



PASCO COUNTY, FLORIDA

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

September 30, 2006

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 1700
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**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***

Chairman and Distinguished Members
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, 2006, which collectively comprise Pasco County, Florida's basic financial statements and have issued our report thereon dated June 4, 2007. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pasco County, Florida's basic 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*.



This report is intended solely for the information and use of the Board of County Commissioners and management of Pasco County, Florida, 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 4, 2007
Certified Public Accountants



KPMG LLP
Suite 1700
100 North Tampa Street
Tampa, FL 33602

**Report on Compliance with Requirements Applicable to Each Major
Federal Program and State Project and on Internal Control over
Compliance in Accordance with OMB Circular A-133 and
Chapter 10.550, Rules of the Auditor General**

Chairman and Distinguished Members
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, 2006. 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.

As described in items 2006-1, 2006-5, and 2006-7 in the accompanying schedule of findings and questioned costs, Pasco County, Florida did not comply with requirements regarding special tests and provisions – environmental reviews, Davis-Bacon Act, and Subrecipient Monitoring that is applicable to the Community Development Block Grant. Additionally, as described in item 2006-4 in the accompanying schedule of findings and questioned costs, Pasco County, Florida did not comply with requirements regarding Special Tests and Provisions that are applicable to the Home Investment Partnerships Program. Compliance with such requirements is necessary, in our opinion, for Pasco County, Florida to comply with the requirements applicable to those programs.



In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2006. The results of our auditing procedures also 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 2006-2, 2006-3, and 2006-6.

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 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 Pasco County, Florida's ability to administer a major federal program 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 2006-1, 2006-4, 2006-5, and 2006-7.

A material weakness is a reportable 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 applicable requirements of laws, regulations, contracts, and grants caused by error or fraud 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 considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2006-1, 2006-4, 2006-5, and 2006-7 to be material weaknesses.

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, 2006, and have issued our report thereon dated June 4, 2007. 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.



This report is intended solely for the information and use of the Board of County Commissioners, and management of Pasco County, Florida, 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 4, 2007
Certified Public Accountants

PASCO COUNTY, FLORIDA
Schedule of Expenditures of Federal Awards and State Financial Assistance
Year ended September 30, 2006

Federal/state grantor/pass through grantor	CFDA, CSFA number	Contract amount	Grant ID#	Accrued (deferred) revenue October 1, 2005	Cash receipts	Expenditures	Accrued (deferred) revenue September 30, 2006
U.S. Department of Agriculture:							
Passed through Area Agency on Aging:							
Elderly nutrition	10.570	\$ 132,609	EU006-PA	\$ —	89,271	89,271	—
National School Lunch Program – A.S.D.P. Commodities	10.555	None	None	—	37,962	37,962	—
Total U.S. Department of Agriculture				—	127,233	127,233	—
U.S. Department of Housing and Urban Development:							
Community Development Block Grant	14.218	3,033,000	B03-UC-120009	162,520	732,885	570,365	—
Community Development Block Grant	14.218	2,935,000	B04-UC-120009	—	1,198,560	1,072,121	(126,439)
Community Development Block Grant	14.218	2,815,360	B05-UC-120009	—	260,439	260,439	—
Officer Friendly Grant	14.218	112,130	None	—	87,671	112,130	24,459
Officer Friendly Grant	14.218	125,608	None	19,037	19,037	—	—
Total program				181,557	2,298,592	2,015,055	(101,980)
Emergency shelter	14.231	102,000	B04-UC-120017	4,972	9,817	4,845	—
Emergency shelter	14.231	107,349	B05-UC-120017	—	88,195	93,161	4,966
Total program				4,972	98,012	98,006	4,966
Home Investment Partnerships program	14.239	1,137,565	M03-UC-120216	107,004	1,129,882	1,022,878	—
Home Investment Partnerships program	14.239	1,143,636	M04-UC-120216	—	163,751	186,604	22,853
Home Investment Partnerships program	14.239	1,039,285	M05-UC-120216	—	534	534	—
Total program				107,004	1,294,167	1,210,016	22,853
Public and Indian Housing Drug elimination program	14.854	40,000	None	—	39,428	41,232	1,804
Total U.S. Department of Housing and Urban Development				293,533	3,730,199	3,364,309	(72,357)
Election Assistance Commission:							
Passed through State of Florida DOS Division of Elections:							
Help America Vote Act	90.401	77,458	MOA	(7,736)	180,283	68,670	(119,349)
Election Reform Payments	39.011	77,458	MOA	—	6,494	6,494	—
Total Election Assistance Commission				(7,736)	186,777	75,164	(119,349)
U.S. Department of Justice:							
Passed through Florida Department of Law Enforcement:							
Byrne Grant – Multi Jurisdictional Task Force	16.579	181,797	05-CJ-K3-08-61-01-060	51,976	51,976	—	—
Byrne Grant – Multi Jurisdictional Task Force	16.579	147,310	06-JAGC-PASC-2-M8-049	—	105,775	147,310	41,535
Byrne Grant – Clerk	16.579	50,000	05-CJ-K3-08-61-01-061	—	9,255	9,255	—
Byrne Grant – CJIS Data Flow Evaluation and Operations Study Grant	16.579	40,524	2006-JAGC-PASC-1-M8-037	—	9,818	9,818	—
Violent Crime/ Drug Control (Bahama Breeze)	16.579	100,000	None	(11,205)	—	11,205	—
Pirates Cove	16.579	100,000	None	(38,553)	—	300	(38,253)
Online Crimes vs. Children	16.579	1,774	None	—	1,774	361	(1,413)
Total program				2,218	178,598	178,249	1,869
Passed through Florida Office of Attorney General:							
Crime Victim Assistance	16.575	34,685	V5020	—	27,930	34,685	6,755
Crime Victim Assistance	16.575	34,685	V4052	6,670	6,670	—	—
Total program				6,670	34,600	34,685	6,755
Direct program:							
Local Law Enforcement Block Grant (Tasers)	16.592	113,796	04-LB-BX-0238	—	109,976	113,796	3,820
Local Law Enforcement Block Grant	16.592	224,011	03-LB-BX-0371	176,722	176,722	—	—
Total program				176,722	286,698	113,796	3,820

