

Meeting Date
12/5/2017



AGENDA	
Section	CONSENT
Item No.	H. D. 1.

AGENDA REPORT
 BREVARD COUNTY BOARD OF COUNTY COMMISSIONERS

SUBJECT:	Acceptance and Approval, Re: Community Development Block Grant (CDBG) Program Audit Report; Contract Compliance Review Report (Janitorial Services/Facilities and Stadium Lease/Tourism Development Office); Half-Cent Sales Tax-Save the Lagoon Project Status Report and the Golf Course Operations-Financial Analysis and Breach of Contracts Audit Report.
DEPT/OFFICE:	County Manager's Office

Requested Action:
 It is requested that the Board of County Commissioners accept the Audit Committee's Community Development Block Grant (CDBG) Program Audit Report; Contract Compliance Review Report (Janitorial Services/Facilities and Stadium Lease/Tourism Development Office); Half-Cent Sales Tax-Save the Lagoon Project Status Report and the Golf Course Operations-Financial Analysis and Breach of Contracts Audit Report.

Summary Explanation & Background:
 The Internal Auditors completed and presented the following reports to the Audit Committee on November 1, 2017. All reports were unanimously accepted and recommended to the Board of County Commissioners.

Community Development Block Grant (CDBG) Program Audit Report and the Contract Compliance Review Report (Janitorial Services (Facilities) and Stadium Lease (Tourism) are organized as follows:

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

Half-Cent Sales Tax – Save the Lagoon Project Status Report is organized as follows:

- A. Background
- B. Ordinance 2016-15
- C. Referendum Information
- D. Save Our Indian River Lagoon Committee Information
- E. Project Plan
- F. Revenue Status
- G. Inter-Municipal Contracting Status
- H. Accounting/Monitoring and Oversight
- I. Next Steps/Role of Internal Audit

Golf Course Operations – Financial Analysis and Breach of Contracts Audit Report is organized as follows:

- A. Overview
- B. Objectives and Approach
- C. Analysis

Clerk to the Board instruction:
 Exhibits Attached: 1) Community Development Block Grant (CDBG) Program Audit Report; 2) Contract Compliance Review Report (Janitorial Services/Facilities and Stadium Lease/Tourism Development Office); 3) Half-Cent Sales Tax-Save the Lagoon Project Status Report and 4) Golf Course Operations-Financial Analysis and Breach of Contracts Audit Report.

Contract /Agreement (If attached):	Reviewed by County Attorney	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	PR	<input type="checkbox"/>
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County Manager Frank Abbate	Assistant County Manager John Denninghoff	Interim Assistant County Manager Jim Liesenfelt
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Tammy Rowe, Clerk to the Board, 400 South Street • P.O. Box 999, Titusville, Florida 32781-0999

Telephone: (321) 637-2001
Fax: (321) 264-6972
Tammy.Rowe@brevardclerk.us

December 6, 2017

MEMORANDUM

TO: Frank Abbate, County Manager

RE: Item II.D.1., Acceptance and Approval of Community Development Block Grant (CDBG) Program Audit Report; Contract Compliance Review Report (Janitorial Services/Facilities and Stadium Lease/Tourism Development Office); Half-Cent Sales Tax-Save the Lagoon Project Status Report; and the Golf Course Operations-Financial Analysis and Breach of Contracts Audit Report

The Board of County Commissioners, in regular session on December 5, 2017, accepted the Audit Committee's CDBG Program Audit Report; Contract Compliance Review Report (Janitorial Services/Facilities and Stadium Lease/Tourism Development Office); Half-Cent Sales Tax-Save the Lagoon Project Status Report; and the Golf Course Operations-Financial Analysis and Breach of Contracts Audit Report.

Your continued cooperation is greatly appreciated.

Sincerely yours,

BOARD OF COUNTY COMMISSIONERS
SCOTT ELLIS, CLERK

Tammy Rowe, Deputy Clerk

/cmw

cc: Budget
Finance



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

**Internal Audit of
Community Development Block Grant Program
(CDBG)**

**Prepared By:
Internal Auditors
October 25, 2017**



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October 25, 2017

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

Pursuant to the approved 2016/2017 internal audit plan, we hereby submit our internal audit of the Community Development Block Grant Program (CDBG). We will be presenting this report to the Audit Committee at the next scheduled meeting on November 1, 2017.

Our report is organized in the following sections:

Executive Summary	This provides a summary of the observations related to our internal audit of the CDBG program.
Background	This provides an overview of the CDBG program and the related compliance requirements.
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 CDBG program.

Respectfully Submitted,

Carr Riggs & Ingram, LLC

INTERNAL AUDITORS



Executive Summary

Executive Summary

Overview

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 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.

Objective

The primary objective was to assess whether the system of internal controls over the CDBG program is adequate and appropriate for promoting and encouraging consistent application of management's objectives for compliance with County policies, procedures and Florida Statutes, as applicable, and compliance with the applicable HUD and other Federal requirements.

The period subject to our internal audit procedures covered October 1, 2015 through April 30, 2017 to provide full coverage for the program year of October 1, 2015 to September 30, 2016 ("2015/2016") and partial coverage of the program year of October 1, 2016 to September 30, 2017 ("2016/2017").

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
1. Suspension / Debarment	
<p>We noted for 1 out of 5 active construction projects, HHS staff was unable to locate written evidence that HHS staff verified that the contractor was not on the suspended / debarred list or provide written certification from the contractor that its organization and its principals were not suspended or debarred as required by the Uniform Guidance and pursuant to Department policies and procedures (HHS-011). This lack of compliance with the Uniform Guidance as required by HUD could lead to payments made to suspended or debarred contractors and the loss or reduction of HUD funding.</p>	High
2. Environmental Reviews	
<p>For 2 out of 5 projects tested, the request for release of funds and the environmental certifications were completed for the projects as part of the five year tiered plan (2010-2015); however, the construction supervisor was not able to locate the environmental review statutory checklist required to be completed and maintained in the file. This lack of compliance with the Compliance Supplement as required by HUD could lead to the loss or reduction of HUD funding.</p>	High
3. Subrecipient Monitoring	
<p>We noted that for two out of the four subrecipients there was a significant delay by the Department between when the subrecipient monitoring was performed and when the monitoring report was provided to the subrecipient. In the case of one subrecipient, there were compliance concerns noted requiring a response. This lack of timeliness in the issuance of the monitoring reports could result in the Department continuing to provide funds to subrecipients and / or the Department renewing contracts with subrecipients that are out of compliance with their contract terms and conditions.</p>	High
4. HUD Timeliness Standard	
<p>The County was out of compliance with the timeliness requirement for program spending for the program year 2014/2015 and again for 2015/2016 as noted by HUD in their June 20-22, 2016 Monitoring Report:</p> <p><i>Timely expenditures of CDBG funds are a major concern of the Department. Under the provisions of 24 CFR §570.902 of the CDBG regulations, a grantee is considered to meet timeliness criteria, if 60 days prior to the end of the grantee's program year, the balance in its line-of-credit does not exceed 1.5 times its most recent grant award. To ensure compliance with the timeliness requirements throughout the CDBG program year, we utilize a straight-line projection of this formula for each month. A formal measure of the County's CDBG program's timeliness was conducted. Using this straight line, the County's, as of June 30, 2016, timeliness ratio is 1.90 times its annual grant. Accordingly, the County was found to be in non-compliance with the timeliness standard. The County must expend \$486,158 by August 2, 2016 to meet this requirement. The County is presently on a timeliness plan. If the County fails the timeliness requirement for two consecutive years, the violation will result in a grant reduction.</i></p> <p>The Department Director indicated that the County was in compliance with the timeliness requirement by August 2, 2016 which we verified via email confirmation from HUD. The HHS Director indicated that a control was put in place to monitor the status of the timeliness requirement, but evidence of management's monitoring was not retained.</p>	Moderate
5. Consolidated Annual Performance and Evaluation Report ("CAPER")	
<p>We noted that the CDBG expenditures were not properly reported in the narrative section of the CAPER and there was no documented support of the expenditures reported in the CAPER compared to the accounting records as of the date the CAPER was submitted to HUD.</p>	Moderate
6. Uniform Guidance Language	
<p>We noted that the Department's policies and procedures make reference to the OMB circulars A-87 and A-122 throughout these documents rather than to the Uniform Guidance (HHS-011 and HHS-19 department policies and procedures).</p>	Low

Background

Background

Overview:

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.

Eligible Activities:

Eligible activities include:

- Acquisition and disposition of real property
- Public improvements and facilities (e.g., senior citizens center, recreation center, day care center)
- Clearance
- Public services (e.g., child care, health care, job training/education programs, recreation programs, drug abuse counseling/treatment, and services for homeless persons)
- Interim assistance
- Relocation payments/assistance
- Rehabilitation of residential, commercial/industrial, or other nonprofit owned, nonresidential buildings
- Historic preservation
- Lead based paint hazard evaluation and reduction
- Code enforcement
- Special economic development
- Microenterprise assistance
- Homeownership assistance
- Urban renewal completion
- Technical assistance to increase capacity of public/private non-profits
- Assistance to institutions of higher education
- Program administration costs related to planning and execution of CDBG assisted activities

Eligible activities may be carried out by the grantee, or through the use of contractors or subrecipients, or through the use of Community Based Development Organizations (CBDOs).

In addition to being an "eligible activity," CDBG activities must meet one of the following broad national objectives:

- Benefit low- and moderate-income people
- Aid in the prevention or elimination of slums and blight
- Meet a community development need of particular urgency



Background - continued

Funding Requirements:

Each grantee must develop and submit a 3- to 5-year Consolidated Plan, an annual Action Plan, and certain certifications to HUD. If the grantee makes a complete submission within the established deadlines, the Department will make a grant award.

The Consolidated Plan (the Plan) was developed by HUD in 1994 to combine the application and submission requirements for the CDBG program, the HOME Investment Partnerships (HOME), Emergency Shelter Grants (ESG), and Housing Opportunities for Persons with Aids (HOPWA). The Plan provides the framework for the government to (1) identify housing, homeless, community, and economic development needs and resources, and (2) develop a strategic plan for meeting those needs. In the Plan, the grantee identifies its goals for these programs, as well as for housing programs. The Plan must include certifications that not less than 70% of the CDBG funds received, over a one, two, or three year period specified by the grantee, will be used for activities that benefit low- and moderate-income persons and that the grantee will affirmatively further fair housing.

The Action Plan is a one-year plan that jurisdictions must have to carry out their long-term Consolidated Plan. The Action Plan must specify all the resources a jurisdiction has to meet housing and community development needs for the upcoming year and how the jurisdiction plans to spend those resources.

The grantee must also submit a consolidated annual performance and evaluation report (CAPER) 90 days after the program year ends. The CAPER shows what the jurisdiction actually did in the previous year to meet housing and community development needs. The CAPER specifically requires information on how the actual use of CDBG funds compared with the priorities set out in the Consolidated Plan.

Citizen's Participation Plan:

Every jurisdiction must develop and follow a detailed citizen's participation plan which provides for and encourages participation by low- and moderate-income people who are residents of low- and moderate-income neighborhoods. The plan must provide citizens with reasonable and timely access to information on local meetings and records regarding the grantee's proposed and actual use of CDBG funds, public hearings to give citizens a chance to state community needs and ask questions and comment on proposed and past uses of CDBG funds, and provide for timely written answers to complaints and grievances. There must be adequate public notice of hearings, and they must be held at times and locations convenient to people who are likely to be affected by CDBG-funded projects.

Ineligible Activities:

Ineligible Under Any Circumstance:

- Buildings or portions thereof used for the general conduct of government
- General government expenses
- Political activities

Generally Ineligible:

- Purchase of equipment
- Operating and maintenance expense associated with repairing, operating, or maintaining public facilities, improvements, and services
- New housing construction
- Income payments

Background - continued

Grantee's Responsibilities:

Each grantee must ensure compliance with statutory and regulatory requirements. The program regulations include, but are not limited to:

- Compliance with national objectives
- Ensuring, that over a period of time specified by each grantee but not to exceed three years, not less than 70 percent of the aggregate of CDBG expenditures shall benefit low- and moderate-income persons
- Environmental review procedures must be completed for each activity or project
- Costs whether charged on a direct or an indirect basis, must be in conformance with the Uniform Guidance, as applicable.

No more than 20 percent of grant (plus program income) can be spent for planning and administrative costs. No more than 15 percent of the grant (plus program income received during the preceding program year) can be spent for public service activities.

The grantee must have procedures in place to help ensure that (1) CDBG funds are only used for activities that fall under an authorized category of basic eligibility, (2) activities are properly classified, and (3) and adequate documentation is maintained.

In order to ensure that HUD can carry out its statutory responsibilities to review grantee performance to determine that program requirements have been met, the grantee must maintain certain records. The records must provide a full description of each activity that is selected for assistance, including its location, the amount of CDBG funds budgeted, obligated and expended for the activity, and the provision of the regulations under which the activity is eligible. The files must document all relevant eligibility considerations that apply. The Uniform Guidance requires recipients of Federal assistance to keep source documentation to justify all expenditures.

Staffing:

Key personnel involved in the CDBG program include:

Name	Title
Ian Golden	Director, Housing and Human Services Department (HHS)
Juanita Davis	Assistant Director, HHS
Lydia Maier	Finance Manager, HHS
Linda Graham	Community Development and Resource Manager, HHS
Michael McDonald	Construction Supervisor, HHS

Schedule of Funding:

Following is a schedule of CDBG expenditures for the last three fiscal years and partial for the current fiscal year:

Fiscal Year	Amount
2013-2014	\$1,364,972
2014-2015	\$649,209
2015-2016	\$2,094,205
2016-2017*	\$735,138

*Preliminary through July 31, 2017.

