

SINGLE AUDIT SECTION



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Members of the
Board of County Commissioners
Seminole County, Florida

We have audited the financial statements of the Seminole County, Florida (the "County"), as of and for the year ended September 30, 2002, and issued our report thereon dated April 15, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of County Commissioners, management, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Harris, Cotherman, O'Keefe & Associates

Winter Park, Florida
April 15, 2003



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER
COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT**

The Honorable Members of the
Board of County Commissioners
Seminole County, Florida

Compliance

We have audited the compliance of Seminole County, Florida (the "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 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, 2002. 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 items 02-01 through 02-03, in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding reporting that are applicable to its major state projects for Petroleum Contamination Site Cleanup, State Housing Initiatives Partnership Program and County Grant Awards – Emergency Medical Services. In our opinion, it is necessary for the County, to comply with such requirements applicable to those programs.

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, 2002.

Internal Control Over Compliance

The management of the County 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 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General.



We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program or state project in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 02-01 through 02-03.

Our consideration of internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program or state project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

Schedule of Expenditures of Federal Awards and State Financial Assistance

We have audited the compliance of Seminole County, Florida (the "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 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, 2002 as indicated above. 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 general-purpose financial statements. Such information has been subjected to auditing procedures, as considered necessary, and inquiries with the independent auditors of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

This report is intended solely for the information an use of the Board of County Commissioners, management, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Harris, Cotherman, O'Keefe & Associates

April 15, 2003

SEMINOLE COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
Fiscal Year Ended September 30, 2002

EXPENDITURES OF FEDERAL AWARDS

Grantor/Pass-through Grantor/Program	Identification Number	CFDA Number	Federal Expenditure
<u>Executive Office of the President</u>			
<u>Office of National Drug Control Policy</u>			
HIDTA - High Intensity Drug Traffic Area		07.000	975,906
<u>National Sheriff's Association</u>			
Critical Incident Team		16.710	17,000
<u>U.S. Department of Commerce</u>			
Coastal Zone Management Administration Award		11.419	9,272
<u>U.S. Department of Environmental Protection Agency</u>			
Environmental Protection Consolidated Research Grants		66.500	158,814
<u>U.S. Department of Health and Human Services</u>			
Passed through Florida Department of Community Affairs:			
Community Services Block Grant		93.569	224,374
<u>U.S. Department of Housing and Community Development</u>			
Community Development Block Grant		14.218	2,755,688
Emergency Shelter Grant		14.231	94,000
HOME Investment Partnership Program		14.239	533,719
			<u>3,383,407</u>
<u>U.S. Department of Justice</u>			
Federal Equitable Sharing Program		16.000	484,714
Missing Children's Assistance - Internet Crimes Against Children		16.543	8,632
Local Law Enforcement Block Grant:		16.592	160,216
Public Safety Partnership & Community Policing Grants		16.710	400,000
Drug Court Discretionary Grant		16.585	7,894
Passed through the Florida Department of Law Enforcement			
Crime Victim Assistance		16.575	70,488
Byrne Formula Grant		16.579	202,525
Residential Substance Abuse Treatment for State Prisoners		16.593	112,313
			<u>1,446,782</u>
<u>U.S. Department of Treasury</u>			
Gang Resistance Education & Training		21.053	121,432
<u>U.S. Department of Transportation</u>			
Passed through the Florida Department of Transportation:			
Highway Planning & Construction		20.205	5,656,214
Alcohol Traffic Safety & Drunk Driving Prevention Incentive Grant		20.601	43,172
SR 434 Maitland Blvd. to 436		20.205	232,578
			<u>5,931,964</u>

Continued

SEMINOLE COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE - CONTINUED
Fiscal Year Ended September 30, 2002

EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Grantor/Pass-through Grantor/Program	CFDA Number	Federal Expenditure
<u>Federal Emergency Management Agency</u>		
Passed through the Florida Department of Community Affairs		
Hazard Mitigation - Emergency Shelter Window Retrofit 5 schools	83.548	232,911
Emergency Management Performance Grant	83.552	65,979
Firefighters	83.554	<u>42,490</u>
		341,380
<u>U.S. Department of Health & Human Services</u>		
Passed through the Florida Department of Revenue		
Child Support Enforcement Title IV - D	93.563	324,866
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 12,935,197</u>

