



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

**Proposed Internal Audit Plan  
Fiscal Year 2019/2020**

**Prepared By:**

**Internal Auditors**

**November 20, 2019**

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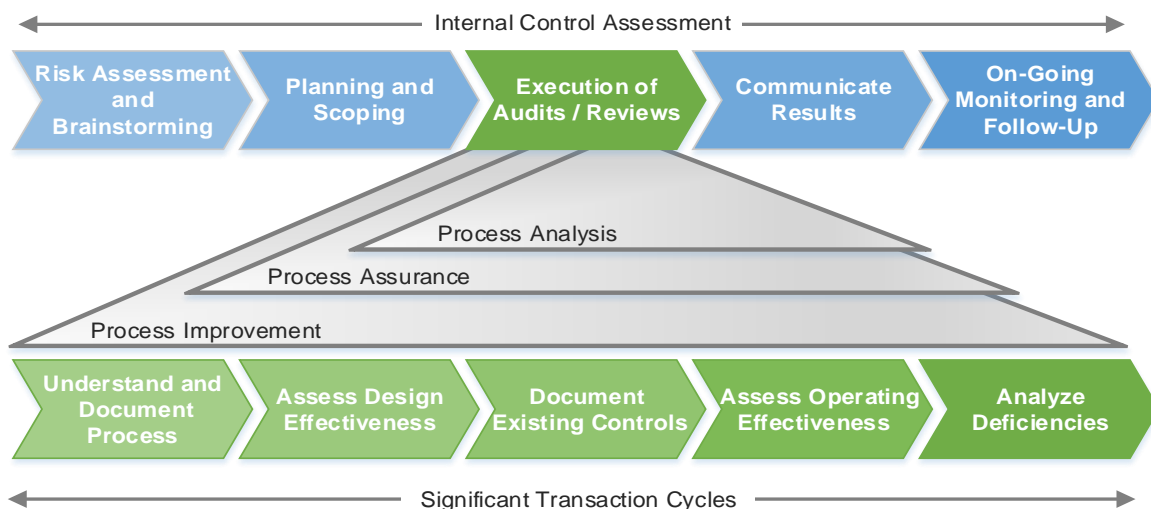
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November 20, 2019

The Audit Committee of  
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We hereby submit the proposed internal audit plan for the Brevard County, Florida ("County") for fiscal year ("FY") 2019/2020. We applied a broad-based, business view of risk, linked to the annual budget and operations, and reviewed Board documents and conducted interviews with County Commissioners, as well as the County Manager and other stakeholders to gain a high-level understanding of their pressure points and concerns and narrow in on the relevant objectives and identified risks. We also conducted interviews with members of the Management team to identify opportunities and vulnerabilities; as well as reviewed board meeting minutes, financial reports, budget documents, and various media sources to understand the County's current risk appetite and overall environment. Our 'risk' focus is centered on Financial, Operational, and Compliance risk, as well as the general effect of Public Perception with regard to County-wide activities and initiatives. We have presented a two-year plan, which is *on-line real-time* and will be consistently presented in *draft* form because it is a *living document*. As factors change and situations arise, this plan can and will change. Our internal audit approach and methodology are outlined below.

## Internal Audit Approach and Methodology



We have included the potential significant risks and internal audit strategy for each of the functions in the proposed FY 2019/2020 internal audit plan in this report. The preliminary FY 2020/2021 plan is presented for informational purposes, but may change and will be revisited prior to the end of the current year. We would like to thank the County Commissioners, County Manager, Management, various departments and staff involved in assisting with the risk assessment process.

