

JAMES MOORE & CO., P.L.  
CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

**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 County Council Members  
of the County of Volusia, Florida:

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 of Volusia, Florida, as of and for the year ended September 30, 2004, which collectively comprise the County of Volusia, Florida's basic financial statements as listed in the table of contents and have issued our report thereon dated February 16, 2005. We did not audit the financial statements of the Clerk of the Circuit Court, County of Volusia, Florida or Emergency Medical Foundation, Inc., which represent ninety-seven percent and ninety-nine percent of the assets and revenues, respectively, 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 Clerk of the Circuit Court, County of Volusia, Florida 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 Standards*, issued by the Comptroller General of the United States.

**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 opinions on the financial statements and not to provide an opinion 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 financial statements. Reportable conditions are described below.

**Lack of Segregation of Duties in Utility Billing (Prior Year Comment Repeated)**

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 continues to allow 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. Adjustment reports should also be generated to document all adjustments to meter readings, and approved by an individual independent of the billing process. 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.

In addition, the subsidiary ledger of accounts receivable and deposits are not reconciled to the general ledger monthly. Differences between the general ledger and customer deposits detail exist because deposits received from new water and sewer customers are not entered into the subsidiary ledger system at the same time the deposit is paid by the customer. Such reconciliations are a primary means of preventing or detecting an error or fraud in accounts receivable and deposits. For example, one way to conceal a misappropriation of cash is to record a fictitious entry in the accounts receivable subsidiary ledger. A reconciliation of accounts receivable and deposits from the general ledger to the subsidiary detail ledger should be prepared to check that the recording of transactions is accurate and proper and that any adjustments to, or write-offs of, accounts receivable have been approved. We recommend that a reconciliation of the detail to the accounts receivable and deposit control be made at the end of each month and that any reconciling items be investigated and cleared promptly. A supervisor *independent of the Water Resources and Utilities Division* should then review the reconciliation and satisfy himself or herself that it is proper. A benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations. Also, it should be noted that a detail subsidiary ledger of customer deposits was produced but not maintained by the Water Resources and Utilities Division as of September 30, 2004. The failure to maintain this report resulted in additional independent audit procedures being expended to properly test the year-end balance.

A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the 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 the reportable condition described above is not 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 over financial reporting 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 financial statements of the County of Volusia, Florida. The following comments and recommendations are made to assist the County Council and management in administering future operations.

## **Risk Management**

### **Claims System Conversion and Claims Administration**

The County, in the prior year, received management letter comments related to claims system conversion, claims administration, and claims management, which were deemed to be material weaknesses in internal control. In the current year, our audit procedures indicated that the claims system conversion had been successfully completed. Our audit procedures also revealed that comments relative to claims administration (i.e. the record keeping and processing of claims data) have been adequately addressed. As recommended, the County also underwent a claims audit in the current year.

### **Claims Management**

The County is self insured for certain risks such as workers compensation, general liability, automobile liability, and property damage. Annually, the County obtains an actuary report to determine estimated losses outstanding for those risks. Currently, the primary use of the actuary report is to record the estimated claims liability for financial statement reporting purposes. The actuary report includes information on trends and anticipated maximum loss exposures by type and year.

We recommend the County analyze the data in the actuary report. This analysis should include the identification of unexpected trends, large changes in estimates, and the expected penetration of reinsurance. This data is critical in determining the suitable amount of reinsurance coverage and should be used to skillfully negotiate premiums with the reinsurer. Throughout the year, the County should also analyze the underlying claims data to determine if claims are being managed efficiently and effectively. For example, some of the analyses the County should address are claims closure rates, average costs per claim, costs per medical only claims, and claims per adjuster. This information should then be compared to industry benchmarks. Armed with this data, the County could rest assured they have mitigated overall risk to risk to the maximum extent possible.

