

Internal Audit Committee Meeting

The Internal Audit Committee met on Wednesday, May 24, 2023, at 1 p.m. at the Brevard County Government Center, 2725 Judge Fran Jamieson Way, Viera, Florida, Building C, Florida Room, 3rd Floor.

Committee Members Present: Sam Lenck, Chair; Mary Young; Nancy Tomassone; Wayne Cooper.

Internal Auditors Present: Laura Manlove; Rob Broline; Christine Noll-Rhan; William Campbell.

County Staff Members Present: Frank Abbate, County Manager; Jim Liesenfelt, Assistant County Manager; Jill Hayes, Budget Director; Matt Wallace, Public Safety Director; Shannon Wilson, Attorney; Karen Conde, Assistant to County Manager; Jeff McKnight, Information Technology Director; John Scott, Emergency Management Director; Steve Kimball, Assistant Parks & Recreation Director; Mary Bowers, Purchasing Manager; Lizzet Ruiz, Public Safety Radio System Manager; Kathy Prothman, County Finance Director.

Mr. Lenck called the meeting to order at approximately 1 p.m.

- I. **Introduction of Committee Members:** Mr. Lenck asked that each committee member introduce themselves since there were two new members. Introductions were made.
- II. **Approval of Minutes:** The minutes from November 14, 2022, meeting were presented for approval. Mr. Lenck stated he had two corrections. Corrections were noted. Ms. Young motioned to approved minutes as corrected. Mr. Lenck seconded the motion. Motion carried unanimously.
- III. **Follow-Up Report:** Ms. Manlove provided a brief background of the follow-up report and how it correlates with the function of the internal plan and the audit committee's overview.
 - a. **800 MHz Towers.** Ms. Manlove presented the first follow-up report to the Committee. She noted this audit is now closed. There were no questions.
 - b. **Contract Compliance; Golf Operations.** Mr. Campbell presented the second follow-up report and noted both observations are closed.

Mr. Lenck questioned if the county still operates only two golf courses. Mr. Abbate stated yes, Spessard Holland Golf Course and Habitat Golf Course. Mr. Campbell stated there were three courses, but they've reduced to two courses.
- IV. **Audit Report; a. Accounts Payable.** Mr. Broline gave an overview of how CRI presents and formats their reports. Mr. Broline presented the report to the committee.

Ms. Young questioned if 50 invoices was sufficient enough and if they were pulled from finance. Mr. Broline explained 50 invoices is on the heavy side, they start with 30 invoices and go up from there based on volume and risk and discussed in prior internal audit testing, they would typically sample anywhere from 30 to 50 invoices.

Ms. Young asked if you stratified the testing. Mr. Broline explained they did a random sample using their methodology (active data) which included 13 to 14 different departments with focus on internal controls and felt they got a good representative sample.

Mr. Lenck inquired about the dollar amount / size of the invoices. Mr. Broline explained it's a random sample based on internal controls regardless of the dollar amount.

Mr. Cooper questioned if the sample size would increase if more errors than expected were found. Mr. Broline explained regarding the control area, we decide how pervasive it is and then make a judgement to expand the sample; however, if it's a high-risk area and we found a lack of an approval out of 50, that's significant, therefore there would be a failure in the control and additional testing would be done. Mr. Cooper also questioned the number of errors found from the 50 invoices for delivery or services. Mr. Broline explained the follow up process and will repeat the testing until no exceptions are found. Discussion ensued regarding sampling guidelines.

Ms. Tomassone asked for the invoice approval process, are there limits a certain level individual within the organization must approve the invoice. Mr. Broline said yes, over a certain dollar amount the County Manager must review and approve it. Ms. Tomassone inquired if that was part of the review that you conducted here. Mr. Broline stated yes.

Ms. Young noted a discrepancy on page 4 regarding the number of days to submit invoices to County Finance. Mr. Broline stated that's a scrivener's error, it's 10 days to submit to finance and will have the report corrected.

Mr. Broline continued with his review of observation 1, Invoice Processing, and explained that samples found did not indicate delivery or service dates on the invoices.

Mr. Cooper questioned how would Finance know if the date is not marked on the invoice? Mr. Broline explained that's the requirement, the department is required to indicate the delivery or service date on the invoice.

Mr. Broline reviewed observation 2, Invoice Submission and Timeliness.

Ms. Young asked where does the 45-day requirement to pay invoices come from? Mr. Broline explained it's the Prompt Payment Act, a Florida Statute requirement and noted it's cited in the administrative order. Ms. Young stated it should be mentioned in the report and Mr. Lenck agreed this should be noted in the observation.