Respectfully Submitted,

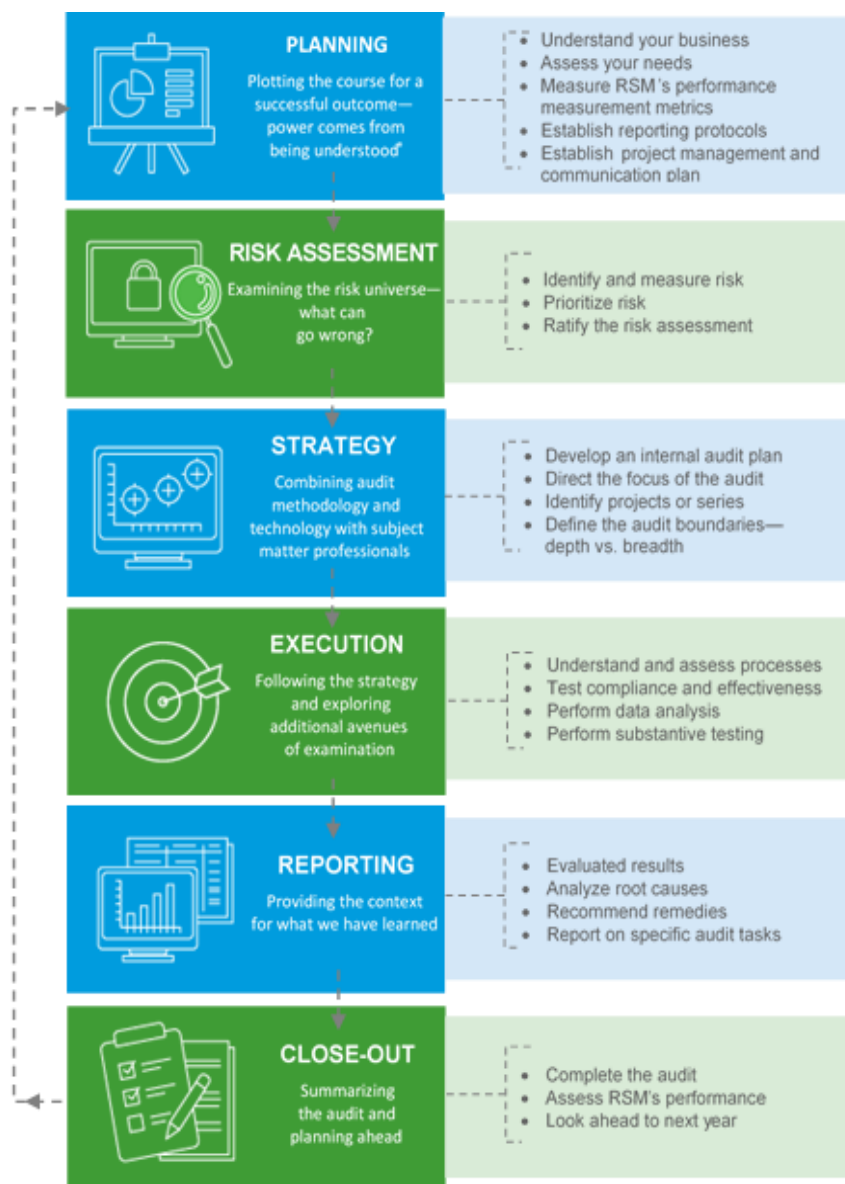
*RSM US LLP*

## Overview

A strong, high-functioning internal audit process has a balance of all types of internal audits and reviews. These should include systematic audits selected through the risk assessment process and ad hoc audits as new facts emerge, or by request from the Board, County Management, or key stakeholders.

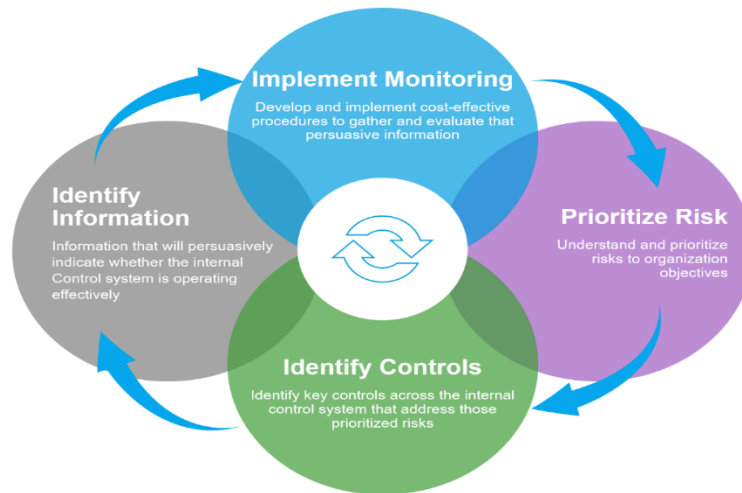
RSM has a comprehensive internal audit methodology with a holistic approach to assessing the County's most critical risks. There is no one-size-fits-all internal audit project; therefore, we have a flexible methodology that helps internal audit evolve from a necessary process to assume a more strategic role within the County. A high-level overview is included in the matrix below.

