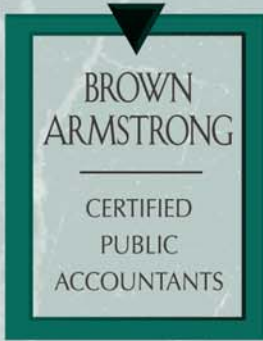


COUNTY OF SANTA CRUZ
SINGLE AUDIT REPORT
FOR THE YEAR ENDED
JUNE 30, 2018

**COUNTY OF SANTA CRUZ
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

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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

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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, 2018, 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 18, 2018.

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. We did identify certain deficiencies in internal controls, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies: 2018-001 and 2018-003.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, and is described in the accompanying schedule of findings and questioned costs as item 2018-002.


County's Response to Findings

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

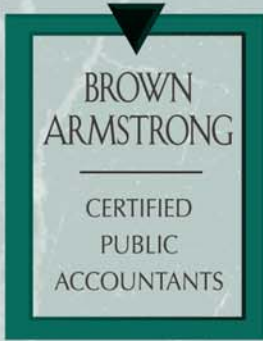
Purpose of this Report

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

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
December 18, 2018



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

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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, 2018. 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, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and is described in the accompanying schedule of findings and questioned costs as item 2018-003. Our opinion on each major federal program is not modified with respect to this matter.

The County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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. We did identify a certain deficiency in internal controls over compliance, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency: 2018-003.

The County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 units, each major fund, and the aggregate remaining fund information of the County, for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 18, 2018, 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 18, 2018

**COUNTY OF SANTA CRUZ
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Program Title	Federal CFDA Number	Contract or Program Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Direct Programs:				
Emergency Community Water Assistance Grants	10.763	--	\$ -	\$ 165,577
Subtotal			<u>-</u>	<u>165,577</u>
Passed through CA Department of Food and Agriculture				
Phytophthora Ramorum	10.025	17-0213-030-SF	-	37,842
Glassy-Winged Sharpshooter	10.025	16-0427-SF	-	56,821
Enhanced Exotic Pest Survey	10.025	16-0060	-	141,828
Subtotal			<u>-</u>	<u>236,491</u>
CalFRESH Employment and Training (CFET)				
CalFRESH Enhanced	10.561	--	-	40,243
CalFRESH & Staff Development	10.561	--	-	84,618
	10.561	--	-	6,605,082
Passed through California Department of Public Health				
Nutrition Education and Obesity Prevention	10.561	16-10162	3,890	498,760
Subtotal			<u>3,890</u>	<u>7,228,703</u>
Passed through California Department of Forestry and Fire Protection				
Volunteer Fire Assistance (VFA) Grant	10.664	7923580950000	-	19,666
Subtotal			<u>-</u>	<u>19,666</u>
Passed through California Department of Education				
National School Lunch and Breakfast Program	10.555	44-3447-90003419-01	-	29,495
Subtotal			<u>-</u>	<u>29,495</u>
Total U.S. Department of Agriculture			<u>3,890</u>	<u>7,679,932</u>
U.S. Department of Housing and Urban Development				
Direct Programs:				
HUD Supportive Housing Program - Match	14.267	CA0231L9T081609	-	245,160
Passed through California Department of Housing and Community Development				
Homeless Action Partnership	14.267	CA1554L9T081600	-	54,258
Homeless Action Partnership	14.267	CA1555L9T0781600	75,000	75,000
Subtotal			<u>75,000</u>	<u>374,418</u>
Direct Programs:				
HUD Youth Homelessness Demonstration Program	14.276	CA1636Y9T081600	17,840	47,565
Subtotal			<u>17,840</u>	<u>47,565</u>
Passed through California Department of Housing and Community Development				
Community Development Block Grant	14.228	15-CDBG-10561	215,502	508,576
Subtotal			<u>215,502</u>	<u>508,576</u>
Home Investment Partnerships Program	14.239	15-HOME-10632	-	5,000
Subtotal			<u>-</u>	<u>5,000</u>
Total U.S. Department of Housing and Urban Development			<u>308,342</u>	<u>935,559</u>
U.S. Department of the Interior				
Passed through California Department of Parks and Recreation				
Land and Water Conservation Fund Grant - Chanticleer Ave Park Development	15.916	C8961002	-	20,961
Total U.S. Department of the Interior			<u>-</u>	<u>20,961</u>
U.S. Department of Justice				
Direct Programs:				
Byrne Memorial Justice Grant - Recovery Center	16.738	--	-	335,099
Subtotal			<u>-</u>	<u>335,099</u>
Passed through California Emergency Management Agency				
Victim Witness Assistance Program	16.575	VW16350440	-	90,061
Victim Witness Assistance Program	16.575	VW17360440	-	176,454
Child Advocacy Center Program	16.575	KC17010440	-	37,784
County Victim Services Program	16.575	XC16010440	-	135,308
Unserved/Underserved Victim Advocacy and Outreach Program	16.575	UV1602 0440	-	169,966
Subtotal			<u>-</u>	<u>609,573</u>
Passed through Justice Reinvestment Initiative				
Technical Assistance and Maximizing Local Reforms	16.827	2015-ZB-BX-0006	-	113,440
Subtotal			<u>-</u>	<u>113,440</u>
Passed through Office for Victims of Crime				
Supporting Male Survivors of Violence	16.582	2015-VF-GX-K042	-	364,304
Subtotal			<u>-</u>	<u>364,304</u>
Passed through California Board of State and Community Corrections				
Title II Juvenile Delinquency Prevention and Intervention Grant Program	16.540	PODER	-	168,519
Subtotal			<u>-</u>	<u>168,519</u>
Total U.S. Department of Justice			<u>-</u>	<u>1,590,935</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, 2018**

