

**COUNTY OF VOLUSIA
MANAGEMENT RESPONSES TO
THE AUDITORS REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING**

2007-1 Landfill

The submittal requirements for future contracted engineering services financial reporting will clearly state that all financial reports will be prepared in accordance and in compliance with both Florida Department of Environmental Protection (FDEP) and financial reporting standards. Contracted engineering services financial report submittals will be reviewed for completeness and accuracy by Public Works and Financial and Administrative Services prior to acceptance. This will ensure that all submittals are consistent with both FDEP and financial reporting standards.

2007-2 Supervision and Review of Account Reconciliations and Journal Entries

Under new auditing standards, identified errors must now be reported as a significant deficiency in internal controls. These errors were discovered by the auditors after they were presented with the final trial balance, but before the final financial statements were complete. In order to complete the audit within a reasonable time frame, work papers and preliminary and final balances are given to the auditors prior to completion of the financial statements. While the majority of adjustments are made prior to the final trial balance being completed and given to the auditors, it is normal for staff to detect and correct errors during the financial statement preparation process. The process in place to review the financial statements, as they are being prepared, is designed to identify additional adjustments or corrections, if any. We believe the errors would have been detected during that process. However, we will put into place additional controls that will further minimize the chances of errors and omissions being undetected or corrected prior to the financial statement review process.

2007-3 Budget

During the course of the audit, the Budget office recognized the need for a tracking mechanism to ensure all budget amendments are processed in the financial system. A procedure was immediately implemented to track and log all budget amendments approved by County Council. The tracking is followed by a monthly distribution of Council approved budget amendments to budget staff as a final month end reconciliation.

2007-4 Risk Management

Risk Management reconciles all claim payments and recoveries posted in its subsidiary claims tracking system to the County's general ledger on a monthly basis. All differences are researched and, if necessary, corrections are made to either the subsidiary claims system or the general ledger. Additional procedures will be put into place to reconcile reserve changes to ensure that all cost elements of a claim are reviewed prior to information being sent to the actuary.

Risk Management, along with other departments within the County, responded to a large flood that occurred at the Justice Center. Various County departments worked together to repair, replace and return the facility to full working capacity in a very short time frame. As a result, repair bills were paid from different funding sources, including the self-insurance fund. Risk

Management compiled the repair bills from their various funding sources and submitted them to the County's property insurance company for reimbursement. The County was reimbursed for these costs and the funds deposited into the self-insurance fund. The portion of those insurance proceeds representing the amounts paid by other funding sources should have been reimbursed prior to fiscal year end. Because this was not completed, a negative balance in the risk management system's claim file resulted. Once detected, the funds were disbursed to reimburse the appropriate funding sources and recorded as a fiscal year 2007-08 transaction. No adjustment was made to the 2006-07 financial statements as the amount was considered immaterial by both the County and the external auditors.

To avoid this type of error in the future, the new risk management claims system will provide controls to prevent negative claim balances.