

Hernando County Clerk of Circuit Court
Audit Services Department
Audit Report
DPW Road Paving and Street Lighting MSBU
September 5, 2025

MANAGEMENT LETTER

TO: Jeffrey Rogers, County Administrator

VIA: The Honorable Douglas A. Chorvat, Jr.

FROM: Elizabeth Hogan, CIA, CFE, Chief Internal Auditor 

DATE: September 5, 2025

SUBJECT: DPW Paving and Lighting MSBUs Audit

In accordance with the Audit Services Department's Audit Project Schedule, the internal audit team conducted an audit of the DPW Road Paving and Street Lighting MSBUs. Based on testing, observations, and communications with key personnel, the audit team produced the attached report for your review. Management's responses to the recommendations are also included. A copy of this report has been forwarded to the Board of County Commissioners as an agenda "Correspondence to Note" item.

The purpose of this report is to furnish management with independent, objective analyses, recommendations, counsel, and information concerning the activities reviewed. The audit report is a tool to help management discern and implement specific improvements. It is not an appraisal or rating of management.

Although the internal audit team exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

The courtesy and cooperation extended by the employees of the Department of Public Works Department and the Financial Services Department during the audit were sincerely appreciated.

If you have any questions, concerns, or need additional information in regard to the above or the attached report, please do not hesitate to contact Audit Services at (352) 540-6235, or stop by our offices in Room 300C.

ATTACHMENT: DPW Road Paving and Street Lighting MSBU Audit Report

Copy: J. Scott Herring, P.E., Director of Public Works

Copy: Board of County Commissioners

Chairman Brian Hawkins
Commissioner John Allocco
Commissioner Ryan Amsler
Commissioner Jerry Campbell
Commissioner Steve Champion

Copy: Audit Services Planning & Priorities Committee

The Honorable Doug Chorvat, Jr., CPM, CGCIO, Clerk of Circuit Court and Comptroller
Albert Bertram, Budget Director
Toni Brady, MBA, CPM, CGFO, Deputy County Administrator
Jon Jouben, Esq., County Attorney
Jeffrey Rogers, PE., County Administrator
Joshua Stringfellow, CPA, Chief Financial Officer
William Blend, CPA, CFE, Partner, Forvis Mazars, LLP
Jeff Wolf, CPA, Partner, Forvis Mazars, LLP

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Executive Summary

The purpose of this audit was to provide management with some level of assurance that Road Paving and Street Lighting Municipal Service Benefit Units (MSBUs), managed by the Department of Public Works (DPW), were established and calculated accurately according to Board of County Commissioners (BOCC) approved policies. Furthermore, this audit ensured that Road Paving MSBUs were properly assessed and closed, and that Final Pay Applications were accurate, agreed to contract terms, and properly posted to the eFinance Plus system.

Discussion Point 1: Creation of MSBUs

To evaluate the processes in place, the Audit Services Department (ASD) selected a sample of 25 Road Paving MSBUs and tested for completeness, accuracy, and compliance with Florida Statutes, County Ordinances, and Department Policies. In addition, to verify the voting process, voting cards were recalculated. The ordinances for the sample of MSBUs were established between Fiscal Year (FY) 2013 and Fiscal Year (FY) 2022.

Based on the review of Road Paving MSBUs, internal controls were in place and the department complied with all statutes, ordinances, and policies.

Although most MSBU documentation appeared to be in order, the voting card process lacked evidence of property owner approval for some MSBUs. Voting cards were not retained for four of the Road Paving MSBUs that were established in FY13 and active at the time of the audit. Therefore, ASD was unable to confirm those voting results.

The Department of State's General Records Schedule GS1-SL item #136 states Project Files for Capital Improvement are to be retained 10 Fiscal Years after completion or termination of project.

Discussion Point 2: CIP Funding

To ensure that the MSBU Capital Improvement Projects (CIPs) were properly funded and accurately assessed to property owners, the department established a budget which was presented to the Board of County Commissioners for approval. Included in each budget file was an amortization schedule, a construction cost schedule, the County's and property owners' cost shares as per policy, and property information for the benefiting owners on which assessment rates were calculated.

