



Internal Audit Committee of  
Brevard County, Florida

Risk Assessment and Proposed Audit Plan  
2008/2009

Prepared By:  
Internal Auditors of Brevard County  
November 12, 2008

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November 12, 2008

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 2008/2009. 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, the Budget Department, 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 produces revenues outside 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:

**Asset Management:** As of September 30, 2007, Brevard County owns in excess of \$740 million of tangible property and equipment generally referred to as capital assets. In addition to County ordinances, policies and procedures, Florida Statute and rules of the Auditor General govern property accountability and control. An internal audit of Asset Management was presented to the Audit Committee on April 22, 2002, and due to the high risk associated with the function has been included in the proposed audit plan for 2008/2009. The function remains high risk due to the significant volume of transactions, process complexity and the decentralized nature of the function.

**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 Public and Confidential reports dated March 10, 2008
- Network Security Threat and Vulnerability Assessment Public and Confidential reports dated January 23, 2008
- Information Technology Planning and Organization Public report dated May, 15, 2006

Through the internal audit follow-up process, discussion with County Management and Commissioners, we determined 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. We have outlined those services on page 6.

**Purchasing Services and Contract Management:** The purchasing function impacts the County entity-wide. The primary purpose of the function is to manage that appropriate goods and services are obtained at the right time, at the right quantities, at the right prices and within established rules/regulations and policies/procedures to enable the County to operate on a daily basis. The process addresses the proper request and authorization of a purchase, entry of the purchase request into the system, recording the receipt of the purchase once the purchase order has been filled and vendor approval and setup. The function also manages and administers many County contracts.

**Human Resources:** Human Resource ("HR") risk can be defined many different ways. The value of employees lies in their skills, knowledge, experience, attitudes, and commitment. It is enhanced by an organization's ability to hire, train, motivate, and retain the best people. The sub-functions within HR are connected throughout the County. The County employs over 2,500 people who are scattered throughout the area in various capacities. They have several different unions. Although the internal audit function has touched HR in many reviews, no report has been issued specifically on the areas outlined on page 8. Each of the three major risks (financial, compliance and public perception) is prevalent within the department and thus resulting in high risk.

**Transit Services:** An internal audit report was issued on July 19, 2002 focusing on Space Coast Area Transit ("SCAT") grants. SCAT runs throughout Brevard collecting and handling significant volumes of cash. Ridership is at an all time high. With the current economy controls over cash are critical. Our focus will be on controls over the cash handling process, reconciliations and segregation of duties. We will also perform expenditure and budgetary analysis, rate sufficiency and benchmarking with comparable transit operations.

**Public Works:** There are several significant factors related to Public Works that make the department high risk. Public Works was created with the recent combination of the Road and Bridge and Transportation Engineering Departments. Within these two functions there are key members of management team that are in the DROP program with plans to retire within two years. Through the Discovery report dated June 18, 2008, Public Works 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.

**Animal Services:** At the concern of several Commissioners, members of the senior leadership team including 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. These factors create a high risk environment.

We have included the objectives and an overview of testing for each of the functions outlined above 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

# Brevard County

## Proposed Audit Plan

	Fiscal Year Ending								
	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009
<b>Overall Audit Functions</b>									
Risk Assessment	✓			✓			✓		
Update Risk Assessment		✓	✓		✓	✓		✓	✓
Follow-up Procedures		✓	✓	✓	✓	✓	✓	✓	✓
Quality Control	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>County-Wide</b>									
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							✓		
Information Technology						✓	✓		
Financial Reporting								✓	
Financial Close								✓	
Discovery								✓	
Purchasing and Contract Management									✓
Human Resources									✓
<b>Individual Functions</b>									
Economic Development Commission		✓							
CDBG		✓							
Transit Services		✓							✓
Central Cashier		✓							
Solid Waste - Billing			✓						
Tourism Development Operations			✓						
Ambulance Billing			✓						
Facilities Construction			✓						
Solid Waste - Landfill Operations				✓					
Parks and Recreation				✓					
Public Works				✓					✓
EELS					✓		✓		
Golf Operations					✓				
Stormwater					✓				
One Stop - Building Permitting					✓				
Fire Rescue						✓			
Facilities Maintenance						✓			
Land Development						✓			
Criminal Justice Services						✓			
Utility Services							✓		
SHIP & HOME/HHRP							✓		
800 Mega / E-911							✓		
<b>Special Projects or Requests</b>									
Clerk's Traffic Fines		✓							
Animal Services			✓						✓
FEMA					✓	✓			
Fund 1351						✓			
Parks & Recs Referendum							✓		
MIRA							✓		
Financial Position Review							✓		
Budget Tools and Analysis								✓	
Financial Condition Rvw - Fire Rescue								✓	
IT Advisory Services									✓

