

**PASCO COUNTY, FLORIDA**

Reports Required by OMB Circular A-133 and  
Chapter 10.550, *Rules of the Auditor General*

September 30, 2007

# PASCO COUNTY, FLORIDA

## Table of Contents

	<b>Page</b>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1
Schedule of Findings and Responses	3
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and <i>Rules of the Auditor General</i>	9
Schedule of Expenditures of Federal Awards and State Financial Assistance	12
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	18
Schedule of Findings and Questioned Costs	19

**Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

Distinguished Members of the  
Board of County Commissioners  
Pasco County, Florida:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pasco County, Florida as of and for the year ended September 30, 2007, which collectively comprise Pasco County, Florida's basic financial statements and have issued our report thereon dated April 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Pasco County, Florida's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pasco County, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pasco County, Florida's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2007-1 through 2007-5 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of internal control over financial reporting

was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2007-5 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pasco County, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Pasco County in a separate letter dated April 28, 2008.

Pasco County, Florida's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Pasco County, Florida's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Pasco County, Florida Board of County Commissioners, management, others within the organization, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

April 28, 2008  
Certified Public Accountants

**PASCO COUNTY, FLORIDA**  
Schedule of Findings and Responses  
September 30, 2007

**EMS Ambulance Billing – 2007-1**

***Criteria***

Receivables should be recognized at the time services are provided. Additionally, at the entity wide level, receivables should be recorded at their net realizable fair value. Revenues should be recorded on either the modified accrual (general fund) or full accrual (entity wide) basis in accordance with generally accepted accounting principles (GAAP).

***Condition***

As noted in prior years, currently the County records revenue related to EMS activity on a cash basis; and while the County does properly record the uncollected portion of billings as a receivable, the County considers the entire outstanding receivable to be uncollectible for financial statement purposes. For proper reporting in accordance with GAAP, revenues should be recorded at the time the services are provided versus the time they are collected. In the general fund, an analysis should be performed at year end to determine any such amounts which are not collected within the County's defined period of availability of 60 days. Such amounts should then be deferred. Additionally, while there are uncollectible outstanding accounts receivable at any period end, the County should at least annually perform a review of such outstanding balances and determine a reasonable amount which should be established as a reserve for uncollectible balances.

Additionally, during 2007, the County encountered significant issues in implementing the new EMS billing application system, which impacted their ability to timely process billings for services provided. At September 30, 2007, the County was approximately four to five months behind in billing for EMS services.

***Context***

Revenues recognized in the general fund and related governmental activities on a cash basis during 2007 amounted to approximately \$7,800,000. A passed audit difference was identified to increase accounts receivable by approximately \$1,200,000 for estimated collectible outstanding balances.

***Effect***

Revenues are recognized on a cash basis of accounting versus an accrual basis; accordingly, revenues could be over/under stated depending on the timing of cash receipts and billings in a given fiscal year.

***Cause***

Given the immateriality of the amounts and the implementation of a new billing system in 2007, no changes have been made to the County's accounting procedures since the adoption of GASB Statement No. 34.

**PASCO COUNTY, FLORIDA**  
Schedule of Findings and Responses  
September 30, 2007

***Recommendation***

Given the implementation of the new EMS billing system October 1, we recommend the County review its existing procedures to determine what changes can be made to ensure information is provided to properly record EMS activity in accordance with GAAP. Additionally, the County should ensure that billings are sent on a timely basis and that revenues are properly recorded in the fiscal period during which the services are provided.

***Management's Response***

In an effort to establish receivables for ambulance bills and the related reserve for uncollectible balances, management will explore establishing a new special revenue fund to remove EMS from the general fund beginning with fiscal year 2009-10.

**Accounting for Developer Agreements and Related Impact Fees – 2007-2**

***Criteria***

Government Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* (GASB 33), states that governments should recognize assets from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. All imposed nonexchange revenues should be recognized in the same period that the assets are recognized unless the enabling legislation includes time requirements. Impact fees revenue is classified as an imposed nonexchange transaction.

***Condition***

The County has historically recorded impact fee revenues as unearned revenues until the County has met all restrictions of the enabling legislation related to the fee.

Pasco County has several developer agreements, each with a unique set of terms and conditions. We made several corrections during the prior year to properly record the activity associated with these agreements. Such corrections included recording land donated by developers in lieu of payment of impact fees, eliminating the recording of expenditures by the County when the County was not actually incurring such expenditures, and recording receivables for impact fees which are currently enforceable but are uncollected at fiscal year end. The County has corrected the process of recording collections with some developer agreements but has not developed specific procedures to ensure that, based on the condition of the agreement and of the related construction, the appropriate accounting entries are made to record any assets and revenue associated with the agreement.

***Context***

The County continues to enter into new agreements with developers as well as has existing agreements that are in various stages of the development life.

**PASCO COUNTY, FLORIDA**  
Schedule of Findings and Responses  
September 30, 2007

***Effect***

There was a significant amount of audit effort expended to follow up with various County personnel in order to determine the status of various developer agreements and whether related activity was accounted for properly.

***Cause***

Clarification of this accounting treatment was discussed with the County during the fiscal year 2006 audit. However, given the timing of that discussion, the County did not have ample opportunity to fully revise its procedures to address all of the issues identified.

***Recommendation***

Given the increasing development activity throughout the County over the past several years as well as the continued expected increase, we suggest the County establish specific procedures to include a review of each of the significant developer agreements as they are being entered into to ensure that they are being accounted for properly. Additionally, the County should review the current mechanisms to monitor expenditures of impact fees received to determine whether it should be revised for the corrections noted above.

***Management's Response***

Management agrees that specific procedures will be established to review all developer agreements to ensure proper accounting. The County will also examine the procedures needed to monitor impact fees.

**Self-Insurance IBNR Reserve – 2007-3**

***Criteria***

Incurred but not recorded liabilities associated with the County's self-insurance programs related to workers' compensation and general and auto liability coverages must be recorded.

***Condition***

The County did not obtain a third-party actuarial review of their self-insurance activity for workers' compensation and general and auto liability exposures for the fiscal year ended September 30, 2007. As a result, the liability was understated by approximately \$2.1 million.

***Context***

The County maintains self insurance reserves of approximately \$10.3 million related to its general, auto, and workers' compensation coverages.

***Effect***

An audit adjustment in the amount of \$2.1 million was recorded to increase the outstanding liability at September 30, 2007.

**PASCO COUNTY, FLORIDA**  
Schedule of Findings and Responses  
September 30, 2007

***Cause***

The County had not performed an internal analysis, nor had utilized a third-party actuary to evaluate the adequacy of the liability related to incurred but not reported claims.

***Recommendation***

Develop internal procedures to evaluate and record the outstanding self-insurance liability on an annual basis. Additionally, have such liabilities tested periodically, preferably bi-annually, through the use of a third-party actuary.

***Management's Response***

Management's opinion is that the third-party actuarial study that has been performed every three years is sufficient. The County, when fiscally possible, will recognize additional liabilities in the interim years to offset the next regularly scheduled IBNR study results.

**Developer Contributed Roadways – 2007-4**

***Criteria***

GASB 33 states that governments should recognize assets from imposed nonexchange transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. All imposed nonexchange revenues should be recognized in the same period that the assets are recognized unless the enabling legislation includes time requirements. Impact fees revenue is classified as an imposed nonexchange transaction.

***Condition***

The County does not require developers to provide support for the costs incurred associated with the construction of contributed roadways. Accordingly, in order to estimate the value of these infrastructure assets, the County utilized an estimated fair market value based on assumptions which are not current.