The ASD reviewed the sample of Road Paving MSBU projects and ascertained that internal controls appeared to be in place pertaining to calculations and compliance with Board of County Commissioner approved ordinances and policies.

In general, the overall CIP funding process appeared to be working effectively. A total of 2,226 parcels were reviewed for Non-ad Valorem assessments, and 2,221 parcels were determined to be accurately assessed. Out of the total number of parcels evaluated, 532 parcels paid off early. The review identified five of the prepaid parcels were inaccurately assessed. Two parcels were underpaid by one payment each of \$220, for a combined total of \$440. Corrective action was taken during fieldwork, and the property owners will be assessed the missing payments for the 2025 tax year. Additionally, three parcels were assessed for subsequent years after payoff for a combined total of \$5,148. During fieldwork, the Hernando County Tax Collector processed

refunds for the 2024 tax year for the three parcels. Refunds for the remaining prior tax years are the responsibility of DPW.

Discussion Point 3: Final Pay Applications

Final Pay Applications for Road Paving projects were evaluated to determine if adequate controls were in place to ensure they were accurately calculated, agreed with contract terms, properly approved, and accurately posted to eFinance Plus.

Based on the results of this review, the internal controls for the payment process appeared to be functioning as intended.

Discussion Point 4: MSBU Closeout

MSBUs that had reached the end of their lifecycle were closed out by the department. During this process, the MSBUs were removed from the tax roll, the County was reimbursed for pre-paid funds used, and if applicable, refunds were processed. According to MSBU Policy 16-01, refunds are due to property owners if the surplus from the budget is 10% or more of the original up-front budget and the average refund is greater than \$500.

Six of the MSBU projects from the sample were closed out. For each MSBU, the ASD verified the balances, recalculated the surplus percentage and average refund per parcel, and traced the posting of residual funds.

The review determined that the process of closing MSBUs was performed properly and accurately.

Discussion Point 5: Street Lighting

Perpetual in nature, Street Lighting MSBUs were created for public safety, and placed on each year's tax roll as Non-ad Valorem assessments for the benefitting parcels,

To perform this review, the ASD obtained a list of 23 Street Lighting MSBUs from the FY24 MSBU Resolution. Based on available data, Street Lighting MSBUs originated in the early 1980's. Therefore, the two most recent Street Lighting MSBUs were selected for testing.

The review of the Street Lighting MSBUs determined that they were accurate and established according to Florida Statutes, Department Policies, and Standard Operating Procedures. Ordinances and resolutions were complete and properly approved by the Board of County Commissioners.

Acknowledgement

Other minor findings not included in the attached report were communicated to management and/or corrected during fieldwork.

Fieldwork was performed by: Elizabeth Hogan, CIA, CFE, Chief Internal Auditor
Vicky Sizemore, Internal Auditor

Management's Action Plan was provided by: J. Scott Herring, P.E., Director of Public Works

Management's Action Plan was approved by: Jeffrey Rogers, County Administrator

This report was reviewed and authorized by Douglas A. Chorvat, Jr., Clerk of Circuit Court and Comptroller.

A handwritten signature in black ink, appearing to read "D. Chorvat", written over a horizontal line.

Douglas A. Chorvat, Jr.

9/5/2025

Date

Background Information

BACKGROUND INFORMATION

F.S. 125.01 (q)(r)(t) grants county governments the authority to “establish and subsequently merge or abolish municipal service benefit units for any part or all of the unincorporated area of the county, to include streets and street lighting.” Upon consent by ordinance the county may “levy and collect taxes and special assessments; borrow and expend money; and issue bonds, revenue certificates, and other obligations of indebtedness.” In addition, the county may “adopt ordinances and resolutions necessary for the exercise of its powers and prescribe fines and penalties for the violation of ordinances in accordance with law.”¹

The Department of Public Works provides and maintains the transportation infrastructure for the benefit of residents and visitors of Hernando County. According to MSBU Policy 16-01, an MSBU is defined as,

A special assessment district as established by authorizing ordinance to provide necessary funding for a variety of services and improvements including but not limited to, residential household solid waste and disposal services, residential street lighting, fire protection, road paving, drainage, and water and sewer infrastructure.

