

# JAMES MOORE & CO., P.L.L.

CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable County Council Members  
of the County of Volusia, Florida:

We have audited the basic financial statements of the County of Volusia, Florida, as of and for the year ended September 30, 2002, and have issued our report thereon dated February 13, 2003. We did not audit the financial statements of Volusia County Clerk of the Circuit Court or Emergency Medical Foundation, Inc., which represent ninety-six percent and ninety-eight percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Volusia County Clerk of the Circuit Court and Emergency Medical Foundation, Inc., is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether the County of Volusia, Florida's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County of Volusia, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County of Volusia Florida's ability to record, process, summarize and report financial data consistent with the assertions of management in the basic financial statements. Reportable conditions are described below.

#### **1) Lack of Segregation of Duties at the Airport**

A staff member at the Airport is responsible for receiving daily report forms from the restaurant, cash and checks, and the deposit slip. This same individual also makes the bank deposit, and

completes the Revenue Transmittal Form which is emailed to the Accounting Division for general ledger journal entry.

We recommend segregating these duties among different personnel from within the County. The same person should not be able to record cash receipts and make bank deposits.

## **2) Lack of Segregation of Duties in Utility Billing**

One person in the Water Resources and Utilities Division is currently responsible for uploading all meter readings into the Bill Master Billing system, correcting any errors, generating monthly bills, and preparing summary information which is submitted to the Accounting Division to record the general ledger journal entry. The present environment allows two people unlimited access to adjust customers' accounts, prior to generating monthly bills. (For instance, upon uploading meter readings, individual accounts can be changed to show lower or zero consumption, which could result in smaller or zero bills being generated for any accounts chosen by staff.)

The ability to make corrections or adjustments to the Consumption Report (generated after uploading meter readings) should not be allowed to be performed by the same person responsible for generating monthly bills. The people in this division should not have unlimited and equal access to all aspects of the utility billing computer program, but different levels of authority and unequal access based on their duties and positions. Also, considering the overall size of the utility billing section (two people), consideration might be given to cross training individuals in other departments and/or utilizing another department to segregate duties and strengthen internal controls.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

In addition, we noted certain matters involving the internal control and its operation that we have reported to the management of the County of Volusia, Florida in the management comments that follow.

### **Management Comments**

Our report on the internal control structure has been presented in the previous section of this report. The purpose of this section is to disclose conditions, which do not materially affect the County's financial statements. The following comments and recommendations are made to assist the County Council and management in administering future operations.

### **Information Technology**

No formal County Information Technology (I.T.) security officer exists. Many of the responsibilities of a security officer fall on the shoulders of numerous I.T. managers depending on their area of control. County I.T. personnel do informally distribute security related information to each other primarily via email. However, risks relating to network security, Internet vulnerabilities, default server configurations and virus activity should be disseminated quickly and regularly. Although we noted that many informal and/or non-documented policies existed with regards to network infrastructure security, no single

document (or suite of documents) was available outlining County security policy. Also, we learned that the Information Technology group does not review application level security for many systems.

Due to the potential security threat to the County's network infrastructure from the public Internet, or more likely, from internal Local Area Network (LAN)-based users, the need for a single point of contact to cover County I.T. security issues is paramount. We recommend the County create a formal I.T. Security officer position, responsible for collecting, coordinating, and disseminating I.T. security-related information between the various County departments. Some of the Security Officer's first tasks should be to implement security briefings, consolidate the informal I.T. security policies into a single document, enable SSL security to encrypt County employees' usernames and passwords, and document application security for all financial based systems. Additionally, we recommend that a formal procedure be adopted to deliver critical I.T. related security alerts within a 24-hour period to all concerned I.T. personnel. Examples of previous critical alerts would fall into the category of a Code-Red or NIMDA worm/virus.

### **Investments**

The County's investment policy does not require or refer to continuing education as required by State Statute 218.415, paragraph 14. Through inquiry, we did determine educational requirements were met.

We recommend the County amend their investment policy to require continuing education in accordance with the state statute.

### **Accounts Receivable**

The County has a significant amount of old accounts receivable which has been deemed uncollectible, but is still being tracked in the detail records. Through discussions with personnel, we noted that no formal policy exists for writing off uncollectible accounts.

We recommend creating a formal policy for writing off uncollectible receivables. The policy should create various levels of write-off authority.

### **Fixed Assets**

The County's current capitalization threshold for property, plant and equipment is \$750 for reporting purposes. The Government Finance Officers' Association (GFOA) suggests that a government establish a capitalization threshold of \$5,000 or more, for an individual item.

While it is necessary to maintain control over all of the County's tangible capital-type items of \$750 or more, there are more efficient means than capitalization for achieving this objective for smaller tangible capital-type items. To reduce the burden of tracking these assets for financial reporting, including recording of depreciation and gain/loss on dispositions, we recommend the County change their capitalization threshold for property, plant and equipment to \$5,000.