***Context***

The County utilized an average cost per lane mile that was developed during the year ended September 30, 2006 to value the cost of donated roads during the year ended September 30, 2007.

***Effect***

A passed audit difference was identified to increase the value of donated roads by approximately \$6.0 million at September 30, 2007.

***Cause***

The County had not performed an internal analysis to determine the reasonableness of using the 2006 cost per lane mile in relation to 2007 activity.

**PASCO COUNTY, FLORIDA**  
Schedule of Findings and Responses  
September 30, 2007

***Recommendation***

The County should request that developers provide support and cost breakdowns associated with contributed roads or obtain independent third-party appraisals to ensure contributed infrastructure assets are properly recorded at fair market value.

***Management's Response***

It is not practical to require such information from developers. The County will use the amounts reported in the performance bonds. If a performance bond is not required, the County will develop a schedule of values for components of construction to estimate the value of contributed roadways.

**SHIP/HOME and CDBG Notes Receivable – 2007-5**

***Criteria***

At the entity wide level, the County should be recording notes receivables related to the SHIP, HOME and CDBG programs at their net realizable fair value.

***Condition***

Under the modified accrual basis of accounting, the County considers the entire outstanding notes receivable related to the SHIP, HOME and CDBG programs to be uncollectible for financial statement purposes. In the fund level statements, for proper recording in accordance with GAAP, an analysis should be performed at year end to determine any such amounts which are not collected within the County's defined period of availability of 60 days. Such amounts should then be deferred. Additionally, at the entity wide level outstanding balances should be analyzed at least annually to determine a reasonable amount that should be established as a reserve for uncollectible balances.

***Context***

The County has outstanding loans related to its various housing related activities of approximately \$37.6 million. In the fund financial statements, such amounts are properly recorded and are offset by an equal amount of deferred revenue; however, no adjustment has historically been made at the entity-wide level to record the outstanding loans at their net realizable value.

***Effect***

An audit adjustment was recorded to record the estimated net realizable value of these outstanding loans of approximately \$37.6 million at September 30, 2007.

***Cause***

While the housing department maintains a detail inventory of outstanding loans and their status on an annual basis, such information was not obtained or analyzed in preparing the County's financial statements.

**PASCO COUNTY, FLORIDA**  
Schedule of Findings and Responses  
September 30, 2007

***Recommendation***

We recommend the County review its existing procedures to determine what changes can be made to ensure information is provided by the appropriate department to properly record loan activity in accordance with GAAP.

***Management's Response***

Management will examine the existing procedures related to the recording and accounting for notes receivable.

**Report on Compliance with Requirements Applicable to Each Major  
Program and on Internal Control Over  
Compliance in Accordance with OMB Circular A-133 and  
*Rules of the Auditor General***

Distinguished Members of the  
Board of County Commissioners  
Pasco County, Florida:

**Compliance**

We have audited the compliance of Pasco County, Florida with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, and the requirements described in the Executive Office of the Governor's *State Projects Compliance Supplement* that are applicable to each of its major federal programs and state projects for the year ended September 30, 2007. Pasco County, Florida's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of Pasco County, Florida's management. Our responsibility is to express an opinion on Pasco County, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about Pasco County, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Pasco County, Florida's compliance with those requirements.

In our opinion, Pasco County, Florida complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 or Chapter 10.550, *Rules of the Auditor General*, and which are described in the accompanying schedule of findings and questioned costs as items 2007-6 through 2007-17.

## **Internal Control over Compliance**

The management of Pasco County, Florida is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered Pasco County, Florida's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pasco County, Florida's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

## **Schedule of Expenditures of Federal Awards and State Financial Assistance**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pasco County, Florida as of and for the year ended September 30, 2007, and have issued our report thereon dated April 28, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Pasco County, Florida's basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Pasco County, Florida's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Pasco County, Florida's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of Pasco County, Florida, the Board of County Commissioners, others within the organization, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

June 30, 2008  
Certified Public Accountants

**PASCO COUNTY, FLORIDA**

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended September 30, 2007

Federal/State Grantor/Pass-Through Grantor	CFDA/ CSFA	Contract amount	Grant ID No.	Expenditures
U.S. Department of Agriculture:				
Passed through Area Agency on Aging:				
Elderly nutrition	10.570	\$ 132,609	EU006-PA	\$ 90,223
National School Lunch Program – A.S.D.P. Commodities	10.555	None	None	3,382
Total U.S. Department of Agriculture				<u>93,605</u>
U.S. Department of Housing and Urban Development:				
Community Development Block Grant	14.218	2,935,000	B04-UC-120009	1,700,359
Community Development Block Grant	14.218	2,815,360	B05-UC-120009	1,597,248
Community Development Block Grant	14.218	2,565,682	B06-UC-120009	492,521
Community Development Block Grant	14.218	None	Program Income	665,160
Officer Friendly Grant	14.218	112,130	None	112,130
Total program				<u>4,567,418</u>
Emergency shelter	14.231	107,349	B05-UC-120017	14,188
Emergency shelter	14.231	107,349	B06-UC-120017	99,556
Total program				<u>113,744</u>
Home Investment Partnership program	14.239	1,137,565	M03-UC-120216	62,677
Home Investment Partnership program	14.239	1,143,636	M04-UC-120216	791,409
Home Investment Partnership program	14.239	1,039,285	M05-UC-120216	936,064
Home Investment Partnership program	14.239	964,201	M06-UC-120216	685,973
Home Investment Partnership program	14.239	None	Program Income	790,477
Total program				<u>3,266,600</u>
Public and Indian Housing Drug elimination program	14.854	50,000	None	47,457
Total U.S. Department of Housing and Urban Development				<u>7,995,219</u>
Election Assistance Commission:				
Passed through State of Florida DOS Division of Elections				
Help America Vote Act	90.401	77,458	MOA	31,668
Election Reform Payments	39.011	645,699	MOA	645,699
Total Election Assistance Commission				<u>677,367</u>
U.S. Department of Justice:				
Passed through Florida Department of Law Enforcement				
Byrne Grant – Multi Jurisdictional Task Force	16.579	117,396	07-JAGC-PASC-1-P3-205	117,396
Byrne Grant – Clerk	16.579	40,524	06-JAGC-PAS1M8037	30,378
Online Crimes vs. Children	16.579	1,774	None	234
Total program				<u>148,008</u>

