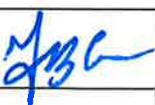


Meeting Date
9/19/2017



AGENDA	
Section	CONSENT
Item No.	II.D.2

AGENDA REPORT
 BREVARD COUNTY BOARD OF COUNTY COMMISSIONERS

SUBJECT:	Acceptance and Approval, Re: Timekeeping and Overtime Cycle Audit Report and the Utilities Construction Monitoring Audit Report.				
DEPT/OFFICE:	County Manager's Office				
Requested Action:					
It is requested that the Board of County Commissioners accept the Audit Committee's Timekeeping and Overtime Cycle Audit Report and the Utilities Construction Monitoring Audit Report.					
Summary Explanation & Background:					
<p>The Internal Auditors completed the Timekeeping and Overtime Cycle Audit Report and the Utilities Construction Monitoring Audit Report at their meeting on June 29, 2017. Both audit reports were unanimously accepted and recommended to the Board of County Commissioners by the Audit Committee.</p> <p>The Timekeeping and Overtime Cycle Audit Report is organized as follows:</p> <ul style="list-style-type: none"> A. Executive Summary B. Background C. Objectives and Approach D. Observations Matrix <p>The Utilities Construction Monitoring Audit Report is organized as follows:</p> <ul style="list-style-type: none"> A. Background B. Objectives and Approach C. Project Snapshot D. Process Maps <p>Fiscal Impact: None</p>					
Clerk to the Board instruction:					
Exhibits Attached: 1) Timekeeping and Overtime Cycle Audit Report and 2) Utilities Construction Monitoring Audit Report.					
Contract /Agreement (If attached): Reviewed by County Attorney					
Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	PR	<input type="checkbox"/>
County Manager	Assistant County Manager	Department Director / Extension			
Frank Abbate 	John Denninghoff				
	Interim Assistant County Manager				
	Jim Liesenfelt				



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

September 20, 2017

M E M O R A N D U M

TO: Frank Abbate, County Manager

RE: Item II.D.2., Acceptance and Approval of Timekeeping and Overtime Cycle Audit Report and Utilities Construction Monitoring Audit Report

The Board of County Commissioners, in regular session on September 19, 2017, accepted and approved the Timekeeping and Overtime Cycle Audit Report and the Utilities Construction Monitoring Audit Report.

Your continued cooperation is greatly appreciated.

Sincerely yours,

BOARD OF COUNTY COMMISSIONERS
SCOTT ELLIS, CLERK

for Donna Scott
Tammy Rowe, Deputy Clerk

/ds

cc: Finance
Budget



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

**Cycle Audit of
Timekeeping and Overtime**

**Prepared By:
Internal Auditors
June 19, 2017**



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June 19, 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 cycle audit of Timekeeping and Overtime. We will be presenting this report to the Audit Committee at the next scheduled meeting on June 29, 2017.

Our report is organized in the following sections:

Executive Summary	This provides a summary of the observations related to our cycle audit of Timekeeping and Overtime.
Background	This provides an overview of the Timekeeping and Overtime processes.
Objectives and Approach	The objectives and focus are expanded upon in this section as well as a review of our approach.
Observations Matrix	This section provides the results of our cycle 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 cycle audit of Timekeeping and Overtime.

Respectfully Submitted,

Carr Riggs & Ingram, LLC

INTERNAL AUDITORS



Executive Summary

Executive Summary

Overview

There are several departments within the County that are subject to overtime for emergency support and other various reasons. This audit will encompass an entity-wide overtime analysis with a focus on testing of those higher risk departments and will include monitoring compliance with timekeeping and overtime policies and procedures and compliance with union agreements, as applicable.

The tracking and paying of the County's workforce is a voluminous, complex, highly decentralized process and thus inherently a high risk function. It should be recognized that at any given time, there are at least 29 departments operating independently throughout the County. Multiple County departments have employees covered under a variety of different compensation structures, such as salary, hourly, seasonal, and different union agreements. Within those compensation structures, there are also a number of pay types, such as regular time, overtime, sick time, annual time and holiday pay. The County's current process entails the use of manual timesheets and key entry by identified timekeepers in the various departments. As the Timekeeping function is a largely manual process, it increases the risk of inefficiencies in workforce production and the risk of human error or mistakes, as well as the potential for fraudulent reporting. We would like to note that, although the function is high risk, we did not encounter any instances of fraud during our testing.

Objective

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

The period subject to our cycle audit procedures covered the twelve months from March 1, 2016 through February 28, 2017.

Observations

Below is a summary of the observations we noted during our cycle 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. Segregation of Duties, HR / Payroll SAP User Access	
<p>Pre-Payroll Reports – Time Entry Verification In accordance with Administrative Order 16 (AO-16), Verification, Review and Approval of Time Entry Data in the SAP HR/Payroll System, after time entry has been completed, but prior to payroll processing, the timekeeper will generate the pre-payroll report and provide to the Time Entry Verifier for their review. <u>AO-16 also requires that the time entry verifier is not to have access to enter time into SAP HR/Payroll.</u> For four of the six departments tested, various time entry verifiers have access to enter time into the SAP HR/Payroll system.</p> <p>Post-Payroll Reports - Approvals In accordance with AO-16, after payroll has been completed, the Timekeeper will generate the post-payroll report and provide it to the Management Reviewer for their review and sign-off on the report. <u>Further, the management reviewer should not have access/authorization to enter time into the SAP HR/Payroll system.</u> For one of the six departments tested, various management reviewers have access/authorization to enter time into the SAP HR/Payroll system.</p>	High
2. Pre-Payroll Report Verification	
<p>In accordance with Administrative Order 16 (AO-16), Verification, Review and Approval of Time Entry Data in the SAP HR/Payroll System, <u>after time entry has been completed, but prior to payroll processing, the timekeeper will generate the pre-payroll report and provide to the Time Entry Verifier for their review.</u> For four of the six departments tested, there was either no evidence of time entry verification or time entry verification was not performed prior to payroll processing or the verification was not dated so it could not be determined if the verification was performed prior to payroll processing.</p>	High
3. Post-Payroll Approval	
<p>In accordance with AO-16, after payroll has been completed, the Timekeeper will generate the post-payroll report and provide it to the Management Reviewer for their review and sign-off on the report. For three of the six departments tested, a post-payroll report was not generated, or there was no evidence of management review or an employee was not included in the post-payroll report that was approved.</p>	High
4. Employee Timesheets Approval	
<p>In accordance with AO-16, after payroll has been completed, the Timekeeper will generate the post-payroll report and provide it to the Management Reviewer for their review and sign-off on the report. For four of the six departments tested, we noted the following: one employee timesheet lacked supervisory approval, various employee timesheets were not approved until after payroll was processed, and two departments were missing the required date field and standard language.</p>	Moderate
5. Post-Payroll Payroll Approval Timeliness	
<p>In accordance with AO-16, after payroll has been completed, the Timekeeper will generate the post-payroll report and provide it to the Management Reviewer for their review and sign-off on the report. For three of the six departments tested, we noted for one department there was a significant delay (1 month) in the post-payroll approval and for two other departments the date of the approval was not documented so we were unable to determine the timeliness.</p>	Moderate

Background

Background

Overview:

The last Timekeeping Cycle audit was issued on October 1, 2015 and focused on assessing compliance with policies and procedures issued by the County and performance of detailed Timekeeping testing of 5 selected departments.