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

## Asset Management

## Asset Management

As of September 30, 2007, Brevard County owns in excess of \$740 million of tangible property and equipment generally referred to as capital assets. In addition to County ordinances, policies and procedures, Florida Statute and rules of the Auditor General govern property accountability and control. An internal audit of Asset Management was presented to the Audit Committee on April 22, 2002, and due to the high risk associated with the function has been included in the proposed audit plan for 2008/2009. The function remains high risk due to the significant volume of transactions, process complexity and the decentralized nature of the function.

## Scope

Objectives of the internal audit of Asset Management will include the following:

- Determine that property records are maintained in accordance with the Rules of the Auditor General, Florida Statute, Brevard County policies and administrative orders.
- Determine that property additions are tagged and accounted for in accordance with Asset Management requirements.
- Determine that any dispositions of tangible personal property, including surplus property are handled in accordance with Florida Statute and Brevard County policies.
- Determine that real property acquisitions and dispositions are handled and accounted for in accordance with Florida Statute and Brevard County policies.
- Determine that an annual physical inventory was taken in accordance with the Rules of the Auditor General and Florida Statutes.
- Determine that controls relating to the financial reporting of capital assets are adequate and provide for appropriate reconciliations.

**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 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. We have outlined those services below.

### Scope

#### *Risk Assessment Advisory Services*

Based on our discussion with the Director of Information Technology Department (ITD), we have identified the greatest IT internal audit/advisory service needs are related to completion of enterprise risk assessments of critical systems. Specifically, ITD identified the following system risk assessment would bring the greatest value to the county:

1. SAP
2. Accela
3. Solid Waste Management
4. Library Information Systems
5. Hansen in Utility Services.

The performance of these risk assessments will facilitate not only the refinement and if needed developed 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 and issues identified.

#### *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 assessment will be completed in close sequence to take advantage of the interdependence of these three processes and to provide a logical order of feedback and reporting to management. The tentative schedule for these audits would be as follows:

- Scheduled start on or about February 23, 2009.
- Fieldwork for all three phases is expected to conclude April 17, 2009
- Exit conferences will be completed at the completion of each phase's fieldwork (last phase's exit conference is expected to be on April 21, 2009).
- The final reports for these risk assessments is expected to be presented to management on during the Audit Committee meeting in the Q2 2009.

**Purchasing Services  
and Contract Management**

## Purchasing Services and Contract Management

The purchasing function impacts the County entity-wide. The primary purpose of the function is to manage that appropriate goods and services are obtained at the right time, at the right quantities, at the right prices and within established rules/regulations and policies/procedures to enable the County to operate on a daily basis. The process addresses the proper request and authorization of a purchase, entry of the purchase request into the system, recording the receipt of the purchase once the purchase order has been filled and vendor approval and setup. The function also manages and administers many County contracts.

### Scope

Objectives of the internal audit of Purchasing Services and Contract Management will include the following:

- Determine compliance with applicable Florida Statutes, DOE Requirements, and County Bylaws & Policies.
- Evaluate whether there are adequate records and documentation for competitive bid contracts to establish an audit trail and that policies and procedures are appropriately followed.
- Evaluate if there are adequate controls to prevent/detect duplicate/fictitious vendors.
- Evaluate if there are adequate controls to prevent /detect related party transactions.
- Evaluate access controls and segregation of duties within the purchasing function.
- Evaluate the adequacy of control design over the purchasing card process.
- Determine if purchasing cards are issued and used in accordance with County policies.
- Determine if controls relating to purchasing card are adequate and provide for appropriate reconciliations.
- Determine that purchasing cards are issued to active, non-fictitious employees.
- Review the adequacy and effectiveness of controls over contract monitoring and compliance.

