

Meeting Date
9/20/2016



AGENDA	
Section	CONSENT
Item No.	II.D.6

AGENDA REPORT
BREVARD COUNTY BOARD OF COUNTY COMMISSIONERS

SUBJECT:	Acceptance and Approval, Re: Central Cashier Audit Report; Licensing, Regulation and Enforcement Audit Report and the Risk Assessment and Proposed Audit Plan FYs 2016/17 & 2017/18.
DEPT/OFFICE:	County Manager's Office

Requested Action:

It is requested that the Board of County Commissioners accept the Audit Committee's Central Cashier Audit Report; Licensing, Regulation and Enforcement Audit Report AND approved the Risk Assessment and Proposed Audit Plan FYs 2016/17 & 2017/18.

Summary Explanation & Background:

The Internal Auditors completed the Central Cashier Audit Report; Licensing, Regulation and Enforcement Audit Report and the Risk Assessment and Proposed Audit Plan FYs 2016/17 & 2017/18 and presented them to the Audit Committee on August 31, 2016. Both of the audit reports and the Risk Assessment and Proposed Audit Plan FYs 2016/17 & 2017/18 were unanimously accepted and recommended to the Board of County Commissioners by Audit Committee.

The Central Cashier and Licensing, Regulation and Enforcement Audit Reports are organized as follows:

- A. Executive Summary
- B. Background
- C. Objectives and Approach
- D. Observations Matrix

The Risk Assessment and Proposed Audit Plan is organized as follows:

- A. Internal Audit Approach and Methodology
- B. Overview
- C. Risk Assessment
- D. Proposed Audit Plan – Working Draft

Clerk to the Board instruction:

Exhibits Attached: 1) Central Cashier Audit Report; 2) Licensing, Regulation and Enforcement Audit Report; 3) Risk Assessment and Proposed Audit Plan FYs 2016/17 & 2017/18.

Contract /Agreement (If attached): Reviewed by County Attorney		Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	PR	<input type="checkbox"/>
County Manager Stockton Whitten	Assistant County Manager Venetta Valdengo	Department Director / Extension					
	Assistant County Manager Frank Abbate						



Tammy Rowe, Clerk to the Board, 400 South Street • P.O. Box 999, Titusville, Florida 32781-0999

Telephone: (321) 637-2001
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Tammy.Rowe@brevardclerk.us

September 21, 2016

MEMORANDUM

To: Stockton Whitten, County Manager

Re: Item II.D.6., Acceptance and Approval of Central Cashier Audit Report; Licensing, Regulation, and Enforcement Audit Report; and the Risk Assessment and Proposed Audit Plan for Fiscal Years 2016-2017 and 2017-2018

The Board of County Commissioners, in regular session on September 20, 2016, accepted the Audit Committees Central Cashier Audit Report; Licensing, Regulation, and Enforcement Audit Report, and approved the Risk Assessment and Proposed Audit Plan for Fiscal Years 2016-2017 and 2017-2018.

Your continued cooperation is greatly appreciated.

Sincerely yours,

BOARD OF COUNTY COMMISSIONERS
SCOTT ELLIS, CLERK

Tammy Rowe, Deputy Clerk

/cm

cc: Finance
Budget



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

**Internal Audit of
Central Cashier**

**Prepared By:
Internal Auditors
August 5, 2016**



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August 5, 2016

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

Pursuant to the approved 2015/2016 internal audit plan, we hereby submit our internal audit of the Central Cashier function. We will be presenting this report to the Audit Committee at the next scheduled meeting on August 31, 2016.

Our report is organized in the following sections:

Executive Summary	This provides a summary of the observations related to our internal audit of the Central Cashier function.
Background	This provides an overview of the Central Cashier processes.
Objectives and Approach	The objectives and focus are expanded upon in this section as well as a review of our approach.
Observations Matrix	This section provides the results of our internal audit procedures, including our recommended action and management's response.

We would like to thank all those involved in assisting the Internal Auditors in connection with the internal audit of the Central Cashier function.

Respectfully Submitted,

INTERNAL AUDITORS



Executive Summary

Executive Summary

Overview

The Central Cashier serves as a centralized collection point for development review and development services fees using the business process automation software known as Accela. A detailed list of fees collected by the Central Cashier's office is found in the Central Cashier's Procedure Manual.

In addition to collecting these various fees, this service is also responsible for assessing impact fees imposed by Brevard County and the cities within Brevard County for new residential and commercial construction.

The Central Cashier's Office also accepts deposits from other County agencies so they can be included in the Central Cashier's deposit bag and picked up by the armored car service the following day. By providing this service it allows the departments to make more timely deposits to SunTrust in a safe and secure manner. Agencies that may drop off deposits include but are not limited to the Parks and Recreation Department, Solid Waste Management Department, Office of Natural Resources Management, Budget Office, Transportation Planning Office, and Housing and Human Services Department.

The Central Cashier is included in the Impact Fee Administration & Cashier program of the Planning and Development Department and reports to the Planning and Development Department Director through the Impact Fee Administration and Cashier Program Manager

Objective

The primary objective was to assess whether the system of internal controls over the central cashier function is adequate and appropriate for promoting and encouraging consistent application of management's objectives for compliance with County policies and procedures and Florida State Statutes, as applicable.

The period subject to our internal audit procedures covered the twelve months from June 1, 2015 through May 31, 2016.

Observations

Below is a summary of the observations we noted during our internal audit. Each observation is assigned a relative risk factor. Relative risk is an evaluation of the severity of the concern and the potential impact on operations. Items rated as "High" risk are considered to be of immediate concern and could cause significant operational issues if not addressed in a timely manner. Items rated as "Moderate" risk may also cause operational issues and do not require immediate attention, but should be addressed as soon as possible. Items rated as "Low" risk could escalate into operational issues, but can be addressed through the normal course of conducting business. Following is a high level summary of the major observations identified during our audit. The details of these observations are included with the *Observations Matrix* section of this report.

Executive Summary - continued

Observations	Risk Rating
<p>1. Segregation of Duties</p> <p>We noted that there are three cashiers (including the Land Development Specialist II, who acts as supervisor and back-up cashier). Typically, two cashiers are on duty together, though there are instances when there is only one cashier on duty. Based on interviews, transactional testing, and onsite observations, we noted the following:</p> <ul style="list-style-type: none"> • There is a lack of segregation of duties in that the cashiers, when they are on duty, each collect the money, post the payment to Accela, and reconcile / balance the cash receipts and prepare the daily deposits bag. • All three cashiers have access to the safe where the deposits and cash drawer are stored. • All three cashiers share one drawer. <p>At the end of each day, two cashiers who perform the duties noted above appear to crosscheck one another in balancing and reconciling the cash receipts (cash, checks, credit card charges) and in preparing the deposits which mitigates the lack of segregation of duties noted above. However, evidence of this dual review / cross-checking is not documented.</p> <p>We observed the presence of multiple video cameras. However, the video recording is stored for seven days, and then it is deleted. As such, it is important to identify any issues within the week so that management has the opportunity to review the video footage prior to deletion.</p> <p>The lack of proper safeguarding of funds can result in the misappropriation of funds and/or overages / shortages going undetected.</p>	<p>Moderate</p>

Background

Background

Overview:

The Central Cashier serves as a centralized collection point for development review and development services fees using the business process automation software known as Accela. A detailed list of fees collected by the Central Cashier's office is found in the Central Cashier's Procedure Manual.

In addition to collecting these various fees, this service is also responsible for assessing impact fees imposed by Brevard County and the cities within Brevard County for new residential and commercial construction.

The Central Cashier's Office also accepts deposits from other County agencies so they can be included in the Central Cashier's deposit bag and picked up by the armored car service the following day. By providing this service it allows the departments to make more timely deposits to SunTrust in a safe and secure manner. Agencies that may drop off deposits include but are not limited to the Parks and Recreation Department, Solid Waste Management Department, Office of Natural Resources Management, Budget Office, Transportation Planning Office, and Housing and Human Services Department.

The Central Cashier is included in the Impact Fee Administration & Cashier program of the Planning and Development Department and reports to the Planning and Development Department Director through the Impact Fee Administration and Cashier Program Manager.

Approximately 85% of the fees collected by the Central Cashier are levied by other County departments. The Accela software program is utilized by the various departments to assess fees. The Central Cashier's primary responsibility related to these fees is to collect the payment, record the receipt in the system, and deposit the funds in the bank in a timely manner.

The Central Cashier function is also responsible for:

- Assessing impact fees for new residential and commercial construction within Brevard County.
- Determining exemptions to the imposition of impact fees.
- Entering the Solid Waste Disposal Department's impact fee assessments into the Accela system.
- Overriding system generated impact fee assessment amounts if different fee schedules are applicable.

The Central Cashier's responsibility for these transactions include verifying the accuracy of the imposed impact fee recorded in the Accela system, collecting the fee, and recording and depositing the funds received.

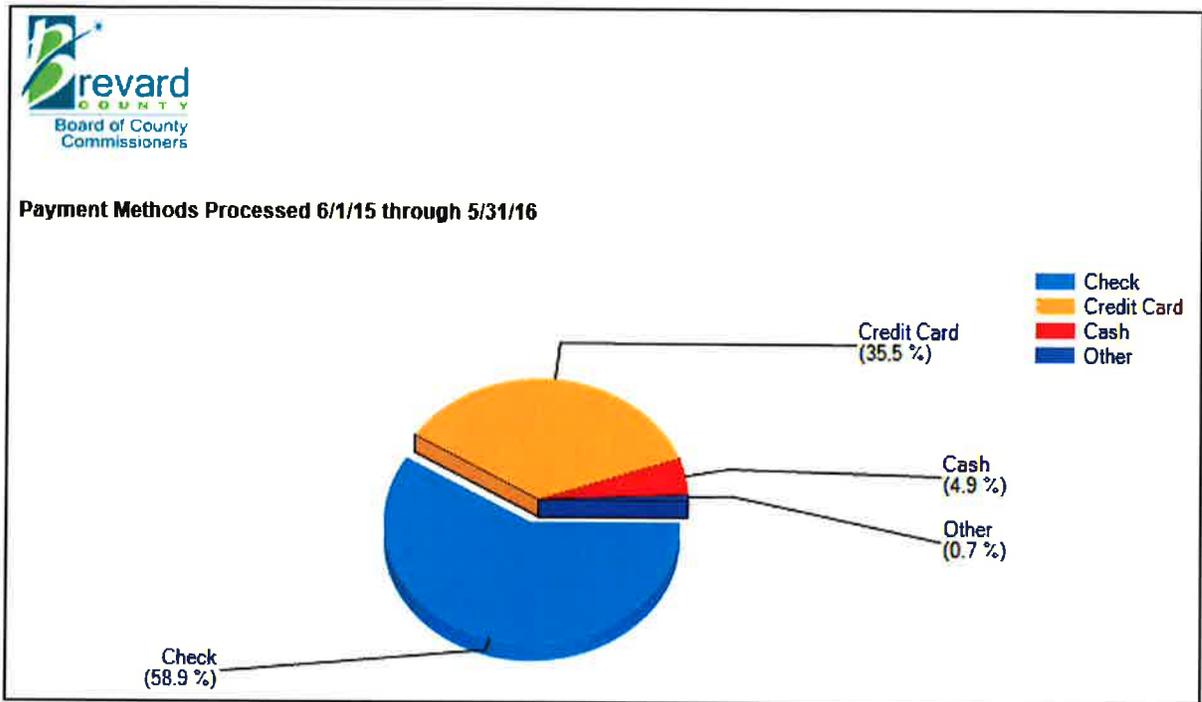
Overview of Cashiering and Reconciliation Process

Several different County departments assess development review or development service fees utilizing the Accela system. The accuracy of the fees imposed, other than impact fees, is the responsibility of the imposing department.

Customers are directed to the Central Cashier for payment of these fees. The fees to be collected by the Central Cashier have been input into Accela prior to the customer's arrival at the payment window. The cashier enters the customer's permit number, case number, Point of Sale transaction ID, etc. into the Accela system. The cashier collects the payment and marks it as having been received. The name of the employee receiving the payment is automatically entered into the system based on the employee's login and the customer is given a computer-generated receipt. On average from June 1, 2015 through May 31, 2016, 4.9% of the payments were made with cash, 58.9% were paid by check, and credit card transactions accounted for 35.5% of payments. The remaining 0.7% related to money orders and Inter-Departmental Transfer of Funds.

Background - continued

The following diagram was provided by Central Cashier management (unaudited):



At the end of the day, the cash drawer is counted, tapes are run for cash, check, and credit card receipts, and the credit card transactions settlement report is run. These totals are compared to the computerized daily deposit report generated by the Accela system. Differences, if any, are investigated. Once reconciled, the daily deposit is updated in the Accela system (creating a receipt batch file) and the cash and checks are locked in the safe overnight. The deposit(s) is/are picked up by an armored car service the next business day for delivery to the bank. A copy of this receipt is attached to a copy of the daily deposit reports and is sent to the County Finance Department after the bank confirmation is received.

Each individual receipt transaction has a general ledger code assigned to it automatically by the system and each night, the Accela system receipt batch file is imported into the SAP system. The Central Cashier is not responsible for ensuring that receipt transactions are posted to the appropriate general ledger accounts.

Overview of Impact Fee Assessment Process

County permit applications are entered into Accela by the Building Code personnel. Impact Fee technicians review building permits for new residential, new commercial and commercial additions. When these types of permits are entered into Accela, a workflow is created and it's defined by the application type. These types of projects are assigned to the Building Impact Fee user group and are displayed in the "My Task" for the Impact Fee Review.

The assessment process occurs on a daily basis. County residential impact fees and commercial impact fees are assessed by the supervisory positions. City residential impact fees are assessed by all impact fee staff. Residential impact fee determinations usually entail only a cursory review of the information documented in the computer file. Commercial determinations are more involved and include a comparison of the approved site plan, the building permit plan, and the application submitted with the project.

Background - continued

Summary of Impact Fee Assessment Procedures

The assessment procedure involves entering a status into the Accela system indicating:

- Approved
- Deficiency
- Exempt
- Pending

Impact fees are assessed on new residential structures, new commercial structures, and commercial additions.

The residential impact fees are assessed based on the land use type (single family residence, duplex, condo, mobile home, etc.) and the quantity (1 single family residence, 2 duplex units, 10 condo units, etc.). This information is entered into Accela using the "App Specific Info Table". The system automatically calculates the impact fees based upon the current fee schedule. The employee making the assessment reviews the system generated fees and verifies the fees reflect the fee schedule applicable to the property and project. The Impact Fees are assessed at the time of permit application submittal.

