



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

---

Single Audit

# Santa Cruz County

Year Ended June 30, 2012

---



**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.



Copies of the Auditor General's reports are free.  
You may request them by contacting us at:

**Office of the Auditor General**

2910 N. 44th Street, Suite 410 • Phoenix, AZ 85018 • (602) 553-0333

Additionally, many of our reports can be found in electronic format at:

**[www.azauditor.gov](http://www.azauditor.gov)**

Santa Cruz County  
Single Audit Reporting Package  
Year Ended June 30, 2012

Table of Contents	Page
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 <i>Government Auditing Standards</i>	1
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	
Summary of Auditors' Results	13
Financial Statement Findings	15
Federal Award Findings and Questioned Costs	23
Corrective Action Plan	33
Summary Schedule of Prior Audit Findings	41

Report Issued Separately

Comprehensive Annual Financial Report



**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, 2012, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 29, 2013. 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**

The County's management is responsible for establishing and maintaining effective 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's basic financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 12-01 through 12-05 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 12-06 through 12-09 to be significant deficiencies.

### **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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Findings and Questioned Costs as item 12-02.

Santa Cruz County's responses to the findings identified in our audit are presented on pages 33 through 40. 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 29, 2013



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  
That Could Have a Direct and Material Effect on 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 Santa Cruz County's compliance 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, 2012. 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 the following table, the County did not comply with certain compliance requirements that are applicable to the following major programs. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to those programs.

<u>Program Title (CFDA Number)</u>	<u>Compliance Requirement</u>	<u>Finding Number</u>
JAG Program Cluster (16.738)	Equipment and Real Property Management, Procurement and Suspension and Debarment	12-103, 12-104
ARRA—Recovery Act—State and Local Law Enforcement Assistance Program: Combating Criminal Narcotics Activity Stemming from the Southern Border of the United States Competitive Grant Program (16.809)	Equipment and Real Property Management, Allowable Costs/Cost Principles, Procurement and Suspension and Debarment, Reporting	12-103, 12-105, 12-106, 12-107
ARRA—Energy Efficiency and Conservation Block Grant Program (EECBG) (81.128)	Procurement and Suspension and Debarment	12-108
Gaining Early Awareness and Readiness for Undergraduate Programs (84.334)	Allowable Costs/Cost Principles	12-105
High Intensity Drug Trafficking Areas Program (95.001)	Allowable Costs/Cost Principles	12-105
Homeland Security Grant Program (97.067)	Equipment and Real Property Management, Procurement and Suspension and Debarment	12-103, 12-109

In our opinion, because of the effects of the noncompliance described in the preceding table, Santa Cruz County did not comply in all material respects with the compliance requirements referred to above that could have a direct and material effect on the ARRA—Recovery Act—State and Local Law Enforcement Assistance Program: Combating Criminal Narcotics Activity Stemming from the Southern Border of the United States Competitive Grant Program and Homeland Security Grant Program. Also, in our opinion, except for the noncompliance described in the preceding table, 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 other major federal programs for the year ended June 30, 2012. 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 12-101, 12-102, 12-103, and 12-110.

### **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 to determine the 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, 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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 12-103 through 12-109 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 12-101, 12-102, and 12-110 to be significant deficiencies.

### **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, 2012, and have issued our report thereon dated August 29, 2013, that contained an unqualified opinion on those financial statements. Our audit was conducted 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 is the responsibility of the County's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Santa Cruz County's responses to the findings identified in our audit are presented on pages 33 through 40. 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 29, 2013

(This page is left intentionally blank)

Santa Cruz County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
<b>U.S. Department of Agriculture</b>			
Forest Service Schools and Roads Cluster:			
Schools and Roads—Grants to States, passed through the Arizona State Treasurer	10.665	None	<u>\$ 558,802</u>
<b>U.S. Department of the Interior</b>			
Payments in Lieu of Taxes	15.226		956,273
Distribution of Receipts to State and Local Governments	15.227		<u>5,605</u>
Total U.S. Department of the Interior			<u>961,878</u>
<b>U.S. Department of Justice</b>			
ARRA—Recovery Act—STOP Violence Against Women Formula Grants, passed through the Governor's Office for Children, Youth and Families			
	16.588	ST-WSG-12-2366-07, II-IGA-11-2121-01	138,354
State Criminal Alien Assistance Program	16.606		61,261
Bulletproof Vest Partnership Program	16.607		15,353
JAG Program Cluster:			
Edward Byrne Memorial Justice Assistance Grant Program, passed through the Arizona Criminal Justice Commission	16.738	DC-12-012, DC-12-038	<u>474,373</u>
Total JAG Program Cluster			<u>474,373</u>
ARRA—Recovery Act—State and Local Law Enforcement Assistance Program: Combating Criminal Narcotics Activity Stemming from the Southern Border of the United States Competitive Grant Program			
	16.809		152,219
ARRA—Recovery Act—Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program			
	16.810		<u>111,200</u>
Total U.S. Department of Justice			<u>952,760</u>
<b>U.S. Department of Labor</b>			
Employment Service Cluster:			
Employment Service/Wagner-Peyser Funded Activities, passed through Pima County	17.207	WP-GRA-12-2152-04	<u>27,617</u>
Total Employment Service Cluster			<u>27,617</u>
WIA Cluster:			
WIA Adult Program, passed through the Arizona Department of Economic Security	17.258	DE111013001	293,613
WIA Youth Activities, passed through the Arizona Department of Economic Security	17.259	DE111013001	116,953

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

Santa Cruz County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012  
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
WIA Dislocated Workers, passed through the Arizona Department of Economic Security	17.260	DE111013001	\$ 268,355
Total WIA Cluster			<u>678,921</u>
Incentive Grants—WIA Section 503, passed through the Arizona Department of Economic Security	17.267	DE111013001	119,991
ARRA—Recovery Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors, passed through Pima County	17.275	01-69-S-143568-0710	<u>57,768</u>
Total U.S. Department of Labor			<u>884,297</u>
<b>U.S. Department of Transportation</b>			
Airport Improvement Program, passed through the Arizona Department of Transportation	20.106	E2F84	<u>74,929</u>
<b>Environmental Protection Agency</b>			
International Financial Assistance Projects Sponsored by the Office of International and Tribal Affairs	66.931		<u>119,968</u>
<b>U.S. Department of Energy</b>			
ARRA—Energy Efficiency and Conservation Block Grant Program (EECBG), passed through the Arizona Governor's Office of Energy Policy	81.128	IO16-10-50	<u>139,345</u>
<b>U.S. Department of Education</b>			
Adult Education—Basic Grant to States, passed through the Arizona Department of Education	84.002	12-FAEABE-270755-01A 12-FAEAEF-270755-02A	164,473
Title I, Part A Cluster: Title I Grants to Local Educational Agencies, passed through the Arizona Administrative Office of the Courts	84.010	KR11-0069, KR11-0120	<u>34,046</u>
Total Title I, Part A Cluster			<u>34,046</u>
Special Education Cluster (IDEA): Special Education—Grants to States, passed through the Arizona Department of Education	84.027	12-FESSCG-270740-02A 11-FESSCG-170740-02A	<u>47,616</u>
Total Special Education Cluster			<u>47,616</u>

