



Internal Audit Report

2024-03 – ENVIRONMENTAL, CULTURAL, HISTORICAL, AND
OUTDOOR (ECHO) PROGRAM, FY 2023

Jonathan P. Edwards, CIA, CPFO

Internal Auditor

123 West Indiana Avenue

DeLand, Florida 32720

July 26, 2024

volusia.org/auditor

Report Highlights

Why We Performed This Audit

The ECHO program is a grass-roots initiative resulting from a citizen-approved referendum passed in 2000 and renewed again in 2020 by Volusia County voters. The program provides monies to finance the acquisition, restoration, construction, or improvement of projects for environmental, cultural, historical, and outdoor recreational activities. The referendum required an annual audit when the ECHO program was renewed in November 2020. During FY 2023, the County Council approved \$1.1 million in ECHO grant-in-aid projects and \$5.6 million in Direct County Expenditures (DCE) projects.

What We Found

Auditors tested 16 ECHO projects with no issues in compliance with the ECHO policies and procedures. However, with the creation of the DCE program, a written handbook has not been created, which would help ensure ECHO goals are being communicated and met. Additionally, when the Finance Department created a separate fund to track the DCE activity, staff inadvertently did not allocate \$94,527 of investment earnings, which should have been allocated to the DCE fund.

We Recommend

Creating a DCE handbook to provide information to divisions and stakeholders to help ensure projects meet the ECHO goals and updating the Accounting handbook to notify proper personnel when funds are created so that investment earnings are allocated properly.

Table of Contents

Page 1	Audit Letter
Page 2	Background
Page 7	Scope and Methodologies
Page 8	Findings and Recommendations
Page 8	Written DCE Handbook Will Help Ensure ECHO Goals Are Met
Page 9	Investment Earnings Not Recorded in DCE Fund For FY 2023
Page 10	Appendix



July 26, 2024

Honorable Members of the County Council and County Manager:

I am pleased to present the audit report 2024-03 over the Environmental, Cultural, Historical, and Outdoor (ECHO) program for fiscal year 2023 (FY 2023). The purpose of this audit was to assess, 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.

This audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, except for the requirement of an external quality control review. Those standards require that I plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for my findings and conclusions based on audit objectives. I believe the evidence obtained provides a reasonable basis for my findings and conclusions. The audit was performed in the months of February 2024 through May 2024. Svetlana Ries, staff auditor, assisted with the audit work.

This audit was successful due to the assistance of the Resource Stewardship Division staff overseeing the program. We appreciate their support. All audit reports are available on the County's website at: volusia.org/auditor.

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

Jonathan Edwards, CIA, CPFO
Internal Auditor

Background

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

The program intends to allocate funds throughout the County to provide broad geographical distribution and appropriately apportioned distribution of the environmental, cultural, historic, and outdoor components. The Volusia ECHO Program seeks to enhance the quality of life of Volusia County's residents by working to achieve the following goals:

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

The ballot initiatives provided an approved levy of an additional ad valorem tax not to exceed 1/5 mill for 20 years and the authorization to issue limited tax general obligation bonds not to exceed \$40 million to finance the acquisition, restoration, construction, and improvement of facilities to be used for ECHO objectives. The enabling resolution allowed the County Council to fund projects by direct county expenditure (DCE) for County government projects or by grants-in-aid. It also directed the County Council to create an advisory oversight committee. The Council has passed resolutions and appointed members of the public to an oversight committee to provide ongoing reviews of projects under consideration and to make recommendations to the Council to ensure proceeds were used to meet the objectives of the program.

Grants-in-aid projects are awarded on a matching basis only upon the recommendation by the ECHO Committee to municipalities and non-profit organizations subject to the standards, procedures, and criteria established by the Council.

The ECHO Committee's purpose is to:

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

The ECHO staff developed a transparency dashboard¹ that provides an overview of completed and in-progress projects, funding sources, maps, web links, and pictures for each funded project. The projects are divided into outdoor recreation, environmental, cultural, and historical categories in the pie chart. The user can review the details of each project by clicking on individual stars assigned to each project on the interactive map.

Valuable information for each ECHO project, including status, maps, pictures, and expenditure details are available on the ECHO dashboard.

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

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

¹ ECHO Dashboard. volusia.org

returned, in full, to the County. Additionally, the awardee agrees to provide quarterly and annual reports to the County on the operations and activities of the program.

The 2023 5-year DCE plan of \$15.4 million funds 43 projects at 32 sites across the County.

