



Internal Audit

FOLLOW-UP ON 2021 AUDITS

December 29, 2022

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Introduction

Section 2-13(j) in the County Code of Ordinances charges the Internal Auditor with the responsibility of monitoring the implementation of recommendations made and corrective actions taken on prior audit reports. This follow-up report contains a breakdown of each audit report issued during 2021, a table with the status of recommendations, a summarized recap, the recommendation, management's response at the time, and the current status.

The status of the recommendations was confirmed through discussions and on-site visits with staff. The procedures used to verify the implementation of recommendations are less than the procedures used during an audit. In cases where recommendations have not been implemented, comments were sought for the reasons why and the timing for addressing these. The follow-ups are, by nature, subjective. In determining the status of action plans taken, assertions were relied upon provided by those involved, and attempts to independently verify those assertions were not made. Since no substantive audit work was performed, the *International Standards for the Professional Practice of Internal Auditing* (Standards) were not followed in the issuance of this update.

The ECHO and Volusia Forever programs are audited annually per County ordinances. The other audit areas will be included in future audit plans, as approved by Council. At that time, substantive audit procedures will be used to ensure recommendations are working as intended. During that time, the auditor will independently evaluate the recommendation status as required by the Standards.

It is understandable that some of the recommendations may take more than one year to complete. Staff should be acknowledged for their work and commitment to addressing the recommendations.

Results

During 2021 the following areas were audited:

- 2021-01 Votran
- 2021-02 Purchasing, Purchasing Cards, and Vendor Management
- 2021-03 ECHO (Environmental, Cultural, Historical, and Outdoor) Program
- 2020-04 Volusia Forever Program

The audit reports are available on the County's website at <http://www.volusia.org>. Each audit contained recommendations for improvements to the operations.

A total of fifty recommendations were given in 2021. Table 1 includes a summary of all the recommendations from the 2021 audit reports. Additional information on the status of each recommendation follows.

Table 1: Status of 2021 Audit Recommendations

Status	Findings	Concerns	Total
Completed	13	20	33
In progress	10	5	15
Not implemented	2	-	2
Total	25	25	50

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.

2021-01 Votran

Votran is a countywide transportation system providing bus service as well as transportation for the physically challenged. Votran was created in 1975 to provide transportation throughout the County. Votran provides transportation to the majority of urban and rural areas of the County with a revenue-producing fleet of 82 fixed-route buses and 76 paratransit vehicles. There are almost 2,500 bus stops throughout the County and Votran employs over 200 drivers and over 60 employees in the maintenance, dispatch, customer service, and administrative support departments. The County contracts with First Transit to provide the operational management of the system.

The purpose of the audit was to gain a reasonable degree of assurance the control environment surrounding Votran was based on sound business processes and to ensure that associated activities were conducted efficiently and effectively while maintaining compliance with relevant laws, rules, and regulations. The audit scope was all financial transactions during FY 2020 (October 1, 2019, through September 30, 2020). The report was released on February 12, 2021. The full report is available at <http://www.volusia.org>.

The audit found opportunities for improvement in strengthening internal controls to adequately safeguard Votran assets and prevent or detect errors and irregularities. Separation of job duties of the accounting clerk, customer invoicing and receivables, policies on money room controls and fare box audits, as well as spreadsheets used to track bus passes and tokens, were all areas identified for improvement.

Staff noted that many of the recommendations were implemented or were in progress under the direction of the finance director; however, a few months after the audit was completed, the finance director left the position. Finding a finance director proved difficult and the finance section experienced staff turnover. As a result, some of the implemented changes were allowed to slip during the transition. To increase the finance section's strength, the position of an accountant was added. This gave the section 3 professional positions it never had previously. However, shortly after, the accounting clerk retired, a different finance director resigned, and the accountant left. Within 2 months after being fully staffed, the section was down 3 people and continues to be short-staffed today. The remaining staff has attempted to perform all duties to the best of their abilities. The executive secretary has started to perform many of the accounting clerk duties; however, without any training, prior knowledge, or finance oversight of the finance section, staff has struggled to maintain many controls which were previously put in place prior to the retirement of the accounting clerk.

Currently, the County is working with the contractor, First Transit, on an amendment to shift some job responsibilities from the contractor to the County. It is understood that upon acceptance of the amendment, the financial-related responsibilities will be handled by the County. At a minimum, the positions of finance director, accountant, and account clerk will be employees of the County.

Table 2 provides a summary of the status of the audit recommendations. Auditors were onsite in December 2022 to determine if the recommendations were completed, in progress, or had not yet been started.

Table 2: Status of Prior Audit Recommendations

Status	Findings	Concerns	Total
Completed	10	6	16
In progress	10	5	15
Not implemented	2	-	2
Total	22	11	33

Finding 1. Fare Box and Bus Pass Controls Are Lacking

Finding 1A: Job Duties Are Not Segregated

Recap: The accounting clerk has control of all phases of the bus pass and token process with little or no documentation of supervisory or third-party review. The clerk performed many duties, some of which were: 1) printing and inventory of bus passes, 2) access to a locked storage room, 3) tracking and logging of passes and tokens, 4) invoicing customers and tracking receivables on passes and tokens, 5) counting and depositing cash collections in the money room, and 6) verifying deposit records to the general ledger.

Recommendation: Review the job tasks performed by the clerk and establish appropriate segregation of duties. Establish supervision of the tasks performed by the clerk by someone independent of the process, such as a supervisor.

Management's Response: *We agree. We have started the review of the job tasks of the Accounting Clerk. We will segregate the duties of the Accounting Clerk to enhance controls of the pass and fare box revenue. Other personnel will be assigned tasks to strengthen the segregation of duties. In addition, the Finance Director or designee, will conduct supervisory oversight on the fare box and pass process of all employees involved.*

Current Status: *In progress.* The duties of the accounting clerk have not fully been segregated. Some accounting duties have been split between different employees so that not one employee can authorize, record, reconcile, and authorize a transaction. However, when the finance director resigned from the position, there was no documented supervisory or third-party review. When the amendment to the contract is finalized and the positions become employees of the County, the plans are to fully separate the duties and implement documented reviews.

