



Brevard County, Florida Fiscal Year 2024-25 Proposed Internal Audit Plan

February 5, 2025



TABLE OF CONTENTS

Transmittal Letter1

Process Overview2

Proposed Internal Audit Plan6

TRANSMITTAL LETTER

February 5, 2025

The Audit Committee of
Brevard County, Florida
2700 Judge Fran Jamieson Way
Viera, Florida 32940-6699

We hereby submit the proposed internal audit plan for the Brevard County, Florida ("County") for fiscal year ("FY") 2024/2025. We applied a broad-based, comprehensive view of risk, linked to the annual budget and operations, and reviewed 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 to narrow in on the relevant objectives and identified inherent risks.

We have a business view of risk, linked to the annual budget and operations, and conducted interviews with members of the Management team to identify opportunities and vulnerabilities; as well as reviewed commissioner 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 plan, which is continuously evolving and is presented in draft form because it is a living document. As factors change and situations arise, this plan can and will change.









We have included the potential significant risks and internal audit strategy for each of the functions in the proposed FY 2024/20245 internal audit plan in this report. 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

RSM US LLP

PROCESS OVERVIEW

Objectives	Risk Classifications
<p>This process is intended to assist in analyzing risk impacting the County's current operating environment, including inherent and residual impacts and likelihood, and to identify the key risks impacting the current operating environment, functions, and activities. Objectives included the following:</p> <ul style="list-style-type: none"> Identify and prioritize key risks impacting the County's current operating environment, functions, and activities. Refresh the County's risk profile and enhance management's awareness of risks, as applicable. Facilitate discussions with management regarding risk ownership and mitigation activities. Develop a proposed internal audit plan for the County. 	<p>Risk classifications serve as the framework for assessing and prioritizing the risk model. RSM classified each of the risks into one or more of the following categories:</p> <div>  <p>Compliance Compliance with applicable laws and regulations.</p> </div> <div>  <p>External Factors Known and emerging market trends, industry regulations, external stakeholder expectations, political, environmental, social, and technological unexpected events.</p> </div> <div>  <p>Finance Oversight and internal controls over budgeting and forecasting, procurement, financial reporting, endowment, and utilization of resources.</p> </div> <div>  <p>Human Resources Policies, procedures, and practices for attracting, training, and maintaining a qualified, skilled, and diverse workforce.</p> </div> <div>  <p>Operations Effectiveness and efficiency of processes and communications across departments to achieve strategic, financial, and operational objectives.</p> </div> <div>  <p>Reputation Ability to anticipate and mitigate risks that could adversely affect external perceptions of the organization.</p> </div> <div>  <p>Strategic Executive level oversight, planning and reporting processes established to achieve strategic objectives including monitoring performance and organizational alignment to meet objectives.</p> </div> <div>  <p>Technology A sufficient IT infrastructure and environment to meet the needs of the County. Oversight and internal control over data integrity, business continuity, disaster recovery, data privacy, general and application controls, and cybersecurity.</p> </div>
Approach	
<ol style="list-style-type: none"> <u>Identify and Measure Risk</u> <ul style="list-style-type: none"> Conducted interviews with key stakeholders to identify current risks. Reviewed the County's strategic plan, financial statements, current events, prior risk universe, and other information as deemed applicable. <u>Prioritize risk</u> <ul style="list-style-type: none"> Evaluated the level of risk within each process area based on the frequency with which it was mentioned during the interviews and the severity of potential impact on County operations and fulfillment of objectives. Evaluated risk across various classifications, such as: Reputation, Technology, Compliance, Finance, External Factors, Operations, Human Resources, and Strategic. <p>Note: RSM evaluated and prioritized risks based on information obtained from interviews, severity of impacted business operations, and interference with fulfillment of County objectives. Our review did not include detailed testing of source documents.</p> <u>Communicate Results</u> <ul style="list-style-type: none"> Prepared an overall risk profile by classification. Reviewed risk profile and deliverable with each County Commissioner and the County Manager. 	

