



Internal Audit Committee of Brevard County, Florida

Internal Audit of Land Development

**Prepared By:
Internal Auditors of Brevard County
July 10, 2006**

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July 10, 2006

Board of County Commissioners
Brevard County, Florida

Pursuant to the approved 2005/2006 audit plan by the Board of County Commissioners of Brevard County, we hereby submit our internal audit report covering Land Development. Our report is organized in the following sections:

| | |
|--------------------------------|---|
| Objectives and Approach | The internal audit objectives and approach are expanded upon in this section as well as a review of the various phases of our approach. |
| Background | This provides an overview of Land Development. |
| Issues Matrix | This section gives a description of the issues and related recommended remediation actions. Each issue is rated high, moderate or low and includes management's response. |
| Appendix | Process Maps |

We would like to thank the various departments and all those involved in assisting the Internal Auditors in connection with their review of Land Development.

Respectfully Submitted,

INTERNAL AUDITORS

Background

Background

Overview

The Land Development Division of Brevard County was created in 1984 to act as the coordinating agency for the review, permitting and approval of development activities in the unincorporated area of Brevard County. All reviews on site plans, subdivisions and unpaved roads, as well as right-of-way permitting are conducted by twelve reviewing agencies, coordinated by Land Development, and are targeted for initial review within 15 days.

It is important to distinguish Land Development from Building Permitting, also known as “One Stop”. Though they both administratively report to the Director of Permitting and Enforcement, they are separate departments. Land Development personnel perform reviews for lot drainage and driveways under the Building Code One-Stop program, but Land Development has its own programs, to include the following:

- Change of Use/Occupational License Review – Change of use requests are reviewed for compliance with fire and life safety codes building codes in relation to occupancy classification, setbacks, zoning standards, signage and impact fees.
- Driveways, Rights-of-Way Permitting and Inspections – A permit is required for any construction within public and private rights-of-way or public utility and drainage easements.
- Flagstems and Easements – A flag lot is any lot, plot, tract or parcel of land having a narrow, deeded strip of land connecting the main body of the lot, plot, tract or parcel to a dedicated and accepted road. A building permit may be issued for a flag lot as defined in this section where the width of such lot does not entirely abut a dedicated and accepted road.
- Impact Fees and Development Cashier – The cashier collects fees on behalf of all permitting and enforcement agencies, as well as municipalities in accordance with inter-local agreements.
- Lot Drainage and Engineering Inspection – The Inspection staff provides services for roadway and easement permitting, commercial, residential lots and subdivision construction. They inspect for compliance with approved permitted plans.
- Site Plan Review – The commercial, industrial, and multi-family residential development of vacant property and improvements to existing properties require site plan review to ensure building code and ordinance compliance.
- Subdivision Review – The division of property into three or more lots with infrastructure requires subdivision review. Board approval is required on preliminary and final plats.
- Unpaved Roads – For construction on existing undeveloped rights-of-way, engineering for unpaved roads must be reviewed and permitted.

Statistical Data

Below are the key statistics monitored by Land Development on a quarterly basis for fiscal year ended September 30, 2005, and 2006 to-date.

| | 2006 To-Date (October - June) | 2005 (October – September) |
|-----------------------------------|--------------------------------------|-----------------------------------|
| Development Review Fees Collected | \$37.5 million | \$29 million |
| Site Plans Approved | 76 | 100 |
| Subdivision Plans Approved | 43 | 44 |
| Unpaved Roads Approved | 15 | 15 |
| Change of Use Requests Reviewed | 546 | 1,128 |
| Driveway & Lot Drainage Reviews | 8072 | 12,060 |

Source: Land Development Administration

In January, 2006, the department began monitoring other key statistics including the number of inspections performed as well as the total number of reviews conducted, including those not resulting in approvals.