Mr. Cooper asked if the Federal Government has the 45-day requirement. Mr. Broline stated yes, and noted construction services is 30-days. Mr. Broline stated he will add the Florida Statutes language in the observation.

Mr. Broline reviewed observation 3, Authorized Signatures.

Ms. Tomassone asked if there was any discussion on digital signatures and using it more broadly to automate the process.

Ms. Prothman explained that would be a county management decision and County Finance is not in a position to mandate it, however; digital signatures makes it easier for

us to decipher signatures. She also stated they are satisfied with the procedures the county has in place for digital signatures.

b. American Rescue Plan Act, Quarterly Reports: Ms. Noll-Rhan gave a brief background on the American Rescue Plan Act, amount of funds received, and compliance requirements by the Treasury. Ms. Noll-Rhan presented the FY 2022 quarterly report.

Mr. Lenck said this is more of a consulting assignment verses an internal audit and with prior discussions several years ago, it appears the internal auditors are doing more consulting, making suggestions as the process goes along. Mr. Broline explained this is internal audit in real time because Ms. Noll-Rhan is specifically looking at compliance. Mr. Lenck stated we typically see a report then audit that report, but here you are reviewing it before that report is issued.

Mr. Abbate clarified this is an audit and not consulting and further explained a consultant was brought on board prior to any expenditures and reviewed thoroughly. Subsequently, the Treasury set up requirements on how to publicly report information which we are required to submit on a quarterly basis, once those draft reports were completed, the auditors became involved in reviewing those reports and they do provide additional assistance specifically when the Treasury changed the formula or defined how to qualify and maximize revenue replacement. They are assisting us on a quarterly basis, but we have a multi-step process internally which includes a consultant.

Mr. Lenck questioned if this is something the auditors should be spending time on or are there other areas they could be auditing. Mr. Abbate explained we are responsible for both CARES and ARPA for making sure we encumber and spend the funds timely then properly categorize those expenditures, otherwise the Treasury has the ability to come back and audit the county and seek reimbursement for anything that was done inappropriately.

Ms. Noll-Rhan continued reviewing the FY 2022 quarterly report.

Mr. Cooper asked if that's all the expenditures in the first \$58 million. Ms. Noll-Rhan said yes, the \$58 million was the first tranche received.

Ms. Tomassone questioned if there was a timing difference for the amounts for obligations and actual expenditures for the two projects noted.

Ms. Noll-Rhan explained sometimes it's the timing when it's reviewed, if something was accrued and now it will need to be added in as an expense, or the whole project may have initially been funded by ARPA then changed to only partial ARPA funding. Ms. Tomassone clarified it's more reconciliation differences. Ms. Noll-Rhan stated yes.

Ms. Noll-Rhan presented the next quarterly report, the first quarterly report for FY 2023.

Mr. Lenck asked what is the new EOC building? Mr. Abbate explained it's our new Emergency Management building currently under construction and he further explained it's a \$30 million plus project, construction costs have gone up considerably from when the project was initially looked at, therefore, the Board agreed to provide additional funding through ARPA so we could move forward. We anticipate completion prior to the

2024 hurricane season. The building will also function as a consolidated dispatch center, which includes both the county's fire rescue and sheriff's office dispatchers.

c. Information Technology. Ms. Manlove provided an overview of the IT audits listed on the internal audit plan and stated the County Manager, IT Director, and Committee's Chair were briefed regarding the results of the Penetration Assessment prior to today's meeting.

Mr. Lenck explained the testing looked good and commented on the cooperation between the auditors and the county because it's not an adversarial role it's the auditors' making suggestions on how to improve the system and the county accepting those recommendations.

V. Risk Assessment and Audit Plan Review. Ms. Manlove provided an overview of the internal audit plan and explained their risk assessment process and noted once that process is completed, they will propose the 2024 and 2025 audits to the committee for approval.

Mr. Lenck questioned if there were any changes in the proposed 2023 audits. Ms. Manlove stated no and clarified they will not change without the audit committee's direction and if there is a need to substitute, replace, or postpone any approved audits by this committee we would do so under your direction.

Ms. Young asked if the auditors had a chance to speak with our new commissioner. Ms. Manlove explained they are preparing to schedule meetings, interviews, and start the risk scoring process this summer.

Ms. Tomassone asked when you do your risk rating, you will give us some indication of where these various areas fall out, how they are rated, sort of a road map for us to be able understand better what's being looked at and what is not. Ms. Manlove explained in our report we define the criteria, factors, behind the scenes, and inherent risks.

Mr. Lenck asked if there were any further questions or comments.

Mr. Campbell added they have the Half-Cent SOIRL project underway.

VI. Other Business. No other business.

VII. Public Comments. No public comments.

Meeting adjourned at approximately 2:01 p.m.