



# Internal Audit Report

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2022-01 – CAPITAL IMPROVEMENT PROJECTS

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**February 2, 2022**

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February 2, 2022

Honorable Members of the County Council and County Manager

Ladies and Gentlemen:

I am pleased to present audit report 2022-01 Capital Improvement Projects. The purpose of this audit was to determine, with a reasonable degree of assurance, that County resources are accounted for, that projects are being carried out economically and efficiently, that adequate controls are in place, and that staff are thinking ahead. The audit scope included all capital projects that were in-progress or completed during October 1, 2018 through August 31, 2021.

I conducted this audit in accordance with the *International Standards for the Professional Practice of Internal Auditing*, except for the requirement of an external quality control review. Those standards require that I plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for my findings and conclusions based on audit objectives. I believe that the evidence obtained provides reasonable basis for my findings and conclusions. The audit was performed in the months of July through December 2021.

This audit was successful due to the assistance of the staff involved in several divisions within the County and I appreciate their support.

A handwritten signature in black ink, appearing to read "Jonathan Edwards", is written over a light blue horizontal line.

Jonathan Edwards, CIA, CPFO  
Internal Auditor

## Background

Consistent with best practices, the County's Budget Division produces an annual capital improvement plan (CIP) in conjunction with the annual budget. Budget staff work closely with division and departmental directors, as appropriate, to develop the CIP. The CIP includes the upcoming fiscal year (FY) plus four additional years. The CIP addresses long-term capital infrastructure projects, which is defined in the FY 2022 budget as "land acquisitions, building improvements, transportation improvements, improvements to other public facilities and equipment over \$25,000 or life expectancy of five years or greater." The CIP provides residents with an outline of how the County anticipates investing capital funds for the next five years. The County Manager proposes the CIP to the County Council who may make adjustments to the plan. Ultimately, the CIP is approved by Council as part of the annual budget adoption process.

Projects included in the CIP are funded by various sources including debt instruments, grants, and pay-as-you-go (cash). The use of long-term debt financing indicates the anticipated life of the asset is greater than the life of the debt.

The CIP process looks beyond the year-to-year budget and projects what, where, when, and how capital investments should be made. It enables the County to maintain an effective level of service to the present and future population. The CIP focuses attention on community goals and needs, encourages more efficient allocation of resources, and fosters sound and stable financial programs.

Departmental staff are responsible for identifying needs, growth, failures, standard replacements, and reviewing the status of current assets. Staff prepare the annual budget with these needs in mind. The Management and Budget Director coordinates with the Chief Financial Officer, the Growth and Resource Director, the Public Works Director and others to facilitate the planning and forecasting of the CIP. Most capital projects are managed by the County Engineering Division within the Public Works Department. Upon completion of the project, it is turned over to the division to manage the ongoing operations, i.e., Parks Division. However, some capital projects are managed by the departments themselves, such as the Daytona Beach International Airport.

Quarterly, project managers, or their staff, update the status of their project into an internal SharePoint site. This data is then combined into a single report by staff. It is then reviewed by the Management and Budget Director, the Purchasing Director, the County Engineer, and the Public Works Director. Each director reviews the status and data to ensure it is accurate and consistent. Afterwards, the County Engineer holds a joint meeting with the project managers and stakeholders to review the report and status of each capital project. Each quarter, the County Engineer presents the report, called "Capital Project Schedule" (CPS) at a County Council meeting. After the meeting, the report is posted to the County's website so that citizens may read the report.

The County maintains a capital projects map viewer and a listing of the CPS reports since 2017 on the website.<sup>1</sup> The interactive map allows the user to click on a project on the map. This provides more information on the project and a link to the most recent CPS report that is specific to that project.

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<sup>1</sup> <https://www.volusia.org/government/dynamic-master-plan-capital-project.shtml>

The County also maintains a Comprehensive Plan (Comp Plan). The intent of the Comp Plan is to “maintain and improve the quality of life for the present and future residents of Volusia County.” The Comp Plan deals with the relationship between revenues, services, and population growth and in so doing addresses questions related to the quality of life. Many governments establish long-range strategies similar to the County’s Comp Plan. These strategies set the blueprint for the future, identifying needs ten to twenty-five years into the future. The Comp Plan has twenty-one different chapters; however, Chapter 15 is titled “Capital Improvements Element.” It provides goals, objectives, and policies to accomplish the Comp Plan overarching goals in relation to capital improvements. The Comp Plan is also available on the County’s website.<sup>2</sup>

A few years ago, the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA) selected the auditing firm of McConnell & Jones, LLP to conduct a performance audit associated with a proposed half-cent local infrastructure sales tax. Their report was released on March 15, 2019, and is available on the County’s website.<sup>3</sup> The audit included areas related to capital projects. Specifically, projects that were paid with the half-cent local infrastructure sales tax monies. The auditors determined that *“Volusia County met all six outlined criteria and staff clearly demonstrated that it has both the expertise and resources to manage and complete the infrastructure roads, sidewalks, bridges, water quality, stormwater, and flood control projects that would be supported by the proposed tax.”* The report contained recommendations for slight improvements that were considered and implemented by staff.

Table 1 includes a history of the five year CIP expenditure plans as approved from FY 2018 to FY 2022. The information is available on the County’s website.<sup>4</sup>

Table 1: Capital Improvement Plans from FY 18 to FY 22

Fiscal Year	Year 1	Year 2	Year 3	Year 4	Year 5	Total 5 Years
<b>FY 18</b>	\$124,872,678	\$ 94,080,019	\$ 51,743,750	\$ 45,365,736	\$ 22,185,954	\$ 338,248,137
<b>FY 19</b>	180,957,536	56,831,416	49,359,228	36,107,900	41,799,198	365,055,278
<b>FY 20</b>	186,893,641	56,199,512	51,641,384	54,313,287	54,247,712	403,295,536
<b>FY 21</b>	193,717,683	71,477,758	52,435,246	63,136,306	47,756,035	428,523,028
<b>FY 22</b>	168,631,789	80,709,043	87,535,475	74,324,492	43,818,535	455,019,334

<sup>2</sup> <https://www.volusia.org/services/growth-and-resource-management/planning-and-development/long-range-planning/comprehensive-plan.html>

<sup>3</sup> <https://www.volusia.org/services/public-works/>

<sup>4</sup> <https://www.volusia.org/services/financial-and-administrative-services/management-and-budget/five-year.html>

## Scope and Methodologies

On January 19, 2021, County Council approved the 2021 Audit Plan, which included an audit of capital improvement projects as well as airport construction grants. During the initial planning of this audit, it was decided to combine these two audit areas into one single audit. Both audit areas include construction and capital improvements and projects are treated in a similar fashion.

