Internal Audit

FOLLOW-UP ON PRIOR AUDITS

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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 calendar years 2021 and 2022, 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 the 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.

Table 1 provides a status of all audit recommendations given since the department was started in 2020.

Table 1: Status of All Audit Recommendations Since 2020

Status	2020	2021	2022	Total	Percentage
Completed within 1 Year	41	33	54	128	83%
Completed within 2 Years	3	7	-	8	5%
In Progress	-	4	4	5	3%
Not implemented	-	6	-	11	7%
No longer applicable	2	-	-	2	2%
Total	**46**	**50**	**58**	**154**	**100%**

Previous follow-up reports are available on the County's website which documents the status of prior recommendations. The remainder of this report is an update on the status of recommendations given during 2022 and the status of recommendations relating to Votran, audit report 2021-01, as many of the recommendations were not implemented within one year.

Results of 2022 Audits

During 2022 the following areas were audited:

2022-01 Capital Improvement Projects
2022-02 Economic Development Incentives
2022-03 ECHO (Environmental, Cultural, Historical, and Outdoor) Program
2022-04 Volusia Forever Program
2022-05 Inmate Trust Fund *

The audit reports are available on the County's website at volusia.org. Each audit contained recommendations for improvements to the operations. A total of fifty-eight recommendations were given in 2022. Table 2 includes a summary of all the recommendations from the 2022 audit reports. Additional information on the status of each recommendation follows.

Table 2: Status of 2022 Audit Recommendations

Status	Findings	Concerns	Total
Completed	31	23	**54**
In progress	1	3	**4**
Not implemented	-	-	**-**
Total	**32**	**26**	**58**

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.

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.

*The 2022-05 Inmate Trust Fund audit received national recognition from the Association of Local Government Auditors (ALGA). The Distinguished Knighton Award recognizes the best performance audit reports of the year and audit shops compete against peer shops of similar size for this illustrious award.

What the Judges Said About the Inmate Trust Fund Audit

"It was clear that the auditors spent significant time on this audit.

The connection between the findings, recommendations, and conclusions was very clear.

The recommendations were appropriate, and the topic was impactful for the county and the general public-especially those incarcerated who may otherwise feel marginalized.

In addition, the report made good use of charts and graphs to relay detailed information."

2022-01 Capital Improvement Projects

Consistent with best practices, the County's Budget Division produces an annual capital improvement plan (CIP) in conjunction with the annual budget. Budget staff works closely with division and departmental directors to develop the CIP. The CIP includes the upcoming fiscal year plus four additional years. The CIP addresses long-term capital infrastructure projects by looking beyond the year-to-year budget. The County Manager proposes the CIP to the County Council who may make adjustments to the plan. Ultimately, the CIP is approved by Council as part of the annual budget adoption process. The CIP focuses attention on community goals and needs, encourages more efficient allocation of resources, and fosters sound and stable financial programs.

The purpose of the audit was to gain a reasonable degree of assurance that the County's resources are accounted for; that projects are being carried out economically and efficiently; that adequate controls exist over capital project planning, design, construction, and post-construction processes; and that staff is thinking ahead. The audit scope included all capital projects that were in progress or completed from October 1, 2018, through August 31, 2021. The report was released on February 2, 2022. The full report is available at volusia.org.

The audit found room for improvement but there were no recurring issues or major deficiencies noted. Scarce resources were accounted for, projects were carried out efficiently and economically, and controls were in place to alert management should a major deficiency occur. 10 capital projects totaling over $41 million were audited, each with 56 different test items and over 650 pay applications, invoices, and financial transactions were reviewed. The audit found the CIP program operating as intended with recommendations to help elevate and enhance the County's CIP program.

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

Table 3: Status of Prior Audit Recommendations

Status	Findings	Concerns	Total
Completed	0	14	**14**
In progress	0	3	**3**
Not implemented	0	0	**0**
Total	**0**	**17**	**17**

Concern 1. Policy Handbook

Concern 1A: A Capital Projects Policy Handbook Was Nonexistent

Recap: An internal capital projects handbook or policy was nonexistent. There was a general, but broad, policy within the annual budget book. The Government Finance Officers Association (GFOA) establishes best practices for capital planning policies. The County maintains many of these policies and even acts with the best practices in mind; yet not documented in a single, written handbook. Given the capital projects process is a collaborative effort with many stakeholders across different departments, having a single, documented handbook will lessen confusion, help ensure the County's needs or met, and help ensure projects are completed on budget and on time.

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

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

Current Status: ***Completed.*** The Capital Project Manual was developed to provide guidance to divisions and stakeholders for the review and prioritization of capital projects. It was used during the FY 23 budget preparation and will continue to be used and updated, as needed, in future budgets.

Concern 1B: A Lessons-Learned Analysis Not Documented

Recap: At the conclusion of a capital project, the project manager does not document the lessons learned from the project nor share the lessons with other project managers. An overarching policy does not exist and currently, staff are not consistently performing this step, or documenting this step. At the conclusion of a project, taking time to reflect on successes and obstacles, and sharing with others, helps the overall capital project process be successful.

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

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

Current Status: ***Completed.*** Staff have incorporated a lesson-learned requirement within the Capital Projects Manual. It is one of the ongoing continuous processes through which County staff learn and improve the capital project process. The process is oriented towards the future and allows for the identification and implementation of corrective actions on the project under review or in similar projects.

Concern 1C: Quarterly CPS Reports Not Always Presented to Council

Recap: Three quarterly capital project schedule (CPS) reports were not presented to Council or posted on the County's website. There was not a policy on how often that Council be updated, but in the past, reports were provided on a quarterly basis. Monitoring of progress and accurate reporting on the project provides accountability and gives credibility to future projects.

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

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

Current Status: ***Completed.*** The policy now requires biannual reporting on all ongoing capital projects utilizing the Capital Projects Schedule. The reports compare actual expenditures to the original and revised budgets; identify the level of completion of the project; enumerate any changes in the scope of the project; and alert management to any concerns with the completion of the project on time or on schedule. The Capital Projects Schedule report will include all related project costs and estimates.

Concern 2. Budgeting and Planning

Concern 2A: Capital Projects Not Ranked or Scored in CIP Document

Recap: Individual divisions and departments internally rank planned projects, but this ranking is not included in the CIP book that is published on the County's website. A link to how the capital projects meet the criteria in the Comprehensive Plan ("Comp Plan") is not documented or included in the budget. The County's Comp Plan requires that individual capital improvement projects be evaluated as a priority based on 8 different criteria. In addition, best practices suggest linking the annual budget to how CIP decisions relate to master plans. Previous CIP books only included funded projects and did not include a listing of needed, yet unfunded projects.

Recommendations:

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

Management's Response:

1. *We agree and will incorporate a project ranking based on the guidance via the development of the capital projects handbook. Our current CIP document already includes a project description and any plans, presentations, or other relevant information is requested from the end-users annually and listed under the project reference section on each project page. In order to incorporate this recommendation, a CIP team will need to be created to prioritize, rank, and allocate funding to the CIP projects annually.*

2. *We partially agree as unfunded projects are currently listed as "To Be Determined" in the CIP document; however, the list is not comprehensive of all desired projects where funding is not available as some of the unfunded projects have not been approved by Council or been completely vetted during the budget process.*
3. *We agree and are already implementing via budget workshops.*
4. *We agree and will include any relation to the Comp Plan under the project reference section for each project.*

Current Status: ***Completed***. Budget staff has been rolling out rankings over the last two budget cycles; however, the County Council has approved all projects as recommended. Most unfunded projects are road-related, and the Public Works department planned to take a separate capital presentation to the County Council for prioritization. Staff are committed to enhancing the ranking process during the Fiscal Year 2024-2025 budget process.

Concern 2B: Ongoing Operational Impacts Not Always Included

Recap: Ongoing operational expenditures and revenues, once the capital project is completed, are not always included in the budget materials submitted to the budget staff. When the operating revenues and expenditures are submitted to the budget staff, the amounts are incorporated into the five-year forecast; however, the CIP book does not include this information for each capital project. Best practices suggest that governments quantify the operating impacts of individual capital projects and generally fall into three elements: increased revenues, increased expenditures, or additional cost savings.

