



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Single Audit

# Santa Cruz County

Year Ended June 30, 2005

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**Debra K. Davenport**  
Auditor General

The **Auditor General** is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.



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Santa Cruz County, Arizona  
Single Audit Reporting Package  
Year Ended June 30, 2005

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DEBRA K. DAVENPORT, CPA  
AUDITOR GENERAL

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

WILLIAM THOMSON  
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, 2005, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 9, 2005. Our report was modified as to consistency because of the implementation of Governmental Accounting Standards Board Statement No. 40. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on internal control over financial reporting. However, we noted a certain matter involving internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 05-01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving internal control over financial reporting that we will report to the County's management in a separate letter at a future date.

## 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that we will report to the County's management in a separate letter at a future date.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, 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.

Dennis L. Mattheisen, CPA  
Financial Audit Director

December 9, 2005



DEBRA K. DAVENPORT, CPA  
AUDITOR GENERAL

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

WILLIAM THOMSON  
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 are applicable to each of its major federal programs for the year ended June 30, 2005. 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 items 05-101 and 05-104 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding reporting and procurement that are applicable to its Early Learning Fund and Centers for Disease Control and Prevention—Investigations and Technical Assistance programs, respectively. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. 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 are described in the accompanying Schedule of Findings and Questioned Costs as items 05-102 and 05-103.

### **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 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05-101, 05-102, 05-103, and 05-104.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 05-101 and 05-104 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, 2005, and have issued our report thereon dated December 9, 2005. Our report was modified as to consistency because of the implementation of Governmental Accounting Standards Board Statement No. 40. Our audit was performed for the purpose of forming 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.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, 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.

Dennis L. Mattheisen, CPA  
Financial Audit Director

January 31, 2006, except for the  
Schedule of Expenditures of Federal  
Awards, for which the date is December 9, 2005

Santa Cruz County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2005

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
<b>U.S. Office of National Drug Control Policy</b>			
High Intensity Drug Trafficking Area, passed through Pima County	07.I4PSAP549	01-11-S-134176-1003 01-11-S-134372-1003	\$ 133,443
High Intensity Drug Trafficking Area, passed through Pima County	07.I5PSAP549	01-11-S-136288-1004 01-11-S-136217-1004	<u>386,928</u>
Total U.S. Office of National Drug Control Policy			<u>520,371</u>
<b>U.S. Department of Agriculture</b>			
Schools and Roads—Grants to States, passed through the Arizona State Treasurer	10.665	None	148,609
Forest Service Grant	10.unknown		<u>3,737</u>
Total U.S. Department of Agriculture			<u>152,346</u>
<b>U.S. Department of Housing and Urban Development</b>			
Community Development Block Grants/State's Program, passed through the Arizona Department of Housing	14.228	148-03	<u>8,971</u>
<b>U.S. Department of the Interior</b>			
Cultural Resource Management, passed through the Arizona Department of Economic Security	15.224	AAA030013	4,393
Payments in Lieu of Taxes	15.226		<u>614,189</u>
Total U.S. Department of the Interior			<u>618,582</u>
<b>U.S. Department of Justice</b>			
Juvenile Accountability Incentive Block Grants, passed through the Governor's Office for Children, Youth, and Families	16.523	O1JAIBG-12 JB-GRA-02-4182-12 JB-GRA-03-5273-11	6,141
Crime Victim Compensation, passed through the Arizona Criminal Justice Commission	16.576	VC-05-061	4,260
Byrne Formula Grant Program, passed through the Arizona Criminal Justice Commission	16.579	PC-150-05, AC-200-05	206,215
Rural Domestic Violence and Child Victimization Enforcement Grant Program, passed through the Governor's Office for Domestic Violence Prevention	16.589	RD-GRA-03-4091-03	20,000
Bulletproof Vest Partnership Program	16.607		4,445

(Continued)

See accompanying notes to schedule.

