



Internal Audit Committee of
Brevard County, Florida

Risk Assessment and Proposed Audit Plan
2009/2010

Prepared By:
Internal Auditors of Brevard County
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December 2, 2009

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

We hereby submit the risk assessment and proposed audit plan for Brevard County for fiscal year ending 2009/2010. We conducted a Risk Assessment for Brevard County by applying a broad-based, business view of risk, linked to the annual budget and operations of Brevard County. We conducted interviews with County Commissioners to gain a high-level understanding of "What keeps them up at night?" and narrow in on their objectives and identified risks. We conducted interviews with the County Manager, Assistant County Managers, Department Directors, the CFO and numerous accounting, finance and budget personnel within the County to identify opportunities and vulnerabilities. We drilled down into department and/or functional areas to understand risk from the perspective of the individuals responsible for controlling such risks. We have also incorporated the results from the Discovery report dated June 18, 2008. As in the past when we talk about 'risk' we focus on: Financial, Compliance and Public Perception. Based on our dialogue with the Commissioners, County Management and in light of budget cuts throughout the County, this year's audit plan includes advisory services targeted at assisting the County with implementation of recommendations identified in previously issued reports.

The risk assessment process was conducted using an industry accepted methodology which focuses on the following risk factors:

Control Environment -- describes the overall tone and control consciousness of the sub-entity/function. It involves the integrity, ethical values and competence of personnel as well as management philosophy and operating style.

Change -- addresses the extent to which change has impacted or is expected (in the near term) to impact the sub-entity/function, including changes in key personnel, the organization, its products, services, systems or processes.

Process Risk -- addresses the inherent risk of the activities performed by the sub-entity/function, including the assets managed or in the custody of the sub-entity/function. Process risk addresses the extent of support the sub-entity/function provides to vital business functions, including the threat to continuity of the business caused by failures or errors; the probability of failure due to the amount of judgment, academic or technical skill required to manage the unit or perform key activities.

External Factors -- describes the environment in which the sub-entity operates, and the type and amount of external interaction in which the sub-entity engages. Factors to consider include overall County and regulatory environment, the level of interaction with users and success in satisfying user requirements, the financial reporting environment and results of regulatory compliance audits.

Revenue Source -- describes resources available to the sub-entity/function. Factors to consider include maximizing revenues, obtaining additional revenue sources and producing revenues outside of the standardize tax base.

The objective of this assessment is to ensure that Brevard County has sufficient and continuous internal audit coverage of those areas judged as having a relatively high risk profile or that otherwise require internal audit attention for various reasons. We have identified, through the risk assessment, the following functions to be reviewed for the upcoming year: Accounts Payable, Payroll/Timekeeping, Purchasing Card, Contract Compliance Reviews, Parks and Recreation Financial Conditions Review, Animal Services and IT Advisory Services. We have included the objectives and an overview of testing for each of the functions in this report. We would like to thank the various departments and all those involved in assisting with the risk assessment process.

Respectfully Submitted,

INTERNAL AUDITORS

Proposed Audit Plan

Proposed Audit Plan

Brevard County Proposed Audit Plan - Working DRAFT

	Fiscal Year Ending									
	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
Overall Audit Functions										
Risk Assessment	✓			✓			✓			✓
Update Risk Assessment		✓	✓		✓	✓		✓	✓	
Follow-up Procedures		✓	✓	✓	✓	✓	✓	✓	✓	✓
Quality Control	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
County-Wide										
Asset Management		✓							✓	
Payroll/Timekeeping		✓								✓
Accounts Payable			✓							✓
Cash Management/Investments			✓							
Purchasing Card				✓						✓
Full Scope Follow-up of AP				✓						
Review of TPA Claims Processing		✓				✓		✓		
County-Wide Analysis						✓				
Local Option Gas Tax						✓				
Financial Position Review						✓				
Information Technology						✓	✓	✓		
Financial Reporting								✓		
Year End Close								✓		
Discovery								✓		
Purchasing and Contract Management									✓	
Human Resources									✓	
Contract Compliance Reviews									✓	✓
Financial Conditions Reviews										
Fire Rescue								✓		
Public Works									✓	
Parks and Recreation										✓
Individual Functions										
Economic Development Commission		✓								
CDBG		✓								
Transit		✓							✓	
Central Cashier		✓								
Solid Waste - Billing			✓							
Tourism Development Operations			✓							
Ambulance Billing			✓							
Facilities Construction			✓							
Solid Waste - Landfill Operations				✓						
Parks and Recreation				✓						
Public Works				✓						
EELS					✓		✓			
Golf Operations					✓					
Storm water					✓					
One stop - Building Permitting					✓					
Fire Rescue						✓				
Facilities Maintenance						✓				
Land Development - "One Stop"						✓				
Criminal Justice Services						✓				
Utilities							✓			
SHIP & HOME							✓			
800 Mega / E-911							✓			
Special Projects or Requests										
Clerk Traffic		✓								
Animal Service			✓							✓
FEMA					✓	✓				
Fund 1351						✓				
Parks & Recs Referendum							✓			
MIRA							✓			
Budget Tools and Analysis								✓		
IT Advisory Services									✓	✓

