



AGENDA REPORT
May 21, 2019

Internal Audit Reports

SUBJECT:

Acceptance and Approval of the Internal Audit Reports.

DEPT/OFFICE:

County Manager

REQUESTED ACTION:

It is requested that the Brevard County Board of County Commissioners acknowledge and approve the Internal Auditor's Reports: Contract Compliance Review, Building Permitting One Stop, Fire Rescue Financial Condition and the South Central Regional Wastewater Treatment Facility Expansion Report.

SUMMARY EXPLANATION and BACKGROUND:

The Internal Auditors completed the Contract Compliance Review, Building Permitting One Stop, Fire Rescue Financial Condition and the South Central Regional Wastewater Treatment Facility Expansion Reports. These reports were reviewed by Internal Audit Committee on May 8, 2019.

The Contract Compliance Report is organized as follows:

- 1) Executive Summary
- 2) Background
- 3) Observations and Approach
- 4) Observation Matrix

The Building Permitting - One Stop Report is organized as follows:

- 1) Executive Summary
- 2) Background
- 3) Observations and Approach
- 4) Observation Matrix

The Fire Rescue Financial Condition Review is organized as follows:

- 1) Executive Summary
- 2) Background
- 3) Financial Analysis and Results

The South Central Regional Wastewater Treatment Facility Expansion Report is organized as follows:

- 1) Background
- 2) Objectives and Approach
- 3) Project Snapshot
- 4) Observation and Recommendation Follow Up
- 5) Process Maps

ATTACHMENTS:

Description

- **Contract Compliance Review**
- **Building Permitting - One Stop**
- **Fire Rescue Financial Condition Review**
- **South Central Regional Wastewater Treatment Expansion**



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May 22, 2019

MEMORANDUM

TO: Frank Abbate, County Manager

RE: Item F.33., Internal Audit Reports

The Board of County Commissioners, in regular session on May 21, 2019, acknowledged and approved the Internal Auditor's Reports: Contract Compliance Review, Building Permitting One Stop, Fire Rescue Financial Condition, and the South Central Regional Wastewater Treatment Facility Expansion Reports.

Your continued cooperation is always appreciated.

Sincerely,

BOARD OF COUNTY COMMISSIONERS
SCOTT ELLIS, CLERK

Tammy Rowe

Tammy Rowe, Deputy Clerk

/kp

cc: Finance
Budget



Brevard County, Florida
Internal Audit Report – Contract Compliance Review



April 26, 2019

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TRANSMITTAL LETTER



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April 26, 2019

The Audit Committee of
Brevard County, Florida
2725 Judge Fran Jamieson Way
Viera, Florida 32940-6699

Pursuant to the approved 2018/2019 internal audit plan, we hereby submit our contract compliance review of select service contracts. We will be presenting this report to the Audit Committee at the next scheduled meeting on May 8, 2019.

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 reviewed and the related monitoring 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 provides the results of our internal audit procedures, including our findings, recommended actions and management's responses.

We would like to thank all those involved in assisting us in connection with this review.

Respectfully,

Internal Auditors



Overview

The Department of Solid Waste Management is the contract administrator for the two service contracts selected for testing this cycle.

Waste Management, Inc. of Florida - Solid Waste Collection & Recycling Services

Waste Management, Inc. of Florida ("WM") was awarded solid waste collection and recycling services for all the unincorporated areas of Brevard County in March of 2013. WM is responsible to furnish all labor, supervision, transportation, equipment, and supplies necessary to accomplish these services. WM provides regular services on a daily, weekly and periodic schedule as applicable depending on the type of services required. The County provides compensation on a monthly basis for the solid waste residential collection services. WM was responsible to build a local Materials Recovery Facility ("MRF") within the County, which it constructed and commenced operations at the end of 2014. Additionally, the County collects a monthly revenue percentage share of the recyclables collected and processed by WM.

Tetra Tech – Disaster Debris Removal & Recovery Management Services

Tetra Tech, Inc. ("TT") was awarded disaster debris removal and recovery management services in January of 2015. TT is responsible to provide all services, materials and equipment to perform services agreed upon by written task orders executed by both parties. Billing for staff time is based on the staff hourly rates fixed in the contract or as specified in the executed task order times the number of actual hours incurred.

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 Internal Audit plan. This cycle included the Solid Waste Collection & Recycling Agreement between Brevard County and Waste Management, Inc. of Florida and the Disaster Debris Removal & Recovery Management Services Agreement between Brevard County and Tetra Tech, Inc. Both of these contracts are managed by the Department of Solid Waste Management ("the Department" or "SWM") as of the date of testing.

Our approach included, but was not limited to, the following:

- Conducted interviews with the County's contract managers and individual process owners to obtain an understanding of operational functions and monitoring processes;
- Detail testing of a sample of monthly compensation paid to WM for compliance with contract terms;
- Detail testing of a sample of monthly recycling revenue fee share collected by the County from WM for compliance with contract terms; and
- Detail testing of a sample of fees and expenses paid to TT related to Hurricanes Matthew and Irma for compliance with contract terms.

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 the County Manager to discuss the details of our findings.



Observations

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 the observations noted.

Ratings by Observation	
Waste Management – Solid Waste Collection & Recycling Services	
	Rating
1. Recycling Revenue Share	Moderate
2. Customer Complaints	Moderate
3. Required Reporting	Moderate
4. File Storage	Low
Tetra Tech – Disaster Debris Removal & Recovery Services	
	Rating
1. Invoice Review Procedures	Low



Overview

The Department of Solid Waste Management is the contract administrator for the two service contracts selected for testing. The two contracts selected are significant in terms of the contract's materiality and/or the contract terms complexity.

Waste Management, Inc. of Florida - Solid Waste Collection & Recycling Services

WM was awarded solid waste collection and recycling services for all the unincorporated areas of Brevard County. The agreement is effective March 21, 2013 through September 20, 2020 with an option to extend one (1) three-year term. However, WM notified the County that it does not intend to request the option to extend.

WM is responsible to furnish all labor, supervision, transportation, equipment, and supplies necessary to accomplish these services. WM provides regular services on a daily, weekly and periodic schedule as applicable depending on the type of services required. The County provides compensation on a monthly basis for the solid waste residential collection services. The "basic compensation" paid to WM for the solid waste collection services is calculated as follows: Total billing (residential) units (BU) on the tax roll certification x rate per BU per month (WM collection rate, adjusted annually based on the CPI as specified in the contract – any increase or decrease in the rate is capped at 3%.) The monthly basic payment based on this formula was \$1,059,123 and \$1,092,026 for FY2018 and FY2019, respectively.

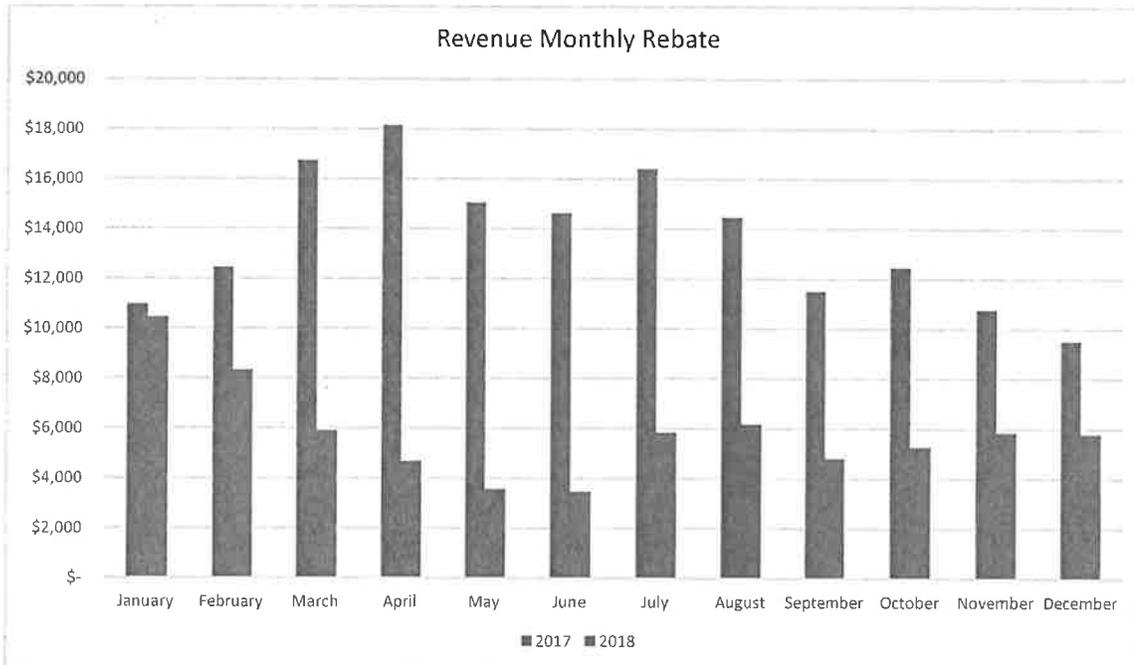
WM was responsible for building a local Materials Recovery Facility ("MRF") within the County, which it constructed, and commenced operations at the end of 2014. Additionally, the County receives a monthly revenue percentage share of the recyclables collected and processed by WM. The County's monthly share of the recyclables collected by WM is based on the following formula: (Average Market Value minus \$50 collector fee) times 40% = \$/ton of recyclables collected from WM.

Tetra Tech – Disaster Debris Removal & Recovery Management Services

Tetra Tech, Inc. was awarded disaster debris removal and recovery management services. This five-year agreement is effective January 27, 2015, through January 27, 2020, no option to extend. TT is responsible to provide all services, materials and equipment to perform services agreed upon by written task orders executed by both Parties. Billing for staff time is based on the staff hourly rate fixed in the contract or as specified in the executed task order times the number of actual hours incurred. Certain expenses are reimbursed by the County including travel and per diem as stipulated in the contract. The services performed to date over the life of the contract related to two specific disasters: Hurricane Matthew (2016) and Hurricane Irma (2017) with contract expenditures totaling \$1.7M and 1.3M, respectively. A majority portion of these contract payments is eligible for grant reimbursements from FEMA and the State of Florida.



The following chart (and subsequent charts) provide select statistics related to the monthly recycling revenue share that the County received from Waste Management for the calendar years ending 2017 and 2018. The chart below represents the County's total recycling revenue (rebate) collected each month for calendar years ending 2017 and 2018:

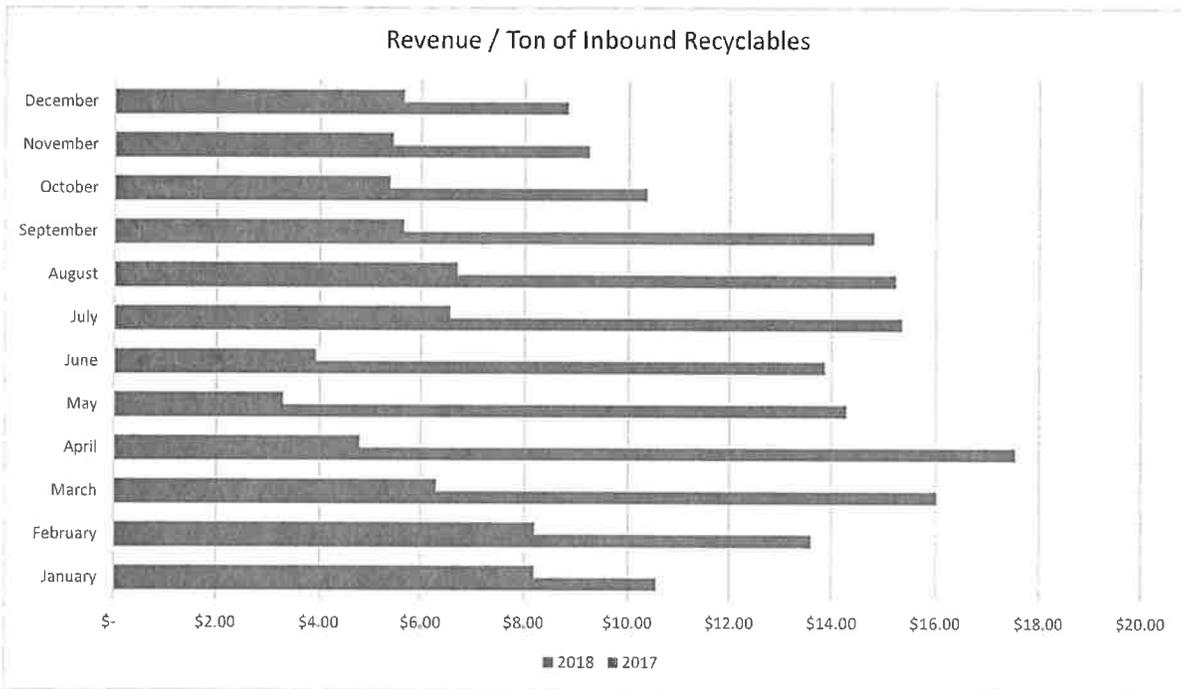


Total 2017 Rebate Revenue - \$163,117

Total 2018 Rebate Revenue - \$70,187



The following chart represents a comparison of the revenue per ton of inbound recyclables for the calendar years ending 2017 and 2018:



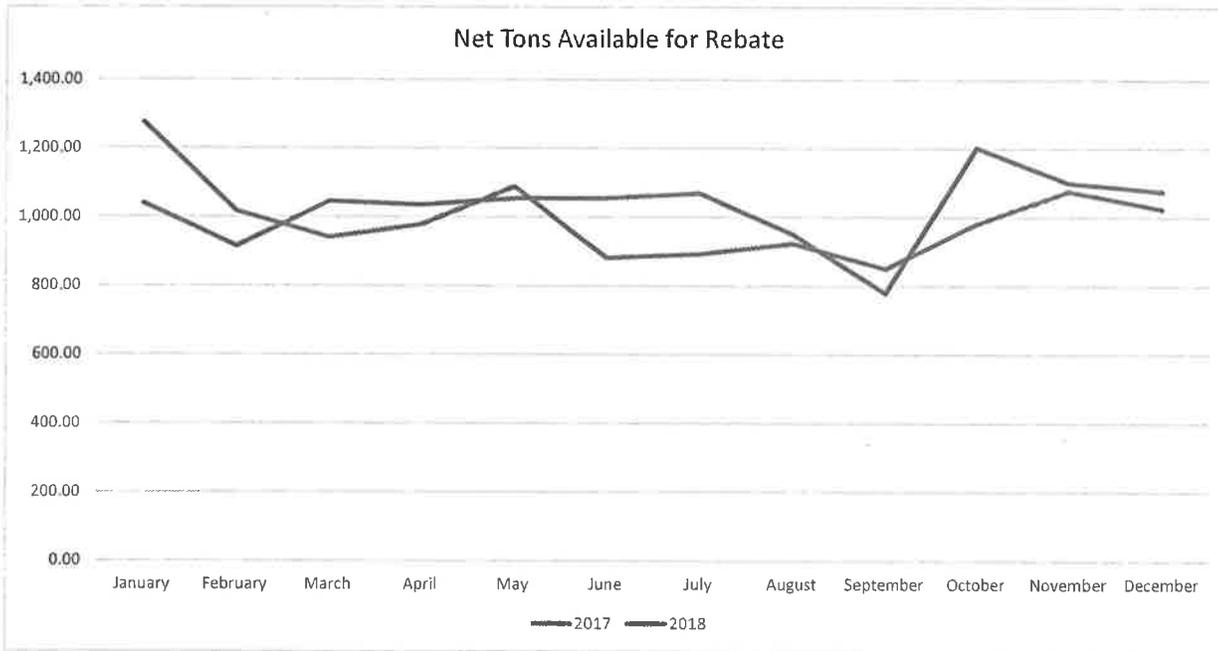
Total 2017 average revenue per ton of inbound recyclables - \$13.305

Total 2018 average revenue per ton of inbound recyclables - \$5.838



BACKGROUND

The following chart represents a comparison of 2018 net tons available for rebate for the calendar years ending 2017 and 2018. Net tons represent the total tons of the inbound program recyclables, net of trash and debris and net of moisture/residue.



Total 2017 net tonnage available for rebate – 12,320

Total 2018 net tonnage available for rebate – 11,926



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. This cycle included the Solid Waste Collection & Recycling Agreement between Brevard County and Waste Management, Inc. of Florida and the Disaster Debris Removal & Recovery Management Services Agreement between Brevard County and Tetra Tech, Inc. Both of these contracts are managed by the Department as of the date of testing. The scope of the WM contract compliance review was 10/1/2017 through 12/31/2018. The scope of the TT Contract consisted of the only two major disaster events that took place under the contract to date – Hurricanes Matthew (FY2016/17) and Irma (FY2017/18).

Approach

Our cycle audit 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 Department Director and contract managers for the WM and TT service contracts 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 related functions;
- Conducted interviews with the Department's contract managers for the WM and TT service contracts to obtain an understanding of operating functions key compliance attributes, and performance indicators for the following areas:
 - Waste Management:
 - Performance metrics and reporting requirements (monthly, quarterly, annually);
 - Customer complaint process and reporting;
 - Liquidated damages calculating and reporting;
 - Solid waste collection compensation calculation;
 - Maintenance of equipment;
 - County's monthly share of recycling revenue;
 - Insurance and bonding requirements; and
 - Performance of certified audit.
 - Tetra Tech
 - Fee compensation verification and approval;
 - Expense reimbursement review and approval; and
 - Insurance and bonding requirements.
- Identified risks and controls, and developed a detailed control testing script to facilitate phase two testing.



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 a sample basis for Waste Management (10/1/2017 – 12/31/2018). The scope of the Tetra Tech Contract consisted of the only two major disaster events that took place under the contract to date – Hurricanes Matthew (FY2016/17) and Irma (FY2017/18).

Our procedures during this phase included:

- Review of contract terms for compliance with County policies and procedures and Florida Statutes
- Detail testing of a sample of WM reporting and performance metrics requirements for compliance with contract terms;
- Detail testing of a sample of WM compensation calculation, less any liquidated damages for compliance with contract terms;
- Detail testing of a sample of the County's share of WM's monthly recycling fee calculation for compliance with contract terms; and,
- Detail testing of a sample of TT invoices (fees and expenses) for compliance with contract terms.

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 (Department Director) and County Manager to discuss the details of our findings. Recommendations and Managements Responses are included.



OBSERVATIONS MATRIX

Observation	1. WM - Recycling Revenue Share
<p>Moderate</p>	<p>During our compliance review of the recycling revenue share as calculated and submitted by WM, we noted the following:</p> <ul style="list-style-type: none"> • The recycling revenue formula per Exhibit E of the contract is as follows: $[(\text{Average Market Value} - \\$50 \text{ Collector's Fee}) \times \% \text{ bid by Proposer} = \\$/\text{ton of recyclables collected (inbound)}]$. The formula in Exhibit E of the contract does not include the "Residue-T&D" (the 1 - 25.6%), nor the residue moisture amount that WM deducts in calculating the County's share of the recycling revenue. For the months tested, if these items were not deducted, the County's revenue share would have been higher as follows: Oct -- \$2,016; Nov -- \$2,123; Dec -- \$2,045. • The Department relies on WM's self-reporting of the actual tons recycled each month. • The Department relies on WM's self-reporting of the materials component percentage allocation. • There is no separate review and approval of the recalculation of the recycling revenue fee. • The Department employee who reviews and recalculates the recycling revenue fee provided by WM does not provide the results of the review to the Department employee who processes the revenue share check received from WM. <p>The lack of independent verification of these self-reported components that are utilized by WM in the calculation and payment of the County's share of the recycling revenue and the Department's lack of a formal, documented internal review and approval process increases the risk that the County may not be paid the full and accurate amount due.</p>
<p>Recommendation</p>	<p>We recommend the following:</p> <ol style="list-style-type: none"> a. The County should confirm whether WM's deductions for the "Residue - T&D" and residue moisture are appropriate and consistent with industry standards. If so, the County should consider revising the contract to adjust the formula accordingly. b. The County should perform periodic surprise, spot-checks at the recycle facility to verify the accuracy of the actual recyclables collected as self-reported by WM in the monthly fee calculation submitted to the County each month. In the next solid waste and recycling contract, the County should also include a provision that clearly provides for these spot-checks. c. The County should request from WM the materials' component measurement study that supports the materials' component percentage that WM utilizes in the calculation of the County's revenue shared fee per ton. d. The County should include a provision in the next solid waste and recycling contract that requires the Vendor to obtain or reimburse the County in part or in whole for an independent analysis to update the materials' component percentage utilized by the Vendor to calculate the County's share of the recycling revenue each month. Further, this contract provision should provide for additional materials' component percentage updates during the period of the contract at the discretion of County management. e. The Department should specify one employee to be the overall contract monitor. As the contract manager, this person should be responsible for separately reviewing, approving and verifying that the County's recycling revenue share, as calculated and paid, has been properly verified in terms of accuracy and compliance with the contract.



OBSERVATIONS MATRIX - CONTINUED

Observation	1. WM - Recycling Revenue Share - continued
<p>Management's Action Plan</p>	<p>Response:</p> <ul style="list-style-type: none"> a. The residues are currently divided into two components as stated in the recommendation. Management has verified that the industry has incurred a sharp increase in the amount of residual and there has been several articles and studies regarding this issue. Management has rejected the concept of the use of moisture as a measurement of residuals and requested Waste Management to do the same. The report for January, 2019 no longer has this category. b. Management concurs with this recommendation and has informed Waste Management of the same. We are also incorporating this recommendation into the next contract. c. Management concurs with this recommendation and will insert into the next contract a provision that clearly provides for updates to the percentages of materials recycled. d. Management concurs with the recommendation of providing in the future contract a provision for the vendor to partially reimburse the county since both parties will benefit from an independent study. e. Management concurs with this recommendation and will name an employee to act as contract manager. <p>Responsible Party: Contract manager to be named.</p> <p>Estimated Completion Date: Recommendations are expected to be completed by 06/30/2019 and the next contract will be in place by 10/01/2020.</p>



OBSERVATIONS MATRIX - CONTINUED

Observation	2. WM – Customer Complaints
<p>Moderate</p>	<p>The contract states that WM is responsible for receiving, processing and resolving all complaints. WM processes the complaints that it receives directly from customers via phone or its website. Then, WM sends a report to SWM staff who then manually input the complaints into the complaint database. Additionally, SWM has a link on its website for customers to submit complaints directly to them related to WM's service. SWM staff records/updates the information in the complaint database and then forwards via email to the WM staff responsible to resolve. WM staff emails SWM staff to close the complaint and mark it resolved in the complaint database. Further, SWM staff apply a cumbersome search method to the complaint database to identify the claims subject to liquidated damages, etc.</p> <p>Consequently, SWM has two FTE's that devote significant time to manually processing the complaints, including, manually filtering out the non-legitimate complaints, responding to customers via email or phone to resolve, and determining/validating the applicable liquidated damages based on the types and frequency of each claims per month.</p>
<p>Recommendation</p>	<p>We recommend the following:</p> <ul style="list-style-type: none"> a. Rather than the two FTE's devoting significant time to processing and following up on the complaints, the Department staff should limit time spent only as considered necessary from a customer service point of view. b. In lieu of manually inputting the claims reported by WM to the Department into the complaint database, the County should work with County IT to reconfigure the complaint database to allow the vendor's complaint database to import/upload the complaints it receives directly for processing and resolution. c. The Department staff should utilize the filtering features of the complaint database in monitoring activities to ensure the accuracy and completeness of the complaints. Additionally, utilizing the filtering features and the reports that can be generated from the complaint database automates the process to recalculate/validate the self-reported liquidated damages on a monthly basis – including, but not limited to: review of individual complaints on a sample basis, generate monthly reports from the complaint database and reconcile to the reports submitted by the Vendor.
<p>Management's Action Plan</p>	<p>Response: Management will endeavor to reduce the time dedicated to processing complaints without affecting customer service or the monitoring of the complaints. Management will also coordinate with Information Technology to provide options for importing into our system the information received from the vendor and increase the monitoring activities to insure data quality.</p> <p>Responsible Party: Contract manager to be named.</p> <p>Estimated Completion Date: September 30, 2019</p>



OBSERVATIONS MATRIX - CONTINUED

Observation	3. WM – Required Reporting
<p>Moderate</p>	<p>Based on discussions with the SWM Department Director, the Department has not received Quarterly reports for the following performance metrics as required by the Agreement:</p> <ul style="list-style-type: none"> • Customer Complaints • Customer Satisfaction Survey • Special Bulk Pickups • Bulk Yard Waste • Repair of Containers & Carts <p>The contract also notes, “Contractor will also maintain the status of these performance metrics on its website as public information.”</p> <p>The Agreement requires the Vendor to meet these metrics on a quarterly basis for the County Manager to be authorized to agree to the additional renewal term stated in the Agreement (one additional 3-year term). However, the Department Director provided Internal Audit with a letter from the Vendor that indicated that it does not intend to renew the agreement.</p>
<p>Recommendation</p>	<p>We recommend the following:</p> <ol style="list-style-type: none"> a. The County should require the vendor to comply with the quarterly reporting requirements as specified in the contract. b. Management should require the vendor to publicize the status of the particular performance metrics on the Contractor Website as required by Section 3. C. of this Agreement. c. Management should consider instructing WM to perform satisfaction surveys as required by the Agreement to help gauge WM's service effectiveness. Some customers are not as inclined to be proactive and use the medium of complaint to point out a lack of satisfactory customer service; however, some if asked, may voice their opinion. The complaint medium combined with customer satisfaction surveys provide for a more representative and extensive feedback. Although WM has indicated their intent not to renew the existing agreement, these metrics should be required for the remainder of the existing agreement term with the current vendor and should be included in the new agreement going forward.
<p>Management's Action Plan</p>	<p>Response: Management concurs with recommendations. The Department requested WM to correct the quarterly reports situation several months ago and is actively seeking contractual compliance regarding this issue.</p> <p>Responsible Party: Solid Waste Management Director</p> <p>Estimated Completion Date: May 31, 2019</p>



OBSERVATIONS MATRIX - CONTINUED

Observation	4. WM – Files Storage
Low	Based on discussions with Department staff, we noted that the files received from the vendor, in several instances, were only retained within the individual email accounts or on staff's respective computer hard drives (examples include: the vendor's monthly recycling fee calculation, copy of vendor letter with CPI calculation).
Recommendation	We recommend that the Department require the staff to retain the files related to contract compliance monitoring on the Department's server for universal access by other personnel, as appropriate, for processing or review in order to mitigate any delay in the processing and review of the data in case of staff extended illness, vacation, or sudden departure.
Management's Action Plan	<p>Response: Management concurs with recommendation.</p> <p>Responsible Party: Special Projects Coordinator</p> <p>Estimated Completion Date: May 15, 2019</p>



Observation	1. TT - Invoice Review Procedures
<p>Low</p>	<p>Through inquiry, we noted that the Fiscal Staff obtains the Tetra Tech invoices and supporting documentation in order to verify the hourly rates and expense reimbursement requests for accuracy and compliance with the contract terms. However, based on our review of the vendor invoices tested and related supporting documentation, there was no documented evidence ("sign-off") of the performance of this control provided such as tick marks/checkmarks, signature, initials, date, etc.</p> <p>Additionally, we noted that verification steps performed by the Fiscal Staff were not documented in the form of written procedures.</p>
<p>Recommendation</p>	<p>We recommend that the County require the invoice reviewer to document the control procedures performed via sign-off and date as evidence of the verification and compliance process.</p> <p>Further, we recommend that management document the invoice verification and contract compliance procedures via a step-by-step narrative, flowchart and/or checklist.</p>
<p>Management's Action Plan</p>	<p>Response: Management concurs with recommendation.</p> <p>Responsible Party: Finance Officer</p> <p>Estimated Completion Date: May 31, 2019</p>

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

**Internal Audit of
Building Permitting – One Stop**

**Prepared By:
Internal Auditors
April 26, 2019**



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April 26, 2019

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

Pursuant to the approved 2018/2019 internal audit plan, we hereby submit our internal audit of the Building Permitting – One Stop function. We will be presenting this report to the Audit Committee at the next scheduled meeting on May 8, 2019.