The purpose of the audit was to determine, with a reasonable degree of assurance, that County's resources are accounted for; that projects are being carried out economically and efficiently; that adequate controls exist over capital project planning, design, construction, and post-construction processes; and that staff are thinking ahead.

The audit scope included all capital projects that were in-progress or completed during October 1, 2018 through August 31, 2021. This includes current and past practices used in developing the recent CIP plans.

Specific audit objectives were:

1. To obtain an understanding of the capital projects including the planning, design, funding, and post-completion processes.
2. To obtain an understanding of budgetary, purchasing, and accounting procedures used for capital projects.
3. To document an understanding of these systems, identifying key controls.
4. To conduct research for the purpose of determining guidelines, comparisons, and best practices.
5. To perform procedures to identify opportunities for improvements, for the purpose of strengthened controls and increased efficiencies.
6. To perform procedures to evaluate capital projects that were recently completed or in-progress to determine if controls were functioning as intended.
7. To perform procedures to verify budgeting, purchasing, and accounting policies and regulations are being met, from initial planning to final recording in the capital asset records.
8. To perform procedures to evaluate if the process, measurements, and controls can be modified or enhanced.
9. To perform procedures to ensure current controls and policies will be adequate in the future or if future adjustments should be considered.

Audit procedures to accomplish these objectives included the following:

- Obtained and reviewed resolutions, Federal and State regulations, program guidelines, department policies and procedures, and other relevant documentation pertaining to capital projects.
- Reviewed and understood internal controls over capital projects.
- Interviewed staff who oversee the capital projects.
- Reviewed best practices of capital projects issued by the Government Finance Officers Association (GFOA).
- Obtained an understanding of the County's Comprehensive Plan as it relates to capital projects.
- Tested controls over capital projects to ensure compliance with controls management has put in place.

- Reviewed contracts, change orders, invoices, pay applications, grant reimbursement requests and other documents related to the capital project.
- Tested controls over the recording of capital assets to the general ledger.

During this this timeframe, there were 102 capital projects totaling \$420,705,146 from the most recent CPS report. If a project was completed during the timeframe, then the dollar amount from the last CPS report was used. Table 2 summarizes the capital projects by department.

Table 2: Capital Project Review Selection

Department	Most Recent Project Cost (Population)	Count of Projects (Population)	Most Recent Project Cost (Test)	Count of Projects (Test)	% of Most Recent Project Cost	% of Count of Projects
Airport	\$ 71,719,880	7	\$ 14,405,330	1	20%	14%
Business Services	9,300,000	2	-	-	-	-
Community Services	7,874,288	8	2,004,841	1	25%	13%
Finance	33,392,910	1	-	-	-	-
Ocean Center	13,398,033	9	3,712,641	2	28%	22%
Public Protection	32,268,033	12	-	-	-	-
Public Works	239,252,002	62	21,417,559	6	9%	10%
Sheriff's Office	13,500,000	1	-	-	-	-
<b>Grand Total</b>	<b>\$ 420,705,146</b>	<b>102</b>	<b>\$ 41,540,371</b>	<b>10</b>	<b>10%</b>	<b>10%</b>

Projects were judgmentally selected for testing so that a cross-section of departments and divisions would be included, especially the Public Works Department as many of the projects fall within that department. The sample size was set at 10% for both the number of projects and the project cost.

As mentioned previously, OPPAGA released an audit of capital projects in March 2019, which included some of the projects in Table 1 and fell within this audit scope. The OPPAGA audit included substantive testing of six projects, including: Main Street Bridge Fender Replacement, Veterans Memorial Bridge, LPGA Boulevard Widening, Howland Boulevard Widening-Courtland, Atlantic Avenue Sidewalk, and Stormwater Nutrient Reduction/Expansion projects. Their report did not indicate issues with these projects and therefore these projects were excluded in the selection of substantive testing for this audit.

There were over 650 pay applications, invoices, and financial transactions reviewed during this audit. Additionally, if a project was grant-funded, the grant reimbursement forms and transactions were also reviewed.

The projects selected for testing and the project costs from the most recent CPS reports are in table 3.

Table 3: Capital Projects Selected for Testing

Projects Selected for Testing	Most Recent Project Cost
Airport – Terminal Renovation	\$ 14,405,330
Community Services – Shell Harbor Park	2,004,841
Ocean Center – Arena Roof Replacement	1,999,230
Ocean Center – Parking Garage Deck Restoration, Phase 1	1,713,411
Public Works – Argosy Park	572,364
Public Works – Deltona North Water Treatment Facility Upgrades	2,217,891
Public Works – Fort Florida Road and Utility Improvements	1,515,747
Public Works – Pioneer Trail and Enterprise Avenue NSB Mast Arms	279,088
Public Works – Northeast Services Facility	11,710,710
Public Works – Williamson Blvd. – LPGA to Strickland Range Road	5,121,759
<b>Total</b>	<b>\$ 41,540,371</b>

Appendix 1 illustrates the capital project lifecycle. The substantive testing included an examination of documents to ensure these items were completed, when applicable to the project. For each project audited, there were a total of 56 different items tested: 9 in the pre-feasibility / feasibility phase; 31 in the execution phase, and 16 in the post-completion phase.