PASCO COUNTY, FLORIDA
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Year ended September 30, 2006

Federal/state grantor/pass through grantor	CFDA, CSFA number	Contract amount	Grant ID#	Accrued (deferred) revenue October 1, 2005	Cash receipts	Expenditures	Accrued (deferred) revenue September 30, 2006
Gang Resistance Education and Training (G.R.E.A.T.)	16.737	\$ 70,744	04JVF0116	\$ 3,176	35,700	32,524	—
STOP Violence vs Women	16.588	277,708	LN023	7,409	81,637	89,304	15,076
I/M Transportation/Crime Prevention	16.738	142,356	05-DJ-BX-0232	—	59,573	136,103	76,530
SCAAP	16.606	115,619	various	—	115,619	35,732	(79,887)
Bulletproof Vest Program	16.607	71,724	06BOBX05027484	—	19,023	34,937	15,914
Federal Equitable Sharing	16.000	None	None	—	136,082	136,082	—
Total U.S. Department of Justice				196,195	947,530	791,412	40,077
U.S. Department of Transportation:							
Passed through Florida Department of Transportation:							
Highway training and education grants:							
Metropolitan Planning Organization	20.205	499,413	FPN#259342-1-14-05	87,488	87,488	—	—
Metropolitan Planning Organization	20.205	391,989	FPN#259342-1-14-06	5,099	224,533	297,645	78,211
Galen Wilson Sidewalk	20.205	131,615	AN 728	151,962	151,962	—	—
Landscape SR 54/Gunn Hwy to Suncoast	20.205	153,000	256339	15,300	—	—	15,300
Landscape SR 54/Suncoast to US 41	20.205	132,000	256337	13,200	—	—	13,200
LDSCP	20.205	181,385	256336	—	—	10,650	10,650
Embassy Regency Sidewalk	20.205	91,300	AN 726	20,093	20,093	—	—
Fivay Road Sidewalk	20.205	258,863	AN 727	194,595	194,595	—	—
	20.205	187,400	414993-1-58-01	7,431	105,620	109,375	11,186
Total program				495,168	784,291	417,670	128,547
Passed through Pinellas County MPO:							
Urban Mass Transportation Technical Studies:							
Grant MPO Section 5303	20.505	73,067	ANP74 - 05/06	—	—	13,926	13,926
Grant MPO Section 5303	20.505	70,216	AND52	16,611	17,666	1,055	—
Grant MPO Section 5303	20.505	70,216	ANP74	63,951	71,325	9,346	1,972
Total program				80,562	88,991	24,327	15,898
Direct program:							
Urban Mass Transportation Capital and Operating Assistance Formula Grant	20.507	705,722	FL-90-X446	2	—	—	2
Urban Mass Transportation Capital and Operating Assistance Formula Grant	20.507	961,688	FL90-X477	14,162	73,881	89,038	29,319
Urban Mass Transportation Capital and Operating Assistance Formula Grant	20.507	542,530	FL90-X419	1	—	—	1
Urban Mass Transportation Capital and Operating Assistance Formula Grant	20.507	942,048	FL90-X540	—	537,447	651,642	114,195
Urban Mass Transportation Capital and Operating Assistance Formula Grant	20.507	573,383	FL90-X400	63	—	—	63
Urban Mass Transportation Capital and Operating Assistance Formula Grant	20.507	990,654	FL90-X502	3,854	685,071	718,354	37,137
Total program				18,082	1,296,399	1,459,034	180,717
Passed through Florida Department of Transportation:							
Public transportation system – operating assistance	20.509	434,510	ANP-08	21,568	66,827	69,478	24,219
Public transportation system – operating assistance	20.509	228,711	FL90-X477	41,755	—	—	41,755
Public transportation system – operating assistance	20.509	1,111,270	FL90-X502	200,575	210,502	103,204	93,277
Public transportation system – operating assistance	20.509	2,268,810	FL90-X540	85,743	554,247	529,429	60,925
Total program				349,641	831,576	702,111	220,176
Total U.S. Department of Transportation				943,453	3,001,257	2,603,142	545,338

