



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

Internal Audit Review of

**Economic Development Commission
of Florida Space Coast, Inc.**

**Prepared By:
Internal Auditors of Brevard County
January 10, 2002**

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January 10, 2002

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

Pursuant to the provisions of Section 125.01(1)(s), Florida Statutes: Article V, Section 16 and Article VIII, Section 1(d) of the Constitution of the State of Florida; and Article 4 Section 4.2.1 of the Brevard County Home Rule Charter, and the approved 2001/2002 internal audit plan, we hereby submit our internal audit report covering the Economic Development Commission of Florida Space Coast, Inc. ("EDC"). We will be presenting this report to the Audit committee at the next scheduled meeting on January 23, 2002.

Our report is organized in the following sections:

Background	This provides an overview of EDC and the related issues.
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. Managements response has been incorporated into this section as well.
Appendix	This section identifies the scope of services and related outcome criteria required by the County.

Follow-up to the issues and management response identified in this report will be conducted in two phases:

- County Management will follow-up with the person responsible on a quarterly basis and report to the audit committee using the approved format.
- The Internal Auditors will conduct a formal follow-up within 6 months of the issued report and report back to the audit committee at the regularly scheduled meeting.

We would like to thank the various departments and all those involved in assisting the Internal Auditors regarding this report on EDC.

Respectfully Submitted,

INTERNAL AUDITORS

Background

Background

What is EDC?

EDC was organized under the laws of the State of Florida in 1989 as a not-for-profit commission to foster economic and industrial development in Brevard County, Florida (the “County”). On March 25, 1993 the Board of Directors voted to change the name of the corporation from the Brevard Economic Development Corporation to Economic Development Commission of Florida’s Space Coast, Inc. Prior to the formation of EDC there were 4 different economic organizations working within the County primarily tied to the different area chambers of commerce. These organizations were ‘consolidated’ into EDC as we know it today. EDC receives its primary funding (64% for the fiscal year ended September 30, 2001) from the County. The other significant source of funding comes from its membership (24% for the fiscal year ended September 30, 2001). The membership of EDC is made up of local businesses, chambers and citizens who support the mission and could contribute financially to the operations of EDC.

The Mission of EDC

The American Economic Development Council defines economic development as “the process of creating wealth through the mobilization of human, financial capital, physical and natural resources to generate marketable goods and services.”

EDC is committed to the economic stability and growth of Brevard County. They assist businesses in all relocation and/or expansion phases, beginning with choosing an ideal site through production start-up and throughout the existence of the business. Their main mission is to:

“Create value-added jobs, which will strengthen and expand Brevard’s business climate – ultimately leading to a more diversified economy.”

Value-added jobs are defined by EDC as “high paying, highly skilled positions that create a product that is sold and shipped out of our direct area, while resulting capital from these sales are returned to our community.” This will ideally all be accomplished while maintaining our delicate, superior quality of life.”

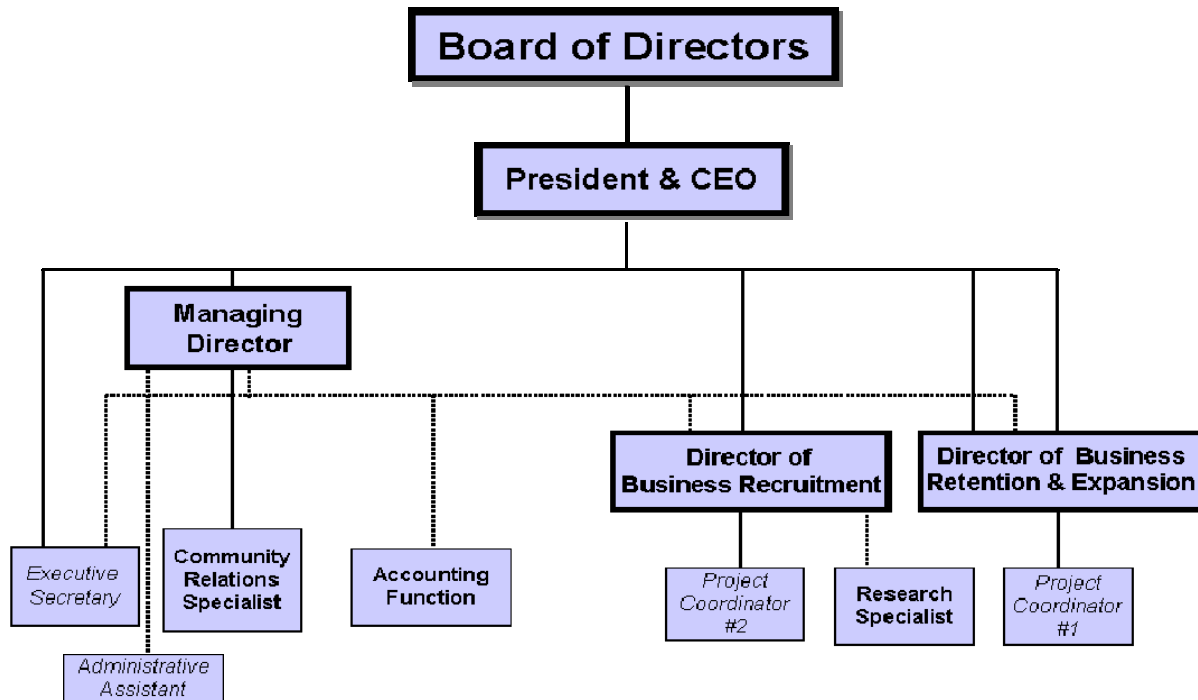
To enhance the economic climate of Brevard County, EDC strives to build the existing industry group base and leverage and grow the emerging groups. The groups are targeted based on what state legislatures, the County and EDC have identified as types of industry they would like to attract.

Confidentiality

A popular trend with economic development services across the country are to have these services performed by organizations separate from county and other local government. As in Brevard, EDC as a separate private agency provides a contracted service to the County. The benefits of keeping this service outside the arms of the public sector are primarily due to the confidential nature of the work they do. When a company is relocating or if an existing company is thinking of expanding, it is of a highly confidential nature for many different reasons. With the services being performed by an outside agency this confidentiality can be maintained for the success of the program.