We leverage proven processes and advanced technology to help mitigate risk, monitor compliance and add value to the County. Our methodology is grounded in understanding the overall needs and working with the County to develop a responsive approach to meet and exceed those expectations. In addition, we integrate quality assurance and project management resources to increase visibility into internal audit projects, providing real-time results and insight into progress.



## Risk Assessment

This risk assessment process was intended to assist the County in analyzing risk impacts to its current operating environment, including their inherent and residual impacts and likelihood, and develop the proposed internal audit plan. While the current risk assessment was completed as of October 2019, it is intended to be a “living” document, which can and should be modified for changes in the County’s operating environment and planned strategic initiatives. We have also presented a preliminary plan for two fiscal years, in order to acknowledge a broad-based risk approach and areas that exhibit high- to moderate-risk markers that are being continuously monitored but are not yet in an auditable state due to various factors. Our approach is based on the widely accepted Committee of Sponsoring Organizations (“COSO”) guidance on monitoring Internal Control Systems as shown below:



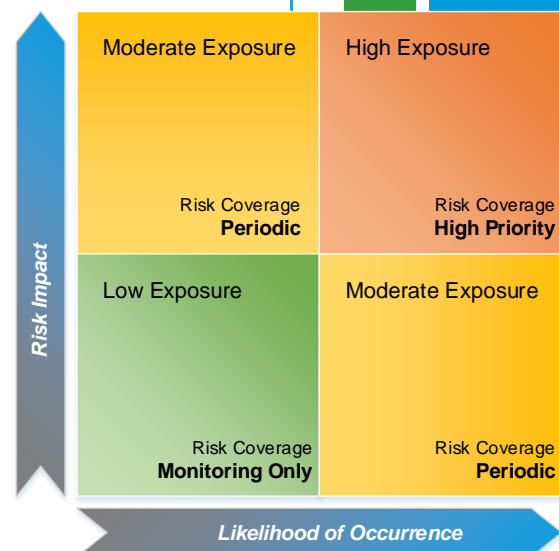
Preparing the proposed internal audit plan from the risk assessment will facilitate focusing resources on areas of most immediate concern to the County. Our risk assessment considers ‘inherent risk’, which is the risk of a function in an environment void of controls. Therefore, functions with inherently high risk may be included in the audit plan; although their inclusion does not mean ‘issues’ or concerns currently exist, but rather that the high-risk nature of the function is such that a higher potential exists for issues to develop. As factors change, situations arise, and as the County continues to embrace the internal audit function, this proposed plan can and will change. The chart below illustrates the exposure environment for positioning the County’s risks and evaluating the desired response based upon the likelihood of occurrence and priority of risk concerns. The proposed internal audit plan generally focuses on areas or functions that are high exposure and high priority (the upper right quadrant). We also consider other areas that are not included in this quadrant to insert a level of unpredictability into the internal audit plan and risk assessment process in order facilitate county-wide awareness that all business units, functions and processes may be subject to an internal audit at any time.

### Inherent Risk

- Risk of an occurrence before the effect of any existing controls.
- If you were building this process, what would you be concerned about?
- What can we not prevent?

### Residual Risk

- Risk remaining after the application of controls.
- Potentially reduced impact or likelihood.