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	--	323,969	1,030,170
High Performing Boards	17.258	--	-	34,295
CalJOBS VOS	17.258	--	-	3,000
WIOA Youth Activities - Title I Youth Formula	17.259	--	813,189	1,160,282
Title I-D Dislocated Worker Formula	17.278	--	323,380	931,388
Title I Rapid Response for RA & PGM - Business Retention Survey	17.278	--	12,284	106,201
			<u>1,472,822</u>	<u>3,265,336</u>
WIOA Cluster			1,472,822	3,265,336
Total U.S. Department of Labor			<u>1,472,822</u>	<u>3,265,336</u>
U.S. Department of Transportation				
Passed through California Department of Transportation				
Highway Planning and Construction	20.205	BRLO-5936(086)	-	232,953
Highway Planning and Construction	20.205	BRLO-5936(091)	-	7,447
Highway Planning and Construction	20.205	BRLO-5936(093)	-	6,383
Highway Planning and Construction	20.205	BRLO-5936(094)	-	1,512
Highway Planning and Construction	20.205	BRLO-5936(095)	-	6,396
Highway Planning and Construction	20.205	BRLO-5936(096)	-	9,416
Highway Planning and Construction	20.205	BRLO-5936(097)	-	97,880
Highway Planning and Construction	20.205	BRLO-5936(112)	-	11,901
Highway Planning and Construction	20.205	BRLO-5936(127)	-	10,142
Highway Planning and Construction	20.205	BRLO-5936(132)	-	7,195
Highway Planning and Construction	20.205	ER-20E0-5936(010)	-	286
Highway Planning and Construction	20.205	ER-20E0-5936(014)	-	39
Highway Planning and Construction	20.205	ER-30R0-5936(003)	-	13,114
Highway Planning and Construction	20.205	ER-30R0-5936(004)	-	14,692
Highway Planning and Construction	20.205	ER-30R0-5936(006)	-	13,862
Highway Planning and Construction	20.205	ER-32D0-5936(002)	-	236,358
Highway Planning and Construction	20.205	ER-32D0-5936(003)	-	26,908
Highway Planning and Construction	20.205	ER-32D0-5936(004)	-	769
Highway Planning and Construction	20.205	ER-32D0-5936(011)	-	7,636
Highway Planning and Construction	20.205	ER-32D0-5936(014)	-	6,872
Highway Planning and Construction	20.205	ER-32L0-5936(002)	-	3,668,025
Highway Planning and Construction	20.205	ER-32L0-5936(005)	-	5,426
Highway Planning and Construction	20.205	ER-32L0-5936(006)	-	3,444
Highway Planning and Construction	20.205	ER-32L0-5936(007)	-	4,250
Highway Planning and Construction	20.205	ER-32L0-5936(008)	-	1,605
Highway Planning and Construction	20.205	ER-32L0-5936(009)	-	1,351,364
Highway Planning and Construction	20.205	ER-32L0-5936(011)	-	413,274
Highway Planning and Construction	20.205	ER-32L0-5936(012) & (049)	-	76,662
Highway Planning and Construction	20.205	ER-32L0-5936(014)	-	343
Highway Planning and Construction	20.205	ER-32L0-5936(015)	-	6,188
Highway Planning and Construction	20.205	ER-32L0-5936(016)	-	1,638
Highway Planning and Construction	20.205	ER-32L0-5936(020)	-	9,306
Highway Planning and Construction	20.205	ER-32L0-5936(021)	-	659,743
Highway Planning and Construction	20.205	ER-32L0-5936(046)	-	16,742
Highway Planning and Construction	20.205	ER-32L0-5936(050)	-	13,763
Highway Planning and Construction	20.205	ER-32L0-5936(052)	-	4,448
Highway Planning and Construction	20.205	ER-32L0-5936(056)	-	294
Highway Planning and Construction	20.205	ER-32L0-5936(057)	-	15,552
Highway Planning and Construction	20.205	ER-32L0-5936(058)	-	3,917
Highway Planning and Construction	20.205	ER-32L0-5936(059)	-	686
Highway Planning and Construction	20.205	ER-32L0-5936(060)	-	5,813
Highway Planning and Construction	20.205	ER-32L0-5936(062)	-	100
Highway Planning and Construction	20.205	ER-32L0-5936(064)	-	1,373
Highway Planning and Construction	20.205	ER-32L0-5936(065)	-	6,742
Highway Planning and Construction	20.205	ER-32L0-5936(066)	-	381
Highway Planning and Construction	20.205	ER-32L0-5936(067)	-	5,991
Highway Planning and Construction	20.205	ER-32L0-5936(068)	-	14,352
Highway Planning and Construction	20.205	ER-32L0-5936(069)	-	6,912
Highway Planning and Construction	20.205	ER-32L0-5936(072)	-	6,075
Highway Planning and Construction	20.205	ER-32L0-5936(080)	-	2,609
Highway Planning and Construction	20.205	ER-32L0-5936(081)	-	1,755
Highway Planning and Construction	20.205	ER-32L0-5936(082)	-	4,410
Highway Planning and Construction	20.205	ER-32L0-5936(083)	-	14,609
Highway Planning and Construction	20.205	ER-32L0-5936(084)	-	540
Highway Planning and Construction	20.205	ER-32L0-5936(088)	-	716
Highway Planning and Construction	20.205	ER-32L0-5936(093)	-	14,144
Highway Planning and Construction	20.205	ER-32L0-5936(094)	-	1,528
Highway Planning and Construction	20.205	ER-32L0-5936(095)	-	115

