

Meeting Date
<b>October 7, 2014</b>



AGENDA	
Section	Consent
Item No.	<i>II.C.2</i>

**AGENDA REPORT**  
**BREVARD COUNTY BOARD OF COUNTY COMMISSIONERS**

<b>SUBJECT:</b>	Award of Contract RE: Internal Auditing Services RFP #P-3-14-18 Fiscal Impact: \$360,000
<b>DEPT/OFFICE:</b>	Central Services Department for County Manager's Office

**Requested Action:**

It is requested the Board accept the negotiated contract with the selected firm of McGladrey LLP and Carr, Riggs & Ingram, LLC. and authorize the Chairman to execute the negotiated contract.

**Summary Explanation & Background:**

The Board of County Commissioners, in regular session on April 1, 2014, authorized staff to solicit a Request for Proposals (RFP) for Internal Auditing Services and have the Board of County Commissioner's Internal Audit Committee as the selection and negotiating committee.

RFP # P-3-14-18 was advertised on May 1, 2014 and proposals opened on May 29, 2014 with five (5) firms responding. On June 25, 2014, the Internal Auditing Committee scored and ranked the proposals and selected McGladrey LLP and Carr, Riggs & Ingram, LLC as the best-ranked firm. The Internal Audit Committee voted to accept the #1 ranked proposal from McGladrey and Carr, Riggs & Ingram, LLC and appointed Audit Committee Chairman, Mary Louis Young and County Manager, Stockton Whitten to negotiate the final contract. On August 11, 2014 the final contract was negotiated and is attached.

In accordance with the recommendation of the Internal Audit Committee, staff is requesting that the Board award this proposal to the best-ranked proposer, McGladrey LLP and Carr, Riggs & Ingram, LLC for an amount of \$360,000 and authorize the Chair to execute the negotiated contract pending final approval of the contract by the County Attorney's Office and Risk Management

**Fiscal Impact:** FY 2014-2015 – \$360,000

**Contact Person:** Leslie Rothering, Purchasing Services  
 Phone: ext. 5-6038  
 Email: Leslie.Rothering@brevardcounty.us

**Clerk to the Board instruction:**

Exhibits Attached: Draft Contract; Ranking Sheet

**Contract /Agreement (If attached):** Reviewed by County Attorney    Yes     No     PR

County Manager	Deputy County Manager	Department Director / Extension
Stockton Whitten	Assistant County Manager	<i>Teresa Camarata</i> Teresa Camarata, 5-5492 Central Services Department Director



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

Telephone: (321) 637-2001  
Fax: (321) 264-6972

October 8, 2014

**MEMORANDUM**

**TO:** Teresa Camarata, Central Services Director Attn: Leslie Rothering

**RE:** Item II.C.2., Award of Contract for Internal Auditing Services RFP #P-3-14-18

The Board of County Commissioners, in regular session on October 7, 2014, executed Contract with selected firm of McGladrey LLP and Carr, Riggs & Ingram, LLC for Internal Auditing Services, RFP #P-3-14-18. Enclosed is original Contract.

**Upon execution by all parties, please return the fully-executed Contract to this office for inclusion in the official minutes.**

Your continued cooperation is greatly appreciated.

Sincerely yours,

BOARD OF COUNTY COMMISSIONERS  
SCOTT ELLIS, CLERK

Tammy Etheridge, Deputy Clerk

Encl. (1)

cc: Contracts Administration  
Finance  
Budget

Internal Audit Services for the County of Brevard, Florida  
 #P-3-14-18  
 RANKING SHEET

Posting Date: 6/27/14 through 7/7/14		PROPOSALS			
		Clifton Larson Allen LLP	HCT CPA and Consultants, LLC	McGladrey LLP, Carr, Riggs & Ingram, LLC	Provititi
COMMITTEE MEMBER					
Mark Cherry			Absent		
Sam Lenck, Audit Committee Chairman		3	4	1	2
Michael Miller		2	4	1	2
Roberta Stoner		3	4	1	2
Mary Louise Young		3	4	1	2
TOTAL *		11	16	4	8
RANK**		3	4	1*	2

\* McGladrey LLP, Carr, Riggs & Ingram, LLC #1 ranked firm.