LEGEND	
	Ongoing Function
	Audit Closed
	Follow-up in Progress
	Audit Report Issued
	Audit in Progress
	Schedule for upcoming year

Payroll/Timekeeping

Payroll/timekeeping

The Payroll and Timekeeping functions impact the County entity-wide. An internal audit of this function was conducted in August 2002. With the current economic situation, recent cuts within departments and lack of merit increases, this function is at high risk.

Scope

Objectives of the internal audit of Payroll/Timekeeping include the following:

- Identify and assess effectiveness of accounting and administrative controls over timekeeping and payroll related processing.
- Validate that controls over timekeeping and payroll include procedures and documents that assure the data used to generate payroll disbursements are adequate.
- Review that record retention is in accordance with applicable Federal and State regulations.
- Determine that the records and documentation for timekeeping and payroll related items are sufficient to establish an audit trail for all transactions involving employees' time, pay and deductions.
- Determine that access to timekeeping and payroll data is controlled to maintain integrity of the data.

We will conduct the following testing of detail time records and payroll related transactions for a sample of selected departments to meet our audit objectives outlined above:

Payroll processing

- ❑ Review reconciliation of the County's general ledger report with detail department records.
- ❑ Observe the 'match and stuff' process of paychecks and remittances.
- ❑ Observe the distribution of checks.

Human Resources

- ❑ Testing of employee pay rate.
- ❑ Review timeliness of evaluation process as merit increases are based on evaluation rating.
- ❑ Testing of compliance with regulations and laws.
- ❑ Verification of deductions from pay to supporting documentation, including taxes and benefits.
- ❑ Review maintenance of personnel files.

Timekeeping at the Department level:

- ❑ On-site visit and inquiry of department personnel to obtain detailed documentation of the process.
- ❑ Testing of employee time tracking methods, practices, documents and procedures.
- ❑ Testing of overtime approval, documentation and reporting.
- ❑ Testing of leave time tracking and approval process.
- ❑ Testing of compliance with Union contracts.
- ❑ Review of forms utilized.

Accounts Payable

Accounts Payable

The most recent audit report issued on Accounts Payable was July 2003. As the County deals with staffing cutbacks the internal audit function will include basic entity-wide controls like accounts payable on the forefront of the audit plan for 2009/2010.

Scope

Objectives of the internal audit of Accounts Payable include the following:

- Determine the adequacy of the Brevard County Policies and if invoices are processed and paid in accordance with the Policies.
- Determine if invoices processed are for authorized expenditures.
- Determine if controls relating to reporting accounts payable are adequate and provide for appropriate reconciliations.
- Determine if records and documentation for accounts payable are sufficient to establish an audit trail for all transactions involving disbursements.
- Review controls over accounts payable including procedures and documents that assure the data used to generate disbursements are adequate.
- Determine that access to accounts payable is controlled.

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

Process mapping

- ❑ In order to obtain an understanding of the accounts payable process and identify critical controls we conducted on-site visits and inquires of departments and County Finance to obtain detailed documentation of the process. This, along with the detailed tests noted below, enabled us to identify control gaps.

Accounts Payable at the Department level:

- ❑ Test of invoice processing methods, practices, documents and procedures.
- ❑ Test of invoice approval, documentation and reporting.
- ❑ Review of forms utilized.
- ❑ Test for duplicate payment of invoices.
- ❑ Test for duplicate vendors.
- ❑ Test of vendors accounts receivable ledger for unapplied payments by the County.
- ❑ Test for address matches between vendors and employees.
- ❑ Test for vendors setup with initials as their name.
- ❑ Test for vendors with P.O. Boxes and Personal Mail Boxes for their address.