The policies developed and guidance provided by Human Resources around the Timekeeping function as a result of previous reports facilitates strong segregation of duties and internal controls. However, the decentralization of the function has resulted in varying "internal department procedures/practices" and levels of documentation relating to Timekeeping throughout the County. Based on the results of our testing, we will continue to recommend Timekeeping as a revolving cycle audit to be performed as part of the proposed annual internal audit plan.

For purposes of this internal audit we segregated the Timekeeping and Overtime process into the following areas:

Timekeeping

Timekeeping is the tracking and documentation of employment related hours for all employees at the County. This covers salary, hourly, seasonal and union employees and includes work time, sick time, annual time, holidays and all other employment related time. Timekeeping involves approving, tracking and monitoring the time for each employee and inputting the employee time into the SAP computer system. The Timekeeping function is decentralized and is the responsibility of each department. The departments are linked to SAP via the County intranet. Each department is responsible for tracking and documenting employment-related hours for its employees. Additionally, each department has at least 1 timekeeper who gathers and enters each employee's time.

The last four fiscal years payroll expenditures were as follows:

Fiscal Year	Payroll Expense
September 30, 2013	\$128,197,422
September 30, 2014	\$133,729,467
September 30, 2015	\$132,732,073
September 30, 2016	\$143,430,732

Background - continued

Timekeeping - continued

Payroll related data as of the fiscal years ending September 30, 2013 – 2016, were as follows:

	FY 2013	FY 2014	FY 2015	FY 2016
Number of Employees:				
Full-time	1,951	1,998	1,942	1,965
Part-time	334	319	330	318
Temporary	40	47	37	46
Total employees	2,325	2,364	2,309	2,329
Union	1,115	1,129	1,083	1,113
Non-union	1,210	1,235	1,226	1,216
Total employees	2,325	2,364	2,309	2,329
Exempt	444	438	444	455
Non-exempt	1,881	1,926	1,865	1,874
Total employees	2,325	2,364	2,309	2,329

Full-time employees for the five County Departments with the most overtime for the fiscal years ending September 30, 2013 – 2016, were as follows (excluding temporary employees):

Departments:	FY 2013	FY 2014	FY 2015	FY 2016
Fire Rescue	521	538	528	545
Solid Waste	126	133	132	135
Public Works	215	216	208	216
Utility Services	142	146	141	146
Transit Services	114	117	120	122

Current Policies and Procedures

The Federal government and the State of Florida have many laws and statutes that the County must comply with regarding timekeeping, hourly pay and labor related issues. They include, but are not limited to, the Fair Labor Standards Act ('FLSA'), Family & Medical Leave Act ('FMLA') of 1993, and Florida Statutes 17, 112 and 119 which address Direct Deposit, Deferred Compensation and Public Records.

In addition to these, the County has adopted the Merit System Policies and Merit System Procedures, as well as Administrative Order ('AO') 16. These Policies and Procedures address specific areas related to timekeeping at the County level including personnel records and reports, leave time, employee performance evaluations and performance, etc.

In addition to the general Merit System Policies and AO 16, certain employees are covered under collective bargaining agreements. The collective bargaining agreements currently in place at the County include:

- Labor Agreement between Board of County Commissioners, Brevard County and Laborers' International Union Local 678
- Labor Agreement between Board of County Commissioners, Brevard County and Brevard County Fire Rescue Association Local 2969 IAFF AFL/CIO-CLC (Rank & File)
- Labor Agreement between Board of County Commissioners, Brevard County and Brevard County Fire Rescue Association Local 2969 IAFF AFL/CIO-CLC (Supervisory Unit)

Background - continued

Overtime

Policy VII of the Merit System Policies specifies that work in excess of a normal workweek, shall be kept to a minimum and avoided whenever reasonably possible. Employees shall be required to work overtime when requested, unless excused by their supervisor. Procedure VII of the Merit System Procedures specifies that except for emergencies, all overtime must be approved in advance by the appointing authority or a subordinate supervisor, if such authority to approve overtime has been specifically delegated. It is the responsibility of the supporting authority to ensure accurate records of all hours, including overtime, worked are maintained. These policies and procedures are in place to ensure the County complies with the Fair Labor Standards Act (FLSA).

Overtime occurs for several reasons. Primary reasons for overtime include: FLSA overtime built into the schedule and premium overtime for Fire Rescue personnel, coverage for absent personnel or vacant positions, meeting project deadlines, standby time for unanticipated afterhours special situations or emergencies and weather related issues or natural disasters. The following is the dollar amount of overtime by County Department and for the Supervisor of Elections for the fiscal years ending September 30, 2013 -2016:

Department	FY 2013	FY 2014	FY 2015	FY 2016	OT as a % of Salary
Fire Rescue:					
Unplanned*	\$3,619,448	\$3,918,759	\$3,092,948	\$4,502,879	14.2%
Planned*	1,787,201	1,763,828	1,828,807	\$1,817,362	5.7%
Solid Waste	491,809	524,235	626,096	612,031	11.5%
Public Works	356,133	360,462	368,135	424,369	4.6%
Utility Services	340,143	341,304	388,199	393,244	6.1%
Transit Services	177,780	365,138	370,725	376,675	9.9%
Mosquito Control	93,293	159,857	137,242	142,472	7.1%
Parks and Recreation	90,610	84,088	98,551	79,512	0.8%
Housing and Human Services	90,364	66,645	39,785	39,293	1.3%
Central Services	65,068	66,885	73,317	71,952	2.3%
Animal Services**	36,636	64,680	-	-	-
Supervisor of Elections	29,487	14,075	13,854	31,468	2.6%
Planning and Development	2,189	10,725	37,205	5,164	0.2%
Tourism Development	2,259	11,404	6,806	1,905	0.3%
Information Systems	1,934	2,056	1,507	1,318	0.1%
Human Resources	178	2,003	465	4,981	0.4%
Library Services	136	25	442	133	0.0%
Natural Resources	638	-	81	0	0.0%
Valkaria Airport	-	-	-	-	-
Emergency Management	-	146	-	-	-
Total Overtime	\$7,185,306	\$7,756,315	\$7,084,165	\$8,504,758	9.5%

*Fire Rescue has unplanned and planned overtime. Unplanned overtime is not built into the Fire Rescue employee's shift schedule, whereas planned overtime is built into the shift schedule.

Total overtime from FY2015 to FY2016 had a net increase of approximately \$1.4M which is primarily due an increase of unplanned overtime for fire rescue which increased by approximately \$1.4M. This increase is primarily due to increases in regular wages as well as minimum staffing requirements and several vacancies throughout the year. Consistent with prior cycle audits, we included Fire Rescue along with two of the other top five departments with the most overtime as part of the higher risk departments selected for testing. See objectives and approach section below.

Objectives and Approach

Objectives and Approach

Objectives

The testing period covered the twelve months March 1, 2016 through February 28, 2017, and included the following objectives:

- Identified and assessed effectiveness of accounting and administrative controls over timekeeping and overtime processing.
- Validated that controls over Timekeeping and Overtime include procedures and documents that assure the data used to generate payroll disbursements are adequate.
- Determined whether the records and documentation for Timekeeping and Overtime items are sufficient to establish an audit trail for transactions involving employees' time.
- Determined whether access to Timekeeping and Overtime data is controlled to maintain the integrity of the data.