PASCO COUNTY, FLORIDA
Schedule of Expenditures of Federal Awards and State Financial Assistance
Year ended September 30, 2006

Federal/state grantor/pass through grantor	CFDA, CSFA number	Contract amount	Grant ID#	Accrued (deferred) revenue October 1, 2005	Cash receipts	Expenditures	Accrued (deferred) revenue September 30, 2006
National Highway Traffic Safety Administration:							
Passed through Florida Department of Community Affairs:							
DOT Operation Race Track	20.605	\$ 97,023	F5-06-27-20	\$ —	70,403	84,365	13,962
DOT Traffic Analyst	20.605	64,882	TR-06-09-04	—	32,271	52,678	20,407
Total National Highway Traffic Safety Administration				—	102,674	137,043	34,369
U.S. Department of Homeland Security:							
Hazard Mitigation	97.039	143,671	06HM-7@08-61-01-004	—	—	206	206
Hazard Mitigation	97.039	143,671	06HM-4@08-61-01-009	—	—	206	206
Hazard Mitigation	97.039	143,671	06HM-4@08-61-01-013	—	—	206	206
Hazard Mitigation	97.039	110,534	06HM-6@08-61-01-017	—	—	206	206
Hazard Mitigation	97.039	119,867	06HM-4@08-61-01-020	—	—	206	206
Hazard Mitigation	97.039	191,948	06HM-4@08-61-01-021	—	—	206	206
Hazard Mitigation	97.039	89,665	06HM-4@08-61-01-022	—	—	206	206
Hazard Mitigation	97.039	68,001	06HM-4@08-61-01-023	—	—	206	206
Hazard Mitigation	97.039	88,501	06HM-4@08-61-01-024	—	—	206	206
Hazard Mitigation	97.039	159,613	06HM-4@08-61-01-025	—	—	206	206
Hazard Mitigation	97.039	100,751	06HM-6@08-61-01-020	—	—	206	206
Hazard Mitigation	97.039	141,504	06HM-6@08-61-01-021	—	—	206	206
Hazard Mitigation	97.039	81,608	06HM-6@08-61-01-033	—	—	206	206
Hazard Mitigation	97.039	194,425	07HM-6@08-61-01-014	—	—	206	206
Total program				—	—	2,884	2,884
Passed through Florida Department of Community Affairs:							
Hurricane Frances	97.036	None	05-PA-G%-08-61-01-765	49,433	116,576	67,143	—
Total program				49,433	116,576	67,143	—
Domestic Preparedness Equipment Support Program	97.004	10,000	05-C1-2P-06-61-10-131	9,825	9,825	—	—
Homeland Security	97.004	247,411	05-DS-2N-08-61-01-076	158,410	111,699	88,026	134,737
Homeland Security	97.004	59,460	06-DS-3W-08-61-01-0276	—	37,462	59,459	21,997
Homeland Security	97.004	29,970	06-DS-3W-08-61-01-306	—	—	29,970	29,970
Homeland Security SEC GIS Plotter	97.004	28,330	05-DS-2N-08-61-01-034	9,525	28,328	18,803	—
Homeland Security HIT equipment	97.004	62,470	05-DS-2N-08-61-01-328	43,990	58,297	14,307	—
Citizens Corps Grant	97.004	34,685	05-CC-2U-08-61-01-153	20,478	34,619	14,141	—
Total program				242,228	280,230	224,706	186,704
Passed through United Way Phase XXIII	97.024	7,000	None	(2,554)	—	2,554	—
Passed through United Way Phase XXIV	97.024	7,350	None	—	7,350	4,409	(2,941)
FEMA Emergency Management Food Shelter Phase XXIV	97.024	6,470	None	—	3,235	—	(3,235)
Total program				(2,554)	10,585	6,963	(6,176)
Passed through FDLC:							
Law Enforcement Terrorism Prevention	97.067	497,770	05-CJ-L2-04-61-01-069	6,950	6,950	—	—
Assistance to Firefighters	97.044	552,386	EMW-2004-FG-02141	—	552,386	552,386	—
Staffing for Adequate Fire and Emergency Response	97.083	44,000	EMW-2005-FF-00182	—	36,041	37,440	1,399
Citizens Corps Grant	97.042	54,851	05-BG-04-04-08-61-01-224	8,356	8,356	—	—
Citizens Corps Grant	97.042	54,980	06-BG-04-04-08-61-01-105	—	47,661	54,980	7,319
Total program				8,356	56,017	54,980	7,319
Total U.S. Department of Homeland Security				304,413	1,058,785	946,502	192,130
Federal Emergency Management Agency:							
Direct programs:							
Hazardous mitigation - Elfers Parkway	83.548	42,813	01-HM-3M-06-61-15-015	(713)	—	—	(713)
Hazardous mitigation - Milestretch Road	83.548	110,404	99-HM-E6-08-61-15-010	(18,805)	—	—	(18,805)
Hazardous mitigation - Retrofit Shelter & Engineering Studies	83.548	1,069,701	02-HM-6L-08-61-15-002	(4,491)	—	—	(4,491)
Total program				(24,009)	—	—	(24,009)