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

Santa Cruz County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012  
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		\$ 212,190
Rural Education, passed through the Arizona Department of Education	84.358	S358A106923	20,805
Improving Literacy through School Libraries	84.364		5,225
Improving Teacher Quality State Grants, passed through the Arizona Administrative Office of the Courts	84.367	IGA KR11-0120	3,929
Improving Teacher Quality State Grants, passed through the Arizona Department of Education	84.367	12FAAPD3-270740-01A 11FAAAZE-170740-01A	<u>77,848</u>
Total Improving Teacher Quality State Grants			<u>81,777</u>
State Fiscal Stabilization Fund Cluster:			
ARRA—State Fiscal Stabilization Fund (SFSF)—Government Services, Recovery Act, passed through the Governor's Office of Economic Recovery	84.397	OER-11-IGA-GS-37 OER-11-IGA-GS-14 OER-11-IGA-GS-172	<u>67,966</u>
Total State Fiscal Stabilization Fund Cluster			<u>67,966</u>
ARRA—Education Jobs Fund, passed through the Arizona Department of Education	84.410	12-FTIEJB-270012-02A	<u>4,350</u>
Total U.S. Department of Education			<u>638,448</u>
<b>U.S. Department of Health and Human Services</b>			
Immunization Cluster:			
Immunization Cooperative Agreements, passed through the Arizona Department of Health Services	93.268	HG854295	<u>190,800</u>
Total Immunization Cluster			<u>190,800</u>
Centers for Disease Control and Prevention—Investigations and Technical Assistance, passed through the Arizona Department of Health Services	93.283	ADHS12-07896	143,340
Child Support Enforcement, passed through the Arizona Department of Economic Security	93.563	28995	91,708
Social Services Block Grant, passed through the Southeastern Arizona Government Organization	93.667	12-1	<u>82,507</u>
Total U.S. Department of Health and Human Services			<u>508,355</u>

(Continued)

Santa Cruz County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012  
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
<b>Executive Office of the President</b>			
High Intensity Drug Trafficking Areas Program, passed through the City of Tucson	95.001	HT20-10-1913, HT20-10-1914, HT21-11-1913, HT21-11-1914, HT-12-2241, HT-12-2242	<u>\$ 654,176</u>
<b>U.S. Department of Homeland Security</b>			
Emergency Management Performance Grants, passed through the Arizona Department of Emergency and Military Affairs	97.042	EMW-2012-EP-00003	28,473
Homeland Security Grant Program, passed through the Arizona Department of Homeland Security	97.067	10-AZDOHS-CCP-777402-01, 10-AZDOHS-HSGP-777402-02, 10-AZDOHS-OPSG-777431-01, 10-AZDOHS-OPSG-777431-02, 11-AZDOHS-HSGP-888402-01, 11-AZDOHS-OPSG-888430-01, 11-AZDOHS-OPSG-888430-02	<u>643,007</u>
Total U.S. Department of Homeland Security			<u>671,480</u>
Total Expenditures of Federal Awards			<u>\$6,164,438</u>

See accompanying notes to schedule of expenditures of federal awards.

Santa Cruz County  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012

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 2012 *Catalog of Federal Domestic Assistance*.

Note 3 - Subrecipients

The County did not provide any federal awards to subrecipients during the year ended June 30, 2012.

(This page is left intentionally blank)

Santa Cruz County  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2012

**Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	Unqualified		
	<b>Yes</b>	<b>No</b>	
Internal control over financial reporting:			
Material weaknesses identified?	<u>  X  </u>	<u>    </u>	
Significant deficiencies identified?	<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?	<u>  X  </u>	<u>    </u>	
Significant deficiencies identified?	<u>  X  </u>	<u>    </u>	

Type of auditors' report issued on compliance for major programs:  
 Unqualified for Payments in Lieu of Taxes; qualified for the JAG Program Cluster, ARRA—Energy Efficiency and Conservation Block Grant Program, Gaining Early Awareness and Readiness for Undergraduate Programs, and High Intensity Drug Trafficking Areas Program; and adverse for the ARRA—Recovery Act—State and Local Law Enforcement Assistance Program: Combating Criminal Narcotics Activity Stemming from the Southern Border of the United States Competitive Grant Program and Homeland Security Grant Program.

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>
15.226	Payments in Lieu of Taxes
16.738	JAG Program Cluster:
16.809	Edward Byrne Memorial Justice Assistance Grant Program
	ARRA—Recovery Act—State and Local Law Enforcement Assistance Program: Combating Criminal Narcotics Activity Stemming from the Southern Border of the United States Competitive Grant Program

Santa Cruz County  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2012

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
81.128	ARRA—Energy Efficiency and Conservation Block Grant Program (EECBG)
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs
95.001	High Intensity Drug Trafficking Areas Program
97.067	Homeland Security Grant Program

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, 2012

## Financial Statement Findings

12-01

### **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 and regulations, grant, contracts, and long-term debt covenants.

Condition and context: The County took 14 months after fiscal year-end to issue financial statements. In addition, the County's financial statements were not accurate and were not prepared in accordance with generally accepted accounting principles (GAAP). However, the County corrected its financial statements for all significant errors. See findings 12-02 through 12-05 for more details concerning these errors.

Effect: The federal reporting deadline for the County's Single Audit Reporting Package was March 31, 2013; however, the County did not issue its Single Audit Reporting Package until August 2013.

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:

- Develop and follow comprehensive written policies and procedures for compiling the information and preparing the financial statements and accompanying notes. 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.
- Dedicate appropriate resources, 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 review should ensure that the amounts are accurate and properly supported and the financial statements are presented in accordance with GAAP.

This finding is similar to a prior-year finding.

12-02

### **The County 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, the County Treasurer's Office must safeguard these public monies, promote overall operating efficiency and effectiveness, and ensure compliance with applicable debt agreements and state deposit and investment laws specified in Arizona Revised Statutes, Titles 15 and 35. In addition, the County must prepare accurate financial statements.

Santa Cruz County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

Condition and context: At June 30, 2012, the County Treasurer had approximately \$50.6 million in deposits and investments that included \$20.5 million for Santa Cruz County and another \$30.1 million for other political subdivisions, such as school districts. However, for almost the entire fiscal year, the County Treasurer's Office did not have internal control policies and procedures that adequately controlled the processes of investing, managing, recording, and tracking deposits and investments held for both the County and political subdivisions. In addition, the County's preliminary financial statements did not accurately report cash and investments for the governmental and investment trust funds. Specifically, auditors noted the following deficiencies:

- The County Treasurer's Office did not perform any reconciliations of its cash and investments balances to the various financial institutions that hold deposits and investments for the Treasurer's Office until May 2012.
- The County did not account for the cleared warrants reconciling items identified in the County Treasurer's year-end reconciliation when preparing its financial statements.
- The County recorded and apportioned pooled interest earnings to pool participants when the interest was paid to the County Treasurer rather than when it was earned. As a result, not all interest earned on the pooled investment accounts was recorded and apportioned on a monthly basis. Also, interest earnings were incorrectly apportioned to the pool participants based upon average daily balances of the month the interest was received instead of the average daily balances of the month the interest was earned as required by state laws.
- The County Treasurer's Office did not always distinguish within its accounting records whether individual entities' accounts included pooled or unpooled deposits and investments.

Effect: The County 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. In addition, these errors caused the County's total cash and investments to be overstated by \$2.2 million. The County corrected its financial statements for all significant errors.

Cause: The County lacked comprehensive internal control policies and procedures.

Recommendation: The County Treasurer's Office should develop and implement written policies and procedures to help ensure that deposits and investments are adequately safeguarded, to promote overall operating efficiency and effectiveness, and to help ensure compliance with state laws. In addition, the County should develop and implement written policies and procedures to help ensure that deposits and investments are accurately reported in its financial statements. Those policies and procedures should include, at a minimum, detailed instructions for:

- Reconciling all account balances held by the County Treasurer to those balances reported by the various financial institutions at least monthly.
- Investigating and resolving all reconciling items in a timely manner including making appropriate adjusting journal entries to the accounting records.
- Apportioning interest earnings to pooled investment accounts on at least a quarterly basis and determining the amounts to be apportioned based on average monthly balances of pooled accounts.

Santa Cruz County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

- Organizing the accounting records so that pooled investment account balances, deposits, and withdrawals can be distinguished from unpooled accounts' activity and balances.

This finding is similar to a prior-year finding.

12-03

**The County should improve procedures over capital asset reporting and stewardship**

Criteria: The County should have effective policies and procedures for capital assets that are sufficiently detailed to properly control, safeguard, and record capital assets.

