



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

**Internal Audit Review of
Merritt Island Redevelopment Agency**

**Prepared By:
Internal Auditors of Brevard County
March 7, 2008**

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March 7, 2008

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

Pursuant to the request of the Brevard County Board of County Commissioners, we hereby submit our internal audit report covering the Merritt Island Redevelopment Agency (MIRA). We will be presenting this report to the Audit Committee at the next scheduled meeting on April 30, 2008.

Our report is organized in the following sections:

Executive Summary	This provides a summary of the issues related to our internal audit of MIRA.
Background	This provides an overview of MIRA.
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 Matrix	This section gives a description of the issues and recommended action as well as Management's responses.

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

Respectfully Submitted,

INTERNAL AUDITORS

Executive Summary

Executive Summary

Relative risk is an evaluation of the severity of the concern and the potential impact on operations. Items rated as “High” risk are considered to be of immediate concern and could cause significant operational issues if not addressed in a timely manner. Items rated as “Moderate” risk may also cause operational issues and do not require immediate attention, but should be addressed as soon as possible. Items rated as “Low” risk could escalate into operational issues, but can be addressed through the normal course of conducting business.

During the course of our work, we discussed the control design and operating deficiencies with management. Our observations and recommendations for improving controls and operations are described in detail in the Issues Matrix included in this report. A summary of issues identified and their relative risk rating is provided below.

Issues	Risk Rating
1. MIRA does not have a person assigned to monitor contract compliance, resulting in instances of a missing contract, unlocated contract approvals, missing documentation, an underpayment of contract amounts and an inconsistency between the Agency By-Laws and an Agreement with the County regarding contract approval requirements.	High
2. a) MIRA has not requested payment from the Sheriff, despite prior audit findings and a County Attorney opinion that the Sheriff’s MSTU should be included. 2. b) County Finance has not made timely payment of the incremental taxes to MIRA and has not paid interest on the late payments in compliance with Florida statutes.	High
3. We reviewed the revenues and expenditures and performed a projection of potential revenues and expenditures to determine if MIRA will need the additional contribution of the Sheriff’s office and will continue to need 100% of the incremental revenues to complete its projects. Of note, MIRA has budgeted \$1,200,000 for grants (6 fiscal years times \$200,000 per year) but has given out a total of \$234,018 in grant monies over the past six fiscal years. In FY 05/06, MIRA budgeted \$200,000 for the grants but expended only \$89,004 of that budget. In FY 06/07, MIRA again budgeted \$200,000 for the grants but only expended \$64,855 of the grant money budget.	High
4. a) An Agreement for County Services between the Board of County Commissioners and the Merritt Island Redevelopment Agency, states that the County agrees to make available to the Agency a part time Executive Director at 25% of services. There is no mechanism in place for tracking his time. In addition, there is an administrative person that is dedicating time to MIRA business for which MIRA is not reimbursing the County. 4. b) The Agreement states that the cost of the part time Executive Director will not exceed \$22,000 per year. In FY 05/06, MIRA paid the County \$22,346 (a \$346 overage) and in FY 06/07 MIRA paid \$25,786 (a \$3,786 overage).	Moderate
5. Seventeen (17) commercial façade grant files were tested for the period 10/1/05 through 9/30/07. Ten (10) files contained exceptions, as follows: <ul style="list-style-type: none"> o One file did not have a fully executed agreement – the agreement was executed by the grantee, but not by a MIRA representative. o One file did not contain proof of insurance on the property. o Eight files did not contain all the documentation requested with the application. In addition, commercial façade grant monies should not be approved for persons serving on the MIRA Beautification Committee or MIRA Board.	Moderate

Executive Summary - continued

Issues	Risk Rating
<p>6. Department and project expenditures were tested, noting numerous exceptions regarding dating of invoices when received and/or approved and timely payment of invoices.</p> <p>Of the 89 project expenditure invoices reviewed the following exceptions were noted:</p> <ul style="list-style-type: none"> • Seventy-two (72) did not indicate the date approved. • Nineteen (19) did not indicate the date received. • One (1) was not paid timely (within 45 days of receipt). • Eleven (11) invoices were not contained in the project files. • One (1) expenditure was posted to the Other Professional Services account instead of the CIP account. <p>Of the 33 FY 05/06 department expenditures reviewed the following thirteen (13) exceptions were noted:</p> <ul style="list-style-type: none"> • One invoice did not indicate the date received. • Eight invoices did not indicate the date approved. • One invoice for \$25,000 was dated January 1, 2006, but was not paid until July 2006. • Three items did not have supporting documentation provided by the department. <p>Of the 32 FY 06/07 department expenditures reviewed the following four (4) exceptions were noted:</p> <ul style="list-style-type: none"> • One invoices did not indicate the date received. • Two invoices did not indicate the date approved. • One charge was paid at the estimate amount, and no invoice with the actual cost was available. 	<p>Moderate</p>
<p>7. There has been no research of potential grant funding for MIRA projects during the audit period.</p>	<p>Low</p>

Background

Background

General

Under Florida law (Chapter 163, Part III), local governments are able to designate areas as Community Redevelopment Areas when certain conditions exist. Since all the monies used in financing CRA activities are locally generated, CRAs are not overseen by the state, but redevelopment plans must be consistent with local government comprehensive plans. Examples of conditions that can support the creation of a Community Redevelopment Area include, but are not limited to: the presence of substandard or inadequate structures, a shortage of affordable housing, inadequate infrastructure, insufficient roadways, and inadequate parking. To document that the required conditions exist, the local government must survey the proposed redevelopment area and prepare a Finding of Necessity. If the Finding of Necessity determines that the required conditions exist, the local government may create a Community Redevelopment Area to provide the tools needed to foster and support redevelopment of the targeted area.