As mentioned previously, the enabling resolutions (Resolution 2000-156 and 2020-79) allow for projects to be funded by direct county expenditure for County projects. From FY 2005 until FY 2021, the County Council approved allocating \$1 million annually from the ECHO fund to build trails. In FY 2022, the County

Council approved increasing the annual trail set aside to \$1.5 million, which allows trail amenities like restrooms, parking areas, and water stations to be eligible expenditures. Since 2013, the Committee has reviewed DCE expenditures.

In March 2023, the County Council approved a robust 5-year DCE plan to fund 43 projects at 32 sites across the County. The DCE plan represented an investment of \$15.4 million over 5 years. Year 1 of the plan totaled \$5.6 million. The Committee reviewed the 5-year plan prior to the March meeting.

A separate accounting fund² was created to track and monitor the DCE projects, starting with FY 2023. Table 1 provides a financial schedule for FY 2023 of the two ECHO funds.



Shell Harbor Park located in Pierson, is a 9-acre park with free boat and kayak access to Lake George. Other amenities include a floating dock, pavilion, and restrooms. \$400,000 of ECHO monies were awarded for the park.

[Source: Volusia County Resource Stewardship Division]

² Fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. [Government Accounting Standards Board, Cod. Sec. 1300.101]

Table 1: Financial Schedule for ECHO, FY 2023

	ECHO Operating Fund	ECHO Capital / DCE Fund	Combined ECHO Funds
Revenues			
Taxes	\$ 9,422,123	\$ -	\$ 9,422,123
Intergovernmental	4,334	-	4,334
Investment earnings	977,467	-	977,467
Total Revenues	\$ 10,403,924	\$ -	\$ 10,403,924
Expenditures			
General Expenditures			
Commissions to Property Appraiser, Tax Collector, net	237,752	-	237,752
CRA payments (TIF)	303,413	-	303,413
Personnel	232,181	-	232,181
Operating	33,111	-	33,111
Total General Expenditures	806,457	-	806,457
ECHO Projects			
Municipalities	1,098,671	-	1,098,671
Non-profits	376,060	-	376,060
Direct county projects	-	55,229	55,229
Total ECHO Projects	1,474,731	55,229	1,529,960
Total Expenditures	\$ 2,281,188	\$ 55,229	\$ 2,336,417
Transfers			
Transfer to ECHO capital projects / DCE fund	5,656,205	(5,656,205)	-
Transfer to master trails fund	1,500,000	-	1,500,000
Total Transfers	\$ 7,156,205	\$ (5,656,205)	\$ 1,500,000
Net Change in Fund Balances	\$ 966,531	\$ 5,600,976	\$ 6,567,507
Beginning Fund Balance	20,809,579	-	20,809,579
Ending Fund Balance	\$ 21,776,110	\$ 5,600,976	\$ 27,377,086
Fund balance breakdown			
Remaining on projects at 9/30/2023			
2019 awards	43,228	-	43,228
2020 awards	236,608	-	236,608
2021 awards	1,150,345	-	1,150,345
2022 awards	2,033,283	-	2,033,283
2023 awards	988,943	5,600,976	6,589,919
Remaining on awarded projects at 9/30/2023	\$ 4,452,407	\$ 5,600,976	\$ 10,053,383
Available for future projects at 9/30/2023	17,323,703	-	17,323,703
Ending Fund Balance	\$ 21,776,110	\$ 5,600,976	\$ 27,377,086

On September 30, 2023, the ending fund balance of the combined funds was \$27,377,086. Of that amount, \$10,053,383, has been encumbered for awarded projects as noted by the award year. The remaining \$17,323,703 is available for future projects.

Table 2 provides a breakdown of the first-year projects of the five-year DCE plan, which the County Council approved in March 2023. It includes the amount expended by each project and the amount remaining as of September 30, 2023.

