

COUNTY OF SANTA CRUZ
SINGLE AUDIT REPORT
FOR THE YEAR ENDED
JUNE 30, 2019

**COUNTY OF SANTA CRUZ
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2019**

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BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Board of Supervisors
of the County of Santa Cruz, California
Santa Cruz, California

BAKERSFIELD OFFICE (MAIN OFFICE)

4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE

10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

STOCKTON OFFICE

1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Santa Cruz (the County), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 17, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

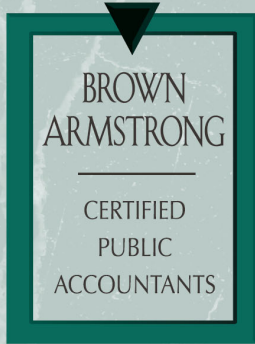
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 17, 2019



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Board of Supervisors
of the County of Santa Cruz, California
Santa Cruz, California

BAKERSFIELD OFFICE (MAIN OFFICE)

4200 TRUXTON AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE

10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

STOCKTON OFFICE

1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

Report on Compliance for Each Major Federal Program

We have audited the County of Santa Cruz's (the County) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2019. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

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 combination of deficiencies, in internal control over compliance, such that there is a 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. 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 17, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of 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 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 auditing standards generally accepted in the United States of America. 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.

Restriction on Use

This report is intended solely for the information and use of management, County Board of Supervisors, 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
December 17, 2019

**COUNTY OF SANTA CRUZ
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Program Title	Federal CFDA Number	Contract or Program Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Passed through CA Department of Food and Agriculture				
Phytophthora Ramorum	10.025	18-0295-032-SF	\$ -	\$ 43,883
Glassy-Winged Sharpshooter	10.025	17-0453-032-SF	-	55,095
Enhanced Exotic Pest Survey	10.025	18-0222	-	205,158
Subtotal			-	304,136
CalFRESH Employment and Training (CFET)	10.561	--	-	223,094
CalFRESH Enhanced	10.561	--	-	90,022
CalFRESH & Staff Development	10.561	--	-	6,739,602
Passed through California Department of Public Health				
Nutrition Education and Obesity Prevention	10.561	16-10162	-	336,898
Subtotal			-	7,389,616
Passed through California Department of Education				
National School Lunch and Breakfast Program	10.555	44-3447-90003419-01	-	28,330
Subtotal			-	28,330
Total U.S. Department of Agriculture			-	7,722,082
U.S. Department of Housing and Urban Development				
Direct Programs				
HUD Supportive Housing Program - Match I	14.267	CA0231L9T081710	-	469,929
HUD Supportive Housing Program - Match I	14.267	CA0231L9T081811	-	85,521
HUD Supportive Housing Program - Match II	14.267	CA0960L9T081603	-	30,039
HUD Supportive Housing Program - Match II	14.267	CA0960L9T081704	-	39,515
HUD Supportive Housing Program - Match III	14.267	CA1074L9T081604	-	35,053
HUD Supportive Housing Program - Match III	14.267	CA1074L9T081705	-	62,969
HUD Supportive Housing Program - Bonus Housing	14.267	CA1310L9T081702	-	29,757
HUD Supportive Housing Program - Bonus Housing	14.267	CA1310L9T081803	-	105,236
Passed through California Department of Housing and Community Development				
Homeless Action Partnership	14.267	CA1555L9T081701HUD2018	56,417	56,417
Homeless Action Partnership	14.267	CA1555L9T081600HUD2017	2,318	2,318
Homeless Action Partnership	14.267	CA1656L9T081700HUD	68,857	68,857
HUD Youth Homelessness Demonstration Program	14.267	CA1636Y9T081600	44,372	44,372
Subtotal			171,964	1,029,983
Passed through California Department of Housing and Community Development				
Community Development Block Grant	14.228	15-CDBG-10561	106,048	1,244,599
Subtotal			106,048	1,244,599
Home Investment Partnerships Program	14.239	15-HOME-10632	230,779	243,279
Home Investment Partnerships Program - loan	14.239	19-HM15-16/ 16-HM16-17	-	373,810
Subtotal			230,779	617,089
Total U.S. Department of Housing and Urban Development			508,791	2,891,671
U.S. Department of Justice				
Direct Programs				
SSCO Sheriff's Quality Improvement Medical Examiner-Coroner Accredi Proj	16.560	--	-	10,778
Bulletproof Vest Partnership	16.607	--	-	5,419
Subtotal			-	16,197
Passed through California Emergency Management Agency				
Victim Witness Assistance Program	16.575	VW17360440	-	98,741
Victim Witness Assistance Program	16.575	VW18370440	-	271,716
Child Advocacy Center Program	16.575	KC17010440	-	161,011
Child Advocacy Center Program	16.575	KC18020440	-	45,453
County Victim Services Program	16.575	XC16010440	-	106,571
Unserved/Underserved Victim Advocacy and Outreach Program	16.575	UV1602 0440	-	49,120
Unserved/Underserved Victim Advocacy and Outreach Program	16.575	UV1803 0440	-	129,734
Subtotal			-	862,346
Passed through Justice Reinvestment Initiative				
Technical Assistance and Maximizing Local Reforms	16.827	2015-ZB-BX-0006	-	35,623
Subtotal			-	35,623
Passed through Office for Victims of Crime				
Supporting Male Survivors of Violence	16.582	2015-VF-GX-K042	209,235	294,979
Subtotal			209,235	294,979
Passed through California Board of State and Community Corrections				
Sheriff's Office SCCO - Residential Abuse Treatment (RSAT)	16.593		-	41,238
Title II Juvenile Delinquency Prevention and Intervention Grant Program	16.540	PODER	87,531	211,149
Subtotal			87,531	252,387
Total U.S. Department of Justice			296,766	1,461,532