Finding 1B: Money Room Controls Can Be Enhanced

Finding 1B1: Daily Listing of Paratransit Vehicles Not Given to Cash Counters

Recap: Dispatch does not provide a daily count of paratransit vehicles in service for the day to the cash counters to ensure all fare boxes from paratransit vehicles are included in the daily deposit. By not providing this listing, the cash collected in the fare boxes may not be deposited timely and are subject to theft.

Recommendation: Provide a listing from Dispatch to the cash counters of all paratransit fare boxes deployed for the day to ensure all fare boxes are included in the cash count.

Management's Response: *We agree. Dispatch has started providing a daily listing to money room staff of paratransit buses deployed for that day's run and the boxes pulled. This will ensure all boxes have been pulled and accounted.*

Current Status: **Completed.** Dispatch provides a closing sheet to the money room that lists all the paratransit buses deployed the day before. The cash counters use this document to ensure all paratransit fareboxes have been received, counted, and deposited.

Finding 1B2: Enhancements Needed to Money Room Procedures to Tighten Security Over Counting

Recap: Cash counters do not always wear Votran-supplied aprons while inside the money room; at times these same employees will empty trash receptacles located inside the money room; the safe inside the money room is not always locked; and at times, there may only be one employee inside the money room, which is against policy. Security cameras used inside the money room and throughout the campus are not always monitored due to costs. The cameras are used more as preventative and investigative purposes.

Recommendations:

- a. Require staff, while inside the money room at all times, to wear aprons that restrict access to their pockets.
- b. Prohibit the removal of trash or other containers from the cash room by cash counters.
- c. Ensure the safe requires a combination every time it is closed, that those who possess the combination, maintain it in a secure location, and the combination be changed periodically.
- d. Require at least two employees, at all times, be in the money room.

Management's Response: *We agree.*

- a. *Management will review and establish the requirements for aprons usage in the money room. The aprons will be used to restrict access to the pockets on the counters' clothing.*
- b. *Cans will be removed by janitorial/maintenance staff after the money has been picked up by armored car.*
- c. *We have ordered a new safe for the money room that will allow for combinations to be changed on a periodic basis.*
- d. *We have changed the access to the money room to require two employees to log in to gain access to money room. We also will be adding more cameras into the money room for better coverage.*

Current Status: **Completed.** A security keypad has been changed that requires all cash counters to swipe in to access the money room. All money counters are required to wear aprons while in the money room. Additional cameras have been installed for a better view of all aspects of the money-counting process. Trash is now placed outside of the money room and is only picked up by the janitorial staff. Upon being fully staffed, management will also add a third cash counter to assist in the money room which will also provide additional oversight of money counting.

Finding 1B3: Lack of Documented Supervisory or Surprise Reviews

Recap: Only the cash counters count and prepare the deposit with no documented or surprise reviews. The probability of collusion between cash counters is significantly increased by not conducting surprise or periodic reviews.

Recommendation: Review and document, on a periodic and surprise basis, the cash counted to the deposit totals to ensure cash is accurately being received and recorded.

Management's Response: *We agree and the Finance Director, or designee, will make periodic surprise cash counts and reconciliations.*

Current Status: **Not implemented.** Due to staff turnover within the finance section, this has not been implemented. As recommended, when a review is performed, it should be documented and retained.

Finding 1B4: Not All Money is Stored in Money Room Overnight

Recap: Money collected from the front desk, the transfer station, and the day's mail is not kept in the safe inside the money room. Instead, these monies are maintained in a small, locked canister overnight at the clerk's desk. The accounting office area is not locked or closed-off during non-office hours and employees could be walking through the area overnight.

Recommendation: Store all money received by the end of the business day in the safe inside the money room, which has limited access to only a few employees.

Management's Response: *We agree and all money will be stored and locked inside the safe in the Finance Director's office. A new safe is being ordered for the Finance Director. The Finance Director or designee will have combination to the safe.*

Current Status: **Completed.** All money is stored and locked in the safe with limited access by employees.

Finding 1C: Bus Pass and Bus Token Log Sheets Contained Several Errors & Not Issued Sequentially

Recap: Bus passes and tokens are not issued in sequential order and tracking logs that are used contained a considerable amount of typographical input errors, including the quantity of tickets sold to customers. Additionally, a partner agency continually made returns which were not always recorded in the logs. Due to the scale of errors and potential for theft, all bus passes and tokens sold during FY 2020 were reviewed. Initially, 64,806 passes and tokens sold with a value of \$261,813 could not be verified. However, through extensive work, this was reduced to 513 passes and tokens with a value of \$1,442. Common issues noted were: 1) typographical input errors, 2) passes not being entered into the logs, and 3) inconsistent quantity in log versus what was given to customers.

Recommendations:

- a. Revise log sheets to include input error-checking formulas to detect and alert for typographical errors, out-of-sequence sales, and agreement of quantity sold with the number of tickets in the sale.
- b. Disburse bus passes and tokens in sequential order.
- c. Record returned bus passes and tokens in the log to properly track all bus passes and tokens and work with the partner agency to reduce the number of returns.

Management's Response: *We agree.*

- a. *Log sheets have been revised.*
- b. *Bus passes and tokens will be disbursed in sequential order.*
- c. *Returned passes/tokens is being logged in by the Accounting Clerk. We will ask partner agencies to only order the amount of passes/tokens they plan to use for the period of time. We will monitor those agencies who return a large amount of passes/tokens and work to reduce the order. Returned passes/tokens will not be re-issued.*

Current Status: **Completed.** The log sheets were changed as recommended; however, after the retirement of the account clerk, the turnover of staff, and due to a lack of training on the log sheets; there were some errors noted. Management has since researched and corrected the errors.

Finding 1D: Bus Pass and Bus Token Inventory Controls Lacking

Recap: Inventory of bus passes and tokens is performed sporadically and not monthly as required by policy. The inventory was performed by the accounting clerk with no supervisory review, and tracking sheets only listed the number of boxes of passes and tokens in stock. Previous to the audit, the unused and ready-to-sell passes and tokens were stored in a room with access to several employees. A surprise inventory count, performed by the auditor, counted over 160,000 tokens and passes with a value exceeding \$1.1 million.

Recommendations:

- a. Ensure physical inventory of bus passes and tokens are performed monthly, documented, and reviewed by an independent person.
- b. Include the serial number of the bus passes and tokens on the tracking spreadsheet for accountability.