### **Year-end Inventory Counts**

Year-end inventory was not counted at September 30, 2004 by two departments (Road and Bridge and Traffic Engineering), due to unusual demands placed upon these departments by Hurricanes Charley, Frances, and Jeanne. Periodic physical inventories provide a basis for updating inventory balances and aid in detecting significant inventory shortages. Physical inventories also serve as checks on the performance of those responsible for inventory custody and related functions of purchasing and receiving. Employees responsible for these functions might have biased interests in the results of physical counts. We therefore recommend the County resume procedures performed in preceding years. These procedures include that individuals independent of these departments be responsible for physical inventory procedures, and inventories should be counted at least annually at year-end. Personnel from the accounting department should have the responsibility of planning, supervising, and test counting physical inventories. However, the department supervisors should have input during the planning phase so efficient and effective physical inventories can be achieved.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County of Volusia, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express

such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in black ink that reads "James Moore & Co." The signature is fluid and cursive, with "James" and "Moore" connected by a horizontal stroke, and "& Co." following in a smaller, similar style.

Daytona Beach, Florida  
February 16, 2005

**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, 2004**

<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>				
Direct:				
Coastal Impact Assistance	11.419	GRM-EM-NR0201A	\$ 59,899	\$ 0
Pass-Through:				
Florida Department of Environmental Protection:				
EPA Vireo Rose Bay Stewardship Initiative	11.419	CZ418	22,780	0
Total NOAA			82,679	0
<b>Department of Agriculture</b>				
Pass-Through:				
Florida Department of Education:				
USDA Summer Food Services	10.559	04-0879	292,899	0
Total Department of Agriculture			292,899	0
<b>Department of Housing and Urban Development</b>				
Direct:				
Emergency Shelter Program	14.231	S-03-UC-12-0021	91,843	63,943
HOME Program	14.239	M-(00-04)-DC-12-0223	2,258,813	1,467,327
Community Development Program	14.218	B-(0-04)-UC-12-0008	2,971,001	1,524,150
Section 8 - Voucher Program	14.855	FL-113-04	1,966,419	0
Total Department of Housing and Urban Development			7,288,076	3,055,419
<b>Department of the Interior</b>				
Direct:				
Scrub Habitat Survey	15.615	1448-40181-02	34,200	0
Pass-Through:				
Florida Department of Environmental Protection:				
Land and Water Conservation Fund Program	15.916	LW494	81,250	0
Land and Water Conservation Fund-Lake Monroe	15.916	12-00440	200,000	0
Total Department of the Interior			315,450	0
<b>Department of Justice</b>				
Direct:				
State Criminal Alien Assistance Program	16.606	Alien Assistance 03/04	79,046	0
Bulletproof Vest Partnership	16.607	OMB 1121-0235	6,175	0
LLEBG/Disparate Allocation	16.592	2003-LB-BX-0805	209,950	0
Weed & Seed - Community Services	16.595	2001-WS-Q8-0119B	178,921	113,282
Weed & Seed - Community Services	16.595	2001-WS-Q8-0119A	75,632	71,969
Weed & Seed - Community Services	16.595	2001-WS-Q8-0119	3,289	3,289
Weed & Seed - Asset Forfeiture	16.595	0806	10,441	0
Office of Justice Program	16.585	2000-DC-VX-0060	8,645	0
Office of Justice Program	16.585	2003-DC-BX-0025	105,644	0
Pass Through:				
Florida Department of Law Enforcement:				
Byrne Formula Grant Program Anti-Drug Boys & Girls Club	16.579	04-CJ-J3-06-74-01-005	30,000	30,000
Byrne Formula Grant Program Anti-Drug Administration	16.579	04-CJ-J3-06-74-01-002	22,851	0
Byrne Formula Grant Program Anti-Drug Abuse Youth Academy	16.579	04-CJ-J3-06-74-01-006	22,270	22,270
Byrne Formula Grant Program Anti-Drug Serenity House/S.O.R.T.	16.579	04-CJ-J3-06-74-01-004	80,419	80,419
Byrne Formula Grant Program Anti-Drug Jail Addiction Treatment	16.579	04-CJ-J3-06-74-01-007	11,685	0
Byrne Formula Grant Program Anti-Drug House Next Door/T.E.A.M.	16.579	04-CJ-J3-06-74-01-003	33,690	33,690
Florida Office of the Attorney General:				
Victims Advocate	16.575	V3270	74,005	0
Total Department of Justice			952,663	354,919

