



# Internal Audit Report

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2023-01 – CHARGES FOR SERVICES AND FEES

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**February 22, 2023**

[volusia.org/government/internal-auditor](https://volusia.org/government/internal-auditor)

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February 22, 2023

Honorable Members of the County Council and County Manager:

I am pleased to present the audit report 2023-01 Charges for Services and Fees. The purpose of this audit was to determine, with a reasonable degree of assurance, if internal controls related to assessing, collecting, depositing, and recording fees and charges for services are operating efficiently, effectively, and in compliance with regulations and policies. The audit scope included all fees and charges for fiscal years 2021 and 2022 (October 1, 2020, through September 30, 2022).

This audit was conducted 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 a reasonable basis for my findings and conclusions. The audit was performed in the months of August 2022 through December 2022. Svetlana Ries, staff auditor, assisted with the audit work.

This audit was successful due to the assistance of many staff throughout the County, and we appreciate their support. All audit reports are available on the County's website at:

[volusia.org/government/internal-auditor](https://volusia.org/government/internal-auditor)

A handwritten signature in black ink, appearing to read "Jonathan Edwards".

Jonathan Edwards, CIA, CPFO  
Internal Auditor

## Background

Like other local governments, Volusia County charges fees for a variety of services it provides. Typically amounts charged are related to the cost to the area providing the service or help offset costs to operate government programs. Examples of charges for services and user fees are entrance fees to parks, campgrounds, educational programs, and library services. Some revenue amounts are driven by state statute while others are determined by Volusia County Council.

The County's Management and Budget Division maintains a Revenue Manual on the County's website which is updated each year. It assists executive staff and policymakers in understanding the various revenue sources for appropriation in the budget. It includes revenues in which the average collections are greater than \$10,000 per year and revenues which may be of interest to the public and/or policymakers. Additionally, most County divisions include charges and fee information on their respective websites, i.e., pavilion rental fees are listed on the Park's website.

Several terms are used throughout the report and are defined as:<sup>1,2</sup>

- Charges for services is a term used as a broad category of program revenues that arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services. Generally, charges for services raise revenues and recover at least part of the cost of a service that a citizen uses.
- Revenues from fees is a term used when a patron does not have any (or has very little) discretion on when to use the service that generated the fee and how much of the service to use.
- Fines are generally used by governments in an effort to punish transgressors and deter potential transgressors.
- Subsidy (or subsidized costs) is not intended to imply the County is providing a gift of public funds. Instead, it is a term to refer to the costs the County incurs when the rates are set below the full-cost recovery and other revenue sources provide the difference, such as ad valorem taxes.

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<sup>1</sup> Governmental Accounting Standards Board (GASB), Cod. Sec. 2200.137.

<sup>2</sup> "Financial Policies for Imposed Fees, Fines, and Asset Forfeitures" *Government Finance Review Journal*. August 2020.

## Scope and Methodologies

On January 6, 2022, County Council approved the 2022 Audit Plan, which included an audit of Countywide charges for services and fees. The purpose of this audit was to determine, with a reasonable degree of assurance, if internal controls related to assessing, collecting, depositing, and recording fees and charges for services are operating efficiently, effectively, and in compliance with regulations and policies.

The audit scope included all revenue transactions recorded in accounts categorized as either a “charge for service” or a “fee” from fiscal years (FY) 2021 and FY 2022 (or October 1, 2020 through September 30, 2022).

Specific audit objectives were:

1. To obtain an understanding of internal controls that are significant from the initial assessment through the recording of County charges for services and fees.
2. To perform procedures that will provide reasonable assurance of detecting instances of noncompliance with laws, resolutions, and policies passed by the Council and guidelines that have been established.
3. To perform procedures that will provide reasonable assurance that revenues received were tracked, deposited, and reported correctly.
4. To review and test transactions for accuracy and proper controls over receipting, depositing, and recording.
5. To perform procedures to evaluate the economy, effectiveness, and transparency of receipting and depositing monies.
6. Review and compare the County’s overall revenue and cost recovery policies to established best practices.

Audit procedures to accomplish these objectives included the following:

- Obtained and reviewed resolutions, Federal and State regulations, program guidelines, department policies and procedures, best practices, and other relevant documentation pertaining to revenue processes, specifically charges for services and fees.
- Surveyed and interviewed various division and department staff on how fees and charges were calculated, determined, and ultimately approved by the County Council.
- Interviewed various division staff on specific processes and controls for collecting and depositing monies.
- Observed money handling practices at several County locations.
- Reviewed and tested monies collected to ensure agreement with County Council-approved fees and charges to patrons; that monies were properly deposited to the County’s bank; and that monies were correctly recorded in the County’s financial system, or General Ledger.

The auditors conducted a survey of each County division to determine:

- How revenues were established.
- If there were internal policies.
- If there were attempts to meet public-purpose goals.

- If benchmarking was performed with surrounding organizations who provide like services.
- How division staff handles the collection of payments (i.e., receipt book, cash register, etc.).
- How division staff reports and deposits payments.
- If account receivables are generated if payment is not accepted at the time of the service or order.

Auditors analyzed the survey results which helped sharpen the focus of the audit scope. Excluded from further audit work were the enterprise funds of the County, which are meant to operate in a similar manner to a private enterprise, including Water and Utilities, Ocean Center, Airport, and Solid Waste departments. Other areas also excluded from the scope of this audit were: permitting and impact fees, Emergency Medical Services (ambulatory) fees, and beach tolls (which are collected by a third-party contractor). These areas were excluded as they are planned for future audits. Animal Service revenues have recently been updated after several years and were determined to also be excluded from the scope of this audit.

The areas included in this audit are shown in Table 1. The test selection was set at 1% of all revenue transactions that were collected within each of these divisions / areas. This amount does not include any refunds that may have been issued by the divisions. A total of 150 transactions were judgmentally selected based on a cursory review of the revenues.

Table 1: Revenues Selected for Audit by Division / Area for FY 2021 and FY 2022

Division / Area	Total Collected	Total Count of Transactions	Revenues Tested	Count of Transactions Tested	% Total Revenues Collected	% Count of Transactions
Beach Safety	\$ 414,566	1,491	\$ 96,262	15	23%	1%
Lyonia Environmental Center	29,495	198	1,852	4	6%	2%
Library	410,916	4,160	37,210	42	9%	1%
Marine Science Center	1,367,391	2,011	183,402	20	13%	1%
Coastal	40,436	413	727	3	2%	1%
Debary Hall	43,576	1,150	5,318	15	12%	1%
Strickland Gun Range	404,814	1,763	7,947	15	2%	1%
Parks	557,311	3,573	22,718	36	4%	1%
<b>Total</b>	<b>\$ 3,268,505</b>	<b>14,759</b>	<b>\$ 355,436</b>	<b>150</b>	<b>11%</b>	<b>1%</b>

## Evaluation

Based on the results of the audit, the County has not adopted a formal revenue policy in accordance with best practices that are accepted in government finance. Several terminated and contracted employees were found to have user access, some administrative, to the electronic card processing website. Periodic reviews of user access are not performed, which, if they were, would help to reduce and deter fraud or errors from occurring. Recommendations are provided to help increase efficiencies in the receipting, depositing, and recording process. Overall, the internal controls that are in place appear to be working as intended in this mature revenue process. The recommendations that follow will help elevate, enhance, and safeguard the County's revenues.