See accompanying notes to the Schedule of Expenditures of Federal Awards.

COUNTY OF SANTA CRUZ
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Program Title	Federal CFDA Number	Contract or Program Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Labor				
Passed through California Department of Employment Development				
WIOA Cluster Programs				
Title I - A Adult Formula	17.258	--	344,248	1,203,762
High Performing Boards	17.258	--	-	17,355
WIOA Youth Activities - Title I Youth Formula	17.259	--	746,806	998,186
Title I-D Dislocated Worker Formula	17.278	--	338,965	941,816
Title I Rapid Response for RA & PGM - Business Retention Survey	17.278	--	66,197	164,692
WIOA Cluster			<u>1,496,216</u>	<u>3,325,811</u>
Total U.S. Department of Labor			<u>1,496,216</u>	<u>3,325,811</u>
U.S. Department of Transportation				
Passed through California Department of Transportation				
Highway Planning and Construction	20.205	BPMP-5936(107)	-	2,608
Highway Planning and Construction	20.205	BPMP-5936(117)	-	2,828
Highway Planning and Construction	20.205	BPMP-5936(119)	-	4,084
Highway Planning and Construction	20.205	BRLO-5936(086)	-	170,753
Highway Planning and Construction	20.205	BRLO-5936(089)	-	6,926
Highway Planning and Construction	20.205	BRLO-5936(091)	-	5,541
Highway Planning and Construction	20.205	BRLO-5936(093)	-	3,016
Highway Planning and Construction	20.205	BRLO-5936(094)	-	2,880
Highway Planning and Construction	20.205	BRLO-5936(095)	-	4,730
Highway Planning and Construction	20.205	BRLO-5936(096)	-	10,781
Highway Planning and Construction	20.205	BRLO-5936(097)	-	2,105,598
Highway Planning and Construction	20.205	BRLO-5936(112)	-	5,656
Highway Planning and Construction	20.205	BRLO-5936(127)	-	7,143
Highway Planning and Construction	20.205	BRLO-5936(132)	-	7,195
Highway Planning and Construction	20.205	DR-1968-HPMG	-	105,095
Highway Planning and Construction	20.205	ER-20E0-5936(010)	-	39,740
Highway Planning and Construction	20.205	ER-20E0-5936(011)	-	203,593
Highway Planning and Construction	20.205	ER-20E0-5936(012)	-	275,473
Highway Planning and Construction	20.205	ER-30R0-5936(003)	-	16,811
Highway Planning and Construction	20.205	ER-30R0-5936(004)	-	24,951
Highway Planning and Construction	20.205	ER-30R0-5936(005)	-	285
Highway Planning and Construction	20.205	ER-30R0-5936(006)	-	22,773
Highway Planning and Construction	20.205	ER-32D0-5936(002)	-	105,705
Highway Planning and Construction	20.205	ER-32D0-5936(003)	-	155
Highway Planning and Construction	20.205	ER-32D0-5936(004)	-	18,546
