

SINGLE AUDIT REPORT
SANTA ROSA COUNTY, FLORIDA
SEPTEMBER 30, 2008

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND CHAPTER
10.550, RULES OF THE AUDITOR GENERAL**

Honorable Board of County Commissioners
Honorable Mary M. Johnson, Clerk and Accountant to the
Board of County Commissioners
Santa Rosa County, Florida

Compliance

We have audited the compliance of Santa Rosa County, Florida (hereinafter referred to as "County"), 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 State of Florida Department of Financial Services' *State Projects Compliance Supplement*, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2008. The County's major federal programs and state projects are identified in the summary of auditor's 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 the County's management. Our responsibility is to express an opinion on the County'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 the County'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 of the County's compliance with those requirements.

As described in 2008-03 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding reporting applicable to State of Florida Department of Transportation, Aviation Development Grants (CSFA No. 55.004). Compliance with such requirement is necessary, in our opinion, for the County to comply with the requirements applicable to the program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County 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, 2008.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project 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 the County's internal control over compliance.

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

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-03 to be a significant deficiency.

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. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

Schedule of Expenditures of Federal Awards and State Financial Assistance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Rosa County, Florida, as of and for the year ended September 30, 2008, and have issued our report thereon dated March 30, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements taken as a whole. 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.

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

This report is intended solely for the information and use of the Board of County Commissioners, management, and appropriate 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.

O'Sullivan Creel, LLP

March 30, 2009

Santa Rosa County Florida
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
Year ended September 30, 2008

Federal and State Grantor/Pass-through Grantor/Program Title	CFDA/ CSFA Number	Contract / Grant Number	Expenditures
U.S. Department of Homeland Security			
Passed Through Florida Dept. of Community Affairs			
Disaster Grants - Public Assistance	97.036	05-PA-G-01-67-01-541	\$ 246,568
Hazard Mitigation Grant - Admin. Bldg. Retrofit	97.039	06HM-5@-01-67-01-006	24,730
Hazard Mitigation Grant - Three County Buildings	97.039	07HM-5@-01-67-01-003	21,767
Hazard Mitigation Grant - East Milton Gym Retrofit	97.039	07HM-5@-01-67-01-004	276
Hazard Mitigation Grant - County Extension Center	97.039	07HM-5@-01-67-01-005	10,248
Hazard Mitigation Grant - Villa Venyce Stormwater	97.039	07HM-5@-01-67-01-018	11,200
Hazard Mitigation Grant - Ramblewood Stormwater	97.039	07HM-5@-01-67-01-019	95,371
Hazard Mitigation Grant - Greenbriar Stormwater	97.039	07HM-5@-01-67-01-020	75,894
Hazard Mitigation Grant - Gulf Breeze Shutters	97.039	08HM-4G-01-67-01-003	24,003
Hazard Mitigation Grant - Gulf Breeze Shutters	97.039	07HM-4"-01-67-01-008	48,649
Hazard Mitigation Grant - Mulat Bayou Shutters	97.039	07HM-4"-01-67-01-010	21,886
Hazard Mitigation Grant - Navarre Shutters	97.039	07HM-4"-01-67-01-011	12,769
Hazard Mitigation Grant - Milton Storm Shutters	97.039	07HM-4"-01-67-01-014	4,127
Hazard Mitigation Grant - Navarre Beach Lift Station Mitigation	97.039	07HM-5@-01-67-01-017	197,250
Hazard Mitigation Grant - Chumuckla Community Center Retrofit	97.039	08HM-81-01-67-01-017	10,000
			<u>558,170</u>
Homeland Security Grant Program	97.067	06-DS-3W-01-67-01-349	13,184
Homeland Security Grant Program	97.067	07-DS-5N-01-67-01-413	29,006
Homeland Security Grant Program	97.067	08-DS-60-01-67-01-206	30,006
Homeland Security Grant Program	97.067	08-CI-64-01-67-01-078	2,000
Homeland Security Grant Program	97.067	08-CC-64-01-67-01-100	9,971
			<u>84,167</u>
Passed Through the Florida Dept. of Law Enforcement Buffer Zone Protection Program	97.078	2008-BZPP-SANT-S50003	93,317
U.S. Department of Housing and Urban Development			
Passed Through Florida Dept. of Community Affairs			
Community Development Block Grants	14.228	05DB-15-01-67-01-H05	42,340
Community Development Block Grants	14.228	06DB-3C-01-67-01-W30	2,650,705
Community Development Block Grants	14.228	07DB-3K-01-67-01-NE2	433,873
Community Development Block Grants	14.228	07DB-3R-01-67-01-N25	150,343
			<u>3,277,261</u>
U.S. Department of Justice			
Direct Programs			
Public Safety Partnership and Community Policing Grants	16.710	2004-SH-WX-0118	61,696
Passed Through Office of Justice Programs			
Drug Court Discretionary Grant Program	16.585	2005-BX-0047	33,283
Drug Court Discretionary Grant Program	16.585	2005-DC-BX-0047	27,626
			<u>60,909</u>
Passed Through Florida Dept. of Law Enforcement:			
Violent Offender Incarceration and Truth in Sentencing Incentive Grants	16.586	2008-SHSP-SANT-1-S4-002	32,038
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006-DJ-BX-1100	8,549
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-1159	23,015
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-JAG-SANT-1-Q9-180	86,198
			<u>117,762</u>
U.S. Department of Health and Human Services			
Passed Through Florida Dept. of Revenue			
Child Support Enforcement Program	93.563	CC357	79,236
Child Support Enforcement Program	93.563	CSP57	43,409
			<u>122,645</u>
Election Assistance Commission			
Passed through Florida Department of State			
Help America Vote Act Requirement Payments	90.401	N/A	29,907
National Oceanic and Atmospheric Administration, Dept of Commerce			
Habitat Conservation	11.463	2006-0103-003	8,450
U.S. Department of Transportation			
Passed Through Florida Dept. of Transportation			
Formula Grants for Other Than Urbanized Areas	20.509	AO184	103,831
Safety Incentives To Prevent Operation of Motor Vehicles By Intoxicated Persons	20.605	AP190	17,603
			<u>121,434</u>
Total Federal Awards			\$ 4,814,324

