

Meeting Date
11-17-15



AGENDA	
Section	CONSENT
Item No.	II.D.2

AGENDA REPORT
 BREVARD COUNTY BOARD OF COUNTY COMMISSIONERS

SUBJECT:	Acceptance, Re: Timekeeping and Overtime Internal Audit Report, Purchasing Internal Audit Report and the FY 2016 Proposed Internal Audit Plan.
DEPT/OFFICE:	County Manager's Office

Requested Action:
 It is requested that the Board of County Commissioners accept the Audit Committee's Timekeeping and Overtime Internal Audit Report, Purchasing Internal Audit Report and the FY 2016 Proposed Internal Audit Plan.

Summary Explanation & Background:

The Internal Auditors have completed the Timekeeping and Overtime and Purchasing Internal Audit Reports and presented FY 2016 Proposed Internal Audit Plan. Both audit reports and the proposed audit plan were presented to the Audit Committee on October 21, 2015, and unanimously accepted and recommended to the Board of County Commissioners by Audit Committee.

The Timekeeping and Overtime and the Purchasing Internal Audit Reports are organized as follows:

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

The Auditor's Audit Plan Presentation is organized as follows:

- A. Internal Audit Methodology
- B. Risk Assessment Process
- C. Proposed Internal Audit Plan
- D. Next Steps/Questions

Clerk to the Board instruction:

Exhibits Attached: 1) Timekeeping and Overtime Internal Audit Report; 2) Purchasing Internal Audit Report; 3) FY 2016 Proposed Internal Audit Plan; 4) Auditor's Audit Plan Presentation.

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



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

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

November 30, 2015

MEMORANDUM

TO: Stockton Whitten, County Manager

RE: Item II.D.2., Acceptance of Timekeeping and Overtime Internal Audit Report, Purchasing Internal Audit Report, and the FY 2016 Proposed Internal Audit Plan

This is to correct the memorandum of November 18, 2015. The Board of County Commissioners, in regular session on November 17, 2015, accepted the Audit Committee's Timekeeping and Overtime Internal Audit Report, Purchasing Internal Audit Report, and the FY 2016 Proposed Internal Audit Plan; authorized the addition of the Economic Development Commission **and Central Cashier** to the FY 2016 Proposed Internal Audit Plan; and authorized the removal of Asset Management from the FY 2016 Proposed Internal Audit Plan.

Your continued cooperation is greatly appreciated.

Sincerely yours,

BOARD OF COUNTY COMMISSIONERS
SCOTT ELLIS, CLERK

Tammy Etheridge, Deputy Clerk

cc: Finance
Budget



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

Telephone: (321) 637-2001
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November 18, 2015

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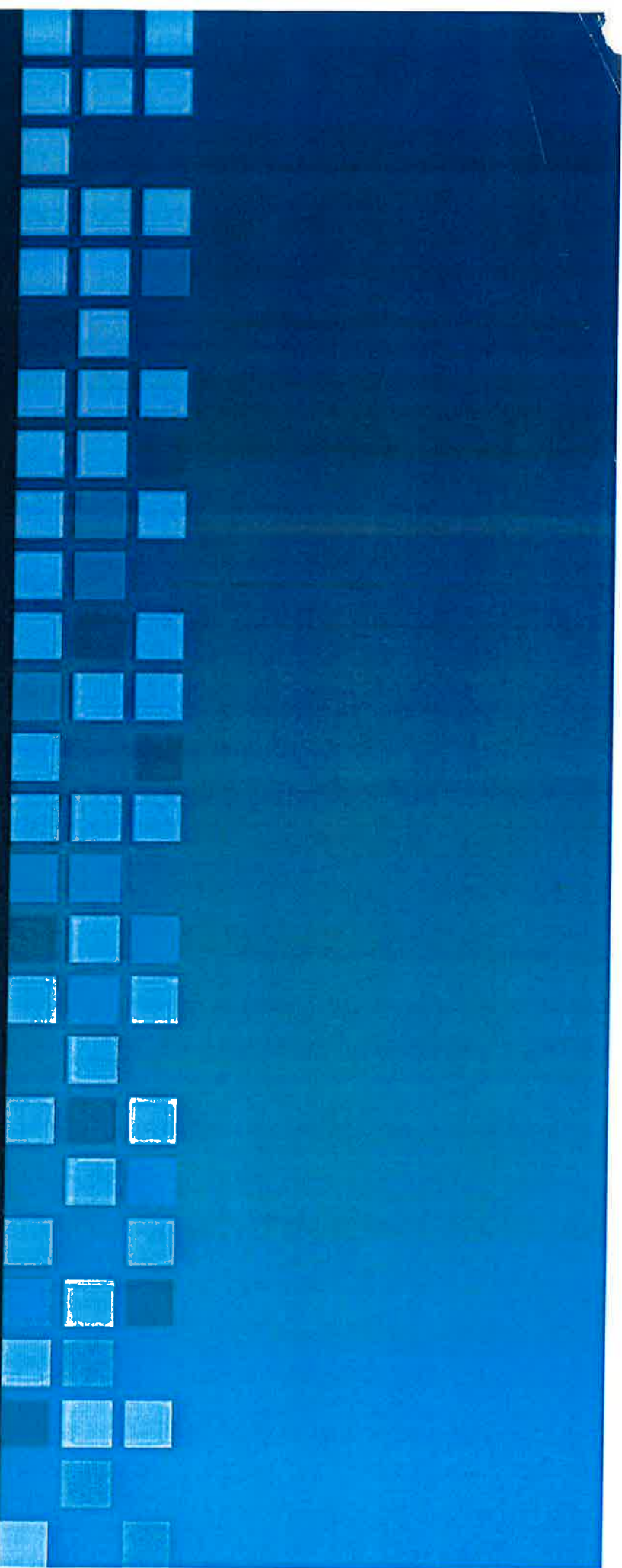
Your continued cooperation is greatly appreciated.

Sincerely yours,

BOARD OF COUNTY COMMISSIONERS
SCOTT ELLIS, CLERK

Tammy Etheridge, Deputy Clerk

cc: Finance
Budget



Brevard County Audit Committee Meeting

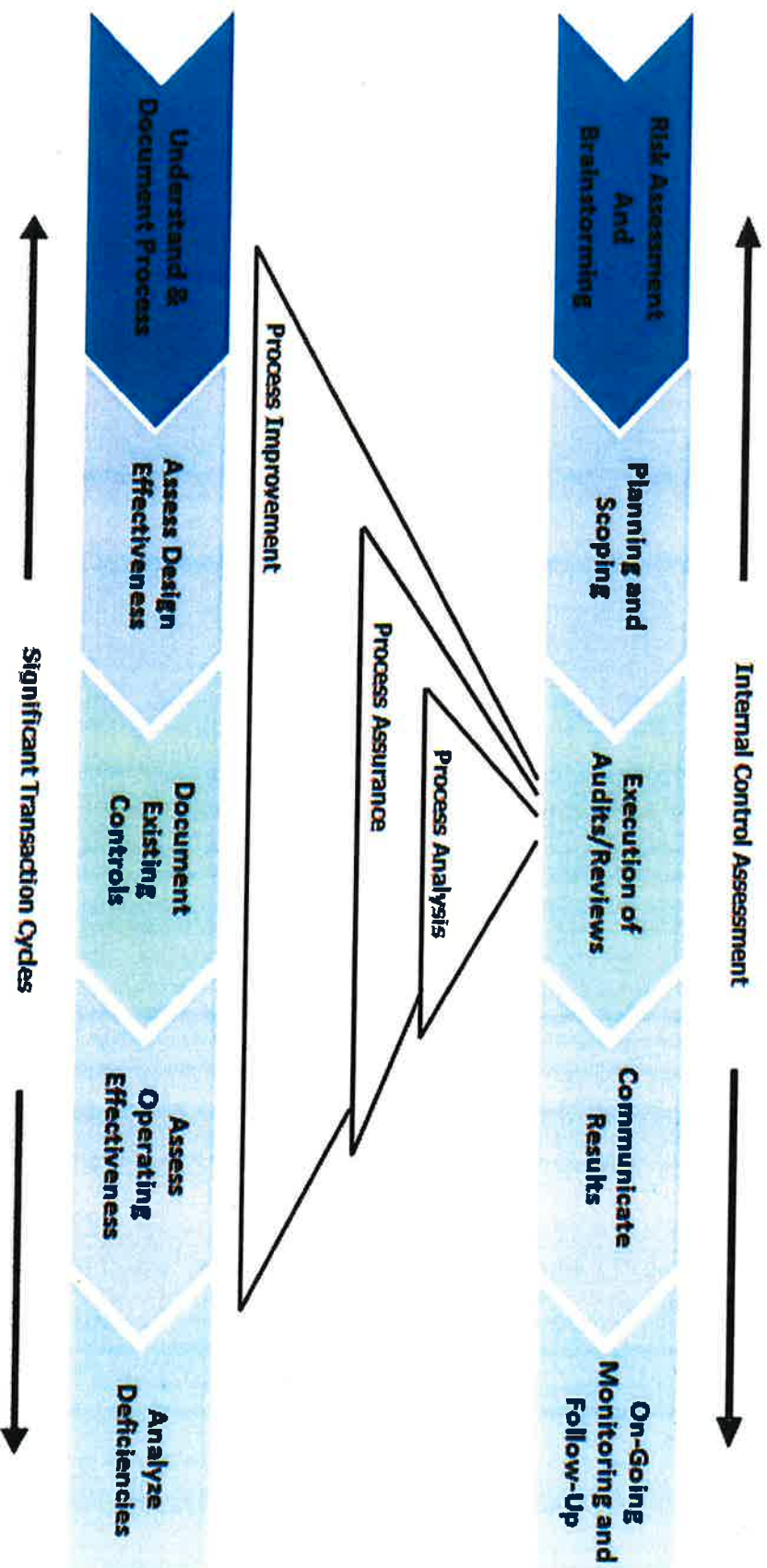
October 21, 2015



Agenda

- **Internal Audit Methodology**
- **Risk Assessment Process**
- **Proposed Internal Audit Plan**
- **Next Steps / Questions**

Internal Audit Methodology



Risk Assessment Process

Background

- Analyzed the strategic plan, budget documents, financial statements and other key information in order to understand the specific business objectives, stated imperatives, key financial metrics and forecasts, and any identified barriers or threats.