THE SELECTION/INTERNAL AUDIT COMMITTEE MET ON 6/25/14 AND REVIEWED, EVALUATED AND RANKED THE FIRMS AS INDICATED. NO ADDITIONAL MATERIAL, INFORMATION OR PRESENTATIONS WERE REQUESTED BY THE COMMITTEE. THE SELECTION/INTERNAL AUDIT COMMITTEE NOMINATED THE INTERNAL AUDIT COMMITTEE CHAIRMAN AND THE COUNTY MANAGER, OR DESIGNEE TO NEGOTIATE THE CONTRACT AND FORWARD COMMITTEE RANKINGS AND NEGOTIATED CONTRACT TO THE BOARD OF COUNTY COMMISSIONERS FOR APPROVAL.

\*TOTAL EQUALS THE SUM OF INDIVIDUAL SCORERS RANKS (i.e. 1st, 2nd, etc.)  
 \*\*LOWEST TOTAL IS BEST RANKED OVERALL.

## CONTRACT

**THIS CONTRACT** made and entered into this 7 day of October, 2014, by and between the BOARD OF COUNTY COMMISSIONERS OF BREVARD COUNTY, FLORIDA, a political subdivision of the State of Florida (hereinafter the "County"), and MCGLADREY LLP, (the "lead firm") a Certified Public Accounting Firm having its primary business location at 7351 Office Park Place, Melbourne, Florida 32940, and Carr, Riggs & Ingram, LLC, a Certified Public Accounting Firm having its primary business location at 215 Baytree Drive, Melbourne, Florida 32940 (hereinafter collectively the "Auditor").

### WITNESSETH:

**WHEREAS**, the County is desirous of obtaining the services of A Certified Public Accounting firm to provide internal auditing services; and

**WHEREAS**, the provision of such services shall mutually benefit the parties hereto and the residents of Brevard County, Florida, by helping to ensure proper fiscal controls are in place to safeguard the County's assets and to operate programs and provide services in an efficient and responsible manner.

**NOW, THEREFORE**, in consideration of the covenants herein contained, it is mutually agreed between the parties as follows:

**1. SCOPE OF THE WORK:** The internal auditing services to be provided under this Contract are as follows:

- a. Reevaluate and annually update a summary risk matrix.
- b. In cooperation with the Board of County Commissioners, County Manager, and the County Audit Committee (as appointed by the Board of County Commissioners), develop an annual Audit Plan that includes the projected timeline for the fiscal year, which will detail what audits will be performed. The timeline shall include the dates the Auditors will start fieldwork, projected time to conclude fieldwork, issuance of draft findings, exit conferences with each department, delivery, and reporting to County Audit Committee for each audit to be performed.
- c. Present and report to the County Audit Committee the results of audits performed.
- d. Perform individual audits of departments, programs, and/or designated issues. Each audit will consist of the following components:
  - Coordinate a time-line with the County.
  - Develop the objectives of the individual audits.
  - Document the process and procedures.
  - Develop the audit program.
  - Complete detailed testing.

- Draft reports and conduct exit conference with the County Manager and the designated representatives of the department(s) or programs(s) involved in the specific audit.
  - Present and report to the Audit Committee.
  - Attend a Board of County Commissioners meeting.
- e. Assure quality control as described in Attachment “A”.
- f. Services in addition to the annual Audit Plan shall be provided at the rates under Attachment “B” as approved pursuant to County policies.
- g. Audit services to be rendered pursuant to this contract, the Auditors agree to notify the County of any proposed key project team personnel changes during the course of the Contract and provide qualifications of the new personnel assigned to the project team to the County for written approval.
- h. Provide report to Audit Committee for changes from original audit plan to include impact and costs associated with the change.
- i. The goal of the Scope of the Work is to provide for a comprehensive auditing approach to review and evaluate the adequacy and effectiveness of Brevard County’s system of internal controls (Attachment “C”). The audit shall evaluate and comment on the following:
- The reliability and integrity of financial and operating records and reports.
  - Whether policies, administrative orders, plans, and statutes are complied with.
  - Whether assets are safeguarded from loss.
  - Whether resources are managed and utilized in economical and efficient manner.
  - Whether departments, programs/operations are functioning consistent with established goals and objectives.

