

**COUNTY OF VOLUSIA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

I. Summary of Auditors' Results:

- A. Type of audit report issued on the basic financial statements: Unqualified
- B. There were six significant deficiencies related to internal control over financial reporting disclosed by the audit of the basic financial statements, none of which were considered a material weakness.
- C. There were two significant deficiencies reported in internal control over major federal programs and none reported in internal control over state financial assistance projects. The significant deficiencies were not considered material weaknesses.
- D. Type of report issued on compliance for major federal programs and state projects: Unqualified
- E. The audit disclosed audit findings, which are required to be reported under OMB Circular A-133. The audit did not disclose any audit findings, which are required under Chapter 10.557, Rules of the Florida Auditor General.
- F. Major program identification:
 - Federal awards programs:
 - Emergency Watershed Protection Program (Recovery Act Funded), CFDA 10.923
 - Community Development Block Grant (CDBG) Program, CFDA 14.218
 - HOME Investment Partnership Program, CFDA 14.239
 - Section 8 Housing Choice Voucher Program, CFDA 14.871
 - Airport Improvement Grant, CFDA 20.106
 - Highway Planning and Construction Grant, CFDA 20.205
 - Capitalization Grant for Clean Water Program, CFDA 66.458
 - Low-Income Home Energy Assistance Program, CFDA 93.568
 - State financial assistance projects:
 - Economic Development Transportation Fund, CSFA 31.002
 - Transportation Regional Incentive Program, CSFA 55.026
 - Aviation Development Grants, CSFA 55.004
- G. Dollar thresholds used to distinguish between Type A and Type B programs or projects were \$750,935 for major federal programs and \$623,575 for major state projects.
- H. The County of Volusia, Florida, did not qualify 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*:

2009-1 Property Tax Assessment of Timeshare Properties

During our documentation and testing of the controls and procedures in place in the Property Appraiser's office, we noted the assessed values for timeshare properties are manually calculated through the use of an electronic excel spreadsheet. While testing the accuracy of such calculations used in the 2008 tax roll, we noted two timeshares with exceptions out of the 12 tested.

For one property, the assessed value of a specific unit type was omitted from the total assessed value calculation due to a formula error for the 2008 tax roll. This error carried over to the 2009 tax roll, resulting in a second year of under assessed taxes. As a result of this error, the timeshare's taxes were under assessed for 2008 and 2009 by approximately \$429,000 (with \$106,000 related to the County). The Property Appraiser's office up-billed for this error, promptly upon it being called to their attention, on February 19, 2010.

For the second property, taxes were under assessed for tax years 2007, 2008, and 2009 by approximately \$13,500 total (all districts).

As calculations related to timeshare properties are complex, and errors are often inadvertently made in excel spreadsheets, we recommend an internal control measure be implemented whereby all timeshare assessment calculations are reviewed by someone other than the preparer to ensure the accuracy of all formulas and related calculations. We further recommend this independent review be documented as having been performed.

2009-2 Property Appraiser Data Entry Procedures and Interdepartmental Communication

During our documentation and testing of internal controls and procedures in place in the Property Appraiser's office, we noted various areas where improvements could be implemented to strengthen the procedures and processes in place.

1. Deed Entry Review Process: We noted that only the deeds entered by probationary clerks are reviewed on an individual basis for accuracy and reasonableness. While a certain proficiency standard is required prior to allowing clerks to perform the data entry without a review, the lack of review could still result in errors to property records. Errors made in the County's favor will invariably be called to the attention of the Property Appraiser's office by the taxpayer; but few, if any, errors in the taxpayer's favor will be reported.

To minimize the risk of error, we recommend an internal control process be implemented whereby all deeds entered into the system are reviewed for accuracy and approved. This approval should be documented.

2. Interdepartmental communication: The Property Appraiser's office periodically performs on-site inspections of property. In the performance of inspections, improvements to properties are sometimes discovered that have never been reported, and thus are not on the Property Record Card. When unreported improvements are discovered, the property card is appropriately updated. However, the permitting offices are not notified of these improvements.

To discourage unpermitted improvements, and to enable the permitting offices to bill for these permits (unpermitted improvements can be charged double the normal fee), we recommend all unrecorded improvements discovered by the Property Appraiser's office be reported to the County and/or City, so permitting can follow up appropriately.

2009-3 Revenues Billed in Accordance with Contract Terms (Repeat of Prior Year Comment)

As a follow up to a comment we had last year, we traced certain contract revenues to the terms per the written contracts to ensure they were being recognized properly and in accordance with the contract terms. In performing this test, we noted two instances in which the amounts billed were less than the contracted amount. Had these errors not been discovered, underbillings for these contracts would have totaled \$32,189.