## Evaluation

Based on the results of the audit, there is room for improvements to the capital improvement projects program, but there were not recurring issues or major deficiencies noted. Scarce resources are accounted for, projects are carried out efficiently and economically, and controls are in place to alert management should a major deficiency occur. As mentioned previously, there were 10 capital projects audited, each with 56 different test items and over 650 pay applications, invoices, and financial transactions reviewed. Except for the items noted in the following section, the capital improvement projects program is operating as intended. The recommendations that follow will help elevate and enhance the County's capital improvement projects program.

Audit concerns and recommendations are organized into four sections:

1. Policy Handbook
2. Budgeting and Planning
3. Accounting and Financial Reporting
4. Communications



## Findings, Concerns, and Recommendations

Findings are defined as frequent or commonly seen observations during an audit. They include critical and major failures in a program where requirements have not been effectively implemented or where there are significant issues.

Concerns are defined as infrequent or isolated observations during an audit. They include minor failures in a program where requirements have been met but opportunities may exist for improvement.

### FINDINGS:

None.

### CONCERNS:

#### 1. POLICY HANDBOOK

An internal capital projects handbook or manual is nonexistent; at the completion of a project a lessons-learned analysis is not performed; and some quarterly reports were not presented to Council or posted on the website.

##### 1.A. A CAPITAL PROJECTS POLICY HANDBOOK IS NONEXISTENT

An internal capital projects handbook or policy is nonexistent. There is a general policy within the annual budget book, but it is very broad. Capital projects are not defined in the CIP book nor in the annual budget, except in the glossary section.

The Government Finance Officers Association (GFOA) has established best practices for Capital Planning Policies.<sup>5</sup> They suggest that capital planning policies provide, at minimum:

- Describe the approach to capital planning, including how stakeholder departments will collaborate to prepare a plan that best meets the operational and financial needs of the County.
- Clearly define what constitutes a capital improvement project.
- Establish a CIP review committee and identify members (i.e., Budget Manager, CFO, County Manager, Public Works Director, etc.) along with a description of the responsibilities of the committee and its members.
- Describe the role of the public and other external stakeholders in the process.
- Identify how decisions will be made including a structured process for prioritizing needs and allocating limited resources.
- Require that the planning process includes an assessment of the fiscal capacity so the final plan can be based on what is realistically fundable versus simply a wish list of unfunded needs.
- Procedures for accumulating necessary capital reserves for both new and replacement purchases.
- Linking funding strategies with useful lives of the assets, including when debt can be issued and any restrictions on the length of the debt.

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<sup>5</sup> GFOA Best Practices: Capital Planning Policies. [www.gfoa.org](http://www.gfoa.org)

- Require a multi-year CIP be developed and include long-term financing considerations and strategies.
- Require the plan include significant capital maintenance projects.
- Provisions for monitoring and overseeing the CIP program, including reporting requirements and how to handle changes and amendments to the plan.

The County maintains many of these policies and even acts with best practices in mind; yet they are not documented in a single, written handbook or policy. The policies are spread out between the Comp Plan, the CIP document, the budget document, or a general understanding among staff.

The capital projects process is a collaborative effort with many stakeholders across different departments, representing collective interests. By not having a single, documented handbook, employees may not understand the policies; may lead to confusion of their roles and responsibilities; projects may not meet the established needs of the County; or projects may not be completed on budget or on time.

**RECOMMENDATION:**

Develop a capital projects manual providing information to divisions and stakeholders defining roles and responsibilities, objectives and guidelines, definitions, details of the process, how projects are scored and ranked, expectations and strategies to help ensure projects meet the needs of the County and are completed on time and on budget.

**MANAGEMENT'S RESPONSE:**

*We agree to formalize in a "Capital Projects Manual" the existing procedures that are in place for capital project selection and management. This manual will also include the stakeholders, roles and selection processes that determine how projects are chosen in order to meet the needs of the County as well as the procedures for evaluating completed projects to ensure they are delivered on-time and on budget.*

**1.B. A LESSONS-LEARNED ANALYSIS NOT DOCUMENTED**

At the conclusion of a capital project, the project manager does not document the lessons learned from the project nor are lessons shared with other project managers.

The Project Management Institute, INC. (PMI) developed project management standards to help project managers guide the behaviors and actions of project professionals and other stakeholders who work on, or are engaged, with projects. PMI produces standards and best practices to assist in successful projects from pre-feasibility phase to post-completion phases of a project. Standard 3.6 states that "periodic reviews such as retrospective or lessons learned are effective ways to determine if approaches are working well and if improvements can be made by tailoring."<sup>6</sup>

At the completion of a project, the project manager should take some time to reflect on the successes and obstacles of that particular project. As noted previously in this report, an overarching policy does

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<sup>6</sup> Project Management Institute (PMI), *The Standard for Project Management Body of Knowledge*, 7<sup>th</sup> edition.

not exist and currently staff are not consistently performing this important step. If project managers are performing this reflection, it is not being documented.

However, a lessons-learned analysis on its own is not truly effective unless it is shared with others. These lessons should be shared with a supervisor so that any internal obstacles could be evaluated for improvements. The lessons could also be shared with other project managers and division managers. This would help other project managers be aware of obstacles, pitfalls, successes, and other areas to help make their own project a success.

**RECOMMENDATION:**

Implement a standard lessons-learned document and presentation to aid in improving the overall capital project process and include other project participants and staff to learn and apply the results to their own projects.

**MANAGEMENT'S RESPONSE:**

*We agree to document procedures for a "Lessons-Learned Analysis" in the Capital Projects Manual that will provide direction on reviewing completed projects in order to aid County staff and project participants in identifying aspects in the management of a completed project that can be applied to future projects.*

**1.C. QUARTERLY CPS REPORTS NOT ALWAYS PRESENTED TO COUNCIL**

Three quarterly capital project schedule (CPS) reports were not presented to Council or posted on the County's website. There is not a policy that Council be updated quarterly, but in the past, reports were provided on a quarterly basis. Typically, after the CPS is presented to Council, it is posted on the website. The reports not presented to Council, or posted on the County's website, were from FY 2020, quarter 1 and quarter 3 and FY 2021, quarter 1.

