



Internal Audit

FOLLOW-UP ON 2023 AUDITS

December 31, 2024

Jonathan P. Edwards, CIA, CPFO
123 West Indiana Avenue DeLand, FL 32720
volusia.org/auditor

Table of Contents

Introduction.....	1
Results of 2023 Audits.....	2
2023-01 Charges for Services and Fees	3
2023-02 Environmental, Cultural, Historical, and Outdoor (ECHO) Program, FY 2022	9
2023-03 Volusia Forever Program, FY 2022	9
2023-04 Animal Services: Clinic Operations	10
2023-05 Payroll.....	17

Introduction

Section 2-13(j) in the County Code of Ordinances charges the Internal Auditor with monitoring the implementation of recommendations made and corrective actions taken on prior audit recommendations. This follow-up report contains a breakdown of each audit report issued during calendar year 2023. Table 1 includes 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 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 County 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 the 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	2023	Total	Percentage
Implemented within 1 Year	41	33	54	34	162	82%
Implemented within 2 Years	3	11	4	-	18	9%
In Progress	-	-	-	3	3	2%
Not Implemented	-	6	-	3	9	4%
No Longer Applicable	2	-	-	4	6	3%
Total	46	50	58	44	198	100%

Previous follow-up reports are available on the County's website¹ which documents the status of prior recommendations. The remainder of this report is an update on the status of recommendations given during 2023.

¹ www.volusia.org/auditor

Results of 2023 Audits

During 2023 the following areas were audited:

- 2023-01 Charges for Services and Fees
- 2023-02 ECHO (Environmental, Cultural, Historical, and Outdoor) Program, FY 2022
- 2023-03 Volusia Forever Program, FY 2022
- 2023-04 Animal Services: Clinic Operations *
- 2023-05 Payroll

The audit reports are available on the County's website at volusia.org/auditor. Each audit contained recommendations for improving operations. A total of forty-four recommendations were given in 2023. Table 2 includes a summary of all the recommendations from the 2023 audit reports. Additional information on the status of each recommendation follows.

Table 2: Status of 2023 Audit Recommendations

Status	Recommendations
Implemented	34
In Progress	3
Not Implemented	3
No Longer Applicable	4
Total	44

*The 2023-04 Animal Services 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 Animal Services Audit

“ The report highlighted the tangible impacts of a weak control environment.

The report was thorough, persuasive, and innovative, as well as successful in achieving the adoption of its recommendations.

Graphics and tables placed throughout the report clarified the message and promoted reader engagement.

”

2023-01 Charges for Services and Fees

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

The purpose of the audit was to gain reasonable assurance that internal controls related to assessing, collecting, depositing, and recording fees and charges were operating efficiently, effectively, and in compliance with regulations and policies. The audit scope included all revenue transactions recorded in accounts categorized as either a “charge for service” or a “fee” from fiscal years (FY) 2021, and FY 2022 (or October 1, 2020, through September 30, 2022). The report was released on February 22, 2023. The full report is available on the County’s website.²

The audit found room for improvement as there was no formal revenue policy adopted in accordance with best practices accepted in local government finance. Several terminated and contracted employees were found to have user access, some administrative, to the electronic card processing website. Periodic reviews of user access were not performed, which, if they had been, would have helped to reduce and deter fraud or errors from occurring. Overall, the internal controls that were in place appeared to be working as intended. The recommendations given helped elevate, enhance, and safeguard the County’s revenues. Table 3 provides a summary of the status of the audit recommendations.

Table 3: Status of Prior Audit Recommendations

Status	Recommendations
Implemented	9
In Progress	1
Not Implemented	3
No Longer Applicable	0
Total	13

Finding 1: County Should Adopt Best Practices to Enhance Revenue Policies and Procedures

Recap: The County had not adopted a formal revenue policy in accordance with best practices established by the Government Finance Officers Association (GFOA). The County’s annual budget document includes a page discussing revenue procedures, but it is focused on ad valorem tax, sales tax, utility tax, and pledged revenues. It does not address other revenues such as charges for services, fees, and fines. It also did not address one-time revenues, cost recovery plans, or how often revenues should be updated.

The audit also found that charges for services and fees are not periodically reviewed consistently countywide. Some divisions regularly update the pricing information, while others at the time, had

² 2023-01 Charges for Services and Fees. February 22, 2023. volusia.org/auditor

not updated their fees since 2010. A master fee and rate schedule was not prepared compared to other local governments. The County produces an annual revenue manual. However, the audit found sometimes the amounts listed were inconsistent with the amounts posted on the division websites, potentially causing confusion for the general public. The audit also found additional elements that could be included in revenue documents to assist decision-makers. For example: which fee-supported programs have the highest subsidy costs, how many patrons would be impacted by a fee increase, what are the fiscal impacts of changes to a user fee, and would decreasing the fee increase program equity and increase access or utilization?