The activities and programs offered within a Community Redevelopment Area are administered by the Community Redevelopment Agency. A five- to seven-member CRA “Board” created by the local government (city or county) directs the agency. The Community Redevelopment Agency is responsible for developing and implementing the Community Redevelopment Plan that addresses the unique needs of the targeted area. The plan includes the overall goals for redevelopment in the area, as well as identifying the types of projects planned for the area.

Examples of traditional projects include: streetscapes and roadway improvements, building renovations, new building construction, flood control initiatives, water and sewer improvements, parking lots and garages, neighborhood parks, sidewalks and street tree plantings. The plan can also include redevelopment incentives such as grants and loans for such things as façade improvements, sprinkler system upgrades, signs, and structural improvements. The redevelopment plan is a living document that can be updated to meet the changing needs within the Community Redevelopment Area.

Financing

Tax increment financing is a unique tool available to cities and counties for redevelopment activities. It is used to leverage public funds to promote private sector activity in the targeted area. The dollar value of all real property in the Community Redevelopment Area is determined as of a fixed date, also known as the “frozen value” or “base year”. The taxing authorities that contribute to the tax increment continue to receive property tax revenues based on the frozen value. These frozen value revenues are available for general government purposes. However, any tax revenues from increases in real property value, referred to as “increment,” are deposited into the Community Redevelopment Agency Trust Fund and dedicated to the redevelopment area.

It is important to note that property tax revenue collected by the School Board and any special district are not affected under the tax increment financing process. The tax increment revenues can be used immediately, saved for a particular project, or can be bonded to maximize the funds available. Any funds received from a tax increment financing area must be used for specific redevelopment purposes within the targeted area, and not for general government purposes.

Recently, the Florida Supreme Court issued a ruling, relating to a lawsuit in Escambia County, that incremental revenues cannot be pledged to finance bond issues without voter approval. The Court's September 6, 2007 ruling specifically required tax-increment financing, or TIF, deals to be approved by voters.

Background - continued

Financing-continued

The funds deposited in the redevelopment trust fund may be expended only in the redevelopment area pursuant to the approved redevelopment plan in conformance with the requirements of Section 163.387(6), Fla. Statute, which includes but is not limited to the following:

- (a) Administrative and overhead expenses necessary or incidental to the implementation of a community redevelopment plan adopted by the agency.
- (b) Expenses of redevelopment planning, surveys, and financial analysis, including the reimbursement of the governing body or the community redevelopment agency for such expenses incurred before the redevelopment plan was approved and adopted.
- (c) The acquisition of real property in the redevelopment area.
- (d) The clearance and preparation of any redevelopment area for redevelopment and relocation of site occupants as provided in s. 163.370.
- (e) The repayment of principal and interest or any redemption premium for loans, advances, bonds, bond anticipation notes, and any other form of indebtedness.
- (f) All expenses incidental to or connected with the issuance, sale, redemption, retirement, or purchase of agency bonds, bond anticipation notes, or other form of indebtedness, including funding of any reserve, redemption, or other fund or account provided for in the ordinance or resolution authorizing such bonds, notes, or other form of indebtedness.
- (g) The development of affordable housing within the area.
- (h) The development of community policing innovations.

Section 163.387, Fla. Statute provides for a limitation of the pledge of tax increment financing for a term of 30 years after the community redevelopment plan is adopted or amended up to a maximum of 60 years. Section 163.385, Florida Statutes. Community redevelopment agencies created after July 1, 2002, are limited to 40 years.

A public meeting begins the designation process. Several steps will have to be accomplished before the Community Redevelopment Area becomes a reality. These steps are briefly outlined below.

- I. Adopt the Finding of Necessity. This will formally identify the blight conditions within the targeted area and establish the area boundary.
- II. Develop and adopt the Community Redevelopment Plan. The plan addresses the unique needs of the targeted area and includes the overall goals for redevelopment in the area, as well as identifying specific projects.
- III. Create a Redevelopment Trust Fund. Establishment of the Trust Fund enables the Community Redevelopment Agency to direct the increase in real property tax revenues back into the targeted area.

Merritt Island

MIRA was originally established in 1988 by County Ordinance 88-37. Then in 1991, the Board of County Commissioners expanded the redevelopment area by County Ordinance 91-39. In 2006, the Board of County Commissioners again expanded the redevelopment area by County Ordinance 06-32.

The Merritt Island Redevelopment Area is bounded on the east by the Banana River, on the west by the Indian River, on the north by Lucas Road and on the south by Fortenberry Avenue. The Merritt Island Redevelopment Area is located in District 2 of Brevard County.

The goal of MIRA is the betterment of the Merritt Island central business district. The Agency plans and oversees the orderly development of public improvements in conjunction with County and State agencies. The Agency works with area businesses by reviewing and approving private development projects within the district, and assisting private redevelopment of slum and blighted areas.

Background - continued

Merritt Island-continued

MIRA's mission statement is:

"To implement the Merritt Island Redevelopment Plan as adopted and amended by the County Commission. The Plan sets forth the objectives of the redevelopment program and describes the Agency's purpose, authority, financial mechanisms and public improvement projects."