Board of County Commissioners
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
Year ended September 30, 2008

<u>Federal and State Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA/ CSFA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
<u>Florida Department of Agriculture and Consumer Services</u> Mosquito Control	42.003	E013066	\$ 46,738
<u>Florida Department of Community Affairs</u> Emergency Management Programs	52.008	08-BG-24-01-67-01-285	99,996
Emergency Management Projects	52.023	08-CP-04-01-67-01-049	9,537
Local Update of Census Addresses	52.038	08-DD-J3-01-67-01-024	28,571
<u>Florida Housing Finance Corporation</u> State Housing Initiative Partnership Program	52.901	N/A	952,740
Hurricane Housing Recovery Program	52.902	67ER-05/67ER-06	3,534,485
<u>Florida Department of Transportation</u> County Incentive Grant Program	55.008	AO146	59,000
County Incentive Grant Program	55.008	AO147	66,911
County Incentive Grant Program	55.008	AO149	20,551
County Incentive Grant Program	55.008	AO150	38,702
			<u>185,164</u>
Small County Outreach Program	55.009	AOI64	134,381
Small County Outreach Program	55.009	AOZ90	806,765
			<u>941,146</u>
Transportation Regional Incentive Program	55.026	421994-1	729,260
Aviation Development Grants	55.004	ANT17	457,700
Aviation Development Grants	55.004	AO632	457,700
			<u>915,400</u>
<u>Florida Department of Health</u> County Grant Awards	64.005	C7055	43,917
<u>Florida Department of Management Services</u> Wireless 911 Emergency Telephone System	72.001	N/A	353,732
<u>Florida Department of State</u> State Aid to Libraries	45.030	08-ST-74	802,587
<u>Florida Executive Office of the Governor</u> Enterprise Florida Inc.	31.003	DIG 05-01	307,390
Enterprise Florida Inc.	31.003	DIG 06-08	500,000
Enterprise Florida Inc.	31.003	DIG 07-12	500,000
			<u>1,307,390</u>
<u>Florida Department of Law Enforcement</u> Drug Control/Money Laundering Investigations - Matching Fund	71.005	DC-07/08-1	12,086
Violent Crime Investigations	71.004	VC-07/08-29	15,000
			<u>15,000</u>
Total State Financial Assistance			<u>\$ 9,977,749</u>

Santa Rosa County, Florida
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the year ended September 30, 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the federal and state grant activity of Santa Rosa County, Florida and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Santa Rosa County, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2008

A. SUMMARY OF AUDITOR RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified Opinion
Internal control over financial reporting:
Material weakness(es) identified? _____ yes no
Significant deficiency (ies) identified that are
not considered to be material weakness(es)? yes _____ none reported

Noncompliance material to financial statements
noted? _____ yes no

FEDERAL AWARDS

Internal control over major programs:
Material weakness(es) identified? _____ yes no
Significant deficiency (ies) identified that are
not considered to be material weakness(es)? _____ yes none reported

Type of auditor's report issued on compliance
for major programs: Unqualified opinion

Any audit findings disclosed that are required
to be reported in accordance with section 510(a) of
Circular A-133? _____ yes no

STATE FINANCIAL ASSISTANCE

Internal control over major projects:
Material weakness(es) identified? _____ yes no
Significant deficiency (ies) identified that are
not considered to be material weakness(es)? yes _____ none reported

Type of auditor's report issued on compliance
for major projects: Qualified Opinion

Any audit findings disclosed that are required
to be reported in accordance with Chapter 10.550,
Rules of the Auditor General? yes _____ no

Santa Rosa County, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2008

IDENTIFICATION OF MAJOR PROGRAMS

Federal Programs

CFDA No. 14.228 Community Development Block Grants

Dollar threshold used to distinguish
between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

State Projects

CSFA No. 52.901 State Housing Initiative Partnership Program

CSFA No. 55.009 Small County Outreach Program

CSFA No. 55.004 Aviation Development Grants

CSFA No. 72.001 Wireless 911

CSFA No. 45.030 State Aid to Libraries

CSFA No. 31.003 Enterprise Florida, Inc.