Background - continued

Organizational Structure



Board of Directors and Committees

Per EDC bylaws, the Board of Directors is vested with the management of the business and affairs of EDC. They should be residents of Brevard County, Florida and should normally be the senior official of a company, agency head, or member of an agency Board of Directors, located in the Brevard County area. The maximum number of Directors is one hundred (100). There are currently 84 Board members. Meetings are held every other month and the President and Directors present activity and any issues at hand.

The Executive Committee is in charge of routine EDC business during the interim between Board meetings. All activities of the Executive Committee shall be reported to and ratified by the Board of Directors at the next regularly scheduled meeting. Currently there are 20 Committee members and they meet every month to discuss activity, operations and any issues at hand.

EDC establishes committees as necessary to support their mission, i.e., Ad Valorem Tax Abatement Committee, Space Alliance Technology Outreach Committee, Team Brevard, etc.

Background - continued

Staffing and Experience

EDC currently has nine employees on staff. In addition, they outsource bookkeeping services to American Express Tax and Business Services (an affiliated company of Bray, Beck & Koetter, CPA's) and utilize a workforce consultant. The following is a brief description of the experience of the President and Directors.

President & CEO	Lynda L. Weatherman
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- With EDC since August 1, 1994
- B.A. in Social Sciences / Education from the University of South Florida
- Teacher in Georgia until 1981 when beginning of Masters work
- Completed initial Masters program in economic development from the University of Southern Mississippi
- Interned at the Florida Department of Commerce's Bureau of Economic Analysis
- Associate Director of Economic Development at the Gainesville Chamber of Commerce
- Advanced to Research and Marketing Director for the Marion County Economic Development Agency
- Won a Rotarian Fellowship to the University of Hong Kong
- 1990 - Completed her second (2nd) Master's Degree in International and Urban Planning
- In Hong Kong - Independent contractor for the Hong Kong Trade Fair Group
- 1991 - Returned to US and became the Executive Director of the Space Coast Development Commission then promoted to Executive Director of the City of Titusville's Economic Development Department
- 1994 - Assumed her current position of President & CEO with EDC of Florida's Space Coast in August

Managing Director	Kimberly L. Meehan
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- With EDC since June 1, 1993
- Originally hired as Community Relations Specialist for EDC, promoted in 2001 to Managing Director
- Paychex, Inc.
- Meehan Stationery Co., Inc.

Director of Business Recruitment	Gregory K. Jones
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- With EDC since January 25, 1999
- Bachelors of Business Administration, Minor in Industrial Psychology, East Tennessee State University
- Originally hired as Director of Research, promoted to Director of Business Recruitment on 10/15/00
- Brevard Community College – Wages Case Manager
- Florida Department of Labor
- Marcom Technologies
- HealthWorks Medical Centers
- HRMC, H.O.P.E. Program
- Total Quality Management, EMS

Director of Business Retention & Expansion	Michael M. Roman
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- With EDC since April 5, 1999
- Bachelor of Science Degree in Marketing from Florida State University
- Enterprise Florida
- Carlman Booker Reis Public Relations
- Florida Department of Transportation
- Florida Department of Commerce

Background - continued

Financial Data

EDC's main source of revenue comes from the County. These funds are leveraged by EDC to generate additional revenues. The breakdown of revenue sources for fiscal year ended September 30, 2001 is as follows:

Revenue	Amount
County Contract	\$740,000
Membership	281,650
Grants	110,824
EDC Meetings/Functions	31,439
Contract Services	65,328
Expansion Guide	38,019
Promotional Sponsorship	17,738
Interest	12,420
Publications	8,116
Research	3,000
Miscellaneous	422
Total Revenue	\$1,308,956

The services provided by EDC are generated through the staff of professionals that work there. Therefore, as noted below, the largest expense is salaries and benefits (45% of total expenses). The following is a high level break down of expenditures for fiscal year ended September 30, 2001:

Expenses	Amount
Salaries and related taxes and benefits	\$570,949
Marketing Expenses	108,651
Advertising and Promotion	127,036
Office and Administration	55,244
Grants	105,912
Professional Services	20,173
International Trade Promotions/Trade Shows	70,922
EDC Meetings/Functions	65,836
Facilities/occupancy	113,672
Education and Training	15,478
Web Maintenance	17,887
Depreciation	17,161
Total Expenses	\$1,288,921

Background - continued

Agreement with the County

EDC has had a contract with the County since its inception in 1989. The contract amounts for the last five fiscal years are as follows:

Contract Term Fiscal Year	Contract Amount
2001/2002 *	\$740,000
2000/2001	\$740,000
1999/2000	\$575,000
1998/1999	\$575,000
1997/1998	\$450,000

Reporting - In accordance with the County agreement, EDC provides quarterly financial statements and quarterly activity reports to the Brevard County Board of County Commissioners (the "Commissioners"). The activity report highlights EDC's performance and monitors their progress in attaining the outcome criteria in regards to the Brevard County Business and Marketing Strategy.

EDC is required to furnish annual audited financial statements to the Commissioners no later than January 31st of the following year. Bray, Beck & Koetter, CPA's conducts the external audit for EDC. EDC also provides an annual report to the County and their members highlighting activities and accomplishments for the year.

Scope of Services - A detailed analysis of the scope of services as identified in the contract between EDC and the County has been included as Appendix A.

Outcome Criteria - Every year EDC prepares a detailed listing of 'outcome criteria' that is attached to the contract. This outcome criteria is used as a tool to measure the success of EDC's performance for the term of the contract. Included in Appendix B is a detailed analysis of those criteria, the goals and actual results for the fiscal year ended September 30, 2001.

* The 2001/2002 contract has not been executed however the 2000/2001 contract has been extended for 120 days and the budget has been approved by the County.

Objectives and Approach

Objectives and Approach

Objectives

Objectives of the audit of EDC include the following:

<input type="checkbox"/> Determine that the records and documentation are sufficient to establish an audit trail for all transactions required in accordance with terms of the agreement with the Board of County Commissioners of Brevard County, Florida.
<input type="checkbox"/> Validate that controls over the “Outcome Criteria” include procedures and documents that assure the data used to generate the reports are adequate.
<input type="checkbox"/> Analyze compliance and procedures surrounding financial accounting.
<input type="checkbox"/> Cash receipts and disbursements are properly recorded in accordance with provisions of the agreement.
<input type="checkbox"/> Verify the appropriateness of expenditures for both public and private funds.
<input type="checkbox"/> Determine that policies and procedures are effective, documented and in place.
<input type="checkbox"/> Review and verify compliance of the scope of services listed in the Contract.