Recommendations:

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

Management's Response:

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

5. *We agree that revenue amounts posted to the website should match other documents. We will continue to strive for perfection to ensure information is easy to navigate and consume by the public.*

Current Status:

1. **Not Implemented.** Management agreed to present and discuss a revenue policy with the Council and proceed with the development based on their direction. However, no meeting date had been set to bring a policy forward and no action plan has been created or acted upon.
2. **In progress.** The master fee schedule was included in the FY 2025 budget process, and the County Council acted on some of the fees presented, but they had additional questions on some charges and fees. Those questions are planned to be discussed at a later meeting. A webpage is currently being constructed and planned to go live in late 2024.
3. **Implemented.** Staff presented current fees and recommendations for increases, per Council direction. Staff continue to explore cost-reduction alternatives for service deliveries regularly. Recent examples would include reviewing the service models as VoRide and Transit Services.
4. **Not Implemented.** As noted above, staff disagreed with the auditor's recommendation. However, the recommendation still stands as the information presented does not easily lend itself to evaluating the impact of any policy and/or rate changes. For example, how many patrons would be impacted if this fee change was implemented, which fee-supported programs have the highest subsidy costs, or what are the fiscal impacts of changes to this user fee? Those questions are not easily ascertainable by the information provided to the County Council or the general public.
5. **Implemented.** The Revenue Manual was posted on the County website in early November. Staff make every effort to ensure information is correct across multiple sources and that the information is easy to navigate for the public.

Finding 2: User Accounts In Payment Express System Not Reviewed Periodically

Recap: Numerous terminated employees had system access to the merchant card services website (Payment Express). The County did not have formal policies and procedures regarding periodic review of the access to Payment Express. Payment Express processes all debit and credit card transactions and refunds for all County departments. Of the 39 terminated and contracted employees with access, 3 had administrative rights in the system.

Recommendation:

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

Management's Response:

We agree and have implemented the recommended centralized management of Payment Express users with Treasury and Billing taking the lead. All using departments are still strongly encouraged to

update their users in real-time; however, Treasury and Billing will compare active Payment Express users to personnel records bi-weekly and coordinate any necessary updates with the appropriate department.

Current Status:

Implemented. Every other week, the Budget Director compares a listing of recently terminated employees to the users in Payment Express to ensure terminated employees are removed from the system.

Finding 3: Improvements Needed In Receipt Processing To Enhance Efficiencies and Reconciliations

Recap: Improvements to controls over the reconciliation of credit card transactions and the cash over/short accounts were needed. For example, the Marine Science Center recorded customer payments to a balance sheet account instead of a revenue account. This extra step would require monthly reconciliations, but they were only performed at year-end. Auditors noted 154 transactions that were over/short during FY 2022. 59 of those transactions had an absolute value of \$3.00 over/short.

Auditors also noted it took an average of 13 business days, totaling \$341,189, to be recorded in the County's ledger from the initial transaction. It was noted an average of 9 business days from the bank deposit date to the posting in the County's ledger. It was also noted that division staff prepare and send backup documentation to the Accounting Division to support the revenue receipts collected for the day. However, the backup documentation is stored at the division level, not within the countywide records management system. Doing so would help ensure that the revenue records are maintained according to statutory requirements.

Auditors noted staff at the Strickland Shooting Range did not always enter cash sales into the system immediately. Additionally, patrons were handed prenumbered double-roll raffle tickets in lieu of receipts from the system. As time allowed, the Range Master would enter the sale into the receipting system.

Recommendations:

1. Ensure there are clear and defined reconciliation controls over banking and financial systems. Ensure all significant reconciling items are supported, investigated, and resolved in a timely manner.
2. Develop and implement a revenue control policy setting requirements for timely depositing and posting of revenues to the General Ledger. 3-5 business days from the initial receipt to posting in the General Ledger would be an acceptable requirement.
3. Establish policies and procedures that division staff email revenue transmittal details to the Cash Specialist daily, or, at the least, when the money is deposited.
4. Establish a policy to include an acceptable range of cash over/short before further analysis is needed and requires review and reconciliation of this account.

5. Scan all receipt backup documentation into the County's records database to ensure record retention requirements are being met.
6. Ensure all transactions are recorded in the POS (point-of-sale) systems at the time of sale. Explore options for a small receipt printer to give patrons and remove the double-roll raffle ticket system utilized at the Strickland Shooting Range.
7. Provide training to division staff on the new policy and procedures and the importance of accurate and complete revenue collection.