Approach

Our audit approach consisted of three phases:

Understanding and Documentation of the Process

During the first phase, we held an entrance conference with personnel in the Payroll Department at the Clerk of Court and the County's Office of Human Resources to discuss the scope and objectives of the audit work, to obtain preliminary data and to establish working arrangements. We then conducted interviews with responsible personnel and their supervisors from the selected departments related to timekeeping and overtime and documented their role in the processes. We reviewed Florida Statutes, County Administrative Orders, County policies, union agreements and other resources related to timekeeping and overtime. We also obtained user access reports from the Information Systems group to understand how access to the timekeeping and overtime function within SAP is limited. We selected six County departments based on various higher risk factors including significance of overtime - past and current years (Top 3 of the top 5) – as well as, based on particular recurring concerns encountered by the Payroll Department and Human Resources. We selected 6 County departments (80 timesheets) for the completion of our detailed testing as follows: Fire Rescue, Solid Waste, Public Works, Planning and Development, Library Services, and Tourism.

Detailed Testing

The purpose of this phase was to test detailed time records and overtime related transactions for the selected departments based on our understanding of the process. The period under review was from March 1, 2016 through February 28, 2017. Our fieldwork was conducted at the department sites where we utilized sampling and other auditing techniques to meet our audit objectives outlined above. Our procedures included observation and inquiry, walk-through and testing of individual transactions. The procedures we performed were as follows:

- On-site visit and inquiry of department personnel to obtain detailed documentation of the process.
- Tested employee time tracking methods, practices, documents and procedures.
- Tested overtime approval, documentation and reporting.
- Tested leave time tracking and approval process.
- Tested monitoring of overall time worked by Department Heads/Managers.
- Tested compliance with Union contracts, where applicable.
- Tested user access and segregation of duties within the timekeeping and overtime processes.

Reporting

At the conclusion of our audit, we documented our understanding of the Timekeeping and Overtime function 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. Segregation of Duties, HR / Payroll SAP User Access</p> <p>Based on interviews, review of the HR/Payroll Timekeeping access report, and transactional testing, we noted the following:</p> <p>Pre-Payroll Reports – Time Entry Verification In accordance with Administrative Order 16 (AO-16), Verification, Review and Approval of Time Entry Data in the SAP HR/Payroll System, after time entry has been completed, but prior to payroll processing, the timekeeper will generate the pre-payroll report and provide to the Time Entry Verifier for their review. <u>AO-16 also requires that the time entry verifier is not to have access to enter time into SAP HR/Payroll.</u></p> <p>Fire Rescue - For 15 out of 15 pre-payroll reports tested, the time entry verifications of the pre-payroll reports are being performed by personnel that have access to enter / edit time into SAP HR/Payroll. Fire Rescue management stated that this is their standard time entry verification process; however, the time verifiers do not normally perform time entry (back-up as needed only), nor do they correct the time in SAP if they find any errors in their review.</p> <p>Solid Waste Management – For 11 of 12 pre-payroll reports tested, the Timekeeper also performed time verification.</p> <p>Public Works – For 3 of 14 pre-payroll reports tested, the Timekeeper also performed time verification (one particular field office).</p>	<p>We recommend that Human Resources management perform the following at least annually:</p> <ol style="list-style-type: none"> Circulate a memorandum reminding the department of the AO-16 requirement that those who perform the time verifier and time approver functions are not to have access to the SAP HR/Payroll system. Obtain from each department a list of the personnel who are performing the functions of time entry, time verification, and time approval Ensure that any personnel performing the functions of time verification and time approval do not have access to enter time into the SAP HR/Payroll system Require that personnel that perform the functions of time keeping, verification and time approval receive proper timekeeping and overtime training to be in compliance with AO-16 <p>This will provide for a proper segregation of duties / user access to reduce the risk of errors and/or misappropriation of assets.</p>	<p>Response:</p> <ol style="list-style-type: none"> Correspondence will be provided to each Department in January to remind Department's that the Time Entry Verifier and Management Level Reviewer should not have access to SAP's HR/Payroll system. &c. Human Resources will conduct an inquiry each January to determine each Department's Timekeeper(s), as well as their Time Entry Verifier(s) and Management Level Reviewer(s). Human Resources will continue to provide regular training on SAP Timekeeping and Time Entry Verification. Each calendar year, there are a minimum of 10 Timekeeping Classes and 2 Time Entry Verification Classes scheduled. Upon receipt of the names of timekeepers who had negative audit findings, Human Resources will require departments schedule those timekeepers for remedial training.

Observations Matrix - continued

Rating	Observation	Recommended Action	Management Response
High	<p>1. Segregation of Duties, HR / Payroll SAP User Access - continued</p> <p><u>Library Services</u> – For 1 out of 7 pre-payroll reports tested, the Library Director indicated that she was the one who performed time entry verification of the pre-payroll reports. She also has access to enter time into SAP HR/Payroll. We noted that 4 of the other 12 Library Directors (not subject to our sample testing) have access to the SAP HR/Payroll system and may perform the function of time verifier.</p> <p>Post-Payroll Reports - Approvals</p> <p>In accordance with AO-16, after payroll has been completed, the Timekeeper will generate the post-payroll report and provide it to the Management Reviewer for their review and sign-off on the report. <u>Further, the management reviewer should not have access/authorization to enter time into the SAP HR/Payroll system.</u></p> <p><u>Library Services</u> – For 2 out of the 7 post-payroll reports tested, the Management Reviewer (2 Library Directors) can enter time into the SAP HR/Payroll system. Additionally, based on our review of the SAP HR/Payroll system access list provided by the HR Department, we noted that 3 of the other 11 Library Directors and the Assistant Library Services Director (not subject to our sample testing) can enter time into the SAP HR/Payroll system and most likely perform the function of post-payroll approver.</p> <p>This lack of segregation of duties / user access could lead to errors and / or misappropriation of assets going undetected.</p>		<p>Responsible party: Karen Conde, Personnel Manager</p> <p>Estimated completion date: Audit findings and additional instructions will be provided in June/July 2017.</p> <p>Routine reminders will be distributed each January.</p>

Observations Matrix - continued

Rating	Observation	Recommended Action	Management Response
<p>High</p>	<p>2. Pre-Payroll Report Verification</p> <p>Based on interviews and transactional testing, we noted the following:</p> <p>In accordance with Administrative Order 16 (AO-16), Verification, Review and Approval of Time Entry Data in the SAP HR/Payroll System, <u>after time entry has been completed, but prior to payroll processing, the timekeeper will generate the pre-payroll report and provide to the Time Entry Verifier for their review.</u></p> <p><u>Public Works</u> – For 2 of 14 pre-payroll reports tested, there was no evidence of time entry verification.</p> <p><u>Planning and Development</u> – For 5 of 6 pre-payroll reports tested, there was no evidence of time entry verification.</p> <p><u>Library Services</u> – For 3 out of 7 pre-payroll reports tested, time entry verification was not performed prior to payroll processing. For 1 out of 7 reports tested, there was no evidence of time entry verification. Further, pre-payroll reports for Library Directors and Area Directors were not reviewed prior to payroll being processed. This review takes place as part of the post-payroll review and approval.</p> <p><u>Tourism</u> - For 3 out of 3 pre-payroll reports tested, the date of the verification was not documented. Therefore, we could not determine if the verification occurred prior to payroll processing.</p> <p>This lack of compliance could lead to errors and / or misappropriation of assets not being detected in a timely manner.</p>	<p>We recommend that Human Resources management perform the following:</p> <p>a. Circulate a memorandum to the departments to facilitate compliance with AO-16 requirements for pre-payroll report time verification/review, including, but not limited to the following:</p> <ul style="list-style-type: none"> • Timekeeper must generate the pre-payroll report prior to payroll processing and provide to the Time Entry Verifier for their review • Time entry verification/review must be performed prior to payroll processing • Time entry verification/review should be documented on the pre-payroll report by the time verifier's signature (should not be initials and should print first and last name underneath signature) and date performed <p>b. Require that personnel that perform the functions of time keeping, verification and approval receive proper timekeeping and overtime training to be in compliance with AO-16</p> <p>c. Ensure that the timekeeping and overtime training addresses the actions detailed in a. above.</p>	<p>Response:</p> <p>a. AO-16 will be modified to include approval, signature and date on pre-payroll and post-payroll reports.</p> <p>b. Human Resources will continue to provide regular training on SAP Timekeeping and Time Entry Verification. Each calendar year, there are a minimum of 10 Timekeeping Classes and 2 Time Entry Verification Classes scheduled.</p> <p>c. There are currently two different types of training that address the requirements of AO-16, SAP Timekeeping and Verification of Time Entry Classes. Upon receipt of the names of timekeepers who had negative audit findings, Human Resources will require departments schedule those timekeepers for remedial training.</p> <p>Responsible party: Karen Conde, Personnel Manager</p> <p>Estimated completion date: Audit findings and additional instructions will be provided in June/July 2017.</p> <p>Routine reminders will be distributed each January.</p>