## Risk Assessment

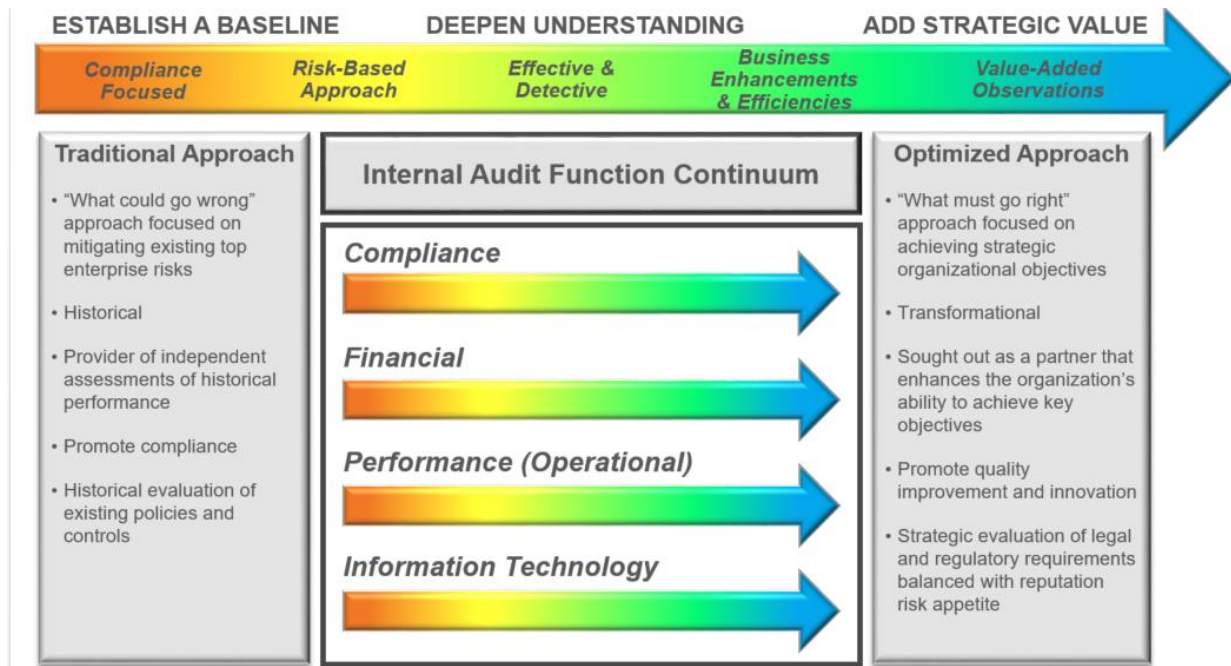
The risk assessment process drives the planned scope of the internal audit function and forms the basis of the proposed internal audit plan. Our approach primarily defines 'Risk' in a government entity as Financial and Compliance-related risk, as well as Public Perception risk. Strategic, performance and operational risks are also considered. We evaluate the level of risk present in each area / function, across a standard spectrum of industry-accepted risk categories as follows:

Control Environment	<ul style="list-style-type: none"><li>• Demonstrates commitment to integrity and ethical values</li><li>• Exercises oversight responsibilities</li><li>• Establishes structure, authority and responsibility</li><li>• Demonstrates commitment to competence</li><li>• Enforces accountability</li></ul>
Risk Assessment	<ul style="list-style-type: none"><li>• Specifies suitable objectives</li><li>• Identifies and analyzes risk</li><li>• Assesses fraud risk</li><li>• Identifies and analyzes significant change</li></ul>
Control Activities	<ul style="list-style-type: none"><li>• Selects and develops control activities</li><li>• Selects and develops general controls over technology</li><li>• Deploys through policies and procedures</li></ul>
Information & Communication	<ul style="list-style-type: none"><li>• Uses relevant information</li><li>• Communicates internally</li><li>• Communicates externally</li></ul>
Monitoring	<ul style="list-style-type: none"><li>• Conducts ongoing and/or separate evaluations</li><li>• Evaluates and communicates deficiencies</li></ul>