Dollar threshold used to distinguish
between type A and type B programs: \$300,000

The Summary Schedule of Prior Audit Findings is not required as there were no prior audit findings relating to Federal programs or State projects.

B. FINANCIAL STATEMENT FINDINGS

2008-01 – Timely Identification of Reimbursable Grant Expenditures

Criteria or specific requirement

During its year-end closing process, the County should establish and enforce policies and procedures to ensure that year-end accruals are properly identified and recorded for all account balances, including revenues and receivables.

Condition

During the audit, we proposed an audit adjustment of \$217,210 to record amounts earned by the County as reimbursement of eligible expenditures under the State of Florida Small County Outreach Program.

Santa Rosa County, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2008

B. FINANCIAL STATEMENT FINDINGS -- (CONTINUED)

Context

This accrual had not been detected in the County's normal year end review of grants and closeout of the books.

Effect

By not properly accounting for reimbursable revenue due in the current fiscal year, the County is understating its assets and revenues.

Cause

Expenditures under the Small County Outreach Program that are eligible for reimbursement are tracked by the Public Works Department. At year-end, expenditures eligible for reimbursement as of September 30, 2008 were not reported to the Finance Department.

Recommendation

We recommend the County enforce its policy that all reimbursable billings be determined in a timely manner at year-end and communicated to the Finance Department for recording in the correct time period for revenue recognition purposes. By enforcing its policy, the County will improve its year-end closing process for identifying the appropriate year-end accruals and reduce the risk of misstatement in the annual financial statements.

View of responsible officials and planned corrective action

The Grants Coordinator will become involved in the reconciliation of grant activity at year-end to ensure that all reimbursable billings are properly recorded.

2008-02 – Year End Financial Reporting Process

Criteria or specific requirement

The County should have adequate accounting, reconciliation, and review procedures in place to prepare financial statements in compliance with GAAP.

Condition

During our test work, audit adjustments were made to certain accounts (accounts receivable and due from other units) to accurately reflect balances at year-end. The nature of these accounts do not demand frequent accounting entries or adjustments during the year, but require some level of periodic review and analysis to correctly reconcile the accounts in preparation of the year-end financial statements.

Context

Several adjustments were made as a result of the audit.

Santa Rosa County, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2008

B. FINANCIAL STATEMENT FINDINGS -- (Continued)

Effect

Year-end financial statements may not be in compliance with GAAP.

Cause

Certain accounts receivable and due from other governmental units balances were not reviewed and adjusted to the proper balances at year end.

Recommendation

We encourage the County to take special precaution to ensure that all accounts are reviewed, reconciled and appropriately adjusted as needed through the year.

View of responsible officials and planned corrective action

The County will make sure that all accounts are reviewed, reconciled and appropriately adjusted as needed through the year.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS

There were no findings which were required to be reported in accordance with section 510(a) of OMB Circular A-133.

D. FINDINGS AND QUESTIONED COSTS - MAJOR STATE FINANCIAL ASSISTANCE

Finding 2008-03

Florida Department of Transportation

CSFA No. 55.004, Aviation Development Grants

Criteria or specific requirement

A grantee should have reasonable assurance that reports submitted to the state awarding agency are accurate, include all activity of the reporting period, are supported by underlying accounting records or performance records, and are fairly presented in accordance with program requirements.

Santa Rosa County, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2008

D. FINDINGS AND QUESTIONED COSTS - MAJOR STATE FINANCIAL ASSISTANCE --
(Continued)

Condition

During our testwork, we noted that the County claimed and received (in December 2008) reimbursement for expenditures totaling \$1,065,660, but should have only claimed and received \$915,400 resulting in an unallowable reimbursement of \$150,260 and overstatement of grants receivable and revenues at September 30, 2008. This was caused by a clerical error on the reimbursement application which was not detected by the County at the time the application was submitted. Reimbursement requests for the Aviation Development Grants are prepared by the County's engineering department.

Questioned Costs

Unallowable reimbursement of \$150,260. (Note: this was subsequently detected after year end by the County).

Context

Our review of the reimbursement request indicated that it incorrectly used the maximum potential grant amount as the basis for the reimbursement, instead of limiting the request to the lower amount of the actual expenditures.

Effect or Potential Effect

Lack of adequate review of the reimbursement request resulted in an unallowable reimbursement of \$150,260 and overstatement of grants receivable and revenues as of September 30, 2008.

Cause

Lack of review to ensure that reports are clerically accurate.

Recommendation

The County should establish procedures to ensure that all reports prepared by the Engineering Department are reviewed for clerical accuracy.

View of responsible officials and planned corrective action

The County's Grants Coordinator will review reports prepared by the Engineering Department for clerical accuracy.