Highway Planning and Construction	20.205	ER-32D0-5936(011)	-	60,463
Highway Planning and Construction	20.205	ER-32D0-5936(014)	-	171,608
Highway Planning and Construction	20.205	ER-32L0-5936(002)	-	810,139
Highway Planning and Construction	20.205	ER-32L0-5936(004)	-	1,685
Highway Planning and Construction	20.205	ER-32L0-5936(005)	-	16,524
Highway Planning and Construction	20.205	ER-32L0-5936(006)	-	48,414
Highway Planning and Construction	20.205	ER-32L0-5936(007)	-	91,915
Highway Planning and Construction	20.205	ER-32L0-5936(008)	-	68,206
Highway Planning and Construction	20.205	ER-32L0-5936(009)	-	1,343,014
Highway Planning and Construction	20.205	ER-32L0-5936(011)	-	402,415
Highway Planning and Construction	20.205	ER-32L0-5936(013)	-	23,052
Highway Planning and Construction	20.205	ER-32L0-5936(014)	-	90,203
Highway Planning and Construction	20.205	ER-32L0-5936(015)	-	60,233
Highway Planning and Construction	20.205	ER-32L0-5936(016)	-	73,340
Highway Planning and Construction	20.205	ER-32L0-5936(020)	-	12,615
Highway Planning and Construction	20.205	ER-32L0-5936(021)	-	73,579
Highway Planning and Construction	20.205	ER-32L0-5936(046)	-	15,021
Highway Planning and Construction	20.205	ER-32L0-5936(050)	-	55,770
Highway Planning and Construction	20.205	ER-32L0-5936(052)	-	60,895
Highway Planning and Construction	20.205	ER-32L0-5936(056)	-	77,140
Highway Planning and Construction	20.205	ER-32L0-5936(057)	-	35,860
Highway Planning and Construction	20.205	ER-32L0-5936(058)	-	59,913
Highway Planning and Construction	20.205	ER-32L0-5936(059)	-	55,486
Highway Planning and Construction	20.205	ER-32L0-5936(060)	-	98,930
Highway Planning and Construction	20.205	ER-32L0-5936(062)	-	41,052
Highway Planning and Construction	20.205	ER-32L0-5936(064)	-	1,153
Highway Planning and Construction	20.205	ER-32L0-5936(065)	-	66,833
Highway Planning and Construction	20.205	ER-32L0-5936(066)	-	102,538
Highway Planning and Construction	20.205	ER-32L0-5936(067)	-	58,219
Highway Planning and Construction	20.205	ER-32L0-5936(068)	-	125,170
Highway Planning and Construction	20.205	ER-32L0-5936(069)	-	57,078
Highway Planning and Construction	20.205	ER-32L0-5936(071)	-	2,971
Highway Planning and Construction	20.205	ER-32L0-5936(072)	-	38,288
Highway Planning and Construction	20.205	ER-32L0-5936(079)	-	2,448
Highway Planning and Construction	20.205	ER-32L0-5936(080)	-	69,103
Highway Planning and Construction	20.205	ER-32L0-5936(081)	-	1,402
Highway Planning and Construction	20.205	ER-32L0-5936(082)	-	19,121

