



**Internal Audit Committee
of
Brevard County, Florida**

Internal Audit Review of

**Parks and Recreation Referendum –
Land Acquisition**

**Prepared By:
Internal Auditors of Brevard County
February 9, 2004**

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February 9, 2004

The Audit Committee of
Brevard County, Florida
Viera, Florida 32940-6699

Pursuant to the approved 2002/2003 internal audit plan, we hereby submit our internal audit report covering Parks and Recreation Referendum – Land Acquisition. The internal audit focused on the approved Parks and Recreation Referendum Projects for North, Central, and South Areas specifically related to the process followed to acquire the land. The referendum project consists of land acquisition, design and construction of the approved projects. The design and construction phase has commenced and is still in the early stage. These areas will be addressed in a separate report. We will be presenting this report to the Audit Committee at the next scheduled meeting on February 25, 2004.

Our report is organized in the following sections:

| | |
|--------------------------------------|---|
| Background | This provides an overview of Parks and Recreation Referendum. |
| Objectives and Approach | The internal audit objectives and focus are expanded upon in this section as well as a review of the various phases of our approach. |
| Issues and Recommended Action | This section gives a description of the issues, the impact and recommended action. Management's response has been incorporated into this section as well. |
| Appendix | Included in the appendix are the process maps for the different phases of the referendum. |

The follow-up process for the issues identified in this report will consist of County Management reporting to the audit committee on a quarterly basis using the approved format.

We would like to thank all those involved in assisting the Internal Auditors in connection with their review of Parks and Recreation Referendum – Land Acquisition.

Respectfully Submitted,

INTERNAL AUDITORS

Background

Background

Overview

On November 7, 2000 voters approved the North Brevard, Merritt Island, and South Brevard Parks and Recreation Referendums (“Referendum”). The proposed referendum projects were identified by citizen committees and various administrative boards throughout the County to address a variety of community recreational needs.

Projects Include:

- Renovations to aging facilities
- Youth sports facilities
- Improvements to waterfront parks
- Improvements to provide universal accessibility as required by the American Disabilities Act
- Youth sports facilities
- Boat launching facilities
- Community centers
- Melbourne Senior Center Improvements
- Youth sports facilities
- Improvements to waterfront parks
- Titusville Senior Center Improvements

Referendum Phases

For the purposes of this internal audit, the Referendum was segregated into the following phases:

Land Acquisition

The specific projects in the Referendum require the County to acquire 11 new land sites. The land acquisition function is the responsibility of the Parks and Recreation Department (“Parks & Recs”). The function is made up of several individuals who are responsible for identifying the site specific land (after the need was established per the referendum), negotiating an offer based on the referendum budget, draft sales contract, conduct site inspection, obtaining appraisals, required survey and other required studies. The department works in conjunction with the County Attorney to ensure a proper contract execution.

Design

The Referendum requires Parks & Recs to select the most qualified A&E firm for design services. They monitor all phases of the process to ensure compliance with state statues and all required permits are being obtained.

Construction

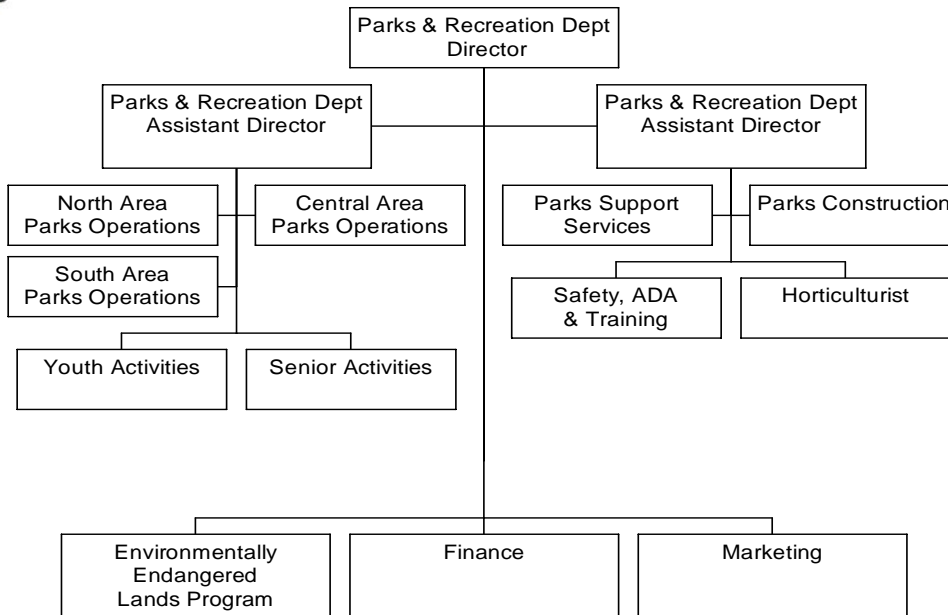
This phase includes all aspects of construction from selection of construction methodology through issuance of “certification of completion”. The construction phase has commenced and is still in the early stage. This area will be addressed in a separate report. We have included in the appendix of this report our initial review of the process flow.

Background, continued

Organizational Chart



Department Organizational Chart



Updated 2/5/04

Background, continued

Financial Data

The Referendum was approved for three separate lists of projects in three areas in Brevard County. The following is the financial estimates voted on by the citizens of Brevard:

| | |
|---|--------------|
| <i>North Brevard:</i> | |
| Total Project Estimate | \$15,020,000 |
| Operating, Maintenance, Equipment Estimate; | |
| Non-Recurring | \$435,850 |
| Recurring | \$852,378 |
| <i>Merritt Island:</i> | |
| Total Project Estimate | \$12,979,662 |
| Operating, Maintenance, Equipment Estimate; | |
| Non-Recurring | \$428,400 |
| Recurring | \$521,125 |
| <i>South Beaches:</i> | |
| Total Project Estimate | \$44,926,680 |
| Operating, Maintenance, Equipment Estimate; | |
| Non-Recurring | \$717,260 |
| Recurring | \$1,880,257 |
| <i>Cumulative Referendum:</i> | |
| Total Project Estimate | \$72,926,342 |
| Operating, Maintenance, Equipment Estimate; | |
| Non-Recurring | \$1,581,510 |
| Recurring | \$3,253,760 |

Objectives and Approach

Objectives and Approach

Objectives

Objectives of the internal audit review of the Parks and Recreation Referendum include the following:

| |
|---|
| <input type="checkbox"/> Determine compliance with the specifications of the referendum. |
| <input type="checkbox"/> Review for compliance with various Florida Statutes, Brevard County Commissioner Policies and Administrative Orders. |
| <input type="checkbox"/> Determine if controls relating to the referendum projects are adequate and provide for appropriate reconciliation's. |
| <input type="checkbox"/> Determine if records and documentation for the various projects are sufficient to establish an audit trail for all transactions involving disbursements. |
| <input type="checkbox"/> Review controls over the referendum project including procedures and documents that ensure the data used to generate disbursements are adequate. |
| <input type="checkbox"/> Review for appropriate authorization and approvals throughout the referendum project. |

Approach

Our audit approach consisted of three phases:

Understanding and Documentation of the Process

During phase 1, we interviewed all high level personnel in Parks & Recs to discuss the scope and objectives of the audit work and obtain preliminary data. We reviewed Florida Statutes, Administrative Orders, County policies and other resources related to the Referendum.

Detailed Testing

We conducted the following procedures to meet our audit objectives outlined above:

Process Maps

In order to obtain an understanding of the processes and identify critical controls related to the different phases of the Referendum, we conducted on-site visits and inquires of the department personnel to obtain detailed documentation of the process. From these meetings we were able to 'process map' the three different phases of the Referendum. These process maps have been included in the appendix of this report. From this data we designed the detailed testing below related to Land Acquisition. Testing for the design phase is in the early stage and testing has not commenced for the construction phase. Testing for these areas will be completed when Parks & Recs has completed enough of the process allowing us to test an adequate sample.

Objectives and Approach - continued

Detailed Testing, continued

Land Acquisition:

We selected a sample of closed land acquisitions related to the Referendum and tested for the following:

- ❑ Ensure specific site identified is part of the referendum project.
- ❑ Examined research performed to determine whether specific site assessment is within the referendum budget.
- ❑ Ensure Board Approval to proceed (to commence negotiation with property owner).
- ❑ Ensure the required number of appraisals was obtained (governed by state statutes).
- ❑ Ensure related party review was conducted.
- ❑ Ensure Phase I environment study was conducted and if necessary, Phase II.
- ❑ Ensure survey and title searches were performed.
- ❑ Ensure the signed contract agreed with final negotiated price.
- ❑ Ensure the check amount reconciles to closing costs.
- ❑ Ensure that the deed is in the County's name.
- ❑ Review Committee Minutes to ensure the Department is working with the appointed committee members throughout the entire acquisition process.
- ❑ Ensure County Attorney and Risk Management Approval of initial purchase contract and continuous review and approval of the negotiations throughout the acquisition process.

We also ensured there was Board Approval for any unusual terms or changes in the contract.

Reporting

At the conclusion of our audit, we documented our understanding of the process surrounding Parks & Recs and the Referendum activity and summarized our findings. We conducted an exit conference with management. We prepared our report and related findings and provided copies to appropriate County Personnel. We have incorporated management's responses into our report.