2. **TERM:** The term of the Contract shall begin November 1, 2014, and will be for a three (3) year period, with two (2) options to renew of one (1) year each.

3. **PAYMENTS:** The County shall pay the Auditor the stated rates (Attachment “B”) for agreed upon services provided under this Contract plus reimbursement of travel costs pursuant to the County Board policies and Florida Statutes. The County will not pay for travel to and from the official worksite (portal to portal). The lead firm will submit invoices monthly as services are performed to the County Manager’s Office. The invoice will be broken out by level of staff, number of hours worked and the agreed-upon billing rates. The invoices are due and payable upon presentation to the County and in accordance with the Florida Prompt Payment Statute, Section 255.0705. Administrative personnel and individual audit report copies of up to thirty (30) per report issued are provided at no additional cost to the County. The total amount paid to the Auditors in any given year for services and travel costs shall not exceed the amount

appropriated by the Board of County Commissioners for that year. The Auditor is responsible for the incurred travel costs associated with bringing in a specialist from outside Brevard County.

**4. INDEMNIFICATION:** The Auditor shall indemnify and hold harmless the County and its agents and employees from and against all claims, damages, losses, and expenses, including attorney's fees arising out of or resulting from the performance of the Auditor's work under this Contract, where such claim, damage, loss or expense is caused, in whole or in part, by the act or omission of the Auditor, or anyone directly or indirectly employed by the Auditor, or anyone for whose acts any of them may be liable, regardless of whether or not it is caused by in part by a party indemnified there under. In any and all claims against the County, or any of its agents or anyone directly or indirectly employed by the Auditor, or anyone for whose acts the Auditor may be liable, indemnification obligation under this paragraph shall not be limited in any way by a limitation on the amount or type of damages, compensation or benefits payable by or for the custodial contractor, under workers' compensation acts, or other related policies of insurance. The parties acknowledge specific consideration has been exchanged for this provision.

**5. INSURANCE:** The Auditor, at its own expense, shall keep in force and at all times maintain during the term of this Contract:

- a. **General Liability Insurance:** General Liability Insurance including contractual liability to cover the Indemnification paragraph, issued by responsible insurance companies and in a form acceptable to the County, with combined single limits of not less than one million dollars (\$1,000,000) for Bodily Injury and Property Damage per occurrence.
- b. **Professional Liability Insurance:** Professional Liability Insurance in the amount of one million dollars (\$1,000,000) per claim covering the risk of errors and omissions in the professional services provided under this Contract. Such coverage written on a "claims made" basis shall be maintained in force for five (5) years after the final payment of services.
- c. **Automobile Liability Insurance:** Automobile Liability Coverage shall be in the minimum amount of one million dollars (\$1,000,000) combined single limits for Bodily Injury and Property Damage per accident.
- d. **Workers' Compensation Coverage:** Full and complete Workers' Compensation Coverage, as required by State of Florida law shall be provided.

e. **Insurance Certificates:** The Auditor shall provide the County with Certificate(s) of Insurance on all the policies of insurance and renewals thereof in a form(s) acceptable to the County. The County shall be named as an additional insured on the Auditors' policies. The County shall be notified in writing of any reduction, cancellation or substantial change of policy or policies at least thirty (30) days prior to the effective date of said action. All insurance policies shall be issued by responsible companies who are acceptable to the County and licensed and authorized under the laws of the State of Florida.

6. **MODIFICATIONS TO CONTRACT:** This Contract, together with any attachments, tasks assignment, and schedules constitute the entire Contract between the County and the Auditor and supersedes all prior written or oral understandings. This Contract and any attachments, tasks assignments, and schedules may only be amended, supplemented or canceled by a written instrument duly executed by the parties hereto.