Once established, through ordinances and resolutions, special assessments will be charged annually to the property owners within the MSBU boundary. MSBU assessments appear as Non-ad Valorem Assessments on the property owner’s annual tax bill for the length of the MSBU and are not based on the value of the property.

Ordinance 1990-1, adopted January 16, 1990, grants the county the authority to provide beneficial improvements, either upon its own or by petition, and to levy and collect special assessments.

Ordinance 2013-10 adopted April 9, 2013, amends section 24-40.2 of the Hernando County Code of Ordinances to permit changes according to updates in the approved MSBU Policy 16-01.

ORGANIZATIONAL STRUCTURE

Under the leadership of the Director of Public Works and the Finance Manager, the Special Assessment Coordinator manages the lifecycle of the MSBU program for the department.

1

http://www.leg.state.fl.us/Statutes/index.cfm/Ch0713/index.cfm?App_mode=Display_Statute&Search_String=&URL=0100-0199/0125/Sections/0125.01.html

FINANCIAL INFORMATION

Road Paving revenue was \$856,117 (8%) and \$848,321 in FY23 and FY24 respectively. Whereas Street Lighting revenue was \$956,964 (9%) in FY23 and \$956,378 (9%) for FY24. The revenue comparison for FY23 and FY24 for Road Paving and Street Lighting MSBUs is depicted in the chart below.

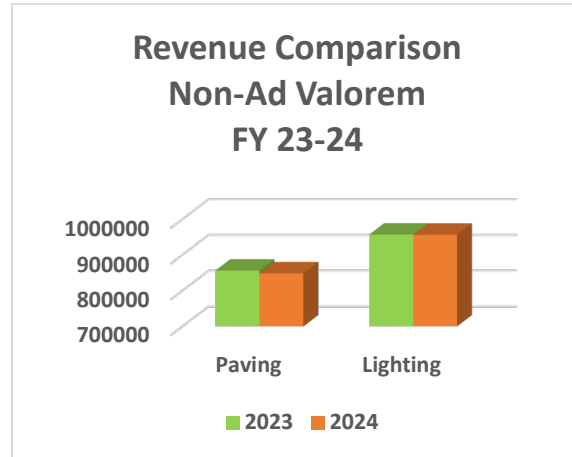


Figure 1 – Auditor generated

Road Paving expenditures were \$1,714,053 (13%) and \$1,120,711 (10%) in FY23 and FY24 respectively. Street Lighting expenditures were \$1,003,739 (7%) in FY23 and \$1,062,110 (9%) for FY24. The FY23 and FY24 Road Paving and Street Lighting MSBU expenditure comparison is detailed below.

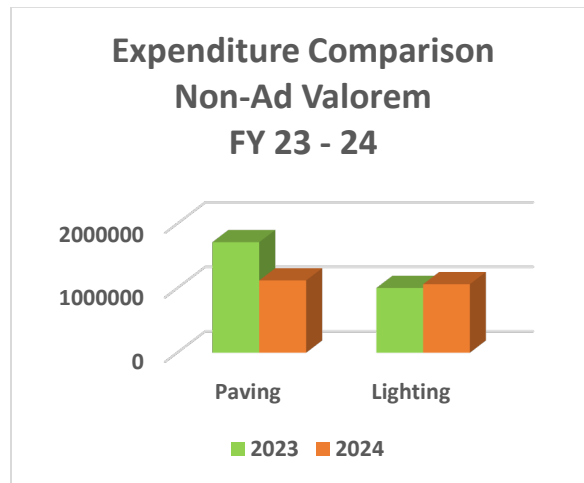


Figure 2 – Auditor generated

OBJECTIVE

The purpose of this audit was to provide management with some level of assurance that Road Paving and Street Lighting MSBUs, managed by the DPW, were established and calculated accurately according to BOCC approved policies. Furthermore, this audit ensured that Road Paving MSBUs were properly assessed and closed, and that Final Pay Applications were accurate, agreed to contract terms, and properly posted to the eFinance Plus system.