Objectives and Approach

Objectives and Approach

Objectives

Our internal audit objectives included the following:

- Identify policies and procedures to help ensure that only allowable activities are undertaken and that Federal awards were only expended for allowable activities.
- Identify policies and procedures to help ensure that only allowable costs are charged to the program and that Federal awards are only expended for allowable costs.
- Determine the adequacy of policies and controls to help ensure that the earmarking requirements are met only using allowable funds or costs that are properly calculated and valued.
- Determine the adequacy of policies and controls to help ensure that the federal funds are used only during the authorized period of performance.
- Determine the adequacy of the policies and controls to help ensure that procurement of goods and services are made in compliance with the provisions of the Uniform Guidance and other procurement requirements specific to the Federal award and that covered transactions are not made with debarred or suspended parties.
- Determine the adequacy of the policies and controls to help ensure that reports of federal awards submitted to the federal awarding agency or pass-through entity include all activity of the reporting period, are supported by underlying accounting or performance records, and are fairly presented in accordance with program requirements.
- Determine that subrecipients are properly identified, that federal award information and compliance requirements are identified to subrecipients and that subrecipients are being adequately monitored.
- Determine whether the grantee has developed and implemented a citizen's participation plan.
- Determine whether the grantee is obligating and expending program funds only after HUD's approval of the Request for Release of Funds and environmental certification, as applicable.

Approach

Our audit approach consisted of three phases:

Understanding and Documentation of the Process

During the first phase, we held an entrance conference with the Director of Housing & Human Services ("HHS" or "Department") and CDBG personnel to discuss the scope and objectives of the audit work, obtain preliminary data, and establish working arrangements. We then conducted interviews with responsible CDBG personnel and various department heads, which have responsibilities, related to CDBG compliance and documented their role in the process.

Detailed Testing

The purpose of this phase was the development of applicable tests based on our understanding of the program's compliance requirements. Our procedures included obtaining an understanding of the procedures in place, assessing their effectiveness in ensuring compliance with applicable requirements, and testing compliance. We selected a sample of CDBG program expenditures for the period covered by our audit (October 1, 2015 through April 30, 2017) which included the active construction projects and subrecipients. Our procedures included, but were not limited to, testing:

- Activities allowed or unallowed
- Allowable costs /cost principles
- Cash management
- Period of performance
- Procurement/suspension/debarment
- Reporting
- Subrecipient monitoring
- Citizen participation

Reporting

At the conclusion of our audit, we documented our understanding of the CDBG program and summarized our findings. 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 - continued

Rating	Observation	Recommended Action	Management Response
High	<p>1. Suspension / Debarment</p> <p>We noted for 1 out of 5 active construction projects, HHS staff was unable to locate written evidence that HHS staff verified that the contractor was not on the suspended / debarred list or provide written certification from the contractor that its organization and its principals were not suspended or debarred as required by the Uniform Guidance and pursuant to Department policies and procedures (HHS-011).</p> <p>During the time of our testing, we were able to verify that the contractor identified as the exception above is not currently listed on the suspended / debarred list.</p> <p>This lack of compliance with the Uniform Guidance as required by HUD could lead to payments being made to suspended or debarred contractors and the loss or reduction of HUD funding.</p>	<p>We recommend that HHS obtain written certifications from contractors and verify that the contractor is not on the suspended / debarred list and include written confirmation in the project file.</p> <p>This will help ensure compliance with HUD and Uniform Guidance requirements and help prevent the County from utilizing suspended or debarred contractors and possible loss or reduction of HUD funds for violation of these federal compliance requirements.</p>	<p>Response: The Department has verified that the 1 contractor in question is currently not on the suspension / debarment list.</p> <p>The Department has been using the Purchasing Department for bidding CDBG projects since 2014. They are responsible for ensuring that all required documentation (including suspension / debarment verification) is included as part of the bidding process. The Department will ensure that the suspension / debarment verification is performed and that our project files are complete and include these required documents.</p> <p>Responsible party: CDBG Supervisor</p> <p>Estimated completion date: Completed – September 2017</p>

Observations Matrix - continued

Rating	Observation	Recommended Action	Management Response
High	<p>2. Environmental Reviews</p> <p>For 2 out of 5 projects tested, the request for release of funds and the environmental certifications were completed for the projects as part of the five year tiered plan (2010-2015); however, the construction supervisor was not able to locate the environmental review statutory checklist required to be completed and maintained in the file.</p> <p>This lack of compliance with the Compliance Supplement as required by HUD could lead to the loss or reduction of HUD funding.</p>	<p>We recommend that the Department put in place a process for someone other than the one who is responsible to obtain the environmental review to verify that the project checklist required by and detailed in department policy HHS-011 and related supporting documentation has been performed and maintained in the project file.</p> <p>This will help facilitate that the environmental review is performed and maintained for each project, as applicable, in compliance with HUD and the Uniform Guidance, and help prevent possible loss or reduction of HUD funds for violation of these federal compliance requirements.</p>	<p>Response: For new CDBG projects / activities, the Department has implemented a process to have the CDBG Supervisor or designee review the checklist to ensure it is included in the project file.</p> <p>Responsible party: CDBG Supervisor or designee.</p> <p>Estimated completion date: Completed – October 2017</p>



Observations Matrix - continued

Rating	Observation	Recommended Action	Management Response
<p>High</p>	<p>3. Subrecipient Monitoring</p> <p>We noted that for two out of the four subrecipients there was a significant delay by the Department between when the subrecipient monitoring was performed and when the monitoring report was provided to the subrecipient. In both cases the subrecipient monitoring was performed in May 2016 and the reports were not issued to the subrecipients until September and October 2016 respectively. September represents the end of the subrecipient contract year. In the case of one subrecipient, there were compliance concerns noted requiring a response.</p> <p>This lack of timeliness in the issuance of the monitoring reports could result in the Department continuing to provide funds to subrecipients and / or the Department renewing contracts with subrecipients that are out of compliance with their contract terms and conditions.</p> <p>This lack of compliance with the Uniform Guidance as required by HUD could lead to the loss or reduction of HUD funding.</p>	<p>We recommend that the Department put a process in place to ensure that the subrecipient monitoring reports are issued to the respective subrecipient in a timelier manner such as within a month after the subrecipient monitoring is completed.</p> <p>This will help ensure compliance with HUD and the Uniform Guidance, and help prevent possible loss or reduction of HUD funds for violation of these federal compliance requirements.</p>	<p>Response: The Department already has a Monitoring and Technical Assistance process in place which includes a timeline for issuing the respective subrecipient monitoring report. However, the Department agrees timeliness is an issue and will adhere to issuing the monitoring report no later than a month after the subrecipient monitoring is complete.</p> <p>Responsible party: Contract's Team</p> <p>Estimated completion date: Completed – October 2017</p>

Observations Matrix - continued

Rating	Observation	Recommended Action	Management Response
Moderate	<p>4. HUD Timeliness Standard</p> <p>The County was out of compliance with the timeliness requirement for program spending for 2014/2015 and as noted again below for 2015/2016:</p> <p><i>Timely expenditures of CDBG funds are a major concern of the Department. Under the provisions of 24 CFR §570.902 of the CDBG regulations, a grantee is considered to meet timeliness criteria, if 60 days prior to the end of the grantee's program year, the balance in its line-of-credit does not exceed 1.5 times its most recent grant award. To ensure compliance with the timeliness requirements throughout the CDBG program year, we utilize a straight-line projection of this formula for each month. A formal measure of the County's CDBG program's timeliness was conducted. Using this straight line, the County's, as of June 30, 2016, timeliness ratio is 1.90 times its annual grant. Accordingly, the County was found to be in non-compliance with the timeliness standard. The County must expend \$486,158 by August 2, 2016 to meet this requirement. The County is presently on a timeliness plan. If the County fails the timeliness requirement for two consecutive years, the violation will result in a grant reduction (HUD's June 20-22, 2016 Monitoring Report).</i></p> <p>Based on discussions with the HHS Director, a process was put in place to monitor the status of the timeliness requirement, but evidence was not retained. The Department Director indicated that the County was in compliance with the timeliness requirement by August 2, 2016, which we verified via inspection of an email confirmation from HUD.</p>	<p>We recommend that HHS management perform the following:</p> <p>a. Establish a formal, documented process to monitor progress toward meeting the timeliness requirement on a monthly basis by retaining the appropriate documentation generated from HUD's Integrated Disbursement and Information System ("IDIS").</p> <p>b. Consider implementing the recommended action in the June 2016 HUD Monitoring Report as follows: <i>"The County should consider funding projects in phases to ensure expenditures for the reporting period. Projects/activities should not be entered into IDIS until they are ready to expend funds."</i></p> <p>This will to help ensure the program is on task to expend the required ratio and help prevent the Department from potentially receiving a grant reduction for failure to meet the HUD's timeliness standard.</p>	<p>Response:</p> <p>a. The Housing and Human Services Department fell out of compliance due to construction issues beyond the control of the Department (bidding delays, contractor delays, etc.). The process that was developed and has been implemented is functioning to meet the needs of the Department in addressing this issue with HUD. The HUD IDIS system allows for the running of reports (specifically PR 56 – CDBG Timeliness Report) daily if desired. The Department adopted a monthly review process during the period of the timeliness plan, and has re-evaluated since regaining compliance and is currently utilizing a quarterly review. The Department will continue to utilize the process that is in place to oversee timeliness, but will begin printing the IDIS screen of the PR 56.</p> <p>b. The Department has considered this recommended action. Due to the limited funding available for CDBG infrastructure activities (approximately \$600,000 per year) it is not anticipated that project scopes will allow for phased funding at this time. The Department will continue to monitor this item to determine the appropriateness of implementing phased funding. Additionally, the Department has already implemented the recommendation regarding not entering items into IDIS prior to initial expenditures.</p> <p>Responsible party: CDBG Supervisor and Department Director</p> <p>Estimated completion date: Completed – October 2017</p>

Observations Matrix - continued

Rating	Observation	Recommended Action	Management Response
Moderate	<p>5. CAPER Reporting</p> <p>We noted that the CDBG expenditures were not properly reported in the narrative section of the CAPER and there was no documented support of the expenditures reported in the CAPER compared to the accounting records as of the date the CAPER was submitted to HUD. The amount reported in the beginning narrative section of the 2016 CAPER was the total amount of two programs: HOME and CDBG funds expended during the 2015/2016 program year of \$2,016,473. Actual CDBG expenditures as recorded in the accounting records in SAP were \$2,021,508. Upon discussion with CDBG staff and review of supporting documentation, this variance was due to the following: 1) timing differences of when the disbursements report was run from SAP (approximately \$5,000) and reported in the CAPER to HUD, and 2) staff not including the HOME expenditures (\$500,414). HHS staff communicated this reporting error to their HUD representative who advised HHS staff there was no need to issue and re-advertise a corrected 2015/2016 CAPER Report since the error related to the narrative section of the CAPER and the program expenditures as reported in the rest of the CAPER were correct.</p>	<p>We recommend that the Department put the following process in place to address the timing difference and reporting error:</p> <ul style="list-style-type: none"> The accountant should perform and retain print-outs from SAP of the expenditures for both the CDBG and the HOME programs for each respective program year that supports the amounts reported in the CAPER. Then, the accountant should provide these print-outs to the CAPER preparer to help ensure that the consolidated amount of expenditures is properly reported in the CAPER. <p>This will ensure accuracy and completeness of the CAPER as reported to HUD in IDIS demonstrating that the underlying accounting system (SAP) supports the amounts as reported to HUD in the CAPER for each program year.</p>	<p>Response: The Department will have Accountant II print out the SAP screens and provide them to the CAPER preparer as back-up documentation.</p> <p>Responsible party: Finance and CDR Teams</p> <p>Estimated completion date: Completed – October 2017</p>

Observations Matrix - continued

Rating	Observation	Recommended Action	Management Response
Low	<p>6. Uniform Guidance Language</p> <p>We noted that the Department's policies and procedures have not been updated and still make reference to the OMB circulars A-87 and A-122 throughout these documents rather than to the Uniform Guidance; such as, CFR 200, Subpart E – Cost Principles, Subpart F – Audit Requirements (e.g. HHS-011 and HHS-19 department policies and procedures).</p>	<p>We recommend that the Department update its policies and procedures to replace reference to the OMB circulars (A-87 Cost Principles for Local Governments, A-122 Cost Principles for Non-Profits) with the Uniform Guidance references 2 CFR 200, Subpart E – Cost Principles, Subpart F – Audit Requirements, respectively.</p> <p>This will facilitate compliance with the Uniform Guidance required by the CDBG grants from HUD.</p>	<p>Response: The Department agrees that a review / update of its policies and procedures associated with OMB Circulars is due and will be conducting this process during the current Fiscal Year.</p> <p>Responsible party: Applicable Department Team and Department Director.</p> <p>Estimated completion date: June 30, 2018</p>



Internal Audit Report - Contract Compliance Review

October 2017



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TRANSMITTAL LETTER

October 25, 2017

Audit Committee
2700 Judge Fran Jamieson Way
Viera, FL 32940-6699

Pursuant to our approved audit plan for fiscal year ("FY") 2016-17 for Brevard County, Florida ("County"), we hereby present the contract compliance review of selected service contracts. We will be presenting this report to the Internal Audit Committee of Brevard County, Florida at the next scheduled meeting on November 1, 2017.

Our report is organized in the following sections:

Executive Summary	This section provides a high-level summary of the results of our audit.
Background	This provides an overview of the contracts examined and the related monitoring and procedures.
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 presents the results of our audit procedures, including our findings and recommendations.

We would like to thank the staff and all those involved in assisting our firm in connection with the Contract Compliance Review.

Respectfully Submitted,

RSM US LLP

RSM US LLP



EXECUTIVE SUMMARY

Background

The Facilities Division is part of Brevard County's Public Works Department and serves as the management and oversight arm for Brevard County's properties and assets. We selected two contracts for testing.

W&G Maintenance – Janitorial Services

W&G Maintenance ("W&G") was awarded custodial work for office and public buildings throughout the Brevard County in April 2016. W&G is responsible to furnish all labor, supervision, transportation, equipment, and supplies necessary to accomplish janitorial services. The contractor provides regular services on a daily, weekly, and periodic schedule.

USSSA – Stadium Complex Lease Agreement

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

Overall Summary / Highlights

The observations identified during our review are summarized on the next few pages. We have assigned relative risk or value factors to each observation. Risk ratings are the evaluation of the severity of the concern and the potential impact on the operations of each item. The detailed observations are listed in the observation matrix including management action plans, estimated completion dates and responsible parties.

Fieldwork was performed from August 2017 through September 2017.

We would like to thank all County team members who assisted us throughout this review.