Staff indicated that the presentations were missed due to scheduling conflicts. However, the completed reports were not posted to the website.

As noted previously, GFOA Best Practice is to include a policy for monitoring and oversight of the CIP program including reporting requirements. By not regularly communicating project status, Council and/or the public may not have the most recent information. Monitoring of progress and accurate reporting on the project will provide accountability and give credibility to future projects.

**RECOMMENDATION:**

Develop a written policy that determines the frequency of presentations to Council and posting of informational reports to the website.

**MANAGEMENT'S RESPONSE:**

*We agree to develop formalized written procedures for the Capital Projects Schedule (CPS) that include the frequency of the presentations to the County Council and the procedures for posting the CPS to the County's website for dissemination to the public.*

## 2. BUDGETING AND PLANNING

The CIP document does not display how capital projects are ranked or scored, it does not present ongoing operational impacts once the project is completed, and does not include reference to the interactive capital projects map.

### 2.A. CAPITAL PROJECTS NOT RANKED OR SCORED IN CIP DOCUMENT

Individual divisions and departments internally rank upcoming or planned projects, but this ranking is not included in the CIP book that is published on the County's website. A link of how the capital projects meet the criteria in the Comp Plan is not documented or included in the budget.

Section 15.3.3<sup>7</sup> of the County's Comp Plan requires that individual capital improvement projects shall be evaluated in priority based on the following criteria:

1. Elimination of public hazards of an emergency nature.
2. Projects identified in the Dynamic Master Plan.
3. Elimination of existing capacity deficits.
4. To support the attraction, expansion, and retention of business and industry.
5. To repair, renovate, replace existing worn out, deteriorated, or obsolete facilities.
6. To support redevelopment and infill development in blighted areas.
7. Non-emergency safety enhancement projects to protect the general health, safety and welfare of the public.
8. Service and support facilities that improve operational efficiency that may indirectly increase facility capacity.

Section 15.3.4.1 of the County's Comp Plan requires the annual update of the five-year schedule of capital improvements include projects necessary to maintain adopted LOS (level of service) standards, along with anticipated revenue sources. Projects on the schedule shall be listed as "funded" or "unfunded" and assigned with a level of priority for funding.

GFOA Best Practice on Capital Budget Presentation<sup>8</sup> recommends that the presentation of the capital section of the budget should include linkage with how CIP decisions relate to master plans. This can be done through diagrams, tables, and/or discussion.

County staff regularly update levels of service on internal schedules as well as some reports posted on the website (i.e., Traffic Engineering division updates reports on the annual critical/near critical roadway maps, the average annual daily traffic counts, etc.). Occasionally, Council will hold a workshop to discuss capital projects; similar to the one held on June 1, 2021, where infrastructure was discussed. At this meeting, staff communicated how projects were prioritized. However, these types of meetings are not held regularly and this particular discussion did not include other capital projects such as parks, facilities, and other capital needs of the County. Sometimes separate Council workshops are held to discuss capital projects.

Prior to FY 20, previous CIP books only included funded projects and it did not include a listing of needed, yet unfunded projects. The current Management and Budget Director started including some

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<sup>7</sup> <https://www.volusia.org/core/fileparse.php/7228/urlt/Chapter-15-Capital-Improvements-Element.pdf>

<sup>8</sup> GFOA Best Practices: Capital Budget Presentation. [www.gfoa.org](http://www.gfoa.org)

of the unfunded projects, but not all of the unfunded projects. The unfunded projects that were included in the FY 21 CIP amounted to \$27 million out of \$318 million identified projects, or 8%. The unfunded projects that were included in the FY 22 CIP amounted to \$18 million out of \$363 million, or 5%.

The CIP book is used as a companion document with the budget document. In the last several years, the focus of the budget discussions with Council has been on the operating budget with capital projects being approved as part of the overall budget. Several years ago during the budget process, multiple budget workshops were held by Council. These workshops focused on different areas of the budget, typically by division or department. Discussions included both operating and capital needs. These workshops were held publicly and open for public input.

Citizens must search through many documents on the County's website to understand how capital projects are prioritized and funded. Even by doing so, it may not be clear how a project was evaluated and prioritized. By not including information on how capital projects meet the Comp Plan, projects may be inconsistent with the criteria as spelled out in the Comp Plan.

#### RECOMMENDATIONS:

1. Document priority rankings of capital projects within the CIP book. Include project information, summary of plans, dates of presentations, or other relevant information so that citizens can read and understand the capital program in one document, or direct links to other reports contained on the website.
2. Include unfunded projects in the CIP book so that all projects are scored and ranked and the public understands the total capital needs of the County, not just funded needs.
3. Include capital project discussions and the CIP book into the budget process to highlight the capital project needs of the County. This can be accomplished within budget workshops.
4. Link capital projects in the CIP book to the Comp Plan to ensure that the CIP decisions relate and agree with the Comp Plan.

#### MANAGEMENT'S RESPONSE:

1. *We agree and will incorporate a project ranking based on the guidance via the development of the capital projects handbook. Our current CIP document already includes a project description and any plans, presentations, or other relevant information is requested from the end-users annually and listed under the project reference section on each project page. In order to incorporate this recommendation, a CIP team will need to be created to prioritize, rank, and allocate funding to the CIP projects annually.*
2. *We partially agree as unfunded projects are currently listed as "To Be Determined" in the CIP document; however, the list is not comprehensive of all desired projects where funding is not available as some of the unfunded projects have not been approved by Council or been completely vetted during the budget process.*

3. *We agree and are already implementing via budget workshops.*
4. *We agree and will include any relation to the Comp Plan under the project reference section for each project.*

## **2.B. ONGOING OPERATIONAL IMPACTS NOT ALWAYS INCLUDED**

Ongoing operational expenditures and revenues, once the capital project is completed, are not always included in the budget materials submitted to the budget staff. When a capital project is submitted, budget staff are dependent on divisions to also include the ongoing operational estimates once a capital project is completed. For example, if a park is brand new, it may require ongoing lawn maintenance, lighting, facilities personnel, or may have a pavilion that can be rented out to help offset the operating costs. If the operating revenues and expenditures are submitted to the budget staff, the amounts are incorporated into the five-year forecast. However, the CIP book does not include this information for each capital project.