Management's Response: *We agree. A monthly inventory will be conducted and documented of all passes and tokens along with a tracking of all serial numbers. We will assign different personnel to stock the passes and another to do the actual physical count.*

Current Status: **In progress.** The spreadsheet for tracking the passes and tokens has been updated to include serial numbers to assist in accountability. However, due to turnover, documented review of the physical inventories by an independent person has not been consistently performed monthly.

Finding 2. Policy & Procedures Over Fare Box Audits and Repairs Needed

Finding 2A: Fixed-Route Fare Box Repair Policy Needed

Recap: Policies and procedures are not in place so when fare boxes are noted with inaccurate money counts, maintenance staff are not notified, and a policy does not exist on how quickly repairs should be completed. Daily, staff randomly pull five fare boxes to count money collected with the amount reported by the system. During FY 2020, staff performed 1,145 fare box audits. Overall, there was a 2.08% positive variance between reported revenues and actual revenues. There were 16 audits that had a \$15 variance or higher, which the auditor reviewed. It was noted there was an average of 36 days between the date audited and the date a maintenance technician reviewed the bus's fare box (the longest being 103 days and the shortest being 1 day). Causes of errors may be from the malfunction of the fare box, the driver using incorrect procedures during boarding, passenger error, or potential theft from either passengers or drivers. The former management company had a policy threshold of 1% variance benchmark with the current company not having a policy.

Recommendations:

- a. Develop policy and procedures that define the dollar amount variance threshold to be reported; including who should be notified; the number of days the fare box should be reviewed by a maintenance technician; how often fare boxes should be compared to actual money counted; and, if errors are caused by drivers, how frequently drivers should be retrained or other disciplinary actions, as appropriate.
- b. Determine and set an acceptable variance percentage to benchmark reported fares versus actual fares. Management should review the performance to this benchmark on a periodic basis.

Management's Response: *We agree.*

- a. *We have adopted a policy that requires any variances in excess of five dollars be reported to operation and maintenance departments to investigate the variances found. Operations and maintenance will report back to finance within 5 days of their investigations of corrective action taken. This documentation will be kept with the fare box audit for that day.*
- b. *Votran has established no more than a plus or minus 2% variance for the month as an acceptable variance for the month for fixed route fare boxes. Any variance in excess of 2% will be reviewed to determine the contributing factors and appropriate corrective action will be taken to minimize the cause of the variances.*

Current Status: *In progress.* Policies and procedures now include a dollar amount variance threshold (\$5 for fixed-route and \$3 for paratransit) and whom to notify if variances are found (maintenance director and assistant director). However, the recommendation also included additional analysis be performed to assist in determining if the fareboxes are continuously malfunctioning or if there are errors caused by the drivers. The analysis would also provide how quickly maintenance staff are addressing farebox errors. County staff is addressing this with the contractor to implement this additional monthly analysis in their policies and procedures.

Finding 2B: Random Fare Box Audits of Paratransit Vehicles Not Performed

Recap: Random fare box audits of Votran paratransit vehicles are not conducted by staff. By not conducting random audits, fare revenues may be stolen, inaccurately reported, or improperly overridden by the drivers.

Recommendation: Implement random fare box audits of the Votran paratransit vehicles similar to the fixed-route random audit process.

Management's Response: *We agree and are in the process of developing procedures that will allow for the random audit of paratransit fare boxes by adopting a reconciliation procedure that uses the daily manifest. This will also be reviewed by County staff.*

Current Status: ***In progress.*** Fare box audits were being performed by the accounting clerk prior to her retirement. However, the audits have not been performed until recently. County management has explained the importance of this review to the contractor. Staff will reinstate this process as soon as possible.

Finding 3. Controls Over Invoicing and Receivables Are Lacking

Finding 3A: Customer Invoices Created with Spreadsheet and Invoices Not Always Numbered

Recap: Staff utilized spreadsheets to create, track, and post bus passes and tokens sold to non-profit agencies. Spreadsheets do not allow for automatic invoice generation, proper tracking, and data can easily be overwritten or lost. Additionally, not all invoices contain numbers, such as FedEx and mail orders.

Recommendation: Consider utilizing an accounts receivable system for invoicing customers instead of spreadsheets and ensure all invoices are numbered by the system. If such system is deemed not feasible, consider updating the spreadsheet with formulas to check for errors and better tracking of payments.

Management's Response: *We agree and are reviewing billing software. In the meantime, the billing spreadsheets are being revised for tracking purposes and will be reviewed monthly by the Finance Director.*

Current Status: ***Not implemented.*** The same spreadsheets were being used in the same manner as identified during the audit. Management had not considered other invoicing systems until the auditors were conducting this follow-up review. The auditors suggested using the same receivable system as the County.

Finding 3B: One Customer Is Not Paying Promptly On Account Balances

Recap: One customer had 31 separate invoices issued during FY 2020, 11 of which were over 60 days. For example, an invoice was not paid for 317 days. During the same time period, 22 additional invoices were issued to this customer, including another invoice not paid for 187 days. Staff indicated they do not fulfill new customer invoices until all outstanding balances have been paid. There is no written policy on fulfilling customer invoices until all outstanding balances have been paid.

Recommendation: Develop a written policy regarding invoicing and following up on customer accounts receivables and whether or not to release bus passes or tokens on past due accounts. Include in the policy that customer balances longer than a certain time frame, i.e., 90 days, that dunning letters will be mailed to customers.

Management's Response: *We agree. A written policy will be developed concerning past due accounts receivable that will entail a monthly report of all past due accounts will be generated. In the policy, we will determine the appropriate time frame for letters to be sent. The Finance Director and the General Manager will review the list and determine the appropriate response.*

Current Status: **Completed.** Policy and procedures have been implemented and no issues have been reported by management on aged customer balances.

Finding 4. Policy and Procedures Handbook Needs Updating

Recap: There is no documentation of significant policies and up-to-date detailed procedures in the form of a handbook or manual for some areas, including: general accounting, capital assets and inventory, and fuel management. By not having written policies and procedures, staff may not understand the process and may lead to errors or fraudulent activities. Additionally, such handbooks should be reviewed and updated periodically.