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COUNTY OF SANTA CRUZ
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Program Title	Federal CFDA Number	Contract or Program Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Transportation (Continued)				
Passed through California Department of Transportation (Continued)				
Highway Planning and Construction	20.205	ER-32L0-5936(083)	-	42,501
Highway Planning and Construction	20.205	ER-32L0-5936(084)	-	264
Highway Planning and Construction	20.205	ER-32L0-5936(088)	-	7,973
Highway Planning and Construction	20.205	ER-32L0-5936(093)	-	205,892
Highway Planning and Construction	20.205	ER-32L0-5936(094)	-	24,113
Highway Planning and Construction	20.205	ER-32L0-5936(095)	-	66,541
Highway Planning and Construction	20.205	ER-32L0-5936(097)	-	78,103
Highway Planning and Construction	20.205	ER-32L0-5936(103)	-	939
Highway Planning and Construction	20.205	ER-32L0-5936(104)	-	13,300
Highway Planning and Construction	20.205	ER-32L0-5936(106)	-	62,209
Highway Planning and Construction	20.205	ER-32L0-5936(149)	-	55,074
Highway Planning and Construction	20.205	ER-32L0-5936(150)	-	772
Highway Planning and Construction	20.205	ER-32L0-5936(199)	-	31,530
Highway Planning and Construction	20.205	ER-32L0-5936(200)	-	5,434
Highway Planning and Construction	20.205	ER-32L0-5936(201)	-	19,318
Highway Planning and Construction	20.205	ER-32L0-5936(202)	-	63,013
Highway Planning and Construction	20.205	ER-32L0-5936(205)	-	63,830
Highway Planning and Construction	20.205	ER-32L0-5936(207)	-	14,654
Highway Planning and Construction	20.205	ER-32L0-5936(208)	-	11,700
Highway Planning and Construction	20.205	ER-32L0-5936(209)	-	86,604
Highway Planning and Construction	20.205	ER-32L0-5936(210)	-	17,409
Highway Planning and Construction	20.205	ER-32L0-5936(220)	-	43,404
Highway Planning and Construction	20.205	ER-32L0-5936(222)	-	20,589
Highway Planning and Construction	20.205	ER-32L0-5936(223)	-	1,684
Highway Planning and Construction	20.205	ER-32L0-5936(227)	-	7,663
Highway Planning and Construction	20.205	ER-32L0-5936(229)	-	15,782
Highway Planning and Construction	20.205	ER-32L0-5936(257)	-	12,176
Highway Planning and Construction	20.205	ER-32L0-5936(258)	-	78,520
Highway Planning and Construction	20.205	ER-32L0-5936(259)	-	26,973
Highway Planning and Construction	20.205	ER-32L0-5936(260)	-	39,393
Highway Planning and Construction	20.205	ER-32L0-5936(262)	-	36,510
Highway Planning and Construction	20.205	ER-32L0-5936(263)	-	1,068
Highway Planning and Construction	20.205	ER-32L0-5936(264)	-	131,716
Highway Planning and Construction	20.205	ER-32L0-5936(265)	-	19,134
Highway Planning and Construction	20.205	ER-32L0-5936(266)	-	52,419
Highway Planning and Construction	20.205	ER-32L0-5936(335)	-	1,895
Highway Planning and Construction	20.205	ER-32L0-5936(336)	-	2,336
Highway Planning and Construction	20.205	ER-32L0-5936(337)	-	56,583
Highway Planning and Construction	20.205	ER-32L0-5936(339)	-	157,664
Highway Planning and Construction	20.205	ER-32L0-5936(340)	-	7,408
Highway Planning and Construction	20.205	ER-32L0-5936(341)	-	14,161
Highway Planning and Construction	20.205	ER-32L0-5936(342)	-	28,295
Highway Planning and Construction	20.205	ER-32L0-5936(343)	-	69,354
Highway Planning and Construction	20.205	ER-32L0-5936(344)	-	28,540
Highway Planning and Construction	20.205	ER-32L0-5936(345)	-	31,829
Highway Planning and Construction	20.205	ER-32L0-5936(412)	-	40,837
Highway Planning and Construction	20.205	ER-32L0-5936(413)	-	20,868
Highway Planning and Construction	20.205	ER-32L0-5936(414)	-	30,892
Highway Planning and Construction	20.205	ER-32L0-5936(415)	-	63,148
Highway Planning and Construction	20.205	ER-32L0-5936(425)	-	11,559
Highway Planning and Construction	20.205	ER-32L0-5936(463)	-	5,156
Highway Planning and Construction	20.205	HSIPL-5936(120)	-	266,185
Highway Planning and Construction	20.205	HSIPL-5936(122)	-	854,617
Highway Planning and Construction	20.205	HSIPL-5936(123)	-	870,484
Highway Planning and Construction	20.205	HSIPL-5936(129)	-	89,028
Total U.S. Department of Transportation			-	11,553,705
U.S. National Highway Traffic Safety Administration				
Passed through California Office of Traffic Safety				
Pedestrian and Bicycle Safety Program	20.600	PS19020	-	145,216
Occupant Protection Incentive Grant - Tulare County Office of Education Highway Safety Cluster	20.602	--	-	9,000
			-	154,216
National Priority Safety Programs - Child Passenger Safety Subtotal	20.616	OP190111	-	45,026
			-	45,026
National Priority Safety Programs - Impacted Impaired Driving Subtotal	20.608	AL18023	6,399	85,270
			6,399	85,270
Total U.S. National Highway Traffic Safety Administration			6,399	284,512