PASCO COUNTY, FLORIDA
Schedule of Expenditures of Federal Awards and State Financial Assistance
Year ended September 30, 2006

Federal/state grantor/pass through grantor	CFDA, CSFA number	Contract amount	Grant ID#	Accrued (deferred) revenue October 1, 2005	Cash receipts	Expenditures	Accrued (deferred) revenue September 30, 2006
Coop & Terrorism Annex Plan	83.562	\$ 75,000	03-FI-1B-08-61-01-329	\$ (2,440)	—	625	(1,815)
Flood Mitigation	83.536	117,168	05-FM-65-08-61-01	—	72,384	72,384	—
Total Federal Emergency Management Agency				(26,449)	72,384	73,009	(25,824)
U.S. Department of Health and Human Services:							
Direct programs:							
Aging Cluster Program:							
Project Title III B Transportation	93.044	216,030	OAA-EA006-PASCO-TRANSPORT	—	103,985	163,298	59,313
Project Title III B Transportation	93.044	214,834	OAA-EA005-PASCO-TRANSPORT	49,220	61,176	11,956	—
Elderly nutrition title III C1 & C2	93.045	604,770	EA005-PASCO NUTRITION	166,504	168,446	1,942	—
Elderly nutrition title III C1 & C2	93.045	682,824	EA006-PASCO NUTRITION	—	570,783	653,319	82,536
Total Aging Cluster				215,724	904,390	830,515	141,849
Passed through Florida Department of Revenue:							
Child support enforcement	93.563	per unit	CC351	20,242	282,668	262,426	—
Total program				20,242	282,668	262,426	—
Passed through Area Agency on Aging:							
Emergency home energy	93.568	41,513	EP006-PASCO	—	—	30,485	30,485
Emergency home energy	93.568	57,125	EP005-PASCO	24,606	53,991	29,385	—
Total program				24,606	53,991	59,870	30,485
Passed through Department of Children and Families:							
Temporary Assistance for Needy Families	93.558	per unit	QJZ62	—	754,311	772,721	18,410
Social Services Block Grant	93.667	per unit	QJZ62	—	637,114	652,663	15,549
Total U.S. Department of Health and Human Services				260,572	2,632,474	2,578,195	206,293
Total expenditures of federal awards				\$ 1,963,981	11,859,313	10,696,009	800,677
Office of the State Courts Administration:							
Model Family Court Pilot	22.004	114,186	None	\$ (45,908)	—	—	(45,908)
Parent Facilitator Grant	22.000	35,250	None	(3,182)	—	—	(3,182)
Parent Facilitator Grant	22.000	26,405	None	(6,615)	—	—	(6,615)
Total program				(9,797)	—	—	(9,797)
Total Office of the State Courts Administration				(55,705)	—	—	(55,705)
Office of Tourism Development:							
Economic Development Transportation Fund	31.002	1,125,000	OT04-045	—	—	1,125,000	1,125,000
Economic Development Transportation Fund	31.002	300,610	OT05-016	—	—	246,900	246,900
Total Office of Tourism Development				—	—	1,371,900	1,371,900
Department of Environmental Protection:							
Withlacoochee River Park Bike Trail Grant	37.017	108,510	F3500	108,510	108,510	—	—
Lake Lisa Park	37.017	200,000	F6019	—	—	9,500	9,500
Total program				108,510	108,510	9,500	9,500
Hudson Channel Dredging	37.039	1,080,000	WAP013	36,917	36,917	—	—
Lake Conley Watershed	37.049	135,534	S0093	4,048	7,768	6,806	3,086
Robert K Rees park Sand Placement	37.065	19,800	H5PC1	—	—	19,631	19,631
Total Department of Environment Protection				149,475	153,195	35,937	32,217

PASCO COUNTY, FLORIDA
Schedule of Expenditures of Federal Awards and State Financial Assistance
Year ended September 30, 2006