Our report is organized in the following sections:

Executive Summary	This provides a summary of the observations and testing results related to our internal audit of the Building Permitting – One Stop function.
Background	This provides an overview of the Building Permitting – One Stop function.
Objectives and Approach	The internal audit 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 actions and management's responses.
Other Observations	This section provides a summary of observations made during the internal audit process and recommendations.

We would like to thank all those involved in assisting the Internal Auditors in connection with the internal audit of the Building Permitting – One Stop function.

Respectfully Submitted,

Carr Riggs & Ingram, LLC

INTERNAL AUDITORS

Executive Summary

Executive Summary

Overview

The Building Permitting - One Stop program ("One Stop") is administered and coordinated by the Building Code Division ("Division") of the Planning & Development Department ("Department"). The Chief Building Official is the Building Code Division Manager. The primary function of the Division is the administration and enforcement of the Florida Building Code and other state and local laws, rules and regulations governing building construction. The Division is completely fee supported and receives no general fund revenue support. The permitting and inspection process is the mechanism used for ensuring building construction meets the minimum construction code standards. The One Stop program centralizes the building permit process by providing customers a single point of contact to other County agencies that have related construction rules and regulations.

The focus of this internal audit is to review the processes and controls in place and evaluate the County's response to meeting the community's increased building and development needs specifically with respect to the permitting process via the One Stop program.

Objectives

The primary objectives were to assess whether the system of internal controls over the One Stop function is adequate and appropriate for promoting and encouraging the consistent application of management's objectives for compliance with policies and procedures.

Observations

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	Risk Rating
1. <i>Contractor License Validation</i>	Moderate
2. <i>Permit Application Review</i>	Moderate
3. <i>Department Website Links</i>	Low

Testing Results Summary

We randomly selected and tested 40 permits issued during the last 12 months ending January 31, 2019:

Sub Process / Testing Criteria	Results
Permit Application Intake – reviewed applications for accuracy & completeness including but not limited to: owner contact info, contractor info, notice of commencement, etc.	✓
Permit Review & Approval – verified that the proper One Stop agencies reviewed the permit based on permit type and that any deficiencies were resolved before approval.	✓
Permit Issuance – verified permits were issued after final approvals were obtained & fees were calculated and paid in accordance with the County approved fee schedule.	✓

Background

Background

Overview

The Building Permitting - One Stop program ("One Stop") is administered and coordinated by the Building Code Division ("Division") of the Planning & Development Department ("Department"). The Chief Building Official is the Building Code Division Manager. The primary function of the Division is the administration and enforcement of the Florida Building Code and other state and local laws, rules and regulations governing building construction.

The Division is completely fee supported and receives no general fund revenue support. The permitting and inspection process is the mechanism used for ensuring building construction meets the minimum construction code standards. The One Stop program centralizes the building permit process by providing customers a single point of contact to other County agencies that have related construction rules and regulations.

Application Intake

The One Stop process starts with the customer submittal of a building permit application to the Building Code Office. Applications are processed and distributed to One Stop review agencies using a central computer software program, Accela. The Accela program provides a workflow process that tracks agency reviews and inspections, and provides a method for fee assessment and collection. Accela also provides for file maintenance and digital file storage of all documents, plans, and surveys associated with each application. The agencies in the One Stop review include:

- Building Code - Florida Building Code plan review and inspections.
- Concurrency – Review of water & sewer capacity certificates from utility providers.
- Fire Prevention – Florida Fire Prevention Code plan review and inspections.
- Impact Fees – Assess impact fees per County adopted impact fee schedule.
- Land Development – Review residential plans for lot drainage, driveways, and sidewalks.
- Natural Resources Management – Review landscape, wetlands and environmental impacts.
- Public Works - Review for right-of-ways and easements.
- Zoning – Review for zoning regulations

Configuration within the Accela system enables a selection of various workflows and permit types. The scope of work identified on a permit application determines the permit type selected for entry into Accela, which in turn determines the appropriate workflow and review agencies.

The application intake process is handled by Customer Service Representatives (CSRs). The CSRs perform a preliminary completeness/sufficiency "Triage" review of applications, create an application within Accela system, and scan/upload all documents and plans submitted with the permit application. The next step is review by One Stop agencies. The Accela system provides a task list alerting review agencies of applications ready for their review.

Background - continued

Application Review

Review agencies work from their respective agency task lists and perform reviews of application documents and plans for code compliance. Review agencies perform reviews in the order received with a goal of completing all reviews within seven calendar days of receipt. Review turnaround times are monitored through a weekly "score card" report (see below - unaudited). The report reveals the seven-day review time goal is consistently met 95% of the time or better. Each review agency either approves the application or makes a finding of deficiencies and assesses the appropriate fees into the Accela. Agency deficiency comments are logged into the Accela system and are available to the customer through the County's online system permit, BASS (Brevard Advanced Service System). Customers are notified upon completion of all agency reviews and informed the application is approved or deficient. Deficient application reviews go back to Application Intake status waiting for customer response to deficiency comments. Approved applications move forward to permit ready for issue status.

The summary and lists are color coded to indicate the amount of time in review: green is 7 calendar days or less from application or revision submittal, yellow 8 to 10 calendar days, and red indicates those applications that have not been reviewed for 10 or more days from submittal. The color-coding is intended to aid in prioritizing reviews and to assist in monitoring the One Stop team's progress.

March 11 – March 15 Average Daily Intake: Applications Per Day 86							
Agency	Total No. In Review	0 - 7 days Old	8 - 10 Days Old	Over 10 Days old	% 0 -7 Days	# Reviews Completed	Average Days to Complete
Building	35	35			100%	329	2.2
Concurrency	0				100%	1	1.0
Fire	44	42		2	95%	60	6.7
Impact Fees	0				100%	23	1.0
Land	31	31			100%	122	3.5
NRM	147	146		1	99%	138	7.4
Water Resources	18	18			100%	62	1.7
Zoning	3	3			100%	189	2.4
	Total in Customer Contact	0-1 Days	2 Days or More			% 0-1 Days	
Customer Contact/Review Status	11	11				100%	

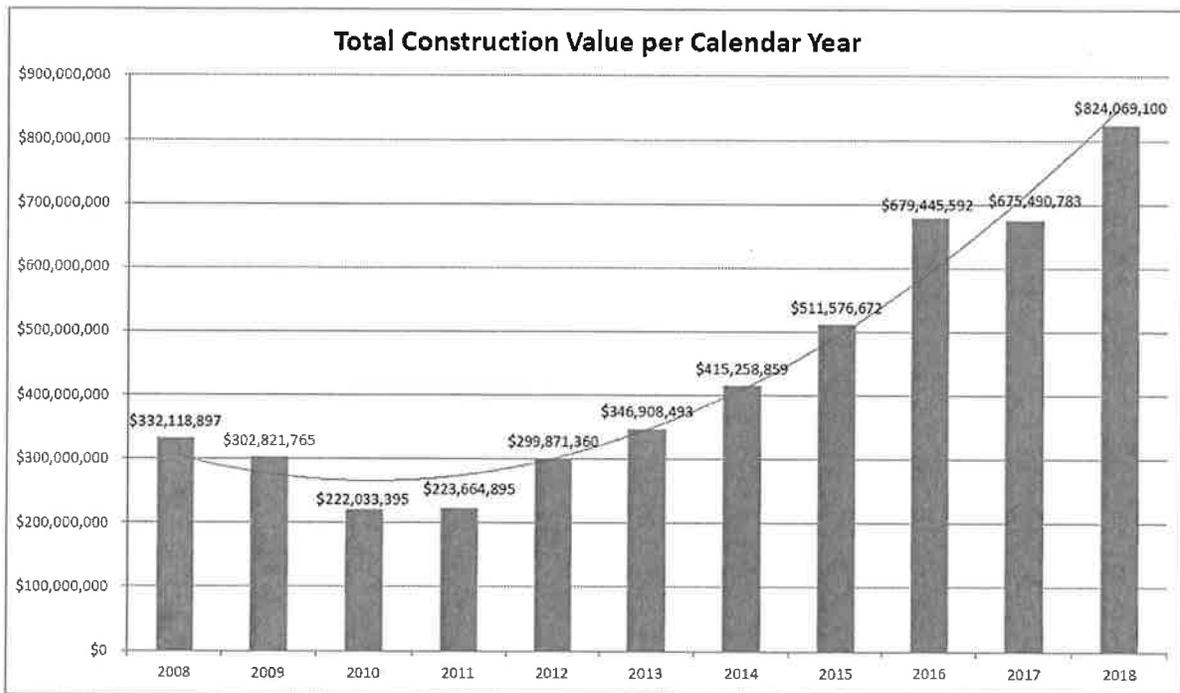
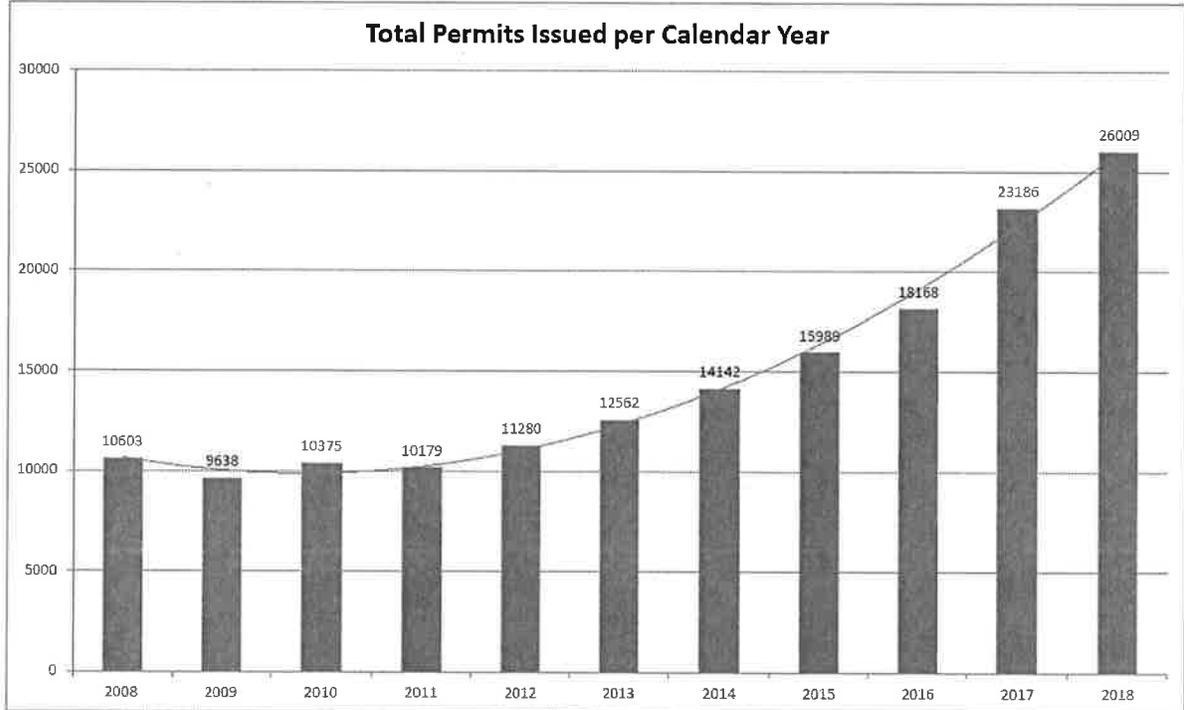
Permit Issuance

The customer pays the permit fees assessed by the review agencies; then the permit is issued. The project commences and the work is inspected as it progresses. Upon successful completion, the permit status becomes final. Depending upon the scope of the project, a certificate of occupancy or certificate of completion is issued.

Background - continued

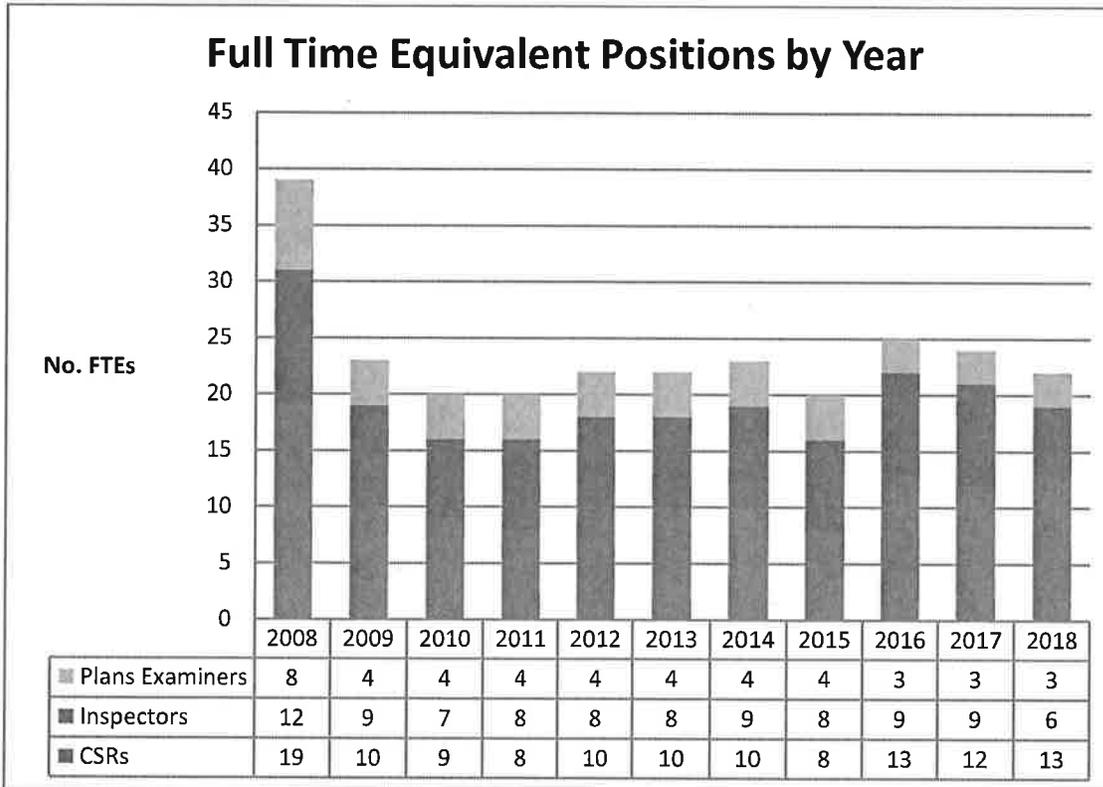
History/Background

The building permitting program has used the Accela computer system since late 2007. This system was implemented during the economic downturn when staff were reduced by 60%. See charts below.



Source: Chief Building Official (unaudited)

Background - continued

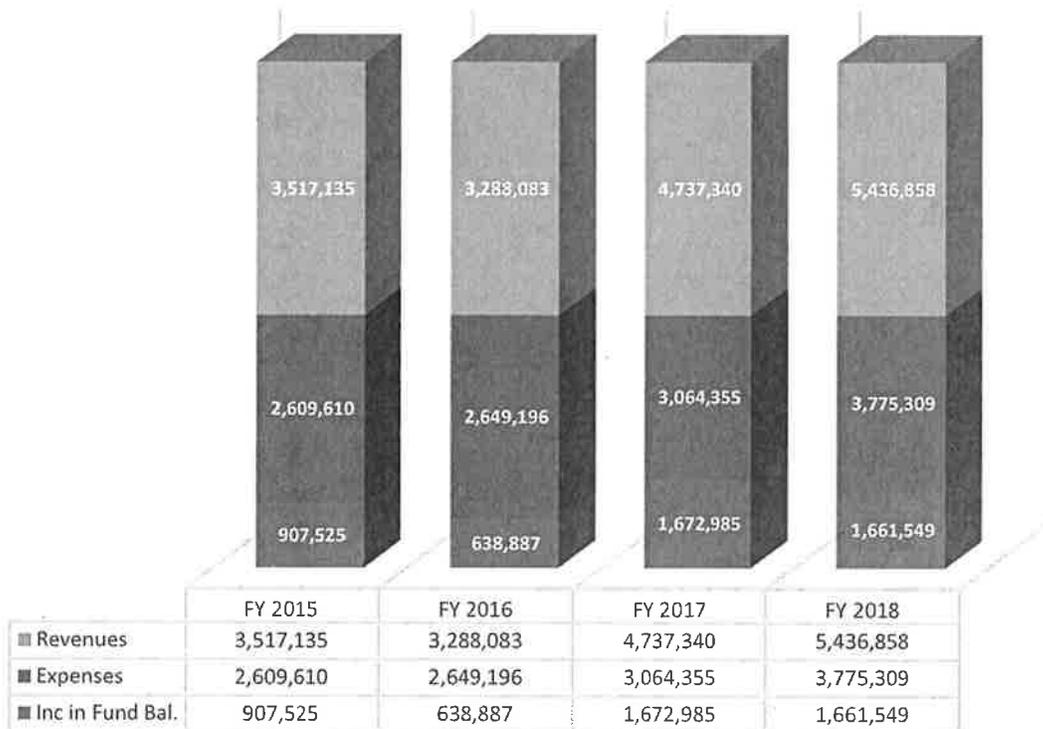


Source: Chief Building Official (unaudited)

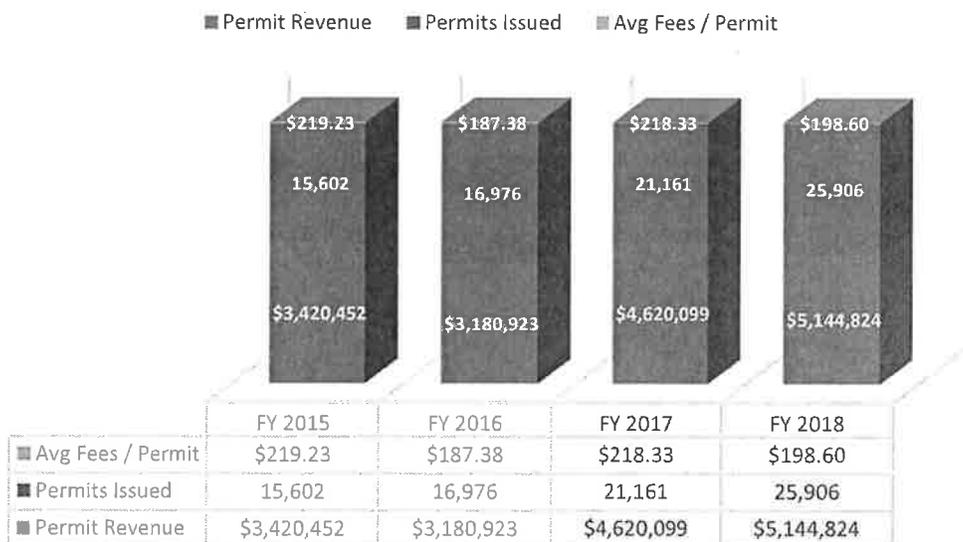
Although there has been significant recovery in the construction sector, through the leveraging of the Accela technology, the County has not had to increase staff levels to pre economic downturn levels, yet appears to still be able to efficiently serve its customers - as demonstrated in the above charts (pages 4 – 6).

Background - continued

DIVISION REVENUE AND EXPENSES



DIVISION PERMIT STATS



Source: Chief Building Official (unaudited)

The fluctuations in permit revenue and average fees per permit from year to year are a function of the following: permit types, individual job values and permit volume. FY 2018 permit stats were adjusted to exclude the effect of building permit fees waived by the County Commissioners for repairs of Hurricane Irma related damages, which increased the average fees per permit by approximately \$14.

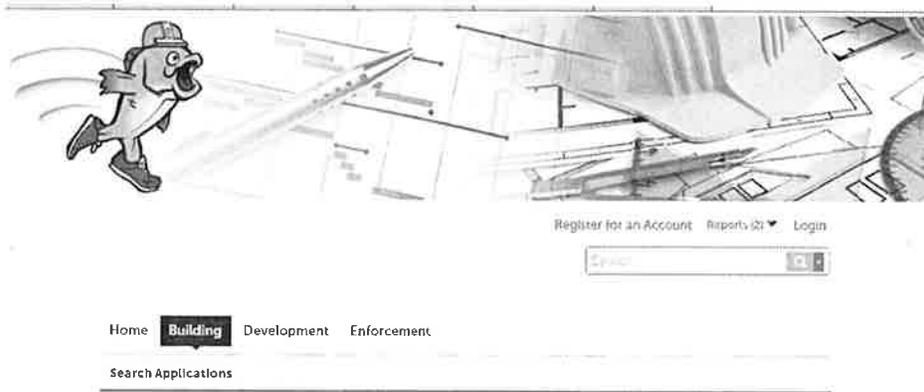
Background - continued

Digital and Online Services

The County's focus in the last five years has been on providing its customers online service capabilities through the implementation of the Brevard Advanced Service Site (BASS) online permitting system. The County has also implemented the digital plan submittal and review process to allow acceptance of permit documents and plans in a digital (pdf) format instead of paper, with the ultimate goal of going completely paperless. Online services through BASS provide citizens and customers with 24/7 real time access to permitting information within the Accela database. Online services includes the ability for customers to perform online permit search, make online payments, track permit application status and access review comments, schedule inspections and view inspection results. The BASS system provides licensed contractors with a secure account registration enabling online submittal of certain permit application types and online issuance of permits. Current available online permit types include:

- Residential and Commercial Roofing
- Residential and Commercial HVAC Mechanical
- Residential Fences
- Residential Swimming Pools
- Residential Swimming Pool Resurface
- Residential Whole House Generators
- Residential Demolition
- Residential Door/Window/Hurricane Shutters
- Residential and Commercial Electrical
- Residential and Commercial Plumbing

To date about 45% of all permit applications received are through the BASS online system. Additional online permit types will be offered in the near future with the goal of all permit types being available online.