Recommendations:

- a. Update and create a handbook that documents accounting policies and procedures that delineates the authority and responsibility of all employees, especially the authority to authorize transactions and the responsibilities for the safekeeping of assets and records.
- b. Include source documents used such as illustrations and indicate which employees are to perform which procedures.
- c. Explain in the handbook the design and purpose of control-related procedures to increase the understanding and support for controls and be readily available to all employees who need it.
- d. Review the handbook no less than every three years and promptly update it when changes in processes occur.

Management's Response: *We agree and will work to develop written accounting policies and procedures. We will develop policies for Revenue, Cash Handling, Credit Cards, General Accounting, Invoicing, Fare Box Process, Processing of Expenses, Capital Assets, Inventory, Fuel, Bank Account Reconciliation, and Financial Reporting.*

Current Status: *In progress.* Many of the accounting clerk duties have now been documented in a handbook. Since the retirement and turnover of staff, management understands the importance of having these procedures documented and updated. Not all functions as recommended in the audit have been documented due to short staffing and turnover. Upon the hiring of a finance director, a top priority will be to implement this recommendation fully.

Concern 1. Sales Tax Charged on Purchasing Card and Catering Policy Needed

Concern 1A: Sales Tax on Purchasing Card

Recap: 1 transaction on a purchasing card (of 20 tested) was charged sales tax of \$10.63.

Recommendation: Retrain employees on sales tax exemption and ensure sales tax is not charged.

Management's Response: *We agree and employees will be retrained and understand the necessity of the sales tax exemption form. We have implemented a new tracking form for purchasing card review.*

Current Status: **Completed.** Management stated they provided training to employees. In addition, the executive secretary now reviews all purchasing card receipts for sales tax prior to approving the purchase.

Concern 1B: Catering Policy Needed

Recap: The cost of catering food for the 2020 Votran awards banquet was \$40 per guest. The cost of catering was compared to other County events during FY 2019 and FY 2020. The average cost of catering for those events was roughly \$29 per guest. There is no countywide policy for acceptable catering costs per guest.

Recommendation: Develop a policy that advises departments on the acceptable amount to be spent on recognition and other dinner events, including catering.

Management's Response: *We agree and the County is developing a policy regarding employee events, such as recognition and award ceremonies, to ensure that rates and charges are not excessive. Subsequent to adoption, these rates will be reviewed at least every three years to adjust for inflation, if necessary.*

Current Status: **Completed.** The County created a policy that is countywide, including Votran.

Concern 2. Direct & Indirect Costs For Grants & Title VI Enhancements

Concern 2A: Fuel Costs Charged to Grant Incorrectly

Recap: Approximately \$11,000 of County Emergency Medical Service's Ambulatory (EMS) vehicle fuel usage was incorrectly included on a grant reimbursement. EMS utilizes Votran's fuel station on the Westside of the County to fuel their ambulances. Votran pays the fuel vendor then bills EMS for their portion of the cost. Votran staff did not deduct the EMS reimbursement on grant requests during FY 2020. After being notified of the error, staff coordinated with the grantor and deducted the amount

on a future grant reimbursement. In another instance, a manual paycheck was issued to an employee for approximately \$1,500 which was an allowable expenditure for the grant but was not included in the grant reimbursement. Charging non-Votran-related expenditures to grantors is not allowable per grant agreements. Conversely, efforts should be made to maximize proper grant reimbursements and include proper expenditures when allowable.

Recommendation: Reconcile monthly grant submissions to the general ledger to ensure all allowable expenditures are captured for maximum grant reimbursements and that any non-allowable expenditures are not included.

Management's Response: *We agree and have taken steps to ensure all general ledger transactions are being reviewed by the Finance Director and General Manager for billing eligibility. Issue has been resolved and all future submissions will be reviewed.*

Current Status: ***In progress.*** The previous Finance Director was reviewing the grant accountant's work to ensure the grant reimbursements agreed to the general ledger. However, with staff turnover, and the absence of a finance director, it does not appear this review is being performed by management who would have a working knowledge of the general ledger and eligibility requirements. In the meantime, an employee of the County's finance department has assisted in reviewing state grant reimbursements, but it is a cursory review. The same employee has assisted in preparing the federal grant reimbursements.

Concern 2B: Cost Allocation Plan Needed

Recap: A formal, documented cost allocation plan (CAP) has not been developed to charge certain costs in an effort to maximize grant reimbursements. By not having a formal documented plan, grant revenues may not be maximized. Conversely, not having a documented plan may lead to inconsistencies in applying and documenting indirect costs which could lead to overstating indirect costs which may result in a loss of future grant revenue.

Recommendation: Develop a formal CAP that supports methodology for allocations to grant funding sources to accurately and consistently reflect indirect costs to grants meanwhile potentially increasing the amount of indirect costs to granting agencies.

Management's Response: *We agree and the cost allocation plan is being developed by Tindale Oliver. We expect to receive the review by the end of March. The plan will be reviewed by Votran staff working with County staff for appropriateness.*

Current Status: ***Completed.*** The CAP was submitted to the FDOT. Management states the FDOT is currently reviewing it further for potential statewide usage.

Concern 2C: Title VI Program Updates Needed

Recap: The Federal Transit Authority (FTA) performed a triennial Title VI Review in January 2020 with a few concerns and general comments in regard to the next Title VI program update, which is due by November 30, 2022.

Recommendation: Implement concerns and general comments over Title VI area in the next program update.

Management's Response: *We agree and have implemented the changes with the 2020 Votran Title VI update. The Title VI program has been approved and have been issued close out letters. Votran's next Title VI submission is due to the Federal Transit Administration in December of 2022.*

Current Status: **Completed.** This has been updated and reviewed by FTA. The FTA recently conducted a triennial review which included a review of Title VI with no issues noted by the FTA auditors.

Concern 3. Shop Tools Sign In / Out Log Not Utilized

Recap: A log is not utilized to sign in or out the high-dollar shop tools, such as computers and diagnostic equipment that are used by maintenance technicians. Policy states that any major or high-dollar shop tools must be signed out by the technician using the tool and once completed, sign the tool back into the tool room. Upon further discussion, the maintenance director stated this policy was a goal and was working towards a sign in/out log.

Recommendation: Create a sign in/out log for any major or high-dollar shop tools in accordance with established policy.

Management's Response: *We agree. The tool sign out policy is contained in the Maintenance Rule Book, and a sign out log has been developed, implemented, and shared with the internal auditor.*

Current Status: **Completed.** The log sheet has been implemented and is in use.

