

REPORT HIGHLIGHTS
SINGLE AUDIT

Subject

Santa Cruz County spent \$8.1 million of federal monies and additional required County-matching monies this past year for 44 programs. The largest federal grants were for airport improvement, job training, and education. 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 program requirements for seven of the eight programs tested. However, for one program, the auditors reported an instance of noncompliance with program requirements. See page two for more information.



2004

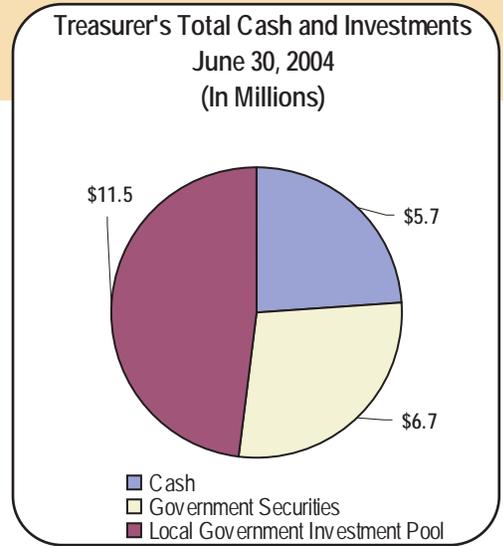
Year Ended June 30, 2004

The County Treasurer Needs to Improve its Controls over Cash and Investments

The primary responsibility of the County Treasurer's Office is to manage the County's and political subdivisions' monies. As of June 30, 2004, the Treasurer's Office held approximately \$24 million in public monies. A breakout of the Treasurer's total cash and investments at June 30, 2004, is presented in the figure to the right.

The Treasurer's Office had not established effective control procedures and had not accurately reconciled its cash journal to the Treasurer's Report, daily cash reconciliation, bank statement, or investment ledger. Our report included examples of internal control and reconciliation deficiencies, as follows:

- Lack of proper reconciliation procedures resulted in an unreconciled difference of over \$615,000 between the Treasurer's cash journal and Treasurer's Report.
- More than 100 reconciling items dating back to 1993 were identified but had not been investigated or corrected.



- All three authorized signers could prepare, approve, and sign checks, and had access to blank checks.

The Treasurer's Office should establish a control environment that sets the tone and structure for conducting operations and safeguarding its cash and investments. Our report included the following recommendations that the County Treasurer should implement.

Recommendations

- Implement prior audit recommendations.
- Reconcile the cash journal to the Treasurer's Report, daily cash reconciliation, bank statement, and investment ledger at least monthly.
- Identify and promptly investigate reconciling items and make correcting adjustments or have the bank correct its records.
- Establish necessary guidelines to ensure employee responsibilities are effectively separated.

The County Had Increased Federal Award Expenditures

Overall, County expenditures of federal award monies increased by more than \$3.5 million over the prior year. The most significant changes occurred in funding from the following federal agencies and programs:

- A \$1.7 million increase in the Airport Improvement Program from the U.S. Department of Transportation.
- A \$592,000 increase in U.S. Department of Education programs, mostly for the Community Technology Centers, Projects with Industry, and Arts in Education programs.
- A \$475,000 increase in the Community Development Block Grants program from the U.S. Department of Housing and Urban Development.
- A \$445,000 decrease in U.S. Department of Labor programs, mostly caused by reduced funding for the Workforce Investment Act programs.
- A \$307,000 increase in U.S. Department of Homeland Security Programs, mostly for the State Domestic Preparedness Equipment Support program.

TO OBTAIN MORE INFORMATION

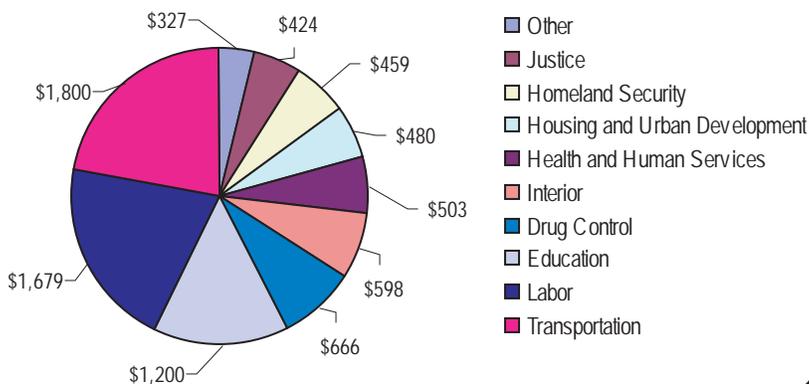
A copy of the full report can be obtained by calling
(602) 553-0333



or by visiting our Web site at:
www.auditorgen.state.az.us

Contact person for this report:
Doug Haywood

Federal Expenditures by Awarding Agency
Year Ended June 30, 2004
(In Thousands)



The Single Audit Fact Sheet

- One weakness in financial reporting internal controls.
- No material weaknesses in financial reporting or federal compliance internal controls.
- One violation of federal program compliance requirements.
- Program costs totaling \$10,000 that were questioned as a result of our audit.

A County Reporting Error Resulted in a \$10,000 Questioned Cost for the Community Development Block Grants Program

The County did not comply with program requirements for allowable costs/cost principles and reporting for its Community Development Block Grants Program.

Specifically, the County did not accurately calculate a total reimbursement request submitted to the grantor, which resulted in an overpayment to the County of \$10,000.

REPORT HIGHLIGHTS SINGLE AUDIT

Year Ended June 30, 2004