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, 2018**

Federal Grantor/Program Title	Federal CFDA Number	Contract or Program Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Transportation				
Passed through California Department of Transportation				
Highway Planning and Construction	20.205	ER-32L0-5936(097)	-	25,178
Highway Planning and Construction	20.205	ER-32L0-5936(103)	-	53,981
Highway Planning and Construction	20.205	ER-32L0-5936(104)	-	1,024
Highway Planning and Construction	20.205	ER-32L0-5936(106)	-	10,198
Highway Planning and Construction	20.205	ER-32L0-5936(107)	-	28
Highway Planning and Construction	20.205	ER-32L0-5936(149)	-	6,244
Highway Planning and Construction	20.205	ER-32L0-5936(199)	-	13,736
Highway Planning and Construction	20.205	ER-32L0-5936(200)	-	37
Highway Planning and Construction	20.205	ER-32L0-5936(201)	-	8,018
Highway Planning and Construction	20.205	ER-32L0-5936(202)	-	6,933
Highway Planning and Construction	20.205	ER-32L0-5936(205)	-	53,772
Highway Planning and Construction	20.205	ER-32L0-5936(207)	-	37
Highway Planning and Construction	20.205	ER-32L0-5936(208)	-	17,624
Highway Planning and Construction	20.205	ER-32L0-5936(209)	-	4,208
Highway Planning and Construction	20.205	ER-32L0-5936(210)	-	9,231
Highway Planning and Construction	20.205	ER-32L0-5936(220)	-	11,194
Highway Planning and Construction	20.205	ER-32L0-5936(222)	-	492
Highway Planning and Construction	20.205	ER-32L0-5936(227)	-	37
Highway Planning and Construction	20.205	ER-32L0-5936(229)	-	1,420
Highway Planning and Construction	20.205	ER-32L0-5936(257)	-	1,574
Highway Planning and Construction	20.205	ER-32L0-5936(258)	-	1,042
Highway Planning and Construction	20.205	ER-32L0-5936(259)	-	17,505
Highway Planning and Construction	20.205	ER-32L0-5936(260)	-	1,926
Highway Planning and Construction	20.205	ER-32L0-5936(261)	-	121,964
Highway Planning and Construction	20.205	ER-32L0-5936(262)	-	3,818
Highway Planning and Construction	20.205	ER-32L0-5936(263)	-	2,396
Highway Planning and Construction	20.205	ER-32L0-5936(264)	-	19,560
Highway Planning and Construction	20.205	ER-32L0-5936(266)	-	10,150
Highway Planning and Construction	20.205	ER-32L0-5936(335)	-	28
Highway Planning and Construction	20.205	ER-32L0-5936(336)	-	558
Highway Planning and Construction	20.205	ER-32L0-5936(337)	-	71,627
Highway Planning and Construction	20.205	ER-32L0-5936(339)	-	19,236
Highway Planning and Construction	20.205	ER-32L0-5936(340)	-	2,066
Highway Planning and Construction	20.205	ER-32L0-5936(341)	-	10,853
Highway Planning and Construction	20.205	ER-32L0-5936(342)	-	7,011
Highway Planning and Construction	20.205	ER-32L0-5936(343)	-	9,804
Highway Planning and Construction	20.205	ER-32L0-5936(344)	-	7,072
Highway Planning and Construction	20.205	ER-32L0-5936(345)	-	2,688
Highway Planning and Construction	20.205	ER-32L0-5936(412)	-	3,455
Highway Planning and Construction	20.205	ER-32L0-5936(413)	-	2,522
Highway Planning and Construction	20.205	ER-32L0-5936(414)	-	360
Highway Planning and Construction	20.205	ER-32L0-5936(415)	-	1,794
Highway Planning and Construction	20.205	ER-32L0-5936(425)	-	12,747
Highway Planning and Construction	20.205	ER-32L0-5936(463)	-	2,068
Highway Planning and Construction	20.205	HSIPL-5936(120)	-	19,048
Highway Planning and Construction	20.205	HSIPL-5936(122)	-	17,914
Highway Planning and Construction	20.205	HSIPL-5936(123)	-	24,570
Total U.S. Department of Transportation			-	7,675,344
U.S. National Highway Traffic Safety Administration				
Passed through California Office of Traffic Safety				
Santa Cruz County Collaborative	20.600	PS18014	31,630	136,869
Occupant Protection Incentive Grant - Tulare County Office of Education	20.602	--	-	6,000
Highway Safety Cluster			31,630	142,869
National Priority Safety Programs - Child Passenger Safety	20.616	OP18009	-	38,166
Subtotal			-	38,166
National Priority Safety Programs	20.608	AL18023	17,832	114,503
Subtotal			17,832	114,503
Total U.S. National Highway Traffic Safety Administration			49,462	295,538
U.S. Department of Health and Human Services				
Direct Programs:				
Health Center Cluster	93.224	H80CS00048	69,997	911,346
Subtotal			69,997	911,346
Drug Free Communities	93.276	5H79SP018550-07	31,665	160,306
Subtotal			31,665	160,306
Capital Development	93.526	C8DS29778	-	642,020
Subtotal			-	642,020
Early Intervention Services	93.918	H76HA00153	-	424,825
Subtotal			-	424,825