Issues, Impacts and Recommended Actions

| Issue #1 | <i>Negotiating Land Acquisitions</i> |
|-----------------------------------|---|
| | <p>During our audit we noted Parks and Rec's Department handles all aspects of land acquisitions. This includes site selection through closing. We noted no matters of non-compliance with Florida statutes and County policies. However, real estate acquisitions transactions generally require specialized skill set and qualifications. These skills set may not reside in the specific department.</p> <p><i>Impact</i></p> <p>Without specialized competences to negotiate and understand real estate transactions, the desired results may not be achieved.</p> <p><i>Recommended Action</i></p> <p>We recommend the County further review the benefit of centralizing the negotiation and review phase of the land acquisition process. Due to the complex nature of real estate transactions which would include negotiating terms, evaluating appraisals, pricing and the like, we feel the County could benefit from a higher level of expertise in this area.</p> |
| <i>Management Response</i> | |
| Response | All board agencies, excluding Parks and Recreation acquisitions, will acquire land through Land Acquisition. As future personnel changes occur in the next several years the Parks and Recreation land acquisition authority will be revisited by the Board. The current personnel in Parks and Recreation have acquired a high level of expertise and the auditors have found no evidence of any problems. |
| Time Frame | Immediately |
| Person Responsible | Tom Jenkins, County Manager |

| Issue #2 | Projected Project Completion |
|----------------------------|--|
| | <p>Initially Parks & Recs projected the completion of the November 2000 Referendum Projects would be completed within three to five years. During our current testing, we observed the department has completed the majority of the land acquisitions and are in the early stages of issuing RFP's for the construction phase.</p> <p>While Parks & Recs maintains an internal tracking system and a web site, we noted there was no formalized communication policy or process around the Referendum projects. This was further emphasized through our interviews with Board members.</p> <p>Impact</p> <p>Without comprehensive and continuing formal communicate about changes with the Referendum project, public perception could be unfavorably impacted.</p> <p>Recommended Action</p> <p>We recommend Parks & Recs:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Adopt a formal communication policy for the Referendum projects. <input type="checkbox"/> Expand the existing internal tracking system to include estimated completion dates for each major task. Deviation from the created time lines should be communicated to the appropriate level of management which may include the Board of County Commissioners. <input type="checkbox"/> Establish a formalized communication process that would cover management and the Board of County Commissioner as well as the public at large. |
| Management Response | |
| Response | <p>The Department's goal continues to be completion of Referendum projects within five years of the April 2001 receipt of bonds proceeds. Any exceptions will be reported to the Board of County Commissioners. The Department has several existing tools for project management and communication to the public. The Construction Renovation Status Report Project Schedule will be monitored and updated as necessary. The Department will continue its current methods of communicating project status reports to the Public and Advisory Boards.</p> |
| Time Frame | Immediately |
| Person Responsible | Dan Click, Construction Manager, and Dennis MacKee, Parks Operations Manager (Communications/Marketing). |

| Issue #3 | Comprehensive Tracking Tool |
|----------------------------|---|
| | <p>Parks & Recs uses a “standardized tracking form” to ensure that critical steps related to the land acquisition process are completed and the required documents are maintained. We noted critical steps in the process were not included in the tracking form. They include:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Pre-acquisition due diligence (feasibility study). <input type="checkbox"/> Documentation of site visits. <input type="checkbox"/> Related party inquiries. <p>Through our discussion with personnel we noted the department has a history of low turnover, which includes top management. Due to consistency of personnel, we found the process and procedures to be highly understood. A change in this mix of top management could create unforeseen gaps. Therefore, we see this tracking form as a critical tool to ensure controls and documentation of the overall process is complete.</p> <p>Impact</p> <ul style="list-style-type: none"> <input type="checkbox"/> Without a standardized tracking tool critical steps and documentation could be overlooked in the process. <input type="checkbox"/> Turnover of key personnel could result in disruption of operations, efficiencies and compliance without a comprehensive tool. <p>Recommendations</p> <p>We recommend Parks & Recs enhance the tracking form to be all inclusive of the land acquisition process. This could serve as a critical control as it relates to the completeness of documentation and support that all steps of the process has been followed. In the event of turnover of key personnel this comprehensive tracking sheet could be utilized as a tool to ensure continuation of operations, compliance and ongoing efficiency.</p> |
| Management Response | |
| Response | <p>The standardized tracking form was designed to be utilized tracking land acquisitions after a site had been determined feasible for the proposed project. The form will be expanded to include additional areas for tracking:</p> <ul style="list-style-type: none"> Site Review by Aerial Site Property Review Beneficial Interest and Disclosure Affidavit |
| Time Frame | Immediately |
| Person Responsible | Marsha Cantrell, Parks Support Services Manager. |

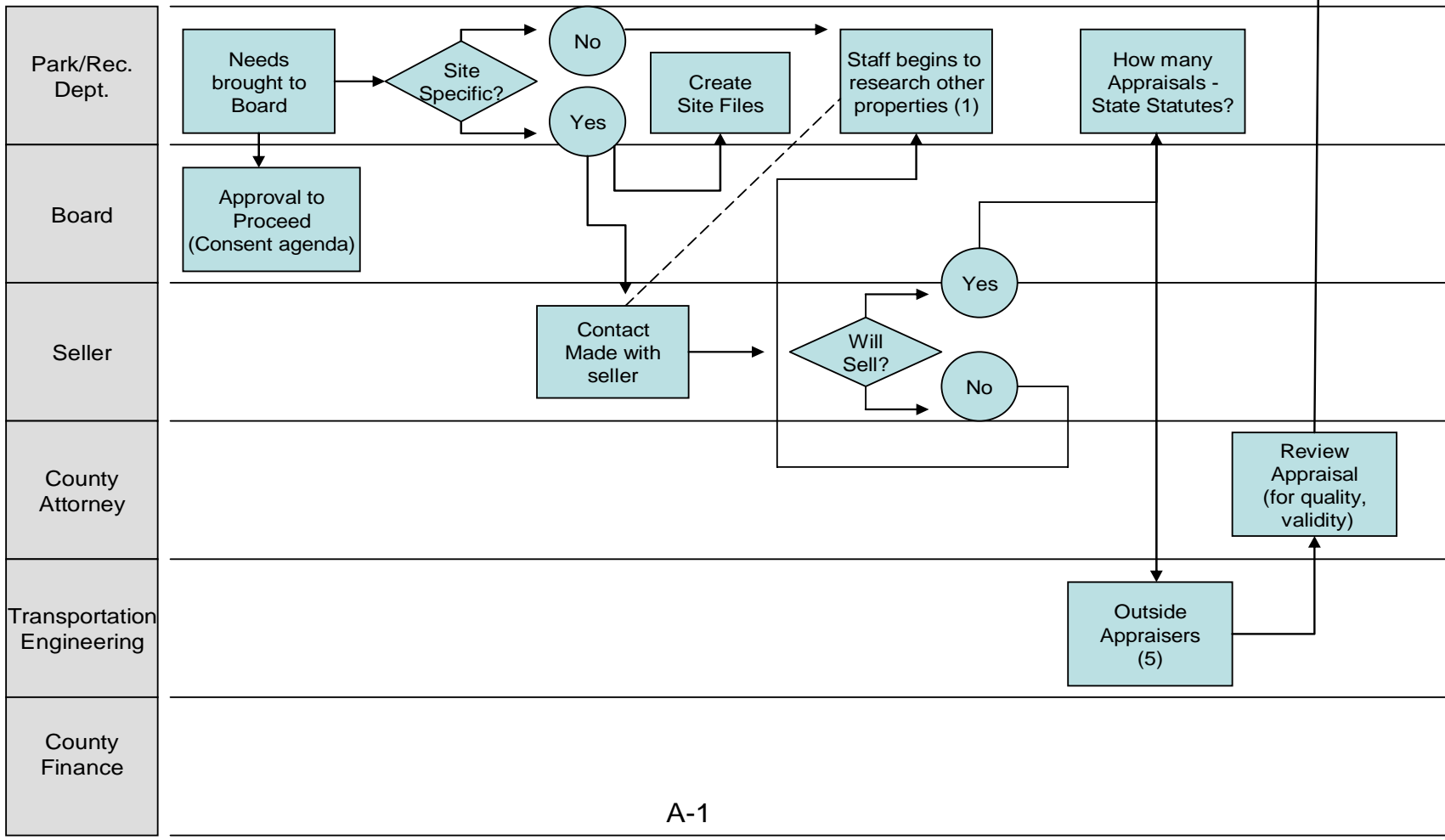
| <i>Additional Comment</i> | <i>Construction Phase</i> |
|-----------------------------------|--|
| | <p>The progress of the Construction Phase of the Referendum is not far enough along to select and test an adequate sample of projects. Therefore, the audit of the Construction Phase will be postponed until the fall of 2004.</p> <p>On July 15, 2003 an Internal Audit report was issued on Facilities Construction. As of the January 15, 2004 Follow-up Report, the recommendations and action plans have been fully implemented by Facilities Construction. The recommendations included in this report may be relevant to the Construction Phase of the Referendum.</p> <p><i>Recommendation</i></p> <p>We recommend Parks & Recs review the Facilities Construction Internal Audit Report to gain an understanding of the issues, recommendations and action plans.</p> |
| <i>Management Response</i> | |
| Response | Parks and Receptions will coordinate with the Facilities Construction Departments to review and understand the issues, recommendations and action plans implemented from the internal audit report. |
| Time Frame | Immediately |
| Person Responsible | Chuck Nelson, Director of Parks and Recreation Department |