7. **CONFIDENTIALITY:** With respect to this Contract and any information supplied in connection with this Contract the Auditor agrees to: (i) protect the confidential information in a reasonable and appropriate manner and in accordance with the requirements of Gramm-Leach Bliley Act and any applicable professional standards; and (ii) use and reproduce confidential information only to perform its obligations under this Contract. This paragraph shall not apply to information which is (a) public record to which no exemption applies; (b) publicly known; (c) already known to the recipient; (d) disclosed by the disclosing party to a third party without restriction; (e) independently developed by recipient; or (f) disclosed pursuant to legal requirement or order. McGladrey LLP and Carr, Riggs & Ingram, LLC retain the right in any event to use the ideas, concepts, techniques, industry data, and know-how to the extent not involving any confidential information used or developed in the course of this Contract.

8. **ATTORNEY'S FEES:** In the event of any legal action to enforce the terms of this Contract each party shall bear its own attorney fees and costs.

9. **GOVERNING LAW:** This Contract shall be governed, interpreted, and construed according to the laws of the State of Florida.

10. **COMPLIANCE WITH STATUTES:** It shall be the Auditor's responsibility to be aware of and comply with all federal, state and local laws.

11. **VENUE:** Venue for any legal action by any party to this Contract to interpret, construe, or enforce this Contract shall in a court of competent jurisdiction in and for Brevard County, Florida and shall be nonjury.

**12. ASSIGNMENTS:** The Auditor shall not assign any portion of this Contract without the written permission of the County.

**13. TERMINATION:** If any party fails or refuses to perform any of the provisions of this Contract or otherwise fails to timely satisfy the Contract provisions, any party may notify the other parties in writing of the nonperformance and terminate the Contract or such part of the Contract as to which there has been delay or a failure to properly perform. Such termination is effective upon the receipt of Notice of Termination by the parties. Any work completed or services provided prior to the date of termination shall, at the option of the County, become the property of the County. The County is only responsible for payment for services provided by the Auditor prior to the effective date of termination.

**14. TERMINATION FOR CONVENIENCE:** This Contract may be terminated by any party upon thirty (30) days written notice to the other party. Under such circumstances of termination for convenience, the Auditor shall only complete such work as directed by the County during the thirty (30) day period and the County shall only be responsible for payment to the Auditor for actual hours billed up the effective date of termination.

**15. INDEPENDENT CONTRACTOR:** The Auditor shall perform the services under this Contract as an independent contractor and nothing contained herein shall be construed to be inconsistent with this relationship or status. Nothing in this Contract shall be interpreted or construed to constitute that the Auditor or any of its agents or employees are an agent, employee or representative of the County.

**16. RIGHT TO AUDIT RECORDS:** Books, records and accounts related to the performance of this Contract shall be open to inspection during regular business hours by an authorized representative of the County and shall be retained by the Auditor for a period of three (3) years after the termination of this Contract. All records, books and accounts related to the performance of this Contract shall be subject to the applicable provisions of the Florida Public Records Act, Chapter 119 of the Florida Statutes.

No reports, data, programs, or other materials produced, in whole or in part for the benefit and use of the County, under this Contract shall be subject to copyright by the Auditor in the United States or any other Country.

**17. UNAUTHORIZED ALIEN WORKERS:** The County will not intentionally award publicly-funded contracts to any contractor who knowingly employs unauthorized alien workers, constituting a violation of the employment provision contained in 8 U.S.C. Section 1324a(e) (Section 274A(e) of the Immigration and Nationality Act 'INA'). The County shall

consider a Auditor's intentional employment of unauthorized aliens as grounds for immediate termination of this Contract.

**18. FEDERAL TAX ID NUMBERS:** The Auditor shall provide to the County applicable Federal Tax ID Number(s).

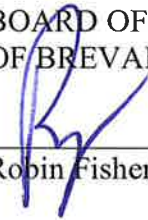
**19. EMPLOYMENT:** The Auditor shall not engage the services of any person or persons now employed by the County, including any department, agency, board or commission thereof, to provide services relating to this Contract without written consent from the County.