SCOPE

To accomplish the audit objectives, the Audit Team performed the following procedures:

- Interviewed key personnel
- Obtained and reviewed relevant County Ordinances, Resolutions, and Policies and Procedures for both Road Paving and Street Lighting MSBUs
- Utilized IDEA data analytics software to select stratified random samples of 25 Road Paving and 12 Street Lighting MSBUs
- MSBU Final Budgets (Road Paving and Street Lighting) were reviewed to determine accuracy and compliance with ordinances and policies
- Road Paving
 - MSBU files were reviewed for proper documentation, to include property owner voting cards
 - Hernando County Tax Collector tax rolls were reviewed to determine assessment accuracy
 - Vendor Final Pay Applications were reviewed to verify accuracy and compliance
 - Reviewed closed out MSBUs for accuracy, compliance, and refunds, if applicable

SCOPE LIMITATIONS

F.S. 119.071 allows for public record exemptions. Exempted properties in the Road Paving sample were not reviewed for assessments. Due to the population of properties in the sample, additional testing was deemed unnecessary.

Due to the ages of the Street Lighting MSBUs, the review of older MSBUs, those originated prior to 2010, would provide no practical insight for administrative purposes. Therefore, testing was limited to the two most recent Street Lighting MSBUs which were established 2010 and 2014.

CONCLUSION

The audit procedures performed determined that, in general, the internal controls evaluated were adequate and effective. They provided reasonable assurance that the MSBU process worked as intended. Although the internal controls were generally adequate and effective, the review identified a couple of Opportunities for Improvement.

The identified procedures and practices that could be improved are listed below.

Opportunity for Improvement	Description	Page Reference
1.1	Ensure the integrity of the MSBU voting process by properly maintaining voting records	12
2.1	Ensure MSBU Non-ad Valorem taxes are accurately assessed to property owners	13

This audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

DISCUSSION POINTS

Discussion Point 1: Creation of MSBUs

To evaluate the processes in place, the ASD selected a random sample of 25 Road Paving MSBUs that were established between FY13 and FY22. The selected MSBUs were tested for completeness, accuracy, and compliance with Florida Statutes, County Ordinances, and Department Policies. In addition, to verify the voting process, voting cards were recalculated.

Based on the review of Road Paving MSBUs, internal controls were in place and the department complied with statutes, ordinances, and policies. Ordinances and resolutions were properly advertised and approved; Applications/Petitions were complete with all applicable documentation.

Although most MSBU documentation appeared to be in order, improvements could be made to the MSBU voting process.

1.1 **Opportunity for Improvement: Ensure the integrity of the MSBU voting process by properly maintaining voting records**

The Florida Department of State's General Records Schedule GS1-SL for State and Local Government Agencies states that project files for capital improvement are to be retained 10 Fiscal Years after completion or termination of project.

Based on the review of Road paving MSBUs, the voting card process lacked evidence of property owner approval for some MSBUs. Voting cards were not retained for four of the Road Paving MSBUs that were established in FY13 and active at the time of the audit. Therefore, ASD was unable to confirm those voting results.

Management Action Plan:

Ensure all records retention schedules are compliant with minimum retention periods per applicable laws and regulations. Improve employee awareness of records retention policies and provide ongoing training on best practices in records management. Distribute clear communication materials outlining the records retention policy and procedures.

Implementation Date: Ongoing

DISCUSSION POINTS

Discussion Point 2: CIP Funding

To ensure that the MSBU Capital Improvement Projects (CIPs) are properly funded and accurately assessed to property owners, the department established a budget which was presented to the BOCC for approval. Included in each budget file was an amortization schedule, a construction cost schedule, the County's and property owners' cost shares as per policy, and property information for the benefiting owners on which assessment rates were calculated.

The ASD reviewed the sample of Road Paving MSBU projects and ascertained that internal controls appeared to be in place pertaining to calculations and compliance with BOCC approved ordinances and policies.

Even though the CIP funding process appeared to be working effectively, improvement could be made to provide assurance that parcels were properly assessed.