Federal/state grantor/pass through grantor	CFDA, CSFA number	Contract amount	Grant ID#	Accrued (deferred) revenue October 1, 2005	Cash receipts	Expenditures	Accrued (deferred) revenue September 30, 2006
Department of State, Division of Library and Information Services:							
State Aid to Libraries	45.030	\$ 345,792	04-ST-59	\$ —	295,067	295,067	—
PCLC State Aid	45.030	20,914	04-ST-59	(9)	14,684	14,693	—
Total program				(9)	309,751	309,760	—
Historical Survey Grant	45.031	36,000	SO555	18,000	18,000	—	—
Total Department of State				17,991	327,751	309,760	—
Department of Community Affairs:							
Emergency Management Preparedness and Assistance Trust Fund Agreement	52.008	104,306	00-CP-05-08-61-01-051	(207)	—	—	(207)
Emergency Management Preparedness and Assistance Trust Fund Agreement	52.008	102,959	05-BG-04-08-61-01-051	33,337	33,337	—	—
Emergency Management Preparedness and Assistance Trust Fund Agreement	52.008	102,959	06-V6-04-08-61-01-105	—	76,539	102,959	26,420
Total program				33,130	109,876	102,959	26,213
Communication System	52.009	245,073	06CG-3A-08-61-01-007	—	245,073	245,073	—
Hazardous Materials Emergency Planning	52.023	8,666	04-CP-11-081-61-01-050	(1,279)	—	1,279	—
Hazardous Materials Emergency Planning	52.023	8,086	05-CP-11-081-61-01-000	(1,767)	—	702	(1,065)
Hazardous Materials Emergency Planning	52.023	6,383	06-CP-11-081-61-01-144	—	6,383	6,263	(120)
Total program				(3,046)	6,383	8,244	(1,185)
Residential Construction Mitigation:							
Mobile Home Tie-Down	52.016	250,000	01-RC-11-08-61-01-009	(18,391)	—	—	(18,391)
State Housing Initiative Partnership	52.901	3,646,756	MOI-UC-12-0216	—	2,226,907	2,226,907	—
State Housing Initiative Partnership	52.901	2,884,854	MOI-UC-13-0216	—	1,425,597	1,425,597	—
State Housing Initiative Partnership	52.901	2,807,898	MOI-UC-14-0216	—	3,223,771	3,223,771	—
State Housing Initiative Partnership	52.901	2,838,668	MOI-UC-15-0216	—	1,739,318	1,739,318	—
Total program				—	8,615,593	8,615,593	—
Total Department of Community Affairs				11,693	8,976,925	8,971,869	6,637
Department of Transportation:							
Transportation Disadvantaged Trip and Capital	55.001	397,438	ANQ35	78,929	78,929	—	—
Transportation Disadvantaged Trip and Capital	55.001	442,790	A0211	—	365,516	442,551	77,035
Transportation Disadvantaged Trip and Capital	55.001	1,297,308	BDA99	71,939	796,054	608,410	(115,705)
Total program				150,868	1,240,499	1,050,961	(38,670)
Transportation Disadvantaged Planning Grant	55.002	23,795	ANP96	11,897	11,897	—	—
Transportation Disadvantaged Planning Grant	55.002	24,253	AO297	—	12,126	24,253	12,127
Total program				11,897	24,023	24,253	12,127
County Incentive Grant Program – Row SR 54/Magnolia-Oakley	55.008	5,119,335	AL-313	320,600	320,600	2,464,100	2,464,100
Transit Block Grant	55.010	1,288,974	AN-026	296,704	741,974	690,441	245,171
Transit Service Development Program	55.013	353,459	ANS-93	91,361	269,259	202,561	24,663
Transit Service Development Program	55.013	150,000	ANH-89	14,887	14,887	24,182	24,182
Transit Service Development Program	55.013	150,000	A0-875	—	—	16,268	16,268
US 19 Urban Corridor Program	55.013	150,000	AND-02	(2)	—	—	(2)
US 19 Urban Corridor Program	55.013	935,000	AND-09	300,443	510,393	209,950	—
Total program				406,689	794,539	452,961	65,111
Total Department of Transportation				1,186,758	3,121,635	4,682,716	2,747,839

PASCO COUNTY, FLORIDA
Schedule of Expenditures of Federal Awards and State Financial Assistance
Year ended September 30, 2006

Federal/state grantor/pass through grantor	CFDA, CSFA number	Contract amount	Grant ID#	Accrued (deferred) revenue October 1, 2005	Cash receipts	Expenditures	Accrued (deferred) revenue September 30, 2006
Department of Children and Families:							
Homeless Challenge Grant	60.014	\$ 100,000	QFZ6C	\$ —	94,337	94,337	—
Total Department of Children and Families				—	94,337	94,337	—
Department of Health:							
EMS Matching Grant Program	64.003	214,725	M4006	(158,730)	—	158,730	—
EMS Matching Grant Program	64.003	51,303	M5008	(49,592)	—	49,481	(111)
Total program				(208,322)	—	208,211	(111)
EMS Pre-Hospital Emergency Medical Service	64.005	107,221	C3051	(27)	87,003	86,941	(89)
Total Department of Health				(208,349)	87,003	295,152	(200)
Department of Juvenile Justice:							
High Risk Youth	80.022	188,154	X1166	15,390	67,944	63,007	10,453
Juvenile Assessment	80.020	470,000	X1307	58,750	259,365	240,517	39,902
Teen Drug Court Grant	80.002	124,981	DP337	124,981	124,981	—	—
Total Department of Juvenile Justice				199,121	452,290	303,524	50,355
Total State Awards				\$ 1,300,984	13,213,136	16,065,195	4,153,043

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, 2006

(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 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, 2006. The current year additions related to the loans are included in the Schedule of Federal Awards and State Financial Assistance as expenditures.