Risk Rating Criteria

- Utilized risk rating criteria that will be used to prioritize audits-
 - Risk factors include – Control Environment, Change, Process Risk, Organizational, Compliance, External Factors and Revenue Source / Materiality
 - Risks include Financial, Compliance, Operational and Risk of Poor Public Perception

Interviews and Brainstorming

- Interviewed a selection of Commissioners, CM, ACM's, and key process owners regarding the risks, financial position and growth expectations, strategies and objectives.
- Brainstormed using the risk factors and discuss the Impact and Likelihood of functions and "what could go wrong?"

Internal Audit Plan

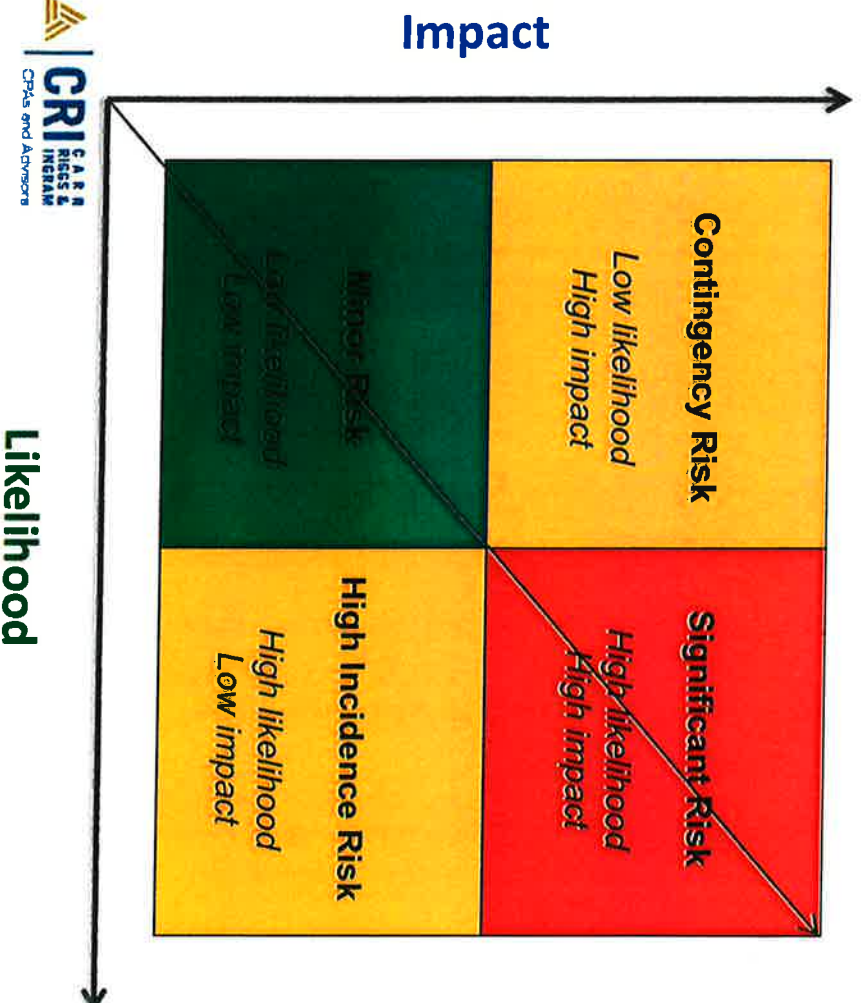
- Collaboratively prioritized processes and developed a proposed audit plan to assess the highest risk areas that directly aligns with strategic goals of the County. The risk assessment and proposed audit plan will be reviewed regularly with the Audit Committee, and revised when necessary to account for changes in priorities and degree of risk for different functions.
- Obtain approval of the proposed audit plan by the Audit Committee and Board of County Commissioners.

Risk Assessment Process

- Risks identified are assessed from two primary perspectives: *likelihood* and *impact*.

Likelihood – the probability that something will occur.

Impact – the effect that an event will have on the organization.



Proposed Internal Audit Plan 2016

Central Services Department

<p>Asset Management Cycle Audit</p>	<p>Asset management has not been reviewed since 2009, and all open items were subsequently closed. As of the FY2014 audit period, the County reported depreciated assets of over \$1 billion, including approximately \$40 million in moveable Machinery and Equipment susceptible to theft and misplacement.</p>
<p>Purchasing Card</p>	<p>The Purchasing Card program has not been reviewed since 2010. The use of p-cards is generally decentralized and can be used to circumvent purchasing controls, resulting in increased risk.</p>

Proposed Internal Audit Plan 2016

Parks and Recreation Department

Parks Facility Usage and Contracting

There are mixed-use parks facilities that can be used by the community for various purposes, including pavilions and larger structures such as community centers. These rentals are subject to specific risks, such as physical security and property damage as well as revenue loss if usage is not properly captured and recorded.

Planning and Development Department

Licensing Regulation and Enforcement

With the increase in residential and commercial development and stabilized economic conditions, permits are on the rise (more than 13,000 permits reviewed in 2014, and increasing since 2012). The County's Licensing Regulation and Enforcement division ensures that construction activities are performed by qualified and licensed contractor's within the county. County licenses are required in addition to State-issued licenses for specific trades, such as drywall, electric, flooring, HARV, painting, roofing, etc. This area has not been subject to audit.

Proposed Internal Audit Plan 2016

Public Works Department

<p>Public Works Construction Monitoring</p>	<p>This project began in FY2015 and is an ongoing consultative arrangement, designed to assist management and the department with project oversight, specifically for the Barnes Road and St. Johns Heritage Parkway projects, focusing on contract compliance and fiscal monitoring. This will complement the department's existing Project Management team, providing outside expertise and best practices in construction administration.</p>
<p>Public Works – Fleet Work Order Management</p>	<p>Public Works is responsible for maintaining their own fleet of vehicles outside of Central Fleet Services. The work order management process has not previously been reviewed and the purpose of this internal audit will be to ensure adequate and effective controls over the maintenance of vehicles, including tracking labor and parts costs, key performance measures, and preventive procedures.</p>

Proposed Internal Audit Plan 2016

Utility Services Department

Utility Services Construction

This project will be an ongoing consultative arrangement, designed to assist management and the department with project oversight, focusing on contract compliance and fiscal monitoring. This will complement the department's existing Project Management team, providing outside expertise and best practices in construction administration.

County Finance

Accounts Payable and Cash Reconciliation
Cycle Audit

These cycle audits are periodically performed to monitor compliance with Administrative Order 41, policies and procedures, and other requirements, as needed.

Proposed Internal Audit Plan 2016

Ongoing Remediation and Follow-Up Monitoring

Agencies / projects that currently are undergoing remediation and follow-up monitoring include:

All newly issued findings will be added six months after report issuance date.

1. 800 MHz / E-911
2. Tourism Development Office
3. Valkaria Airport
4. Public Works – iWorQ
5. Impact Fees for Schools
6. Information Technology – Strategy and Security
7. Finance – CAFR Management Letter Comments



QUESTIONS?





Working Draft - Internal Audit Plan - as of October 21, 2015
 FY 2015 / 2016

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

Legend	
White	Ongoing Function
Light Gray	Audit Closed
Medium Gray	Action Deferred due to Resources
Dark Gray	Followup in Progress
Very Dark Gray	Audit Report Issued
Black	Audit in Progress
White with Gray border	Proposed for upcoming year



11.D.2.



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

**Internal Audit of
Timekeeping and Overtime**

October 1, 2015

Prepared By:



Revised-Issue #2

Table of Contents

Transmittal Letter	1
Executive Summary	2
Background	4
Objectives and Approach	10
Issues Matrix	11
Other Observations	13



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October 1, 2015

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

Pursuant to the approved 2014/2015 internal audit plan, we hereby submit our internal audit report covering Timekeeping and Overtime. We will be presenting this report to the Audit Committee at the next scheduled meeting on October 21, 2015.

Our report is organized in the following sections:

Executive Summary	This provides a summary of the issues related to our internal audit of the Timekeeping and Overtime functions.
Background	This provides an overview of the Timekeeping and Overtime functions for Brevard County and the related processes.
Objectives and Approach	The internal audit objectives and focus are expanded upon in this section as well as a review of our approach.
Issues Matrix	This section presents the results of our audit procedures, including our findings and recommendations as well as management's response.

We would like to thank all those involved in assisting the Internal Auditors in connection with our review of the Timekeeping and Overtime functions.

Respectfully Submitted,

Carr, Riggs & Ingram, L.L.C.