### **Risk Management and Estimated Claims Liability**

During the performance of our audit, we noted that proper controls over claims data were not in place. Currently, four claims personnel have the ability to adjust claims records without limitations or oversight. While an audit trail can be generated through the computer system's software that shows the detail of changes and the person responsible for making those changes, there is not a process in place for a periodic review for accuracy. This could result in a variety of different errors, including the closing of claims at

less than the reserved amount, changing the reserve or recovery amounts and the omission of amounts recovered. This claims accounting system generates four monthly reports that are forwarded to the Accounting Division for posting the reserve changes on a monthly basis.

We recommend, at a minimum, that the computer system be fully utilized to generate a changes report, at least monthly, which shows the details of changes made as well as the individual responsible for making those changes. The monthly claims systems reports should then be reviewed and reconciled for changes in reserves, paid, outstandings, and recoveries. These approved reports should then be reconciled to activity in the general ledger.

We also recommend the County thoroughly review and analyze data provided to the actuary and the results thereon. The County could also engage the actuary to obtain, review and analyze the data directly, or engage an outside consultant to obtain, review and analyze the data provided to the actuary and the results thereon.

This report is intended solely for the information and use of the County Council and management, the Auditor General of the State of Florida, and respective federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Daytona Beach, Florida  
February 13, 2003

**SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS  
AND  
STATE FINANCIAL ASSISTANCE**

**COUNTY OF VOLUSIA, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

<b>FEDERAL / STATE AGENCY PASS-THROUGH ENTITY FEDERAL PROGRAM / STATE PROJECT</b>	<b>CFDA/ CSFA NUMBER</b>	<b>CONTRACT GRANT IDENTIFICATION NUMBER</b>	<b>EXPENDITURES</b>	<b>AMOUNT PROVIDED TO SUBRECIPIENTS</b>
<b>FEDERAL AGENCY</b>				
<b>National Oceanic and Atmospheric Administration</b>				
Coastal Impact Assistance	14.419	GRM-EM-NR0201A	\$ 46,839	0
<b>Total NOAA</b>			<b>46,839</b>	<b>0</b>
<b>Department of Agriculture</b>				
Pass-Through:				
Florida Department of Education:				
USDA School Lunch Program	10.558	03-742/02	238,183	0
USDA Summer Food Services	10.559	04-0879	230,662	0
<b>Total Department of Agriculture</b>			<b>468,845</b>	<b>0</b>
<b>Department of Housing and Urban Development</b>				
Direct:				
Emergency Shelter Program	14.231	S-(01-02)-UC-12-0021	94,000	64,579
HOME Program	14.239	M-(97-01)-DC-12-0223	1,589,764	1,158,586
Community Development Program	14.218	B-(96-02)-UC-12-0008	3,661,834	1,482,922
CDBG/Rental Rehabilitation Program	14.218	R-(90-91)-UC-12-020-1	0	0
Section 8 - Voucher Program	14.871	FL-29-V113	1,699,060	0
Pass-Through:				
Department of Community Affairs:				
Urban Wildlife Interface Mitigation	14.228	01DB-27-06-74-02-G25	409,545	202,446
<b>Total Department of Housing and Urban Development</b>			<b>7,454,203</b>	<b>2,908,533</b>
<b>US Fish and Wildlife Service</b>				
Pass-Through:				
Florida Fish & Wildlife				
Artificial Reef	15.605	FWC 01061/F43-16	24,000	0
<b>Total US Fish and Wildlife Service</b>			<b>24,000</b>	<b>0</b>
<b>Department of Justice</b>				
Direct:				
Victims Advocate	16.575	V1206	57,842	0
LLEBG/Disparate Allocation	16.592	2000-LB-BX-0228	14,476	0
LLEBG/Disparate Allocation	16.592	01-LB-BX-0946	250,844	0
Bullet Proof Vest Partnership	16.607	SO-AG-0204	1,390	0
Bullet Proof Vest Partnership	16.607	01004761	400	0
Weed & Seed - Community Services	16.595	2000-WS-Q8-0068	58,347	49,211
Weed & Seed - Community Services	16.595	2001-WS-QX-0119	140,070	102,075
Weed & Seed Asset Forfeiture	16.595	#3	880	0
Weed & Seed Asset Forfeiture	16.595	#4	2,059	0
Weed & Seed Asset Forfeiture	16.595	#5	20,024	0
Office of Justice Program	16.585	2000-DC-VX-0060	157,381	0
Pass Through:				
Florida Department of Law Enforcement:				
Byrne Grant	16.579	02-CJ-D8-06-74-01-228	79,500	0
Byrne Grant	16.579	02-CJ-9M-06-74-01-230	39,750	0
Anti-Drug Boys & Girls Club	16.579	02-CJ-2H-06-74-01-182	27,000	27,000
Anti-Drug Administration	16.579	02-CJ-2H-06-74-01-181	29,355	0
Anti-Drug Serenity House/S.O.R.T.	16.579	02-CJ-2H-06-74-01-184	74,250	74,250
Anti-Drug House Next Door/T.E.A.M.	16.579	02-CJ-2H-06-74-01-183	33,690	33,690
<b>Total Department of Justice</b>			<b>987,258</b>	<b>286,226</b>
<b>National Drug Control Policy Office</b>				
Direct:				
High Intensity Drug Traffic Area	16.728	I2PCFP503	12,222	0
<b>Total National Drug Control Policy Office</b>			<b>12,222</b>	<b>0</b>
<b>Federal Highway Administration</b>				
Pass Through:				
Florida Department of Transportation:				
Tomoka Farms Road	20.205	AJ941	14,415	0
Traffic Signal at SR44 and Alabama Avenue	20.205	FM406704-1-58-1	117,708	0
DeLand Train Station	20.205	AE888	136	0
DeLand Sidewalks	20.205	FM406307-1-58-1	70,975	0
Wilbur Boat House	20.205	AF038	90,024	0
South Atlantic Avenue Streetscape	20.205	AF402	567	0
Volusia County Sidewalk Projects	20.205	FM404173-1-58-01	110,009	0
Lake Helen-Osteen Road & Catalina Blvd	20.205	AL325	20,000	0
Doyle Road & Courtland Blvd	20.205	406778-1-38/58-01	14,078	0
<b>Total Federal Highway Administration</b>			<b>437,912</b>	<b>0</b>

