



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

**Risk Assessment and Proposed Audit Plan
Working Draft
2010/2011**

**Prepared By:
Internal Auditors of Brevard County
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October 6, 2010

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

We hereby submit the risk assessment and proposed audit plan for Brevard County for fiscal year ending 2010/2011. We conducted a Risk Assessment for Brevard County by applying a broad-based, business view of risk, linked to the annual budget and operations of Brevard County. We conducted interviews with County Commissioners to gain a high-level understanding of "What keeps them up at night?" and narrow in on their objectives and identified risks. We conducted interviews with County management and numerous accounting, finance and budget personnel within the County to identify opportunities and vulnerabilities. We drilled down into department and/or functional areas to understand risk from the perspective of the individuals responsible for controlling such risks.

As in the past, when we talk about 'risk' we focus on: Financial, Compliance and Public Perception. Consistent with the prior year and based on our dialogue with the Commissioners, County Management and in light of budget cuts throughout the County, this year's audit plan includes advisory services targeted at assisting the County as well as County-wide audits, financial condition reviews and audits of individual functions.

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

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

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

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

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

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

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

Respectfully Submitted,

INTERNAL AUDITORS

Proposed Audit Plan

Proposed Audit Plan

Brevard County Proposed Audit Plan - Working DRAFT

	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
Overall Audit Functions										
Risk Assessment			✓			✓			✓	
Update Risk Assessment	✓	✓		✓	✓	✓	✓	✓	✓	✓
Follow-up Procedures	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Quality Control	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
County-Wide										
Asset Management	✓							✓		
Payroll/Timekeeping	✓									✓
Accounts Payable		✓							✓	
Cash Management/Investments		✓							✓	
Purchasing Card			✓						✓	
Full Scope Follow-up of AP			✓							
Review of TPA Claims Processing	✓				✓		✓			
County-Wide Analysis					✓					
Local Option Gas Tax						✓				
Financial Position Review						✓				
Information Technology					✓	✓	✓			
Financial Reporting							✓			
Year End Close							✓			
Discovery							✓			
Purchasing and Contract Management								✓		
Human Resources								✓		
Contract Compliance Reviews								✓	✓	
Insurance									✓	
ARRA Compliance										✓
Financial Condition Reviews										
Fire Rescue							✓			
Public Works								✓		
Parks and Recreation									✓	✓
Housing and Human Services										✓
Library Services										✓
Individual Functions										
Economic Development Commission	✓									
CDBG	✓									
Transit	✓							✓		
Central Cashier	✓									
Solid Waste - Billing		✓								
Tourism Development Operations		✓								
Ambulance Billing		✓								
Facilities Construction		✓								
Solid Waste - Landfill Operations			✓							
Parks and Recreation			✓							
Public Works			✓							
EELS				✓		✓				
Golf Operations				✓						
Storm water				✓						
One stop - Building Permitting				✓						
Fire Rescue					✓					
Facilities Maintenance					✓					
Land Development - "One Stop"					✓					
Criminal Justice Services					✓					
Utilities						✓				
SHIP & HOME						✓				
800 Mega / E-911						✓				
Mosquito Control										✓
Special Projects or Requests										
Clerk Traffic	✓									
Animal Service		✓							✓	
FEMA				✓	✓					
Fund 1351					✓					
Parks & Recs Referendum						✓				
MIRA						✓				
Budget Tools and Analysis							✓			
IT Advisory Services								✓		✓

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

Payroll/Timekeeping

Payroll / Timekeeping

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

Scope and Approach

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

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

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

Payroll processing

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

Human Resources

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

Timekeeping at the Department level:

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

ARRA Compliance

ARRA Compliance

The County has been awarded American Reinvestment and Recovery Act "ARRA" funding over the last two years. The federal government has placed a substantial emphasis on the transparent use and monitoring of these funds by the recipient agencies. To receive the funds, the state had to assure the federal government that it would closely track statistics, including reporting how many jobs will be saved using the stimulus money, how the funds are used and what state and local tax increases are avoided because of the federal dollars.

Scope and Approach

The objectives of the internal audit review of ARRA Compliance will include the following:

- Determine that policies and procedures are in place to ensure compliance with Florida Statutes, County policies and Federal Regulations.
- Determine whether the program monitoring and reporting process is in compliance with federal regulations.
- Reviewing the process to identify control groups and/or inefficiencies.

We will work with the County departments to identify where the funding has been received (e.g., Housing and Human Services, Public Works, etc.) We will understand the process for monitoring expenditures and programmatic reporting as required by the grant programs.

