



Internal Audit Report

2023-02 – ENVIRONMENTAL, CULTURAL, HISTORICAL, AND
OUTDOOR (ECHO) PROGRAM, FY 2022

Jonathan P. Edwards, CIA, CPFO

Internal Auditor

123 West Indiana Avenue

DeLand, Florida 32720

May 19, 2023

volusia.org/government/internal-auditor

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Internal Auditor

May 19, 2023

Honorable Members of the County Council and County Manager:

I am pleased to present audit report 2023-02 over the Environmental, Cultural, Historical, and Outdoor (ECHO) program for fiscal year 2022 (FY 2022). 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. The audit included a review of minutes, resolutions, financial transactions, and grant awards to organizations.

This audit is 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 February through May 2023. Svetlana Ries, staff auditor, assisted with the audit work.

I appreciate the assistance of the departmental staff involved that oversee the ECHO program as well as the budget and accounting staff for their support during this audit. All audit reports are available on the County's website at: volusia.org/government/internal-auditor

A handwritten signature in black ink, appearing to read "Jonathan Edwards", is written in a cursive style.

Jonathan Edwards, CIA, CPFO
Internal Auditor

Background

The Environmental, Cultural, Historical and Outdoor (ECHO) program is a grass-roots initiative resulting from a citizen-approved referendum passed on November 7, 2000. For 20 years, ECHO helped Volusia County construct important cultural and outdoor recreational projects, save endangered historic buildings, and provide environmental education projects. On November 3, 2020, 72% of Volusia County voters cast their ballot to continue the program for an additional 20 years, requiring the program to be audited every year.

It is the intent of the County Council that the funds be allocated throughout the County to provide broad geographical distribution and apportioned appropriately among the environmental, cultural, historic, and outdoor recreation projects. The Volusia ECHO Program seeks to enhance the quality of life of Volusia County's residents by working to achieve the following goals over a broad geographic base:

- Provide environmental/ecological, cultural, historical/heritage, and outdoor recreational projects.
- Preserve significant archaeological or historic resources.
- Develop, enhance, and promote heritage tourism opportunities, experiences, and resources.
- Foster public memory and community identity by promoting and providing access to destinations and experiences associated with past events, people, and places within the County of Volusia.
- Provide high-quality, user-oriented outdoor recreational opportunities including, but not limited to, access to the Atlantic Ocean through the establishment of oceanfront parks and off-beach parking.
- Improve the quality of life for Volusia's citizens by providing access to the cultural arts, increase cultural-based tourism, and encourage redevelopment and revitalization of downtown and urban areas through the provision of cultural arts projects.

The ballot initiatives provided an approved levy of an additional ad valorem tax not to exceed 1/5 mill for 20 years and the authorization to issue limited tax general obligation bonds not to exceed \$40 million in order to finance acquisition, restoration, construction, and improvement of facilities to be used for ECHO objectives. The Council has passed resolutions and appointed members of the public to an oversight committee to provide ongoing reviews of projects under consideration and to make recommendations to the Council to ensure proceeds were used to meet the objectives of the program.

The County Council may fund projects by direct County expenditures for County projects or by grants-in-aid. The intent is to allocate funds throughout the County to provide broad geographic distribution and apportioned appropriately among the four components of ECHO. Grants-in-aid are awarded on a matching basis only upon the recommendation by the oversight committee to municipalities and non-profit organizations subject to the standards, procedures, and criteria established by the Council.

The ECHO committee's purpose is to:

- Oversee review of the applications from non-profits, municipalities, and County departments for grants-in-aid of projects and to ensure such requests meet the objectives, criteria, procedures and guidelines of the ECHO program
- Make recommendations on awarding of grants-in-aid by Council to eligible entities through the program
- Periodically review the criteria, procedures, and guidelines as established to make recommendations for modifications
- Promote fair and objective distribution proceeds to eligible and viable entities
- Encourage financially responsible investments in ECHO opportunities for advancement of quality of life for County residents and visitors
- Review and/or assess the ECHO needs of the community and make recommendations on how the ECHO program can best address them

The ad valorem tax revenue supporting the ECHO program was approved for an additional twenty years by a voter referendum in November 2020, to end in 2041. Based on the internal auditor's recommendations in May 2020¹ and the public's input at five listening sessions in April 2021, the staff made modifications to ECHO program criteria, procedures, and guidelines. The changes have been approved by ECHO Advisory Committee in June 2021 and by Volusia County Council in August 2021. These changes had been published in an ECHO Program Guidebook.