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, 2018**

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				
Passed through California Department of Social Services				
KinGap IV-E - Administration	93.090	--	-	10,177
Subtotal			-	<u>10,177</u>
Temporary Assistance for Needy Families				
CalWORKS - Assistance	93.558	--	-	2,237,086
Fraud Incentive - Assistance	93.558	--	-	9,200
Temporary Assistance for Needy Families - CalWorks Program and Staff Development	93.558	--	-	14,202,134
Temporary Assistance for Needy Families - EA - ER, ESC, CR	93.558	--	-	1,819,215
CALWIN	93.558	--	-	336,886
Subtotal			-	<u>18,604,521</u>
RCA Refugee Assistance	93.566		-	1,724
Subtotal			-	<u>1,724</u>
Foster Care - Title IV-E				
Emergency Child Care Bridge	93.658	--	-	10,558
Foster Care - Assistance	93.658	--	-	1,250,568
Foster Care - Title IV-E - AB2129	93.658	--	-	57,056
Case Record Review	93.658	--	-	121,174
Child Welfare Services - CWS Title IV-E & Staff Development	93.658	--	-	596,605
Foster Parent Recruitment Retention and Support	93.658	--	-	104,431
Foster Care - Licensing Foster Family & Staff Development	93.658	--	-	20,565
Foster Care - Title IV-E - Administration & Staff Development	93.658	--	-	156,411
Foster Care - Kinship & Foster Care Emergency Fund	93.658	--	-	4,572
Probation - PQCR - CWS IV-E (Pass Through)	93.658	--	-	38,094
Probation - CWS - IV-E & GHMV (Pass Through)	93.658	--	-	429,205
Probation - CWS - OIP (Pass Through)	93.658	--	-	806
Child Welfare Services - Group Home Monthly Visits	93.658	--	-	14,151
Substance Abuse Disorder	93.658	--	-	24,662
Foster Care - EA - FC Emergency Assistance	93.658	--	-	279,982
Resource Family Support	93.658	--	-	266,121
Child Family Team	93.658	--	-	16,260
SACWIS - CWS - NS	93.658	--	-	2,691
Public Agency IV-E Pass-Through (SCCOE)	93.658	--	-	258,058
Passed through California Department of Health Services				
Family Preservation - DHS Title XIX	93.658	--	-	79,689
Child Welfare Services - CWS Title IV-E (DHS Title XIX)	93.658	--	-	4,248,457
Subtotal			-	<u>7,980,116</u>
Adoption Assistance				
Adoption Assistance - Assistance	93.659	--	-	3,780,627
Adoption Assistance - Other Public Assistance & Staff Development	93.659	--	-	164,648
Adoption Assistance - Social Services & Staff Development	93.659	--	-	168,499
Adoption Incentive	93.659	--	-	28,429
Subtotal			-	<u>4,142,203</u>
Child Welfare Services - Title XX				
Title XX-FC	93.667	--	-	157,986
Subtotal	93.667	--	-	<u>39,131</u>
Promoting Safe and Stable Families - PSSF & Staff Development				
Promoting Safe and Stable Families - PSSF Case Worker Visits	93.556	--	-	154,881
Subtotal	93.556	--	-	<u>14,885</u>
Child Welfare Services - Title IV-B & Staff Development				
Subtotal	93.645	--	-	<u>147,198</u>
Independent Living Program & Staff Development				
Subtotal	93.674	--	-	<u>60,378</u>
Passed through California Department of Child Support Services				
Child Support Enforcement - Santa Cruz County	93.563	--	-	4,463,638