Objectives and Approach

Objectives and Approach

Objectives

The objectives of the internal audit of Land Development included the following:

| |
|---|
| <input type="checkbox"/> Identify and assess the effectiveness of the administrative controls over Land Development. |
| <input type="checkbox"/> Review Land Development functions and ‘reviewing’ areas and identify inefficiencies or control gaps in the processes. |
| <input type="checkbox"/> Determine that the records and documentation for Land Development projects are sufficient to establish an audit trail for all transactions involving the development process, from receiving an application package to inspection and issuance of a Certificate of Completion. |
| <input type="checkbox"/> Determine the timeliness of Land Development projects, pursuant to regulations as well as internal policy and procedure. |
| <input type="checkbox"/> Determine that project applications and supporting documents are properly administered and safeguarded. |

Approach

Our audit approach consisted of three phases:

Understanding and Documenting the Process

During this phase, we worked in close cooperation with subject matter experts to understand the Land Development process. We interviewed the Director of Permitting & Enforcement, the Land Development Manager, the Special Projects Coordinator over Inspections, as well as several other personnel related to processing and reviewing of project applications. We discussed our methodology, scope and objectives of the audit work and gathered pertinent information to complete the review, such as written operating procedures, various reports, standard forms utilized and other items we considered necessary.

The methodology includes:

- Research and review applicable Florida Statutes, Florida Building Code and Brevard County Code of Ordinances
- Review existing policies and procedures
- Map the processes with the process owners and relevant County personnel
- Identify the risks inherent to the process
- Review the effectiveness of the existing controls
- Shadow/walkthrough the process with Land Development employees
- Validate process risks and control assessment with subject matter experts

Objectives and Approach-continued

Detail Testing

The purpose of this phase was to ensure compliance with the objectives, policies, procedures and regulations of Land Development. Our fieldwork was conducted at the Brevard County Land Development Office. We utilized sampling and other auditing techniques to meet our testing objectives outlined above. We selected a sample of projects in progress during our audit timeframe to perform detailed testing on the timeliness, efficiency, level of documentation, and compliance with State and County regulations.

Detailed tests were performed to ensure:

- 1) Timeliness of application response to applicant
- 2) Communication of deficiencies to applicant
- 3) Adequate monitoring of project status by management and staff
- 4) Adequate documentation and safeguarding of projects files and plans
- 5) Compliance with policies and procedures, including site inspections and reporting
- 6) Effectiveness of internal policies and procedures
- 7) Proper segregation of duties between fee assessment and collection
- 8) Effectiveness of communication between department and the Board and public

Reporting

At the conclusion of our initial fieldwork, we summarized our findings related to Land Development and conducted an exit meeting with the County Manager, Assistant County Manager, Director of Permitting & Enforcement, and the Land Development Manager, where we discussed the issues identified and validated our overall understanding of the process. Management's response has been included in this report.

Issues Matrix

ISSUES, OBSERVATIONS AND RECOMMENDATIONS

| Rating | Issues | Recommendation | Management Response | Status |
|-------------------|--|---|---|-------------|
| Operations | | | | |
| Red | 1. Communication Plan | | | |
| | <p>There appears to be a perception by the public and the Board of County Commissioners that there are obstacles or inefficiencies in the Land Development process that could cause delays in project development and/or misunderstandings between the parties involved.</p> <p>However, we observed the department's process and reviewed various types of projects, noting that application and plan reviews and project inspections were completed timely and that documentation for those projects was well-maintained. We also noted that the department posts a list of current projects and their status on their public website.</p> <p>There was no evidence of a formalized communication policy or process around documenting the status and history of projects for the public or the Board members.</p> <p>A formalized policy would reduce the need for specific project inquiry by the Board, as they will have been kept updated on all projects, and the public perception could be favorably restored.</p> | <p>We recommend Land Development:</p> <ul style="list-style-type: none"> • Adopt a formal communication policy for large or complex projects, perhaps initially focusing on problematic projects that could negatively impact public or Board perception. • Develop and communicate estimated completion dates for each major task within a project. Deviation from the created timelines should be communicated to the appropriate level of management which may include the Board of County Commissioners. • Establish a formalized communication process that would cover management and the Board of County Commissioner as well as the public at large. | <p>Because the databases within the current system are not linked to each other, we are unable to present a historical record on each project unless we manually research.</p> <p>When Accela is implemented, we should be able to provide a complete record of the development review and also provide data on building permit activity, inspections, code enforcement actions and contractor information.</p> <p>Owner: Gwen Heller</p> <p>ECD: April, 2007</p> | OPEN |

