

**COUNTY OF VOLUSIA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED**

I. Summary of Auditors' Results:

- A. Type of audit report issued on the basic financial statements: *Unmodified*
- B. Two significant deficiencies related to internal control over financial reporting were disclosed by the audit of the basic financial statements, neither of which was considered a material weakness.
- C. No instances of noncompliance material to the financial statements were disclosed during the audit. One instance of noncompliance and other matters was disclosed during the audit.
- D. There was one significant deficiency reported in internal control over major federal programs and one reported in internal control over major state financial assistance projects. The significant deficiencies were not considered material weaknesses.
- E. Type of report issued on compliance for major federal programs and state projects: *Unmodified*
- F. The audit disclosed one audit finding which is required to be reported under OMB Circular A-133 and one audit finding which is required under Chapter 10.557, Rules of the Florida Auditor General.
- G. Major program/project identification:
 - Federal awards programs:
 - ARRA** – Edward Byrne Memorial Justice Assistance Program (JAG) Cluster, CFDA 16.803/16.738
 - ARRA** – Federal Transit Formula Grants, CFDA 20.507
 - ARRA** – Energy and Efficiency Conservation Program, CFDA 81.128
 - Home Investment Partnerships Program, CFDA 14.239
 - Section 8 Housing Choice Vouchers, CFDA 14.871
 - Highway Planning and Construction Grant, CFDA 20.205
 - Low-Income Home Energy Assistance Program, CFDA 93.568
 - State financial assistance projects:
 - Local Government Cleanup Contracting, CSFA 37.024
 - Aviation Development Grant, CSFA 55.004
 - County Incentive Grant Program, CSFA 55.008
 - Public Transit Block Grant Program, CSFA 55.010
- H. Dollar thresholds used to distinguish between Type A and Type B programs or projects were \$983,448 for major federal programs and \$300,000 for major state projects.
- I. The , Florida qualified as a low-risk auditee as defined in OMB Circular A-133.

II. **Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with *Government Auditing Standards*:**

2013-001 Tracking of Construction in Process

Criteria: Generally accepted accounting principles require that incremental costs of significant capital projects be accumulated as construction in progress. Once construction of a particular asset is complete and placed in service, it should be transferred from construction in process to the proper capital asset account, and then depreciated over its estimated useful life.

Condition: During our analysis of construction in process, we identified two projects totaling approximately \$5.8 million which were placed in service before year-end but still remained in construction in process at year-end. An adjustment was required to reclassify these projects to completed items and record related depreciation for fiscal year 2013.

Cause: Procedures were not adequate to ensure all completed projects were properly identified and reclassified from construction in progress to a depreciable capital asset.

Effect: Had the reclassification not been made and depreciation recorded, capital assets could have been overstated and related depreciation expense understated.

Recommendation: We recommend management develop a policy regarding construction in process activity to assist those involved in the financial reporting process in assessing when a project is complete and placed in service, along with an associated review process. We recommend such a policy also include certain items such as discussions with project managers, department directors, discussions with vendors or staff performing the project, and analysis of project activity to total project contract.

2013-002 Votran Fund Prior Period Adjustment

Criteria: Generally accepted accounting principles require that expenses be recognized in the period in which they are incurred.

Condition: During our testing of Votran expenses, we noted a \$1.23 million payment, funded with grant dollars, was made in late fiscal year 2012 for a software upgrade and 5-year prepaid maintenance plan that was erroneously recorded as an expense rather than capitalized. This required a journal entry to correct beginning net position, recognize current-year expenses, and record the related prepaid and intangible assets as of year-end.

Cause: The initial expenditure was erroneously coded to an expense and not properly identified as a prepaid/capital item.

Effect: Had the correcting entry not been recorded, current-year assets and expenses in the Votran fund would have been understated by approximately \$925,000 and \$206,000, respectively.

Recommendation: We recommend management review all significant transactions during the year funded from grant dollars, to ensure items are appropriately recorded in the general ledger and capitalized when appropriate.

III. **Noncompliance and Other Matters Which are Required to be Reported in Accordance with *Government Auditing Standards*:**

2013-003 Timeliness of Landfill Escrow Account Deposits

Criteria: Florida Statutes require calculated minimum amounts be held by landfill operators in a separate escrow account to cover the long-term landfill closure and post-closure costs.

Condition: The balance in the landfill escrow account of approximately \$9.45 million fell short of the minimum requirements at year-end, which totaled approximately \$9.90 million.

Cause: Required deposits to the landfill escrow account were not made in advance of year-end, resulting in the shortfall.

Effect: As of year-end, the County was not in compliance with state statutes related to the landfill closure and post-closure cost escrow account. However, the County did have sufficient funds in the Solid Waste fund to cover the cash requirement, and such funds were transferred into the escrow account shortly after year-end.

Recommendation: We recommend the escrow account be actively monitored for compliance and all future transfers for any balance shortfalls be completed prior to year-end.

IV. Findings and Questioned Costs for Major Federal Programs:

2013-004 Eligibility Application under Section 8 Housing Choice Voucher Program (CFDA 14.871)

Criteria: The County's internal control procedures over Section 8 Housing Choice Voucher Program eligibility determination require the admitting caseworker to review and approve the completed Section 8 application submitted by the potential client.

Condition: Out of sixty tenant clients selected for testing, one client's application was not appropriately signed by a caseworker to indicate review and approval of the application for the Section 8 Housing Choice Voucher Program.

Cause: A caseworker did not sign off for approval on a program application and the lack of approval was not detected during routine review of the files.

Effect: Without appropriate review, an application could be approved for an ineligible tenant and Federal funds could subsequently be used for an unallowable purpose.

Recommendation: We recommend management strengthen review procedures by implementing a formal review checklist to ensure no unapproved and potentially ineligible applications are processed.

V. Findings and Questioned Costs for Major State Projects:

2013-005 Program Reporting under Local Government Cleanup Contracting (CSFA 37.024)

Criteria: The Local Government Cleanup Contract with the Florida Department of Environmental Protection (FDEP) requires the recipient to submit all originals or scanned copies of documents to FDEP's central file within 60 calendar days of receipt or initiation of an event.

Condition: The Local Government Cleanup Contracting grant was awarded to the County on January 1, 2010, with contract identification number S0490. Expenditures totaling over \$398,958 were made under the current year awards, but out of forty events selected for testing, two cleanup site inspections were performed for which no inspection report or supporting documents were submitted to FDEP.

Cause: The report submissions were not subjected to a thorough supervisory review to ensure accuracy and completeness.

Effect: Incomplete or inaccurate submissions could result in the grantor lowering the grantee's rating on performance for Document Management which could lead to forfeiture of 10% of the Total Task Assignment amount.

Recommendation: We recommend management strengthen review procedures by implementing a formal review process over required monthly reports to ensure all submission are accurate, complete, and timely.

VI. **Summary Schedule of Prior Audit Findings:**

2012-01 Landfill Liability: Corrective action taken.

2012-02 Prior Period Adjustments and Federal Reporting under ARRA Federal Highway Planning & Construction Grant (CFDA 20.205): Corrective action taken.

2012-03 Household Quarterly Program Reporting under Low-Income Home Energy Assistance Program (CFDA 93.568): Corrective action taken.

VII. **Corrective Action Plan:** See Management Responses to Internal Control and Management Comments as listed in the table of contents.