Concern 4. 2-Part Receipt Book Used and Checks Not Always Endorsed Immediately

Recap: A 3-part receipt book is not utilized when customers purchase bus passes or bus tokens. A 2-part receipt book is used with one part going to the customer and the other part going to the accounting clerk. The receipt book is not pre-numbered and therefore cannot be issued in sequential order. With a 3-part receipt book, the third part would remain in the receipt book and can be utilized by a supervisor or another party to review all receipts issued. Additionally, it was noted that not all payments by check are immediately restrictively endorsed for deposit only to the Votran bank account.

Recommendations:

- a. Purchase and use a 3-part receipt book then reconcile the receipt book to the financial records on a regular basis. Issue pre-numbered receipts in numerical order with maintain one copy in the receipt book at all times.

- b. Ensure checks are immediately restrictively endorsed so that other individuals or entities cannot deposit the payment.

Management's Response: *We agree.*

- a. *We have implemented the use of numbered 3-part receipt book.*
- b. *We have reminded staff of the importance to restrictively endorse all checks received. Personnel who have responsibility for receiving checks, have been issued a "For Deposit Only" stamp.*

Current Status: *In progress.* With turnover in staffing, there was a misunderstanding on the procedures for using a 3-part receipt. During this review, the auditors demonstrated the procedures for use of a 3-part receipt, who would receive which copy, and the importance of its usage. A "for deposit only" stamp was not ordered until the auditors started this update. Management has assured the auditors that a 3-part receipt book and a restrictive stamp have been ordered and will be used going forward.

Concern 5. Management Reports and Capabilities of System-Reports Should Be Reviewed

Recap: Staff produce monthly reports for management and grant reimbursement purposes that capture the number of passengers and revenues generated by each route. Two separate computer systems are used for fixed-routes and paratransit routes, each with its own unique and needed capabilities. A very tedious process is used by staff to sort, filter, and summarize the data that is deemed more useful for management. Staff indicates this is a month-long process. For fixed-route reports, undefined and deadhead ridership counts and revenues are included in the Route 1 data. By including these non-revenue generating amounts, while immaterial, may be considered unallowable by the grantor.

Recommendations:

- a. Consider the usefulness of management reports and capabilities of system reports for grant reporting purposes. Research the possibility of developing custom reports from the system or develop spreadsheet templates with lookup and reference formulas to facilitate more efficient summary reporting. Require staff to attend Excel training to learn and understand all the formulas available to minimize manual sorting and filtering data.
- b. Modify the fixed-route report to show undefined and deadhead revenue and passenger counts on separate lines so not to distort Route 1 numbers and for better tracking of these activities.

Management's Response: *We agree.*

- a. *We will begin a systematic review of the various report that the system is able to produce and the spreadsheet reports that are being maintained to determine any duplication of effort that may exist and report that could be eliminated. We will look into the software to see if changes can be made to aid in the better align with grant reporting.*
- b. *The undefined and deadhead revenue will be allocated to the appropriate routes.*

Current Status: *In progress.* Staff is working with current vendors to upgrade the systems and to provide training on how to maximize the use of system reports. The goal is to eliminate or reduce manual and tedious processes to decrease potential errors and for timely and efficient reporting.

Concern 6. Foreign Coins Not Accepted by Banks Sitting in Money Room Not Deposited or Sold

Recap: There were four deposit bags full of foreign currency that had not been deposited or sold. The fare box system is designed to reject foreign coins from being accepted as payment. However, sometimes coins are recognized and accepted. The bank does not accept foreign coins with the daily deposits. During the audit, staff contacted the bank for further guidance, and they would not accept the coins. Staff also reached out to currency exchange organizations who also stated they would not accept these coins. County Ordinance Section 2-281 requires agencies to submit to the purchasing director reports of property no longer used or which has become obsolete, worn or scrap. The purchasing director has authority to dispose of all surplus property in any appropriate legal manner.

Recommendation: Implement procedures to follow County Ordinance to include foreign currency as part of a competitive auction sale, either periodically, or at minimum, annually.

Management's Response: *We agree and foreign coins have been sent to auction and will continue to do so in the future.*

Current Status: **Completed.** The foreign coins were auctioned after the audit was released and staff will continue this practice on an annual basis.



2021-02 Purchasing, Purchasing Cards, and Vendor Management

The Purchasing and Contracts Division is a service division that facilitates the procurement of materials, supplies, equipment, as well as professional, technical, and contractual services required for operations of the County. County Ordinance, approved by the County Council, provides direction and requirements on purchases. The director maintains a more in-depth procedures manual, which is approved by the County Manager. The accounts payable section, organized under the Finance Department, is responsible for paying all invoices received by the County for goods and services purchased.

The purpose of the audit was to determine, with a reasonable degree of assurance, whether the procurement of goods and services is processed in compliance with established regulations, policies, and procedures. The audit scope included all purchasing solicitations and contracts for calendar years 2019 and 2020 (January 1, 2019, through December 31, 2020). The report was released on July 21, 2021. The full report is available at <http://www.volusia.org>.

Overall, the audit found internal controls are operating as intended. Controls over single/sole-source purchases appear to be operating as the testing did not reveal inappropriate usage. There were no instances detected of inappropriate payments to employees. Opportunities were identified to strengthen and enhance controls to minimize the occurrence of fraud, waste, and abuse.

Table 3 provides a summary of the status of the audit recommendations.

Table 3: Status of Prior Audit Recommendations

Status	Findings	Concerns	Total
Completed	3	14	17
In progress	-	-	-
Not implemented	-	-	-
Total	3	14	17

Finding 1. Vendor Monitoring Delegated to End-Users & Invoices May Not Conform to Agreements

Recap: Purchasing staff delegate vendor performance monitoring to end-users who may not always be aware of contract requirements and pricing information. During the testing of solicitations, paid invoices were randomly selected and compared to the contract to ensure compliance. One invoice to a paving vendor that was reviewed had total charges of \$5,379 for line items that were not in the approved contract. Another vendor charged a shop supplies rate and charged travel hours which were not supported, both of which were not approved in the contract. These charges totaled \$15,121. Additionally, the contract stated the vendor would provide a 10% discount off the manufacturer's list price; however, the invoice did not notate or provide the manufacturer's list price. Therefore, it is unclear how staff could determine if the discount was applied appropriately.