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

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

Current Status: ***Completed.*** The relationship between the CIP and the operating budget is carefully considered during the operating budget development process. The CIP has three direct impacts on the operating budget, including 1) any projects funded with general fund resources must be evaluated and prioritized with other needs for the competing resources for that year, 2) any project funded with long-term financing must be in compliance with the debt policy and anticipate the impact of the repayment of debt service on current and future budget years, 3) operating life cycle costs from implementation, such as on-going staffing and maintenance costs. The CIP Instruction Manual now requires this information to be added into the budget system.

Concern 2C: A Disconnect Between the Capital Project Website and CIP Book

Recap: The County maintains a website with an interactive map listing all of the active capital projects, the status, the updated cost information, pictures, among other important, yet summarized information. However, there are no direct links to the interactive map and the CIP book and vice versa. Linking these documents will enhance the reader's understandability of the whole capital projects process.

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

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

Current Status: ***Completed.*** The CIP book for FY 2023-2024 was published in October 2023 and included links to the interactive map and CPS page.

Concern 3. Accounting and Financial Reporting

Concern 3A: Not All Project Costs Included on CPS Reports Posted on Website

Recap: 2 of the 10 projects reviewed did not include all of the costs for the project on the quarterly CPS reports presented to the Council and posted on the County's website. The Argosy Beach Park, completed in February 2019 showed a total project cost of $572,364; however, only reflected the design and construction costs. It did not include the cost of acquisition and demolition. The total cost of the park was $1,828,021. The Shell Harbor Park, completed in June 2021 showed the total project cost of $2,004,841; however, did not include changes made during the project to keep the park hours open 24/7. Including this change, the total project cost for the park was $2,180,433. The quarterly CPS reports were being tied to the total contract or purchase order and did not necessarily tie to the general ledger which includes all project details. Best practices suggest a clear and consistent message that delivers accurate information on both costs, duration, impact, and benefits of the project. The CPS reports could be modified to indicate and distinguish the estimated costs, the life-to-date costs, and the final, completed costs.

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

Management's Response: *We agree and will ensure all project-related costs are included on the CPS sheets. We believe the only areas we are currently deficient in this is on a few projects with the inclusion of acquisition costs. It has been recommended in the past to include these costs and we will make it a requirement as part of the policy handbook.*

Current Status: ***Completed.*** The Capital Projects Schedule report now includes all related project costs and estimates.

Concern 3B: Investment Earnings and Sale Proceeds Relating to Northeast Public Works Facility

Recap: Approximately $88,000 of investment earnings was due to the Mosquito Control Fund from the Capital Project Fund and the proceeds of $485,000 from the sale of the former site was not recorded in the correct fund. In 2016 the project included relocating the mosquito control operations with the road and bridge, stormwater, and traffic engineering divisions into one building. However, site selection proved difficult and in 2019, the mosquito control relocation was dropped from the project. Staff appropriately transferred the principal; however, the investments earned during the time were not included in the transfer back to the Mosquito Control Fund. Additionally, the proceeds from the sale of the former site were recorded in the Transportation Trust Fund and not the Capital Project Fund as was discussed with the County Council. When staff provide information to Council and are not directed otherwise, Council and the public believe this to be done as explained. When actions are executed otherwise, trust and credibility are impacted.

Recommendations:

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

Management's Response:

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

Current Status: ***Completed.*** The Fund Creation Form has been developed for new funds establishment and interest earnings allocation. The County Council approved the transfer of $88,000 and $485,000 on February 15, 2022. The CFO, or his deputy, attends all Council agenda meetings and one-on-one meetings where all CIP agreements are discussed. Agreements with any fiscal impacts are shared with the Accounting Director to be properly recorded in the General Ledger.

Concern 3C: Agreements with the City of DeBary Not Recorded in the General Ledger

Recap: Two agreements between the City of DeBary and the County were not recorded in the General Ledger. The City and the County agreed in 2018 to contribute $110,000 for engineering costs for a water utility project. Any remaining contributions, less than the amount paid to the engineer would be shared equally. Afterward, the County was owed $62,315 from the City; however, staff had not followed up to determine if a refund was due. In researching this agreement, a separate agreement was found from 1999 between the City and County. It was determined the County owed the City approximately $118,000. Neither of these agreements were provided to the Accounting Director who would have recorded the amounts into the accounting system for tracking and year-end reconciling. If such agreements are not properly accounted for, they may become forgotten, misplaced, or not followed through. Finally, not recording these types of agreements in the accounting system may lead to the year-end financial statements being misstated.

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

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

Current Status: ***Completed.*** Management originally intended to have both the receivable and payable with the City of DeBary recorded before the issuance of the internal audit report. However, due to staff turnover, only the payable was recorded and subsequently paid to the City of DeBary. County staff continued to pursue the amount owed by the City of DeBary and received a partial payment of $21,079. However, the receivable was not recorded in the General Ledger at the time of the issuance of the audit report (February 2, 2022), as originally intended, but was instead recorded on October 9, 2023, when the auditors were inquiring about the status of this recommendation. The accounting staff is currently in discussion with the City of DeBary to identify the difference between the amount agreed upon ($62,315) for the receivable versus the partial payment received by the City.

Concern 4. Communication Guidelines and Branding Needed to Help Enhance Public Input

Concern 4A: Written Communication Guidelines Needed for Enhancing Public Input and Feedback

Recap: Public input and participation meetings for capital projects are held if required by granting agencies and sometimes during other times of the year. For example, in the fall of 2021, staff held public meetings in each of the four impact fee zones throughout the County to discuss the road program, which was not well attended. Best practices suggest soliciting public input to consider differences in demographic, social, economic, or geographic segments of stakeholders to represent the entire community. The struggle to obtain additional public input is not unique to Volusia County.

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

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

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

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

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

Current Status: ***In progress.*** The development of communication guidelines to foster publication participation and generate feedback from the community is currently underway. The work is being completed in conjunction with a communications review process that will result in the creation of recommended program enhancements to be implemented in a two-year strategic communications strategy for the County.

Concern 4B: Short Videos and Branding Would Enhance and Promote Capital Projects

Recap: Project updates, or short videos, of capital projects are not periodically posted to the County's social media accounts. Short videos are a way to capture the public's interest and learn about a specific project's progress or significant milestone. While this information may be included in the CPS reports, the general public may be more inclined to watch a short video than reading through a lengthy CPS report. Additionally, the County does not utilize a standard "County CIP" sign for all capital projects at project sites, unless required by a granting agency. The County does not have a specific "brand" or logo to help promote capital projects. Best practices suggest utilizing multiple methods of communicating to reach different audiences, including signage, press articles, website, social media, or other public meetings.

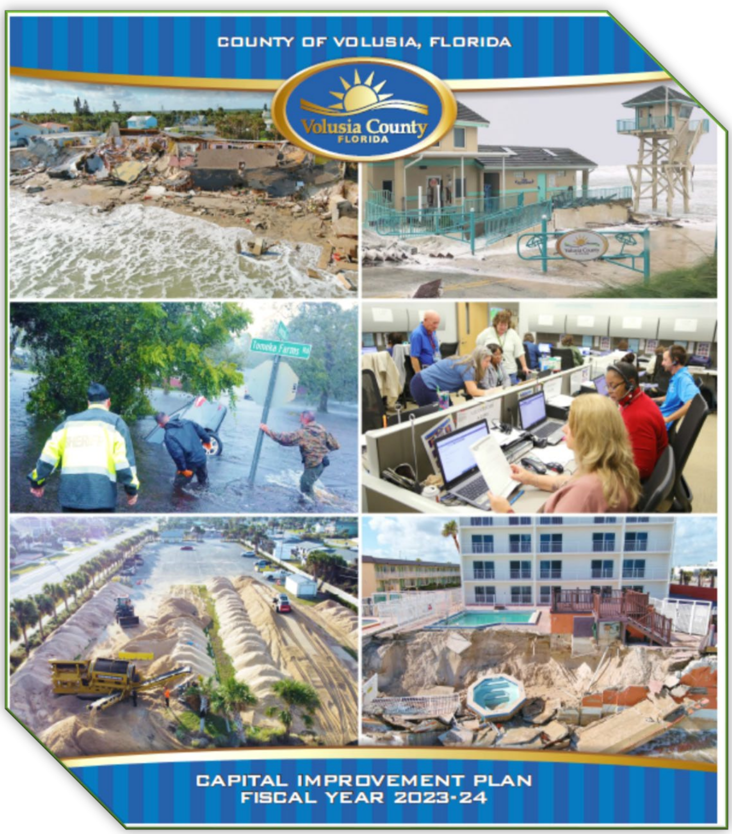
Recommendations:

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

Management's Response:

1. *We agree that the use of videography is an undeniably effective method for reaching the public with capital improvement project information. It should be noted, however, that video creation can be a resource intensive activity, which may not be feasible for all capital improvement projects. In such cases, still imagery should be used as another effective alternative for public messaging.*
2. *Community Information will also explore the creation of a capital improvement project sign that can be erected on the construction site in a prominent highly visible location. The sign will include the Volusia County logo.*

Current Status: ***In progress.*** The County's video production team and the Communications Liaison for Public Works are working closely with Public works and several other departments that build and manage capital projects to identify a priority list of facilities (parks, libraries, fire stations, water treatment plants, etc.) to be featured in a video series tentatively titled "Volusia Builds" for distribution on the County's website, social media, etc. In addition, the Director and Communications Liaison have initiated discussions and research regarding a unified CIP sign that will adhere to all current standards while also branding the initiative as a Volusia County project and ensuring the community is aware of the progress and services the county provides.



The Capital Improvement Plan for Fiscal Year 2023-2024 is available on the County's website as well as the Interactive Capital Project Map Viewer at: https://www.volusia.org/government/capital-projects.stml

2022-02 Economic Development Incentives

The use of public funds for incentivizing private economic development projects to help strengthen the economic viability is not unique to Volusia County and is employed by many governments. In 2001, the County Council set goals for a comprehensive, countywide economic development program. Since 2001 the Economic Development Fund received funding from the General Fund to support programs and services. From 2001 to 2021, the County partnered with the Florida Department of Economic Opportunity (DEO) in their performance-based grant program known as Qualified Target Industry (QTI). Any incentives through this program were funded 80% by the DEO and 20% by a local match. In some instances, the County split the 20% match with a partnering municipality. Payments to the business were only provided after meeting certain agreed-upon benchmarks. Between 2014 and 2020, the County approved, through the QTI program, a maximum of $20.5 million with $4.1 million of local match in QTI grants.

Between 2014 and 2019, the County Council awarded over $31 million with six different incentive agreements with local businesses. Four of these agreements were direct payments and two were under separate incentive programs the County Council created (the special infrastructure program ("SIG") and the water quality infrastructure grant ("WQIG")). All of these agreements were also performance-based with awards only paid after meeting agreed-upon criteria.

The purpose of the audit was to determine, with a reasonable degree of assurance, if internal controls related to the application, granting, and subsequent tracking of incentive funds are operating effectively and in compliance with regulations and policies. The audit scope included all economic development incentives awarded by the County Council from January 1, 2014, through December 31, 2021. The report was released on May 6, 2022. The full report is available at volusia.org.

Overall, the audit found the terms and conditions contained in the agreements were met by all of the parties involved. There were no issues noted with the performance of the incentive agreements. However, if the County Council decides to continue these programs, implementing best practices as recommended in the audit will further strengthen the benchmarks, monitoring, and transparency of economic development incentives awarded by the County Council.

Table 4 provides a summary of the status of the audit recommendations.

Table 4: Status of Prior Audit Recommendations

Status	Findings	Concerns	Total
Completed	2	-	**2**
In progress	-	-	**-**
Not implemented	-	-	**-**
Total	**2**	**0**	**2**

Finding 1. Best Practices Should Be Included in Future Incentive Agreements

Recap: Established best practices regarding economic incentives were not always incorporated when the County was negotiating through direct awards, or when developing the SIG and the WQIG performance-based programs. The report lists many practices, including: creating goals and measurable objectives to establish context and accountability; consider the impact on existing businesses to not shift economic activity from one area to another; ongoing benchmarks for a certain timeframe after the completion of the project to ensure job creation numbers were sustained, maintain documentation of due diligence performed prior to recommending an award to the County Council; perform sufficient analysis to reduce risk exposure to the County; and develop a written policy and procedures handbook to assist with staff turnover as these programs are generally multi-year endeavors.

Recommendations:

1. Develop written economic development policies and procedures to include best practices to mitigate risks associated with future economic development projects. Ensure documentation of analysis is maintained to support the conclusions and recommendations to the County Council.
2. Ensure the annual report is posted on the County's website as required by statute. Revamp the reporting on the website and communication to the County Council to include information on the incentives, benchmarks met, and the impacts the incentive provided to the citizens.

Management's Response:

1. *We agree that there are "best management" practices in the negotiation, development, and implementation of incentive programs, and will create a written policy and procedures document for council consideration. The document may include some or all of the guidance provided by GFOA, as determined applicable to Volusia County.*

   As stated in the GFOA white paper, "Establishing an Economic Development Incentive Policy," "…Economic development projects vary considerably, and incentives may need to be evaluated and tailored on a case-by-case basis." For example, there are distinct differences when evaluating programs for a local, established entity that is being incentivized to relocate to another area versus assessing programs to recruit a company that is considering expanding to this area. In both instances, there is an economic impact. However, one provides incremental economic growth, where the other avoids an economic loss. The departure of an existing corporation can be devastating to a community. This is why we research, negotiate, and publicly present all programs to County Council. The County's process of checks and balances considers each program on an individual basis to ensure the best return on investment for the citizenry. Using a one-size-fits-all approach does not work.

   Historically, county grants have been infrastructure-related or infrastructure reimbursement programs. The following criteria were considered and discussed, as shown in the council presentations and/or program agreements.

   - ***Performance Standards** – All county programs are performance-based. This means that to receive the awarded incentive, the company must have completed specific tasks. The criteria considered when evaluating a program should be both quantitative and qualitative and include:*
     - *Alignment with goals and measurable objectives to establish context and accountability.*
     - *Evaluation process for the purpose of consistency and transparency.*
     - *Benefit/loss analysis (tax revenue, employment, salaries, economic growth, business retention and expansion).*
     - *Impact on existing businesses and residents (infrastructure, traffic, competition).*
     - *Need for incentives.*

- ***Monitoring and Compliance***
    - *Require performance standards that gauge the effectiveness of the program.*
    - *Create a project-specific process for monitoring of the agreements and performance.*
    - *Identify the reporting and status update requirements to the County Council.*
    - *Communicate the progress of the activities and the extent to which the goal is achieved.*

Additionally, while not included in this evaluation, the division of economic development implements best practices in all facets of our day-to-day operations. The management of the County's economic incentive programs is a small fraction of our overall mission. As a standard operating procedure, we have developed and/or collected County Policies and Procedures on inter-division shared drive for the following: Accounting, Emergency Management, Growth Management, Human Resources, Legal, Manuals and Instructions, Meetings and Events, Municipal Building Permitting, OnBase, Payroll, Prospect Processing, Purchasing, Q Events, Technology, and Travel.

2. *We agree with the recommendation that the annual report should be posted on the county website which may include links to the Florida Department of Economic Opportunity website.*

Current Status: ***Completed.*** The policy and procedures guide was updated. While there have not been any economic incentives provided under the incentive programs since the audit report was published, the County will now be prepared for any future incentives, should the program exist in the future. Additionally, the website has been updated to link to the FL Department of Economic Opportunity.

The Economic Development Division partners recently created a website to promote Volusia Business Resources (VBR), a new service that lets local entrepreneurs and business owners find resources to help them overcome today's challenges. The website, www.VolusiaBusinessResources.com, was developed after a survey indicated local business owners were frustrated by their inability to find resources. It features advice from more than 40 business assistance partners and provides startup and existing businesses with easy-to-find resources, how-to guides, licensing requirements, and financial assistance.

2022-03 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. In May 2020, the first 18 years of the ECHO program was audited and the program has been audited every year since. Audit report 2022-03 was an audit of all ECHO projects completed, in progress, and awarded during FY 2021 (October 1, 2020, through September 30, 2021). The report was released on August 12, 2022. The full audit report is available at volusia.org.