Appendix 1 includes a discussion regarding a recent initiative by several leading associations that are dedicated to supporting thriving communities and who recommend improvements to government operations and finances. This initiative, called "Rethinking Revenue and Rethinking Budget," strives to provide local governments with fresh ideas to enhance local government revenues by balancing recent economic challenges without placing additional burdens on citizens. These are not adopted best practices and are not included as audit recommendations. Instead, these academic articles are included to prompt conversation and provide information for the County Council and County Manager in their long-term revenue planning and strategy sessions.

## Findings and Recommendations

### 1. COUNTY SHOULD ADOPT BEST PRACTICES TO ENHANCE REVENUE POLICIES AND PROCEDURES

The County has not adopted a formal revenue policy in accordance with best practices established by the Government Finance Officers Association (GFOA).<sup>3</sup> The County's annual budget document, available on the County's website<sup>4</sup> includes a page that discusses revenue procedures but is focused on ad valorem tax, sales tax, utility tax, and pledged revenues. It does not address other revenues such as charges for services, fees, and fines. It also does not address one-time revenues, cost recovery plans, or how often revenues should be updated.

Local governments use charges and fees as a method to finance certain services which are provided to benefit a particular group or user of the service. Many governments, including the County, provide subsidies to various users for policy reasons, including the ability of a citizen to pay.

A formal revenue policy helps establish broad goals and philosophies that support how the government will manage its revenue. Best practices suggest that revenue policies should:

- Identify factors to be considered when pricing goods and services benefiting a particular group, including affordability, pricing history, inflation, service delivery alternatives, and available efficiencies.
- Verify whether the government intends to recover the full cost of providing the good or service and provide an explanation of the rationale for not recouping 100% of the full cost.
- Consider items that may influence governmental pricing decisions, such as the need to regulate demand, the desire to subsidize a certain product, or compete with private businesses, economic development, and/or visibility of the service to the community.
- Update fees and charges on a periodic basis to help smooth any increases over several years rather than having uneven impacts. The policy should state how often reviews occur, who performs the review, and to whom it will be presented for further action.
- Benchmark individual fees and charges with comparable or neighboring jurisdictions or other organizations to guide the County Council on rate setting. This also helps differentiate service levels to reveal service or pricing options.
- Recognize the plan may be amended to reflect changing conditions in the future if utilizing long-term forecasting in providing the service.
- Provide information and opportunities for citizen feedback.

Revenue policies should also address non-recurring and volatile revenue streams. As an example, a policy should direct non-recurring revenues towards one-time uses and away from ongoing expenditures.<sup>5</sup> Examples of non-recurring revenues could include sales of assets and settlement of lawsuits. Examples of acceptable uses could include the pay-down of debt, the build-up of reserves, or special projects that reduce long-term operating costs. Volatile revenue streams could include sales tax or investment earnings

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<sup>3</sup> GFOA Best Practices: Establishing Government Charges and Fees. [www.gfoa.org](http://www.gfoa.org)

<sup>4</sup> <https://www.volusia.org/services/financial-and-administrative-services/management-and-budget/adopted.shtml>

<sup>5</sup> *Financial Policies*, Shayne Kavanagh, GFOA, 2012.



which can produce undependable yields and make it dangerous if these streams are too heavily depended on to fund ongoing governmental programs.

GFOA Best Practices also recommend governments calculate the full cost of the different services that are provided.<sup>6</sup> All costs should be known and documented when calculating the cost of a service, including direct and indirect costs relating to the service. Direct costs include salaries and benefits of those working exclusively on delivering the service, materials, supplies, and other potential costs such as utilities, rent, training, and travel. Indirect costs include shared administrative costs, e.g., legal, finance, human resources, facilities, etc. Best practices support including an internal pricing system that defines the levels of costing detail and determines the cost of the service being allocated among other factors. Best practices further state that “cost should not be the sole factor used to determine how a government will provide services. Effectiveness, efficiency, compliance, and other factors are critical components of any service-delivery decision.”

Once the full cost of services is known, it can be used in setting pricing. Using this data, policymakers are then able to consider if the cost is fully recouped or if it should be offset by other revenues, i.e., ad valorem revenues.

Charges and fees are not consistently reviewed on periodic basis

The charges for services and fees are not periodically reviewed consistently countywide. Some divisions regularly update the pricing information based on the consumer price index (CPI), while other divisions have not updated their pricing in several years. For example, park and recreation fees, per the FY 22 Revenue Manual, have not been changed since February 2010. Fees related to Animal Services Division were updated in July 2022 after not being updated since 2008.

Updating fees on a periodic basis helps smooth charges and fees over several years rather than having disproportionate impacts. Periodically reviewing the service demand and competition helps ensure appropriate quality and price points. Periodic reviews also assist in benchmarking with comparable or neighboring jurisdictions and other organizations. Benchmarking and updating pricing information should be performed concurrently with cost-reduction alternatives.

Enhancements needed to the Revenue Manual to assist decision-makers

GFOA Best Practices recommend governments maintain a revenue manual. This documents the important characteristics and historical background of each revenue source. The County’s Management and Budget Division maintains a revenue manual and publishes it on the County’s website.<sup>7</sup> However, when charges and fee amounts listed in the manual were compared to the County’s various websites, sometimes the amounts did not agree. A few examples are included in Table 2.

<sup>6</sup> GFOA Best Practice: Measuring the Full Cost of Government Service. [www.gfoa.org](http://www.gfoa.org)

<sup>7</sup> <https://www.volusia.org/services/financial-and-administrative-services/management-and-budget/>

Table 2: Examples of Differences Between Website and Revenue Manual

Area	Website / Current Practice	FY 22 Revenue Manual
<b>Marine Science Center</b>		
Seniors Admission *	\$7	\$8
Adults	\$8 (defined as ages 13 and over)	\$7 (defined as ages 12 & up)
Youth	\$5 (defined as ages 3-12)	\$3 (defined as ages 3-11)
Individual Annual Pass	Not listed **	\$15
Family Annual Pass (2 adults + 2 children)	Not listed	\$60
<b>Lyonia Environmental Center</b>		
Homeschool classes	\$8 per student	\$6 per student
<b>Library</b>		
Fines ***	See notation below	\$0.25 to \$1 per day, max \$15
<b>Solid Waste ****</b>		
Vehicle tire disposal	\$172 per ton	\$126 per ton
Oversized tires	\$288 per ton	\$201 per ton

\* In discussions with staff, seniors are defined as 50 years or older; however, this is not listed on the website, nor defined in the revenue manual. The rates were changed and approved by the County Council on October 5, 2021. The amounts listed on the website (except for the annual passes) agreed to the adopted rates. Prior to this meeting, the rates had not increased since 2007.