Objective and Scope

The primary scope and objective of the audit were to perform a review of a selection of Brevard County's service contracts, and test the effectiveness of controls over compliance with major provisions of the contract terms. These reviews are intended to be ongoing at the approval of the annual IA plan. This cycle included the Stadium Complex Lease Agreement between Brevard County and USSSA and the Janitorial Services contract between Brevard County and W&G Maintenance. Both of these contracts are managed by Facilities as of the date of testing.

Our approach consisted of the following methods:

- Conducted interviews with the County's contract managers for the Stadium Complex and Janitorial Service to obtain an understanding of operational functions and monitoring processes;
- Examination of the procurement of Stadium capital repair supplier contracts for compliance with County purchasing policies and Florida Statutes;
- Detail testing of a sample of Stadium capital repair expenditures for compliance with contract terms;
- Detail testing of a sample of Janitorial invoices for compliance with contract terms;
- Detail testing of a sample of Janitorial employee security credentials for compliance with contract terms; and
- Examination of a sample of documentation of County monitoring for Janitorial services.

At the conclusion of our analysis, we summarized the results of our procedures into a report and conducted exit interviews with the Contract Administrators and County Manager to discuss the details of our findings.

Summary of Observation Ratings

	Number of Observations by Risk Rating		
	High	Moderate	Low
W&G Maintenance	-	1	-
USSSA	-	1	2



EXECUTIVE SUMMARY (CONTINUED)

Ratings and Conclusions

Observation ratings are a subjective evaluation of the severity of the concern and the potential impact on the operations. An observation rating of "High" represents an issue of immediate concern and could cause significant operational issues if not addressed soon. A "Moderate" rating is an issue that may also cause operational issues and does not require immediate attention but should be addressed as soon as possible. Observations given a "Low" rating could escalate into operational issues but can be addressed through the normal course of conducting business.

The following is a summary of observations noted.

Ratings by Observation	
W&G Maintenance – Janitorial Services	Rating
1. Supervision and Monitoring of Janitorial Services	Moderate
USSSA – Stadium Complex Lease Agreement	Rating
1. ARR Fund Management	Moderate
2. Sales Tax Reporting on Owner Direct Purchases	Low
3. Monitoring Procedures for Stadium Room Night Guarantees	Low



BACKGROUND

Facilities Division

The Facilities Division handles the construction projects and maintenance for the upkeep of Brevard County operations, and is the contract administrator for the two contracts we selected for testing.

Janitorial Services

In 2016, the County competitively bid custodial work for office and public buildings throughout Brevard County, awarding a contract to W&G Maintenance ("W&G"). The contract was entered into on April 18, 2016 and has been renewed once, with two additional renewal options for one year each. W&G is responsible to furnish all labor, supervision, transportation, equipment, and supplies necessary to accomplish janitorial services. These services include all functions normally considered part of workmanlike, satisfactory janitorial work. The contractor provides regular services on a daily, weekly, and periodic schedule. W&G is also responsible for biohazard clean-up. Additionally, contractor employees must pass a screening process before working on County premises.

Stadium Complex Lease Agreement

The County's Space Coast Stadium Complex includes an 8,100 seat baseball stadium and other recreational facilities. The complex was leased to United States Specialty Sports Association, Inc. ("USSSA"), effective April 1, 2016 through March 31, 2036, with options to renew for two consecutive periods of ten years each. USSSA is responsible for the management and operation of the complex, including ticket sales and concessions, applicable taxes, maintenance, and capital improvements of the facilities.

The lease agreement includes costs for structural repairs, safety and health improvements, and elevator upgrades to be completed prior to USSSA reopening the Stadium, totaling \$1Million. The costs were to be shared between the County and USSSA in the amount of \$500,000 for FY2015-16 and \$500,000 for FY2016-17. Because the previous Stadium tenant vacated the premises later than anticipated, the \$500,000 identified for FY2015-16 was not encumbered or expensed. The \$500,000 identified for FY2016-17 was encumbered. The County has proceeded with structural inspections and, along with USSSA, identified the work to be completed. Capital improvements to the facilities, such as new synthetic turf, field lighting, Stadium improvements, and portable seating, are to be completed by USSSA. These costs are reimbursable by the County up to \$10Million. To take advantage of savings from sales tax exemption, the Board of County Commissioners approved a request for the County to purchase materials including synthetic turf and field lighting directly. The lease agreement also includes a provision for a tenant-controlled Asset Renewal Replacement, Capital Improvement and Capital Repair ("ARR") Fund. Per the terms of the lease, USSSA shall annually deposit \$250,000 into the ARR Fund for the first ten years of the lease (\$2.5Million total), and the County shall annually deposit \$250,000 into the ARR Fund for the first five years of the lease (\$1.25Million total). USSSA may have discretionary uses of the fund.

Rather than remitting lease payments to the County, USSSA guarantees an amount of "room nights" per year of operation. Room nights are defined as hotel stays in Brevard County, booked specifically for stadium complex events. In the first three years of operation, USSSA guarantees 75,000 room nights, and 100,000 room nights for each year after. Per the lease agreement, if the room night guaranty is not met, USSSA shall contribute additional amounts to the ARR Fund. The room nights will be reported to the County's Tourism Department Office (TDO), who will become the contract administrator once events begin during fiscal year 2018.



OBJECTIVES AND APPROACH

Scope and Objectives

The primary scope and objective of the audit were to perform a review of a selection of Brevard County's service contracts, and test the effectiveness of controls over compliance with major provisions of the contract terms. These reviews are intended to be ongoing at the approval of the annual IA plan. The scope of this review included the Stadium Complex Lease Agreement between Brevard County and United States Specialty Sports Association Inc. ("USSSA") and the Janitorial Services Contract between Brevard County and W&G Maintenance. Both of these contracts are managed by Facilities as of the date of testing.

Approach

Our approach consisted of the following:

The first phase of our review consisted of inquiry in an effort to obtain an understanding of the County's and Contractors' structure and key processes within our scope. The following procedures were conducted as part of the first phase of our review:

- Conducted a kickoff meeting with the County's contract managers for the Stadium Complex and Janitorial Services to discuss the objectives, scope and approach for this internal audit;
- Obtained and reviewed documented policies and procedures, organizational charts, and other key process information available to further our understanding of the function;
- Conducted interviews with the County's contract managers for the Stadium Complex and Janitorial Services to obtain an understanding of operating functions and key performance indicators for the following areas:
 - Stadium capital repair program and uses;
 - Stadium Asset Renewal, Replacement, Capital Improvement and Capital Repair Fund (the "ARR Fund") uses and collections;
 - Janitorial cleaning cycles (daily, weekly, monthly, and other intervals);
 - Janitorial inspection of the work by the County;
 - Janitorial contractor employee qualifications, including C.J.I.S. requirements; and
 - Billing cycles, reimbursements, and payment terms
- Identified risks and controls, and developed a detailed control testing script to facilitate phase two testing.
- Interviewed TDO personnel to discuss the transition of the USSSA lease upon completion of work.



OBJECTIVES AND APPROACH (CONTINUED)

Approach (Continued)

The second phase of our review consisted of an assessment of the controls, and testing of the operating effectiveness of those controls. This process was facilitated through sample basis during the period from contract inception to present (4/16/2016 – 8/18/2017, USSSA; and 4/18/2016 – 8/18/2017 for W&G Maintenance). Our procedures during this phase included:

- Examination of the procurement of Stadium capital repair supplier contracts for compliance with County purchasing policies and Florida Statutes;
- Detail testing of a sample of Stadium capital repair expenditures for compliance with contract terms;
- Detail testing of a sample of Janitorial invoices for compliance with contract terms;
- Detail testing of a sample of Janitorial employee security credentials for compliance with contract terms; and
- Examination of a sample of documentation of County monitoring for Janitorial services.

Reporting

At the conclusion of our analysis, we summarized the result of our procedures into a report and conducted exit interviews with the Contract Administrator and County Manager to discuss the details of our findings. Recommendations and Managements Responses are included.



OBSERVATIONS MATRIX

W&G Management – Janitorial Services

Observation	1. <u>Janitorial Services - Supervision and Monitoring of Contract</u>
Moderate	<p>Through our review of worked performed for janitorial services, we noted the following:</p> <ul style="list-style-type: none"> W&G Maintenance crews are not consistently supervised and a supervisor does not regularly perform quality review to verify work has been completed as required. <p>Per the General Conditions, Section 4a – <i>The Contractor shall have a supervisor/ Manager on duty on-site at all times during cleaning operations.</i></p> <p>While we note W&G has a working supervisor, the supervisor does not oversee each crew and work area. This creates issues of unsupervised workers and a lack of quality control inspections by the contractor. Currently, W&G relies on County Facilities to perform quality control inspections and report noncompliance to W&G. However, Facilities does not have the resources to devote to supervision of W&G's work.</p> <ul style="list-style-type: none"> There are instances where W&G employees were not utilizing proper tools or safety measures to address service calls. For example, and employee was observed cleaning a biohazard condition without the use of gloves. <ul style="list-style-type: none"> Per Attachment A, Safety – <i>The Contractor shall be responsible for instructing employees in safety measures considered appropriate.</i> During the transition from the prior janitorial services contractor to W&G, three W&G employees did not go through a background check, as the employees' previously approved background check status with the former janitorial services contractor was carried over for their employment with W&G. <ul style="list-style-type: none"> Per Attachment A, Qualifications of Employees – <i>All employees shall be subject to a background investigation (background check, fingerprinting and C.J.I.S. training) through the Brevard County Sheriff's Department. Badges and keys will not be transmitted to the Contractor until background investigations come back clear.</i> <p>Without proper contractor supervision and training, the County is experiencing repeated unsatisfactory service issues. The County is monitoring the work and has issued two formal Notices to Correct to W&G for noncompliance.</p>



OBSERVATIONS MATRIX (CONTINUED)

W&G Management – Janitorial Services (continued)

Observation

1. Janitorial Services - Supervision and Monitoring of Contract (Continued)

Recommendation

We recommend the County require W&G to enforce its regular monitoring process, including spot-checks for work completed by each crew and verification of service requests. The Contractor should provide the County with written acknowledgement when service requests and noncompliance items have been addressed. Follow-up for noncompliant work should be consistently documented. The County can utilize this documentation to continue to perform observations of the work on a random, rotating basis, leveraging existing checklists developed by County Facilities and the recurring monthly meetings with W&G. With a routine inspection process and regular reporting in place, this can enhance the process and reduce unsatisfactory results.

We recommend the County require W&G to create a safety manual and to train employees on the safety manual. Contents should include appropriate biohazard clean up procedures. The safety manual and training records should be provided to the County. This process will allow the County to verify W&G employees responding to safety service calls have been properly trained.

We also recommend the County maintain documentation of background check clearances, and consider updating the contract with W&G to have every employee submit to a background check, regardless of prior employment history.

Management Action Plan

Response: Facilities staff and the Owner of W&G meet monthly to discuss issues, concerns, etc. Supervision and follow up on behalf of W&G has been an issue discussed in our meetings. The owner now has a dedicated working supervisor on site at the Viera Government Center and Moore Justice Center. The owner supervises the remainder of the County facilities. We have discussed the fact that W&G relies too heavily on Facilities monitoring process, spot checks and reporting than having their own. Facilities staff forwards all on-site inspection reports to W&G. As a result of the audit we have added an acknowledgement signature line to the inspection report for W&G to sign and return to County indicating all issues have been corrected. The contract does not specifically require the County to have a copy of the janitorial company's safety manual; however, we have requested a copy of the current vendor. Additionally, contract language will be modified for future bids to include this submittal requirement with bids.

Background checks, CJIS online training/certification and fingerprinting are all conducted by the Brevard County Sheriff's Department. Typically, if a janitorial employee is currently employed during the transition from one company to another no new background has been required (per the BCSCO); however, contract language will be modified for future bids to include that all employees undergo backgrounds, CJIS training and fingerprinting.

Responsible Party: Mary Bowers, Support Services Manager

Action Plan: As noted above, changes are being made to the Facilities Janitorial Inspection Checklist and Janitorial Services Bid documents to address all findings in the audit.

Estimated Completion Date: December 31, 2017



OBSERVATIONS MATRIX (CONTINUED)

USSSA – Stadium Complex Lease Agreement

Observation

Moderate

1. Stadium Complex Lease Agreement - ARR Fund Management

Through our review of the USSSA fund and interviews with County personnel, we noted the County has not established an Asset Renewal Replacement, Capital Improvement and Capital Repair ("ARR") Fund as outlined in the contract.

The ARR Fund is intended as a designated fund for asset renewal, replacement, and capital renewal costs. Per the terms of the lease, USSSA shall annually deposit \$250,000 into the ARR Fund for the first ten years of the lease (\$2.5Million total), and the County shall annually deposit \$250,000 into the ARR Fund for the first five years of the lease (\$1.25Million total). USSSA may have discretionary use of the funds through reimbursement, but will not have access to the bank account. Further, since the ARR funding was supposed to begin in FY16, but the former tenant vacated late, the funds have not been yet set aside to bring that amount whole.

Without a documented process in place for the allocation and use of the ARR Fund, the County risks utilizing funds from an incorrect source and/or using funds for unapproved expenses.

Recommendation

We recommend the County determine and document the procedures for allocation, use, and management of the ARR Fund, including funds in arrears. The County may choose to utilize an existing General Ledger account for a special revenue fund to record the ARR Fund.

Management Action Plan

Response: TDO has a draft procedure and will work with the County Attorney's office to formally develop and implement a process for the ARR Fund management and determine how to segregate the full amount of the contracted funds within the budget. The existing Stadium reserve general ledger accounts can be used to account for these funds through County Finance.

Responsible Party: Stacy DeLano, Finance Director, Tourism Development Office

Estimated Completion Date: December 31, 2017



OBSERVATIONS MATRIX (CONTINUED)

USSSA – Stadium Complex Lease Agreement (continued)

Observation

Low

2. USSSA - Sales Tax Reporting on Owner Direct Purchases

During our review of Owner Direct Purchases (ODP) for the Stadium Complex, we noted sales tax savings was not consistently reported.

Exhibit D, Landlord Obligations Section 9 – *The Landlord will reimburse the Tenant up to a maximum expenditure of ten million dollars (\$10,000,000) in exchange for the Tenant's improvement of the Stadium Complex to make the complex amateur sports friendly.*

Rather than reimburse the Tenant for improvements, the County purchased materials to take advantage of the sales tax exemption. Sales tax may only be exempt for materials; labor and services are not tax exempt. Two contracts were issued for labor and materials, although the sales tax savings on materials was not recorded within the contracts. Therefore, we were unable to verify the sales tax savings for those materials.