CFDA/CSFA #	Program	
14.218	Community Development Block Grant	\$ 488,299
14.239	HOME Investment Partnerships Program	9,994,810
52.901	State Housing Initiatives Partnership (SHIP) Program	20,979,053
		<u>\$ 31,462,162</u>

(3) Subrecipients

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

CFDA #	Program	Amount provided to subrecipients
14.218	Community Development Block Grant	\$ 1,105,365

PASCO COUNTY, FLORIDA
Schedule of Findings and Questioned Costs
Year ended September 30, 2006

(1) Summary of Auditors' Results

- (a) The type of report issued on the basic financial statements: Unqualified opinion
- (b) Reportable conditions in internal control were disclosed by the audit of the basic financial statements: None reported
- Material weaknesses: No
- (c) Noncompliance which is material to the basic financial statements: No
- (d) There were four reportable conditions identified in the internal control over major federal programs, all of which were considered to be material weaknesses. There were no reportable conditions or material weaknesses identified in the internal control over state projects.
- (e) An unqualified opinion was issued on compliance for the major federal programs and state projects, except for a qualified opinion on the following compliance requirements:
- Community Development Block Grant—CFDA #14.218:
Special Tests and Provisions – Environmental Reviews
Davis-Bacon Act
Subrecipient Monitoring
- Home Investment Partnerships Program—CFDA #14.239:
Special Tests and Provisions
- (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133 or Chapter 215.97, Florida Statutes Yes
- (g) Major programs:

Federal	
CFDA #	Program
14.218	Community Development Block Grant
14.239	HOME Investment Partnerships Program
97.044	Assistance to Firefighters

PASCO COUNTY, FLORIDA
Schedule of Findings and Questioned Costs
Year ended September 30, 2006

State	
CFSA #	Program
52.901	State Housing Initiative Partnership
55.001	Transportation Disadvantaged Trip and Capital
55.008	County Incentive Grant Program
31.002	Economic DevelopmentTransportation Fund

(h) A \$320,880 and \$481,956 threshold was used to distinguish between Type A and Type B programs for federal programs and state projects, respectively.

(i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: No

(2) **Findings relating to the financial statements reported in accordance with *Government Auditing Standards*:** None

(3) **Findings and questioned costs relating to federal awards:**

Finding 2006-1

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-03-UC-120009, B-04-UC-120009, B-05-UC-120009

Award numbers for HOME: M-03-UC-120216, M-04-UC-120216, M-05-UC-120216

Award years: 2003, 2004, 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.”

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.

PASCO COUNTY, FLORIDA
Schedule of Findings and Questioned Costs
Year ended September 30, 2006

Conditions:

We noted the following with respect to environmental review records:

- There was not an environmental assessment (in accordance with 24 CFR Part 58.36) for the Darlington Residential Facility project. (CDBG)
- The ERR for one demolition project was not signed or fully completed. (CDBG)
- The County could not locate the ERR for a single-family home project on Bimini Drive. (HOME)

Questioned Costs:

CDBG: – Payments totaling \$419,406 were made relating to the Darlington Residential Facility.
 – Demolition costs were \$9,001 for the project noted above.

HOME: – Payments totaling \$120,792 were made relating to the Bimini Drive project.

Context/Effect:

We observed the ERR in conjunction with expenditure testwork. We noted exceptions in 2 of 16 projects in the CDBG sample and in 1 of 18 projects in the HOME sample.

Recommendation:

Environmental reviews should be completed for each project prior to IDIS set-up and prior to expending any grant funds. To ensure proper 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 set-up (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:

The County has now completed the required environmental documentation for the demolition project and Bimini Drive. The County is responsible for doing environmental reviews on each project. The ones that were not done were accidental, and not the norm. However, we will make it is the responsibility of the person who sets up the project in IDIS to make sure the ERR was completed.

Finding 2006-2

Federal Agency:	U.S. Department of Housing and Urban Development
Program:	Home Investment Partnerships Program (HOME)
CFDA number:	14.239
Award numbers:	M-03-UC-120216, M-04-UC-120216, M-05-UC-120216
Award years:	2003, 2004, 2005

PASCO COUNTY, FLORIDA
Schedule of Findings and Questioned Costs
Year ended September 30, 2006

Criteria:

HOME regulation §92.209(a) states that “administration of tenant-based rental assistance (TBRA) is eligible only under general management oversight and coordination at §92.207(a).”