**COUNTY OF VOLUSIA, FLORIDA**  
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<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>Department of Homeland Security</b>				
Pass Through:				
Department of Community Affairs:				
Citizen Corps	97.004	05-CC-2U-06-74-01	0	0
Operation Liberty Shield	16.007	04-LS-1P-06-74-23-112	12,016	0
Public Assistance Grant-Hurricane Charley	97.036	05-PA-C-06-74-01-703	11,934,287	0
Public Assistance Grant-Hurricane Frances	97.036	05-PA-G-06-74-01-198	6,771,290	0
Public Assistance Grant-Hurricane Jeanne	97.036	05-PA-E-06-74-01-832	1,776,414	0
<b>Total Department of Homeland Security</b>			<b>20,494,007</b>	<b>0</b>
<b>General Services Administration</b>				
Pass-Through:				
Department of State:				
Voter Education 03-04	39.011	Voter Education 03-04	<b>52,704</b>	<b>0</b>
<b>Total General Services Administration</b>			<b>52,704</b>	<b>0</b>
<b>Federal Highway Administration</b>				
Pass Through:				
Florida Department of Transportation:				
In-Car Video Camera	20.600	ANJ55	3,961	0
DeLand Train Station	20.205	AE888	7,665	0
Otter Boulevard Replacement Bridge	20.205	AN201	37,062	0
Clyde Morris Intersection Improvements	20.205	AN121	10,650	0
Spring to Spring Trail	20.205	AL894	46,000	0
Spring to Spring Trail	20.205	ANK74	0	0
Intersection Improvements	20.205	AM639A	221	0
Intersection Improvements	20.205	AM639B	20,122	0
Florida Department of Environmental Protection:				
Recreational Trails Program-Lake Monroe Trailhead	20.219	T22042	<b>100,000</b>	<b>0</b>
<b>Total Federal Highway Administration</b>			<b>225,681</b>	<b>0</b>
<b>Federal Emergency Management Agency</b>				
Pass Through:				
Florida Department of Community Affairs				
Assistance To Firefighting Program	83.554	EMW-2002-F6-15316	20,319	0
Citizen Corps/CERT	83.564	03CT-95-06-74-02-422	8,000	0
Continuity of Operations Plan (COOP)	83.562	03-FT-1B-06-74-01-327	55,047	0
Flood Mitigation Planning	83.536	03-FM-53-06-74-15-259	12,732	0
Flood Mitigation Planning	83.536	03-FM-52-06-74-01-242	13,262	0
Local Mitigation Strategy	83.557	04-DM-60-06-74-01-259	10,000	0
Emergency Management Preparedness Trust	83.552	04-BG-04-06-74-01-064	163,303	0
<b>Total Federal Emergency Management Agency</b>			<b>282,663</b>	<b>0</b>
<b>Department of Health and Human Services</b>				
Pass Through:				
Agency For Health Care Administration:				
VOTRAN Medicaid Assistance Program	93.778	N/A	2,384,264	0
Florida Department of Community Affairs:				
CSBG Program	93.569	04-SB-3T-06-74-01-033	455,435	0
Low Income Home Energy Assistance Program	93.568	04-EA-4P-06-74-01-031	466,203	0
Low Income Home Energy Assistance Program	93.568	03EA-3R-06-74-01-030	155,208	0
<b>Total Department of Health and Human Services</b>			<b>3,461,110</b>	<b>0</b>
<b>Federal Transit Administration</b>				
Direct:				
VOTRAN Capital Assistance	20.507	FL03-X244	531,186	0
VOTRAN Capital Assistance	20.507	FL90-X367	150,835	0
VOTRAN Capital Assistance	20.507	FL90-X398	99,740	0
VOTRAN Capital Assistance	20.507	FL90-X425	221,447	0
VOTRAN Capital Assistance	20.507	FL90-X460	268,986	0
VOTRAN Capital Assistance	20.507	FL90-X474	543,023	0
VOTRAN Operating and Capital Assistance	20.507	FL90-0498	234,309	0
<b>Total Federal Transit Administration</b>			<b>2,049,526</b>	<b>0</b>