**PASCO COUNTY, FLORIDA**

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended September 30, 2007

Federal/State Grantor/Pass-Through Grantor	CFDA/ CSFA	Contract amount	Grant ID No.	Expenditures
Passed through Florida Office of Attorney General: Crime Victim Assistance	16.575	\$ 34,685	V6023	\$ 34,685
Total program				<u>34,685</u>
Direct program:				
Gang Resistance Education and Training (G.R.E.A.T.)	16.737	78,757	2007-JV-FX-0168	566
COPS 2005 Technology	16.710	246,661	2005CKWX0072	242,081
Secure Our Schools	16.710	116,070	2005CKWX0514	116,070
Drivers License Swipe	16.710	148,084	2006CKWX0105	25,023
Total program				<u>383,174</u>
STOP Violence vs. Women	16.588	144,422	LN023	94,823
I/M Transportation/Crime Prevention	16.738	142,356	05-DJ-BX-0232	26
Auto Vehicle Locators	16.738	84,120	06-DJ-BX-0073	84,120
Total program				<u>84,146</u>
SCAAP	16.606	115,619	various	45,588
Bulletproof Vest Program	16.607	115,329	06BOBX05027484	29,288
Federal Equitable Sharing	16.000	None	None	236,460
Total U.S. Department of Justice				<u>1,056,738</u>
U.S. Fish and Wildlife Services:				
Artificial Reef	15.605	60,000	FWC 06115	60,000
Total U.S. Fish and Wildlife Services				<u>60,000</u>
U.S. Department of Transportation:				
Passed through Florida Department of Transportation				
Highway training and education grants:				
Metropolitan Planning Organization	20.205	667,008	A5208	337,346
Passed through Pinellas County MPO:				
Urban Mass Transportation Technical Studies:				
Grant MPO Section 5303	20.505	70,216	ANP74	54,108
Direct program:				
Federal Transit Cluster Program:				
Urban Mass Transportation Capital Investment Grant	20.500	82,389	FL-03-0292	82,389
Urban Mass Transportation Capital Investment Grant	20.500	1,039,500	FL-04-0005	1,039,500
Urban Mass Transportation Capital and				
Operating Assistance Formula Grant	20.507	1,770,953	FL-90-X564	806,427
Urban Mass Transportation Capital and				
Operating Assistance Formula Grant	20.507	961,688	FL90-X477	47,443

**PASCO COUNTY, FLORIDA**

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended September 30, 2007

Federal/State Grantor/Pass-Through Grantor	CFDA/ CSFA	Contract amount	Grant ID No.	Expenditures
Urban Mass Transportation Capital and Operating Assistance Formula Grant	20.507	\$ 942,048	FL90-X540	\$ 140,868
Urban Mass Transportation Capital and Operating Assistance Formula Grant	20.507	990,654	FL90-X502	25,744
Total Federal Transit Cluster Program				<u>2,142,371</u>
Passed through Florida Department of Transportation: Public transportation system – operating assistance	20.509	434,510	ANP-08	124,231
Total program				<u>124,231</u>
Total U.S. Department of Transportation				<u>2,658,056</u>
National Highway Traffic Safety Administration: Passed through Florida Department of Community Affairs:				
DOT Operation Race Track	20.605	50,613	SC-07-13-07	48,815
DOT Traffic Analyst	20.605	39,280	TR-07-09-04	39,251
Total National Highway Traffic Safety Administration				<u>88,066</u>
U.S. Department of Homeland Security:				
Hazard Mitigation	97.039	143,671	06HM-4@08-61-01-009	124,503
Hazard Mitigation	97.039	143,671	06HM-4@08-61-01-012	103,002
Hazard Mitigation	97.039	119,867	06HM-4@08-61-01-020	272
Hazard Mitigation	97.039	324,270	06HM-4@08-61-01-021	286,528
Hazard Mitigation	97.039	89,665	06HM-4@08-61-01-022	73,422
Hazard Mitigation	97.039	85,973	06HM-4@08-61-01-023	80,893
Hazard Mitigation	97.039	123,885	06HM-4@08-61-01-024	114,180
Hazard Mitigation	97.039	159,613	06HM-4@08-61-01-025	146,334
Total program				<u>929,134</u>
Passed through Florida Department of Community Affairs:				
Homeland Security	97.004	66,567	07-DS-5N-08-61-01-229	51,037
Homeland Security	97.004	12,875	07-DS-5N-08-61-01-228	199
Homeland Security	97.004	112,687	08-DS-60-08-61-01-203	7,825
Total program				<u>59,061</u>
Passed through United Way Phase XXIII	97.024	7,350	None	2,938
Passed through United Way Phase XXIII	97.024	5,263	None	4,886
Passed through United Way Phase XXIII	97.024	6,470	None	6,470
Total program				<u>14,294</u>
Citizens Corps Grant	97.042	55,023	07BG04086101290	55,023
Total U.S. Department of Homeland Security				<u>1,057,512</u>

**PASCO COUNTY, FLORIDA**

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended September 30, 2007

Federal/State Grantor/Pass-Through Grantor	CFDA/ CSFA	Contract amount	Grant ID No.	Expenditures
Federal Emergency Management Agency:				
Direct programs:				
Flood Mitigation	83.536	\$ 117,168	05-FM-65-08-61-01	\$ 8,788
Total Federal Emergency Management Agency				<u>8,788</u>
U.S. Department of Health and Human Services:				
Direct programs:				
Aging Cluster Program:				
Project Title III B Transportation	93.044	223,638	OAA-EA007-PASCO-TRANSPORT	157,053
Project Title III B Transportation	93.044	216,030	OAA-EA006-PASCO-TRANSPORT	58,340
Elderly nutrition title III CI & C2	93.045	682,824	EA006-PASCO NUTRITION	1,281
Elderly nutrition title III CI & C2	93.045	685,579	EA007-PASCO NUTRITION	634,192
Total Aging Cluster Program				<u>850,866</u>
Passed through Florida Department of Revenue:				
Child support enforcement	93.563	per unit	CC351	375,180
Total program				<u>375,180</u>
Passed through Area Agency on Aging:				
Emergency home energy	93.568	42,254	EP007-PASCO	31,554
Emergency home energy	93.568	49,364	EP006-PASCO	49,344
Total program				<u>80,898</u>
Passed through Department of Children and Families:				
Temporary Assistance for Needy Families	93.558	per unit	QJZ62	639,881
Social Services Block Grant	93.667	per unit	QJZ62	477,887
Total U.S. Department of Health and Human Services				<u>2,424,712</u>
Total expenditures of federal awards				\$ <u>16,120,063</u>
Department of Environmental Protection:				
Lake Lisa Park	37.017	200,000	F6019	\$ 6,851
Passed through Southwest Florida				
Water Management District:				
Water Reservoir Land O Lakes	37.039	1,987,834	H305	1,987,834
Lake Conley Watershed	37.049	135,534	S0093	41,610
Transmission Storage	37.033	216,632	L270	216,632
Total Department of Environment Protection				<u>2,252,927</u>

**PASCO COUNTY, FLORIDA**

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended September 30, 2007

Federal/State Grantor/Pass-Through Grantor	CFDA/ CSFA	Contract amount	Grant ID No.	Expenditures
Department of State, Division of Library, and Information Services:				
State Aid to Libraries	45.030	\$ 345,792	04-ST-59	\$ 281,702
PCLC State Aid	45.030	20,914	04-ST-59	16,157
Total Department of State, Division of Library, and Information Services				<u>297,859</u>
Department of Community Affairs:				
Emergency Management Preparedness and Assistance Trust Fund Agreement	52.008	102,959	07BG04086101290	102,959
Regional Hurricane Shelter	52.010	5,348,575	07-CP-5M-08-61-0	39,368
Hazardous Materials Emergency Planning	52.023	6,383	06-CP-11-08-61-01-144	6,636
Residential Construction Mitigation				
Mobile Home Tie-Down	52.016	250,000	01-RC-11-08-61-01-009	18,391
State Housing Initiative Partnership	52.901	2,807,898	M01-UC-14-0216	96,825
State Housing Initiative Partnership	52.901	2,838,668	M01-UC-15-0216	2,838,668
State Housing Initiative Partnership	52.901	3,765,231	M01-UC-16-0216	14,507
State Housing Initiative Partnership	52.901	None	Program Income	4,143,806
Total program				<u>7,093,806</u>
Total Department of Community Affairs				<u>7,261,160</u>
Department of Transportation:				
Transportation Disadvantaged Trip and Capital	55.001	846,923	BDA99	846,923
Transportation Disadvantaged Trip and Capital	55.001	475,270	AOG39	475,270
Transportation Disadvantaged Trip and Capital	55.001	535,029	AOT88	133,757
Total program				<u>1,455,950</u>
Transportation Disadvantaged Planning Grant	55.002	24,759	AOG34	24,759
Transportation Disadvantaged Planning Grant	55.002	24,253	AOR97	6,419
Total program				<u>31,178</u>
County Incentive Grant Program – Row SR 54/Magnolia-Oakley	55.008	5,119,335	AL-313	793,255
Transit Block Grant	55.010	1,288,974	AN-026	563,307
Transit Service Development Program	55.013	353,459	ANS-93	276,368
Transit Service Development Program	55.013	150,000	AO875	133,732
US 19 Urban Corridor Program	55.013	935,000	AND-09	300,000
Total program				<u>710,100</u>
Total Department of Transportation				<u>3,553,790</u>
Department of Children and Families:				
Homeless Challenge Grant	60.014	82,500	QFZ58	60,000
Total Department of Children and Families				<u>60,000</u>