Process Maps

START

Land Acquisition

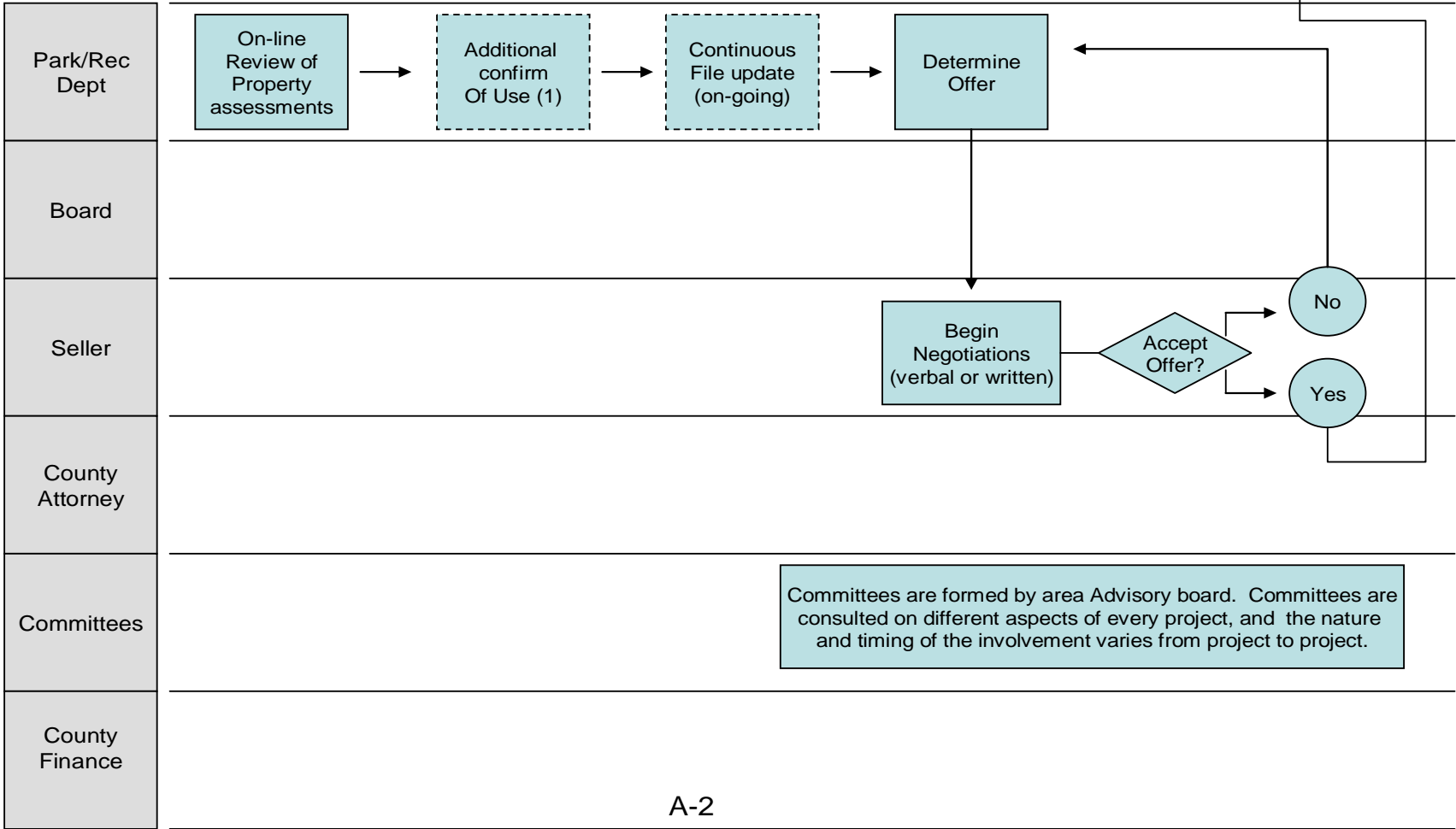
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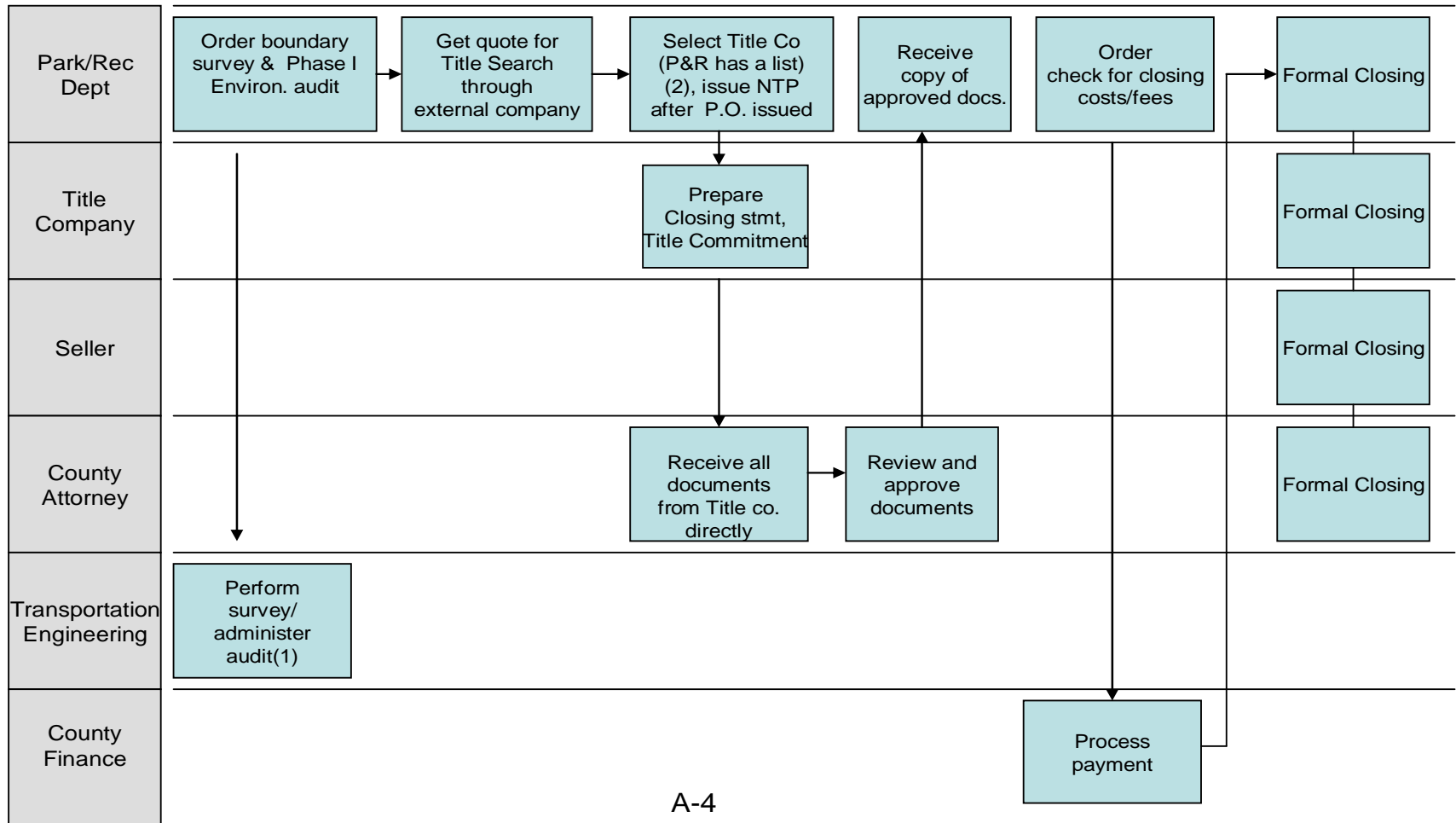
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Land Acquisition

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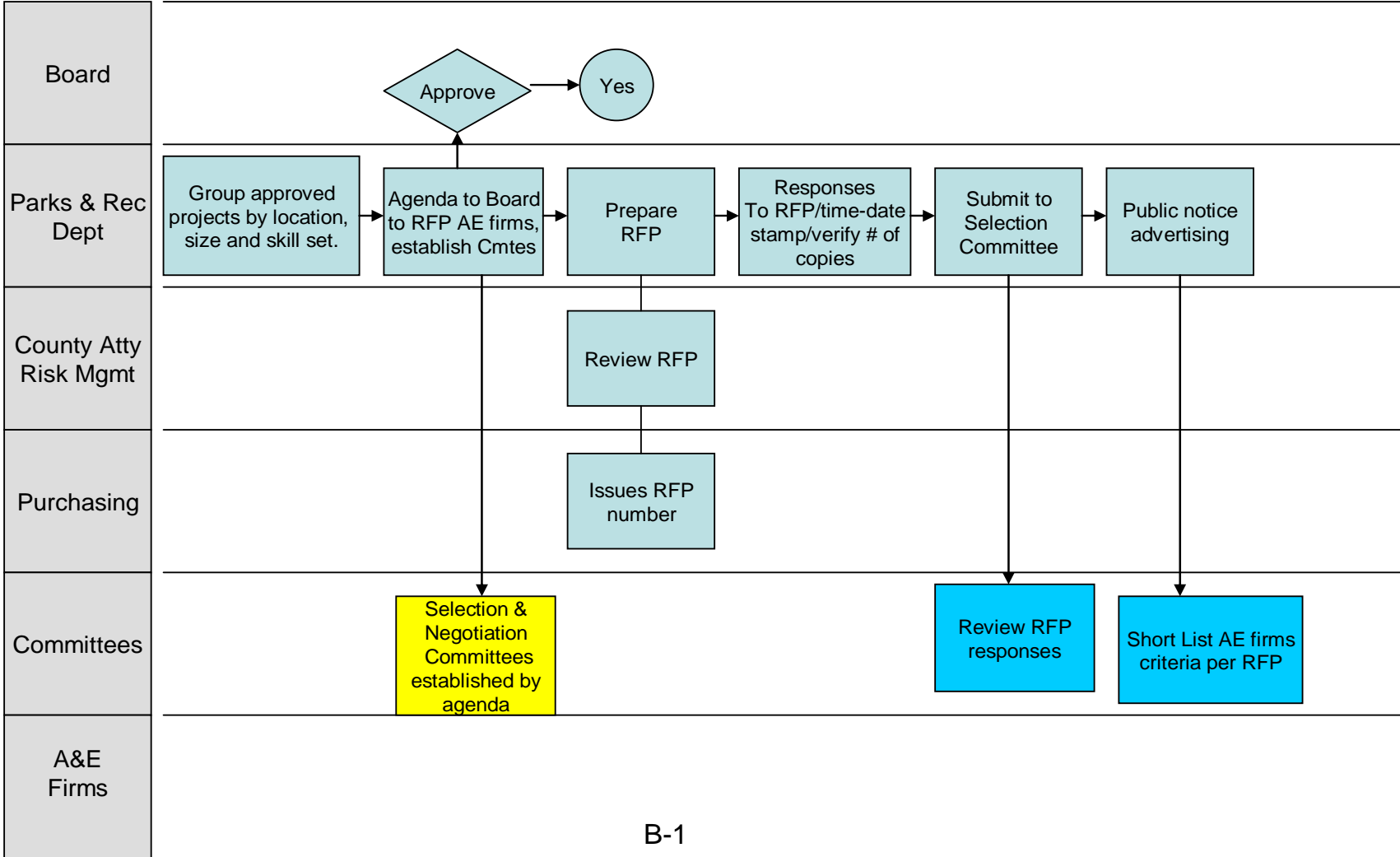
Land Acquisition