**COUNTY OF VOLUSIA, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

<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 Aviation Authority</b>				
Direct:				
Construct Perimeter Service Road - Phase 1 and Acquire Aircraft Rescue and Fire Fighting Vehicle FDOT Project #41541319401, Contract #ANC12	20.106	3-12-0017-042-2003	79,288	0
Expand Terminal Building (Innovative Financing Program-Phase 2)	20.106	3-12-0017-044-2004	1,999,702	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	20.106	3-12-0017-3600	359,052	0
Roof Turret for Aircraft Rescue Fire-Fighting Vehicle #4	20.106	3-12-0017-045-2004	12,709	0
Construct Perimeter Service Road - Phase 2 Rehab	20.106	3-12-0017-046-2004	111,013	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	20.106	3-12-0017-3801	859,231	0
Federal Security Grant-Law Enforcement Officers and Security Equipment	20.106	3-12-0017-043-2003	550,000	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	65,505	0
Financing Cost (Innovative Financing Program) FAA Contract # DTFA 06-01-A-80181	20.106	3-12-0017-3901	100	0
Small Community Air Service Development Pilot Program	20.106	SCASDPP 11590-035	300,308	0
<b>Total Federal Aviation Authority</b>			<b>4,336,908</b>	<b>0</b>
<b>TOTAL EXPENDITURES FEDERAL AWARDS</b>			<b>\$ 39,834,366</b>	<b>\$ 3,410,338</b>

**STATE AGENCY****Florida Department of Environmental Protection**

Waste Tire Grant	37.015	ST364	\$ 51,690	\$ 51,690	0
Riverbreeze Park Wetland Stormwater Treatment	37.039	WM792	150,000	150,000	0
Beach Erosion Control	37.003	98V01	1,716	1,716	0
Compliance Inspection '02	37.043	GC561-E/5	19,991	19,991	0
Compliance Inspection '03	37.043	GC561-F/6	69	69	0
Compliance Inspection '04	37.043	GC561-G/7	184,252	184,252	0
Compliance Inspection '05	37.043	GC561-H/8	36,998	36,998	0
Super ACT Administration '02	37.024	GC631-1	36,067	36,067	0
Super ACT Administration '03	37.024	GC631-2	0	0	0