The estimated sales tax saving calculations for the contracts where materials and savings were noted are shown below:

Contractor/ Vendor	PO	Amount	ODP Savings	%
ProGrass	4500094930	4,992,941.00	-	7%
Target Technologies	4500094204	80,114.00	5,607.98	7%
Martin Marietta	4500094205	1,073,500.00	75,145.00	7%
Liberty Tire Recycling	4500094206	579,420.00	40,559.40	7%
Culverts Inc	4500094177	202,005.00	14,140.35	7%
Musco Sports Lighting	4500094149	3,072,020.00	-	7%
Totals		\$ 10,000,000.00	\$ 135,452.73	

While sales tax was not applied to the materials purchased, without accurate reporting of sales tax savings, the County does not have a method of tracking the savings to justify the purpose of the special vote and bypassing the procurement process. This could lead to inaccurate reporting for the project, leading the County to anticipate greater savings than what has been realized.

Recommendation

Moving forward, we recommend the County require contractors and vendors to specifically identify the sales tax savings on the quote documents, before the purchase of materials. The County should verify the reported sales tax savings for accuracy.



OBSERVATIONS MATRIX (CONTINUED)

USSSA – Stadium Complex Lease Agreement (continued)

Observation

2. USSSA - Sales Tax Reporting on Owner Direct Purchases (Continued)

Management Action Plan

Response:

Typically it is Facilities accounting procedure to verify that all Owner Direct Purchase (ODP) proposals/quotes indicate the sales tax percentage and sales tax savings for tracking. In order to ensure that verification is taking place all Facilities Project Accounting Spreadsheets have been modified to include a "Sales Tax Savings" column. Additionally, all vendors will be required to include "sales tax savings" as a separate line in their proposals/quotes.

Responsible Party: Mary Bowers, Support Services Manager

Action Plan: All Facilities Project Accounting Spreadsheets have been modified to include "Sales Tax Savings" column.

Estimated Completion Date: Completed



OBSERVATIONS MATRIX (CONTINUED)

USSSA – Stadium Complex Lease Agreement (continued)

Observation	3. <u>USSSA - Monitoring Procedures for Stadium Room Night Guaranties</u>
Low	

During our review of the Stadium Complex lease monitoring, we noted the TDO is in the process of developing monitoring procedures to track the hotel occupancy, or room-nights, generated by events at the Stadium Complex. While events have not yet been booked, we understand this procedure will involve monitoring through a third-party online booking vendor, who will then provide reports to TDO directly.

Schedule 1 of the Contract requires the Tenant to provide the Brevard County Tourism Development Office (TDO) in electronic form an accounting of all lodging room nights directly related to each event hosted by the Tenant at the Stadium Complex. The reports must be provided within 30 days of the event, and include information such as the name and address of the lodging establishment, number of units rented, days of stay, and the number of guests. The Tenant shall also provide quarterly reports with the room-night data.

Recommendation

We recommend the County formally document its monitoring procedures, including the information to be reviewed against contract requirements, the frequency of the review, and how discrepancies are managed. The TDO's procedures should also include a reconciliation of the calendar of events to the room nights reported by USSSA and the booking agency. After the monitoring process has been established, Internal Audit will test the reporting activity.

Management Action Plan

Response: TDO has begun receiving example monitoring reports to determine what information will be available from the third-party online booking vendor, Anthony Travel. The post-event reporting validation will be done online, similar to vendors TDO uses for events, and once the USSSA events begin, TDO will work with the vendor to confirm the room nights reported. Opening week is scheduled for mid-November, and as such, room night reporting will begin in approximately January 2018.

Responsible Party: Stacy DeLano, Finance Director, Tourism Development Office

Estimated Completion Date: March 31, 2018



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

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Brevard County Half Cent Sales Tax – Save the Lagoon Project Status Report .

October 25, 2017



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Transmittal Letter

October 25, 2017

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

Pursuant to the approved Brevard County 2016/2017 internal audit plan, we hereby present our first internal audit status report of the Half Cent Sales Tax – Save the Lagoon Project. We will be presenting this report at the next scheduled Audit Committee meeting on November 1, 2017, and a copy will be provided to the independent Save Our Indian River Lagoon (SOIRL) Citizen Oversight Committee (COC).

Updated progress reports will be presented to include the progress of the implementation of the Project Plan and the use of the tax, as described within Next Steps at periodic internals, and presented to the Audit Committee at least semi-annually.

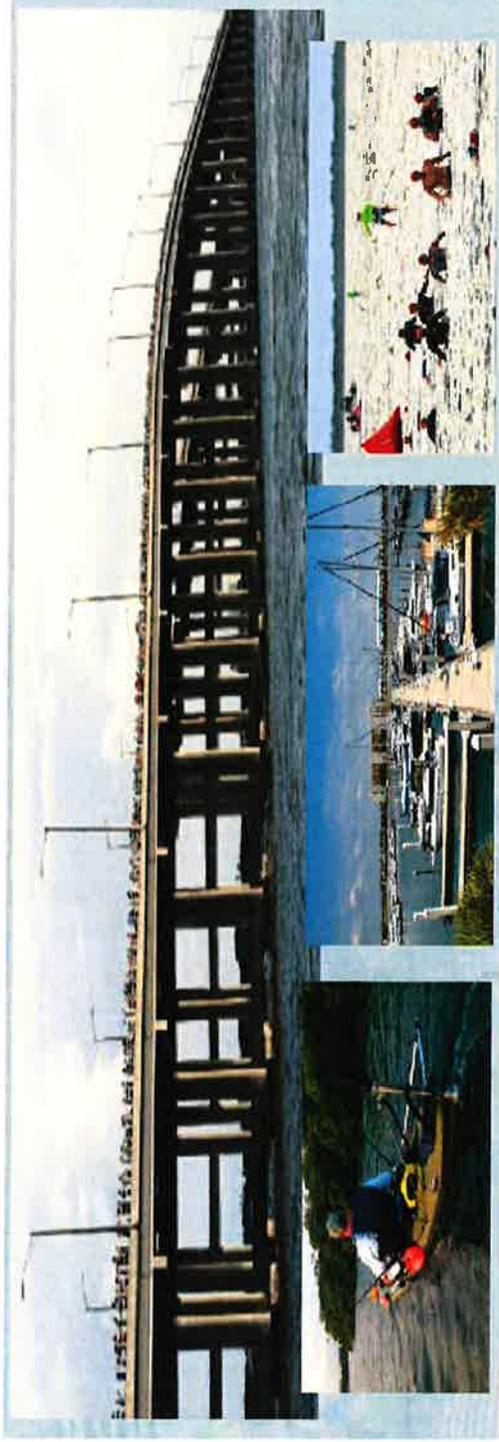
We would like to thank the staff and all those involved in assisting the Internal Auditors in connection with this review.

Respectfully Submitted,

RSM US LLP
INTERNAL AUDITORS



Background



History of the Lagoon

The Indian River Lagoon (IRL) system includes Mosquito Lagoon, Banana River Lagoon, and Indian River. This is a unique and diverse system that connects Volusia, Brevard, Indian River, St. Lucie, and Martin counties. The IRL is part of the National Estuary Program (NEP), one of 28 estuaries of National Significance, and has one of the greatest diversity of plants and animals in the nation. A large portion of the IRL system, 71% of its area and nearly half its length, is within Brevard County and provides County residents and visitors many opportunities and economic benefits.

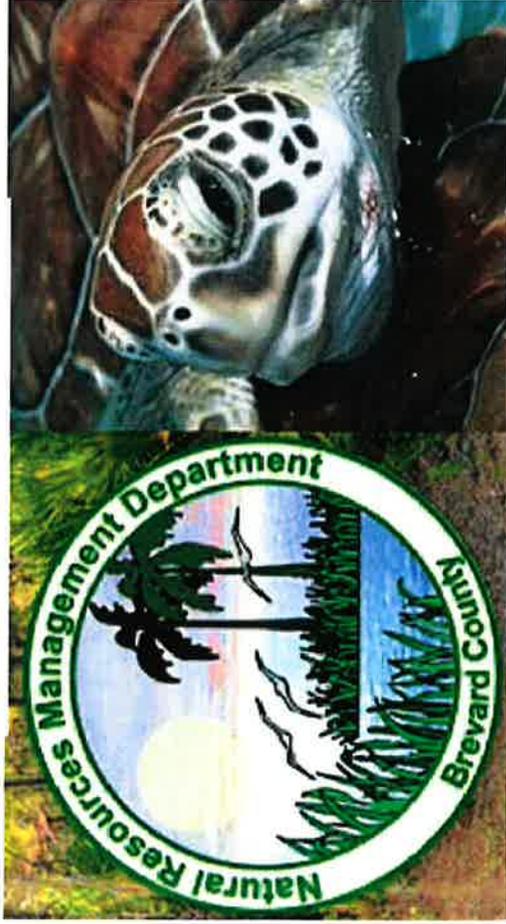
Efforts have been ongoing for decades to address various sources of pollution within the Lagoon, including stormwater runoff from urban and agricultural areas, wastewater treatment facility (VWTF) discharges, septic systems, and excess fertilizer applications.

Despite significant load reductions, in the last five years, signs of human impact to the IRL system have been magnified. In 2011, the “superbloom” occurred, an intense algal bloom in the Mosquito Lagoon, Banana River Lagoon, and North IRL, as well as a secondary, less intense bloom in the Central IRL. There have also been recurring brown tides; unusual mortalities of dolphins, manatees, and shorebirds; and large fish kills due to low dissolved oxygen from decomposing algae.

Ordinance 2016-15



- The Brevard County Board of County Commissioners (BOCC) adopted Ordinance 2016-15 on August 23, 2016. The ordinance placed a Tax Referendum on the upcoming election ballot for voter consideration.
- On November 8, 2016 within the territorial limits of Brevard County, the Tax Referendum was voted on and passed with 62% favorable vote, to allow for a half-cent sales tax on sales within the County.
- This legally restricted tax will help pay to restore the IRL over a 10-year period by implementing the approved Save Our Indian River Lagoon Project Plan, as amended. The total cost of the current Plan is \$302 million.
- The Ordinance authorizes the use of the half cent sales tax to provide restoration services to improve the quality of the water and the lagoon through methods such as:
 - Waste Water Treatment Facility Upgrades for Reclaimed Water,
 - Fertilizer Education,
 - Storm-water Outfall Treatment,
 - Septic to Sewer Integration,
 - Septic Upgrades,
 - Muck Removal and Dredging,
 - Oysters and Restoring Living Shorelines and
 - Monitoring, Reporting and Adapting.



Referendum



BALLOT
Brevard County, Florida

Caption: Save Our Indian River Lagoon ½ Cent Sales Tax Referendum

To restore the Indian River Lagoon through financing, planning, constructing, maintaining, and operating capital improvements and capital maintenance projects and programs designed to improve water quality, fish, wildlife and marine habitat, remove muck and reduce pollution, shall an ordinance be approved levying a ½ cent sales tax for ten years and requiring deposit of all revenue to a Save Our Lagoon Trust Fund solely for such projects, with citizen committee oversight and annual independent audits?

___ YES For the ½ cent sales tax

___ NO Against the ½ cent sales tax

SOIRL Committee

The Oversight Committee

The Ordinance requires the creation Brevard County Save Our Indian River Lagoon (SOIRL) Citizen Oversight Committee (COC). The COC is made up of seven members and seven alternates across seven different fields including:

- Finance
- Science
- Tourism
- Real Estate
- Technology
- Education / Outreach
- Lagoon Advocacy

Additionally, the COC meetings usually include the following County Staff at each meeting:

- Natural Resources Management (NRM) Director
- Boating & Waterways Program Coordinator
- Assistant County Attorney
- Executive Secretary
- SOIRL Program staff, as appropriate

The role of the SOIRL COC per the Bylaws adopted on February 17, 2017, is to review monitoring data on timeliness of project delivery, actual and updated project costs and actual nutrient removal effectiveness; review new literature and local studies on the types of projects included in the plan and potential alternative project types; evaluate alternative project proposals received from the community; and recommend adjustments to the Project Plan to be approved by the Board of County Commissioners.



The SOIRL COC meets on a monthly basis starting on December 16, 2016, and has continued to meet once a month except June, 2017 to allow for the Natural Resources Management Director to fill staffing needs. In total as of October 2017 there have been 10 meetings held.

<http://www.brevardfl.gov/SaveOurLagoon>



Project Plan

The Project Plan was developed in partnership with scientists, economists, environmentalists and multiple government agencies. The current version of the plan was recommended by the COC in February, and approved by the BOCC in March 2017.

The plan was estimated to go for a timeline of 10 years. The Committee will expedite the process, with approvals, to allow for spending earlier in the project as revenues continue to exceed expectations, to-date.