**PASCO COUNTY, FLORIDA**

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended September 30, 2007

<u>Federal/State Grantor/Pass-Through Grantor</u>	<u>CFDA/ CSFA</u>	<u>Contract amount</u>	<u>Grant ID No.</u>	<u>Expenditures</u>
Department of Health:				
EMS Matching Grant Program	64.003	\$ 51,303	M5008	\$ 22,000
EMS Pre-Hospital Emergency Medical Service	64.005	107,221	C3051	<u>79,250</u>
Total Department of Health				<u>101,250</u>
Fish and Wildlife Conservation Commission:				
Boating Safety and Education	77.027	None	N/A	<u>39,715</u>
Total Fish and Wildlife Conservation Commission				<u>39,715</u>
Department of Juvenile Justice:				
High Risk Youth	80.022	188,154	X1166	62,718
Juvenile Assessment	80.020	759,180	X1307	<u>258,517</u>
Total Department of Juvenile Justice				<u>321,235</u>
Total expenditures of state financial assistance				<u>\$ 13,887,936</u>

See accompanying notes to the schedule of expenditures of federal awards and state financial assistance.

**PASCO COUNTY, FLORIDA**

Notes to Schedule of Expenditures of Federal Awards  
and State Financial Assistance

Year ended September 30, 2007

**(1) Basis of Presentation**

The accompanying schedule of expenditures of federal awards and state financial assistance (Schedule) includes the federal and state grant activity of Pasco County, Florida, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and Chapter 215.97, *Florida Statutes*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**(2) Loans Outstanding**

Pasco County, Florida had the following loan balances outstanding at September 30, 2007. The current year additions related to the loans are included in the Schedule of Federal Awards and State Financial Assistance as expenditures.

<u>CFDA/CSFA #</u>	<u>Program</u>	<u>Amount</u>
14.218	Community Development Block Grant	\$ 486,744
14.239	HOME Investment Partnership Program	11,746,933
52.901	State Housing Initiatives Partnership (SHIP) Program	24,580,312
		<u>\$ 36,813,989</u>

**(3) Subrecipients**

Of the federal and state expenditures presented in the Schedule, Pasco County, Florida provided awards to subrecipients as follows:

<u>CFDA #</u>	<u>Program</u>	<u>Amount provided to subrecipients</u>
14.218	Community Development Block Grant	\$ <u>990,826</u>

**PASCO COUNTY, FLORIDA**

Schedule of Findings and Questioned Costs

Year ended September 30, 2007

**(1) Summary of Auditors' Results**

- (a) An unqualified opinion was issued on the basic financial statements.
- (b) There was one material weakness identified by the audit of the basic financial statements.
- (c) There were five significant deficiencies identified by the audit of the basic financial statements.
- (d) There was no noncompliance which is material to the basic financial statements:
- (e) There were no material weaknesses identified in the internal control over major federal programs or state projects. There were no reported significant deficiencies in internal control over major federal programs or state projects.
- (f) An unqualified opinion was issued on compliance for the major federal programs and state projects.
- (g) There were eight findings relative to the major federal programs and four findings relative to the major state projects.
- (h) Major programs:

Federal programs:

U.S. Department of Housing and Urban Development:	
HOME Investment Partnership Program	CFDA 14.239
Community Development Block Grant	CFDA 14.218
Election Assistance Commission:	
Election Reform Payments	CFDA 39.011
U.S. Department of Transportation Federal Transit Cluster:	
Urban Mass Transportation and Operating Assistance Formula Grant	CFDA 20.507
Urban Mass Transportation Capital Investment Grant	CFDA 20.500
U.S. Department of Homeland Security Hazard Mitigation Grant	CFDA 97.039

State projects:

Department of Community Affairs:	
State Housing Initiative Partnership Program	CSFA 52.901
Florida Department of Environmental Program Land O'Lakes	
Water Reservoir Land O'Lakes	CSFA 37.039

- (i) The thresholds for distinguishing Type A and Type B federal programs and state projects were \$483,602 and \$416,638, respectively.
- (j) The auditee did not qualify as a low-risk auditee under Section 530 of OMB Circular A-133.

**PASCO COUNTY, FLORIDA**

Schedule of Findings and Questioned Costs

Year ended September 30, 2007

**(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*:**

**Finding 2007-1 EMS Ambulance Billing**

*Criteria:*

Receivables should be recognized at the time services are provided. Additionally, at the entity wide level, receivables should be recorded at their net realizable fair value. Revenues should be recorded on either the modified accrual (general fund) or full accrual (entity wide) basis in accordance with generally accepted accounting principles (GAAP).

*Condition:*

As noted in prior years, currently the County records revenue related to EMS activity on a cash basis; and while the County does properly record the uncollected portion of billings as a receivable, the County considers the entire outstanding receivable to be uncollectible for financial statement purposes. For proper reporting in accordance with GAAP, revenues should be recorded at the time the services are provided versus the time they are collected. In the general fund, an analysis should be performed at year end to determine any such amounts which are not collected within the County's defined period of availability of 60 days. Such amounts should then be deferred. Additionally, while there are uncollectible outstanding accounts receivable at any period end, the County should at least annually perform a review of such outstanding balances and determine a reasonable amount which should be established as a reserve for uncollectible balances.

Additionally, during 2007, the County encountered significant issues in implementing the new EMS billing application system, which impacted their ability to timely process billings for services provided. At September 30, 2007, the County was approximately four to five months behind in billing for EMS services.

*Context:*

Revenues recognized in the general fund and related governmental activities on a cash basis during 2007 amounted to approximately \$7,800,000. A passed audit difference was identified to increase accounts receivable by approximately \$1,200,000 for estimated collectible outstanding balances.

*Effect:*

Revenues are recognized on a cash basis of accounting versus an accrual basis, accordingly, revenues could be over/under stated depending on the timing of cash receipts and billings in a given fiscal year.

*Cause:*

Given the immateriality of the amounts and the implementation of a new billing system in 2007, no changes have been made to the County's accounting procedures since the adoption of GASB Statement No. 34.

**PASCO COUNTY, FLORIDA**

Schedule of Findings and Questioned Costs

Year ended September 30, 2007

*Recommendation:*

Given the implementation of the new EMS billing system October 1, we recommend the County review its existing procedures to determine what changes can be made to ensure information is provided to properly record EMS activity in accordance with GAAP. Additionally, the County should ensure that billings are sent on a timely basis and that revenues are properly recorded in the fiscal period during which the services are provided.