Condition and context: The County did not properly control, safeguard, and accurately report capital assets in the financial statements. Specifically, auditors identified the following errors:

- Capital assets were not always tagged.
- The capital assets listing did not always include all of the necessary information for each asset, such as location, description, identification number, and unit cost or estimated fair market value for donated assets.
- Intangible assets were not disclosed in the County's notes to financial statements, as required accounting standards, since the County did not properly identify intangible assets in its capital assets listing.
- Some assets under the County's capitalization threshold may have been reported as capital assets in the financial statements since the County did not identify whether these assets were single assets that should not be included on financial statements or if the assets were part of a larger asset.
- Donated capital assets were included on the capital assets listing, but were not included in the County's financial statements.
- There was no evidence that changes made to the County's capital assets listing, based on the County's physical inventory process, were reviewed and approved for accuracy and completeness prior to updating the listing.
- Disposal forms were not always prepared or evidence of written approval was not always retained for deletions from the capital assets listing. For 19 deletions tested, 12 deletions were made based on the County's physical inventory process without any evidence of approval by authorized personnel. In addition, five other assets were disposed of and the disposal form or evidence of approval by authorized personnel could not be located by the County.
- Depreciation was not always calculated for the County's depreciable capital assets and the depreciation expense was not always recorded accurately. For example, some construction equipment, vehicles, and infrastructure assets were not depreciated and reported on the financial statements and some infrastructure assets had been depreciated for periods longer than their useful lives. In addition, depreciation for two vehicles was charged to an incorrect function.
- Infrastructure asset accounts were not always reviewed to ensure that all donated roads, land rights-of-ways, and road improvements were accurately accounted for and depreciated.

Santa Cruz County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

Effect: The errors caused an understatement of \$4.8 million in land, construction equipment and vehicles, and infrastructure; an understatement of \$2.7 million in accumulated depreciation; and an understatement of \$319,000 in depreciation expense. In addition, the County's capital assets were exposed to potential theft or misuse. The errors may have an effect on federal programs when equipment was purchased with federal monies. The County adjusted its financial statements for all significant errors.

Cause: The County lacked sufficient internal control policies and procedures to properly control, safeguard and record capital assets and the related depreciation, which led to inconsistent practices and a lack of communication between the finance department and county department heads.

Recommendation: To help ensure that the County's capital assets are properly recorded and safeguarded against theft or misuse, the County should develop and implement written policies and procedures for controlling, safeguarding, and recording capital assets and associated depreciation. The procedures should include the following:

- Tag or specifically identify all county capital assets.
- Identify each asset with a unique number, such as a tag or serial number, location, description, and unit cost or estimated fair market value for donated assets.
- Ensure intangible assets are clearly identified in its capital assets listing and disclosed in the notes to the financial statements.
- Verify only assets with actual costs and donated items with fair market values of \$5,000 or greater are capitalized and reported in the listing and financial statements.
- Capitalize donated assets if they meet the capitalization criteria.
- Provide detailed instructions for taking physical inventory and ensuring that the inventory listing is reviewed and approved prior to modifying the capital assets listing.
- Prepare and retain disposal authorization forms to support the transfer or disposal of capital assets.
- Ensure depreciation expense is accurately calculated and recorded in the accounting records.

This finding is similar to a prior-year finding.

12-04

**The County should improve its procedures over revenues and year-end receivables**

Criteria: The County should have adequate internal controls to help ensure that revenues are accurately recorded on its general ledger system and are accrued and recognized in the fiscal year in accordance with GAAP. For governmental funds that use the modified accrual basis of accounting, revenues should be recognized and recorded in the fiscal year in which they are earned, measurable, and available to finance expenditures of the fiscal period. In addition, the County must record receivables for grant monies owed to it by other governmental entities only when the County meets all applicable eligibility requirements. For enterprise funds which use the accrual basis of accounting, the County should recognize and record revenues when an exchange is made.

Santa Cruz County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

Condition and context: Taxes and intergovernmental revenues combined comprise approximately 90 percent of the County's governmental funds' revenues; and landfill fees and grants and contributions revenues combined comprise approximately 96 percent of the County's enterprise fund's revenues. Therefore, these transactions should be accurately reported; however, while testing the amounts reported for revenues, auditors noted that the County did not always adhere to GAAP. Auditors found that in the County's governmental and enterprise funds, it accrued and reported some revenues in fiscal year 2012 that were earned in fiscal year 2013. Specifically, for governmental funds, the County did not meet the revenue recognition requirements for certain amounts recorded as current fiscal year revenues and due from other governments. In addition, the County received some federal grant revenues in fiscal year 2012, but did not record them during the fiscal year. Also, the County received some federal grant revenues for its enterprise fund in fiscal year 2011, but did not record them until fiscal year 2012.

Effect: The errors caused the following misstatements in the County's financial statements:

- In the governmental funds, taxes were overstated by \$403,400, intergovernmental revenues were overstated by \$145,800, due from other governments were overstated by \$752,400, cash and investments were understated by \$18,200, and deferred revenues were overstated by \$185,000.
- In the enterprise fund, grants and contributions revenue was overstated and beginning fund balance was understated by \$40,430, and landfill fees and accounts receivable were understated by \$81,600.

The County adjusted its financial statements for all significant errors.

Cause: The County did not have adequate policies and procedures in place to determine and properly record revenues, especially those received near fiscal year-end.

Recommendation: To help to accurately record and report its revenues, the County should develop and implement written policies and procedures for revenue recognition. These policies and procedures should require that (1) revenues for its governmental funds are recognized and recorded in the fiscal year in which they are earned, measurable, and available to finance expenditures of the fiscal period and (2) revenues for its enterprise funds are recognized and recorded when an exchange is made. In addition, the policies and procedures should require close monitoring of grant award activities to ensure that grant revenues and any associated receivables are recorded when all applicable eligibility requirements have been met.

This finding is similar to a prior-year finding.

12-05

**The County should improve its procedures over expenditures and year-end accounts payable**

Criteria: In order to produce accurate financial statements, the County should record and report accurate account balances in accordance with GAAP. The County should have adequate internal controls to help ensure that expenditures are accurately recorded on its general ledger system and properly accrued and recognized in the proper fiscal year in accordance with GAAP. For governmental funds that use the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred.

Santa Cruz County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

Condition and context: The County did not record significant expenditures and associated accounts payables for goods and services received but not paid for by June 30, 2012. In addition, the County recorded an adjustment in an attempt to correct a prior-year accrual error; however, the adjustment was not needed and resulted in a misstatement of the County's other governmental funds' cash and accounts payable.

Effect: The errors caused the following misstatements in the County's governmental funds financial statements: Expenditures were understated by \$308,900, accounts payable was understated by \$16,200, and cash and investments were overstated by \$292,700. The County adjusted its financial statements for all significant errors.

Cause: The County did not have adequate policies and procedures in place to determine and properly record accounts payable at fiscal year-end. In addition, the County did not have effective policies and procedures to ensure the accuracy of adjustments to its general ledger.

Recommendation: To help to accurately record and report its expenditures, the County should develop and implement written policies and procedures for recording accounts payable at year-end. These policies and procedures should require that expenditures for its governmental funds are recognized and recorded when the related fund liability is incurred. In addition, the County should establish and implement adequate written policies and procedures for determining that adjustments to its general ledger are accurate. Specifically, these procedures should require close examination of all significant adjustments to help ensure that they are in accordance with GAAP.

This finding is similar to a prior-year finding.

12-06

**The County should improve its procedures over landfill receipts**

Criteria: The County's landfill department is responsible for collecting fees received at its landfills and transfer station. Therefore, the County's landfill department should safeguard these public monies by implementing necessary internal controls.

Condition and context: The County operated two landfill sites and a transfer station, all of which received fees. However, receipts were not always deposited in a timely manner and were not reconciled on a daily basis. Auditors identified several receipts that were not deposited until more than a month after the County received payment. For 12 of 19 cash receipts tested, auditors noted that the deposit amount did not materially agree to the County's receipt system's reports. Specifically, differences ranged from a \$360 overstatement to a \$1,090 understatement.

