

**REPORT  
 HIGHLIGHTS**  
 SINGLE AUDIT

**Subject**

Santa Cruz County spent \$6.3 million of federal monies and additional required state matching monies this past year for 28 programs. The largest federal grants were for job training, disaster assistance, and law enforcement. 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, five of the six programs tested. However, for one program, the County did not maintain adequate internal controls or substantially comply with one program requirement. See page two for more information.



**2002**

Year Ended June 30, 2002

**Expenditures of Federal Awards Increased \$2.9 Million**

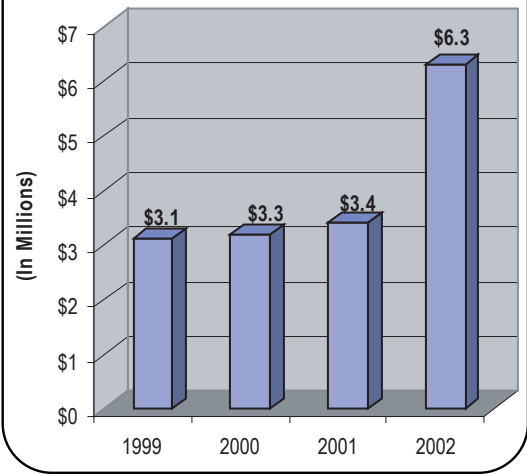
The County's expenditures of federal monies increased \$2.9 million, or 85 percent from fiscal year 2001 to fiscal year 2002 as illustrated in the top right figure. This large increase occurred after 2 years of relatively small increases.

The largest increase was a \$1.4 million increase (267 percent) in disaster assistance monies from the prior fiscal year. The County received this funding for flood damage that occurred in October 2000. This program is now substantially complete.

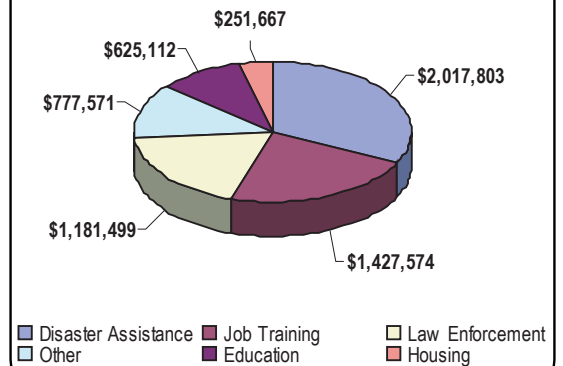
The next largest increase was approximately \$800,000 for job training monies representing a 125 percent increase. The County provided expanded services with this additional federal funding.

The County received federal funding from 10 different federal agencies in fiscal year 2002 and expended the monies for the activities as illustrated in the bottom figure.

**Federal Expenditures  
 Years Ended June 30, 1999, 2000,  
 2001, and 2002**



**Use of Federal Expenditures  
 Year Ended June 30, 2002**



# The County Did Not Comply with Federal Program Requirements for the GEAR UP Program

The County did not maintain adequate internal controls over or comply with two federal program requirements for the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) program as summarized below.

- **Matching requirements**—The County failed to meet the required matching percentage for the program. This finding was considered to be a material internal control weakness and material noncompliance with program requirements. The amount of additional matching expenditures needed to comply with matching requirement of \$85,115 were considered questioned costs.
- **Procurement requirements**—The County did not maintain appropriate documentation to demonstrate that it followed the required procurement policies and procedures for two purchases. These two expenditures totaled \$37,504 and were considered questioned costs.

## 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](http://www.auditorgen.state.az.us)

Contact person for  
this report:  
Phil Shultz

## The Single Audit Fact Sheet

- No weaknesses in financial reporting internal controls.
- One internal control weakness in federal compliance, which was a material internal control weakness.
- One material violation of federal program compliance requirements.
- Program costs totaling \$192,728 that were questioned as a result of our audit.

REPORT  
HIGHLIGHTS  
SINGLE AUDIT

Year Ended June 30, 2002