



Brevard County, Florida

Internal Audit Report: Proposed Audit Plan FY23/24

September 13, 2023



TABLE OF CONTENTS

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

TRANSMITTAL LETTER

September 13, 2023

The Audit Committee of
Brevard County, Florida
2725 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") 2023/2024. We applied a broad-based, comprehensive view of risk linked to the annual budget and operations, 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:

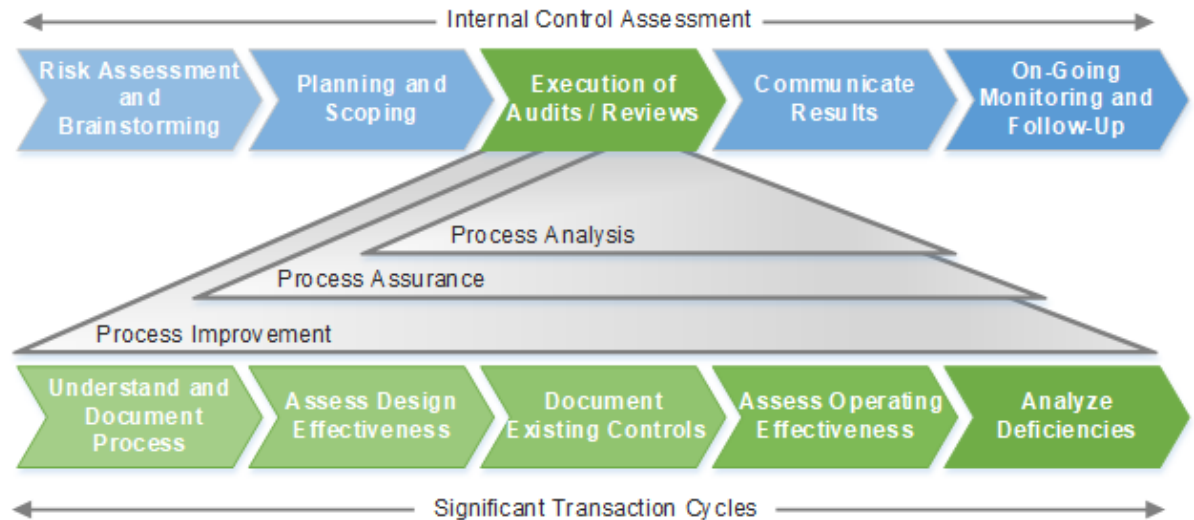
Internal Audit Approach and Methodology

We have included potential significant risks and internal audit strategy for each function in the proposed FY 2023/2024 internal audit plan in this report. The preliminary FY 2024/2025 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

Internal Auditors



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 of County Commissioners, 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 September 2023, 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 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:

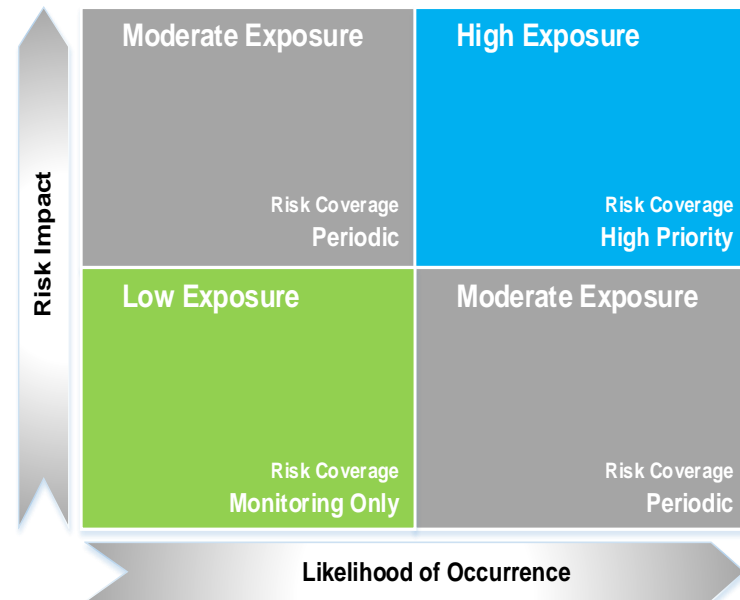
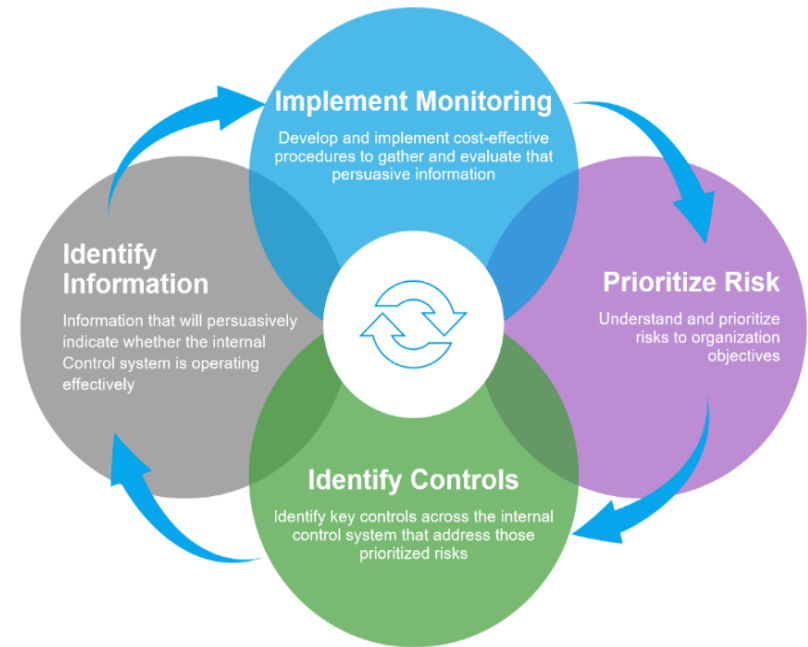
Preparing the proposed internal audit plan from the risk assessment will facilitate focusing resources on areas of most immediate concern to the County. Our risk assessment considers ‘inherent risk,’ which is the risk of a function in an environment void of controls. Therefore, functions with inherently 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 on 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 not included in this quadrant to insert a level of unpredictability into the internal audit plan and risk assessment process to 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 and 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 the 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 Board of County Commissioners, Internal Audit Committee, or County Manager.