INTERNAL AUDITORS

Executive Summary

Executive Summary

Overview

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

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

Objective

The objective of this internal audit was to assess whether the system of internal controls over the Timekeeping and Overtime functions is adequate and appropriate for promoting and encouraging consistent application of management's objectives for compliance with policies and procedures and with union agreements, as applicable.

Issues

During the course of our work, we discussed the control design and identified operating deficiencies with management. Our observations and recommendations for improving controls and operations are described in detail in the Issues Matrix included in this report. A summary of issues identified and their relative risk rating is provided on the following page.

Relative risk is an evaluation of the severity of the concern and the potential impact on operations. Items rated as "High" risk are considered to be of immediate concern and could cause significant operational issues if not addressed in a timely manner. Items rated as "Moderate" risk may also cause operational issues and do not require immediate attention, but should be addressed as soon as possible. Items rated as "Low" risk could escalate into operational issues, but can be addressed through the normal course of conducting business.

There are many areas of risk to consider including financial, operational, and compliance, to name a few. For public sector organizations, we also consider public perception risk when determining the relative risk rating.

Executive Summary - continued

Issues	Risk Rating
<p>1. Payroll Review</p> <p>We noted the following regarding payroll review:</p> <ul style="list-style-type: none"> • Pre-Payroll Reports – In accordance with Administrative Order 16 (AO-16), <i>Verification, Review and Approval of Time Entry Data in the SAP HR/Payroll System</i>, after time entry has been completed, but prior to payroll processing, the timekeeper will generate the pre-payroll report and provide to the Time Entry Verifier for their review. For Solid Waste, we noted the pre-payroll report was not generated for 2 of 5 pay periods. Additionally, for Public Works, we noted there was no indication of review by the Time Entry Verifier for 1 of 8 pre-payroll reports. • Post-Payroll Reports - In accordance with AO-16, after payroll has been completed, the Timekeeper will generate the post-payroll report and provide it to the Management Reviewer for their review and sign-off on the report. For Transit Services, we noted the post-payroll report was not generated for 5 of 5 pay periods. In addition, we noted 6 of 8 post-payroll reports for Public Works and 2 of 2 post-payroll reports for Tourism Development were lacking sign-off by the Management Reviewer. 	<p>High</p>
<p>2. Standardization of Timesheets</p> <p>A consistent system to standardize timesheets used across all departments would result in improved timeliness of review and a reduction in reporting errors. We noted the following examples of the need for standardization:</p> <p>Timeliness of Timesheet Review and Approval - Of the 80 timesheets with documented review and approval, we were unable to verify timeliness of the review for 18 of 25 timesheets for Fire Rescue, 10 of 10 timesheets for Solid Waste, 1 of 15 timesheets for Public Works, 15 of 15 timesheets for Utility Services, 10 of 10 timesheets for Transit Services and 2 of 2 timesheets for Tourism Development as the date of approval was not documented. In addition, for Public Works, we noted that 5 of 15 timesheets had approvals dated after the timesheets were submitted to the Payroll Department.</p> <p>Approval of Overtime - Procedure VII of the Merit System Procedures specifies that, except for emergencies, all overtime must be approved in advance by the appointing authority or a subordinate supervisor, if such authority to approve overtime has been specifically delegated. We were unable to determine if overtime was approved prior to the employee incurring that time for 5 of 10 timesheets sampled for Solid Waste and 5 of 15 timesheets sampled for Public Works.</p>	<p>Moderate</p>

Background

Background

Overview

Our last audit report covering the County's Timekeeping and Payroll process at an entity-wide level was issued May 31, 2011, in which 4 County level corrective actions were identified. All corrective actions were reported as closed within the Follow-Up report issued March 2012. The last Timekeeping Cycle audit was issued on July 23, 2013 and focused on assessing compliance with policies and procedures issued by the County and performance of detailed Timekeeping testing of 4 selected departments.

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

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

Timekeeping

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

The current year, as of August 31, 2015, and actual prior years' payroll expenditures are as follows:

Fiscal Year	Payroll Expense
September 30, 2012	\$126,483,136
September 30, 2013	\$128,197,422
September 30, 2014	\$133,729,467
August 31, 2015	\$122,609,539

Background - continued

Timekeeping - continued

Payroll related data as of the fiscal years ending September 30, 2012 – 2015, are as follows:

	FY 2012	FY 2013	FY 2014	FY 2015
Number of Employees:				
Full-time	1,986	1,958	1,980	1,945
Part-time	329	341	321	331
Temporary	61	41	50	99
Total employees	2,376	2,340	2,351	2,375
Union	1,145	1,122	1,120	Not available
Non-union	1,231	1,218	1,231	Not available
Total employees	2,376	2,340	2,351	2,375
Exempt	433	440	430	Not available
Non-exempt	1,943	1,900	1,921	Not available
Total employees	2,376	2,340	2,351	2,375

Full-time employees for the five County Departments with the most overtime for the fiscal years ending September 30, 2012 – 2015, are as follows:

Departments:	FY 2012	FY 2013	FY 2014	FY 2015
Fire Rescue	530	523	540	527
Solid Waste	133	126	136	132
Public Works	216	211	209	203
Utility Services	142	142	143	140
Transit Services	81	82	110	115

Current Policies and Procedures

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

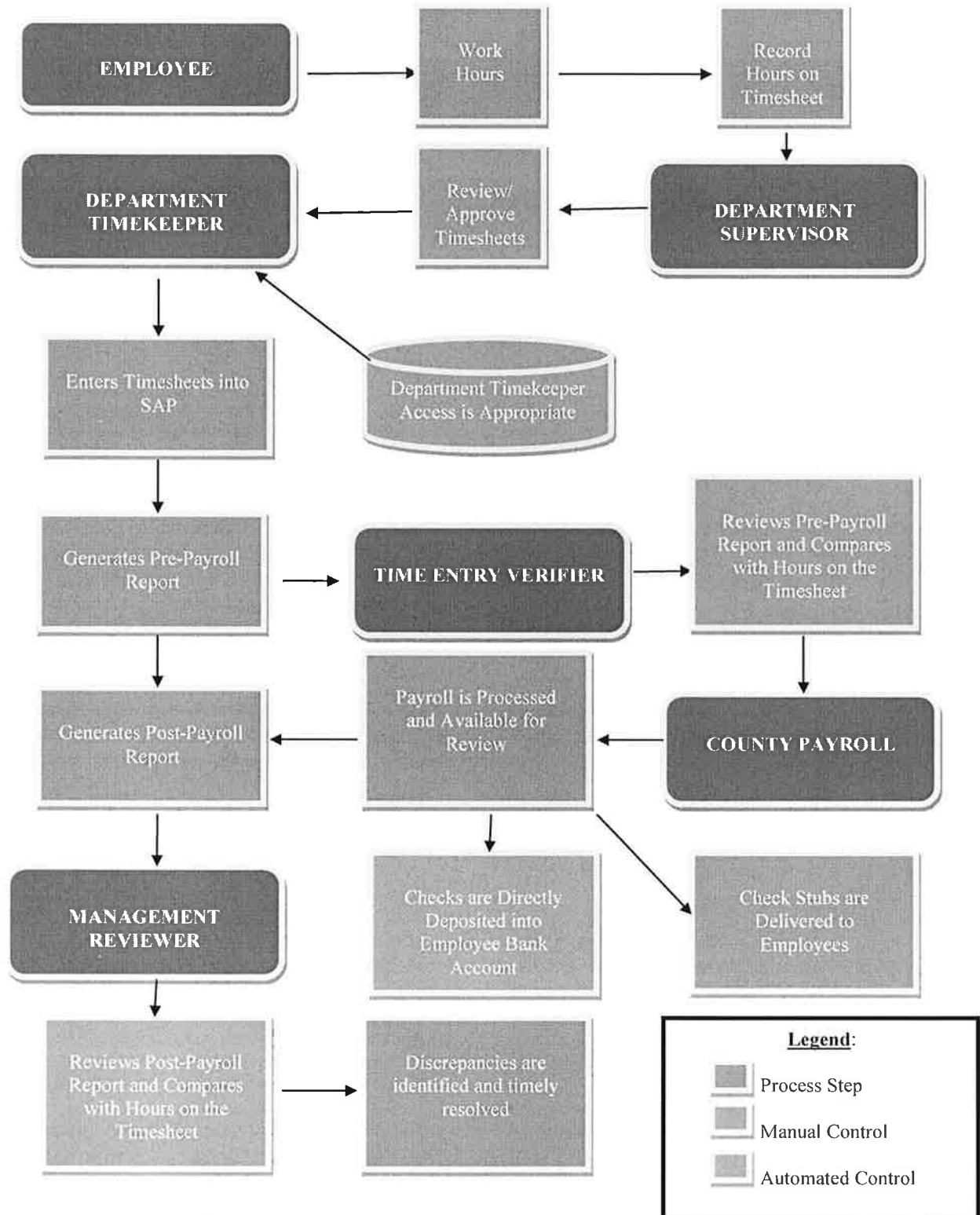
In addition to these, the County has adopted the Merit System Policies and Merit System Procedures, as well as Administrative Order ('AO') 16. These Policies and Procedures address specific areas related to timekeeping at the County level including personnel records and reports, leave time, employee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

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

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

Background - continued

Summary of Process Flow for Timekeeping



Background - continued

Overtime

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

Overtime occurs for several reasons. Primary reasons for overtime include: FLSA overtime built into the schedule and premium overtime for Fire Rescue personnel, coverage for absent personnel or vacant positions, meeting project deadlines, standby time for unanticipated afterhours special situations or emergencies and weather related issues or natural disasters. The following is the dollar amount of overtime by County Department as of the fiscal years ending September 30, 2012 -2014, and as of August 31, 2015.