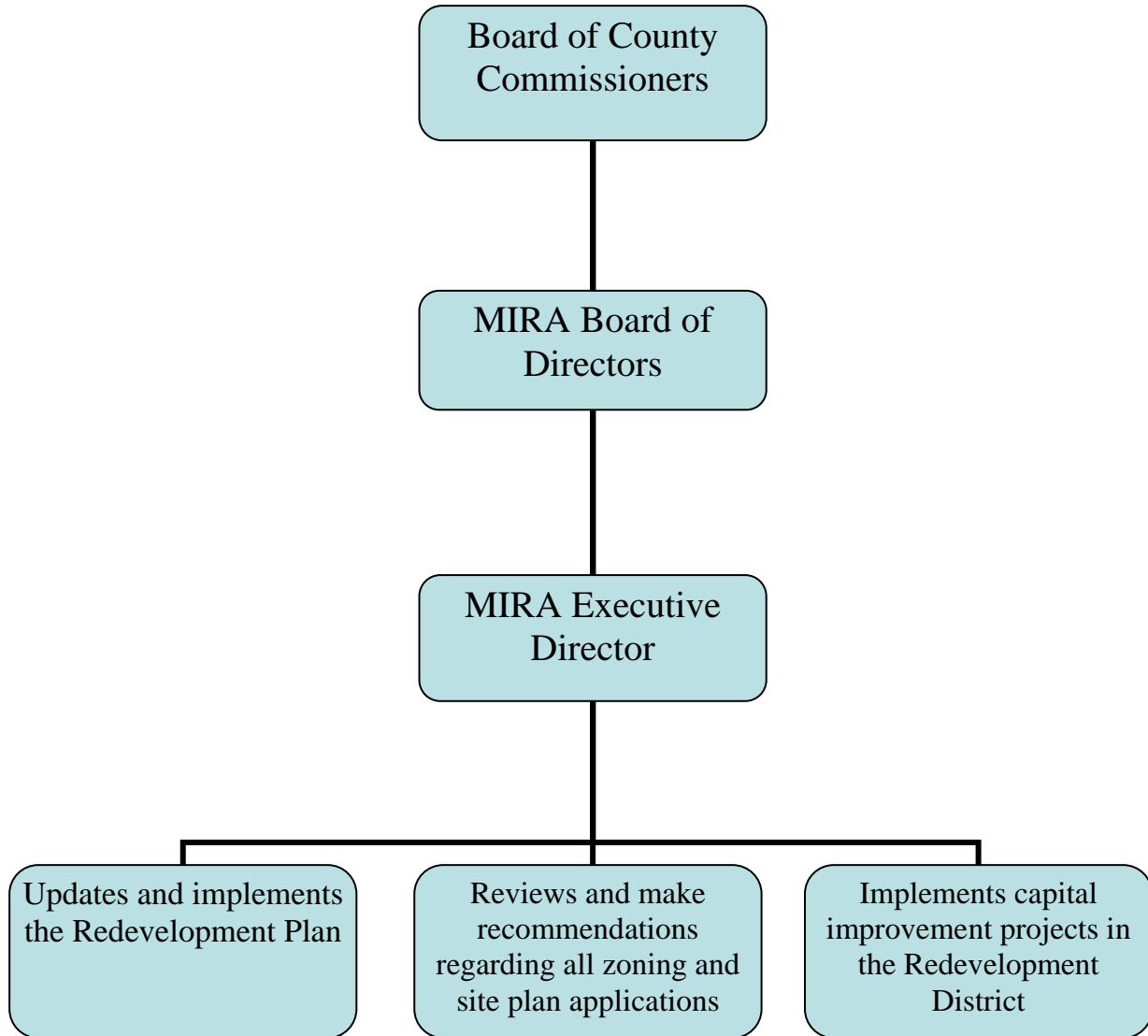
In accordance with the requirement of Sec. 163.356 Florida Statutes, the County Commission by Ordinance No. 88-43 on November 15, 1988, established a seven (7) member Board of Directors for the Agency.

The terms of office of the Board of Directors are four (4) years. A vacancy occurring during a term shall be filled by appointment of the County Commission for the duration of that unexpired term.

Any person may be appointed as Director if he/she resides or is engaged in business, which means owning a business, practicing a profession, or performing a service for compensation, or serving as an officer or director of a corporation or other business entity so engaged within the area of operation of the Agency which shall be contained within the area of operation of the County, and is otherwise eligible for such appointment.

Background - continued

Organizational Chart



Background - continued

Selected Statistics

MIRA Budget vs. Actual Revenues and Expenditures

	FY 06/07 Budget	FY 06/07 Actual	FY 05/06 Budget	FY 05/06 Actual
Balance Forward	\$ <u>2,614,266</u>	\$ <u>2,614,266</u>	\$ <u>1,574,752</u>	\$ <u>1,574,752</u>
Revenues				
Incremental revenues	1,163,687	1,439,035	1,304,697	1,304,964
Interest	123,692	140,986	-	78,522
Reimbursements	-	158,876	-	-
Other	-	16,335	-	-
Total Revenues	<u>1,287,379</u>	<u>1,755,232</u>	<u>1,304,697</u>	<u>1,383,486</u>
Expenditures				
Salaries and benefits	46,370	32,064	46,684	41,419
Other contracted services	81,310	48,799	25,991	6,407
Repair and maintenance	27,627	25,489	25,300	25,716
Other operating expenses	67,611	34,168	89,319	70,349
Capital renovations	65,000	91,362	-	-
Land	-	3,000	-	-
CIP	3,363,890	181,250	2,488,958	99,325
Grants and aid	200,000	56,977	156,800	78,410
Transfers to 0001	25,786	25,786	22,346	22,346
Reserves	24,051	-	24,051	-
Total Expenditures	<u>3,901,645</u>	<u>498,895</u>	<u>2,879,449</u>	<u>343,972</u>
Revenue and Balance Forward over (under) Expenditures	<u>\$ -</u>	<u>\$ 3,870,603</u>	<u>\$ -</u>	<u>\$ 2,614,266</u>