Search Building Permit Applications

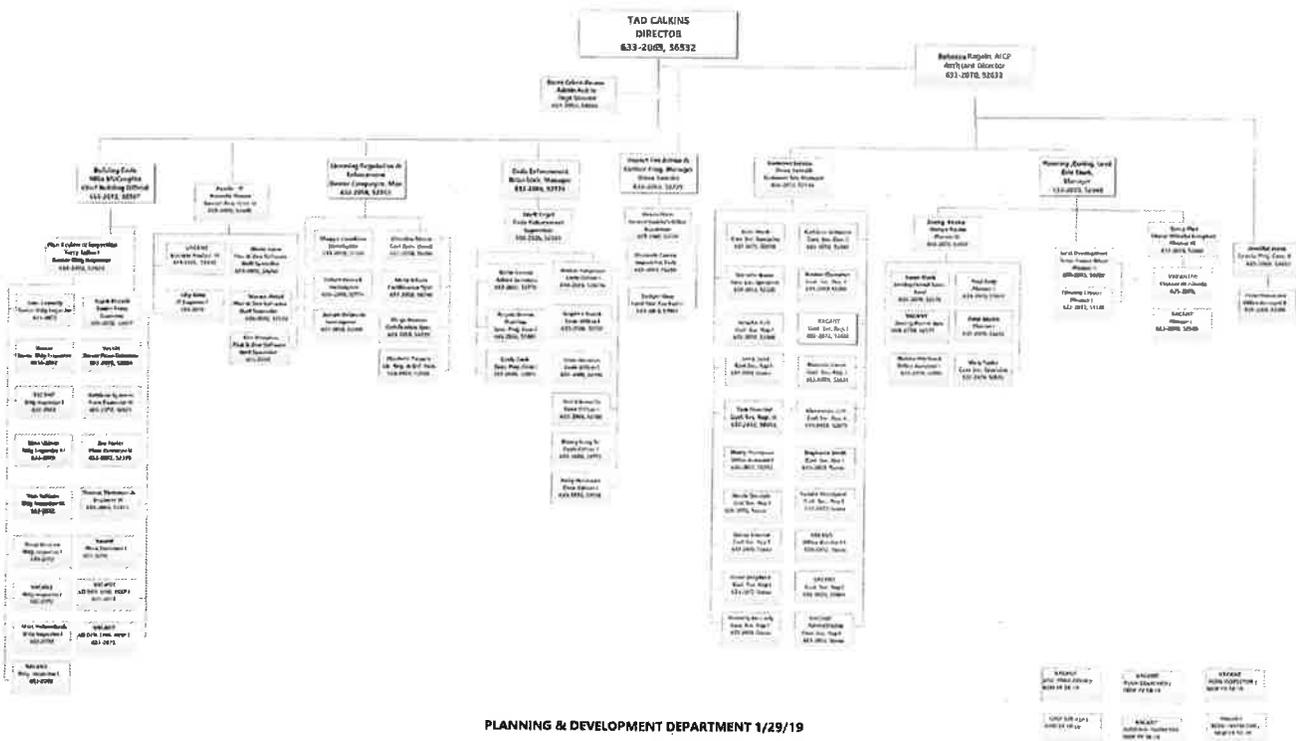
Organization & Staffing

The Building Code Division ("Division") is part of the Planning & Development Department ("Department"). Key personnel from the Department that are involved in the operations and assisted in the internal audit included:

Name	Title
Tad Calkins	Director
Michael K. McCaughin	Chief Building Official
Dawn Verostic	Customer Service Manager

Background - continued

Planning & Development Organizational Chart



Objectives and Approach

Objectives and Approach

Objectives

The primary objectives of this internal audit included the following:

- Obtain an understanding of the Building Permitting – One Stop Function.
- Assess the building permitting processing and related review & approval controls.
- Verify compliance with statutes, policies, procedures, administrative orders and by-laws.
- Review performance measures and identify potential benchmarking opportunities.

Approach

Our internal audit approach consisted of three phases:

Understanding and Documentation of the Process

During the first phase, we held an entrance conference with key personnel involved in the Building Permitting – One Stop program to discuss the scope and objectives of the internal audit work, obtain preliminary data, and establish working arrangements. We reviewed Florida Statutes, administrative orders, County policies and other relevant resources. We gained an understanding and documented the overall facilities management function, and related processes. We conducted interviews with management and staff and documented their respective roles in the processes. We updated our understanding of the processes and relevant controls.

Detailed Testing

The purpose of this phase was performance of testing procedures based on our understanding of the Building Permitting – One Stop function to meet the objectives stated above. Our detailed procedures included inquiry, walkthrough and/or testing of individual transactions in the areas detailed below.

Building Permitting - We performed a random sample of 40 building permits issued February 1, 2018 through January 31, 2019. We inspected building permit supporting documentation and other related support in Accela to test various controls in the building permitting process, verifying the following:

- Permit Application Intake – the permit application was accurate and complete based on the permit type; the CSR's submitted the permit application to the appropriate agencies in the workflow queue.
- Permit Application Review – the appropriate agencies reviewed the permit based on the type of permit; final approvals were provided only after any deficiencies were resolved.
- Permit Issuance – the CSR's only issued the permit after all the appropriate approvals were obtained, including indication that any deficiencies were resolved, by the applicable agencies and fees were calculated and paid in accordance with the County's approved schedule of fees.

Performance Measures / Benchmarking - We reviewed the various current performance measures in place to determine if they were adequate and to identify any additional useful metrics and benchmarks (See background section above for examples of some of the performance measures utilized by management).

Reporting

At the conclusion of our procedures, we documented our understanding of the Building Permitting – One Stop function and summarized our observations related to this function. We conducted an exit conference with management and have incorporated management's responses into our report. We prepared our report and related observations and provided copies to appropriate County personnel.

Observations Matrix

Observations Matrix

Internal Audit Report

Rating	Observation	Recommended Action	Management Response
Moderate	<p>1. Contractor License Validation</p>		
	<p>During our walk through of the permitting process with one of the CSR's, we noted the contractor in the Building permitting module of Accela showed as active (no license record deficiency was noted). However, when the CSR (with the internal auditor) took the additional step to verify the contractor's licensure status by accessing a different module in Accela and clicking on "Verify License" – the reply was "No records found".</p> <p>The CSR representative had to check with the County's Licensing, Registration and Enforcement (LRE) Division to determine the contractor's actual license status. An LRE representative indicated that the contractor's license had a deficiency due to expired insurance information, and therefore was currently not active until the deficiency was resolved.</p> <p>The CSR indicated that this is a known problem within Accela resulting from the LRE module not properly interfacing with the Building Permitting module. We followed up with the CSR Manager who confirmed that this is a known issue and has not yet been resolved.</p> <p>As such, the CSR's are supposed to independently verify the status of the contractor's license as part of the permitting application intake process and document any deficiencies in Accela accordingly.</p>	<p>We recommend that the Department continue to work with the County IT Accela designated in-house specialist to determine if this module interfacing issue can be resolved. Additionally, the Department should contact the software vendor to determine if there is a cost efficient way to resolve this matter.</p> <p>Resolving this module interfacing issue will reduce the risk of the CSR inadvertently issuing a building permit to a contractor with a deficient (inactive) license.</p>	<p>Response:</p> <p>The Accela Software team has explored adding a warning that appears when an attempt is made to utilize a contractor with a deficient license. However, the team believes this warning is compatible only with Internet Explorer, thereby mandating that browser's use by the front line employees. Before deploying this solution, we will explore software compatibility issues that could arise as a result of the customer service representatives being required to use Internet Explorer exclusively.</p> <p>Responsible party:</p> <p>Amanda Elmore, Special Projects Coordinator IV (supervisor/manager for the Accela IT Team)</p> <p>Estimated completion date:</p> <p>September 30, 2019</p>

Observations Matrix - continued

Internal Audit Report

Rating	Observation	Recommended Action	Management Response
Moderate	<p>2. Permit Application Review / Access</p>		
	<p>We noted through inquiry and observation that the CSR's have the ability to "turn on" or "turn off" which agencies are included in the Accela building one-stop permit application review and approval workflow queue.</p> <p>Per discussion with the Chief Building Official, Mike McCaughin, and Dawn Verostic, CSR Manager, the CSR's are supposed to leave Accela at the default setting. The default setting is all agencies are "turned on" for the permit review and approval process. Management prudently determined that it should be at the discretion of the respective agencies whether or not the permit type and scope of work would be "exempt" from their review (i.e. Fire, Impact Fees, and Zoning etc.) rather than the CSR.</p> <p>However, during our discussions with three of the CSR's at the front desk, some said they exercise their judgment and turn off the agencies that do not need to be included in the permit review process.</p> <p>We did not identify any exceptions in our detailed testing of 40 sample items out of a population of approximately 26,000 permits issued; however, there is the risk that one of the agencies that is required to review a particular permit could be excluded.</p>	<p>We recommend that management perform the following:</p> <ol style="list-style-type: none"> a. Work with the Accela IT specialist (and or Accela software vendor, if needed) to determine if the ability to change the manual default setting from - all agencies review - can be restricted to the CSR Manager, Chief Building Official, designated lead; or if this is not feasible; b. Provide guidance / training to the CSR's not to change the Accela default setting that routes the permit applications to all One Stop agencies in the work flow review queue. This recommendation does not apply to management's predetermined configurations built into Accela, which for certain permit types will automatically designate which One Stop agencies must be included in the permit application work flow review queue. 	<p>Response:</p> <p>The Accela Software team checked the Accela function called 'In Process Task Activation' and determined that the function is part of the workflow and does not have the capability of selective permissions or restrictions. The function is essentially an all or nothing function, meaning all users have the ability to select or 'turn on or off' review agencies in the workflow, or no users have this ability. It has therefore been determined that Recommended Action Option b will be the method to address this issue. CSR's will be provided additional guidance and training as a business practice to not change the Accela default setting.</p> <p>Responsible party:</p> <p>Dawn Verostic, Customer Service Manager</p> <p>Estimated completion date:</p> <p>September 30, 2019</p>

Observations Matrix - continued

Internal Audit Report

Rating	Observation	Recommended Action	Management Response
Low	<p>3. Department Website Links</p>		
	<p>We noted that the Department of Planning & Development portal on the County website includes various broken links under "How Do I...or Do I Need..."; examples include (link resources are in blue italics):</p> <ul style="list-style-type: none"> • Building Code FAQ's <ul style="list-style-type: none"> ◦ <i>"How do I access the Florida Building Code?"</i> ◦ <i>How do I find impact fee information?"</i> • Code Enforcement FAQ's – <i>"Do I need a permit?"</i> this is linked to "Contract Brevard County <i>Building Department</i> for permitting requirements. The link for <i>Building Department</i> does not work. <p>For the broken links noted above, when we clicked on them, it resulted in the following error message: 404 – Page Not Found</p>	<p>We recommend that County Management work with County IT and perform the following related to the Department webpages on the County website:</p> <ol style="list-style-type: none"> a. Repair the broken links noted related to Building Code FAQ's and Code Enforcement FAQ's b. Review the various other links to identify any broken links that need to be repaired. 	<p>Response: This issue has been resolved. County IT is in an ongoing process to update and improve County web pages for ADA compliance. The Building Code web page was in mid process and the broken links have been removed/repared and now function correctly.</p> <p>Responsible party: Jennifer Jones, Special Projects Coordinator II</p> <p>Estimated completion date: Completed – April 17, 2019</p>

Accela Functionality

Based on our walkthroughs and discussions with the Customer Service Manager, the Chief Building Official, and various CSR's, we noted the following with regard to the functionality / usability limitations and / or need for enhancements of Accela (some of the Accela limitations were also included in the observations above):

- **Permit Intake Date:** The available Accela reports for permits issued does not include the date the permit application was accepted (date opened). As such, management cannot presently easily capture the actual time that elapses from permit application to permit issuance for monitoring / measuring purposes.
- **Permit Expiration:** Accela does not automatically "flag" permits for notice of expiration 30 days prior or upon reaching expiration date. Presently, CSR's manually track and monitor permit expiration dates.
- **Contractor License Verification:** The modules utilized by LRE to maintain the contractor's license status does not properly interface with the module used by the Building Code Division in the permitting intake, review and issuance process. The CSR's as noted at observation 1 must manually verify the status of the contractor's license and if the verification step results in "No record found," then the CSR must contact LRE to determine the status and document any deficiencies accordingly.
- **Permit Fees Tracking:** The available Accela reports do not separate building review fees from non-permitting related fees such as the various impact fees, which are not required to be paid until subsequent to permit issuance, but prior to the final inspection and issuance of the Certificate of Occupancy or equivalent. Being able to separate the permit fees from the non-permit fees (impact fees, etc.) is necessary for internal tracking / monitoring and external tracking benchmarking purposes.
- **Document Management:** The Accela document management system is limited in the manner in which the documents are stored and displayed. The Accela system stores and displays documents in list fashion in the order that they are uploaded. The list can become quite long for larger and more complex permits where multiple versions of plans and documents are submitted, often making it difficult to determine which plans and documents are the correct and latest approved version for construction or when responding to public records requests. The document management system should have a folder configuration or other means to separate and categorize documents and plans so they can be readily identified. The Accela document tool does not provide for renaming of uploaded documents, making a standard document naming convention difficult.

We recommend that the County work with the County Accela IT specialist and the Vendor to determine if Accela has the capability to perform the functions listed above. If Accela cannot be reconfigured or upgraded to perform these tasks in a cost effective manner, management should consider other vendor platforms taking into account the cost / benefits of a new platform including the other divisions / programs that would use the new platform.

Performance Measures and Benchmarks

Division management uses the following performance metrics to monitor and measure the building permitting process (included in background section above:

- Permit Processing Weekly Meeting / Dashboard – permit application or revision submittal turnaround time by One-Stop Agency
- Total Building Permits Issued – last ten years
- Total Single Family Residence Permits Issued – last ten years
- Building Permits Revenue – Budget vs. Revenue – last five years
- Construction Values – last ten years

We obtained the following city benchmarking metrics from an online 2017 published study by way of example of the kind of benchmarking metrics that are available:

- The cost of a building permit ranges from as low as \$218 to as high as \$5,000 per permit.
- The median cost per permit is between \$860 and \$1,403.
- The median time required to issue a building permit is between 30 and 60 days.
- The time to issue a building permit ranges from 6 days to 684 days.

There are other resources for useful standards, ratios and metrics for self-assessment that may be more relevant to Brevard County that the County ought to consider.

We recommend that the County review the available performance metrics and industry / peer benchmarks.



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

**Internal Audit of
Fire Rescue: Financial Condition Review**

April 2019

Prepared By:



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April 26, 2019

The Audit Committee of
Brevard County, Florida
Viera, Florida 32940-6699

Pursuant to the approved 2018/2019 internal audit plan, we hereby submit the Financial Condition Review of the Brevard County Fire Rescue Department. We will be presenting this report to the Audit Committee at the next scheduled meeting on May 8, 2019.

Our report is organized into the following sections:

Executive Summary	This section provides a summary of risks and highlights of the financial condition related to the Fire Rescue Department.
Background	This provides an overview of the Fire Rescue department.
Financial Analysis and Results	This section provides the results of financial analysis of relevant trends noted related to the Brevard County Fire Rescue department.

We would like to thank the Brevard County Fire Rescue department, County Finance and all others who were involved in assisting the Internal Auditors in connection with the financial condition review of the Brevard County Fire Rescue Department.

Respectfully Submitted,

Carr Riggs & Ingram, LLC

INTERNAL AUDITORS

Executive Summary

Executive Summary

Overview

The Brevard County Fire Rescue department ("BCFR" or the "Department") provides fire suppression services for unincorporated Brevard County (the "County") and for certain contract areas as noted below. The Department provides emergency ambulance transport services for the entire county as well as lifeguards for beach protection in designated areas of the county. BCFR is the largest fire rescue service in the County and is considered one of the largest in Central Florida.

The County has a fire service (non-ad valorem) special assessment as the primary funding source of the operating and capital expenses of the Department. Beginning in 2009, the Board of County Commissioners (the "Board") adopted a financial plan that instituted a 15% reduction in the fire assessment revenue with the intent of spending down reserves over a 3-year period, after which annual assessment revenue would be evaluated for potential adjustments to address cost increases. The assessment fees were not increased during the years 2010 through 2017. In May 2018 the Board adopted resolution No. 18-079 adjusting the fire service special assessment rates by an increase of 6 percent in FY 2018-2019 followed by an annual rate increase equal to the Consumer Price Index (CPI) or three percent, whichever is lower, until a 15 percent increase over the FY 2018 rate is achieved. In January 2018 the Board adopted resolution No. 18-06 adjusting EMS user fees and approving an annual adjustment to user fee rates based on the CPI. The resolution became effective on February 1, 2018.

Our evaluation of the financial condition focused on the following areas:

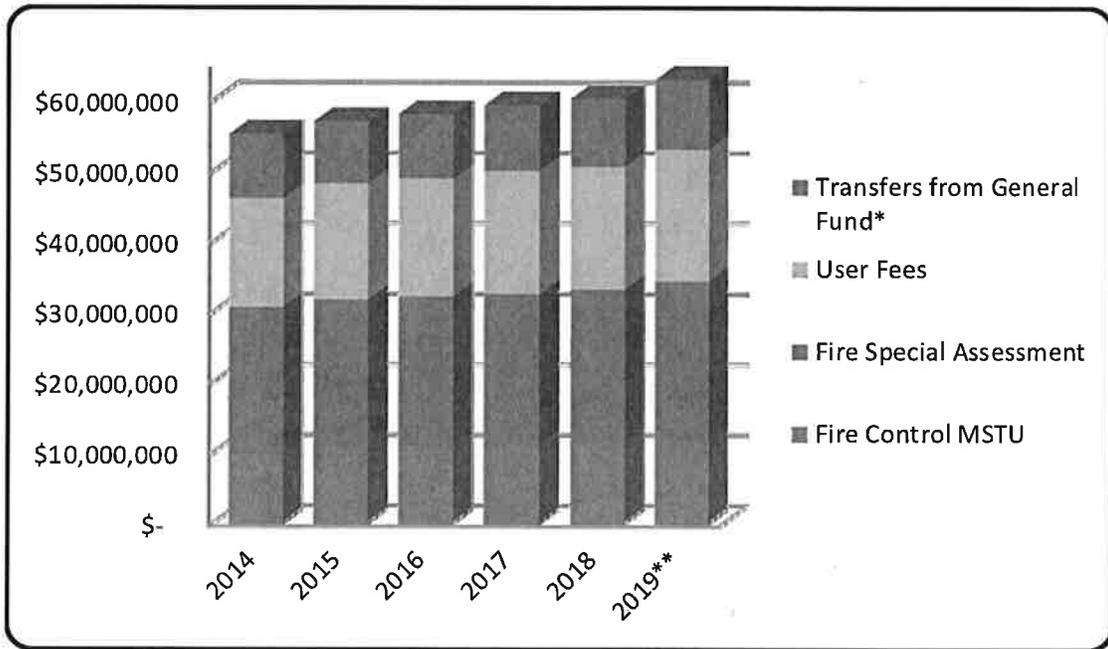
Revenue Analysis (refer to page 3 for summary):

	Actual					Budget 2019**
	2014	2015	2016	2017	2018	
Fire Control MSTU	\$ 9,543,051	\$ 10,420,194	\$ 10,747,518	\$ 10,894,217	\$ 11,256,059	\$ 11,454,597
Fire Special Assessment	20,907,824	21,092,337	21,259,286	21,436,097	21,751,379	22,720,366
User Fees (charges for services)	15,438,339	16,517,407	16,705,293	17,481,122	17,407,624	18,678,017
Transfers from General Fund*	9,108,097	8,769,547	9,103,990	9,323,441	9,618,292	9,868,556
Intergovernmental Revenue	1,880,018	2,213,407	540,086	393,646	1,133,260	266,297
Miscellaneous Revenue	453,246	301,084	551,296	444,183	1,050,619	448,400
Transfers from Other Funds*	415,878	431,512	204,494	85,236	316,964	76,724
Other Financing Sources	-	-	65,974	-	-	-
Total Revenues	\$ 57,746,453	\$ 59,745,488	\$ 59,177,937	\$ 60,057,942	\$ 62,534,197	\$ 63,512,957
FY 2018 to FY 2014	8.3%					
FY 2018 to FY 2017	4.1%					

* These amounts are shown netted with "Transfers Out" on pages 7 - 15
 ** FY 2019 budget amounts shown net of 5% statutory reduction

Executive Summary

Revenue Analysis (Continued)

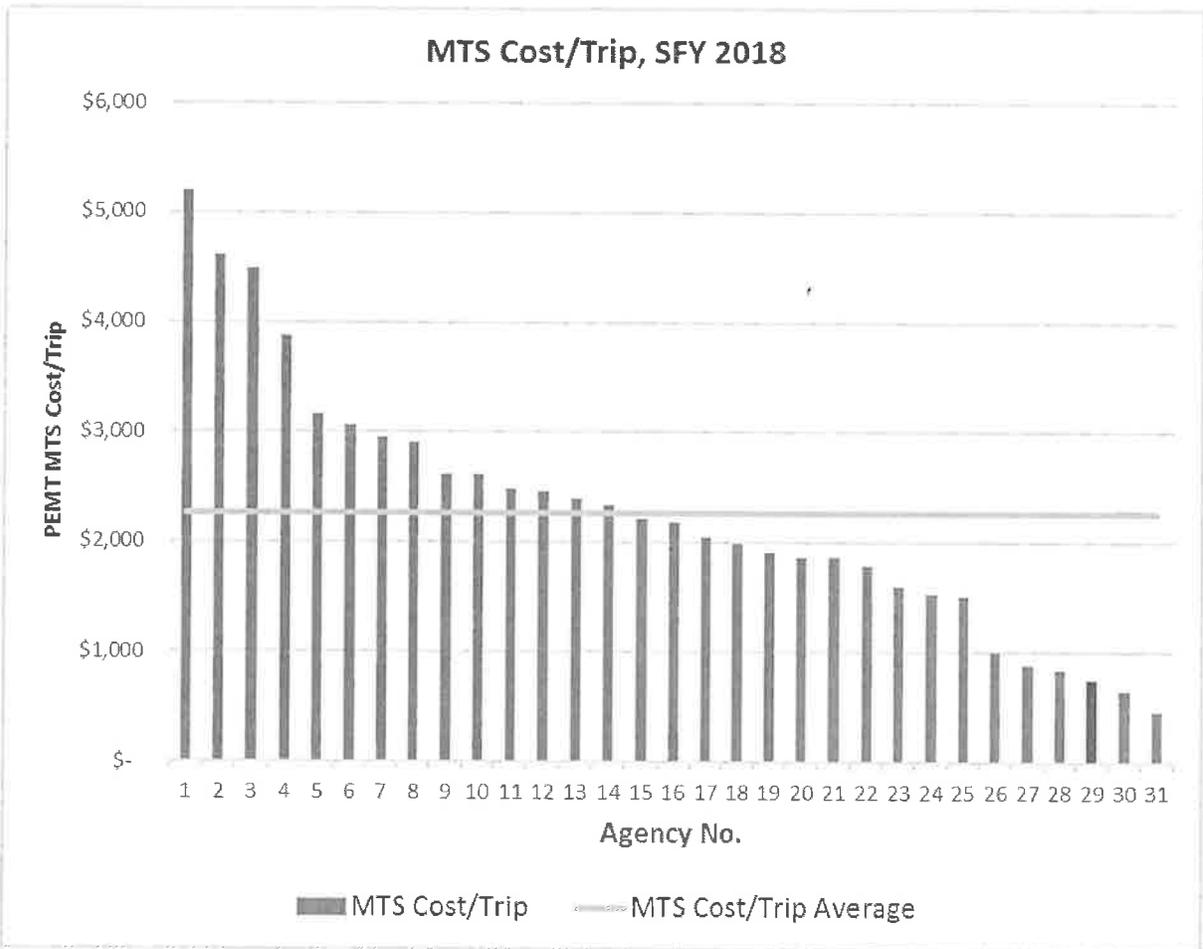


** 2019 information represents fiscal year 2019 budgeted amounts since actual amounts are not yet available.

Revenue Analysis	<p>Total revenues in FY 2018 were approximately \$62.5 million. Significant revenue sources include:</p> <ul style="list-style-type: none"> • Fire Control Municipal Service Taxing Unit (MSTU): \$11.3 million tax revenue • Fire Services Operations: \$21.8 million fire assessments • Emergency Medical Service (EMS): \$16.4 million charges for services • Transfers from the General Fund: \$9.6 million • Intergovernmental Revenue: \$1.1 million (primarily Hurricane Matthew reimbursements) • Fire Prevention Inspection Fees: \$0.9 million charges for services • Miscellaneous/Transfers from Other Funds: \$1.4 million <p>FY 2018 revenue to FY 2014: 8.3% increase</p> <p>FY 2018 revenue to FY 2017: 4.1% increase</p> <p>The adoption of resolutions 18-079 and 18-06 to increase rates will continue to impact revenues in future years.</p>
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Executive Summary

<p>Ambulance Services</p>	<p>BCFR's cost to provide ambulance services is well below the state average and less than most other providers. Comparing several Florida EMS agencies, BCFR is ranked at #29 out of 31 and its cost per trip, \$744, is below the average of \$2,263 per trip (orange line in graph below). This is well below state average and less than most other providers.</p>
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Source: Public Consulting Group Health

Executive Summary

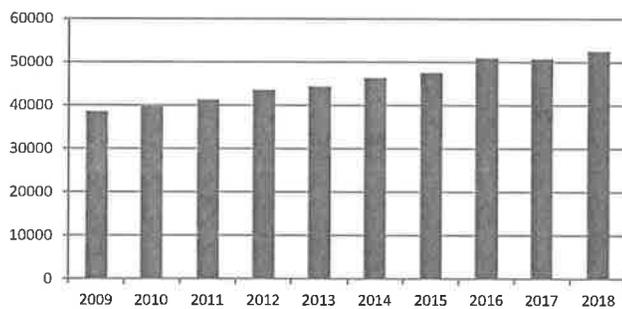
EMS Workload

The first graph (Workload: EMS system) details the annual number of emergency medical patients transported to hospitals by BCFR EMS. The second graph (Workload: Per ambulance) represents the average number of patients each ambulance delivers to hospitals annually. The trend of both graphs indicate both an increase in total number ambulance transports as well as increase in workload per ambulance unit.