Effect: The County was at risk of exposing public monies to misuse and potential loss.

Cause: The County did not have written policies and procedures for recording landfill receipts, depositing landfill receipts, and reconciling receipts on a daily basis.

Santa Cruz County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

Recommendation: The County should develop and implement written policies and procedures regarding the receipt and deposit of landfill fees. The policies should include, at a minimum, daily reconciliations between landfill receipts and cash received and timely deposits of landfill fees. In addition, deposits should be reconciled to the daily receipt totals to help ensure that all landfill fees are deposited, recorded, and reported on the County's financial statements.

12-07

**The County should improve purchasing procedures**

Criteria: The County's procurement policy generally requires that competitive sealed bidding be used for all purchases above \$35,000 and requires that three written price quotations be obtained from vendors when making purchases between \$15,000 and \$35,000. In addition, when using sole source procurement, the County must document and retain appropriate justification, including assurance that no reasonable alternative vendor exists.

Condition and context: For one of three purchases tested above \$35,000, the County did not request sealed bids. In addition, for one of four purchases tested between \$15,000 and \$35,000, the County did not obtain written price quotations from vendors. Finally, the County used sole source procurement to obtain equipment and the related installation costs totaling \$43,000. However, the County did not document appropriate justification for using sole source procurement.

Effect: The County did not comply with its procurement policy and could have paid more than necessary for goods and services.

Cause: The County did not have adequate procedures to ensure that competitive sealed bidding was used or price quotations were obtained, as necessary, prior to purchasing goods and services. In addition, the County did not follow its sole source procurement procedures, including providing assurance that no reasonable alternative vendor exists.

Recommendation: To help ensure compliance with its procurement policy, the County should establish adequate procedures to ensure competitive sealed bidding is used for purchases over \$35,000 and at least three written price quotations from vendors are obtained for purchases between \$15,000 and \$35,000. When using sole source procurement, the County must document and retain appropriate justification.

This finding is similar to a prior-year finding.

12-08

**The County should strengthen controls over its financial information system**

Criteria: The County's computerized financial information system processes and stores information that is vital to its daily operations. Therefore, it is imperative that the County establish comprehensive written internal control policies and procedures over operations of its financial information system to help prevent and detect unauthorized use, damage, loss, and unintended or unauthorized changes.

Santa Cruz County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

Condition and context: Auditors found internal control deficiencies over the County's financial information system. Specifically, auditors noted that the County did not review system-generated security reports, especially those detailing activities of users with elevated access privileges. These reports help identify unauthorized attempts to access the computer system and monitor users' access. Further, the County did not have comprehensive written policies and procedures over its financial information system.

Effect: The County's financial data was exposed to risk. For example, failure to monitor security reports prevents the detection of unauthorized attempts to gain access to critical computer systems and data.

Cause: According to the County, it lacked the resources to establish comprehensive internal control policies and procedures and monitor user activity to ensure security over its financial information system and its sensitive financial data.

Recommendation: The County should establish and implement adequate written policies and procedures over its financial information system, including policies and procedures for monitoring user activity. Specifically, security reports produced by the financial information system, especially those detailing activities of users with elevated access privileges, should be reviewed regularly, and unauthorized access attempts should be investigated.

This finding is similar to a prior-year finding.

12-09

**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 system interruption, the County should have a documented and tested disaster recovery plan for its computer systems.

Condition and context: The County did not have a documented and tested disaster recovery plan for its financial information system.

Effect: The disruption of services, in the event of a system or equipment failure or other system interruption, 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.

Cause: According to the County, it lacked the resources to develop a formal disaster recovery plan.

Recommendation: The County should develop, document, and test a formal disaster recovery plan for its financial information system. At a minimum, the County's disaster recovery plan should include the following:

- A risk analysis identifying and prioritizing critical applications to determine which applications should be recovered first.

Santa Cruz County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

- 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 and servers.
- Overall testing strategies, testing frequencies, and disaster plan test results.

This finding is similar to a prior-year finding.

### Federal Award Findings and Questioned Costs

12-101

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 2012 Single Audit Reporting Package was March 31, 2013. However, the County did not issue its Single Audit Reporting Package until August 2013.

Effect: The late submission results in noncompliance for all federal programs the County administered.

Cause: As discussed in items 12-01 through 12-05, and 12-102, the County lacked comprehensive internal control policies and procedures needed to prepare accurate financial statements and issue them in a timely manner.

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.

This finding is similar to a prior-year finding.

12-102

CFDA No.: Not applicable

Questioned Cost: N/A

Criteria: In accordance with OMB Circular A-133, §.300, the County is required 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 GAAP. In addition, OMB Circular

Santa Cruz County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

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. Specifically, auditors noted the County understated its federal award expenditures by approximately \$94,206 and omitted other required information for ten of its federal programs. The County's SEFA was adjusted for these errors.

Effect: The County did not comply with OMB Circular A-133 reporting requirements.

Cause: The County did not have effective policies and procedures in place to ensure that all federal monies were identifiable in its accounting system and properly recorded in the SEFA. In addition, controls were not effective to ensure 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 develop and implement control procedures to verify transactions are entered into the County's computer system accurately and develop an effective review process to ensure accurate information is reported on the SEFA.

This finding is similar to a prior-year finding.

12-103

**JAG Program Cluster**

CFDA No.: 16.738 **Edward Byrne Memorial Justice Assistance Grant Program**

**U.S. Department of Justice**

Passed through the Arizona Criminal Justice Commission

Award Period: July 1, 2011 through June 30, 2012

Award Numbers: DC-12-012, DC-12-038

CFDA No.: 16.809 **ARRA—Recovery Act—State and Local Law Enforcement Assistance Program:  
Combating Criminal Narcotics Activity Stemming from the Southern Border of the United  
States Competitive Grant Program**

**U.S. Department of Justice**

Award Period: July 1, 2009 through June 30, 2013

Award Number: 2009-SS-B9-0004

CFDA No.: 81.128 **ARRA—Energy Efficiency and Conservation Block Grant Program (EECBG)**

**U.S. Department of Energy**

Passed through the Arizona Governor's Office of Energy Policy

Award Period: April 1, 2010 through September 13, 2012

Award Number: I016-10-50

Santa Cruz County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

**CFDA No.: 95.001 High Intensity Drug Trafficking Areas Program**

**Executive Office of the President**

Passed through the City of Tucson

Award Period: January 1, 2010 through December 31, 2011  
January 1, 2011 through December 31, 2012  
January 1, 2012 through December 31, 2013

Award Numbers: HT20-10-1913, HT20-10-1914, HT21-11-1913, HT21-11-1914,  
HT-12-2241, HT-12-2242

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

**U.S. Department of Homeland Security**

Passed through the Arizona Department of Homeland Security

Award Period: October 1, 2010 through October 31, 2011  
October 1, 2010 through December 31, 2011  
October 1, 2010 through March 31, 2012  
October 1, 2010 through December 31, 2011  
October 1, 2011 through December 31, 2012  
October 1, 2011 through March 31, 2013  
January 1, 2012 through December 31, 2012

Award Numbers: 10-AZDOHS-CCP-777402-01, 10-AZDOHS-HSGP-777402-02,  
10-AZDOHS-OPSG-777431-01, 10-AZDOHS-OPSG-777431-02,  
11-AZDOHS-HSGP-888402-01, 11-AZDOHS-OPSG-888430-01,  
11-AZDOHS-OPSG-888430-02

Equipment and Real Property Management

Questioned Cost: N/A

Criteria: For the JAG Program Cluster, High Intensity Drug Trafficking Areas Program (HIDTA), and Homeland Security Grant Program, the grant agreements state that the County must comply with applicable federal regulations, which includes 28 Code of Federal Regulations (CFR) §66.32(d), 21 CFR §1403.32(d), and 44 CFR §13.32(d), respectively. For the EECBG, the grant agreement states that the County shall comply with applicable state and local laws and regulations. For the ARRA—Recovery Act—State and Local Law Enforcement Assistance Program: Combating Criminal Narcotics Activity Stemming from the Southern Border of the United States Competitive Grant Program (NARC), the grant agreement states that the County must comply with the U.S. Department of Justice, Office of Justice Programs Financial Guide. The requirements and regulations require that property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, cost of the property, the location, condition of the property, and any ultimate disposition data, including the date of disposal and sales price of the property. Further, a physical inventory of the property must be taken and the results must be reconciled with the property records at least once every 2 years. In addition, a control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property.