**COUNTY OF VOLUSIA, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2002**

<b>FEDERAL / STATE AGENCY PASS-THROUGH ENTITY FEDERAL PROGRAM / STATE PROJECT</b>	<b>CFDA/ CSFA NUMBER</b>	<b>CONTRACT GRANT IDENTIFICATION NUMBER</b>	<b>EXPENDITURES</b>	<b>AMOUNT PROVIDED TO SUBRECIPIENTS</b>
<b>Office of Library Services</b>				
Pass Through:				
Division of Library Services:				
Library Services & Technology - Pierson II	45.310	00-LSTA-F-30	17,500	0
<b>Total Office of Library Services</b>			<b>17,500</b>	<b>0</b>
<b>Department of Energy</b>				
Pass Through:				
Florida Department of Community Affairs:				
Weatherization Program	81.042	02-AL-1B-06-74-01-035	2,948	0
<b>Total Department of Energy</b>			<b>2,948</b>	<b>0</b>
<b>Federal Emergency Management Agency</b>				
Pass Through:				
Florida Department of Community Affairs:				
Disaster Resistant Community Grant	83.551	EMA-2001-GR-0076	43,849	0
Terrorism Annex Operating Plan	83.552	01-EQ-27-06-74-22-014	0	0
Emergency Management Preparedness Trust	83.552	02-CP-04-06-74-01-064	164,984	0
Residential Construction Mitigation	83.548	01-RC-11-06-74-02-016	14,586	0
Residential Construction Mitigation	83.548	02-HM-2T-06-74-15-003	218,105	0
<b>Total Federal Emergency Management Agency</b>			<b>441,524</b>	<b>0</b>
<b>Department of Health and Human Services</b>				
Direct:				
Headstart Program	93.600	04CH3107/36	4,277,398	686,581
Pass Through:				
Agency For Health Care Administration:				
VOTRAN Medicaid Assistance Program	93.778	N/A	2,186,846	0
Florida Department of Community Affairs:				
CSBG Program	93.569	02-SB-95-06-74-01-032	428,342	0
Low Income Home Energy Assistance Program	93.568	01-EA-90-06-74-01-031	130,968	0
Low Income Home Energy Assistance Program	93.568	02-EA-21-06-74-01-030	268,530	0
<b>Total Department of Health and Human Services</b>			<b>7,292,084</b>	<b>686,581</b>
<b>Environmental Protection Agency</b>				
Pass Through:				
St. Johns River Water Management District:				
Halifax Plantation Water Treatment Plant Contract #99H128	66.468	XP984497-98-0	0	0
Silver Sands Stormwater Improvements	66.456	SE634AA	20,000	0
State Revolving Fund Loan Agreement:				
Deltona North Treatment and Reuse Facility - Construction	66.458	CS120617020	0	0
Deltona North & Southeast Wastewater Facilities - Construction	66.458	CS12061701P	28,814	0
Southwest Regional Water Facility	66.458	CS120617040	0	0
<b>Total Environmental Protection Agency</b>			<b>48,814</b>	<b>0</b>
<b>Federal Transit Administration</b>				
Direct:				
Intermodal Transit Facility	20.500	FL03-0196	613,063	
Intermodal Transit Facility	20.500	FL03-0203	1,043,914	0
VOTRAN Capital Assistance	20.507	FL90-X398	546,892	0
VOTRAN Capital Assistance	20.507	FL90-X349	15,186	0
VOTRAN Capital Assistance	20.507	FL90-X367	259,311	0
VOTRAN Capital Assistance	20.507	FL90-X425	115,887	0
VOTRAN Capital Assistance	20.507	FL90-X460	64,481	0
VOTRAN Operating Assistance	20.507	FL90-X0460 Prev Maint	1,252,470	0
VOTRAN Operating Assistance	20.507	FL90-4425	96,984	0
VOTRAN Operating Assistance	20.509	AJ181/409116-1-84-01	85,090	0
VOTRAN Operating Assistance	20.509	AK655/247075-1-84-01	301,371	0
<b>Total Federal Transit Administration</b>			<b>4,394,649</b>	<b>0</b>