We will test compliance with the program requirements as outlined by the Office of Management and Budget as well as the awarding agency and specific grand award and agreements.

At the conclusion of our review, we will report to the Audit Committee and included a summary of our results, including recommendations for improvement.

Financial Condition Reviews

Financial Condition Reviews

The primary objective of a financial condition review is to provide an independent analysis of the department's ability to maintain its Board directed service level within its current revenue structure.

Housing and Human Services

There are several factors related to Housing and Human Services that make the department high risk. There has not been internal audit involving the department since the replacement of the Director. Approximately 30% of the department's budget comes from General Fund dollars. In addition to General revenue, the department receives revenue from several grant programs, which are restricted for use within those program requirements, and miscellaneous revenues, such as Court Fees. These program funds were boosted in 2009 with the Housing and Economic Recovery Act (HERA) and American Recovery and Reinvestment Act (ARRA). However, those are short-term programs for continuing services that the County will need to consider supporting once funding has stopped. We understand that much of the General Fund allocation is for state-mandated costs, such as Medicaid and Baker Act. Those costs are set by the State and non-negotiable, and the department serves as a pass-through for paying the amounts. The department maintains that their general fund transfers are essentially reimbursements for dollars already spent and there are no General Fund carry-forwards at year end.

Library Services

The County has 17 public libraries and a Library connection office that are supposed to be self-sustaining through designated tax dollars, user fees and outside funding, such as donations. The libraries have not historically been subsidized by the County's general revenue fund, however the declining trends in overall revenues indicate that may change. Operating costs of the libraries have been significantly reduced over the last several years through a combination of changes, while still allowing all of the facilities to remain open. The financial condition review of Library Services will seek to determine the ongoing self-sustainability of the libraries within the current funding structure.

Scope and Approach

Consistent with previously issued Financial Condition Reviews, the following activities will be performed to achieve the stated objectives:

1. Comparison of budget to actual revenues and expenditures.
2. Evaluation of cash flow for the year.
3. Perform a detailed analysis of fund balance (reserves) for the most recent fiscal year.
4. Detailed analysis of Net Revenues and Expenditures.

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

Financial Condition Reviews - Follow-Up Reports

Parks and Recreation

During FY2009/2010, we issued a preliminary Financial Condition Review which highlighted immediate concerns related to debt management, referendum projects and revenue trends within the Department. To adequately complete this review two pieces of information are necessary: The adopted budget for FY2010/2011 and the actual results for the twelve months ended September 30, 2010. Thus, we will complete our Financial Condition Review and provide an update on the overall financial health of the Department to the Audit Committee during FY2010/2011. Parks and Recreation employees will be included in our county-wide audit of Payroll/Timekeeping.

Public Works

The Public Works Financial Condition Review was issued in March 2010. The Department will continue to go through restructuring for FY2010/2011. We will include Public Works employees in our county-wide audit of Payroll/Timekeeping.

Fire Rescue

We issued the Fire Rescue Financial Condition Review on April 18, 2008 and a follow-up report in November 2009. For FY2010/2011, we will follow-up on open issues and will include Fire Rescue in our county-wide audit of Payroll/Timekeeping.

Mosquito Control

Mosquito Control

Mosquito Control's mission is to "protect public health through effective and environmentally safe methods of mosquito and aquatic plant control." As a county-wide service, the Department serves the population of approximately one-half million in a geographic area that poses numerous service challenges related to mosquito and aquatic plant control. The function is completely supported with tax revenue and has not been subject to internal audit.

Scope and Approach

Objectives of an internal audit of Mosquito Control will include the following:

- Determine compliance with existing County policies and procedures, as well as Florida Statutes related to mosquito control.
- Evaluate the design adequacy of controls over appropriate revenue capture, expenditure approval and monitoring.
- Evaluate the effectiveness of existing controls, including segregation of duties.
- Understand and evaluate the work order process and reconciliation of project time to payroll records.
- Reconciliation of GPS records to work orders and time records.
- Evaluate operational and financial analysis performed by management and assist management with developing useful, measurable strategic performance metrics.
- Evaluate compliance monitoring and the process for identifying additional potential revenue sources.
- Perform expenditure and budgetary analysis and benchmarking with comparable mosquito control operations.

At the conclusion of our review, we will report to the Audit Committee and included a summary of our results, including recommendations for improvement.

**Information Technology
Advisory Services**

Information Technology Advisory Services

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

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

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

Scope and Approach

Risk Assessment Advisory Services

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

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

Advisory Service Approach and Processes

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

Planning and Fieldwork

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