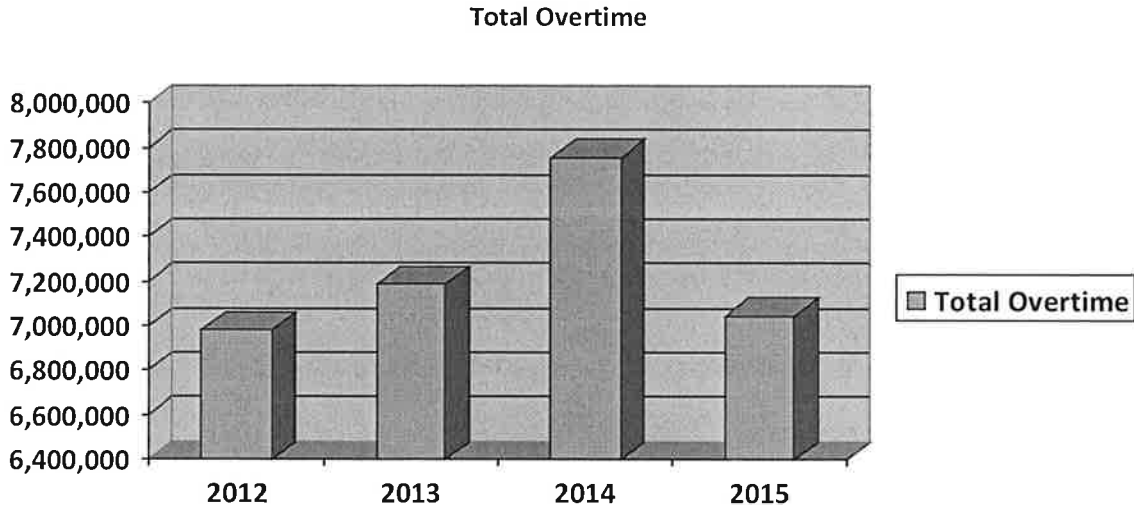
Department	FY 2012	FY 2013	FY 2014	FY 2015	OT as a % of Salary
Fire Rescue:					
Unplanned*	\$ 3,196,717	\$ 3,619,448	\$ 3,918,759	\$ 2,767,655	11.64%
Planned*	1,781,732	1,787,201	1,763,828	1,716,302	6.11%
Solid Waste	453,706	491,809	524,235	570,952	10.08%
Public Works	398,293	356,133	360,462	331,101	4.45%
Utility Services	396,129	340,143	341,304	353,647	5.90%
Transit Services	272,992	177,780	365,138	347,925	8.79%
Mosquito Control	162,603	93,293	159,857	114,594	7.01%
Parks and Recreation	128,373	90,610	84,088	90,827	0.93%
Housing and Human Services	89,576	90,364	66,645	37,296	2.11%
Central Services	29,069	65,068	66,885	69,194	2.03%
Animal Services	32,239	36,636	64,680	-	2.27%
Supervisor of Elections	35,893	29,487	14,075	13,748	2.02%
Planning and Development	1,258	2,189	10,725	35,572	0.49%
Tourism Development	2,362	2,259	11,404	6,673	0.95%
Information Systems	960	1,934	2,056	1,431	0.08%
Human Resources	71	178	2,003	408	0.05%
Library Services	71	136	25	442	0.00%
Natural Resources	-	638	-	59	0.01%
Valkaria Airport	149	-	-	-	0.04%
Emergency Management	-	-	146	-	0.00%
Total Overtime	\$ 6,982,193	\$ 7,185,306	\$ 7,756,315	\$ 6,457,826	

*Fire Rescue has unplanned and planned overtime. Unplanned overtime is not built into the Fire Rescue employee's shift schedule, whereas planned overtime is built into the shift schedule. The national average for overtime as a percentage of salaries and wages for Fire Rescue Departments is 13% according to the 2013 ICMA Survey: *Fire Personnel, Salaries and Expenditures*. As noted above, Brevard County Fire Rescue is below the national average.

The following narratives include additional details related to the more significant variances identified in the above table of overtime based on explanations provided by the respective County Department.

Background - continued

Overtime – continued



Total overtime for the County increased \$203,113 or 2.91% between FY 2013 and FY 2012 primarily due to the following:

- Fire Rescue has utilized overtime hours provided by existing staff in order to ensure that personnel with the appropriate certification are on hand for each shift.
- Overtime in Transit Services is affected by the overall availability of vehicle operators on a given day.
- The decrease in overtime for Mosquito Control is primarily due to a downward fluctuation in mosquito populations.
- For Utility Services, overtime decreased due to less water main breaks in FY 2013 and lift station T-05 was upgraded in early 2013 resulting in less after hours visits to perform repairs.

Total overtime for the County increased \$571,009 or 7.95% between FY 2014 and FY 2013 primarily due to the following:

- The increase in overtime for Fire Rescue in FY 14 was lower than the increase in FY 13. Fire Rescue received approximately \$1.8 million in FY 2014 and is expected to receive another \$1.8 million in FY 2015 from a Staffing for Adequate Fire & Emergency Response (SAFER) grant which was used to fund personnel costs of 33 Fire Rescue employees. It is Fire Rescue's intention to transition these employees to permanent employee status upon conclusion of the grant.
- Overtime in Transit Services increased due to the following: 8 or 9 vehicle operators went out on workers compensation or light duty, turnover was approximately 20% and the number of pay hours has increased approximately 10% for vehicle operators due to additional service which leads to more overtime since there is more service to operate.
- Overtime for Mosquito Control is associated with the spraying season which normally extends from April through November. Overtime is required during that timeframe to operate and service the aircraft and spraying vehicles. Spraying is contingent on weather conditions and wind speeds. The increased overtime is indicative of an increase in spraying due to active mosquito populations.
- For Solid Waste, the increase in overtime is due to 5% to 10% vacancies, more personnel going on workers compensation and coverage for employees out on leave. Solid Waste does not control the flow of garbage from the third party company or municipalities. Thus, if the trucks are running late, certain positions have to work overtime until the work at the landfill is completed.

Background - continued

Overtime – continued

Total overtime for the County was \$6,457,826 as of August 31, 2015 and this amount annualized over 12 months is \$7,044,900 which was used in the above graph. The projected decrease of \$711,414 or 9.17% between the annualized total overtime for FY 2015 and actual total overtime for FY 2014 is primarily due to Fire Rescue receiving a SAFER grant which was used to fund personnel costs of 33 Fire Rescue employees. Animal Services also had a decrease in overtime as the Brevard County Sheriff's Office took over operations.

Consistent with the risk identified in the risk assessment, our internal audit focused on timekeeping and overtime at the departments. Accordingly, our objectives, approach and testing specifically target the Timekeeping and Overtime functions at the departments.

Objectives and Approach

Objectives and Approach

Objectives

Objectives of the internal audit review of Timekeeping and Overtime include the following:

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

Approach

Our audit approach consisted of three phases:

Understanding and Documentation of the Process

During the first phase, we held an entrance conference with personnel in the Payroll Department at the Clerk of Court and the County's Office of Human Resources to discuss the scope and objectives of the audit work, to obtain preliminary data and to establish working arrangements. We then conducted interviews with responsible personnel and their supervisors from the selected departments related to timekeeping and overtime and documented their role in the processes. We reviewed Florida Statutes, County Administrative Orders, County policies, union agreements and other resources related to timekeeping and overtime. We also obtained user access reports from the Information Systems group to understand how access to the timekeeping and overtime function within SAP is limited. We selected 7 County departments (80 timesheets) for the completion of our detailed testing as follows: Fire Rescue, Solid Waste, Public Works, Utility Services, Transit Services, Tourism and Human Resources.

Detailed Testing (Phase 2)

The purpose of this phase was to test detailed time records and overtime related transactions for the selected departments based on our understanding of the process. The period under review was from October 1, 2014 through August 31, 2015. Our fieldwork was conducted at the department sites where we utilized sampling and other auditing techniques to meet our audit objectives outlined above. Our procedures included observation and inquiry, walk-through and testing of individual transactions. The procedures we performed were as follows:

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

Reporting

At the conclusion of our audit, we documented our understanding of the processes surrounding timekeeping and overtime based on our interviews at the County and summarized our findings related to these processes. We conducted an exit conference with management and have incorporated management's responses into our report. We prepared our report and related findings and provided copies to appropriate County personnel.