Objectives and Approach

Objectives and Approach

Objectives

Objectives of the current internal audit review of MIRA include the following:

- Determine that controls are in place to ensure compliance with applicable Florida Statutes and the applicable Board of County Commissioner's policies, procedures, resolutions, ordinances, agreements and MIRA by-laws.
- Determine that the records and documentation maintained by Management are sufficient to establish an audit trail for dollars spent on MIRA projects.
- Determine that MIRA program expenditures are compliant with Florida Statutes and properly authorized.
- Determine that revenues are properly calculated and timely collected.
- Determine that MIRA assets are properly capitalized and tracked.
- Determine that there are adequate procedures in place for the administration of MIRA programs and grants.

Approach

Our audit approach consisted of three phases:

Understanding and Documentation of the Process

During this first phase, we worked in close cooperation with MIRA personnel to understand the revenue source, revenue calculations, expenditures and grants processes. We interviewed the Director, Program Support employee and administrative assistant. In addition, we attended several MIRA Board Committee meetings and spoke with Board members. We discussed our methodology, scope and objectives with appropriate MIRA personnel. Our methodology includes:

- Review existing policies, procedures and statutes.
- Identify the risks inherent to the process.
- Validate process risks and existing controls with appropriate personnel.
- Review the effectiveness of the existing controls.
- Evaluate the control structure and identify opportunities for improvement.

Detailed Testing

The purpose of this phase was to validate the effectiveness of the controls in place over the revenue and expenditure processes, as well as to ensure compliance with the objectives, policies, and procedures of MIRA and the County and applicable Florida Statutes. Our fieldwork was conducted at the MIRA office in Merritt Island and the Director's office at the Brevard County Government Service Complex in Viera. We utilized sampling and other auditing techniques as follows to meet our testing objectives outlined above. Our testing included, but was not limited to:

- Review of department compliance with contracts.
- Review of revenue calculations, sources and receipts.
- Review of grant application processes.
- Testing of input accuracy and appropriateness of payroll and travel expenditures.
- Tracking and management of County owned assets.
- Review general compliance with statutes, policies, procedures, administrative orders and by-laws.
- Review other local RDAs for current best practices and any differences in policies.

Reporting

At the conclusion of our audit, we summarized our findings related to MIRA. We conducted an exit conference with Management where we discussed the issues identified and validated our overall understanding of the processes. Management's responses have been included in this report.

Issues Matrix

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
Topic Contracts			
High	1. Contract Compliance		
	<p>In order to accomplish its goals and complete its projects, MIRA has entered into contracts with various vendors and governmental agencies. We reviewed all identified contracts for compliance with contract terms. The results of our review were as follows:</p> <ul style="list-style-type: none"> a. One contract file did not contain the Notice to Proceed. A copy was; however, requested and received from the Transportation Engineering Department, during the audit. One contract between MIRA and BoCC requires that MIRA provide a performance report to the County Manager or designee on a semi-annual basis. No reports have been submitted since inception of the contract in September 2005. b. One contract sets forth amounts that MIRA is responsible to pay for landscaping and maintenance for a portion of the 520 corridor in an agreement with Roadways and Landscaping. In FY 05/06, MIRA was required to contribute \$40,370 toward these costs but was only charged \$16,073, an under-billing of \$24,297. In FY 06/07 the amounts MIRA was charged were in agreement with the contract. c. One contract did not contain the signature of the County Attorney or County Manager indicating review of the contract between MIRA and a vendor. Per MIRA By-Laws, contracts with third parties must be approved by the MIRA Board. However, the Agreement between MIRA and BoCC requires that contracts be reviewed and approved by the County Manager or her appointed designee. 	<p>We recommend management:</p> <ul style="list-style-type: none"> a. Assign responsibility for monitoring contract compliance to staff and implement procedures to ensure monitoring is performed. b. Pay amounts owed to Roadway and Landscape, consistent with the contract. c. Amend MIRA By-Laws or the Agreement with BoCC to ensure consistency among requirements for contract review and approval. 	<ul style="list-style-type: none"> a. MIRA has recently hired a permanent Special Projects Coordinator for the only full time employee position. The responsibility of contract compliance is assigned to her. The Agency Director will re-emphasize to the Special Projects Coordinator the importance of contract compliance. ECD: June 2008 Testing date: September 2008 b. Staff will notify Road & Bridge of this finding and request that the Department invoice the Agency in a timely manner. ECD: June 2008 Testing date: September 2008 c. MIRA considers review conducted by its staff and the County Attorney’s Office to meet contractual requirements of the By-Laws. A recommendation will be made to MIRA to amend the Services agreement with the Board to clarify the requirements. ECD: June 2008 Testing date: September 2008