GFOA Best Practice on Capital Budget Presentation<sup>9</sup> suggests that governments discuss and quantify the operating impacts of individual capital projects. They further suggest the operating impacts be classified and reported in the CIP book into three elements: increased revenues, increased expenditures, or additional cost savings.

Including this information in the CIP book will also strengthen policymaker's knowledge on the total impact of a project.

### **RECOMMENDATION:**

Develop a written policy that requires all submitted capital projects include operating impacts and report this information the CIP book.

### **MANAGEMENT'S RESPONSE:**

*We agree. Operational impacts are requested annually as part of the CIP process via the written CIP instructions to divisions, however they are not currently required. Part of the reason for the lack of operational impact has to do with the difference between what is capital improvement and what is capital maintenance. Many of our CIP projects under the current policy are actually capital maintenance projects (i.e. roof replacement, window sealing, carpet replacement, etc.) so there is no real operational savings to identify. However, as part of the new capital projects handbook any project deemed to be capital improvement (with capital maintenance being on a separate list) will require operational impacts be included on CIP projects.*

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<sup>9</sup> GFOA Best Practices: Capital Budget Presentation. [www.gfoa.org](http://www.gfoa.org)

### **2.C. A DISCONNECT BETWEEN THE CAPITAL PROJECT WEBSITE AND CIP BOOK**

A disconnect exists between the capital project website and the approved CIP book. The County maintains a website that has an interactive map that lists all of the active capital projects, the status of the projects, updated cost information, pictures, among other important yet summarized information. There are no direct links to the interactive map from the CIP book, nor are there direct links from the capital projects website to the CIP book. Linking these documents will enhance the reader's understandability of the whole capital projects process.

GFOA Best Practice on Communicating Capital Improvement Strategies<sup>10</sup> suggests that governments consider strategies that utilize multiple methods of communication to reach different audiences.

#### **RECOMMENDATION:**

Post or link the interactive map to the adopted CIP book and vice versa to enhance the reader's understandability of the capital projects program.

#### **MANAGEMENT'S RESPONSE:**

*We agree and will add a links page to the CIP document for linking to any CIP related presentation or information available.*

## **3. ACCOUNTING AND FINANCIAL REPORTING**

The quarterly CPS reports did not always include all of the project costs; investments earnings and sale proceeds were not recorded properly for the Northeast Public Works Facility project; and agreements between the County and the City of DeBary were not recorded in the accounting system.

### **3.A. NOT ALL PROJECT COSTS INCLUDED ON CPS REPORTS POSTED ON WEBSITE**

2 of the 10 projects reviewed did not include all of the costs for the project on the quarterly CPS reports that are presented to Council and posted on the County's website. Appendix 2 includes the last quarterly CPS reports for the Argosy Beach Park and Shell Harbor Park.

The Argosy Beach Park was completed in February 2019. The off-beach parking lot includes 2 handicapped and 40 regular public parking spaces at the beachfront lot. The last CPS report (the FY 19 quarter 3 report) showed the total cost of the project of \$572,364. However, this amount only reflects the design and construction projected costs for the park. It does not include \$1,250,019 for the acquisition of the former hotel or any of the costs for demolition. The County acquired the site for the purpose of off-beach parking in October 2014 for \$1,250,019 by using \$416,000 of the Environmental, Cultural, Historical, and Outdoor (ECHO) Fund; \$416,000 of the Ponce Inlet Port District Fund; and \$418,019 of the General Fund. The total cost of the park, including acquisition, demolition, design, construction, and other costs was \$1,828,021.

The Shell Harbor Park was completed in June 2021. The nine-acre park provides free boat and kayak access to Lake George and includes a floating dock, pavilion, restrooms, and asphalt parking. The last CPS report (the FY 19 quarter 2 report) showed the total cost of the project of \$2,004,841. However,

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<sup>10</sup> GFOA Best Practices: Communicating Capital Improvement Strategies. [www.gfoa.org](http://www.gfoa.org)

this did not include additional costs to make the park open 24 hours / 7 days a week. When originally designed and planned, the park was to be open from dawn to dusk. However, after hearing comments from the public, it was decided to have the park open all the time and include a pavilion. These changes caused the need for light poles, lighting, water stations, and other items which increased the overall cost of the park project. Additionally, in 2015 when the conceptual plans were being developed, these costs were not charged directly to the park, but instead paid from the General Fund. The total cost of the park was \$2,180,433.

When capital projects are initiated and approved, budget staff create a unique "unit" code within the accounting system. Staff are to code all financial transactions to this unique code. This allows the system to capture and report on the financial activity of the capital project. The code can also be used across multiple funds in the event that a capital project has several funding sources. For several years, staff were directed to use these unit codes; however, the practice was not always enforced. A few years ago, the current Chief Financial Officer, began enforcing this policy. During the substantive testing of projects, it was noted that this application was occurring in more recent years.

When the quarterly CPS reports were being reviewed, the amounts were being tied to the total contract or purchase order amounts for the engineers and contractors to give a general estimate of the project costs. The actual amounts were not tied to the ledger reports from the accounting system.

A casual reader of the CPS report may not understand the nuance of the difference as the CPS reports the amount as "project cost." There is not a footnote or explanation in the CPS reports indicating that these amounts are estimates. Therefore, the reader would believe this was the total cost of the project. This particularly applies when the capital projects are marked as "complete" in watermark font. A distinction between estimated project costs and completed actual costs would make the report clearer.

GFOA Best Practice on Communicating Capital Improvement Strategies<sup>11</sup> suggests that governments take care to ensure a clear and consistent message that delivers accurate information both on the costs of the projects, duration, impact, and benefits.

The quarterly CPS reports should have accurate financial information as these reports are used by Councilmembers, the public, and the media. The report could be modified to indicate and distinguish the estimated costs, the life-to-date costs, and the final, completed costs.