See accompanying notes to the Schedule of Expenditures of Federal Awards.

COUNTY OF SANTA CRUZ
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Program Title	Federal CFDA Number	Contract or Program Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services				
Direct Programs				
Health Center Cluster	93.224	H80CS00048	23,424	3,236,316
Subtotal			<u>23,424</u>	<u>3,236,316</u>
Drug Free Communities	93.276	5H79SP018550-07 / 6H79SP018550-08	14,346	94,351
Subtotal			<u>14,346</u>	<u>94,351</u>
Capital Development	93.526	C8DS29778	-	925,363
Subtotal			<u>-</u>	<u>925,363</u>
Early Intervention Services	93.918	H76HA00153	21,023	481,680
Subtotal			<u>21,023</u>	<u>481,680</u>
Passed through California Department of Social Services				
KinGap IV-E - Administration	93.090	--	-	10,697
Subtotal			<u>-</u>	<u>10,697</u>
Temporary Assistance for Needy Families				
CalWORKS - Assistance	93.558	--	-	5,323,963
Temporary Assistance for Needy Families - CalWorks Program and Staff Development	93.558	--	-	14,193,102
Temporary Assistance for Needy Families - EA - ER, ESC, CR	93.558	--	-	1,817,612
CALWIN	93.558	--	-	329,571
Subtotal			<u>-</u>	<u>21,664,248</u>
RCA Refugee Assistance	93.566	--	-	4,892
Subtotal			<u>-</u>	<u>4,892</u>
Foster Care - Title IV-E				
Emergency Child Care Bridge	93.658	--	-	37,574
Foster Care - Assistance	93.658	--	-	1,045,682
Foster Care - Title IV-E - AB2129	93.658	--	-	21,454
Case Record Review	93.658	--	-	130,670
Child Welfare Services - CWS Title IV-E & Staff Development	93.658	--	-	767,917
Foster Parent Recruitment Retention and Support	93.658	--	-	28,378
Foster Care - Licensing Foster Family & Staff Development	93.658	--	-	11,830
Foster Care - Title IV-E - Administration & Staff Development	93.658	--	-	163,341
Foster Care - Kinship & Foster Care Emergency Fund	93.658	--	-	746
Probation - CSEC (Pass Through)	93.658	--	-	53,958
Probation - CWS - IV-E & GHMV (Pass Through)	93.658	--	-	378,097
Probation - CWS - OIP (Pass Through)	93.658	--	-	608
Child Welfare Services - Group Home Monthly Visits	93.658	--	-	10,015
Substance Abuse Disorder	93.658	--	-	16,584
Foster Care - EA - FC Emergency Assistance	93.658	--	-	370,151
Resource Family Support	93.658	--	-	297,160
Child Family Team	93.658	--	-	61,192
SACWIS - CWS - NS	93.658	--	-	11,347
Public Agency IV-E Pass-Through (SCCOE)	93.658	--	-	182,505
Licensing - Title XX	93.658	--	-	6,654
FPP: Family Preservation (FED)	93.658	--	-	47,716
SA/HIV Infant Program	93.658	--	-	12,095
Commercially Exploited Children - CSEC	93.658	--	-	10,811
Passed through California Department of Health Services				
Family Preservation - DHS Title XIX	93.658	--	-	17,626
Child Welfare Services - CWS Title IV-E (DHS Title XIX)	93.658	--	-	3,951,144
Subtotal			<u>-</u>	<u>7,635,255</u>
Adoption Assistance				
Adoption Assistance - Assistance	93.659	--	-	4,183,704
Adoption Assistance - Other Public Assistance & Staff Development	93.659	--	-	181,860
Adoption Assistance - Social Services & Staff Development	93.659	--	-	150,112
Adoption Incentive	93.659	--	-	37,067
Subtotal			<u>-</u>	<u>4,552,743</u>
Child Welfare Services - Title XX	93.667	--	-	157,986
Title XX-FC	93.667	--	-	23,632
Subtotal			<u>-</u>	<u>181,618</u>
Promoting Safe and Stable Families - PSSF & Staff Development	93.556	--	-	156,529
Promoting Safe and Stable Families - PSSF Case Worker Visits	93.556	--	-	16,309
Subtotal			<u>-</u>	<u>172,838</u>
Child Welfare Services - Title IV-B & Staff Development	93.645	--	-	143,632
Subtotal			<u>-</u>	<u>143,632</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

