procedures that require the County Board of Supervisors to review and approve all transfers of monies between budget items.

Recommendation: To help ensure compliance with A.R.S. §42-17106(B) and prevent the County from spending money for a purpose not included in its budget, the County should develop and implement policies and procedures that require the County Board of Supervisors to review and approve all transfers of monies between budget items.

Santa Cruz County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Federal Award Findings and Questioned Costs

09-101

CFDA No.: Not applicable

Questioned Cost: N/A

Criteria: OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, §.320, requires the County to submit its Single Audit Reporting Package to the federal clearinghouse no later than 9 months after fiscal year-end.

Condition and context: The federal reporting deadline for the County's Single Audit Reporting Package was March 31, 2010, and the County was issued an extension until June 30, 2010. However, the County did not issue its Single Audit Reporting Package until October 2010.

Effect: The late submission affects all federal programs the County administered. This finding is a material weakness in internal control over compliance and noncompliance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, §.320. However, this finding does not result in a control deficiency in internal control over compliance or noncompliance for the individual federal programs since this was not caused by the programs' administration.

Cause: As discussed in item 09-02, the late completion of the County's financial statements contributed to the late submission of its Single Audit Reporting Package.

Recommendation: The County should improve its financial reporting process so that it can submit its Single Audit Reporting Package to the federal clearinghouse no later than 9 months after fiscal year-end.

09-102

CFDA No.: Not applicable

Questioned Cost: N/A

Criteria: OMB Circular A-133, §.300 requires the County to identify, in its accounts, all federal awards received and expended and the federal programs under which they were received, and prepare appropriate financial statements, including a Schedule of Expenditures of Federal Awards (SEFA). The SEFA should report federal award expenditures in accordance with generally accepted accounting principles. In addition, OMB Circular A-133, §.310(b) requires the SEFA to include the Catalog of Federal Domestic Assistance (CFDA) title and number, amount expended, name of the federal awarding agency, and, if applicable, name and identifying number of the pass-through grantor for each of the County's federal awards.

Condition and context: The County did not properly identify federal awards in its records and accounting system so that it could prepare an accurate and complete SEFA. Auditors noted the County incorrectly reported expenditures or other required information, such as incorrect CFDA numbers and expenditure amounts. Specifically, the County overstated its federal award expenditures by a total amount of approximately \$848,000 because the County included non-federal expenditures on its SEFA.

Santa Cruz County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Effect: The SEFA was initially materially overstated and other required information, such as grantor agencies, was incorrect. The County adjusted for these errors after auditors found them, and auditors used the revised SEFA when determining major programs. This finding is a material weakness in internal control over compliance and noncompliance with OMB Circular A-133 reporting requirements.

Cause: The County did not have effective policies and procedures in place to ensure that federal monies were identifiable in its accounting system and properly recorded on the SEFA, and controls were ineffective in ensuring that all federal program information was correctly reported on the SEFA.

Recommendation: To help ensure that the County prepares its SEFA in compliance with OMB Circular A-133, the County should implement control procedures to verify transactions are entered into the County's computer system accurately and develop an effective review process to ensure all SEFA information is accurate.

09-103

CFDA No.: 7.unknown **High Intensity Drug Trafficking Area (HIDTA)**

U.S. Office of National Drug Control Policy

Passed through Pima County

Award Year: October 1, 2006 through September 30, 2008

October 1, 2007 through September 30, 2009

October 1, 2007 through September 30, 2009

January 1, 2009 through December 31, 2010

Award Numbers: HT17-07-1914, HT18-08-1914, HT19-09-1914, HT18-08-1913, HT19-09-1913

