

**COUNTY OF VOLUSIA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

I. Summary of Auditors' Results:

- A. Type of audit report issued on the basic financial statements: Unqualified
- B. There was one material weakness related to internal control over financial reporting disclosed by the audit of the basic 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:
 - Disaster Recovery Initiative Grant, CFDA 14.228
 - HOME Investment Partnerships Program, CFDA 14.239
 - Section 8 Housing Choice Vouchers Grant, CFDA 14.871
 - Homeland Security Grant, CFDA 97.067
 - State Homeland Security Grant, CFDA 97.004
 - Flood Mitigation Assistance Grant, CFDA 97.029
 - Hazard Mitigation Assistance Grant, CFDA 97.039
 - Airport Improvement Program, CFDA 20.106
 - Voter Education and Assistance Grants, CFDA 39.011
 - State financial assistance projects:
 - Beach Erosion Control Program, CSFA 37.003
 - Economic Development Transportation Fund, CSFA 31.002
 - County Incentive Grant Program, CSFA 55.008
 - Commuter Assistance/ Rideshare Grants, CSFA 55.007
 - Commission for the Transportation Disadvantaged Grant, CSFA 55.001
 - Wireless E-911 Emergency Telephone System Program, CSFA 72.001
- H. Dollar threshold used to distinguish between Type A and Type B programs or projects were \$959,871 for major federal programs and \$681,956 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:

VOTRAN Accounting

The County contracts with McDonald Transit Associates, Inc (McDT), to manage and operate its public transit system, or VOTRAN. To carry out its responsibilities under the contract, McDT established Volusia Transit Management, Inc. (VTM), a wholly owned subsidiary of McDT.

As part of its operations, VTM maintained several bank accounts to receive and expense funds for operating activities not the direct responsibility of the County, and for paratransit services to transport Medicaid-eligible recipients.

In the performance of our audit procedures, it was noted the finance director at VOTRAN had incompatible duties related to the handling of cash. These duties/responsibilities included check preparation, check signing, bank deposit preparation, recording of cash receipts, review of bank reconciliations and preparation of journal entries for submission to the County's Accounting department. Although a second signature was required on each check, a stamp was often used as the second signature. In addition, check registers were manually prepared.

Internal controls are designed to safeguard assets and help prevent or detect losses from employee dishonesty or error. In the performance of our audit procedures, no improprieties related to the VOTRAN cash accounts were found. However, we believe the following practices should be implemented to improve internal control as well as efficiency:

- Mail should be opened by an employee independent of accounting, and a record of cash receipts maintained.
- The person preparing bank reconciliations should not have related cash receipt or disbursement duties. Bank statements, canceled checks, and enclosures should be received by someone other than employees maintaining cash records. Such items should be periodically reviewed prior to completion of the reconciliation. Unusual items noted during the review should be investigated promptly.
- Bank deposits should be prepared by someone independent of the cash recording process.

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: See Management Responses to Internal Control and Management Comments on pages 243 and 244.