Approach

Our audit approach consisted of three phases:

Understanding and Documentation of the Process

During phase one, we interviewed the President and Managing Director at EDC, as well as, the Assistant County Manager of Community Development to discuss the scope and objectives of the audit work, obtain preliminary data, and establish working arrangements. We obtained a copy of the agreement between EDC and the County and discussed the scope of services and outcome criteria contained in the agreement. We reviewed other documents including current and prior year financial statements, budgets of both EDC and the County, and the bylaws and mission statement of EDC. Additionally, we reviewed EDC’s web site, Florida Statutes and County Ordinances applicable to this audit.

Objectives and Approach - continued

Detailed Testing

The purpose of this phase was the development of applicable tests of compliance. Our testing was concentrated in two different components: Contract Compliance and Financial Accounting.

Contract Compliance - We reviewed the contract between EDC and the County and tested compliance as follows:

Reporting - We tested the reporting requirements of the contract as follows:

- Reviewed requirements of the contract
- Verified content of quarterly reports
- Reviewed dates for submission of all reports

Scope of Services - We tested the scope of services as outlined in the contract by conducting extensive interviews with Assistant County Manager, EDC President and Managing Director. We also reviewed and tested the documents and publications below:

- Prospective materials
- Mail listings
- Strategic planning document
- Web site
- Profiles produced on different Cities and the County
- Marketing materials including the Relocation Guide to Florida's Space Coast, Space Coast Business Expansion Guide
- Surveys conducted
- Manufacturing CD-ROM
- Membership listings, Board and Committee make-up
- By-laws

Outcome Criteria - We verified compliance with outcome criteria in the contract as follows:

- Reviewed prospective client files
- Verified actual results through agendas, calendars and phone logs
- Validated results through press releases and other media sources including web sites of relocated companies
- Reviewed reports and related documents to support and calculate state and local incentive programs
- Reviewed membership communication, agendas and reporting packages for meetings and banquets
- Reviewed documents prepared for both existing and relocating companies related to wage and labor statistics and data

Financial Accounting - We reviewed and tested the following as it relates to financial accounting:

- Detailed budgets of both the County and EDC
- Financial statements
- Allocation of public and private expenditures
- Accounts payable
- Cash disbursement procedures, approval, invoice support, etc.
- Payroll expenditures and policies
- Leases contracts and journal entries
- Grant compliance and reporting
- Contracts
- Revenue sources

Objectives and Approach - continued

Reporting

During this phase, we summarized our findings related to contract compliance and financial accounting. We conducted an exit conference with management at EDC and incorporated management's response into our report. We also reviewed the results of our audit with appropriate management at the County.

Issues and Recommended Action

<i>Issue # 1</i>	<i>Allocation of Indirect Costs</i>
	<p>Based on our review of EDC financial data we noted no instances of inappropriate expenditures. They have segregated revenues and expenditures between public and private for internal reporting and budgeting purposes, as well as, for reporting to the County. Currently all indirect costs, which include salaries, taxes, benefits, rent, office supplies, etc. are being reported against the public revenues received. Expenditures of a more sensitive nature, which include those expenses related to confidential client matters, have been reported against private revenues received. These expenses could include telephone charges, which include a detailed listing of phone numbers, creating and mailing detailed prospective materials, travel, etc.</p> <p>The County is currently using these reports to approve the budget and monitor the status of the operations of EDC. However, the contract does not address if this use and reporting is acceptable.</p> <p>The process of allocating indirect costs should be systematic and logical. Indirect costs are those which are not easily identifiable with a specific program but which are nonetheless necessary to the operation of the program. For example, salary expense related to the President benefits all programs and functions. The allocation currently used to allocate overhead does not meet the above and a method is not specified in the contract.</p> <p><i>Impact</i></p> <p>The County is receiving financial reports of the public funding with an incorrect cost allocation. These reports could be misleading to County Management and the Commissioners.</p> <p>The full cost of a program includes a share of the overall costs of the organization. Without allocating costs properly between public and private, the financial results are not complete.</p> <p><i>Recommended Action</i></p> <p>We recommend one of the following actions:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Modify the existing contract terms to clearly address the use and related reporting of County funds as it relates to indirect costs. <input type="checkbox"/> If allocated financial data is required, EDC should adopt a formal allocation process to properly allocate indirect costs between public and private funding. County management should review and approve the allocation methodology.

<i>Issue # 1</i>	<i>Allocation of Indirect Costs (continued)</i>
	<i>Management Response</i>
Response	<p>Due to the confidential nature of the clients and prospects of the EDC, the separation of cost is a prudent and protective mechanism for all parties involved. As such, we must continue to separate all revenues.</p> <p><i>ACTION PLAN</i></p> <p>The contract with the County will be written to specify that all costs covered by Brevard County be considered as “operating costs” for the efforts of the EDC.</p>
Time frame	Upon approval of the EDC’s FY 01-02 Contract by the Brevard County Commission scheduled for February 5, 2002.
Person Responsible	Brevard County – Peggy Busacca EDC – Kimberly Meehan, Managing Director