**COUNTY OF VOLUSIA, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2002**

<b>FEDERAL / STATE AGENCY</b>	<b>CFDA/ CSFA</b>	<b>CONTRACT GRANT</b>	<b>AMOUNT PROVIDED TO</b>
<b>PASS-THROUGH ENTITY</b>	<b>NUMBER</b>	<b>IDENTIFICATION NUMBER</b>	<b>SUBRECIPIENTS</b>
<b>FEDERAL PROGRAM / STATE PROJECT</b>		<b>EXPENDITURES</b>	
<b>Federal Aviation Authority</b>			
Direct:			
Construct General Aviation Area; Upgrade Security Equipment; Upgrade Audio Communications; Replace 2-107 Vehicles FAA Contract #DTFA 06-99-A-80073 Project #248388 1 84 01, Contract #AG544 Project #406086 1 94 01, Contract #AH136 Project #406087 1 94 01, Contract #AH135	20.106	3-12-0017-3499	11,299 0
Construct Phases 1A, 1A.2, and 19.51% of Phase 1B (construction only) of Taxiway P; Expand Parcel 22 General Aviation Apron; Rehab Taxiway N-6 FAA Contract #DTFA 06-00-A-80173 Project # 408883 1 94 01, Contract # AJ601 Project # 410253 1 94 01, Contract # AJ600 Project # 410254 1 94 01, Contract #AJ610	20.106	3-12-0017-3600	1,163,135 0
Perform Airport Master Plan and Airport Layout Plan Update FAA Contract #DTFA 06-00-A-80135 Project # 408884 1 94 01, Contract # AJ187	20.106	3-12-0017-3700	25,746 0
Construct Taxiway Whiskey Extension and General Aviation Apron Extend Taxiway W; Construct Northwest General Aviation Apron; Update Airport Layout Plan FAA Contract # DTFA 06-01-A-80174 Project # 408883 1 94 01, Contract # AJ601 Project # 410254 1 94 01, Contract # AJ610	20.106	3-12-0017-3801	3,015,478 0
Security Equipment (Fingerprint/Radio Equipment, Perimeter Fencing, Rekey Terminal Doors, Change Padlocks on Gates, Prepare Plans & Specs for Airport Perimeter Road)	20.106	3-12-0017-041-2002	49,087 0
Financing Cost (Innovative Financing Program) FAA Contract # DTFA 06-01-A-80181	20.106	3-12-0017-3901	2,155,078 0
<b>Total Federal Aviation Authority</b>			<b>6,419,823 0</b>
<b>TOTAL EXPENDITURES FEDERAL AWARDS</b>			<b>\$ 28,048,621 3,881,340</b>

**STATE AGENCY**

**Florida Department of Environmental Protection**

Waste Tire Grant	37.015	PG01-34a	\$ 16,502	0
Turnbull Bay Tributary "E"	37.022	WAP014	113,200	0
Riverbreeze Park Wetland Stormwater Treatment	37.039	WM792	10,616	0
Emory L. Bennett Veteran's Memorial Park	37.017	F01111	0	0
Beach Erosion Control	37.003	98V01	112,020	0
Compliance Inspection '01	37.043	GC561-D	52,475	0
Compliance Inspection '02	37.043	GC561-E	141,963	0
Compliance Inspection '03	37.043	GC561-F	37,512	0
Super ACT Administration '02	37.024	GC631	193,586	0
Super ACT Administration '03	37.024	GC631	53,690	0
Super ACT Administration '01	37.024	GC539D	13,786	0
Super ACT Administration '00	37.024	GC539C	15,282	0
Super ACT Administration '99	37.024	GC539B	4,679	0
Super ACT Administration '98	37.024	GC539A	3,837	0