Figure ES-1: Save Our Indian River Lagoon Project Implementation Schedule

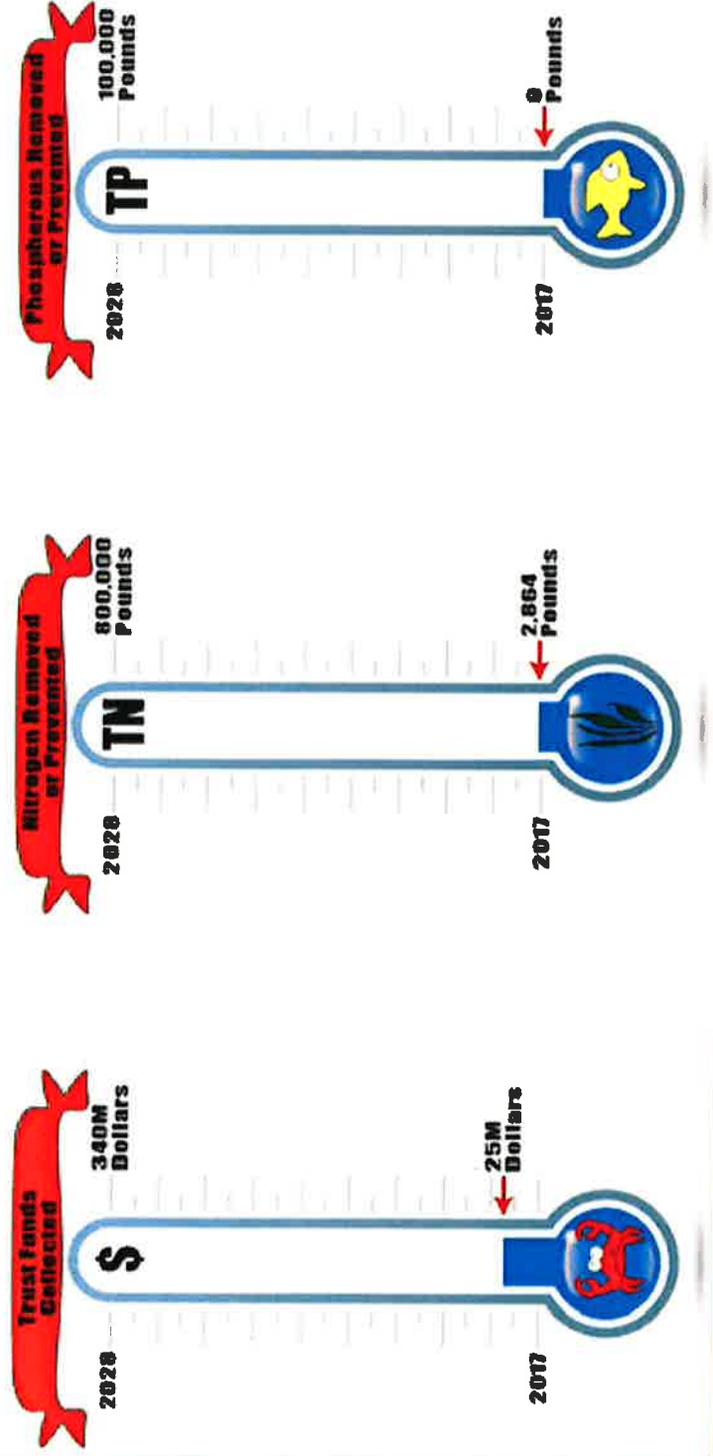
Table ES-1: Summary of Project Types, Costs, and Nutrient Reductions in the Save Our Indian River Lagoon Project Plan

Project Category	Project Type	Estimated Total Project Cost	Nitrogen Reductions (lbs/yr)	Average Cost/lb/yr of TN	Phosphorus Reductions (lbs/yr)	Average Cost/lb/yr of TP
Reduce	Fertilizer Management/Public Education	\$625,000	6,123	\$102	813	\$769
	WWTF Upgrades for Reclaimed Water	\$9,400,000	40,778	\$214	TBD	TBD
	Septic System Removal	\$41,764,000	56,509	\$852	N/A	N/A
	Septic System Upgrades	\$22,192,000	27,659	\$802	N/A	N/A
Remove	Stormwater Projects	\$10,375,000	113,036	\$88	16,303	\$604
	Muck Removal	\$198,100,000	491,300	\$408	73,650	\$2,733
Restore	Oyster Reef Living Shorelines	\$10,000,000	21,120	\$473	7,181	\$1,393
Respond	Projects Monitoring	\$10,000,000	N/A	N/A	N/A	N/A
Total	Total	\$302,456,000	756,525	\$400 (average)	97,947	\$3,088 (average)

Project Plan – October 2017

Brevard County Save Our Lagoon Dashboard

9 Projects In Contract **143** Projects In Plan **\$25M** Tax Dollars Collected **\$340M** Revenue Projected
 (plus 1387 septic tank upgrades)



Note: The \$340M shown above is projected revenue in the current approved Project Plan, as amended. Actual anticipated revenues may be higher, and will be budgeted accordingly each year. See page 9 for actual collections to-date.

Project Plan

Project Name	Cost	Year 1	Year 2
Fertilizer Management/Public Education	\$625,000	Year 1 of Program \$125,000	Year 2 of Program \$125,000
WWTF Upgrades	-	-	-
City of Titusville	\$8,000,000	Design & Permitting \$500,000	Bid & Mobilize \$500,000
Osprey WWTF	\$1,400,000	Construction \$1,400,000	-
City of Palm Bay WRF	\$1,400,000	-	-
Septic System Removal	-	-	-
Banana River Lagoon	\$12,260,000	Design & Permitting \$500,000	Sykes Creek N \$1,720,000
North IRL	\$12,820,000	Design & Permitting \$500,000	Cocoa K & Melbourne \$920,000
Central IRL	\$16,684,000	Design & Permitting \$500,000	Palm Bay 1/2 Sewer \$3,882,000
Septic System Upgrades	-	-	-
Banana River Lagoon	\$4,128,000	24 Upgrades \$384,000	26 Upgrades \$416,000
North IRL	\$8,240,000	35 Upgrades \$560,000	40 Upgrades \$640,000
Central IRL	\$9,824,000	44 Upgrades \$704,000	50 Upgrades \$800,000
Stormwater Projects	-	-	-
Banana River Lagoon	\$4,625,000	2 Projects \$400,000	3 Projects \$475,000
North IRL	\$4,850,000	3 Projects \$525,000	4 Projects \$675,000
Central IRL	\$900,000	1 Project \$275,000	1 Project \$225,000
Muck Removal	-	-	-
Mosquito Lagoon	\$16,100,000	-	-
Banana River Lagoon	\$71,750,000	Mathers Bridge Area \$5,250,000	8% of Canals \$5,250,000
North IRL	\$89,250,000	1/3 Eau Gallie Area \$8,750,000	2/3 Eau Gallie Area \$17,500,000
Central IRL	\$21,000,000	-	-
Oyster Restoration/Living Shorelines	-	-	-
Banana River Lagoon	\$4,230,000	0.846 Miles \$423,000	0.846 Miles \$423,000
North IRL	\$4,320,000	0.864 Miles \$432,000	0.864 Miles \$432,000
Central IRL	\$1,450,000	0.290 Miles \$145,000	0.290 Miles \$145,000
Project Monitoring	\$10,000,000	Year 1 Monitoring \$1,000,000	Year 2 Monitoring \$1,000,000
Total	\$302,456,000	\$22,373,000	\$36,128,000

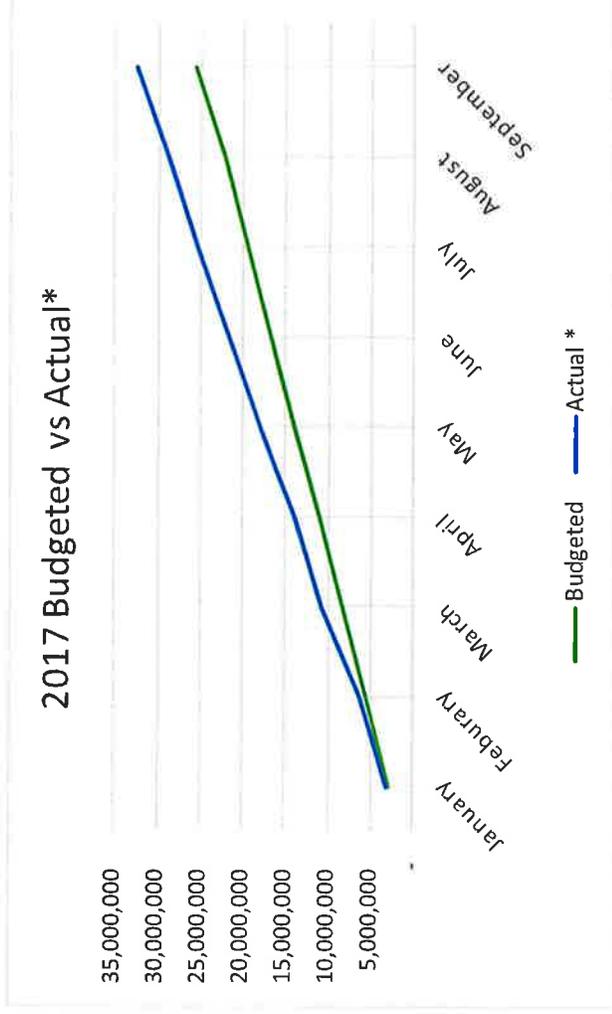
- The project plan is detailed and robust, broken down by project, category, and timeline budget.
- In order to provide transparency into the fiscal responsibility for the tax, as well as other funding (federal and state matching grants, other partnership dollars, etc.) and track projects, Natural Resource Management, Finance and Budget are utilizing the County's SAP system to monitor project costs, in addition to spreadsheets.

Revenue Status

Current and Future Revenue Projections

The SOIRL Project started earning sales tax revenue in January 2017. Fiscal Year 2017 revenues were budgeted at \$25,500,000. As is customary with sales tax, the first payment is received 2 months after being earned, starting with January collections being paid in March 2017. As of September 2017, for the seven months collected to-date (Jan-July), received a total of \$24.9Million with a projected additional earned amount not yet collected totaling \$7M for the remainder of the Fiscal Year, for a total earned amount of \$32M; well over the expected \$25.5M budgeted. A full year's projection would be expected to be higher.

The FY18 approved budget for tax revenue is \$34M, which is anticipated to be exceeded at this time, given the 9-month trend of \$3.5M per month on average. The budgeted revenues may be adjusted during the County's mid-year supplemental review, as needed.



* Actual Revenue is for seven months collected plus projected additional earned not yet collected through fiscal year end.

Inter-municipal Contracting Status

Cost Sharing Contracts

In order to carry out portions of the Project Plan, the County must enter into agreements with local municipal governments where the IRL shares jurisdiction. Based upon the current Project Plan, as amended, there are multiple municipal partners with whom the County will need to contract, on a reimbursement basis, to distribute the Trust funds. An agreement must be executed for each project, so there may be multiple agreements for one municipality. Municipal partners with Year 0 and Year 1 projects in the approved plan include:

- ✓ City of Cape Canaveral
- ✓ City of Cocoa
- ✓ City of Cocoa Beach
- ✓ City of Melbourne
- ✓ City of Palm Bay
- ✓ City of Rockledge
- ✓ City of Titusville
- ✓ City of West Melbourne
- ✓ Town of Indian Harbour Beach

- Natural Resources Management worked with the County Attorney to develop an Inter-local Municipal Contract template, which was approved by the BOCC on May 23, 2017. The County must now work with each agency to negotiate terms and develop statements of work in order to establish accountability and compliance conditions. Currently, agreements have been fully executed with 3 municipalities, with 4 additional submitted for review and execution by the respective municipalities.
- Due to the projects just getting underway and contracting still in progress, there have been no invoices from or payments made to these municipal partners as of October 2017.

Accounting / Monitoring and Oversight

SAP Setup and Utilization for Project Tracking

- On July 28, 2017, RSM met with County Finance, Natural Resources Management and Budget to go over the setup and configuration of the SAP system for the tracking of project budgets and expenses of the Save Our Indian River Lagoon Project Trust Fund. Items discussed included:
 - Use of a Special Revenue Fund (Fund 1260) to distinguish these restricted funds from other County dollars;
 - Use of individual Cost Centers per Agency / Municipality;
 - Use of an Internal Order number (IO) or Funded Program (FP) number to track individual projects for non-county and county projects, respectively;
 - Purchase Orders will be issued for the estimated project costs for the current fiscal year, coded using Cost Center / IO / FP convention to track costs per project; and
 - PO are issued to encumber budgeted funds for outside projects or vendor contracts. Internal county project costs (such as labor) would be tracked by FP.
- As inter-agency contracts are executed, the County continues to develop the budget build out in order to allocate and encumber fund using IO / FP – to-date budget is being allocated to cost centers, but not the individual IO or FP. Finance and Budget are working on a process to allocate to the project level, rather than just the cost center.
- There are funds that have been expended on County projects that will be reclassified to the Cost Center / FP once the SAP setup has occurred and respective costs accumulated.

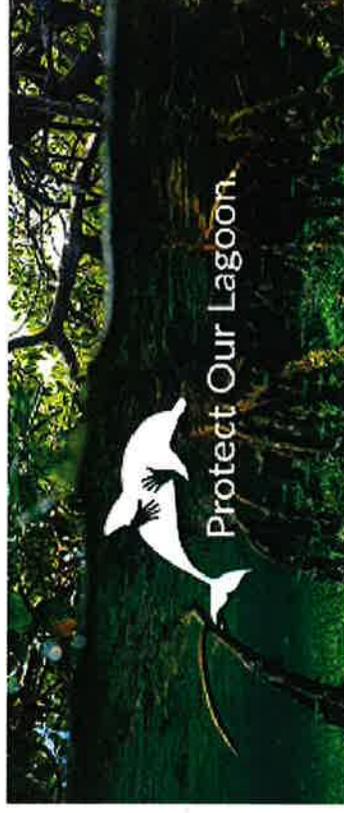
Accounting / Monitoring and Oversight

The County Ordinance, and the subsequently approved “Save Our Indian River Lagoon Trust Fund” requirements specify the allowable uses of the funds. These include capital improvement, capital maintenance, the cost of issuing bonds, and specific restoration project costs. While intentionally broad to allow flexibility with changes to the Project Plan as needed, the highest risk area for potential accusation of misuse or waste of funds could be attributed to items 5 and 6 on the list:

- ***“Save Our Indian River Lagoon Project Plan restoration project related operation and maintenance expenses”***
- ***“Save Our Lagoon Project Plan education and community awareness initiatives or programs”***

The Ordinance is not specific on the definition of these items, and which activities are eligible for accumulating costs. Defining and tracking these expenses are critical to successfully monitoring the plan. Some examples of costs identified that could fall into these categories include:

- “Respond” funds - \$1,000,000 per year is allocated to update the plan, identify new trends and changes and update project eligibility of the existing projects scheduled to be executed. We recommend the Respond funds be a separate cost center within SAP, and IO’s be issued for specific contracts.
- Staff salaries and other operating costs, which are separate from Respond money.



Accounting / Monitoring and Oversight

Included in O&M costs, which would be specifically date related to the projects in the Project Plan, the department of Natural Resources Management received permission from the BOCC to hire six additional personnel, utilizing the tax.

- As of October 2017, five of those positions have been filled (2 engineers, 2 environmental specialists and 1 fiscal analyst). The sixth position is on hold in order to analyze program needs.
- All the new positions are fully funded by the tax and the people will perform no additional County responsibilities outside of the Lagoon.