*Management's Response:*

In an effort to establish receivables for ambulance bills and the related reserve for uncollectible balances, management will explore establishing a new special revenue fund to remove EMS from the general fund beginning with fiscal year 2009-10.

**Finding 2007-2 Accounting for Developer Agreements and Related Impact Fees**

*Criteria:*

Government Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* (GASB 33), states that governments should recognize assets from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. All imposed nonexchange revenues should be recognized in the same period that the assets are recognized unless the enabling legislation includes time requirements. Impact fees revenue is classified as an imposed nonexchange transaction.

*Condition:*

The County has historically recorded impact fee revenues as unearned revenues until the County has met all restrictions of the enabling legislation related to the fee.

Pasco County has several developer agreements, each with a unique set of terms and conditions. We made several corrections during the prior year to properly record the activity associated with these agreements. Such corrections included recording land donated by developers in lieu of payment of impact fees, eliminating the recording of expenditures by the County when the County was not actually incurring such expenditures, and recording receivables for impact fees which are currently enforceable but are uncollected at fiscal year end. The County has corrected the process of recording collections with some developer agreements but has not developed specific procedures to ensure that, based on the condition of the agreement and of the related construction, the appropriate accounting entries are made to record any assets and revenue associated with the agreement.

*Context:*

The County continues to enter into new agreements with developers as well as has existing agreements that are in various stages of the development life.

**PASCO COUNTY, FLORIDA**

Schedule of Findings and Questioned Costs

Year ended September 30, 2007

*Effect:*

There was a significant amount of audit effort expended to follow up with various County personnel in order to determine whether the status of various developer agreements and whether related activity was accounted for properly.

*Cause:*

Clarification of this accounting treatment was discussed with the County during the fiscal year 2006 audit. However, given the timing of that discussion, the County did not have ample opportunity to fully revise its procedures to address all of the issues identified.

*Recommendation:*

Given the increasing development activity throughout the County over the past several years as well as the continued expected increase, we suggest the County establish specific procedures to include a review of each of the significant developer agreements as they are being entered into to ensure that they are being accounted for properly. Additionally, the County should review the current mechanisms to monitor expenditures of impact fees received to determine whether it should be revised for the corrections noted above.

*Management's Response:*

Management agrees that specific procedures will be established to review all developer agreements to ensure proper accounting. The County will also examine the procedures needed to monitor impact fees.

**Finding 2007-3 Self-Insurance IBNR Reserve**

*Criteria:*

Incurred but not recorded liabilities associated with the County's self-insurance programs related to workers' compensation and general and auto liability coverages must be recorded.

*Condition:*

The County did not obtain a third-party actuarial review of their self-insurance activity for workers' compensation and general and auto liability exposures for the fiscal year ended September 30, 2007. As a result, the liability was understated by approximately \$2.1 million.

*Context:*

The County maintains self insurance reserves of approximately \$10.3 million related to its general, auto and workers' compensation coverages.

*Effect:*

An audit adjustment in the amount of \$2.1 million was recorded to increase the outstanding liability at September 30, 2007

**PASCO COUNTY, FLORIDA**

Schedule of Findings and Questioned Costs

Year ended September 30, 2007

*Cause:*

The County had not performed an internal analysis, nor had utilized a third-party actuary to evaluate the adequacy of the liability related to incurred but not reported claims.

*Recommendation:*

Develop internal procedures to evaluate and record the outstanding self-insurance liability on an annual basis. Additionally, have such liabilities tested periodically, preferably bi-annually, through the use of a third-party actuary.

*Management's Response:*

Management's opinion is that the third-party actuarial study that has been performed every three years is sufficient. The County, when fiscally possible, will recognize additional liabilities in the interim years to offset the next regularly scheduled IBNR study results.

**Finding 2007-4 Developer Contributed Roadways**

*Criteria:*

GASB 33 states that governments should recognize assets from imposed nonexchange transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. All imposed nonexchange revenues should be recognized in the same period that the assets are recognized unless the enabling legislation includes time requirements. Impact fees revenue is classified as an imposed nonexchange transaction.

*Condition:*

The County does not require developers to provide support for the costs incurred associated with the construction of contributed roadways. Accordingly, in order to estimate the value of these infrastructure assets, the County utilized an estimated fair market value based on assumptions which are not current.

*Context:*

The County utilized an average cost per lane mile that was developed during the year ended September 30, 2006 to value the cost of donated roads during the year ended September 30, 2007.

*Effect:*

A passed audit difference was identified to increase the value of donated roads by approximately \$6.0 million at September 30, 2007.

*Cause:*

The County had not performed an internal analysis to determine the reasonableness of using the 2006 cost per lane mile in relation to 2007 activity.

**PASCO COUNTY, FLORIDA**

Schedule of Findings and Questioned Costs

Year ended September 30, 2007

*Recommendation:*

The County should request that developers provide support and cost breakdowns associated with contributed roads or obtain independent third-party appraisals to ensure contributed infrastructure assets are properly recorded at fair market value.

*Management's Response:*

It is not practical to require such information from developers. The County will use the amounts reported in the performance bonds. If a performance bond is not required, the County will develop a schedule of values for components of construction to estimate the value of contributed roadways.

**Finding 2007-5 SHIP/HOME and CDBG Notes Receivable**

*Criteria:*

At the entity wide level, the County should be recording notes receivables related to the SHIP, HOME and CDBG programs at their net realizable fair value.

*Condition:*

Under the modified accrual basis of accounting, the County considers the entire outstanding notes receivable related to the SHIP, HOME and CDBG programs to be uncollectible for financial statement purposes. In the fund level statements, for proper recording in accordance with GAAP, an analysis should be performed at year end to determine any such amounts which are not collected within the County's defined period of availability of 60 days. Such amounts should then be deferred. Additionally, at the entity wide level outstanding balances should be analyzed at least annually to determine a reasonable amount that should be established as a reserve for uncollectible balances.

*Context:*

The County has outstanding loans related to its various housing related activities of approximately \$37.6 million. In the fund financial statements, such amounts are properly recorded and are offset by an equal amount of deferred revenue; however, no adjustment has historically been made at the entity-wide level to record the outstanding loans at their net realizable value.

*Effect:*

An audit adjustment was recorded to record the estimated net realizable value of these outstanding loans of approximately \$37.6 million at September 30, 2007.

*Cause:*

While the housing department maintains a detail inventory of outstanding loans and their status on an annual basis, such information was not obtained or analyzed in preparing the County's financial statements.

**PASCO COUNTY, FLORIDA**

Schedule of Findings and Questioned Costs

Year ended September 30, 2007

*Recommendation:*

We recommend the County review its existing procedures to determine what changes can be made to ensure information is provided by the appropriate department to properly record loan activity in accordance with GAAP.

*Management's Response:*

Management will examine the existing procedures related to the recording and accounting for notes receivable.

**(3) Findings and Questioned Costs Relating to Major Federal Programs:**

**Finding 2007-6**

Federal agency:	U.S. Department of Housing and Urban Development
Programs:	Community Development Block Grant (CDBG) and Home Investment Partnerships Program (HOME)
CFDA numbers:	14.218, 14.239
Award numbers for CDBG:	B-04-UC-120009, B-05-UC-120009, B-06-UC-120009
Award numbers for HOME:	M-04-UC-120216, M-05-UC-120216
Award years:	2004, 2005, 2006

*Criteria:*

Compensation for personnel services rendered in conjunction with federal awards must be documented and supported as described in OMB Circular A-87.

