

Internal Audit Committee Meeting Minutes

The Internal Audit Committee met on Wednesday, August 21, 2024, 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, Mary Young, Nancy Tomassone, Steve Simmons (via phone). Absent member(s): Wayne Cooper.

Internal Auditors Present: Laura Manlove, Rob Broline, Debbie Goode, Weiss Campbell, Ryan Moore, Greg Moody, and Derek Atherley.

County Staff Members Present: Frank Abbate, County Manager; Jill Hayes, Budget Director; Becky Behl-Hill, Attorney; Kathy Wall, Central Services Director; Jeff McKnight, Information Technology Director; Karen Conde, Assistant to County Manager; Mark Peterson, Assistant Finance Director; and Joy Roth, Administrative Assistant to County Manager.

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

- I. **Approval of Meeting Minutes:** The minutes from May 22, 2024, meeting were presented for approval. There were no corrections or changes. Ms. Young motioned to approve the minutes, seconded by Ms. Tomassone. Motion carried unanimously.
- II. **Follow-up Report:** Ms. Goode presented Accounts Payable follow-up report and noted all items are closed. There were no questions.
- III. **Risk Assessment and Audit Plan Review:** Ms. Manlove gave an overview of the Internal Audit Plan and noted all audits are almost complete for this fiscal year. She also discussed their contract for auditing services will be ending and the county will be soliciting for internal audit services and expect that whichever firm is selected will be conducting the Risk Assessment for FY 2025.

Mr. Lenck stated that fiscal year 2025 is quickly approaching and shouldn't we have a plan going forward and asked when the current contract expire? Ms. Goode stated November 1st.

Mr. Lenck stated the next meeting we have will be under a new contract. Mr. Abbate explained we will also have a new Board so it will be good timing for the new vendor to meet with the new commissioners to get their input rather than the current Board and also noted the county will be opening the Request for Proposal on September 12th. Mr. Lenck asked when do you think a selection will be made? Ms. Wall stated within 30 days.

Ms. Young asked if we need to shift the next meeting if a new firm is selected. Mr. Lenck said he wanted to wait and see who is selected and if it's the same firm then it should be business as usual. Ms. Manlove said they will be happy to bring back the completed audit on November 6th in the event another firm is selected.

Ms. Tomassone asked if the Half Cent Sales Tax report is still planned for this year. Ms. Manlove stated that they are also in the process of performing the audit for Save Our Indian River Lagoon.

IV. Audit Report: Mr. Broline presented the Cash Management and Investments Report.

Mr. Lenck questioned if the Investment Committee is made up of employees or the public. Mr. Peterson explained the committee is made up of public citizens with some that are in the finance sector, but all have investment knowledge.

Mr. Broline continued with his review.

Ms. Tomassone questioned if monitoring is in place in the event the investment advisor is not in good standing prior to any contract renewal. Mr. Broline explained by virtue of all the monitoring that takes place by county management and the advisory committee, monitoring is in place and that's part of their responsibility and Mr. Peterson also explained it's reviewed and when it comes time for a renewal, we contact county staff to put forward an agenda to the Board requesting an option to renew. Ms. Tomassone asked if there was oversight during the life of the contract. Mr. Peterson stated yes.

Ms. Young said you're looking at investment, the county keeps a portion of cash in a traditional banking facility, but it doesn't seem like we really address that as much as we are addressing compliance with the investment guidelines. Mr. Broline explained that was more of the focus, we looked at cash management and investments and the procedures around cash management during our testing.

Ms. Young also questioned if bank reconciliations were reviewed. Mr. Broline explained in this case we did not look at bank reconciliations because that's a separate audit, we have done cash cycle audits in the past where we look at all bank reconciliations.

Ms. Young said as part of this scope, when you deal with cash management, you are not touching the cash management requirements that comes with federal grants. Mr. Broline stated no, that was not part of the scope.

Ms. Young stated since the county has to budget investment income, she questioned if the Investment Committee provides feedback or assists in the budget process or does the advisor submit an investment income number for the annual budget. Mr. Peterson explained County Finance provides that information to the Budget Office as far as what we are currently earning and, through the quarterly investment meetings, we will provide a reasonable interest rate for budgeting purposes.

Ms. Young discussed on a budget related topic, not directly in this report, that the county's \$10 million dollar variance (due to interest rates or earnings) seemed a bit high. She questioned if the Investment Committee is interacting, through County Finance, to change an investment income estimates and why the amended or final budget didn't show more investment income?

Mr. Peterson explained at the beginning of 2023, rates were starting to increase and have continued to stay high, if you are looking at our financial systems and if you're looking at the budget to actual report at year end, you also have the impact of marking the portfolio to market value which the previous year there was a tremendous loss because securities had dropped. This year, because of the change in interest rates, we've seen tremendous growth.

Mr. Peterson further explained if departments need additional funding, they have the ability to amend the budget. If interest earnings allocated to them are not used, then it becomes part of their balance forward which then gets put into the budget for the following year.

Ms. Young said that seems reasonable to let the money go through balance forward and then to allocate it in the subsequence.

Mr. Peterson added from the standpoint of investments, County Finance handles the short-term investments, and the investment advisor manages the long-term portfolio which is anywhere from a year and out. They look at where is the best return, what's safe, and is it compliant with the policy. They are not involved with day-to-day operations or movement of money. There were no further questions.

Mr. Broline reviewed observation 1.

Mr. Lenck stated that he was surprised that observation 1 was a finding regarding members absent. Mr. Broline explained it's a low risk however, it's good to keep track because if you have so many absences, it's subject to removal.

Mr. Broline reviewed observation 2. There were no further questions.

V. Other Business: No other business.

VI. Public Comments: No public comments.

Meeting adjourned for the public at approximately 1:27 p.m.

VII. Closed Session per F.S. 119.0725(2) Cybersecurity Exemption.