\*\* After auditors informed staff of the annual passes not being listed on their website, MSC immediately updated the website.

\*\*\* Library fines were not collected during the pandemic as an assistance to patrons who were not able to return materials due to COVID-19 precautions or restrictions. The elimination of fines proved to be successful and only charged for long overdue materials. The FY 23 revenue manual was updated to reflect this change.

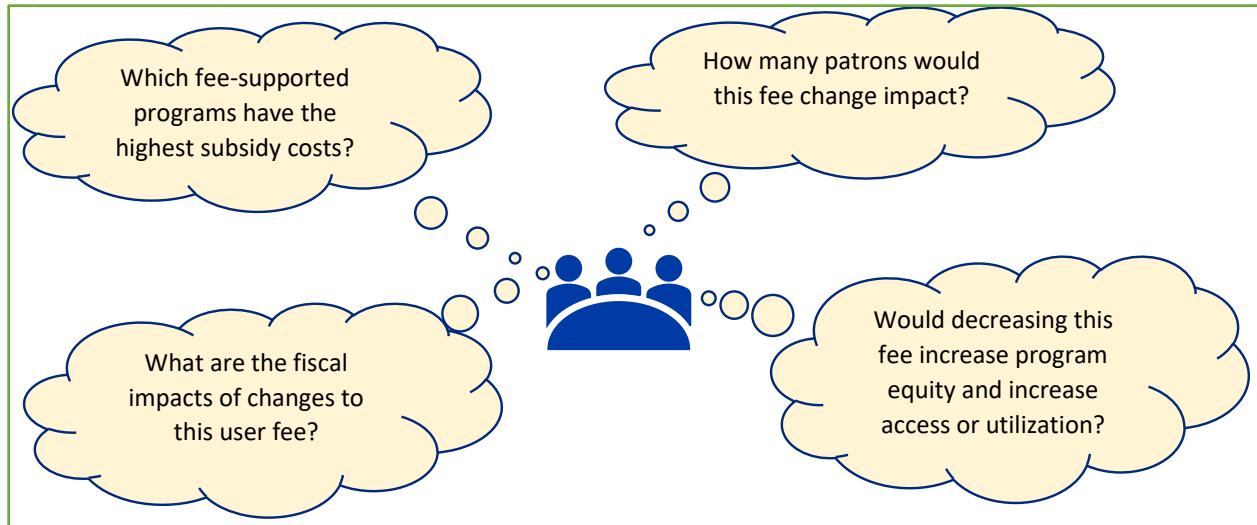
\*\*\*\* Solid Waste amounts were correctly reflected in the FY 23 revenue manual and were recently increased per direction of a County Council action on November 15, 2022.

Many local governments produce a “master fee and rate schedule” that is available on their website and/or included in their annual budget. The schedule is updated, reviewed, and adopted each year in conjunction with their annual budget. This method allows for each charge and fee to be reviewed by the County Council annually. Typical information included on these schedules include: the item description, price per unit, number of times each user fee is charged per year (i.e., volume), the total annual cost of providing each user fee-related service, date of last update, County ordinance, or state law that may govern the price. The County provides the revenue manual for the public which includes some of this information. However, a summary schedule of each fee, i.e., a master spreadsheet, may make it more user-friendly for the public and for decision-makers.

The current Revenue Manual does not provide some of this key information to the County Council or County Manager to assist them in identifying and incorporating these factors into their decision-making. This creates the risk that fees are set at levels either too high or too low relative to County leadership’s policy intentions. This also creates a risk that policymakers lack sufficient information to identify the fees that are of the most relevance and interest to them.

Including additional information would help in evaluating the impact of any policy and/or rate changes. For example, in determining how many users would be impacted by increasing/decreasing a particular fee and the associated financial impact. It also helps inform leadership and the public of the overall costs of providing these services, the amounts received, and the overall subsidy provided by other revenue sources. Figure 1 displays some examples of questions that County leadership cannot answer based on the current reports.

Figure 1: Including Additional Elements in Reports Would Assist Decision-Makers



Navigating the County's website for charges and fee information is difficult

In compiling the County's fees and charges for this audit, it was difficult to navigate the County's website. Sometimes information is directly on the area's main webpage (e.g., Marine Science Center). However, the audit found that many times the user had to click on several pages to find the pricing information or had to click into brochures or other documents for further pricing information.

Providing this information to the County Council and the public in an easy-to-understand format further strengthens transparency and the ease of providing information to the public.

#### RECOMMENDATIONS:

1. Develop and implement a revenue policy and procedures to be adopted by the County Council to include elements of the best practices described above.
2. Develop and incorporate a master fee schedule, adopted each year as part of the annual budget, to include all charges and fees and publish it on the County's website for public viewing.
3. Update pricing information on a periodic basis to help smooth increases over several years rather than uneven impacts. Concurrently, review cost-reduction alternatives for service deliveries.
4. Ensure revenue information provided to the County Council includes elements that assist them in their decision-making.

5. Ensure amounts posted on the County's website match and agree to other documents, including the County's revenue manual. Ensure revenue information on the website is easy to navigate.

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

1. *We agree to present and discuss a revenue policy to the County Council and will proceed based on Council direction. This policy will be included in the annual adopted budget document once it is adopted by Council.*
2. *We agree to create a master fee schedule for material revenues. However, we do not agree on including the schedule as part of the adopted budget. Alternatively, we will bring the fee schedule to Council annually in March (starting in March 2024) so the schedule can be adopted, and the new fees can be estimated as part of the budget process for the upcoming fiscal year. The new fees will take effect on October 1<sup>st</sup> each year which gives us sufficient time to communicate the changes to the public and properly plan for the increased/decreased revenue based on the new schedule. We do agree that the schedule should be posted online for public viewing and will ensure this happens annually.*
3. *We agree to update pricing information on a periodic basis and will include the timeframe for updating pricing information in the newly created revenue policy for adoption by Council. While not memorialized in a written policy at this time, we do continually explore cost-reduction alternatives for service deliveries. A good example of this is in the summer recreation program where staff reduced the number and locations of field trips in an effort to reduce the costs of the program while still providing a vital service to the public.*
4. *We believe this information is already provided to County Council. When decisions are made by Council, presentations are given, and revenue information is included when applicable. Our revenue manual did not exist until recently and we are constantly improving on the information provided in it. We will include pertinent revenue information in our manual or on our website as needed.*
5. *We agree that revenue amounts posted to the website should match other documents. We will continue to strive for perfection to ensure information is easy to navigate and consume by the public.*

#### **2. USER ACCOUNTS IN PAYMENT EXPRESS SYSTEM NOT REVIEWED PERIODICALLY**

Numerous terminated employees had system access to the merchant card services website. The County does not have formal policies and procedures regarding periodic review of the access to the merchant card services website.