START

Design Phase

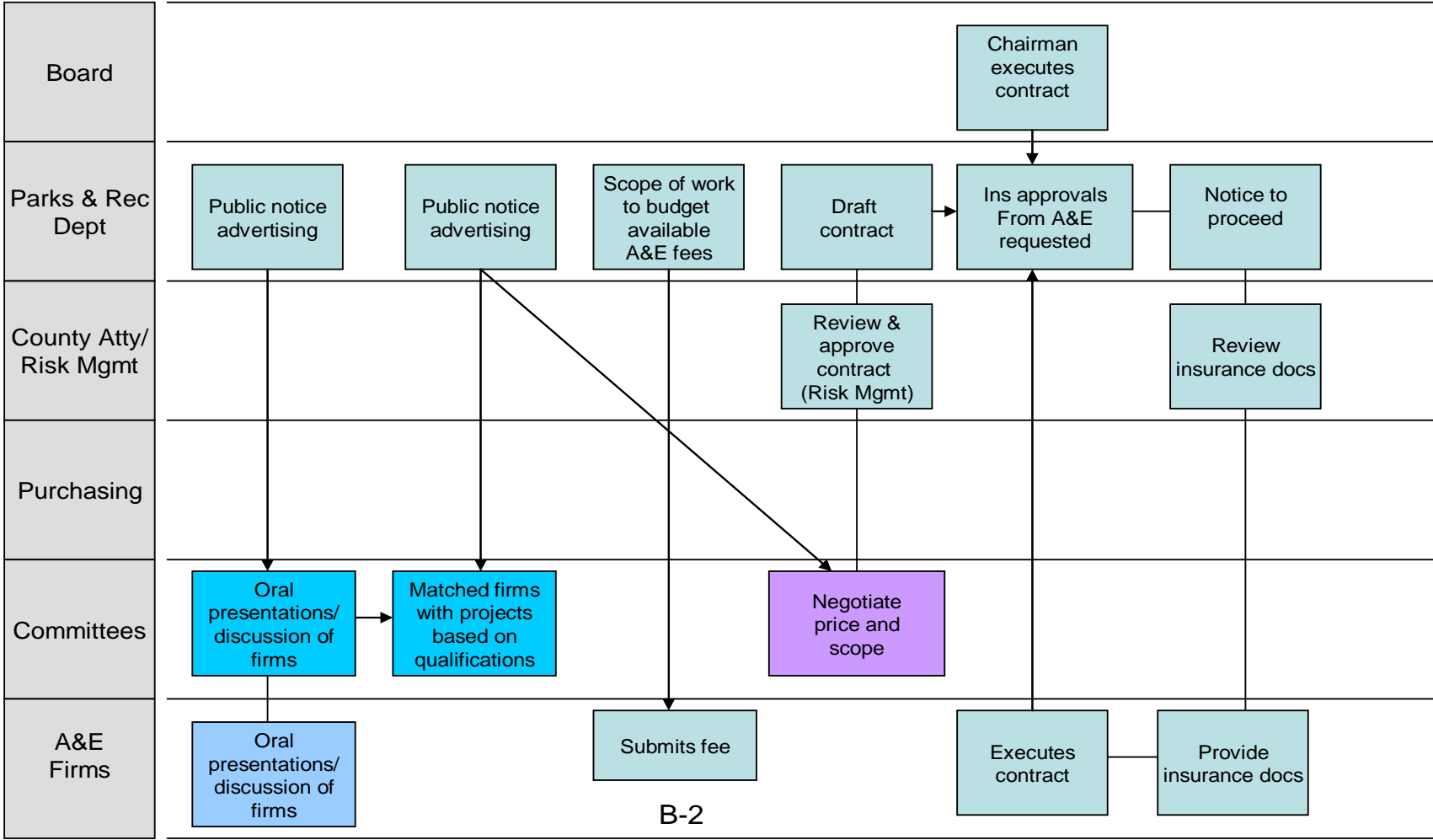
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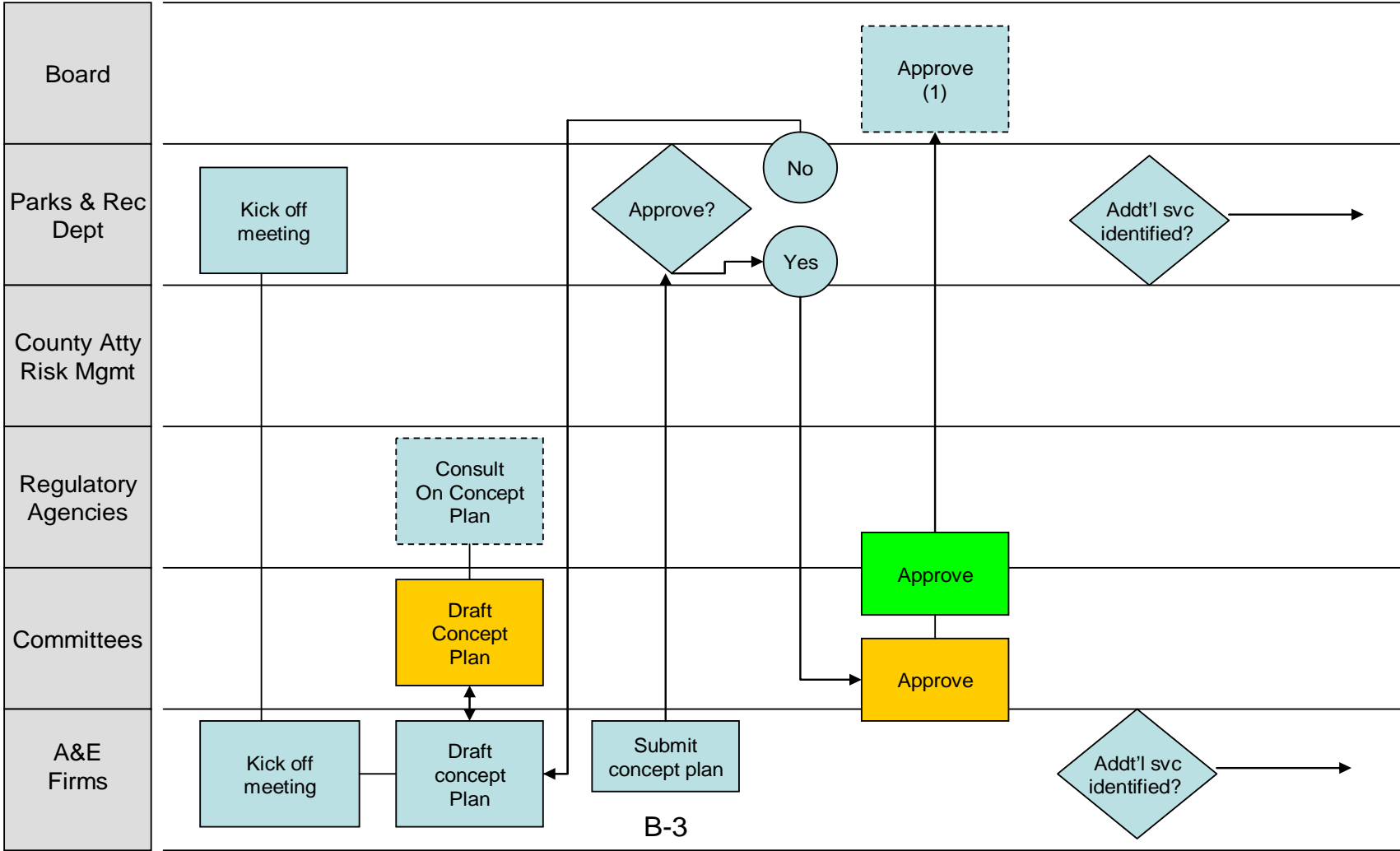
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Design Phase

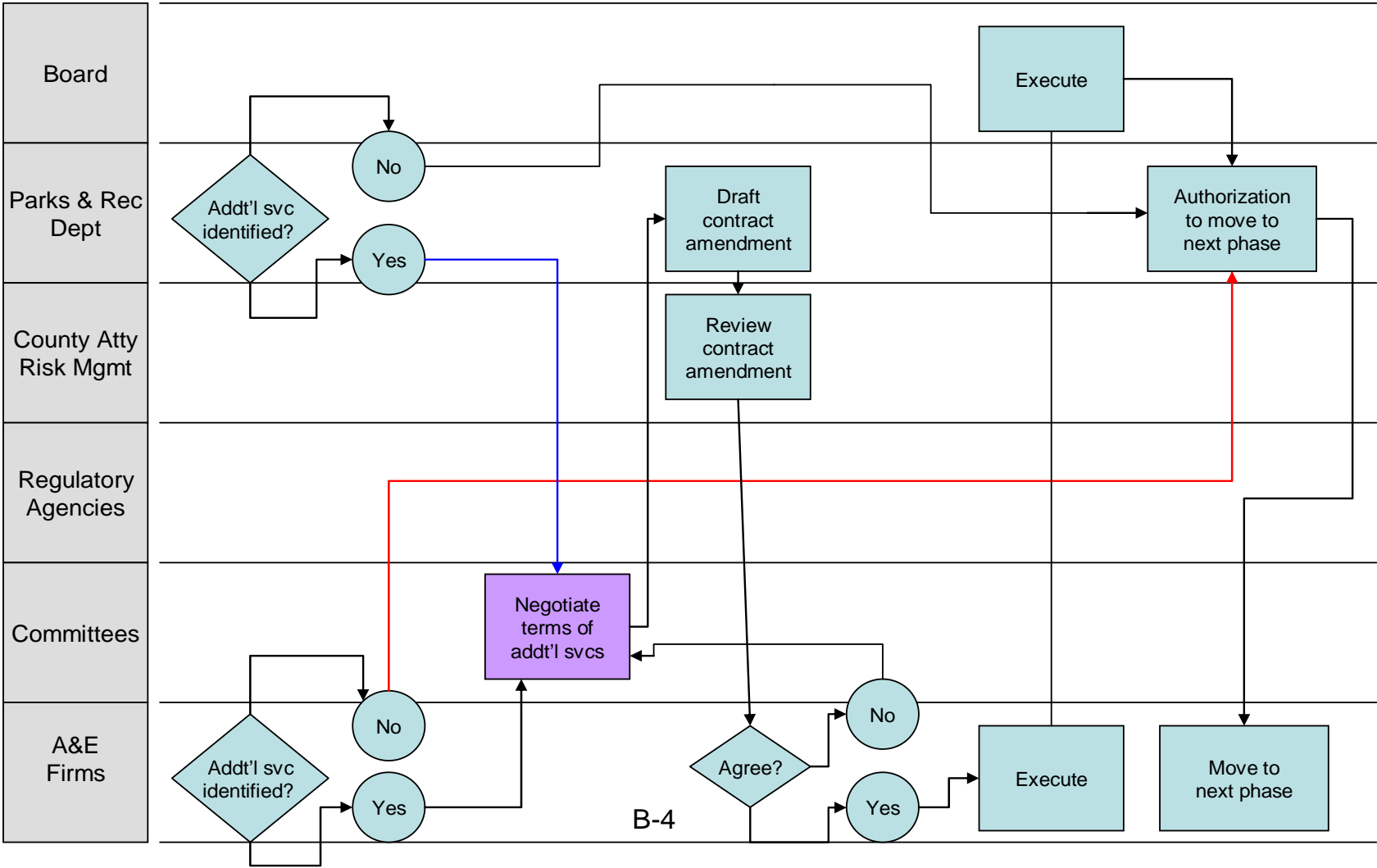
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Design Phase