#### **RECOMMENDATION:**

Ensure all project-related financial transactions are coded, captured, and reported clearly on the CPS reports.

#### **MANAGEMENT'S RESPONSE:**

*We agree and will ensure all project-related costs are included on the CPS sheets. We believe the only areas we are currently deficient in this is on a few projects with the inclusion of acquisition costs. It has*

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<sup>11</sup> GFOA Best Practices: Communicating Capital Improvement Strategies. [www.gfoa.org](http://www.gfoa.org)



*been recommended in the past to include these costs and we will make it a requirement as part of the policy handbook.*

### **3.B. INVESTMENT EARNINGS AND SALE PROCEEDS RELATING TO THE NORTHEAST PUBLIC WORKS FACILITY PROJECT**

Approximately \$88,000 of investment earnings is due to the Mosquito Control Fund from the capital project fund and the proceeds of \$485,000 from the sale of the former site was not recorded in the correct fund.

Originally this project was to relocate the operations of the Road and Bridge, Stormwater, Traffic Engineering, and Mosquito Control into a single campus. The former site in Holly Hill was prone to flooding and the location was not conducive to moving heavy equipment on and off the streets. Additionally, the thought was to move the Mosquito Control operations from the New Smyrna Beach location so that staff would be in a more central location. The capital project was approved in FY 2016 and a new separate capital project fund was created to capture all the project costs. The new fund is called Public Works Facility Capital Fund. The original estimate was \$19 million: \$15 million was transferred from the Transportation Trust Fund; \$2 million from the Stormwater Fund; and \$2 million from the Mosquito Control Fund. The transfers were completed on April 29, 2016.

Site selection for such a campus proved difficult. In 2019, a site was eventually selected off US Highway 92. However, the site would not allow for mosquito control as helicopters would not be able to take-off or land on the site in respect for the surrounding neighbors. It was decided, and approved by Council, to transfer the \$2 million from the Public Works Facility Capital Fund back to the Mosquito Control Fund. This transfer of \$2 million was completed on November 6, 2019. However, this transfer did not include any of the interest earnings it accrued while it was held in the capital project fund.

Like other capital project funds of the County, this new capital fund was allocated a portion of the County's overall investment earnings. However, the investment earnings were not allocated to this new fund until over a year later, on May 9, 2017. Current staff do not know why the investment earnings were not allocated during this time, or what prompted the staff at the time to start allocating it over a year after the fund was created.

From April 29, 2016 through May 9, 2017, the investment earnings were allocated to all the pooled funds except for this capital project fund. From May 9, 2017 through November 6, 2019, the fund earned approximately \$1.1 million. Of the \$2 million originally from the Mosquito Control Fund, approximately \$88,000 was earned. The \$88,000 of interest earnings should have been transferred along with the \$2 million back to the Mosquito Control Fund. Funding for the Mosquito Control Fund is provided primarily through ad valorem taxes assessed on properties within the district.

The County's Accounting Policy and Procedures Manual does not include procedures on who and what staff should be notified of new funds that have been established or when to start prorating investment earnings.

At the October 30, 2018 Council meeting, staff informed Council that the former site in Holly Hill was appraised for \$463,000. The agenda item stated the proceeds would help offset the acquisition costs of the new site. The sale of the Holly Hill site was completed in August 2021 for total proceeds of \$605,000. Of that, \$120,000, or 20%, was recorded to the Fleet Maintenance Fund for the portion of

the fuel tanks that were located at the Holly Hill site. The remaining \$485,000 was recorded to the Transportation Trust Fund. The proceeds were not recorded in the Public Works Facility Capital Fund where the acquisition costs were paid. Staff believed that given the majority of the original monies to create the fund came from the Transportation Trust Fund, that the sale proceeds should be recorded there. However, this is not what Council was informed in October 2018. Discussions or direction from Council to record the proceeds in another fund could not be found. The Chief Financial Officer was unaware of this agenda item as he was not in that position in 2018.

When staff provide information to Council, and not directed otherwise, Council and the public believe this to be done as explained. When actions are executed otherwise, trust and credibility are impacted.

#### **RECOMMENDATIONS:**

1. Update the Accounting policy and procedures manual to include procedures on the notification of staff when new funds are established and if interest earnings should be allocated.
2. Transfer the investment earnings of \$88,000 from the Public Works Facility Capital Fund to the Mosquito Control Fund.
3. Transfer the proceeds of the Holly Hill site from the Transportation Trust Fund to the Public Works Facility Capital Fund. In the future, ensure the Chief Financial Officer is notified when Council is informed of future impacts so that notes can be included in the project accounting files.

#### **MANAGEMENT'S RESPONSE:**

1. *We agree and will create and document a checklist for new fund creation, including the consideration for whether the fund is to be allocated a portion of the County-wide interest earnings.*
2. *We agree and will implement it in fiscal year 2022.*
3. *We agree; however, we note that the restrictions on the money available at this point in both accounting funds is the same, that is, entirely attributable to the County Transportation Trust. The transfer of funds will be corrected in fiscal year 2022. The requested notification will occur with the County's Chief Financial Officer presence during County Council briefings and meetings.*

#### **3.C. AGREEMENTS WITH THE CITY OF DeBARY NOT RECORDED IN THE GENERAL LEDGER**

Two agreements between the City of DeBary and the County were not recorded in the general ledger. The Fort Florida Road and Water Utility project was a joint project between the County and the City of DeBary. On January 18, 2018, Council approved an agreement that both the County and the City would contribute \$110,000 for the engineering costs. It stated the City would procure the engineering firm and manage the contract. The agreement stated that any remaining contributions would be disbursed

equally between the City and County. The County's share of the engineering work was \$47,685, meaning \$62,315 was due to the County from the City.

When this was brought to staff's attention during the audit, staff had not followed-up with the City for the costs of the engineer to determine if there was a refund due to the County or if the County owed additional money in the event that actual engineering costs were higher than originally projected.