Management's Response:

1. *We agree yet note that numerous and significant controls over banking and financial systems are already in place. In fact, internal controls are tested and opined upon annually by the County's external auditor, with no significant deficiencies or material weaknesses noted for many years. However, management does agree that the system of controls can be strengthened. As such, the accounting division will adopt a formal account reconciliation timing schedule for account analysis to ensure the timely discovery of variances in certain accounts to which no such schedule previously existed.*
2. *We agree and will create a policy that sets a requirement on the timing of deposits and recording of deposits in the General Ledger. Management notes that some smaller locations might not collect enough transactions to warrant the cost of a daily armored courier pickup (costing approximately \$20 per location per day). In such locations, management has opted for less frequent pickup, which could already use the 3-5 business day recommendation from initial receipt. Therefore, the policy will have both (1) a requirement for maximum days held before deposit and (2) a requirement for the timely recording of revenue in the General Ledger, whereby the recording of revenue in the General Ledger will be based on the number of days from the deposit posting with the bank, not the date of initial receipt.*
3. *We agree and will develop a written policy regarding the timing of when the supporting documents for a deposit (revenue transmittal sheets) will be provided to Accounting from the originating department.*
4. *We agree and will develop a uniform policy requiring (1) the division/department which created the deposit to have division/department management review amounts over or short exceeding a threshold of \$10 per deposit, and (2) a second level of review by the Accounting division for amounts over/short in excess of \$100 per deposit. The Accounting division has already taken steps to segregate the reporting of over/short amounts in the General Ledger, which will soon allow for an automatic notification of amounts to be reviewed when either threshold is exceeded.*
5. *We disagree that records need to be re-scanned into the OnBase records system when these records are already maintained in the department that created the transaction to begin with. Management will recommunicate that the department creating the transaction shall ensure correct retention of all records, whether in the OnBase records management system, or in another system maintained by the department (including a simple electronic file folder in Windows).*
6. *We agree and have already purchased small printers at the Strickland Shooting Range to ensure all transactions are recorded in the POS system at the time of sale. County staff is implementing the changes currently.*
7. *We agree and will communicate any newly developed policies mentioned above.*

Current Status:

1-4. **Implemented.** Upon request by the auditor, a cash management policy was created in September 2024. Accounting staff perform account reconciliations monthly to ensure timely discovery of variances. Auditors performed a random sample of 2024 receipts, and improvements were noted to the number of days between the transaction date, the deposit date, and the general ledger posting date.

5. **Not Implemented.** Management disagreed with this recommendation; however, the recommendation still stands. Scanning backup documentation into the countywide records management system will help ensure records are maintained according to statutory requirements.

6. **Implemented.** Staff at Strickland Shooting Range changed procedures to record transactions at the time of sale. Staff also purchased a small printer and discontinued using the raffle ticket process.

7. **Implemented.** The new policy and procedures were implemented and staff are planning a training session by the end of 2024. The training is planned to become an annual training.

2023-02 Environmental, Cultural, Historical, & Outdoors (ECHO) Program

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

The purpose of the audit was to determine, with a reasonable degree of assurance, that the control environment surrounding the ECHO program is based upon sound business processes and ensures that associated activities are conducted efficiently and effectively while maintaining compliance with relevant laws, rules, and regulations. Audit report 2023-02 was an audit of all ECHO projects completed, in progress, and awarded during FY 2022 (October 1, 2021, through September 30, 2022). The report was released on May 19, 2023. The full audit report is available on the County's website.³

Overall, the audit found that internal controls were operating as intended. No recommendations were given; therefore, no follow-up was required.

2023-03 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. Audit report 2023-03 was an audit of Volusia Forever during FY 2022 (October 1, 2021, through September 30, 2022). The report was released on May 19, 2023. The full audit report is available on the County's website.⁴

Overall, the audit found that internal controls were operating as intended. No recommendations were given; therefore, no follow-up was required.

³ 2023-02 Environmental, Cultural, Historical, and Outdoor (ECHO) Program, FY 2022. May 19, 2023. volusia.org/auditor

⁴ 2023-03 Volusia Forever Program, FY 2022. May 19, 2023. volusia.org/auditor

2023-04 Animal Services: Clinic Operations

The Animal Services Division (VCAS) ensures that animals are valued, protected, and free from cruelty, pain, and suffering. The division consists of two sections: field operations and clinic operations. The clinic operations staff consists of highly skilled veterinarians, vet assistants, and administrative support to provide various services. Those services include sterilization surgery, microchipping, vaccinations, examinations, special events, and life-saving emergency services. VCAS utilizes an animal case management system called Chameleon to assist in these activities, including cashiering.