**20. CONSTRUCTION OF CONTRACT:** The parties hereby acknowledge that they fully reviewed this Contract, its attachments and had the opportunity to consult with legal counsel of their choice, and that this Contract shall not be construed against any party as if they were the drafter of this Contract.

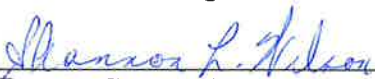
IN WITNESS WHEREOF, the parties have hereunto set their hands and seals on the day and year first above written.

ATTEST:

  
\_\_\_\_\_  
Scott Ellis, Clerk

BOARD OF COUNTY COMMISSIONERS  
OF BREVARD COUNTY, FLORIDA  
  
\_\_\_\_\_  
Robin Fisher, Chairman


Reviewed for legal form and content

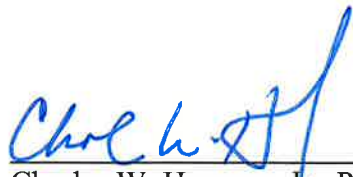
  
\_\_\_\_\_  
Shannon L. Wilson  
Deputy County Attorney

AS APPROVED BY THE BOARD ON:

\_\_\_\_\_  
October 7, 2014

AUDITOR:

  
\_\_\_\_\_  
Jennifer Murtha, Program Director  
McGladrey, LLP  
7351 Office Park Place, Melbourne, FL 32940  
(321) 751-6200

  
\_\_\_\_\_  
Charles W. Hoyman, Jr., Partner in Charge  
Carr Riggs & Ingram, LLC, CPA's  
215 Baytree Drive, Melbourne, FL 32940  
(321) 255-0088

SEAL

ATTEST:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name & Title

## ATTACHMENT "A"

### **QUALITY CONTROL AND ASSURANCE PROCESS**

The quality of the Auditor's staff over the term of this Contract will be assured through the following:

- Core Team who will be continued throughout the term:
- Chas Hoyman, Advisory Partner
- Jennifer Murtha, Program Director
- Debbie Goode, Audit Partner
- Jill Reyes, Audit Manager
- Alexandra Lorie, Information Technology Resource
- Yvonne Clayborne, Dedicated Technical Resources
- Every product issued to the County is subject to extensive review, which includes approval and sign off by two Directors.
- Each individual with primary engagement responsibility must have a colleague backup person that can step in if and when the need arises.
- All professional staff will be required to complete a minimum of forty (40) hours of CPE per year, the majority of which must be industry specific.
- Staff assignments will match the unique requirements of the individual audit performed.
- The Auditor will provide open, timely communications with County personnel to elicit feedback to the Auditor's audit team and on matters that may need special attention.
- The Auditor will continue to undergo an independent quality control peer review of the practice administered by the AICPA.
- The Auditor will coordinate any changes to the Auditor's staffing with County personnel, and the Audit Committee and will provide qualifications of the new personnel assigned to perform the audit functions to the County for written approval.

ATTACHMENT "B"

**RATES**

Auditor hourly rates for this engagement and for additional professional services provided for the County are as follows:

- Managing Director \$250
- Specialist and Managers \$200
- Supervisor/Senior \$150
- Staff \$115

## ATTACHMENT "C"

### **AUDIT APPROACH**

The following is the audit approach provided by the Auditor to the County.

To perform the internal audit risk assessments, the Auditor will conduct an extensive analysis of the County's strategic plans, department objectives, and related organizational enablers and incentives; assess "what can go wrong" with respect to business and financial processes; develop an internal audit plan that is "balanced" across the broad spectrum of auditable risks that the County face; provide perspectives on risks that cannot be effectively audited; analyze the monitoring and treatment of those risks.