**COUNTY OF VOLUSIA, FLORIDA**  
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<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 Environmental Protection, continued</b>				
Super ACT Administration '90	37.024	GC60	6,752	0
Super ACT Administration '04	37.024	GC631-3	295,394	0
Super ACT Administration '05	37.024	GC631-4	74,657	0
Florida Recreation Development Assistance Program-Debary Hall Trailhead	37.017	F4282	28,964	0
Florida Recreation Development Assistance Program-Green Spring Park	37.017	F4283	0	0
Stone Island Wastewater Collection and Transmission System	37.039	SP619070	78,752	0
<b>Total Florida Department of Environmental Protection</b>			<b>965,302</b>	<b>0</b>
<b>Florida Department of State</b>				
<b>Division of Historic Preservation:</b>				
Volusia Sugar Mills	45.031	S-0451	10,944	0
Courthouse/DeLand - Phase IV	45.017	SC-274	990	0
<b>Division of Historic Preservation</b>			<b>11,934</b>	<b>0</b>
<b>Division of Library Services:</b>				
Staying Connected Computer Grant	N/A	04-GATES-B-16	0	0
State Aid to Libraries	45.030	03-ST-68	631,141	0
<b>Total Division of Library Services</b>			<b>631,141</b>	<b>0</b>
<b>Division of Cultural Affairs:</b>				
Cultural Arts Program	45.005	03-8021	5,277	0
<b>Total Division of Cultural Affairs</b>			<b>5,277</b>	<b>0</b>
<b>Florida Fish and Wildlife Conservation Commission</b>				
Marine Turtle Grant	77.014	02-012	5,614	0
<b>Total Florida Fish and Wildlife Conservation Commission</b>			<b>5,614</b>	<b>0</b>
<b>Office of the State Courts Administrator</b>				
Traffic Hearing Officer	22.001	794-C	6,397	0
Traffic Hearing Officer	22.001	794-D	19,357	0
<b>Total Office of the State Courts Administrator</b>			<b>25,754</b>	<b>0</b>
<b>Florida Department of Health</b>				
EMS Trust Fund	64.005	C3064	149,536	0
EMS Trust Fund	64.005	C2064	50,999	0
<b>Total Florida Department of Health</b>			<b>200,535</b>	<b>0</b>
<b>Florida Department of Community Affairs</b>				
Direct:				
Hazardous Material	52.023	04CP-11-06-74-01-055	0	0
Hazardous Material	52.008	02CP-11-06-74-22-041	1,215	0
Hazardous Material	52.023	03CP-11-06-74-01-184	7,161	0
CERT	52.009	04CG-10-06-74-01-014	29,649	0
Florida Communities Trust Florida Forever Program	52.002	04-005-FF4	1,384,900	0
<b>Total Florida Department of Community Affairs</b>			<b>1,422,925</b>	<b>0</b>
<b>Florida Housing Finance Corporation</b>				
State Housing Incentive Program. (S.H.I.P.)	52.901	(02-04) 206	1,369,539	0
<b>Total Florida Housing Finance Corporation</b>			<b>1,369,539</b>	<b>0</b>
<b>Florida Department of Highway Safety</b>				
License Plate	45.013	Florida Arts License Plate Program	640	0
<b>Total Florida Department of Highway Safety</b>			<b>640</b>	<b>0</b>

**COUNTY OF VOLUSIA, FLORIDA**  
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<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 Investigations	71.004	109701	65,700	0
Violent Crime and Drug Control	71.004	99-2232	0	0
<b>Total Florida Department of Law Enforcement</b>			<b>65,700</b>	<b>0</b>
<b>Florida Department of Revenue</b>				
Digital Map Conversion	73.023	04 J36Parcel Map	25,000	0
<b>Total Florida Department of Revenue</b>			<b>25,000</b>	<b>0</b>
<b>Florida Department of Management Services</b>				
Wireless 911 Emergency Telephone System	72.001	Wireless 911	582,807	0
<b>Total Florida Department of Management Services</b>			<b>582,807</b>	<b>0</b>
<b>Florida Department of Transportation</b>				
I-4 Frontage Road	55.022	AM296	437,837	0
Daytona Beach Transportation Solution	55.022	AM110	873,534	0
VOTRAN Operating Assistance	55.012	AL127/411999-1-54-01	45,512	0
VOTRAN Operating Assistance	55.007	AL348/412964-1-84-01	47,849	0
VOTRAN Operating Assistance	55.007	AM980/247085-1-84-01	1,844,655	0
VOTRAN Operating Assistance	55.007	AM728/247084-1-84-01	212,447	0
VOTRAN Operating Assistance	55.007	AN274/404422-1-84-01	201,649	0
VOTRAN Commission for the Transportation Disadvantaged	55.001	AL955-248541-1-84-01	717,392	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	0	0
Construct/Extend Taxiway and Aviation Apron	55.004	AJ601/408883-1-94-01	107,971	0
Operational/Maintenance Costs-Enhanced Federal Security	55.004	AA150/24825414401	2,030,318	0
Federal Security Grant-Law Enforcement Officers and Equipment	55.004	ANC13/41541219401	30,555	0
Construct Perimeter Service Road - Phase I	55.004	ANC12/41541319401	1,574	0
Acquire Aircraft Rescue & Firefighting Vehicle	55.004	ANC11/415410-1-94-01	1,603	0
Provide Payment on Bonds	55.004	AN027/40945119401	206,035	0
Repair Facilities - Hurricanes Charley/Frances	55.004	ANP91/404987-1-94-01	474	0
Expand and Upgrade Power Vault and Equipment to Include an Emergency Generator	55.004	AM646/40968419401	28,565	0
Purchase and Installation of Handicap Passenger Life Device	55.004	ANC10/415411-1-94-01	12,450	0
<b>Total Florida Department of Transportation</b>			<b>6,800,420</b>	<b>0</b>
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>			<b>\$ 12,112,588</b>	<b>\$ 0</b>