Issues Matrix

Issues Matrix

Rating	Issues	Recommendation	Management Response
High	<p>1. Payroll Review</p> <p>We noted the following regarding payroll review:</p> <p><i>Pre-Payroll Reports –</i> In accordance with Administrative Order 16 (AO-16), <i>Verification, Review and Approval of Time Entry Data in the SAP HR/Payroll System</i>, after time entry has been completed, but prior to payroll processing, the timekeeper will generate the pre-payroll report and provide to the Time Entry Verifier for their review. For Solid Waste, we noted the pre-payroll report was not generated for 2 of 5 pay periods. Additionally, for Public Works, we noted there was no indication of review by the Time Entry Verifier for 1 of 8 pre-payroll reports.</p> <p><i>Post-Payroll Reports -</i> In accordance with AO-16, after payroll has been completed, the Timekeeper will generate the post-payroll report and provide it to the Management Reviewer for their review and sign-off on the report. For Transit Services, we noted the post-payroll report was not generated for 5 of 5 pay periods. In addition, we noted 6 of 8 post-payroll reports for Public Works and 2 of 2 post-payroll reports for Tourism Development were lacking sign-off by the Management Reviewer.</p>	<p>Pre-payroll reports should be generated for all pay periods and provided to the Time Entry Verifier for their review.</p> <p>Post-payroll reports should be generated for all pay periods and provided to the Management Reviewer for their review and sign-off on the reports.</p>	<p>Response: Correspondence will be distributed to Department Directors and Timekeepers regarding the importance of complying with AO-16. Two additional training dates will be scheduled in the month of November to provide a refresher to Timekeepers, Time Entry Verifiers and Management Reviewers. We will continue to schedule monthly SAP Timekeeping Classes and semi-annual Time Entry Verifier Classes each year.</p> <p>Responsible party: Karen Conde, Personnel Manager</p> <p>Estimated completion date: November 30, 2015</p> <p>Next testing date: April 2016</p>

Issues Matrix

Rating	Issues	Recommendation	Management Response
Moderate	<p>2. Standardization of Timesheets</p> <p>A consistent system to standardize timesheets used across all departments would result in improved timeliness of review and a reduction in reporting errors. We noted the following examples of the need for standardization:</p> <p><i>Timeliness of Timesheet Review and Approval -</i></p> <p>Of the 80 timesheets with documented review and approval, we were unable to verify timeliness of the review for 18 of 25 timesheets for Fire Rescue, 10 of 10 timesheets for Solid Waste, 1 of 15 timesheets for Public Works, 15 of 15 timesheets for Utility Services, 10 of 10 timesheets for Transit Services and 2 of 2 timesheets for Tourism Development as the date of approval was not documented. In addition, for Public Works, we noted that 5 of 15 timesheets had approvals dated after the timesheets were submitted to the Payroll Department.</p> <p><i>Approval of Overtime -</i></p> <p>Procedure VII of the Merit System Procedures specifies that, except for emergencies, all overtime must be approved in advance by the appointing authority or a subordinate supervisor, if such authority to approve overtime has been specifically delegated. We were unable to determine if overtime was approved prior to the employee incurring that time for 5 of 10 timesheets sampled for Solid Waste and 5 of 15 timesheets sampled for Public Works.</p>	<p>We recommend a consistent system be implemented to standardize timesheets used across all departments.</p> <p>We recommend that timesheets be reviewed prior to submittal to payroll. As a best practice, we recommend that the date of approval of timesheets be documented.</p> <p>We recommend that all overtime be approved in advance and documented by the appointing authority or a subordinate supervisor except for emergencies. A statement regarding preapproval of overtime could be added to the timesheet form to document validation of overtime by the supervisor.</p>	<p>Response: Human Resources will request that the following verbiage along with a date field be placed on all timesheets:</p> <p><i>My signature certifies that any overtime was preapproved, or in accordance with standard operating procedures, and that absence and attendance hours and codes are accurate to the best of my knowledge.</i></p> <p>In addition, Merit System Procedure 07 – <i>Hours of Work</i> will be modified to outline this requirement.</p> <p>Responsible party: Karen Conde, Personnel Manager</p> <p>Estimated completion date: November 30, 2015</p> <p>Next testing date: April 2016</p>

Other Observations

Employee Sign Off on Timesheet

County policies and procedures do not require employees to certify to the best of their knowledge the information is true and correct regarding the payroll hours worked and reported on their respective timesheets. Fire Rescue had 4 of 25 timesheets without sign offs by the respective employee and Utility Service had 1 of 15 timesheets without sign offs by the respective employee.

We recommend that employees sign off on timesheets to indicate to the best of their knowledge the information is accurate and that the County's payroll policy be revised to require employee certification of each timesheet.

II D 2 Attachment
Internal Audit
Timekeeping/Overtime



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

**Internal Audit of
Timekeeping and Overtime**

October 1, 2015

Prepared By:



Revised-Issue #2

Table of Contents

Transmittal Letter	1
Executive Summary	2
Background	4
Objectives and Approach	10
Issues Matrix	11
Other Observations	13



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October 1, 2015

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

Pursuant to the approved 2014/2015 internal audit plan, we hereby submit our internal audit report covering Timekeeping and Overtime. We will be presenting this report to the Audit Committee at the next scheduled meeting on October 21, 2015.

Our report is organized in the following sections:

Executive Summary	This provides a summary of the issues related to our internal audit of the Timekeeping and Overtime functions.
Background	This provides an overview of the Timekeeping and Overtime functions for Brevard County and the related processes.
Objectives and Approach	The internal audit objectives and focus are expanded upon in this section as well as a review of our approach.
Issues Matrix	This section presents the results of our audit procedures, including our findings and recommendations as well as management's response.

We would like to thank all those involved in assisting the Internal Auditors in connection with our review of the Timekeeping and Overtime functions.

Respectfully Submitted,

Carr, Riggs & Ingram, LLC

INTERNAL AUDITORS

Executive Summary

Executive Summary

Overview

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

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

Objective

The objective of this internal audit was to assess whether the system of internal controls over the Timekeeping and Overtime functions is adequate and appropriate for promoting and encouraging consistent application of management's objectives for compliance with policies and procedures and with union agreements, as applicable.

Issues

During the course of our work, we discussed the control design and identified operating deficiencies with management. Our observations and recommendations for improving controls and operations are described in detail in the Issues Matrix included in this report. A summary of issues identified and their relative risk rating is provided on the following page.

Relative risk is an evaluation of the severity of the concern and the potential impact on operations. Items rated as "High" risk are considered to be of immediate concern and could cause significant operational issues if not addressed in a timely manner. Items rated as "Moderate" risk may also cause operational issues and do not require immediate attention, but should be addressed as soon as possible. Items rated as "Low" risk could escalate into operational issues, but can be addressed through the normal course of conducting business.

There are many areas of risk to consider including financial, operational, and compliance, to name a few. For public sector organizations, we also consider public perception risk when determining the relative risk rating.

Executive Summary - continued

Issues	Risk Rating
<p>1. Payroll Review</p> <p>We noted the following regarding payroll review:</p> <ul style="list-style-type: none"> • Pre-Payroll Reports – In accordance with Administrative Order 16 (AO-16), <i>Verification, Review and Approval of Time Entry Data in the SAP HR/Payroll System</i>, after time entry has been completed, but prior to payroll processing, the timekeeper will generate the pre-payroll report and provide to the Time Entry Verifier for their review. For Solid Waste, we noted the pre-payroll report was not generated for 2 of 5 pay periods. Additionally, for Public Works, we noted there was no indication of review by the Time Entry Verifier for 1 of 8 pre-payroll reports. • Post-Payroll Reports - In accordance with AO-16, after payroll has been completed, the Timekeeper will generate the post-payroll report and provide it to the Management Reviewer for their review and sign-off on the report. For Transit Services, we noted the post-payroll report was not generated for 5 of 5 pay periods. In addition, we noted 6 of 8 post-payroll reports for Public Works and 2 of 2 post-payroll reports for Tourism Development were lacking sign-off by the Management Reviewer. 	<p>High</p>
<p>2. Standardization of Timesheets</p> <p>A consistent system to standardize timesheets used across all departments would result in improved timeliness of review and a reduction in reporting errors. We noted the following examples of the need for standardization:</p> <p>Timeliness of Timesheet Review and Approval - Of the 80 timesheets with documented review and approval, we were unable to verify timeliness of the review for 18 of 25 timesheets for Fire Rescue, 10 of 10 timesheets for Solid Waste, 1 of 15 timesheets for Public Works, 15 of 15 timesheets for Utility Services, 10 of 10 timesheets for Transit Services and 2 of 2 timesheets for Tourism Development as the date of approval was not documented. In addition, for Public Works, we noted that 5 of 15 timesheets had approvals dated after the timesheets were submitted to the Payroll Department.</p> <p>Approval of Overtime - Procedure VII of the Merit System Procedures specifies that, except for emergencies, all overtime must be approved in advance by the appointing authority or a subordinate supervisor, if such authority to approve overtime has been specifically delegated. We were unable to determine if overtime was approved prior to the employee incurring that time for 5 of 10 timesheets sampled for Solid Waste and 5 of 15 timesheets sampled for Public Works.</p>	<p>Moderate</p>

Background

Background

Overview

Our last audit report covering the County's Timekeeping and Payroll process at an entity-wide level was issued May 31, 2011, in which 4 County level corrective actions were identified. All corrective actions were reported as closed within the Follow-Up report issued March 2012. The last Timekeeping Cycle audit was issued on July 23, 2013 and focused on assessing compliance with policies and procedures issued by the County and performance of detailed Timekeeping testing of 4 selected departments.