COUNTY OF VOLUSIA, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2002

FEDERAL / STATE AGENCY PASS-THROUGH ENTITY FEDERAL PROGRAM / STATE PROJECT	CFDA/ CSFA NUMBER	CONTRACT GRANT IDENTIFICATION NUMBER	EXPENDITURES	AMOUNT PROVIDED TO SUBRECIPIENTS
<b>Florida Department of Environmental Protection, continued</b>				
Super ACT Administration '90	37.024	GC60	3,010	0
Keep Florida Beautiful	37.021	01/02	22,353	0
South Waterfront Park Sanitary Sewer Collection System	37.039	SP619060	396,947	0
Stone Island Wastewater Collection and Transmission System	37.039	SP619070	16,201	0
Halifax/Indian River Cleanup	37.017	N/A	5,000	0
Waterway Assistance Program-Phase IV	37.017	VO-99-41	161,592	0
S. Jetty Extension-Ponce Inlet & Fishing Dock	37.017	ICW-PIA-00-04	0	0
<b>Total Florida Department of Environmental Protection</b>			<b>1,374,251</b>	<b>0</b>
<b>Florida Fish and Wildlife Conservation Commission</b>				
Manatee Public Outreach Initiative	77.003	99174	0	0
Derelict Vessel Removal	77.005	99148	0	0
<b>Total Florida Fish and Wildlife Conservation Commission</b>			<b>0</b>	<b>0</b>
<b>Florida Department of State</b>				
<b>Division of Historic Preservation:</b>				
Courthouse/DeLand - Phase III	45.017	SC-166	99,191	0
Courthouse/DeLand - Phase IV	45.017	SC-274	13,850	0
DeBary Hall	45.017	S9006	7,027	0
<b>Division of Historic Preservation</b>			<b>120,068</b>	<b>0</b>
<b>Division of Library Services:</b>				
Dickerson Library Construction	45.020	00-PLC-10	120,000	0
State Aid to Libraries	45.030	02-ST-69	744,295	0
<b>Total Division of Library Services</b>			<b>864,295</b>	<b>0</b>
<b>Division of Historical Resources:</b>				
Interpretive Exhibits for DeBary Hall	45.017	M2069	27,592	0
<b>Total Division of Historical Resources</b>			<b>27,592</b>	<b>0</b>
<b>Division of Cultural Affairs:</b>				
Cultural Arts Grant Program	45.005	03-8015	9,435	0
<b>Total Division of Cultural Affairs</b>			<b>9,435</b>	<b>0</b>
<b>Office of the State Courts Administrator</b>				
Traffic Hearing Officer	22.001	794-C	0	0
Traffic Hearing Officer	22.001	794-D	26,261	0
<b>Total Office of the State Courts Administrator</b>			<b>26,261</b>	<b>0</b>
<b>Florida Department of Health</b>				
EMS Trust Fund	64.005	C1064	305,437	0
EMS Matching Award	64.003	EM069	29,625	0
EMS Matching Award	64.003	EM099	25,852	0
EMS Child Passenger Safety	64.006	AI585/J2-00-17-09-01	0	0
<b>Total Florida Department of Health</b>			<b>360,914</b>	<b>0</b>
<b>Florida Attorney General - Department of Legal Affairs</b>				
Motor Vehicle Theft Prevention	41.004	00-022-01	58,399	0
<b>Total Florida Attorney General - Department of Legal Affairs</b>			<b>58,399</b>	<b>0</b>
<b>Florida Department of Community Affairs</b>				
Hazardous Material	52.008	00CP-3V-06-74-22-031	0	0
Hazardous Material	52.008	02CP-11-06-74-22-041	5,169	0
Call Down System-Reverse 911	52.008	02CP-10-06-74-01-126	37,868	0
Manufactured Home Tie Down	52.019	01-RC-11-06-74-01-012	0	0
<b>Total Florida Department of Community Affairs</b>			<b>43,037</b>	<b>0</b>
<b>Florida Housing Finance Corporation</b>				
State Housing Incentive Program. (S.H.I.P.)	52.901	(99-02) 206	1,486,589	0
<b>Total Florida Housing Finance Corporation</b>			<b>1,486,589</b>	<b>0</b>