Condition and context: The County did not maintain effective control and accountability for equipment purchased with federal monies. Specifically, equipment purchased with JAG, NARC, EECBG, HIDTA, and Homeland Security monies was not always tagged or otherwise identified and was not properly recorded

Santa Cruz County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

in the County's capital assets listing. Further, although the County did perform a physical inventory, auditors determined the inventory was not adequately performed, and therefore, auditors could not rely on its results. See finding 12-03 for more details concerning capital asset errors.

Effect: Failure to maintain control over equipment purchased with federal grant monies can result in equipment being lost, stolen, or misused and can cause noncompliance with federal regulations.

Cause: As discussed in item 12-03, the County lacked sufficient capital asset procedures and instructions for how and when a physical inventory should be performed. Also, the County did not follow its policy for tagging equipment and ensuring that complete and accurate information for each asset is recorded in its capital assets listing.

Recommendation: To help ensure compliance with federal regulations and to help prevent loss, theft, or misuse of capital assets purchased with federal monies, the County should establish policies and procedures that require an adequate and timely physical inventory of equipment to be performed and results to be reconciled to the County's capital assets listing. Also, the County should ensure that its policies are followed that require all equipment items to be properly tagged and accounted for in its listing.

This finding is similar to a prior-year finding.

12-104

**JAG Program Cluster**

CFDA No.: 16.738 **Edward Byrne Memorial Justice Assistance Grant Program**

**U.S. Department of Justice**

Passed through the Arizona Criminal Justice Commission

Award Period: July 1, 2011 through June 30, 2012

Award Numbers: DC-12-012, DC-12-038

Procurement and Suspension and Debarment

Questioned Cost: \$30,489

Criteria: In accordance with the grant agreement and 28 CFR §66.36(b)(1) and (9), the County should follow its procedures for purchasing goods and services, and ensure sufficient records are maintained to support the purchasing procedures followed. In addition, in accordance with 28 CFR §66.35, 2 CFR §180.220, and 2 CFR §180.300, the County must verify that contracts with vendors for goods and services costing more than \$25,000 are not awarded to vendors who have been suspended or debarred from doing business with the federal government.

Condition and context: The County did not always follow its procurement policies and procedures for obtaining written price quotations. Specifically, for one transaction subject to procurement requirements during the fiscal year, auditors noted the County did not obtain written price quotations or document the reasons quotations could not be obtained for a vehicle costing \$30,489. In addition, the County did not establish policies and procedures to verify that vendors being awarded contracts to provide goods and services costing more than \$25,000 and paid for with federal monies had not been suspended or debarred, or otherwise excluded, from federal contracts. Specifically, auditors noted that the County paid \$30,489 to one vendor during the fiscal year but did not retain evidence that it ensured the vendor was not suspended or debarred. However, auditors noted that no payments were made to suspended or debarred vendors.

Santa Cruz County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

Effect: The County could enter into a contract that is not the most advantageous to the County and could make payments to suspended or debarred vendors.

Cause: The County did not effectively monitor purchases to ensure departments obtained required quotations or documented the rationale for selecting vendors. In addition, it did not have policies and procedures in place to verify whether vendors have been suspended or debarred.

Recommendation: The County should establish effective monitoring procedures to ensure departments follow its purchasing policies and procedures to obtain required quotations or to document why quotations could not be obtained. Further, the County should establish policies and procedures to verify that vendors have not been suspended or debarred prior to awarding contracts of \$25,000 or more in federal monies and retain documentation of this determination. This may be accomplished by checking the System for Award Management, obtaining vendor certifications, or adding clauses or conditions to the contract.

12-105

CFDA No.: 16.809 **ARRA—Recovery Act—State and Local Law Enforcement Assistance Program:  
Combating Criminal Narcotics Activity Stemming from the Southern Border of the United  
States Competitive Grant Program**

**U.S. Department of Justice**

Award Period: July 1, 2009 through June 30, 2013

Award Number: 2009-SS-B9-0004

CFDA No.: 84.334 **Gaining Early Awareness and Readiness for Undergraduate Programs**

**U.S. Department of Education**

Award Period: September 1, 2005 through May 30, 2012

Award Number: P334A050233

CFDA No.: 95.001 **High Intensity Drug Trafficking Areas Program**

**Executive Office of the President**

Passed through the City of Tucson

Award Period: January 1, 2010 through December 31, 2011

January 1, 2011 through December 31, 2012

January 1, 2012 through December 31, 2013

Award Numbers: HT20-10-1913, HT20-10-1914, HT21-11-1913, HT21-11-1914,

HT-12-2241, HT-12-2242

Allowable Costs/Cost Principles

Questioned Cost: \$302,711

Criteria: In accordance with 2 CFR §225, Appendix B, Section 8.h, for employees who are expected to work solely on a single federal award or cost objective, the County should maintain records that certify or confirm that such employees worked solely on that program for the period covered by the certification. These certifications should be prepared at least semiannually and should be signed by the employee or supervisory official having first-hand knowledge of the work the employee performed.

Santa Cruz County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

Condition and context: During the fiscal year, the County did not maintain records that certified or confirmed semiannually that certain employees who were expected to work on a single federal award or cost objective actually worked on such federal award or cost objective. The County paid salaries and related expenditures from funding sources listed in the employees' personnel files, a predetermined, before-the-fact reflection of the County's intended use of the employees. Due to the lack of certifications, auditors could not verify that the expenditures' funding sources were appropriate. Specifically, during the fiscal year, the County spent the following:

- \$125,112 in salaries and wages for its NARC program. For the one tested employee who was paid a total of \$76,973 in salary and related expenditures during the fiscal year, there was no certification that the employee worked solely on the federal program.
- \$160,170 in salaries and wages for its Gaining Early Awareness and Readiness for Undergraduate Programs. For the two tested employees who were paid a total of \$45,623 in salary and related expenditures during the fiscal year, there were no certifications that the employees worked solely on the federal program.
- \$644,899 in salaries and wages for its HIDTA Program. For two of three employees tested who were paid a total of \$180,115 in salary and related expenditures during the fiscal year, there were no certifications that the employees worked solely on the federal program.

Effect: The County did not comply with the applicable payroll certification regulations for these grant programs. Furthermore, without the required certifications, the County cannot verify that employee salaries and wages charged to the program were for activities supporting the program's activities. It was not practical to extend our auditing procedures sufficiently to determine whether any additional questioned costs resulted from this finding.

Cause: The County did not have policies and procedures in place to ensure that its departments complied with time and effort certification requirements.

Recommendation: The County should implement effective procedures to ensure that its department personnel comply with time and effort certification requirements for employees expected to work on only one federal program or cost objective.

12-106

CFDA No.: 16.809 **ARRA—Recovery Act—State and Local Law Enforcement Assistance Program:  
Combating Criminal Narcotics Activity Stemming from the Southern Border of the United  
States Competitive Grant Program**

**U.S. Department of Justice**

Award Period: July 1, 2009 through June 30, 2013

Award Number: 2009-SS-B9-0004

Procurement and Suspension and Debarment

Questioned Cost: \$8,550

Criteria: In accordance with 28 CFR §66.36(b)(1) and (9), the County should follow its procedures for purchasing goods and services and ensure sufficient records are maintained to support the purchasing procedures followed.