Santa Cruz County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2005  
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Enforcing Underage Drinking Laws Program, passed through the Governor's Office of Highway Safety	16.727	2002-OJJDP-008	\$ 1,039
Southwest Border Prosecution Initiative	16.unknown		63,269
Federal Equitable Sharing Program	16.unknown		90,071
Total U.S. Department of Justice			<u>395,440</u>
 <b>U.S. Department of Labor</b>			
Welfare-to-Work Grants to States and Localities	17.253		66,080
WIA Cluster:			
WIA Adult Program, passed through the Arizona Department of Economic Security	17.258	E5705012	431,615
WIA Youth Activities, passed through the Arizona Department of Economic Security	17.259	E5703012, E5705012	609,021
WIA Dislocated Workers, passed through Pima County	17.260	E5703012, E5705012	303,432
Total WIA Cluster			<u>1,344,068</u>
Work Incentives Grant, passed through the Arizona Department of Economic Security	17.266	WI-13244-03-60	178,061
Total U.S. Department of Labor			<u>1,588,209</u>
 <b>U.S. Department of Transportation</b>			
Airport Improvement Program	20.106		977,090
Highway Planning and Construction, passed through the Arizona Department of Transportation	20.205	KR01-273TRN	3,203
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants, passed through the Governor's Office of Highway Safety	20.601	2004-410-005	37,566
Total U.S. Department of Transportation			<u>1,017,859</u>
 <b>U.S. Department of Education</b>			
Title I Program for Neglected and Delinquent Children, passed through the Arizona Administrative Office of the Courts	84.013	26701	58,190
Special Education—Grants to States, passed through the Arizona Department of Education	84.027	H027A20007	9,807
Rehabilitation Services—Vocational Rehabilitation Grants to States, passed through the Arizona Department of Economic Security	84.126	E5324042	124,596

(Continued)

See accompanying notes to schedule.

Santa Cruz County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2005  
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
<b>Safe and Drug-Free Schools and Communities—</b>			
State Grants, passed through the Arizona Administrative Office of the Courts	84.186	26701	\$ 1,112
Fund for the Improvement of Education Projects with Industry	84.215 84.234		28,165 206,606
State Grants for Innovative Programs, passed through the Arizona Administrative Office of the Courts	84.298	26701	5,063
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		325,579
Community Technology Centers	84.341		308,506
Arts in Education	84.351		356,629
Improving Teacher Quality—State Grants, passed through the Arizona Administrative Office of the Courts	84.367	26701	891
Total U.S. Department of Education			<u>1,425,144</u>
 <b>U.S. Department of Health and Human Services</b>			
Centers for Disease Control and Prevention— Investigations and Technical Assistance, passed through the Arizona Department of Health Services	93.283	252043	217,332
Child Support Enforcement, passed through the Arizona Department of Economic Security	93.563	E7204023	70,074
Early Learning Fund	93.577		371,220
Social Services Block Grant, passed through the Southeastern Arizona Governments Organization	93.667	04-07	69,484
HIV Prevention Activities—Health-Department Based, passed through the Arizona Department of Health Services	93.940	HG352261	14,761
Preventive Health Services—Sexually Transmitted Diseases Control Grants, passed through the Arizona Department of Health Services	93.977	HG354251	1,640
Maternal and Child Health Services Block Grant to the States, passed through the Arizona Department of Health Services	93.994	HG461035	49,901
Total U.S. Department of Health and Human Services			<u>794,412</u>

(Continued)

See accompanying notes to schedule.

Santa Cruz County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2005  
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
<b>U.S. Department of Homeland Security</b>			
State and Local All Hazards Emergency Operations Planning, passed through the Arizona Department of Emergency and Military Affairs	97.051	None	\$ <u>10,682</u>
<b>Homeland Security Grant Program Cluster</b>			
U.S. Department of Justice:			
State Domestic Preparedness Equipment Support Program, passed through the Arizona Department of Emergency and Military Affairs (2003)	16.007	2003-TE-TX-0196 2003-MU-T3-0034	1,030,671
Department of Homeland Security:			
State Domestic Preparedness Equipment Support Program, passed through the Arizona Department of Emergency and Military Affairs (2004)	97.004	None	24,530
Emergency Management Performance Grants, passed through the Arizona Department of Emergency and Military Affairs (2004)	97.042	EMF-2004-GR-0401	12,898
Homeland Security Grant Program, passed through the Arizona Department of Emergency and Military Affairs (2005)	97.067	2005-GE-T5-0030	<u>25,797</u>
Total Department of Homeland Security			<u>63,225</u>
Total Homeland Security Grant Program Cluster			<u>1,093,896</u>
 Total Expenditures of Federal Awards			 <u>\$ 7,625,912</u>