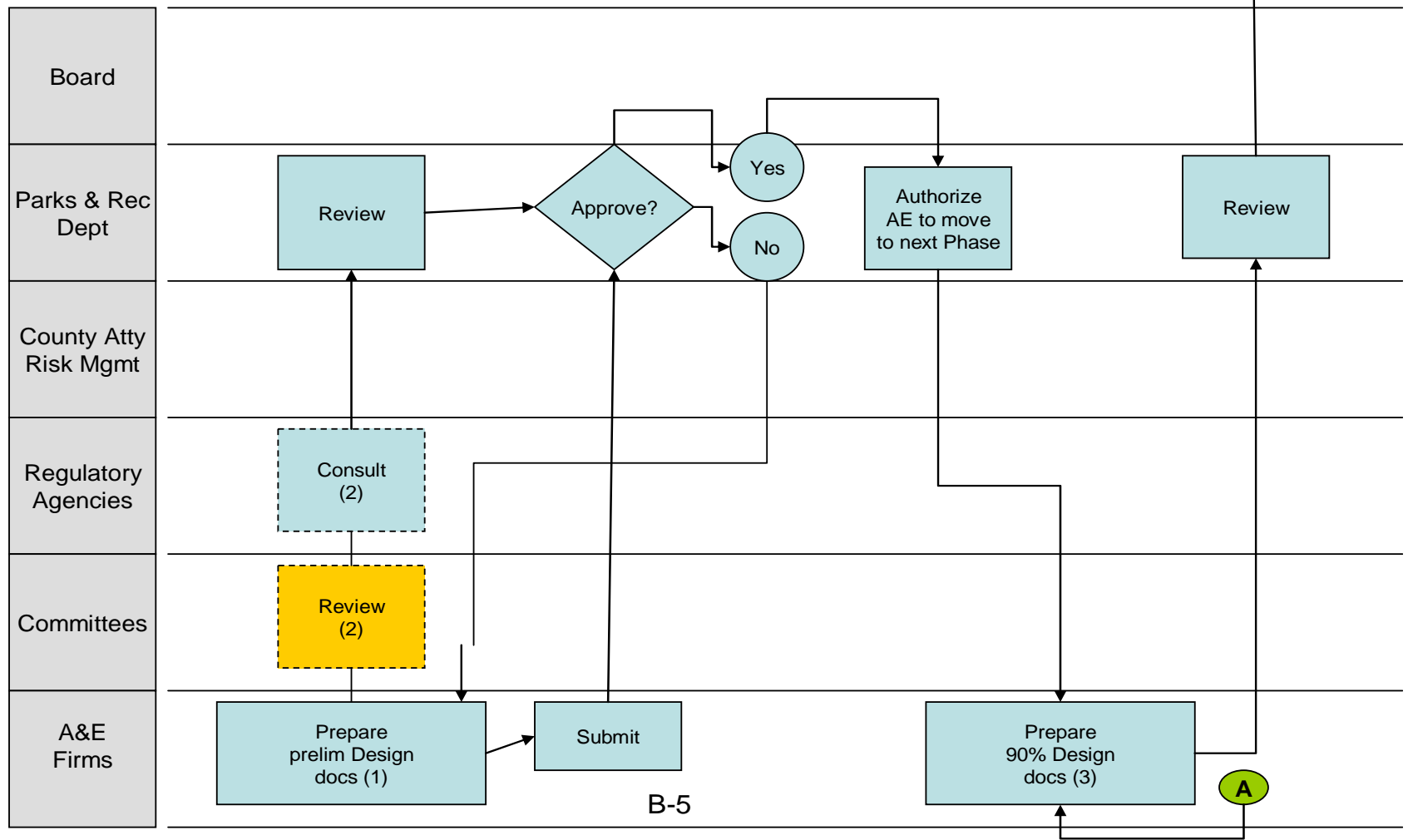
Design Phase



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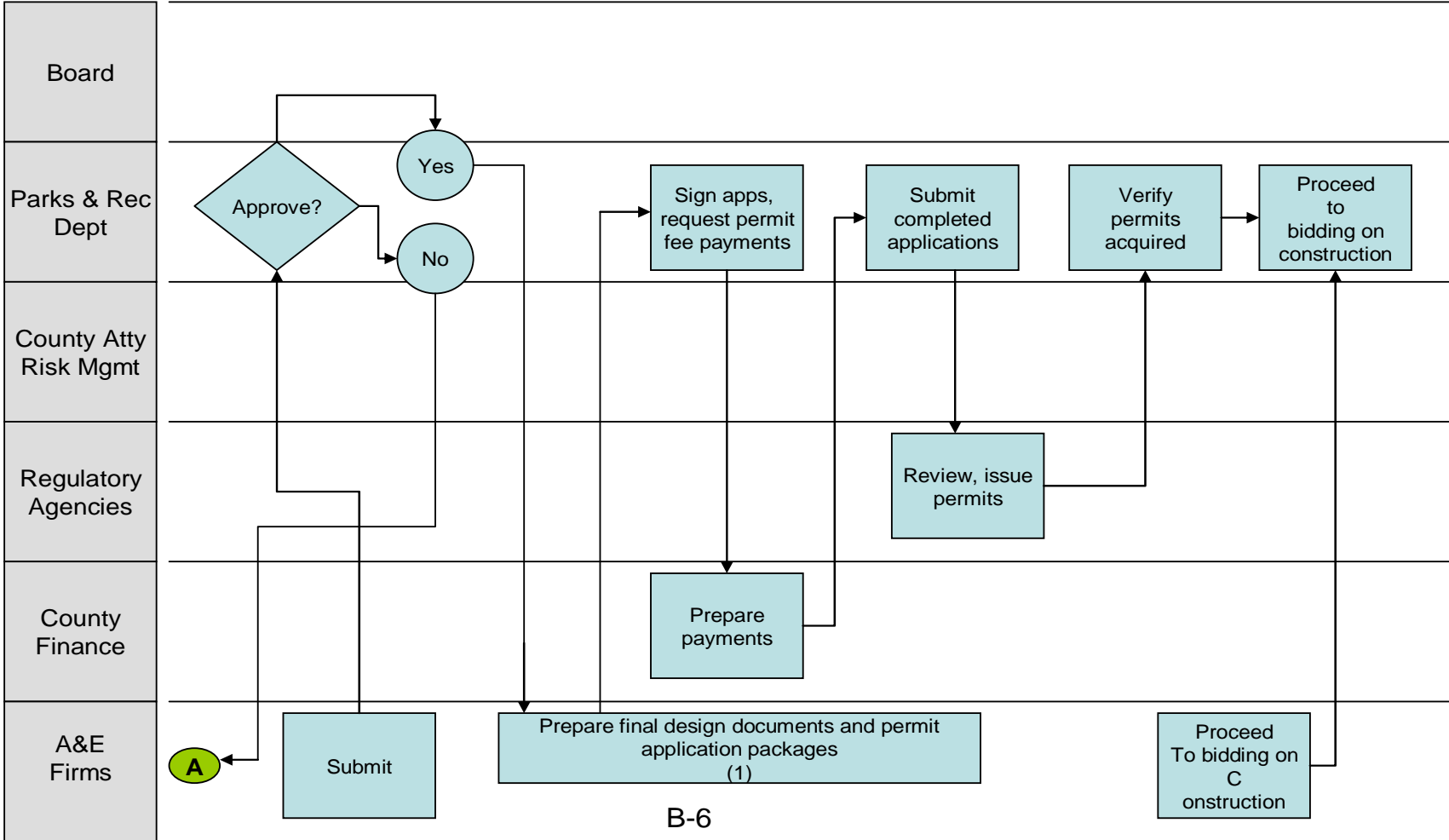
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Design Phase