Items to Consider:

- Tracking the full- time SOIRL employees – similar to grant programs, the County should consider having the employee complete an affidavit of time and effort. For the first two years, this could be done more frequently (quarterly) and then consider an annual certification that all time is spent on Lagoon-related projects and activities.
- The Ordinance states that ***“Brevard County staff will provide project monitoring reports to the Oversight Committee and will work with them to recommend adjusting planned projects, as needed.”*** How does / should the County track and expense the time of existing County personnel that support the program, as those located within Natural Resources Management, Finance and Budget. Is any of their time allocable to the Trust? Should they also be completing T&E reports.
- Clarification and definition of eligible Operation and Maintenance expenses per the Ordinance is needed.

Next Steps / Role of Internal Audit

- ✓ Internal Audit (IA) will continue to attend the SOIRL COC meetings.
- ✓ As contracts are executed and costs are accumulated, IA will review the SAP setup as previously described, and make recommendations for project monitoring and tracking, as needed.
- ✓ As project reimbursement requests are submitted by partners, IA will review management's monitoring for compliance, to determine that adequate controls are in place for the review and approval of payment prior to disbursement of funds.
- ✓ IA will review the project monitoring reports and periodically select samples for testing to determine whether project-related costs are properly accumulated and disbursed through the Trust.

RSM US LLP

7351 Office Park Place, Melbourne, Florida 32940

321 751 6200

www.rsmus.com

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revard
COUNTY

Brevard County, Florida Internal Audit Report – Golf Course Operations – Financial Analysis and Breach of Contracts

July 24, 2017
Updated August 23, 2017





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TRANSMITTAL LETTER



August 23, 2017

RSM US LLP
7351 Office Park Place
Melbourne, FL 32940
O: 321.751.6200
www.rsmus.com

The Audit Committee of
Brevard County, Florida
Viera, Florida 32940

Pursuant to the approved internal audit plan for fiscal year ("FY") 2016-17 for Brevard County, Florida ("County"), we hereby present the updated internal audit of the financial analysis and breach of contracts regarding the Golf Course Operations under the Department of Parks and Recreation. Through the County Attorney we made a formal request for uniform action of the vendor on July 20, 2017, under on the audit rights outlined in the contract. The request was to gather information and audit evidence to determine potential current and future obligations / liabilities related to the breach. As of the date of the original report, we had received copies of several leases and contracts, but had not received accounts payable detail or a copy of the detailed general ledger of the contractor, Integrity Golf Company LLC ("Integrity or IGC"). Without the general ledger detail and accounts payable listing, we were unable to determine the completeness of the information gathered or whether subcontractors and vendors had been paid. We delivered our original report to the County Manager on July 24, 2017, and have since updated the report to include financial analysis and account for any additional information received. We will be presenting this report to the County Manager upon completion and to the Audit Committee of Brevard County at the next scheduled meeting on October 4, 2017.

Our report is organized into the following sections:

Overview	This provides an overview of the Golf Operations related to the three County owned golf courses.
Objectives and Approach	The internal audit objectives are expanded upon in this section as well as a review of our approach.
Analysis	This section provides analysis of the financial history, financial and other trends by golf course, a timeline of events from March 23, 2017 through July 13, 2017 and an updated listing of Potential Current and Future Obligations based on information gathered through the County Attorney and the Parks and Recreation Department. The financial information has not been audited.

We would like to thank the County's Attorney's Office and the Parks and Recreation Department and all those involved in assisting our firm with this internal audit.

Respectfully Submitted,

RSM US LLP

INTERNAL AUDITORS





OVERVIEW

The County received a letter from Gene Garrote, CEO of Integrity Golf Company LLC on July 12, 2017. This letter represented all three entities including: IGC Habitat Golf Course, LLC, IGC Spessard Holland Golf Course, LLC, and IGC Savannahs Golf Course LLC, (collectively "Integrity"). The letter noted 'termination of the leases' (Brevard County Management Agreements) for all three golf courses effective July 30, 2017. As presented and approved by the Board of County Commissioners ("BOCC") on July 25, 2017, the County has entered into a month to month contract with International Golf Maintenance to run the operations of the 3 golf courses effective July 31, 2017. The objective of this review focused on addressing concerns the County has regarding potential obligations the County may choose to absorb as a result of the breach of contracts by Integrity and a financial analysis of the 3 golf courses.

County Golf Courses

Brevard County owns three golf courses. The Parks and Recreation Department gave a presentation to the BOCC dated April 9, 2015, that we have utilized to summarize key data. Course maintenance was provided by International Golf Maintenance from 1995 through 2015. The General Fund continues to provide for Debt Service although the bonds were paid off and replaced with an inter-departmental loan in 2016. General fund has not been used for operations since 2010. Collectively, prior to 2016, the courses were breaking even financially from operations (excluding the debt service) however projections were trending to negative cash flow beginning in 2016. As a result, the County entered into the arrangements with Integrity through a formal RFP process in February 2016. The terms of the contract were for five years with an optional five year renewal.

Habitat Golf Course

In 1991, the County bonded \$5 million to construct the golf course. In 1992, the BOCC executed an agreement with Valkaria Aripport for use of airport property and opened the Golf Course in Malabar to the public. The Valakria Airport is paid approximately \$7,000 per month. There are restriction set forth in the lease as the land is owned by the Federal Aviation Authority ("FAA"). Habitat has traditionally operated in the black. Beginning February 2016, the County contracted with Integrity for Management Services.

Savannahs Golf Course

In 1988, the County entered into an agreement with the Savannahs at Sykes Creek Inn (HOA) and bonded \$4.8 million for the future operations of a golf course. In 1990, the golf course in Merritt Island was opened to the public with no financial support from the HOA. The Savannahs has traditionally operated at a deficit. Beginning February 2016, the County contracted with Integrity to Lease the Golf Course.

Spessard Holland Golf Course

In 1950, the Federal Government deeded 173 acres of land in Melbourne Beach to Brevard County for recreational use. In 1975, the County received a grant of \$390,250 from the Department of the Interior and bonded \$1 million to construct a golf course. In 1977, Spessard Holland opened an executive golf course open to the public. Spessard Holland has traditionally operated in the black. Beginning February 2016, the County contracted with Integrity to Lease the Golf Course.



OBJECTIVES AND APPROACH

The objective of this internal audit focused on addressing concerns the County has regarding potential obligations due to the breach of contracts by Integrity as well as the financial and other trends by golf course. Through the County Attorney, we made a formal information request of Integrity based on the audit rights outlined in the contract. The request, made on July 20, 2017, was to gather information and audit evidence to determine potential current and future obligations / liabilities related to the breach.

We requested the following:

- General Ledger Backup files,
- Detailed Check Registers for the period of January 1, 2017 to date,
- Accounts Payable information as of July 20, 2017,
- Copies of all contracts related to vendors and subcontractors,
- A listing of any future obligations not currently recorded in the general ledger, and
- A listing of any unpaid wages through July 31, 2017.

This review began on July 19, 2017, with a meeting between RSM, the County Manager and the Director of Parks and Recreation to understand the concerns of the Commissioners. The goal was to deliver a draft of our findings in a report by Monday, July 24, 2017. We began our work with the Parks and Recreation Support Services Manager to pull together financial analysis of the contracts' period as well as a timeline of the last three months of the contracts activity. Through the County Attorney and the Parks and Recreation Department we were able to gather several contracts from Integrity. However, without the general ledger detail and accounts payable listing, we are unable to determine the completeness of the information gathered or whether the subcontractors and vendors were paid. Through our review of correspondence and inquiry with County staff we are aware of certain items not provided. As of the date of this updated report, we still have not received all of the information requested. Timeliness of receiving the requested information from Integrity was critical to meet the expected timeline of this audit. We have compiled the information received and prepared a financial analysis for each golf course using periodic reports prepared by Integrity and discussions with County staff.



ANALYSIS

Financial History

In April 2015, the Parks and Recreation Department presented to the BOCC regarding the current and forecasted future state of the three golf courses. At that time, the Commissioners were presented with 5-year fiscal trends as well as forecasted amounts for FY2015-2017, showing that the golf course operations would begin losing money as of FY2016, after exhausting any remaining balance forward.

As a result of that presentation, and subsequent procurement activities, the BOCC voted to outsource operations and golf course management to Integrity, as of February 2016. Below is an updated trend analysis to show the actual expenditures for the previously forecasted years, as well as illustrate the updated trend in operating net position after revenues and expenditures. The trend shows that the golf courses were in a positive net position until FY2014, when the negative net operating position began to grow.

Date of Integrity contract inception:
February 2016



	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 YTD
Revenue	\$ 2,905,717	\$ 2,855,911	\$ 2,738,639	\$ 2,540,751	\$ 2,686,693	\$ 1,078,502	\$ 104,567
Expenses	\$ 2,746,954	\$ 2,701,741	\$ 2,648,221	\$ 2,602,435	\$ 2,829,536	\$ 1,114,079	\$ 166,347
Net	\$ 158,763	\$ 154,170	\$ 90,418	\$ (61,684)	\$ (142,843)	\$ (35,577)	\$ (61,780)
					\$ 135,000	\$ 77,516	
					\$ 99,423	\$ 135,736	
					Note 1	Note 2	

Note 1: When Integrity was contracted in FY2016, the County had already entered into agreements to repair and replace the HVAC and duct work at Spessard Holland for approximately \$100,000, as well as replace the playground at Dolphin Park in the Savannahs for \$35,000. Those expenditures impacted the FY2016 net position, which would have been positive if not for those commitments made prior to the outsourced arrangement.

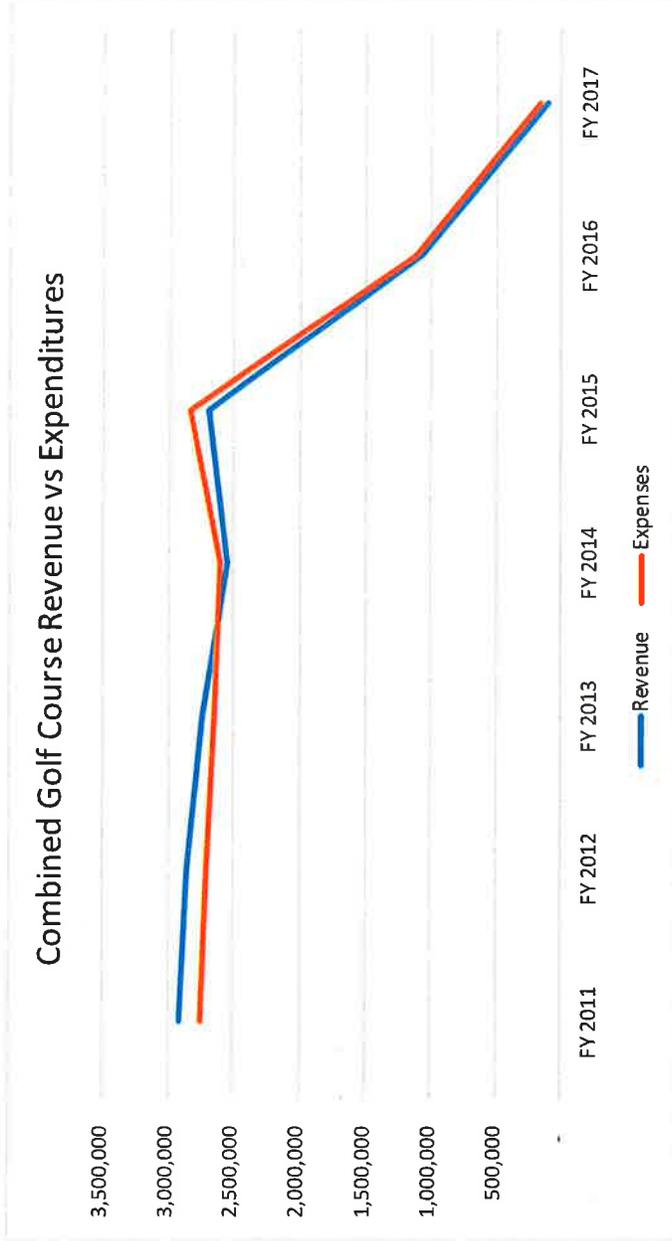
Note 2: As of July 24, 2017, Integrity owed the County approximately \$77,500, as result of net reimburseables for various operating costs paid for by the County (primarily Valkaria lease payments for Habitat). Additionally, there was an outstanding insurance claim for approximately \$120,000, resulting from Hurricane Matthew damages to the Savannahs club house roof in October, 2016. These items are shown above as adjustments to net position, should they be collected in the future.

The graph on the following page illustrates the table shown above.



ANALYSIS - CONTINUED

Financial History - continued



Sources: Presentation dated 4/9/15 to BoCC; SAP budget vs actual reports



ANALYSIS - CONTINUED

Competitive Market Analysis

There are numerous golf courses located throughout Brevard County. Below is a competitive market analysis prepared by Integrity and included in their published March 31, 2017, quarterly report. The County owned courses are shown at the top.