See accompanying notes to schedule.

Santa Cruz County  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2005

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 *2005 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, 2005.

Santa Cruz County  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2005

**Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued:		Unqualified	
	<b>Yes</b>	<b>No</b>	
Material weakness identified in internal control over financial reporting?	—	<u>X</u>	
Reportable condition identified not considered to be a material weakness?	<u>X</u>	—	
Noncompliance material to the financial statements noted?	—	<u>X</u>	

***Federal Awards***

Material weaknesses identified in internal control over major programs?	<u>X</u>	—	
Reportable conditions identified not considered to be material weaknesses?	<u>X</u>	—	
Type of auditors' report issued on compliance for major programs: Unqualified for all major programs except for Centers for Disease Control and Prevention—Investigations and Technical Assistance and Early Learning Fund 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>	—	

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
07.14PSAP549/07.15PSAP549	High Intensity Drug Trafficking Area
15.226	Payments in Lieu of Taxes
16.579	Byrne Formula Grant Program
84.351	Arts in Education
93.283	Centers for Disease Control and Prevention— Investigations and Technical Assistance
93.577	Early Learning Fund

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

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, 2005

## Financial Statement Finding

05-01

The Treasurer's Office should improve controls over cash and investments

The Treasurer's primary responsibility is to manage public and trust monies of the County and other political subdivisions. At June 30, 2005, the Treasurer's Office had been entrusted with approximately \$31 million in public monies. To fulfill the responsibilities of managing these monies, the Treasurer's Office should ensure adequate internal controls are followed; maintain adequate accounting records of receipts, disbursements, and cash balances; reconcile cash and investment journals and reports; and safeguard assets from misappropriation. However, the Treasurer's Office has not established essential internal controls such as separating employee responsibilities and completely and accurately reconciling the Treasurer's Cash Journal to the Treasurer's Report and bank statements. The lack of accurate reconciliations resulted in unexplained differences at June 30, 2005. For example, the unreconciled difference between the Treasurer's Cash Journal and the Treasurer's Report was over \$748,000. In addition, over 100 outstanding checks totaling \$69,000 and dating back to 1993 were not investigated so that payment on the original checks could be stopped and new checks could be issued.

This finding is a reportable condition over financial reporting.

To help strengthen controls and ensure accurate account balances for the County and other political subdivisions and to properly safeguard assets, the Treasurer's Office should perform the following:

- Separate responsibilities between employees so that the employees responsible for signing checks do not have access to cash receipts received in person or through the mail, prepare bank reconciliations, record cash transactions in the accounting records, have custody of unused checks, and mail completed checks. If responsibilities cannot be adequately separated because of small staff size, then a supervisor should review and approve the transactions and related reconciliations.
- Reconcile the Treasurer's Cash Journal to the Treasurer's Report and bank statements monthly and at year-end, and prepare written bank reconciliations.
- Identify and promptly investigate all reconciling items and, as necessary, propose appropriate correcting adjustments to the Treasurer's records or instruct the bank to correct its records.
- Record all transactions in the fiscal year in which they occurred.