ISSUES, OBSERVATIONS AND RECOMMENDATIONS

| Rating | Issues | Recommendation | Management Response | Status |
|-------------------|---|--|---|--------------------|
| Operations | | | | |
| Green | 2. Separation of Duties for Impact Fees | | | |
| | <p>Adequate separation of duties ensures that one person cannot perform and also authorize or unintentionally conceal an error, omission or irregularity. For example, the same person should not initiate and authorize a transaction, such as billing a customer and then posting the subsequent payment, or ordering and receiving office supplies and then paying the vendor invoice.</p> <p>The Central Cashier’s department is responsible for collecting all permitting fees. The cashiers are also responsible for assessing the residential and commercial impact fees due to the County.</p> <p>To ensure adequate separation of duties, the department has divided its five employees so that three people assess impact fees in Saturn and two different people collect them at the Central Cashier windows. The employees within the department are cross-trained so that there is adequate coverage in both areas at all times.</p> <p>Two of the employees can manually change the impact fee assessments. These changes may be necessary due to changes in the Fee Resolution, or an applicant may have qualified for a lower fee due to a specific circumstance. Because these overrides are possible, the opportunity exists for the same person to assess, modify and collect the impact fees.</p> | <p>The County should consider separating the duties for the verification and assessment of impact fees from those of the persons responsible for their collection. Some options to consider include the following:</p> <ul style="list-style-type: none"> • A monitoring process could be implemented to ensure that the appropriate impact fee amounts are assessed and collected for each project. This could be accomplished by having someone outside of the process take a sample the collections for the previous month and review them for accuracy. • In the instance of a discrepancy, when the cashier determines the wrong fee has been assessed, a procedure should be implemented to change the assessment in the system, with proper authorization from management. A standardized form could be used. • System edit reports could be run to show when fees were changed, and by whom. Those reports could be reviewed by management to ensure that only valid and accurate changes are made. | <p>Effective May 1, 2002, the ability to make changes to the payment and assessment programs were removed from the Development Cashiers per directive from the internal auditors. This ability can only be performed by the two supervisors in the Impact fee section.</p> <p>Saturn automatically calculates the assessment of impact fees based on number of units or square footage entered. Saturn also assesses Solid Waste impact fees when necessary. The Cashiers question and will bring any errors to the supervisors’ attention if the assessment does not match the adopted fee schedule, but this rarely happens, if ever.</p> <p>When Accela is implemented, system edit reports should be available to show when fees are changed and by whom.</p> <p>Owner: Gwen Heller</p> <p>ECD: April, 2007</p> | <p>OPEN</p> |