In researching this 2018 agreement, it was discovered that there was an agreement between the City and County dated January 6, 1999. This agreement was that the City would contribute \$400,000 for water and wastewater infrastructure improvements located along US Highway 17/92, south of Dirksen Road. Per the terms of the agreements, reimbursements to the City were based on a 41% contribution-in-aid-construction (CIAC) fees collected for new development within the area. Between 2002 and 2013, the County contributed \$53,758.06 to the City. In August of 2019, the County received \$227,517.39 of CIAC fees from a planned apartment complex. This left a balance of \$118,724.55 owed to the City from the County.

Neither of these agreements were provided to the Chief Financial Officer or Accounting Director so that they could be recorded in the accounting system for tracking and year-end recording. Due to staff turnover, as proven with the 1999 agreement, such arrangements may become forgotten, misplaced, or not followed-through. Additionally, not recording these types of agreements in the accounting system may lead to the year-end financial statements being misstated.

#### **RECOMMENDATION:**

Record the receivable and payable balances to properly reflect the amounts owed to and from the City of DeBary. In the future, ensure these agreements are provided to the Accounting Director so balances are properly recorded in the County's accounting system.

#### **MANAGEMENT'S RESPONSE:**

*We agree and the receivable and payable balances have already been recorded in the accounting system. The notification process to the Accounting Director has already been in place under the current Chief Financial Officer, as it was applied in a recent interlocal agreement with the Florida Department of Transportation.*

## **4. COMMUNICATION GUIDELINES AND BRANDING NEEDED TO HELP ENHANCE PUBLIC INPUT**

A written communication guidelines or plan and branding of the capital projects program would enhance public input, feedback, and promote the County's capital projects.

### **4.A. WRITTEN COMMUNICATION GUIDELINES NEEDED FOR ENHANCING PUBLIC INPUT AND FEEDBACK**

Public input and participation meetings for capital projects are held if required by granting agencies and sometimes during other times of the year. For example, in the fall of 2021, the Engineering and Construction Division held a public participation meeting in each of the four impact fee zones throughout the County to discuss the roads program. Staff indicate these meetings were not well attended. The meetings focused on the current roads program, a listing of current projects, and received input from the attendees. The County published press releases and posted meeting notices

to social media. The meetings were also added to the County Calendar. Staff indicated that if a project is deemed to be a more “higher profile” project, then it may receive more effort in public outreach. The public can also submit their input through a form available on the website. The presentation and materials discussed at the roads program meetings are also available on the website.<sup>12</sup>

Formal, written communication guidelines and strategies for public participation focused on explaining capital needs, options, strategies, and facilitating feedback in advance of any major capital project does not exist.

Public participation and stakeholder involvement during all phases of the capital project is important. A communication strategy that effectively informs the public and a method to solicit input is vital to the success of a project. Developing a process that involves the public during the planning phase is crucial in assessing priority. It is also key in determining if the project will meet service-level goals and community expectations.

GFOA Best Practice on Communicating Capital Improvement Strategies<sup>13</sup> suggests that when governments solicit public input they also “consider differences in demographic, social, economic, or geographic segments of stakeholders that may represent the entire community.” The struggle of obtaining additional public input is not unique to Volusia County.

The *Government Finance Review Journal*<sup>14</sup> offered some approaches that the City of Oakland, CA found to be effective in enhancing their public outreach efforts and boosted their meeting attendance, especially in the under-served communities. Some of the strategies included:

1. Host meetings in areas with higher proportions of people of color, low-income families, non-English speaking rather than holding meetings within geographic or political boundaries.
2. Reach out to a broad list of community-based organizations, churches, and community centers for staff to attend a meeting and present CIP information and receive feedback.
3. Create meeting content designed to include clearly articulated plans for how feedback will be used and the impacts to the CIP and plainly define technical concepts.
4. Translate information such as fliers, webpages, and surveys into multi-languages relevant to the community.
5. Create a web-based portal for residents to contribute proposals for capital projects and include viable ones within the CIP document for consideration and scoring.

**RECOMMENDATION:**

Develop communication guidelines for regular public participation focused on explaining capital needs, options, strategies, and facilitating feedback. Consider strategies to enhance public input and feedback to ensure equitable projects.

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<sup>12</sup> <https://www.volusia.org/services/public-works/engineering-and-construction/>

<sup>13</sup> GFOA Best Practices: Communicating Capital Improvement Strategies. [www.gfoa.org](http://www.gfoa.org)

<sup>14</sup> Government Finance Review Journal. “Prioritizing Community Values in Capital Budgeting” June 2021.

#### **MANAGEMENT'S RESPONSE:**

*We agree that Community Information serves as a supporting division by providing information services both internally to all County Departments/Divisions as well as externally to the public and to many different media outlets and public agencies.*

*In terms of communicating to our residents about capital improvement projects, we believe such communications involve engaging our residents through information sharing, facilitating feedback, and garnering support for the projects at hand. We acknowledge the increasing amount of audio and video production that is essential to delivering our message. In particular, social media must be used to help penetrate different demographics and more effectively tell our story to a multi-generational audience that receives its information from a growing number of non-traditional sources. In addition to the public at large, specific communication efforts should also consider community/neighborhood groups, convention and tourism partners, elected officials and staff from germane cities or municipalities, as well as area businesses through the cooperation of the County's Economic Development Division.*

*In collaboration with county leadership (e.g. County Manager, Public Works Director, County Engineer, etc.), Community Information will assist with public communications activities for capital improvement projects. Such activities may include, but are not limited to, public listening sessions/workshops, webpage content updates, news releases, radio/television, print advertisements, and social media. Messaging components need to convey transparency and should include the project scope, benefits, impacts, costs and schedules. Consideration should also be given toward differentiations within the public audience, in which demographic, socioeconomic, or geographic matters may influence the delivery of the message or retrieval of the feedback.*

*Eliciting feedback is an important ingredient in capturing public input and applying it to a CIP. Routes for feedback submittals can be encouraged through public listening sessions/workshops, through social media conversation, private social media, web or phone messaging, through the "Help & Info" link on Volusia.org, and through the growing use of our 311 system.*

#### **4.B. SHORT VIDEOS AND BRANDING WOULD ENHANCE AND PROMOTE CAPITAL PROJECTS**

Project updates, or short videos, of capital project are not periodically posted to the County's social media accounts. Impacted or concerned citizens may not be aware of the project's impact or current progress. Short videos are a way to capture the public's interest and learn about a specific project's progress or significant milestone. This information may already be included in the quarterly CPS report, but the general public may be more inclined to watch a short video update than reading through a lengthy CPS report for a specific project.