Observations Matrix - continued

Rating	Observation	Recommended Action	Management Response
<p>High</p>	<p>3. Post - Payroll Report Approval</p> <p>Based on interviews and transactional testing, we noted the following:</p> <p>In accordance with AO-16, after payroll has been completed, the Timekeeper will generate the post-payroll report and provide it to the Management Reviewer for their review and sign-off on the report.</p> <p><u>Solid Waste Management</u> - For 1 out of the 20 employee timesheets tested, the employee was not included in the original, approved post-payroll report for the pay period selected. Based on review of the original post-payroll report generated compared to the subsequent post-payroll report run again by the timekeeper, there were a total of 10 employees not included.</p> <p><u>Public Works</u> – For 2 of 14 post-payroll reports tested, there was no evidence of manager or above approval.</p> <p><u>Library Services</u> – For 1 out 7 pay periods tested, a post-payroll report was not generated.</p> <p>This lack of compliance could lead to errors and / or misappropriation of assets not being detected in a timely manner.</p>	<p>We recommend that Human Resources management perform the following:</p> <p>a. Circulate a memorandum to the departments to facilitate compliance with AO-16 requirements for post-payroll report review and approval including, but not limited to the following:</p> <ul style="list-style-type: none"> • Timekeeper must generate the post-payroll report and provide to the Management Reviewer for their review and sign-off on the report • Post-payroll review and approval must be documented on the post-payroll report by the time verifier's signature (should not be initials and should print first and last name underneath signature) and date performed <p>b. Require that Management Reviewers receive proper timekeeping and overtime training to be in compliance with AO-16</p> <p>c. Ensure that the timekeeping and overtime training addresses the actions detailed in a. above.</p>	<p>Response:</p> <p>a. Annual correspondence will be provided to Departments outlining the requirements of AO-16.</p> <p>b. Human Resources will continue to provide regular training on SAP Timekeeping and Time Entry Verification. Each calendar year, there are a minimum of 10 Timekeeping Classes and 2 Time Entry Verification Classes scheduled.</p> <p>c. There are currently two different types of training that address the requirements of AO-16, SAP Timekeeping and Verification of Time Entry Classes.</p> <p>Responsible party: Karen Conde, Personnel Manager</p> <p>Estimated completion date: Audit findings and additional instructions will be provided in June/July 2017.</p> <p>Routine reminders will be distributed each January.</p>

Observations Matrix - continued

Rating	Observation	Recommended Action	Management Response
Moderate	<p>4. Employee Timesheets Approval</p> <p>Based on interviews and transactional testing, we noted the following:</p> <p><u>Public Works</u> – For 1 out 15 employee timesheets tested, there was no supervisor approval or date. Further, we noted that 9 out 15 timesheets were not signed by the supervisor until after payroll was processed. Based on discussions with Public Works personnel, the employee timesheets are often not approved by the employee's respective supervisor until after payroll processing due to time constraints.</p> <p><u>Fire Rescue</u> – The Lifeguard Master Timesheets were not updated to include a date field for the supervisor's approval and the required language noted below:</p> <p><u>Library Services</u> - For 1 out 7 employee timesheets tested, we noted that the timesheet was not updated to include the required language noted below:</p> <p><i>"My signature certifies that any overtime was preapproved or in accordance with standard operating procedures and that absence and attendance hours and codes are accurate to the best of my knowledge."</i></p>	<p>We recommend that Human Resources management perform the following:</p> <p>a. Circulate a memorandum to the departments to instruct / remind them of the following as required by Merit System Procedure 07 – <i>Hours of Work</i>:</p> <ul style="list-style-type: none"> Each timesheet must be updated to include a date field for the supervisor's approval and the following required language: <i>"My signature certifies that any overtime was preapproved or in accordance with standard operating procedures and that absence and attendance hours and codes are accurate to the best of my knowledge."</i> <p>b. Remind the departments that all timesheets must be approved and reviewed by the employee's respective supervisor prior to payroll processing.</p>	<p>Response:</p> <p>a. Annual correspondence will be provided to Departments outlining the requirements of Merit System Procedure 07 – Hours of Work pertaining to timesheets containing certification language, as well as date field.</p> <p>b. This will also be included in the annual correspondence to departments.</p> <p>Responsible party: Karen Conde, Personnel Manager</p> <p>Estimated completion date: Audit findings and additional instructions will be provided in June/July 2017.</p> <p>Routine reminders will be distributed each January.</p>

Observations Matrix - continued

Rating	Observation	Recommended Action	Management Response
Moderate	<p>4. Employee Timesheets Approval - continued</p> <p>Additionally, we noted that Area Director Timesheets are not approved by the Library Services Department Director or the Assistant Library Services Department Director until payroll has been processed and paid.</p> <p><u>Solid Waste Management</u> - For 1 out of 20 employee timesheets tested, the supervisor's approval date field was left blank. Without the date, we were unable to verify whether the supervisory approval preceded time entry, verification, payroll processing or post-payroll review and approval.</p> <p>This lack of compliance could lead to errors and / or misappropriation of assets not being detected in a timely manner.</p>		



Observations Matrix - continued

Rating	Observation	Recommended Action	Management Response
Moderate	<p data-bbox="347 1241 402 1814">5. Post-Payroll Payroll Approval Timeliness Based on interviews and transactional testing, we noted the following:</p> <p data-bbox="435 1241 602 1814"><u>Planning and Development</u> - For 5 out of 6 post-payroll reports selected, there was signature evidence of approval by manager or above, but there was no date. Without the date, we were unable to verify the timeliness of the post-payroll report review and approval.</p> <p data-bbox="634 1241 727 1814"><u>Library Services</u> – For 1 out of 7 post-payroll reports tested, the payroll report approval was dated a month after the pay date.</p> <p data-bbox="760 1241 899 1814"><u>Tourism</u> – For 3 out of 3 post-payroll reports tested, there was signature evidence of approval by manager or above, but there was no date. Without the date, we were unable to verify the timeliness of the post-payroll report review and approval.</p> <p data-bbox="932 1241 1019 1814">This lack of compliance could lead to errors and / or misappropriation of assets not being detected in a timely manner.</p>	See recommended actions at observation 3.	<p data-bbox="347 159 467 611">Response: Annual correspondence will be provided to Departments outlining the requirements of AO-16.</p> <p data-bbox="500 222 555 611">Responsible party: Karen Conde, Personnel Manager</p> <p data-bbox="587 159 675 611">Estimated completion date: Audit findings and additional instructions will be provided in June/July 2017.</p> <p data-bbox="708 159 763 611">Routine reminders will be distributed each January.</p>

Brevard County – Utility Services Department South Central Regional Wastewater Treatment Facility Expansion

June 29, 2017



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Transmittal Letter

June 29, 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 the following report related to our monitoring assistance of the South Central Regional Wastewater Treatment Facility Expansion construction project. Our report is organized in the following sections:

Background	This provides an overview of the funding, key contacts, and timeline of the project up to date.
Objectives and Approach	The objectives of our procedures and our approach to the execution of those procedures are expanded upon in this section.
Project Snapshot	This section provides an overview of the current status of the project subjected to our procedures.
Process Maps	This section provides a visual depiction of the workflow of all key processes included within our scope.