FY 2018 number of emergency patients transported to hospitals to FY 2009: 36.2% increase.

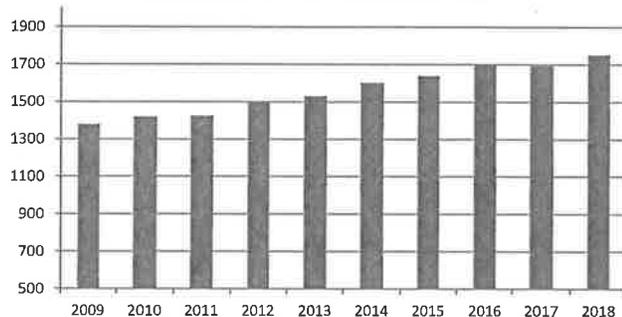
FY 2018 average number of patients per ambulance to FY 2009: 27.1% increase.

Workload: EMS system



Year	Transports
2009	38639
2010	39755
2011	41304
2012	43555
2013	44444
2014	46454
2015	47569
2016	50985
2017	50893
2018	52626

Workload: Per ambulance



Year	Ave. transports per Ambulance
2009	1380
2010	1420
2011	1424
2012	1502
2013	1533
2014	1602
2015	1640
2016	1700
2017	1696
2018	1754

Source: BCFR Computer Aided Dispatch (CAD) System database

Executive Summary

<p>Salaries and Benefits Analysis</p>	<p>Total compensation and benefits costs in FY 2018 were approximately \$48.6 million which includes costs for salaries, wages, overtime, payroll taxes, insurance and pension costs.</p> <p>FY 2018 compensation and benefits to FY 2014: 7.7% increase driven primarily by salaries, benefit and overtime costs within Fire Operations and EMS.</p> <p>FY 2018 compensation and benefits to FY 2017: 2.5% decrease primarily due to higher compensation and benefits in FY 2017 resulting from overtime costs incurred due to the hurricane.</p>
<p>Capital Outlay Analysis</p>	<p>Total capital expenditures in FY 2018 were approximately \$3.0 million primarily for the purchase of machinery and equipment.</p> <p>FY 2018 capital expenditures to FY 2017: 11.6% increase driven by Fire Operations.</p> <p>FY 2018 capital expenditures to FY 2018 Budget: 90.0% of budget spent compared to 66.8% in FY 2017</p>
<p>Allocation of Support Costs Analysis</p>	<p>Support costs were allocated into two different cost pools in FY 2018:</p> <ul style="list-style-type: none"> • Pool 1 based on personnel count including dispatch <ul style="list-style-type: none"> ○ Support and information systems • Pool 2 based on personnel count excluding dispatch, fire prevention and ocean rescue <ul style="list-style-type: none"> ○ Floater personnel, training, supply, fleet, grant local match and transfers <p>BCFR should continue to analyze its methodology at least annually to identify efficiencies and potential accuracy improvements.</p>
<p>Cash Flow Analysis</p>	<p>Total cash and cash equivalents held at the end of FY 2018 were approximately \$2.1 million.</p> <p>FY 2018 low cash balance: \$2.1 million in September 2018</p> <p>FY 2018 high cash balance: \$24.2 million in December 2017</p> <p>The variance in cash balances is primarily a result of the timing of tax collections; the bulk of which are collected in the first quarter of the fiscal year.</p> <p>Cash flows have steadily decreased over the past seven years as expenditures have outpaced revenues. This decrease is a result of the growth of costs to provide services outpacing the growth of revenues generated. However, due to the adoption of Resolution #18-079, the fire assessment is expected to have an increase in revenue equal with CPI for FY 2019/20. Management believes the balance forward for fire assessments and the MSTU will continue to be a challenge as expenses are expected to continue to increase more than the rate of CPI.</p>

Executive Summary

<p>Fund Balance Analysis</p>	<p>Fund balance in FY 2018 was approximately \$5.5 million.</p> <p>FY 2018 fund balance to FY 2014: 57.2% decrease driven by an 8.4% increase in operating expenditures. The population of Brevard County increased 5.6% during this time.</p> <p>FY 2018 fund balance to FY 2017: 12.3% decrease driven by a 1.6% decrease in operating expenditures offset by a 14.5% increase in capital expenditures. The population of Brevard County increased 1.5% during this time.</p>
<p>Write-Off of EMS Billings Analysis</p>	<p>Total write-offs in FY 2018 were approximately \$17.8 million; \$10.3 million for contracted Medicare/Medicaid write-offs and \$7.5 million in uncollectible write-offs.</p> <p>For patients covered by Medicare the negotiated fee ranges from \$7 to \$709 and for patients covered by Medicaid the negotiated fee ranges from \$136 to \$1,000. The difference is considered a contractual write-down and does not contribute to net EMS revenues. Medicare and Medicaid patients represent over 69% of EMS billings.</p> <p>FY 2018 write-offs to FY 2014: 36.5% increase driven primarily by an increase in revenues from charges for services of 35.0%.</p> <p>FY 2018 write-offs to FY 2017: 19.1% increase driven primarily by an increase in revenues from charges for services of 23.4%.</p> <p>The Department is participating in the Public Emergency Medical Transportation (PEMT program). This program is funded by the Center for Medicare & Medicaid (CMS) and is administered by the state. The PEMT Program involves the reimbursement of funds to ambulance providers to help offset the cost of emergency care and transport of Medicaid patients. The Departments applies and receives approximately \$200,000 annually.</p> <p>On the fund financial statements, amounts billed are not considered available for use until they are collected, i.e. revenue recognition is deferred until the account is collected. For the entity-wide statements, revenue is recognized in the fiscal year the amounts are billed. Therefore, account write-offs only impact the government-wide financial statements and have no impact on the balance forward in the EMS Fund.</p>

Actual results from FY 2018 were accumulated from unaudited financial information.

Executive Summary

Budget for the Fire Rescue Department

From an accounting and budgeting perspective, the Department is complex. The Department has multiple unique revenue streams and oversees the budget and accounting for six separate funds plus the budgeting, accounting and allocation of certain support services from a seventh fund. The Department is responsible for approximately \$65.7 million of annual operating and capital expenditures (per FY 18/19 budget).

The Department's main revenue sources – fire assessments, MSTU ad valorem taxes, EMS user charges and transfers from the General Fund – are accounted for in separate funds. Fire Operations – funded by fire assessments and MSTU ad valorem taxes – are combined for purposes of budget development, but are separated into two (2) funds for accounting purposes. EMS is accounted for in a third fund. Firefighters are attributed to one of these three (3) funds in the payroll system. Firefighters, however, bid for station assignments rather than seats on an ambulance or a fire engine. The staffing profile of the ambulances changed from two paramedic certified firefighters to one paramedic-firefighter and one EMT-firefighter. This profile change was deemed cost effective because labor costs for an EMT-firefighter is lower than that of a paramedic-firefighter. Though the medical certification was reduced for one of the two personnel staffing an ambulance, the ambulance still maintains advanced life support capability complying with State of Florida requirements.

To address the competitive market for Paramedic and EMT certified employees, the Department is currently hiring non-fire certified Paramedics and EMTs to work on select ambulances within the Department. The goal is to decrease expenses through reduced attrition, shorter new-hire orientation training, reduced ambulance down-time (no fire training) and less personal issued equipment (i.e. firefighter bunker gear).

Historically, to account for actual salary and benefit costs, Fire Rescue Finance personnel would move positions among these three (3) funds to reflect the daily assignments. Beginning in FY 2011, the Department established a standard split (distribution) from position counts included in the collective bargaining unit and historical performance. This distribution is used to prepare an annual adjusting entry to reallocate personnel costs between these three (3) funds. Consistent with other County departments and previous years, the budget for personnel costs was established using Position Control (PCN's) with the assumption that all vacant positions are to be filled. Beginning with the fiscal year 2016 budget, the Department is incorporating the allocation methodology used to record actual personnel costs in the development of the budget amounts to more closely align budget vs. actual reporting.

These changes evolved as a result of BCFR's efforts to improve communication between the Department, the Budget Office and County Finance. Since analysis on a fund-by-fund basis may be skewed by these changes, however, the information in this report was predominately evaluated at the fund level. It continues to be essential for BCFR to work closely and collaboratively with the Budget Office and County Finance to generate and monitor budget vs. actual results.

Background

Background

As our financial condition review is focused on the finances of BCFR, it is important to understand how BCFR segregates its operations from an accounting perspective. The following is a summary of the seven (7) governmental funds managed by BCFR:

Fund 1350 - Fire Operations

Fund 1350 – Fire Operations accounts for BCFR's general Fire Operations for the unincorporated areas of Brevard County and contracted municipalities. Primary costs include the salaries and benefits of approximately 271 firefighters, district chiefs and fire prevention inspectors, as well as the costs to maintain BCFR fire stations and facilities. In addition, Fund 1350 is allocated a portion of the costs required to manage the BCFR dispatch center, Fire Prevention and Fire Rescue Support (Fund 1360) - see below.

Fire Operations is funded predominantly by a fire assessment, which totaled \$21.7 million for FY 2018. The fire assessment is restricted and can only be spent to support Fire Operations. In addition, Fire Operations records annual fire inspection fees and fire prevention fees charged on construction permits pulled in unincorporated areas of Brevard County, which totaled \$0.9 million for FY 2018.

Fund 1351 - Emergency Medical Services (EMS)

BCFR's EMS operations are accounted for in Fund 1351. BCFR is responsible for 100% of the EMS support and responses throughout Brevard County with the exception of Cape Canaveral Air Force Station and Kennedy Space Center. Primary costs include salaries and benefits as well as costs to maintain each of the EMS stations. In addition, the EMS fund is allocated a portion of the costs required to manage the BCFR dispatch center and a portion of the costs incurred in the Fire Rescue Support (Fund 1360) - see below.

A significant funding source for EMS is user fees, or charges for ambulance services. EMS utilizes a third party billing agency and EMS collects and records net revenues of approximately \$16.4 million per year.

Medicare and Medicaid patients represent over 69% of EMS billings. The Department's patient billing rates are higher than the contracted allowable reimbursements established by both these insurances. The difference between the allowable charges by Medicare/Medicaid and what the Department charges for its service, constitutes a large portion of the annual EMS billing write-off. Medicaid, recognizing that its insurance allowable does not cover the true cost of ambulance service, provides a mechanism, through the state, for providers to recoup some of its cost to provide service. This program is titled Public Emergency Medical Transportation (PEMT Program); each year the Department recoups approximately \$200,000.

The remaining EMS billings relate to patients with either third party insurance or no insurance. EMS has historically collected only a small portion of billings that are in excess of third party insurance coverage. The difference is considered bad debt or uncollected billings. Such uncollected billings do not represent cash balances or fund balance that can be spent by the Fire Rescue department.

Background

Fund 1354 – MSTU

The MSTU fund (Fund 1354) accounts for revenues, approximately \$11.3 million for FY 2018, designed to enhance fire rescue services in the unincorporated areas of Brevard County and for contracted municipalities.

Fund 1360 - Support

The Support fund (Fund 1360) accounts for the operation support provided to BCFR. The primary expenditures accounted for in this fund are the maintenance of Fire/EMS stations, Fire/EMS supplies, training costs, and fleet maintenance (and insurance) for approximately 200 vehicles.

The Support fund is primarily funded by other Fire Rescue funds, based on an allocation of costs. Funds 1350 (Fire Operations) and 1351 (EMS) cover nearly 80% of the total costs, while Fund 1354 (MSTU) and Fund 1361 (Dispatch) cover the remaining portion. These funds are only charged based on the actual expenditures incurred by the Support fund.

Fund 1361 - Dispatch

The Dispatch fund (Fund 1361) accounts for the operation and management of the Department's dispatch center. Costs include primarily the salaries and benefits of approximately 26 employees required to operate the dispatch center.

Costs to operate the dispatch center are funded primarily by an allocation from Fire Operations (Fund 1350) and EMS (Fund 1351), based on the proportionate amount of units dispatched for each fund. In addition, the dispatch center is contracted to provide dispatch services to certain other municipalities that do not have their own dispatch center.

Fund 1362 - Ocean Rescue

Lifeguard services for nearly all of the Brevard County beaches located south of Jetty Park are accounted for in this fund. Costs include primarily the salaries and benefits of 17 full-time employees and approximately 100 seasonal (part-time) employees.

The Ocean Rescue fund is funded 7% from contracts with certain beach-side municipalities that do not provide their own lifeguard services. The remainder of funding for BCFR's Ocean Rescue services comes from the General Fund.

Fund 1363 - Hazmat

BCFR operates the only hazmat station in Brevard County (station #48) that can accommodate the mitigation of hazardous materials in emergency events. The Hazmat fund accounts for the general operation of the hazmat station, which includes various costs associated with the operation of the Department's hazmat vehicle. The Hazmat fund is fully funded by the MSTU (Fund 1354).

Financial Analysis and Results

Operating Analysis – Fire Rescue

A comparison of the fiscal year 2018 - 2014 actual performance for the past 5 fiscal years including the 2018 and 2019 budget for the entire Brevard County Fire Rescue Department is shown below:

	Operating Analysis (in thousands)						
	FY2019 Budget	FY2018 Budget	FY2018 Actual	FY2017 Actual	FY2016 Actual	FY2015 Actual	FY2014 Actual
Operating Revenue*:							
Taxes	\$ 11,455	\$ 11,051	\$ 11,256	\$ 10,894	\$ 10,748	\$ 10,420	\$ 9,543
Fire Services Special Assessment	22,720	21,160	21,751	21,436	21,259	21,092	20,908
Intergovernmental	266	868	1,133	394	541	2,213	1,880
Charges for Services	18,678	17,270	17,408	17,481	16,705	16,517	15,438
Miscellaneous	449	523	1,051	444	551	301	453
Total Operating Revenue	53,568	50,872	52,599	50,649	49,804	50,543	48,222
Operating Expenditures:							
Compensation and Benefits	50,709	48,499	48,626	49,853	48,365	45,157	45,140
Operating Expenses	11,938	11,865	10,707	10,448	9,793	9,749	9,609
Debt Service	23	32	32	32	24	-	-
Total Operating Expenditures	62,670	60,396	59,365	60,333	58,182	54,906	54,749
Total Operating Deficit	(9,102)	(9,524)	(6,766)	(9,684)	(8,378)	(4,363)	(6,527)
Net Transfers	9,014	8,470	8,768	8,183	8,120	8,078	8,411
Other Financing Sources (Uses)	-	-	-	-	66	-	-
Excess (Deficit) before Capital Outlay	(88)	(1,054)	2,002	(1,501)	(192)	3,715	1,884
Capital Outlay	3,026	3,444	3,095	2,703	2,427	3,527	2,634
Total Annual Excess (Deficit)	(3,114)	(4,498)	(1,093)	(4,204)	(2,619)	188	(750)
Balance Forward	4,284	6,620	6,620	10,506	13,132	12,925	13,672
Net Balance Forward	\$ 1,170	\$ 2,122	\$ 5,527	\$ 6,302	\$ 10,513	\$ 13,113	\$ 12,922

*Budget amounts include 5% statutory reduction

Actual revenue and expenditure information in the table above includes County Fund 1700, which accounts for grant funding used to assist in progressing capital outlay projects.

The FY 2018 and 2019 budget is shown with operating revenues net of the 5% statutory reduction, which is applied to the budgeted revenue amounts. Additionally, the budget for compensation and benefits for FY 2018 and 2019 assumes all currently vacant positions will be filled. The FY 2019 and 2018 budget for capital outlay includes the carry forward of certain expenditures not realized in FY 2018 and 2017, respectively.

Operating Analysis – Fire Rescue

Results

The FY 2018 budget projected a \$4.5 million reduction in fund balance. Actual financial information indicates that approximately \$1.1 million of reserves were used to supplement the operations of the Department. The budget-to-actual variance was primarily the result of (1) increase in total operating revenues of \$1.7 million, (2) decrease of operating expenditures of \$1 million, (3) increase in net transfers of \$0.3 million and (4) unspent capital outlay equated to \$0.4 million.

Total operating revenues increased by 9.1% from FY 2014 to FY 2018 and increased 3.9% from FY 2017 to FY 2018. Expenditures, however, have been increasing at a faster rate than revenues (by 8.4% from FY 2014 to FY 2018 but decreased 1.6% from FY 2017 to FY 2018). The decrease from FY 2017 to 2018 is mainly due to higher compensation and benefits in FY 2017 resulting from hurricane expenses.

Budget vs. Actual

The following pages present a high-level summary of the FY 2018 Budget-to-Actual and FY 2017 Budget-to-Actual by cost center for each fund within the Fire Rescue department. Budgeted figures represent the final budget, which includes Board-approved amendments to the original budget for various changes to revenues and expenditures, including balance forward. FY 2018 Budget to Actual Expenditures with a variance of \$20 thousand and 10% were considered significant and identified with a red letter. Refer to page 16 for further details related to the significant variances.

Fund 1350 - Fire Operations (in thousands)							
	FY 18 Budget	FY 18 Actual	Variance		FY 17 Budget	FY 17 Actual	Variance
Revenues							
Balance forward	\$ 3,225	\$ 3,225	\$ -		\$ 6,413	\$ 6,413	\$ -
Assessments	21,160	21,751	591		21,150	21,436	286
Grants & financial assistance	19	185	166		60	63	3
Fire prevention fees	629	858	229		501	971	470
Miscellaneous	62	549	487		64	141	77
Total revenues	25,095	26,568	1,473		28,188	29,024	836
Expenditures							
Compensation & benefits	18,313	18,793	(480)		19,255	19,814	(559)
Contracted services	359	464	(105)	B	360	388	(28)
Operating supplies	2,743	2,455	288	C	3,338	2,719	619
Insurance	152	125	27	D	156	122	34
Repairs & maintenance	203	129	74	E	92	208	(116)
Communications & freight	41	7	34	F	12	12	-
Books, publications & memberships	13	6	7		6	3	3
Other operating expenses	182	163	19		192	111	81
Total operating expenses	22,006	22,142	(136)		23,411	23,377	34
Capital	1,212	1,109	103		1,352	1,075	277
Other transfers, net	1,531	1,198	333	K	1,538	1,349	189
Total including capital & transfers	24,749	24,449	300		26,301	25,801	500
Budgeted reserves	346	-	346		1,887	-	1,887
Total expenditures	25,095	24,449	646		28,188	25,801	2,387
Balance forward to next fiscal year	\$ -	\$ 2,119	\$ 2,119		\$ -	\$ 3,223	\$ 3,223
Budget to Actual Variance			1%				2%

The FY 2018 total revenues exceeded budgeted revenues by \$1.5 million primarily due to increases in assessments and fire prevention fees related to new construction plan review of approximately \$247 thousand, a higher collection of fire assessments than expected of approximately \$591 thousand and \$484 thousand from the sale of surplus equipment.

The FY 2018 total budgeted expenditures, excluding reserves, were 1% higher than FY 2018 actual spending. Actual operating expenses in FY 2018 decreased by 5% from the previous fiscal year primarily due to decreases in repair and maintenance expenses and operating supplies (see page 17).

Budget vs. Actual

Fund 1351 - Emergency Medical Services (in thousands)							
	FY 18	FY 18			FY 17	FY 17	
	Budget	Actual	Variance		Budget	Actual	Variance
Revenues							
Balance forward	\$ -	\$ -	\$ -		\$ 1,172	\$ 1,172	\$ -
Charges for services	16,502	16,408	(94)		15,927	16,365	438
General fund transfer	8,086	8,086	-		7,668	7,668	-
Grants & financial assistance	170	207	37		159	144	(15)
Other finance services	-	-	-		658	-	(658)
Miscellaneous	413	131	(282)		23	111	88
Total revenues	25,171	24,832	(339)		25,607	25,460	(147)
Expenditures							
Compensation & benefits	18,048	17,932	116		17,462	18,260	(798)
Contracted services	1,216	1,231	(15)		1,091	1,178	(87)
Operating supplies	3,094	2,911	183		2,861	3,111	(250)
Insurance	131	102	29	D	121	92	29
Repairs & maintenance	91	67	24	E	9	69	(60)
Rentals & leases	60	25	35	G	61	56	5
Books, publications & memberships	1	-	1		1	3	(2)
Other operating expenses	297	195	102	I	81	116	(35)
Total operating expenses	22,938	22,463	475		21,687	22,885	(1,198)
Capital	702	639	63		2,127	1,248	879
Grants & aid	60	48	12		3	3	-
Debt service	33	32	1		158	32	126
Other transfers, net	1,438	1,276	162	K	1,632	1,610	22
Total including capital & transfers	25,171	24,458	713		25,607	25,778	(171)
Budgeted reserves	-	-	-		-	-	-
Total expenditures	25,171	24,458	713		25,607	25,778	(171)
Balance forward to next fiscal year	\$ -	\$ 374	\$ 374		\$ -	\$ (318)	\$ (318)
Budget to Actual Variance			3%				-1%

The FY 2018 total revenues were lower than budgeted revenues by \$339 thousand primarily due to decreases in EMS ambulance billing fees and collections and reimbursements which were budgeted in miscellaneous revenue.

The FY 2018 total budgeted expenditures were 3% higher than FY 2018 actual spending. Actual operating expenses in FY 2018 decreased by 2% from the previous fiscal year primarily due to decreases in the actual costs of compensation, benefits and operating supplies (see page 17).