We recommend a system of internal control be implemented to ensure contracts and their terms are tracked appropriately and billed correctly.

2009-4 Duplicate Payment of Grant Reimbursement Invoices

During testing of grant reimbursements to sub-recipients, a municipality erroneously submitted the same invoice twice for reimbursement and it was paid twice by the County. Though this error was detected by the municipality and the duplicate reimbursement returned, there is currently no system in place to ensure invoices submitted for grant reimbursement do not contain duplicate expenses.

We recommend the County devise and implement a system of internal control whereby grant reimbursement requests submitted by sub-recipients are reviewed to ensure invoices are paid only once.

2009-5 Utility Deposit Cash

The balance in the utility deposit cash account should equal the associated liability, as this represents amounts due back to customers. In the performance of our auditing procedures, a significant variance was noted between the two balances. Further investigation revealed two journal entries were posted backwards during the year, resulting in an additional \$34,500 being transferred to the utility deposit cash account versus from it (therefore, this account had \$69,000 more than it should have). The journal entries prepared included the proper support indicating a transfer was to be made from the deposit account (versus into the deposit account). This error would have been prevented if the journal entries were properly reviewed and approved prior to posting, which includes inspecting the journal entry support.

We recommend all journal entries prepared by Utility department personnel be reviewed and approved by Finance personnel, to ensure they are properly prepared.

2009-6 Self Insurance Funds

During the performance of audit procedures in the risk management area, we noted timing differences between when the County is entitled to reinsurance recoveries on long-term disability claims and when they are recorded as receivables in the accounting records. We recommend accounting staff review the status of claims at year-end with unpaid recoveries and ensure their proper recording in the accounting records. Such timing difference could become

material to the Risk Management fund if not reconciled at year-end. The amount of claim payments made in excess of retention as of September 30, 2009 for which recoveries were collected subsequent to year-end was approximately \$630,000.

III. Findings and Questioned Costs for Major Federal Programs:

2009-7 – Documentation of Eligibility under Federal Program of Section 8 Housing Choice Voucher Program (CFDA 14.871) and HOME Investment Partnership Program (CFDA 14.239)

During our audit over compliance, we noted 3 out of 34 Section 8 participant files had errors in eligibility documentation. In accordance with the grant agreement and the Department of Housing and Urban Development, a rent reasonableness calculation is required to be performed and documented for each participant as proof of eligibility under the program.

Additionally, 5 out of 38 HOME Tenant Based Rental Assistance program (TBRA) participant files tested had errors in eligibility documentation. We noted one instance where the Tenant Income Certification form was not completed and maintained in the participant file; one instance where the participant only paid the landlord \$4 per month, where \$5 per month is required to be eligible under the grant agreement; and 3 instances where the calculation of allowable assistance was incorrect, whereby the participant did not receive as much assistance as allowable under the grant terms.

We recommend, at a minimum, a file checklist be prepared and used for each participant file to ensure all required eligibility documentation is present.

2009-8 – Allowable and Unallowable Costs under Federal Program of Section 8 Housing Choice Voucher Program (CFDA 14.871) and HOME Investment Partnership Program (CFDA 14.239)

During our audit over compliance, we noted 3 out of 34 Section 8 participant files had errors in calculations of allowable costs. The errors were a result of: 1 instance of improper income annualization calculation, which resulted in the County paying an additional \$20 per month for 9 months; 1 instance where the utility allowance calculation did not agree to the HUD-50058 form, which resulted in overpayment of \$20 per month for 12 months; Lastly, 1 error was a result of a miscalculation of a one-time adjustment using incorrect amounts resulting in the overpayment of \$20.

Additionally, out of a sample of 38 participant files, we noted 3 errors in allowable costs under the HOME Tenant Based Rental Assistance program (TBRA), due to errors in calculations, resulting in the County not providing the total amount of allowable assistance under the grant.

These errors would have been detected had a formal review procedure been in place for each of the participant file and related calculations required to determine the assistance amount. We recommend such a procedure be defined and implemented to stay in compliance with the grant agreements.

IV. Findings and Questions Costs for Major State Projects: None

V. Summary Schedule of Prior Audit Findings:

2008-1 – Revenues Billed in Accordance with Contract Terms – Not resolved; see comment 2009-3.

2008-2- Schedule of Federal Awards and State Financial Assistance – Corrective action taken.

2008-3 – Prior Period Adjustment for Items Erroneously Capitalized to Infrastructure – Corrective action taken.

- VI. **Corrective Action Plan:** See Management Responses to Internal Control and Management Comments on pages 263 and 264.