Overall Audit Functions

Risk Assessment and Audit Plan Development

The internal auditor uses risk assessment techniques to develop the internal audit activity's plan and determine priorities for allocating internal audit resources. The Risk Assessment examines auditable functions and selects areas for review to include in the internal audit activity's plan with 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 are 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) and a targeted completion date. 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 concerning 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 quality assurance monitoring. 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 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 regularly performed network scanning and deeper targeted penetration testing since 2017. Network security constantly evolves as threat actors change their attack approaches. The best practice is to perform ongoing network scanning and targeted penetration testing on a regular basis to monitor the County's defense against attacks. We understand that the County's Information Technology department has refocused and reprioritized many efforts in order to shift towards a remote working environment capability for employees since the COVID-19 pandemic.

As the County undergoes further transformation in Information Technology this coming year, we will continue to provide ongoing monitoring and penetration testing, follow up on our prior reports as needed, and provide our subject matter professionals to the County for consultation.

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

The Payment Card Industry Data Security Standard (PCI DSS) refers to payment security standards that ensure all sellers can safely and 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. The purpose of this assessment will be to identify areas of non-compliance or vulnerability and make recommendations to cure any issues noted. We performed procedures to assist the County with its PCI readiness for one department in FY23 and will assess readiness in two departments in FY24.

3. New Data Center Risk Analysis

Brevard County is constructing a new upgraded data center to replace its existing one. This will be a large project for the County as it will involve both new hardware and software, new fiber connecting the data centers, migration of data from the old to the new data center, and connecting approximately thirty-five (35) County Departments.

In order to monitor and identify risk in an ongoing real-time manner, our subject matter professionals will provide timely feedback to the County IT team on project risks that arise.

PROPOSED INTERNAL AUDIT PLAN – WORKING DRAFT (CONTINUED)

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 ½ cent review since 2018.

Internal Audit procedures may include testing project budget setup and monitoring, procurement of contracted services, revenue and expenditure reporting, and compliance with municipal cost-share agreements. These reports are presented annually to the Audit Committee.

5. Environmentally Endangered Lands (EEL) Program – Financial and Operational Analysis

The Environmentally Endangered Lands (EEL) Program is dedicated to conservation through land acquisition and is managed by the County's Parks & Recreation Department. The EEL Program is funded through a referendum passed in 2004 to continue a previously passed ad valorem tax for an additional ten years and is set to expire in 2024, posing a challenge to the County's long-term plans to continue the mission. The EEL Program has helped preserve approximately 28,000 acres of land. Buying lands for conservation requires a pledge to long-term land management. Staffing needed to achieve the goals of the EEL Program requires professional staff trained in land management, public relations, and environmental education.

This program assessment will be designed to analyze current and projected funding, current staffing levels, and financial condition of the program.

6. Emergency Operations Center Construction Contract Review

In August of 2022, the Board of County Commissioners approved \$35 million of funding for the construction of a new Emergency Operations Center (EOC). Through a partnership with the Brevard County Sheriff's Office, the EOC will include a consolidated dispatch center serving the entire County. This will replace outdated and inefficient facilities with modernized space to meet current and future dispatch mission requirements. The facility will be hardened to withstand Category 5 hurricane-strength winds and will contain the latest technology to enhance the capability to provide emergency preparation and response services to Brevard County citizens.

The Internal Audit procedures will be designed to assess whether the system of internal controls is adequate and appropriate for compliance with applicable laws, administrative rules, and other guidelines. It will focus on the control structure surrounding processing for procurement of contracted goods and services, project management activities, including invoice review, change order review, vendor performance monitoring, project closeout processes, project budget to actual, and timeliness of project completion.

PROPOSED INTERNAL AUDIT PLAN – WORKING DRAFT (CONTINUED)

7. Cash Management and Investments

As of September 30, 2022, the audited financial statements show that the County primary government has cash and cash equivalents of \$871.8 million and component units of \$21.1 million. The County defines cash and cash equivalents as the cash from funds pooled together for investment purposes. Additionally, the component units have \$371,278 in non-pooled investments.

The Internal Audit procedures will include evaluating the efficiency and effectiveness of the policies and procedures related to the solicitation of financial institutions. It will also include investment policies, procedures, and internal controls, such as the segregation of duties and user access to minimize the risk of fraud, misappropriations, or noncompliance.



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

RSM US LLP is a limited liability partnership and the U.S. member firm of RSM International, a global network of independent audit, tax and consulting firms. The member firms of RSM International collaborate to provide services to global clients, but are separate and distinct legal entities that cannot obligate each other. Each member firm is responsible only for its own acts and omissions, and not those of any other party.

For more information, visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International.

© 2022 RSM US LLP. All Rights Reserved.