COUNTY OF SANTA CRUZ
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Program Title	Federal CFDA Number	Contract or Program Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services (Continued)				
Passed through California Department of Health Services (Continued)				
Independent Living Program & Staff Development	93.674	--	-	56,557
Subtotal			-	<u>56,557</u>
Passed through California Department of Child Support Services				
Child Support Enforcement - Santa Cruz County	93.563	--	-	4,040,932
Child Support Enforcement - San Benito County	93.563	--	-	1,164,951
Subtotal			-	<u>5,205,883</u>
Passed through California Department of Alcohol and Drug Programs				
Substance Abuse Prevention and Treatment Block Grant	93.959	DHCS #17-94200 A01 & 17- 94161 A01	919,534	1,693,539
Subtotal			<u>919,534</u>	<u>1,693,539</u>
Passed through California Department of Health Services				
Adult Protective Services-Title XIX & Staff Development	93.569	--	-	1,096,799
Subtotal			-	<u>1,096,799</u>
California Children's Services Admin - Optional Targeted Low Income (OTLICP)	93.767	CCS Information Notice 18-05	-	131,800
Subtotal			-	<u>131,800</u>
In Home Support Services - Title XIX & Staff Development	93.778	--	-	3,202,894
MEDI CAL 50% & Staff Development	93.778	--	-	19,037,654
California Children's Services Admin - Medical	93.778	CCS Information Notice 18-05	-	359,182
Child Health and Disability Prevention (CHDP)	93.778	CHDP Information Notice 18-02	-	240,401
Health Care Program for Children in Foster Care (HCPCFC)	93.778	CHDP Information Notice 18-03	-	78,747
Health Care Program for Children in Foster Care - Psychotropic Med (PMM&O)	93.778	CHDP Information Notice 18-03	-	12,862
Health Care Program for Children in Foster Care - Caseload Relief	93.778	CHDP Information Notice 18-03	-	23,775
Medicaid Administrative Activities - Targeted Case Management	93.778	19-96022	-	2,658,111
Passed through California Department of Social Services				
Public Authority	93.778	--	-	1,888,670
Passed through the California Department of Mental Health				
Medical Assistance Program	93.778	--	-	1,715,462
Medical Assistance Program - MediCal Administrative Activities (MAA)	93.778	--	-	722,697
Subtotal			-	<u>29,940,455</u>
Passed through the California Department of Mental Health				
Projects for Assistance in Transition from Homelessness (PATH)	93.150	68-0317191	41,076	41,076
Substance Abuse & Mental Health Services Administration (SAMHSA)	93.958	SM010005-17	155,073	282,288
Passed through the California Department of Public Health				
Public Health Emergency Preparedness (PHEP)	93.069	17-10195	-	266,515
California Personal Responsibilities	93.092	15-10320	-	124,946
Tuberculosis Prevention and Control	93.116	5NU52PS004656	-	16,293
Childhood Lead Poisoning Prevention Projects (CLPPP)	93.197	17-10245	-	39,740
Immunization Assistance	93.268	17-10072	-	112,385
Hospital Preparedness Program (HPP)	93.889	17-10195	-	146,376
HIV Care Program	93.917	10891	51,289	472,224
Medication Assisted Treatment Hub and Spoke	93.958	17-94467/8	-	173,902
Federal Maternal & Child Health Basic Grant	93.994	201844	-	263,685
Total U.S. Department of Health and Human Services			<u>1,225,765</u>	<u>79,168,096</u>
U.S. Department of Homeland Security				
Passed through Governor's Office of Homeland Security				
State Domestic Preparedness Equipment Support Program				
Emergency Management Performance Grant - FY2018	97.042	2018-0008	-	180,870
Subtotal			-	<u>180,870</u>
Homeland Security Grant Program FY2017	97.067	2017-0083	-	69,725
Homeland Security Grant Program FY2016	97.067	2016-0102	-	133,231
Homeland Security Grant Program FY2015	97.067	2015-00078	-	22,577
Subtotal			-	<u>225,533</u>
Passed through California Emergency Management Agency				
Public Assistance Grants				
Disaster Grant - 2017 Storm Disaster Recovery	97.036	--	-	39,270
Disaster Grant - FEMA - General County	97.036	087-00000	-	2,162,535
Disaster Grant - FEMA - PSDMD	97.036	087-91003	-	6,472
Disaster Grant - FEMA - CSA'S	97.036	087-91052	-	148,505
Subtotal			-	<u>2,356,782</u>
Total U.S. Department of Homeland Security			-	<u>2,763,185</u>
Total Expenditures of Federal Awards Excluding Prior Year Loans			<u>\$ 3,533,937</u>	<u>\$ 109,170,594</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COUNTY OF SANTA CRUZ
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Program Title	Federal CFDA Number	Contract or Program Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>Prior Federal Loan Balances With a Continuing Compliance Requirement</u>				
U.S. Department of Housing and Urban Development Community Development Block Grant Home Investment Partnerships Program	14.228 14.239			\$ 194,552 1,820,169
U.S. Environmental Protection Agency Passed through California Environmental Protection Agency State Water Resource Control Board	66.458			<u>748,129</u>
Prior Federal Loan Balances with a Continuing Compliance Requirement				<u>2,762,850</u>
Total Expenditures of Federal Awards Including Loans				<u>\$ 111,933,444</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**COUNTY OF SANTA CRUZ
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 – REPORTING ENTITY

The County of Santa Cruz (County) was established by an act of the State Legislature of California in 1850 and is governed by a five-member elected Board of Supervisors (Board). The Board is responsible for the legislative and executive control of the County. The County provides various services on a countywide basis including law and justice, education, detention, social, health, hospital, fire protection, road construction, road maintenance, transportation, park and recreation facilities, elections and records, communications, planning, zoning, and tax collection.