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

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

Timekeeping

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

The current year, as of August 31, 2015, and actual prior years' payroll expenditures are as follows:

Fiscal Year	Payroll Expense
September 30, 2012	\$126,483,136
September 30, 2013	\$128,197,422
September 30, 2014	\$133,729,467
August 31, 2015	\$122,609,539

Background - continued

Timekeeping - continued

Payroll related data as of the fiscal years ending September 30, 2012 – 2015, are as follows:

	FY 2012	FY 2013	FY 2014	FY 2015
Number of Employees:				
Full-time	1,986	1,958	1,980	1,945
Part-time	329	341	321	331
Temporary	61	41	50	99
Total employees	2,376	2,340	2,351	2,375
Union	1,145	1,122	1,120	Not available
Non-union	1,231	1,218	1,231	Not available
Total employees	2,376	2,340	2,351	2,375
Exempt	433	440	430	Not available
Non-exempt	1,943	1,900	1,921	Not available
Total employees	2,376	2,340	2,351	2,375

Full-time employees for the five County Departments with the most overtime for the fiscal years ending September 30, 2012 – 2015, are as follows:

Departments:	FY 2012	FY 2013	FY 2014	FY 2015
Fire Rescue	530	523	540	527
Solid Waste	133	126	136	132
Public Works	216	211	209	203
Utility Services	142	142	143	140
Transit Services	81	82	110	115

Current Policies and Procedures

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

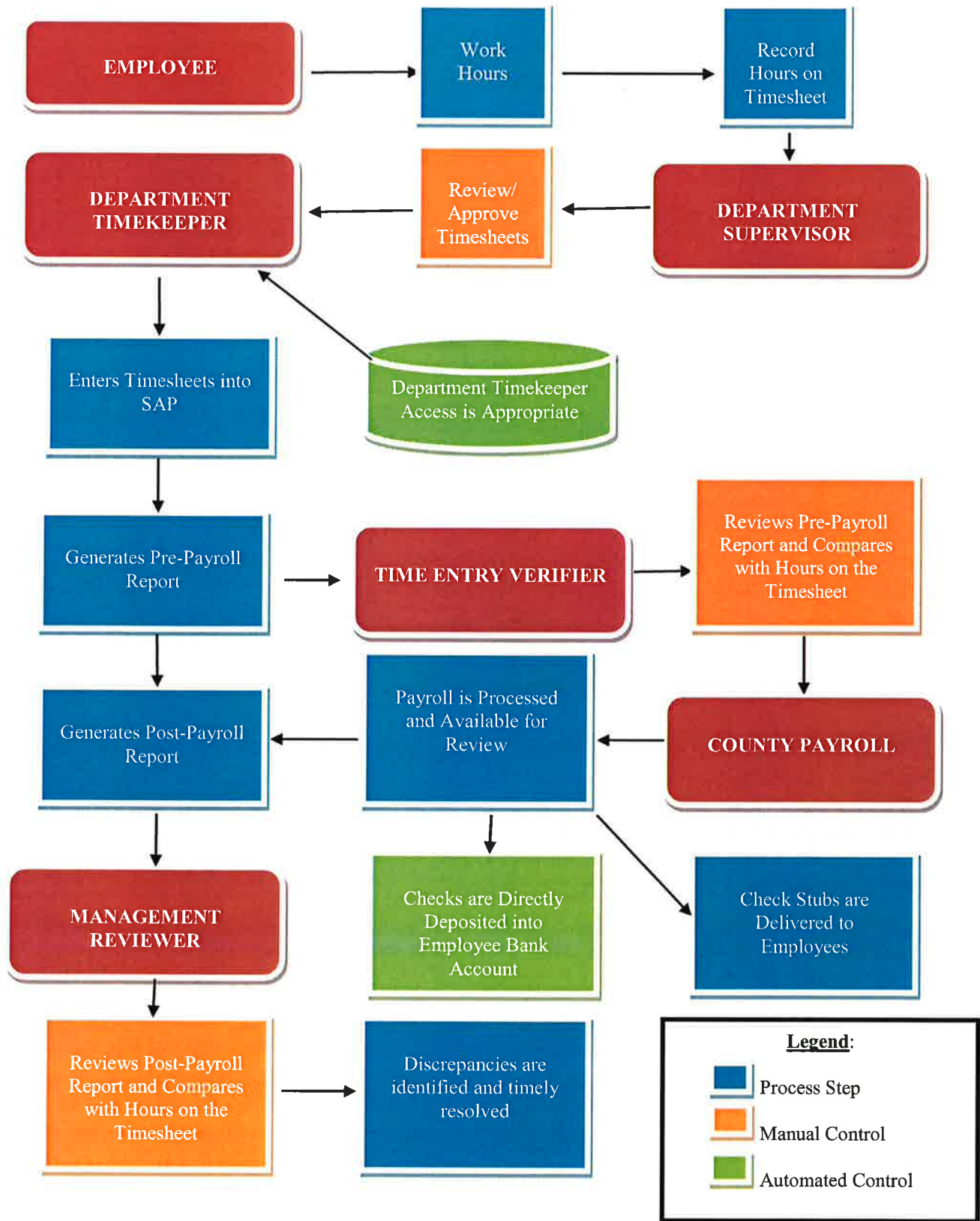
In addition to these, the County has adopted the Merit System Policies and Merit System Procedures, as well as Administrative Order ('AO') 16. These Policies and Procedures address specific areas related to timekeeping at the County level including personnel records and reports, leave time, employee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

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

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

Background - continued

Summary of Process Flow for Timekeeping



Background - continued

Overtime

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

Overtime occurs for several reasons. Primary reasons for overtime include: FLSA overtime built into the schedule and premium overtime for Fire Rescue personnel, coverage for absent personnel or vacant positions, meeting project deadlines, standby time for unanticipated afterhours special situations or emergencies and weather related issues or natural disasters. The following is the dollar amount of overtime by County Department as of the fiscal years ending September 30, 2012 -2014, and as of August 31, 2015.

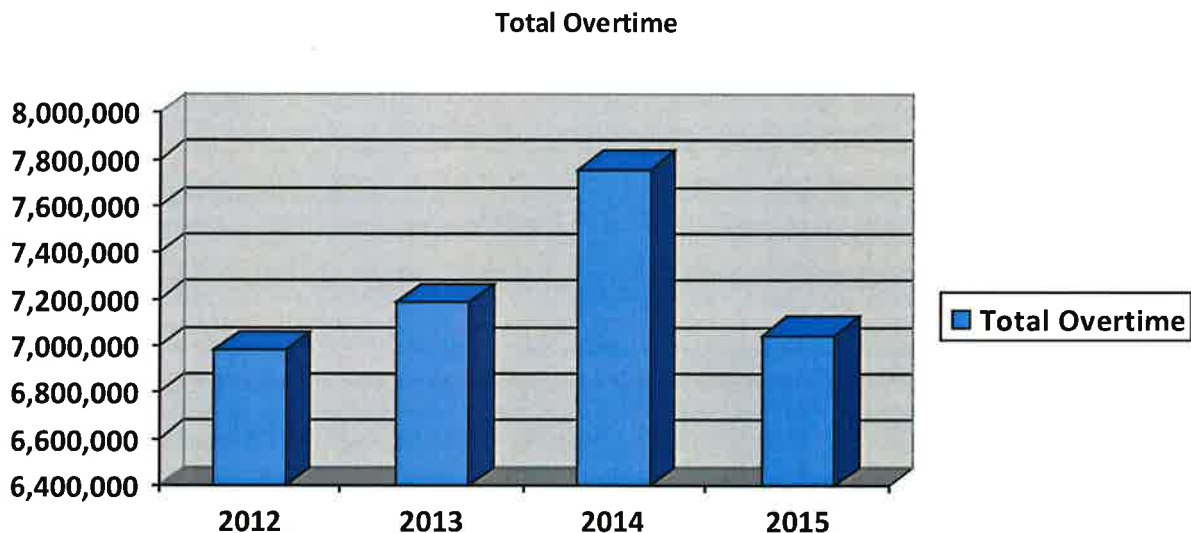
Department	FY 2012	FY 2013	FY 2014	FY 2015	OT as a % of Salary
Fire Rescue:					
Unplanned*	\$ 3,196,717	\$ 3,619,448	\$ 3,918,759	\$ 2,767,655	11.64%
Planned*	1,781,732	1,787,201	1,763,828	1,716,302	6.11%
Solid Waste	453,706	491,809	524,235	570,952	10.08%
Public Works	398,293	356,133	360,462	331,101	4.45%
Utility Services	396,129	340,143	341,304	353,647	5.90%
Transit Services	272,992	177,780	365,138	347,925	8.79%
Mosquito Control	162,603	93,293	159,857	114,594	7.01%
Parks and Recreation	128,373	90,610	84,088	90,827	0.93%
Housing and Human Services	89,576	90,364	66,645	37,296	2.11%
Central Services	29,069	65,068	66,885	69,194	2.03%
Animal Services	32,239	36,636	64,680	-	2.27%
Supervisor of Elections	35,893	29,487	14,075	13,748	2.02%
Planning and Development	1,258	2,189	10,725	35,572	0.49%
Tourism Development	2,362	2,259	11,404	6,673	0.95%
Information Systems	960	1,934	2,056	1,431	0.08%
Human Resources	71	178	2,003	408	0.05%
Library Services	71	136	25	442	0.00%
Natural Resources	-	638	-	59	0.01%
Valkaria Airport	149	-	-	-	0.04%
Emergency Management	-	-	146	-	0.00%
Total Overtime	\$ 6,982,193	\$ 7,185,306	\$ 7,756,315	\$ 6,457,826	

*Fire Rescue has unplanned and planned overtime. Unplanned overtime is not built into the Fire Rescue employee's shift schedule, whereas planned overtime is built into the shift schedule. The national average for overtime as a percentage of salaries and wages for Fire Rescue Departments is 13% according to the 2013 ICMA Survey: *Fire Personnel, Salaries and Expenditures*. As noted above, Brevard County Fire Rescue is below the national average.

The following narratives include additional details related to the more significant variances identified in the above table of overtime based on explanations provided by the respective County Department.