EXPENDITURES OF STATE FINANCIAL ASSISTANCE

	Identification Number	CSFA Number	State Expenditures
<u>Florida Department of Community Affairs</u>			
Emergency Management Programs:			
Hazardous Materials Analysis	02CP-11-06-69-22-040	52.008	\$ 11,059
Emergency Management Programs: Performance Grant	02CP-04-06-69-01-059	52.008	<u>102,974</u>
			114,033
<u>Florida Department of Environmental Protection</u>			
Innovative Waste Reduction & Recycling Grant			
IG1-15	IG1-15	37.050	80,338
Petroleum Contamination Site Cleanup:			
Petroleum Cleanup	GC 634	37.024	82,078
Petroleum Cleanup	GC 634	37.024	<u>192,163</u>
			274,241
<u>Florida Housing Finance Corporation</u>			
State Housing Initiatives Partnership Program			
(Includes payments to subrecipients totaling \$583,436)			
FY 1999/2002	FY 1999/2002	52.901	2,987,261
<u>Florida Department of Children and Families</u>			
Sheriff's Protective Investigative Contracts:			
Child Protective Investigation Services	GJZ31	60.012	780,706
Child Protective Investigation Services	GJ931	60.012	<u>1,897,120</u>
			2,677,826
<u>Florida Department of Health</u>			
Emergency Medical Services Matching Awards:			
EMS - First Response Equipment - Bio Hazard Suits	NA	64.003	17,813
EMS - Fire - Disaster Communication	EM260	64.003	25,547
EMS Fire - Hazardous Chemicals	EM261	64.003	<u>74,625</u>
			117,985
County Grant Awards: Emergency Medical Services	C 0057	64.005	540,409

Continued

SEMINOLE COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 AND STATE FINANCIAL ASSISTANCE - CONTINUED
 Fiscal Year Ended September 30, 2002

EXPENDITURES OF STATE FINANCIAL ASSISTANCE - CONTINUED

Grantor/Pass-through Grantor/Program	Identification Number	CSFA Number	State Expenditures
<u>Florida Department of Juvenile Justice</u>			
Invest in Children Grant Program:			
Seminole Collaborative Youth Initiative	DP-181	80.001	17,587
Youth Referral, Education & Aftercare Counseling	PC 213	80.001	20,660
Neighborhood Accountability	NB 106	80.001	<u>6,297</u>
			44,544
Conditional Release Services	G8031	80.018	457,560
Conditional Release Services	S4J02	80.018	<u>152,520</u>
			610,080
Juvenile Assessment Centers	G8032	80.020	155,200
Juvenile Assessment Centers	G8032	80.020	<u>51,750</u>
			206,950
<u>Florida Attorney General - Department of Legal Affairs</u>			
Florida Motor Vehicle Theft Prevention Grant	01-D03-01	41.004	100,000
<u>Florida Department of State</u>			
Acquisition, Restoration of Historic Properties:			
Seminole County Museum Project	SC262	45.032	140,121
Historic Preservation Grant: .			
Seminole County Touring Booklet Project	FO112	45.031	3,763
State Aid to Libraries	02-ST-58	45.030	400,789
Voting Systems Assistance	NA	45.029	<u>129,764</u>
			674,437
<u>Florida Department of Transportation</u>			
County Incentive Grant Program:			
East Lake Mary Blvd., Phase 3, Segment 1	248472-1-5-4-01 (AF958)	55.008	500,000
East Lake Mary Phase 1	410521-1-54-01 (AJ765)	55.008	1,534,028
East Lake Mary Phase 2	410522-1-54-01 (AK818)	55.008	<u>818,203</u>
			2,852,231
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u>\$ 11,280,335</u>

SEMINOLE COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE - CONTINUED
Fiscal Year Ended September 30, 2002

NOTES TO SCHEDULE

Basis of Accounting

The Schedule has been prepared in accordance with accounting principles generally accepted in the United States of America. Expenditures have been recognized on the schedule and are reflected in Seminole County's financial statements in accordance with the accrual basis of accounting. All expenditures were recorded in governmental fund types.

Subrecipients

The County paid \$583,435 to subrecipients for its state financial assistance projects. All state project disbursements were made under the direct distribution of the County.