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

2022-04 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 processes and to ensure that associated activities are conducted efficiently and effectively while maintaining compliance with relevant laws, rules, and regulations. In May 2020, the first 18 years of the Volusia Forever program was audited and the program has been audited every year since. Audit report 2022-04 was an audit of Volusia Forever during FY 2021 (October 1, 2020, through September 30, 2021). The report was released on August 12, 2022. The full audit report is available at volusia.org.

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

2022-05 Inmate Trust Fund

The County Corrections Division provides housing, care, and safety to felony and misdemeanor criminal offenders who are arrested and awaiting trial to serve time in the County's institution. The inmate trust fund acts as the inmate's bank account and serves to manage the inmate's monies while incarcerated. The primary responsibility of staff, related to the inmate trust fund, is to safeguard the monies of individual inmates and process the inmate's transactions. As a trustee, the County has established an inmate banking system to track and account for the activity within these accounts. These monies are kept separate and are not co-mingled with other County funds, nor support the operations of the County.

Additionally, an inmate contacted a council member regarding concerns that their commissary monies were not handled correctly. This resulted in finance and legal staff reviewing the data prior to the audit. An objective of the audit was to review the work of the finance and legal staff including any changes implemented due to the inmate's concern. Finally, the County contracted with Aramark Correctional Services; however, during audit fieldwork, the County successfully transitioned to the Keefe Commissary Network.

The purpose of the audit was to determine, with a reasonable degree of assurance, if inmate trust funds are safeguarded, to assess the adequacy and effectiveness of the internal controls relating to their funds, and whether related activities are operating efficiently, effectively, and in compliance with regulations and policies. The audit scope included all inmate transactions from January 1, 2020, through December 31, 2021. The report was released on September 23, 2022. The full report is available at volusia.org.

The audit found significant room for improvement in internal controls. Policies and procedures were outdated; there was a lack of awareness and noncompliance with state statutes regarding inmate account balances; there were large percentages of inadequate documentation to support services and charges to inmate accounts; staff was not generating nor analyzing reports available in the inmate banking system; controls were lacking over monitoring and analyzing of inmate accounts to bank statements; and there was a general lack of understanding and assessment of the risks in regards to the inmate trust fund.

Table 5 provides a summary of the status of the audit recommendations.

Table 5: Status of Prior Audit Recommendations

Status	Findings	Concerns	Total
Completed	29	9	**38**
In progress	1	-	**1**
Not implemented	-	-	**-**
Total	**30**	**9**	**39**

Finding 1. County Not Compliant with State Statutes & Did Not Follow County Policies on Receivables

Finding 1A: County Was Out of Compliance With State Statute Regarding Inmate Receivables

Recap: FL Statute allows counties to place a lien against the inmate's cash account or other personal property to provide payment in the event sufficient funds become available later; however, the statute limits collection to 3 years of the date of the lien. For several years, if an inmate owed money to the County and received a future deposit, half would go towards the balance owed and the other half would remain in their account for commissary usage. Staff were generating system reports based on the inmate's individual stay (booking number) which caused confusion when inmates had multiple booking numbers and reports had to be combined to determine the statute of limitations. Staff stated they only generated inmate account receivable reports upon request and were not regularly generating or reviewing these reports.

Recommendations:

1. Develop and implement a policy and procedure to purge all inmate debt-related charges older than 3 years.
2. Investigate debt incurred prior to January 2022, and refund inmates whose accounts were charged incorrectly.
3. Generate, at least monthly, reports from the inmate banking system and review reports to ensure inactive inmates with balances are investigated.

Management's Response:

We are responding to this comment based on the individual parts of the recommendations above:

1. *We agree and have already implemented this as part of the new Keefe inmate banking system.*
2. *We partially agree with the recommendation. We disagree with how broadly the recommendation was written, i.e., without a beginning date. Management believes it reasonable to investigate all debt incurred within the potential claim period available by State law (i.e., the statute of limitations). Utilizing the provisions of Florida Statute 95.11(3), management agrees to investigate payments made to the County inmate trust accounts within the last 4 years for any potential misapplication of such payments to debt. This review of debt will likely require additional staffing or contract services to perform.*
3. *We agree and have implemented policies and procedures to generate monthly reports to review inactive inmates with account balances and add a secondary level of staff review to identify inmate debt carried more than three (3) years.*

Current Status: ***Completed.***

1. The new inmate banking software (Keefe) automatically rolls the debt off after 1,095 days (3 years) with staff generating a monthly report to review. The Operations Manager reviews the report in addition to the account clerk.
2. In total, 868 inmates were identified with 698 (or 80%) of those due refunds of $5 or more. The refund checks were mailed to addresses on file or after 3-step research was performed, as described later in this report. For former inmates whose addresses could not be found, the amounts due are tracked and will be escheated to the state as part of the annual process. In cases where a check is returned or not cashed, these will be added to the escheatment process in accordance with the state statutes. This recommendation was successfully completed in-house and did not require hiring additional staff or contracted services to perform. Auditors reviewed several randomly selected checks to verify the new procedures and did not have any issues.
3. Staff generate several reports each month to address the inactive inmate balances. Any outstanding debt owed to inmates is researched and reconciled.

Finding 1B: Account Receivable Balances Were Not Reconciled & Subsequent Write-Off Not Approved

Recap: The County's accounts receivable policy, approved in August 2012, requires the Chief Financial Officer (CFO) to maintain accurate records of receivable transactions, including year-end receivable balances, to provide realistic estimates of, and properly account for, doubtful accounts, and properly account for receivables that are written off. The County's policy requires if the accounts receivable amount is $5,000 or higher, the County Council approves the write-off. In January 2022, in an effort to meet the statute, the CFO directed County staff to write off inmate account balances older than 3 years, which totaled $512,166. Included in this write-off reduction, were inmate balances that were less than 3 years old and were still collectible to the County. The audit found approximately 2,229 inmates had their balances under 3 years written off prematurely. Finance staff did not perform a detailed review of inmate transactions to determine when the debt was incurred prior to writing off the debt.

Recommendations:

1. Record inmate receivable balances in the County's general ledger to ensure proper recording and monitoring of inmate account balances.
2. Ensure County write-off policies are being followed, including obtaining the County Council's approval for items over $5,000.
3. Perform a cost-benefit analysis to determine if it is practical to perform a detailed review and an understanding of inmate debt, and when it occurred, prior to the write-off of inmate balances.

Management's Response:

We are responding to this comment based on the individual parts of the recommendations above:

1. *We agree and will record the receivable balance in the fiscal year 2022 accounting records.*

2. *We agree that the Credit, Collection, and Write-off Policy ("write-off policy") shall be followed; however, we believe the policy was already being followed.*

   Management notes that a write-off, as defined in the write-off policy, is a transaction where "writing off debt for accounting purposes does not discharge the debt. ***The debt is still owed to the County****, but is no longer reported on the books as a receivable" [emphasis added; quoted from the definition section of the policy].*

   During the audit, the auditor identified six accounts over $5,000 that were removed from the books in January 2022. At the January 2022 removal date, the period allowed by State law to legally collect the charges that were removed for these six accounts had already expired. When State law no longer allows collection, the debt is no longer owed to the County. Because these accounts were not owed to the County by State law, they are not a write-off in accordance with the definition in the policy (again noting the policy definition of write-off includes that "the debt is still owed to the County").

   Management and the County Attorney believe that removal of debt not legally enforceable is separate from a write-off transaction as defined in the policy. In accordance with the definition in *the policy, management believes the $5,000 limit applies to amounts still owed to the County, but not to amounts no longer owed to the County by State law. However, given the auditor's recommendation, management will seek County Council approval of a revised write-off policy which will separately provide for the accounting treatment of amounts no longer legally owed to the County.*

Also of note, County Ordinance 2020-13 granted to the County Manager the authority to resolve all claims of the County under $50,000. All claims removed from the books were under this threshold. While management believes this authority was not needed, as explained above, in the instance of any perceived ambiguity in the write-off policy, we believe the authority granted by County Ordinance 2020-13 alone would also address the auditor's perceived lack of management authority to remove these legally unenforceable amounts from the books.