ISSUES, OBSERVATIONS AND RECOMMENDATIONS

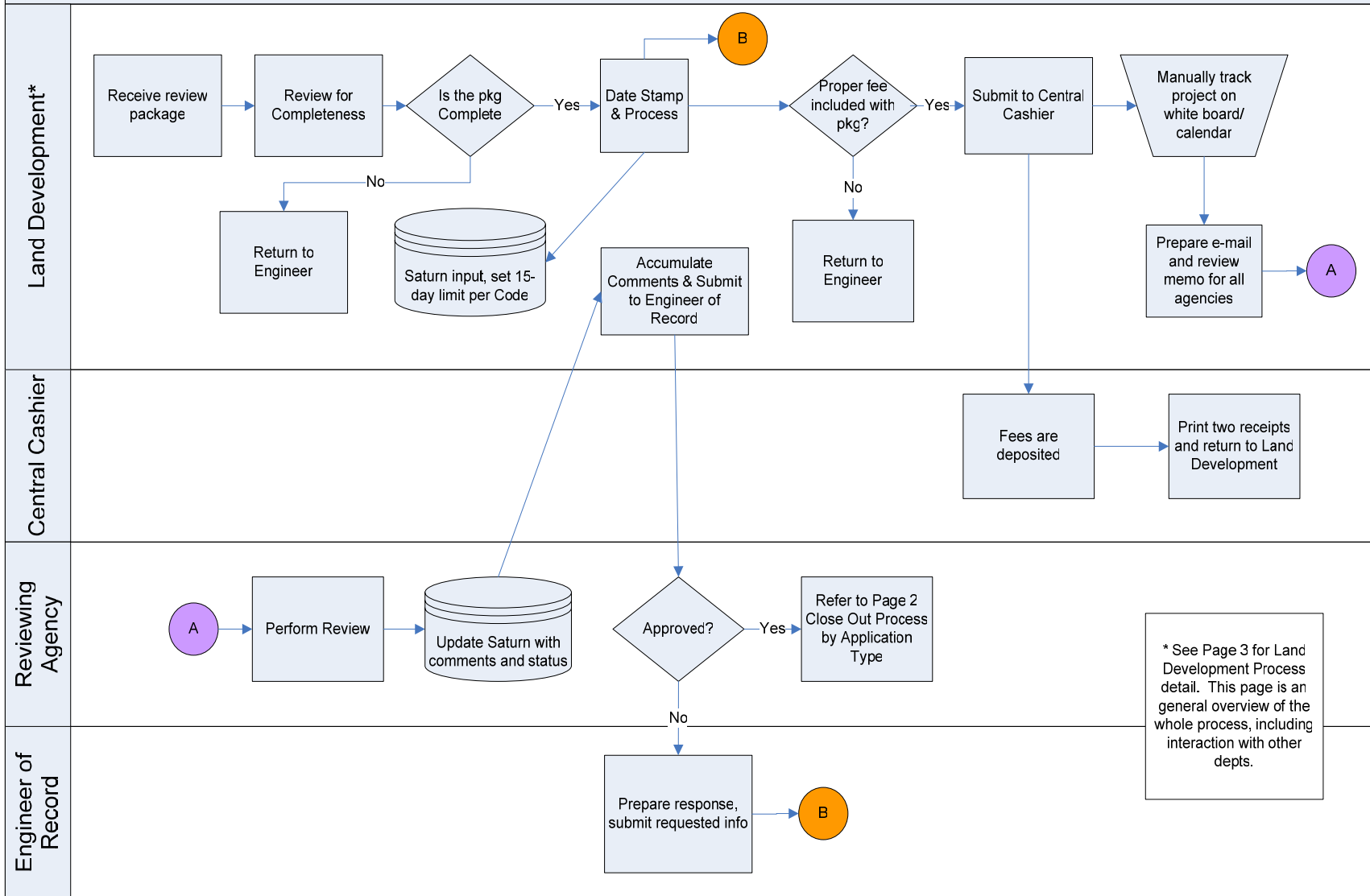
| Rating | Issues | Recommendation | Management Response | Status |
|--|---|--|--|-------------|
| Information Technology - Saturn | | | | |
| Red | 3. System Administration | | | |
| | <p>Saturn is used as an administrative tool to process and warehouse all permitting activity. Saturn is a legacy system which has evolved over time to accommodate changes in the process. Only one person in the Development and Environmental Services Group knows the system's "natural" language and is able to write code to implement changes and resolve problems within the system.</p> <p>The Saturn system, and the employee who maintains it, do not fall under the direction of the Information Technology Department.</p> <p>See also the countywide Information Technology Phase 1 report issued by the Internal Auditors in May, 2006.</p> | <p>More than one person should be knowledgeable about the system in the event of employee turnover. Cross-training will help to ensure checks and balances as they relate to adequate separation of duties.</p> <p>Additionally, operational and programming manuals should be created (or obtained from the manufacturer) and made available.</p> <p>See also the countywide Information Technology Phase 1 report issued by the Internal Auditors in May, 2006, as it relates to a more centralized approach to IT operations.</p> | <p>A new system, Accela, is being implemented in early 2007, which should provide additional functionality and help to reduce many of the data integrity issues to-date.</p> <p>At that time, we will re-evaluate the implementation of policies and procedures in place for General Computer Controls including access, disaster recovery, change management, and system administration policies.</p> | OPEN |
| Red | Disaster Recovery & Business Continuity Planning | | | |
| | <p>There is no documented or tested Disaster Recovery or Business Continuity Plan for the Saturn system, to ensure that permitting activity would continue without significant interruption or inadequate recovery in the occurrence of a catastrophic event.</p> <p>See also the countywide Information Technology Phase 1 report issued by the Internal Auditors in May, 2006.</p> | <p>Disaster recovery and business continuity measures should be developed, documented and tested. This should address the steps necessary to restore the department's information technology infrastructure in the event of a fire, flood, computer virus, extended power outage or any other threatening event. This applies only to Saturn, as that system is not integrated into the IT infrastructure, and applicable policies and procedures, of the rest of the County.</p> | <p>Owner: Terrol Smith</p> <p>ECD: April, 2007</p> | |