The County does not utilize a standard "County CIP" sign for all capital projects at the project sites. If required by a granting agency to post a sign at a project site, it is done. The County does not have a specific "brand" or logo to help promote capital projects.

GFOA Best Practice on Communicating Capital Improvement Strategies<sup>15</sup> suggests that governments consider utilizing multiple methods of communicating to reach different audiences. Some methods include signage, press articles, websites, social media, or other public meetings.

**RECOMMENDATIONS:**

1. Consider developing short videos on specific projects throughout the phases of projects and posting on the County's social media, website, and other avenues.
2. Develop a standard sign or branding logo to promote County projects.

**MANAGEMENT'S RESPONSE:**

*We agree that the use of videography is an undeniably effective method for reaching the public with capital improvement project information. It should be noted, however, that video creation can be a resource intensive activity, which may not be feasible for all capital improvement projects. In such cases, still imagery should be used as another effective alternative for public messaging.*

*Community Information will also explore the creation of a capital improvement project sign that can be erected on the construction site in a prominent highly visible location. The sign will include the Volusia County logo.*

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<sup>15</sup> GFOA Best Practices: Communicating Capital Improvement Strategies. [www.gfoa.org](http://www.gfoa.org)

## Appendix 1 – Capital Project Lifecycle

The capital project lifecycle has 3 phases made of several steps and components as illustrated below.



## Appendix 2 – Quarterly CPS Reports for Argosy and Shell Harbor Parks

### **PW-COS-5**

<b>Site:</b>	Argosy Park – 1255 Oceanshore Blvd., Ormond-by-the-Sea	
<b>Acquisition:</b>	September 2014	
<b>Project Scope:</b>	42 angle parking spaces, shower, landscaping, ADA beach access ramp, seawall repair, landscaping.	
<b>Design Timeline:</b>	Start: 1 <sup>st</sup> Qtr. – FY 15/16	Finish: 4 <sup>th</sup> Qtr. – FY 16/17
<b>Project Cost:</b>	\$ 535,038 (Includes Design)	
	\$ 37,326 (Change Order #1)	
	<u>\$ 572,364</u> Total	
<b>Funding Sources:</b>	\$ 572,364 Funded from Beach Capital	
<b>Council Actions:</b>	1. Const. Funding Approved	October 1, 2016
	2. Construction contract awarded	March 2018
<b>Construction Timeline:</b>	Start: 3 <sup>rd</sup> Qtr. – FY 17/18	Finish: 2 <sup>nd</sup> Qtr. – FY 18/19
<b>Project Status:</b>	<p>Design 100% complete</p> <p>SJRWMD Stormwater Permitting Determination – February 2017</p> <p>CCCL Permit Application Submitted – April 2017</p> <p>County Site Plan Approval Notice – April 2017</p> <p>FDOT Permit Application Submitted – May 2017</p> <p>Site Survey Updated for CCCL – May 2017</p> <p>Final CCCL design revisions complete – August 2017</p> <p>City annexation agreement routed to county legal for review – August 2017</p> <p>Annexation agreement to be considered by County Council w/const. contract</p> <p>DEP Armoring permit received – November 2017</p> <p>Construction bid advertised and pre-bid conf. conducted – December 2017</p> <p>Contract being finalized by purchasing and bonds recorded – March 2018</p> <p>Contractor Notice to Proceed – May 1, 2018</p> <p>Demolition, stormwater and grading completed – August 2018</p> <p>Paving, seawall, sidewalks and dune crossover completed – December 2018</p> <p>Change order for additional seawall footer, sidewalks and shower towers.</p> <p>Project opened to public – February 1, 2019</p> <p>Grand Opening February 22, 2019</p>	
<b>Project Adjustment:</b>	Construction schedule adjusted to coincide with sea turtle nesting season.	



## **CS-PRC-2**

### **Project:**

Shell Harbor Park

### **Scope:**

The project scope includes construction of the boat ramp and floating dock, restroom, pavilion, boardwalk, and paved parking (33 boat trailer capable & 2 ADA spaces)

### **Acquisition:**

December 2013

### **Design:**

Start: 3<sup>rd</sup> Qtr. – FY 15/16

Finish: 3<sup>rd</sup> Qtr. – FY 16/17

### **Construction:**

Start: 3<sup>rd</sup> Qtr. – FY 17/18

Finish: 4<sup>th</sup> Qtr. – FY 18/19

### **Project Cost:**

\$ 139,879	Design and Permitting
<u>\$ 1,864,962</u>	<u>Construction</u>
\$ 2,004,841	Total

### **Funding Sources:**

\$ 42,810	FIND (Design and Permitting)
\$ 117,889	FIND (Construction grant)
\$ 400,000	ECHO 2016 grant award
\$ 689,534	FBIP
<u>\$ 754,608</u>	<u>Park Impact Fees (Zone 4)</u>
\$ 2,004,841	Total

### **Council Actions:**

- |                                |                                   |
|--------------------------------|-----------------------------------|
| 1. Donation Approval           | December 2013                     |
| 2. FIND Grant Approvals        | March 19, 2015 and March 17, 2016 |
| 3. ECHO Grant Approval         | May 19, 2016                      |
| 4. Construction Contract Award | May 15, 2018                      |

### **Status:**

Design complete  
FDEP & ACOE permits obtained September 2016  
Permit received April 2018  
County's Site Plan anticipated approval in July 2018  
Construction bid awarded May 15, 2018