Budget vs. Actual

Fund 1354 - Fire MSTU (in thousands)							
	FY 18 Budget	FY 18 Actual	Variance		FY 17 Budget	FY 17 Actual	Variance
Revenues							
Balance forward	\$ 3,181	\$ 3,181	\$ -		\$ 2,707	\$ 2,707	\$ -
Taxes	11,050	11,256	206		10,790	10,894	104
Grants & financial assistance	66	60	(6)		21	18	(3)
Miscellaneous	29	93	64		27	65	38
Total revenues	14,326	14,590	264		13,545	13,684	139
Expenditures							
Compensation & benefits	8,933	8,914	19		8,366	8,150	216
Contracted services	199	180	19		196	170	26
Operating supplies	1,907	1,623	284	C	1,345	1,032	313
Insurance	57	49	8		53	41	12
Repair & maintenance	225	5	220	E	1	4	(3)
Other operating expenses	9	2	7		13	3	10
Total operating expenses	11,330	10,773	557		9,974	9,400	574
Capital	615	478	137	J	179	105	74
Other transfers, net	605	512	93	K	1,541	1,000	541
Total including capital & transfers	12,550	11,763	787		11,694	10,505	1,189
Budgeted reserves	1,776	-	1,776		1,851	-	1,851
Total expenditures	14,326	11,763	2,563		13,545	10,505	3,040
Balance forward to next fiscal year	\$ -	\$ 2,827	\$ 2,827		\$ -	\$ 3,179	\$ 3,179
Budget to Actual Variance			6%				10%

The FY 2018 total revenues were higher than budgeted revenues by \$264 thousand primarily due to increases in taxes due to property valuations and new construction.

The FY 2018 total budgeted expenditures, excluding reserves, were 6% higher than FY 2018 actual spending. Actual operating expenses in FY 2018 increased by 15% from the previous fiscal year primarily due to increases in the actual costs of compensation, benefits and operating supplies (see page 17).

Budget vs. Actual

Fund 1360 - Support (in thousands)							
	FY 18	FY 18			FY 17	FY 17	
	Budget	Actual	Variance		Budget	Actual	Variance
Revenues							
Balance forward	\$ -	\$ -	\$ -		\$ 214	\$ 214	\$ -
Grants & financial assistance	-	47	47		-	17	17
Charges for services	-	-	-		-	-	-
Miscellaneous	-	263	263		-	119	119
Total revenues	-	310	310		214	350	136
Expenditures							
Contracted services	907	918	(11)		948	883	65
Operating supplies	1,127	1,010	117	C	2,070	860	1,210
Insurance	291	299	(8)		290	309	(19)
Repairs & maintenance	1,857	1,826	31		1,901	1,953	(52)
Communications & freight	102	43	59	F	-	-	-
Rentals & leases	142	112	30	G	142	129	13
Books, publications & memberships	304	325	(21)		-	-	-
Other operating expenses	1,251	1,205	46		1,629	1,554	75
Total operating expenses	5,981	5,738	243		6,980	5,688	1,292
Capital	-	-	-		-	-	-
Transfers out, net	35	35	-		35	35	-
Total including capital	6,016	5,773	243		7,015	5,723	1,292
Operating expense credits	(6,016)	(5,463)	(553)	L	(6,801)	(5,373)	(1,428)
Total expenditures	-	310	(310)		214	350	(136)
Balance forward to next fiscal year	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -
Budget to Actual Variance			4%				18%

The FY 2018 total budgeted expenditures were 4% higher than FY 2018 actual spending. Actual operating expenses in FY 2018 were consistent with the previous fiscal year.

Revenues such as sales of surplus equipment and insurance claims and other miscellaneous monies are recorded in the Support fund (Fund 1360). Expenditures not covered by these funds are allocated to Fire Operations (Fund 1350), EMS (Fund 1351), MSTU (Fund 1354) and Dispatch (Fund 1361) based on personnel counts (FTE's) or using the established salaries and benefits distribution percentages.

Budget vs. Actual

Fund 1361 - Dispatch (in thousands)							
	FY 18 Budget	FY 18 Actual	Variance		FY 17 Budget	FY 17 Actual	Variance
Revenues							
Balance forward	\$ 60	\$ 60	\$ -		\$ -	\$ -	\$ -
Grants & financial assistance	-	\$ 24	24		\$ -	\$ -	-
Charges for services	10	10	-		13	10	(3)
General fund transfer	6	6	-		6	6	-
Other transfers in	2,372	2,125	(247)		2,332	2,310	(22)
Miscellaneous	1	1	-		1	1	-
Total revenues	2,449	2,226	(223)		2,352	2,327	(25)
Expenditures							
Compensation & benefits	1,771	1,650	121	A	1,813	1,839	(26)
Contracted services	17	11	6		10	11	(1)
Operating supplies	238	201	37	C	188	183	5
Insurance	14	9	5		14	10	4
Repair & maintenance	196	155	41	E	187	160	27
Communications & freight	2	1	1		2	2	-
Books, publications & memberships	10	6	4		10	6	4
Other operating expenses	42	44	(2)		45	33	12
Total operating expenses	2,290	2,077	213		2,269	2,244	25
Capital	141	131	10		66	6	60
Other transfers, net	18	18	-		17	17	-
Total including capital	2,449	2,226	223		2,352	2,267	85
Budgeted reserves	-	-	-		-	-	-
Total expenditures	2,449	2,226	223		2,352	2,267	85
Balance forward to next fiscal year	\$ -	\$ -	\$ -		\$ -	\$ 60	\$ 60
Budget to Actual Variance			9%				4%

The FY 2018 total revenues were lower than budgeted revenues by \$223 thousand as transfers in are based on what is needed to cover expenditures of Dispatch, not what is budgeted.

The FY 2018 total budgeted expenditures were 9% higher than FY 2018 actual spending. Actual operating expenses in FY 2018 decreased by 7% from the previous fiscal year primarily due to decreases in the actual costs of compensation and benefits (see page 17).

Budget vs. Actual

Fund 1362 - Ocean Rescue (in thousands)							
	FY 18 Budget	FY 18 Actual	Variance		FY 17 Budget	FY 17 Actual	Variance
Revenues							
Balance forward	\$ 154	\$ 154	\$ -		\$ -	\$ -	\$ -
Charges for services	125	131	6		125	131	6
General fund transfer	1,526	1,526	-		1,649	1,649	-
Miscellaneous	-	12	12		-	7	7
Total revenues	1,805	1,823	18		1,774	1,787	13
Expenditures							
Compensation & benefits	1,435	1,339	96		1,369	1,300	69
Contracted services	25	19	6		23	19	4
Operating supplies	117	102	15		108	98	10
Insurance	11	14	(3)		10	14	(4)
Repair & maintenance	92	52	40	E	55	39	16
Books, publications & memberships	14	3	11	H	12	2	10
Other operating expenses	28	22	6		30	18	12
Total operating expenses	1,722	1,551	171		1,607	1,490	117
Capital	83	77	6		167	143	24
Total including capital	1,805	1,628	177		1,774	1,633	141
Budgeted reserves	-	-	-		-	-	-
Total expenditures	1,805	1,628	177		1,774	1,633	141
Balance forward to next fiscal year	\$ -	\$ 195	\$ 195		\$ -	\$ 154	\$ 154
Budget to Actual Variance			10%				8%

The FY 2018 total budgeted expenditures were 10% higher than FY 2018 actual spending. Actual operating expenses in FY 2018 increased by 4% from the previous fiscal year due to increases in actual costs of compensation and benefits (see page 17).

Budget vs. Actual

Fund 1363 - Hazmat (in thousands)							
	FY 18 Budget	FY 18 Actual	Variance		FY 17 Budget	FY 17 Actual	Variance
Revenues							
Balance forward	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -
Charges for services	5	1	(4)		5	3	(2)
Grants & financial assistance	1	7	6		2	1	(1)
Transfers in, net	108	65	(43)		1,045	561	(484)
Miscellaneous	19	1	(18)		19	-	(19)
Total revenues	133	74	(59)		1,071	565	(506)
Expenditures							
Compensation & benefits	-	(1)	1		968	508	460
Contracted services	9	5	4		7	5	2
Operating supplies	28	18	10		28	11	17
Insurance	-	-	-		7	3	4
Repair & maintenance	27	18	9		18	21	(3)
Books, publications & memberships	40	6	34	H	40	14	26
Other operating expenses	-	-	-		3	3	-
Total operating expenses	104	46	58		1,071	565	506
Capital	29	28	1		-	-	-
Total including capital	133	74	59		1,071	565	506
Budgeted reserves	-	-	-		-	-	-
Total expenditures	133	74	59		1,071	565	506
Balance forward to next fiscal year	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -
Budget to Actual Variance			44%				47%

The FY 2018 total revenues were lower than budgeted revenues by \$59 thousand as the transfers in from Fund 1354 are based on what is needed to cover expenditures of MSTU, not what is budgeted. Miscellaneous revenues budgeted were not realized during the year as the surplus equipment was not sold.

The FY 2018 total budgeted expenditures were 47% higher than FY 2018 actual spending. Actual operating expenses in FY 2017 decreased by 92% from the previous fiscal year due to decreases in actual costs of compensation and benefits resulting from the reallocation of Hazmat personnel to the parent funds (see page 17).

Budget vs. Actual

Results

The following includes additional details related to the more significant variances identified in the FY 2018 budget-to-actual analysis (by fund) based on explanations provided by BCFR:

A	Compensation & benefits – See 'Trends in Salaries and Benefits' in this report for additional analysis. Department-wide, BCFR reported actual compensation and benefit costs of approximately \$126 thousand more than what was budgeted. The variance is primarily due to increased labor expenses related to Fire Operations (Fund 1350), which were somewhat offset by a reduction in emergency medical services labor primarily in the EMS (Fund 1351), Dispatch (Fund 1361) and Ocean Rescue (Fund 1362) due to cost saving efforts.
B	Contracted services – The variance is primarily related to actual costs for communicating the fire assessment rate increase and other various contracted services.
C	Operating Supplies – Department-wide, BCFR realized savings associated with operating supplies of approximately \$0.9 million from expected costs. The savings were attributable mainly to savings across funds related to training as well as unspent funds from oil, uniforms and other operating supplies.
D	Insurance – The variance is primarily related to actual costs for general liability insurance being less than anticipated when the expenses were budgeted.
E	Repairs & maintenance – Department-wide, BCFR reported actual repair and maintenance costs of \$441 thousand less than what was budgeted. The variance is primarily due to the repairs rolling into FY 2019.
F	Communications & freight – The variance is primarily related to actual costs for air cards and cell usage being less than anticipated.
G	Rentals & leases – The variance is primarily related to actual costs for various operating leases being less than anticipated as well as the deferral of a laptop lease to FY 2019.
H	Books, publications & memberships – The variance is primarily related to actual costs for specialized training classes being less than anticipated due to the classes not being offered by the schools.
I	Other operating expenses – Variances were primarily related to actual costs for travel and per diem and rentals and leases being less than anticipated.
J	Capital – See 'Trends in Capital Outlay' in this report for additional analysis. Department-wide, Fire Rescue expended approximately 87% of its capital budget in FY 2018.
K	Other transfers – Primarily represents fees paid to property tax appraiser and tax collector offices for administration of fire assessment and fire MSTU. Management budgeted based on full value of assessment, although only 95-97% is typically collected, after discount. The actual was less than the budget due to the department budget being based on property appraiser fees as a % of the property value, however, in FY 2018, the property appraiser changed the methodology for the amount they charge to a flat rate per parcel.

Budget vs. Actual

L	<p>Operating expense credits – Fund 1360 supports all expenses related to the operation of dual unit (both fire engine and ambulance) fire stations, personnel that support both Fire and EMS functions, maintenance agreements, administrative personnel, training division, fleet and IT. If expenses incurred in this fund can be clearly identified as supporting expenses for a specific fund, those expenses are charged directly to the parent funds. Expense credits reflect expenses related to the allocation of support costs which overall were less than anticipated in FY 2018 resulting in a budget variance.</p>
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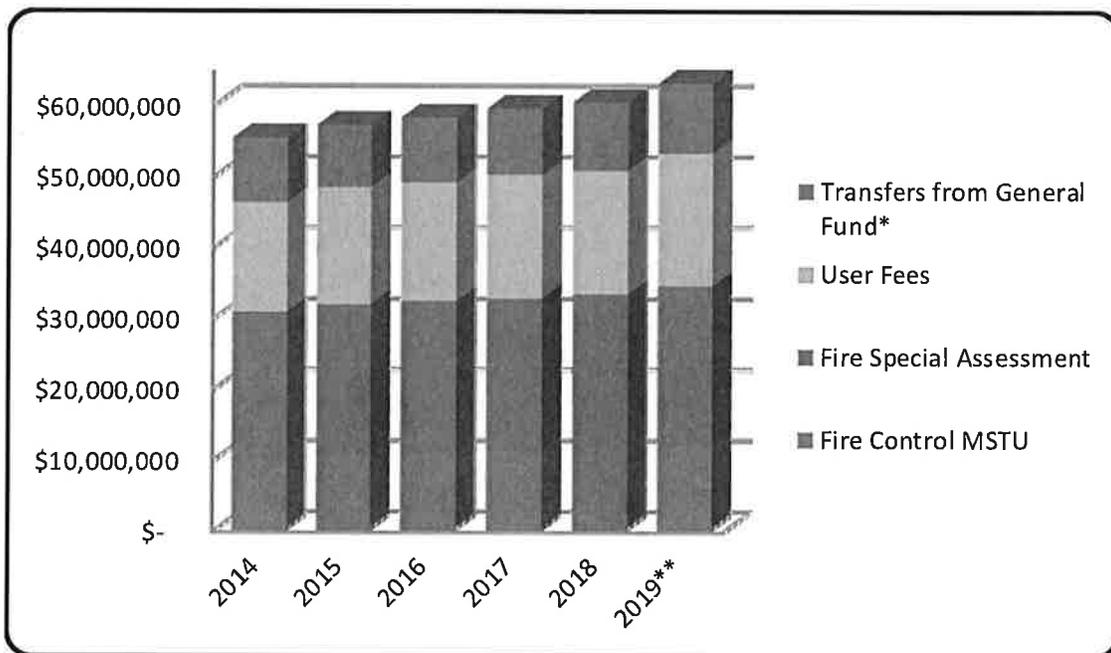
Revenue Analysis

Total Revenues

The Department receives revenue from multiple sources. Primary sources of revenue include:

- Fire Services Special Assessment (FSSA)
- MSTU ad valorem taxes
- User fees (charges for services)
- Transfers from the County's General Revenue Fund

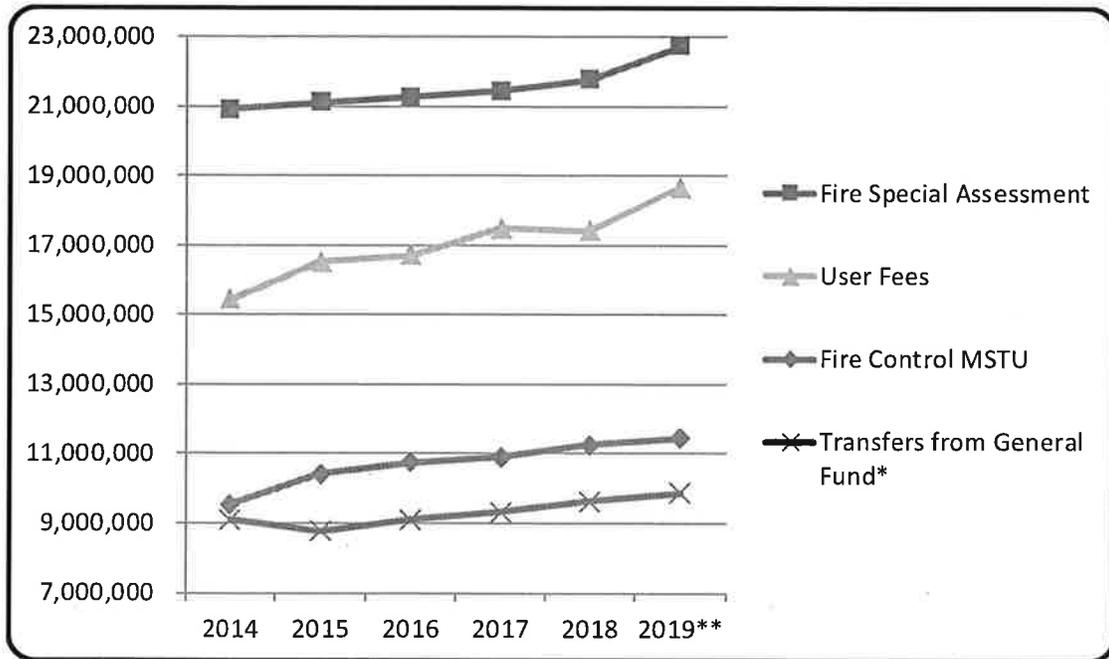
	Actual					Budget 2019**
	2014	2015	2016	2017	2018	
Fire Control MSTU	\$ 9,543,051	\$ 10,420,194	\$ 10,747,518	\$ 10,894,217	\$ 11,256,059	\$ 11,454,597
Fire Special Assessment	20,907,824	21,092,337	21,259,286	21,436,097	21,751,379	22,720,366
User Fees (charges for services)	15,438,339	16,517,407	16,705,293	17,481,122	17,407,624	18,678,017
Transfers from General Fund*	9,108,097	8,769,547	9,103,990	9,323,441	9,618,292	9,868,556
Intergovernmental Revenue	1,880,018	2,213,407	540,086	393,646	1,133,260	266,297
Miscellaneous Revenue	453,246	301,084	551,296	444,183	1,050,619	448,400
Transfers from Other Funds*	415,878	431,512	204,494	85,236	316,964	76,724
Other Financing Sources	-	-	65,974	-	-	-
Total Revenues	\$ 57,746,453	\$ 59,745,488	\$ 59,177,937	\$ 60,057,942	\$ 62,534,197	\$ 63,512,957
FY 2018 to FY 2014	8.3%					
FY 2018 to FY 2017	4.1%					
* These amounts are shown netted with "Transfers Out" on pages 7 - 15						
** FY 2019 budget amounts shown net of 5% statutory reduction						



** 2019 information represents fiscal year 2019 budgeted amounts since actual amounts are not yet available.

Revenue Analysis

Total Revenues (continued)

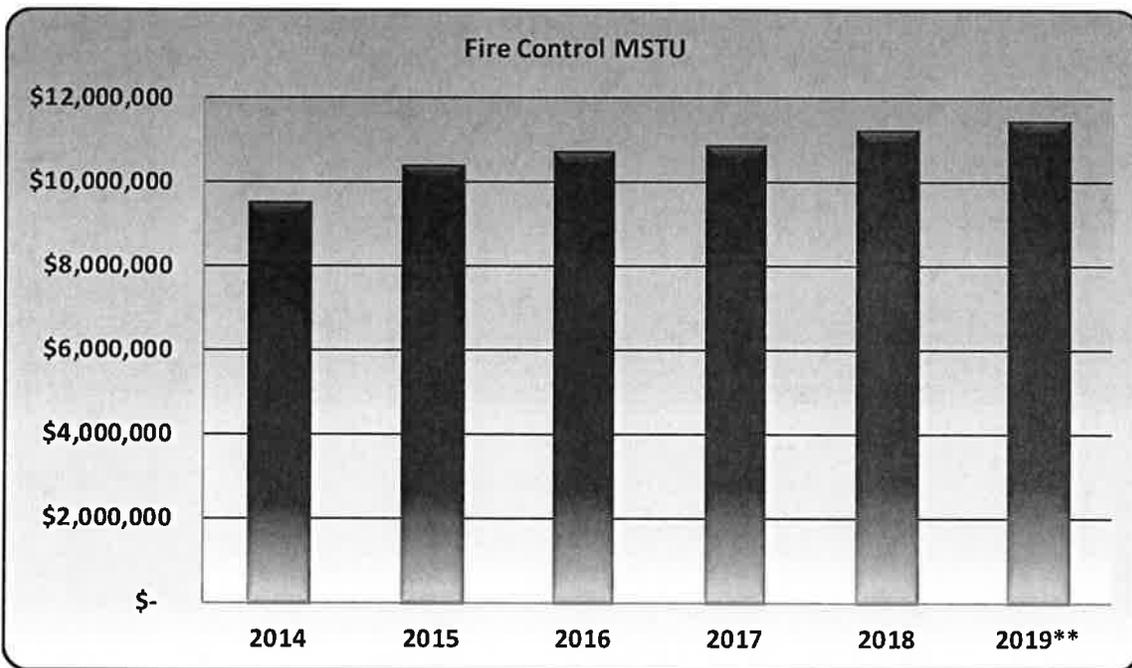


Revenue Analysis

MSTU Ad Valorem Taxes

The Fire Control MSTU's purpose is to collect taxes based on a millage rate applied to the value of Brevard County properties as determined by the Property Appraiser and is approved and set by the Board. The fiscal year 2019 Final Millage Rate for the Fire Control MSTU is 0.6504 and is estimated to generate \$11.5 million in revenues. For fiscal year 2018, the Final Millage Rate for the Fire Control MSTU was 0.6816 which generated \$11.3 million in revenues. This comprised approximately 18% of the Department's revenues.

In the FY 2019 budget, the Fire Control MSTU (\$11.5 million, net of the 5% statutory reduction) represents 18% of the Department's revenue budget. As with the fire assessment, only about between 96% and 97% is collected from property owners, after discounts.

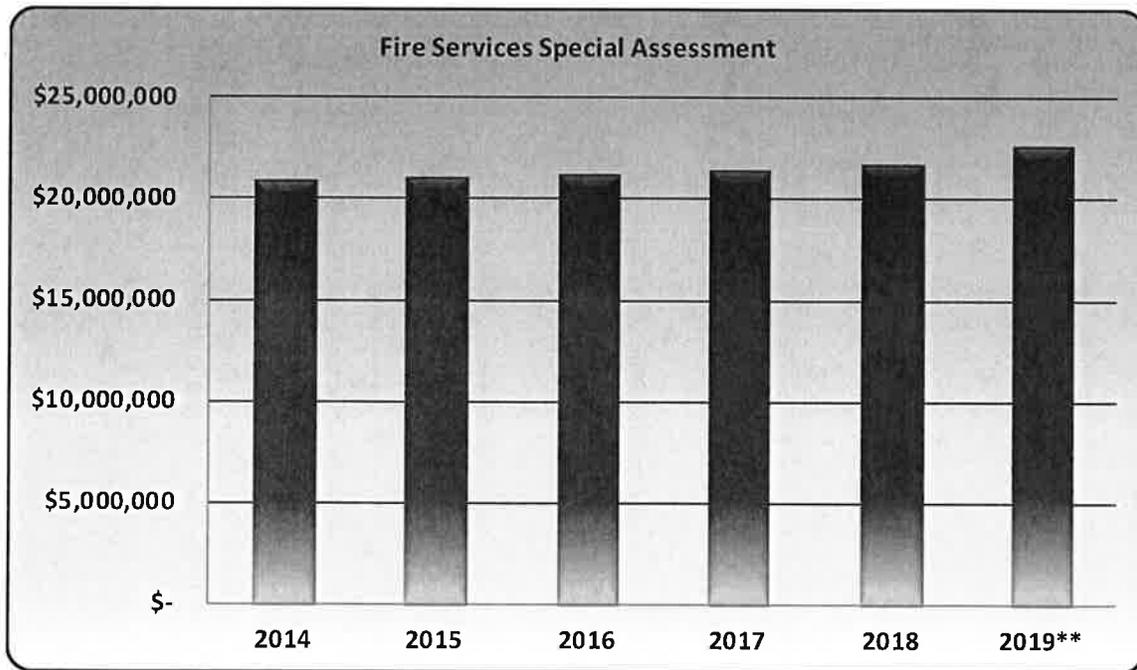


Revenue Analysis

Fire Services Special Assessment

The Fire Services Special Assessment (“FSSA”) is a non-ad valorem fire assessment charged to all property owners in unincorporated Brevard, West Melbourne, Melbourne Village, Palm Shores and Grant/Valkaria to fund fire protection services in these areas. The assessment appears on the property owners’ annual tax bill, first included on the 2006 annual tax bill. The rates applied to each property takes into account the primary property use code assigned by the Brevard County Property Appraiser’s office, the base square footage of the structures on the property and the base rate benefit factor which is a representation of the building cost per square foot. The formal Rate Resolution is approved each year by the Board and has not changed since 2008. In May 2018 the Board adopted resolution No. 18-079 adjusting the rates by an increase of six percent in FY 2018-2019 followed by an annual rate increase equal to the Consumer Price Index (CPI) or three percent, whichever is lower, until a 15 percent increase over the FY 2018 rate is achieved.

For FY 2018, the FSSA actual revenue collected (\$21.7 million) comprised approximately 35% of the Department’s revenues. In the FY 2019 budget, the FSSA (\$22.7 million, net of the 5% statutory reduction) represents 36% of the Department’s revenue budget. Management budgets 95% of the full value of the assessment; however, between 96% and 97% is collected from property owners, after discounts.