Table 2: DCE Projects, Year 1 of 5-Year Plan

DCE Project Name	Managing Division	Project Amount	Expended During FY 2023	Project Amount Remaining, as of 9/30/2023
Tide & Floral Beach Access Dune Walkover	Coastal	\$ 800,000	\$ 0	\$ 800,000
Cardinal Drive Beach Access Ramp	Coastal	100,000	0	100,000
Lighthouse Point Park Boardwalk Expansion	Coastal	2,500,000	0	2,500,000
Sun & Surf Off-Beach Park	Coastal	500,000	0	500,000
Artificial Reef Environmental Education Exhibit	Environmental	211,000	0	211,000
Living Shoreline Education Exhibit	Environmental	50,000	0	50,000
Lyonia Environmental Ctr. Education Exhibit	Environmental	150,000	0	150,000
Riverbreeze Park Restrooms	Parks	130,000	0	130,000
Spruce Creek Park Restrooms	Parks	30,000	27,690	2,310
Chuck Lennon Tennis Court Resurfacing	Parks	305,000	18,559	286,441
Briggs Fishing Dock	Parks	110,000	0	110,000
Pickleball Courts at Bicentennial Park	Parks	80,000	0	80,000
Doris Leeper Spruce Creek Recreation and Education Plan	Resource Stewardship	690,205	8,980	681,225
Total		\$ 5,656,205	\$ 55,229	\$ 5,600,976

Scope and Methodologies

On January 4, 2024, the County Council approved the 2024 Audit Plan, which included an audit of the ECHO program. Additionally, the November 2020 referendum required an annual audit of the program. The purpose of the audit was to assess, with a reasonable degree of assurance, that the control environment surrounding the ECHO program is based upon sound business processes and ensures that associated activities are conducted efficiently and effectively while maintaining compliance with relevant laws, rules, and regulations. The audit scope included all transactions within the ECHO funds for FY 2023 (October 1, 2022, through September 30, 2023).

Specific audit objectives were:

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

Audit procedures to accomplish these objectives included the following:

- Obtained and reviewed pertinent ordinances, resolutions, policies and procedures, best practices, and other relevant documentation pertaining to the ECHO program.
- Reviewed and understood County internal controls over the ECHO program.
- Interviewed various County staff.
- Reviewed and tested grantee and DCE transactions for compliance with the ECHO program.

A total of \$1,529,960 was expended on 27 projects during FY 2023. Projects were judgmentally selected for testing. Table 3 provides a breakdown of the population and sample selection by category.

Table 3: Test Selection

Category	Total Projects	Total Expenditures	Total Projects Tested	Total Expenditures Tested	% Projects	% Expenditures
Municipalities	6	\$ 1,098,671	6	\$ 1,098,671	100%	100%
Non-profits	8	376,060	8	376,060	100%	100%
DCE	13	55,229	2	46,249	15%	84%
Total	27	\$ 1,529,960	16	\$ 1,520,980	59%	99%

Findings and Recommendations

1. WRITTEN DCE HANDBOOK WILL HELP ENSURE ECHO GOALS ARE MET

The Direct County Expenditure, or DCE, plan approved at the March 7, 2023, County Council meeting provided a conceptual and generalized policy/memo the ECHO Committee and County Council approved. It states that DCE projects must meet the requirements of the ECHO ballot initiatives, states the projects are subject to the annual audit, be listed on the dashboard, and the plan would be updated as needed. Since the DCE projects are separated from the grants-in-aid projects and are recorded in a separate fund, a policy and procedure handbook would provide further clarity and direction to ECHO staff as well as the ECHO stakeholders.

Some of the following components have already been implemented through verbal instruction; however, a formal, written handbook would further strengthen the controls relating to the DCE program. The current memo/policy does not address the following issues:

- Eligibility and criteria of projects and the ranking utilized by staff before presenting the DCE projects to the ECHO Committee and, ultimately, the County Council. For example, the priority of DCE projects compared with the grants-in-aid projects when requests exceed revenue projections.
- Direction on how much, or percentage, of ECHO reserves should be utilized if requested projects exceed revenue forecasts.
- Criteria to evaluate DCE project readiness, i.e., shovel-ready projects versus projects in conceptual or design stage.
- Criteria to prioritize projects that may have other funding or matching grants available to be utilized.
- Criteria to analyze the ongoing operational costs or efficiencies gained by the DCE project.
- The grants-in-aid program requires temporary signage during the construction of the ECHO projects; however, ECHO staff have stated that only permanent signage will be constructed at the DCE projects.
- Reporting requirements such as requiring DCE projects to submit quarterly reports during construction and annual reporting requirements after completion.
- Continual monitoring of the DCE projects similar to the grant-in-aid projects which are performed once every three years unless there is a noncompliance issue.

It is noted that ECHO staff have verbally confirmed that quarterly and annual reporting will be required and they plan on including the DCE projects into their established ECHO project monitoring. However, incorporating these requirements helps ensure the DCE program operates as intended.

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

An effective internal control system includes control activities, which are actions that management establishes through policies and procedures to achieve objectives and respond to risks.

Documenting such policies and procedures also provides a means to retain organizational knowledge and mitigate the risk of having that knowledge limited to a few personnel. It also serves to communicate that knowledge as needed to external stakeholders.