Homeland Security Grant Program Cluster

CFDA No.: 97.067 **Homeland Security Grant Program**

CFDA No.: 97.074 **Law Enforcement Terrorism Prevention Program**

U.S. Department of Homeland Security

Passed through the Arizona Department of Emergency and Military Affairs

Award Year: November 1, 2008 through April 30, 2009

July 1, 2007 through July 31, 2009

October 1, 2008 through September 30, 2009

March 1, 2008 through July 31, 2008

Award Numbers: 222419-10, 333403, 444409, 2006-GE-T6-0007, 2007-GE-T7-0006

Equipment and Real Property Management

Questioned Cost: Unknown

Criteria: In accordance with 21 Code of Federal Regulations (CFR) §1403.32 and 44 CFR §13.32, a physical inventory of property, including capital assets like machinery and equipment, must be taken and the results reconciled with the property records at least once every 2 years. In addition, a control system must be developed to ensure that adequate safeguards exist to prevent loss, damage, or theft of property purchased with federal monies for these programs.

Santa Cruz County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Condition and context: The County did not maintain accountability for property acquired with federal grant monies. Specifically, equipment purchased with HIDTA and Homeland Security Grant Program Cluster monies was not tagged or otherwise identifiable. In addition, the County did not perform a physical inventory of capital assets in the last 2 years. Finally, the HIDTA program's capital assets listing did not agree with the capital asset records maintained by the County's Finance Department. Specifically, 15 items with an original cost totaling approximately \$241,000 were missing from the HIDTA program's listing. These items were purchased from fiscal years 1993 through 2002 and ranged in value from \$5,000 to \$82,159. Auditors could not reasonably determine whether these assets were disposed of or missing and, therefore, could not reasonably determine the total questioned costs associated with this finding.

Effect: Failure to maintain control over equipment purchased with federal grant monies increases the risk of property loss, damage, and theft. This finding is a material weakness in internal control over compliance and material noncompliance with the HIDTA Program's and Homeland Security Grant Program Cluster's equipment and real property management requirements.

Cause: The County lacked a written capital assets policy and instructions for how and when to perform physical inventories. Also, the County did not follow its policy for tagging equipment.

Recommendation: To help ensure compliance with federal regulations and to help prevent loss, theft, or misuse of capital assets, the County should:

- Develop a written capital assets policy.
- Tag capital assets.
- Perform a physical inventory of capital assets every 2 years

09-104

Homeland Security Grant Program Cluster

CFDA No.: 97.067 **Homeland Security Grant Program**

CFDA No.: 97.074 **Law Enforcement Terrorism Prevention Program**

U.S. Department of Homeland Security

Passed through the Arizona Department of Emergency and Military Affairs

Award Year: November 1, 2008 through April 30, 2009

July 1, 2007 through July 31, 2009

October 1, 2008 through September 30, 2009

March 1, 2008 through July 31, 2008

Award Numbers: 222419-10, 333403, 444409, 2006-GE-T6-0007, 2007-GE-T7-0006

Procurement and Suspension and Debarment

Questioned Cost: \$33,111

Criteria: Federal Homeland Security Grant regulations require the County to comply with state laws when purchasing goods and services. According to Arizona Revised Statutes §41-2536, the County may award a contract for materials, services, or construction items without competition only if the finance office determines in writing that there is only one source for the required materials, services, or construction items. In addition, a written determination of the basis for the sole source purchase should be retained in the contract file.

Santa Cruz County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Condition and context: The County did not have adequate purchasing procedures in place to ensure its purchases complied with state law and the County's purchasing policy. For one of six Homeland Security Grant Program Cluster purchases with procurement requirements selected for test work, auditors identified a sole source purchase of hazardous material suits totaling \$33,111. However, the County could not provide appropriate written determination of the basis for the sole source purchase.

Effect: The County did not comply with the applicable state laws governing procurement of goods. This finding is a significant deficiency in internal control over compliance and noncompliance with the Cluster's procurement requirements.

Cause: The County did not realize that its sole source documentation was insufficient.

Recommendation: The County should establish policies and procedures to help ensure all sole source purchases are supported by a written determination of the basis for the sole source purchase, and retain that documentation in the contract file.