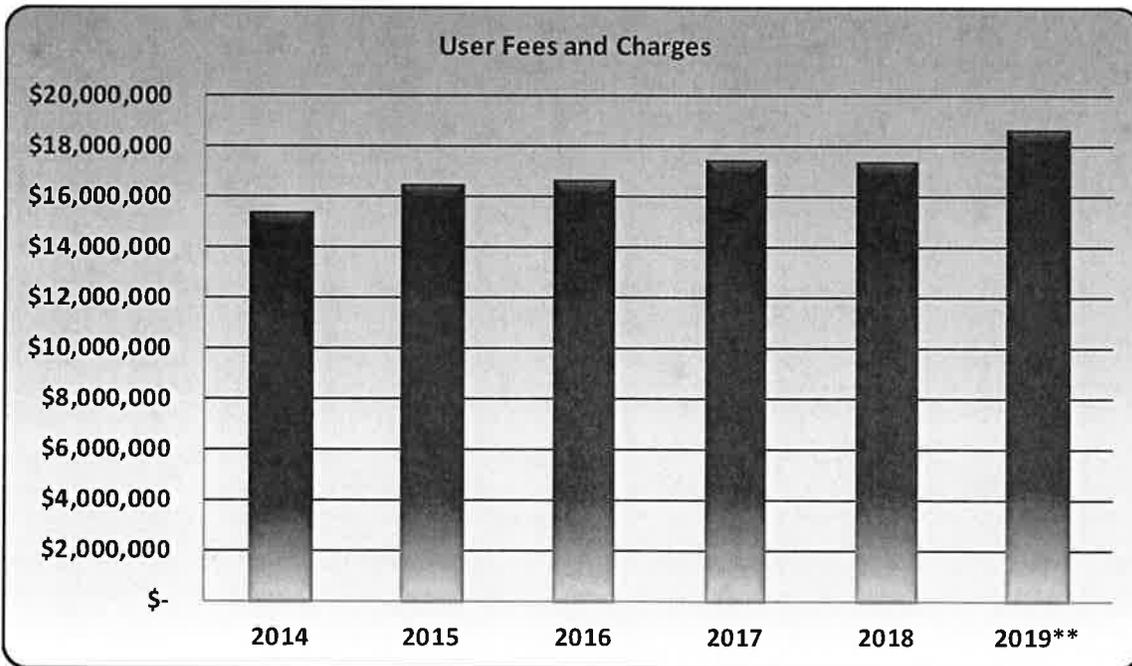
Revenue Analysis

User Fees and Charges

User fees and charges come from various sources, but primarily are related to EMS billings, lifeguard contracts and fire prevention inspection fees. For FY 2018, the user fees and charges comprised approximately 28% of the Department's revenues. In the FY 2019 budget, user fees and charges represent 29% of the Department's revenue budget.

<i>(in thousands)</i>	Actual					Budget
	2014	2015	2016	2017	2018	2019*
EMS Billings	\$ 14,897	\$ 15,598	\$ 15,971	\$ 16,365	\$ 16,408	\$ 17,769
Lifeguard Contracts	113	113	131	131	131	125
Fire Prevention Inspection Fees	392	772	538	952	850	753
Miscellaneous User Fees	36	34	65	33	18	31
	\$ 15,438	\$ 16,517	\$ 16,705	\$ 17,481	\$ 17,407	\$ 18,678

* FY 2019 budget amounts shown net of 5% statutory reduction



Revenue Analysis

User Fees and Charges (Continued)

EMS Billings – EMS billings, which are managed by a third party vendor, are for services rendered. In January 2018 the Board adopted resolution No. 18-06 adjusting EMS user fees and approving an annual adjustment to use fee rates based on the CPI. The resolution became effective on February 1, 2018 and fee rates are as follows:

- Basic Life Support - \$683
- Advanced Life Support I - \$733
- Advanced Life Support II - \$803
- Mileage (from incident site to receiving facility) - \$11.75 per mile
- Oxygen - \$25

These billing rates are based on the economic profile in place at the time the rate study was performed. In FY 2018, BCFR rates were well below the average transport rates when compared to other EMS transport organizations throughout Florida (see **Benchmarking**) and transports had increased by 13,987 since 2009 (see **Benchmarking**).

EMS billings increased by 10.1% from FY 2014 to FY 2018 and were consistent with the previous fiscal year. The EMS ambulance revenues budget in FY 2019 reflects an increase of 8.3% from the fiscal year 2018 actual which reflects increased revenue projections as a result of the increase in user fee rates changed on February 1, 2018.

Lifeguard Contracts – BCFR contracts with several municipalities in Brevard County to provide lifeguard services at their beaches. The annual contracts typically cover the months of March through September with monthly payment amounts specified in the contracts. The contractual revenue was consistent with the previous fiscal year.

Fire Prevention Inspection Fees – Fire prevention inspection fees include fees to certify new construction, annual inspections on commercial properties and permits for inspections of special events. Billings are initiated by the fire prevention staff with payments received by the central cashier and BCFR. There is adequate segregation of duties between personnel responsible for billing, collecting, recording and depositing the payments received.

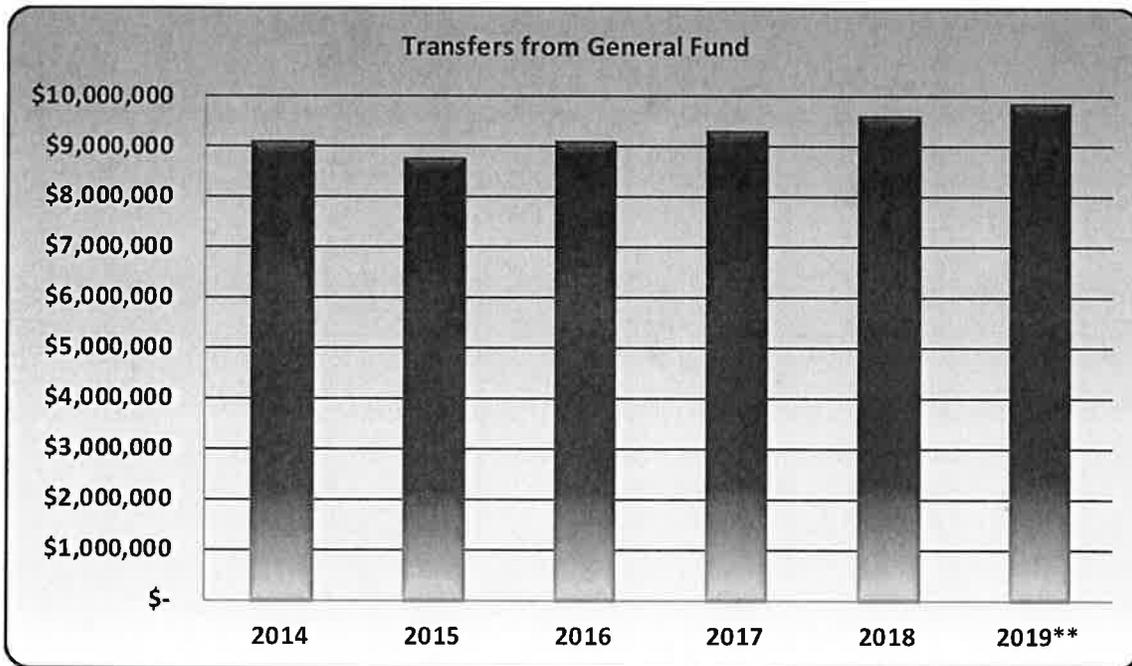
Fire prevention inspection fees have fluctuated due to changes in new construction year to year.

Revenue Analysis

General Revenue Fund Transfers

Funding from the General Fund is based on a budget approved by the Board and is used to help fund the EMS (Fund 1351) and Ocean Rescue (Fund 1362) operations. Any money transferred from the General Fund to BCFR, but not spent by BCFR at the end of the fiscal year, BCFR may request to keep some or all of these funds based on their emerging requirements and approval by the County Manager.

For FY 2018, BCFR received \$9.6 million from the General Fund. BCFR kept all of their unspent funds carried forward into the FY 2018/19 budget. These funds were appropriated to repair of facilities and the purchase of equipment.

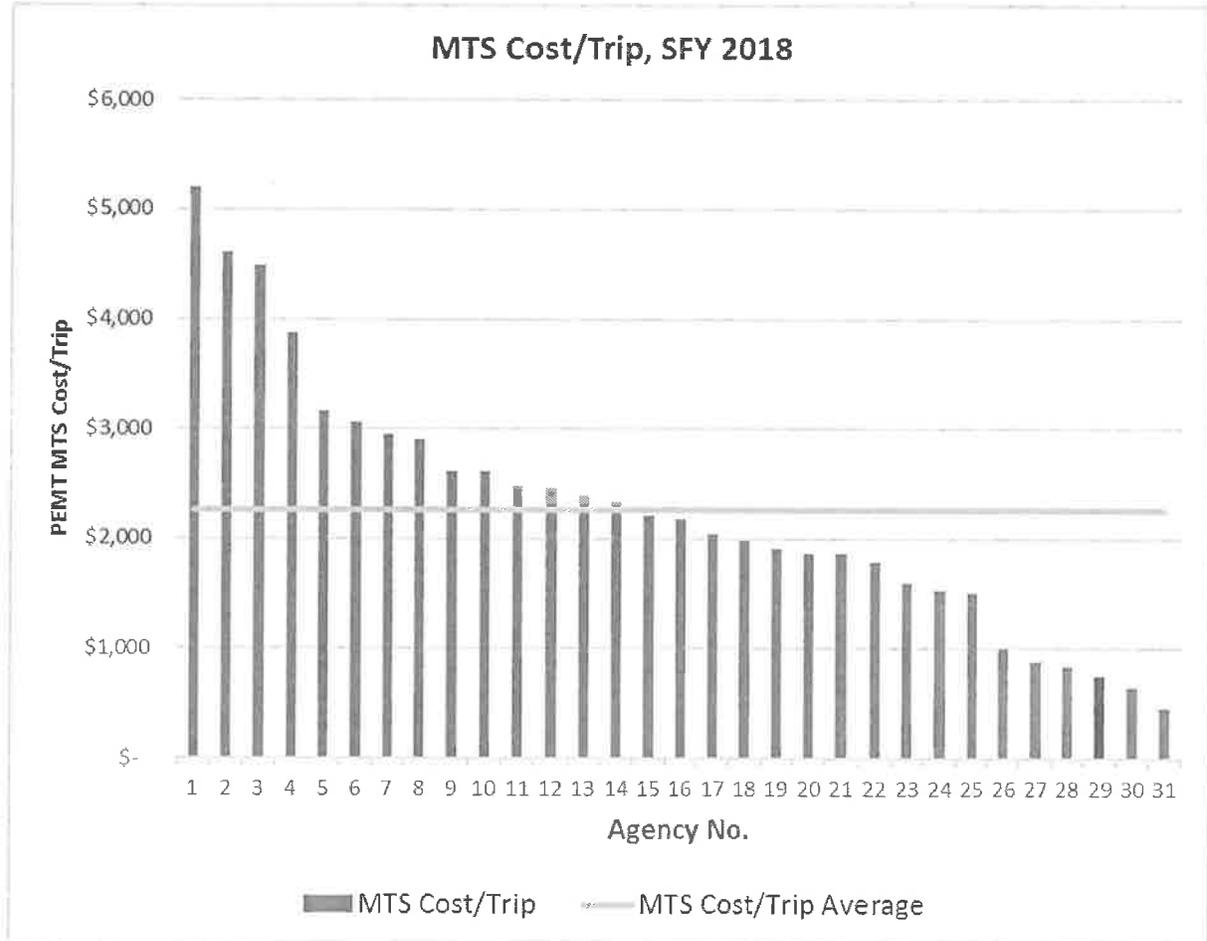


Benchmarking

Ambulance Services

The following graph was created by Public Consulting Group Health to compare several Florida EMS agencies that provide ambulance services and their respective operating cost per transport. BCFR's cost to provide ambulance services is well below the state average and less than most other providers. BCFR is ranked at #29 out of 31 and its cost per trip, \$744, is below the average of \$2,263 per trip (orange line in graph).

Source:



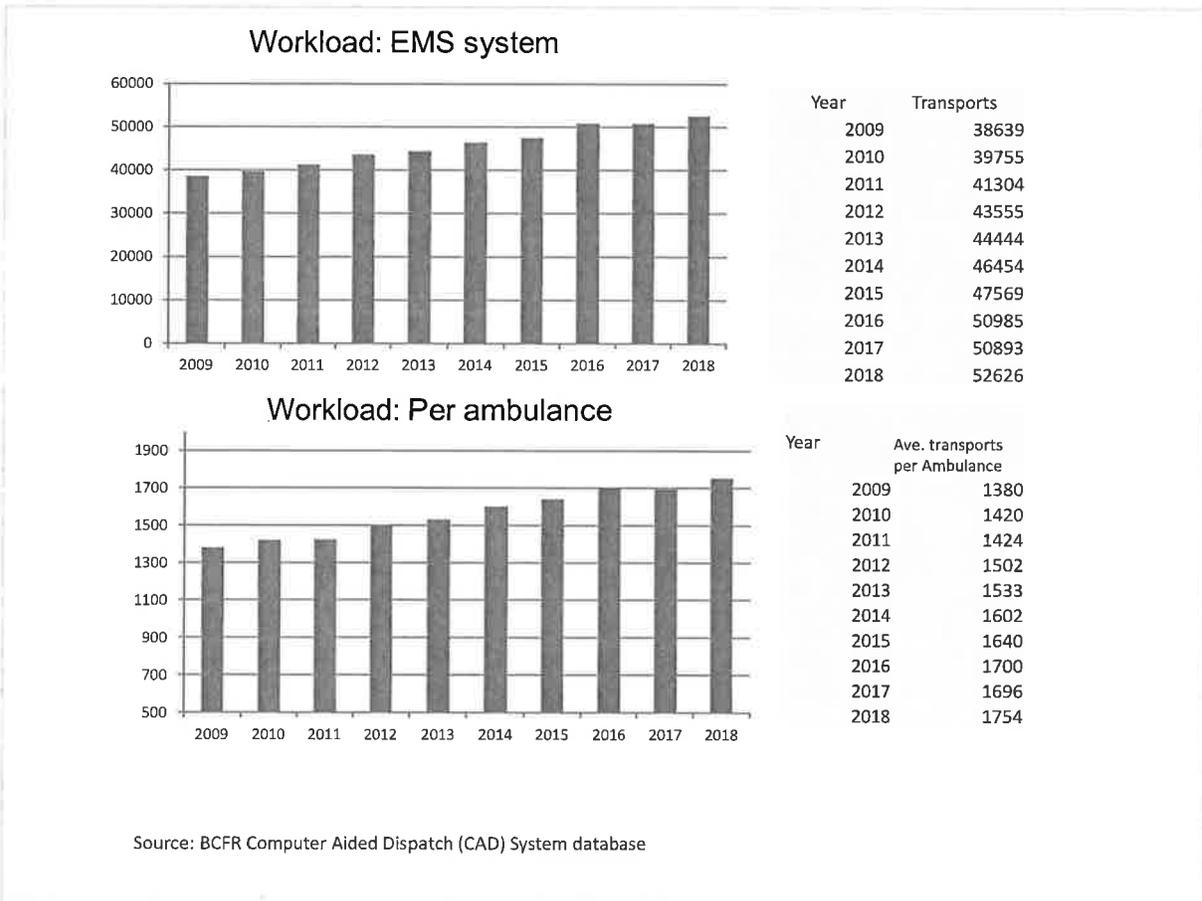
Benchmarking

EMS Workload

The first graph (Workload: EMS system) details the annual number of emergency medical patients transported to hospitals by BCFR EMS. The second graph (Workload: Per ambulance) represents the average number of patients each ambulance delivers to hospitals annually. The trend of both graphs indicate both an increase in total number ambulance transports as well as increase in workload per ambulance unit.

FY 2018 number of emergency patients transported to hospitals to FY 2009: 36.2% increase.

FY 2018 average number of patients per ambulance to FY 2009: 27.1% increase.



Salaries and Benefits Analysis

The following is a summary of salaries and benefits (in thousands) for the Fire Rescue department:

	FY 2019	FY 2018			FY 2017			FY 2016			FY 2015			FY 2014
	Budget	Budget	Actual	Variance	Budget	Actual*	Variance	Budget	Actual*	Variance	Budget	Actual*	Variance	Actual*
1350 - Fire Rescue Ops														
Salaries & Other Comp	\$ 10,832	\$10,524	\$10,888	(\$364)	\$10,891	\$10,973	(\$82)	\$10,825	\$10,781	\$44	\$9,897	\$9,587	\$310	\$9,489
Overtime	2,106	1,781	1,690	91	1,910	2,499	(589)	1,969	2,531	(562)	1,777	1,722	55	2,008
Benefits	6,277	6,008	6,215	(207)	6,454	6,378	76	6,511	6,714	(203)	5,814	5,684	130	5,368
1351 - EMS Ops														
Salaries & Other Comp	10,344	\$10,040	\$9,901	139	\$9,529	\$9,739	(210)	\$9,267	\$8,551	716	\$8,984	\$8,738	246	9,567
Overtime	1,958	1,618	1,815	(197)	1,743	2,506	(763)	1,575	2,134	(559)	1,651	1,780	(129)	2,075
Benefits	6,702	6,390	6,216	174	6,190	6,054	136	6,166	5,850	316	5,661	5,356	305	5,136
1354 - MSTU														
Salaries & Other Comp	5,191	\$4,975	\$4,889	86	\$4,562	\$4,331	231	\$4,551	\$3,883	668	\$4,362	\$4,045	317	3,995
Overtime	976	957	1,005	(48)	994	1,215	(221)	993	1,056	(63)	877	848	29	1,088
Benefits	3,136	3,001	3,019	(18)	2,810	2,619	191	2,823	2,614	209	2,587	2,454	133	2,396
1361 - Dispatch														
Salaries & Other Comp	1,097	\$1,122	\$911	211	\$1,095	\$980	115	\$1,087	\$980	107	\$1,039	\$904	135	1,009
Overtime	135	135	302	(167)	180	375	(195)	135	306	(171)	135	220	(85)	202
Benefits	502	514	436	78	538	489	49	538	517	21	520	454	66	456
1362 - Ocean Rescue														
Salaries & Other Comp	963	\$952	\$901	51	\$890	\$857	33	\$860	\$864	(4)	\$839	\$793	46	833
Overtime	30	30	39	(9)	30	51	(21)	22	47	(25)	22	41	(19)	31
Benefits	460	453	399	54	449	392	57	445	409	36	376	372	4	405
1363 - Hazmat														
Salaries & Other Comp	\$ -	\$ -	\$ -	-	\$518	\$262	256	\$522	\$467	55	\$493	\$496	(3)	457
Overtime	-	-	-	-	120	74	46	120	147	(27)	120	114	6	130
Benefits	-	-	-	-	330	172	158	331	322	9	304	304	0	270
Total salaries & benefits	\$50,709	\$48,500	\$48,626	(\$126)	\$49,233	\$49,966	(\$733)	\$48,740	\$48,173	\$567	\$45,458	\$43,912	\$1,546	\$44,915

Percentage (over) under budget

-0.3%

-1.5%

1.2%

3.4%

Increase (decrease) over prior year

-2.7%

3.7%

9.7%

-2.2%

* Actual results do not include labor distribution credits which are included in the line item "Compensation & benefits" on pages 9 - 15.

Salaries and Benefits Analysis

Analysis

Total compensation and benefits costs in FY 2018 were approximately \$48.6 million which includes costs for salaries, wages, overtime, payroll taxes, insurance and pension costs.

- FY 2018 compensation and benefits to FY 2014: 8.3% increase driven primarily by salaries, benefit and overtime costs within Fire Operations and EMS.
- FY 2018 compensation and benefits to FY 2017: 2.7% decrease primarily due to higher compensation and benefits in FY 2017 resulting from overtime costs incurred due to the hurricane.

The actual costs in FY 2018 were consistent with the budgeted amount as a result of Fire Rescue changing the method as to how personnel would be assigned in the various stations in prior years. This change also resulted in a reduction in overtime by freeing up personnel at lower rates to fill the overtime needs.

It was noted, further, that the labor distribution does not distinguish between salaries, overtime or benefits. As a result, the labor charge reallocation is netted in "Salaries & Other Comp" in the Salaries and Benefits table, although the reallocation amount also includes overtime and benefits.

Actual salaries and benefits within Hazmat Fund 1363 were reallocated to the parent funds beginning in FY 2018.

Capital Outlay Analysis

Summary

The following is a summary of capital outlay expenditures (in thousands):

	2019		2018		2017		2016	
	Budget	Budget	Actual	Under (Over)	Budget	Actual	Under (Over)	Actual
1350 - Fire Rescue Ops	\$1,028	\$1,212	\$1,109	\$103	\$1,352	\$1,075	\$277	\$1,368
1351 - EMS Ops	1,030	702	639	63	2,127	1,251	876	793
1354 - Referendum	801	615	478	137	179	105	74	113
1361 - Dispatch	26	141	131	10	66	6	60	40
1362 - Ocean Rescue	76	83	77	6	167	143	24	86
1363 - Hazmat	5	-	-	-	0	0	0	14
1700	0	602	585	17	156	124	32	13
Totals	\$2,966	\$3,355	\$3,019	\$336	\$4,047	\$2,704	\$1,343	\$2,427
<i>% of budget spent</i>				90.0%			66.8%	
<i>Increase (decrease) over prior year spending</i>				11.6%			11.4%	

Analysis

Total capital expenditures in FY 2018 were approximately \$3.4 million primarily for the purchase of machinery and equipment.

- FY 2018 capital expenditures to FY 2017: 11.6% increase driven by Fire Operations.
- FY 2018 capital expenditures to FY 2018 Budget: 90.0% of budget spent compared to 66.8% in FY 2017

The unspent budget for capital outlay in 2018 was approximately \$400 thousand.

Allocation of Support Costs Analysis

Approach

The Fire Rescue Department is a multi-service organization. The two principle services are fire suppression (Fire Ops) and emergency medical service (EMS). These two services are not funded from the same revenue sources because each provides their respective service to a specific population group. EMS is a countywide service; revenue sources are patient billings and the County's General Fund. Fire Ops provides service to unincorporated Brevard County and 4 contracted municipalities; revenue sources are the Fire Assessment (non-ad valorem) and an MSTU (ad valorem). Because both EMS and Fire Ops have separate revenue streams and are varied in the population served; revenues and expenses for each service must be accounted for separately to ensure that the revenue is being used appropriately.

Many of the Department's support functions (dispatch, fleet, administration, etc.) service both EMS and Fire Ops. Therefore, a cost allocation methodology is used to determine the level of funding provided from each service for funding the various support functions. Such allocable costs include executive and administrative personnel, training, insurance, facility maintenance, supplies, and fleet maintenance, and are reported in Fund 1360 (Support). For fiscal year 2018, aggregate costs of Fund 1360 were allocated ~38% to Fire Operations (1350), ~40% to EMS (1351), ~16% to MSTU (1354) and ~3% to Dispatch (1361). For fiscal year 2019, management has budgeted for \$7.2 million of allocable costs.

We recognize the costs being allocated are significant, and can have a significant impact on the funding needs of Fire Operations (1350) and EMS (1351). Every year the cost allocation is reviewed. The variance is analyzed and management evaluates the fiscal impact for each fund. Management decides during budget development if the cost allocation should change. Parent funds (1350, 1351 and 1354) are charged directly when the charges are clearly identifiable to the nature of the business. Ex: medical supplies, brush fires expenses, bunker gear, physicals, billing fees, etc.

Management uses the following 3 allocation methodologies – individually or in combination – to allocate the costs associated with cost pools:

- **Personnel split** – based on the total number of employees according to the function they perform (i.e., do they serve Fire Operations only, EMS only, or both?).
- **Station split** – based on the total number of stations and whether they serve Fire Operations, EMS, or both.
- **Vehicle split** – based on the total number of vehicles assigned to a particular fire rescue department function (EMS, Fire Operations, etc.).

Management estimates each allocation percentage based on the projected number of Field personnel. Support personnel charges are directly charged to the parent fund accordingly to the cost allocation rates.

Identifiable operating expenses to the operations of each program (utility, fire or EMS stations maintenance and repairs, maintenance agreements, medical supplies, brush fires expenses, bunker gear, physicals, billing fees, etc.), are charged directly to Fire, EMS, MSTU or Dispatch. Combined expenses (Dual Stations expenses, IT, Fleet charges, Support, supplies, preventive maintenance, R&M, operating supplies, etc.) are allocated as per the cost allocation rates.

Allocation of Support Costs Analysis

Cost Pools

Fire Rescue management allocates costs associated with two (2) different cost pools, as follows:

Pool 1: Cost allocation based on personnel count including Dispatch support, supplies and information systems.