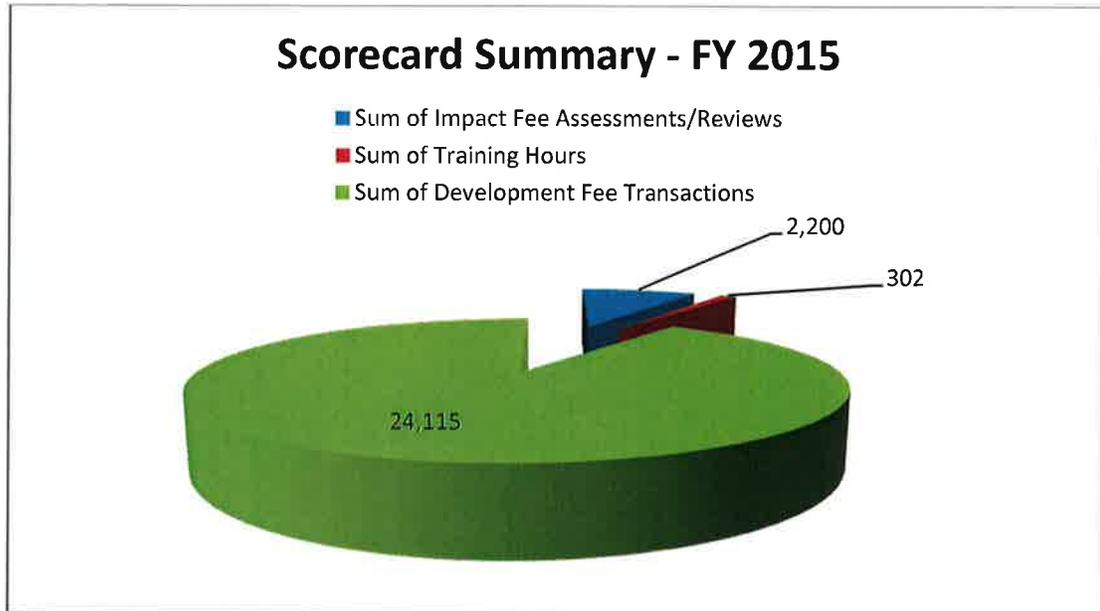
For new commercial structures and commercial additions, the impact fees are assessed at the time of application submittal using the fee schedule in effect at that time. The commercial impact fees are based on the land use type of the project (office, retail, restaurant, hotel, auto repair, nursing home, etc.) and the size (square footage, room, fueling position, beds, etc.) of the structure. This information is also entered into the App Specific Info Table and the fees are automatically assessed and invoiced based on the fee schedule in effect at that time. The employee making the assessment reviews the system generated fees and verifies that the fees reflect the fee schedule applicable to the property and project.

The solid waste impact fees are not calculated by the system and must be entered manually. For residential applications, the Accela system calculates a predetermined fee based upon the type of structure. Commercial solid waste disposal fees are calculated and manually entered by a Central Cashier supervisory employee.

The Central Cashier also collects impact fees for all of the cities within Brevard County. These transactions originate when a customer emails or arrives at the cashier window and submits a completed Form A and a copy of the city generated building permit that documents certain information about the property and the project. There are exceptions to this rule as there are a few cities that require payment of impact fees prior to the issuance of the building permit. The cashier enters the information into the Accela system and the application number is generated. The computer system automatically calculates the impact fee based upon the current fee schedule for the city. This is similar to the assessment process above. For the assessment of the commercial projects the customer must provide a copy of the approved site plan stamped by the city, a copy of the city building permit (same residential exception applies for commercial building permits), and the completed impact fee application. This information is also entered into the App Specific Info Table and the fees are automatically assessed and invoiced based on the fee schedule in effect at that time. The employee making the assessment reviews the system generated fees and verifies that the fees reflect the fee schedule applicable to the property and project.

Background - continued

The following pie chart provides a snapshot of the Central Cashier activities and related training hours in performing processing and assessing fees for Fiscal Year 2015. In particular the chart presents the total transactions for Impact Fee / Assessments, Development Fee Assessments and the associated hours in training expended [data provided by Central Cashier management (unaudited)]:



Staffing

Title	Function
Planning & Development Department Director	Oversees the Impact Fees/Central Cashiers Program.
Planning & Development Program Manager	Prepares & Monitors the Central Cashier's Budget, Answers Impact Fee Questions, and Resolves Impact Fee Disputes.
Land Development Specialist II	Commercial and Residential Impact Fee Assessments. Oversees the Central Cashiers Office, back-up cashier.
Land Development Specialist I	Commercial and Residential Impact Fee Assessments, back-up cashier.
Impact Fee Tech II	Collects payments for all fee types collected in the Central Cashier's Office

Transportation Impact Fees Collections

In March 2009 the Board of County Commissioners placed a moratorium on the Transportation Impact Fees. There has been a total of \$48,844,197 in transportation impact fees waived during this time period. See Ordinance No. 14-36 "An Ordinance of the Brevard County Board of Commissioners Amending Ordinance No. 09-08E Imposing a Two Year Moratorium on the Collection of Transportation Impact Fees from Residential or Commercial Projects; Providing for an Extension of the Moratorium; Providing for Severability; Providing for an Area Embraced; Providing for an Effective Date; Providing for Inclusion in the Code."

Objectives and Approach

Objectives and Approach

Objectives

The primary objective was to assess whether the system of internal controls over the central cashier function is adequate and appropriate for promoting and encouraging consistent application of management's objectives for compliance with County policies and procedures and Florida State Statutes, as applicable.

The testing periods covered the twelve months June 1, 2015 through May 31, 2016, and included the following objectives:

- Determine that policies and procedures are in place to assure impact fees are calculated, assessed, and collected in accordance with County policies / regulations and Florida Statutes.
- Determine if the central cashier receipting and reconciliation processes include adequate control procedures to assure cash receipts are safeguarded from loss and misappropriation.
- Determine if cashiering and impact fee assessment procedures are operating effectively and that the fees calculated by central cashiering are correct.
- Determine if physical controls over cash are adequate including the use of secure drawers, safe, video surveillance etc. as applicable.
- Determine if computer controls exist and are operating as intended to limit and control access to the data being processed by the department and whether "exception" reports / audit trails are generated to assist in monitoring the integrity of the data.

Approach

Our cycle audit approach consisted of three phases:

Understanding and Documentation of the Process

During the first phase, we held an entrance conference with the Planning and Development Department (Department) Director and key members of Central Cashier to discuss the scope and objectives of the audit work, obtained preliminary data, and established working arrangements. We reviewed Florida Statutes, administrative orders, County policies and other resources. During our entrance conference we conducted a facilitated session and documented their respective roles in the processes. We documented our understanding of the Central Cashier's key processes and relevant controls.

Detailed Testing

The purpose of this phase was performance of testing procedures based on our understanding of the Central Cashier processes and internal control structure, applicable County ordinances, and State Statutes, as applicable. Our procedures included interviewing personnel and testing individual transactions. We met with relevant personnel to discuss their respective, individual roles within the Central Cashier function.

Objectives and Approach - continued

Transactional Testing

We selected 50 items disaggregated among the various types of fees (permitting, impact, variance, sewer connection, land development, contractor licensing fees, etc.), for the various applicable County Departments from which the fees are collected and conducted the following procedures to meet our audit objectives outlined above:

- For the fees collected by Central Cashier (CC) on behalf of selected county Departments / Agencies, we obtained the relevant support related to the Application # (Invoice created by other Department/Agency, receipt generated by CC) for each item selected and verified /performed the following:
 - The customer's Application No. (record #) entered into Accela matches the Invoice from the Department / Agency.
 - Fee amount collected / recorded matches the Department / Agency invoice.
 - Fee amount collected / recorded matches the CC receipt.
- For the impact fees collected and / or assessed by Central Cashier, we obtained the relevant support related to the Application # for each item selected and verified / performed the following:
 - For County related impact fees (Building Department determined), (Application No. with BC), reviewed the related building permit description to determine which impact fees are to be assessed/invoiced.
 - For non-county (Building Dept) impact fees, (Application No. with IFC or IFR), reviewed the related Form A description to determine which impact fees to be assessed/invoiced.
 - Reviewed the applicable Impact Fee table to verify that the proper fee was assessed, invoiced and collected
- For the 50 items tested, we traced the individual fees collected / assessed to amounts deposited via the respective Daily Deposit Reports, including copy of deposit validation by Suntrust Bank and recorded in SAP.

Site Visit / Observation

On August 3, 2016, we visited Central Cashier to observe their end of day balancing and deposit process. While onsite, we verified / performed the following:

- Each Cashier has own assigned cash drawer (bag) with set initial cash amount
- Cash receipts are stored securely in a cash drawer located near Cashier.
- Cash drawer is counted – over / under resolved - \$150.00
- Tapes are run of cash, checks, credit card receipts
- Credit card settlement report is run and reconciled
- These totals are compared / reconciled to the Accela
- Cash receipts are sealed in plastic bag signed by both cashiers who prepared the deposit.
- The following day, CC obtains SAP Daily Deposits Report to reconcile to Accela – any variances are reconciled / verified
- The sealed deposit bag is locked in the safe overnight.
- There is limited access to the safe by designated, appropriate personnel.
- A deposit log is kept of the deposit amount, date, and applicable cashier and approver signatures.
- Upon pick-up of the bank deposit, the appropriate Central Cashier person (as designated by Department Director or her designee), signs and dates the log.
- Upon pick-up by the armor car security person, that security signs and dates the log
- The deposit is picked up the next business day for delivery to the bank the same day as evidenced by the bank receipt (emailed or faxed to Central Cashier).
- Additionally, for deposits received from other offices, we selected 10 days from throughout the testing period and verified that Deposit log was completed and signed by Dept. / Div. and CC
- Finally, during the site visit, we observed the Deposit Log for completeness and signature by the respective Department / Division representatives, etc.

Objectives and Approach - continued

Reporting

At the conclusion of our audit, we documented our understanding of the Central Cashier function and summarized our findings related to this process. We conducted an exit conference with management and have incorporated management's responses into our report. We prepared our report and related findings and provided copies to appropriate County personnel.

Observations Matrix

Observations Matrix

Rating	Observation	Recommended Action	Management Response
<p>Moderate</p>	<p>1. Segregation of Duties</p> <p>We noted that there are three cashiers (including the Land Development Specialist II, who acts as supervisor and back-up cashier). Typically, two cashiers are on duty together, though there are instances when there is only one cashier on duty. Based on interviews, transactional testing, and onsite observations, we noted the following:</p> <ul style="list-style-type: none"> • There is a lack of segregation of duties in that the cashiers, when they are on duty, each collect the money, post the payment to Accela, and reconcile / balance the cash receipts and prepare the daily deposits bag. • All three cashiers have access to the safe where the deposits and cash drawer are stored. • All three cashiers share one drawer. <p>At the end of each day, two cashiers who perform the duties noted above appear to crosscheck one another in balancing and reconciling the cash receipts (cash, checks, credit card charges) and in preparing the deposits which mitigates the lack of segregation of duties noted above. However, evidence of this dual review / cross-checking is not documented.</p> <p>We observed the presence of multiple video cameras. However, the video recording is stored for seven days, and then it is deleted. As such, it is important to identify any issues within the week so that management has the opportunity to review the video footage prior to deletion.</p> <p>The lack of proper safeguarding of funds can result in the misappropriation of funds and/or overages / shortages going undetected.</p>	<p>We recommend that the reconciliation, balancing and deposit preparation dual review at the end of the day be rotated throughout the week among the three cashiers to further segregate this process. This dual review and approval by the respective cashiers must also be documented.</p> <p>Further, when there is the rare occasion, when only one cashier is present, we recommend that the Planning and Development Program Manager review and approve the reconciliation, balancing, deposit preparation process.</p> <p>As part of the dual review and / or approval process, we recommend, at a minimum, the following:</p> <ul style="list-style-type: none"> • Recount of all cash and checks • Verify that the credit card charges match the Credit Card Summary • Verify that total cash receipts match amounts recorded in Accela and the deposit report • Verify cash drawer is in balance • Verify cash receipts are sealed in plastic bag signed by both cashier(s) / persons who prepared the deposit • Verify that deposit plastic bags and cash change fund is securely locked in safe for pick-up the next day • Document review and approval with the names, signatures and date of the two parties who performed the dual review and / or approval. <p>If the Planning and Development Program Manager identifies any discrepancies during his reviews, he could utilize the video for that week to help identify / confirm the particular instance and person(s) responsible.</p>	<p>Response: The Planning and Development Department concurs with the recommended action and will begin implementation immediately.</p> <p>Responsible party: Stephen M. Swanke, Impact Fee Administration and Cashier Program Manager</p> <p>Estimated completion date: August 31, 2016</p> <p>Next testing date: December 2016</p>





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

**Internal Audit of
Licensing Regulation and Enforcement**

**Prepared By:
Internal Auditors
August 5, 2016**



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August 5, 2016

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

Pursuant to the approved 2015/2016 internal audit plan, we hereby submit our internal audit of Licensing, Regulation and Enforcement. We will be presenting this report to the Audit Committee at the next scheduled meeting on August 31, 2016.

Our report is organized in the following sections:

Executive Summary	This provides a summary of the issues related to our internal audit of Licensing, Regulation and Enforcement.
Background	This provides an overview of the Licensing, Regulation and Enforcement processes.
Objectives and Approach	The objectives and focus are expanded upon in this section as well as a review of our approach.
Observations Matrix	This section provides the results of our internal audit procedures, including our recommended action and management's response.

We would like to thank all those involved in assisting the Internal Auditors in connection with the internal audit of Licensing, Regulation and Enforcement function.

Respectfully Submitted,

INTERNAL AUDITORS



Executive Summary

Executive Summary

Overview

The purpose of the Licensing Regulation & Enforcement Office (LR&E) is to ensure that construction activities are performed by qualified and licensed contractor's within the County. The LR&E Section is responsible for the County licensing of specific trades: drywall, electric, flooring, HARV, painting, roofing, etc. using the business process automation software known as Accela to process all its transactions:

- County certification means being licensed to engage in a specific trade within the County.
- State registered means holding a Certificate of Competency and being registered within the State of Florida for a specific trade.
- A registered contractor must meet local licensing requirements.
- State certified means being certified by the State of Florida to perform work in a specific trade.
- Anyone certified by the State of Florida may perform work in that specific field throughout the State of Florida.

Objective

The primary objective was to assess whether the system of internal controls over the licensing, regulation and enforcement function is adequate and appropriate for promoting and encouraging consistent application of management's objectives for compliance with County policies and procedures, County Ordinances and Florida State Statutes, as applicable.

The period subject to our internal audit procedures covered the twelve months from June 1, 2015 through May 31, 2016.

Observations

Below is a summary of the observations we noted during our internal audit. Each observation is assigned a relative risk factor. Relative risk is an evaluation of the severity of the concern and the potential impact on operations. Items rated as "High" risk are considered to be of immediate concern and could cause significant operational issues if not addressed in a timely manner. Items rated as "Moderate" risk may also cause operational issues and do not require immediate attention, but should be addressed as soon as possible. Items rated as "Low" risk could escalate into operational issues, but can be addressed through the normal course of conducting business. Following is a high level summary of the major observations identified during our audit. The details of these observations are included with the *Observations Matrix* section of this report.