Condition:

TBRA administrative costs totaling \$10,724 were paid to Pasco County Housing Authority, however they were not funded under §92.207(a) as required. These administrative costs were essentially drawn from “project” funds instead of “administrative” funds.

Questioned Costs:

None. Costs are allowable under grant, just not funded by correct grant dollars.

Context/Effect:

There were no other payments of TBRA administrative costs in FY 2006.

Recommendation:

We recommend the County revise its IDIS draws and fund these costs using its HOME administrative allocation.

Management's Response:

The administration costs for tenant based rental assistance were drawn down with program funds, not administrative funds. This project is still open, and Pasco County amended its draw downs so the administrative money was drawn correctly. It should be noted that Pasco County does not feel this should be a finding because the project was still open and this error would have been discovered before the project was closed out. We are no longer funding this program.

KPMG's Response:

While the County may have discovered this error before the project was closed out, at the time of our testing the error had not been identified and therefore meets the definition of a finding under OMB Circular A-133.

Finding 2006-3

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-03-UC-120009, B-04-UC-120009, B-05-UC-120009
Award numbers for HOME:	M-03-UC-120216, M-04-UC-120216, M-05-UC-120216

PASCO COUNTY, FLORIDA
Schedule of Findings and Questioned Costs
Year ended September 30, 2006

Award years: 2003, 2004, 2005

Criteria:

Program income must be fully expended before entitlement funds are drawn from the U.S. Treasury.

Condition:

The County did not fully utilize program income before drawing funds from the U.S. Treasury. Entitlement funds were drawn from HOME on 7 dates in FY 2006 and available program income was not fully utilized in any of these cases. We noted that due to the cumulative effect of the finding in May 2006, the remaining four dates selected would not be in compliance. Entitlement funds were drawn from CDBG on 11 dates in FY 2006 and available program income was not fully utilized in 3 of these cases.

Questioned Costs:

None

Context/Effect:

We observed use of program income for all HOME and CDBG draws during FY 2006.

Recommendation:

We understand the County revised its cash draw process in the first quarter of FY 2007 and as a result, should be now fully utilizing program income as required. We recommend the County update its written policies and procedures for cash draws to reflect these changes and to specifically address requirements associated with program income.

Management's Response:

It has always been the Division's policy to draw all program income prior to drawing entitlement funds for both the HOME and CDBG programs. During the 05-06 program year, some instances occurred when program income was not fully utilized. In reference to the CDBG program, one early draw was for old year funding and only old year program income could be used. The new year program income was used on the first available new year draw. In another case, a drawdown amount was from the revision of an old year draw and program income could not be applied to the revision. The third case was an oversight in not including paving assessment receipts. This was corrected on the very next drawdown.

For the HOME program, one of the first drawdowns was created on one date but not actually entered into IDIS until two weeks later. The interim program income was not receipted before the draw as it should have been. A \$5,000 program income difference in January was due to the fact that a journal entry was listed on our program income spreadsheet, but did not actually hit FASBE until February which is when it was ultimately receipted and drawn. In February, program income was receipted but was not used against the draw as it should have been. All of the above instances, in addition to a \$15,000 program income revision on the May drawdown, had a cumulative effect on all of the remaining draws for the balance of the year.

PASCO COUNTY, FLORIDA
Schedule of Findings and Questioned Costs
Year ended September 30, 2006

Finding 2006-4

Federal Agency: U.S. Department of Housing and Urban Development
Programs: Home Investment Partnerships Program (HOME)
CFDA numbers: 14.239
Award numbers: M-03-UC-120216, M-04-UC-120216, M-05-UC-120216
Award years: 2003, 2004, 2005

Criteria:

HOME regulation §92.504(3) describes the provisions that must be in written agreements with a “for-profit or nonprofit housing owner, sponsor or developer”.

Conditions:

- The County did not have a HOME agreement with one developer that utilized HOME funds in FY 2006 (West Pasco Habitat for Humanity). They had a SHIP agreement only with this developer.
- Written agreements with other HOME developers did not include some of the provisions described in §92.504(3).

Questioned Costs:

None

Context/Effect:

We observed one subrecipient contract (covered under §92.504(2)) and one nonprofit developer contract (covered under §92.504(3)). We observed one example of each contract because the County uses boilerplate contract language.

Recommendation:

We recommend the County carefully review the language of all HOME contracts to ensure compliance with 24 CFR 92.504. Written agreements should specifically address each provision as described in this HOME regulation.

Management's Response:

While there was a written agreement with West Pasco Habitat for funds, which the County feels met the HOME requirements, we agree that it was written in a confusing manner for an outside agent to determine compliance with the HOME Program. We have re-written the agreement and all parties have signed them.

Finding 2006-5

Federal Agency: U.S. Department of Housing and Urban Development
Programs: Community Development Block Grant (CDBG)

PASCO COUNTY, FLORIDA
Schedule of Findings and Questioned Costs
Year ended September 30, 2006

CFDA number: 14.218
Award numbers: B-03-UC-120009, B-04-UC-120009, B-05-UC-120009
Award years: 2003, 2004, 2005

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. We noted one project covered by the Davis Bacon Act that had none of the required paperwork.