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**ADMINISTRATIVE SERVICES
SANTA CRUZ COUNTY**

Jennifer K. St. John, CPA
Director

October 8, 2010

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:

The accompanying Corrective Action Plan has been prepared as required by the U. S. Office of Management and Budget Circular A-133. Specifically, we are providing you with the names of the contact persons responsible for corrective action, the corrective action planned, and the anticipated completion date for each audit finding included in the current year's Schedule of Findings and Questioned Costs.

Sincerely,

Jennifer K. St. John, CPA
Administrative Services Director

**Santa Cruz County
Corrective Action Plan
Year Ended June 30, 2009**

Financial Statement Findings

Item: 09-01

Subject: The County Treasurer should improve controls over deposits and investments.

Contact Person: Caesar Ramirez, Santa Cruz County Treasurer

Anticipated Completion Date: June 30, 2011

Corrective Action: The Treasurer's Office will assign personnel to accurately record financial transactions on a timely basis and a separate employee to reconcile cash and investments recorded within the accounting system to the bank statements received from the various financial institutions. Further, the Office will distinguish between pooled and unpooled deposits and investments within our accounting records. Finally, the Qwest lawsuit was a one-time settlement payment that will be resolved once all the payments are received by the Treasurer's Office.

Item: 09-02

Subject: The County should improve its procedures to prepare accurate and timely financial statements.

Contact Person: Jennifer St. John, Administrative Services Director

Anticipated Completion Date: June 30, 2011

Corrective Action: The County has implemented written internal control policies to the best of our ability given our limited staff and resources available. The County properly accounted for expenditures incurred under various grant awards that were not reimbursed to the County within the accrual period for the fiscal year ended June 30, 2010. Due to our limited personnel and resources, the County will not be able to produce timely financial statements and Single Audit's until the fiscal year ended June 30, 2011.

Item: 09-03

Subject: The County should strengthen access controls over its financial systems.

Contact Person: Raul Mavis, Information Technology Director

Anticipated Completion Date: January 31, 2011

Corrective Action: The County is working with our software provider to develop written policies and procedures over system access and management and to establish procedures that require password changes on a regular basis. Information technology staff will immediately begin to review security reports generated by the accounting system on a weekly basis, security statements will be updated to include proper security practices and signed by all County personnel, and backup tapes containing critical computer data will be encrypted by January 31, 2011.

**Santa Cruz County
Corrective Action Plan
Year Ended June 30, 2009**

Item: 09-04

Subject: The County should develop, implement, and test a disaster recovery plan.

Contact Person: Raul Mavis, Information Technology Director

Anticipated Completion Date: March 31, 2011

Corrective Action: The County is working with Cochise County to backup all critical financial data at Cochise County every night so that in the case of a disaster, staff can travel to Cochise County and have access to our accounting system and the most accurate financial information.

Item: 09-05

Subject: The County should comply with laws governing sales of asset forfeitures.

Contact Person: George Silva, County Attorney

Anticipated Completion Date: December 31, 2010

Corrective Action: The County will take greater care in depositing all monies received during the auction and provide all backup documentation for monies received and returned during the auction. Further, no unauthorized expenditures have been paid from the Anti-Racketeering fund since the County became aware of this finding in the Spring of 2010.

Item: 09-06

Subject: The County should improve procedures over capital asset reporting and stewardship.

Contact Person: Jennifer St. John, Administrative Services Director

Anticipated Completion Date: June 30, 2011

Corrective Action: The County will hire temporary personnel to do a physical capital asset inventory as required by Statute during the Fall 2010. This inventory will allow the County to update its capital asset listing and correct many, if not all of the errors listed in this finding.

Item: 09-07

Subject: The County should improve procurement procedures.

Contact Person: Jennifer St. John, Administrative Services Director

Anticipated Completion Date: Immediately

Corrective Action: The County will take greater care when purchasing goods and services to help ensure that each purchase complies with Federal and State laws and County policy.