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

The Board of County Commissioners approved a construction budget of \$38,074,000 for the South Central Regional Wastewater Treatment Facility Expansion & Improvements project. This project is funded via the State Revolving Fund (SRF) which includes specific requirements for the submission of various reports and summary documentation with each monthly pay application. The SRF is administered by the State of Florida for the purpose of providing low-interest loans for investments in water and sanitation infrastructure.

Key Vendors:

- Contractor – Adams Robinson Enterprises, Inc.
- Engineer Consultant – Quentin L. Hampton Associates, Inc. (QLH)

• Key Dates:

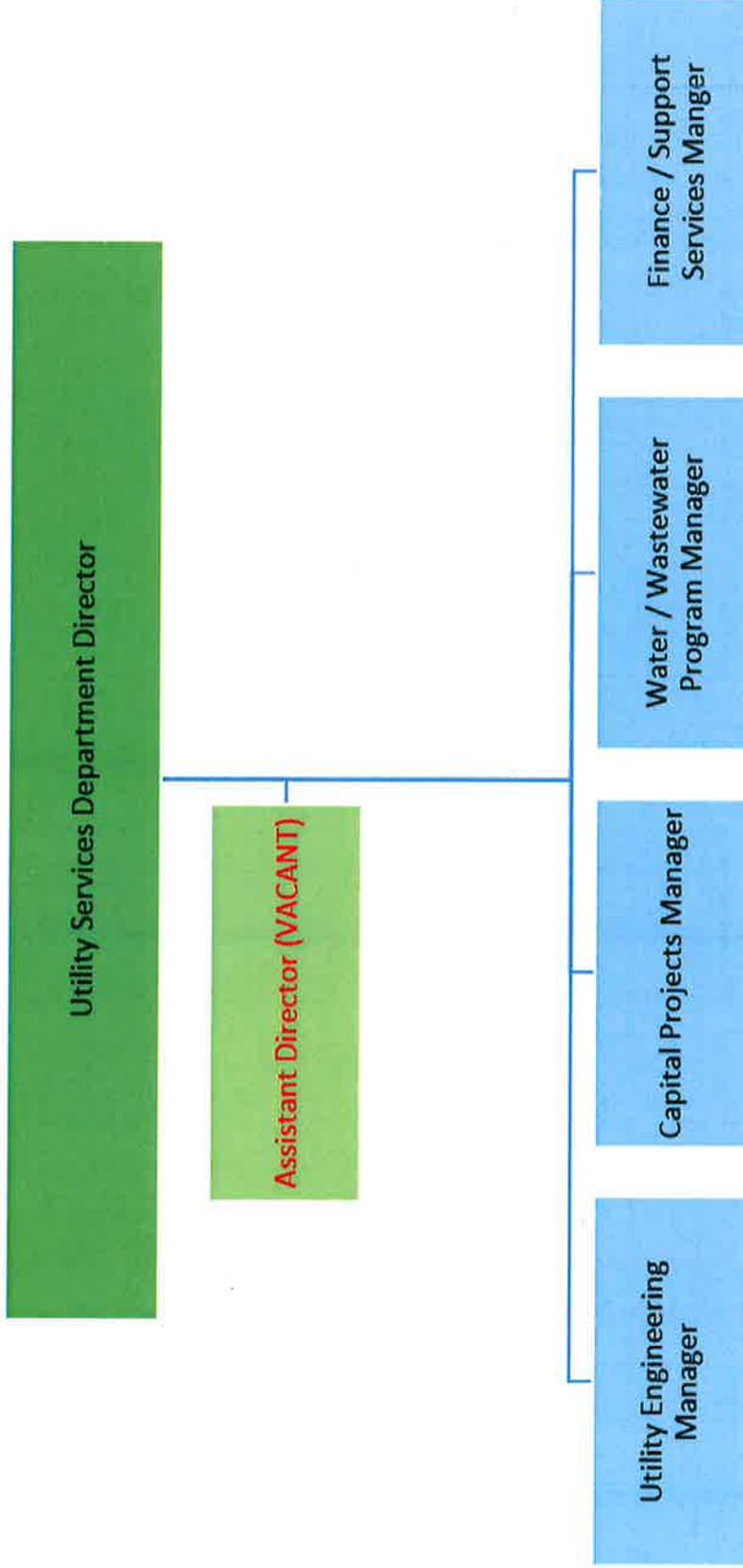
Design Engineer

- RFQ Submission Date – April 10, 2014
- Short List Meeting – May 5, 2014
- Contract Execution Date – October 3, 2014

Contractor

- Pre-Bid Date – April 7, 2016
- Bid date – May 11, 2016
- Contract Execution Date – May 27, 2016
- Preconstruction Meeting – August 17, 2016
- Notice to Proceed (NTP) – August 22, 2016
- Contract Duration – 730 calendar days from NTP for substantial completion and 760 calendar days from NTP for final completion

Background - continued



In-Scope Process
Relevance: Serves as the acting project manager, responsible procurement support, and the review of pay applications and change orders.

In-Scope Process
Relevance: Responsible for administrative processing of pay application payments and change orders.

Objectives and Approach

Objectives

For the construction project listed below, the objectives of our internal audit were as follows:

South Central Regional Wastewater Treatment Facility Expansion

- To assist the County in their construction contract monitoring efforts by leveraging RSM's experience with comparable agreements / projects
- To develop recommendations for improvement to key construction management processes and controls; facilitated through recurring involvement in the referenced project throughout the respective contract term
- To provide bi-annual status reports to Management and the Audit Committee regarding the progress of the project and any recommended improvements identified.

Approach

Our approach to the engagement was as follows:

Obtaining an Understanding and Risk Assessment

To establish a foundational understanding of the project and to better assist the County, RSM met with the key members of management and construction process owners directly involved with the project. Major work steps as a part of this phase were as follows:

- Kickoff meeting / facilitated session with management
- Key process owner interviews
- Construction contract review
- Process mapping / key control identification
- Construction contract risk / compliance matrix development
- Policies and Procedures documentation review
- Identification of KPIs and relevant project metrics for reporting

Objectives and Approach - continued

Approach - continued

Recurring Monitoring Assistance

Monthly, RSM performed select inquiry, review, and testing procedures as they related to the following key construction management processes:

- Procurement adherence to FL statutes and County Policies and Procedures
- Pay application approval
- Pay application contractual compliance / support
- Pay application mathematical accuracy / roll forward
- Pay application Florida Prompt Payment Act compliance
- Pay application adherence to best practice and industry standards
- Change order approval
- Change order contractual compliance
- Change order mathematical accuracy
- Change order incorporation into monthly pay applications
- Change order adherence to best practices and industry standards
- Weekly and monthly contractor reporting
- Quarterly jobsite inspection
- KPI / metric monitoring / evaluation

Reporting

This report is intended to introduce management and the audit committee to the scope of our procedures, and going forward will be presented, as appropriate, to summarize the results of our procedures throughout the life of the project.



