



Brevard County, Florida

Proposed Internal Audit Plan

Fiscal Year 2022/2023

October 19, 2022



TABLE OF CONTENTS

Transmittal Letter	1
Overview	2
Risk Assessment	3
Proposed Internal Audit Plan – Working Draft	5

TRANSMITTAL LETTER

October 19, 2022

The Audit Committee of
Brevard County, Florida
2725 Judge Fran Jamieson Way
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We hereby submit the proposed internal audit plan for the Brevard County, Florida (“County”) for fiscal year (“FY”) 2022/2023. We applied a broad-based, comprehensive 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 inherent 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 *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. Our internal audit approach and methodology are outlined below:

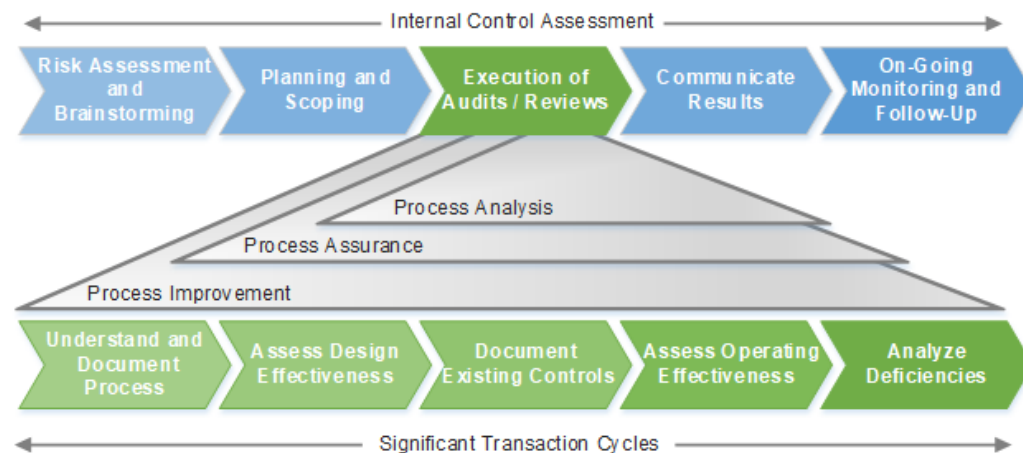
Internal Audit Approach and Methodology

We have included the potential significant risks and internal audit strategy for each of the functions in the proposed FY 2022/2023 internal audit plan in this report. The preliminary FY 2023/2024 plan is presented in our audit universe 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

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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 2022, 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 to the right:

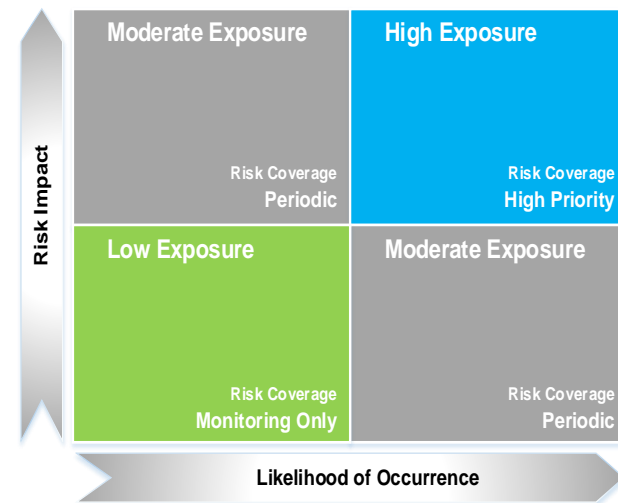
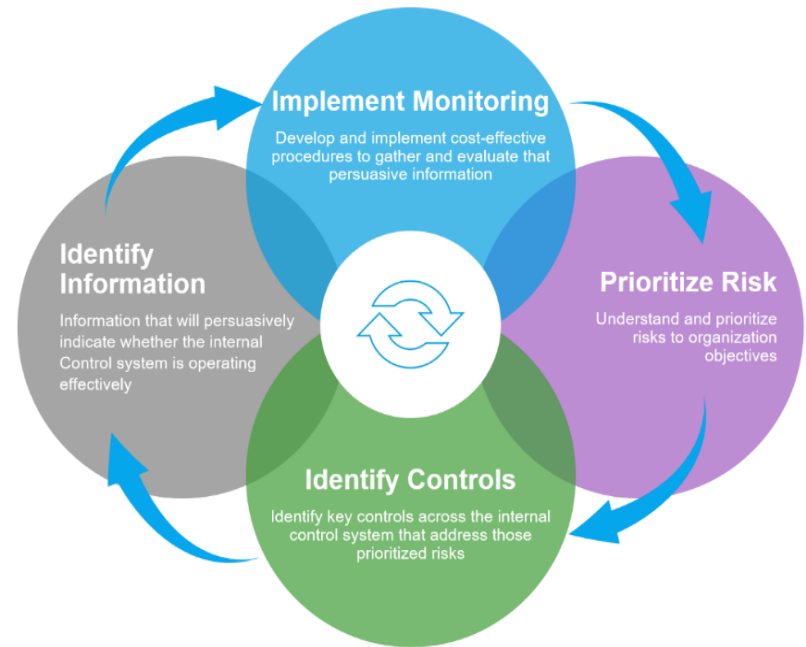
Preparing the proposed internal audit plan from the risk assessment will facilitate focusing resources on areas of most immediate concern to the County. Our risk assessment considers ‘inherent risk’, which is the risk of a function in an environment void of controls. Therefore, functions with inherently 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 support and promote the internal audit function, this proposed plan can and will change. The chart to the right 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 (CONTINUED)

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

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, 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.

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

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 functions 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.

Ongoing Remediation and 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 observations. 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 items. Follow up reports will be presented to the Audit Committee at least semi-annually.

Quality Control and Audit Committee Preparation

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 (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:

1. Information Technology - Ongoing Network Scanning / Penetration and Security Testing

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.

Internal Audit Strategy

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.

2. Information Technology - Payment Card Industry Data Security Standard (PCI DSS)

The Payment Card Industry Data Security Standard (PCI DSS) refers to payment security standards that ensure 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. 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.

Lack of compliance with PCI 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.

Internal Audit Strategy

We performed consultative procedures to assist the County with their PCI readiness in FY22 and will continue to do so in FY23.

PROPOSED INTERNAL AUDIT PLAN (CONTINUED)

3. Cybersecurity & Privacy – Incident Response

Government entities' information technology and data are under constant threat from external attackers. As threats and cyber-attacks on data and systems have evolved, so too have the requirements for safeguarding user, employee, and County information. The processes and people that support the security of technology in the County 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.

To keep up with a myriad of cybersecurity threats, organizations need to have a formal plan to respond to a cyber-incident. Regardless of the level of planning and preparation, no organization is completely safe against cyberattacks. Hence, organizations need an incident response plan ("IRP") that identifies possible cyberattacks and the County's step-by-step response. Performance of tabletop exercises during this process will enable the County to verify their IRP is well rounded. Given the increasing complexity and number of cybersecurity incidents occurring within government organizations across the country, the risks of harm to the County's reputation and finances are increasing.

Internal Audit Strategy

This exercise would include a review of the County's current IRP and evaluate the effectiveness and maturity of their Incident Response ("IR") program. This includes reviewing documents referenced in the IRP surrounding notification and escalation procedure, impact and prioritization methods, disaster recovery and business continuity plan documentation, backup restoration procedures, detection and response mechanisms, and tactical incident handling instructions.

4. Natural Resource Management - 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. We have been performing a review of half-cent sales tax since 2018.

Internal Audit Strategy

An audit of the half-cent sales tax program would include detailed testing of financial reporting provided to the Save Our Indian River Lagoon (SORIL) Committee, in order to validate the accuracy and completeness of information presented. Audit procedures would include detailed testing of related procurements, compliance with municipal cost-share agreements and revenue and expenditure reporting.