We observed 30 certified payroll reports and noted that controls were not adhered to in 7 instances. The payroll reports were not certified by an owner, officer or designee in 5 of 30 cases. We noted 5 instances where the job description on the certified payroll did not match the wage decision. We also observed several other errors.

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.

Questioned Costs:

Unknown

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).

Recommendation:

Per discussion with the County, issues with Davis Bacon (DB) compliance were primarily due to turnover in the Department. We recommend formal training for new staff members responsible for Davis Bacon compliance. In addition, written policies and procedures should be established to describe the County's processes and controls relating to DB Act compliance.

The DB coordinator should be part of the review process for invoices. Prior to remitting any payments to contractors, the Davis-Bacon coordinator should formally indicate his/her approval of the invoice based upon the contractor's compliance with the DB Act.

Management's Response:

All certified payrolls are reviewed for compliance with the Davis-Bacon and Related Acts criteria. With the change over in staff, the files were not appropriately documented; however, payrolls were reviewed for work classification and prevailing wages. The staff person currently responsible for review of projects covered by Davis-Bacon did receive formal training in September of 2004. Written policies and procedures

PASCO COUNTY, FLORIDA
Schedule of Findings and Questioned Costs
Year ended September 30, 2006

will be established that describe the County's processes and controls relating to DB Act compliance as recommended.

Finding 2006-6

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

Criteria:

HUD will consider an entitlement recipient to be failing to carry out its CDBG activities in a timely manner if sixty days prior to the end of the grantee's current program year, the amount of entitlement grant funds available to the recipient under grant agreements but undisbursed by the U.S. Treasury is more than 1.5 times the entitlement grant amount for its current program year. (24 CFR 570.902(a))

Condition:

The County's CDBG timeliness ratio as of July 31, 2006 (sixty days prior to year-end) was 1.71. As such, the County was not in compliance with the HUD maximum ratio of 1.5 as of this date.

Questioned Costs:

None

Context/Effect:

Grantees have 12 months, to their next 60-day test, to reach the 1.5 ratio. Failure to meet this ratio will cause HUD to reduce the next year grant by 100% of the amount in excess of 1.5 (unless HUD determines that the untimeliness resulted from factors beyond the grantee's control.)

Recommendation:

The County has been monitoring this situation closely, but still exceeded the ratio as of the second quarter of FY 2007. They believe, however, they will meet the 1.5 ratio as of July 31, 2007 (and for years to come) due to scheduled Section 108 loan payments that will be made using CDBG funds.

Management's Response:

It has been difficult to meet the Timeliness Standards due to the 3 large projects that the Division is handling (Tommytown, Marine Institute, and Elfers Senior Center). There is nothing we can do to meet that standard that has not already been done. We are doing our best to meet the 1.5 requirement and have been providing HUD with periodic updates to their status.

PASCO COUNTY, FLORIDA
Schedule of Findings and Questioned Costs
Year ended September 30, 2006

Finding 2006-7

Federal Agency: U.S. Department of Housing and Urban Development
Programs: Community Development Block Grant (CDBG)
CFDA number: 14.218
Award numbers: B-03-UC-120009, B-04-UC-120009, B-05-UC-120009
Award years: 2003, 2004, 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.

Conditions:

We noted the following with respect to CDBG monitoring:

- Participant eligibility for “public service” activities is determined by subrecipients (where applicable). In such cases, it is the County’s responsibility to monitor the eligibility process and related documentation. The County did not, however, monitor eligibility for any of the CDBG subrecipients in FY 2006.
- The “Monitoring Log”, which is used as a control mechanism, was not kept up-to-date in FY 2006.

Financial statements and management letters are generally only requested from subrecipients that expend more than \$500,000 in federal funds. There is no tracking system to ensure timely submission of audit reports and management letters.

Questioned Costs:

Unknown

Context/Effect:

We observed all CDBG monitoring reports issued by the County in FY 2006.

Recommendations:

If participant eligibility for grant-related activities is determined by a subrecipient, the County should monitor the eligibility process and the related eligibility documentation.

PASCO COUNTY, FLORIDA
Schedule of Findings and Questioned Costs
Year ended September 30, 2006

Management should create a detailed monitoring plan and schedule for each fiscal year. The County should update its Monitoring Log in a timely manner to ensure monitoring visits, monitoring reports, and follow-up activity are completed as planned/scheduled.

Audited financial statements and management letters can provide useful information to Community Development management, and are often available from nonprofit subrecipients that do not meet the single audit threshold. We recommend the County request and review financial statements and management letters from all subrecipients during the period(s) grant expenditures are incurred. The County should also establish a tracking system to ensure timely submission of audit reports and management letters.

Management's Response:

We will complete the recommended revisions.