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
Topic	Contracts		
High	1. Contract Compliance-continued		
	<p>d. MIRA had no proof of insurance from Merritt Park Place Group (MPPG) in compliance with the Reimbursement Agreement for Merritt Park Place FPL Billing.</p> <p>e. Although MIRA submits timely invoices to MPPG for the FPL billings, MPPG does not consistently remit timely reimbursements. As of November 2007, MIRA had not received reimbursement for May, August or September 2007 invoices.</p>	<p>We recommend management:</p> <p>d. Obtain proof of insurance relating to the Merritt Park Place Group (MPPG) lighting as required by the contract.</p> <p>e. Request MPPG submit timely reimbursements for the FPL billing invoices.</p>	<p>d. MIRA staff has sent a letter to the Merritt Park Place Group requesting proof of insurance be provided. MIRA staff will continue to follow up with MPPG on this item.</p> <p>ECD: June 2008 Testing Date: September 2008</p> <p>e. MIRA Staff will send a letter to the Merritt Park Place Group requesting reimbursements for FP&L billing invoices be submitted in a timely manner. MPPG has informed MIRA that its membership is low and collection of dues is difficult. The MIRA Agency Director will discuss what other options are available with the Road and Bridge and Risk Management departments.</p> <p>ECD: June 2008 Testing Date: September 2008</p>

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
Topic Revenues			
High	2. Revenue Sources		
	<p>MIRA revenues are based on property values in the current year less property values in a “base” year. MIRA was created in 1988, therefore, 1988 is used as the base year. In 1990 the redevelopment area was expanded and 1990 is used as the base year for the expanded areas, while 1988 is still used for the original area. Then in 2006, the redevelopment area was again expanded. Therefore, MIRA uses 3 different base years in its revenue calculations. The Property Appraiser’s office calculates the values of the areas each year and certifies their values.</p> <p>The base year value is subtracted from the taxable value of the current year. The difference is multiplied by the adopted millage rates (or estimated millage rates) to arrive at total incremental taxes. The 5% statutory reduction is removed to arrive at the Net Incremental Taxes due which is billed to County Finance.</p> <p>MIRA is currently receiving funding from the general fund and the Fire Rescue department. A prior audit report dated April 2000 contained a County Attorney opinion that indicated the Sheriff’s MSTU should be contributing incremental revenues to MIRA. During testing it was noted that the Sheriff’s MSTU has not been contributing as recommended in the prior audit.</p> <p>It was also noted that MIRA typically receives payment of its revenues from County Finance in January of each year. According to Florida Statutes section 163.387(2)(b), “Any taxing authority that does not pay the increment revenues to the trust fund by January 1 shall pay to the trust fund an amount equal to 5 percent of the amount of the increment revenues and shall pay interest on the amount of the unpaid increment revenues equal to 1 percent for each month the increment is outstanding, provided the agency may waive such penalty payments in whole or in part.”</p>	<p>We recommend:</p> <ul style="list-style-type: none"> a. BoCC consider the opinions of the County Attorney and Clerk’s Attorney during prior audits or obtain a new opinion to determine if MIRA should obtain contributions from the Sheriff. b. MIRA management should request an opinion from the County Attorney’s office regarding Florida Statute section 163.387(2)(a) and (b) and determine if the January 1 due date and interest charge applies to MIRA. 	<ul style="list-style-type: none"> a. The Merritt Island Redevelopment Agency voted at its January 24, 2008 meeting to not pursue funding from the Sheriff’s MSTU and the County Attorney and MIRA staff will develop an intergovernmental agreement to implement the Board action. <p>ECD: August 2008 Testing Date: October 2008</p> b. MIRA Staff has requested and the County Attorney’s Office has provided the requested opinion. The Finance Department was advised that the budget was not increased by the Budget office for all the CRA payments for several months after the January 1st deadline and, therefore, they could not make the remaining budget transfer. At its January 2008 meeting, MIRA is recommending that the interest penalty be waived. <p>ECD: January 2008 Testing date: September 2008</p>

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
Topic Revenues			
High	2. Revenue Sources-continued		
	<p>It was noted during FY 06/07, \$555,350 of revenues was paid on 1/1/07, which is considered timely per FL statutes, however the remaining \$497,906 was not paid until June 2007. No interest has been paid to MIRA by County Finance and no documentation of the agency waiving such penalties was noted.</p>		

