



Internal Audit Committee of
Brevard County, Florida

Risk Assessment and Proposed Audit Plan
2007/2008

Prepared By:
Internal Auditors of Brevard County
November 16, 2007

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November 16, 2007

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 2007/2008. We conducted a Risk Assessment for Brevard County by applying a broad-based, business view of risk, linked to the annual budget and operations of Brevard County. We conducted interviews with County Commissioners to gain a high-level understanding of "What keeps them up at night?" and narrow in on their objectives and identified risks. We conducted interviews with the County Manager, Assistant County Managers, the Budget Department, Department Directors, the CFO and numerous accounting, finance and budget personnel within the County to identify opportunities and vulnerabilities. We drilled down in each department and/or functional area 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. Based on our dialogue with the Commissioners, and in light of the reduced funding for 2007/2008, this year's audit plan will focus more on the financial risks.

The Risk Assessment Process was conducted using an industry accepted methodology which focuses on the following risk factors:

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

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

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

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

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

As noted above and as requested by the County Commissioners, financial risk was weighted more in the current year than in the past.

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:

- Financial Reporting** We will review the level and efficiency of financial reporting to the Commissioners, County Management and Departments including Budget and Financial Data. Through this process we will identify applicable statutes and county policies and research best practices.
- Financial Year End Close** We will map the process used by County Finance to close the year end books, identifying gaps and opportunities as well as construct a timeline and benchmark the process against other like entities.
- Information Technology** Our focus will be on assessing adequacy of SAP financial suite and supporting database and sever(s) security, as well as the use of delivered application controls to minimize known application and system risks.
- Fire Rescue** As requested by the Commissioners, we will validate the financial condition of the department. The primary objective is to provide an independent analysis of the department's ability to maintain its Board directed service level within its current revenue structure. It will include a 5 year analysis of budget vs. actual, carry forwards and cash flow analysis.
- Discovery** In special session on September 4, 2007, the Commissioners requested a scope of service for a "global approach" as to 'where to look next' as it relates to financial conditions reviews similar to Fire Rescue. We will issue a report outlining where to go next and why we believe we should go there.

We have included the objectives and an overview of testing for each of the functions outlined above in this report. We would like to thank the various departments and all those involved in assisting with the risk assessment process.

Respectfully Submitted,

INTERNAL AUDITORS

Proposed Audit Plan

Brevard County

Proposed Audit Plan

	Fiscal Year Ending							
	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
Overall Audit Functions								
Risk Assessment	✓			✓			✓	
Update Risk Assessment		✓	✓		✓	✓		✓
Follow-up Procedures		✓	✓	✓	✓	✓	✓	✓
Quality Control	✓	✓	✓	✓	✓	✓	✓	✓
County-Wide								
Property Control		✓						
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								✓
Individual Functions								
Economic Development Commission		✓						
CDBG		✓						
Transit Grants		✓						
Central Cashier		✓						
Solid Waste - Billing			✓					
Tourism Development Operations			✓					
Ambulance Billing			✓					
Facilities Construction			✓					
Solid Waste - Landfill Operations				✓				
Parks Land Acquisition				✓				
Roadways & Landscaping				✓				
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							✓	
Special Projects or Requests								
Clerk Traffic		✓						
Animal Service			✓					
FEMA					✓	✓		
Fund 1351						✓		
Parks & Recs Referendum							✓	
MIRA							✓	
Fiscal Reviews - Fire Rescue								✓

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

Financial Reporting Process

Financial Reporting Process

During the risk assessment process, we noted instances where users of financial information were dissatisfied with the level of financial and budgetary data received throughout the year. Pursuant to the approval of the proposed 2007/2008 audit plan for Brevard County, we will conduct an internal audit of the internal Financial Reporting process and related controls. The purpose of this memo is to document an overview of the scope of the audit.