Competitive Market Analysis - Brevard Florida								
Location	Course/Effective 4/16/ 2017	AM	PM	Twilight	Non-Res AM	Non-Res PM	Non-Res Twilight	Specials/Notes
Brevard County Government Courses								
Grant Valkaria	Habitat Golf Course	\$38.99	\$29.99	\$19.99				Walking 18-\$25.99, 9-\$22.99
Melbourne Beach	Spessare Inland Golf Course	\$33.99	\$27.99	\$19.99				Walking 18-\$23.99, 9-\$19.99
Merritt Island	Savannahs Golf Course	\$36.99	\$28.99	\$19.99				Walking 18-\$24.99, 9-\$21.99
Other Courses in Brevard County								
Viera	Viera East	\$39.00	\$33.00	\$29.00				\$19 after 4 pm
Rockledge	Turtle Creek	\$34.00	\$26.00	\$19.00				W/E, \$39 before 12 pm
Cocoa	Cocoa Beach Country Club	\$33.00	\$26.00	\$26.00	\$39/\$45	\$26.00	\$26.00	Unlimited Walking after 3 pm for \$14
Melbourne	Baytree National Golf Links	\$45.00	\$39.00	\$20.00	May 1 st rate change			Weekends \$49 am, \$43 after 12 pm
Mims	Indian River Preserve	\$34.00	\$29.00	\$19.00				Theses reflect may 1 st change
Melbourne	Crane Creek Reserve	\$37.00	\$31.00	\$24.00				Melbourne City Course, Rates change May 1 st
Melbourne Beach	Aquarina Country Club	\$40.00	\$32.00	\$25.00				Rates Change May 1 st
Titusville	La Cita Country Club	\$35.00	\$35.00		Semi-Private			May 1 st Rates Changes \$225+ 3 days, \$330+ 7 days
Melbourne	Mallards Landing Golf Course	\$37.00	\$31.00	\$24.00		May 1 st rate change		\$18 for 9 after 3 pm, \$13 for 9 walking after 4 pm
Titusville	Sherwood Golf Club	\$23.00	\$23.00					18 on Mondays \$19. All Rates 7-4 pm
Titusville	The Great Outdoors Golf	\$35.00	\$30.00					9 holes after 2 pm \$15
Palm Bay	The Majors Golf Course	\$45.00	\$39.00	\$29.00	May 1 st rate change			Insider Plus Card \$37-\$31, \$21 (same as B.C. Discount Card)
Viera	Duran Country Club	\$65.00	\$45.00	\$35.00	May 1 st rate change			Dynamic pricing in place, \$29 Twilight on specific days only

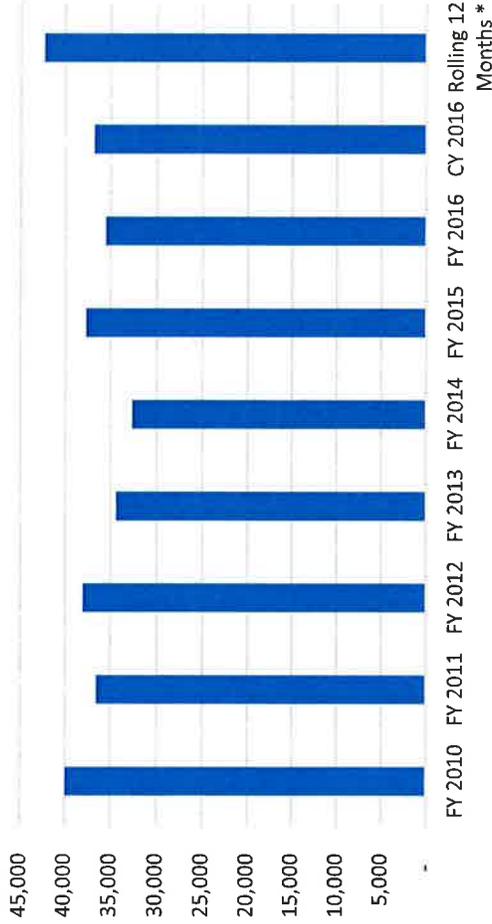


ANALYSIS - CONTINUED

Habitat Golf Course

In 1991, the County bonded \$5 million to construct the golf course. In 1992, the BOCC executed an agreement with Valkaria Aripport for use of airport property and opened the Golf Course in Malabar to the public. Valkaria Aripport is paid approximately \$7,000 per month. Additionally, as noted in the Integrity contract with Habitat, Valkaria Aripport was paid \$33,333.33 in 2016 and 2017 'for the improvement or operation of Valkaria Aripport'. There are restrictions set forth in the lease as the land is owned by the Federal Aviation Authority ("FAA"). Habitat has traditionally operated in the black. Beginning February 2016, the County contracted with Integrity for Management Services. As noted above, the contract was breached and terminated effective July 30, 2017. The County entered into a contract with International Golf Maintenance, Inc. on July 31, 2017 to provide 'certain services relating to golf course maintenance and operations' for all 3 golf courses. The fees for Habitat are \$65,983.50 monthly. Below are the trends for Habitat rounds of golf compiled from the presentation Parks and Recreation Department gave to the BOCC dated April 9, 2015 and the quarterly and monthly reports Integrity provided to the County. Calendar Year 2016 was managed by Integrity for 11 months. The latest data available was for the rolling 12 months ended March 31, 2017.

Habitat Rounds



Golf Course	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2016	Rolling 12 Months
Habitat	39,964	36,557	38,006	34,351	32,644	37,681	35,547	36,826	42,337

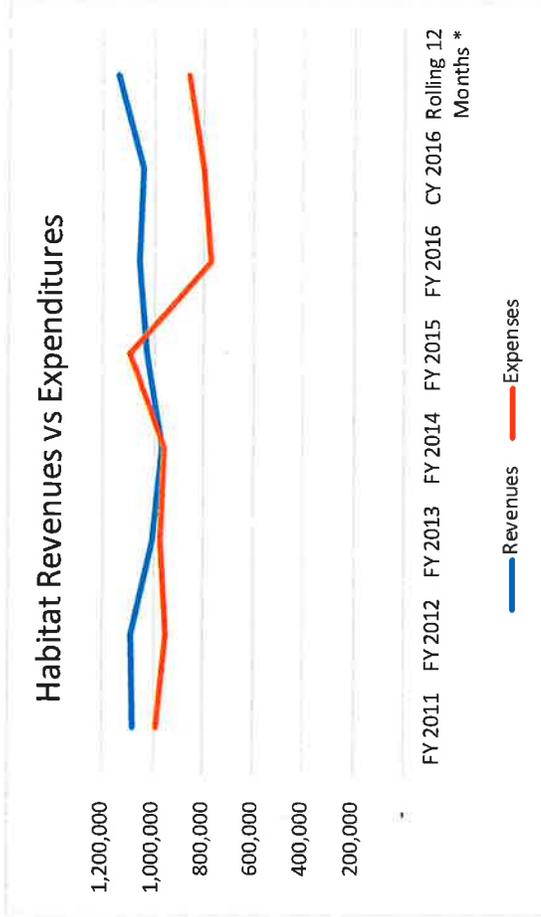
*April 2016 – March 2017



ANALYSIS – CONTINUED

Habitat Golf Course - continued

The financial data below was compiled from the County Parks and Recreation Department and the quarterly and monthly reports Integrity provided to the County. We have included Calendar Year 2016 revenues and expenditures, which was managed by Integrity for 11 months. Additionally we have compiled the rolling 12 months ended March 31, 2017 as the latest data available. See following pages for potential future obligations related to this golf course, based on contracts provided.



Habitat	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Rolling 12 Months *
Revenues	1,081,220	1,090,960	1,009,301	970,735	1,030,400	1,061,082	1,047,230
Expenses	993,596	953,231	974,705	960,850	1,095,060	772,372	800,139
Net	\$87,624	\$137,729	\$34,596	\$9,885	(\$64,660)	\$288,709	\$247,091

*April 2016 – March 2017

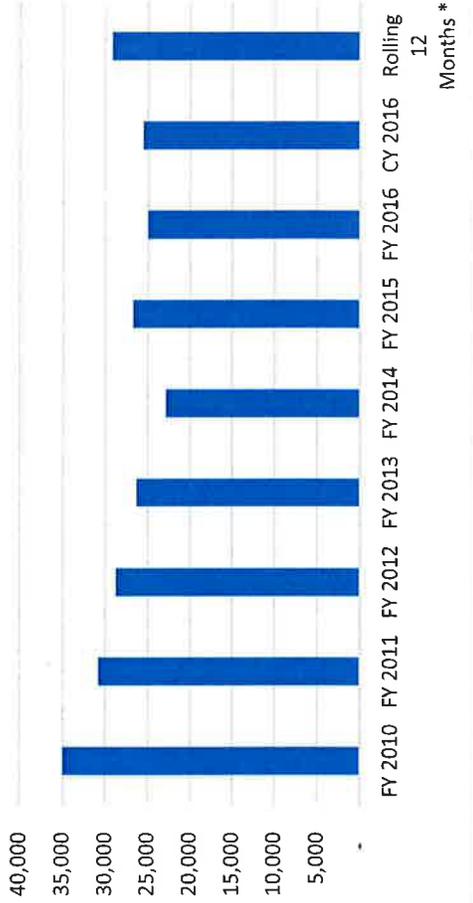


ANALYSIS - CONTINUED

Savannahs Golf Course

In 1988, the County entered into an agreement with the Savannahs at Sykes Creek Inn (HOA) and bonded \$4.8 million for the future operations of a golf course. In 1990, the golf course in Merritt Island was opened to the public with no financial support from the HOA. The Savannahs has traditionally operated at a deficit. Beginning February 2016, the County contracted with Integrity to Lease the Golf Course. As noted above, the contract was breached and terminated effective July 30, 2017. The County entered into a contract with International Golf Maintenance, Inc. on July 31, 2017 to provide 'certain services relating to golf course maintenance and operations' for all 3 golf courses. The fees for Savannahs are \$69,993.50 monthly. Below are the trends for Savannahs rounds of golf compiled from the presentation Parks and Recreation Department gave to the BOCC dated April 9, 2015, and the quarterly and monthly reports Integrity provided to the County. Calendar Year 2016 was managed by Integrity for 11 months. The latest data available was for the rolling 12 months ended March 31, 2017.

Savannahs Rounds



Golf Course	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2016	Rolling 12 Months *
Savannahs	34,987	30,790	28,764	26,303	22,858	26,738	24,981	25,529	29,173

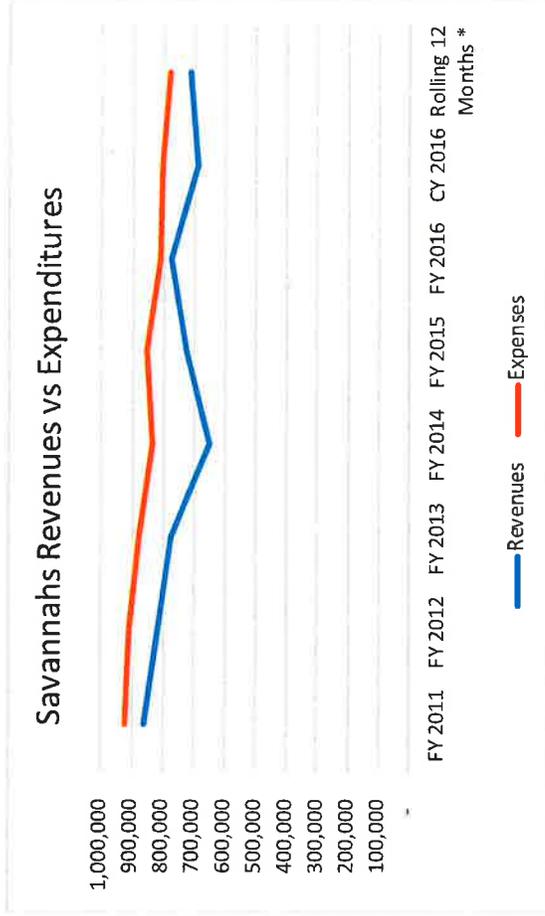
*April 2016 – March 2017



ANALYSIS – CONTINUED

Savannahs Golf Course - continued

The financial data below was compiled from the County Parks and Recreation Department and the quarterly and monthly reports Integrity provided to the County. We have included Calendar Year 2016 revenues and expenditures, which was managed by Integrity for 11 months. Additionally, we have compiled the rolling 12 months ended March 31, 2017 as the latest data available. See following pages for potential future obligations related to this golf course, based on contracts provided.



Savannahs	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2016	Rolling 12 Months *
Revenues	857,978	819,858	771,192	650,723	724,602	775,011	775,011	712,709
Expenses	924,725	910,065	877,218	834,710	856,296	813,497	813,497	781,335
Net	(\$66,747)	(\$90,207)	(\$106,026)	(\$183,987)	(\$131,694)	(\$38,486)	(\$117,851)	(\$68,626)

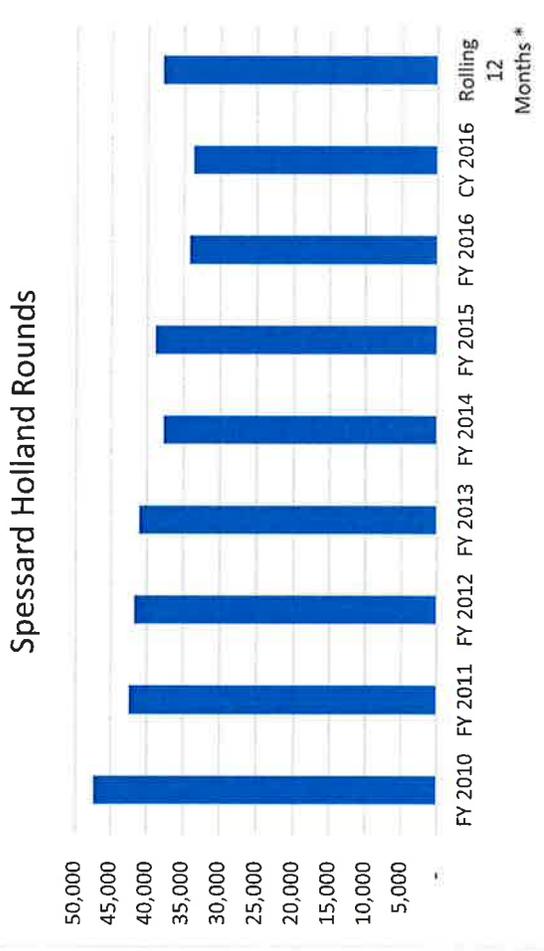
*April 2016 – March 2017



ANALYSIS - CONTINUED

Spessard Holland Golf Course

In 1950, the Federal Government deeded 173 acres of land in Melbourne Beach to Brevard County for recreational use. In 1975, the County received a grant of \$390,250 from the Department of the Interior and bonded \$1 million to construct a golf course. In 1977 Spessard Holland opened an executive golf course open to the public. Spessard Holland has traditionally operated in the black. Beginning February 2016, the County contracted with Integrity to Lease the Golf Course. As noted above, the contract was breached and terminated effective July 30, 2017. The County entered into a contract with International Golf Maintenance, Inc. on July 31, 2017 to provide 'certain services relating to golf course maintenance and operations' for all 3 golf courses. The fees for Spessard Holland are \$68,231.50 monthly. Below are the trends for Spessard Holland rounds of golf compiled from the presentation Parks and Recreation Department gave to the BOCC dated April 9, 2015 and the quarterly and monthly reports Integrity provided to the County. Calendar Year 2016 was managed by Integrity for 11 months. The latest data available was for the rolling 12 months ended March 31, 2017.