Issue # 2	Execution of Contract												
	<p>During our audit we noted that EDC's annual contracts have been executed four to ten weeks after the beginning of the fiscal years, as follows:</p> <table data-bbox="704 380 1219 558"> <thead> <tr> <th><u>Fiscal Year</u></th> <th><u>Date of Execution</u></th> </tr> </thead> <tbody> <tr> <td>2001/2002</td> <td>December 11, 2001 *</td> </tr> <tr> <td>2000/2001</td> <td>November 14, 2000</td> </tr> <tr> <td>1999/2000</td> <td>November 9, 1999</td> </tr> <tr> <td>1998/1999</td> <td>October 27, 1998</td> </tr> <tr> <td>1997/1998</td> <td>November 25, 1997</td> </tr> </tbody> </table> <p>* The prior year contract was extended for 120 days.</p> <p>Impact</p> <ul style="list-style-type: none"> <input type="checkbox"/> The EDC is operating under outcome criteria and scope of services that has not been approved and which may not be in accordance with Commissioners' direction for each fiscal year. <input type="checkbox"/> EDC is incurring four to ten weeks of obligations based on the assumption that a contract will be executed. <p>Recommended Action</p> <p>Timely agreement of scope of services and outcome criteria will provide assurance that EDC understands and operates under the Commissioners' wishes. We recommend the terms of the contract be drafted in conjunction with the budget cycle and the contract executed in the Commission meeting immediately following budget adoption.</p>	<u>Fiscal Year</u>	<u>Date of Execution</u>	2001/2002	December 11, 2001 *	2000/2001	November 14, 2000	1999/2000	November 9, 1999	1998/1999	October 27, 1998	1997/1998	November 25, 1997
<u>Fiscal Year</u>	<u>Date of Execution</u>												
2001/2002	December 11, 2001 *												
2000/2001	November 14, 2000												
1999/2000	November 9, 1999												
1998/1999	October 27, 1998												
1997/1998	November 25, 1997												
	Management Response												
Response	<p>A written agreement between Brevard County and EDC has been reached to ensure the timely execution and signing of said contract.</p> <p>The agreement states that the terms of the contract be drafted in conjunction with the budget cycle and the contract executed in the Commission meeting immediately following budget adoption.</p> <p>Specifically: Upon approval of the Budget request in September of each year, the EDC's contract will be placed on the next scheduled County Commission agenda for approval of the Board.</p>												
Time frame	Process implemented 11/01 – on going.												
Person Responsible	Brevard County - Peggy Busacca EDC - Kimberly Meehan, Managing Director												

Issue # 3	Monitoring Contract Compliance
	<p>During our audit we noted that EDC did not meet three out of thirty-three goals defined in the outcome criteria of the contract. These goals and related outcome are further explained in Issues 3a through 3c.</p> <p>Based on our interviews we understand that quarterly reports are issued to the County Manager and reviewed with each Commissioner by the EDC President, however, there is no formal monitoring process established.</p> <p>We understand that the Clerk of the Court receives financial data (see Issue 1) on a monthly basis; however, this data does not include results related to scope of services or outcome criteria.</p> <p>Impact</p> <p>The contract defines scope of services, related outcome criteria and reporting requirements. An established monitoring process will enable County Management and the Commissioners to:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Track results on a timely basis. <input type="checkbox"/> Re-evaluate tasks and goals based on changing economic situations. <input type="checkbox"/> Ensure that EDC is performing in accordance with the specified directives of the contract. <p>Recommended Action</p> <p>We recommend a monitoring and reporting process be established between County Management and EDC which would, at a minimum, address the following:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Compliance with the contract. <input type="checkbox"/> Timing of reporting. <input type="checkbox"/> Content of quarterly reports. <input type="checkbox"/> Action to be taken upon determination that a particular goal may not be reached. (i.e. development of a formal improvement or action plan).

Issue # 3	Monitoring Contract Compliance (continued)
	Management Response
	<p><u>Compliance with the contract:</u></p> <ul style="list-style-type: none"> ▪ The EDC will provide written compliance measurements to the following: <ul style="list-style-type: none"> ▪ Each of the five County Commissioners ▪ County Manager ▪ Assistant County Manager ▪ Clerk of the Courts ▪ EDC Executive Committee ▪ Posted on the EDC web site for public consumption <p><u>Timing of reporting:</u></p> <ul style="list-style-type: none"> ▪ Written reports will be provided on a Quarterly basis, no later than 15 business days after the end of the quarter. ▪ Written Annual Report will be provided no later than 60 days after the end of the Fiscal year – November 30. <p><u>Content of quarterly reports:</u></p> <ul style="list-style-type: none"> ▪ Each performance measurement as it relates to the Contract ▪ All acts of performance as they relate to the Contract ▪ Supporting documentation ▪ Any additional activities beyond the County contract (listed separately) performed by the EDC <p>The action to be taken upon determination that a particular goal may not be reached will be collectively determined by EDC, and County Management as approved by the Commissioners.</p>
Time frame	<p>Upon approval of the EDC's FY 01-02 Contract by the Brevard County Commission scheduled for February 5, 2002.</p> <p>The first report provided will cover the period of the 1st quarter of calendar year 2002 (which is actually the 2nd quarter of FY 01-02) to be issued April 15, 2002.</p>
Person Responsible	EDC - Kimberly Meehan, Managing Director

Issue # 3a	Outcome Criteria – Company Site Tours
	<p>During our testing of the outcome criteria as outlined in the contract between the County and EDC (See Appendix B) we noted they did not meet the goal for company site tours as follows:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Contract goal 36 <input type="checkbox"/> Actual 31 <input type="checkbox"/> Variance (17%) <p>Impact</p> <p>See impact as detailed in Issue #3.</p> <p>Recommended Action</p> <p>See recommended action as detailed in Issue #3.</p>
	Management Response
Response	<p>At the request of Brevard County Budgeting Department, all contract (outcome criteria) requirement numbers, including site tours and job creation, are developed 18 months before the contract is fully executed and completed.</p> <p>At that time each year, the EDC provides its best judgment on outcome criteria given activities regarding the national and international business climate.</p> <p>In the spring of 2000, when the numbers were requested by the County, the EDC developed our outcome criteria and contract commitments for the 00-01 FY. In short, the outcome criteria for 2001, were developed in the Spring of 2000.</p> <p>In fact, tools that are used to create the commitment numbers are based on trends that have occurred in past years. These trends were clearly on an upward cycle; therefore, we increased our commitment levels based on the business activity and demand at that time. At the time we developed our program of work and outcome criteria for our contract, we could not find evidence of a slowing down of the economy. While the EDC staff does their best to predict fluctuations in the future economy, we cannot always predict changes such as the profound business cycle peaks and declines, that occurred in 2001.</p> <p>The downturn occurred in the middle of that contact year (FY 00-01). The National Bureau of Economic Research (a group of 6 leading economists from nation’s top universities) formally announced the downturn and the peaking of the economy into a recessionary environment in March 2001. See “The Business Cycle Peak of March 2001”, dated November 26, 2001.</p>

