

REPORT HIGHLIGHTS
 SINGLE AUDIT

Subject

Santa Cruz County spent \$7.6 million of federal monies and additional required county-matching monies this past year for 46 programs. The largest federal grants were for job training, education, homeland security, and airport improvement. In return, the County must be accountable for its use of both federal and state monies, maintain strong internal controls, and comply with federal program requirements. As the auditors, our job is to determine whether the County met its responsibilities.

Our Conclusion

The County maintained adequate internal controls over financial reporting. The County also maintained adequate internal controls over and complied with the federal compliance requirements for four of the six programs tested. However, for two of the six programs tested, auditors found internal control weaknesses that resulted in noncompliance with program requirements.



2005

Year Ended June 30, 2005

The County did not Comply with Federal Requirements for Two Programs

Auditors identified and tested six federal programs under the guidelines established by the Single Audit Act. Audit tests included evaluating the County's compliance with each program's federal regulations generally related to expending, monitoring, matching, and reporting federal awards. Material weaknesses in internal control and material noncompliance were noted for the following two programs tested.

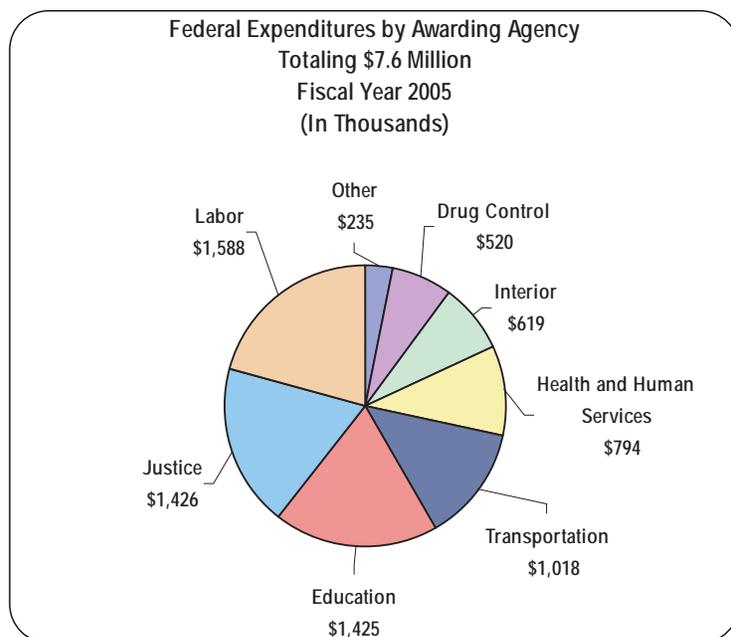
Early Learning Fund

The County School Superintendent's Office reported duplicate expenditures of \$52,817 and did not report valid expenditures of \$2,915 on the semiannual

Financial Status Reports to the grantor. The auditors did not report any questioned costs because the County did not receive reimbursement for the duplicate expenditures. However, the reporting errors were significant to the program.

Centers for Disease Control and Prevention—Investigations and Technical Assistance

The County's Emergency Management Department did not document the procurement of sole source professional services totaling \$72,500 in accordance with federal requirements. Monies paid to the vendor were significant to the program.



The County Had Decreased Federal Award Expenditures

During fiscal year 2005, the County spent approximately \$7.6 million of federal monies. Overall, expenditures decreased by approximately \$500,000, or 6.2 percent, from the \$8.1 million expended in fiscal year 2004. The most significant changes occurred in funding from the following federal agencies and programs:

- A \$471,000 decrease in the Community Development Block Grant under U.S. Department of Housing and Urban Development.
- A \$617,000 increase in U.S. Department of Justice and Department of Homeland Security programs, mostly due to an increase in expenditures from awards received in 2003 for the State Domestic Preparedness Equipment Support program.
- A \$810,000 decrease in the Airport Improvement Program from the U.S. Department of Transportation.

TO OBTAIN MORE INFORMATION

A copy of the full report can be obtained by calling
(602) 553-0333



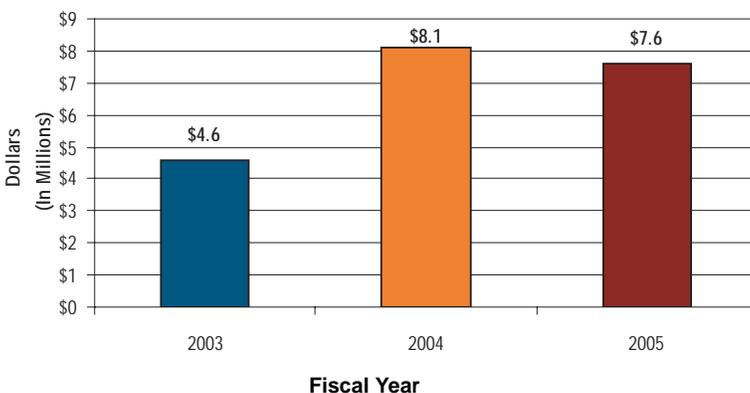
or by visiting our Web site at:
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Contact person for this report:
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The Single Audit Fact Sheet

- One weaknesses in financial reporting internal controls.
- Four weaknesses in federal compliance internal controls, two of which were considered material weaknesses.
- Four instances of noncompliance with federal compliance requirements, two of which were considered material noncompliance.

Federal Program Expenditures
Fiscal Years 2003-2005



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Year Ended June 30, 2005