Payment Express is the merchant card services provider and processes credit card payments and refunds for all County departments. A listing of all users was compared to Human Resource records to determine if users were active employees of the County. As of 9/1/2022, there were 183 users in Payment Express broken down in Table 3. Some divisions utilize contracted employees who would not be included in the County's Human Resource records.

Table 3: Number of Payment Express Users as of 9/1/22

User Type	Number of Users
County Employees	134
Terminated Employees	29
Transferred to Constitutional Office	10
Contracted Employees	10
<b>Total</b>	<b>183</b>

Payment Express users either have access to all County department information or are limited to only their department. Access is then granted by the following definitions, based on the user's job and needs.

- Administrator – Has full rights to all abilities within the system
- Limited Administrator – Same as administrator except may not edit user roles
- Report Viewer – Has full rights to view reports, but cannot perform transactions regarding payments
- Cashier – Can post, refund, and void payments, run limited reports
- Accounting – Same users rights as cashier except cannot post payments

Table 4 includes a breakout of the 29 terminated and 10 contracted users. It lists the user access and if they could access all departments or if they were limited to a specific department.

Table 4: Number of Terminated and Contracted Users by Access and by Type As of 9/1/22

User Access by Type	Number of Users
Administrator – All Departments	2
Limited Administrator – All Departments	1
Report Viewer – All Departments	1
Accounting – Limited to Specific Department	2
Administrator – Limited to Specific Department	2
Cashier - Limited to Specific Department	29
Report Viewer – Limited to Specific Department	2
<b>Total Terminated and Contracted Employees</b>	<b>39</b>

After the data was shared with Treasury and Billing staff, the users were reviewed and removed from the system as appropriate.

The task of monitoring user accounts was overlooked with changes that transpired in January 2020 with Amendment 10 separating out the constitutional offices from the County Council control as well as from the resulting reconfiguration of the prior Revenue Division to the Treasury and Billing Division.

Dormant and out-of-date user accounts provide an opportunity for the misuse of computer systems while appearing to be legitimate. Untimely deactivation of user access may potentially result in unauthorized users obtaining credentials and accessing the system. Regular monitoring and reviewing of user accounts help reduce and limit the occurrence of fraud or errors from occurring.

**RECOMMENDATION:**

Establish a policy and procedures to periodically, or at minimum, monthly, review the user access to the Payment Express system. Cross-reference users to Human Resource data to ensure users are current.

**MANAGEMENT'S RESPONSE:**

*We agree and have implemented the recommended centralized management of Payment Express users with Treasury and Billing taking the lead. All using departments are still strongly encouraged to update their users in real-time; however, Treasury and Billing will compare active Payment Express users to personnel records bi-weekly and coordinate any necessary updates with the appropriate department.*

**3. IMPROVEMENTS NEEDED IN RECEIPT PROCESSING TO ENHANCE EFFICIENCIES AND RECONCILIATIONS**

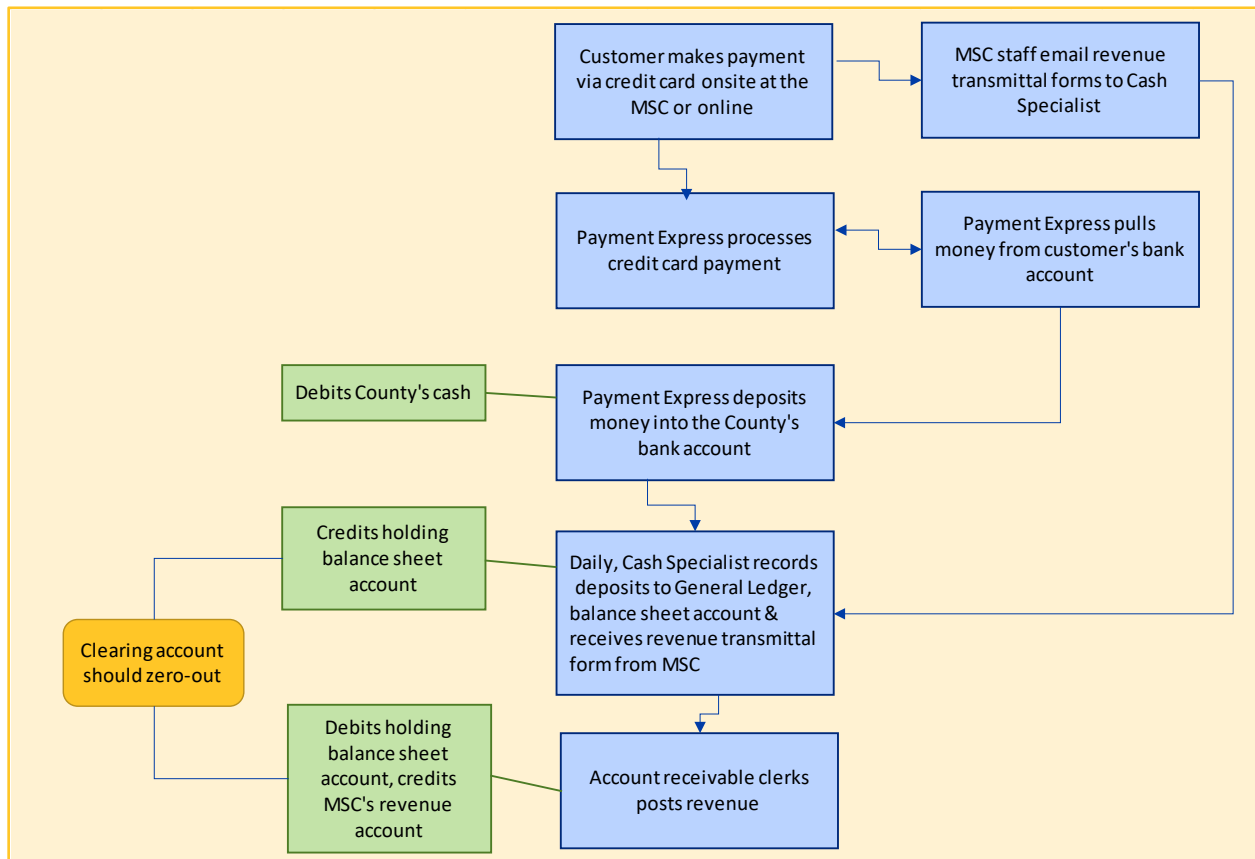
Improvement to controls over the reconciliation of credit card transactions and the cash over/short accounts are needed. Not all backup documentation is scanned into the County's records management system. Additional controls at the Strickland Shooting Range will help reduce errors or fraud from occurring.

Improvements are needed  
over reconciliation on credit  
card transactions

The Marine Science Center (MSC) records customer payments made via credit card directly to a balance sheet in the County's General Ledger rather than directly to the revenue account. This extra step requires further reconciliation of this clearing account between Accounting and MSC staff. This reconciliation should be performed, at a minimum monthly, to ensure records agree between MSC and bank deposits. However, it was noted this reconciliation was not done timely and appears to be done on an annual basis during the year-end close out (known in accounting terms as the "13<sup>th</sup> month").