The purpose of the audit was to determine, with a reasonable degree of assurance, the adequacy of internal controls over the collecting, depositing, and recording of revenues and that the Animal Services Clinic is operating efficiently, effectively, and in compliance with regulations and policies. A fraud scheme performed by a former veterinary assistant was alleged and the audit determined the extent of the fraud scheme and the impact to the County.

The audit scope was November 1, 2019, through December 31, 2022. The report was released on June 9, 2023. The full report is available on the County's website.⁵

The audit found significant room for improvement in internal controls and there was a strong possibility that fraud occurred. The former employee manipulated invoices to benefit her rescue agency and others. The audit found undocumented approvals of charging less than the standard amount of fees resulting in approximately \$26,000 (or 17%) revenue loss to VCAS. Of this, \$10,275 was attributed to benefit her rescue, and \$15,725 was attributed to other customers. The former employee continuously charged prior fees for services after the County Council had increased the fees. Invoices were modified so that services provided to domesticated cats were charged as wild cats (or TNR cats) so that services would populate as a no-charge to escape scrutiny by other VCAS staff. Medical procedures that are not administered by VCAS staff were placed on animal's medical records as services performed when they had not. The audit also found that inventory controls over non-controlled substances and donated goods were lacking. The audit also found the pet licensing program was producing low compliance rates and due to lax controls, the County was at risk that private veterinarians may be underreporting license sales. Table 4 provides a summary of the status of the audit recommendations.

Table 4: Status of Prior Audit Recommendations

Status	Recommendations
Implemented	23
In Progress	0
Not Implemented	0
No Longer Applicable	4
Total	27

⁵ 2023-04 Animal Services: Clinic Operations. June 9, 2023. volusia.org/auditor

Finding 1: Lack of Internal Controls Allowed Alleged Fraud to Continue Unnoticed for Several Years

Recap: A culmination of many factors allowed this alleged fraud scheme to continue unnoticed for several years. Employees were permitted to conduct transactions where a clear conflict of interest existed, there were weak internal controls, and there was a lack of supervisory oversight of daily activities. Employees were inconsistent in the fees charged to customers and oftentimes charged a discounted fee instead of the standard fee, which resulted in approximately \$26,000 of total revenue loss to the County. During the in-depth analysis of transactions, it was noted that: charges were reduced to either zero or the lowest price, treatments were provided on weekends when the clinic was closed, provided leukemia feline tests that are not available in the U.S. or administered by VCAS, coded sterilization procedures on domesticated cats to reduce detection by supervisors, and charged outdated pricing on invoices unless a private grant was paying for the service.

Recommendations:

1. Establish a policy on conflict of interest and procedures that staff disclose potential conflicts and the VCAS Director reviews and maintains these annual disclosures. Procedures should also be included that the VCAS Director avoid placing staff in positions where conflicts may arise, such as issuing invoices to the related party. Provide training to staff on the new policy and procedures.
2. Ensure Council-approved changes are implemented timely and limit the updating of pricing tables and other sensitive tables to an employee who is outside of the normal cashing process.
3. Revise the existing fee schedule to reflect the details of services included in the sterilization bundles so that customers and staff are clear on the correct fees to charge.
4. Implement access controls such as role-based security that ensure functions, including data entry, transaction approval, and reconciling are adequately safeguarded.
5. Create a separate user ID for the director to perform regular day-to-day transactions with limited functions and a separate administrative user ID for performing elevated privileges such as assigning user roles and granting rights.
6. Cross-train staff to be able to assist in every area and be knowledgeable about the current fee schedule. Consider additional training opportunities, whether onsite or through webinars, provided by the Chameleon vendor.
7. Require cashiers to input comments in the proper fields so discounts or any variances from the standard charge is documented and maintained.
8. Input all possible discounts or line items into Chameleon so that invoices reflect why the discount was given.
9. Review daily transactions on the closing reports in Chameleon and require any transactions with discounts or waived charges to be maintained with the daily reports with documented approvals.
10. Establish a policy restricting employees providing services to personal animals on weekends and after hours. Provide training to employees, including new employees.

11. Establish a policy and procedures for revenue collections to be prepared daily and deposited at least three times a week. Implement a revamped spreadsheet that should be compared to the General Ledger reports for a more efficient revenue monitoring process.
12. Establish a policy and procedures for cash and safe management. Require at least two employees to access the safe, maintain a log of who accessed and purpose, and change the safe combination frequently.
13. Install security cameras over cash collection areas as deterrent and detection controls.
14. Establish a policy and procedures for the VCAS Director and Public Protection Director to periodically monitor and benchmark discounts provided.
15. Purchase and utilize a “for deposit only” restrictive stamp and immediately stamp checks upon receiving.
16. If Council directs, consider establishing formal contracts with pet rescues that clearly state the pricing discounts, if any, to avoid confusion.