3. *We agree to perform the cost-benefit analysis and have provided this analysis below. In accordance with the cost-benefit analysis, it is management's belief that a detailed review of accounts should not be pursued due to costs exceeding the benefits.*

   <u>Cost-Benefit Analysis:</u> Of the approximate $500,000 removed from the books in January 2022, approximately $350,000 was "old system debt" incurred prior to 2016. None of this debt should be considered as potentially recoverable since it exceeds the 3-year timeframe allowed by State law.

   The remaining amount of approximately $150,000 is related to the period of 2016 – 2021. At this time, only debt related to transactions occurring in September 2019 (3 years prior to today) through January 2022 (the removal date) need to be considered for potential restoration. This is again due to the 3-year timeframe allowed by State law. The amount related to the identified period is estimated to be no more than 1/3 of the total 2016 – 2021 amount, or $50,000 ($150,000 x 1/3) (which is attributable to thousands of separate inmate accounts).

   Management notes that many, if not most, of the balances owed by inmates that could be restored to the inmate debt ledgers are related to inmates that will not return to the county's corrections facilities in the future. For the portion of inmates that do return or currently incarcerated, management then believes that any such inmate, potentially owing part of the estimated $50,000, will very likely also owe a debt from the soon-to-be implemented subsistence fees. Therefore, most of the estimated $50,000 that could be potentially restored to inmate debt balances will only further pile onto already existing debt balances (from unpaid subsistence fees). This is why management believes adding back additional debt from the inmate's portion of the $50,000 (which is spread over thousands of inmates) will rarely result in collection of these added-back amounts. When considering this, management believes no more than 10 percent of the potential $50,000 amount to be collectible. This would mean no more than $5,000 in return on the expenditures required to analyze thousands of inmate accounts to determine which inmate debt balances could potentially be restored. Management firmly believes the cost (estimated at $15,000 to $25,000) will be many times higher than the return to perform such investigation, therefore it is not considered cost-beneficial to pursue this matter any further.

Current Status: ***Completed***. This recommendation was implemented for FY 22 (ending September 30, 2022) with the receivable balance recorded in the County's General Ledger. The County Council approved a revised policy on November 1, 2022, which incorporated this recommendation. A cost-benefit analysis was performed and included in the audit report as a management response.

Finding 2. Staff Were Not Following Up on Inactive Inmate Balances Nor Complying With Escheatment Statutes

Recap: FL Statute requires that monies held in a fiduciary manner and unclaimed for more than a year be turned into the State, which is referred to as the "escheatment process." There were almost 1,700 inmates with inactive status released prior to 2019 at the time of the audit, totaling almost $28,500. There were 90 inmates with balances over $50 which totaled $14,518. Staff generated a system report monthly that provided the inmate's status, release date, and balance owed. However, neither the Corrections nor Accounting staff were reviewing this report. When auditors brought this to the attention of Corrections staff, they reissued checks to the inmate's last known address. However, consideration was not given to the present-day value of the inmate's balances (some balances were prior to 2015) nor did staff search updated contact information for the inmates. Auditors randomly selected 4 of the returned checks and, with little time and effort, found updated addresses for these inmates.

Recommendations:

1. Establish procedures for staff to follow up on the status of all checks issued to inactive inmates in a timely manner.
2. Compare, at least monthly, reports of released inmates from the jail management system to the inmate banking reports to determine if inmates were released and have balances available on their account.
3. Follow state statute escheatment procedures and properly turn account balances to the State Department of Financial Services.
4. Consider the present-day value of former inmate's account balances from the year of their last release and include the difference in the amount of re-issued check or the amount escheated to the State.
5. Create procedures for staff to investigate and perform due diligence research on all returned checks that were issued in April 2022.

Management's Response:

1. *We agree and policies, procedures and internal controls have been established to ensure all discharged inmate balances, including balances resulting from returned checks, are reviewed, and, if necessary, reimbursements are prepared monthly.*
2. *We agree and policies, procedures and internal controls have been established to ensure that released inmates from the jail management system (JMS) are compared against inmate bank accounts to identify any account balances on inactive inmate accounts.*
3. *We agree and will add outstanding inmate balances, if any, to the process of escheatment already performed by the accounting division for unpaid checks.*
4. *We disagree with the principal behind the recommendation, noting that the interest is payable by the general fund (therefore by all taxpayers of Volusia County). Further, any interest owed is insignificant when compared to the cost/subsidy already paid by the taxpayers related to these inmates. However, solely pursuant to the auditor's recommendation, management will agree to make the recommended interest payments.*

5. *We partially agree; noting that while we agree that staff should perform due diligence research, we believe our procedure is already meeting an appropriate level of due diligence research. Our procedure for researching the last known address for the returned checks from the April purging is to address notification letters to the legal address on file in the JMS and the county-wide Criminal Justice Information System centralized data which contains the address on file for court purposes. Management considers this procedure to be due diligence. Attempts to locate former inmates using other sources does not provide the level of surety necessary to ensure proper identification and location.*

Current Status: ***Completed***.

1. Staff generate and review system reports monthly to capture any balances due to inactive inmates. This includes canceled and returned checks.
2. Monthly, staff compare inmates released in JMS (Jail Management System) but not released in the Keefe System. If any discrepancies are found, staff review the details, and releasing procedures are performed in the Keefe system, and the inmates are mailed a check if a balance is owed.
3. The escheatment process has been reviewed and updated to ensure both accounting and corrections staff meet timelines and amounts are correct before submitting to the State. Staff have taken steps to implement this new procedure and are incorporating it into the SOPs.
4. Staff calculated the CPI for the 90 inmates identified in the audit and those checks were mailed to inmates whose addresses were available. For those with no address available, those amounts will be escheated to the state during the annual process, which is usually performed in the spring.
5. Staff updated their due diligence research and procedures to include the inmate's most recent booking address, and if that turns out to be invalid, staff will move to the address prior to that, and if that was within a few months of each other, staff will research the third known address.

Finding 3. Reconciliations Were Not Adequately Performed

Recap: Reconciliations were not adequately performed between the bank, the County's general ledger, and the inmate banking system (called CORE). At month end, the senior accountant was recording the bank activity into the County's general ledger but did not reconcile or review the detail of the inmate banking system. The November 2020 reconciliation was randomly selected for review. Both the bank and general ledger balances totaled $316,939 and the ending balance of the inmate system totaled $121,917. The difference of $195,022 could not be explained by staff. Proper reconciliations provide management accurate reporting, the ability to timely spot anomalies and errors, and provide a cross-check of documents to ensure everything is recorded and updated. The audit identified historic silos between the Accounting and Corrections divisions. Had all the generated reports been used and understood by staff, many of the issues surrounding inmate balances may have been recognized and resolved in a more timely manner.

Recommendations:

1. Establish proper reconciliation controls over banking, general ledger, and inmate banking systems. Ensure all reconciling items are supported, investigated, and recorded in a timely manner.
2. Ensure the accounting manager documents their review and approval of the reconciliation.

3. Work as a team to remove silos between divisions to ensure reports are understood by all parties involved.

Management's Response:

We are responding to this comment based on the individual parts of the recommendations above:

1. *We agree and will implement a reconciliation from the general ledger to the inmate banking system and will follow up on all reconciling items.*
2. *We agree and will implement concurrently with the above line.*
3. *We agree and will ensure that both the management of the accounting division and staff at the corrections division will review and understand the reconciliation. The accounting division has been provided access to the inmate banking system to provide greater clarity to the reports under review.*

Current Status: ***Completed.*** Reconciliation controls and procedures have been established to include a three-way reconciliation between the bank, the general ledger, and the inmate banking system. The September 30, 2022 bank reconciliation was completed and used for the FY 22 year-end reporting. The Assistant Accounting Director has prepared the other reconciliations which have been reviewed by the CFO. Staff are currently transitioning this reconciliation process to a senior accountant to be reviewed and approved each month by the Assistant Accounting Director. Previous silos have been removed between the Corrections and Accounting divisions. Accountants now have access to the Keefe system for the ability to reconcile and research discrepancies. In addition, staff in both divisions lean on each other furthering their understanding of the inmate banking system. Staff from both divisions inform the auditors the relationship is working very well.