Executive Summary - continued

Observations	Risk Rating
<p>1. Credit Reports – CLB Approved</p> <p>During our review of the Brevard County Contractor Licensing & Regulation New Certification Checklist, we noted that the webpage link / reference for the CLB approved credit-reporting agencies resulted in an error message, the proper link is www.myfloridalicense.com/dbpr/pro/cilb/documents/cilb_credit_reporting_agencies.pdf.</p> <p>Further, the document at the above referenced link contains a qualification that the list of credit reporting agencies is "For Reference Only" and is "not all inclusive. You may submit credit reports from agencies not included on this list, so long as they meet the criteria listed in 61G4-12.011(12), Florida Administrative Code.)" This qualification and limitation is not included and addressed as part of the New Certification Check List.</p> <p>The omission of this qualification and limitation could lead to the risk that applicants with insufficient personal and / or business credit reports could be granted a certificate of competency.</p>	<p>Moderate</p>
<p>2. New Applicant Review and Approval</p> <p>Based on discussions with management and our review of the licensing process we noted that Certification Specialists who process new applicants may also administratively approve new applicants. The applicant must meet the application experience requirements, pass the applicable trade exam fulfill the certification requirements, (as applicable to their trade and category), and pay the required fees.</p> <p>There is no policy or documented procedure in place that <i>requires</i> any direct review and administrative approval of the applicant by a LR&E supervisor or manager, before being submitted to the CLB.</p> <p>On a monthly basis (normally), a list of all applicants who have met the qualifications and passed the applicable exam(s), administratively reviewed and approved by the Certification Specialist, is submitted to the CLB as an agenda item to be approved. The CLB can request to review any of the supporting records for the list of applicants, but this is not required and rarely done.</p> <p>Given the responsibility placed on the Certification Specialist, that includes interpretation of subjective application/certification criteria, the lack of specific, formal review and approval by a supervisor, manager or the CLB, could lead to the risk of unqualified applicants receiving a certificate of competency.</p>	<p>Moderate</p>
<p>3. Documented Policies and Procedures - Enforcement</p> <p>Based on our interview with the LR&E Investigator we noted the following:</p> <ul style="list-style-type: none"> • There are no formal, written documented policies and procedures related to the enforcement process. • There is no written, required review process by the supervisor or above of the Investigators activities, including decisions made to investigate complaints and resolve complaints, issue notices, issue citations, and / or the need to elevate or not to elevate cases etc. • There is no formal, written policy in place that directs, guides or requires the Investigator when and to what extent to report the status or significant activities to the CLB or Magistrate Hearing. This is left to his / her discretion whether to elevate or not to elevate. <p>For example, in our review of 19 citations, we noted that there seemed to be a significant delay in resolving three unpaid citations that were greater than one year old. These three unpaid citations were referred to collections during our testing. As noted above, there is no written policy in place as to whether to elevate or not to elevate this matter (or any other matters) to the CLB (or designee) or Magistrate Hearing to address.</p>	<p>Moderate</p>

Observations	Risk Rating
4. Contractor Renewal Documentation	
<p>We reviewed 40 items related to the Licensing and Regulation process. 27 out of the 40 related to contractor and master / journeyman license / certification annual renewals. For these annual renewals, 15 out of 20 contractors and 4 out of 7 master / journeyman did not provide a copy of their driver's licenses (or, any other valid form of government issued identification) with their renewal form at the time of renewal.</p> <p>However, the renewal form only requires the applicant to provide a copy of a valid driver's license (or, any other valid form of government issued identification) if their fees are delinquent (paid after 9/30 of the renewal year – renewal period not subsequent to delinquency is 8/31 through 9/30 of each year). Staff relies on the licensee in the renewal process to self-report as to whether the licensee has a valid driver's license (or, any other valid form of government issued identification) or if there has been a change of address (there is a change of address form process – but this is self-reporting as well).</p> <p>Though not required by the current contractor / master / journeyman renewal forms, the lack of requiring a copy of a current driver's license (or, any other valid form of government issued identification) could lead to approving a license renewal for someone who has changed identities or has a suspended driver's license that could disqualify them from having their contractor or journeyman license renewed. This poses a higher risk since criminal background checks are not required for license renewals.</p>	Moderate
5. Segregation of Duties - Checks	
<p>During our interviews with management, we noted that Central Cashier collects and records all payments related to LR&E fees for cash and credit card payments. However, the majority of the checks are received in the mail with the application by the LR&E Certification Specialists. When the payment of fees is via check, LR&E Certification Specialists enter in the application information and create an invoice for the fees owed in Accela. LR&E Certification Specialists will accumulate the checks at various points throughout the day, or if too busy, at the end of the day. LR&E Certification Specialists write the Accela Record Number on the check(s) and walk the checks over to Central Cashier to collect and process the payment in Accela (Planning and Development Departments system / database).</p> <p>With respect to payment by check, there is some risk that the LR&E Certification Specialist could not provide the check(s) to Central Cashier and not record the application and related invoice for the fees into Accela. However, there is the mitigating control that applicants would contact LR&E in the event of no response regarding the status of their licensure (new or renewals).</p> <p>This risk is substantially reduced by the mitigating control noted above; however, this could still result in misappropriation of assets going undetected for a period of time, given the processing lag time, especially for new applicants.</p>	Low

Background

Background

Overview:

The purpose of the Licensing Regulation & Enforcement Office (LR&E) is to ensure that construction activities are performed by qualified and licensed contractor's within the County. The LR&E Section is responsible for the County's licensing of specific trades: drywall, electric, flooring, HARV, painting, roofing, etc. using the business process automation software known as Accela to process all its transactions:

- County certification means being licensed to engage in a specific trade within the County.
- State registered means holding a Certificate of Competency and being registered within the State of Florida for a specific trade.
- A registered contractor must meet local licensing requirements.
- State certified means being certified by the State of Florida to perform work in a specific trade.
- Anyone certified by the State of Florida may perform work in that specific field throughout the State of Florida.

Trades requiring Certificate of Competency from the State and/or County:

- Alarm Contractor
- Alarm II Contractor
- Aluminum Specialty Structure Contractor
- Building Contractor
- Drywall Contractor
- Electrical Contractor
- Electrical Sign Contractor
- Excavating /Land Clearing Contractor
- Fencing Contractor
- Floor Covering Contractor
- Floor Covering with Tile Contractor
- Framing Contractor
- Garage Door Contractor
- General Contractor
- HARV Contractor
- Irrigation Contractor
- Limited Energy System Contractor
- Marine I Contractor
- Marine II Contractor
- Masonry Contractor
- Mechanical Contractor
- Painting Contractor
- Plumbing Contractor
- Residential Contractor
- Roofing Contractor
- Sheetmetal Contractor
- Solar Contractor
- Storm Shutter Contractor
- Stucco Contractor
- Swimming Pool Contractor
- Swimming Pool Finishing Sub-Contractor
- Swimming Pool Service Contractor
- Underground Utilities Contractor
- Window and Door Contractor
- Master Electrician (non-contractor)
- Master Plumber (non-contractor)
- Journeyman Electrician
- Journeyman Plumber
- Journeyman HARV
- Journeyman Roofer
- Journeyman Sheetmetal

Brevard County Planning & Development Citizen Awareness (Regulation and Enforcement)

The Unlicensed Contractor Program was developed to protect the public, ensure qualified contractors are legally advertising and properly insured to perform the work in their trade, and maintain the credibility of the Construction Industry.

Things to Know:

- All citizens pay for the effect of unlicensed activity through increased insurance costs, taxes, credit losses and for damage done to the owners, employees, and suppliers of licensed competitors.
- Unlicensed contractors cannot pull permits. This means the plans for the work to be done are not inspected and may or may not meet the local building codes.
- Doing business with an unlicensed contractor exposes consumers to a variety of risks involving liability claims, state and federal taxes, liens by vendors for unpaid material or labor costs, violations of law and the possibility that the job will not be completed in accordance with the minimum standards for the profession.

- The unlicensed person or firm skirts such responsibilities as liability insurance, worker's compensation, unemployment compensation, social security and reporting withholding of taxes.
- Installation of any major home appliance such as air conditioners, water heaters, electrical heaters, etc. by an Unlicensed Contractor may void the warranty on that product.
- If an appliance is improperly installed by an Unlicensed Contractor (water heater explodes, cross connection runs sewage into the drinking water, an air conditioner fire, etc.), the property owner's insurance will not cover it.

Citation Program:

- Brevard County has established a Citation program to assist in enforcing proper licensing.
- Qualified, trained field inspectors may issue a citation(s) for those in violation of Brevard County licensing code.
- A citation may be issued to anyone performing work without holding proper license and/or if performing work without pulling a building permit, if required.
- Citizens and contractors may call in a complaint if they suspect unlicensed activity is taking place.
- When calling in suspected unlicensed activity, you DO NOT have to leave your name as the complainant.

Enforcement Areas of Jurisdiction:

- All of Unincorporated Brevard County
- City of Melbourne
- City of Melbourne Beach
- City of Indialantic
- City of Indian Harbor Beach
- City of Satellite Beach
- City of Rockledge
- City of Grant/Valkaria

Obtaining a License/Certification - New Applications

There are four types of license applications that new applicants can choose from in seeking a certificate of competency in Brevard County depending on their current status and/or respective field:

- Contractor Examination Application (new applicants)
- Master / Journeyman Examination Application (new applicants)
- Contractor Reciprocity Application for Certificate of Competency
- Master / Journeyman Reciprocity Application

There are three basic steps for new applicants in the application / licensure process.

First, there is the qualification / experience step. The applicant chooses the application appropriate to their field and desired trade(s) and submits the required documentation which varies by application and trade. The key requirements for new applicants include 1 to 5 years of experience and affidavits from employers (unless self-employed) as specified in the application for the trade(s) selected. Further, Contractor Examination Applicants are required to meet the minimum net worth established by rule 61G4-15.005 of the Contractor Licensing Board (CLB). The CLB is comprised of 13 members and is the governing authority appointed by the Board of County Commissioners that oversees the Licensure, Regulation Enforcement function. The application fees are non-refundable and due at the time of application submission to the LR&E Certification Specialist.

Second, if the application is approved by the LR&E Certification Specialist, the applicant is notified in writing that the LR&E sponsors the applicant to proceed with one of the two exam companies selected in the application. The two authorized companies that independently administer the contractor and master / journeyman exams are Gainesville Independent Testing Service LLC (GITS) and Prometric. If the applicant does not pass the exams, the applicant is not limited in the amount of times that the applicant can retake the exam. However, there is a fee assessed for each additional exam taken.

Third, upon passing the exam, the testing company notifies LR&E and the LR&E Certification Specialist proceeds to the certification process for which there are certain requirements that also must be met

depending on whether the certification is for the contractor or master / journeyman field. If all of the certification requirements are met, the Certification Specialist issues the applicant a certificate of competency.

If, at any point in the process noted above for new applicants, the Certification Specialist concludes that the applicant has not met the requirements, the application is submitted to the CLB with the LR&E's reasons for not approving and relevant documentation for the CLB's review. The CLB has the authority to grant its approval documenting the reasons or conditions for approving the application and / or certification in accordance with the applicable ordinances and Florida Statutes.

Obtaining a License/Certification - Renewals

Every certificate of competency issued by LR&E expires each year on August 31 regardless of the date of original issue. The renewal period without penalties begins on August 1 and ends on September 30. Beginning October 1 late fees are added to the regular renewal fee. The Certification Specialist reviews the forms submitted by the licensed contractor or licensed master / journeyman and determines if the specific requirements have been met for the one year annual license renewal.

State Certified Contractor Repository – Records

Every state certified license contractor who conducts business and obtains permits in Brevard County is required to be entered into the Repository database. The Certification Specialist or Technician reviews the forms submitted by the licensed contractor and determines if the specific requirements have been met.

Regulation/Enforcement

In most cases, the regulation / enforcement function is triggered by an oral or written complaint that is submitted to LR&E. The LR&E has designated, approved Investigators who receive and respond to all complaints that are deemed to have any relevance to their regulation and enforcement responsibilities. The LR&E through its investigators are responsible to respond to and investigate any potential violations related to construction and repairs within Brevard County and the other municipalities noted above that are part of their jurisdiction. Violations may include: 1) contractors or master / journeyman performing construction activities for which they are required to hold a certificate of competency to perform; 2) licensed contractors who fail to secure a permit, where required, for work being done.

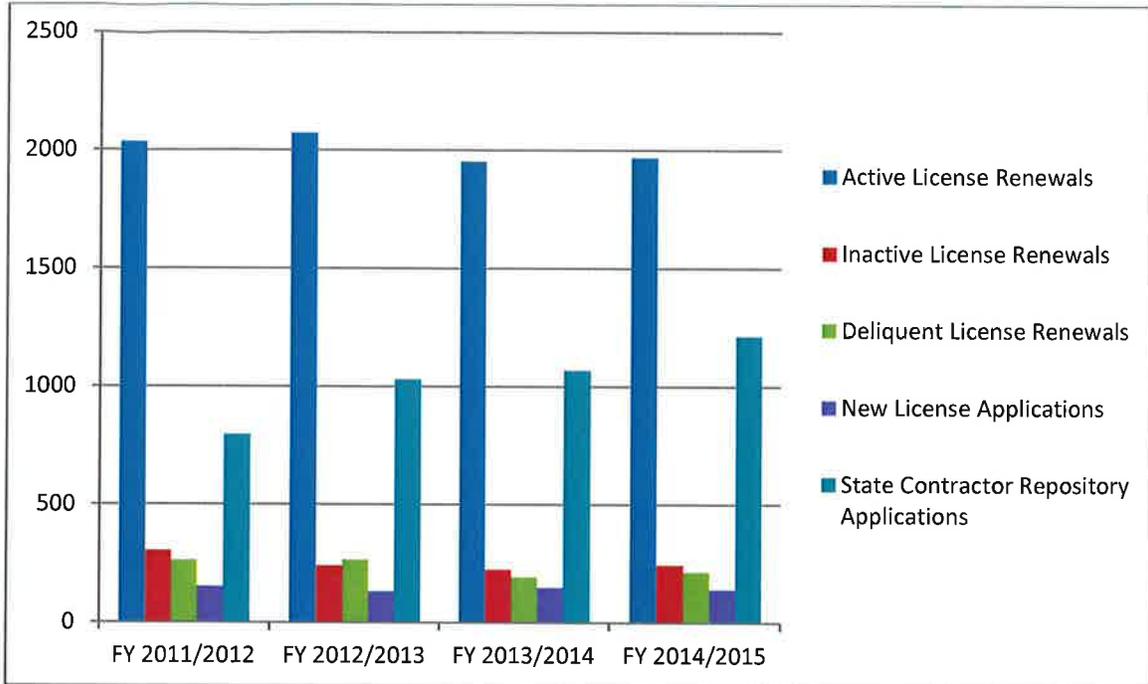
Additionally, as noted above through the LR&E's "Citizen's Awareness Program", LR&E seeks to educate and increase public awareness about the contractor and master / journeyman certification / licensure requirements and risks involved in work being done by unlicensed or irresponsible licensed contractors or master / journeyman. See additional details above regarding the citation program.