Issue # 3a	Outcome Criteria – Company Site Tours (continued)
Management Response	
Response	<p>Prior to that, all contracts from 1995-2000, the EDC has met and exceed all goals set before us, including:</p> <ul style="list-style-type: none"> - Site Tours - Job Creation – Recruitment of new jobs - Job Creation – Expansion of existing industry – new jobs <p>Reaching our goals in the past occurred because there were consistent and sustainable national economic environment that lead us to our conclusions.</p> <p>Due to the shift in the current economic climate, the ramifications of the 9/11/01 incident, and input from the County Commissioners, increased and specific attention will be focused on strategic and business climate demands.</p> <p>During the 01-02 FY, the EDC will be investing their time in the development of overall business climate and strategic initiatives. Some of these initiatives will be: research & development (R&D), technology development; venture capital development/financing & capital identification; workforce and education; business linkages; new business development; networking and promotion of existing businesses; building & infrastructure identification; targeted marketing.</p> <p>As such, the new outcome criteria have been written to reflect these changes in our measurement approach.</p> <p>ACTION PLAN</p> <p>See management response as detailed in Issue #3</p>
Time frame	<p>Upon approval of the EDC’s FY 01-02 Contract by the Brevard County Commission scheduled for February 5, 2002.</p> <p>The first report provided will cover the period of the 1st quarter of calendar year 2002 (which is actually the 2nd quarter of FY 01-02) to be issued April 15, 2002.</p>
Person Responsible	EDC - Kimberly Meehan, Managing Director

Issue # 3b	Outcome Criteria – Company Relocation/New Jobs Created
	<p>During our testing of the outcome criteria as outlined in the contract between the County and EDC (See Appendix B) we noted they did not meet the goal for company relocation/new jobs created as follows:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Contract goal 360 <input type="checkbox"/> Actual 145 <input type="checkbox"/> Variance (60%) <p>Impact</p> <p>See impact as detailed in Issue #3.</p> <p>Recommended Action</p> <p>See recommended action as detailed in Issue #3.</p>
	Management Response
Response	See management response as detailed in Issue #3a.
Time frame	See time frame as detailed in Issue #3a.
Person Responsible	See person responsible as detailed in Issue #3a.

Issue # 3c	Outcome Criteria – Existing Industry Expansion/New Jobs Created
	<p>During our testing of the outcome criteria as outlined in the contract between the County and EDC (See Appendix B) we noted they did not meet the goal for existing industry expansion/new jobs created as follows:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Contract goal 480 <input type="checkbox"/> Actual 342 <input type="checkbox"/> Variance (29%) <p>Impact</p> <p>See impact as detailed in Issue #3.</p> <p>Recommended Action</p> <p>See recommended action as detailed in Issue #3.</p>
	Management Response
Response	See management response as detailed in Issue #3a.
Time frame	See time frame as detailed in Issue #3a.
Person Responsible	See person responsible as detailed in Issue #3a.

Issue # 4	<i>Travel and Prospect Expenses</i>
	<p>During our sample testing of expenses, we noted no expenses that would be considered inappropriate. However, EDC does not have written travel and prospect expenses policies and procedures.</p> <p><i>Impact</i></p> <p>Without a written document, employees do not have guidance on what is an appropriate expense. This could result in improper charges. A formal written policy would ensure that all employees have an understanding of what is an appropriate travel expense and when to obtain authorization for expenses.</p> <p><i>Recommended Action</i></p> <p>We recommend EDC develop formal, written policies and procedures surrounding travel and prospect expenses. The policy should include at a minimum:</p> <ul style="list-style-type: none"> <input type="checkbox"/> EDC should assume that employees reading the travel policy have not previously made a business trip. Thus, answer questions like “How much should I tip?” or “When should I rent a car?” In other words, make the policy simple, but all encompassing. <input type="checkbox"/> Purpose of the travel – Travel should be preapproved based on the business purpose. <input type="checkbox"/> Required levels of approval - Identify what level of management is required for approval prior to traveling. <input type="checkbox"/> Establish spending limits or guidelines – EDC should not reimburse amounts in excess of spending limits, but should reimburse expenses in excess of spending guidelines if amounts can be reasonably justified. <ul style="list-style-type: none"> • Spending limits are the maximum travel expense amounts EDC will reimburse. • Spending guidelines are predetermined amounts that are considered “reasonable “ limits. <input type="checkbox"/> Post travel evaluation - Much of EDC’s travel is to trade shows and conventions which can be subject to intense scrutiny. To help alleviate uncertainties surrounding these trips and determine whether the trip was worth the cost, EDC should request employees to list how many leads were collected at the shows, what follow-up was done, and what kind of business impact resulted from them.
	<i>Management Response</i>
Response	A formal, written policy has been developed to incorporate all items mentioned above and distributed to staff.
Time frame	New Procedure created and distributed January 2, 2002
Person Responsible	EDC - Kimberly Meehan, Managing Director

<i>Issue # 5</i>	<i>Procurement</i>
	<p>During our sample testing, we noted several instances where EDC requested formal bids during the procurement process. However, we noted that EDC does not have written procurement policies and procedures.</p> <p><i>Impact</i></p> <p>Proper policies and controls surrounding procurement will help aid EDC in identifying vendors and receiving:</p> <ul style="list-style-type: none"> <input type="checkbox"/> A quality product or service <input type="checkbox"/> Best values <input type="checkbox"/> Established timeframe <input type="checkbox"/> Fair competition <p><i>Recommended Action</i></p> <p>We recommend a procurement policy and procedure be created for EDC. Procedures will provide detailed instructions on when and how a bid process should be conducted. At a minimum the policy should include:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Dollar requirements to issue request for proposal - Establish a dollar threshold for soliciting competition. <input type="checkbox"/> Selection parameters - Determine what criteria should be used in the selection process, i.e. technical, cost, delivery time, reliability, etc. <input type="checkbox"/> Timeframe - Establish the timetable required to release a request for proposal.
	<i>Management Response</i>
Response	On January 2, 2002, the EDC implemented an all-encompassing, written procurement policy.
Time frame	New procurement policy implemented January 2, 2002
Person Responsible	EDC - Kimberly Meehan, Managing Director