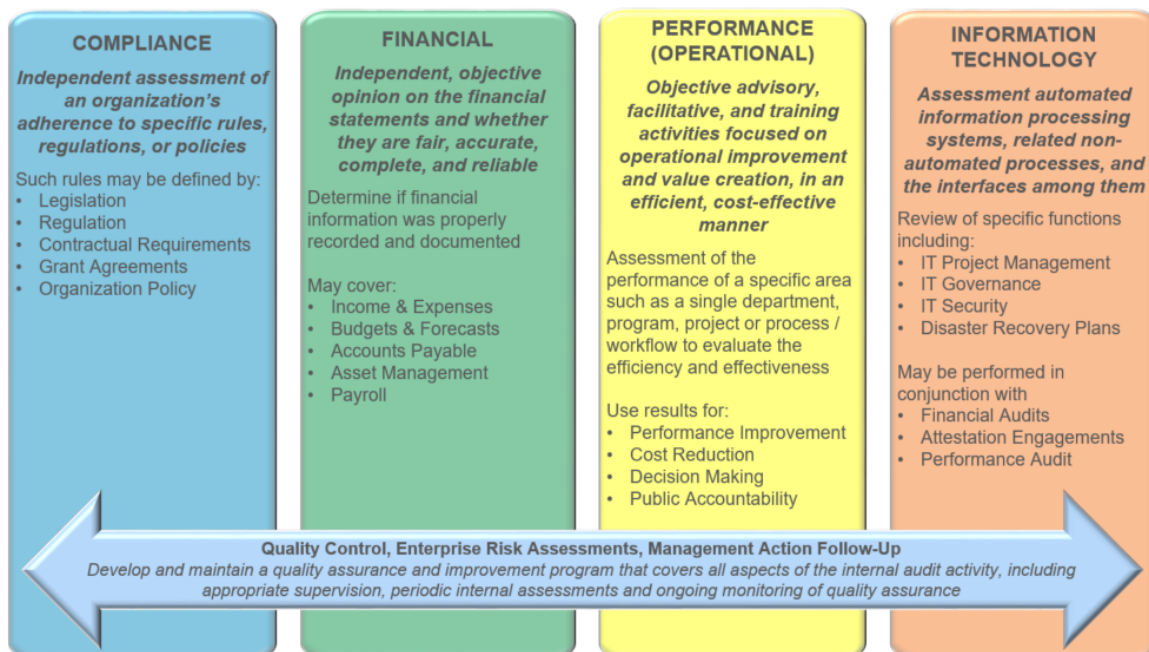
As shown on the following pages, a strong, high-functioning internal audit process has a balance of all types of internal audits and reviews. As such, the proposed internal audit plan includes: Overall Audit Functions, Cycle Audits, Entity-Wide Audits, Individual Function Audits and Special Requests. The proposed plan may also include performance and / or consultative-type projects that assist management with strategy, ongoing initiatives and planning. We have presented a snapshot of the proposed internal audit plan working draft separately, as well as a summary of the planned audit strategy for each audit, subject to modification during the initial planning stages of each audit and subsequent discussions with management.

## The Internal Audit Continuum and Types of Internal Audits

As an internal audit function develops and matures, the various types of audits performed will move through a lifecycle of the control environment in order to not only strengthen and enhance processes and controls, but also to facilitate strategy, decision-making and long-term planning.



The various types of audits that are proposed should include a hybrid mix of audit types, as shown below.





## Proposed Internal Audit Plan – Working Draft

The County's internal auditors have developed an internal audit methodology aligned with Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and AICPA consulting standards. These include systematic audits selected through the risk assessment, ad hoc audits as new facts emerge, or requests by the County Commissioners, Internal Audit Committee, or County Manager.

### Overall Audit Functions

#### **Risk Assessment and Audit Plan Development**

As required by the RSM Internal Audit Methodology, the internal auditor uses risk assessment techniques in developing the internal audit activity's plan and in determining priorities for allocating internal audit resources. The Risk Assessment is used to examine auditable units and select areas for review to include in the internal audit activity's plan that have the greatest risk exposure.

#### **Update Risk Assessment and Audit Plan Development**

Risk is not stagnant. It is constantly evolving. As factors change and situations arise, this plan can and will change. As required by the RSM Internal Audit Methodology, the risk assessment and proposed audit plan is required to be updated annually.

#### **Follow-up Procedures**

As required by the RSM Internal Audit Methodology, internal auditors should establish a follow-up process to ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action. Included within each report provided, for each audit completed, a Management Response section will be added for Management to respond and include an action plan for remediation (if needed), as well as a targeted date of completion. Follow-up procedures will be performed after the completion date noted by Management. Follow-up typically occurs after ample time has passed with the new control / procedure in place (generally six months) to verify and report the implementation status of the recommendations and Management's action with regard to the previously reported findings. Annually, we perform procedures for those issues where the target dates have been reached to verify and report the implementation status of recommendations to the previously reported findings. Follow up reports will be presented to the Audit Committee at least semi-annually.