Finding 4. Procedures & Oversight Need Improvement On Day-to-Day Inmate Banking Operations

Finding 4A: Inmates Do Not Always Sign for Purchases and Returns were Not Signed

Recap: 11 of the 75 (or 15%) of the inmates tested did not have the inmate's signature verifying the purchase of commissary items. 100% of the returned commissary items were not verified by the inmate on the receipt. The contract with the vendor (Aramark, at that time), requires they provide delivery to the inmate and obtain a signed receipt indicating the product was delivered. Additionally, keeping adequate records and documents limit fraudulent activity.

Recommendations:

1. Ensure the inmates receive and sign a receipt for every commissary transaction, including returned items.
2. Hold vendor accountable for ensuring inmate receipts are provided.

Management's Response:

We are responding to this comment based on the individual parts of the recommendations above:

1. *We agree. Inmates are required to sign for receipt of commissary orders and receive either a paper or electronic receipt. The current vendor does not allow returns for items ordered through the tablet ordering system thus no receipt for returns would be needed. Inmates are also able to see their*

transaction history on tablets available to inmates. Additionally, inmates may submit a request for commissary to research a specific transaction and receive responses on the tablet as well.

2. *We agree and the new commissary vendor understands the importance of signatures on receipts and provides them as described above.*

Current Status: ***Completed.*** The new SOPs provided by Keefe outline the steps to be taken to ensure receipts are issued. Additionally, there was a misunderstanding that cart sales would not need a receipt; however, Corrections staff reviewed the contract, which stipulates receipts are to be issued. Keefe agreed and corrected the issue moving forward.

Finding 4B: Transactions Were Placed On Inmate Accounts After Being Released & Not Investigated

Recap: 9 of the 75 (or 12%) of the inmates tested had transactions placed on their accounts after the inmate had been released from the facility. Staff do not routinely generate or analyze reports to investigate inmate account balances. In one example included in the audit report showed an inmate ordered $135 of commissary items on a Friday morning, was released the following Tuesday and the return credit was not posted until 90 days later. At that time, a check was released to the inmate. The banking system does not alert staff that inmates have been released prior to transactions being posted to their accounts. When extrapolated, the impact could be roughly 2,500 inmates who have been released with subsequent deposits or credits on their accounts.

Recommendations:

1. Require the banking system to alert staff on pending transactions for released inmates so that staff may investigate the transaction prior to posting it to the inmate's account.
2. Compare, at least monthly, reports of released inmates from the jail management system to the inmate banking reports to determine if inmates were released and have balances available on their account.

Management's Response:

We are responding to this comment based on the individual parts of the recommendations above:

1. *We partially agree and are working with the banking vendor to develop alert notifications to prevent deposits from being applied to inactive inmate accounts. Commissary transactions to purchase commissary items are immediately deducted from inmate accounts and would not remain in a pending status. Thus, commissary purchases would not be applied to an inactive inmate account. The possibility of applying a credit to an account of a released inmate remains, however due to the timing of processing refunds for items not received. Under these circumstances, inactive inmates with remaining balances will be issued debit cards for the balance amount. These inmates will be identified through the monthly review of inactive inmate accounts with balances previously discussed. Inmates will be notified of an outstanding balance through a letter sent to the most recent address on file, and inactive inmates with account balances will be posted to the Division of Corrections' website after each monthly review.*
2. *We agree and new policies, procedures and internal controls have been developed to compare the list of released inmates to outstanding balances as noted above. Regarding debt, depending on day*

and time of release, certain transactions (i.e., medical debt) may not be applied at time of release, thereby creating a banking debt. This debt will be carried for the three years until the debt forgiveness period expires.

Current Status: ***Completed.*** The Keefe system does not have the ability for an alert to notify the Corrections staff person prior to entering the charge of a released inmate. However, staff generate reports monthly to review any charges that were placed on an inmate's account. If an inmate is due a refund and is over $5, the inmate is issued a check. If the transaction causes an amount owed to the County, the amount is carried on the inmate's debt balance for up to three years.

Finding 4C: Backup Documentation For Commissary Purchases Not Always Retained

Recap: 1 of the 75 (or 1%) of the inmates tested did not have backup documentation or records maintained for the charge to their account. 6 of the 75 (or 8%) of the inmates had their bank accounts frozen by staff without any documentation or written approval. In some examples the accounts were frozen for a few minutes, other times for several days. Bank accounts may be "frozen" when the inmate is transferred to another facility but still under the County's custody, or for disciplinary reasons. The policy requires reports and permanent logs be prepared and maintained for each inmate. Transactions should be supported by written documentation with management approval. The risk of fraud occurring is increased significantly when documentation is not maintained or retained to support the transactions.

Recommendations:

1. Maintain documentation for all transactions to inmate accounts and train staff on the importance of document retention.
2. Ensure written approval is obtained by the warden, or designee, when inmate accounts are deemed to be frozen or unfrozen.

Management's Response:

We are responding to this comment based on the individual parts of the recommendations above:

1. *We agree and policies, procedures and post orders have been developed to ensure that staff are accountable for proper documentation and its retention once an inmate has been released. Commissary transactions are maintained in the inmate banking system and are viewable to inmates and staff. Staff covering the property release post will receive refresher training regarding release procedures and documentation.*
2. *We agree and new procedures and post orders to include monthly reviews of frozen inmate accounts have been developed to ensure compliance.*

Current Status: ***Completed.*** The policy and procedures have been updated. At the time of the commissary purchase, the inmate signs the receipt, verifying the receipt of the items. If the items are not received, the items and the number of items are noted on the inmate's copy and Keefe's copy. The missing items will be delivered by the end of the week and then the inmate will sign the receipt again. Additionally, the Operations Manager generates a report specifically on frozen funds each month. This report is reviewed, and any items are investigated. Funds may not be frozen unless the Corrections Director, or designee, authorizes the action and notated in the inmate's files.

Finding 4D: Inmates Were Not Properly Booked or Released in CORE Banking System

Recap: 21 of the 75 (or 28%) of the inmates tested had inmate booking and release transaction records missing from the CORE banking system. 15 (or 20%) had their booking records missing, 4 (or 6%) were released twice in CORE, and 2 (or 3%) were not properly released in CORE and have balances owed. It was noted that the account clerk typically counts and deposits the vault every two to three weeks (the vault is used if the regular system is not functioning or if the booking officer believes money may be counterfeit). The audit found one example where the inmate was booked and released on the same day with $153 on their account. When released a few hours later, there is no release recorded in CORE and the inmate was still owed $153 as of July 2022. The policy handbook requires inmates to have a booking and release entry in the CORE system, including when inmates are booked with a zero balance. This is to help safeguard both the booking officer and the inmate so if there are disputes, the inmate has a signed receipt stating they were booked with no money on hand. When extrapolated, the impact could be as high as 6,600 inmates that are missing transactions related to their booking or release.

Recommendations:

1. Establish a policy and procedures for vault handling, including how often the vault should be counted and monies deposited. At a minimum, the vault should be counted and deposited by the account clerk weekly.
2. Establish clear procedures and frequently train staff on the proper booking and release of inmates so that proper records are maintained within the inmate banking system.

Management's Response:

We are responding to this comment based on the individual parts of the recommendations above:

1. *We agree and have converted standard procedures into written policy that requires ID/Booking staff to notify inmate banking in writing when monies have been placed in the vault. The inmate banking clerk retrieves the "deposit" and determines if the money is counterfeit in which case, it is turned over to the Division's intelligence unit, or, if contaminated, it is sealed and sent to Wells Fargo for handling. Policy has been established to require a weekly visual inspection of the vault and any deposit not previously identified are sent to Wells Fargo for handling.*
2. *We agree and policy, procedures and post orders have been revised and updated. Staff covering the property release post will receive refresher training regarding release procedures and documentation in both JMS and the inmate banking system.*

Current Status: ***Completed***. The policy and procedures have been updated and the account clerk counts the vault two to three times per week. The release procedures have been updated with additional training provided to staff. Additional training is provided if or when issues are identified during the Operations Manager's monthly review of transactions.

Finding 4E: Stop Payment Process Appears To Be Punitive

Recap: If an inmate loses their check upon being released, Corrections staff will contact the bank to place a stop-payment on the check. This voids the check and stops it from being processed further by financial institutions. Staff wait up to 60 days before reissuing a new check. There is no sound business reason for this wait and it may appear the process is punitive to inmates who may be reliant on these monies upon their release. Additionally, be extending the reissue for so long, inmates and staff may forget to follow-up and reissue the check, thereby contributing to the large number of inactive inmates with account balances owed.