Issue # 6	File Maintenance
	<p>We noted during our testing of compliance of the outcome criteria that not all client files are organized in the same manner or are complete. For example, per EDC policy, each file should include a manual log on the left hand side documenting all activity and correspondence with the file. We noted a site visit was conducted for the client; however, no documentation of the visit was included in the file. We were able to substantiate the visit through other source data, i.e. calendars, agendas, press releases, etc.</p> <p>Impact</p> <p>Complete and accurate files will ensure proper support for measurement of the outcome criteria.</p> <p>Recommended Action</p> <p>We recommend the Managing Director conduct a regular review of the client files to ensure that logs are being maintained and the files are complete and accurate. The files should include:</p> <ul style="list-style-type: none"> <input type="checkbox"/> All correspondence with the client <input type="checkbox"/> Any reports/documents <input type="checkbox"/> Other documentation as necessary to support outcome criteria
	Management Response
Response	<p>The audit review proved very helpful on this issue. The EDC was successful in providing all documentation as necessary for the audit review, however, it was clearly noted by management that a centralized filing system would prove more beneficial for the retrieval of information.</p> <p>ACTION PLAN</p> <p>A centralized filing system is currently being constructed to accommodate all client and member files. Improvements to filing system include:</p> <ul style="list-style-type: none"> - A color coding system will ensure ease of retrieval - Standard forms will be required in all files - A mandatory order has been directed to all staff to complete and maintain all information required on each form <p>The Managing Director will conduct a regular review to ensure files are complete and accurate.</p>
Time frame	Centralized filing system will be fully operational by February 15, 2002.
Person Responsible	EDC - Kimberly Meehan, Managing Director and Michael Roman, Director of Business Retention & Expansion

Issue # 7	Board Size and Structure
	<p>The current EDC board consists of eighty-four (84) members and twenty (20) executive committee members. Based on our inquiries we noted that the size of the board was often times cumbersome and costly to the organization.</p> <p>Impact</p> <p>We recognize that the EDC Board contributes to the success of the organization by educating the public, creating leads, marketing and recruiting, as applicable. However, the size may create the following challenges:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Hinder the decision making process. <input type="checkbox"/> Create logistical challenges for meetings. <input type="checkbox"/> Discourage open discussion and input. <input type="checkbox"/> Time consuming for management. <input type="checkbox"/> Costly. <p>Recommended Action</p> <p>We recommend the board, executive committee or a separate committee re-evaluate the current board size and structure.</p>
	Management Response
Response	<p>The original structure of the EDC's Board of Directors was created in 1993 to accommodate the reorganization and merging of several economic development organizations within Brevard County. This approach was designed to ensure open lines of communication between all parties countywide who are involved in various forms of economic development.</p> <p>We are aware that the large size of the EDC's Board of Directors initiates specific challenges as they relate to logistics, preparation, communication, etc. but need proper time and evaluation to determine if it is a hindrance or benefit to our organization and community.</p> <p>ACTION PLAN</p> <p>By April 30, 2002, through a Task Force, the EDC will begin a formal review and analysis process to determine the following:</p> <ul style="list-style-type: none"> ▪ Functionality of the Board ▪ Participation level ▪ Approval rating from Board Members ▪ Costs
Time frame	April 30, 2002.
Person Responsible	EDC - Kimberly Meehan, Managing Director

Appendix A

Results of Scope of Services Testing

The contract between the County and EDC includes in section 2 a detailed listing of the scope of services, or tasks, EDC is to provide on behalf of the County. We tested these tasks through extensive interviews with the Assistant County Manager, EDC President and staff as well as reviewed marketing, economic and other materials and documentation.

Task	Scope of Services per the Contract	Compliance Y/N	Results of Testing
a.	Study the facilities, resources, products, attractions, attributes, conditions, advantages, and other data concerning Brevard County relative to encouraging industry to locate in the County.	Y	We noted that EDC performed the following studies within the County: <ul style="list-style-type: none"> <input type="checkbox"/> Manufacturing <input type="checkbox"/> Cities
b.	Use such means or materials as EDC deems appropriate to publicize and make known such data and material to such persons, firms, corporations, agencies, and institutions which, in the discretion of EDC, would reasonably result in encouraging industry to locate in Brevard.	Y	Upon completion of our testing, we noted that EDC provides prospective packages to any viable person/company. The packages include: <ul style="list-style-type: none"> <input type="checkbox"/> County Economic Profile <input type="checkbox"/> Space Coast Business Expansion Guide <input type="checkbox"/> The Complete School Guide <input type="checkbox"/> The Relocation Guide to Florida's Space Coast <input type="checkbox"/> Florida's Space Coast Nature Guide <input type="checkbox"/> Business Incentive information <input type="checkbox"/> Various Brochures relating to Brevard County <input type="checkbox"/> Location to their Web Site
c.	Plan and conduct a campaign of information, advertising, and publicity relating to the business, industrial, commercial, education, recreational, scenic and transportation facilities, products, attractions, and advantages of Brevard County.	Y	Based on our testing, we noted that EDC conducts several different campaigns each year. They include: <ul style="list-style-type: none"> <input type="checkbox"/> Hosting a booth or attending and working at Trade Shows (mission) that are within the industry of their Strategic Plan. Some of them include: <ul style="list-style-type: none"> •Satellite trade mission in Washington DC •Satellite European trade mission •Comdex Spring 2001 mission •National Business Aircraft Aviation (NBAA) mission <input type="checkbox"/> Direct mail or email campaign to all companies attending the trade mission <input type="checkbox"/> Pass out oranges that have EDC web site on them <input type="checkbox"/> Invites all Mayors and Chairmen Elect of the County to attend the trade missions <input type="checkbox"/> EDC performs a quarterly outreach program that includes providing site relocation consulting to companies <input type="checkbox"/> They distribute guides (Space Coast Business Expansion Guide, Brevard County economic profile manufacturing and high tech register-CD-rom) through the Chamber of Commerce <input type="checkbox"/> EDC works with Enterprise Florida on various sales missions (NACE Conference, Atlanta Consultant, Team Florida Mission to South Africa, etc) <input type="checkbox"/> They hosted an economic summit to provide Space Coasts accomplishments, exchange ideas and to share visions of the future for the County