Child Support Enforcement - San Benito County	93.563	--	-	1,076,320
Subtotal			-	<u>5,539,958</u>
Passed through California Department of Alcohol and Drug Programs				
Substance Abuse Prevention and Treatment Block Grant	93.959	DHCS #14-90102 A05 & 17-94161	1,606,978	2,234,108
Subtotal			<u>1,606,978</u>	<u>2,234,108</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, 2018

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				
Passed through California Department of Health Services				
Adult Protective Services-Title XIX & Staff Development	93.569	--	-	775,968
Subtotal			<u>-</u>	<u>775,968</u>
In Home Support Services - Title XIX & Staff Development	93.778	--	-	2,967,816
MEDI CAL 50% & Staff Development	93.778	--	-	18,662,478
Medical Outreach	93.778	--	-	20,623
Passed through California Department of Social Services				
Public Authority	93.778	--	-	1,296,903
Passed through the California Department of Mental Health				
Medical Assistance Program	93.778	--	-	1,823,806
Medical Assistance Program - MediCal Administrative Activities (MAA)	93.778	--	50,117	763,363
Subtotal			<u>50,117</u>	<u>25,534,989</u>
Passed through the California Department of Mental Health				
Projects for Assistance in Transition from Homelessness (PATH)	93.150	68-0317191	41,071	41,071
Substance Abuse & Mental Health Services Administration (SAMHSA)	93.958	SM010005-17	22,376	274,972
Passed through the California Department of Public Health				
California Personal Responsibilities	93.092	15-10320	-	69,441
Tuberculosis Prevention and Control	93.116	5NU52PS004656	-	25,510
Immunization Assistance	93.268	17-10072	-	246,353
Emergency Preparedness	93.283	EPO CDC 07-44	-	376,878
HIV Care Program	93.917	15-11077	90,849	182,823
Federal Maternal & Child Health Basic Grant	93.994	201744	-	195,336
Total U.S. Department of Health and Human Services			<u>1,913,053</u>	<u>68,949,104</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 - FY2017	97.042	2017-0007	-	181,218
Subtotal			<u>-</u>	<u>181,218</u>
Passed through California Emergency Management Agency				
Public Assistance Grants				
Disaster Grant - 2017 Storm Disaster Recovery	97.036	--	-	21,668
Disaster Grant - FEMA - General County	97.036	087-00000	-	1,481,275
Disaster Grant - FEMA - PSDMD	97.036	087-91003	-	122,085
Disaster Grant - FEMA - CSA'S	97.036	087-91052	-	214,363
Subtotal			<u>-</u>	<u>1,839,391</u>
Hazard Mitigation Grant - Rio Del Mar Flats Storm Damage Improvement Project	97.039	DR-1968-HPMG	-	211,577
Subtotal			<u>-</u>	<u>211,577</u>
Passed through Bay Area UASI Approval Authority				
Urban Area Security Initiative Grant	97.067	2016-0102	-	121,852
Subtotal			<u>-</u>	<u>121,852</u>
Total U.S. Department of Homeland Security				
			<u>-</u>	<u>2,354,038</u>
Total Expenditures of Federal Awards Excluding Loans			<u>\$ 3,747,569</u>	<u>\$ 92,766,747</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, 2018**