2.1 **Opportunity for Improvement: Ensure MSBU Non-ad Valorem taxes are accurately assessed to property owners**

MSBU assessments were calculated, and property owners had the option to remit either a one-time up-front payment or equal installments over a 10-year period. The installments appeared on the annual tax bill under Non-ad Valorem taxes. The ASD verified up-front payments on General Ledger Reports from eFinance Plus and Non-ad Valorem assessments were compared to the last tax bill on the Hernando County Tax Collector's website.

In general, the overall CIP funding process appeared to be working effectively. A total of 2,226 parcels were reviewed for Non-ad Valorem assessments, and 2,221 parcels were determined to be accurately assessed. Out of the total number of parcels evaluated, 532 parcels paid off early. The review identified five of the prepaid parcels were inaccurately assessed. Two parcels were underpaid by one payment each of \$220, for a combined total of \$440. Corrective action was taken during fieldwork, and the property owners will be assessed the missing payments for the 2025 tax year. Additionally, three parcels were assessed for subsequent years after payoff for a combined total of \$5,148. During fieldwork, the Hernando County Tax Collector processed refunds for the 2024 tax year for the three parcels. Refunds for the remaining prior tax years are the responsibility of DPW.

Management Action Plan:

Preventative measures are in place to increase the segregation of duties relative to road paving MSBU assessment changes within the MSBU management system. Responsibility has been clearly assigned to Public Works as the sole department for maintaining assessment balances and payoffs, which minimizes the risk of future inaccuracies.

Implementation of new ERP system for processing and tracking accounts will also assist in the monitoring of funds and payments going forward.

Enforcement of internal controls and clear documentation standards for assessment payoffs to prevent errors, verify assessment balance changes are supported by adequate documentation, and ensure the MSBU management system reflects accurate accounting.

Implementation Date: Ongoing

DISCUSSION POINTS

Discussion Point 3: Final Pay Applications

Final Pay Applications for Road Paving projects were evaluated to determine if adequate controls were in place to ensure they were accurately calculated, agreed with contract terms, properly approved, and accurately posted to eFinance Plus.

The ASD reviewed Final Pay Applications, contracts, and construction change orders for the sample of MSBUs. In addition, confirmation was made that final payments were properly recorded to eFinance Plus.

Based on the results of this review, the internal controls for the payment process appeared to be functioning as intended. No further audit work is deemed necessary at this time.

Discussion Point 4: MSBU Closeout

MSBUs that had reached the end of their lifecycle were closed out by the department. During this process, the MSBUs were removed from the tax roll, the County was reimbursed for pre-paid funds used, and if applicable, refunds were processed. According to MSBU Policy 16-01, refunds are due to property owners if the surplus from the budget is 10% or more of the original budget and the average refund is greater than \$500.

Six of the MSBU projects from the sample were closed out. For each MSBU, the ASD verified the balances, recalculated the surplus percentage and average refund per parcel, and traced the posting of residual funds.

The review determined that the process of closing MSBUs was performed properly and accurately.

Discussion Point 5: Street Lighting

Perpetual in nature, Street Lighting MSBUs were created for public safety, and placed on each year's tax roll as Non-ad Valorem assessments for the benefitting parcels,

To perform this review, the ASD obtained a list of 23 Street Lighting MSBUs from the FY24 MSBU Resolution. Based on available data, Street Lighting MSBUs originated in the early 1980's. Therefore, the two most recent Street Lighting MSBUs were selected for testing.

The South Brooksville Street Lighting MSBU was brought forth by the Community Initiatives Team, a team created by the County to benefit South Brooksville residents. Petitions or applications and a voting process were not required. As per agreement between the Hernando County Sheriff's Office and the County, \$20,000 of Law Enforcement Trust Funds was contributed and used to assist in the costs of the light shields.

DISCUSSION POINTS

The West Hernando Street Lighting MSBU was brought forth by the Department of Public Works to combine 28 current MSBUs into one to provide efficiency and cost savings to residents. Those initial MSBUs were originally created from 1985 to 2010. A list of the original ordinances were compiled for informational purposes; however, the individual ordinances were not reviewed.

The review of the Street Lighting MSBUs determined that they were accurate and established according to Florida Statutes, Department Policies, and Standard Operating Procedures. Ordinances and resolutions were complete and properly approved by the Board of County Commissioners.