SCOPE

We will plan the scope of procedures based on our understanding of the risk associated with financial reporting. We will conduct an entrance conference with management to obtain an understanding of the financial reporting process. This meeting will include at a minimum representatives from the County Manager's office as well as Finance and Budget. We will follow up as needed with specific user agencies. We will research and review applicable Florida Statutes, Rules of the Auditor General, Board of County Commissioner policies, procedures and guidelines. This research will primarily focus on the fiscal responsibility of the Board of County Commissioners and management as well as the reporting required by other agencies/users, not including the Comprehensive Annual Financial Report (CAFR). We will utilize process maps to document our understanding and facilitate our audit process. We will complete the testing for the audit in three phases as follows:

Phase I – Department Level

- We will obtain an understanding of the process for completing interim financial reports for operational use.
- We will understand the tools used to gather and report financial data including but not limited to, the SAP system, separate spreadsheets and workbooks, and other sources of information.
- We will determine if the process in place is designed efficiently and appropriately segregated among agency personnel.
- We will verify that existing controls are operating effectively.
- We will specifically look at the Finance and Budget offices, but may select other agencies for additional reference/testing.

Phase II – County Manager's Level

- We will obtain an understanding of the reports required ("What Must be Done") and wanted ("What Else Do We Need") by management.
- We will understand the tools used to gather and report financial data including but not limited to, the SAP system, separate spreadsheets and workbooks, and other sources of information.
- We will determine if the process in place is designed efficiently and effectively.

Phase III – Board of County Commissioners Level

- We will obtain an understanding of the reports required ("What Must be Done") and wanted ("What Else Do We Need") by the Commissioners.
- We will understand the tools used to gather and report financial data including but not limited to, the SAP system, separate spreadsheets and workbooks, and other sources of information.
- We will determine if the process in place is designed efficiently and effectively and meets the objectives of the Commission. This will include a determination of "What Should We be Looking At?"

Financial Year End Close Process

Financial Year End Close Process

During the risk assessment process, we noted concern with the timeliness and process of issuance of the fiscal year end audited and/or closed financial statements. The County produces an audited Comprehensive Annual Financial Report (CAFR) each year as required by statute. The budgeting cycle begins as early as February of the current year for the next year and is being performed without final numbers from the prior year. We reviewed the timing and noted the following:

For the Year Ended	Date of the Audit Report	Date CAFR Presented to Commissioners
September 30, 2006	March 23, 2007	April 24, 2007
September 30, 2005	April 14, 2006	July 11, 2006
September 30, 2004	April 8, 2005	July 19, 2005

Pursuant to the approval of the proposed 2007/2008 audit plan for the Brevard County, we will conduct an internal audit of the Financial Year End Close process. The purpose of this memo is to provide an overview of the scope of the audit.

SCOPE

We will plan the scope of procedures based on our understanding of the risk associated with the financial year end close process. We will conduct an entrance conference with the Finance Director, the Clerk of the Court and key members of their team. When fieldwork is complete, we will conduct a formal exit conference and discuss the work performed and issues identified and obtain management comments.

Understand and Document the Process

We will hold "working sessions" with County Finance personnel and the external auditors to obtain an understanding of the year end close process as well as month and quarter end close processes. This understanding will include the roles and responsibilities in the financial closing and reporting process. We will document this understanding in a "Process Map".

We will summarize the following in a "Risk Matrix":

- Key process risks inherent to the year end close process.
- Existing controls for mitigating the risks identified.
- Potential control design gaps for the year end close process.

We will review the applicable Florida Statutes, Rules of the Auditor General, Brevard County policies and administrative orders and identify and understand what adjustments are made at month, quarter, and year end close.

Benchmarking and Best Practices

Through these working sessions, we will create a timetable of the year end close process including when the CAFR is presented to the Commissioners. We will benchmark the close process to best practices and other counties and like entities to evaluate existing controls to the "best in class".