Background - continued

Overtime – continued



Total overtime for the County increased \$203,113 or 2.91% between FY 2013 and FY 2012 primarily due to the following:

- Fire Rescue has utilized overtime hours provided by existing staff in order to ensure that personnel with the appropriate certification are on hand for each shift.
- Overtime in Transit Services is affected by the overall availability of vehicle operators on a given day.
- The decrease in overtime for Mosquito Control is primarily due to a downward fluctuation in mosquito populations.
- For Utility Services, overtime decreased due to less water main breaks in FY 2013 and lift station T-05 was upgraded in early 2013 resulting in less after hours visits to perform repairs.

Total overtime for the County increased \$571,009 or 7.95% between FY 2014 and FY 2013 primarily due to the following:

- The increase in overtime for Fire Rescue in FY 14 was lower than the increase in FY 13. Fire Rescue received approximately \$1.8 million in FY 2014 and is expected to receive another \$1.8 million in FY 2015 from a Staffing for Adequate Fire & Emergency Response (SAFER) grant which was used to fund personnel costs of 33 Fire Rescue employees. It is Fire Rescue's intention to transition these employees to permanent employee status upon conclusion of the grant.
- Overtime in Transit Services increased due to the following: 8 or 9 vehicle operators went out on workers compensation or light duty, turnover was approximately 20% and the number of pay hours has increased approximately 10% for vehicle operators due to additional service which leads to more overtime since there is more service to operate.
- Overtime for Mosquito Control is associated with the spraying season which normally extends from April through November. Overtime is required during that timeframe to operate and service the aircraft and spraying vehicles. Spraying is contingent on weather conditions and wind speeds. The increased overtime is indicative of an increase in spraying due to active mosquito populations.
- For Solid Waste, the increase in overtime is due to 5% to 10% vacancies, more personnel going on workers compensation and coverage for employees out on leave. Solid Waste does not control the flow of garbage from the third party company or municipalities. Thus, if the trucks are running late, certain positions have to work overtime until the work at the landfill is completed.

Background - continued

Overtime – continued

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Issues Matrix

Timekeeping and Overtime Functions

Issues Matrix

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Timekeeping and Overtime Functions

Issues Matrix

Rating	Issues	Recommendation	N
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Timekeeping and Overtime Functions

Other Observations

Employee Sign Off on Timesheet

County policies and procedures do not require employees to certify to the best of their knowledge the information is true and correct worked and reported on their respective timesheets. Fire Rescue had 4 of 25 timesheets without sign offs by the respective employee and 15 timesheets without sign offs by the respective employee.

We recommend that employees sign off on timesheets to indicate to the best of their knowledge the information is accurate and be revised to require employee certification of each timesheet.



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

**Internal Audit of
Purchasing**

September 30, 2015

Prepared By:



Table of Contents

Transmittal Letter 1

Executive Summary 2

Background 4

Objectives and Approach 11

Issues Matrix 13



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September 30, 2015

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

Pursuant to the approved 2014/2015 internal audit plan, we hereby submit our internal audit report covering Purchasing. We will be presenting this report to the Audit Committee at the next scheduled meeting on October 21, 2015.

Our report is organized in the following sections:

Executive Summary	This provides a summary of the issues related to our internal audit of the Purchasing function.
Background	This provides an overview of the Purchasing function for Brevard County.
Objectives and Approach	The internal audit objectives and focus are expanded upon in this section as well as a review of the various phases of our approach.
Issues Matrix	This section gives a description of the issues identified and recommended action, as well as management's response.

We would like to thank all those involved in assisting the Internal Auditors in connection with our review of the Purchasing function.

Respectfully Submitted,

Carr, Riggs & Ingram, L.L.C.

INTERNAL AUDITORS

Executive Summary

Executive Summary

Since the last full scope audit of purchasing in 2009, purchasing services and the facilities department consolidated into Central Services which resulted in the appointment of a new Director. This audit will focus on internal controls and compliance with statutes and policies, as well as best practices.

During the course of our work, we discussed the control design and operating deficiencies with management. Our observations and recommendations for improving controls and operations are described in detail in the Issues Matrix included in this report. A summary of issues identified and their relative risk rating is provided below.

Relative risk is an evaluation of the severity of the concern and the potential impact on operations. Items rated as "High" risk are considered to be of immediate concern and could cause significant operational issues if not addressed in a timely manner. Items rated as "Moderate" risk may also cause operational issues and do not require immediate attention, but should be addressed as soon as possible. Items rated as "Low" risk could escalate into operational issues, but can be addressed through the normal course of conducting business.

There are many areas of risk to consider including financial, operational, and compliance, to name a few. For public sector organizations, we also consider public perception risk when determining the relative risk rating.

Our observations and recommendations for improving controls and operations are described in detail in the Issues Matrix included in this report. A summary of issues identified and their relative risk rating is provided below.

Issues	Relative Risk
Contract Compliance and Purchasing	
<p>1. <u>Contract Administration Management</u>: We selected a sample of 60 contracts from the database for testing and noted that 12 contracts had differing expiration dates per the contracts as compared to what was recorded in the database, 7 contracts had differing effective dates, 7 contracts had differing amounts, 7 files were lacking a copy of the certificate of insurance and 2 contracts had certificates of insurance that did not correspond to the contract period. Expiration and effective dates and amounts per the contracts should agree to the database and certificates of insurance that correspond to the contract period should be included in the file.</p>	High
<p>2. <u>Initial Contract Forms</u>: In accordance with AO-29, <i>Contract Administration</i>, initial contract forms should be submitted with the contract for initial execution by the Board. We selected a sample of 60 contracts from the database for testing and noted that 8 contracts did not have an initial contract form completed. Contract files should be up to date and complete, including supporting documentation such as an initial contract form.</p>	Moderate
<p>3. <u>Vendor Maintenance</u>: We noted twelve (12) of the twenty seven (27) vendors tested had no activity in the past twenty four (24) months ranging from last activity in the year 2000 to February 2012 to identify vendors with no activity in the past 24 months. Inactive vendors should be removed or deactivated from the vendor file. The County should perform a more detailed review of the file at least annually.</p>	Moderate

Executive Summary - continued

Issues	Relative Risk
Purchasing	
<p>4. <u>Right to Audit Clauses</u>: We selected a sample of 60 contracts to review for "right to audit" clauses and noted that 1 contract was lacking a "right to audit" clause. We also noted that there was 1 intergovernmental contract that did not have the "right to audit" clause, but it is "good practice" to include that clause. Performing an audit of a contract is an important tool to ensure that the purpose outlined in the agreement and the performance criteria of the contract actually occurs.</p>	Low
<p>5. <u>Duplicate Vendors</u>: We noted thirty-three (33) duplicate vendors. A more detailed review of the vendor file should be performed at least annually to ensure there are no unintentional duplicate vendors.</p>	Low
<p>6. <u>Purchasing Website</u>: Board Policy BCC-25, <i>Procurement</i>, was approved by the Board of County Commissioners on May 26, 2015. Per review of the Purchasing Services homepage on August 31, 2015, the prior policy approved December 17, 2013 was listed and able to be downloaded rather than the most recent policy. The Purchasing website should be updated for the most current approved policies and procedures.</p>	Low

Background

Background

Overview

Our last audit report covering the County's Purchasing and Contract Compliance processes at an entity-wide level was issued April 30, 2009, in which 10 County level corrective actions were identified. All corrective actions were reported as closed within the subsequent follow-up reports issued.

The Purchasing Services department is within Brevard County's (the County) Central Service function and reports directly to the Central Services Office Director. As stated in the Purchasing Manual, the purchasing function impacts the County entity-wide. The primary purpose of the function is to manage that appropriate goods and services are obtained at the right time, at the right quantities, at the right prices and within established rules/regulations and policies/procedures to enable the County to operate on a daily basis. The process addresses the proper request and authorization of a purchase, entry of the purchase request into the purchase order entry system, recording the receipt of the items or services once the purchase order has been fulfilled and vendor approval and setup. The function also manages and administers many County contracts.

For purposes of this internal audit, we addressed the Purchasing and Contract Compliance management processes separately as follows:

Purchasing

The purchasing function involves the procurement of materials, supplies, equipment, and services at the lowest possible cost, consistent with the quality needed to meet the required standards established and approved by the Board of County Commissioners. Their goal is the promotion of the best interest of Brevard County through intelligent action and fair dealings, resulting in obtaining maximum savings for the County. Such goals are not limited to those actions requiring competitive action, but include those small purchases that can be simplified and performed more cost effectively through knowledgeable and sound decisions utilizing current market information and innovative buying methods, matched with meeting the County's requirements.

The purchasing function's objectives are as follows:

1. To deal fairly and equitably with all vendors wishing to do business with Brevard County.
2. Provide professional procurement services for all our customers within the County.
3. Assure adherence to all laws, regulations, and administrative orders related to County procurement.
4. Maximize competition for all procurements of the County.
5. Obtain maximum savings through innovative buying and application of value analysis techniques.
6. Purchase goods and services at the lowest price, consistent with quality performance, and delivery requirements from capable vendors meeting the County's requirements.

Board Policy BCC-25, *Procurement*, specifies Board directives for procurement activities. The intent of this policy is to clearly identify the authority levels for approval, award and payment and provide accountability for procurements.

Background - continued

Purchasing - continued

The County currently operates an online, integrated procurement system. Users of the system send requests directly to Purchasing via the automated system. Purchasing Services processes all formal solicitations for purchases exceeding \$15,000. Informal quotations under \$15,000 are solicited by each county department and approved by Purchasing. For those requests over \$15,000 in value, the Purchase Requisition/Approval Form shall be routed to the appropriate approval authorities and forwarded to Purchasing with the required justification and approvals. For requests under \$15,000, the documentation will be retained in the department file.