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
Topic Revenues and Expenditures			
High	3. Budgeted Revenues and Expenditures		
	<p>During testing, it was noted that each year MIRA budgets \$200,000 for commercial façade grants. The grant program gave its first grant in FY 01/02, meaning that to date, MIRA has budgeted \$1,200,000 for grants (6 fiscal years times \$200,000 per year). MIRA has given out a total of \$234,018 in grant monies over the past six fiscal years, leaving excess budgeted funds of \$965,982.</p> <p>In FY 05/06, MIRA budgeted \$200,000 for the grants but expended only \$89,004 of that budget. In FY 06/07, MIRA again budgeted \$200,000 for the grants but only expended \$64,855 of the grant money budgeted.</p> <p>In addition, we reviewed the revenues and expenditures and performed a projection of potential revenues and expenditures to determine if MIRA will need the additional contribution of the Sheriff's office and will continue to need 100% of the incremental revenues to complete its projects.</p>	<p>a. We recommend management and the Board consider advertising more aggressively and/or often to make the public aware of the availability of the funds. Although the grant funds are only available for commercial purposes, the scope of the advertising should be expanded to assist in eliminating any controversy over multiple grants being given to the same individuals who own more than one property.</p> <p>b. We recommend Management and the MIRA Board consider researching why businesses are not utilizing the grant program and consider revising the program to make monies more available to lower income businesses.</p> <p>c. We recommend Management and the Board consider reducing the grant budget.</p> <p>d. Available information indicates that at the current rate of incremental revenue collections, MIRA may have excess funds in the future. We recommend Management and the Board prepare a 5 year forecast and capital projects budget to determine current and future funding needs for the department and projects.</p>	<p>a. Staff will recommend to the Board sending mail outs twice a year as opposed to only once a year. The new Special Projects Coordinator is updating the flyer and brochure.</p> <p>ECD: June 2008 Testing Date: September 2008</p> <p>b. Demand for the Commercial Façade Grant Program is a function of the individual business owner having the plans and financial resources to make improvements to their facilities. MIRA staff and Board will discuss options to make funds more available at the April (and future) board meetings.</p> <p>ECD: June 2008 Testing Date: September 2008</p> <p>c. MIRA Board agreed to lower the budget request to \$150,000 at its January 2008 meeting.</p> <p>ECD: January 2008 Testing Date: September 2008</p> <p>d. Agency Staff will update the Capital Projects Report and present the program during its budget preparation process for the FY 2008 budget in April-May 2008.</p> <p>ECD: June 2008 Testing Date: September 2008</p>

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response																																				
Topic Revenues and Expenditures																																							
High	3. Budgeted Revenues and Expenditures-continued																																						
	<p>Based on the following information and estimates, it appears MIRA will have excess funding for its projects over the next 5 years:</p> <table border="0" data-bbox="247 496 831 1084"> <tr> <td>FY 06/07 Balance Forward</td> <td style="text-align: right;">\$ 2,614,266</td> </tr> <tr> <td>FY 06/07 Incremental Taxes</td> <td style="text-align: right;">1,383,117</td> </tr> <tr> <td>FY 07/08 Estimated Revenues</td> <td style="text-align: right;">1,439,035</td> </tr> <tr> <td>FY08/09 Estimated Revenues</td> <td style="text-align: right;">1,313,961</td> </tr> <tr> <td>FY 09/10 Estimated Revenues</td> <td style="text-align: right;">1,313,961</td> </tr> <tr> <td>FY 10/11 Estimated Revenues</td> <td style="text-align: right;">1,313,961</td> </tr> <tr> <td>FY 11/12 Estimated Revenues</td> <td style="text-align: right;">1,313,961</td> </tr> <tr> <td>Total Estimated Revenues</td> <td style="text-align: right;"><u>10,692,262</u></td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td>Total Funded Projects</td> <td style="text-align: right;">2,392,471</td> </tr> <tr> <td>Total Unfunded Projects</td> <td style="text-align: right;">2,132,891</td> </tr> <tr> <td>FY 07/08 Estimated Expenditures</td> <td style="text-align: right;">381,197</td> </tr> <tr> <td>FY 08/09 Estimated Expenditures</td> <td style="text-align: right;">408,377</td> </tr> <tr> <td>FY 09/10 Estimated Expenditures</td> <td style="text-align: right;">418,795</td> </tr> <tr> <td>FY 10/11 Estimated Expenditures</td> <td style="text-align: right;">429,735</td> </tr> <tr> <td>FY 11/12 Estimated Expenditures</td> <td style="text-align: right;">441,222</td> </tr> <tr> <td>Total Estimated Expenditures</td> <td style="text-align: right;"><u>6,604,688</u></td> </tr> <tr> <td> <i>Available Funds</i></td> <td style="text-align: right;"> <u>\$ 4,087,574</u></td> </tr> </table> <p>Management and the MIRA Board have Plan projects in excess of \$4M that are not reflected in the unfunded projects total above.</p>	FY 06/07 Balance Forward	\$ 2,614,266	FY 06/07 Incremental Taxes	1,383,117	FY 07/08 Estimated Revenues	1,439,035	FY08/09 Estimated Revenues	1,313,961	FY 09/10 Estimated Revenues	1,313,961	FY 10/11 Estimated Revenues	1,313,961	FY 11/12 Estimated Revenues	1,313,961	Total Estimated Revenues	<u>10,692,262</u>			Total Funded Projects	2,392,471	Total Unfunded Projects	2,132,891	FY 07/08 Estimated Expenditures	381,197	FY 08/09 Estimated Expenditures	408,377	FY 09/10 Estimated Expenditures	418,795	FY 10/11 Estimated Expenditures	429,735	FY 11/12 Estimated Expenditures	441,222	Total Estimated Expenditures	<u>6,604,688</u>	 <i>Available Funds</i>	 <u>\$ 4,087,574</u>		
FY 06/07 Balance Forward	\$ 2,614,266																																						
FY 06/07 Incremental Taxes	1,383,117																																						
FY 07/08 Estimated Revenues	1,439,035																																						
FY08/09 Estimated Revenues	1,313,961																																						
FY 09/10 Estimated Revenues	1,313,961																																						
FY 10/11 Estimated Revenues	1,313,961																																						
FY 11/12 Estimated Revenues	1,313,961																																						
Total Estimated Revenues	<u>10,692,262</u>																																						
Total Funded Projects	2,392,471																																						
Total Unfunded Projects	2,132,891																																						
FY 07/08 Estimated Expenditures	381,197																																						
FY 08/09 Estimated Expenditures	408,377																																						
FY 09/10 Estimated Expenditures	418,795																																						
FY 10/11 Estimated Expenditures	429,735																																						
FY 11/12 Estimated Expenditures	441,222																																						
Total Estimated Expenditures	<u>6,604,688</u>																																						
 <i>Available Funds</i>	 <u>\$ 4,087,574</u>																																						