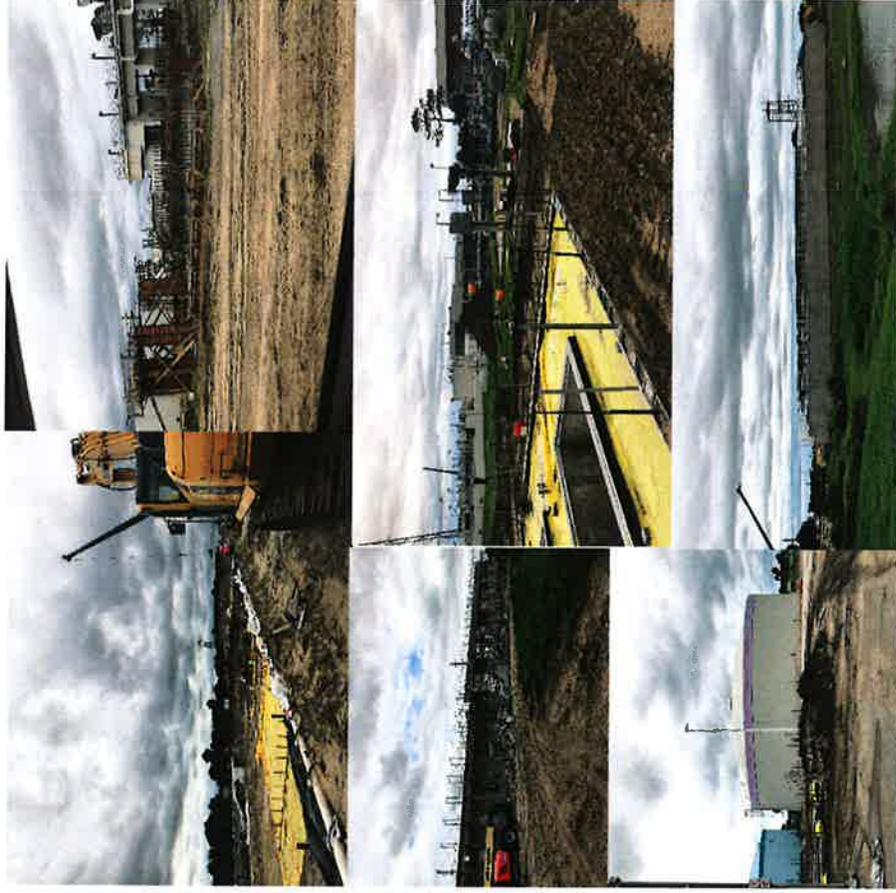
South Central Regional Wastewater Treatment Facility Expansion Snapshot - Summary

South Central Regional Wastewater Treatment Facility Expansion

Through inquiry with project management, inspection of the South Central Regional Wastewater Treatment Facility Expansion jobsite (06/06/17), and review of pay applications (03/29/17), we noted the project schedule has been extended 84 days since our last report. The current extension was approved via Change Order #2.

Our site visit included a walkthrough and inquiry with the Capital Projects Manager and Support Services Manager, who noted the general contractor's team is fully engaged and providing sufficient monitoring of subcontractors. As mentioned in our previous report (dated November 2016) the 84 day delay approved in CO #2 was the result of a second contractor performing under a separate agreement for work on the septage facility. The second contractor failed to accomplish the demolition and rebuilding of the Septage & Grease Treatment System within the defined schedule. As a result, Adams Robinson was unable to begin certain phases of the plant expansion work on time. Further, the change order executed for this delay noted, "it will not alter the work or the Contract Price".

We noted the County's project management team is satisfied with progress made to date, and is currently unaware of additional/pending change orders. As of the date of our inspection, the jobsite appeared active, well organized, physically secure, and safe.



Note 1: Pictures taken during our site visit on 06/06/17.

South Central Regional Wastewater Treatment Facility Expansion Snapshot – Metrics (as of 03/29/17)

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Pay Applications Processed



Top 10 Largest Project Costs to date:

Section	Line Item Description	Amount	% Complete
Mob/Demo	Mobilization	\$ 500,000	100%
Mob/Demo	Insurance	\$ 379,000	100%
Mob/Demo	Bonds	\$ 379,000	100%
Chlorine Contact Chamber & Transfer Pumps	Wall Concrete	\$ 370,000	100%
Chlorine Contact Chamber & Transfer Pumps	Slab Concrete	\$ 247,000	100%
Reclaimed Water Storage & Pump Station	Tan Corewall	\$ 213,600	100%
Reclaimed Water Storage & Pump Station	Tank Dome	\$ 165,600	100%
Reclaimed Water Storage & Pump Station	Tank Floor and Sump	\$ 140,400	100%
Sitework	Demolition	\$ 97,900	25%
Digester & Digester Modifications	Corewall	\$ 89,100	100%

Note 2: Change Order 2 time extension

3

Change Orders Approved



South Central Regional Wastewater Treatment Facility Expansion Snapshot – Pay Applications

Test Criteria	Pay Application #2 \$170,039	Pay Application #3 \$417,475	Pay Application #4 \$871,001
Mathematical Accuracy	✓	✓	✓
Proper Approvals	✓	✓	✓
Documentation Support	✓	✓	✓
Consistent Schedule of Values	✓	✓	✓
Timeliness of Payment	✓	✓	✓
Support Provided to SRF	✓	✓	✓

South Central Regional Wastewater Treatment Facility Expansion Snapshot – Pay Applications

Test Criteria	Pay Application #5 \$468,557	Pay Application #6 \$425,427	Pay Application #7 \$459,231
Mathematical Accuracy	✓	✓	✓
Proper Approvals	✓	✓	✓
Documentation Support	✓	✓	✓
Consistent Schedule of Values	✓	✓	✓
Timeliness of Payment	✓	✓	✓
Support Provided to SRF	✓	✓	✓