Recommendation: Establish a policy and procedures on voiding and reissuing inmate checks so the County is protected from the appearance of being punitive and so that inmates can receive their account balances in a timely manner. A 4-to-5-day grace period would appear reasonable.

Management's Response: *We agree and will establish policies and procedures for reissuing lost checks in a more reasonable time frame. Once Corrections staff is notified that a check has been lost, accounting will be notified so that a "cancel positive pay" order on the check can be processed. The inmate will be instructed to return in 7 calendar days to pick up a reissued check. Seven days is a reasonable standard as our Wells Fargo representative recommended that a 5-business day wait be observed when a "cancel positive pay" process is entered into the banking system before issuing a new check.*

Current Status: ***Completed.*** The policy and procedures have been updated that Corrections staff will work with the Accounting staff to verify that an inmate's lost check has not been cleared by the bank. Once confirmed, the check will be voided and re-issued within seven calendar days. In addition, when inmates are released from Corrections, the inmate receives a pre-loaded debit card, which is the responsibility of the inmate. Moving to a pre-loaded debit card greatly reduces the number of lost checks.

Finding 4F: County Losing Recoupment Of Inmate Medical Bills Due To Slow Inputting of Charges

Recap: 4 of the 75 (or 5%) inmates tested had medical charges applied to their account after being released from incarceration. At the time, the County contracted with Centurion Detention Health Services for inmate medical and dental services. Typically inmates are charged copayments, for example, $8 for a nurse visit, or $4 for over-the-counter prescriptions. The contract with Centurion required all copayments be submitted to the County daily, which appeared to be met. However, controls were not in place to ensure these charges were inputted daily to the inmate's bank account when the account clerk is unavailable. When extrapolated, there may roughly 1,200 inmates who had medical and dental charges placed on their account after being released. This extrapolated to approximately $17,000 in lost recoupment to the County's General Fund.

Recommendation: Establish procedures, including cross-training of other employees, to ensure inmate accounts are charged daily even when the account clerk is unavailable.

Management's Response: *We agree and will establish policies and procedures to ensure staff are appropriately cross-trained and charges entered manually by staff are applied to inmate accounts daily.*

Current Status: ***Completed***. The County recently switched medical providers. The new medical provider struggled with staffing until recently. The medical copays have been received daily with Corrections staff entering the charges within one business day. During a weekend, an inmate may be released prior to all medical copays being charged against the inmate's account. The goal is to have medical staff enter the charge directly into the Keefe system to remove this possibility; however, there are some barriers that will need to be worked through before the next step can move forward.

Finding 5. High Percentage of Terminated Employees Have Access to CORE

Recap: User accounts in CORE are not periodically reviewed to ensure users are active and current employees of the Corrections division. It was noted employees were sharing login and password information even after employees terminated employment. It was noted that 79 of the 316 active users (or 25%) were terminated and no longer employed by the division; 20 active users (or 6%) had two usernames, 6 of which were terminated employees; and 30 (or 9%) were assigned to the vendor and engineers of the CORE system. The audit noted 3 of the terminated employees had full administrative access rights in the CORE system and up to 70 terminated employees could add, release, and void transactions. One terminated employee's account was accessed 146 times in 3.5 years since their termination date. Another terminated employee's account was accessed 323 times in 1.5 years since their termination date.

Recommendations:

1. Establish a policy and procedures to periodically, at least monthly, review the user access to the inmate banking system. Users should be cross-referenced to the Human Resources reports to ensure users are still active employees.
2. Review vendor access periodically to ensure their access is relevant to the tasks and needs of the division.
3. Ensure each user is given a unique login that cannot be reused by other employees.
4. Provide training to employees on the importance of County policies on sharing of login and password information.

Management's Response:

We are responding to this comment based on the individual parts of the recommendations above:

1. *We agree and have developed policies, procedures, and internal controls to remove access to inmate banking upon termination. A secondary review will occur monthly to compare active staff lists to the inmate banking system user accounts.*
2. *We agree and the vendor will be asked for a list of current users to review accounts assigned for support on a bi-annual basis to ensure appropriate staff are provided access for the purpose of administration and support.*
3. *We agree; all regular and administrative users have been provided unique logins and passwords. We also note the exception to unique logins would be related to technical automated processes that allow for data interfaces between the inmate banking system and the jail management system.*
4. *Staff was trained on the County Password Security policies and procedures during the roll-out of the new inmate banking system.*

Current Status: ***Completed.*** All users have unique logins in the Keefe system. The user access is reviewed monthly and compared to the active employee listing provided by HR. Additionally, the Corrections I.T. technician is alerted by the HR clerk when an employee terminates employment and the I.T. technician immediately de-activates the employee from the system. The vendor access report is reviewed every June and December to ensure vendor access is still necessary and relevant. Staff have been trained and login IDs are not to be shared.

Finding 6. Policies and Procedures Handbook Needs Updating

Recap: The division's policy and procedures handbook is available to employees on the intranet, but contained several policies that were out-of-date. A cursory review was performed on the entire 720-page handbook to aid in understanding of the operations of the division; however, for audit purposes, only a detailed review of the inmate banking policies and procedures was performed. Staff acknowledged that a comprehensive review and update had not been performed for some time. The handbook required that a policy guide review committee implement any new changes and review a draft prior to the director's review and approval.

Recommendations:

1. Reestablish the policy guide review committee to meet on a regular basis.
2. Update the handbook to incorporate the changes made with the new inmate banking system, appropriate state statutes, and other changes that may have occurred in areas outside of inmate banking.

Management's Response:

We are responding to this comment based on the individual parts of the recommendations above:

1. *We agree and the Policy and Procedure Committee resumed regular meetings (at least monthly) to update and revise policies in January 2022.*
2. *We agree and the Inmate handbook has been updated.*

Current Status:

1. ***Completed.*** The committee has been reestablished and the Corrections Director has multiple meetings a month to discuss the division's policies and procedures.
2. ***In-Progress***. There are over 190 different policies with about 10% being updated. Before the policy or procedure is approved, it is reviewed by the division director, department director, union representative, and the County Attorney's Office. It is understandable this process will take some time as the new Corrections Director started with the County in the summer of 2023.

Concern 1. Petty Cash Procedures Were Lacking

Recap: The procedures over petty cash funds maintained by the division were lacking and did not reconcile when audited. The division maintained $100 in petty cash funds for several years. The division also maintained a stock of postage stamps to be sold to employees. After the audit identified some issues, the division eliminated the petty cash fund and discontinued the resale of the postage stamps.

Recommendations:

1. Eliminate petty cash funds and utilize the County's purchasing card process for these urgent purchases.
2. Post and provide training on all accounting policies, procedures, and forms on the intranet so employees in divisions are aware of policies that impact their operations.
3. Eliminate the practice of reselling postage stamps to reduce the risk of impropriety.
4. Retrain employees on the sales tax policy and work with retailers to remove sales taxes.
5. Ensure petty cash replenishment checks are taken to the bank within two weeks as required.

Management's Response:

We are responding to this comment based on the individual parts of the recommendations above:

1. *We agree and the petty cash account has been eliminated.*
2. *We agree and will post the accounting policies and procedures manual as well as specific procedures for petty cash on the County intranet.*
3. *We agree and the practice of reselling postage stamps has been eliminated.*
4. *We agree and will work with Purchasing to provide staff refresher training on the sales tax policy.*
5. *We agree; however, this recommendation is no longer applicable as the petty cash funds have been eliminated.*

Current Status: ***Completed.*** The petty cash fund has been eliminated and staff no longer sell postage stamps.

Concern 2. County Continues to Invoice the State For Unfunded Mandate of Housing State Inmates

Recap: The County regularly provides temporary housing and care to inmates in custody of the FL Department of Corrections. These inmates typically are awaiting transfers or have returned to the County on Court orders with the County assuming costs for their housing and care. For fiscal year 2021, the invoices the County sent the State was $10.6 million. Since 2004, the County's General Fund provided over $76 million in unreimbursed costs for housing of State inmates. Staff within the Accounting division prepare invoices each quarter to track, report, and invoice the State.