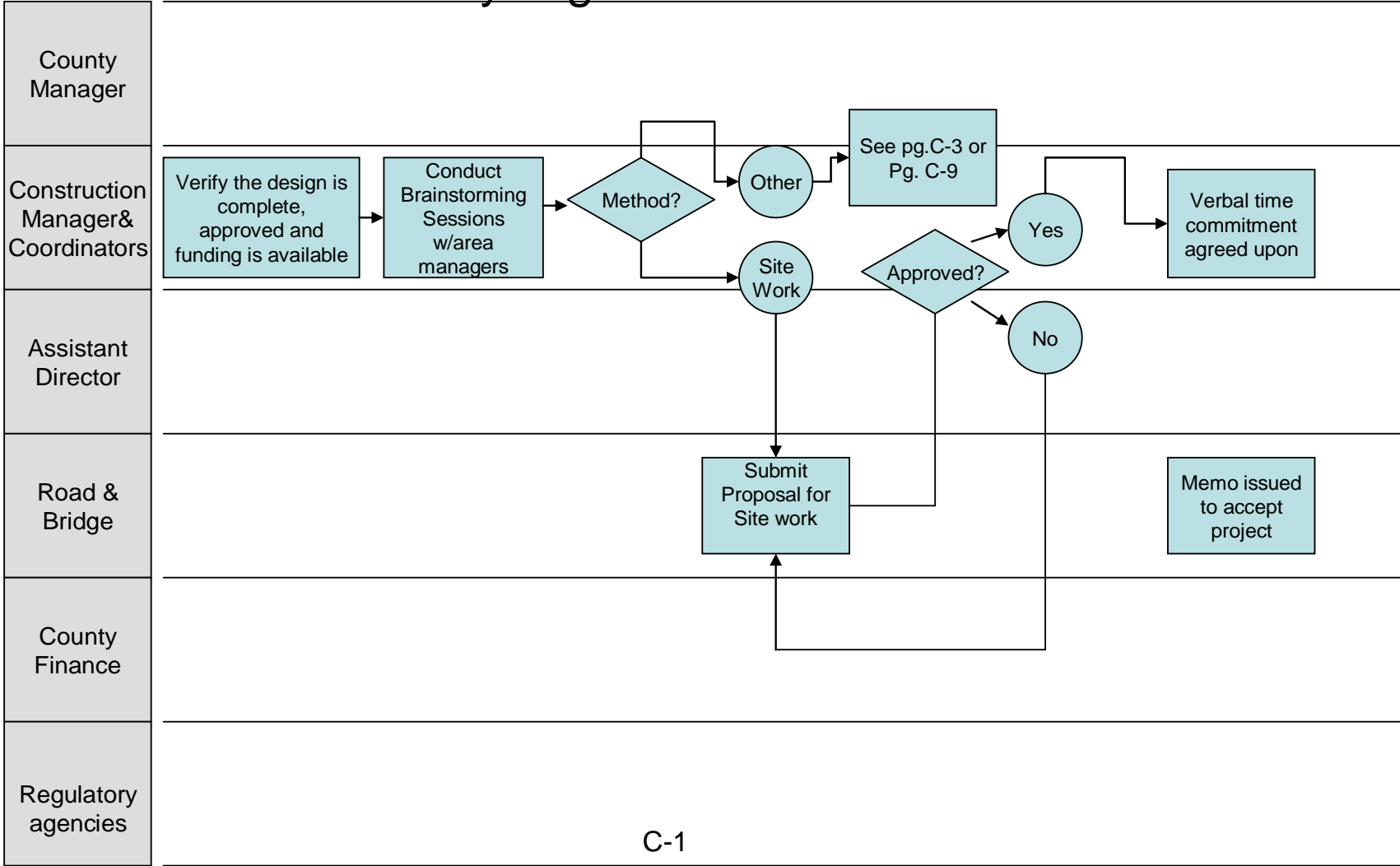


START

Construction Phase

Analyzing the Job - Site Work

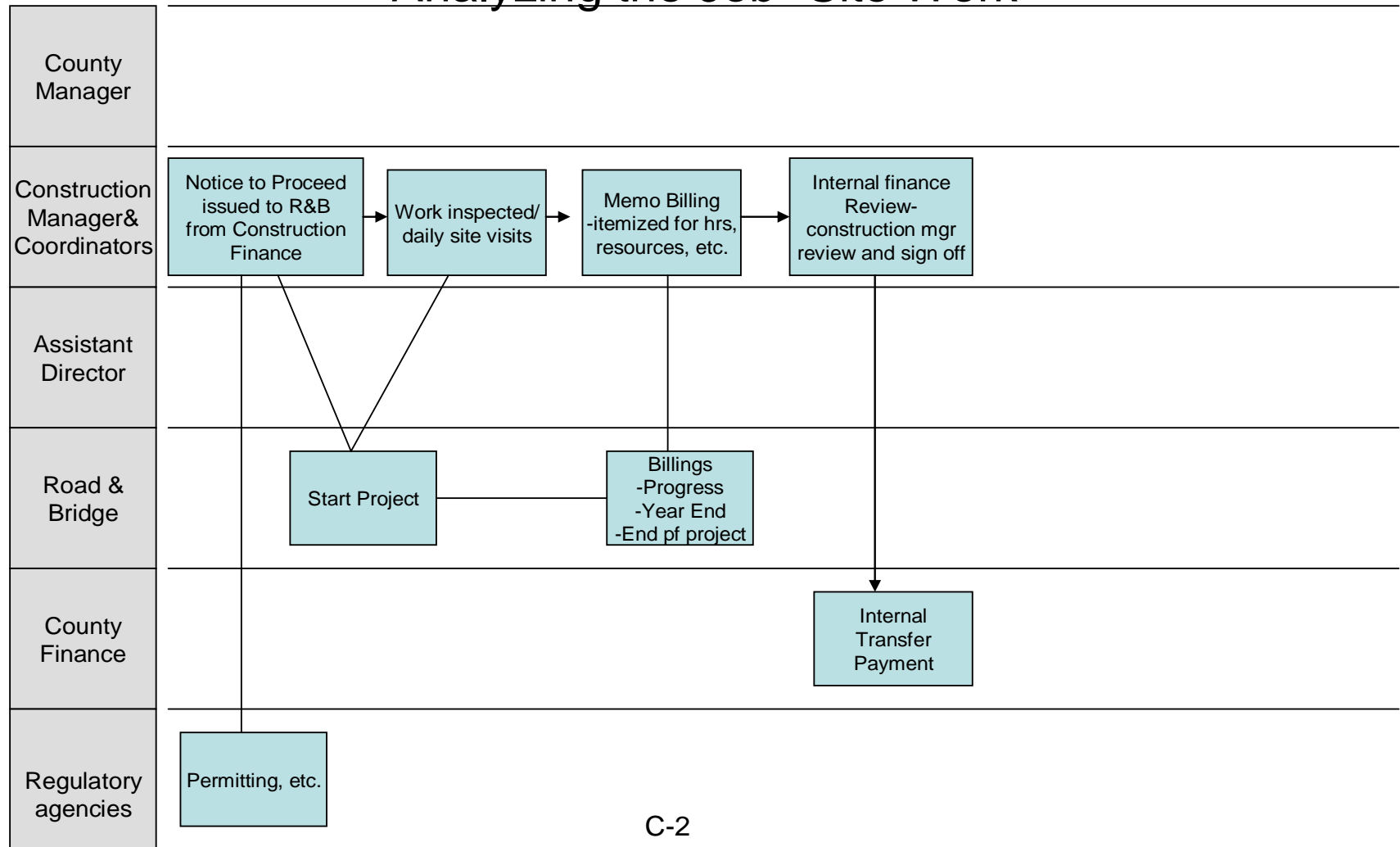
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Construction Phase