The Auditor will monitor industry and operational trends, convene cross-functional brainstorming, provide objective subject-matter expertise, and challenge the status quo for purposes of providing fresh insights. The Auditor will plan, execute, and report on internal audits consistent with the standards of our profession

The internal audit plan will be flexible and regularly re-assessed in order to give specific attention to specific risks (long-term plans can grow stale and become irrelevant). The Auditor will work with senior management and the County's Audit Committee on at least a quarterly basis to discuss whether internal audit focus should be reprioritized based on emerging risks and opportunities to the County. The initial plan of the parties is for the Auditor to issue six to eight audits per year.

In scheduling the individual audits, specific consideration will be given to the operations of the County including factors such as the County's annual budgeting process, closing of the books and records for the preceding fiscal year, delivery of the CAFR, any elections process, and any given department's 'busy season,' etc.. The audit timeline will be developed with input from County staff and is flexible; however, this flexibility will not be allowed to alter the integrity or objectivity in the internal audit function.

The Auditor's internal audit function will provide the following:

**Continuous** - A continuous audit function to monitor the structure and proper functioning of the internal control environment, policies and procedures.

**On-Site** - On-site audit presence with periodic, surprise monitoring visits, testing and assessments to provide a controlled audit environment.

**Real-time** - Audit tests and results focused on helping management function effectively and efficiently, through timely, practical ideas for improvements.

**Effective** - Highly trained, qualified auditors and consultants who are experienced in performing audits and internal control assessments.

**Independent** - Independent contractors will maintain a high level of independence, organizationally and functionally, which provides credibility and assurance.

## **RISK ASSESSMENT**

The Auditor shall utilize a “business based” risk assessment approach to develop an effective audit plan. Risk assessment is directed toward forming a detailed view of risks within Brevard County’s operations, so that the audit team can effectively and efficiently determine the nature, extent and timing of detailed control evaluations and testing.

The Auditor has created tailored tools to form a flexible framework for Brevard County’s risk analysis. The framework provides consistency to the audit process, promoting continuity and portability of results, while encouraging penetration into the process and its related risk.

The Auditor will summarize its analysis of risk by sub-entity and risk factors using a summary risk matrix. This serves as a “lead schedule” for the Auditor’s documentation of risk assessment, and will help the team make specific judgments about where to intensify its inquiry through more detailed audit procedures. The Auditor’s summary risk matrix is intended only as a tool to help in organizing and summarizing data. The Auditor may find it useful to consider total sub-entity scores, high scores in specific “cells” of the summary and high scores for a specific risk factor across sub-entities in forming different perspectives on risk. In addition, the Auditor will be conscious of the specific risk assessment process, irrespective of risk scores.

## **ANNUAL INTERNAL AUDIT PLAN**

During the final step of the designing, implementing and planning process, the Auditor will issue a summary risk assessment and propose an annual internal audit plan for approval by Brevard County. The audit plan will be developed based on the outcome of the entity level risk assessment. The focus will be to prioritize the individual processes to effectively utilize the resources allocated to the internal audit function. The processes included in the annual internal audit plan will be:

- High Exposure
- High Priority
- High Likelihood of Occurrence
- High Impact

## **INDIVIDUAL PROCESS AUDIT**

In order to ensure successful execution of individual audits, the Auditor’s individual process audits will include defined objectives, established critical paths, setting of key success factors and defining milestones.

The Auditor will use an electronic internal audit documentation tool, Auditor Assistant, to aid in ensuring that all critical components are captured in a manner to ensure consistency across the organization. This tool will be utilized as follows:

- Document all significant processes

- Capture process and control owners
- Capture process risks and key controls
- Capture audit test plans
- Repository for process flows
- Repository for audit work papers
- Tracking control gaps and remediation efforts

Auditor Assistant is a powerful team-based system which streamlines and automates the entire internal audit process. Information in Auditor Assistant transparently flows throughout the audit organization. It allows the ability to lock client information to a specified individuals or provide access to the other defined individuals as applicable.