#### **Quality Control**

The RSM Internal Audit Methodology requires the internal auditors to maintain a quality assurance and improvement program that covers all aspects of the internal audit activity, including appropriate supervision, periodic internal assessments and ongoing monitoring of quality assurance. RSM's Quality Control processes specific to public sector clients include, when applicable, concurring partner review (independent of the engagement) and, when necessary, consultation with the County's Attorney(s) prior to reports being issued into the public record.



## Proposed Internal Audit Plan – Working Draft (continued)

The objective of this assessment is to provide the County with 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. Through the risk assessment, we have identified and propose the following functions be reviewed for the upcoming year:

### FY 2019 / 2020 Internal Audit Plan - Working Draft

#### ***Human Resources – Recruiting and On-Boarding***

One of the most critical activities of a high-functioning Human Resources Department is the ability to recruit qualified candidates and execute successful onboarding processes. Employee hiring / onboarding refers to the procedures taken when an individual is hired to a position at the County. Inherent risks may include: Collaboration and information sharing with Departments is ineffective; Outdated, inadequate or undocumented policies and procedures surrounding job posting, recruiting, screening and offers of employment; Candidate vetting and approvals are not occurring before active employment; Recruiting and hiring process is not efficient/timely thus positions go unfilled; Employees hired are not adequately screened and qualified; and Non-compliance with applicable policies, laws and regulations.

The main objective of an audit of the new hire / onboarding process would include an assessment of the following areas: recruiting, selecting, and onboarding of employees. Aspects of the assessment would include, but not be limited to testing of: completion of any required pre-employment consent forms, performance of necessary background check activities, candidate vetting, the orientation process, employee setup and timeliness to fill positions.

#### ***Self-Insurance TPS Claims Review***

Benefits are a critical piece of an employee compensation package, and health care benefits are often times rated by employees as the most important benefit offered by an employer. Increased costs to all stakeholders and specifically to employees and employers have created the need for entities to scrutinize the structure and funding of their insurance plans. Brevard County offers two health insurance plans (Health Reimbursement Account ["HRA"] or Preferred Provider Organization ["PPO"]) to all of its full time employees. The health insurance plans operate based on a calendar year beginning January 1. The County is in its final year with the current health care providers of Health First and Cigna.

Self-insurance, while commonly used, is inherently high risk due to the high dollar cost and outsourced needs associated with this function from a financial, compliance and performance perspective. Self-insured employers pay the cost of each claim 'out of pocket' as they are incurred instead of paying a fixed premium to an insurance carrier or to a state-sponsored fund. Actuaries are utilized for liability determination. The purpose of this review is to ensure that claims were processed accurately, timely and in compliance with the contract terms.

#### ***Public Records Assessment***

The Public Records Assessment includes evaluating and mapping how and when public information is collected, when non-public data (such as employees' use of a personal email account from their cellular phone) may be accessed on a public network, and the criteria that make that access potentially become public record. As laws and regulations surrounding data protection are constantly changing, it is critical to keep abreast of any changes in laws/regulations and continually reassess compliance with public records requirements. The scope of this project is evolving, but specific areas of focus may include remote access, logical access, privileged access, user access reviews, policies and procedures, and employee training around public access and record retention.

## Proposed Internal Audit Plan – Working Draft (continued)

### FY 2019 / 2020 Internal Audit Plan - Working Draft

#### ***Ongoing Network Scans / Penetration Testing***

Cybersecurity is an important priority within the public sector. These organizations are under constant attack from external attackers. The prospect of finding that an attacker has penetrated the organization's defenses and is able to steal data from the organization's network keeps most leaders up at night. As threats to data and systems have evolved, so have the requirements for safeguarding user, customer, and vendor information. The processes and people that support the security of technology are the key components in protecting these valuable business assets. Likewise, it is important to measure the security of technology assets to understand the ability to defend against threats. We typically recommend that internal and external penetration testing be performed on an annual basis, as threats are constantly changing and evolving.

The objective of *internal* penetration testing is to assess current security controls in an effort to determine the actionable impact from an attacker gaining access to the internal network. The objective of *external* penetration testing is to assess current security controls in an effort to determine the actionable impact from an attacker attempting to bypass perimeter security controls and accessing the internal network or sensitive data. The focus of penetration testing is not to prove that the network is free of all vulnerabilities; rather, the focus is to validate the organization's security posture and configuration standards through assessing the resiliency of the internal network against a determined attacker. This level of testing relies heavily on techniques and toolsets favored by real-world threat actors in order to closely simulate an attack scenario, and leverages both manual and automated testing methods.