ISSUES, OBSERVATIONS AND RECOMMENDATIONS

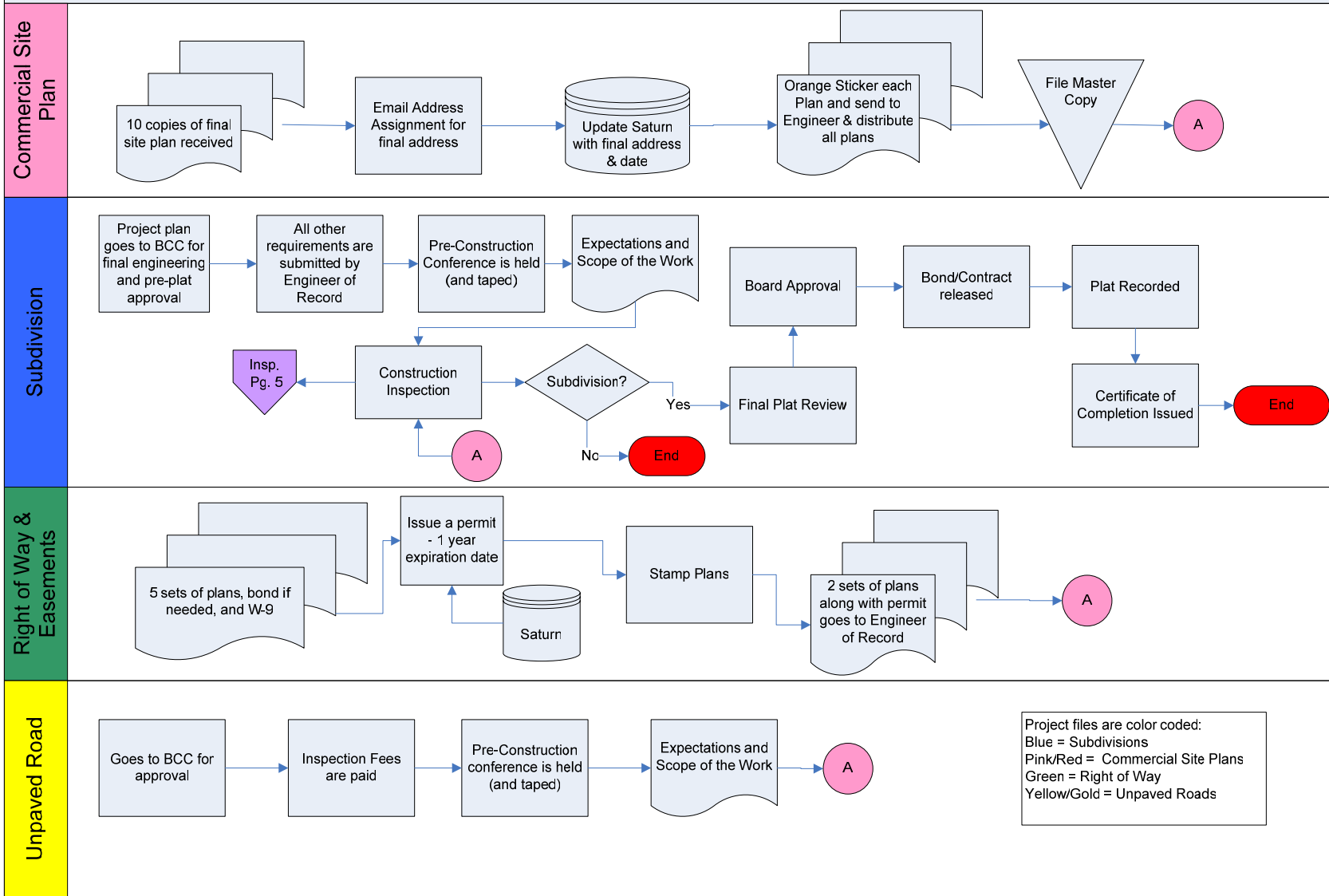
| Rating | Issues | Recommendation | Management Response | Status |
|--|--|---|---------------------|-------------|
| Information Technology – Saturn - continued | | | | |
| Yellow | <i>Data and Physical Security</i> | | | |
| | <p>Access to the different modules within Saturn is not restricted to prevent inappropriate or unauthorized use. There is no written or otherwise clearly defined Systems Access Policy. There is also no tracking mechanism within the system to monitor changes to the software and/or data.</p> <p>See also the countywide Information Technology Phase 1 report issued by the Internal Auditors in May, 2006.</p> | <p>A Systems Access Policy should be established to ensure adequate security of critical information and infrastructure. Managing systems security includes both physical (e.g., locked server room) and logical (e.g., password protection) controls that prevent unauthorized access.</p> <p>The system should have built-in tracking capabilities, which can provide various information on who gained access to the program, the date/time of the access, and the nature of the transaction (read-only, add, update, delete, etc.) An access policy, and periodic monitoring, should also help to control separation of duties.</p> | | OPEN |
| Yellow | <i>Change Management</i> | | | |
| | <p>There is no written or otherwise clearly defined Change Management Policy for Saturn. Updates and other regular changes are made to Saturn in a live production environment and, therefore, changes are implemented without testing the resulting impacts on other areas of the system. This could result in undesired changes downstream, which may not be detected, and therefore, could produce inaccurate outputs.</p> <p>See also the countywide Information Technology Phase 1 report issued by the Internal Auditors in May, 2006.</p> | <p>A formal, written Change Management Policy should be established whereby appropriate controls are implemented to ensure that changes to Saturn are adequate, necessary and properly authorized and documented.</p> <p>Some controls to consider include authorization of change requests, logging and documentation of changes, review and approval of changes in a test environment, post-implementation testing and assessment of changes.</p> | | |