PROPOSED INTERNAL AUDIT PLAN (CONTINUED)

5. American Rescue Plan Act (ARPA) Stimulus Funding

The County is responsible for maintaining an efficient and effective system for monitoring stimulus funding received and expended. General guidance is provided by the Department of Treasury outlining the permitted uses of stimulus funds, as well as documentation requirements in place for substantiating the expenditures approved using stimulus funding. The administration of a stimulus spending program needs policies and active controls to ensure the County is clear about what kind of spending is permissible and what is not. Stimulus funding has very specific requirements for how dollars can be used and building policies and active internal controls around these requirements is critical. Brevard County received the initial tranche of ARPA funding in the amount of \$58,460,088 from United States Department of the Treasury on May 19, 2021. The remainder of the funding was received on June 9, 2022, for a total of \$116,920,117.

Internal Audit Strategy

The primary scope and objective of this review would be to evaluate the system in place for managing stimulus funding including key internal controls such as review/approval procedures, documentation requirements, accounting procedures, and other relevant procedures in place for maintaining compliance with regulatory guidelines.

RSM performed detailed testing of stimulus funds in FY22, the primary scope and objective of this review would be to evaluate the system in place for managing stimulus funding including key internal controls such as review/approval procedures, documentation requirements, accounting procedures, and other relevant procedures in place for maintaining compliance with regulatory guidelines. During FY22, we reviewed the quarterly and annual required reports, the lost revenues calculations, including the overall purpose of the projects budgeted for spending, prior to management's submission of the respective reports to provide real-time review and feedback. For FY23, we will continue to review the quarterly and annual required reports along with the lost revenues calculations as well as perform detail testing as to the allowability of expenses.

6. Accounts Payable

The County's Accounts Payable team is responsible for accurately tracking what is owed to suppliers, ensuring payments are properly approved and processing payments. The Accounts Payable team manages the receipt, review, and approval of payments to the County's vendors by processing vendor invoices and ultimately remitting payment upon receipt of appropriate approval per County policies and procedures.

Internal Audit Strategy

The primary scope and objective of this review would be to evaluate the controls over disbursements made by Accounts Payable, including the review, documentation, and approval of payments made to vendors as well the separation of duties in place. We will examine a variety of transactions, performing recalculations to determine the accuracy of the original transaction and verify the completeness of the transaction.

PROPOSED INTERNAL AUDIT PLAN (CONTINUED)

7. Pre-Trial Release & Community Supervision Services

The County currently manages Pretrial Release and Pretrial Community Supervision programs under the Department of Community Corrections. Defendants released into these programs are monitored by their Community Corrections officer while awaiting the disposition of their criminal case. The selected vendor to manage these services, Professional Probation Services (“PPS”), has recently completed the second year of its agreement with the County. PPS is responsible for interviewing defendants to determine whether they are recommended to take part in the pre-trial release program.

Internal Audit Strategy

The primary scope and objective of this review would be to assess whether the system of internal controls over contract administration is adequate and appropriate for promoting and encouraging the achievement of Professional Probation Services. The scope of our work will include the following: contract execution; contract administration process analysis; vendor monitoring procedures; analysis of high-risk areas for existing contract; and testing of compliance and internal controls.

8. Utilities Division – Funding Increase

The County operates six wastewater treatment plants and three drinking water plants providing drinking water, reclaimed irrigation water, and wastewater services throughout Brevard County. These systems operate 24 hours a day, 7 days a week and are required to meet State and Federal regulations. The Utility Services Department is funded entirely from customer user fees and does not receive any tax dollars.

On February 8, 2022, a new rate increase was approved by the Board of County Commissioners to provide funding to comply with state statute FS 403.064 (Reuse of Reclaimed Water), to update existing facilities, to contribute funding for future septic-to-sewer projects and increase operations and maintenance efforts to continue reliability throughout the Countywide utility system.

Internal Audit Strategy

The objective of this review would be to assess whether the system of internal controls over managing the new source of funding is adequate and appropriate for promoting and encouraging the achievement of managements objectives. This approach may include integration of data analytics designed to evaluate budgeting, spending, and monitoring activities.



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