Federal Grantor/Program Title	Federal CFDA Number	Contract or Program Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>Federal Loan Balances With a Continuing Compliance Requirement</u>				
U.S. Department of Housing and Urban Development				
Community Development Block Grant	14.228			\$ 224,052
Home Investment Partnerships Program	14.239			1,820,169
U.S. Environmental Protection Agency				
Passed through California Environmental Protection Agency				
State Water Resource Control Board	66.458			<u>797,433</u>
Federal Loan Balances with a Continuing Compliance Requirement				<u>2,841,654</u>
Total Expenditures of Federal Awards Including Loans				<u>\$ 95,608,401</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, 2018**

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
Nutrition Education and Obesity	10.561	\$ 3,890
HUD Youth Homelessness Demonstration Program	14.276	17,840
Community Development Block Grant	14.228	215,502
Homeless Action Partnership	14.267	75,000
WIOA Adult Activities - Goodwill Central Coast	17.258	323,969
WIA Youth Activities - Santa Cruz County Office of Education	17.259	813,189
WIOA Dislocated Worker activities- Goodwill Central Coast	17.278	323,380
WIOA Rapid Response activities- Goodwill Central Coast	17.278	12,284
Santa Cruz County Collaborative	20.600	31,630
National Priority Safety Programs	20.608	17,832
Projects for Assistance in Transition from Homelessness (PATH)	93.150	41,071
Health Center Clusters	93.224	69,997
Drug Free Communities	93.276	31,665
Medical Assistance Program (MAA)	93.778	50,117
HIV Care Program	93.917	90,849
Block Grant for Community Mental Health Services (SAMHSA)	93.958	22,376
Block Grant for Prevention and Treatment of Substance Abuse (SAPT)	93.959	1,606,978
Total		\$ 3,747,569

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, 2018:

CFDA No.	Federal Grantor	County Department Administering Loans	Outstanding Balance at June 30, 2018	Outstanding Balance at June 30, 2017
14.228	Community Development Block Grant (CDBG)	Planning	\$ 224,052	\$ 237,386
14.239	Home Investment Partnerships Program (HOME)	Planning	1,820,169	1,820,169
66.458	State Water Resource Control Board (SWRCB)	Public Works	797,433	844,362
			\$ 2,841,654	\$ 2,901,917

**COUNTY OF SANTA CRUZ
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

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?	___ <u>x</u> yes	___ 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?	___ <u>x</u> yes	___ no

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
17.258/17.259/17.278	Workforce Innovation and Opportunity Act Cluster
93.558	Temporary Assistance for Needy Families
93.659	Adoption Assistance - Title IV-E
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 2,868,252
Auditee qualified as low-risk auditee?	___ <u>x</u> yes ___ no

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 yearend. 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 & 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 & procedures on determining reasonable materiality thresholds to use when determining amounts to accrue at yearend.

Management Response and Corrective Action Plan

See separate corrective action plan provided by management.

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 three 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 three 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.

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.

**COUNTY OF SANTA CRUZ
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None.