Santa Cruz County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2005

Federal Award Findings and Questioned Costs

05-101

CFDA No.: 93.577 **Early Learning Fund**

U.S. Department of Health and Human Services

Award Period: September 30, 2003 through February 28, 2006

Award Number: 9QLO0063101

Questioned Cost: None

Reports submitted to the federal awarding agency should include all activity of the reporting period, be supported by underlying accounting records, and be fairly presented in accordance with program requirements. However, the Santa Cruz County School Superintendent's Office duplicated expenditures of \$52,817 and did not report valid expenditures of \$2,915 on the semiannual Financial Status Reports submitted to the grantor. The County did not submit the overreported expenditures for reimbursement from the grantor agency. This finding is a material internal control weakness and material noncompliance with the program's reporting requirements. To help ensure compliance with the reporting requirements, the County should follow established policies and procedures to ensure that reports are accurate and supported by the accounting records.

05-102

CFDA No.: 07.14PSAP549, 07.15PSAP549 **High Intensity Drug Trafficking Area**

U.S. Office of National Drug Control Policy, passed through Pima County

Award Period: October 1, 2004 through September 30, 2006

Award Numbers: 01-11-S-134176-1003, 01-11-S-134372-1003, 01-11-S-136288-1004, 01-11-S-136217-1004

Questioned Cost: None

The Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, states that for costs to be allowable, they must be necessary and reasonable for proper and efficient performance and administration of federal awards. However, the Santa Cruz County Sheriff's Office requested excess reimbursements of \$29,766 on the June 2005 Monthly Financial Report for various services due to a typographical error and \$1,108 on the January 2005 Monthly Financial Report for additional overtime expenditures because the Office failed to properly account for an adjustment. Further, the County Attorney's Office requested \$3,086 in excess reimbursement on the June 2005 Monthly Financial Report due to duplication of May 2005 personnel expenditures and resulting miscalculation of fringe benefits. As of June 30, 2005, the amounts requested by the Sheriff's Office and County Attorney's Office had not been reimbursed by the grantor. Auditors tested all reports submitted by the County during fiscal year 2005. This finding is a reportable condition and immaterial noncompliance with the program's reporting requirements. To help ensure compliance with OMB Circular A-87, the County should follow established policies and procedures to ensure reports are accurate and supported by accounting records.

Santa Cruz County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2005

05-103

CFDA No.: 07.14PSAP549, 07.15PSAP549 **High Intensity Drug Trafficking Area**

U.S. Office of National Drug Control Policy, passed through Pima County

Award Period: October 1, 2004 through September 30, 2006

Award Numbers: 01-11-S-134176-1003, 01-11-S-134372-1003, 01-11-S-136288-1004, 01-11-S-136217-1004

Questioned Cost: None

Reports submitted to the federal awarding agency should include all activity of the reporting period, be supported by underlying accounting records, and be fairly presented in accordance with program requirements. However, the Sheriff's Office could not determine whether \$11,876 of program expenditures posted to the accounting records were reported and reimbursed by the grantor. Auditors tested all reports submitted by the County during fiscal year 2005. This finding is a reportable condition and immaterial noncompliance with the program's reporting requirements. To help ensure compliance with the reporting requirements, the County should follow established policies and procedures to ensure that reports are accurate and supported by the accounting records. Furthermore, the County should seek reimbursement from the grantor if it is determined that the program costs were not reported and reimbursed.

05-104

CFDA No.: 93.283 **Centers for Disease Control and Prevention – Investigations and Technical Assistance**

U.S. Department of Health and Human Services, passed through the Arizona Department of Health Services

Award Period: April 1, 2002 through March 31, 2007

Award Number: 252043

Questioned Cost: None

The U.S. Department of Health and Human Services, *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, Part 92.36 require that subgrantees use their own procurement procedures that reflect applicable state and local laws and regulations, provided that the procedures conform to applicable federal law and the standards identified in the administrative requirements. The administrative requirements allow noncompetitive proposals provided that the item or service is available from a single source or is a public emergency, when the awarding agency authorizes noncompetitive proposals, or when, after solicitation of a number of proposals, competition is determined inadequate. Additionally, records should be maintained that describe the significant history of the purchase. However, the County was unable to provide documentation for a sole source procurement for professional services for medical advisory and training services costing \$72,500. To help ensure compliance with procurement requirements, the County should establish policies and procedures that require employees to document sole source procurements. This finding is a material internal control weakness and material noncompliance with the program's procurement requirements.