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
Topic Contracts			
Moderate	4. Staffing Agreement between BoCC and MIRA		
	<p>Per the Agreement for County Services between the Board of County Commissioners and the Merritt Island Redevelopment Agency, dated September 27, 2005, the County agrees to make available to the Agency certain staff services, to include:</p> <ul style="list-style-type: none"> • Part time Executive Director at 25% of services; • Full time County Special Projects Coordinator at 100% of services. <p>The Agency agrees to provide for the cost of County personnel, including, compensation and benefits for the part time Executive Director, not to exceed \$22,000 annually and Special Projects Coordinator at 100%.</p> <p>During testing we were unable to determine the amount of time the Executive Director spends on MIRA business, because there is no mechanism in place for tracking his time. In addition, there is an administrative person that is dedicating time to MIRA business for which MIRA is not reimbursing the County. These personnel estimate that approximately 50% of their time is spent on MIRA business.</p> <p>In addition, during testing it is noted that MIRA paid the County through the ‘Transfers to 0001’ account for the services of the Executive Director. The Agreement between the County and the Agency states that these costs will not exceed \$22,000 per year. In FY 05/06, MIRA paid the County \$22,346 (a \$346 overage) and in FY 06/07 MIRA paid \$25,786 (a \$3,786 overage).</p> <p>In summary, our review shows that it is likely that the Executive Director is spending more than 25% of his time on MIRA business. In addition, administrative personnel, not assigned to or paid with MIRA funds are dedicating County time to MIRA business. Finally, 25% of the Director’s current salary and benefits exceeds the \$22,000 limit in the Agreement with the County.</p>	<p>We recommend:</p> <ol style="list-style-type: none"> a. Management implement a method of tracking employee time spent on MIRA business. This will allow MIRA to determine true staffing needs and costs for the County. In addition, MIRA should be financially responsible for all staffing services being provided by County personnel. This will require amendment of the existing agreement between MIRA and the County. b. County Management and MIRA review the current staffing agreement in place between MIRA and the County to ensure staffing needs are being met and amounts paid by MIRA are adequate to cover staffing costs. c. MIRA offset the overpayments in prior years with a credit in the current fiscal year. In addition, amounts paid in the future should be consistent with the Agreement. 	<ol style="list-style-type: none"> a. Staff will track time spent on MIRA business on time sheets and provide the information to the Agency and Assistant County Manager, as necessary. ECD: June 2008 Testing Date: September 2008 b. This finding will be discussed with the Agency and the County Manager’s Office to determine the staffing requirements of the Agency. ECD: September 2008 Testing Date: October 2008 c. Upon approval by the Agency Board, MIRA will submit this recommendation to the County Budget Office. ECD: June 2008 Testing Date: September 2008

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
Topic Grants			
Moderate	5. Commercial Façade Grant Process		
	<p>The Merritt Island Redevelopment Agency (MIRA) sponsors a grant program called the Commercial Façade Improvement Program. This program allows commercial property owners in MIRA’s area to obtain matching funding of up to \$10,000 for the purpose of aesthetically improving their properties to reduce blight and slum areas and have a “positive visual impact on the community”.</p> <p>To obtain the funding, the applicant must fill out the application and submit the appropriate paperwork to MIRA. The application is located on the MIRA website or can be obtained from the MIRA office on Merritt Island. The application that is online is not the most current version of the application that is given out at the MIRA office.</p> <p>The items that are requested to be included with the commercial façade application are the following:</p> <ul style="list-style-type: none"> • Copy of the deed/proof of ownership – if the property is being leased by the applicant, a letter from the owner giving permission for the improvements must be sent along with a copy of the lease agreement • Detailed/itemized description of the planned improvements • Photographs of current condition (3 – 3x5 or more color photos) • 2 estimates/quotes/bids for all costs associated with the project • Written scope of rehabilitation work and how it fulfills the MIRA objectives • Proof of insurance coverage for the property being improved 	<p>We recommend:</p> <ol style="list-style-type: none"> a. MIRA update the application online to the current one in use. b. Management and Board discuss the necessity of items required to be submitted with the grant application and revise the list of required documents to include only items considered necessary for proper review of the application. Items on the requirements list should either be removed from the list if not considered necessary or required to be submitted before the application will be reviewed. c. Management should document the process for application submission and put controls in place to ensure payments are not made to grantees prior to completion of the grant file. The process should include use of a checklist in each file to ensure all appropriate documentation is received and all process steps have been performed. d. Management disallow MIRA board members from receiving facade grants, while serving on either the Beautification Committee or the MIRA Board. 	<ol style="list-style-type: none"> a. Agency Staff has updated the application online. ECD: March 2008 Testing Date: September 2008 b. Management and Board will discuss the necessity of items required to be submitted with the grant application and revise the list of required documents to include only items considered necessary for proper review of the application. Items on the requirements list will be removed from the list if not considered necessary or required to be submitted before the application will be reviewed. ECD: August 2008 Testing Date: October 2008 c. Management will document the process for application submission and put controls in place to ensure payments are not made to grantees prior to completion of the grant file. The process will include use of the revised checklist in each file to ensure all appropriate documentation is received and all process steps have been performed. ECD: August 2008 Testing Date: October 2008