The financial reporting entity consists of: (1) the County; (2) organizations for which the County is financially accountable; and (3) organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The following entities are component units of the County:

Blended Component Units

Santa Cruz Flood Control and Water Conservation District – Zone 7

Santa Cruz County Public Financing Authority

Discretely Presented Component Unit

Santa Cruz County Sanitation District

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Consistent with the County's method of filing federal financial reports, the accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting.

A. Basis of Accounting

Funds received under the various grant programs have been recorded within the general, special revenue, and enterprise funds of the County. The County utilizes the modified accrual basis of accounting for the general fund and special revenue funds. The accrual basis of accounting is used for the enterprise funds. The accompanying Schedule of Expenditures of Federal Awards (Schedule) is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

B. Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all Federal financial assistance programs of the County. Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through from the State of California is included in the Schedule. The Schedule was prepared only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the County.

C. Indirect Cost Rate

The County has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 – SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the County provided federal awards to subrecipients as follows:

Name of Program	CFDA No.	Amount
Homeless Action Partnership	14.267	\$ 127,592
HUD Youth Homelessness Demonstration Program	14.267	44,372
Community Development Block Grant	14.228	106,048
Home Investment Partnerships Program	14.239	230,779
Supporting Male Survivors of Violence	16.582	209,235
Title II Juvenile Delinquency Prevention and Intervention Grant Program	16.540	87,531
Title I-A Adult Formula	17.258	344,248
WIOA Youth Activities - Title I Youth Formula	17.259	746,806
Title I-D Dislocated Worker Formula	17.278	338,965
Title I Rapid Response for RA & PGM - Business Retention Survey	17.278	66,197
National Priority Safety Programs - Impacted Impaired Driving	20.608	6,399
Health Center Cluster	93.224	23,424
Drug Free Communities	93.276	14,346
Early Intervention Services	93.918	21,023
Substance Abuse Prevention and Treatment Block Grant	93.959	919,534
Projects for Assistance in Transition from Homelessness (PATH)	93.150	41,076
Substance Abuse & Mental Health Services Administration (SAMHSA)	93.958	155,073
HIV Care Program	93.917	51,289
Total		\$ 3,533,937

NOTE 4 – PASS-THROUGH ENTITIES’ IDENTIFYING NUMBERS

When federal awards were received from a pass-through entity, the Schedule shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the County determined that no identifying number is assigned for the program or the County was unable to obtain an identifying number from the pass-through entity.

NOTE 5 – LOANS OUTSTANDING

The following programs had federally-funded loans outstanding at June 30, 2019:

CFDA No.	Federal Grantor	County Department Administering Loans	Outstanding Balance at June 30, 2019	Outstanding Balance at June 30, 2018
14.228	Community Development Block Grant (CDBG)	Planning	\$ 194,552	\$ 224,052
14.239	Home Investment Partnerships Program (HOME)	Planning	2,193,979	1,820,169
66.458	State Water Resource Control Board (SWRCB)	Public Works	748,129	797,433
			\$ 3,136,660	\$ 2,841,654

**COUNTY OF SANTA CRUZ
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements:

Type of auditor's report issued	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	___ yes	___ <u>x</u> no
• Significant deficiencies identified not considered to be material weaknesses?	___ yes	___ <u>x</u> no
Noncompliance material to financial statements noted?	___ yes	___ <u>x</u> no

Federal Awards:

Internal control over major programs:		
• Material weakness(es) identified?	___ yes	___ <u>x</u> no
• Significant deficiencies identified not considered to be material weaknesses?	___ yes	___ <u>x</u> no

Type of auditor's report issued on compliance for major programs:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	___ yes	___ <u>x</u> no
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.551/10.561	SNAP Cluster
20.205/20.219/20.224/23.003	Highway Planning & Construction Cluster
93.224/93.527	Health Center Program Cluster
93.658	Foster Care Title IV-E

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 3,000,000
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Auditee qualified as low-risk auditee?	___ <u>x</u> yes	___ no
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SECTION II – FINANCIAL STATEMENT FINDINGS

None in current year.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None in current year.