**COUNTY OF VOLUSIA, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

<b>FEDERAL / STATE AGENCY PASS-THROUGH ENTITY FEDERAL PROGRAM / STATE PROJECT</b>	<b>CFDA/ CSFA NUMBER</b>	<b>CONTRACT GRANT IDENTIFICATION NUMBER</b>	<b>EXPENDITURES</b>	<b>AMOUNT PROVIDED TO SUBRECIPIENTS</b>
<b>Florida Department of Law Enforcement</b>				
Violent Crime and Drug Control	71.004	99-2232	8,653	0
<b>Total Florida Department of Law Enforcement</b>			<b>8,653</b>	<b>0</b>
<b>Florida Department of Management Services</b>				
One Stop Permitting	72.001	2000-12	30,000	0
<b>Total Florida Department of Management Services</b>			<b>30,000</b>	<b>0</b>
<b>Florida Department of Transportation</b>				
Closed Circuit TV	55.008	410523-1-54-01	16,800	0
CR92, SR15A	55.008	410524-1-54-1	182,027	0
Saxon Blvd, US 92	55.008	410526-1-54-1	0	0
Veteran's Memorial Parkway	55.008	AK963	0	0
US 92 Pedestrian Overpass Bridge	55.008	AK965	1,157,503	1,157,503
VOTRAN Operating Assistance	55.012	AG109/247083-1-84-01	8,329	0
VOTRAN Operating Assistance	N/A	AI301/407356-1-84-01	92,254	0
VOTRAN Operating Assistance	55.010	AK793/247078-1-84-01	1,733,983	0
VOTRAN Operating Assistance	55.012	AL127/411999-1-54-01	15,706	0
VOTRAN Operating Assistance	55.007	AL348/412964-1-84-01	13,063	0
VOTRAN Operating Assistance	55.007	AJ220/409084-1-84-01	11,721	0
VOTRAN Commission for the Transportation Disadvantaged	55.001	AK607/248541-1-84-01	480,245	0
<b>AIRPORT PROJECTS:</b>				
Construct A General Aviation Area; Upgrade Security Equipment; Upgrade Audio Communications; Replace 2-107 Vehicles	55.004	AG544/248388-1-84-01	628	0
Perform Airport Master Plan and Airport Layout Plan Update	55.004	AJ187/408884-1-94-01	1,430	0
Construct/Extend Taxiway and Aviation Apron	55.004	AJ601/408883-1-94-01	21,087	0
Construct/Extend Taxiway and Aviation Apron	55.004	AJ600/410253-1-94-01	27,133	0
Operational/Maintenance Costs-Enhanced Federal Security Job #79000-3861, Contract #AA150	55.004	24825414401	1,665,209	0
Construct/Extend Taxiway and Aviation Apron; Environmental Mediation	55.004	AJ610/410254-1-94-01	183,926	0
<b>Total Florida Department of Transportation</b>			<b>5,611,044</b>	<b>1,157,503</b>
<b>St. Johns River Water Management District</b>				
Water Quality Monitoring	N/A	99B178-C	4,933	0
Silver Sands Stormwater Improvements	N/A	SE634AA	10,000	0
<b>Total St. Johns River Water Management District</b>			<b>14,933</b>	<b>0</b>
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>			<b>\$ 10,035,471</b>	<b>1,157,503</b>

N/A Not applicable

**COUNTY OF VOLUSIA, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

**I. Summary of Auditors' Results:**

- A. Type of audit report issued on the basic financial statements: Unqualified
- B. Two reportable conditions related to internal control, neither of which is reported as a material weakness, were disclosed by the audit of the basic financial statements.
- C. The audit did not disclose any noncompliance which was material to the basic financial statements.
- D. There were no reportable conditions related to internal control over major federal awards programs and state financial assistance projects disclosed by the audit.
- E. Type of report issued on compliance for major federal awards programs and state financial assistance projects: Unqualified
- F. The audit did not disclose any audit findings, which are required to be reported under OMB Circular A-133 and Chapter 10.550, Rules of the Florida Auditor General.
- G. Major program identification:
  - Federal awards programs:
    - Airport Improvement Grant Program, CFDA 20.106
    - Federal Transit Cluster – Capital Improvement Grant, CFDA 20.500 and Formula Grant, CFDA 20.507
  - State financial assistance projects:
    - State Aid to Libraries, CSFA 45.030
    - State Housing Initiatives Partnership Program, CSFA 52.901
    - Aviation Development Grant, CSFA 55.004
    - County Incentive Grant Program, CSFA 55.008
    - County Grant Awards, CSFA 64.005
- H. Dollar threshold used to distinguish between Type A and Type B programs or projects were \$856,000 for major federal awards programs and \$301,000 for major state financial assistance projects.
- I. The County of Volusia, 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*:**

**1) Lack of Segregation of Duties at the Airport**

A staff member at the Airport is responsible for receiving daily report forms from the restaurant, cash and checks, and the deposit slip. This same individual also makes the bank deposit, and completes the Revenue Transmittal Form, which is emailed to the Accounting Division for general ledger entry.

We recommend segregating these duties among different personnel from within the County. The same person should not be able to record cash receipts and make deposits into the bank.

**2) Lack of Segregation of Duties in Utility Billing**

One person in the Water Resources and Utilities Division is currently responsible for uploading all meter readings into the Bill Master Billing system, correcting any errors, generating monthly bills, and preparing summary information which is submitted to the Accounting Division to record the general ledger journal entry. The present environment allows two people unlimited access to adjust customers' accounts, prior to generating monthly bills. (For instance, upon uploading meter readings, individual accounts can be changed to show lower or zero consumption, which could result in smaller or zero bills being generated for any accounts chosen by staff.)

The ability to make corrections or adjustments to the Consumption Report (generated after uploading meter readings) should not be allowed to be performed by the same person responsible for generating monthly bills. The two people in this division should not have unlimited and equal access to all aspects of the utility billing computer program, but different levels of authority and unequal access based on their duties and positions. Also, considering the overall size of the utility billing section (two people), consideration might be given to cross training individuals in other departments and/or utilizing another department to segregate duties and strengthen internal controls.