Accounts Payable processing

- ❑ Review reconciliation of the County's general ledger control accounts with the subsidiary ledgers.
- ❑ Observe the 'payment process' of invoices.
- ❑ Observe the distribution of checks.
- ❑ Test cash disbursements.
- ❑ Test compliance with regulations and laws.
- ❑ Review maintenance of invoices.

Purchasing Card

Purchasing Card

Consistent with the audits of Accounts Payable and Timekeeping, the audit of the Purchasing Card Function represents a review of basic entity-wide internal controls at the County. This audit will be performed in conjunction with the Accounts Payable Audit.

Scope

Objectives of the internal audit of Purchasing Card include the following:

- Determine the adequacy of the Brevard County Policies and if purchasing cards are issued and used in accordance with the Policies.
- Determine if purchasing cards are used for authorized expenditures.
- Determine if controls relating to purchasing card are adequate and provide for appropriate reconciliations.
- Determine if records and documentation for purchasing card expenditures are sufficient to establish an audit trail for all transactions involving disbursements.
- Review controls over purchasing card expenditures including procedures and documents that assure the data used to generate disbursements are adequate.
- Determine that purchasing cards are issued to active, non-fictitious employees.

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

Individual Purchasing Card usage and reconciliation:

- Test of purchasing card issuance approval and receipt by employee.
- Test purchasing card activity for duplicate vendors and split transactions.
- Test for backordered and prohibited/restricted purchases.
- Test for Monthly Reconciliation Form and proper documentation of expenditures.
- Test for payment of sales tax.
- Test for Quote Logs usage on purchases over \$250 where applicable.
- Test for proper authorization of expenditures.
- Test compliance with regulations and laws.
- Review and test County Finance consolidated reconciliation process.

Purchasing Card management:

- Review of forms utilized.
- Test new cardholder setup.
- Test for authorized and valid cardholders.
- Review the procedures for lost/stolen cards.
- Test cardholder activity for unusual transactions.
- Test compliance with cardholder limits.
- Test compliance with regulations and laws.
- Review organizational structure.

Contract Compliance Reviews

Contract Compliance Reviews

In our Purchasing and Contract Compliance Report dated April 30, 2009 issued to the Brevard County Internal Audit Committee, we made a recommendation to include performing audits of contracts in the proposed audit plans. These audits act as an important tool to ensure that the purpose for the agreement or the performance of the contract actually occurs. We included contract compliance reviews in the 2008/2009 audit plan and delivered 2 reviews to the audit committee. Contracts are selected by size, complexity, profile and other factors.

Scope

Although each contract will require customized scoping and analysis, the overall objectives of the contract compliance reviews will include the following:

- To determine compliance with specific contract terms as outlined in the contract which could include; inclusive costs and procedures for usage of Owner funds, allowances, contingencies and other provisions as applicable.
- To determine, on a sample basis, the propriety and validity of payments to date and whether payments were in concert with the project budget.
- To identify, during the course of the procedures designed to meet the stated objectives, process improvement opportunities and recommend internal control enhancements to improve the overall project management process.

Each Contract will include the following sections in the report

- **Objectives and Approach** – The internal audit objectives and approach are expanded upon in this section, which provides a review of the various phases of our audit.
- **Background and Summary of Results** – This provides an overview of Contract, timeline of events for the project, common definitions used throughout the report and a summary of results.
- **Specific Procedures and Results** – Detailed results for the audit procedures, any support necessary for potential recovery and managements response as applicable

**Parks and Recreation
Financial Conditions Review**

Parks and Recreation Financial Conditions Review

There are several factors related to Parks and Recreation that make the department high risk. This department receives the second largest allocation of General Fund dollars as well as taxes, intergovernmental revenues and charge backs. This department includes: park operations, referendum projects, golf course operations and EELs. Through the Discovery report dated June 18, 2008, Parks and Recreation was identified as a high risk candidate for a financial condition review. The primary objective of a financial condition review is to provide an independent analysis of the department's ability to maintain its Board directed service level within its current revenue structure.