Information Technology SAP – Security Review

Information Technology SAP – Security Review

During our Phase II IT Threat and Vulnerability assessment, we were able to address several key critical infrastructure external threats. This next phase of the IT internal audit process will turn to focus on critical applications and respective IT systems. The Phase III SAP security review will enable our auditors to perform a focused audit of the SAP systems and the respective application, database and operating system threat and vulnerability risks.

SCOPE

We will review the configuration of the SAP financial application security and the respective database management system and server security configuration to mitigate the risk of unauthorized access to sensitive data and programs, affecting the integrity, availability, or confidentiality of the system and its data. When fieldwork is complete, we will conduct a formal exit conference and discuss the work performed and issues identified with appropriate personnel and management.

We will complete testing in the following areas:

1. SAP Application Level Controls
 - a. Access to perform security administration functions including the profile generator should be restricted. This is controlled via the following authorization objects:
 - b. Proper segregation of duties for security administration of the Profile Generator
 - c. Security administrator access.
 - d. User master records policy maintenance, to include, but not limited to the following:
 - i) Password management to include
 - ii) Session timeout
 - iii) Authorization checking
 - e. Access the operating system command line (system exits)
 - f. Programs and data access restriction
2. Database Management System
3. Server configuration
 - a. Operating system configuration and policies
 - b. Physical access
 - c. Patch management

Fire Rescue – Financial Condition Review

Fire Rescue – Financial Condition Review

As requested by the Commissioners, we will perform an internal audit of the Fire Rescue department for the fiscal year ended 9/30/07 to validate the financial condition of the department with the primary objective being to provide the Board of County Commissioners with an independent analysis of the department's ability to maintain its Board directed service level within its current revenue structure.

SCOPE

In addition to standard accounting and auditing review procedures, the following activities will be undertaken to achieve the above stated objective:

1. Hold meetings with the following to obtain an understanding of processes and procedures related to this audit:
 - County Commissioners
 - Fire Rescue management
 - County Finance
 - Budget Office
2. Comparison of budget to actual revenues and expenditures.
 - Perform a detailed budget vs. actual analysis for FY07.
 - Investigate significant variances, including assumptions made to create budgeted figures, as well as the impact of such variances on year end cash carry forwards and fund balance (reserve).
3. Evaluation of cash flow for the year.
 - Detailed analysis of actual cash in and cash out for the period.
 - Review the correlation between the cash position and fund balance (reserves) on a monthly basis, as of year end, and over the most recent 3 year period.
4. Perform a detailed analysis of Fire Rescue fund balance (reserves) as of 9/30/07.
 - Are the reserves legally restricted, Board designated for capital/other, or department designated excess funds in the event of an emergency or other unexpected need of the department.
 - Document historic fund balance (reserve) trends compared to historic operating costs to operate the Fire Rescue department (5 years).
 - Document cash carry forwards over 5 years.
5. Detailed analysis of Net Revenues and Expenditures.
 - Including estimates of adjusting year-end accrual entries, including the estimation of bad debt.
 - Including an analysis of the effect of bad debt estimation and reconciliation on the revenue projections utilized for changing EMS from special assessment funding to General Revenue funding in fiscal year 06-07.

Discovery

Brevard County - Discovery

In special session on September 4, 2007, the Commissioners requested a scope of service for a “global approach as to where to look next” as it relates to the requested financial conditions review for Fire Rescue. We will issue a report outlining where to go next and why we believe we should go there.

SCOPE

Throughout our risk assessment process, we met with several commissioners that requested data and analysis to identify further areas to perform additional financial procedures and analysis, similar to those outlined in Fire Rescue – Financial Condition Review. During this Discovery we will perform the following:

General Fund Review - Conduct a detailed review of General Fund Transfers in, noting the revenue sources for the different departments. This will include trend analysis for the past 5 years. Through our initial analysis we noted that 54% of budgeted general fund will be transferred to the constitutional offices including the Sherriff, Clerk of the Court, Tax Collector, Supervisor of Elections and Property Appraiser. At the origins of the internal audit function it was noted by the County Attorney that those offices were outside of our audit universe unless specific requests were made by the Commissioners.