Appendix

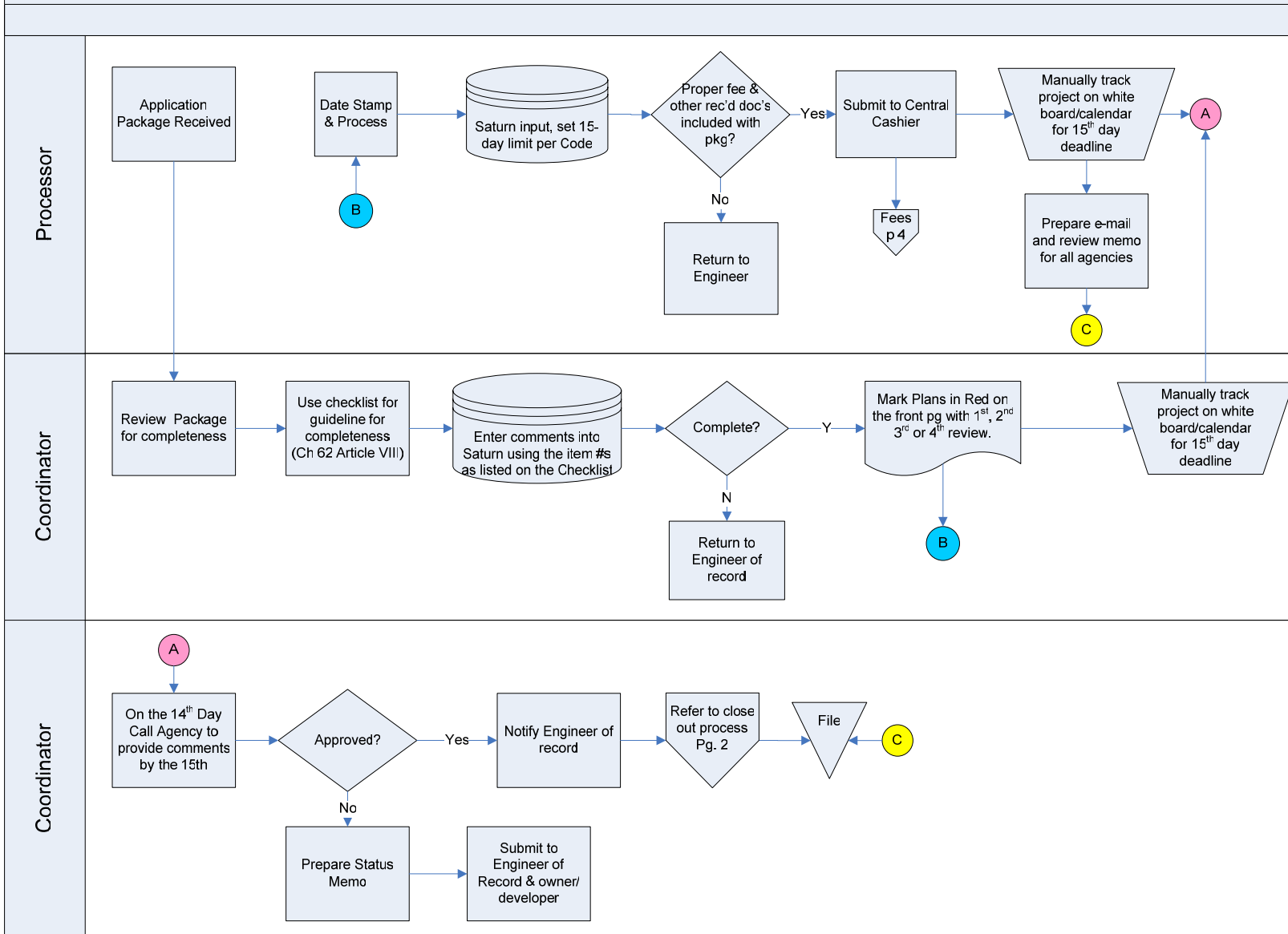
Brevard County Land Development – General Process Overview