Figure 2 provides a flowchart of the process as it is generally performed on MSC credit card transactions. This is a condensed flowchart for ease of understanding; however, there are some other steps performed which are not indicated (i.e., Payment Express processing steps and for illustration purposes, do not impact the County's procedures). The blue boxes indicate the steps in the process and the green boxes indicate the impact on the accounting flow. The orange box illustrates how the clearing account should net zero when the process works as intended.

Figure 2: Condensed Flowchart of MSC Credit Card Revenues



During testing, errors were noted that were not corrected timely. One instance, on 8/31/22, credit card revenues of \$1,023.75 posted twice (on 8/31/22 and on 9/1/22).

Additional analysis was performed on the clearing account to determine how frequently corrections are made. In FY 21, there were 7 errors that were not corrected until staff in the Accounting Division journalized the corrections during the 13<sup>th</sup> accounting period. The number of business days from the bank deposit date to the correction date averaged 188 days. The longest being 271 business days and the shortest being 70 business days for FY 21 transactions. FY 22 was analyzed in the same manner and it was noted there were no correcting entries posted for the clearing account as of 12/28/22. The number of business days from the bank deposit date to the date reviewed (12/28/22) averaged 199 days. The longest being 273 days and the shortest being 68 days for FY 22.

Cash over/short accounts are not reviewed throughout the year

In addition to using a clearing account for credit card transactions, MSC staff also utilize a revenue account to track when there is an over or short on daily collections. It was noted there is not a County-wide or division-wide policy or procedure for an acceptable range for reviewing the account or who is to perform this review.

Tables 5 and 6 are summaries of the analysis of the MSC Revenue Over/Short account by each fiscal year and the absolute value of the dollar difference. Since there is not an approved acceptable range, the analysis included all the transactions as well as focusing on amounts of \$3.00 and greater.

Table 5: FY 2021 Analysis of MSC Revenue Over/Short

FY 2021	Total	\$3 and Greater
Median (middle value)	\$ 4.93	\$ 8.00
Mean (average)	7.61	11.02
Mode (frequently occurring)	3.00	3.00
Maximum	41.16	41.16
Minimum	0.01	3.00
Count of transactions	53	18

Table 6: FY 2022 Analysis of MSC Revenue Over/Short

FY 2022	Total	\$3 and Greater
Median (middle value)	\$ 6.07	\$ 15.00
Mean (average)	22.23	35.30
Mode (frequently occurring)	1.00	8.00
Maximum	802.53	802.53
Minimum	0.01	3.00
Count of transactions	154	59

Discrepancies were reviewed and found to have occurred due to human error. Typically, the cashier entered the sale as a cash transaction when in fact it was a credit card transaction or vice versa. This also contributes to the reconciliation issues in the MSC clearing account as mentioned previously. MSC utilizes contracted employees to operate the gift shop and the admission desk. MSC staff have provided training to these employees; however, MSC experiences turnover and retraining is a constant struggle.

Timely account reconciliations help in reducing the occurrence and increasing the detection of fraud and errors. Timely account reconciliations and management reviews are often cited as top fraud detectors and relatively easy anti-fraud controls to implement.<sup>8</sup>

Significant lag time in recording revenue into the County's General Ledger

There is a significant lag time between the revenue being received by the division and the time the revenue is posted to the County's financial system (or General Ledger) by the Accounting Division.

Of the 150 transactions tested, only 5 were recorded within 5 business days from the initial transaction. It took an average of 13 business days totaling \$341,189, to be recorded in the General Ledger from the initial transaction. It was an average of 9 business days from the bank deposit date to the posting in the General Ledger. Table 7 provides a breakdown, by the division / area tested.

<sup>8</sup> Association of Certified Fraud Examiners (ACFE): *Occupational Fraud 2022: A Report to the Nations*.  
[www.acfe.com](http://www.acfe.com)



Table 7: Average Business Days by Division from Initial Transaction to General Ledger Recording

Division	Average Business Days from Initial Transaction to Posting	Average Business Days from Bank Deposit Date to Posting
Beach Safety	9	6
Lyonia Environmental Center	14	8
Library	12	10
Marine Science Center	12	9
Parks	15	10
<b>Total Average Business Days</b>	<b>13</b>	<b>9</b>

Analyzing and understanding the data another way, Table 8 provides a statistical comparison of the average business days from the initial transaction to the recording of the money into the General Ledger for all 150 transactions tested. The maximum number of business days from the initial transaction to posting in the General Ledger was 34 days and 25 days from the bank deposit date. The minimum number of days was 2 and 1, respectively.

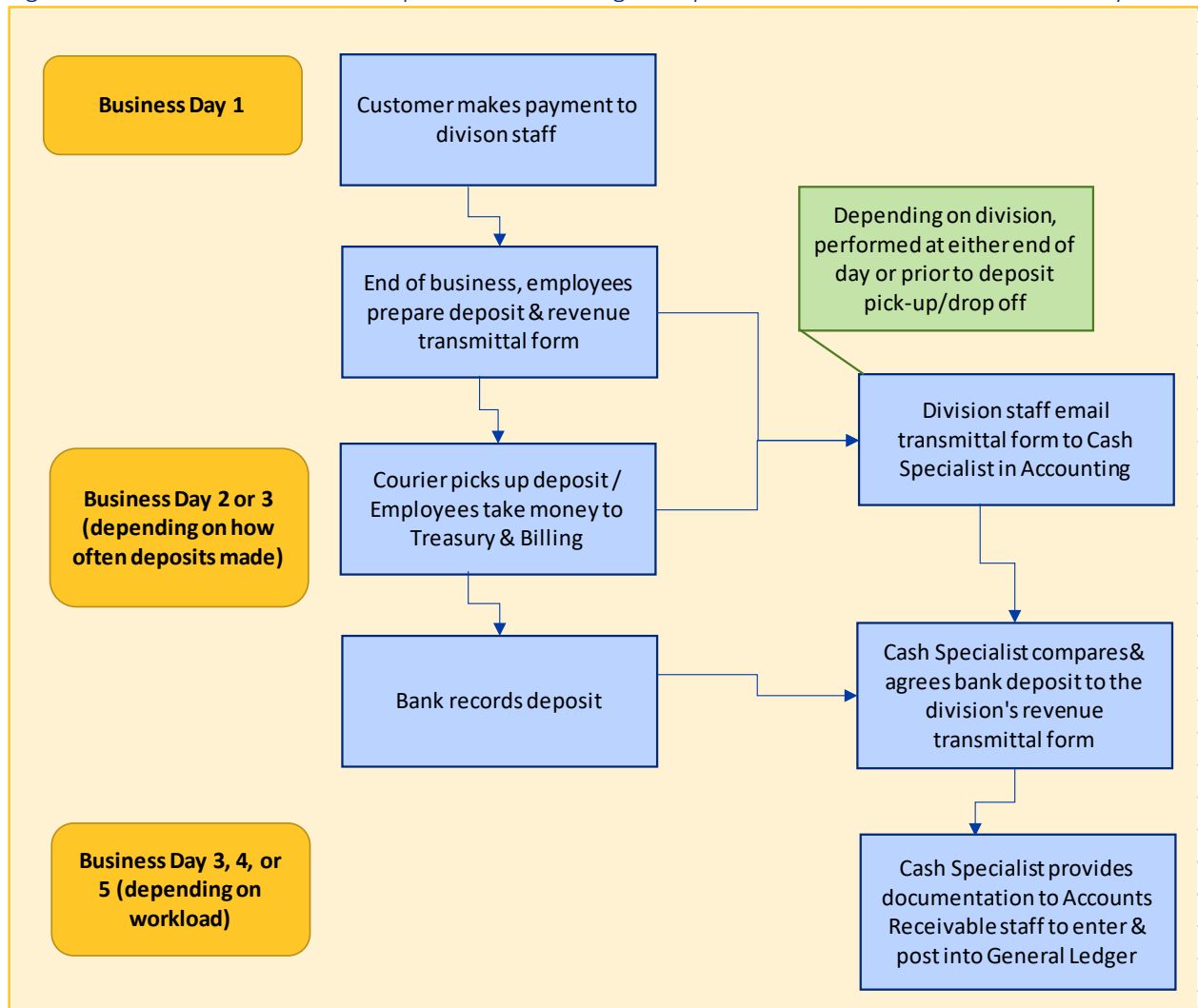
Table 8: Statistical Method Comparisons from Initial Transaction to General Ledger Recording