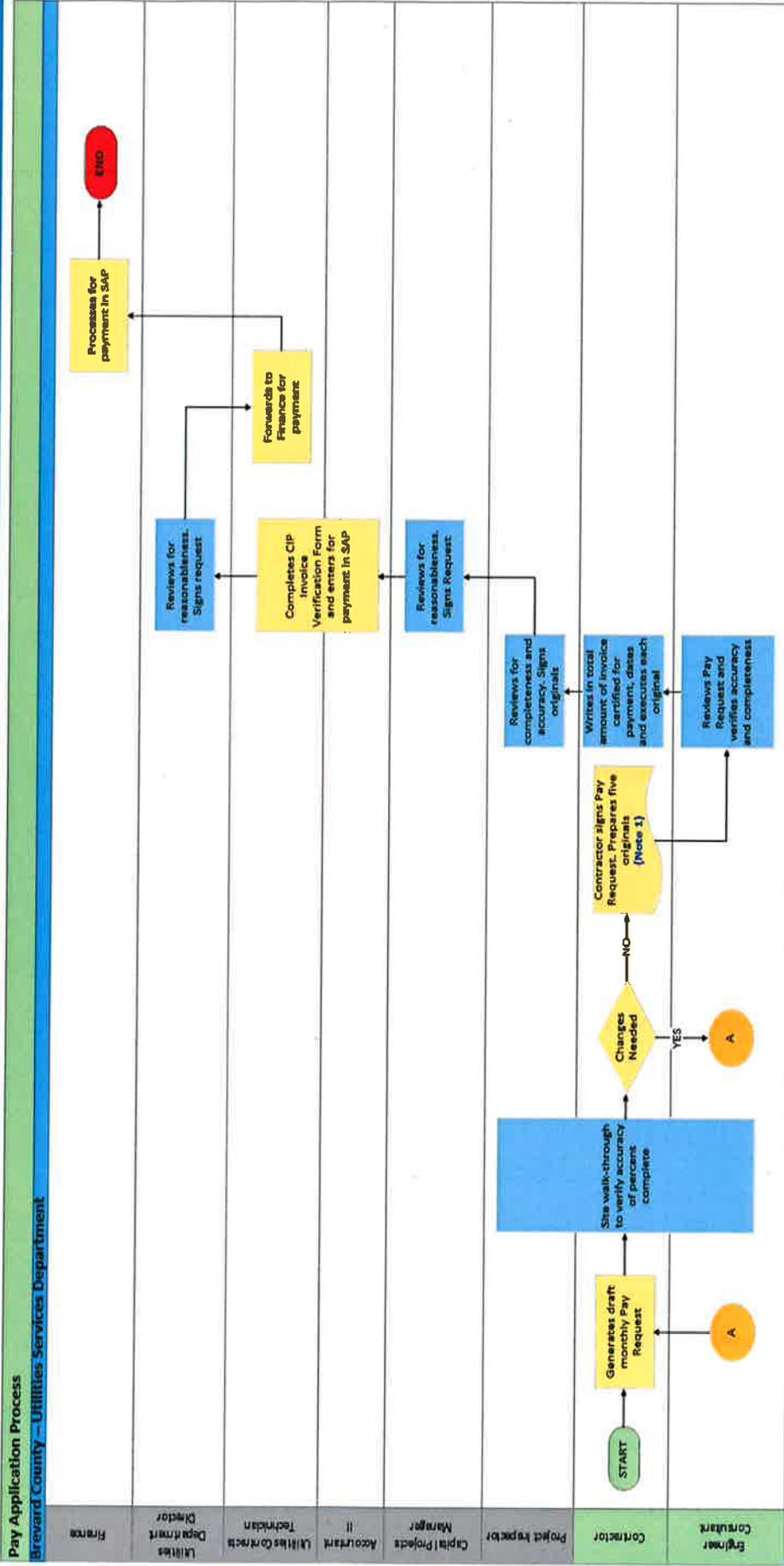
South Central Regional Wastewater Treatment Facility Expansion Snapshot – Change Orders

Test Criteria	Change Order #1	Change Order #2	Change Order #3
Criteria	\$0	(\$2,544,025)	(\$9,352,853)
	Schedule of Values change, No contract price change	Owner Direct Purchase Reduction, 84 day extension*	Owner Direct Purchase Reduction
Contractor Entitlement	✓	✓	✓
Mathematical Accuracy	✓	✓	✓
Contractual Compliance	✓	✓	✓
Detailed Cost Breakdown	✓	✓	✓
Proper Approvals	✓	✓	✓

*No additional costs were included on the CO or are expected to be requested as a result of the 84 day extension



Process Maps



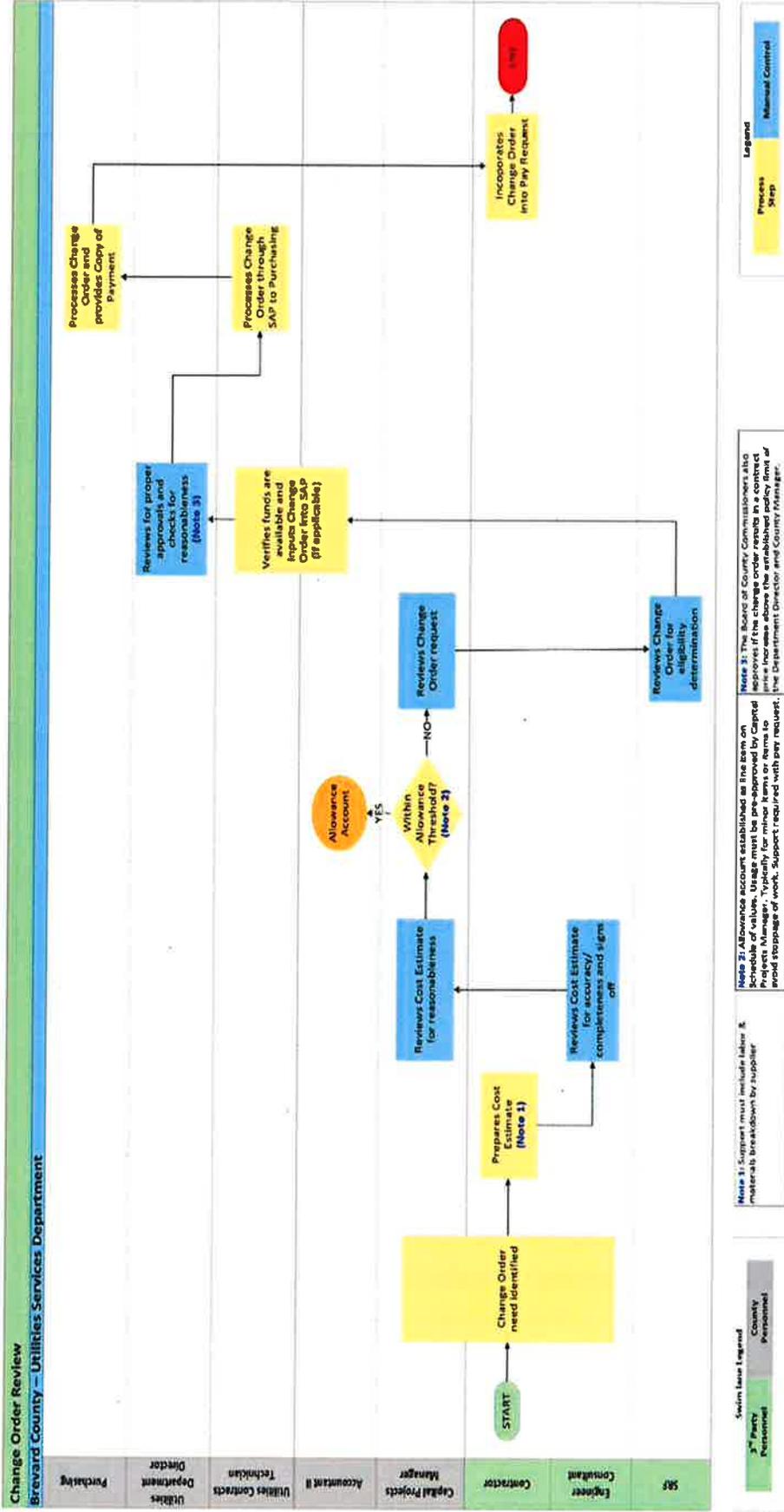
Swim Lane Legend
 3rd Party Personnel
 County Personnel