SEMINOLE COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended September 30, 2002

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's report issued: Unqualified

Internal control over financial reporting:

* Material weakness(es) identified? _____ Yes X No

* Reportable condition(s) identified that are
 not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted _____ Yes X No

Federal Awards and State Financial Assistance

Internal control over major federal programs and state projects

* Material weakness(es) identified? _____ Yes X No

* Reportable condition(s) identified that are
 not considered to be material weaknesses? X Yes _____ No

Type of auditor's report issued on compliance for major federal programs and state projects: Unqualified

Any audit findings disclosed that are required to
 be reported in accordance with the Rules of the
 Auditor General? X Yes _____ No

Identification of major federal and state programs:

CFDA Number	Name of Federal Program
66.500	Environmental Protection Consolidated Research Grants
16.000	Federal Equitable Sharing Program
20.205	Highway Planning & Construction
20.205	Highway Planning & Construction
83.548	Hazard Mitigation Grant

CSFA Number	Name of State Program
37.024	Petroleum Contamination Site Cleanup
52.901	State Housing Initiatives Partnership Program
64.005	County Grant Awards: Emergency Medical Services
80.018	Conditional Release Services:
80.020	Juvenile Assessment Centers
55.008	County Incentive Grant Program

Dollar threshold used to distinguish between type A and type B Programs: Federal	<u>\$ 358,779</u>
State	<u>\$ 300,000</u>

SEMINOLE COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2002

Section II - Financial Statement Findings
None

Section II - Findings and Questioned Costs - Major Federal and State Award Programs
Federal: None

State:

02-01

FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION

Petroleum Contamination Site Cleanup

CSFA: 37.024

Grant Number: GC 634

Condition:

The underlying applicable accounting records do not support the reported amounts.

Criteria:

In order to insure the completeness and accuracy of the financial reports, the underlying accounting data should be reconciled reports

Recommendation:

Policies and procedures should be established to provide guidance on the linkage of the underlying accounting data to the financial reports.

Grantee Response:

Procedures have been instituted to improve communications and to coordinate the reconciliation of accounting data.

02-02

FLORIDA HOUSING FINANCE CORPORATION

State Housing Initiatives Partnership Program

CSFA: 52.901

Grant Number SHIP

Condition: See 02-01

Criteria: See 02-01

Recommendation: See 02-01

Grantee Response See 02-01

02-03

FLORIDA DEPARTMENT OF TRANSPORTATION

County Grant Awards: Emergency Medical Services

CSFA: 64.005

Grant Number: C0057

Condition: See 02-01

Criteria: See 02-01

Recommendation: See 02-01

Grantee Response: See 02-01



MANAGEMENT LETTER

To the Honorable Board of County Commissioners
of Seminole County, Florida

We have audited the financial statements of Seminole County, Florida, as of and for the fiscal year ended September 30, 2002, and have issued our report thereon dated April 15, 2003. In planning and performing our audit of the financial statements of Seminole County, Florida we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our report on compliance and internal control over financial reporting, report on compliance and internal control over compliance applicable to each major federal awards programs and major state project, and schedule of findings and questioned costs. Disclosures in those reports and schedule, which are dated April 15, 2003, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General. Those rules (Section 10.554(1)(g) 1.a.) require that we address in the management letter, if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs, whether or not inaccuracies, shortages, defalcations, fraud, and/or violations of laws, rules, regulations, and contractual provisions reported in the preceding annual financial audit report have been corrected. There were no inaccuracies, irregularities, shortages, defalcations, and/or violations of laws, rules, regulations, and contractual provisions disclosed in the preceding annual report.

The Rules of the Auditor General (Section 10.554(1)(g) 1.b.) require that we address in the management letter, if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. Recommendations made in the preceding annual financial audit report were implemented during the current fiscal year.

As required by the Rules of the Auditor General (Section 10.554(1)(g) 2.), the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that Seminole County, Florida complied with Section 218.415, Florida Statutes.

The Rules of Auditor General (Section 10.554(1)(g) 4.) require disclosure in the management letter of the following matters if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed certain matters that are listed on the attached schedule of findings.



As required by the Rules of the Auditor General (Section 10.554(1)(e) 2.), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit, we determined that Seminole County, Florida is not in a state of financial emergency as a consequence of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554(1)(e) 3.), we determined that the annual financial report for Seminole County, Florida for the fiscal year ended September 30, 2002, filed with the Department of Banking Finance pursuant to Section 218.32, Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2002.