- Where employees are expected to work solely on a single Federal award, charges for their salaries and wages must be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications must be prepared at least semiannually and signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.
- Where employees work on multiple activities, a distribution of their salaries should be supported by personnel activity reports that meet the standards of OMB Circular A-87, Appendix B to Part 225, Section 8h.

*Condition:*

The County is allocating compensation costs for four Community Development employees between CDBG, HOME, and SHIP based upon personnel activity reports. We noted several small differences when comparing timesheet allocations to expenditures recorded in the general ledger.

**PASCO COUNTY, FLORIDA**

Schedule of Findings and Questioned Costs

Year ended September 30, 2007

All other Community Development employees (approximately ten) are charged to one grant only. Based upon observations and discussions with department employees, most of the employees are working on multiple grants. As such, compensation costs for these employees should be allocated based upon personnel activity reports.

*Questioned Costs:*

Unknown.

*Context/Effect:*

Compensation costs were charged to CDBG, HOME, and SHIP in this manner for all of fiscal year 2007.

*Perspective:*

These incidents are considered systemic in nature.

*Recommendation:*

We recommend the County use personnel activity reports to track time and allocate costs for all Community Development employees that work on multiple grants.

*Management's Response:*

All employees are now being charged by grant activity in fiscal year 2008. All employees that are working on multiple grants are charging their time to the proper grant. We have developed a time sheet for each employee so they can track that, with the following exceptions – all Housing Specialists are charged to SHIP since SHIP funding is in every housing project (funding is adjusted for Lead Housing Specialist's work on HOME funded mobile homes and condemnations) and the Senior Secretary's is charged by the percentage of each fund that is used in the division.

**Finding 2007-7**

Federal agency:	U.S. Department of Housing and Urban Development
Program:	Community Development Block Grant (CDBG)
CFDA number:	14.218
Award number:	B-05-UC-120009
Award year:	2005

*Criteria:*

The environmental effects of each activity carried out with CDBG and HOME funds must be assessed in accordance with the provisions of 24 CFR Part 58 – *Environmental Review Procedures for Entities Assuming HUD Environmental Review Responsibilities*.

**PASCO COUNTY, FLORIDA**

Schedule of Findings and Questioned Costs

Year ended September 30, 2007

Completion of the environmental review process is mandatory before taking a physical action on a site, or making a commitment or expenditure of HUD or non-HUD funds for property acquisition, rehabilitation, conversion, lease, repair, or construction activities (HUD Notice CPD-01-11).

The County must maintain a written record of the environmental review undertaken for each project (known as the Environmental Review Record or ERR), which includes documentation described in 24 CFR §58.38.

*Condition:*

There was not an environmental assessment for the Center for Independence project.

*Questioned Costs:*

Payments totaling \$63,500 were made relating to the Center for Independence project.

*Context/Effect:*

We observed the ERR in conjunction with expenditure testwork. We noted exceptions in one of 16 projects in the CDBG sample. ERRs were located for all other projects in our CDBG and HOME samples; however, a number of them were not included in the project files.

The County is in the process of completing the required environmental documentation for the Center for Independence project.

*Perspective:*

These incidents are considered isolated in nature.

*Recommendation:*

Environmental reviews should be completed for each project prior to IDIS setup and prior to expending any grant funds. To ensure completion of environmental assessments, we recommend implementation of oversight controls. After each ERR is completed, it should (1) be signed and dated by the appropriate staff member and (2) be reviewed and approved by management. The approved ERR should then be forwarded to the person responsible for IDIS setup (to initiate this process) and subsequently placed in the appropriate file. We recommend the County update its policies and procedures to document all controls and processes associated with environmental reviews.

*Management's Response:*

This was an isolated incident. The ERR for the Center for Independence project has been re-created. The Environmental Review Procedures have been implemented to ensure this does not happen again. Staff persons responsible for completing the ERR for projects will receive additional training.

**PASCO COUNTY, FLORIDA**

Schedule of Findings and Questioned Costs

Year ended September 30, 2007

**Finding 2007-8**

Federal agency: U.S. Department of Housing and Urban Development

Program: Community Development Block Grant (CDBG)

CFDA number: 14.218

Award numbers: B-04-UC-120009, B-06-UC-120009

Award years: 2004, 2006

*Criteria:*

The County is required to ensure that contractors and subcontractors are paid prevailing wage rates for construction projects covered by Davis-Bacon and related acts.

*Condition:*

The County did not, in some cases, maintain sufficient documentation and/or have sufficient controls in place to determine whether contractors and subcontractors were paid prevailing wage rates for construction projects covered by the Davis-Bacon Act. In 4 of 30 items selected, the County checklist for contractor's weekly payroll was not completed. For one of two contractors, the certificate appointing a designee to certify payroll records was not obtained prior to the submission of the first payroll.

*Questioned Costs:*

None.

*Context/Effect:*

The County could be liable for additional payment of wages to construction workers if the wage rates actually paid were less than prevailing rates (as defined by the Department of Labor).

*Perspective:*

These incidents are considered systemic in nature.

*Recommendation:*

We recommend formal training for staff members responsible for Davis-Bacon Act compliance. In addition, written policies and procedures should be established to describe the County's processes and controls relating to Davis-Bacon Act compliance. The Davis-Bacon Act coordinator should be part of the review process for invoices. Prior to remitting any payments to contractors, the Davis-Bacon Act coordinator should formally indicate his/her approval of the invoice based upon the contractor's compliance with the Davis-Bacon Act.

**PASCO COUNTY, FLORIDA**

Schedule of Findings and Questioned Costs

Year ended September 30, 2007

*Management's Response:*

Formal training of the staff person responsible for Davis-Bacon compliance will take place as soon as HUD training is available. The written Davis-Bacon policy and procedures is under review to ensure that the appropriate controls are in place to determine that contractors and subcontractors are paid prevailing wage rates. The Davis-Bacon coordinator is part of the review process for invoices and must formally indicate approval of the invoice based upon the contractor's compliance with the Davis-Bacon Act.

**Finding 2007-9**

Federal agency: U.S. Department of Housing and Urban Development  
Program: Community Development Block Grant (CDBG)  
CFDA number: 14.218  
Award number: B-06-UC-120009  
Award year: 2006

*Criteria:*

The County is required to follow federal procurement regulations (24 CFR 85.36) and has developed procurement policies and procedures that follow these requirements. Control activities should also be in place to help ensure that compliance with procurement and suspension and debarment requirements is maintained (OMB Circular A-87).

Grantees and subgrantees may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation (24 CFR 85).

*Condition:*

The County did not have documentation with respect to suspension and debarment (e.g., the Excluded Parties Listing System printout or certifications) in the file for four vendors/contractors that were paid with CDBG funds.

There was no documented cost/price analysis prior to receiving bids/quotes and no documented evaluation of qualifications associated with the procurement of one architecture firm.

*Questioned Costs:*

The contract with the architecture firm totaled \$21,240.

*Context/Effect:*

We observed procurement actions for all CDBG projects (with fiscal year 2007 expenditures) that were classified as public facility and infrastructure projects.

**PASCO COUNTY, FLORIDA**  
Schedule of Findings and Questioned Costs  
Year ended September 30, 2007

*Perspective:*

The incidents are considered isolated to the conditions described above.

*Recommendation:*

We recommend the County review and update its controls over procurement to ensure that policies, procedures, and requirements are being followed.

*Management's Response:*

The procurement policies are under review to ensure that the appropriate controls are in place to meet Federal regulations, including documentation with respect to suspension and debarment. Although the architectural procurement file may not have been fully documented with respect to the cost/price analysis and bids/quotes, the procurement procedure meets the federal guidelines.