Santa Cruz County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

Condition and context: The County did not follow its procurement policies and procedures for obtaining verbal price quotations. Specifically, for the one transaction subject to procurement requirements during the fiscal year, auditors were unable to determine if the County obtained the required verbal price quotations for equipment costing \$8,550 since it did not document them on the purchase requisition form.

Effect: The County could enter into a contract that is not the most advantageous to the County.

Cause: The County did not effectively monitor purchases to ensure departments obtained required quotations or document the rationale for selecting vendors.

Recommendation: The County should establish effective monitoring procedures to ensure departments follow its purchasing policies and procedures to obtain and document the required quotations.

12-107

CFDA No.: 16.809 **ARRA—Recovery Act—State and Local Law Enforcement Assistance Program:  
Combating Criminal Narcotics Activity Stemming from the Southern Border of the United  
States Competitive Grant Program**

**U.S. Department of Justice**

Award Period: July 1, 2009 through June 30, 2013

Award Number: 2009-SS-B9-0004

Reporting

Questioned Cost: N/A

Criteria: In accordance with the 28 CFR §66.41(a)(1)(i) and U.S. Department of Justice, Office of Justice Programs 2011 Financial Guide, the County should report actual funds expended, both for the reporting period and cumulatively, on the SF-425 Federal Financial Report. The report should include indirect costs. Furthermore, in accordance with the American Recovery and Reinvestment Act (ARRA) of 2009, PL 111-5, Section 1512(c) and the 2011 Financial Guide, the County should report the cumulative amount of Recovery Act funds expended or obligated to projects or activities on quarterly Section 1512(c) reports.

Condition and context: The County did not always report accurate expenditure amounts on its financial reports. Auditors noted errors in five of six reports examined. Specifically, auditors noted the following on two quarterly SF-425 reports and two quarterly 1512(c) reports:

- The County reported \$0 in current period expenditures on both the SF-425 reports and the Section 1512(c) reports for the quarters ended March 31, 2012 and June 30, 2012, understating actual current period expenditures by amounts ranging between \$40,704 and \$45,895.
- The County reported \$277,384 in cumulative expenditures on both the SF-425 reports and the Section 1512(c) reports for the quarters ended March 31, 2012 and June 30, 2012, overstating actual cumulative expenditures by amounts ranging between \$2,224 and \$88,823.

In addition, the County reported \$0 in current period indirect costs on the SF-425 report for the quarter ended December 31, 2011, understating actual current period indirect costs incurred by \$4,323.

Santa Cruz County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

The County did not submit revised reports to correct these errors. Auditors verified that the inaccuracies in the reports did not lead to inappropriate reimbursements or the necessity to return reimbursements already received.

Effect: The failure to report complete and accurate information may result in errors in analysis or other determinations by the federal grantor.

Cause: The County was not fully aware of the federal financial reporting requirements and did not follow the reporting instructions.

Recommendation: The County should develop procedures to ensure all reports are prepared in accordance with federal financial reporting instructions. In addition, the County should submit revised reports to correct the errors noted.

12-108

CFDA No.: 81.128 **ARRA—Energy Efficiency and Conservation Block Grant Program (EECBG)**

**U.S. Department of Energy**

Passed through the Arizona Governor's Office of Energy Policy

Award Period: April 1, 2010 through September 13, 2012

Award Number: I016-10-50

Procurement and Suspension and Debarment

Questioned Cost: \$17,830

Criteria: In accordance with the grant agreement and 10 CFR §600.236(b)(1) and (9), the County should follow its procedures for purchasing goods and services, and ensure sufficient records are maintained to support the purchasing procedures followed. In addition, in accordance with 10 CFR §600.235, 2 CFR §180.220, and 2 CFR §180.300, the County must verify that contracts with vendors for goods and services costing more than \$25,000 are not awarded to vendors who have been suspended or debarred from doing business with the federal government.

Condition and context: The County did not always follow its procurement policies and procedures for obtaining verbal price quotations. Specifically, for two of three transactions tested, auditors noted the County did not obtain the required verbal price quotations or document the reasons quotations could not be obtained for equipment totaling \$17,830. In addition, the County did not establish policies and procedures to verify that vendors being awarded contracts to provide goods and services costing more than \$25,000 and paid for with federal monies had not been suspended or debarred, or otherwise excluded, from federal contracts. Specifically, auditors noted that for two of two vendors tested, the County paid a total of \$88,895 during the fiscal year and could produce no evidence that it ensured the vendors were not suspended or debarred. However, auditors noted that no payments were made to suspended or debarred vendors.

Effect: The County could enter into a contract that is not the most advantageous to the County and could make payments to suspended or debarred vendors.

Santa Cruz County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

Cause: The County did not effectively monitor purchases to ensure departments obtained required quotations or document the rationale for selecting vendors. In addition, it does not have policies and procedures in place to verify whether vendors have been suspended or debarred.

Recommendation: The County should establish effective monitoring procedures to ensure departments follow its purchasing policies and procedures to obtain required quotations or to document why quotations could not be obtained. Further, the County should establish policies and procedures to verify that vendors have not been suspended or debarred prior to awarding contracts of \$25,000 or more in federal monies and retain documentation of this determination. This may be accomplished by checking the System for Award Management, obtaining vendor certifications, or adding clauses or conditions to the contract.

12-109

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

**U.S. Department of Homeland Security**

Passed through the Arizona Department of Homeland Security

Award Period: October 1, 2010 through October 31, 2011  
October 1, 2010 through December 31, 2011  
October 1, 2010 through March 31, 2012  
October 1, 2010 through December 31, 2011  
October 1, 2011 through December 31, 2012  
October 1, 2011 through March 31, 2013  
January 1, 2012 through December 31, 2012

Award Numbers: 10-AZDOHS-CCP-777402-01, 10-AZDOHS-HSGP-777402-02,  
10-AZDOHS-OPSG-777431-01, 10-AZDOHS-OPSG-777431-02,  
11-AZDOHS-HSGP-888402-01, 11-AZDOHS-OPSG-888430-01,  
11-AZDOHS-OPSG-888430-02

Procurement and Suspension and Debarment

Questioned Cost: None

Criteria: In accordance with 44 CFR §13.35, 2 CFR §180.220, and 2 CFR §180.300, the County must verify that contracts with vendors for goods and services costing more than \$25,000 are not awarded to vendors who have been suspended or debarred from doing business with the federal government.

Condition and context: The County did not have procedures to verify that vendors being awarded contracts to provide goods and services costing more than \$25,000 and paid for with federal monies had not been suspended or debarred, or otherwise excluded, from federal contracts. In addition, the County paid two vendors a total of \$306,152 during the year and did not ensure the vendors were not suspended or debarred. However, auditors noted that no payments were made to suspended or debarred vendors.

Effect: The County could make payments to suspended or debarred vendors.

Cause: The County did not have policies and procedures in place to verify whether vendors have been suspended or debarred.

Santa Cruz County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

Recommendation: The County should establish policies and procedures to verify that vendors have not been suspended or debarred prior to awarding contracts of \$25,000 or more in federal monies and retain documentation of this determination. This may be accomplished by checking the System for Award Management, obtaining vendor certifications, or adding clauses or conditions to the contract.

This finding is similar to a prior-year finding.

12-110

CFDA No.: 95.001 **High Intensity Drug Trafficking Areas Program**

**Executive Office of the President**

Passed through the City of Tucson

Award Period: January 1, 2010 through December 31, 2011

January 1, 2011 through December 31, 2012

January 1, 2012 through December 31, 2013

Award Numbers: HT20-10-1913, HT20-10-1914, HT21-11-1913, HT21-11-1914,  
HT-12-2241, HT-12-2242

Reporting

Questioned Cost: None

Criteria: In accordance with the City of Tucson HIDTA Program grant agreements, financial reports should be submitted by the 25th of the following month.

Condition and context: The County did not always submit monthly reports in a timely manner. For five of six reports tested, auditors noted that the reports were not submitted in a timely manner and the late submissions varied from 3 days to approximately 7 months.