Brevard County Land Development - Close Out Process by Application Type

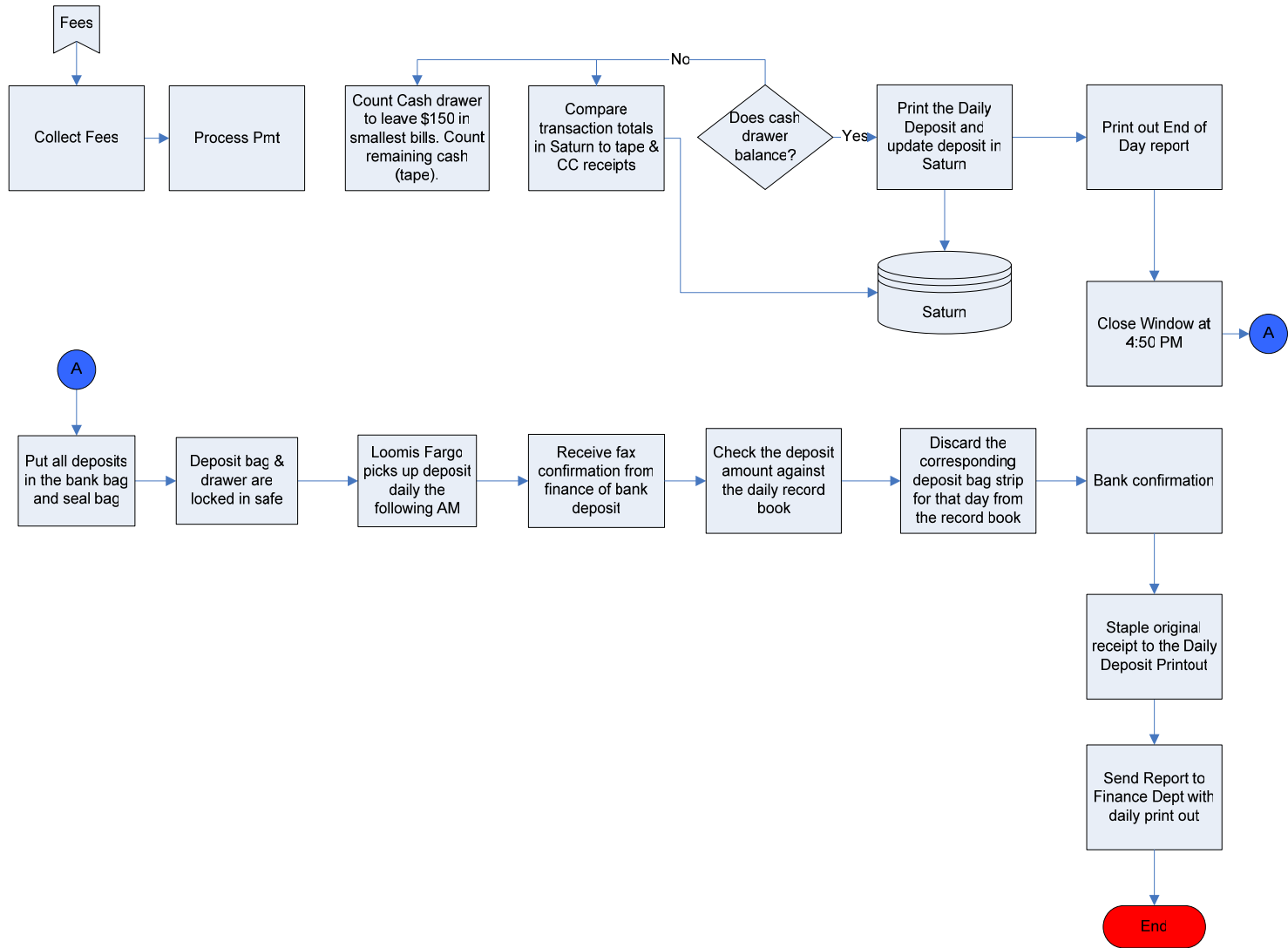


Brevard County Land Development – Detail of Land Development Dept Process

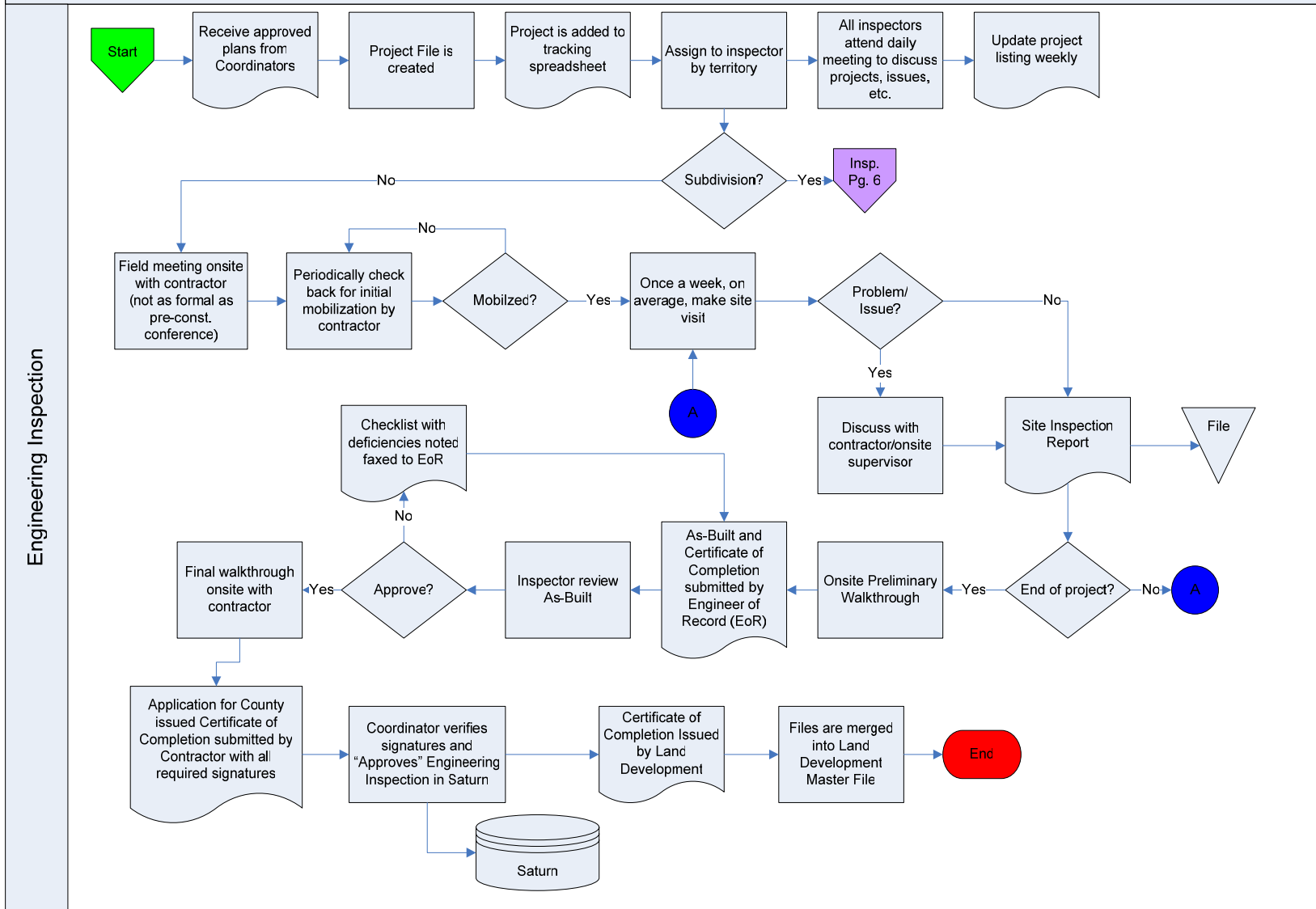


Brevard County Land Development – Detail of Central Cashier Process

Central Cashier



Brevard County Land Development – Engineering Inspection – Commercial Site Plans and Rights-of-Way



Brevard County Land Development – Engineering Inspection - Subdivisions and Unpaved Roads