**Finding 2007-10**

Federal agency:	U.S. Department of Housing and Urban Development
Program:	Home Investment Partnerships Program (HOME)
CFDA number:	14.239
Award number:	B-05-MC-0017
Award year:	2005

*Criteria:*

The combined household annual gross income of an applicant who is applying as an owner/occupant of a residence must be verified using income verification and certification procedures established by HUD. The applicant must be of very low income or low income according to the income limits adjusted to family size published annually by HUD (24 CFR 92.217).

*Condition:*

We observed a sample of 18 HOME loans that were funded in fiscal year 2007 to determine if the applicant was eligible based upon documentation in the file. We noted that verification of income was not updated as required in one case and that participant eligibility was questionable in a second case based upon documentation in the file.

*Questioned Costs:*

Total HOME funds expended on these two cases totaled \$168,321 and \$29,426, respectively.

*Context/Effect:*

We observed the eligibility documentation in conjunction with expenditure testwork. We noted exceptions in 2 of 18 files reviewed.

**PASCO COUNTY, FLORIDA**  
Schedule of Findings and Questioned Costs  
Year ended September 30, 2007

*Perspective:*

The incidents are considered isolated to the conditions described above.

*Recommendation:*

We recommend the County implement additional controls with respect to review of income verification documentation. Before the County sends a commitment letter to the applicant, we recommend a second review of all income-related data.

*Management's Response:*

The first file is Cox 02-100. Reverification of income should have been completed before this family was assisted. They were income eligible at the initial verification date.

The second case was Morrell. Income eligibility was completed based on actual current income instead of projected income. This was an error.

The following additional control will be put on all cases: each case will be independently verified by two processors, and then reviewed by management.

**Finding 2007-11**

Federal agency:	U.S. Department of Housing and Urban Development
Program:	Home Investment Partnerships Program (HOME)
CFDA number:	14.239
Award number:	B-05-UC-120009
Award year:	2005

*Criteria:*

A pass-through entity is responsible for monitoring subgrantees to provide reasonable assurance that they expend grant awards in compliance with federal and contractual requirements. Monitoring activities may take various forms, such as reviewing financial and programmatic records, interviewing staff and participants, observing operations, arranging for limited scope audits of subrecipient activities, and reviewing single audit results.

Under the HOME program, the performance of each contractor and subrecipient must be reviewed at least annually (24 CFR 92.504).

The HOME program lists specific requirements which must be monitored with respect to rental housing projects and tenant-based rental assistance (TBRA) programs (24 CFR 92.216(a), 92.252 and 92.209).

## PASCO COUNTY, FLORIDA

### Schedule of Findings and Questioned Costs

Year ended September 30, 2007

#### *Condition:*

We noted the following with respect to HOME monitoring:

- The TBRA program was not monitored during fiscal year 2007. A close-out monitoring was performed on the program, however, in March 2008.
- Monitoring reports for rental housing projects did not address the requirement that a minimum of 20% of rental units (in projects with five or more units) must be occupied by very low-income families. Although not addressed in its reports, the County indicated that all projects met the minimum requirement.
- Follow-up on issues identified during monitoring visits was not fully documented in the files.

#### *Questioned Costs:*

None.

#### *Context/Effect:*

We observed all HOME monitoring reports issued by the County in fiscal year 2007.

#### *Perspective:*

The incidents are considered isolated to the conditions described above.

#### *Recommendation:*

We recommend the County review and update its policies and procedures with respect to monitoring. Management should then create a detailed monitoring plan and schedule for each fiscal year. The County should utilize a tracking log to ensure monitoring visits, monitoring reports, and follow-up activities are completed as planned/scheduled.

#### *Management's Response:*

The TBRA program with the Housing Authority was monitored in 2006. In 2007, the program was completed and not renewed for funding. In 2008, the final monitoring of the project took place. While it is true that monitoring was not completed in 2007, it was not really needed because the program was completed and not renewed. The monitoring in 2008 found no problems with the program.

It is acknowledged that the 20% requirement was not mentioned in the monitoring letter, but the backup documentation in the files shows that the project met that requirement.

There were some repair issues identified in the monitoring letter, which was not followed up for completion by the Division.

To avoid future problems, an individual monitoring plan will be written for every project.

**PASCO COUNTY, FLORIDA**

Schedule of Findings and Questioned Costs

Year ended September 30, 2007

**Finding 2007-12**

Federal agency: U.S. Department of Housing and Urban Development  
Program: Community Development Block Grant (CDBG)  
CFDA number: 14.218  
Award number: B-06-UC-120009  
Award year: 2006

*Criteria:*

The Uniform Relocation Act (URA) provides for uniform and equitable treatment of persons displaced from their homes and businesses by federally assisted programs. Requirements under the URA for an involuntary real property acquisition include the following: (1) the just compensation amount offered the property owner was determined by an appraisal process; (2) the appraisal was examined by a review appraiser; and (3) a written offer was made to the property owner which is not less than the appraised value (49 CFR §24.101).

*Condition:*

We noted the following:

- There was no review appraisal associated with a real property acquisition in the Tommytown area totaling \$39,387.
- Parcels 101 and 102 were acquired in the Tommytown area via an “Order of the Taking” issued by the Circuit Court. The price for these parcels (\$32,150) was based upon appraisals prepared in March 2007; however, there were no review appraisals done at this time.

*Questioned Costs:*

\$71,537.

*Context/Effect:*

All real property acquisitions in fiscal year 2007 over \$10,000 were reviewed.

*Perspective:*

The incidents are considered isolated to the conditions described above.

*Recommendation:*

We recommend the County develop policies and procedures that govern real property acquisitions based upon the URA. Management personnel from Community Development should review and formally approve all significant steps in the property acquisition process prior to closing.

**PASCO COUNTY, FLORIDA**

Schedule of Findings and Questioned Costs

Year ended September 30, 2007

*Management's Response:*

Policies and procedures are in place that governs real property acquisitions based upon the URA. The property acquisitions in question were handled in the County Attorney's office. The Community Development Division will review and formally approve all significant steps in the acquisition process prior to closing.

**Finding 2007-13**

Federal agency: Department of Homeland Security

Program: Hazard Mitigation Grant

CFDA number: 97.039

Award numbers: 06HM-4@08-61-01-009, 06HM-4@08-61-01-012,  
06HM-4@08-61-01-021, 06HM-4@08-61-01-022,  
06HM-4@08-61-01-023, 06HM-4@08-61-01-024,  
06HM-4@08-61-01-025

Award years: October 11, 2005 – June 30, 2008, October 11, 2005 – August 31, 2008,  
December 1, 2005 – December 31, 2008, November 5, 2005 –  
September 30, 2008, December 1, 2005 – December 31, 2008,  
November 7, 2005 – November 30, 2008, November 7, 2005 –  
September 30, 2008

Pass-through entity State of Florida, Department of Community Affairs

*Criteria:*

Requirements under the Uniform Relocation Act (URA) for a voluntary real property acquisition include the following: (1) inform the property owner in writing that the power of eminent domain will not be used to acquire the property if negotiations fail to result in an amicable agreement; (2) no specific site is designated for acquisition; and (3) provide the property owner a written estimate of the fair market value of the property before entering into a contract for sale (49 CFR 24.101).

*Condition:*

Property owners were not informed in writing of requirement (1) above.

*Questioned Costs:*

None.

*Context/Effect:*

The County acquired seven parcels of real property with the hazard mitigation funds. In all seven cases, the property owners were not informed in writing of requirement (1) above.