Analyzing the Job- Site Work

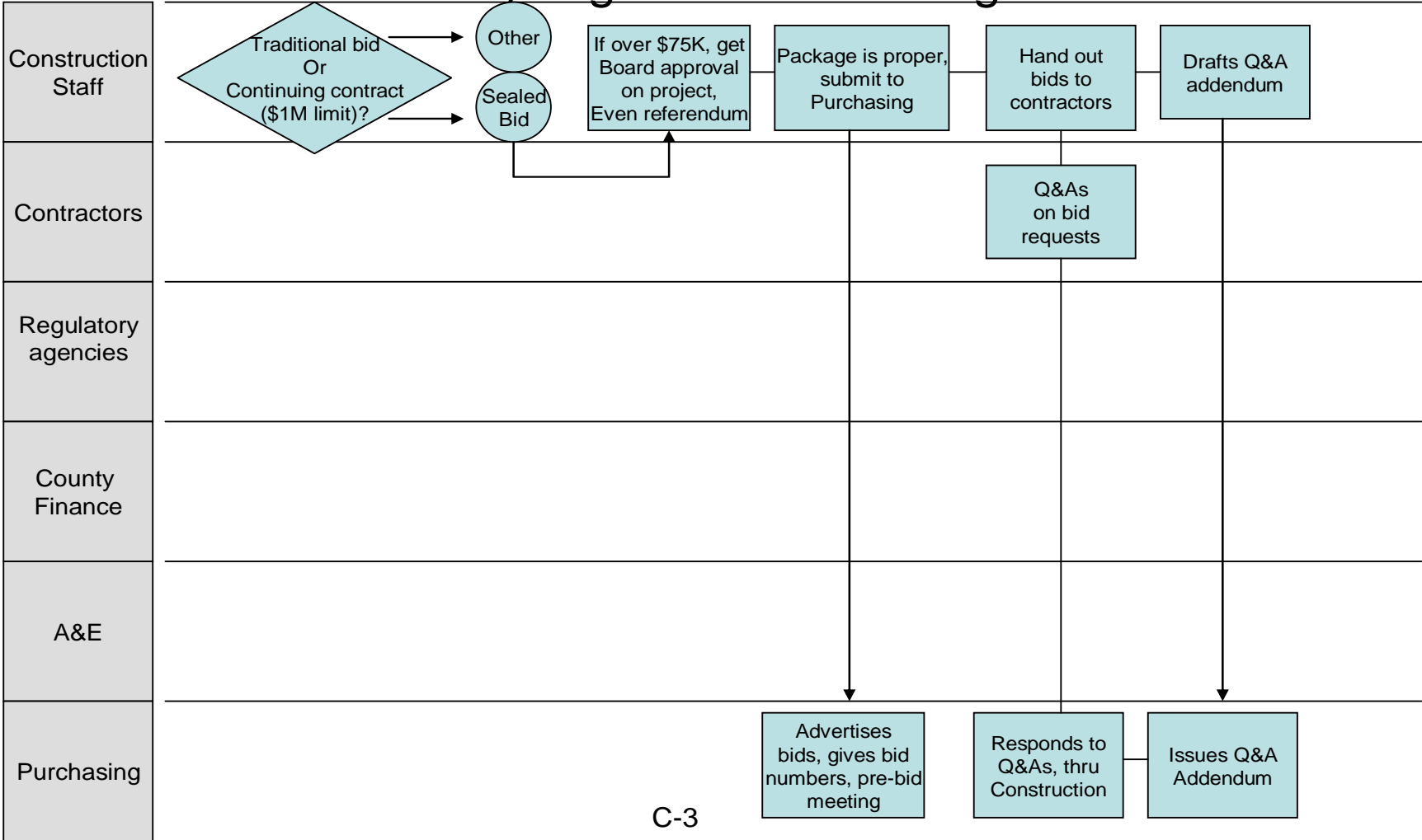


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Construction Phase

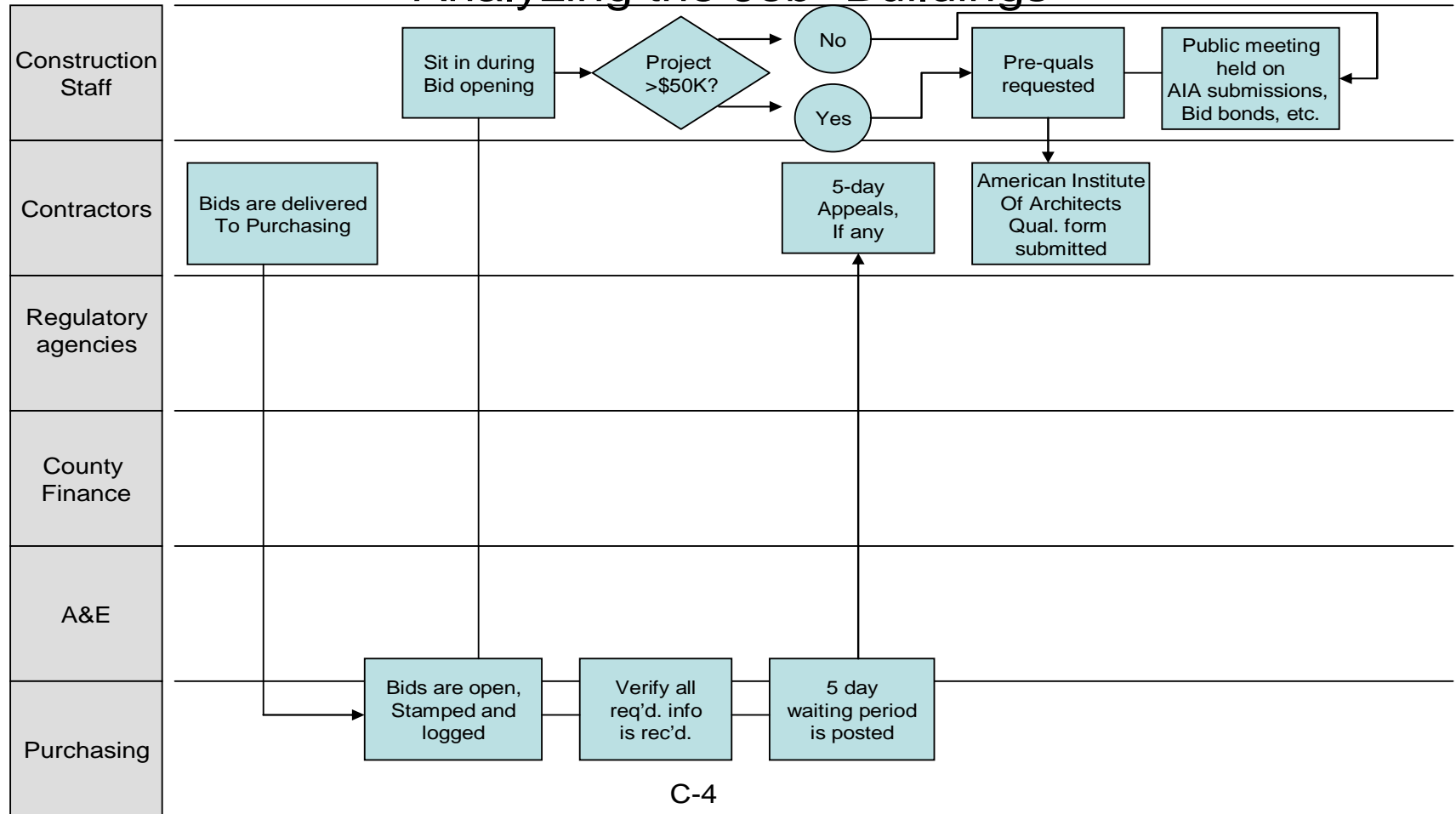
Analyzing the Job- Buildings

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Construction Phase

Analyzing the Job- Buildings

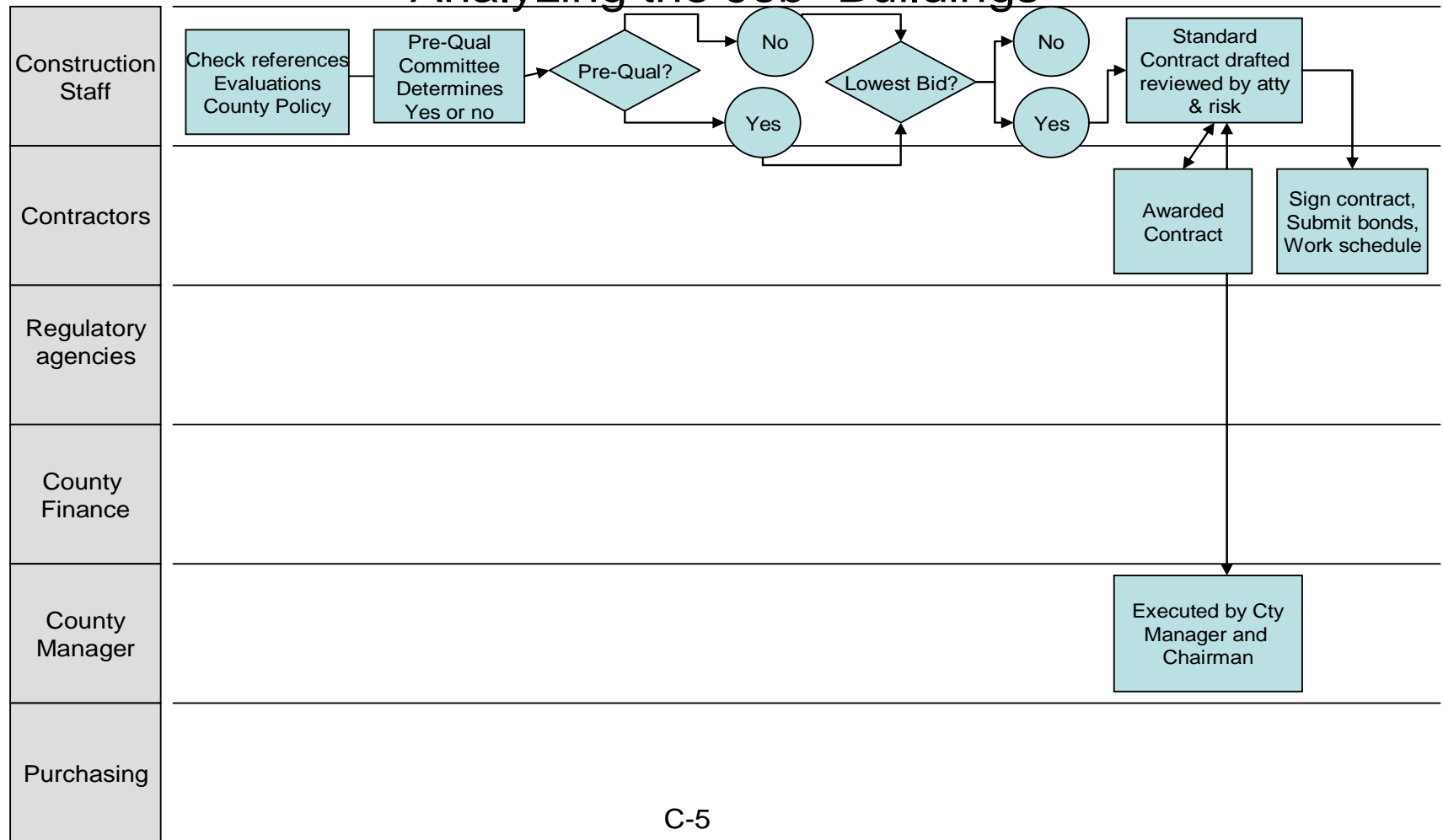


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Construction Phase

Analyzing the Job- Buildings

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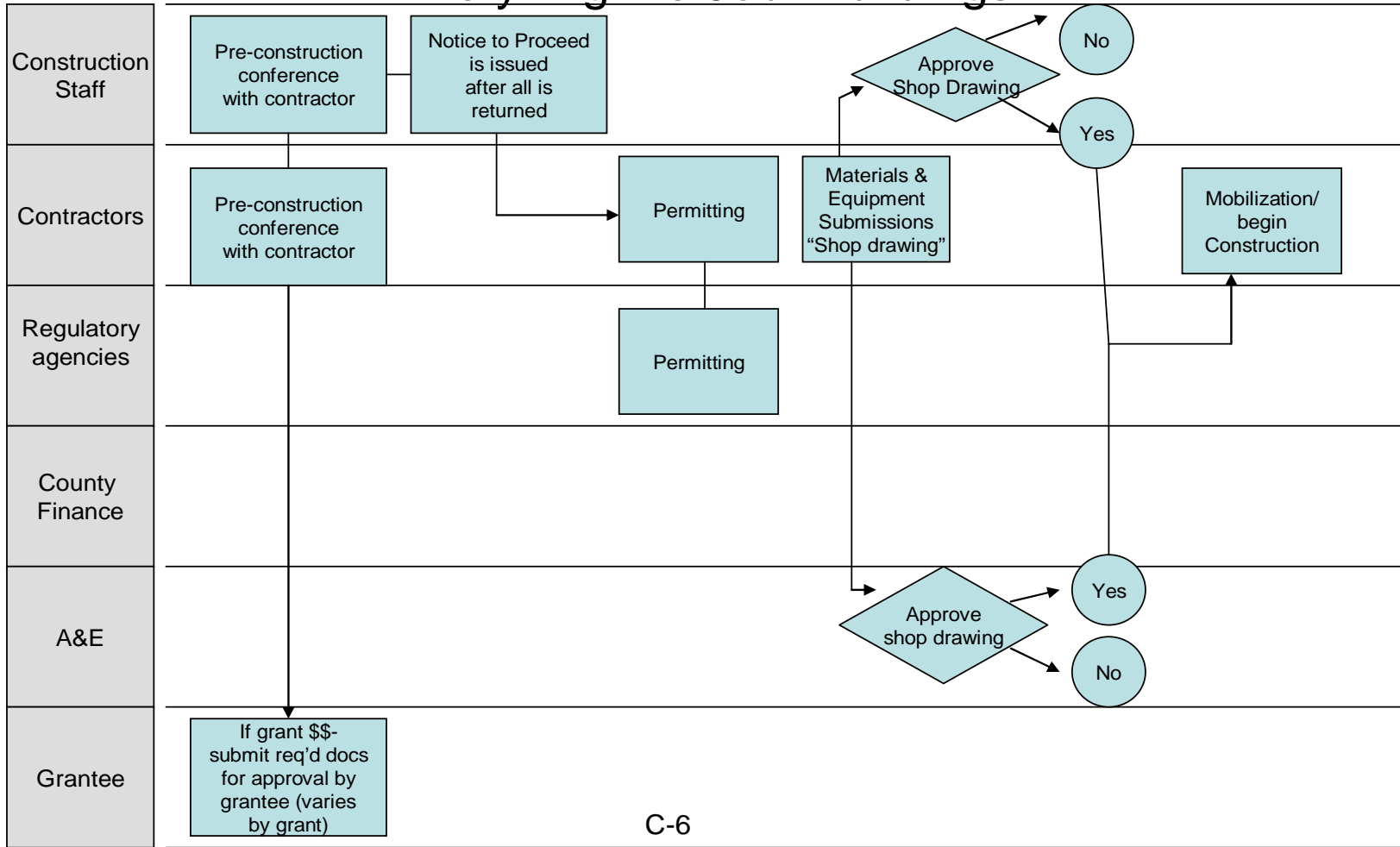