Effect: The County is in noncompliance with program reporting requirements.

Cause: The County did not prepare and submit the reports in a timely manner.

Recommendation: The County should prepare and submit the reports in accordance with the reporting schedule as prescribed in the HIDTA grant agreements.



ADMINISTRATIVE SERVICES  
SANTA CRUZ COUNTY

Jennifer K. St. John, CPA  
Director

August 27, 2013

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 standards applicable to financial audits contained in *Government Auditing Standards*, and by U. S. Office of Management and Budget Circular A-133. Specifically, we are providing you with the corrective action planned for the financial reporting findings and the names of the contact persons responsible for corrective action, the corrective action planned, and the anticipated completion date for each federal 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, 2012**

**Financial Statement Findings**

**Item: 12-01**

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, 2014

Corrective Action: The County will take greater care when producing the financial statements for the fiscal year ended June 30, 2013, and June 30, 2014, and will submit all required financial information to the Auditor General's Office in a timely manner so the financials and Single Audit for fiscal year 2013 and 2014 can be issued by May 31, 2014, and March 31, 2015, respectively. Further, the County hired an outside independent contractor to help compile and prepare the financial statements.

**Item: 12-02**

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

Contact Person: Liz Gutfahr, County Treasurer

Anticipated Completion Date: December 31, 2013

Corrective Action: In July 2012, the County hired an outside contractor to help reconcile cash and investments to the financial institutions. This contractor has been working with the County Treasurer's Office since then to perform accurate and timely reconciliations. As of August 29, 2013, monthly reconciliations are being performed between the County's books and the financial institutions. The reconciling items are being identified and cleared on a daily basis and the unreconciled difference has gone down significantly. While the County did overlook one cleared warrant at June 30, 2012; the County adjusted the financial statements to account for that oversight. Finally, interest is earned bi-annually and is not known to the County until it is paid out which does not allow the County to apportion interest for pooled investments on a quarterly basis. Unpooled investment income is apportioned on a monthly basis.

**Item: 12-03**

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, 2014

Corrective Action: The County performed a physical capital asset inventory as required by Statute in late Spring 2012. This inventory provided a basis for the County to update its physical inventory. As the County does not have a centralized purchasing department, it is hard to ensure that all capital assets are tagged and that all pertinent information is included in the capital asset listing; however staff will take greater care when purchasing assets and compiling the listing. The County has been working on properly identifying intangible and donated assets. Further, staff has been correcting the depreciation expense for all depreciable capital assets. The County feels like these issues will be corrected by June 30, 2013. Finally, staff within the Public Works Department is being trained to help track infrastructure and intangible assets

**Santa Cruz County  
Corrective Action Plan  
Year Ended June 30, 2012**

and update the asset listing on a timely basis. We feel these areas will be addressed by June 30, 2014.

**Item: 12-04**

Subject: The County should improve its procedures over revenues and year-end receivables.

Contact Person: Jennifer St. John, Administrative Services Director

Anticipated Completion Date: June 30, 2013

Corrective Action: From June 2012 through the August 2012, the staff person normally assigned to book the year-end revenues and receivables was the Acting County Treasurer and not working within the Finance Department. Therefore, Finance assigned a staff person unfamiliar with these journal entries to perform the work. Also, the County hired an outside contractor to help compile and prepare the financial statements and will work closely with the contractor to properly record revenues and year-end receivables at June 30, 2013.

**Item: 12-05**

Subject: The County should improve its procedures over expenditures and year-end accounts payable.

Contact Person: Jennifer St. John, Administrative Services Director

Anticipated Completion Date: June 30, 2013

Corrective Action: The County identified the understated expenditures but did not make an adjustment on the financial statements as the amounts per fund were extremely immaterial. The County did overlook the accounts payable and the prior-year accrual but both of these errors were corrected for financial statement purposes and have been corrected now on the County's books. The County has hired an outside contractor to help compile and prepare the financial statements and will work closely with the contractor to properly record expenditures and year-end accounts payable.

**Item: 12-06**

Subject: The County should improve its procedures over landfill receipts.

Contact Person: Jesus Valdez, Public Works Director

Anticipated Completion Date: March 31, 2014

Corrective Action: Landfill staff will make deposits at least twice a week. Further, a separate individual will reconcile daily receipt totals to the amount deposited at the Treasurer's Office on a weekly basis, which will be evidenced via an initial and date.

**Item: 12-07**

Subject: The County should improve purchasing procedures.

Contact Person: Jennifer St. John, Administrative Services Director

**Santa Cruz County  
Corrective Action Plan  
Year Ended June 30, 2012**

Anticipated Completion Date: October 31, 2013

Corrective Action: In May 2013, staff within the Finance department was trained to make sure that verbal, written and sealed competitive bids or a State contract number is included on each applicable procurement purchase. Further, training will be required for all County staff responsible for purchasing or initiating a purchase to help ensure that they are following the County's procurement process.

Item: **12-08**

Subject: The County should strengthen controls over its financial information system.

Contact Person: Raul Mavis, Information Technology Director

Anticipated Completion Date: March 31, 2014

Corrective Action: The County is working with our software provider to develop written policies and procedures over operations of our accounting system.

Item: **12-09**

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

Contact Person: Raul Mavis, Information Technology Director

Anticipated Completion Date: December 31, 2013

Corrective Action: The County is currently backing up its data nightly and storing the back-up at an offsite County facility. Written procedures are being developed in case of a disaster and staff is implementing a plan to test our disaster recovery plan.

**Santa Cruz County  
Corrective Action Plan  
Year Ended June 30, 2012**

**Federal Award Findings and Questioned Costs**

Item: **12-101**

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, 2014

Corrective Action: The County will take greater care when producing the financial statements for the fiscal year ended June 30, 2013, and June 30, 2014, and will submit all required financial information to the Auditor General's Office in a timely manner so the financials and Single Audit for fiscal year 2013 and 2014 can be issued by May 31, 2014, and March 31, 2015, respectively. Further, the County hired an outside independent contractor to help compile and prepare the financial statements.

Item: **12-102**

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: May 31, 2014

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 for the fiscal year ended June 30, 2013. Further, the County hired an outside independent contractor to help compile and prepare the SEFA.

Item: **12-103**

CFDA Number: 16.738 Edward Byrne Memorial Justice Assistance Grant Program  
16.809 ARRA – Recovery Act – State and Local Law Enforcement Assistance Program:  
Combating Criminal Narcotics Activity Stemming from the Southern Border of the United States  
Competitive Grant Program  
81.128 ARRA – Energy Efficient and Conservation Block Grant Program (EECBG)  
95.001 High Intensity Drug Trafficking Area (HIDTA)  
97.067 Homeland Security Grant Program

Subject: The County should improve procedures over capital assets.

Contact Person: Jennifer St. John, Administrative Services Director

Anticipated Completion Date: June 30, 2014

Corrective Action: The County performed a physical capital asset inventory as required by Statute in late

**Santa Cruz County  
Corrective Action Plan  
Year Ended June 30, 2012**

Spring 2012. This inventory provided a basis for the County to update its physical inventory. As the County does not have a centralized purchasing department, it is hard to ensure that all capital assets are tagged and that all pertinent information is included in the capital asset listing; however, staff will take greater care when purchasing assets and compiling the listing.

**Item: 12-104**

CFDA Number: 16.738 Edward Byrne Memorial Justice Assistance Grant Program

Subject: The County should improve procurement procedures.

Contact Person: Jennifer St. John, Administrative Services Director  
George Silva, County Attorney

Anticipated Completion Date: October 31, 2013

Corrective Action: In May 2013, staff within the Finance department was trained to make sure that verbal, written and sealed competitive bids or a State contract number is included on each applicable procurement purchase. Further, training will be required for all County staff responsible for purchasing or initiating a purchase to help ensure that they are following the County's procurement process. For this purchase, the requisition indicated that three written bids were obtained; however, the bids could not be produced when requested. Finally, Finance staff has begun to print the suspended and debarred listing immediately upon receipt of the requisition for purchases greater than \$25,000. This print-out is maintained in a file within the Finance department and attached to the purchase order once the goods or services and invoice is received and sent back to the Finance department.