**Santa Cruz County
Corrective Action Plan
Year Ended June 30, 2009**

Item: **09-08**

Subject: The County should ensure all transfers are approved by the County Board of Supervisors.

Contact Person: Jennifer St. John, Administrative Services Director

Anticipated Completion Date: June 30, 2011

Corrective Action: The majority of these transfers were transfers of monies between funds due to miscodings that occurred in a prior fiscal year. These transfers are immaterial in nature and generally not budgeted as the error is not found until subsequent fiscal years. In the future, Finance will take all unbudgeted transfers, in total, before the Board of Supervisors at fiscal year end to have the transfers approved.

**Santa Cruz County
Corrective Action Plan
Year Ended June 30, 2009**

Federal Award Findings and Questioned Costs

Item: **09-101**

CFDA Number: Not applicable.

Subject: The County should submit its Single Audit to the federal clearinghouse in a timely manner.

Contact Person: Jennifer St. John, Administrative Services Director

Anticipated Completion Date: June 30, 2011

Corrective Action: Due to our limited personnel and resources, the County will not be able to submit our Single Audit in a timely manner until the fiscal year ended June 30, 2011.

Item: **09-102**

CFDA Number: Not applicable.

Subject: The County should prepare an accurate and complete SEFA.

Contact Person: Jennifer St. John, Administrative Services Director

Anticipated Completion Date: June 30, 2010

Corrective Action: The County will take greater care when preparing the Schedule of Expenditures of Federal Awards (SEFA) to include all federal awards and expenditures.

Item: **09-103**

CFDA Number: 7.unknown High Intensity Drug Trafficking Area (HIDTA)
97.067 Homeland Security Grant Program
97.074 Law Enforcement Terrorism Prevention Program

Subject: The County should improve procedures over capital assets.

Contact Person: Jennifer St. John, Administrative Services Director

Anticipated Completion Date: June 30, 2011

Corrective Action: The County will hire temporary personnel to do a physical capital asset inventory as required by Statute during the Fall 2010. This inventory will allow the County to update its capital asset listing and correct many, if not all of the errors listed in this finding.

**Santa Cruz County
Corrective Action Plan
Year Ended June 30, 2009**

Item: **09-104**

CFDA Number: 97.067 Homeland Security Grant Program
97.074 Law Enforcement Terrorism Prevention Program

Subject: The County should improve procurement procedures.

Contact Person: Jennifer St. John, Administrative Services Director

Anticipated Completion Date: Immediately

Corrective Action: The County will take greater care when purchasing goods and services to help ensure that each purchase complies with Federal and State laws and County policy.



**ADMINISTRATIVE SERVICES
SANTA CRUZ COUNTY**

Jennifer K. St. John, CPA
Director

October 8, 2010

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:

The accompanying Summary Schedule of Prior Audit Findings has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are reporting the status of audit findings included in the prior audit's Schedule of Findings and Questioned Costs related to federal awards. This schedule also includes audit findings reported in the prior audit's Summary Schedule of Prior Audit Findings that were not corrected.

Sincerely,

Jennifer K. St. John, CPA
Administrative Services Director

Santa Cruz County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2009

Status of Prior Year Federal Award Findings and Questioned Costs

CFDA Number: 84.334 Gaining Early Awareness and Readiness for Undergraduate Programs

Finding Number: **08-04**

Status: Fully Corrected

CFDA Number: 84.215 Fund for the Improvement of Education

Finding Number: **08-05**

Status: Fully Corrected

CFDA Number: 20.106 Airport Improvement Program

Finding Number: **08-06 and 08-07**

Status: Fully Corrected

CFDA Number: 97.045 Cooperating Technical Partners

Finding Number: **08-08**

Status: Partially Corrected

Corrective Action Plan: The County properly identified all federal awards expended during the current fiscal year; however, we incorrectly included non-federal expenditures in the County's SEFA at June 30, 2009. See Federal Award Findings and Questioned Costs, 09-102. Staff will take greater care when preparing the SEFA for the year ended June 30, 2010.