Staffing

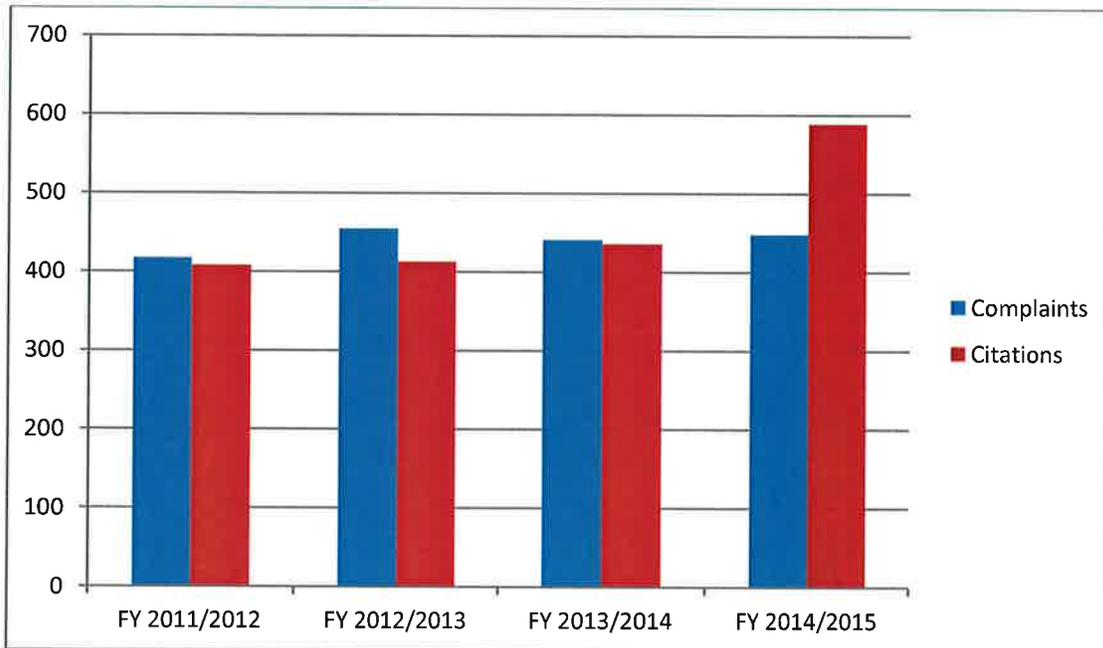
Key personnel involved in the internal audit of the LR&E function are as follows:

Title	Function
Planning & Development Department Director	Oversees Department and related programs
LR&E Program Manager	Oversees LR&E Program, including supervision of personnel
Certification Specialist, Lead	Provides supervision of Certification Specialist staff and processes transactions related to the licensure / regulation / certification process
Certification Specialist (2)	Processes transactions related to the licensure / regulation / certification process
LR&E Technician (1)	Assists the Certification Specialist in the transaction processing: (receiving application, filing records etc) & provides assistance to the Investigator
Investigator (1); 2 vacant	Performs investigations related to Enforcement (complaints, violations, citations)

Selective Statistics – Licensure / Regulation (Source LR&E – unaudited)



Selective Statistics – Enforcement (Source LR&E – unaudited)



Objectives and Approach

Objectives and Approach

Objectives

The primary objective was to assess whether the system of internal controls over the licensing, regulation and enforcement function (LR&E) is adequate and appropriate for promoting and encouraging consistent application of management's objectives for compliance with County policies and procedures, County Ordinances and Florida State Statutes, as applicable.

We selected 40 items for the testing period related to the Licensing and Regulation process disaggregated among the four different types of licenses / certificates of competency (contractor, master, journeyman, and reciprocal). We included active licenses, inactive licenses; new licenses and renewals, based on risk and volume for each category and type.

Additionally, we selected 40 items for the testing period related to the Enforcement process disaggregated among three areas (complaints, violations, and citations) from throughout the period of testing, based on risk and volume for each category. The testing periods covered the twelve months June 1, 2015 through May 31, 2016, and included the following objectives:

- Determine that effective policies and procedures are in place to ensure compliance with County Ordinances and Florida Statutes.
- Ensure compliance with County and Departmental internal policies and procedures.
- Evaluate whether there are adequate records and documentation for construction activities only being performed by qualified and licensed contractors within the County to establish an audit trail and that policies and procedures are appropriately followed.
- Evaluate if there are adequate controls to prevent/detect construction activities being performed by unqualified and / or unlicensed contractors.
- Review the adequacy and effectiveness of controls to identify the specific trades that are required to have state-issued licenses as well as county licenses for construction activities within the County.
- Review the adequacy and effectiveness of controls over proper enforcement related to complaints, violations, and citations associated with unqualified and unlicensed contractors that perform construction activities within the County.

Approach

Our cycle audit approach consisted of three phases:

Understanding and Documentation of the Process

During the first phase, we held an entrance conference with the Planning and Development Department (Department) Director to discuss the scope and objectives of the audit work, obtained preliminary data, and established working arrangements. We reviewed Florida Statutes, administrative orders, County policies and other resources related to LR&E. We conducted a facilitated session with the Department Director and responsible personnel from LR&E and documented their respective roles in the processes. We documented our understanding of the LR&E processes and relevant controls.

Detailed Testing

The purpose of this phase was performance of testing procedures based on our understanding of LR&E, applicable County ordinances, and State Statutes. Our procedures included interviewing and testing individual transactions. We met with responsible personnel from LR&E to discuss their respective, individual roles within LR&E. LR&E is divided up into two key areas: Licensing / Regulation and Enforcement. The testing period covered the twelve months June 1, 2015 through May 31, 2016. We conducted the following procedures to meet our audit objectives outlined above:

Licensing/Regulation function, as noted above, we selected 40 items and performed the following:

- For New Contractor License candidates, we verified the following requirements, based on applicable County Ordinances and Florida Statutes as it relates to the application / exam process:
 - Fees assessed match the trade selected
 - Required years of experience was notarized on attached Experience Form based on the applicable trade selected
 - Copy of driver's card was provided
 - Three (3) letters of recommendation from contractors, whom applicants have worked either for or with, or reputable business or professional people, not related by blood or marriage to the applicant were included.
 - Applicant met minimum net worth.
 - Social Security disclaimer was signed by applicant.
 - Applicant signature pages were notarized.
 - The Contractor Licensing Board (CLB) approved the applicant
- For New Contractor, CLB approved applicants, we verified the following requirements, based on applicable County Ordinances and Florida Statutes as it relates to certification:
 - Included Articles for a Corporation or LLC or Fictitious Name Certificate of Status
 - Criminal background check
 - Personal credit report included
 - Business credit report included (if in business for 3 or more years – must be obtained from CLB approved credit reporting agencies)
 - Certification form complete and fee paid
 - Completion of qualifier affidavit by the applicant
 - Financial affidavit was completed by the applicant or owner if applicant is not owner.
 - Letter of authorization is included
 - Brevard County Business Tax Receipt (BTR) or other county BTR from where business located was included.
 - State Registration license included, if required.
 - Certificate of Insurance included – based on trade category
 - Certificate of Workers Compensation Insurance included, as applicable
 - Verify WC exemption card. if applicable
 - Once approved by CLB, verify Certification form was complete
 - Verify fees were properly assessed and recorded
 - Verify CLB approved Certification Form before Certificate was issued
- For New Master/Journeyman Licenses/Certification, we verified the following:
 - Master/Journeyman Examination Application is complete
 - Application Fees assessed match the trade selected
 - Experience affidavits from employers included (unless self-employed) showing the required years of experience.
 - Copy of driver's license card was provided.
 - Social Security disclaimer was signed by applicant.
 - Applicant signature pages were notarized.
 - CLB approval included
 - Once approved by CLB, verify Certification form was complete
 - Certification fees were proper and recorded
 - CLB approved Certification Form before Certificate was issued.
- For Contractor License Renewals, we verified the following:
 - Renewal Form is complete
 - Fees assessed match the trade and status selected and timing paid (delinquent or not).
 - Copy of driver's license card was provided (if the renewal was delinquent).
 - Relevant support was included and up-to-date on the BC LR&E website (applicable for active licenses): www.brevardcounty.us/licensing
 - Certificate of Competency
 - Corp /LLC

- County Business Tax Receipt
 - State Registration (if applicable)
 - Workers Comp Exemption
 - Certificate of Insurance – GL
 - Certificate of Insurance – WC (if not exempt)
- For Master / Journeyman License Renewals, we verified the same criteria above for Contractor License Renewals excluding the last criteria for regarding the required forms which are only applicable for contractors.
- For Contractor Reciprocity Application for Certificate of Competency, we verified the following:
 - Letter of Reciprocity
 - Application is complete
 - Certification form is complete
 - Application Fee according to applicable trade.
 - Certification Fee according to applicable trade.
 - Copy of Articles of Incorporation or LLC or current Annual Report
 - Criminal Background Check
 - Personal Credit Report
 - Business Credit Report
 - A Letter of Authorization
 - Copy of Driver's License
 - Signed Social Security number disclaimer
 - Copy of BTR where business is located
 - Copy of Certificate of Competency Card
 - Copy of State Registration License
 - Certificates of Insurance
 - Certificate of Insurance (if have employees)
 - Workers Compensation Exemption Card
- For Master/Journeyman Reciprocity Application for Certificate of Competency, we verified the following:
 - Letter of Reciprocity included
 - Application is complete
 - Certification form is complete
 - Application Fee according to applicable trade.
 - Certification Fee according to applicable trade
 - Copy of Driver's License
 - Signed Social Security number disclaimer
 - Copy of Certificate of Competency Card

Enforcement function, we selected 40 items, as noted above, and performed the following:

- For Complaints, we verified the following:
 - Responds to complaints in a timely manner (depending on the type and time-sensitivity of complaint, complaint may be followed up same day received to visit the site)
 - Visits work site the day of the complaint (if possible), conducts interviews, takes photos, gathers correspondence, affidavits, etc. as part of the investigation
 - Documents in file for each complaint and follows-up as needed
- For Notice of Violations, we verified the following:
 - Included documented support for notice of violations identified and issued
 - Included documented resolution and follow-up for outstanding notices of violation
- For Citations issued, we verified the following:
 - Included relevant support to determine if enforcement administered is proper and consistent with applicable County ordinances and codes
 - Citation fees agree to citation fee schedule based on citation type
 - Disposition / status of unresolved citations are documented and escalated when necessary

Reporting

At the conclusion of our audit, we documented our understanding of the LR&E function and summarized our findings related to this process. We conducted an exit conference with management and have incorporated management's responses into our report. We prepared our report and related findings and provided copies to appropriate County personnel.



Observations Matrix

Observations Matrix

Rating	Observation	Recommended Action	Management Response
Moderate	<p>1. Credit Reports – CLB Approved</p> <p>During our review of the Brevard County Contractor Licensing & Regulation New Certification Checklist, we noted that the webpage link / reference for the CLB approved credit-reporting agencies (<i>Florida Construction Industry Licensing Board Credit Reporting Agencies – For Reference Only</i>) resulted in an error message, the proper link is http://www.myfloridalicense.com/dbpr/pro/cilb/docu ments/cilb_credit_reporting_agencies.pdf.</p> <p>Further, the document at the above referenced link contains a qualification that the list of credit reporting agencies is “For Reference Only” and is “not all inclusive. You may submit credit reports from agencies not included on this list, so long as they meet the criteria listed in 61G4-12.011(12), Florida Administrative Code.” This qualification and limitation is not included and addressed as part of the New Certification Check List.</p> <p>The omission of this qualification and limitation could lead to the risk that applicants with insufficient personal and / or business credit reports could be granted a certificate of competency.</p>	<p>We recommend the following:</p> <p>a. The Brevard County Contractor Licensing & Regulation New Certification Checklist be corrected to include the correct website link / reference to the State of Florida website, as noted in the observation.</p> <p>b. The Brevard County Contractor Licensing & Regulation New Certification Checklist be reviewed to ensure that the stated limitation and qualification listed on the State of Florida referenced document <i>Credit Reporting Agencies – For Reference Only</i> - are not detrimental to the CLB's intention that the applicant's personal and business credit reports meet the CLB's requirements for certification by the County.</p> <p>This will mitigate the risk of applicants being approved for a certificate of competency without meeting the CLB's requirements for the personal and business credit reports as applicable.</p>	<p>Response:</p> <p>a. LR&E will remove the website link on the Certification Checklist and provide applicants with the most recent Florida Construction Industry Licensing Board (FCILB) credit reporting listing.</p> <p>b. This recommended action is addressed by a. above through the removal of the website link and by providing applicants with the most recent FCILB credit report listing.</p> <p>Responsible party: Denise Campagna, LR&E Program Manager</p> <p>Estimated completion date: August 31, 2016</p> <p>Next testing date: February 2017</p>

Observations Matrix - continued

Rating	Observation	Recommended Action	Management Response
Moderate	<p>2. New Applicants for Certification – Review and Approval</p> <p>Based on discussions with management and our review of the licensing process we noted that Certification Specialists who process new applicants may also administratively approve new applicants. The applicant must meet the application experience requirements, pass the applicable trade exam fulfill the certification requirements, (as applicable to their trade and category), and pay the required fees.</p> <p>There is no policy or documented procedure in place that requires any direct review and administrative approval of the applicant by a LR&E supervisor or manager, before being submitted to the CLB.</p> <p>On a monthly basis (normally), a list of all applicants who have met the qualifications and passed the applicable exam(s), administratively reviewed and approved by the Certification Specialist, is submitted to the CLB as an agenda item to be approved. The CLB can request to review any of the supporting records for the list of applicants, but this is not required and rarely done.</p> <p>Given the responsibility placed on the Certification Specialist, that includes interpretation of subjective application/certification criteria, the lack of specific, formal review and approval by a supervisor, manager or the CLB, could lead to the risk of unqualified applicants receiving a certificate of competency.</p>	<p>We recommend the following for new applicants:</p> <ol style="list-style-type: none"> The LR&E supervisor or above, should review the exam application and related support for accuracy and completeness with a focus on the higher risk areas, included but not limited to, the required level of experience and other areas deemed to require more judgment on the part of the Certification Specialist. Given the limitation of LR&E resources, the review can be done on a sample basis and should be documented through a standardized reviewer checklist and administrative concurrence indicated before submission to the CLB for approval or denial, as applicable CLB perform spot audits/ reviews on the list submitted each month for completeness and accuracy, requesting the whole examination application / certification package be provided prior to the meeting. The results of the spot reviews / audits should be documented as part of, or as an addendum to the CLB meeting minutes. Create formalized, documented policies and procedures for the review and administrative approval of the applicant by a LR&E supervisor or manager, before submission to the CLB. 	<p>Response:</p> <ol style="list-style-type: none"> LR&E Lead or above will begin performing spot audits on applications reviewed by Certification Specialists by August 31, 2016. However, given the limitations of LR&E's resources, the standardized reviewer checklist will be done in conjunction with the written policies and procedures for licensing. LR&E will begin providing applications for spot audit/reviews to the CLB once the standardized reviewer checklist has been created. LR&E will create written policies and procedures for the review and administrative approval of new applications. <p>Responsible party: Denise Campagna, LR&E Program Manager</p> <p>Estimated completion date:</p> <ol style="list-style-type: none"> August 31, 2016 August 31, 2016 May 2017 <p>Next testing date:</p> <ol style="list-style-type: none"> February 2017 February 2017 June 2017

Observations Matrix - continued

Rating	Observation	Recommended Action	Management Response
<p>Moderate</p>	<p>3. Documented Policies and Procedures - Enforcement</p> <p>Based on our interview with the LR&E Investigator we noted the following:</p> <ul style="list-style-type: none"> • There are no formal, written documented policies and procedures related to the enforcement process. • There is no written, required review process by the supervisor or above of the Investigators activities, including decisions made to investigate complaints and resolve complaints, issue notices, issue citations, and / or the need to elevate or not to elevate cases etc. • There is no formal, written policy in place that directs, guides or requires the Investigator when and to what extent to report the status or significant activities to the CLB or Magistrate Hearing. This is left to his / her discretion whether to elevate or not to elevate. <p>For example, in our review of 19 citations, we noted that there seemed to be a significant delay in resolving three unpaid citations that were greater than one year old. These three unpaid citations were referred to collections during our testing. As noted above, there is no written policy in place as to whether to elevate or not to elevate this matter (or any other matters) to the CLB (or designee) or Magistrate Hearing to address.</p>	<p>We recommend that Management consider requiring the following:</p> <ol style="list-style-type: none"> Develop documented policies and procedures related to the key activities and steps to be performed by the Investigator(s) for the enforcement function related to the three key areas: 1) complaints, 2) violations, 3) citations including the use of checklists for each area to foster transparency, consistency and efficiency. Develop a formal, written process to facilitate review of the Investigator's activities by a supervisor or above – such as spot reviews of timeliness of response to claims, status of violations and unpaid citations. Develop a required monthly reporting structure and present a dashboard of the Investigator's key activities including a high-level status of complaints, violations and citations to facilitate review by the CLB. <p>Documented policies and procedures for the areas noted above will facilitate consistency, transparency and greater efficiency in the Investigator(s)'s duties relative to responding to complaints, issuing notices of violations and issuing and tracking violations.</p>	<p>Response: LR&E's response to a, b, and c. We will create written policies and procedures, including a formal monthly reporting structure, for the enforcement process to address each respective recommended action.</p> <p>Responsible party: Denise Campagna, LR&E Program Manager</p> <p>Estimated completion date: May 2017</p> <p>Next testing date: June 2017</p>