Statistical Method	Business Days from Initial Transaction to Posting	Business Days from Bank Deposit Date to Posting
Median (middle value)	13	9
Mean (average)	13	9
Mode (frequently occurring)	10	10
Maximum	34	25
Minimum	2	1

At the end of each day, or prior to the deposit being picked up (depending on the division), the division staff totals the receipts for the day. Division staff then summarizes the transactions by revenue source on a revenue transmittal form which is then emailed to the Cash Specialist within the Accounting Division. Division staff also prepare a bank deposit form. Receipts are received by the County's bank in one of three options, depending on the division: 1) an armored vehicle picks up the deposit, 2) staff delivers the deposit to the nearest bank branch, or 3) staff delivers the deposit to the Treasury & Billing office in the Historic Courthouse.

Each day, the Cash Specialist matches the bank deposit information to the revenue transmittal form that was provided by the division. After matching the amounts, the documentation is provided to a clerk within the Accounts Receivable section. The clerk then enters the information into the accounting software. Another clerk, or supervisor, then reviews the entry to ensure accuracy and posts the revenue into the General Ledger. Figure 3 provides a general process as just described.

Figure 3: Common Workflow of Deposit and Recording Receipts with Consideration of Business Days



As indicated in Figure 3, the entire revenue posting process should be completed within 3-5 business days. The business days may fluctuate due to a variety of factors, such as deposit pick up by the courier, disagreements between the deposit and revenue transmittal matching, and/or staffing workload in entering and posting the revenues.

The Accounting division's policy and procedures manual does not set goals or dates for how quickly revenues should be posted.

Improvements to scanning and maintaining receipt documentation is needed

It was also noted that division staff prepares and sends backup (either electronically or hardcopy) documentation to the Cash Specialist that supports the revenue receipts collected for the day. However, this backup documentation is not always scanned into the records system, but instead, is sometimes stored and maintained at the division level. It was noted there are no consistent procedures on who should maintain the itemized backup documentation to support the transaction. Having one central location for all backup

documentation in the County's management record database ensures records are maintained to statutory requirements. It also assists when there are discrepancies for research purposes. This information should not be a time-consuming issue to scan as the backup is already being provided to the Accounting Division.

The County has an obligation to demonstrate it has been a wise steward of funds entrusted to it. The process of accountability begins with the planning of receipt and expenditures of monies and carries through to retaining documentation of what transpired. The documentation should ensure monies collected and spent can be determined well after the fact, even if the staff involved are no longer available. Thus, each transaction must stand on its own, with sufficient information to demonstrate the benefit to the County.

**Improvements Needed to  
Cash Collections at Strickland  
Shooting Range**

When patrons at the Strickland Shooting Range pay for range time and pay via credit card, the Range Master enters the sale into the point-of-sale (POS) system. However, when cash is the payment type, the Range Master does not always enter the sale into the POS immediately. Instead, a prenumbered double-roll raffle ticket system is used in conjunction with the POS system. The patron is given one copy of the ticket and is then allowed onto the range. This copy of the ticket is in place of a printed receipt. The Range Master then puts the second copy of the ticket into the POS cash box. As time allows, the Range Master will enter the sale into the POS system.

Typically, there are only 2 employees managing the range. The Range Master, who is usually stationed at the control tower, receives payments, monitors patrons coming into the range, and monitors shooters down the range. The second employee is available to assist patrons as needed. Both employees have access to the POS system and cash box. Both employees are very alert and vigilant to the safety of all the patrons onsite. The cash receipting process was put in place to help manage the safety concerns.

The Range Master closes out the POS system daily and monies are maintained in a locked safe within the locked office. A few days a week, the Range Master totals the monies collected and prepares the revenue transmittal form (that is emailed to the Cash Specialist in Accounting). At the same time, the Range Master also prepares the deposit slip for the bank for armored vehicle pick-up. Due to the lack of separation of duties with only two employees, there is a high risk of skimming<sup>9</sup> and theft by employees.

The staff has placed security cameras over the POS system as well as in the office. However, these cameras are not typically monitored during operating hours but instead used to deter theft and, if needed, as an investigative tool.

Two separate cash counts were performed at the range. One was announced and the other unannounced. For the surprise cash count, the POS system had an additional \$150 in the cash box than what was recorded in the POS system. This was due to the Range Master not entering the sold tickets into the POS system for the day prior to the cash audit. The surprise audit was on a Friday afternoon and the range was busy.

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<sup>9</sup> Skimming, accounting for approximately 8% of fraud schemes within all public sectors, is defined by the ACFE as a fraud scheme in which an incoming payment is stolen before it is recorded in the financial books and records. *Occupational Fraud 2022: A Report to the Nations.* [www.acfe.com](http://www.acfe.com)

GFOA Best Practice<sup>10</sup> recommends governments establish policies and procedures on the proper controls over all receipts and receivables ensuring sound financial management practices. Areas to consider in the policy include:

- **Separation of duties** so that no one person can authorize, record, reconcile, and authorize a transaction
- **Daily processing and timely depositing** of receipts, ideally all monies deposited within 24 hours of receipt
- **Timely reconciliation** to all applicable ledgers
- **Physical security procedures** which is especially true for monies not deposited the day of receipt
- **Use of integrated receipt and accounting systems** when practical and cost-effective

#### RECOMMENDATIONS:

1. Ensure there are clear and defined reconciliation controls over banking and financial systems. Ensure all significant reconciling items are supported, investigated, and resolved in a timely manner.
2. Develop and implement a revenue control policy setting requirements for timely depositing and posting of revenues to the General Ledger. 3-5 business days from the initial receipt to posting in the General Ledger would be an acceptable requirement.
3. Establish policy and procedures that division staff email revenue transmittal details to the Cash Specialist daily, or, at the least, when the money is deposited.
4. Establish a policy to include an acceptable range of cash over/short before further analysis is needed and requires review and reconciliation of this account.
5. Scan all receipt backup documentation into the County's records database to ensure record retention requirements are being met.
6. Ensure all transactions are recorded in POS systems at the time of sale. Explore options for a small receipt printer to give patrons and remove the double-roll raffle ticket system utilized at the Strickland Shooting Range.
7. Provide training to division staff on the new policy and procedures and the importance of accurate and complete revenue collection.