- III. **Findings and Questioned Costs for Federal Awards Programs and State Financial Assistance Projects:** None.
- IV. **Summary Schedule of Prior Audit Findings:** No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to Federal award programs or State financial assistance projects.
- V. **Corrective Action Plan:** There was no corrective action plan necessary for the year ended September 30, 2002, since there were no audit findings related to Federal award programs or State financial assistance projects in the auditors' report for that fiscal year.

**COUNTY OF VOLUSIA, FLORIDA**  
**SCHEDULE OF PASSENGER FACILITY CHARGES (PFC) COLLECTED AND EXPENDED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2002**

	Quarter Ended December 31, 2001	Quarter Ended March 31, 2002	Quarter Ended June 30, 2002	Quarter Ended September 30, 2002	Year Ended September 30, 2002
PFC Revenues Received	\$ 436	\$ 28,114	\$ 220,555	\$ 96,974	\$ 346,079
Interest Earned	20,294	15,785	16,956	17,337	70,372
Total PFC Revenues Received	<u>\$ 20,730</u>	<u>\$ 43,899</u>	<u>\$ 237,511</u>	<u>\$ 114,311</u>	<u>416,451</u>
Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
PFC Cash Available at September 30, 2001					3,247,797
PFC Cash Available at September 30, 2002				<u>\$</u>	<u>3,664,248</u>

**Reconciliation to Restricted Net Assets for PFC Program as of September 30, 2002:**

PFC Cash Available	\$ 3,664,248
PFC Due From Airlines	90,364
Restricted Net Assets for PFC Program	<u>\$ 3,754,612</u> *

\* The restricted net assets is comprised of \$3,270,116 for debt service on land acquisition (93-01-C-03-DAB) and \$34,496 for debt service on the terminal facility (96-02-01-DAB).

Working together



for our community

# JAMES MOORE & CO., P.L.

CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARDS PROGRAM, EACH MAJOR STATE FINANCIAL ASSISTANCE PROJECT AND PASSENGER FACILITY CHARGE PROGRAM**

To the Honorable County Council Members  
of the County of Volusia, Florida:

### **Compliance**

We have audited the compliance of the County of Volusia, Florida, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the requirements described in the *Florida Executive Office of the Governor's State Projects Compliance Supplement* that are applicable to each of its major federal awards programs and state financial assistance projects; and with the requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the Guide), for the year ended September 30, 2002. The County of Volusia, Florida's major federal awards programs and state financial assistance projects are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal awards programs, major state financial assistance projects, and its passenger facility charge program is the responsibility of the County of Volusia, Florida's management. Our responsibility is to express an opinion on the County of Volusia, Florida's compliance based on our audit. County of Volusia, Florida's financial statements include the operations of the Clerk of Circuit Court, County of Volusia, Florida (the component unit), which received \$485,230 in federal awards which is not included in the schedule during the year ended September 30, 2002. Our audit, described below, did not include the operations of the component unit because, the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; Chapter 10.550, Rules of the Florida Auditor General; and the Guide. Those standards, OMB Circular A-133; Chapter 10.550, Rules of the Florida Auditor General; and the Guide 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 awards program, major state financial assistance project, or the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the County of Volusia, Florida'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. Our audit does not provide a legal determination on the County of Volusia, Florida's compliance with those requirements.

In our opinion, the County of Volusia, Florida, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal awards programs, each of its major state financial assistance projects, and to its passenger facility charge program for the year ended September 30, 2002.

### **Internal Control Over Compliance**

The management of the County of Volusia, Florida, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal awards programs, state financial assistance projects, and the passenger facility charge program. In planning and performing our audit, we considered the County of Volusia, Florida's internal control over compliance with requirements that could have a direct and material effect on a major federal awards program, major state financial assistance project, or its passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, Chapter 10.550, Rules of the Florida Auditor General, and the Guide.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal awards program, major state financial assistance project, or the passenger facility charge program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the County Council and management, the Auditor General of the State of Florida, and respective federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Daytona Beach, Florida  
February 13, 2003



# JAMES MOORE & CO., P.L.

CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

## MANAGEMENT LETTER OF INDEPENDENT AUDITORS' REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

To the Honorable County Council Members  
of the County of Volusia, Florida:

We have audited the basic financial statements of the County of Volusia, Florida, as of and for the fiscal year ended September 30, 2002, and have issued our report thereon dated February 13, 2003. We did not audit the financial statements of Volusia County Clerk of the Circuit Court or Emergency Medical Foundation, Inc., which represent ninety-six percent and ninety-eight percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Volusia County Clerk of the Circuit Court and Emergency Medical Foundation, Inc., is based on the reports of the other auditors.