Observations Matrix - continued

Rating	Observation	Recommended Action	Management Response
<p>Moderate</p>	<p>4. Contractor Renewal Documentation</p> <p>We reviewed 40 items related to the Licensing and Regulation process. 27 out of the 40 related to contractor and master / journeyman license / certification annual renewals. For these annual renewals, 15 out of 20 contractors and 4 out of 7 master / journeyman did not provide a copy of their driver's licenses (or, any other valid form of government issued identification) with their renewal form at the time of renewal.</p> <p>However, the renewal form only requires the applicant to provide a copy of a valid driver's license (or, any other valid form of government issued identification) if their fees are delinquent (paid after 9/30 of the renewal year – renewal period not subsequent to delinquency is 8/31 through 9/30 of each year). Staff relies on the licensee in the renewal process to self-report as to whether the licensee has a valid driver's license (or, any other valid form of government issued identification) or if there has been a change of address (there is a change of address form process – but this is self-reporting as well).</p> <p>Though not required by the current contractor / master / journeyman renewal forms, the lack of requiring a copy of a current driver's license (or, any other valid form of government issued identification) could lead to approving a license renewal for someone who has changed identities or has a suspended driver's license that could disqualify them from having their contractor or journeyman license renewed. This poses a higher risk since criminal background checks are not required for license renewals.</p>	<p>We recommend that Management consider requiring all contractor and master / journeyman to submit a copy of a valid driver's license (or, any other valid form of government issued identification) to renew their license/certification.</p>	<p>Response: We will require proper identification during the 2017-2018 renewal period.</p> <p>Responsible party: Denise Campagna, LR&E Program Manager</p> <p>Estimated completion date: August 1, 2017</p> <p>Next testing date: February 2018</p>

Observations Matrix - continued

Rating	Observation	Recommended Action	Management Response
<p>Low</p>	<p>5. Segregation of Duties – Checks</p> <p>During our interviews with management, we noted that Central Cashier collects and records all payments related to LR&E fees for cash and credit card payments.</p> <p>However, the majority of the checks are received in the mail with the application by LR&E Certification Specialists. When the payment of fees is via check, LR&E Certification Specialists enter in the application information and create an invoice for the fees owed in Accela. LR&E Certification Specialists will accumulate the checks at various points throughout the day, or if too busy, at the end of the day. LR&E Certification Specialists write the Accela Record Number on the check(s) and walk the checks over to Central Cashier to collect and process the payment in Accela (Planning and Development Departments system / database).</p> <p>With respect to payment by check, there is some risk that the LR&E Certification Specialist could not provide the check(s) to Central Cashier and not record the application and related invoice for the fees into Accela. However, there is the mitigating control that applicants would contact LR&E in the event of no response regarding the status of their licensure (new or renewals).</p> <p>This risk is substantially reduced by the mitigating control noted above; however, this could still result in misappropriation of assets going undetected for a period of time, given the processing lag time, especially for new applicants.</p>	<p>The following represents recommendations to provide for a proper segregation of duties:</p> <ol style="list-style-type: none"> Maintain a daily log for fee payments made via check in the mail. The mail containing the application or renewal form with the enclosed check should be opened and recorded on the daily log by someone other than the Certification Specialist who processes the application and handles the checks (this could be the LR&E Technician). The daily check payment log should be signed by the LR&E Technician (or in the Technician's absence, by the Certification Specialist Lead and one of the Certification Specialist) and provide the log to Central Cashier at the end of the day. Spot audits / reviews of the deposit log should be performed on a weekly basis by a supervisor or above to verify that the transaction was recorded in Accela. <p>LR&E has indicated that implementing the above recommendations would be cumbersome due to their limited resources.</p> <p>In addition to the strong mitigating control noted in the observation, LR&E management indicated, in subsequent discussions, that the County plans to change the licensee fee payment process so that most payments will be processed online via credit card or electronic check directly through the Central Cashier by August 2017. The combination of these two factors significantly reduces the risk noted in our observation.</p>	<p>Response: With the implementation of the Accela automated online renewal, most payments will be processed online via credit card or electronic check.</p> <p>Any checks received via mail, will be logged by the LR&E agency as outlined in recommended actions a, b, and spot audits / reviews will be performed as outlined in c.</p> <p>Responsible party: Denise Campagna, LR&E Program Manager</p> <p>Estimated completion date: August 1, 2017</p> <p>Next testing date: August 31, 2017</p>



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

**Proposed Internal Audit Plan
Fiscal Years 2016/17 & 2017/18**



**Prepared By:
Internal Auditors
August 29, 2016**

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RSM US LLP

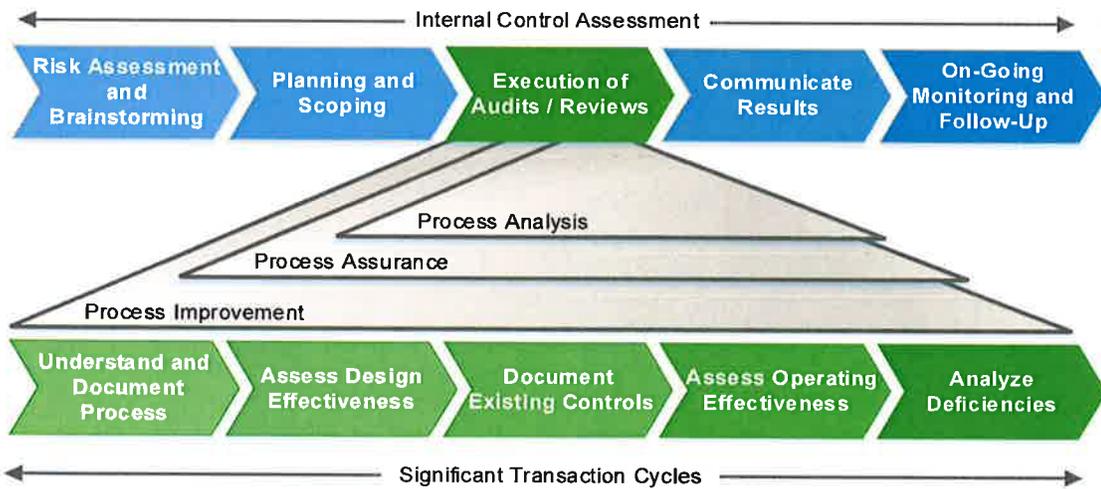
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August 29, 2016

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 years ("FY") 2016/17 and FY 2017/18 as determined by updating the Risk Assessment for the County. We applied a broad-based, business view of risk, linked to the annual budget and operations, and conducted interviews with County Commissioners and the County Manager to gain a high-level understanding of "What keeps them up at night?" and narrow in on their objectives and identified risks. We conducted interviews with members of the Management team to identify opportunities and vulnerabilities. As in the past, when we talk about 'risk' we focus on Financial, Compliance and Public Perception. This 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 plan can and will change. Our internal audit approach and methodology is outlined below.

Internal Audit Approach and Methodology



The objective of this risk assessment is to develop a proposed internal audit plan, the purpose of which is to give the County sufficient and continuous internal audit coverage of those areas determined as having a relatively high risk profile or that otherwise require internal audit attention for various reasons. We have included the potential significant risks and internal audit strategy for each of the functions in the proposed 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

Overview

As previously mentioned, the objective of this assessment is to provide the County with a proposed internal audit plan that has sufficient and continuous internal audit 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 below:



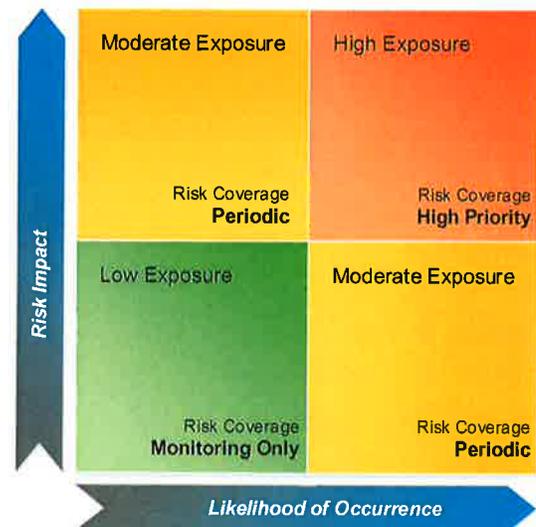
Preparing the proposed internal audit plan from the risk assessment will ensure that resources are focused on areas of most concern to the County. Our risk assessment considers ‘inherent risk’, which is the risk of a function in an environment void of controls. Therefore, functions with inherently high 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. This audit plan is *on-line real-time* and will be consistently presented in *draft* form because it is a *living document*. As factors change, situations arise, and as the County continues to embrace the internal audit function, this 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 focuses on areas or functions that are high exposure and high priority (the upper right quadrant).

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 risk. Strategic, performance and operational risks are also considered. 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 impacted or is expected (in the near term) to impact 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 the assets managed or in the custody of the process / function. Process risk addresses the extent of support the process / function provides to vital the 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, academic, 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 the 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. As such, the proposed internal audit plan includes: Overall Audit Functions, Cycle Audits, Entity-Wide Audits, Individual Function Audits and Special Requests, as well as a contingency. We have attached 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

		Brevard County Working Draft - Internal Audit Plan - PROPOSED Fiscal Years 2016/17 & 2017/18					
AUDIT UNIVERSE		Previous Audit Year	2014	2015	2016	Proposed 2017	Proposed 2018
Overall Audit Functions							
Risk Assessment					✓		
Update Risk Assessment			✓	✓		✓	✓
Ongoing Remediation and Follow-Up Procedures			✓	✓		✓	✓
Quality Control			✓	✓		✓	✓
Audits by Department and / or Organization							
Budget Office							
Budgetary Tools and Reporting / Discovery	2008						
Financial Position Review	2007						
High-Level Ten Year Analysis	2011			✓			
Central Services Office							
Asset Management	2009						
Central Fleet Services	2012						
Contract Compliance - Vendor Management	2013					✓	✓
Facilities Construction	2003						
Facilities Maintenance	2012						
Purchasing	2008			✓			
Purchasing Card	2010						
Emergency Management Office							
800 Mega / E-911	2007						
FEMA	2006						
Fire Rescue Department							
Ambulance Billing / Fund 1351	2006						
Fire Rescue - Revenue Billing & Collection	2012						
Fire Rescue - Financial Condition Review	2013			✓			
Human Resources Office							
Human Resources	2009						
Payroll / Timekeeping	2011						
Self-insurance Review	2010		✓				✓
Timekeeping and Overtime Cycle Audit	2013			✓		✓	✓
Information Technology Department							
Ongoing Network Scans / Penetration Testing					✓	✓	✓
Backup & Recovery			✓				
Risk Assessment	2011						
Security & Privacy	2008				✓		
Strategy & Governance				✓			
Tourism Development Office							
Space Coast Office of Tourism	2003		✓				
Housing and Human Services Department							
Housing and Human Services - Financial Condition Review	2013						
Community Development Block Grant (CDBG)	2002					✓	
Criminal Justice Services - General	2006						
Pre-Trial Misdemeanor Services			✓				
SHIP, HOME & HRSP Grant Programs	2008						
Library Services Department							
Library Services - Financial Condition Review	2013						
Parks and Recreation Department							
Environmentally Endangered Lands (EEL)	2007						
Facility Usage and Contracting						✓	✓
Golf Operations	2005						✓
Parks & Recreation Referendum	2007						
Parks and Recreation - Operations	2004						
Parks and Recreation - Financial Condition Review	2013						
Transit Services Department							
Space Coast Area Transit (SCAT)	2003						
Valkaria Airport							
Valkaria Airport			✓				
Natural Resource Management Department							
Half-Cent Sales Tax - Monitoring and Oversight						✓	✓
Mosquito Control	2012						
NRMCO Contract Compliance Review	2010						
Stormwater - Financial Condition Review	2012						
Stormwater Operations	2005						✓
Planning and Development Department							
Building Permitting - "One Stop"	2006						
Central Cashier	2002						
Land Development	2006						
Licensing Regulation and Enforcement (External)					✓		
Public Works Department							
Local Option Gas Tax	2007		✓				
Public Works - iWorQ							
Fleet Work Order Management							
Public Works Construction Monitoring				✓	✓	✓	✓
Project Management / Scheduling							
Public Works - Financial Condition Review	2013						
Solid Waste Management Department							
Landfill Operations	2004						
Solid Waste Billing	2003						
Solid Waste - Contract Compliance Review	2010						
Utility Services Department							
Utilities Billing and Collection	2008						
Utility Services Construction Monitoring						✓	✓
Utility Services - Financial Condition Review	2013						
Outside Agencies / Special Requests							
Clerk to the Board: County Finance							
CAFR Management Letter Comments - Remediation Monitoring	2012		✓		✓	✓	✓
Accounts Payable	2011						
Accounts Payable Cycle Audit	2012		✓				
Accounts Receivable	2013						
Cash Management/Investments	2003						
Cash Reconciliations Cycle Audit	2013				✓		
Internal Financial Reporting	2009						
Year End Financial Close	2006						
Clerk of the Court							
Traffic Ticket Fines	2003						
Other							
Economic Development Commission	2002						
Impact Fees for Schools (BPS)			✓				
Merritt Island Redevelopment Agency (MIRA)	2008						
UF/IFAS Extension Service						✓	



Legend	
Green	Ongoing Function
Orange	Audit Closed
Blue	Action Deferred due to Resources
Yellow	Follow-up in Progress
Light Blue	Audit Completed
Dark Blue	Audit in Progress
Light Green	Proposed for current year



Proposed Internal Audit Plan

A strong, high-functioning internal audit process has a balance of all types of internal audits and reviews. RSM has 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, Audit Committee, or County Manager. The Audit Plan includes Overall Audit Functions which are described below.

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 units 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.

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 findings. 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 findings.



Quality Control

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 years:

Central Services Office	
Contract Compliance – Vendor Management <i>FY 2016/17</i>	Contract compliance encompasses all contractual agreements including, but not limited to, vendor agreements. Although certain aspects of the Purchasing Function are centralized, many of the high risk areas like contract administration and monitoring are decentralized to the individual departments. This audit will focus on the decentralized components of this function and include the selection of high risk contracts to test for compliance and monitoring.
Central Fleet Services <i>FY 2017/18</i>	A majority of the County's vehicle fleet is managed and maintained by the centralized fleet agency, there are outlier agencies that manage and maintain their own fleet. This project will analyze the fleet governance structure and include financial analysis, performance measurement, benchmarking, testing segregation of duties, internal controls and applicable best practices.
Human Resources Office	
Timekeeping and Overtime Cycle Audit <i>FY 2016/17</i>	There are several departments within the County that are subject to overtime for emergency support and other various reasons. This audit will include an entity-wide overtime analysis and focus testing on those higher risk departments and include monitoring compliance with timekeeping and overtime policies and procedures, including Union agreements, as applicable.
Self-Insurance Review <i>FY 2017/18</i>	The purpose of this review is to validate that claims are eligible, are processed accurately, timely, and in compliance with contract terms. In order to test a sample of claims from calendar year 2017 and provide timely, relevant data, we will conduct this audit during the summer of 2018, to allow 2017 claims to cycle through the process for testing.