- **Support** (~\$3.9 million budgeted for fiscal year 2019) – support costs include various administrative costs of operating the Fire Rescue department such as administrative salaries, utilities, operating expenses for dual stations, facility maintenance and costs paid to other County departments in support of Fire Rescue. These costs are allocated based on the total number of employees according to the function they perform (i.e., do they serve Fire Operations, EMS, Dispatch).
- **Supplies** (~\$0.4 million budgeted for fiscal year 2019) – These costs are allocated based on the total number of employees according to the function they perform (i.e., do they serve Fire Operations, EMS, Dispatch).
- **Information system charges and other professional services** (~\$0.9 million budgeted for fiscal year 2019) – these costs are allocated based on the personnel split.

Pool 2: Cost allocation based on personnel count excluding Dispatch, Fire Prevention and Ocean Rescue and including training and fleet.

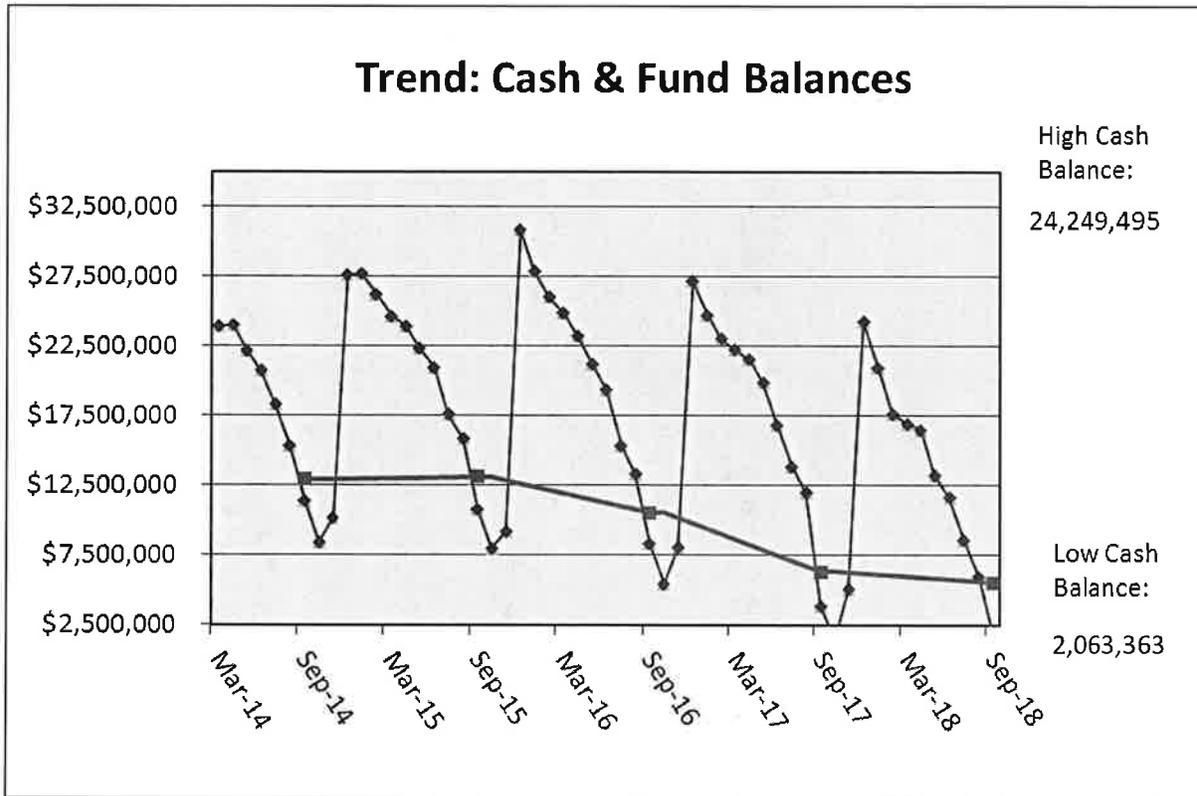
- **Training** (~\$0.9 million budgeted for fiscal year 2019) – training cost for all personnel based on the total number of employees according to the function they perform.
- **Fleet** (~\$1.1 million budgeted for fiscal year 2019) – fleet costs, which include costs to maintain all Fire Rescue vehicles, are allocated based on the vehicle split.

Results

We reviewed management's allocation methodology. In general, the allocation methodology appears reasonable. We recommend management continue to analyze its methodology at least annually to identify efficiencies and potential improvements for accuracy.

Cash Flow Analysis

To evaluate cash flows of the Fire Rescue department for the year, we performed the following analysis of Fire Rescue's cash position and fund balance of Funds 1350, 1351 and 1354. Funds 1360, 1361, 1362 and 1363 are excluded as they are subsidized by the parent or general fund.



Observations

- Cash balances (in blue) fluctuate during the year, as the majority of Fire Rescue cash is received in December and January each year, due to the timing of tax collections.
- Fund balance (in red) is presented above only at fiscal year-end (September 30th), as this is the only time fund balance is fully adjusted for accruals and allocations.
- At each fiscal year end, fund balance is materially consistent with cash balances, as anticipated. Variances between the two are due to other non-cash assets and liabilities reported in accordance with generally accepted accounting principles.

Conclusions

As shown above, cash balances and fund balance have decreased steadily during the past seven (7) years. As mentioned earlier in the report, the decrease in cash and fund balance is a result of the growth of costs to provide services outpacing the growth in revenues generated for those services.

Due to adoption of Resolution #18-079, the fire assessment is expected to have an increase in revenue equal with CPI for FY 2019/20. Management believes the balance forward for fire assessments and the MSTU will continue to be a challenge as expenses are expected to continue to increase more than the CPI.

Fund Balance Analysis

Considerations

To evaluate fund balance / balance forward, we considered the following:

- Consider whether fund balance amounts are:
 - Legally restricted,
 - Board designated for capital, etc.
 - Department designated as unspent funds in the event of an emergency or other unexpected need of the department, or
 - Unrestricted
- Analysis of historic fund balance compared to historic Fire Rescue operating costs

The following parameters were used when analyzing fund balance and balance forward:

- Fund balance:
 - Assets in excess of liabilities as of the end of each fiscal year
- Balance forward:
 - Budgeting term used to represent the "unspent funds" carried forward as revenue to the next year's budget
- Designated fund balance:
 - Portion of fund balance approved by the Board for an intended purpose, such as capital, debt service, etc.

Observations

Through discussions with management and review of the County's Comprehensive Annual Financial Report (CAFR), we noted that Fire Rescue's fund balance is not legally restricted by bond covenants. During the budgeting process, management of Fire Rescue designates fund balance in the following ways:

- Management identifies balance forward as unrestricted, restricted or designated for capital. Such determinations are projections based on management's best estimates and judgement.
- In addition, Fire Rescue management budgets "reserves" as an expenditure item. This effectively represents management's expectation of fund balance at the end of the current budget year. Such balances can only be spent in the current budget year with the Board's approval.

We note there is a policy for General Fund reserves which says for the General Fund, planned fund balance shall be no less than ten percent (10%) of general operating revenues. However, there is no such policy that provides guidance to departments with dedicated funding sources other than the General Fund.

The following is a summary of Fire Rescue's fund balance at the beginning of the year, as a percentage of operating expenditures for the year (in thousands):

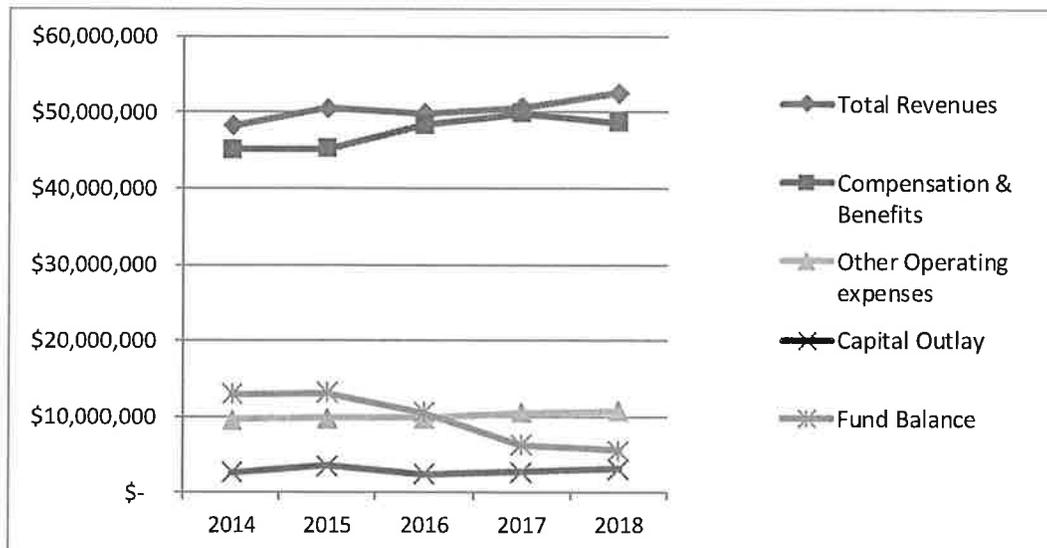
Fund Balance Analysis

Observations (Continued)

	Fiscal Year				
	2014	2015	2016	2017	2018
Total fund balance	\$ 12,922	\$ 13,113	\$ 10,513	\$ 6,302	\$ 5,527
Annual total operating expenditures *	\$ 54,749	\$ 54,906	\$ 58,158	\$ 60,301	\$ 59,333
Fund balance as a % of operating expenditures *	24%	24%	18%	10%	9%
Brevard County Population**	552,176	561,503	568,701	575,018	583,369
Change in fund balance:					
FY 2018 to FY 2014		-57.2%			
FY 2018 to FY 2017		-12.3%			
Change in operating expenditures:					
FY 2018 to FY 2014		8.4%			
FY 2018 to FY 2017		-1.6%			
Change in Brevard County population:					
FY 2018 to FY 2014		5.6%			
FY 2018 to FY 2017		1.5%			

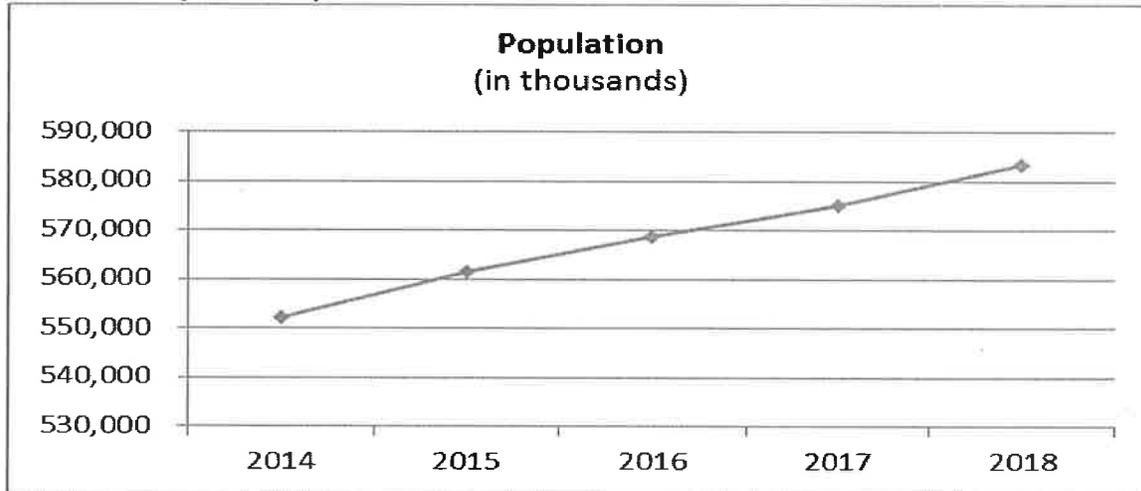
* Operating expenditures exclude capital outlay, debt service, transfers to other Fire Rescue funds, bad debt expense, and budgeted reserves.

** Source: <http://www.brevardclerk.us/comprehensive-annual-financial-report>



Fund Balance Analysis

Observations (Continued)



Conclusions

Per review of the County's most recently published Comprehensive Annual Financial Report (CAFR) (fiscal year 2018), the Fire Rescue department's entire fund balance is reported as restricted, all except the fund balance in Fund 1351 and 1362, which is assigned. Consistent with general accepted accounting principles, the CAFR shows material designations (approved by the Board) for capital or debt service.

As a guide, BCFR follows County Policy BCC-21 balances which says for the General Fund, planned fund balance shall be no less than ten percent (10%) of general operating revenues. In FY 2018, the Department's fund balance is 6.47% of general operating revenues.

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Fire Control MTSU	9,543,051	10,420,194	10,747,518	10,894,217	11,256,059
Fire Special Assessment	20,907,824	21,092,337	21,259,286	21,436,097	21,751,379
User Fees (Charges for Ser)	15,438,339	16,517,407	16,705,293	17,481,122	17,407,624
Intergovernmental	1,880,018	2,213,407	540,086	393,646	1,133,260
Miscellaneous Revenue	453,246	301,084	551,296	444,183	1,050,619
Total Operating Revenues	48,222,478	50,544,429	49,803,479	50,649,265	52,598,941
Ending Fund Balance	12,922,000	13,113,000	10,513,000	6,302,000	5,527,000
Reserved Fund Balance	(6,027,015)	(7,150,779)	(6,427,930)	(3,737,363)	(2,122,143)
Restricted Fund Balance	6,894,985	5,962,221	4,085,070	2,564,637	3,404,857
Fund Balance as a % of General Operating Revenues	14.30%	11.80%	8.20%	5.06%	6.47%

Write-Off of EMS Billings Analysis

Analysis

Our analysis of net revenues and expenditures included specific consideration of the effect of the bad debt estimation process on the revenue projections being utilized in management of the EMS fund.

The following is a summary of Fund 1351's (EMS) primary revenues:

	Actual				
	FY18	FY17	FY16	FY15	FY14
Charges for services, gross	\$ 37,643,820	\$ 30,516,018	\$ 29,928,977	\$ 29,000,143	\$ 27,874,293
Board Approved Write-Offs					
Contractual					
Medicare/Medicaid	(10,343,969)	(7,095,902)	(6,819,318)	(6,709,792)	(6,455,807)
Other	(7,477,967)	(7,871,376)	(7,253,687)	(6,796,270)	(6,597,600)
Total Write-Offs	(17,821,936)	(14,967,278)	(14,073,005)	(13,506,062)	(13,053,407)
Charges for services, net	\$ 19,821,884	\$ 15,548,740	\$ 15,855,972	\$ 15,494,081	\$ 14,820,886
Change in total Write-Offs:					
FY 2018 to FY 2014	36.5%				
FY 2018 to FY 2017	19.1%				
Change in Charges for services, gross:					
FY 2018 to FY 2014	35.0%				
FY 2018 to FY 2017	23.4%				

EMS Billings are prepared by a 3rd party vendor (InterMedix) and billings are recorded in the general ledger using billing reports from InterMedix. If initial collection attempts by InterMedix are unsuccessful, accounts are turned over to the County's contracted collection agency. At the end of each fiscal year, a request is sent to the Board for approval to write-off any accounts not collected from the previous fiscal year, e.g., after the FY 2018 books were closed, a request was made to write-off accounts outstanding as of the end of FY 2017. A listing of accounts written off is maintained by the County and collection attempts continue.

For Medicare / Medicaid patients, contractual adjustments are made to "write down" the amount billed to the agreed-upon rate for the EMS services provided. Contractual adjustments are requested / written off annually, e.g., 2018 contractual adjustments are posted in fiscal year 2018. Contractual adjustments have averaged 24% of gross revenues over the past five (5) years. Write-offs for accounts deemed uncollectible averaged 23% of gross revenues over the past five (5) years.

We understand there have been numerous discussions regarding bad debt in recent years. On the fund financial statements, amounts billed are not considered available for use until they are collected, i.e. revenue recognition is deferred until the account is collected. For the entity-wide statements, revenue is recognized in the fiscal year the amounts are billed. Therefore, account write-offs only impact the government-wide financial statements and have no impact on the balance forward in the EMS Fund.

Write-Off of EMS Billings Analysis

Analysis (Continued)

	Actual				
	FY18	FY17	FY16	FY15	FY14
EMS Revenue - Fund 1351	\$ 16,252,134	\$ 16,163,702	\$ 15,705,689	\$ 15,336,075	\$ 14,583,170
Change in charges for services - EMS Revenue:					
FY 2018 to FY 2014	11.4%				
FY 2018 to FY 2017	0.5%				
Budgeted Revenue - EMS Billings	\$ 17,086,682	\$ 16,480,000	\$ 15,440,000	\$ 15,535,000	\$ 14,818,017
Actual revenue as a % of budget	95%	98%	102%	99%	98%

EMS billings increased from FY 2017 to FY 2018 by \$88 thousand due to updates and upgrades to billing software and changes to coding of billings by the third party billing vendor resulting in more calls that were qualified to be billed as Advanced Life Support 1 (ALS1) services, which carry a higher fee than Basic Life Support (BLS) services. During the past year, Fire Rescue and their third party billing company, ADPI, have worked together on developing projections closer to actual revenues. The EMS ambulance revenues budget in FY 2019 (after the statutory 5% reduction) reflects an increase of 8% from the fiscal year 2018.

General Fund transfers have averaged \$7.7 million each year for the past five (5) years. Historically, any unspent monies in the EMS Fund not needed for existing commitments are remitted back to the General Fund. As of the end of fiscal year 2018, the EMS Fund retained no funds, in excess of existing commitments, to be carried forward in to the next fiscal year for capital items.

	Actual				
	FY18	FY17	FY16	FY15	FY14
General Fund Transfer EMS fund	\$ 8,086,257	\$ 7,667,979	\$ 7,596,799	\$ 7,306,838	\$ 7,678,264
Balance Forward - EMS Fund	\$ -	\$ 1,172,093	\$ 732,868	\$ 83,226	\$ 450,000

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

May 8, 2019

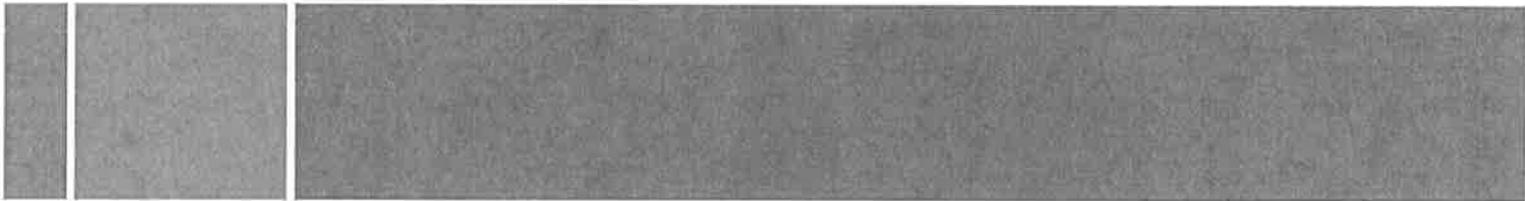


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Transmittal Letter

May 8, 2019

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

Pursuant to the approved 2018/2019 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 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.
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,

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 – Mead and Hunt (formerly Quentin L. Hampton Associates, Inc. (QLH))

- Key Dates:

- Design Engineer

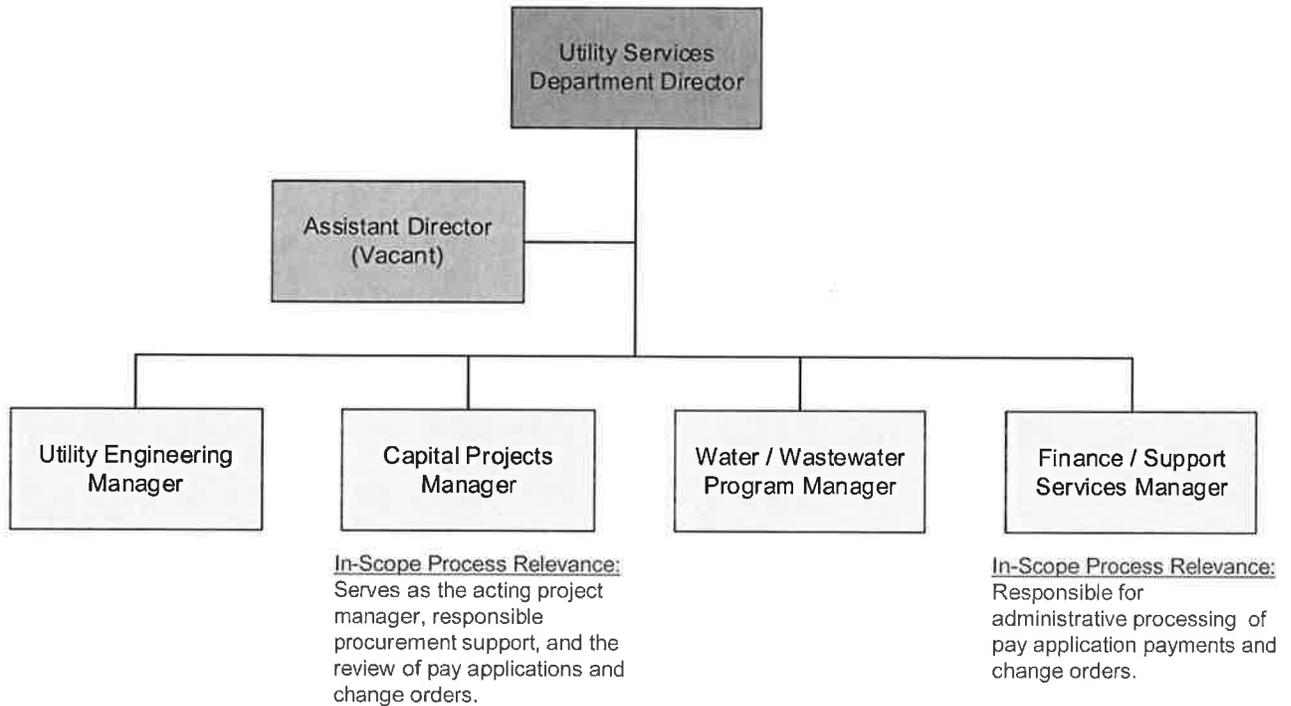
- RFQ Submission Date – April 10, 2014
 - Short List Meeting – May 5, 2014
 - Contract Execution Date – October 3, 2014

- 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
 - Original Contract Duration – 730 calendar days from NTP to substantial completion 760 calendar days from NTP to final completion
 - **Revised** Contract Duration – 975 calendar days from NTP to substantial completion and 1,005 calendar days from NTP to final completion (overall 245 day increase – see CO #2, #4, #7, and #8)

Background - continued

Organizational Chart of Management Team



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
- Pay application packages submitted to SRF
- 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
- Owner Direct Purchase program
- Weekly and monthly contractor reporting
- Quarterly jobsite inspection
- KPI / metric monitoring / evaluation
- Davis-Bacon and related Acts (DBRA) pay rate U.S. Department of Labor compliance

Reporting

We will continue to provide Utilities Management and the Audit Committee with a project status report on a bi-annual basis.

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 (03/14/2019) and review of pay applications and change orders through 2/28/2019, we noted the project schedule has been extended an additional 141 days (245 added overall, for 1,005 total days) since our last report, with final completion planned for May 24, 2019. The recent extension was approved per Change Order #7 for electrical and walkway work and Hurricane Irma delays, and per Change Order #8 for work on the maintenance building and pit collections system design delays. The contract was also increased by Change Order #8 in the amount of \$68,699.22.

Our site visits included a walkthrough and inquiry with the Construction Coordinator and Support Services Manager, who noted the general contractor's team is providing sufficient monitoring of subcontractors and actively working to complete the project. Most major portions of the work appeared complete and in operation.

Through inquiry with the County, we noted that the timing of SRF reimbursement package submissions has improved since our prior report (see Observation #1 follow up on page 11). We also noted that Mead & Hunt, the preparer of SRF packages, submitted change order #2 for additional fees related to the project timeline extension described above. The change order, totaling \$256,230 was approved by the Board of County Commissioners, bringing Mead & Hunt's total contract value to \$3,668,690.



Note 1: Pictures taken during RSM site visit in March 2019.