ADMINISTRATIVE SERVICES  
SANTA CRUZ COUNTY

Jennifer K. St. John, CPA  
Director

January 31, 2006

Ms. Debbie Davenport, Auditor General  
State of Arizona, Office of the Auditor General  
2910 North 44<sup>th</sup> 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 name of the contact person responsible for corrective action, the corrective action planned, and the anticipated completion date for the audit finding included in the current year's Schedule of Findings and Questioned Costs.

Sincerely,

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

**SANTA CRUZ COUNTY, ARIZONA**  
**Corrective Action Plan**  
**Year Ended June 30, 2005**

**Financial Findings**

**05-01**

The Treasurer's Office should improve controls over cash and investments.

Contact Person: Caesar Ramirez, Santa Cruz County Treasurer

Anticipated Completion Date: December 31, 2006

The County has purchased a new tax and accounting package that will be implemented during fiscal year 2006-2007 to try to provide a more efficient workflow within the limited staff located at the Treasurer's Office. Further, as the system will be more automated, the County anticipates more timely and accurate reconciliations, adjustments, and recordings of all transactions.

**Federal Award Findings**

**05-101**

The Santa Cruz County Superintendent's Office duplicated expenditures of \$ 52,817 reported on the semi-annual reports to the grantor.

Contact Person: Roberto Canchola, Santa Cruz County School Superintendent

Anticipated Completion Date: February 28, 2006

The County School Superintendent's Office hired an accounting firm to review his Office's internal control policies and procedures and to recommend improvements. This review was completed in December 2005. The recommendations were reviewed and are currently being implemented by the County School Superintendent's Office. Further, staff is receiving additional training on reconciling the semi-annual reports submitted to the grantor to the County's financials. Finally, a Program Director was hired to oversee the Early Learning Program.

**05-102**

The Santa Cruz County Sheriff's Office and County Attorney's Office requested amounts in excess of the underlying financial statements.

Contact Person: Tony Estrada, Santa Cruz County Sheriff

George Silvia, Santa Cruz County Attorney

Anticipated Completion Date: February 28, 2006

As stated in this finding, the errors in our reports were clerical and communication errors that occurred in two reports throughout the fiscal year. Further, the County amended the original reports and we were not reimbursed for the unsupported expenditures. County staff will take greater care when reporting amounts to the grantor and in communicating financial adjustments or errors within the financial statements.

**05-103**

Expenditures reported on the financial statements for the Santa Cruz County Sheriff's Office could not be identified as being reported to or reimbursed by the Federal grantor.

Contact Person: Tony Estrada, Santa Cruz County Sheriff

Anticipated Completion Date: February 28, 2006

The County has had turnover in personnel in both the grant reporting position and the Commander position for the HIDTA grant during the fiscal year being audited. New staff is in place at the County for the HIDTA grant and they have been working closely with the Finance Department to correct this reporting issue.

**05-104**

The County was unable to provide documentation for sole source procurement for professional services.

Contact Person: Kevin Irvine, Health Services Director

Anticipated Completion Date: February 28, 2006

This was an oversight on the County's part as we are such a rural community and professional services for health related programs and activities are so limited that we simply did not properly document sole source providers in two cases during the fiscal year. County health department employees have since been trained on the proper procurement procedures. Further, the Finance Department will take greater care during the budgetary, approval, and procurement stages of requisition processing.



ADMINISTRATIVE SERVICES  
SANTA CRUZ COUNTY

Jennifer K. St. John, CPA  
Director

January 31, 2006

Ms. Debbie Davenport, Auditor General  
State of Arizona, Office of the Auditor General  
2910 North 44<sup>th</sup> 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.

Sincerely,

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

**SANTA CRUZ COUNTY, ARIZONA**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2005**

**Status of Federal Award Findings and Questioned Costs**

**CFDA Number:** 14.228 Community Development Block Grants/State's Program  
**Finding Number:** 04-101  
**Status:** Fully Corrected