Legend
 Process Step
 Manual Control

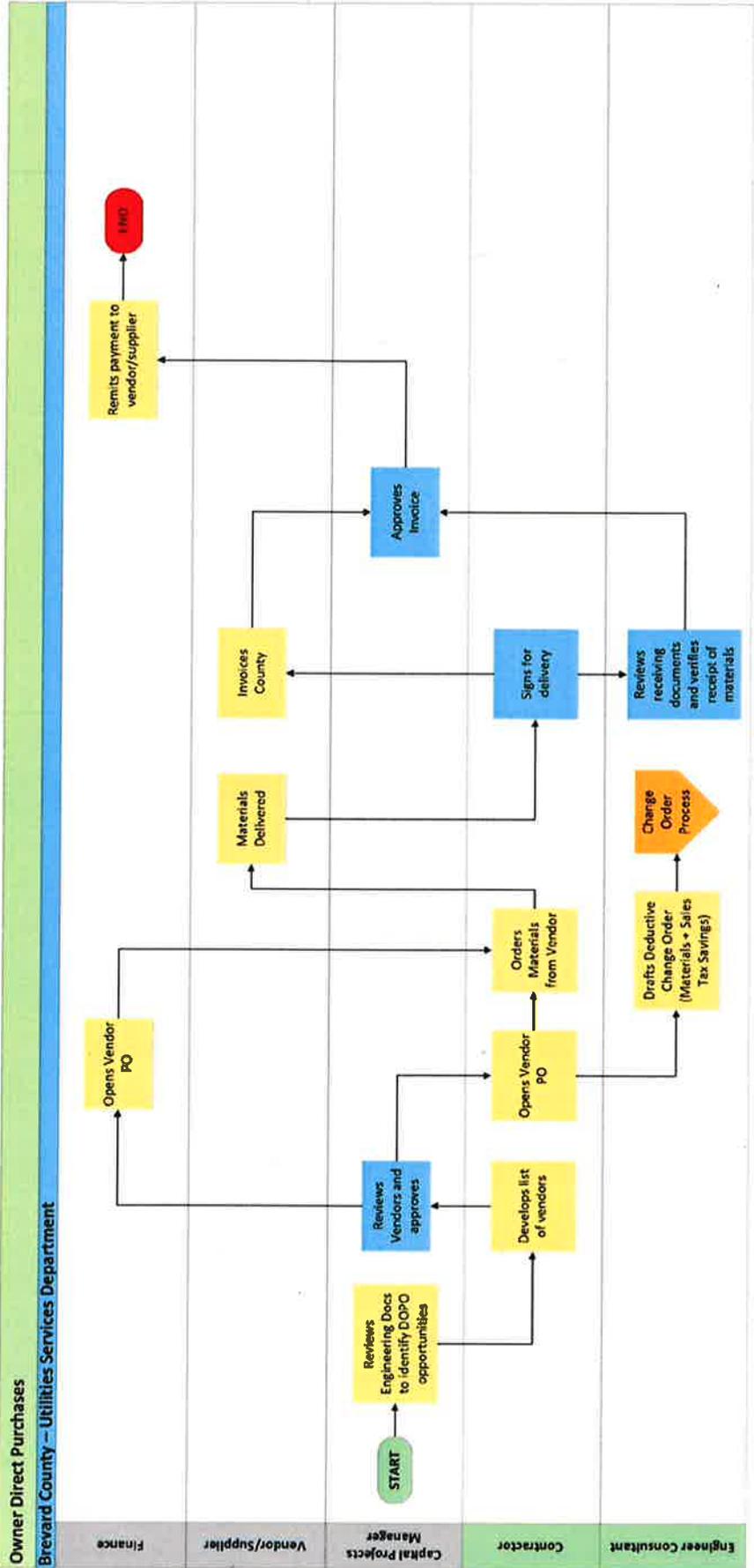
Note 1: Copies Distributed as follows
 1. Three Copies to Owner
 2. One copy to Engineer
 3. One copy to Contractor



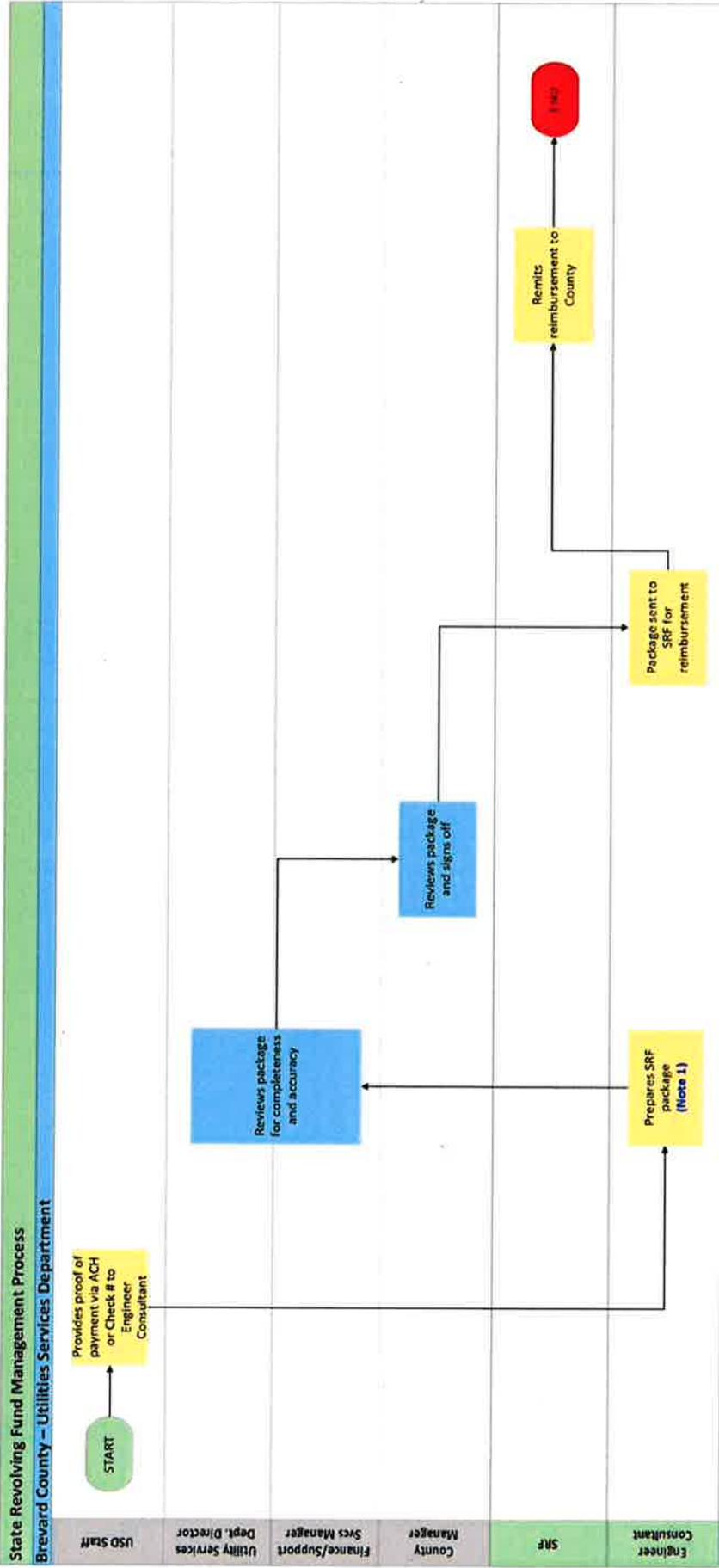
Process Maps - continued



Process Maps - continued



Process Maps - continued



Note 1: SRF Package includes the following:
 1. Fully Executed Original Pay Request
 2. Proof of payment via ACH or Check #
 3. Proof that check or electronic payment has been deposited





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