Proposed Internal Audit Plan - continued

Information Technology Department	
<p><i>Ongoing Network Scans / Penetration Testing</i> <i>FY 2016/17 & 2017/18</i></p>	<p>Beginning in FY 2015/16 the County's Internal Audit Information Technology Team has been working closing with County IT Security Team in performing penetration testing. The automated process of proactively identifying security vulnerabilities of computing systems in a network in order to determine if and where a system can be exploited and/or threatened. While public servers are important for communication and data transfer over the Internet, they open the door to potential security breaches by threat agents, such as malicious hackers.</p> <p>The subject matter covered under these audits is confidential in nature, and thus exempt from Florida Statutes 119.07(1) and 286.001; specific details are not disclosed to avoid the possibility of compromising County information and security. This exemption from Florida Statutes and other laws and rules requiring public access or disclosure is addressed under Florida Statute 281.301, Security systems; records and meetings exempt from public access or disclosure.</p>
Housing and Human Services Department	
<p><i>Community Development Block Grant ("CDBG")</i> <i>FY 2016/17</i></p>	<p>The CDBG program is authorized by Title I of the Housing and Community Development Act of 1974, as amended. It is one of the nation's largest Federal grant programs and is administered by the Department of Housing and Urban Development's ("HUD") Community Planning and Development Office. It provides eligible metropolitan cities and urban counties (called "entitlement communities") with annual grants that they can use to revitalize neighborhoods, expand affordable housing and economic opportunities, and/or improve community facilities and services, principally to benefit low- and moderate-income persons. Grant amounts are determined by a dual formula based on the community's population, population growth lag, the number of persons in poverty, the extent of over-crowded housing, and the age of housing. CDBG activities are initiated and developed at the local level based upon a community's perceptions of its local needs and priorities. Each entitlement grantee receiving CDBG funds is free to determine what activities it will fund as long as certain requirements are met. The external auditors audit this program annually. This program was last audited in 2002 by the internal auditors. This audit will focus on the construction projects funded by the Grant, and contractor compliance.</p>

Proposed Internal Audit Plan - continued

Parks and Recreation Department	
<p>Facilities Usage and Contracting FY 2016/17</p>	<p>There are mixed-use parks facilities that can be used by the community for various purposes, including pavilions and larger structures such as community centers. These rentals are subject to specific risks, such as physical security and property damage as well as revenue loss if usage is not properly captured and recorded. This audit kicked off in the last quarter of FY 2015/16 as included in the approved audit plan. During the initial phases of the audit it was determined that the scope should be expanded to fully understand and test the risks of the decentralized functions.</p>
<p>Golf Operations FY 2017/18</p>	<p>Effective February 1, 2016, the County entered into a contractual agreement with Integrity Golf to operate all three golf courses in Brevard County.</p> <ul style="list-style-type: none"> • The Savannahs at Merritt Island – Par 72 championship course • The Habitat at Valkaria – Par 72 championship course • Spessard Holland at Melbourne Beach – Par 67 stretch executive course <p>In addition to numerous performance indicators, Brevard County will receive a minimum of \$100,000 a year in payments from Integrity Golf. This audit will focus on the compliance and reporting requirements in the contract.</p>
Natural Resource Management Department	
<p>Save Our Indian River Lagoon ½ Sales Tax Referendum FY 2016/17 & 2017/18</p>	<p>The citizens of Brevard County will vote 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, if passed, is in effect for a period of 10 years and is independently overseen by an Independent Citizens Oversight Committee. The role of the Internal Auditors will be determined by the Commissioners and will include auditing the financial reporting provided to the Independent Committee by the County. Audit procedures will include procurement, revenue reporting and expenditure reporting. If passes we anticipate regular reporting in a reasonable frequency as the program progresses.</p> <p><i>(If initiative does not pass the plan will be re-assessed and presented to the Audit Committee)</i></p>
<p>Stormwater Operations FY 2017/18</p>	<p>The stormwater assessment is billed as part of the property tax bill, and is set to increase by more than 20% in FY 2016/17. This revenue is required to be spent in accordance with Ordinance 95-34, and the purpose of this audit will be to assess compliance with the Ordinance, as well as other governing regulations, as applicable. The stormwater agency has not been audited since 2011/12, when we last performed a Financial Condition Review.</p>

Proposed Internal Audit Plan - continued

Public Works Department	
<p>Construction Monitoring FY 2016/17 & 2017/18</p>	<p>This project began in FY 2014/15 and is an ongoing consultative arrangement, designed to assist management and the department with project oversight, specifically for the Barnes Road and St. Johns Heritage Parkway projects, focusing on contract compliance and fiscal monitoring. This will complement the department's existing Project Management team, providing outside expertise and best practices in construction administration. Reporting will be continuous as necessary to keep the Audit Committee and Commissioners apprised of the projects.</p>
<p>Project Management and Scheduling FY 2016/17</p>	<p>This project will be designed to evaluate the process for identifying, prioritizing, scheduling and ultimately managing the road and infrastructure projects delivered by Public Works. We will look at delivery models, trends and other factors that are built into the process, and understand and communicate any impediments or challenges the department encounters when performing these tasks, and make suggested recommendations for improvements, as applicable.</p>
Utility Services Department	
<p>Construction Monitoring FY 2016/17 & 2017/18</p>	<p>This project will be an ongoing consultative arrangement, designed to assist management and the department with project oversight, focusing on contract compliance and fiscal monitoring. This will complement the department's existing Project Management team, providing outside expertise and best practices in construction administration. This audit began in the last quarter of FY 2015/16, when we began working with the Utility Services team, conducting our kick-off meeting and attending the overall project kick-off meeting with the department.</p>
Clerk to the Board: County Finance	
<p>CAFR Management Letter Comments – Remediation Monitoring FY 2016/17 & 2017/18</p>	<p>The County's external auditors have issued Management Letter Comments with the Comprehensive Annual Financial Report ("CAFR"). We will track these Comments as open issues for Follow-up and report on the remediation.</p>

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

**Internal Audit of
Licensing Regulation and Enforcement**

**Prepared By:
Internal Auditors
August 5, 2016**

Revised

Sally,
the only audit
report that has
to be replaced is
this one. The other
2 are good. Pam

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August 5, 2016

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

Pursuant to the approved 2015/2016 internal audit plan, we hereby submit our internal audit of Licensing, Regulation and Enforcement. We will be presenting this report to the Audit Committee at the next scheduled meeting on August 31, 2016.

Our report is organized in the following sections:

Executive Summary	This provides a summary of the observations related to our internal audit of Licensing, Regulation and Enforcement.
Background	This provides an overview of the Licensing, Regulation and Enforcement processes.
Objectives and Approach	The objectives and focus are expanded upon in this section as well as a review of our approach.
Observations Matrix	This section provides the results of our internal audit procedures, including our recommended action and management's response.

We would like to thank all those involved in assisting the Internal Auditors in connection with the internal audit of Licensing, Regulation and Enforcement function.

Respectfully Submitted,

INTERNAL AUDITORS



Executive Summary

Executive Summary

Overview

The purpose of the Licensing Regulation & Enforcement Office (LR&E) is to ensure that construction activities are performed by qualified and licensed contractor's within the County. The LR&E Section is responsible for the County licensing of specific trades: drywall, electric, flooring, HARV, painting, roofing, etc. using the business process automation software known as Accela to process all its transactions:

- County certification means being licensed to engage in a specific trade within the County.
- State registered means holding a Certificate of Competency and being registered within the State of Florida for a specific trade.
- A registered contractor must meet local licensing requirements.
- State certified means being certified by the State of Florida to perform work in a specific trade.
- Anyone certified by the State of Florida may perform work in that specific field throughout the State of Florida.

Objective

The primary objective was to assess whether the system of internal controls over the licensing, regulation and enforcement function is adequate and appropriate for promoting and encouraging consistent application of management's objectives for compliance with County policies and procedures, County Ordinances and Florida State Statutes, as applicable.

The period subject to our internal audit procedures covered the twelve months from June 1, 2015 through May 31, 2016.

Observations

Below is a summary of the observations we noted during our internal audit. Each observation is assigned a relative risk factor. Relative risk is an evaluation of the severity of the concern and the potential impact on operations. Items rated as "High" risk are considered to be of immediate concern and could cause significant operational issues if not addressed in a timely manner. Items rated as "Moderate" risk may also cause operational issues and do not require immediate attention, but should be addressed as soon as possible. Items rated as "Low" risk could escalate into operational issues, but can be addressed through the normal course of conducting business. Following is a high level summary of the major observations identified during our audit. The details of these observations are included with the *Observations Matrix* section of this report.

Executive Summary - continued

Observations	Risk Rating
<p>1. Credit Reports – CLB Approved</p>	
<p>During our review of the Brevard County Contractor Licensing & Regulation New Certification Checklist, we noted that the webpage link / reference for the CLB approved credit-reporting agencies resulted in an error message, the proper link is www.myfloridalicense.com/dbpr/pro/cilb/documents/cilb_credit_reporting_agencies.pdf.</p> <p>Further, the document at the above referenced link contains a qualification that the list of credit reporting agencies is "For Reference Only" and is "not all inclusive. You may submit credit reports from agencies not included on this list, so long as they meet the criteria listed in 61G4-12.011(12), Florida Administrative Code.)" This qualification and limitation is not included and addressed as part of the New Certification Check List.</p> <p>The omission of this qualification and limitation could lead to the risk that applicants with insufficient personal and / or business credit reports could be granted a certificate of competency.</p>	<p style="text-align: center;">Moderate</p>
<p>2. New Applicant Review and Approval</p>	
<p>Based on discussions with management and our review of the licensing process we noted that Certification Specialists who process new applicants may also administratively approve new applicants. The applicant must meet the application experience requirements, pass the applicable trade exam fulfill the certification requirements, (as applicable to their trade and category), and pay the required fees.</p> <p>There is no policy or documented procedure in place that <i>requires</i> any direct review and administrative approval of the applicant by a LR&E supervisor or manager, before being submitted to the CLB.</p> <p>On a monthly basis (normally), a list of all applicants who have met the qualifications and passed the applicable exam(s), administratively reviewed and approved by the Certification Specialist, is submitted to the CLB as an agenda item to be approved. The CLB can request to review any of the supporting records for the list of applicants, but this is not required and rarely done.</p> <p>Given the responsibility placed on the Certification Specialist, that includes interpretation of subjective application/certification criteria, the lack of specific, formal review and approval by a supervisor, manager or the CLB, could lead to the risk of unqualified applicants receiving a certificate of competency.</p>	<p style="text-align: center;">Moderate</p>
<p>3. Documented Policies and Procedures - Enforcement</p>	
<p>Based on our interview with the LR&E Investigator we noted the following:</p> <ul style="list-style-type: none"> • There are no formal, written documented policies and procedures related to the enforcement process. • There is no written, required review process by the supervisor or above of the Investigators activities, including decisions made to investigate complaints and resolve complaints, issue notices, issue citations, and / or the need to elevate or not to elevate cases etc. • There is no formal, written policy in place that directs, guides or requires the Investigator when and to what extent to report the status or significant activities to the CLB or Magistrate Hearing. This is left to his / her discretion whether to elevate or not to elevate. <p>For example, in our review of 19 citations, we noted that there seemed to be a significant delay in resolving three unpaid citations that were greater than one year old. These three unpaid citations were referred to collections during our testing. As noted above, there is no written policy in place as to whether to elevate or not to elevate this matter (or any other matters) to the CLB (or designee) or Magistrate Hearing to address.</p>	<p style="text-align: center;">Moderate</p>

Executive Summary - continued

Observations	Risk Rating
4. Contractor Renewal Documentation	
<p>We reviewed 40 items related to the Licensing and Regulation process. 27 out of the 40 related to contractor and master / journeyman license / certification annual renewals. For these annual renewals, 15 out of 20 contractors and 4 out of 7 master / journeyman did not provide a copy of their driver's licenses (or, any other valid form of government issued identification) with their renewal form at the time of renewal.</p> <p>However, the renewal form only requires the applicant to provide a copy of a valid driver's license (or, any other valid form of government issued identification) if their fees are delinquent (paid after 9/30 of the renewal year – renewal period not subsequent to delinquency is 8/31 through 9/30 of each year). Staff relies on the licensee in the renewal process to self-report as to whether the licensee has a valid driver's license (or, any other valid form of government issued identification) or if there has been a change of address (there is a change of address form process – but this is self-reporting as well).</p> <p>Though not required by the current contractor / master / journeyman renewal forms, the lack of requiring a copy of a current driver's license (or, any other valid form of government issued identification) could lead to approving a license renewal for someone who has changed identities or has a suspended driver's license that could disqualify them from having their contractor or journeyman license renewed. This poses a higher risk since criminal background checks are not required for license renewals.</p>	Moderate
5. Segregation of Duties - Checks	
<p>During our interviews with management, we noted that Central Cashier collects and records all payments related to LR&E fees for cash and credit card payments. However, the majority of the checks are received in the mail with the application by the LR&E Certification Specialists. When the payment of fees is via check, LR&E Certification Specialists enter in the application information and create an invoice for the fees owed in Accela. LR&E Certification Specialists will accumulate the checks at various points throughout the day, or if too busy, at the end of the day. LR&E Certification Specialists write the Accela Record Number on the check(s) and walk the checks over to Central Cashier to collect and process the payment in Accela (Planning and Development Departments system / database).</p> <p>With respect to payment by check, there is some risk that the LR&E Certification Specialist could not provide the check(s) to Central Cashier and not record the application and related invoice for the fees into Accela. However, there is the mitigating control that applicants would contact LR&E in the event of no response regarding the status of their licensure (new or renewals).</p> <p>This risk is substantially reduced by the mitigating control noted above; however, this could still result in misappropriation of assets going undetected for a period of time, given the processing lag time, especially for new applicants.</p>	Moderate

Background

Background

Overview:

The purpose of the Licensing Regulation & Enforcement Office (LR&E) is to ensure that construction activities are performed by qualified and licensed contractor's within the County. The LR&E Section is responsible for the County's licensing of specific trades: drywall, electric, flooring, HARV, painting, roofing, etc. using the business process automation software known as Accela to process all its transactions:

- County certification means being licensed to engage in a specific trade within the County.
- State registered means holding a Certificate of Competency and being registered within the State of Florida for a specific trade.
- A registered contractor must meet local licensing requirements.
- State certified means being certified by the State of Florida to perform work in a specific trade.
- Anyone certified by the State of Florida may perform work in that specific field throughout the State of Florida.