#### MANAGEMENT'S RESPONSE:

1. *We agree yet note that numerous and significant controls over banking and financial systems are already in place. In fact, internal controls are tested and opined upon annually by the County's external auditor, with no significant deficiencies or material weaknesses noted for many years. However, management does agree that the system of controls can be strengthened. As such, the accounting division will adopt a formal account reconciliation timing schedule for account analysis to ensure the timely discovery of variances in certain accounts to which no such schedule previously existed.*
2. *We agree and will create a policy that sets a requirement on the timing of deposits and recording of deposits in the General Ledger. Management notes that some smaller locations might not collect enough transactions to warrant the cost of a daily armored courier pickup (costing approximately \$20 per location per day). In such locations, management has opted for less frequent pickup, which*

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<sup>10</sup> GFOA Best Practice: Revenue Control Policy. [www.gfoa.org](http://www.gfoa.org)

*could already use the 3-5 business day recommendation from initial receipt. Therefore, the policy will have both (1) a requirement for maximum days held before deposit and (2) a requirement for the timely recording of revenue in the General Ledger, whereby the recording of revenue in the General Ledger will be based on the number of days from the deposit posting with the bank, not the date of initial receipt.*

3. *We agree and will develop a written policy regarding the timing of when the supporting documents for a deposit (revenue transmittal sheets) will be provided to Accounting from the originating department.*
4. *We agree and will develop a uniform policy requiring (1) the division/department which created the deposit to have division/department management review amounts over or short exceeding a threshold of \$10 per deposit, and (2) a second level of review by the Accounting division for amounts over/short in excess of \$100 per deposit. The Accounting division has already taken steps to segregate the reporting of over/short amounts in the General Ledger, which will soon allow for an automatic notification of amounts to be reviewed when either threshold is exceeded.*
5. *We disagree that records need to be re-scanned into the OnBase records system when these records are already maintained in the department that created the transaction to begin with. Management will recommunicate that the department creating the transaction shall ensure correct retention of all records, whether in the OnBase records management system, or in another system maintained by the department (including a simple electronic file folder in Windows).*
6. *We agree and have already purchased small printers at the Strickland Shooting Range to ensure all transactions are recorded in the POS system at the time of sale. County staff is implementing the changes currently.*
7. *We agree and will communicate any newly developed policies mentioned above.*

#### **AUDITOR'S CLARIFICATION TO MANAGEMENT'S RESPONSE:**<sup>11</sup>

Specifically, management's response to number 1 above, *"In fact, internal controls are tested and opined upon annually by the County's external auditor, with no significant deficiencies or material weaknesses noted for many years"* is misleading. The external auditor considers internal control relevant to management's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control system. The external auditors, as part of their audit of the County's financial statement audit, do not express opinions on internal controls. Their consideration of internal control is for limited purposes and is not designed to identify all deficiencies in internal controls that might be material weaknesses or significant deficiencies. The external auditor notates in their letter<sup>12</sup> that material weaknesses may exist that have not been identified.

Timely account reconciliations and management reviews are often cited as top fraud detectors.<sup>13</sup> In fact, only 4% of frauds are detected by external auditors. The controls are recommended to help reduce the risk of fraud and to improve the operations of the revenue recording process.

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<sup>11</sup> Under Government Auditing Standards, when an audited entity's response comments are inconsistent with findings, conclusions, or recommendations or do not adequately address recommendations, auditors should evaluate the comments. If they disagree, auditors should explain in the report their reason for disagreement.

<sup>12</sup> Volusia County Annual Comprehensive Financial Report, FY 2021

<sup>13</sup> Association of Certified Fraud Examiners (ACFE): *Occupational Fraud 2022: A Report to the Nations*.

## Appendix 1 – Rethinking Local Government Revenues and Budgeting

This appendix is a summary of several articles. These are not adopted best practices and therefore are not included as audit recommendations. Instead, these articles are included to prompt conversation and provide information to the County Council and County Manager in their long-term revenue planning and strategy sessions. More information is available at <https://www.gfoa.org/rethinking-revenue>.

Local government revenue systems were developed centuries ago and may not lend themselves to the modern and everchanging economy. Research has shown that property tax, which has historically been the largest portion of local government revenues, is being challenged by these changes.

Personal wealth, over the last several decades, has become less associated with property ownership and does not represent the taxpayer's ability to pay in the way it did previously. Sales tax, typically another large composition of local government revenues, is generally applied to sales but not to services. In the past several years, consumers have been shifting more of their purchases to services. Other revenue streams impacted by changes in technology include fuel taxes not accounting for an increase in fuel efficiency and electric vehicles, and franchise fees as consumers continue to "cut the cable cord" and move towards streaming services.

These developments lead to a joint initiative and research between the Government Finance Officers Association (GFOA), the International City/County Management Association (ICMA), the American Planning Association (APA), the National League of Cities, the Government Finance Research Center (UIC), the National Academy of Public Administration, and the Harris School of Public Policy.

This joint effort called "Rethinking Revenue and Rethinking Budget" strives to create local governments "innovative ideas to bring local government revenues more in line with modern economic realities without placing additional burdens on taxpayers." It is about "providing local governments with the ability to raise enough revenues for the services their communities need and to raise those revenues fairly and in a way that is consistent with community values." It also advocates for opportunities to make local governments more cost-effective along with revenue reforms.

The analysis provides six criteria and conversation starters to judge local government revenues:<sup>14</sup>

- **Fairness to taxpayers and ratepayers**, which may be difficult to achieve and often requires compromise.
  - To what extent does the revenue system burden the payer who can afford to pay?
  - Are lower-income earners or other disadvantaged groups disproportionately burdened by the revenue system in some way?
  - Does the payer see benefits from public services commensurate with the amount of their contribution?
  - Does the revenue impose similar burdens on payers of similar circumstances?