Scope

The following activities will be undertaken to achieve the above stated objective:

1. Comparison of budget to actual revenues and expenditures.
 - Perform a detailed budget vs. actual analysis for the most recent fiscal year.
 - Investigate significant variances, including assumptions made to create budgeted figures, as well as the impact of such variances on year end cash carry forwards and fund balance (reserve).
2. Evaluation of cash flow for the year.
 - Detailed analysis of actual cash in and cash out for the period.
 - Review the correlation between the cash position and fund balance (reserves) on a monthly basis, as of year end, and over the most recent 3 year period.
3. Perform a detailed analysis of fund balance (reserves) for the most recent fiscal year.
 - Are the reserves legally restricted, Board designated for capital/other, or department designated excess funds in the event of an emergency or other unexpected need of the department.
 - Document historic fund balance (reserve) trends compared to historic operating costs to operate the Parks and Recreation department (5 years).
 - Document cash carry forwards over 5 years.
4. Detailed analysis of Net Revenues and Expenditures.
 - Including estimates of adjusting year-end accrual entries.

In addition to standard accounting and auditing review procedures, we will look at opportunities for efficiencies, succession planning and strategic initiatives within the department.

Animal Services

Animal Services

At the concern of several Commissioners and the County Manager, we will review numerous processes within animal services in an effort to create a more automated streamlined flow. An internal audit was issued on Animal Services back on May 22, 2003 focusing on compliance with Florida Statutes, cash handling procedures and level of training. Animal Services has significant regulations, public concerns and numerous volunteers involved with their operations in addition to a new Director. These factors create a high risk environment.

Scope

We will identify the high risk processes with the Animal Services department to determine those requiring streamlining and improved flow. Once we identify the most significant processes we will complete the following;

Phase 1: Process Mapping

During phase one, we will meet with key Department personnel involved in the processes to discuss the scope and objectives of the process, obtain preliminary data and discuss their respective roles in the process. We will further research applicable Florida Statutes, County Policy, and Federal Regulations.

In order to obtain an understanding of the processes and identify critical controls, inefficiencies and manual steps related to the different processes of the Animal Services Department, we will conduct on-site visits and meetings, inquiry of department personnel and obtain detailed documentation. From these facilitated meeting we will prepare 'process maps'. These process maps will act as the blueprint for our analysis

Phase 2: Efficiency Matrix and Brainstorming

Once we complete the documentation, the information will be submitted to all identified key stakeholders for validation and management concurrence on the results. This presents management with the opportunity to clarify any noted issues and challenge the accuracy of the process.

From the process mapping session and other data reviewed, we will identify opportunities to streamline the flow of the process. We will work with our Information Technology experts, the Department and our team to brainstorm ideas for efficiencies. From the agreed upon ideas we will create tools and procedures to implement these efficiencies and work with the Department to move them forward.

Phase 3: Reporting and Implementation

At the conclusion of our review, we will report to the Audit Committee and include the process maps and a summary of our analysis related to the identified processes and status on the implementation.

**Information Technology
Advisory Services**

Information Technology Advisory Services

During each of the past 3 fiscal years the Information Technology Department has been subject to internal audit:

Information Technology SAP Security Review	March 10, 2008	Public and Confidential
Network Security Threat and Vulnerability Assessment	January 23, 2008	Public and Confidential
Information Technology Planning and Organization	May 15, 2006	Public

Through the internal audit follow-up process, discussion with County Management and Commissioners, we determined in 2008/2009 that the County would benefit from internal audit Advisory Services within IT to assist management with addressing several of the issues identified in the prior audits. The process began with five specific System Risk Assessments issued confidentially under Florida Statute 218. We will continue to assist with these assessments and have outlined the services below.

Scope

Risk Assessment Advisory Services

Based on our discussion with the Director of Information Technology Department (ITD), for phase II we have identified the greatest IT internal audit/advisory service needs are related to completion of enterprise risk assessments of critical systems.

The performance of these risk assessments will facilitate not only the refinement, and if needed, development of key internal controls, but also enable the County to further establish a broad based service level management process based on defined risk criteria.

Advisory Service Approach and Processes

We will plan the scope and risk assessment procedures based on both County management and our understanding of the criticality associated with the data and business operations and regulatory compliance. We will conduct an entrance conference with senior management (Operations and IS) and key technology and documentation management staff to discuss the specific objectives, scope, and initial data requests needed to complete each phase of each risk assessment. Based upon these discussions, our IT assurance professionals will document the respective risks and develop process risk heat map. Once these risk assessments are complete, we will conduct a formal exit conference with the appropriate management and support staff and discuss the work performed.

Planning and Fieldwork

The planning for each risk assessment will be typically comprised of interviews of business critical data and process owners and supporting IT and operational staff to obtain an understanding of the system processes, lead to accurate identification of risks, consequences and likelihoods, and other specific needs and concerns in these areas. These risk assessments will be completed in close sequence to take advantage of the interdependence of these processes