



**Internal Audit Committee of  
Brevard County, Florida**

**Proposed Internal Audit Plan  
Fiscal Year 2020/2021**

**Prepared By:**

**Internal Auditors**

**November 18, 2020**

# Table of Contents

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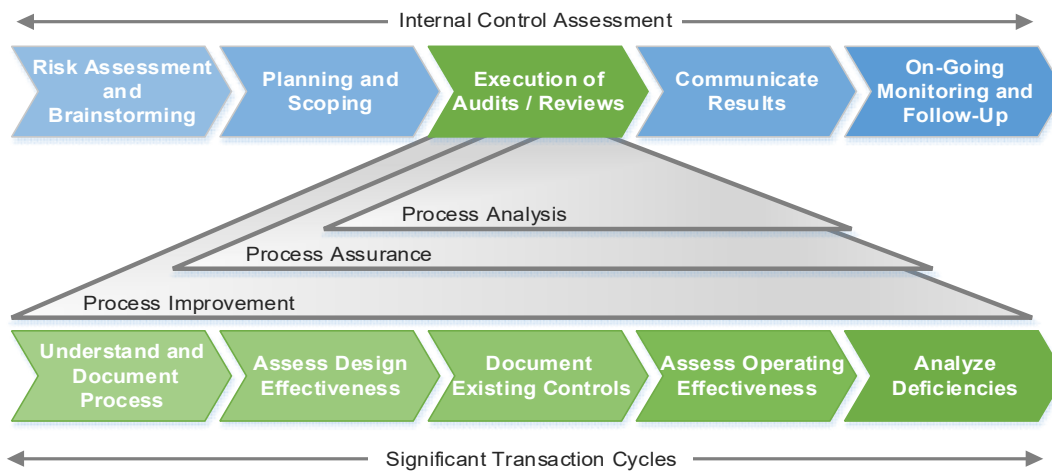
Transmittal Letter .....	1
Overview .....	2
Risk Assessment .....	4
Proposed Internal Audit Plan – Working Draft .....	5

November 18, 2020

The Audit Committee of  
Brevard County, Florida  
2700 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”) 2020/2021. 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 2020/2021 internal audit plan in this report. The preliminary FY 2021/2022 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.

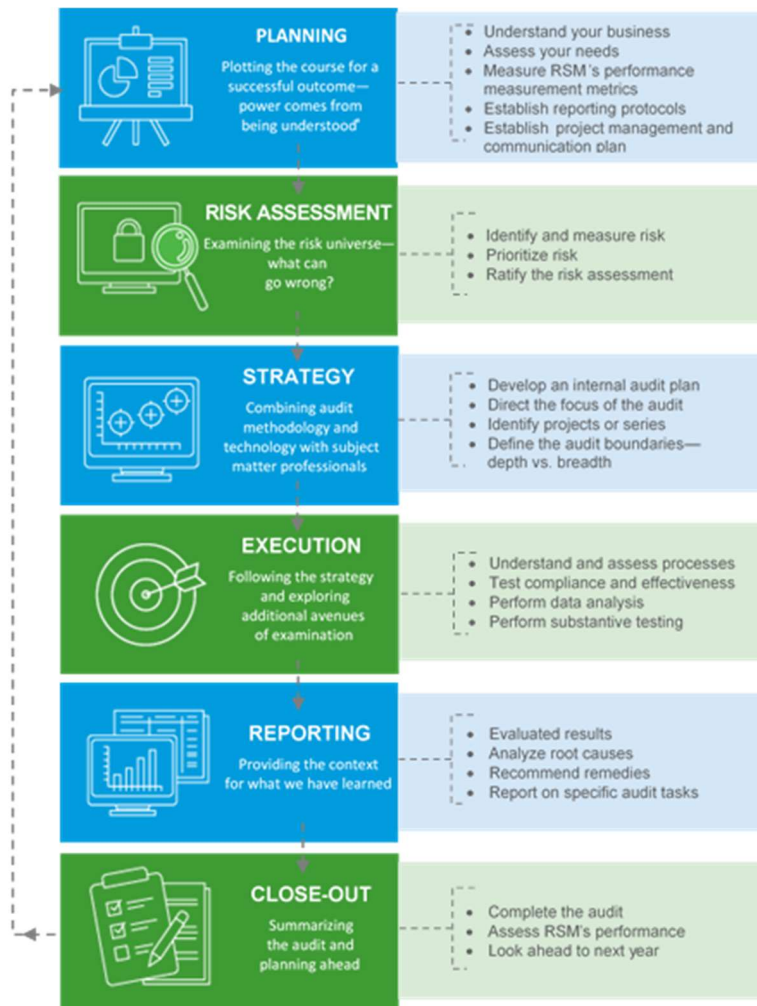
Respectfully submitted,

## 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.*

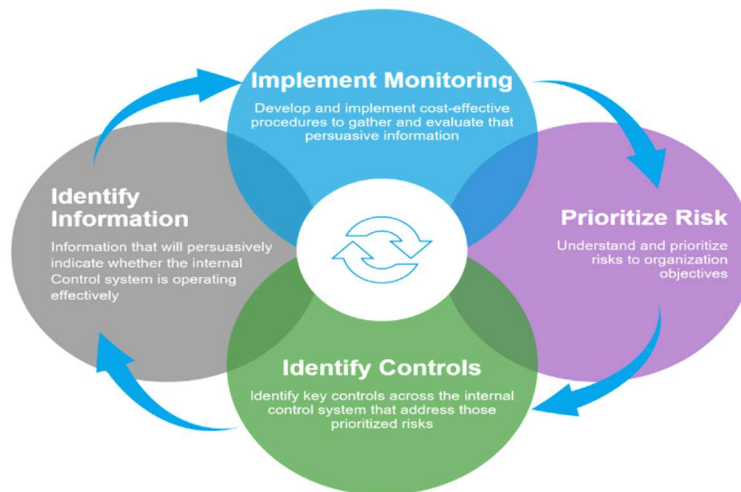
RSM has a comprehensive internal audit methodology with a holistic approach to assessing the County's most critical risks. There is no one-size-fits-all internal audit project; therefore, we have a flexible methodology that helps internal audit evolve from a necessary process to assume a more strategic 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 July 2020, 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 below:



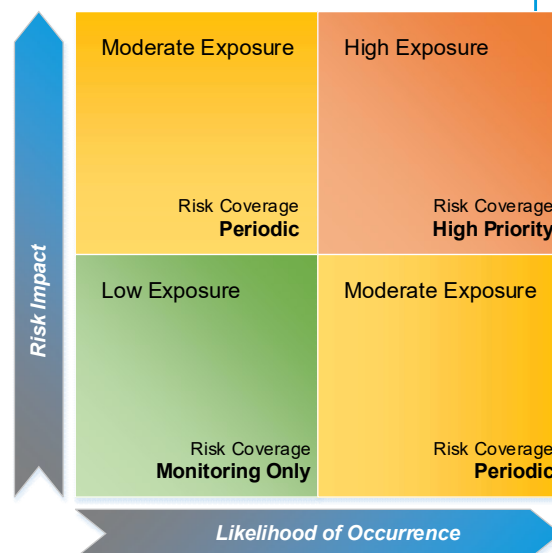
Preparing the proposed internal audit plan from the risk assessment will facilitate focusing resources on areas of most immediate concern to the County. Our risk assessment considers ‘inherent risk’, which is the risk of a function in an environment void of controls. Therefore, functions with inherently 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 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 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

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

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

As required by the RSM Internal Audit Methodology, 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 FY 2021 – Working Draft (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:

### ***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. We understand that the County's Information Technology department has refocused and reprioritized many efforts in order to shift towards a remote working environment for employees during 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, provide follow up to our prior reports as needed, as well as provide our subject matter professionals to the County for consultation.

### ***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 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. The purpose of this assessment will be to identify areas of non-compliance or vulnerability and make recommendations to cure any issues noted.

### ***Emergency Management - 800 Megahertz / E-911***

The 800 Megahertz Program is the County's intergovernmental radio communications system. Primary users of the system include the Brevard County Sheriff's Office, Brevard County Fire Rescue, and various other County departments, municipal police departments, municipal fire departments, and health care systems. Ownership of equipment and the operation of the 800 Megahertz Program was transferred from the Brevard County Sheriff's Office to the County's Office of Emergency Management in January of 2006. The system is funded through revenues generated through statutory surcharges, as well as cellular tower lease agreements and County general funds.

The scope of this audit could include tower lease contract compliance; assessing internal controls related to monitoring and managing the surcharges and how the funds are accumulated and spent; compliance with Florida Statute and any interlocal agreements; property control and asset management; and billings.



## Proposed Internal Audit Plan FY 2021 – Working Draft (continued)

### ***Library Services - Operations***

The Library Services department is primarily responsible for the operation and maintenance of the County's many public libraries. The funding is derived from restricted revenue sources such as property taxes, State aid, and fines and fees. Accordingly, these revenue sources must be spent on Library Services and cannot be diverted to other County needs. During FY2021, risk in this department is elevated due to retirements in key positions (including Director).

The audit objectives will be to assess the design of key operational and financial processes, identify any process or internal control gaps, and assess compliance applicable laws, rules and other County policies and procedures.

### ***Space Coast Office of Tourism - USSSA Room Night Verification Cycle Review***

Brevard County's Space Coast Stadium Complex includes an 8,100 seat baseball stadium and other recreational facilities. In April 2016, the complex was leased for 20 years to USSSA. USSSA is responsible for the management and operation of the complex, including ticket sales and concessions, applicable taxes, maintenance, and capital improvements of the facilities. The County also contributes to the cost and management of the capital improvements.

Rather than remitting lease payments to the County, USSSA guarantees an amount of "room nights" per year of operation. Room nights are defined as hotel stays in Brevard County, booked specifically for stadium complex events. Per the lease agreement, if the room night guaranty is not met, USSSA shall make additional capital investment based upon a formula. The room nights are reported to the County's Space Coast Office of Tourism, who is the County's designated contract administrator for the lease agreement.

The primary scope and objective of this review is to verify the room nights as reported by USSSA against available documentation, and if a shortfall in room nights compared to stated goals is observed, then to verify USSSA's capital expenditures during the most recent lease year to determine if the contractually required increase in capital investment was made.

### ***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.

Internal Audit procedures will 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. These reports are presented semi-annually to the Audit Committee.

### ***Public Works - Financial Condition Assessment***

The Public Works Department includes Road & Bridge, Transportation Construction, Facilities Management, Traffic Operations, Survey & Mapping, and Engineering. Public Works is funded through various sources, depending on the project, including General Funds, Local Option Gas Tax, 9<sup>th</sup> Cent Gas Tax, Constitutional Gas Taxes, and Transportation Impact Fees. Current priorities per the most recent adopted budget include capacity projects such as intersection improvements, new sidewalks, and road widening. Staff has noted that current funds are not sufficient to address all capacity needs.

This assessment will be designed to analyze current and projected funding, in comparison with management's goals and objectives.



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