Recommendations:

- Retrain staff on the importance of properly reviewing invoices and supporting documentation before approving invoices for payment.
- Contact the vendor and request the invoices agree to the master agreement and/or modify the master agreement to include "industry standard rates" be allowable; that invoices reflect actual

times charged by indicating start/end times to ensure service hours are reasonable and appropriate; and that invoices reflect the 10% discount as agreed-upon.

- c. Implement a formal self-assessment program to ensure that controls are established, processes are followed, reporting is effective, and risks are mitigated.

Management's Response:

- a. *We agree with the above and the using division has addressed and retrained staff on the importance of proper invoice review prior to processing. Purchasing will work with Accounts Payables to develop periodic reviews of invoices, including a sampling of construction invoices, to ensure payment requests match the purchase order/master agreement.*
- b. *We agree and this single source contract was just recently updated with current rates. The using division staff has been retrained to verify all charges and ensure they match the master agreement rates and discounts prior to submitting for payment and to contact the vendor if any discrepancies are found for corrected invoice.*
- c. *We agree and the Purchasing and Contracts Staff has developed an internal review process for master agreements and the resulting delivery orders to be conducted on a quarterly basis beginning in the fourth quarter of FY 2021 (July 1). 10% of total delivery orders issued in quarter 3 of FY 2021. This process will be ongoing and added to our policies and procedures manual. Purchasing and Contracts will also work with Accounts Payable to develop a similar review of payments for both purchase orders and delivery orders.*

Purchasing and Contracts will emphasize the importance of proper invoice review and comparison to contract, purchase orders, and master agreements during our internal trainings: CGI Initiator & Approver Training, Purchasing 101 and Construction/Professional Services Contracting 101.

Current Status: Completed. Purchasing staff now conduct quarterly reviews by randomly selecting master agreements, delivery orders, and invoices. Since the completion of the audit, 2 reviews have been completed. Upon finding any errors during their review, the Purchasing staff works with the end user departments to correct them as necessary. The staff has found this beneficial as it has helped with teamwork and understanding between departments. The staff will also incorporate commonly found issues into the training material to increase understanding of the end users.

Concern 1. Cost-Benefit or Break-Even Analysis Not Performed on Payment Kiosk Purchase

Recap: The County utilized Federal CARES Act funds to purchase two payment kiosks for \$161,952 during the pandemic and a cost-benefit or break-even analysis was not performed. The purchase was to help facilitate a more effective social distancing for customers making utility payments. The two kiosks cost approximately \$4,500 a month and during the first 90 days of operations, there were a total of 160 payments made, and brought in an average of \$2,900. The average utility payment is approximately \$55 and at least 82 payments would need to be received each month to cover the cost of the kiosk.

Recommendation: Perform cost-benefit analysis to ensure purchases obtain the most value from the available resources.

Management's Response: *We partially agree. In a normal time where there were not so many unknowns and the vendor field was open and competitive, and timing was not an issue, we would agree more analysis would be appropriate prior to the purchase of the kiosk, including incorporating our own staffing as an option. However, this was not the case- we were looking for options to alleviate crowds, lines and frustration at our tag and title offices, especially the offices that had the responsibility of accepting utility payments. The safety of the public made this a viable option in two of the locations that accepted utility payments. The purchase was also made piggybacking an existing competitively bid contract, so there was the comfort of knowing that an open market bid was performed. In addition, we were working through companies that were also impacted by the shutdown with limited resources and people. As we move forward, the Treasury and Billing division is looking at other options to add to the kiosk to enhance the value of the system. In conclusion, you can only analyze what you have available to you at the time of an emergency, and the team did this in the best interest of the community.*

Current Status: **Completed.** Recently the need for cost analysis was discussed with purchasing staff regarding emergency purchases during Hurricane Ian. Since the audit, there have not been any purchases that requires this type of analysis.

Concern 2. Few Instances of Purchasing Cards (P-Card) Policies Not Being Followed

Concern 2.A. Transactions Split into Two or More to Avoid Thresholds

Recap: 4 P-cards (or 1.1% of the 559 tested), totaling \$7,772 were split into two or more transactions to avoid P-card spending levels set by policy. Employees stated they were unaware of the policy or that they could request a temporary increase with the approval of their supervisor and purchasing staff. It was noted these split transactions were done by different employees and does not appear to be an on-going or recurring employee issue.

Recommendation: Retrain employees on the policy on splitting payments and the procedures to request temporary spending limit increases.

Management's Response: *We agree and the Purchasing Card Administrator has reviewed this with the using division and they understand and will not do this again. They will send request for temporary increase to the Purchasing Card Administrator for the approval of the Purchasing Director.*

Current Status: **Completed.** The Purchasing Card Administrator conducts quarterly reviews by sampling p-card purchases to ensure the policies are being followed. The administrator will contact the user department of any issues found and will conduct re-training if necessary. Also, commonly found issues are incorporated into the training so new users are aware and trained.

Concern 2.B. Detailed, Itemized Receipts Not Obtained or Retained

Recap: 17 P-card receipts (or 3.0% of the 559 tested), totaling \$7,247 did not have itemized and detailed receipts obtained or retained by staff. 6 receipts were for food and entertainment with credit authorization slips turned in, but not itemized receipts; 10 purchases had summary receipts but were not itemized; and 1 purchase had the receipt turned in but was so damaged it could not be reviewed.

Recommendation: Retrain employees on the policy and reasons for receiving and maintaining itemized and detailed receipts.

Management's Response: *We agree and the Purchasing Card Administrator has reviewed this with the using division. They understand and will request and maintain appropriate itemized receipts for all transactions.*

Current Status: Completed. As discussed above, the Purchasing Card Administrator conducts quarterly reviews and contacts the end user if policies are not being followed. One-on-one re-training is conducted if necessary and commonly found issues are incorporated into the new user training.

Concern 2.C. Sales Tax Charged Inappropriately

Recap: 2 P-card transactions (or 0.4% of the 559 tested), totaling \$26 had sales tax charged inappropriately. After being alerted by the auditor, 1 merchant was able to refund \$15 of the sales tax, the other merchant could not.

Recommendation: Retrain employees on the policy on sales tax exemption and ensure sales tax is not charged.