PROCESS OVERVIEW (CONTINUED)

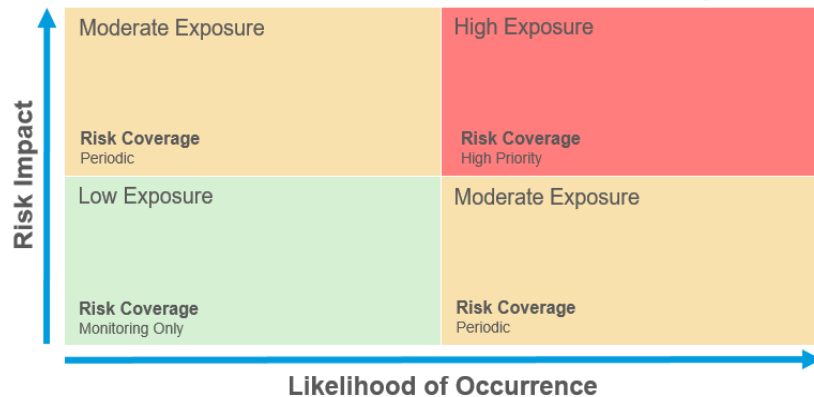
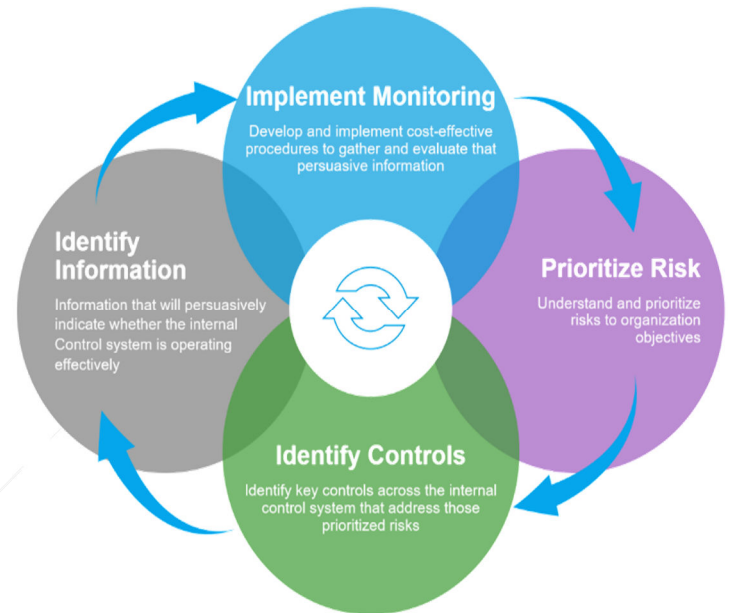
As previously noted, the objective of this risk assessment is to provide the County with a proposed internal audit plan that has coverage of those areas evaluated as having a relatively high-risk profile or that otherwise require internal audit attention for various reasons.

Our approach is based on the widely accepted Committee of Sponsoring Organizations (“COSO”) guidance on monitoring Internal Control Systems as shown to the right.

Preparing the proposed internal audit plan from the risk assessment will facilitate that resources are focused on areas, which are currently 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 that are inherently high-risk may be included in the proposed internal 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. This proposed internal audit plan 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 proposed internal audit 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 proposed 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.

A proposed internal audit plan generally focuses on areas or functions that are high exposure and high priority, at a point in 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.

PROCESS OVERVIEW (CONTINUED)

Our risk assessment was conducted utilizing a broad-based business view of risk. We conducted interviews with each of the County Commissioners to gain an understanding of their perspective of risk, focusing on their objectives to identify potential risks. We also conducted interviews with the County Manager, various department heads and other personnel within the County to identify risks, vulnerabilities, and potential opportunities. In addition, we reviewed media coverage and County meeting agendas, minutes, and other available documentation. Our research and discussion with various levels of leadership within the County provides broad insight and understanding of potential risk from the perspectives of key process owners.

We evaluated the level of risk present in each area / function, across a standard spectrum of industry-accepted risk categories as follows:

Control Environment	Describes the overall tone and control consciousness of the process / 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 affected or is expected (in the near term) to affect the process / function, including changes in key personnel, statutes, the organization, its products, services, systems, or processes.
Process Risk	Addresses the inherent risk of the activities performed by the process / function, including assets managed or in the custody of the process / function. Process risk addresses the extent of support the process / function provides to vital County functions, including the threat to continuity of the County caused by failures or errors: the probability of failure due to the amount of judgment, or technical skill required to manage the unit or perform key activities.
External Factors	Describes the environment in which the process / function operates and the type and amount of external interaction in which the process / function engages. Factors to consider include overall County and regulatory environment, the level of interaction with stakeholders and success in satisfying their requirements, the financial reporting environment, and results of regulatory compliance audits.
Revenue Source / Materiality	Describes resources available and expended by the process / function. Factors to consider include the originating source of funds for a process / function, function budget, function spend, availability and use of other resources, and significance of impact to the overall operation of the County.