**COUNTY OF VOLUSIA, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

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

- A. Type of audit report issued on the basic financial statements: Unqualified
- B. One reportable condition related to internal control, which is not reported as a material weakness, was disclosed by the audit of the financial statements.
- C. No instances of noncompliance material to the financial statements of County of Volusia, Florida, were disclosed during the audit.
- D. There were no reportable conditions related to internal control over major federal programs or state projects disclosed by the audit.
- E. Type of report issued on compliance for major federal programs and state 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:
    - Federal Transit – Formula Grants (urbanized Area Formula Program), CFDA 20.507
    - Low-Income Home Energy Assistance, CFDA 93.568
    - Community Services Block Grant, CFDA 93.569
    - Medical Assistance Program (Medicaid; Title XIX), CFDA 93.778
    - Public Assistance Grant – Hurricanes, CFDA 97.036
  - State financial assistance projects:
    - Petroleum Contamination Site Cleanup, CSFA 37.024
    - Florida Forever Act, CSFA 52.002
    - State Housing Initiatives Partnership Program, CSFA 52.901
    - Aviation Development Grants, CSFA 55.004
    - Transportation Outreach Program, CSFA 55.022
- H. Dollar threshold used to distinguish between Type A and Type B programs or projects were \$1,359,909 for major federal programs and \$363,378 for major state 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*:**

**Lack of Segregation of Duties in Utility Billing (Prior Year Comment Repeated)**

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 continues to allow 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. Adjustment reports should also be generated to document all adjustments to meter readings, and approved by an individual independent of the billing process. 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.

In addition, the subsidiary ledger of accounts receivable and deposits are not reconciled to the general ledger monthly. Differences between the general ledger and customer deposits detail exist because deposits received from new water and sewer customers are not entered into the subsidiary ledger system at the same time the deposit is paid by the customer. Such reconciliations are a primary means of preventing or detecting an error or fraud in accounts receivable and deposits. For example, one way to conceal a misappropriation of cash is to record a fictitious entry in the accounts receivable subsidiary ledger. A reconciliation of accounts receivable and deposits from the general ledger to the subsidiary detail ledger should be prepared to check that the recording of transactions is accurate and proper and that any adjustments to, or write-offs of, accounts receivable have been approved. We recommend that a reconciliation of the detail to the accounts receivable and deposit control be made at the end of each month and that any reconciling items be investigated and cleared promptly. A supervisor *independent of the Water Resources and Utilities Division* should then review the reconciliation and satisfy himself or herself that it is proper. A benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations. Also, it should be noted that a detail subsidiary ledger of customer deposits was produced but not maintained by the Water Resources and Utilities Division as of September 30, 2004. The failure to maintain this report resulted in additional independent audit procedures being expended to properly test the year-end balance.

- III. Findings and Questioned Costs for Federal Programs and State 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 programs or state projects.
- V. Corrective Action Plan:** There was no corrective action plan necessary for the year ended September 30, 2004, since there were no audit findings related to federal programs or state 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, 2004**

	Quarter Ended December 31, 2003	Quarter Ended March 31, 2004	Quarter Ended June 30, 2004	Quarter Ended September 30, 2004	Year Ended September 30, 2004
PFC Revenues Received	\$ 190,716	\$ 194,579	\$ 209,357	\$ 194,218	\$ 788,870
Interest Earned	15,015	14,316	14,798	20,130	64,259
Total PFC Revenues Received	<u>\$ 205,731</u>	<u>\$ 208,895</u>	<u>\$ 224,155</u>	<u>\$ 214,348</u>	853,129
Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-
PFC Cash Available at September 30, 2003					4,398,841
PFC Cash Available at September 30, 2004					<u><u>\$ 5,251,970</u></u>