Management's Response: *We agree. The purchase for the Purchasing division was for two of the same items and a request was made for a sales tax refund and only one was received. We have retrained staff to request and track the receipt of sales tax refunds. Note, vendors are not required to accept our tax exemption.*

Current Status: Completed. This has also been incorporated into the training slides.

Concern 2.D. P-Card Policy & Procedures Enhancement

Recap: The P-card policy and procedures could be updated and enhanced: 1) the P-card authorization form is destroyed after three years and not maintained; 2) the invoices and backup documentation supporting the transaction is managed and maintained by each division; 3) the policy does not specifically restrict employees from shipping supplies or orders to their home address.

Recommendations:

- a. Retain authorization forms for all active cardholders and create a policy for the length of time to maintain the form after the cardholder has become inactivated in the P-card system.
- b. Consider division staff scanning P-card backup invoices and documentation into electronic format for easier retrieval, proper records management, and reducing paper storage.
- c. Update policy manual to restrict goods from being shipped to the employee's home address.

Management's Response:

- a. *We agree and the Purchasing Card Administrator will maintain all authorization forms for all active cardholders indefinitely while the cardholder is active, and will maintain forms for inactivate cardholders for five years after cancellation of card.*

- b. We agree and the Purchasing Card Administrator will work with the County's Records Manager to establish a consistent policy regarding the electronic format for the divisions to maintain all P-card backup invoices and documentation.*
- c. We agree and this update was made in the revisions approved on March 16, 2021 while the audit was in-process.*

Current Status: Completed. The authorization forms are now maintained in accordance with records management schedules and the policy has been updated. The current records management system, On-Base, is nearing capacity, which impacts all departments within the County. Staff is researching other records management systems so that these P-card records can also be stored consistent with other purchasing records.

Concern 3. Conflict of Interest Policy and Training Needs Updating

Recap: The Purchasing Policy and Procedures Manual and training materials regarding conflicts of interest are vague and do not specifically reference statutes or provide examples of what constitutes a conflict of interest. Many County staff are involved in the procurement process from the purchasing analyst to divisional end-user staff, to evaluation committees. Unclear definitions and training may lead to misunderstandings, whether intentional or not.

Recommendation: Update the policy and procedures manual to specifically cite statutes that define conflicts of interest. Update the training materials to enhance understanding and provide clarity to those in the procurement process.

Management's Response: *We agree and are currently drafting revisions to our policy and procedure manual to make an addition in the Ethics sections to define and further explain Conflict Interest including citing County Ordinance Section 2-283, Florida Statute Chapter 112.311-12 and 287.057 (17), and/or Federal Statutes as applicable and update Conflict of Interest under Purchasing Committees item 6. Membership. These changes will be reviewed by County Legal and approved by County Manager prior to being added to the Manual.*

Purchasing and Contract will work in conjunction with County Legal to update training and forms regarding Conflict of Interest in relation to the procurement process. Purchasing and Contracts has updated the Conflict of Interest Form signed by all evaluation committee members to reference the Purchasing Policy and Procedure Manual and to make additional language updates to reflect the above-mentioned ordinances and statutes. Purchasing and Contracts will also review with County Legal the current conflict of interest form included and required in all solicitations to ensure it meets County Ordinances, State Statutes and Federal Laws, as required.

Current Status: Completed. The policy manual has been updated with ethics statutes available and the training has been updated that all evaluators must attend who are involved in the procurement cycle.

Concern 4. Stakeholder Relationship Program and Key Performance Indicators Can be Enhanced

Recap: Some elements of a stakeholder relationship program are performed, with purchasing staff attending relevant meetings, being engaged with departmental staff, training, coordinating with other internal services departments; however, surveys of internal stakeholders had not been conducted since 2018. The 2018 survey reflected positively on purchasing. The National Institute of Government Purchasing (NIGP) Best Practices recommend several key performance measures and metrics for a purchasing function. Such a program helps demonstrate its value to all stakeholders in terms of verified improvements and accomplishments.

Recommendations:

- a. Enhance internal and external stakeholder relationship efforts to include regular feedback in forms of formal or informal conversations and surveys.
- b. Implement a formal performance management program that allows for continuous cycle of improvement and added value, including defined performance measures and metrics. Include regular reporting to County Council, County Manager, the annual budget, and on the County website.

Management's Response:

- a. *We agree and currently have regular scheduled meetings with Public Works, Votran, Daytona Beach International Airport, and County Legal to review current and upcoming projects. Purchasing also tracks all capital outlay and improvement projects and works with each division to ensure their projects are completed in a timely manner. Purchasing has an open door policy with all of our customers (internal and external) to stop by anytime to address any questions, concerns, projects, etc. We offer training to all divisions and vendors. Purchasing is in the process of developing two new surveys, one for our internal customers and one for our external customers (vendors). Both will focus on customer service and the external survey will focus on feedback for our new e-procurement platform Negometrix USA.*
- b. *We agree and suggest the several KPI's for the Purchasing and Contracts Division: Number of formal solicitations issued and awarded, average time from issuance solicitation to award of contract, number of transactions, number of FTE hours for purchasing and contracts, and training.* [Auditor's note: The full audit report lists the entire response from management and all of the KPI's suggested.]

Current Status: Completed. At the end of FY 2021, staff began gathering key performance indicators for baseline analysis. FY 2022 data will be entered and compared later this year. These indicators will be compared year-to-year and over-time for continuous improvements. Staff planned on conducting an external and an internal survey on the new solicitation software; however, the company is no longer supporting the USA market and staff are in the process of transitioning to a new platform. The survey will be conducted in the summer of 2023.

Concern 5. Policy Considerations and Direction from Council

Concern 5.A. Outdated Sustainability Policies

Recap: The County Purchasing and Procedures Handbook regarding “reduce, reuse, and recycle” has not been updated since 1993. The concept of sustainable procurement has changed since the 1990s to include the economic and social aspects in addition to the environmental aspect. Currently, staff are not regulating, monitoring, or tracking vendors and contracts regarding current sustainable procurement practices.

Recommendation: Update the handbook to adopt current sustainable procurement practices by serving as the lead for developing, implementing, and maintaining sustainable procurement policy and programs. To accomplish this, clearly identify staff’s roles and responsibilities, provide appropriate training, develop performance goals and objectives, and produce regular reporting on the achievements of the program.