Management's Response:

1. *We agree and a memo has been drafted to distribute to staff no later than July 1st, 2023 while a conflict-of-interest policy can be crafted. The policy will address disclosure of conflicts-of-interest as well as procedures to avoid creating conflicts and addressing conflicts as they arise.*
2. *We agree; the most recent fee structure that was updated in July 2022 was not immediately implemented to account for appointments that were already scheduled based on an understanding of the prior fee schedule. Moving forward, Animal Services will work to announce potential updates to the fee schedule in a timely manner so that changes can be implemented upon council approval. Alternatively, staff may recommend a fee implementation date 60 days past adoption to allow adequate notice to the public of upcoming fee changes. The process for fee implementation will be clearly documented and communicated to management and staff. Additionally, an individual has been assigned to update the pricing tables in the records management system who is not responsible for handling transactions.*
3. *We agree and the updated fee schedule to reflect the details of services included in the sterilization bundles were added in May 2023 to the records management system (Chameleon).*
4. *We agree, however, the Chameleon software does not allow for role-based security which prevents the software from only allowing certain users to apply discounts. In the absence of this capability, in May 2023 Animal Services implemented a policy regarding how discounts are processed requiring supervisor approval of discounts, documentation regarding the reason for discount, and daily review of discounts as part of the reconciling process.*
5. *We agree, and a separate user ID has been created for the director to perform day-to-day operations and another for administrative functions.*
6. *We agree, and Animal Services has already begun the process of cross training its clinic and administrative staff to assist in every area of clinic operations as they pertain to applying the fee schedule either via services provided or the way services are invoiced. To assist in this training, standard operating procedures have been created for the front desk position and reference guides are*

being updated alongside the updated policies. Further, the fee schedule is now posted at the cash register to ensure staff awareness and compliance.

- 7. We agree, and policies have been implemented in May 2023 that require comments and a daily review of discounts as part of the close-out and reconciling process. The daily review procedure will be incorporated into the standard operating procedures for the clinic as well.*
- 8. We agree, and all possible discounts or line items were added in May 2023 to the Chameleon records system.*
- 9. We agree and daily transactions are now reviewed daily via closing reports in Chameleon. Discounts or waived charges now require supervisor approval or must follow the posted discount schedule. All discounts require a documented reason and daily review.*
- 10. We agree and a memo has been drafted to distribute to staff no later than July 1st, 2023 while a conflict-of-interest policy can be crafted. The policy will address disclosure of conflicts-of-interest as well as procedures to avoid creating conflicts and addressing conflicts as they arise. Particular attention will be given to restricting services provided to personal pets outside of business hours.*
- 11. We agree and Animal Services is currently working to update procedures for revenue collections that will be prepared daily and deposited at least three times a week using the county courier service. Animal Services is also working with the Internal Auditor to revamp the tracking spreadsheet for review to streamline the monitoring process. Additionally, Animal Services will work with Accounting to ensure deposits are regularly compared against the general ledger. A new policy will be drafted to incorporate the updated procedure no later than July 31st, 2023.*
- 12. We partially agree; staff should be monitored when accessing the safe and Animal Services will clarify procedures to maintain a log of access of who accessed the safe and for what purpose. Animal Services has also implemented procedures to change the safe combination frequently. However, it is not practical to require two staff for all activities accessing the safe due to the low number of staff available. Animal Services will install cameras to record all instances of staff accessing the safe as deterrent and detection control.*
- 13. We agree, and Animal Services has begun the process of procuring security cameras over cash collection areas.*
- 14. We agree, and Animal Services will draft a policy no later than July 31st, 2023 for the Animal Services Director and Public Protection Director to periodically review a standard report to monitor and benchmark discounts provided.*
- 15. We agree; Animal Services has always had a "for deposit only" restrictive stamp that is applied to checks before deposit, but it has not been available immediately upon receipt. Additional stamps have been ordered to position at all assignment posts that accept checks.*
- 16. We agree; Animal Services has no special pricing structure currently for pet rescue. If Council directs differential pricing structures for animal rescues in the future, contracts will be established with rescues to clearly state pricing.*

Current Status:

1-16 Implemented. The policies and procedures addressing fees for services, separation of duties, revenue handling, conflict of interest, foster programs, office database (Chameleon), Trap-Neuter-

Release program, and medications have been updated or developed. The policies and procedures are currently in the draft form, pending Legal Department review. In the meantime, memos were signed by every employee, accepting fees for services, shift scheduling, revenue handling, and conflict of interest rules and regulations.