**PASCO COUNTY, FLORIDA**

Schedule of Findings and Questioned Costs

Year ended September 30, 2007

*Perspective:*

These incidents are considered systemic in nature.

*Recommendation:*

We recommend the County develop and utilize a checklist describing all documentation requirements for real property acquisitions. Management level personnel should review and formally approve all significant steps (as described on the checklist) in the property acquisition process. We also recommend sending any future URA letters via “certified” mail to document compliance with the above-noted requirements.

*Management’s Response:*

The County will develop and utilize a checklist for documentation for real property acquisitions and compliance with the Uniform Relocation Act.

**(4) Findings and Questioned Costs relating to Major State Projects:**

**Finding 2007-14**

State agency:	Department of Community Affairs
Program:	State Housing Initiatives Partnership (SHIP) Program
CSFA number:	52.901
Award number:	n/a
Award years:	2004-2005; 2005-2006; 2006-2007

*Criteria:*

Costs that benefit more than one funding stream must be allocated to the various grants benefited in a reasonable and consistent manner. The methods used to allocate such costs should be documented and supportable.

*Condition:*

The County is allocating compensation costs for four Community Development employees between CDBG, HOME, and SHIP based upon personnel activity reports. We noted several small differences when comparing timesheet allocations to expenditures recorded in the general ledger.

All other Community Development employees (approximately 10) are charged to one grant only. Based upon KPMG observations and discussions with department employees, most of the employees are working on multiple grants. As such, compensation costs for these employees should be allocated based upon personnel activity reports.

*Questioned Costs:*

Unknown.

**PASCO COUNTY, FLORIDA**

Schedule of Findings and Questioned Costs

Year ended September 30, 2007

*Context/Effect:*

Compensation costs were charged to CDBG, HOME, and SHIP in this manner for all of fiscal year 2007.

*Perspective:*

These incidents are considered systemic in nature.

*Recommendation:*

We recommend the County use personnel activity reports to track time and allocate costs for all Community Development employees that work on multiple grants.

*Management's Response:*

All employees are now being charged by grant activity in Fiscal Year 2008. All employees that are working on multiple grants are charging their time to the proper grant. We have developed a time sheet for each employee so they can track that, with the following exceptions – all Housing Specialists are charged to SHIP since SHIP funding is in every housing project (funding is adjusted for Lead Housing Specialist's work on HOME funded mobile homes and condemnations) and the Senior Secretary's is charged by the percentage of each fund that is used in the division.

**Finding 2007-15**

State agency:	Department of Community Affairs
Program:	State Housing Initiatives Partnership (SHIP) Program
CSFA number:	52.901
Award number:	n/a
Award years:	2004-2005

*Criteria:*

The County must submit an "Annual Report" or "Form SHIP-AR/99-1" to the Florida Housing Finance Corporation by September 15 of each year. This is a report of its affordable housing programs and accomplishments through June 30th of the year immediately preceding submittal of the report. The report requires financial and participant data to be compiled and presented in various manners.

All units constructed, rehabilitated, or otherwise assisted with SHIP funds must be occupied by eligible persons. At least 30% of the funds must be expended for very-low-income households and an additional 30% must be expended for low-income households (as defined).

*Condition:*

The County overstated expenditures for low-income households in its 2004/05 close-out report by \$294,155. These expenditures should be reclassified to moderate-income households.

**PASCO COUNTY, FLORIDA**  
Schedule of Findings and Questioned Costs  
Year ended September 30, 2007

*Questioned Costs:*

None.

*Context/Effect:*

Although the County will need to reclassify these expenditures and refile its 2005/05 SHIP report, they still meet the 30% set-aside requirement with respect to low-income households.

*Perspective:*

The incidents are considered isolated to the conditions described above.

*Recommendation:*

We recommend the County correct the error noted above and refile its SHIP Annual Report for 2004/05.

*Management's Response:*

This was related to the homebuyer assistance provided with the Pinellas-Pasco single family bond program. The amount that was credited as "low-income families" was inaccurate. The Annual Report will be revised.

The action recommended by the audit will be completed.

**Finding 2007-16**

State agency:	Department of Community Affairs
Program:	State Housing Initiatives Partnership (SHIP) Program
CSFA number:	52.901
Award number:	n/a
Award years:	2004-2005

*Criteria:*

The combined household annual gross income of an applicant who is applying as an owner/occupant of a residence must be verified using income verification and certification procedures described in the SHIP regulations (Rule 67-37.015). The applicant must be of moderate income (or less) according to the income limits adjusted to family size published annually by HUD.

*Condition:*

We observed a sample of SHIP loans that were funded in fiscal year 2007 to determine if the applicant was eligible based upon documentation in the file. Income was calculated incorrectly in one case; however, this participant was still eligible for SHIP assistance. Income was not properly verified in a second case and, as such, we were unable to determine if the participant was eligible.

**PASCO COUNTY, FLORIDA**  
Schedule of Findings and Questioned Costs  
Year ended September 30, 2007

*Questioned Costs:*

SHIP funds expended on the second case totaled \$83,142.

*Context/Effect:*

We observed the eligibility documentation in conjunction with expenditure testwork. We noted exceptions in 2 of 30 files reviewed.

*Perspective:*

The incidents are considered isolated to the conditions described above.

*Recommendation:*

We recommend the County implement additional controls with respect to review of income verification documentation. Before the County sends a commitment letter to the applicant, we recommend a second review of all income-related data.

*Management's Response:*

The first file is Varani 07-488. The processor failed to take account of the client's raise. We agree with the auditor's comments on this file.

The second file was Berube 04-035. This was an owner-occupied rehab project. It was a seven-person household, with a mother, father, and children aged 20, 18, 16, 15, and 6. The application listed all the children as full-time students. Besides the parent's income, the Berube's listed their 20-year old's employer on the Pasco County application, and that information was verified. Tyler, the 18-year old, had a job and was also listed on the application. While the application was being processed, the county employee processing the case talked to Mrs. Berube, who informed her that the son was no longer working. The processor crossed out the information and did not document it in the file.

Hence, this is an eligible case, just not documented in the best state of the art fashion. It should be noted that the boy's income of \$6,760 a year still would have made the Berube's income eligible for assistance.

The following additional control will be put on all cases: each case will be independently verified by two processors, and then reviewed by management.

**Finding 2007-17**

State agency:	Florida Department of Environmental Protection
Program:	Land O' Lakes Reclaimed Water Storage Reservoir
CSFA number:	37.039
Award number:	04CON000099
Award years:	August 1, 2004 to December 31, 2009

**PASCO COUNTY, FLORIDA**

Schedule of Findings and Questioned Costs

Year ended September 30, 2007

Pass-through entity                      Southwest Florida Water Management District

*Criteria:*

The Rules of the Auditor General require effective internal controls over the review and approval of allowable costs and activities under the grant agreement.

*Condition:*

Construction invoices were not reviewed or approved by the construction inspector.

*Questioned Costs:*

None

*Context/Effect:*

The County requires the construction inspector to review and approve construction invoices. We observed all thirteen construction invoices. Although the County indicated that construction invoices are approved by the construction inspector, there was no documented evidence of this approval for three of the construction invoices.

*Perspective:*

These findings are considered isolated to the construction invoices denoted above.

*Recommendation:*

We recommend the County implement policy and procedures to ensure all construction invoices are reviewed and approved by the construction inspector and such approval is documented.

*Management's Response:*

Management concurs that policies and procedures will be implemented to ensure construction invoices are reviewed and approved by the construction inspector and documentation is maintained.