Results of Scope of Services Testing - continued

Task	Scope of Services per the Contract	Compliance Y/N	Results of Testing
d.	Serve as a clearinghouse for resources and programs to improve the industrial opportunities in Brevard County.	Y	We noted that EDC provides the following resources: <ul style="list-style-type: none"> <input type="checkbox"/> Wage and labor data analysis <input type="checkbox"/> General information, including site location, education resources <input type="checkbox"/> Statistical information, including economic data, employment and demographics <input type="checkbox"/> Incentive programs
e.	Investigate and study conditions affecting Brevard County business, industry, and commerce.	Y	We noted that EDC performed the following studies within the County each year: <ul style="list-style-type: none"> <input type="checkbox"/> Manufacturer survey <input type="checkbox"/> Cities They have a research person who maintains a database of these surveys and looks for indicators and economic trends.
f.	Collect information, conduct technical and statistical research studies, and promote educational activities necessary to achieve the purposes of the County and EDC.	Y	As noted in task e, EDC conducts a manufacturing study and a study on the Cities in the County. From these two studies, they perform the following: <ul style="list-style-type: none"> <input type="checkbox"/> An economic profile. The economic profile focuses on the schools (elementary through college) and the current statistics on the education in the County <input type="checkbox"/> EDC purchased a new program called REMI (Regional Economic Modeling Instrument) and use it to perform statistical economic analysis surrounding a potential facility
g.	Plan and develop an effective business information service that will directly assist Brevard County industry, and encourage industry outside of the County to use business facilities within the County.	Y	Upon completion of our review, we noted that EDC: <ul style="list-style-type: none"> <input type="checkbox"/> Employs a person whose responsibility is to respond to anyone in the community who is looking for the economics of the County <input type="checkbox"/> Maintains a web site that contains information regarding the economics of the County <input type="checkbox"/> Subscribes to COSTAR realty group, which is a commercial database that identifies any commercial property that is available <input type="checkbox"/> Produced a High Tech CD-ROM to promote awareness of existing industry in the County
h.	Compile, collect, and periodically make available scientific, technical, and other information relating to current business conditions.	Y	We noted that: <ul style="list-style-type: none"> <input type="checkbox"/> EDC promotes the Space Alliance Technology Outreach Program (SATOP) with the Technological Research & Development Authority (TRDA). This provides up to 40 hours of free scientific and engineering assistance from a NASA engineer <input type="checkbox"/> EDC helps setup joint venture opportunities

Results of Scope of Services Testing - continued

Task	Scope of Services per the Contract	Compliance Y/N	Results of Testing
i.	Study long-range trends and developments in the industry of the County and analyze the factors underlying such trends.	Y	Based on our review, we noted that EDC performs the following: <ul style="list-style-type: none"> <input type="checkbox"/> Develop a long-term strategic plan <input type="checkbox"/> Educate companies within the County on the current trends from around the Country, State and County
j.	Study costs and other factors affecting successful operation of business within the County and make recommendations to the Board of County Commissioners and the local chambers of commerce and local economic development agencies for the improvement of any conditions and for the elimination of any restrictions or burdens imposed by laws or otherwise which adversely affect or hinder the development of industry, business, and commerce.	Y	Upon completion of our review, we noted that EDC is involved in the following to help eliminate any restrictions: <ul style="list-style-type: none"> <input type="checkbox"/> Ad-Valorem Tax Abatement program <input type="checkbox"/> Brevard Tomorrow <input type="checkbox"/> Florida High Tech magazine <input type="checkbox"/> Enterprise Florida <input type="checkbox"/> Spaceport Florida Authority <input type="checkbox"/> They recommended that Sue Carlson and other delegation travel to California with them to hold discussions with The Boeing Company
k.	Coordinate and cooperate with the County and regional planning agencies operating within Brevard County, and advise and cooperate with County planning, zoning, and environmental boards in preparing plans and programs for physical and economic development of the County.	Y	We noted that EDC conducted the following: <ul style="list-style-type: none"> <input type="checkbox"/> Participated in the meetings and gave tours of the County for the Brevard Tomorrow project <input type="checkbox"/> Educates the Community through membership <input type="checkbox"/> Educates manufacturers through incentive programs
l.	Assist local chambers of commerce and local economic development councils in their efforts to expand the business and industrial base of Brevard County, provided that any information obtained by EDC from any of the above organizations shall not be divulged to any other person, firm, organization, or agency without the express approval of the cooperating party.	Y	Upon completion of our review, we noted that EDC: <ul style="list-style-type: none"> <input type="checkbox"/> Serve on Chambers of Commerce's SBIC, ERC and Committee of 100 <input type="checkbox"/> They give all four Chambers a reciprocal membership <input type="checkbox"/> Worked with the Tourism Development Council to develop joint marketing material
m.	Review applications for Industrial Development Revenue Bonds and make recommendations to the Board of County Commissioners as to the economic significance of such applications and bonds, as requested.	N/A	None applied for last year therefore none to review.
n.	Review applications for the County's Economic Development Tax Abatement program and make recommendations to the Board of County Commissioners as requested.	Y	We noted that EDC provided a list of recommended programs to Board of County Commissioners.
o.	At the beginning of each fiscal year, EDC shall provide to the County a specific work program detailing annual activities of EDC, and targeted marketing and recruitment efforts.	Y	Attachment A of the agreement is the outcome criteria.

Appendix B

Results of Outcome Criteria Testing

Included in the contract between the EDC and the County is detailed “outcome criteria”. The outcome criteria is used as a tool to measure EDC. As part of our testing of the outcome criteria, we conducted extensive interviews with the staff at EDC, reviewed client files, press releases, studies and other documents produced. Following is an analysis of the criteria and goals as stated in the contract as well as the actual results for fiscal year September 30, 2001, the compliance and a description of activity.