Finding 2: Inventory Controls Over Non-Controlled Substances and Donated Goods Are Nonexistent

Recap: VCAS spent \$84,088 on non-controlled substances during FY 2022 and inventory controls were nonexistent over these medications. VCAS routinely received approximately \$44,000 worth of donated goods from private organizations that were not inventoried or tracked. Additionally, due to lax controls, VCAS staff could enter test procedures and medications that are not VCAS-approved items.

Recommendations:

1. Establish a written policy and procedures covering inventorying of non-controlled substances. Include segregating duties between employees so the same employee is not ordering, receiving, prescribing, and reconciling the substances. If staffing level constraints prevent the ability to properly separate these duties, then management should implement adequate mitigating controls such as documented supervisory review of all orders and documented random inventory verifications.
2. Ensure the inventory is adequately secured to help prevent theft, loss, or misuse of donated goods.
3. Perform physical counts, at least monthly, of substances and compare to the inventory listing to ensure agreement to the financial records. This inventory should be completed by someone outside the process of ordering, receiving, prescribing, or reconciling the substances.
4. Implement controls over updating the listing of all medications and procedures that are used by the VCAS clinic. The Chief Veterinarian and the VCAS Director should document and approve any modifications to the listing.

Management's Response:

1. *We agree, and Animal Services will establish a written policy and procedure no later than July 31st, 2023 to avoid having a single employee order, receive, prescribe, and reconcile non-controlled substances.*
2. *We agree; Animal Services has all drugs housed in a locked drug cabinet that requires privileged access, and the room has a security camera that records when motion is detected. Procedures will be developed no later than July 31st, 2023 to account for non-drug inventory (e.g., clinic supplies, donated goods, etc.).*
3. *We agree; per DEA the responsible party for records/inventory of Schedule II and Schedule III drugs are the responsibility of the person holding the DEA license. The Chief Veterinarian prefers that because this is her license, she should maintain her inventory for inspection purposes with the DEA. Thus, policies and procedures will be developed no later than July 1st, 2023 to ensure another party is responsible for ordering substances so that the Chief Veterinarian may still be responsible for*

inventory. For non-controlled substances, Animal Services will include a procedure to avoid having the same employee order and inventory substances and other equipment.

4. *We agree, and all available drugs are now documented in Chameleon so their use may be documented*

Current Status:

1-4 **Implemented.** Staff organized a functional inventory storage system. All medications, clinic supplies, and other animal care-related inventory items are tracked in Lucity, an asset management software. Every service and medications fields were added to Chameleon, so cashiers do not have a need to modify transactions. Any discounts must be approved by the management and be accompanied by a note, describing the reason for the discount. The cameras were installed over the safe, medications, cash drawers, and the hallways.

Finding 3: License Program Produces Low Compliance Rates & County At Risk for Under-Reported Sales

Recap: The pet licensing program had low compliance rates, which also included the animal control programs administered by the cities within the County. Additionally, lax controls opened the opportunity for veterinarians to under-report sales to the County.

Recommendations:

1. Consider options to increase compliance with the licensure requirement in the ordinance, which could range from increasing promotions; to a countywide program; to a “forever” license approach; or eliminating the requirement due to the advances in technologies and microchipping.
2. Establish a policy and procedures to log and track licenses that are issued to veterinarians and require the veterinarian to submit documentation at least monthly.
3. Ensure the licenses are issued to veterinarians in sequential order to track the sales more efficiently.
4. Compare the sales information provided by the veterinarian to the tracking log to ensure all sales are captured and recorded. Promptly investigate any discrepancies between the records of the selling veterinarian and VCAS.

Management’s Response:

Response for 1-4: We partially agree; VCAS has hosted many events providing free microchipping which has proven more effective for pet reunification with owners than licensure. Animal Services recommends to council that the County of Volusia discontinue the licensing program due to low compliance, complex administrative procedures and workload, and more effective results with other options such as microchipping. Should the Council continue the licensing program, Animal Services will implement additional measures to increase community awareness and compliance as well as policies to more comprehensively track the distribution and sale of licenses.

Current Status:

1-4 **No Longer Applicable**. On May 7th, 2024, the County Council approved Ordinance 2024-13 and removed the requirements for animal licensing in unincorporated Volusia. As an alternative and to increase pet retention and prevent lost pets within the community, Animal Services promotes pet microchipping.