A strong, high-functioning internal audit process has a balance of all types of internal audits and reviews.

PROCESS OVERVIEW (CONTINUED)

The County's internal auditors have developed an audit methodology aligned with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and AICPA consulting standards. This methodology includes systematic audits selected through a risk assessment, ad hoc audits as new facts emerge, or requests from stakeholders such as the Internal Audit Committee or County Manager. Additionally, fully functioning audit operations should incorporate these processes to verify thorough and effective oversight.

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. The high-risk areas of focus and proposed internal audit plan should be updated annually.

Follow-up Procedures

Auditors should establish a follow-up process to confirm that management actions have been effectively implemented or that Management has accepted the risk of not acting. 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 related to the previously reported findings. Periodically, 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.

Quality Control

Internal Auditors should maintain a quality assurance and improvement program that covers all aspects of the 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 General Counsel prior to reports being issued into the public record.



PROPOSED INTERNAL AUDIT PLAN – FY 2024-25

The objective of this assessment is to identify 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 to be reviewed during FY 2024-25. The below proposed subject areas are in no particular order.

1. Information Technology - Payment Card Industry (PCI) Compliance - Ongoing

Overview:

The Payment Card Industry Data Security Standard (PCI DSS) refers to payment security standards that verify all sellers safely can securely accept, store, process, and transmit cardholder data and credit card information during a credit card transaction. Any merchant with a merchant ID that accepts payment cards must follow these PCI compliance regulations to protect against data breaches under 4.0.1 of the PCI Data Security Standard (DSS). The requirements range from establishing data security policies to removing card data from the County's processing system and payment terminals.

Cardholder or payment data covers information such as the full primary account number, the cardholder's name, and the credit card service code and expiration date. Merchants are also responsible for protecting sensitive authentication data in the magnetic-stripe data.

Inherent Risks:

Lack of compliance with Payment Card Industry standards increases the risk of data breaches, fines, card replacement costs, costly forensic audits and investigations, damage to public perception and more if a breach occurs. The purpose of this assessment will be to identify areas of non-compliance with the new standard and/or vulnerability and make recommendations to mitigate any issues noted as well as track efforts and progress on those previously noted remediation areas. We have performed procedures to assist the County with their PCI readiness since FY21 and will continue to do so in FY25.

Internal Audit Strategy:

This audit will focus on testing the accuracy and completeness of policy documentation, including incident response plans and their expansion to cover PCI-related events. Testing will also include evaluating the effectiveness of IT controls, particularly around PCI compliance, network segmentation, and third-party service provider management. Additional procedures will involve assessing the adequacy of procurement processes, verifying the proper definition of roles and responsibilities, and validating that backup practices, including offsite backups, are in place to mitigate risks. Assessments will verify ongoing alignment with industry standards and regulatory requirements.

PROPOSED INTERNAL AUDIT PLAN – FY 2025 (CONTINUED)

2. Natural Resource Management – Save Our Indian River Lagoon Half-Cent Sales Tax - Ongoing

Overview:

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 (SOIRL) 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.

Inherent Risks:

Lack of proper oversight and monitoring of the Half-Cent Sales Tax - Lagoon Tax presents several risks that could hinder the successful execution of the Lagoon restoration projects. The estimated \$586 million in revenue over ten years increases the risk of mismanagement, fraud, or misuse if not adequately controlled and monitored. Inaccurate reporting of SOIRL collections can lead to significant budgeting issues, creating either a false surplus or potential deficits that could affect project funding. Failing to verify that expenditures from the SOIRL trust fund adhere to proper procedures could lead to misallocation of funds, diverting resources from their intended projects and creating inefficiencies in project execution. The lack of adherence to proper procurement processes further heightens the risk of conflicts of interest, favoritism, or the awarding of contracts to unqualified vendors, which could result in delays, cost overruns, or subpar execution. The purpose of this assessment will be to evaluate these risks and recommend strategies to mitigate them, validating that funds are appropriately allocated, and procurement processes are transparent and efficient.