**COUNTY OF SANTA CRUZ
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2018-001 – Accounts Payable Accruals (Significant Deficiency)

Criteria

In accordance with *Government Auditing Standards*, internal controls should be suitably designed over the financial reporting process to ensure ending account balances are materially correct.

Condition

During our search for unrecorded liabilities testing, we noted 4 out of 72 samples were not properly accrued; 2 should have been fully accrued and 2 should have been partially accrued as of year-end. We determined the amounts for 3 out of the 4 exceptions were material. Per discussion with the client, the 2 that should have been fully accrued were missed, and the 2 that should have been partially accrued were not recorded because they were deemed immaterial based on judgement. We noted there were no policies or procedures in place for determining materiality.

Cause of Condition

Lack of written policies and procedures on determining materiality thresholds used in the accrual process.

Effect or Possible Effect of Condition

Accounts payable and expenses may be understated.

Recommendation

We recommend the County develop policies and procedures on determining reasonable materiality thresholds to use when determining amounts to accrue at year-end.

Management Response and Corrective Action Plan

See separate corrective action plan provided by management.

Current Year Status

Implemented.

Finding 2018-002 – Property Tax Homeowner’s Exemption Records (Other Matter)

Criteria

Homeowner’s exemption forms should be retained for a period of 7 years after the termination date per the County’s retention policy.

Condition

For 3 out of the 10 samples we tested for property taxes, the County was not able to provide a copy of the homeowner’s exemption form. These forms are generally filed only once and are active until the property changes ownership or the homeowner no longer lives there. All 3 claims were terminated between 2015-2016, of which a copy should have been retained for a period of 7 years after the termination dates. We

were informed by the Assessor's department of an instance where a former employee misunderstood the retention requirements and inadvertently destroyed some active claims filed prior to 2002 (all 3 claims were filed prior to this date). The County made an effort to identify any active claims to ask that a new form be filed, however the 3 samples were missed and terminated thereafter, so that never happened.

Cause of Condition

Lack of training to staff responsible for the destruction of records.

Effect or Possible Effect of Condition

The County is not in compliance with its own retention policy as it relates to property tax records. In addition, the California State Board of Equalization requires the Assessor maintain homeowner's exemption records in case of inspection by state auditors.

Recommendation

We recommend that the County provide adequate training to staff responsible for the destruction of records on the County's current retention policies and procedures. We further recommend, if resources allow for it, the County's internal audit test of a sample of properties with homeowner's exemptions filed prior to 2002, to verify there is either a homeowner's exemption form on file, or a new form was properly obtained for any active claims destroyed during the instance noted above.

Management Response and Corrective Action Plan

See separate corrective action plan provided by management.

Current Year Status

Implemented.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2018-003 – Subrecipient Monitoring (Significant Deficiency)

Program: Block Grants for Prevention and Treatment of Substance Abuse

CFDA No.: 93.959

Federal Agency: U.S. Department of Health and Human Services

Passed Through: State of California Department of Health Care Services/State of California Department of Alcohol and Drug Programs

Award Year: Fiscal Year 2017-2018

Compliance Requirement: Subrecipient Monitoring

Questioned Costs: None

Criteria

Title 2 U.S. Code of Federal Regulations section 200.331 states a pass-through entity (the County) with subrecipients is required to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring. Depending upon the pass-through entity's assessment of risk posed by the subrecipient, the entity must develop techniques/tools to ensure proper accountability and compliance with program requirements and achievement of performance goals by the subrecipient. In addition, the County is required to verify that every subrecipient is audited that expends federal awards during the respective fiscal year equal to or greater than thresholds set forth in the Uniform Guidance.

Condition

For 1 out of 3 subrecipients selected for testing, there were no monitoring procedures performed by the County's Health Services Agency (HSA). In addition, the HSA did not verify if the subrecipient was expected to be audited as required by the Uniform Guidance.

Cause of Condition

Monitoring of the subrecipient was not assigned due to personnel changes, and it was delayed because of internal dispute over responsibility.

Effect or Possible Effect of Condition

There is increased risk of noncompliance with the subrecipient monitoring requirement as set forth in the OMB *Compliance Supplement*, which can jeopardize future federal funding as well as result in the payback of federal awards.

Repeat Finding

No.

Recommendation

We recommend management of the HSA implement policies and procedures on how to re-delegate subrecipient monitoring activities during periods of transition with employees. Said policies and procedures should require new employees that are taking on monitoring duties receive proper and adequate training.

Management Response and Corrective Action Plan

See separate corrective action plan provided by management.

Current Year Status

Implemented.