Recommendation: Reevaluate the decision to continue tracking and invoicing inmate housing for State inmates. If the decision is to continue invoicing the State, direct the County's lobbyist to include the issue in their efforts.

Management's Response:

We agree and have discontinued the practice of invoicing for inmate housing for State inmates.

Current Status: ***Completed.*** This was discontinued.

Concern 3. Population Projections Annual Report Not Prepared Since 2018

Recap: The division's policy requires the director to submit an annual report to the County Council and County Manager to include data on populations, major developments, and achievements. The report also includes data to prepare the annual budget and includes inmate work programs implemented, major milestones achieved, facility modifications, and annual inspection reports. The last report was submitted for 2018. Staff stated the report had not been done due to the challenges of the pandemic and the lack of staffing.

Recommendation: Issue the annual report and submit it to the County Council and County Manager as required by policy.

Management's Response: *We agree and processes will be updated to ensure the annual report is provided to the County Manager and County Council yearly.*

Current Status: ***Completed.*** The 2022 Annual Report was submitted to the County Council and County Manager. It is also available online for the general public.

Concern 4. Public Safety Coordinating Council Minutes Not Published & Vote Tally Not Always Recorded

Recap: Minutes of the Public Safety Coordinating Council meetings are not timely published on the County's website and minutes do not always reflect seconds to motions or the final vote tally. Robert Rules of Order requires the names of the maker of motions and vote tally be recorded in the minutes. Additionally, state statutes require minutes of a meeting to be promptly recorded and be open to public inspection. Any public official who violates any provision of the statute is guilty of a noncriminal infraction, punishable by fine not exceeding $500.

Recommendations:

1. Publish all meeting minutes to the County's website and ensure all future meetings are recorded and published in a timely manner. Publish future meeting agendas and meeting dates so any member of the public has notice and option to attend is desired.
2. Ensure all motions, including seconds, and vote tally is properly recorded in the recorded minutes.

Management's Response:

We are responding to this comment based on the individual parts of the recommendations above:

1. *We agree and will post meeting minutes to the County's website following the approval of the minutes from by the Public Safety Coordinating Council.*
2. *We agree and will review procedures for motions and voting in the next meeting of the PSCC so that all motions, seconds, and vote tallies are recorded appropriately.*

Current Status: ***Completed.*** The Committee's minutes are posted on the County's website with agendas and upcoming meetings documented. Staff recently purchased software to assist in minute-taking and ensuring vote tallies are recorded properly.

Results of 2021 Votran Audit

As discussed in the Follow-Up Report on the 2021 Audits[1], the audit recommendations relating to Votran were delayed due to staff turnover, notably in the finance area. On February 7, 2023, the County Council approved the creation of the Transit Services Division under the Business Services Department and eliminated the Votran division under the Community Services Department to increase efficiencies and to allow increased oversight of grant management. The Transit Services Director now reports to the Business Services Director. The finance and planning staff now report to the Transit Services Director. The contractor, First Transit, continues managing the operations of the bus system.

Table 6 provides a summary of the status of the audit recommendations relating to Votran.

Table 6: Status of Votran Audit Recommendations

Status	Prior Report	Current Report
Completed within 1 year	16	16
Completed within 2 years	-	7
In progress	15	4
Not implemented	2	6
Total	**33**	**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.*

Status as of December 2022: ***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.

[1] Volusia County Internal Audit Follow-Up on 2021 Audits, 12/29/2022. volusia.org

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.

Current Status: ***Completed.*** County employees have reviewed the job functions of the accounting clerk and separated the job duties as best possible. To address any other risks, mitigating controls have been implemented, such as reviewing the deposit preparation, removing access to the storage room, and reviewing customer aging reports. Further break-out of controls is addressed in the following recommendations and status updates.

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.*

Status as of December 2022: ***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.

Current Status: ***Completed*** as noted in the 2022 update.

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.

Status as of December 2022: ***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.

Current Status: ***Completed.*** However, when the auditors were onsite and reviewed the money room procedures, one of the two contracted staff members did not wear the apron as required. Staff explained that due to short staffing, light-duty workers will sometimes assist in the money room. Staff further explained the light-duty employee was probably not properly trained on the apron policy. The auditors reminded staff of the importance of the money room recommendations and to ensure money room employees are properly trained prior to commencing work. When this was brought to the attention of the Transit Services Director, she immediately notified the contractor of this contract nonconformance.

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.*

Status as of December 2022: ***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.

Current Status: ***Completed.*** Monthly surprise reviews are conducted by the Finance Director and one other county staff member. Starting the week of October 15th, 2023, the 5 random boxes pulled will be counted prior to contracted staff counting and then checked to make sure the contracted staff provided the same figures. These reviews will 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.*

Status as of December 2022: ***Completed.*** All money is stored and locked in the safe with limited access by employees.

Current Status: ***Completed*** as noted in the 2022 update.

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.*

Status as of December 2022: ***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.

Current Status: ***Completed*** as noted in the 2022 update.

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.*

Status as of December 2022: ***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.

Current Status: ***In progress***. After further review, the Transit Services Division recently decided to maintain control of all tokens and passes and is in the process of implementing them. The tokens and passes will be kept under lock and key and distributed to the contracted staff as needed. The tracking spreadsheet will be maintained by the Division.

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.

Status as of December 2022: ***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.

Current Status: ***In progress***. The Transit Services Division, created in February 2023, with six staff, was fully in place by June. After months of training and acclimation to the job responsibilities, the Finance Director is developing division 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.*

Status as of December 2022: ***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.

Current Status: ***Completed.*** Farebox audits occur every day by the contracted staff in the money room. County staff perform surprise monthly audits to verify fares collected by paratransit vehicles are properly collected and recorded.

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.*

Status as of December 2022: ***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.

Current Status: ***Completed.*** Staff considered utilizing the same receivable system as the County; however, found that the spreadsheets fit the needs of staff in a more feasible manner. Auditors reviewed the spreadsheets being utilized and verified that error-checking formulas were implemented and appeared to be working as intended.

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.*

Status as of December 2022: ***Completed.*** Policy and procedures have been implemented and no issues have been reported by management on aged customer balances.

Current Status: ***Completed*** as noted in the 2022 update.

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.*

Status as of December 2022: ***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.

Current Status: ***Not Implemented***. Due to the transition of job duties between County employees and First Transit, work has not been performed on this recommendation.

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.*

Status as of December 2022: ***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.

Current Status: ***Completed*** as noted in the 2022 update.

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.*

Status as of December 2022: ***Completed.*** The County created a policy that is countywide, including Votran.

Current Status: ***Completed*** as noted in the 2022 update.

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.*

Status as of December 2022: ***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.

Current Status: ***Completed***. The Finance Director reconciles the grant submissions to the general ledger and ensures transactions meet the grant criteria. The Finance Director agrees the grant reporting reports to the month-end accounting reports from the General Ledger. The auditors reviewed one month of activity and did not notate any issues.

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.*

Status as of December 2022: ***Completed.*** The CAP was submitted to the FDOT. Management states the FDOT is currently reviewing it further for potential statewide usage.

Current Status: ***Completed*** as noted in the 2022 update.

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.*

Status as of December 2022: ***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.

Current Status: ***Completed*** as noted in the 2022 update.

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.*

Status as of December 2022: ***Completed.*** The log sheet has been implemented and is in use.

Current Status: ***Completed*** as noted in the 2022 update.

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.

Status as of December 2022: ***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.

Current Status: ***Completed.*** The accounting clerk maintains a 3-part receipt book and receipts are professionally made with the Votran logo. The third part is maintained within the book so that another person may audit the manual receipts. In addition, the restrictive stamp is utilized as recommended.

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.

Status as of December 2022: ***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.

Current Status: ***Not implemented.*** No progress has been made by First Transit on this recommendation. The Transit Services Division is researching an alternative software system that if implemented, would improve, or eliminate this concern.

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.*

Status as of December 2022: ***Completed.*** The foreign coins were auctioned after the audit was released and staff will continue this practice on an annual basis.

Current Status: ***Completed*** as noted in the 2022 update; however, when auditors inquired of staff on this recommendation, the new staff were unaware of the process. Including these procedures in the policy and procedures handbook, or standard operating procedures book, will provide continuity of procedures in the event of staff turnover.