#### Document and Understand the Process

For each process identified, the Auditor will complete an individual process assessment. In order to identify any special problems or concerns associated with the project and ideas as to how these obstacles should be addressed, the Auditor will hold “working sessions” at Brevard County examining processes and developing transaction and process mapping using Activity Flow (“swim lane”), Integrated Definition modeling (“IDEFØ”), and other analytical techniques to provide a clear and accurate map of Brevard County’s processes. The purpose of these sessions will be as follows:

- Provide dedicated time to facilitate appropriate understanding of the process.
- Understand the flow of transactions, including how transactions are initiated, authorized, recorded, processed and reported.
- Identify the points within the process at which a misstatement could occur – including a misstatement due to fraud.
- Identify the controls that management has implemented to address these potential errors.
- Identify the controls that management has implemented over the prevention or timely detection of unauthorized acquisition, use or disposition of the company’s assets.
- Create a “Process Map” which supports all of the significant inputs, processes and outputs, including key control points.

#### Assess Design Effectiveness

Each process review will start with an assessment of risk. This will ensure that the focus of the Auditor is on the areas of most concern to the County. A risk matrix will be utilized to prioritize the key risks to determine the proper level of controls as well as risk coverage.

##### *Inherent Risk*

- Risk of an occurrence before the effect of any existing controls.

##### *Residual Risk*

- Risk remaining after the application of controls.

### Document Existing Controls

Internal controls are a process affected by an entity's management and other personnel – designed to provide reasonable assurance regarding the achievement of objectives.

The Auditor will implement a program that ensures:

- Root cause assessment of control effectiveness and deficiencies
- Benchmarking tools which compare existing controls to “best in class”
  
- root causes are sourced to specific points in the process so that there is proper focus on whether there are controls to mitigate the risks.

### Assess Operating Effectiveness

To facilitate review and approval by the various interested parties, formal test plans will be utilized to document the key elements of the test and the results. Test plans will cover all controls that are selected for testing and should specify the following key elements:

- Key controls to be tested – Normally management will summarize the controls to be tested at the financial statement assertion level.
- Nature of tests to be used – Categorized as inquiry, observation, examination, or re-performance.
- Extent of testing – The number of items that are to be tested and the method and reasons for selecting those items.
- Timing of procedures –When the testing should be performed and the tie span that the tests cover, including update testing planned from the interim testing date to year-end.
- Description of the test –The procedures to be performed and the assertions supported.
- Key administrative items – Identify who will perform the test, when the test will be performed, what evidence will be reviewed, and where the control is performed.
- Documentation – Describe the documentation required.
- Exceptions – Describe how exceptions will be investigated and addressed and when additional testing should be performed.

### Analyze Deficiencies/Design Effectiveness

Evaluate whether the controls are adequately designed to mitigate the risk of material misstatement.

- In assessing the design of controls, the Auditor will work with management to determine whether the controls (procedures, processes, policies, and systems) will, if operating as intended, provide reasonable assurance that management's control objectives are being met (often referred to as design effectiveness).
- The Auditor will evaluate the operating effectiveness of controls during the testing phase of the audit. However, if the design of a control is flawed, the desired assurance that the control is capable of preventing or detecting an error or irregularity even if the control is operating as intended. Management will need to remedy design deficiencies.

Operating Effectiveness

Once the design adequacy is assessed, the Auditor’s testing will evaluate whether the control is operating as designed. The Auditor will clearly articulate design gaps and provide efficient and effective remediation plans. This approach is designed to save Brevard County time and money by identifying areas that can be more efficient and controls that can prevent or detect errors, irregularities or fraud.

Rating Risk

Throughout the process, as the Auditor identifies risks and deficiencies, the Auditor will rate them for relative risk. Relative risk is an evaluation of the severity of the concern and the potential impact on operations. Risk is categorized as follows:

High Risk	Considered to be of immediate concern and could cause significant operational issues if not addressed in a timely manner.
Moderate Risk	May also cause operational issues and do not require immediate attention, but should be addressed as soon as possible.
Low Risk	Could escalate into operational issues, but can be addressed through the normal course of conducting business.

By using the high, moderate and low categories it will enable Brevard County to prioritize resources to mitigate the identified deficiencies.

Communicate Results

The Auditor’s reports to Management will include clear and concise communication regarding the results of its audits identifying problems and providing solutions.