**Item: 12-105**

CFDA Number: 16.809 ARRA – Recovery Act – State and Local Law Enforcement Assistance Program: Combating Criminal Narcotics Activity Stemming from the Southern Border of the United State Competitive Grant Program  
84.334 Gaining Early Awareness and Readiness for Undergraduate Programs  
95.001 High Intensity Drug Trafficking Area (HIDTA)

Subject: The County should comply with time and effort certification requirements.

Contact Person: Carlos Rivera, County Manager

Anticipated Completion Date: June 30, 2014

Corrective Action: The Human Resource department will start sending out time and effort certifications to all grant funded employees twice a year to help ensure that these requirements are satisfied.

**Item: 12-106**

CFDA Number: 16.809 ARRA – Recovery Act – State and Local Law Enforcement Assistance Program: Combating Criminal Narcotics Activity Stemming from the Southern Border of the United State Competitive Grant Program

**Santa Cruz County  
Corrective Action Plan  
Year Ended June 30, 2012**

Subject: The County should improve procurement procedures.

Contact Person: George Silva, County Attorney

Anticipated Completion Date: October 31, 2013

Corrective Action: In May 2013, staff within the Finance department was trained to make sure that verbal, written and sealed competitive bids or a State contract number is included on each applicable procurement purchase. Further, training will be required for all County staff responsible for purchasing or initiating a purchase to help ensure that they are following the County's procurement process.

Item: **12-107**

CFDA Number: 16.809 ARRA – Recovery Act – State and Local Law Enforcement Assistance Program:  
Combating Criminal Narcotics Activity Stemming from the Southern Border of the United  
States Competitive Grant Program

Subject: The County should report accurate expenditure amounts on its financial reports.

Contact Person: Jennifer St. John, Administrative Services Director

Anticipated Completion Date: December 31, 2012

Corrective Action: In January 2012, the County realized that it had been incorrectly charging an employee to this grant for a period of approximately 18 months. The County immediately corrected the error and contacted the Federal grantor to report the issue. Since the money had previously been drawn down in excess of what should have been received, it was decided that the County would not report expenditures to the grantor until the County had "paid back" the grantor. Unfortunately, we did not get this in writing from the grantor. However, as the finding mentions, this resulted in no excess federal payments to the County and was resolved by December 31, 2012.

Item: **12-108**

CFDA Number: 81.128 ARRA – Energy Efficient and Conservation Block Grant Program (EECBG)

Subject: The County should improve procurement procedures.

Contact Person: Jennifer St. John, Administrative Services Director  
Mary Dahl, Community Development Director

Anticipated Completion Date: October 31, 2013

Corrective Action: In May 2013, staff within the Finance department was trained to make sure that verbal, written and sealed competitive bids or a State contract number is included on each applicable procurement purchase. Further, training will be required for all County staff responsible for purchasing or initiating a purchase to help ensure that they are following the County's procurement process. Finally, Finance staff has begun to print the suspended and debarred listing immediately upon receipt of the requisition for purchases greater than \$25,000. This print-out is maintained in a file within the Finance department and attached to the purchase order once the goods or services and invoice is received and sent back to the

**Santa Cruz County  
Corrective Action Plan  
Year Ended June 30, 2012**

Finance department.

**Item: 12-109**

CFDA Number: 97.067 Homeland Security Grant Program

Subject: The County should adhere to suspension and debarment requirements.

Contact Person: Jennifer St. John, Administrative Services Director

Anticipated Completion Date: May 31, 2013

Corrective Action: In May 2013, Finance staff began printing the suspended and debarred listing immediately upon receipt of each requisition for purchases greater than \$25,000. This print-out is maintained in a file within the Finance department and attached to the purchase order once the goods or services and invoice is received and sent back to the Finance department. Further, as the finding states, there were no payments made to suspended or debarred vendors.

**Item: 12-110**

CFDA Number: 95.001 High Intensity Drug Trafficking Area (HIDTA)

Subject: The County should submit monthly reports in a timely manner.

Contact Person: Tony Estrada, Sheriff  
George Silva, County Attorney

Anticipated Completion Date: December 31, 2013

Corrective Action: The County will take greater care when submitting reports to the federal grantor and submit them in a timely manner.



ADMINISTRATIVE SERVICES  
SANTA CRUZ COUNTY

Jennifer K. St. John, CPA  
Director

August 27, 2013

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. 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, 2012**

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

CFDA Number: Not applicable

Finding Number: **11-101, 10-101, and 09-101**

Status: Not Corrected

Corrective Action Plan: The County will submit all required financial information to the Auditor General's Office so that the fiscal year 2013 Single Audit can be issued by May 31, 2014 and the 2014 Single Audit can be issued by March 31, 2015.

CFDA Number: Not applicable

Finding Number: **11-102, 10-102, 09-102, and 08-08**

Status: Not Corrected

Corrective Action Plan: The County will take greater care when preparing the Schedule of Expenditures of Federal Awards (SEFA) to include all federal awards and expenditures, for the fiscal year ended June 30, 2014.

CFDA Number: 84.394 ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act  
84.397 ARRA – State Fiscal Stabilization Fund (SFSF) – Government Services Recovery Act  
95.001 High Intensity Drug Trafficking Area (HIDTA)  
97.067 Homeland Security Grant Program  
97.074 Law Enforcement Terrorism Prevention Program

Finding Number: **11-103, 10-103, and 09-103**

Status: Not Corrected

Corrective Action Plan: The County performed a physical capital asset inventory as required by Statute in late Spring 2012. This inventory provided a basis for the County to update its physical inventory. As the County does not have a centralized purchasing department, it is hard to ensure that all capital assets are tagged and that all pertinent information is included in the capital asset listing; however staff will take greater care when purchasing assets and compiling the listing.

CFDA Number: 84.394 ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act  
84.397 ARRA – State Fiscal Stabilization Fund (SFSF) – Government Services Recovery Act  
95.001 High Intensity Drug Trafficking Area (HIDTA)  
97.067 Homeland Security Grant Program  
97.074 Law Enforcement Terrorism Prevention Program

Finding Number: **11-104, 11-105, 11-106, 10-104 and 09-104**

**Santa Cruz County**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2012**

Status: Not Corrected

Corrective Action Plan: In May 2013, staff within the Finance department was trained to make sure that verbal, written and sealed competitive bids or a State contract number is included on each applicable procurement purchase. Further, training will be required for all County staff responsible for purchasing or initiating a purchase to help ensure that they are following the County's procurement process. Finally, Finance staff has begun to print the suspended and debarred listing immediately upon receipt of the requisition for purchases greater than \$25,000. This print-out is maintained in a file within the Finance department and attached to the purchase order once the goods or services and invoice is received and sent back to the Finance department.

CFDA Number: 16.606 State Criminal Alien Assistance Program  
16.809 ARRA – Recovery Act – State and Local Law Enforcement Assistance  
Program: Combating Criminal Narcotics Activity Stemming from the Southern Border  
of the United States Competitive Grant Program  
97.067 Homeland Security Grant Program

Finding Number: **11-107, 11-108, and 10-105**

Status: Partially Corrected

Corrective Action Plan: For the findings related to requesting reimbursement for allowable expenditures, this finding has been corrected as of December 31, 2012. To help adhere to the payroll certification requirements, the Human Resource department will start sending out time and effort certifications to all grant funded employees twice a year to help ensure that these requirements are satisfied.

CFDA Number: 16.606 State Criminal Alien Assistance Program

Finding Number: **11-109**

Status: Corrected as of June 30, 2013

CFDA Number: 97.067 Homeland Security Grant Program

Finding Number: **11-110**

Status: Corrected