South Central Regional Wastewater Treatment Facility Expansion Snapshot – Metrics (as of 02/28/2019*)

30

Pay Applications Processed

8

Change Orders Processed

94%

975 days

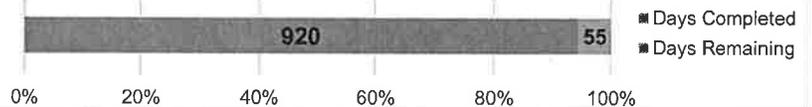
Schedule Progression

89%

\$26,195,840

Spending Progression

Days Completed vs. Remaining



Contract Spend vs. Remaining



Top 10 Largest Project Costs through PA #30:

Section	Line Item Description	Amount	% Complete
BNR Structure/Blower Building	Biological Process Equipment	\$ 3,430,000	100%
BNR Structure/Blower Building	Slab Concrete	\$ 2,400,000	100%
Electrical	Generators	\$ 2,332,400	100%
BNR Structure/Blower Building	Wall Concrete	\$ 2,263,600	100%
Filters & Filter Replacement	Filter Equipment	\$ 1,697,250	93%
Pretreatment Structure	Grit Equipment	\$ 979,000	100%
BNR Structure/Blower Building	Turbo Blowers	\$ 658,000	100%
Pretreatment Structure	Rotary Drum Screen & Pres	\$ 570,000	100%
Clarifiers/RAS/WAS Pumps	Clarifier Equipment	\$ 556,600	100%
Mob/Demo	Mobilization	\$ 500,000	100%

* Due to normal timing of the contractor pay application cut off date and pay application submission and approval, our scope period covers October 2018 through February 2019.

South Central Regional Wastewater Treatment Facility Expansion Snapshot – Change Orders (as of 02/28/2019*)

Change Order	Amount	Days Added	Description
CO #1	-	0	Schedule of Values change
CO #2	(2,544,025.00)	84	Owner Direct Purchase Reduction
CO #3	(9,352,853.00)	0	Owner Direct Purchase Reduction
CO #4	-	20	Schedule extension for soil settlement delays
CO #5	(57,396.00)	0	Owner Direct Purchase Reduction
CO #6	7,415.00	0	Owner Direct Purchase Adjustment
CO #7	-	28	Schedule extension for electrical and walkway work and Hurricane Irma delays
CO #8	68,699.22	113	Maintenance Building and pit collections system design changes
Totals	(11,878,159.78)	245	

* Due to normal timing of the contractor pay application cut off date and pay application submission and approval, our scope period covers October 2018 through February 2019.

South Central Regional Wastewater Treatment Facility Expansion Snapshot – Pay Applications

The results of our testing for this reporting period are below:

	Pay Application #26 October 2018	Pay Application #27 November 2018	Pay Application #28 December 2018	Pay Application #29 January 2019	Pay Application #30 February 2019
Test Criteria	\$316,391	\$473,720	\$383,615	\$728,955	\$420,476
Mathematical Accuracy	✓	✓	✓	✓	✓
Proper Approvals	✓	✓	✓	✓	✓
Documentation Support	✓	✓	✓	✓	✓
Consistent Schedule of Values	✓	✓	✓	✓	✓
Timeliness of Payment	✓	✓	✓	✓	✓
Support Provided to SRF	✓	✓	✓	✓	○

○ Denotes SRF package is under County review.

Observation and Recommendation

1. Timeliness of SRF Submissions	Management Response	Follow Up Status: Closed
<p>Low</p> <p>Through our review of contractor pay applications and SRF packages, we noted that the SRF packages have not been submitted timely to the County. The May 2018 package was submitted in August, with the June and July SRF packages provided to the County in October. The August and September SRF packages have not been submitted to the County. The SRF package is not part of the payment application, because payments to the contractor must be made before SRF funds can be requested.</p> <p>The delay in submission of the SRF packages creates a cash flow risk for the County, who is obligated by Florida Statutes to make payments to the contractor prior to submitting the SRF package. Currently, the County has encumbered \$2,461,735 of payments to the contractor for June through September pay applications, for which SRF funds have not been requested. This is a low risk issue for the County because the funds are available to cover the timing delay; however, should reserves or cash flow become limited, this funding delay could have a more severe impact.</p> <p>We recommend the County, together with Mead & Hunt, identify the cause of the delay in the SRF package submission process, and develop and implement a plan to submit the outstanding SRF packages and future SRF packages in a timely manner.</p>	<p>Management Response: Management agrees that the timing of obtaining the SRF packets could be improved, and we have already addressed this with the vendor. The timing has already improved as a result of the additional outreach.</p> <p>Responsible party: Utility Services Director</p> <p>Estimated completion date: Completed</p>	<p>Based on discussion with the County and review of documents, we noted the August 2018 SRF package was submitted to the County and approved in November, and the September 2018 SRF package was submitted in November and approved by the County in December. Since our prior report, we have reviewed these documents and updated our testing results to reflect this, shown on page 11.</p> <p>For our current report, we noted the SRF package for October 2018 was submitted and approved in December; the November and December 2018 packages were submitted and approved in February 2019; and the January 2019 package was submitted and approved in March. The current SRF package for February 2018 has been submitted to the County and is currently under review. Based upon the improvement in timing between the pay applications and SRF submissions, we agree the County has addressed the previous timing issues.</p>

South Central Regional Wastewater Treatment Facility Expansion Snapshot – Pay Applications

The results of our testing for the prior reporting period are below:

Test Criteria	Pay Application #21 May 2018 \$794,605	Pay Application #22 June 2018 \$588,253	Pay Application #23 July 2018 \$655,889	Pay Application #24 August 2018 \$658,458	Pay Application #25 September 2018 \$559,134
Mathematical Accuracy	✓	✓	✓	✓	✓
Proper Approvals	✓	✓	✓	✓	✓
Documentation Support	✓	✓	✓	✓	✓
Consistent Schedule of Values	✓	✓	✓	✓	✓
Timeliness of Payment	✓	✓	✓	✓	✓
Support Provided to SRF	✓	✓	✓	✓	✓

Since our prior report, we have reviewed the SRF support for Pay Applications 22 – 25.

South Central Regional Wastewater Treatment Facility Expansion Snapshot – Change Orders

The results of our testing for the current reporting period are below.

Test Criteria	Change Order #7	Change Order #8
	\$0	\$68,699
	Contract Time Extension of 28 days	Contract Time Extension of 113 days
Contractor Entitlement		
Mathematical Accuracy		
Contractual Compliance		
Detailed Cost Breakdown		
Proper Approvals		

South Central Regional Wastewater Treatment Facility Expansion Snapshot – Davis Bacon Compliance

The results of our testing for prior and current reporting periods are below:

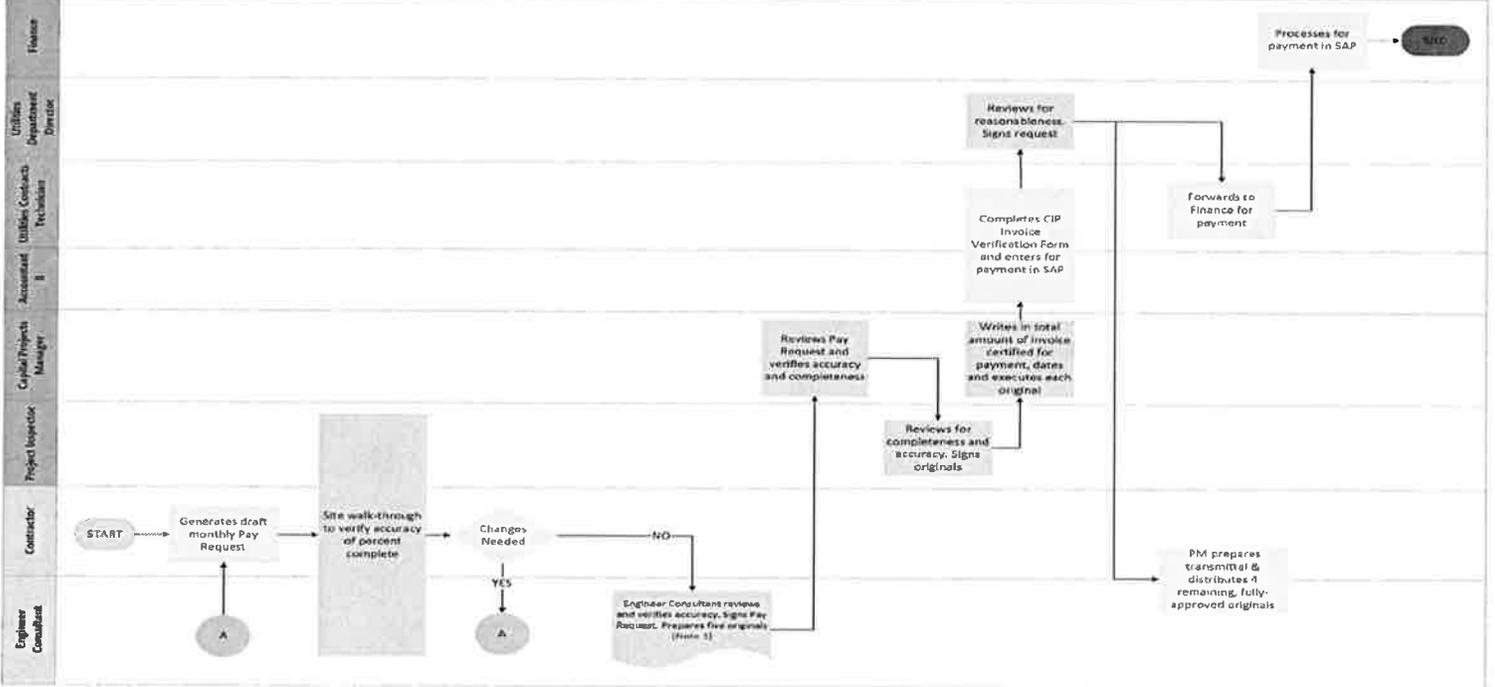
Test Criteria	June 2017	September 2017	February 2018	May 2018	October 2018	December 2018
Pay Rate Compliance	✓	✓	✓	✓	✓	✓
Payroll accompanied by Statement of Compliance Form	✓	✓	✓	✓	✓	✓
Employment Eligibility Verification	✓	✓	✓	✓	✓	✓
Interviews forms accurate and complete	✓	✓	✓	✓	✓	✓
Overtime rates compliance	✓	✓	✓	✓	✓	✓

Davis-Bacon and Related Act Compliance (DBRA): Mead and Hunt

As outlined in the Consulting Services Agreement, and as discussed during the pre-construction meeting, Mead and Hunt is responsible for compiling data for all loan reimbursement requests, including the performance of certain duties related to the monitoring of compliance with prevailing wages (Davis Bacon). This process is illustrated in the flowchart included on page 18.

Process Maps

Pay Application Process Brevard County – Utilities Services Department



Swim Lane Legend
 3rd Party Personnel County Personnel

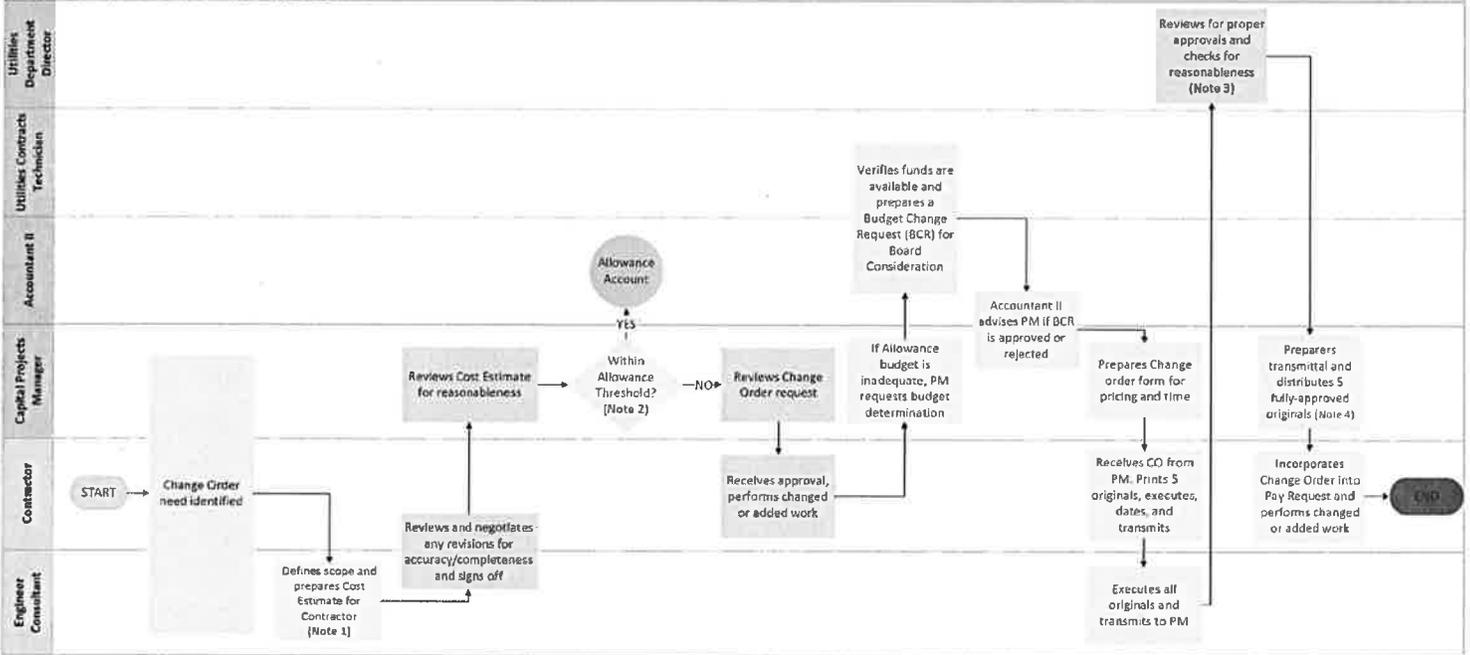
Note 1: Copies Distributed as follows
 1. Three Copies to Owner
 2. One copy to Engineer
 3. One copy to Contractor

Legend
 Process Step Manual Control

Process Maps - continued

Change Order Review

Brevard County – Utilities Services Department



Swim lane Legend

3 rd Party Personnel	County Personnel
---------------------------------	------------------

Note 1: Support must include labor & materials breakdown by supplier

Note 2: Allowance account established as line item on Schedule of values. Usage must be pre-approved by Capital Projects Manager. Typically for minor items or items to avoid stoppage of work. Support required with pay request.

Note 3: The Board of County Commissioners also assures if the Change order results in a contract price increase above the established policy limit of the Department Director and County Manager.

Note 4: PM prepares transmittal & distributes 5 fully-approved originals (to Contractor, Engineer, Accountant II, Contracts Technician & PM)

Legend

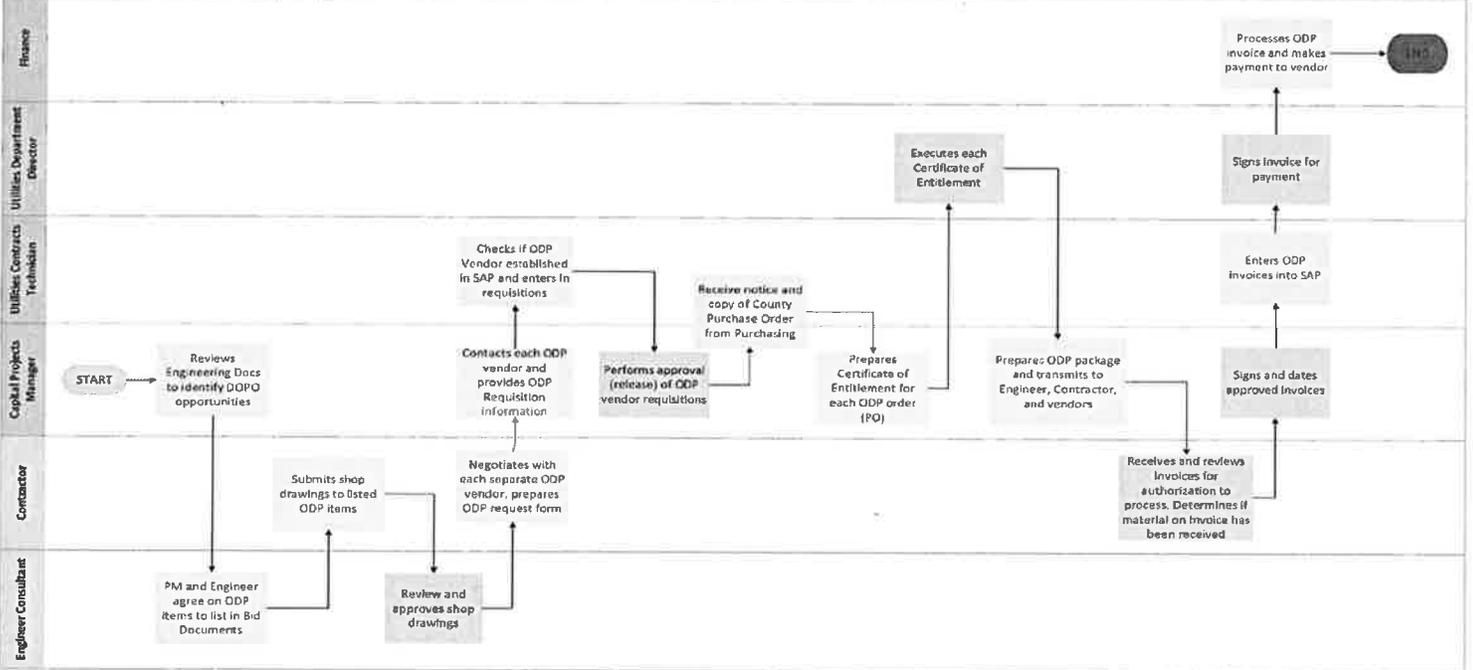
Process Step	Manual Control
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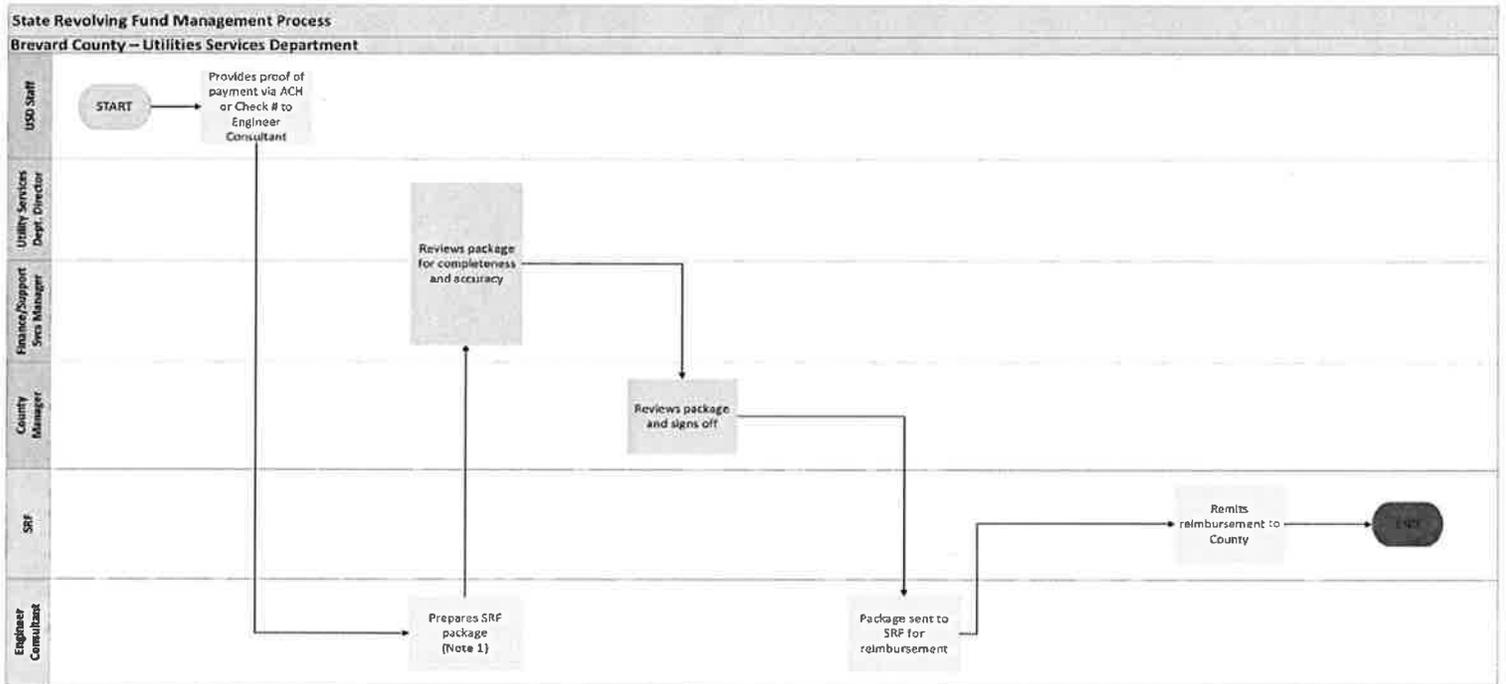
Process Maps - continued

Owner Direct Purchases

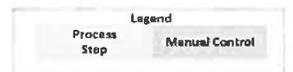
Brevard County – Utilities Services Department



Process Maps - continued

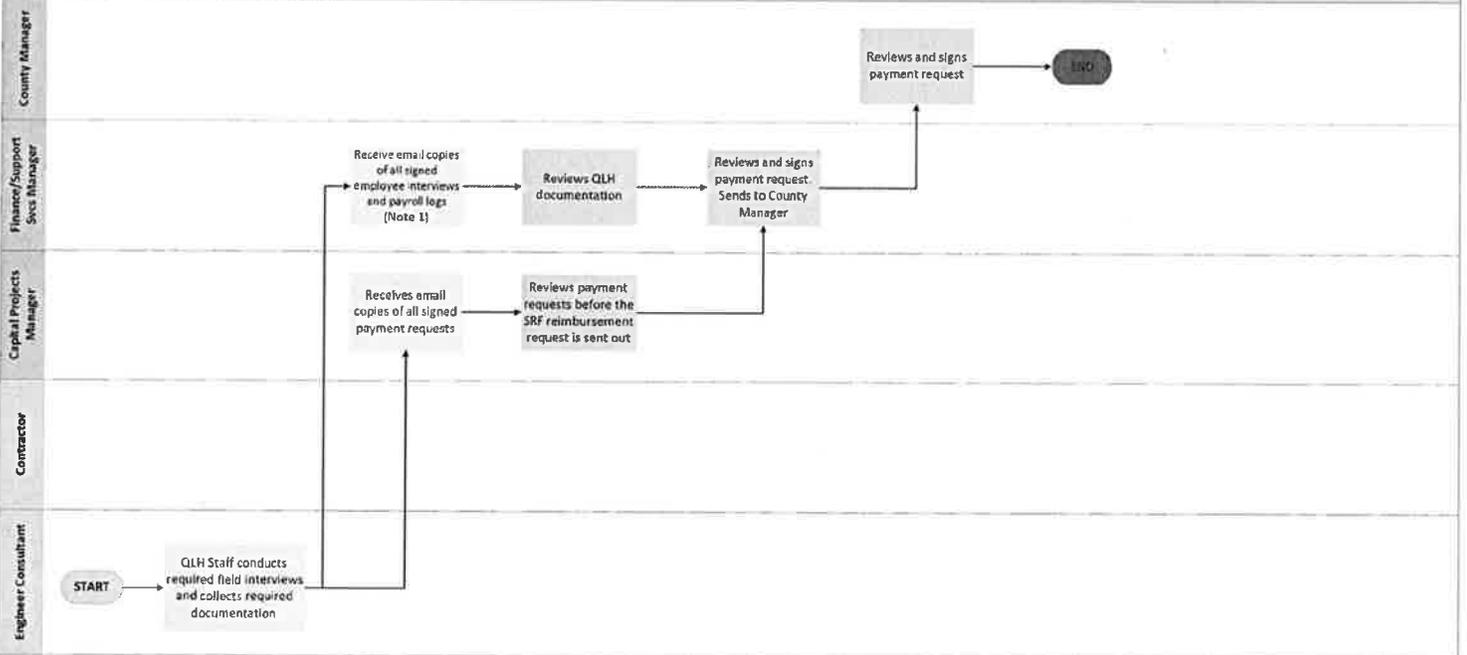


Note 1: SRF Package includes the following:
 1. Fully Executed Original Pay Request
 2. Proof of payment via ACH or Check #
 3. Proof that check or electronic payment has been deposited



Process Maps - continued

Quentin L Hampton - Davis Bacon Process
Brevard County - Utilities Services Department



Swim Lane Legend	
3 rd Party Personnel	County Personnel

Note 1: Interview and payroll logs includes the following:
 1. Prime Contractor, Adams Robinson
 2. Subcontractors

Legend	
Process Step	Manual Control

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