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
Topic Grants			
Moderate	5. Commercial Façade Grant Process-continued		
	<p>We reviewed grants to committee members (total of 4) that were given prior to 10/1/05 and all grants (total of 17) for the period 10/1/05 through 9/30/07. It was noted that prior to the audit period a total of 16 façade grants were given, with four (4) being made to committee members. During the audit period, one grant was made to a prior Board member.</p> <p>Of the four (4) grants made prior to 10/1/05, there were 2 exceptions noted. One grant file had an Agreement executed by the grantee, but was not executed by a MIRA representative. One file had no proof of insurance and no scope of rehabilitation description.</p> <p>Of the seventeen (17) grant files tested for the period 10/1/05 through 9/30/07, ten (10) exceptions were noted, as follows:</p> <ul style="list-style-type: none"> • One file did not have a fully executed agreement – the agreement was executed by the grantee, but not by a MIRA representative. • One file did not contain proof of insurance on the property. • Eight files did not contain all the documentation requested with the application. Documentation not contained in the files included color photos, scope of rehabilitation work, or itemized description of planned improvements. 		<p>d. The MIRA Board, in the January 2008 meeting, voted that board members should not be excluded from receiving grants. However, subsequent to this meeting, additional information, including an opinion from the Florida Ethics Commission, was received from the auditors, and Management believes this item should be addressed again in the April 2008 board meeting.</p> <p>ECD: May 2008 Testing Date: September 2008</p>

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
Topic Expenditures			
Moderate	6. Department and Project Expenditures		
	<p>We reviewed department and project expenditures for appropriateness and compliance with policy AO-33 Prompt Payment of Invoices.</p> <p>In FY 05/06 we selected 33 department expenditure line items from the detail general ledger for testing. These 33 items had a total value of \$101,675, or 30% of total expenditures.</p> <p>Of the 33 items tested, 13 exceptions were noted, as follows:</p> <ul style="list-style-type: none"> • One invoice did not indicate the date received. • Eight invoices did not indicate the date approved. • One inter-departmental charge in the amount of \$12,500 dated January 1, 2006 was paid in July 2006. • Three items totaling \$5,270 did not have supporting documentation provided by the department. <p>In FY 06/07 we selected 32 department expenditure line items from the detail general ledger for testing. These 32 items had a total value of \$166,773, or 33% of total expenditures.</p> <p>Of the 32 items tested, three (3) exceptions were noted, as follows:</p> <ul style="list-style-type: none"> • One invoice did not indicate the date received. • Two (2) invoices did not indicate the date approved. 	<p>We recommend:</p> <ol style="list-style-type: none"> a. Management review the County procedures for timely payment of invoices and the process for receipt, approval and payment of invoices with staff. b. MIRA personnel maintain supporting documentation for expenditures. c. Management assign responsibility to ensure copies of all appropriate documentation and invoices are maintained in the project files. d. Management review invoice coding for proper account numbers prior to sending invoice to County Finance. 	<ol style="list-style-type: none"> a. Agency staff will develop an internal working procedure, checklist, and procedural flow chart to ensure proper documentation is maintained and timely payment is made. It is estimated that this will take four (4) months to establish. ECD: September 2008 Testing Date: October 2008 b. Agency Staff will develop a contract management system with checklists to insure proper documentation of expenditures prior to approval of invoices. ECD: September 2008 Testing Date: November 2008 c. MIRA has recently hired a permanent Special Projects Coordinator for the only full time employee position. The responsibility of project file completeness is assigned to her. ECD: June 2008 Testing Date: September 2008 d. MIRA has recently hired a permanent Special Projects Coordinator for the only full time employee position. The responsibility of invoice review is assigned to her. ECD: March 2008 Testing Date: September 2008

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
Topic Expenditures			
Moderate	6. Department and Project Expenditures-continued		
	<p>In FY 05/06 and 06/07 we selected a total of 89 project expenditures for review. The following exceptions were noted:</p> <ul style="list-style-type: none"> • Seventy-two (72) did not indicate the date approved. • Nineteen (19) did not indicate the date received. • One (1) was not paid timely (within 45 days of receipt). • Eleven (11) invoices were not contained in the project files, but supporting documentation was received from MIRA personnel. • One (1) expenditure was posted to the Other Professional Services account instead of the CIP account. <p>It was noted that of the items tested with supporting documentation, all expenditures appeared appropriate for the department and/or projects.</p>		

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
Topic Grants			
Low	7. Grant Funding		
	<p>Section 2, paragraph b(4) of the MIRA By-Laws states that the Executive Director shall investigate various sources of financial assistance and prepare the necessary grant applications. There has been no research of potential grant funding for MIRA projects during the audit period.</p>	<p>We recommend Management assign the responsibility or consider outsourcing the responsibility of investigating and applying for grant funding in compliance with the MIRA By-Laws.</p>	<p>This is a good idea that staff agrees with and will recommend to the Agency Board. It is anticipated that MIRA will RFP during the Spring/Summer of 2008 for consulting services. It would be timely and beneficial for MIRA to also seek associated grant planning services with this renewal. The MIRA board will determine if grant services would be cost beneficial to the Agency.</p> <p>ECD: October 2008 Testing Date: December 2008</p>