## Human Resources

## Human Resources

Human Resource ("HR") risk can be defined many different ways. The value of employees lies in their skills, knowledge, experience, attitudes, and commitment. It is enhanced by an organization's ability to hire, train, motivate, and retain the best people. The sub-functions within HR are connected throughout the County. The County employs over 2,500 people who are scattered throughout the area in various capacities. They have several different unions. Although the internal audit function has touched HR in many reviews, no report has been issued specifically on the areas outlined below. Each of the three major risks (financial, compliance and public perception) is prevalent within the department and thus resulting in high risk.

## Scope

Objectives of the internal audit of Human Resources will include the following:

- Determine that new hires were properly authorized and accurately recorded, including determining if background checks (criminal and work-related qualifications) were performed and reviewed, credit for prior service was accurately calculated and recorded and salary amounts were properly authorized and accurately recorded.
- Review accuracy of adjustments to existing employees' records were properly authorized and accurately recorded.
- Test timekeeping records (e.g., timesheets) noting they are properly approved and are accurately recorded in a timely manner, including determining if leave usage (vacation, sick, etc.) is in accordance with Policy and/or terms of negotiated agreements.
- Determine operational and management reports are reviewed and exceptions corrected in timely manner.
- Validate that all individuals on the payroll are bona fide employees.
- Final payments to terminated employees were accurately calculated, properly recorded and processed in a timely manner.
- Access to the employees' personnel and payroll records was adequately restricted, e.g. physical files were secured and incompatible duties (add, delete, modify, etc.) were adequately segregated.

## Transit Services

## Transit Services

Space Coast Area Transit ("SCAT") is bus and trolley transportation service that runs throughout Brevard County. SCAT ridership is at an all time high, and although there is a fee charged to riders, the program receives General Fund subsidy as well as intergovernmental grants to keep fees to users down. Transit Services is one of the few departments that requested an increase in General Fund transfer for the 2008/2009 fiscal year due to increases in operations, including fuel costs and fleet maintenance. Some of the grants that the department has been receiving will expire in 2009 and the level of service delivered may be significantly compromised. An internal audit report was issued on July 19, 2002 related to SCAT grants.

Due to the decentralized nature of Transit operations, our focus will be on controls over the cash handling process, reconciliations and segregation of duties. We will also perform expenditure and budgetary analysis, rate sufficiency and benchmarking with comparable transit operations.

## Scope

Objectives of an internal audit of Transit Services will include the following:

- Determine compliance with existing County policies and procedures, as well as Florida Statutes related to transit services.
- Evaluate the design adequacy of controls over cash collection and appropriate revenue capture.
- Evaluate the effectiveness of existing controls, including segregation of duties over cash handling and reconciliation.
- Understand and evaluate the 10 Ride and Monthly Pass fare process for collection, tracking and proper revenue recognition.
- Evaluate operational and financial analysis performed by management and assist management with developing useful, measurable strategic performance metrics.
- Evaluate grant compliance monitoring and the process for identifying additional potential revenue sources.
- Perform expenditure and budgetary analysis, rate sufficiency and benchmarking with comparable transit operations.

Public Works

## Public Works

There are several significant factors related to Public Works that make the department high risk. Public Works was created with the recent combination of the Road and Bridge and Transportation Engineering Departments. Within these two functions there are key members of management team that are in the DROP program with plans to retire within two years. Through the Discovery report dated June 18, 2008, Public Works 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 FY08.
  - 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) as of 9/30/08.
  - 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 Fire Rescue 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, members of the senior leadership team including 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. 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, obtained preliminary data and discussed their respective roles in the process. We further will research 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 summarize our analysis related to the identified processes and status on the implementation.