Finding 4: Improvements Needed to Website Reporting on State Required Reporting

Recap: Florida statutes require certain recordkeeping and reporting requirements on animals handled by all public and private animal shelters. It requires certain records for each month for public inspection and dissemination for the 3 preceding years. Of the 12 applicable required reports, 3 were not being met.

Recommendations:

1. Ensure the statutorily required information, such as the euthanasia data, is included in the monthly statistical reporting.
2. Develop a tickler, or a reminder alert, so that staff ensures monthly statistical reports are posted in a timely manner.
3. Reformat the monthly statistical reports to meet not only the statutory requirements, but to provide management reporting that allows comparisons by animal type, by month, and by year.

Management's Response:

1. *We agree, and Animal Services will add this data beginning with the June 2023 report.*
2. *We agree, and Animal Services has developed and implemented a reminder alert to ensure monthly statistical reports are posted in a timely manner.*
3. *We agree, and the statistical reports are currently being updated by Chameleon to assure this is an all-in-one report.*

Current Status:

1-3 **Implemented**. The Animal Services updated the Monthly Statistics report to conform to Florida Statutes 823.15. The reports are published monthly on the County website.

2023-05 Payroll

Payroll administration is a recurring process with a high financial impact and involves two separate areas in the County. The Human Resources Division (HR) and the payroll activity within the Accounting Division. HR staff, among other responsibilities, ensure employees receive the rights and privileges guaranteed by Federal and State employment laws as well as the County Merit Rules. The payroll staff ensures employees are paid in accordance with these laws, rules, and regulations.

The payroll group is responsible for processing the bi-weekly payroll for all employees. Employee benefits are applied during the payroll process. The payroll group is responsible for accurately deducting these benefits and taxes from employees' paychecks and properly releasing the payments to the proper authorities and others. Total employee wages and benefits were \$188,421,747 in 2021 and \$199,752,341 in 2022.

The purpose of the audit was to assess the design and effectiveness of internal controls over the payroll activity and related processes and the County's compliance with employment laws and applicable County policies and procedures. The audit scope included payroll processing for all County employees during calendar year 2021 and calendar year 2022. The report was released on November 27, 2023. The full report is available at volusia.org.⁶

The audit found the County provides timely and accurate payroll services to County employees and the various agencies and vendors who receive payments and reports generated throughout payroll processing. Overall, the internal controls that are in place appear to be working as intended in this mature activity. The recommendations given helped elevate, enhance, and safeguard the County's payroll administration. Table 5 provides a summary of the status of the audit recommendations.

Table 5: Status of Prior Audit Recommendations

Status	Recommendations
Implemented	2
In Progress	2
Not Implemented	0
No Longer Applicable	0
Total	4

Finding 1: Payroll Liability Balance Sheet Accounts Are Not Always Reconciled In a Timely Manner

Recap: 12 of the 18 payroll liability balance sheet accounts are not reconciled on at least a monthly basis. The payroll section is responsible for timely and accurate submissions of federal withholding taxes, retirement deductions, vendor payments, and other related transactions such as child support garnishments and health insurance. While the general process is straightforward, there are typically changes throughout the pay cycle that impact employee withholdings and deductions. When these changes occur, it may leave an outstanding balance in the payroll liability account. The

⁶ 2023-05 Payroll. November 27, 2023. volusia.org/auditor

documented policies and procedures for payroll staff did not contain steps for the reconciliation of these payroll liability accounts.

Recommendation:

Establish reconciliation procedures in the accounting handbook to also include the responsible party and how often payroll liability accounts should be reconciled. Reconciliations should be performed at least monthly so that any correcting entries can be made timely.

Management's Response:

We agree and while not currently a written policy, it has been an internal unwritten standard in the accounting division that payroll liabilities be reconciled monthly. During the past several years, unusually high staff turnover in the accounting division has hampered the ability of staff to meet the monthly standard. However, the liabilities have been recorded annually in conjunction with the annual external audit. In addition, staffing has stabilized over the past year, and are being trained to complete much of their jobs, including the regular performance of monthly reconciliations.

Current Status:

Implemented. Upon request by the auditor, a payroll liability policy was created in September 2024.

Finding 2: Holiday Pay Is Not Consistently Applied

Recap: The County paid an additional \$33,314 of holiday pay benefits to certain employees due to an inconsistent application of the holiday pay policy. In an effort to attract and retain employees, the County started offering alternative work schedules. According to the County Merit Rules a holiday is a paid day off irrespective of scheduled hours and that employees receive holiday pay for all scheduled hours which would have been worked if not for the holiday. Traditionally, 8 hours would be added for the holiday and multiplied by the employee's hourly rate to determine the amount of holiday benefit. However, with alternative work schedules, some employees work 9 or 10 hour days, and the holiday pay hours were not adjusted to consider the alternative work schedule. It was noted the employees did not adjust their work schedule during a holiday week. The audit compared 2 employees earning \$50,000 a year with one working 8-hour days and the other 10-hour days. The 10-hour day person, for the year, would earn \$480.80 more than the 8-hour employee.