In June 2004, the County Council approved allocating \$1 million annually from the ECHO funds to build trails. In June 2021, the ECHO advisory committee approved the recommendation to increase the annual trail set aside from \$1 million to \$1.5 million to allow trail amenities like restrooms, parking areas, and water station as an eligible expense. The recommendation was approved by the County Council on August 17th, 2021, and took effect for fiscal year 2022. The ECHO staff developed a transparency dashboard² that provides an overview of completed and in-progress projects, funding sources, maps, web links, and pictures for each funded project. The projects are divided into outdoor recreation, environmental, cultural, and historical categories in the pie chart. The user can review the details of each project by clicking on individual stars assigned to each project on the interactive map.

The Committee established the grants-in-aid program criteria, policy and procedures, eligibility, award amounts, as well as other elements to successfully meet the intent of the ECHO program. In addition to the regular grants program, the Committee created two additional programs: 1) the exceptional grant program which means a project is of paramount and has crucial countywide importance and has a larger dollar award of up to \$2.5 million, 2) the critical historical acquisition and/or stabilization program with projects used solely to finance the acquisition and/or stabilization of historically designated sites determined to be endangered by immediate development or structural conditions that are recently and unexpectedly revealed.

¹Internal Audit Report 2020-01 ECHO, [volusia.org](https://www.volusia.org). May 11, 2020.

² [volusia.org](https://www.volusia.org)

Upon Council's approval of the grant award, the awardee works with County staff ("staff") to ensure program compliance, reviewing reimbursement requests, and monitoring of the project. All applicants must agree to the requirements of the ECHO program and a restrictive covenant is placed on the property title. The restrictive covenant must be filed with the Clerk of Court for 20 years for all grants after August 2021, for 30 years, and 40 years for the stabilization grants and the acquisition grants, established before August 2021, from the grant agreement date. Among other elements, the awardee agrees to maintain the property so it continues to be used as an ECHO facility as agreed to or the awarded amount must be returned, in full, to the County. Additionally, the awardee agrees to provide quarterly and annual reports to the County on the operations and activities of the program.

Scope and Methodologies

On February 7, 2023, County Council approved the 2023 Audit Plan, which included an audit of the ECHO program. Additionally, the November 2020 referendum required an annual audit of the program.

The audit scope included all ECHO projects completed, in-progress, and awarded during FY 2022 (October 1, 2021 through September 30, 2022).

Specific audit objectives were:

1. To obtain an understanding of internal controls that are significant to the Volusia County ECHO program.
2. To perform procedures that will provide reasonable assurance of detecting instances of noncompliance with resolutions passed by Council and guidelines that have been established relating to the ECHO program.
3. To perform procedures that will provide reasonable assurance that revenue received by the ECHO ad valorem taxes was allocated, disbursed, tracked, and reported correctly. Additionally, ECHO monies have been proportionally doled out within the four areas of ECHO and within areas of the County.
4. To perform procedures that will provide reasonable assurance that ECHO projects are regularly monitored after completion in accordance with program guidelines.
5. To perform procedures that will evaluate the economy, efficiency, and effectiveness of the ECHO program.
6. To perform procedures that will evaluate the structure or design of the ECHO program to accomplish its goals and objectives.
7. To perform procedures to determine the length of time from project approval to project completion.

A total of \$3,623,488 was expended on 17 projects during FY 22. The breakdown of the population and sample selection is in Table 1.

Table 1: Test Selection

Category	Total Projects	Total Expenditures	Total Projects Tested	Total Expenditures Tested	% Projects	% Expenditures
Municipalities	9	\$ 3,464,179	5	\$ 2,824,226	56%	82%
Non-profits *	6	(38,730)	2	89,761	33%	232%
County projects	2	198,039	1	25,000	50%	13%
Total	17	\$ 3,623,488	8	\$ 2,938,987	47%	81%

* One non-profit project, which had expenditures in a previous fiscal year, was canceled with the non-profit organization returning 100% of the monies contributed by ECHO. This explains the total expenditures were tested higher than the total expenditures spent for FY 2022.

Evaluation

Based on the results of the audit, internal controls are operating as intended. There were no findings. The prior³ audit report also did not contain any findings.

Findings

None.

Follow-Up on Prior Audit Recommendations

None.

³ Internal Audit Report 2022-03 ECHO, volusia.org August 12, 2022.

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.