Internal Audit Strategy:

Internal Audit procedures may include testing project budget set up and monitoring, procurement of contracted services, as well as revenue and expenditure reporting, and compliance with municipal cost-share agreements.

PROPOSED INTERNAL AUDIT PLAN – FY 2024-25 (CONTINUED)

3. Information Technology - Network Scans / Penetration and Security Testing - Ongoing

Overview:

We have performed ongoing network scanning and deeper targeted penetration testing regularly since 2017. Network security is constantly evolving as threat actors continue to change their attack approaches. Best practice is to perform ongoing network scanning and targeted penetration testing on a regular basis to monitor the County's defense against attacks. As the County undergoes further transformation in Information Technology this coming year, we will continue to provide ongoing monitoring and penetration testing, provide follow up to our prior reports as needed, as well as provide our subject matter professionals to the County for consultation.

Inherent Risks:

Network scans, penetration testing, and security assessments pose a variety of internal risks. These risks include both internal and external data breaches, potential data theft or inadvertent loss, exposure to social engineering and phishing attacks, reputational damage, operational disruptions or failures, and financial losses. It is crucial to recognize and mitigate these risks to guarantee comprehensive security and maintain business continuity.

Internal Audit Strategy:

The primary objective would be to assess the productivity of the County's current security controls in place by conducting internal and external penetration tests and vulnerability scans. Focus areas may also include social engineering assessments and threat intelligence gathering. The outcome of these penetration tests document the County's existing security posture and identify targeted weaknesses and vulnerabilities in Brevard County's internal and external presence.

PROPOSED INTERNAL AUDIT PLAN – FY 2024-25 (CONTINUED)

4. Information Technology - Library Firewall Consultation

Overview:

A firewall is a critical component of cybersecurity infrastructure for organizations in Brevard County, serving as the first line of defense against unauthorized access and cyber threats. This network security device monitors and controls both incoming and outgoing traffic based on established security rules. By creating a barrier between trusted internal networks and untrusted external networks, such as the internet, firewalls help safeguard local businesses, government agencies, and residents from increased cyberattacks.

Inherent Risks:

Lack of proper oversight and management of the County's IT systems presents several risks that could affect the successful execution of technology initiatives. Design and security issues could compromise the effectiveness or safety of infrastructure and systems if not properly addressed. As the County continues advancing its technology initiatives, the integration of new systems introduces risks of disruption or compatibility issues. The purpose of this consultation will be to evaluate these risks and recommend strategies to mitigate them, executing effective management, security, and continued progress in technology advancement.

Internal Audit Strategy:

The objective of this audit is to review the current library firewall ruleset and identify opportunities for cleanup and optimization to increase security. Following this review, we will assist the County with the implementation of a next-generation firewall appliance. RSM will also provide support during the migration process, including cutover assistance and next-day support.

PROPOSED INTERNAL AUDIT PLAN – FY 2024-25 (CONTINUED)

5. Information Technology - IT Governance and Controls Assessment

Overview:

Information Technology risk directly correlates to business consequences, and analysis as the first step in understanding specific risks and developing the right strategies to mitigate them. Frequent technology and market changes increase the complexity of accurately measuring IT risk. An IT governance and controls assessment provides an understanding of the risks associated with deploying and managing the various hardware, software, and network infrastructure technologies used by Brevard County. Each technology asset carries associated risks that need to be identified and evaluated for their significance. With this understanding, management can best prioritize infrastructure, procedures, and management controls aimed at addressing the most significant risks, validating that all assets have risks reduced to an acceptable level. It should be noted that Brevard County's Director of Information Technology Department is anticipating turnover in the next year, which may impact the continuity of IT risk management strategies.

Inherent Risks:

Inadequate identification and management of IT risks can expose Brevard County to operational disruptions, security breaches, and financial losses. The rapid pace of technological change, combined with frequent market shifts, complicates the process of accurately assessing these risks. The County's technology assets, including hardware, software, and network infrastructure, each carry their own risks, which need to be continuously identified, prioritized, and mitigated to verify the overall security and stability of the IT environment.

Internal Audit Strategy:

The strategy will focus on identifying, evaluating, and mitigating risks related to the County's technology infrastructure, including hardware, software, and networks. The audit will assess the current IT risk management framework, verifying compliance with industry standards, and addressing the impact of leadership turnover. By prioritizing significant risks and reviewing existing controls, the audit will provide actionable recommendations to strengthen security, reduce vulnerabilities, and establish operational continuity. Regular monitoring and collaboration with management will be essential for maintaining an effective and adaptive risk management strategy.