We conducted our audit 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; the provisions of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration. We have issued our Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting, Independent Auditors' Report on Compliance and Internal Control Over Compliance Applicable to Each Major Federal Awards Program, Each Major State Financial Assistance Project and Passenger Facility Charge Program, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 13, 2003, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter. The Rules of the Auditor General (Section 10.554 (1)(g)1.a.) require that we comment as to whether or not inaccuracies, shortages, defalcations, fraud, and violations of laws, rules, regulations, and contractual provisions reported in the preceding annual financial audit report have been corrected. None of the aforementioned were disclosed in the preceding audit report.

The Rules of the Auditor General (Section 10.554 (1)(g)1.b.) require that we comment as to whether or not recommendations made in the preceding annual financial audit report have been followed. There were no recommendations made in the preceding audit report.

As required by the Rules of the Auditor General (Section 10.554 (1)(g)2.), the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the County of Volusia, Florida, has complied with Section 218.415, Florida Statutes, except for the investment policy does not provide for the continuing education of the County's officials responsible for making investment decisions

The Rules of the Auditor General (Section 10.554 (1)(g)3.) require disclosure in the management letter of any recommendations to improve financial management, accounting procedures, and internal controls. Our audit disclosed none of these matters not already addressed in our report on compliance and on internal control.

The Rules of the Auditor General (Section 10.554 (1)(g)4.) require us to disclose (a) violations of laws, rules, regulations, and contractual provisions that have occurred, or were likely to have occurred, and were discovered within the scope of the audit; (b) improper or illegal expenditures discovered within the scope of the audit that may or may not materially affect the financial statements; and (c) other matters requiring correction that may or may not materially affect the financial statements reported on, including, but not limited to: (1) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (2) failures to properly record financial transactions; and (3) other inaccuracies, shortages, and defalcations and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed none of these matters not already addressed in our report on compliance and on internal control.

The Rules of the Auditor General (Section 10.554 (1)(g)5.) require that the name or official title and legal authority for the primary government and each component unit of the reporting entity as defined in publications cited in Rule 10.553 be disclosed in the management letter, unless disclosed in the notes to the financial statements. The legal authority for the primary government and each component unit of the reporting entity is disclosed in Note 1 in the basic financial statements.

As required by the Rules of the Auditor General (Section 10.554 (1)(g)6.a.), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that the County of Volusia, Florida, is not in a state of financial emergency as a consequence of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554 (1)(g)6.b.), the County of Volusia, Florida, has filed its financial report, which is in agreement with the annual financial report for the current period, with the Florida Department of Banking and Finance pursuant to Section 218.32 (1)(a), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554 (1)(g)6.c. 1 and 2), we have applied financial condition assessment procedures pursuant to Rule 10.556(8). It is management's responsibility to monitor the County's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

This management letter is intended solely for the information and use of the County Council and management, the Auditor General of the State of Florida, and respective federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Daytona Beach, Florida  
February 13, 2003

**COUNTY OF VOLUSIA  
MANAGEMENT RESPONSES TO  
INTERNAL CONTROL AND  
MANAGEMENT COMMENTS**

**Internal Control Over Financial Reporting**

**1) Lack of Segregation of Duties at the Airport**

We concur with the comment and recommendation. We will contact the Accounting Division for review and guidance. Additional procedures will be developed to strengthen the internal control of this system.

**2) Lack of Segregation of Duties in Utility Billing**

We concur with the comment and recommendation. We will contact the Accounting Division for review and guidance. Additional procedures will be developed to strengthen the internal control of this system.

**Management Comments**

**Information Technology**

We agree with the comment and have assigned a single Information Technology (IT) Services Manager to serve as the IT Security Officer. This manager will be the primary point of contact for technology security issues and will collect, coordinate, and disseminate security-related information among departments. This manager will also be responsible for coordinating the establishment of formal security standards, policies, and procedures.

**Investments**

The County's investment policy has been revised to reflect the state statutory requirement and will be brought to the County Council for approval.

**Accounts Receivable**

We agree with the comment. Staff will prepare a policy for County Council approval.

**Fixed Assets**

We will research the auditor general rules and GFOA suggested practices and establish a capitalization policy to fit our needs.

## **Risk Management and Estimated Claims Liability**

Corrective action has been initiated to improve the integrity and accountability for the data maintained in the claims records. Claims records will track all adjustments and identify the individual responsible for making each adjustment. The establishment or adjustment of claims reserves over ten thousand dollars (\$10,000) will be limited to the Risk Manager. Any claims adjustments over the \$10,000 cap, whether they be an increase or decrease, will be by the Risk Manager. The Risk Manager will review all monthly claims reports to insure accuracy of reserves, paid, outstandings, and recoveries prior to being forwarded to the Accounting Division for reconciliation to the general ledger.

Risk Management will either utilize the services of the actuary or engage an independent outside consultant to obtain, review and analyze all data for accuracy prior to this data being used to conduct any actuarial study.