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Construction Phase

Analyzing the Job- Buildings

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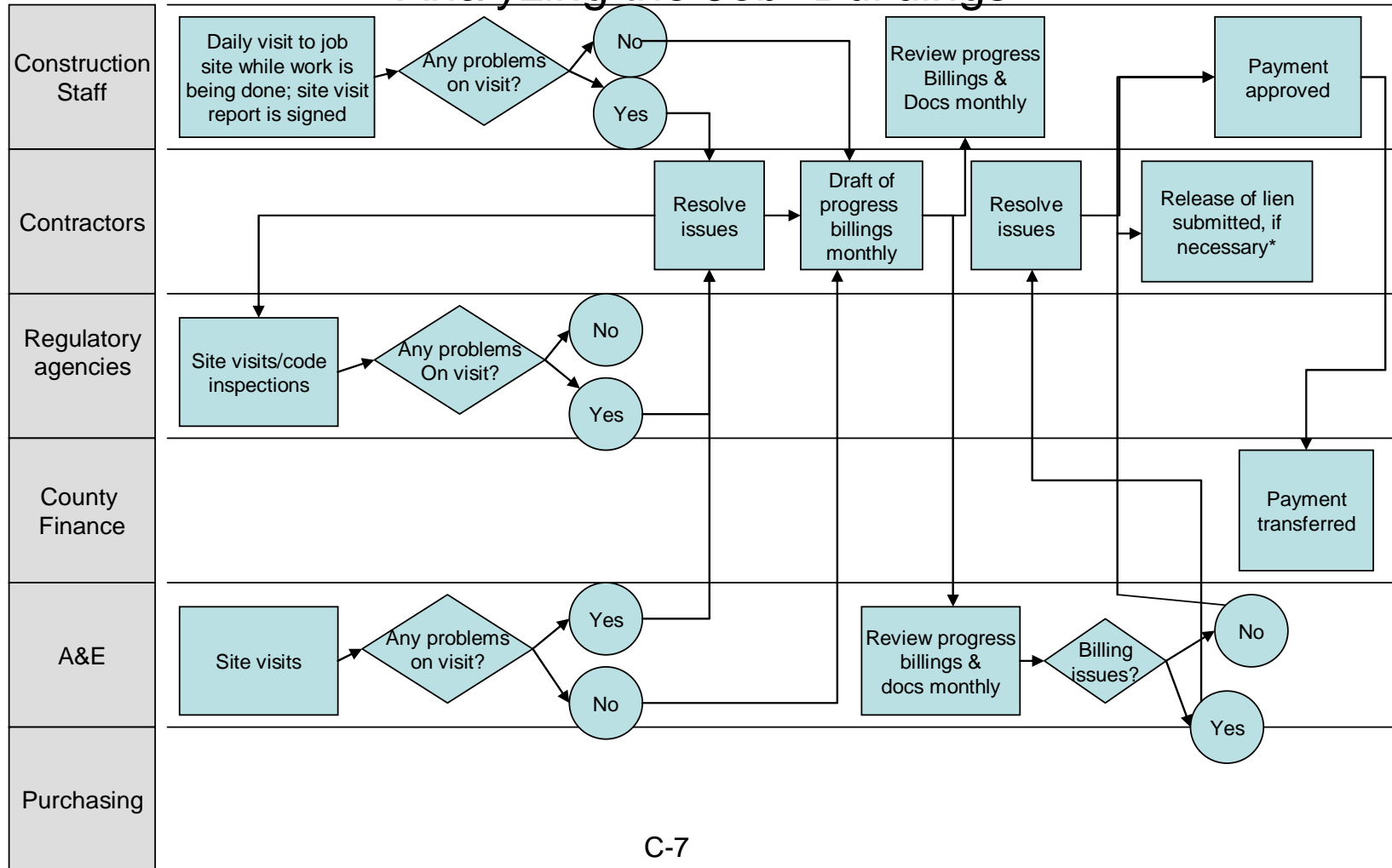


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Construction Phase

Analyzing the Job- Buildings

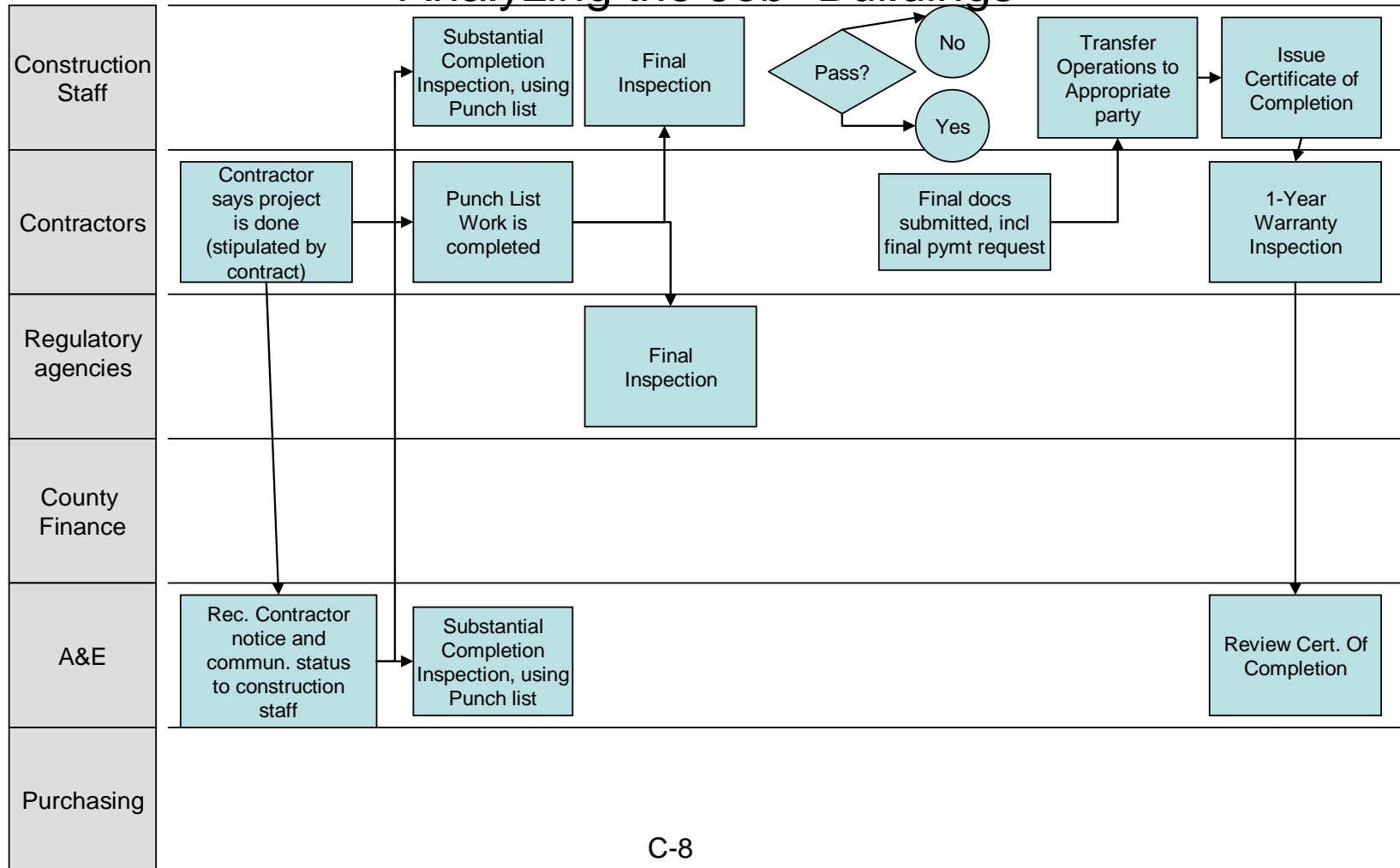
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Construction Phase

Analyzing the Job- Buildings



START

Construction Phase

Analyzing the Job- Playground

To page C-10