Criteria	Goal	Actual	Compliance Y/N	Description of Activity
Manufacturing Relocation				
Prospect Activity	96 new projects opened	174	Y	A new client file is opened once EDC determines that company is a viable lead.
Company Site Tours	36 site tours in Brevard County	31	N	A Company who may potentially relocate to the County will visit the area. They will request certain things to tour/visit. Some of them include; potential new site, Companies within the County, and other locations/areas that they deem as important. See Issue # 3a.
Available commercial/industrial building inventory	Maintain and enhance	Subscribed to software	Y	Subscribe to a commercial database system called CoStar. It identifies all commercial property that is available.
Demographic/Technical data provided	Provide data to community, clients, members	Purchased software system	Y	Purchased as software system called REMI (Regional Economic Modeling Instrument). It provides statistical economic information surrounding a particular location that is requested in the form of a ring radius, i.e., how many businesses, etc. within a certain number of miles of the site.
Wage/Labor analysis performed	Perform analysis for community, clients, members	Performed upon request	Y	Perform wage/labor analysis which includes pay scales, comparisons, etc. to community, clients and members.
Actual Company Relocations	360 new jobs created	145	N	Jobs created due to a new Company relocating to the County. See Issue #3b

Results of Outcome Criteria Testing - continued

Criteria	Goal	Actual	Compliance Y/N	Description of Activity
Manufacturing Relocation-continued				
Direct Mail Campaigns to Target Industry	3 Direct Mail Campaigns	5	Y	A mass mailing to Companies/members in the target industry i.e., Technology is conducted.
Wage Impact of Relocations	Provide wage impact analysis for clients	Provided upon request	Y	As part of the study/package that EDC provides to a new client, they will provide an analysis of the cost of each level of position.
Sales Missions in conjunction with Enterprise Florida, Inc. ("EFI")	No less than 6 sales missions	11	Y	Work with EFI to market the State of Florida and Brevard County.
Enhancement of EDC web site	Continued enhancement of www.SpacecoastEDC.org	Web site	Y	Maintain a web site in which the public can access numerous reports, statistics and other data.
Continue quarterly outreach to high-tech site location consultants	Conduct 4 outreaches	4	Y	Provide current information relating to Brevard County to high-tech consultants. This could include community data summaries, annual report, etc.
Continue to coordinate marketing activities with Florida High Tech Corridor	1 marketing activity with High Tech Corridor.	1	Y	Partner with Florida High Tech consultants to produce a CD-ROM and promote awareness of existing High Tech industry in Brevard County.
Existing Industry Expansions	480 new jobs created	342	N	New jobs in Brevard County created by Companies existing in Brevard County. See Issue #3c
Number and case study of assistance given to existing industry	Project 102	137	Y	Provide support to Companies within Brevard County as necessary. EDC will provide a wage and labor analysis to help companies know how much it will cost to add a new position. They will provide assistance on Tax abatement, business contacts, Community data, etc.

Results of Outcome Criteria Testing - continued

Criteria	Goal	Actual	Compliance Y/N	Description of Activity
Existing Industry				
Wage/Labor, Technical Data, etc. provided	Project 225	274	Y	Perform wage/labor analysis for community, clients and members. Provide existing companies a cost range of hiring a new position.
Industrial Revenue Bond screening	Review applications submitted by companies	None requested	N/A	Provides support when necessary to help companies apply for Bonds.
Ad Valorem Tax Abatement screening	Conduct an economic impact analysis on applications submitted by companies and provide recommendations for abatement	Performed upon request	Y	Help companies receive tax abatements when necessary.
Technology Transfer	Provide 24 companies both existing and start-up technology assistance.	None	N/A	The program was deactivated in fall 2000 by funding source (the TRDA) and reactivated in Spring of 2001. EDC is working to determine what role they play.
Manufacturing/High Tech Company Visits	Support business community through company visitations	Done regularly by the Director	Y	EDC will travel to companies within Brevard County to assist them with issues, questions they may have.
Manufacturers memo	Contact 800+ manufacturers every 6 weeks via e-mail (9 per year)	11	Y	Provides updated business information relating to Florida and Brevard County.
Incubation Center	Promote Brevard County's incubator and placement of high tech related start-ups	Done through memos etc.	Y	EDC promotes the incubation center in brochures, magazines and Manufacturers memo.
International Trade	Minimum of 25 companies will receive trade leads, overseas market	1052	Y	An international trade show was hosted that comprised of 6 high-tech companies from Canada. They advertised this in the manufacturing memo they sent out to the high tech companies.
Conferences For Manufacturer	Conduct a minimum of 4 Conferences/Seminars to assist manufacturers	5	Y	Hosted conference with companies from Brevard County to help them determine what is needed to grow the industry.

Results of Outcome Criteria Testing - continued

Criteria	Goal	Actual	Compliance Y/N	Description of Activity
Existing Industry-continued				
State Incentive Programs	Assist qualified companies with the State Incentive Program process	Done with relocations and expansions	Y	Provide information, assistance, analysis, etc to companies to determine if they qualify for the various State incentive programs. Will include all of the incentive programs with a relocation package.
Membership				
Member Programs	Develop 4 programs designed to benefit members	8	Y	Host meetings/functions for members, i.e., quarterly meetings, industry appreciation banquet, economic summit, etc.
Membership Recruitment and Retention	\$255,000	\$281,650	Y	EDC receives funding through memberships from the private sector and municipality participation.
Membership Directory	Update Membership Directory	Done via web site	Y	Listing of all EDC Members is updated every 18 months. There is always a current version on their Web site.
Membership News	Contact EDC membership every 15 days via e-mail.	26	Y	E-mails members every other week to provide them with the latest information/news about the EDC and the Community.
Research/Publications				
Distribution of publications/information	600	8,603	Y	Provide Brevard County Data to companies. i.e, Economic Trends, Economic Profile, Community Data Summary Sheets.
Brevard County Economic Profile	Release updated version	Updated for 2001	Y	Profile includes demographic and economic data as well as employment, labor and education.
REMI Analysis	Execute REMI-based economic development impact analysis when necessary	Purchased and utilize software package upon request	Y	Provides statistical economic information surrounding a particular location that is requested in the form of a ring radius, i.e., how many businesses within a certain number of miles of the site. Provided economic study for the Brevard Zoo.

Results of Outcome Criteria Testing - continued

Criteria	Goal	Actual	Compliance Y/N	Description of Activity
Other				
	Coordinate economic development efforts with those educational institutions in Brevard County (i.e. BCC, UCF, FIT, etc.)	Work with local educational facilities	Y	Worked with FIT to conduct a survey of High Tech companies in Brevard County. Superintendent of School Board of Brevard County is on the Board.
	Enhance venture, start-up and seed capital opportunities	As leads come through office EDC acts as liaison	Y	Look for capital start-up funds. Introduce them to SFIC.