Management’s Response: *We agree and are currently researching best practices on Sustainability and engaging County Staff for input. This is interdivisional endeavor, will involve multiple stakeholders, and is not a primary function of the procurement division.*

Current Status: **Completed.** Purchasing staff worked with the County’s Environmental Management division staff who assisted in researching best practices and drafted changes to the County’s policy manual. The County Manager approved the new purchasing policy in 2022.

Concern 5.B. Enhancements to the DBE Program

Recap: The County is not meeting their goal of 10% of the aggregate of the County’s annual contracts to disadvantaged, small and/or women business enterprises (DBE). County Ordinance 2-269 sets this goal and states that from time-to-time the County Council may set and adjust the goals. In FY 2020 the DBE percentage was 1.14% and was 1.94% in FY 2019. The audit report suggested several possible goals, activities, and performance measures that could be considered in a DBE program. Areas included equity, diversity, and small business development.

Recommendations:

- a. Reevaluate the 10% goal, continue outreach efforts and regularly report the goal and efforts to the County Council, County Manager, and the public. Continue the division of authority for the outreach efforts with the Economic Development Division with the input and assistance of the Purchasing staff.
- b. Obtain input and direction from the County Council on the DBE program with the current best practices of these types of programs.

Management’s Response:

- a. *We agree and Purchasing will work with Economic Development to evaluate the 10% goal and program policies; and present our findings to Council. We will also support Economic Development who may be able to further County DBE outreach efforts. Purchasing will*

continue to do outreach with our vendor community and communicate with Economic Development as needed.

- b. *Purchasing is also relaunching, later this summer, a new and improved “Doing Business with Volusia County Training Program” which is geared towards local and small businesses.*

Current Status: Completed. Purchasing staff recorded informational tutorials “How to Do Business with Volusia County” which are posted on the County’s website. This tutorial is also presented during trade shows that purchasing staff attends. Staff has also worked with the Daytona Beach International Airport (DAB) on Part 26 DBE Program Update and engaged with Economic Development in sharing information on their website regarding doing business with the County and providing information for their programs. Staff is considering hiring an outside consultant to ensure any solicitations involving Votran and DAB meet any Federal and State DBE requirements. The County Council approved an updated purchasing ordinance at the November 15, 2022 meeting.

Concern 5.C. Long-Term Contract Renewed Several Times Without Going to Market

Recap: The contract awarded for food and beverage services at the Ocean Center was renewed several times without releasing a new solicitation. The last solicitation for the service was released in 2007 for an initial 5-year term with one 5-year renewal option. The contract was renewed multiple times and the current contract expires in 2027 with an extension option expiring in 2032. If the current contract is renewed to 2032, it will have been 25 years since an RFP was issued for the service. Staff indicated that contract renewals are recommended when it is in the “best interest of the County” to continue and this particular provider had a substantial investment in the kitchen areas of the Ocean Center. The purchasing ordinance or the handbook do not state how long contracts may be renewed without releasing a solicitation and do not define the “best interest of the County.” By not releasing a solicitation on a periodic basis, the County may not be receiving the best value for the services being provided.

Recommendation: Update the handbook to clearly define the “best interest of the County” and provide guidance on how many renewals of long-term contracts or investments can be used without releasing an RFP/RSQ to protect against corruption, waste, fraud, or abuse.

Management’s Response: *We somewhat agree, it is difficult and restricting to come up with a formal definition of best interest of the county, due to uniqueness of each contract or services. Purchasing and Contracts reviews all contracts with the using division and legal prior to extending or amending all contracts. Some of the factors that come in to play with long term contracts include: continuity of services, capital investment and re-investment by the vendor and/or County, and marketplace factors. Purchasing recommends the following: contracts with a combined length of 10 years or more shall require Senior Management approval prior to extending and new solicitations requesting a contract term of 10 years or greater (including renewal terms) shall require Senior Management Approval prior to release.*

Current Status: Completed. Procedures have been updated to include the department director, the County Manager, and Deputy County Manager so they are aware on these types of awards. Of note, since the audit, there have not been any of these types of awards.

2021-03 Environmental, Cultural, Historical, & Outdoors (ECHO) Program

The ECHO program was a grass-roots initiative resulting from a citizen-approved referendum passed on November 7, 2000. ECHO provides grant funds to finance the acquisition, restoration, construction or improvement of projects to be used for environmental, cultural, historical, and outdoor recreational purposes.

The purpose of the audit was to determine, with a reasonable degree of assurance, that the control environment surrounding the ECHO program is based upon sound business processes and ensures that associated activities are conducted efficiently and effectively while maintaining compliance with relevant laws, rules, and regulations. Audit report 2020-01 was the first audit of the ECHO program from inception to September 30, 2019. Audit report 2021-03 was an audit of all ECHO projects completed, In progress, and awarded during FY 2020 (October 1, 2019, through September 30, 2020). The report was released on July 23, 2021. The full audit report is available at <https://www.volusia.org>.

Overall, the audit found internal controls are operating as intended. There were no findings or concerns. Therefore, no follow-up is required.

2021-04 Volusia Forever Program

The Volusia Forever program was a grass-roots initiative resulting from a citizen-approved referendum passed on November 7, 2000. The objective of the program is to protect the County's natural biodiversity and form partnerships with federal, state, water management districts, and local agencies that are committed to protecting natural resources. The goals are to conserve, maintain, and restore the natural environment and provide access for the enjoyment and education of the public; provide resources to ensure that sufficient quantities of water are available to meet current and future needs; meet the need for high-quality resource-based outdoor opportunities, greenways, trails, and open space; preserve the habitat and water recharge; ensure that the natural resource values of such lands are protected and that the public has the opportunity to enjoy the lands to their fullest potential.

The purpose of the audit was to determine, with a reasonable degree of assurance, that the control environment surrounding the Volusia Forever program is based upon sound business process and to ensure that associated activities are conducted efficiently and effectively while maintaining compliance with relevant laws, rules, and regulations. Audit report 2020-02 was the first audit of the Volusia Forever program from inception to September 30, 2019. Audit report 2021-04 was an audit of Volusia Forever during FY 2020 (October 1, 2019, through September 30, 2020). The report was released on July 23, 2021. The full audit report is available at <http://www.volusia.org>.

Overall, the audit found internal controls are operating as intended. There were no findings or concerns. Therefore, no follow-up is required.