**Reconciliation to Restricted Net Assets for PFC Program as of September 30, 2004:**

PFC Cash Available	\$ 5,251,970
PFC Due From Airlines	107,365
Restricted Net Assets for PFC Program	<u><u>\$ 5,359,335</u></u> *

\* The restricted net assets is comprised of \$3,720,116 for debt service on land acquisition (93-01-C-03-DAB) and \$1,639,219 for debt service on the terminal facility (96-02-01-DAB).

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# JAMES MOORE & CO., P.L.

CERTIFIED PUBLIC ACCOUNTANTS

AND CONSULTANTS

## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM, EACH MAJOR STATE PROJECT, AND PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, CHAPTER 10.550, RULES OF THE AUDITOR GENERAL, AND PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES

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*, the *Florida Executive Office of the Governor's State Projects Compliance Supplement* that are applicable to each of its major federal programs and state projects, and the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the Guide), for the year ended September 30, 2004. The County of Volusia, Florida's major federal programs and state 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 programs, major state 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 Clerk of the Circuit Court, Volusia County, Florida (the component unit), which received \$630,331 in federal awards which is not included in the schedule during the year ended September 30, 2004. 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 program, major state 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 programs, each of its major state projects, and its passenger facility charge program for the year ended September 30, 2004.

**Internal Control Over Compliance**

The management of the County of Volusia, Florida, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs, state 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 program, major state 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 reportable 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 caused by error or fraud that would be material in relation to a major federal program, major state 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.

A handwritten signature in black ink that reads "James Moore & Co." The signature is fluid and cursive, with "James" and "Moore" connected by a single stroke, and "& Co." written in a smaller, separate cursive style to the right.

Daytona Beach, Florida  
February 16, 2005

# 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, 2004, and have issued our report thereon dated February 16, 2005. We did not audit the financial statements of the Clerk of the Circuit Court, County of Volusia, Florida or Emergency Medical Foundation, Inc., which represent ninety-seven percent and ninety-nine percent of the assets and revenues, respectively, 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 Clerk of the Circuit Court, County of Volusia, Florida 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. 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.

We have issued our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, Report on Compliance With Requirements Applicable to Each Major Federal Program, Each Major State Project, and Passenger Facility Charge Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133, Chapter 10.550, Rules of The Auditor General, and Passenger Facility Charge Audit Guide for Public Agencies, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 16, 2005, should be considered in conjunction with this management letter.

The Rules of the Auditor General (Section 10.554 (1)(h)1.) require that we comment as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. The findings and recommendations made in the preceding annual financial audit report have been corrected, except for the matter reported under the heading "Prior Year Comment Repeated" in our report on internal control over financial reporting and on compliance and other matters.

As required by the Rules of the Auditor General (Section 10.554 (1)(h)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, complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(h) 3. and 4.) require disclosure in the management letter of the following matters if not already addressed in our report on internal control over financial reporting and on compliance and other matters: (1) recommendations to improve financial management, accounting procedures, and internal controls; (2) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and were discovered within the scope of the audit; (3) improper or illegal expenditures discovered within the scope of the audit that may or may not materially affect the financial statements; (4) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); failures to properly record financial transactions; and other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. There were no matters that require disclosure pursuant to the Rules of the Auditor General (Sections 10.554(1)(h) 3 and 4) not already addressed in our report on internal control over financial reporting and on compliance and other matters.

The Rules of the Auditor General (Section 10.554 (1)(h)5.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity 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 of the basic financial statements.