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<sup>14</sup> "Rethinking Local Government Revenue Systems; Part 1 and Part 2" available at <https://www.gfoa.org/rethinking-revenue>

- **Accountability of public monies** for providing certain services at a certain price.
  - Can the revenue and its impact on the individual payer be easily understood by a non-expert?
  - Can the public easily comply with the requirements placed on the revenue?
  - Can public officials and citizens see how revenue systems fund services that create value for their community?
  - How can public officials and citizens be assured that local government is not overtaxing?
  - Does the budget connect the goals that are important to the community to help in understanding how taxes are used to provide the services that are valued?<sup>15</sup>
- **Adequacy of revenue production** to ensure taxes/fees generate enough revenue to finance public services to meet the community needs.
  - How closely does the revenue system reflect the main sources of economic activity and value creation in the economy?
  - Does the local government have options to raise revenues in a way that is acceptable to the public, or include different sources of revenue?
  - In what cases are revenues best raised with a tax versus a fee?
  - Can the revenue system be adapted to changing technologies or consumer tastes?
- **Impact on the behavior** of taxpayers and ratepayers should be understood.
  - Does the revenue have a public policy goal besides raising taxes, if not, does its design reduce the impact on the behavior of the payer?
  - If the revenue has a public policy goal besides raising revenue, how much impact on behavior might the revenue have?
  - What is the potential for unintended consequences?
  - Can the impact be monitored and adjusted according to what is learned?
- **Cost of administering revenue systems** should be weighed to minimize costs.
  - For a new revenue, what new administrative capacity would be required?
  - Can the economic activity being taxed be easily monitored and assessed?
  - Is there potential for economies of scale between governments to spread fixed costs over a larger tax base?
  - Does the tax or fee have the potential to result in large unpaid tax liabilities, thus creating collection costs and other problems?
- **Promote positive intergovernmental dynamics** to fairly distribute costs of services between jurisdictions.
  - Does a revenue source “export” the negative impacts of the revenue to other communities? For example, a sales tax that incentivizes a municipality to encourage the development of a high-traffic shopping area on the border with other communities export the cost of that traffic to the other communities.
  - Does the revenue system feature mechanisms to make up for disparities between jurisdictions with high service needs and low tax bases and jurisdictions with lower service needs and higher tax bases?

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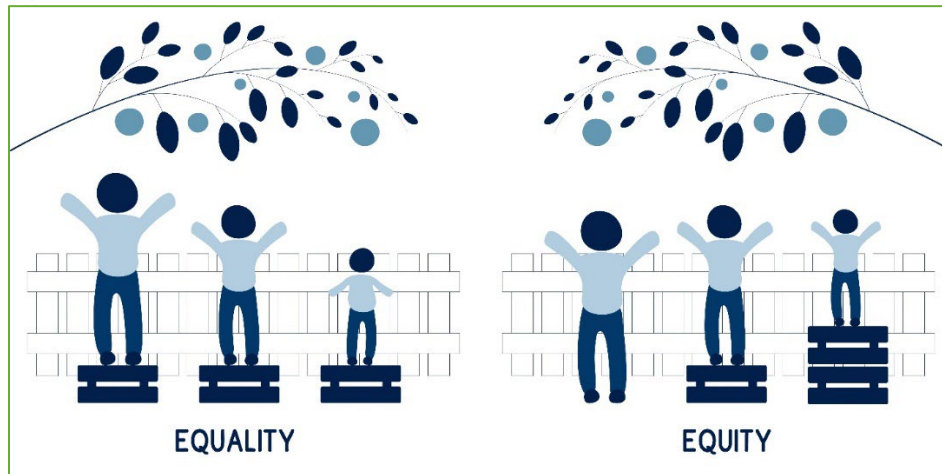
<sup>15</sup> “New Taxes That Work” *Government Finance Review Journal*. January 2019.

Another area that is not necessarily included in a traditional local government of revenue strategy includes generating income from assets the government already owns.<sup>16</sup> A willingness to think differently and creatively with risk savviness may lead to creating new value and revenues. Volusia County is implementing segments of this idea with the recent sponsorship contractor. This contractor is studying all the County's assets and searching for partners to sponsor certain assets.

When considering new revenue sources, the initiative encourages local governments to consider concepts of equity, equality, and fairness.<sup>17</sup> It defines equality as treating all people the same with equity defined as treating people differently in the interest of giving all people access to health, safety, and welfare.<sup>18</sup> Figure 4 depicts the concept of equality versus equity. Establishing clear rules help ensures fair treatment and cost-effective public management. It will also help governments maintain the use of fines and fees for legitimate purposes and avoid the risk of using them as revenue-raising tools.<sup>19</sup>

All these areas could be considered and further studied for innovative solutions to bring Volusia County more in line with modern economic realities, without placing additional burdens on taxpayers.

Figure 4: Equality versus Equity



<sup>16</sup> “Entrepreneurial Thinking in Local Government” and “Putting Public Assets to Work” available at <https://www.gfoa.org/rethinking-revenue>

<sup>17</sup> “Equity, Equality & Fairness” *Government Finance Review Journal*. February 2022.

<sup>18</sup> “The Basics of Equity in Budgeting” *Government Finance Review Journal*. February 2021.

<sup>19</sup> “Financial Policies for Imposed Fees, Fines, and Asset Forfeitures” *Government Finance Review Journal*. August 2020.



# Internal Audit

## Our Values and Ethics

### Values

**Public Interest.** Internal audit work is performed to benefit the public and improve the way government operates.

**Integrity and High Ethical Conduct.** Auditors conduct themselves with integrity and honesty, which are the foundations on which trustworthiness is built.

**Objectivity.** Auditors maintain objectivity in performing services.

**Organization and Hard Work.** Auditors endeavor to make efficient use of their time. Valued is a safe work place and one in which we are honored and recognized for our talents and accomplishments. Encouraged are fresh ideas and teamwork among employees and between county government and the community we serve.

**Professionalism and Manner.** Auditors are committed to the highest level of competence and professional conduct. We expect honest and respectful interactions with each other and the public. We handle resources provided, access to information and the position in a professional manner and when appropriate, protect the confidentiality or restricted information our roles may allow us access.

**Auditee Relations.** Auditors make themselves accessible and communicate openly and frequently. Communications are friendly, non-threatening, fair, and objective.

**Audit Reports.** Reports focus on significant, timely, and useful information for our constituents. Audit staff strive to make reports accurate, clear, convincing, objective, fair, and constructive.

**Professional Development.** Auditors strive to improve their knowledge, skills, and abilities through training, work experiences, and related outside activities.

### Code of Ethics

**Integrity.** Establish trust. This provides the basis for reliance on judgment.

**Objectivity.** Exhibit highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. This will make a balanced assessment of all relevant circumstances not unduly influenced by own interests in forming judgments.

**Confidentiality.** Respect the value and ownership of information received and do not disclose information without appropriate authority unless there is a legal or professional obligation.

**Competency.** Apply knowledge, skills and experience needed in performance of internal audit services.

**Producing Results for My Community.** Be informed and knowledgeable. This can produce results my community expects to build trust.

**Treating People Fairly.** Treat people fairly and develop processes and procedures that are fair.

**Diversity and Inclusion.** Embrace diversity and inclusiveness to cultivate and promote policies that reflect the community we serve.

**Reliability and Consistency.** Consistently apply standards and honor the commitment to the community to make it easier to do the right thing even when faced with challenging circumstances.