The subject matter covered under these audits is confidential in nature, and thus exempt from Florida Statutes 119.07(1) and 286.001; specific details are not disclosed to avoid the possibility of compromising County information and security. This exemption from Florida Statutes and other laws and rules requiring public access or disclosure is addressed under Florida Statute 281.301, Security systems; records and meetings exempt from public access or disclosure.

#### ***Transit Services – Space Coast Area Transit***

An internal audit report was last issued in 2008 focusing on Space Coast Area Transit's internal controls. SCAT runs throughout Brevard collecting and handling significant volumes of cash. The agency is routinely audited by federal oversight agencies, but with technology innovation and ridership is at an all-time high, the fast-paced economic growth engine escalates the importance of strong controls over cash collections, performance and safety measurement, and ongoing fleet maintenance. Our focus will be on controls over the cash handling process, reconciliations and segregation of duties. We will also perform expenditure and budgetary analysis, rate sufficiency and benchmarking with comparable transit operations, as well as look at performance measurement.

#### ***Save Our Indian River Lagoon ½ Sales Tax Referendum***

The citizens of Brevard County voted on November 8, 2016, to approve a half-cent sales tax to be assessed and remitted to the County for use in clean-up efforts for the Indian River Lagoon. The tax is in effect for a period of 10 years and is independently overseen by the Save Our Indian River Lagoon (SORIL) Committee. The role of the Internal Auditors includes monitoring the activities of the SOIRL Committee as well as the reports presented to the Committee by the department of Natural Resource Management. Audit procedures include testing procurement of contracted services, as well as revenue and expenditure reporting, and compliance with municipal cost-share agreements. These reports will be presented semi-annually to the Audit Committee.

## Proposed Internal Audit Plan – Working Draft (continued)

### FY 2019 / 2020 Internal Audit Plan - Working Draft

#### ***USSSA Contract Compliance – Room Night Verification Cycle Review***

Brevard County's Space Coast Stadium Complex includes an 8,100 seat baseball stadium and other recreational facilities. In April 2016, the complex was leased for 20 years to USSSA. USSSA is responsible for the management and operation of the complex, including ticket sales and concessions, applicable taxes, maintenance, and capital improvements of the facilities. The County also contributes to the cost and management of the capital improvements.

Rather than remitting lease payments to the County, USSSA guarantees an amount of "room nights" per year of operation. Room nights are defined as hotel stays in Brevard County, booked specifically for stadium complex events. Per the lease agreement, if the room night guaranty is not met, USSSA shall make additional capital investment based upon a formula. The room nights are reported to the County's Tourism Development Office (TDO), who is the County's designated contract administrator for the lease agreement.

The primary scope and objective of this review is to verify the room nights as reported by USSSA against available documentation, and if a shortfall in room nights compared to stated goals is observed, then to verify USSSA's capital expenditures during the lease year to determine if the contractually required increase in capital investment was made.

#### ***Grant Management and Reporting***

For the Fiscal Year Ended September 30, 2018, the County reported more than \$75M in federal and state grant expenditures, across multiple agencies and departments. Examples include federal funding from the Department of Transportation and the Emergency Management Administration, and state funding from the Department of Environmental Protection. In previous years, the County's external financial statement auditors issued management letter comments with respect to the timeliness of grant reporting to the granting agencies. As of the issuance of the FY 2016 Comprehensive Annual Financial Report (CAFR), the comment had been removed by the auditors. The purpose of the internal audit will be to review the County's grants management processes and related controls for identifying, recording and tracking expenditures under applicable grants; as well as monitoring compliance with reporting requirements, and compliance with federal and state regulations, such as 2 CFR 200 for the use of federal funds.

#### ***Construction Monitoring – Final Report***

In recent years, the County has undertaken several high dollar and high profile construction projects in various different phases of the construction process. Internal Audit has provided real-time review of management's project oversight practices, with a focus on contract compliance and fiscal monitoring. We will be issuing a final report on the South Central Regional Wastewater Treatment Facility Expansion, which was not yet finalized as of May 2019, when the most recent monitoring report was presented.



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