Trades requiring Certificate of Competency from the State and/or County:

- Alarm Contractor
- Alarm II Contractor
- Aluminum Specialty Structure Contractor
- Building Contractor
- Drywall Contractor
- Electrical Contractor
- Electrical Sign Contractor
- Excavating /Land Clearing Contractor
- Fencing Contractor
- Floor Covering Contractor
- Floor Covering with Tile Contractor
- Framing Contractor
- Garage Door Contractor
- General Contractor
- HARV Contractor
- Irrigation Contractor
- Limited Energy System Contractor
- Marine I Contractor
- Marine II Contractor
- Masonry Contractor
- Mechanical Contractor
- Painting Contractor
- Plumbing Contractor
- Residential Contractor
- Roofing Contractor
- Sheetmetal Contractor
- Solar Contractor
- Storm Shutter Contractor
- Stucco Contractor
- Swimming Pool Contractor
- Swimming Pool Finishing Sub-Contractor
- Swimming Pool Service Contractor
- Underground Utilities Contractor
- Window and Door Contractor
- Master Electrician (non-contractor)
- Master Plumber (non-contractor)
- Journeyman Electrician
- Journeyman Plumber
- Journeyman HARV
- Journeyman Roofer
- Journeyman Sheetmetal

Background - continued

Brevard County Planning & Development Citizen Awareness (Regulation and Enforcement)

The Unlicensed Contractor Program was developed to protect the public, ensure qualified contractors are legally advertising and properly insured to perform the work in their trade, and maintain the credibility of the Construction Industry.

Things to Know:

- All citizens pay for the effect of unlicensed activity through increased insurance costs, taxes, credit losses and for damage done to the owners, employees, and suppliers of licensed competitors.
- Unlicensed contractors cannot pull permits. This means the plans for the work to be done are not inspected and may or may not meet the local building codes.
- Doing business with an unlicensed contractor exposes consumers to a variety of risks involving liability claims, state and federal taxes, liens by vendors for unpaid material or labor costs, violations of law and the possibility that the job will not be completed in accordance with the minimum standards for the profession.
- The unlicensed person or firm skirts such responsibilities as liability insurance, worker's compensation, unemployment compensation, social security and reporting withholding of taxes.
- Installation of any major home appliance such as air conditioners, water heaters, electrical heaters, etc. by an Unlicensed Contractor may void the warranty on that product.
- If an appliance is improperly installed by an Unlicensed Contractor (water heater explodes, cross connection runs sewage into the drinking water, an air conditioner fire, etc.), the property owner's insurance will not cover it.

Citation Program:

- Brevard County has established a Citation program to assist in enforcing proper licensing.
- Qualified, trained field inspectors may issue a citation(s) for those in violation of Brevard County licensing code.
- A citation may be issued to anyone performing work without holding proper license and/or if performing work without pulling a building permit, if required.
- Citizens and contractors may call in a complaint if they suspect unlicensed activity is taking place.
- When calling in suspected unlicensed activity, you DO NOT have to leave your name as the complainant.

Enforcement Areas of Jurisdiction:

- All of Unincorporated Brevard County
- City of Melbourne
- City of Melbourne Beach
- City of Indialantic
- City of Indian Harbor Beach
- City of Satellite Beach
- City of Rockledge
- City of Grant/Valkaria

Obtaining a License/Certification - New Applications

There are four types of license applications that new applicants can choose from in seeking a certificate of competency in Brevard County depending on their current status and/or respective field:

- Contractor Examination Application (new applicants)
- Master / Journeyman Examination Application (new applicants)
- Contractor Reciprocity Application for Certificate of Competency
- Master / Journeyman Reciprocity Application

Background - continued

There are three basic steps for new applicants in the application / licensure process.

First, there is the qualification / experience step. The applicant chooses the application appropriate to their field and desired trade(s) and submits the required documentation which varies by application and trade. The key requirements for new applicants include 1 to 5 years of experience and affidavits from employers (unless self-employed) as specified in the application for the trade(s) selected. Further, Contractor Examination Applicants are required to meet the minimum net worth established by rule 61G4-15.005 of the Contractor Licensing Board (CLB). The CLB is comprised of 13 members and is the governing authority appointed by the Board of County Commissioners that oversees the Licensure, Regulation Enforcement function. The application fees are non-refundable and due at the time of application submission to the LR&E Certification Specialist.

Second, if the application is approved by the LR&E Certification Specialist, the applicant is notified in writing that the LR&E sponsors the applicant to proceed with one of the two exam companies selected in the application. The two authorized companies that independently administer the contractor and master / journeyman exams are Gainesville Independent Testing Service LLC (GITS) and Prometric. If the applicant does not pass the exams, the applicant is not limited in the amount of times that the applicant can retake the exam. However, there is a fee assessed for each additional exam taken.

Third, upon passing the exam, the testing company notifies LR&E and the LR&E Certification Specialist proceeds to the certification process for which there are certain requirements that also must be met depending on whether the certification is for the contractor or master / journeyman field. If all of the certification requirements are met, the Certification Specialist issues the applicant a certificate of competency.

If, at any point in the process noted above for new applicants, the Certification Specialist concludes that the applicant has not met the requirements, the application is submitted to the CLB with the LR&E's reasons for not approving and relevant documentation for the CLB's review. The CLB has the authority to grant its approval documenting the reasons or conditions for approving the application and / or certification in accordance with the applicable ordinances and Florida Statutes.

Obtaining a License/Certification - Renewals

Every certificate of competency issued by LR&E expires each year on August 31 regardless of the date of original issue. The renewal period without penalties begins on August 1 and ends on September 30. Beginning October 1 late fees are added to the regular renewal fee. The Certification Specialist reviews the forms submitted by the licensed contractor or licensed master / journeyman and determines if the specific requirements have been met for the one year annual license renewal.

State Certified Contractor Repository – Records

Every state certified license contractor who conducts business and obtains permits in Brevard County is required to be entered into the Repository database. The Certification Specialist or Technician reviews the forms submitted by the licensed contractor and determines if the specific requirements have been met.

Regulation/Enforcement

In most cases, the regulation / enforcement function is triggered by an oral or written complaint that is submitted to LR&E. The LR&E has designated, approved Investigators who receive and respond to all complaints that are deemed to have any relevance to their regulation and enforcement responsibilities. The LR&E through its investigators are responsible to respond to and investigate any potential violations related to construction and repairs within Brevard County and the other municipalities noted above that are part of their jurisdiction. Violations may include: 1) contractors or master / journeyman performing construction activities for which they are required to hold a certificate of competency to perform; 2) licensed contractors who fail to secure a permit, where required, for work being done.

Additionally, as noted above through the LR&E's "Citizen's Awareness Program", LR&E seeks to educate and increase public awareness about the contractor and master / journeyman certification / licensure requirements and risks involved in work being done by unlicensed or irresponsible licensed contractors or master / journeyman. See additional details above regarding the citation program.

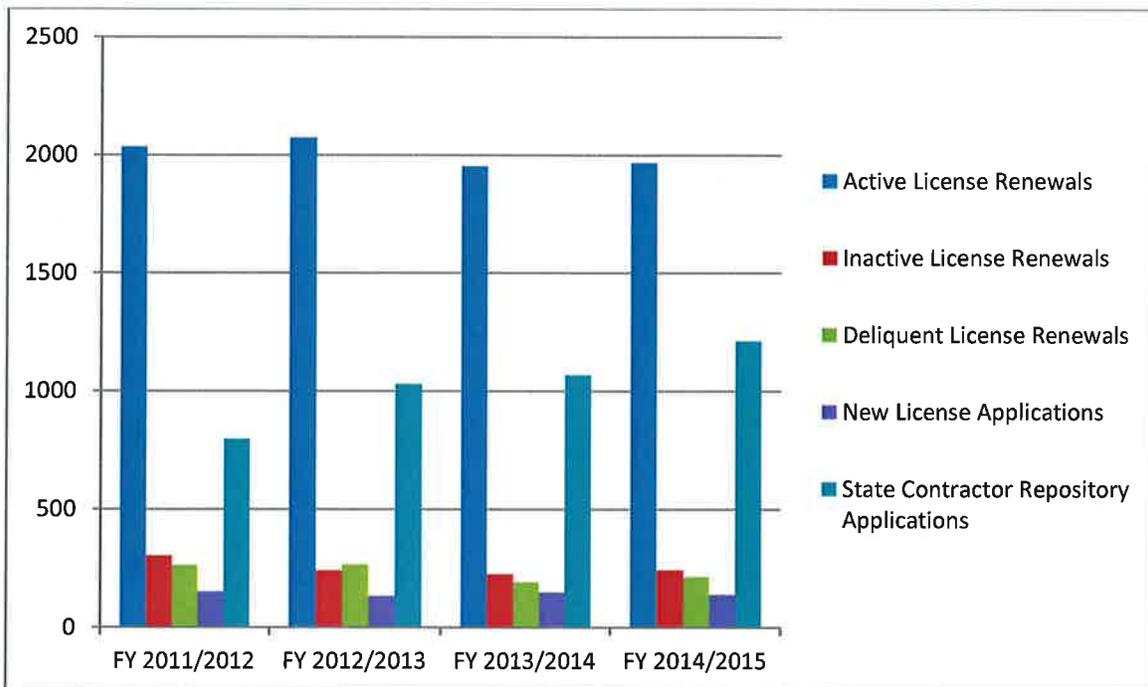
Background - continued

Staffing

Key personnel involved in the internal audit of the LR&E function are as follows:

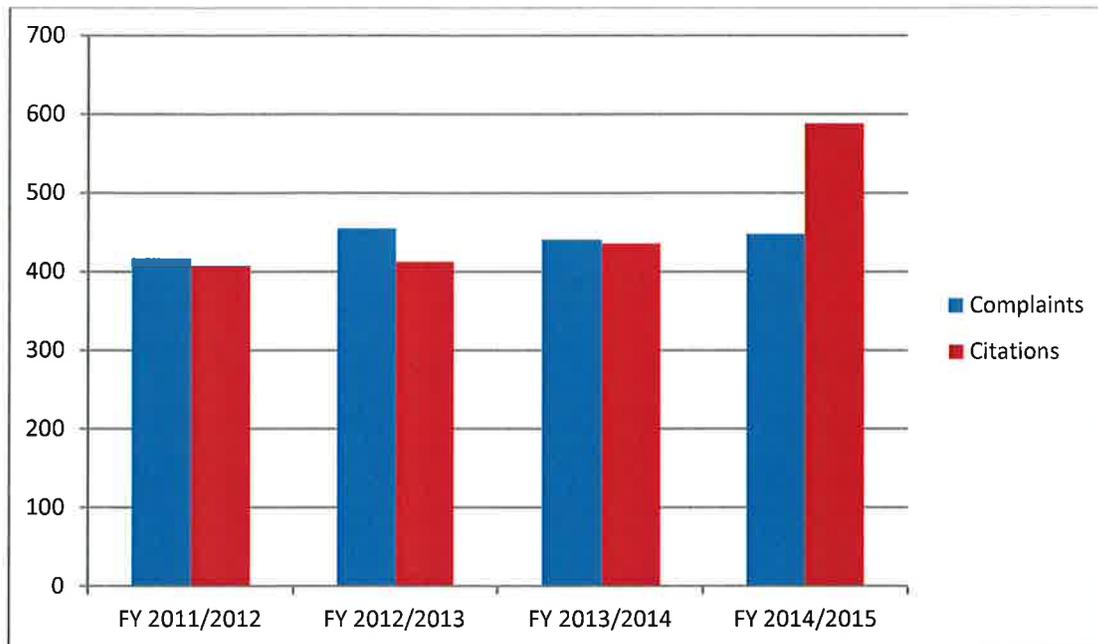
Title	Function
Planning & Development Department Director	Oversees Department and related programs
LR&E Program Manager	Oversees LR&E Program, including supervision of personnel
Certification Specialist, Lead	Provides supervision of Certification Specialist staff and processes transactions related to the licensure / regulation / certification process
Certification Specialist (2)	Processes transactions related to the licensure / regulation / certification process
LR&E Technician (1)	Assists the Certification Specialist in the transaction processing: (receiving application, filing records etc) & provides assistance to the Investigator
Investigator (1); 2 vacant	Performs investigations related to Enforcement (complaints, violations, citations)

Selective Statistics – Licensure / Regulation (Source LR&E – unaudited)



Background - continued

Selective Statistics – Enforcement (Source LR&E – unaudited)



Objectives and Approach

Objectives and Approach

Objectives

The primary objective was to assess whether the system of internal controls over the licensing, regulation and enforcement function (LR&E) is adequate and appropriate for promoting and encouraging consistent application of management's objectives for compliance with County policies and procedures, County Ordinances and Florida State Statutes, as applicable.

We selected 40 items for the testing period related to the Licensing and Regulation process disaggregated among the four different types of licenses / certificates of competency (contractor, master, journeyman, and reciprocal). We included active licenses, inactive licenses; new licenses and renewals, based on risk and volume for each category and type.

Additionally, we selected 40 items for the testing period related to the Enforcement process disaggregated among three areas (complaints, violations, and citations) from throughout the period of testing, based on risk and volume for each category. The testing periods covered the twelve months June 1, 2015 through May 31, 2016, and included the following objectives:

- Determine that effective policies and procedures are in place to ensure compliance with County Ordinances and Florida Statutes.
- Ensure compliance with County and Departmental internal policies and procedures.
- Evaluate whether there are adequate records and documentation for construction activities only being performed by qualified and licensed contractors within the County to establish an audit trail and that policies and procedures are appropriately followed.
- Evaluate if there are adequate controls to prevent/detect construction activities being performed by unqualified and / or unlicensed contractors.
- Review the adequacy and effectiveness of controls to identify the specific trades that are required to have state-issued licenses as well as county licenses for construction activities within the County.
- Review the adequacy and effectiveness of controls over proper enforcement related to complaints, violations, and citations associated with unqualified and unlicensed contractors that perform construction activities within the County.

Approach

Our cycle audit approach consisted of three phases:

Understanding and Documentation of the Process

During the first phase, we held an entrance conference with the Planning and Development Department (Department) Director to discuss the scope and objectives of the audit work, obtained preliminary data, and established working arrangements. We reviewed Florida Statutes, administrative orders, County policies and other resources related to LR&E. We conducted a facilitated session with the Department Director and responsible personnel from LR&E and documented their respective roles in the processes. We documented our understanding of the LR&E processes and relevant controls.

Detailed Testing

The purpose of this phase was performance of testing procedures based on our understanding of LR&E, applicable County ordinances, and State Statutes. Our procedures included interviewing and testing individual transactions. We met with responsible personnel from LR&E to discuss their respective, individual roles within LR&E. LR&E is divided up into two key areas: Licensing / Regulation and Enforcement. The testing period covered the twelve months June 1, 2015 through May 31, 2016. We conducted the following procedures to meet our audit objectives outlined above:

Objectives and Approach - continued

Licensing/Regulation function, as noted above, we selected 40 items and performed the following:

- For New Contractor License candidates, we verified the following requirements, based on applicable County Ordinances and Florida Statutes as it relates to the application / exam process:
 - Fees assessed match the trade selected
 - Required years of experience was notarized on attached Experience Form based on the applicable trade selected
 - Copy of driver's card was provided
 - Three (3) letters of recommendation from contractors, whom applicants have worked either for or with, or reputable business or professional people, not related by blood or marriage to the applicant were included.
 - Applicant met minimum net worth.
 - Social Security disclaimer was signed by applicant.
 - Applicant signature pages were notarized.
 - The Contractor Licensing Board (CLB) approved the applicant
- For New Contractor, CLB approved applicants, we verified the following requirements, based on applicable County Ordinances and Florida Statutes as it relates to certification:
 - Included Articles for a Corporation or LLC or Fictitious Name Certificate of Status
 - Criminal background check
 - Personal credit report included
 - Business credit report included (if in business for 3 or more years – must be obtained from CLB approved credit reporting agencies
 - Certification form complete and fee paid
 - Completion of qualifier affidavit by the applicant
 - Financial affidavit was completed by the applicant or owner if applicant is not owner.
 - Letter of authorization is included
 - Brevard County Business Tax Receipt (BTR) or other county BTR from where business located was included.
 - State Registration license included, if required.
 - Certificate of Insurance included – based on trade category
 - Certificate of Workers Compensation Insurance included, as applicable
 - Verify WC exemption card. if applicable
 - Once approved by CLB, verify Certification form was complete
 - Verify fees were properly assessed and recorded
 - Verify CLB approved Certification Form before Certificate was issued
- For New Master/Journeyman Licenses/Certification, we verified the following:
 - Master/Journeyman Examination Application is complete
 - Application Fees assessed match the trade selected
 - Experience affidavits from employers included (unless self-employed) showing the required years of experience.
 - Copy of driver's license card was provided.
 - Social Security disclaimer was signed by applicant.
 - Applicant signature pages were notarized.
 - CLB approval included
 - Once approved by CLB, verify Certification form was complete
 - Certification fees were proper and recorded
 - CLB approved Certification Form before Certificate was issued.