As required by the Rules of the Auditor General (Sections 10.554(g)(6) c. and 10.556), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

This management letter is intended solely for the information of the Board of County Commissioners, management, federal and state awarding agencies and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Harris, Cotherman, O'Keefe & Associates

April 15, 2003

SEMINOLE COUNTY, FLORIDA
MANAGEMENT LETTER – SCHEDULE OF FINDINGS
September 30, 2002

- 1. Bank Reconciliation** - Upon review and testing of the bank reconciliation for September 2002 we observed various transactions that were never recorded. Some wire transfers "in" were not recorded and there were outstanding checks from the Supervisor of Elections payroll that had not been entered on the outstanding check list.

The Supervisor of Elections database should be included in the outstanding check list program. This may need to be a manual procedure until the Clerk's new financial management and accounting system is installed. The wire transfers "in" on the bank statement should be traced to the transactions in pooled cash on the general ledger by someone independent of receipts posting and bank reconciliation preparation.

- 2. Reconciliation of Contract Retainage** - Retainage payable on open contracts is not reconciled on a regular basis. This creates variances in the amounts personnel could produce to verify the liability and the amount on the general ledger. Proper accounting procedures should be employed to ensure that the amounts recorded as retainage payable properly reflect balances due. Currently there are a large number of contracts with outstanding retainage payable balances.

We recommend that consideration be given to establishing a subsidiary ledger for this account and that persons responsible for monitoring outstanding contracts be charged with reconciling retainage to the general ledger and subsidiary.

- 3. Leases** – The County is obligated on leases under a master lease agreement for computer equipment, with leases starting in FY 2001, and FY 2002. The County has prepared a schedule of lease obligations payable for use as footnote information.

New policies should be adopted that can accommodate budgeting needs and meet financial reporting requirements in accordance with generally accepted accounting principles (GAAP). One such policy could be related to capital leases.

- 4. Arbitrage Tax Return** – The County had an arbitrage rebate due at 9/30/01 and the required tax return and payment was not made on a timely basis.

We recommend that the County establish monitoring procedures to review the liability for arbitrage rebates on a regular basis. To reduce the County's risk, consideration should be given to outsourcing this function.

- 5. Infrastructure Surtax Due Other Governments** – The County levies and collects a voted infrastructure surtax of which a portion of the taxes collected are due other governments in Seminole County. The County is properly accruing these revenues based on the provisions of the Governmental Accounting Standards Board Statement Number 33.

We recommend that the County provide all of the entities involved, on a quarterly basis, the amount accrued, collected and interest earned. In addition, we recommend that the budget for this revenue source be adopted net of amounts due other entities to be consistent with the accounting treatment.



**Management Letter Responses
Year Ending September 30, 2002**

1. Bank Reconciliation

We concur with the finding. We have instituted a monthly review process wherein the recommendation will be implemented.

2. Reconciliation of Contract Retainage

We concur with the finding. We have instituted a quarterly review process wherein the underlying subsidiary contract retainage data will be reconciled to the general ledger data.

3. Leases

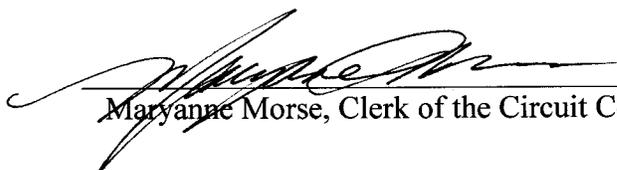
We concur with the finding. Fiscal year 2003 financial statements will reflect the referenced leases as capital leases.

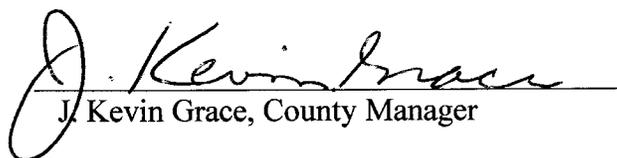
4. Arbitrage Tax Return

We concur with the finding. We have instituted a semi-annual internal review and monitoring process and have engaged outside counsel for additional review on an annual basis.

5. Infrastructure Surtax Due Other Governments

We concur with the finding. A reporting form is being developed to advise the other governments in Seminole County of their revenue and account balances on a regular basis for fiscal year 2003/2004. This surtax is not part of our budget and is placed in a category called "Due to other Governmental agencies."


Maryanne Morse, Clerk of the Circuit Court


J. Kevin Grace, County Manager