Golf Course	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	CY 2016	Rolling 12 Months *
Spessard Holland	47,371	42,475	41,751	41,080	37,705	38,843	34,122	33,601	37,795

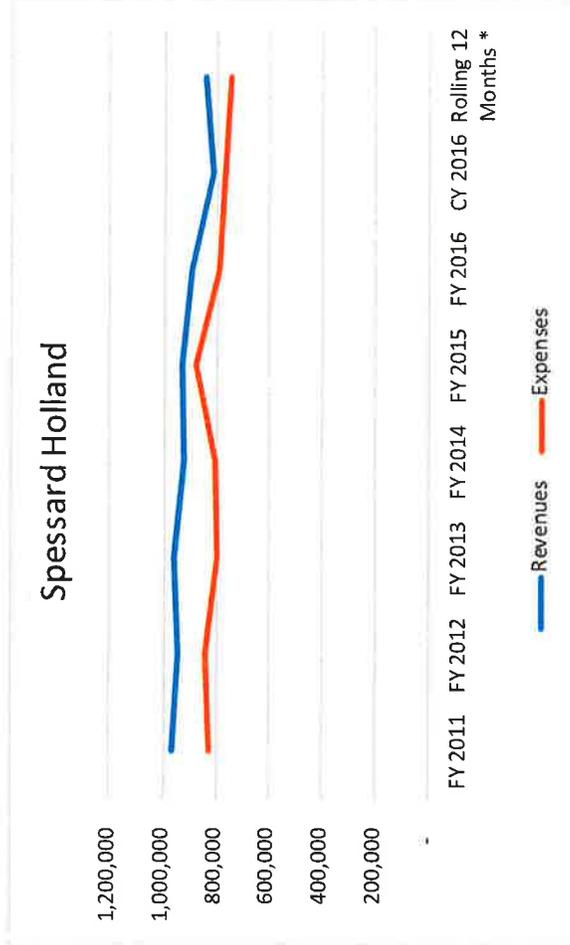
*April 2016 – March 2017



ANALYSIS – CONTINUED

Spessard Holland Golf Course - continued

The financial data below was compiled from the County Parks and Recreation Department and the quarterly and monthly reports Integrity provided to the County. We have included Calendar Year 2016 revenues and expenditures, which was managed by Integrity for 11 months. Additionally we have compiled the rolling 12 months ended March 31, 2017 as the latest data available. See following pages for potential future obligations related to this golf course, based on contracts provided.



Spessard Holland	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Rolling 12 Months *
Revenues	966,519	945,093	958,146	919,293	931,691	890,787	844,238
Expenses	828,633	838,445	796,298	806,875	878,180	789,145	744,177
Net	\$137,886	\$106,648	\$161,848	\$112,418	\$53,511	\$101,642	\$100,060

*April 2016 – March 2017



ANALYSIS - CONTINUED

Timeline

To further our understanding of the actions leading up to the termination of the Integrity agreements, we have compiled a timeline of communication between the County and Integrity from March 23, 2017, (the Director of Parks and Recreations first day of employment at the County) through the notification to the BoCC on July 13, 2017.

Communication Timeline between the County and Integrity	
Date	Conversation Notes
July 13, 2017	BoCC Workshop Item IV. Other Business; Golf Course discussion of breach.
July 13, 2017	Parks and Recreation Director met with the Interim County Manager, County Attorney and staff to discuss golf termination letter.
July 13, 2017	Parks and Recreation Director received Notice from Integrity Golf that they were terminating the leases.
July 12, 2017	Assistant County Manager texted the Interim County Manager that Integrity intended to terminate the golf course leases.
July 12, 2017	Parks and Recreation Director went to the Assistant County Manager's Office to inform them of the telephone conversation with Integrity Golf and their intention to terminate the golf course leases.
July 12, 2017	CFO of Integrity telephoned and verbally told Parks and Recreation Director that Integrity was terminating the golf course leases / management agreement.
July 12, 2017	Special Projects Coordinator III received an email from the CFO of Integrity that Integrity was not going to make the pre Golf Advisory Board meeting that was scheduled for July 13, 2017 and that the CFO of Integrity would call Parks and Recreation Director to give an update on IGC and the future of the company.
July 12, 2017	Special Projects Coordinator III sent an email to the CFO of Integrity reminding them of our July 13, 2017 meeting.
July 12, 2017	Executive VP of Operations & Retail e-mailed the Special Projects Coordinator III that they had to let the employee go over the incident with the upset customer.
July 11, 2017	"Piles of Trees" Parks and Recreation Director sent an email to the District 2 aide to the Commissioner that the piles of trees were gone.
July 11, 2017	"Piles of Trees" the Executive VP of Operations & Retail emailed a picture that the piles of brush had been removed.
July 11, 2017	"Canal Dredging" Parks and Recreation Director received an email from a Savannah's homeowner stating that Integrity was going to dredge a water canal behind his house on July, 11, 2017.
July 10, 2017	Special Projects Coordinator III received a call from an upset customer. Special Projects Coordinator III attempted to reach out to Executive VP of Operations & Retail. Executive VP of Operations & Retail reached back out on July 11, 2017 about this to the Special Projects Coordinator III.
July 07, 2017	"Canal Dredging" Parks and Recreation Director received an email from the Executive VP of Operations & Retail stating that aquatic weed control product had been applied to a canal behind a golf course homeowner's house.
July 6, 2017	Special Projects Coordinator III e-mailed the CFO of Integrity asking about the Invoice cheque and the Insurance cheque.



ANALYSIS - CONTINUED

Timeline - continued

Communication Timeline between the County and Integrity - continued	
Date	Conversation Notes
June 30, 2017	"Piles of Trees" Parks and Recreation Director sent an email to Michael Neumann, Integrity asking for information as to what was the plan to have the tree debris removed
June 29, 2017	"Piles of Trees" Parks and Recreation Director sent an email to Michael Neumann, Integrity asking for an update regarding tree debris
June 26, 2017	Received payment for the Fuel re-imbusement. Special Projects Coordinator III also e-mailed the CFO of Integrity again regarding the cheque for the Invoices and the Insurance.
June 22, 2017	Special Projects Coordinator III e-mailed the CFO of Integrity asking about the Invoice cheque and the Insurance cheque.
June 21, 2017	Special Projects Coordinator III e-mailed the CFO of Integrity asking about the Invoice cheque and the Insurance cheque.
June 19, 2017	"Weed Control" Weeds were growing in the lake near Hall Rd. After discussion it was agreed that this was a County issue to take care of not Integrity's.
June 19, 2017	"Kitchen at Savannah's" The kitchen at Savannah's was completed and awaiting final inspection.
June 15, 2017	Special Projects Coordinator III e-mailed the CFO of Integrity regarding that the cheque has not yet been received.
June 14, 2017	Executive VP of Operations & Retail e-mailed the Special Projects Coordinator III to confirm dates and times for meetings. Special Projects Coordinator III responded with all dates through January 2018.
June 9, 2017	"Merger" Telephone conversation with Integrity's attorney regarding the possible merger of Integrity Golf Management with Cypress Golf Management. Present: Brevard County Attorney, Assistant County Manager, and Parks and Recreation Director. Integrity stated that there would not be a merger, but it had not yet been decided how the companies would join together
June 9, 2017	Parks and Recreation Director asked about the Savannah's roof re-imbusement cheque from the Integrity's insurance company and the CFO of Integrity replied "it's in the mail". Present: Brevard County Attorney, Assistant County Manager, and Parks and Recreation Director as well as the Integrity attorney.
June 9, 2017	CFO of Integrity e-mailed the Special Projects Coordinator III regarding Integrity transitioning Cypress Golf Management into Operations.
June 6, 2017	CFO of Integrity e-mailed the Special Projects Coordinator III in response to the voicemail left. Payment was processed and you should expect payment this week.
June 1, 2017	Integrity owes the County \$77,516.33 the CFO of Integrity's response to the Special Projects Coordinator III's email of May 31, 2017 regarding the \$77,516.33 Integrity owes the County Note: in the CFO's of Integrity's response email they state "things are going well with our merger with Cypress Golf Management".
June 1, 2017	Special Projects Coordinator III received an e-mail from the CFO of Integrity confirming payment for the invoices. They are currently in queue to go out this week. BTW... things are going well with our merger.



ANALYSIS - CONTINUED

Timeline - continued

Communication Timeline between the County and Integrity - continued	
Date	Conversation Notes
May 31, 2017	Special Projects Coordinator III e-mailed the CFO of Integrity Invoices again regarding the previous outstanding balance.
May 24, 2017	"Piles of Trees" Just an email to show that we were trying to be responsive to the piles of trees and that the Parks and Recreation Director was in contact with Integrity. Also keeping the D2 Commission office informed.
May 18, 2017	"Merger" County Attorney following up with Integrity regarding the possible merger.
May 18, 2017	Special Projects Coordinator III and the Parks and Recreation Director received an e-mail from the Executive VP of Operations & Retail regarding Savannahs HOA meeting on 5/17/17.
May 16, 2017	Special Projects Coordinator III E-mailed Invoices (Total \$77,516.13) to the CFO of Integrity and the Executive VP of Operations & Retail.
May 10, 2017	Special Projects Coordinator III Received Gift Card Reports from the Executive VP of Operations & Retail.
May 4, 2017	Executive VP of Operations & Retail e-mailed the County Staff that Brevard Fire is going out to inspect Savannahs. Special Projects Coordinator III also e-mail the Executive VP of Operations & Retail regarding old junior clinic brochures as Integrity was looking to start up Junior Clinics.
April 26, 2017	Parks and Recreation Director met with the Executive VP of Operations & Retail at Savannahs Golf Course. Executive VP of Operations & Retail also provided the Special Projects Coordinator III with pictures of painters painting the exterior at Spessard Holland clubhouse.
April 24, 2017	Savannah's kitchen not being open with added timeline provided during discussion.
April 20, 2017	Quarterly Golf Advisory Board meeting
April 13, 2017	Pre-meeting with Integrity in preparation for the April 20, 2017 Golf Advisory Board meeting. At this meeting the Parks and Recreation Director specifically asked about rumors we were hearing that Integrity Golf was divesting themselves of golf courses. CFO of Integrity said that they were letting go of less profitable golf courses but were going to keep Brevard County's courses. He then mentioned that he was looking to merge with another golf company
April 10, 2017	"Piles of trees" Homeowner contacted Integrity about trees that needed to be cut down. The county and Integrity decided it was Integrity's responsibility.
March 24, 2017	Executive VP of Operations & Retail, Executive VP of Operations and Retail for Integrity Golf contacted Parks and Recreation Director to introduce himself and welcome her to the County.
March 23, 2017	This is the start date for the Timeline as the Parks and Recreation Director started employment on this date.



ANALYSIS - CONTINUED

Potential Current and Future Obligations

To understand and quantify the potential current and future obligations related to the breach, the County Attorney made a formal request of Integrity based on the audit rights outlined in the contract. Through this inquiry and requests made by the Parks and Recreation Department, we have gathered the contracts noted below. However, without the general ledger detail and accounts payable listing from Integrity we are unable to determine the completeness of the information gathered or whether those subcontractors and vendors have been paid. For example, we believe from correspondence that Cypress Golf was operating the golf courses and we have not received a contract for those services. Through inquiry with County Staff, we also understand the County has paid \$2,905.50 to the Florida State Golf Association for GHIN to continue operations of the handicap system. In addition, through a Commissioners office we were provided information from an irrigation service provider that claims Integrity owes them \$3,000.

Integrity Agreements - Habitat				
Contract	Service	Contract Date	Contract Length	Contract Amount
Habitat CEFI Jacobsen Lease	Equipment Lease	8/30/2016	40 Months	\$6,220 / month
Habitat PNC Cushman Hauler Lease	Gas Vehicles	5/20/2016	48 Months	\$486 / month
Habitat Western	Jacobsen Truckster	10/01/2015*	60 Months	\$100 - \$288 based on month
IGC-CM to Habitat Cart Lease	Golf Carts	05/15/2015*	48 Months	\$6,781/ month
Ring Central for Habitat	Office Contract	7/1/2016	24 Months	\$1,658.64 / Year – Paid in Full first 12 months
Cypress Golf Management	Management Services	6/1/2017	12 Months	\$10,000 / Month for all 3 clubs. Voided upon Termination of Integrity Contract

Integrity Agreements - Savannah's				
Contract	Service	Contract Date	Contract Length	Contract Amount
Savannahs CEFI Jacobsen Lease	Equipment Lease	8/30/2016	40 Months	\$6,495 / month
Savannahs PNC Cushman Hauler Lease	Gas Vehicles	5/20/2016	48 Months	\$486 / month
Savannahs Western	Jacobsen Mower and Truckster	10/01/2015*	60 Months	\$100 - \$1,366 based on month
TP to Savannahs Cart Lease	Golf Carts	01/15/2016*	48 Months	\$5,635/month
Ring Central for the Savannahs	Office Contract	7/1/2016	24 Months	\$1,658.64 / Year – Paid in Full first 12 months
Cypress Golf Management	Management Services	6/1/2017	12 Months	\$10,000 / Month for all 3 clubs. Voided upon Termination of Integrity Contract



ANALYSIS - CONTINUED

Potential Current and Future Obligations Continued -

Integrity Agreements - Spessard Holland					
Contract	Service	Contract Date	Contract Length	Contract Amount	
Spessard Equip Lease	Jacobsen Mgas Mower, AR522 Blower	09/30/2015*	60 Months	\$250 - \$4,011 Based on Month	
MW Lease-Spessard Cart	Golf Carts	6/2/2016	42 Months	\$6,953/ month	
Crooked Creek to Spessard Holland	Office Contract	07/23/2015*	24 Months	\$1,508.64 / Year – Paid in Full first 12 months	
Spessard Copier Lease	Copier	3/21/2016	39 Months	\$148 / month	
Spessard Marlin Ice Machine	Ice Machine	3/10/2016	60 Months	\$92 / month	
Cypress Golf Management	Management Services	6/1/2017	12 Months	\$10,000 / Month for all 3 clubs. Voided upon Termination of Integrity Contract	

*Contract term in effect prior to Integrity contract with the County.

Payroll - Through inquiry with Integrity staff, it is our understanding pay checks were issued through July 30, 2017.



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