The Rules of the Auditor General (Section 10.554(1)(h) 6.a.), require that we comment as to whether or not one or more of the conditions described in Section 218.503(1), Florida Statutes, have been met. In connection with our audit, we determined that the County of Volusia, Florida, has not met one or more of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554 (1)(h) 6.b.), we determined that the annual financial report for the County of Volusia, Florida, for the fiscal year ended September 30, 2004, filed with the Florida Department of Banking and Finance pursuant to Section 218.32, Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2004.

As required by the Rules of the Auditor General (Sections 10.554 (1)(h)6.c.), the scope of our audit included application of financial condition assessment procedures pursuant to Rule 10.556(8) of the Auditor General. 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 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.

A handwritten signature in cursive ink that reads "James Moore & Co." The signature is fluid and appears to be a professional business name.

Daytona Beach, Florida  
February 16, 2005

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

**Internal Control Over Financial Reporting**

**1) Lack of Segregation of Duties in Utility Billing (Prior Year Comment Repeated)**

The following is provided in response to the auditors concerns regarding segregation of duties in Utility Billing.

**Part I: Corrections or Adjustments to Meter Reads**

The Bill Master Billing system produces a Meter Readings Exception List that must be reviewed prior to updating the meter readings. The Division's billing staff will review the Meter Readings Exception List, highlight the corrections or adjustments that need to be made, indicate what action was taken to resolve the discrepancies, and incorporate the changes. The Water Resources & Utilities Division Director, Administrative Coordinator or Utilities Engineer will review the annotated list and approve the recommended changes. Any unapproved changes will be corrected prior to the next billing cycle.

The Water Resources & Utilities Division Director, Administrative Coordinator or Utilities Engineer must approve any corrections or adjustments that occur after the billing cycle has closed. Documentation supporting the recommended changes will be provided as a part of the review and approval process. The billing staff will incorporate the changes after approval.

**Part II: Reconciliation of Customer Deposits**

The following procedural changes will be implemented to record building permit related customer deposits to the Bill Master Billing system in a timelier manner. A copy of the building permit will be provided to the billing section at the time of permit filing. The billing section will establish a customer account coded "No Bill" to record essential account information and deposit amounts. The No Bill accounts will be converted to normal accounts once the meter has been installed and is operational. Prior to this change the building permit was routed to the Utilities Operations Activity for meter installation. The customers billing account was not created until the meter installation was completed. The time lag between permit issuance and creating the customer billing account resulted in a discrepancy in deposit liability detail.

New accounts for existing units are recorded daily to the Bill Master Billing system. Customer deposit amounts are included at the time of new account development, which eliminates the potential for discrepancy in deposit liability detail.

The above processes should reduce the potential for and number of discrepancies between the financial system and the billing system. Reconciliation of accounts receivable detail for deposits and the billing detail will be performed monthly to verify the timely and

accurate recording of customer deposit information. Identified discrepancies will be researched and resolved.

The “Customer Deposit on Account” reports have, in the past, been saved and printed every September for reconciliation. This last September, because of organizational changes and a new supervisor, the deposit report was not saved to file. The Bill Master Program does not have the capability of storing the report so this information was posted to the account but lost in report format. We will ensure that the “Customer Deposit on Account” report is saved each month on disc for final year-end reconciliation.

### **Management Comments**

**2) Risk Management – Claims Management**

Additional human and technical resources are being assigned to Risk Management in order to implement the recommendations for continuous claims data analysis. This will include replacing the two current claims administration software systems (one for worker's compensation and another for general liability/property/casualty) that are being run on outdated hardware.

**3) Year-end Inventory Counts**

The County did not perform year-end inventory counts at the close of fiscal year 2004 for Road and Bridge and Traffic Engineering. Physical inventory counts at year-end are a normal procedure that has been performed in prior years. However, due to hurricanes Charley, Frances, and Jeanne affecting the County during the last six weeks of fiscal year 2004, County departmental personnel were highly involved in restoring services and performing clean up activities and not available to perform inventory counts. Alternative procedures were used to verify the amounts recorded on the financial statements to the auditors satisfaction.

At the close of fiscal year 2005, the County will perform year-end inventory counts as required by generally accepted accounting principles.