Objectives and Approach - continued

- For Contractor License Renewals, we verified the following:
 - Renewal Form is complete
 - Fees assessed match the trade and status selected and timing paid (delinquent or not).
 - Copy of driver's license card was provided (if the renewal was delinquent).
 - Relevant support was included and up-to-date on the BC LR&E website (applicable for active licenses): www.brevardcounty.us/licensing
 - Certificate of Competency
 - Corp /LLC
 - County Business Tax Receipt
 - State Registration (if applicable)
 - Workers Comp Exemption
 - Certificate of Insurance – GL
 - Certificate of Insurance – WC (if not exempt)
- For Master / Journeyman License Renewals, we verified the same criteria above for Contractor License Renewals excluding the last criteria for regarding the required forms which are only applicable for contractors.
- For Contractor Reciprocity Application for Certificate of Competency, we verified the following:
 - Letter of Reciprocity
 - Application is complete
 - Certification form is complete
 - Application Fee according to applicable trade.
 - Certification Fee according to applicable trade.
 - Copy of Articles of Incorporation or LLC or current Annual Report
 - Criminal Background Check
 - Personal Credit Report
 - Business Credit Report
 - A Letter of Authorization
 - Copy of Driver's License
 - Signed Social Security number disclaimer
 - Copy of BTR where business is located
 - Copy of Certificate of Competency Card
 - Copy of State Registration License
 - Certificates of Insurance
 - Certificate of Insurance (if have employees)
 - Workers Compensation Exemption Card
- For Master/Journeyman Reciprocity Application for Certificate of Competency, we verified the following:
 - Letter of Reciprocity included
 - Application is complete
 - Certification form is complete
 - Application Fee according to applicable trade.
 - Certification Fee according to applicable trade
 - Copy of Driver's License
 - Signed Social Security number disclaimer
 - Copy of Certificate of Competency Card

Objectives and Approach - continued

Enforcement function, we selected 40 items, as noted above, and performed the following:

- For Complaints, we verified the following:
 - Responds to complaints in a timely manner (depending on the type and time-sensitivity of complaint, complaint may be followed up same day received to visit the site)
 - Visits work site the day of the complaint (if possible), conducts interviews, takes photos, gathers correspondence, affidavits, etc. as part of the investigation
 - Documents in file for each complaint and follows-up as needed
- For Notice of Violations, we verified the following:
 - Included documented support for notice of violations identified and issued
 - Included documented resolution and follow-up for outstanding notices of violation
- For Citations issued, we verified the following:
 - Included relevant support to determine if enforcement administered is proper and consistent with applicable County ordinances and codes
 - Citation fees agree to citation fee schedule based on citation type
 - Disposition / status of unresolved citations are documented and escalated when necessary

Reporting

At the conclusion of our audit, we documented our understanding of the LR&E function and summarized our findings related to this process. We conducted an exit conference with management and have incorporated management's responses into our report. We prepared our report and related findings and provided copies to appropriate County personnel.

Observations Matrix

Observations Matrix

Rating	Observation	Recommended Action	Management Response
<p>Moderate</p>	<p>1. Credit Reports – CLB Approved</p> <p>During our review of the Brevard County Contractor Licensing & Regulation New Certification Checklist, we noted that the webpage link / reference for the CLB approved credit-reporting agencies (<i>Florida Construction Industry Licensing Board Credit Reporting Agencies – For Reference Only</i>) resulted in an error message, the proper link is http://www.myfloridalicense.com/dbpr/pro/cilb/docu/ments/cilb_credit_reporting_agencies.pdf.</p> <p>Further, the document at the above referenced link contains a qualification that the list of credit reporting agencies is “For Reference Only” and is “not all inclusive. You may submit credit reports from agencies not included on this list, so long as they meet the criteria listed in 61G4-12.011(12), Florida Administrative Code.” This qualification and limitation is not included and addressed as part of the New Certification Check List.</p> <p>The omission of this qualification and limitation could lead to the risk that applicants with insufficient personal and / or business credit reports could be granted a certificate of competency.</p>	<p>We recommend the following:</p> <ol style="list-style-type: none"> The Brevard County Contractor Licensing & Regulation New Certification Checklist be corrected to include the correct website link / reference to the State of Florida website, as noted in the observation. The Brevard County Contractor Licensing & Regulation New Certification Checklist be reviewed to ensure that the stated limitation and qualification listed on the State of Florida referenced document <i>Credit Reporting Agencies – For Reference Only</i> - are not detrimental to the CLB's intention that the applicant's personal and business credit reports meet the CLB's requirements for certification by the County. <p>This will mitigate the risk of applicants being approved for a certificate of competency without meeting the CLB's requirements for the personal and business credit reports as applicable.</p>	<p>Response:</p> <ol style="list-style-type: none"> LR&E will remove the website link on the Certification Checklist and provide applicants with the most recent Florida Construction Industry Licensing Board (FCILB) credit reporting listing. This recommended action is addressed by a. above through the removal of the website link and by providing applicants with the most recent FCLIB credit report listing. <p>Responsible party: Denise Campagna, LR&E Program Manager</p> <p>Estimated completion date: August 31, 2016</p> <p>Next testing date: February 2017</p>



Observations Matrix - continued

Rating	Observation	Recommended Action	Management Response
Moderate	<p>2. New Applicants for Certification – Review and Approval</p> <p>Based on discussions with management and our review of the licensing process we noted that Certification Specialists who process new applicants may also administratively approve new applicants. The applicant must meet the application experience requirements, pass the applicable trade exam fulfill the certification requirements, (as applicable to their trade and category), and pay the required fees.</p> <p>There is no policy or documented procedure in place that requires any direct review and administrative approval of the applicant by a LR&E supervisor or manager, before being submitted to the CLB.</p> <p>On a monthly basis (normally), a list of all applicants who have met the qualifications and passed the applicable exam(s), administratively reviewed and approved by the Certification Specialist, is submitted to the CLB as an agenda item to be approved. The CLB can request to review any of the supporting records for the list of applicants, but this is not required and rarely done.</p> <p>Given the responsibility placed on the Certification Specialist, that includes interpretation of subjective application/certification criteria, the lack of specific, formal review and approval by a supervisor, manager or the CLB, could lead to the risk of unqualified applicants receiving a certificate of competency.</p>	<p>We recommend the following for new applicants:</p> <ol style="list-style-type: none"> The LR&E supervisor or above, should review the exam application and related support for accuracy and completeness with a focus on the higher risk areas, included but not limited to, the required level of experience and other areas deemed to require more judgment on the part of the Certification Specialist. Given the limitation of LR&E resources, the review can be done on a sample basis and should be documented through a standardized reviewer checklist and administrative concurrence indicated before submission to the CLB for approval or denial, as applicable CLB perform spot audits/ reviews on the list submitted each month for completeness and accuracy, requesting the whole examination application / certification package be provided prior to the meeting. The results of the spot reviews / audits should be documented as part of, or as an addendum to the CLB meeting minutes. Create formalized, documented policies and procedures for the review and administrative approval of the applicant by a LR&E supervisor or manager, before submission to the CLB. 	<p>Response:</p> <ol style="list-style-type: none"> LR&E Lead or above will begin performing spot audits on Certification Specialists by August 31, 2016. However, given the limitations of LR&E's resources, the standardized reviewer checklist will be done in conjunction with the written policies and procedures for licensing. LR&E will begin providing applications for spot audit/reviews to the CLB once the standardized reviewer checklist has been created. LR&E will create written policies and procedures for the review and administrative approval of new applications. <p>Responsible party: Denise Campagna, LR&E Program Manager</p> <p>Estimated completion date:</p> <ol style="list-style-type: none"> August 31, 2016 August 31, 2016 May 2017 <p>Next testing date:</p> <ol style="list-style-type: none"> February 2017 February 2017 June 2017



Observations Matrix - continued

Rating	Observation	Recommended Action	Management Response
Moderate	<p>3. Documented Policies and Procedures - Enforcement</p> <p>Based on our interview with the LR&E Investigator we noted the following:</p> <ul style="list-style-type: none"> • There are no formal, written documented policies and procedures related to the enforcement process. • There is no written, required review process by the supervisor or above of the Investigators activities, including decisions made to investigate complaints and resolve complaints, issue notices, issue citations, and / or the need to elevate or not to elevate cases etc. • There is no formal, written policy in place that directs, guides or requires the Investigator when and to what extent to report the status or significant activities to the CLB or Magistrate Hearing. This is left to his / her discretion whether to elevate or not to elevate. <p>For example, in our review of 19 citations, we noted that there seemed to be a significant delay in resolving three unpaid citations that were greater than one year old. These three unpaid citations were referred to collections during our testing. As noted above, there is no written policy in place as to whether to elevate or not to elevate this matter (or any other matters) to the CLB (or designee) or Magistrate Hearing to address.</p>	<p>We recommend that Management consider requiring the following:</p> <ol style="list-style-type: none"> Develop documented policies and procedures related to the key activities and steps to be performed by the Investigator(s) for the enforcement function related to the three key areas: 1) complaints, 2) violations, 3) citations including the use of checklists for each area to foster transparency, consistency and efficiency. Develop a formal, written process to facilitate review of the Investigator's activities by a supervisor or above – such as spot reviews of timeliness of response to claims, status of violations and unpaid citations. Develop a required monthly reporting structure and present a dashboard of the Investigator's key activities including a high-level status of complaints, violations and citations to facilitate review by the CLB. <p>Documented policies and procedures for the areas noted above will facilitate consistency, transparency and greater efficiency in the Investigator(s)'s duties relative to responding to complaints, issuing notices of violations and issuing and tracking violations.</p>	<p>Response: LR&E's response to a, b, and c: We will create written policies and procedures, including a formal monthly reporting structure, for the enforcement process to address each respective recommended action.</p> <p>Responsible party: Denise Campagna, LR&E Program Manager</p> <p>Estimated completion date: May 2017</p> <p>Next testing date: June 2017</p>

Observations Matrix - continued

Rating	Observation	Recommended Action	Management Response
Moderate	<p>4. Contractor Renewal Documentation</p> <p>We reviewed 40 items related to the Licensing and Regulation process. 27 out of the 40 related to contractor and master / journeyman license / certification annual renewals. For these annual renewals, 15 out of 20 contractors and 4 out of 7 master / journeyman did not provide a copy of their driver's licenses (or, any other valid form of government issued identification) with their renewal form at the time of renewal.</p> <p>However, the renewal form only requires the applicant to provide a copy of a valid driver's license (or, any other valid form of government issued identification) if their fees are delinquent (paid after 9/30 of the renewal year – renewal period not subsequent to delinquency is 8/31 through 9/30 of each year). Staff relies on the licensee in the renewal process to self-report as to whether the licensee has a valid driver's license (or, any other valid form of government issued identification) or if there has been a change of address (there is a change of address form process – but this is self-reporting as well).</p> <p>Though not required by the current contractor / master / journeyman renewal forms, the lack of requiring a copy of a current driver's license (or, any other valid form of government issued identification) could lead to approving a license renewal for someone who has changed identities or has a suspended driver's license that could disqualify them from having their contractor or journeyman license renewed. This poses a higher risk since criminal background checks are not required for license renewals.</p>	<p>We recommend that Management consider requiring all contractor and master / journeyman to submit a copy of a valid driver's license (or, any other valid form of government issued identification) to renew their license/certification.</p>	<p>Response: We will require proper identification during the 2017-2018 renewal period.</p> <p>Responsible party: Denise Campagna, LR&E Program Manager</p> <p>Estimated completion date: August 1, 2017</p> <p>Next testing date: February 2018</p>

Observations Matrix - continued

Rating	Observation	Recommended Action	Management Response
<p>Moderate</p>	<p>5. Segregation of Duties – Checks</p> <p>During our interviews with management, we noted that Central Cashier collects and records all payments related to LR&E fees for cash and credit card payments.</p> <p>However, the majority of the checks are received in the mail with the application by LR&E Certification Specialists. When the payment of fees is via check, LR&E Certification Specialists enter in the application information and create an invoice for the fees owed in Accela. LR&E Certification Specialists will accumulate the checks at various points throughout the day, or if too busy, at the end of the day. LR&E Certification Specialists write the Accela Record Number on the check(s) and walk the checks over to Central Cashier to collect and process the payment in Accela (Planning and Development Departments system / database).</p> <p>With respect to payment by check, there is some risk that the LR&E Certification Specialist could not provide the check(s) to Central Cashier and not record the application and related invoice for the fees into Accela. However, there is the mitigating control that applicants would contact LR&E in the event of no response regarding the status of their licensure (new or renewals).</p> <p>This risk is substantially reduced by the mitigating control noted above; however, this could still result in misappropriation of assets going undetected for a period of time, given the processing lag time, especially for new applicants.</p>	<p>The following represents recommendations to provide for a proper segregation of duties:</p> <ol style="list-style-type: none"> Maintain a daily log for fee payments made via check in the mail. The mail containing the application or renewal form with the enclosed check should be opened and recorded on the daily log by someone other than the Certification Specialist who processes the application and handles the checks (this could be the LR&E Technician). The daily check payment log should be signed by the LR&E Technician (or in the Technician's absence, by the Certification Specialist Lead and one of the Certification Specialist) and provide the log to Central Cashier at the end of the day. Spot audits / reviews of the deposit log should be performed on a weekly basis by a supervisor or above to verify that the transaction was recorded in Accela. <p>LR&E has indicated that implementing the above recommendations would be cumbersome due to their limited resources.</p> <p>In addition to the strong mitigating control noted in the observation, LR&E management indicated, in subsequent discussions, that the County plans to change the licensee fee payment process so that most payments will be processed online via credit card or electronic check directly through the Central Cashier by August 2017. The combination of these two factors significantly reduces the risk noted in our observation.</p>	<p>Response:</p> <ol style="list-style-type: none"> Any checks received via mail, will be logged by the LR&E agency as outlined in recommended actions a, b, and spot audits / reviews will be performed as outlined in c. With the implementation of the Accela automated online renewal, most payments will be processed online via credit card or electronic check. <p>Responsible party: Denise Campagna, LR&E Program Manager</p> <p>Estimated completion dates:</p> <ol style="list-style-type: none"> October 31, 2016 August 1, 2017 <p>Next testing dates:</p> <ol style="list-style-type: none"> February 2017 August 31, 2017