Recommendation:

Update the County Merit Rules and policies to address alternative work schedules so that the holiday benefit is consistently and fairly applied to employees.

Management's Response:

We disagree. It is noted in the report that holiday pay is paid time off provided to the employees similar to personal leave. It is noted that personal leave is provided at the same rate for 10-hour employees as it is for 8-hour employees; however, when 9 or 10 hour employees use personal leave, they have to use 9 or 10 hours for one leave day.

While a 10-hour employee may receive two additional hours for holidays, they also have to use two additional hours for personal leave days. We believe this is a wash. If we moved employees as suggested to 8-hour holidays with an option to use 2 personal leave hours to make up the additional two hours, employees on a 10 hour shift would have to use 12 hours of personal leave during a week where a holiday and personal leave day may occur versus an employee who works 8-hours that would take the same time, but only have to use 8 hours of personal leave.

Current Status:

In progress. Management disagreed with the recommendation as noted above; however, the recommendation still stands as consistent and fair policies regarding holiday pay should be addressed in the Merit Rules. Staff are currently working to update the County Merit Rules and pay policies and this topic will be addressed.

Finding 3: Annual Employee Performance Evaluations Are Not Consistently Performed By Supervisors

Recap: Annual employee performance evaluations were not consistently performed on an annual basis as required by the County Merit Rules. 57% of employees were either past-due or had never received an evaluation during their employment. 43% of the evaluations were conducted on time (within the month due). Each month, HR staff provided a listing to directors of staff that had evaluations due for the month; however, there was no monitoring or enforcement to verify evaluations were done timely.

Recommendation:

Establish monitoring procedures to ensure employee evaluations are performed on at least an annual basis in accordance with the County Merit Rules.

Management's Response:

We agree evaluations need to be done on a more consistent basis. However, we note that several directors across the county department and divisions have been a part of the evaluation committee to redesign the evaluation system. The system is based on a year long project defining the values of Volusia County government and is in the process of being rolled out. The rolling out an evaluation system with fidelity is of paramount importance. Ensuring employees understand the values, the importance of goal setting and the new instrument is a top priority. As a part of the process, a county-wide more streamlined timeframe for completion of evaluations is being implemented across the organization. We are confident that the new evaluation tools/process will provide valuable feedback to our employees.

Current Status:

Implemented. The redesigned employee performance evaluations and related training were rolled out in the spring of 2024. The evaluations are based on the Volusia County Values of Service, Excellence, and Integrity. The form is completed by the employee and their supervisor based on demonstrated job-related behaviors during the evaluation period and future opportunities and goals. The Human Resources Activity Project Manager reviews every evaluation for consistency before filing

it into the system and works with the department directors to ensure the forms are completed on time. However, the Human Resources staff did not start tracking the evaluation submittals until the summer of 2024. Due to this, the auditor is unable to provide analysis on the completion rate.

Finding 4: Professional Certification Incentive Program Can Be Enhanced for Fairness and Consistency

Recap: Business Services, Finance, and HR departments provided professional certification pay for employees who obtain one or more professional certifications that demonstrate a standard of competency in their profession. Auditors reviewed all 34 employee's files to ensure the policies were being followed with no issues noted. However, the audit found the program could be improved by including a monitoring mechanism, highlighting it on the County's HR website or intranet, address the possibility of employees transferring to another department, and expanding the program to similar positions outside of Business Services, Finance, and HR.

Recommendation:

Update the professional certification achievement incentive program to address the issues identified, such as incorporating formal monitoring procedures to ensure employees maintain their certification and communicating the program to eligible employees.

Management's Response:

We agree that certification pay varies across divisions/departments and disciplines. Part of the reason for the variance is the differences between hourly and salaried employees regarding the implementation of certification pay. We have and continue to pull certification spreadsheets to have departments/divisions validate whether individuals still maintain the certifications in the system; this is done annually. In many areas, there are written requirements for certifications and rates that employees sign; there are memos addressing certification pay for other areas. There is not, however, a formal policy. We will work with department/division leadership to develop a comprehensive certification policy/procedure document.

Current Status:

In Progress. The Human Resources Director stated a revamp of the Merit Rules and the Human Resource Handbook is currently in draft form for approval later in 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.