Analysis of Carryforwards – We will analyze cash and carry forward balances for the past 5 years noting trends. We will compare actual to budgeted carry forwards. Through this analysis and the general fund review we will narrow the scope of department to drill down for more information.

Review of Budgets – We will conduct detailed reviews of budgets for the specific departments identified in the general fund and carryforward reviews. This will include comparison of budget to actual, trend analysis and investigation of significant variances.

Understanding the Financial Processes – We will use the information gathered from the internal audits noted above to understand the processes in the County Finance and Budgeting specific to those departments identified as vulnerable.

Once we have completed our analysis, our report will include a recommendation of the additional areas within departments to perform detailed financial procedures and analysis similar to those outlined in the Fire Rescue - Financial Condition Review.

We have included a portion of this Discovery on page 9 of this report.

Brevard County Discovery

Department	Funds	Estimated General Fund Transfer Budget 2008	Estimated Tentative Department Budget 2007 - 2008	Complexity Ranking
Parks and Recreation	General Special Revenue Debt Service Capital Projects Enterprise	\$19.7 million	\$232.9 million	High
Fire Rescue	General Special Revenue Enterprise	\$15.6 million	\$83.6 million	High
Facilities Department	General Capital Projects Internal Service	\$13 million	\$32.1 million	Moderate
Housing and Human Services	General Special Revenue Internal Service	\$10.4 million	\$33.3 million	High
Road and Bridge	General Special Revenue	\$6.4 million	\$26.1 million	Moderate to High
Transportation Engineering	General Internal Service Capital Projects	\$3.7 million	\$121.1 million	Moderate to High
Animal Services & Enforcement	General Enterprise	\$2.7 million	\$4 million	Low
Permitting and Enforcement	General	\$2.4 million	\$10.1 million	Low
Transit Services	General Internal Service Enterprise	\$1.9 million	\$16 million	Moderate
Emergency Management	General Special Revenue Internal Service	\$1.8 million	\$2.8 million	Low
Criminal Justice Services	General Enterprise	\$1.6 million	\$9.7 million	Low
Agriculture & Extension	General	\$1 million	\$1.1 million	Low
General Government/Debt	General	\$6.8 million	N/A	Low
County Management	General	\$5.1 million	N/A	Low
Central Services	General Enterprise	\$0.9 million	\$5.6 million	Low
Human Resources	General Internal Service	\$0.8 million	\$105.3 million	High
Natural Resource Management/Stormwater	General	\$0.7 million	\$16.1 million	Low
Library Services	General Special Revenue Capital Projects	\$0.2 million	\$27.6 million	Moderate to High
Solid Waste	General Enterprise	\$62 thousand	\$100.6 million	Moderate to High
Information and Communication Systems	Internal Service	-	\$13 million	Low
Mosquito Control	Special Revenue	-	\$8.6 million	Moderate
Tourism Development Department	Special Revenue Debt Service	-	\$15.7 million	Low
Utility Services	Enterprise	-	\$64.3 million	Moderate to High
Total		\$95 million		

Constitutional Offices	Funds	Estimated General Fund Transfer Budget 2008	Estimated Tentative Department Budget 2007 - 2008	Complexity Ranking
Sheriff's Office	General	\$81.8 million	\$107.4 million	N/A
Property Appraiser	General	\$9.5 million	\$9.5 million	N/A
Tax Collector	General	\$8.5 million	\$8.7 million	N/A
Courts Administration	General	\$7.1 million	\$9.1 million	N/A
Supervisor of Elections	General Special Revenue	\$4 million	\$4.6 million	N/A
Clerk of the Court	General	\$2.3 million	\$2.3 million	N/A
Economic Development Council	General	\$1.6 million	N/A	N/A
Brevard Cultural Alliance	General	\$0.4 million	N/A	N/A
Total		\$115.2 million		