PROPOSED INTERNAL AUDIT PLAN – FY 2024-25 (CONTINUED)

6. Public Works- Facilities Maintenance

Overview:

The County's Public Works Department plays a vital role in maintaining a safe, clean, and functional environment for the community and staff. The Public Works Department is responsible for the upkeep of roads, grounds, buildings, equipment, and other assets. Timely repairs and preventative maintenance help extend the useful life of County facilities and potentially reduce future costs for renovation, repair, or replacement. Work orders are used to manage, organize, and track maintenance activities. A critical aspect of this process is maintaining proper control over the accumulation and allocation of maintenance expenditures, including employee labor and inventory/parts used for specific projects. These factors, along with the increasing volume of capital projects due to County growth and the materiality of the proposed budget, make this process high-risk from compliance, financial, operational, and public perception perspectives.

Inherent Risks:

Maintenance operations and work order management present several risks, including inaccurate accumulation or allocation of time and materials, ineffective monitoring and reconciliation of the work order system, and inadequate oversight of work order distribution, production, and overtime. Delays in responding to priority work orders, a growing backlog, and insufficient tracking of key performance indicators, such as work order turnaround, employee productivity, and parts utilization can further impact efficiency and service delivery. Additionally, outdated, inadequate, or undocumented policies and procedures may contribute to inconsistencies in maintenance processes and decision-making.

Vendor-related risks include non-compliance with Florida Statutes and County procurement policies, unreported conflicts of interest, and improper contract administration. Other concerns involve contract non-compliance, favoritism, vendor non-performance, and failure to meet key contract provisions. These risks can lead to financial inefficiencies, noncompliance with Florida Statutes and County policy, and operational disruptions.

Internal Audit Strategy:

To assess maintenance standard operating procedures and determine whether they are sufficient and cover the numerous aspects of the maintenance work order system, including the work order process and associated controls. The internal audit may also include detailed testing of sampled work orders and their relevant approvals, expenditures, prioritization, and adherence to preventative maintenance work order schedules. The internal audit may focus on the Public Work Department's process for procuring goods and services, management and administration of vendors and maintenance contracts, work order monitoring processes, work identification and prioritization, work order completion and review, utilization of work order system and relevant reporting, and internal performance monitoring.

PROPOSED INTERNAL AUDIT PLAN – FY 2024-25 (CONTINUED)

7. Solid Waste- Disposal Revenue Bonds

Overview:

Solid waste management risks are closely tied to the overall effectiveness and sustainability of the County's waste services and can have significant business and environmental consequences. Brevard County's solid waste facilities consist of two landfills (Central Disposal Facility in Cocoa and Sarno Landfill in Melbourne). Two transfer stations (Sarno and Titusville). The Mockingbird Mulching Facility and Household Hazardous Waste Collection Centers located at the Central Disposal Facility, Sarno Landfill and Mockingbird Mulching Facility.

In Florida, businesses that collect trash, recyclables, and any other kind of solid waste are required to be licensed with the local government that is in charge of solid waste disposal. To be eligible for licensure, and to maintain it, various Solid Waste Disposal Bonds are mandated. On March 7, 2023, Waste Pro USA, Inc. was approved by resolution authorizing a solid waste bond not to exceed \$3,900,000 to provide financing for the acquisition, construction and equipping of solid waste disposal facilities and used in connection with the disposal, conversion, or reclamation of solid waste.

Inherent Risks:

The lack of effective controls and oversight within the solid waste management bond resolutions increases the risk of inaccurate financial mismanagement, non-compliance with regulations, and potential damage to the County's reputation.

Internal Audit Strategy:

The objective would be to assess whether the system of internal controls is adequate and appropriate for compliance with applicable laws, administrative rules, and other guidelines, to evaluate the control structure surrounding the monitoring and procurement of the solid waste disposal bond. The audit may include evaluation of the monitoring process for the bond and testing of expenditures and procurement related to the purchases of new collection vehicles and/or repairs to existing collection vehicles, solid waste collection containers and compactors, other related machinery, equipment, and property used for the collection, storage, treatment, utilization, processing, and final disposal of solid waste.



RSM US LLP
7351 Office Park Place
Melbourne, Florida 32940
321.751.6200
www.rsmus.com

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