RECOMMENDATION:

Create a handbook for the DCE program providing information to divisions and stakeholders defining roles and responsibilities, definitions, project criteria and evaluation to help ensure projects meet the ECHO goals and that projects are completed on time and on budget.

MANAGEMENT'S RESPONSE:

We agree and are in the process of developing a training program for staff who currently, or may potentially, manage ECHO direct county expenditure projects. The training will include standards of the ECHO program explaining the performance expectations, responsibilities, and project criteria and deadlines.

2. INVESTMENT EARNINGS NOT RECORDED IN DCE FUND FOR FY 2023

\$94,527 of investment earnings were not allocated to the new DCE fund in FY 2023. The County's Chief Financial Officer identified the oversight in March of 2024. While the FY 2023 ledger could not be updated then, the adjustment was made in FY 2024.

A similar finding and recommendation were made in February 2022.³ At that time, the Accounting policy and procedures manual did not contain procedures on who and what staff should be notified of new funds that have been established or when to start prorating investment earnings. The recommendation was to update the manual to include such procedures. Management agreed with the recommendation and stated that a checklist would be created when new funds are established, including the consideration of whether the fund is to be allocated a portion of the County-wide investment earnings.

The most recent Accounting policy and procedures manual does not include procedures for notifying who or what staff should be notified to ensure proper allocation of investment earnings.

RECOMMENDATION:

Update the Accounting policy and procedures manual to include procedures on the notification of staff when new funds are established and if investment earnings should be allocated.

MANAGEMENT'S RESPONSE:

Management agreed and created and implemented a new fund creation form as of October 20, 2023. The new form ensures that appropriate staff sign off on the creation of a fund, including an affirmative determination as to whether the fund should be added to the investment pool for earnings distributions. In addition, a new procedure has been added to the policies and procedures book on the use of the form.

³ Internal Audit 2022-01 Capital Improvement Projects, volusia.org/auditor February 2, 2022.

Appendix

During the March 7, 2023 meeting, the County Council expressed concerns regarding project extensions and the time ECHO projects take from approval to completion. In the last few years, upon comments from prior County Council and ECHO Committee members, staff have changed the ECHO Guidebook to shorten the project timeline. For example, applicants must have project plans approved or completed before submitting a project application. Auditors reviewed data from ECHO projects from inception to 2023 to determine the average years to complete the projects. Table 4 provides, by award year, the number and amount of projects awarded, the average years to complete the projects, and a 5-year rolling average.

Table 4: Average Years to Complete ECHO Projects

Award Year	ECHO Project Award Amounts	Number of ECHO Projects: Completed or In Progress	Average Years: Completed Projects	Average Years: In Progress Projects (9/30/23)	Average Years: Complete & In Progress Projects	5-Year Rolling Average
2002	\$ 2,118,134	7	3.04		3.04	
2003	4,000,200	10	3.20		3.20	
2004	3,908,243	14	3.57		3.57	
2005	2,777,865	13	4.18		4.18	
2006	3,985,782	13	3.10		3.10	3.42
2007	5,975,632	16	2.97		2.97	3.41
2008	7,723,626	21	2.77		2.77	3.32
2009	6,715,101	21	3.33		3.33	3.27
2010	3,389,339	7	3.26		3.26	3.09
2011(a)	0	0				
2012	6,920,078	10	1.55		1.55	2.78
2013	1,555,870	3	0.90		0.90	2.36
2014	3,742,080	14	2.72		2.72	2.35
2015	5,668,178	16	1.80		1.80	2.05
2016	3,223,179	9	3.21		3.21	2.04
2017	1,446,060	6	2.06		2.06	2.14
2018	2,022,477	9	2.39		2.39	2.44
2019 (b)	1,530,218	7	1.69	4.53	2.32	2.36
2020 (b)	2,408,340	10	1.98	3.58	2.09	2.41
2021	4,602,694	10	1.28	1.70	1.45	2.06
2022	2,593,750	6	1.12	1.16	1.15	1.88
2023	1,098,060	2	-	0.56	0.56	1.51
Total	\$ 77,404,906	224	2.76	1.26	2.70	

(a) ECHO projects were not awarded during 2011.

(b) The 2019 and 2020 projects were completed or rescinded within the first few months of FY 2024.

Internal Audit

Our Values and Ethics

Values

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

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

Objectivity. Auditors maintain objectivity in performing services.

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

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

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

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

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

Code of Ethics

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

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

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

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

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

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

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

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