The following is an example of sections, which may be included in a typical report:





Background	This section will provide an overview of the function within the sub-entity and pertinent operational control points and related compliance issues.
Risk & Control Matrix	A matrix which identifies inherent risk within the process, related mitigating key controls, control gaps and related recommendations.
Identified Issues and Recommended Actions	Based on the Risk and Control Matrix, the team will work with Management to develop recommended actions, process enhancements/efficiencies and estimate potential loss/damage.
Process Documentation	Each process will be documented in a flowchart which identifies data flow, key control points and any identified gaps.

## FOLLOW-UP

Each report issued by the Auditor and accepted by the County Audit Committee includes:

- A Detailed Description of the Issue Identified
- Recommended Actions by the Internal Auditors
- Managements Response
- Estimated Completion Dates (“ECD”)
- Responsible Party at the County

The ECD will drive the monitoring process. The County Audit Committee will receive a status report from the Auditor on a quarterly basis (more often if desired). Following the high level summary will be a detailed listing of open items, a description of action to date and the open items ranked as follows:

	= On schedule to complete ECD.
	= Missed Original ECD.
	= Missed Revised ECD.
	= Annual Follow-up.

County Management will be held accountable by the County Audit Committee for their action plans and acceptability of their estimated completion dates. The Auditor will monitor those action plans by ECD and validate if the issues are closed or remain open.

## INFORMATION TECHNOLOGY ANALYSIS

Throughout the engagement the Auditor’s Certified Information System Auditors will work with the Auditor’s financial specialists to evaluate the County’s SAP system, other critical applications and supporting infrastructure controls. Using easy to understand industry accepted process flow and IT mapping software, the Auditor’s risk management professionals will provide a clear view into both internal and external processes. The Auditor can review work flows for both quality and efficiency, reducing both process variance and inefficient process.

The Auditor will work closely with the County management team to determine the material business processes and associated financial applications and related infrastructure items. This approach will cover both IT application and IT general controls and uses industry recognized IT risk management practices.

### Taking Information Technology to the Next Level

As the County continues to further develop the strategic framework established, the Auditor’s IT security and risk management professionals will assist County Management through further analysis, review and facilitation of process design. Such analysis may include:

- Organization and operation controls

- Balancing of functions between the IS area and user departments (e.g., input, balancing/verification and processing activities)
- County wide operational controls in such areas as program cataloging and security methods, operations procedural documentation, operations logs and file library methods
- Performance and efficiency measures for county operations
- Controls to detect and report hardware, operating system and supporting software malfunctions
- IS policies and procedure updates to keep up with the dynamic operating environment facing Brevard County
- Program change and documentation controls
  - Further assist in proving audit and analysis of current and proposed new and existing system testing
  - Auditing and analysis of the effectiveness of vendor provided support of application software (SAP, Accela, Hansen and other critical County applications)
  - Review and provide analysis of long-range planning plus project management planning, reporting and controls over information technology projects
- Access controls
  - Special emphasis on controls over terminal accessibility to data files, programs and program functions (based on authorized criteria) and monitoring of violations
  - Data communications security (personally identifiable information and credit card data processing, storage, and transmission)
- Continuity of Operations Planning
  - Recovery procedures, disaster contingency plans and business interruption or special data processing risk insurance to cover costs of restoring IS operations in the event of a disaster

#### Network and Web Application Testing

The Auditor's IT professionals can perform biennial external and internal network security reviews to identify and demonstrate if exploitable internal network vulnerabilities exist; provide real-world recommendations needed to develop effective solutions to enhance network security; and work with the County to conduct network application security review which is designed to test for application-level vulnerabilities that may exist due to configuration or coding errors.

#### Social Engineering Testing

The Auditor will conduct social engineering tests to determine the effectiveness of the County's security training and awareness programs that were established over the past two (2) years.

The Auditor shall work with the County's Management to structure a tailored testing program based on the County's existing security training and awareness programs, as well as potential gaps in these programs that may be identified as the Auditor develops the tests.