An online requisition is required for the creation of all purchase orders. Every effort shall be made to solicit at least three responsive and qualified sources for purchasing thresholds referenced in BCC-25 and shall be documented on the online requisition prior to issuance of the purchase order. The following authorized thresholds for approving requisitions are included in BCC-25:

- Requisitions \$1,000 and up to \$25,000 in value require approval of the Department Head or designee.
- Requisitions valued at \$25,000 but less than \$100,000 require approval of the County Manager or designee.
- Requisitions of \$100,000 or more require approval by the Board of County Commissioners.

Small purchases of less than \$1,000 cumulative total which are not covered under a bid agreement have no mandatory quotation or bid requirements per BCC-25. The small purchases threshold increased from \$750 to \$1,000 on May 26, 2015.

The following terms are defined in BCC-25:

Bid: A formal written and sealed response to a formal advertisement for specified requirements of \$50,000 or above in value. The bid threshold increased from \$35,000 to \$50,000 on May 26, 2015.

Formal Quote: A formal written and sealed response to a formal announcement for specified requirements of \$15,000 and less than \$50,000 in value. The formal quote threshold increased from \$35,000 to \$50,000 on May 26, 2015.

Informal Quote: Any telephonic, written or verbal offer by a vendor to furnish the County specific goods and/or services at a stated price, quantity, quality and delivery timeframe up to \$15,000 in value. All informal quotes of \$1,000 up to \$15,000 shall be obtained in writing. The informal quote threshold increased from \$750 to \$1,000 on May 26, 2015.

Background - continued

Contract Compliance

Administrative Order 29, *Contract Administration* (AO-29), mandates Contract Administration with the purpose as follows:

- To ensure compliance with County contractual obligations and minimize the County's risk in fulfilling these obligations.
- To establish responsibilities for the initiation, processing, execution, management and monitoring of contracts and agreements entered into or authorized by the Board of County Commissioners.
- To establish a data system for monitoring certain pre-determined contractual action dates in order to provide proper contract control.

The Central Services Department has been tasked with the "Contract Management" function as it relates to AO-29. Contract Management shall perform the following:

- Provide and monitor a centralized filing location for contract documents.
- Perform random audits of contract files to insure contractual action dates are maintained, minimizing risk to the County.
- Notify electronically via the Contract Monitoring database program, the Department/Office Director or designee of the expiration or inadequacy of bond(s) or insurance, and request that the User Agency obtain these required coverage(s).
- Notify Department/Office Director or designee that no contract activities should commence or continue until all contract requirements, including insurance and bonding are in compliance.
- Coordinate with User Agency to complete "Initial Contract Form" for new contracts.
 - Upon receipt of a memorandum from the Clerk to the Board indicating the Board's action, Contract Management will enter the contract in the Contract Monitoring database program as "Pending" and an email notification will be issued to the User Agency Officer of Primary Responsibility to create a new contract.
 - Notification will be provided to update an existing contract record for Board approved actions upon receipt of a memorandum from the Clerk to the Board indicating the Board's action.
- Provide, through the Information Technology Department, access for designated user agency staff to input/update data and upload any relevant contract files into the online Contract Monitoring database program, for:
 - additions to initial contract data
 - other changes/additions during contract term
 - extensions or renewals of contract term
 - bond or insurance renewals
- Review all monthly reports and follow up actions required, such as renewal of insurance.
- Notify Officer of Primary Responsibility ("OPR") and Department or Agency Head of inability to correct contract deficiencies.
- Aid User Agencies, as requested, in contract development.

Background - continued

Selected Statistics 2015 Fiscal Year (through 06/30/15)

The following is the dollar amount of purchase requisitions by County Department for the period October 1, 2014 through June 30, 2015.

Department	Plant	Dollar Value of Purchase Requisitions Issued from 10/01/14 through 06/30/15
Solid Waste Management	SW01	\$ 24,057,920
Water Resources	WR01	22,157,179
Facilities Construction, Engineering	FC01	20,929,293
Transportation Engineering	TE01	20,488,133
Natural Resources	NR01	9,146,953
Housing and Human Services	HH01	8,909,600
Fire Rescue	FR01	8,292,918
Transit Services	TS01	7,737,884
Parks and Recreation	PR01	7,378,958
Planning and Zoning	PZ01	6,000,812
Tourism Development	TD01	3,804,423
Facilities Maintenance	FM01	3,656,971
Central Fleet	CF01	3,492,852
Human Resources	HR01	3,416,884
Library Services	LS01	2,576,937
Road and Bridge	RL01	2,561,056
Brevard County (1)	BC01	2,325,506
Information Communications	IS01	2,159,460
Emergency Management Office	EM01	1,658,051
Transportation Planning	TP01	737,072
Valkaria Airport	VA01	391,174
Budget Office	BO01	351,819
Court Administration	CO01	335,203
Other (2)	Various	118,609
Total Purchase Requisitions for the period		\$ 162,685,667

(1) Includes Board of County Commissioners, County Manager's office, County Attorney's office, Public Defender's office, Property Appraiser, Tax Collector, State Attorney, Merritt Island Redevelopment Agency, Historical Commission and Economic and Financial Development

(2) Includes Central Services, Agriculture and Extension and Management Services

Background - continued

Volume Statistics 2015 Fiscal Year to Date (06/30/15)

The County had 2,711 purchase requisitions in the amount of \$162,685,667 for the period October 1, 2014 through June 30, 2015. Purchasing Services processes all formal solicitations for purchases exceeding \$15,000. Informal quotations under \$15,000 are solicited by each county department and approved by Purchasing.

The following is a comparison of the percentage of purchase requisitions from October 1, 2014 through June 30, 2015 at the requisitioning approval authority thresholds.

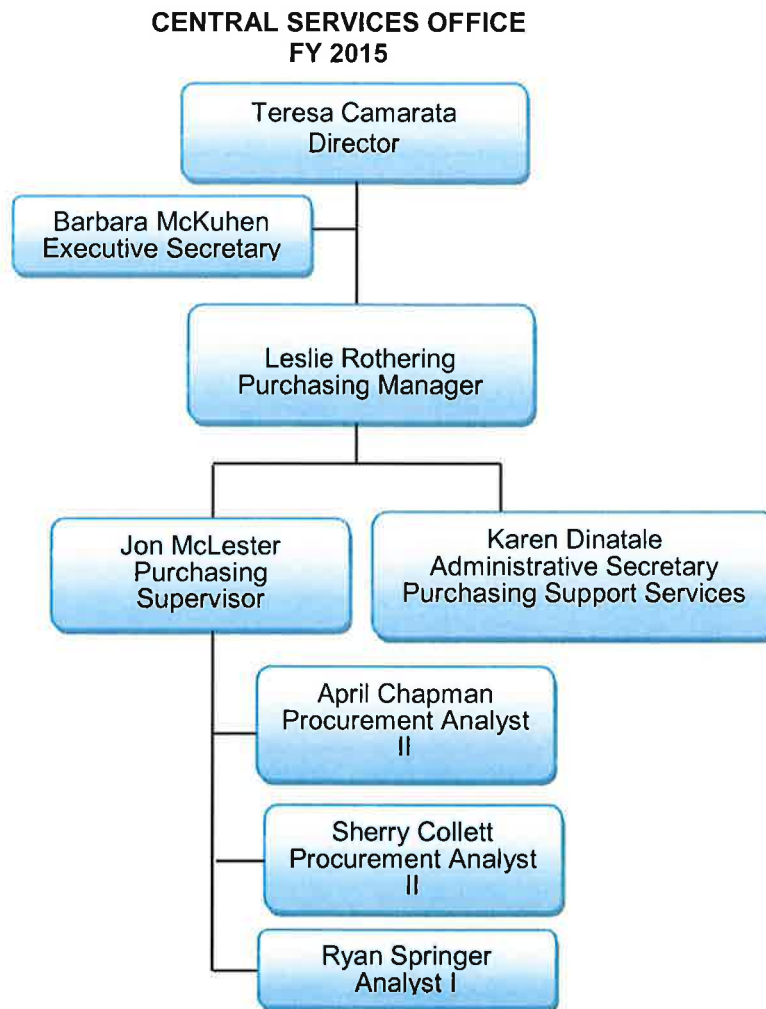
Description	Percentage
Purchase requisitions-no mandatory quotation or bid requirements (below \$1,000)	19.40%
Purchase requisitions requiring Department approval (\$1,000 up to \$25,000)	59.39%
Purchase requisitions requiring County Manager approval (\$25,000 up to \$100,000)	12.87%
Purchase requisitions requiring Board approval (greater than \$100,000)	8.34%

Statistical Data 2014 Fiscal Year and 2015 Fiscal Year to Date (06/30/15)

Description	Purchase Orders Issued	Dollar Value
Approximate amounts for fiscal year 2014	3,803	\$183,576,095
Approximate amounts for October 1, 2014 through June 30, 2015	2,711	162,685,667
Description	# of Active Contracts	Dollar Value
Approximate amounts for fiscal year 2014	1,234	\$405,368,657
Approximate amounts for October 1, 2014 through June 30, 2015	1,518	452,951,769

Background - continued

Purchasing Organizational Structure



The following is a comparison of the County's FY 2015 staffing ratios as compared to other counties. The County is third to last in procurement/contract FTEs and program budget and is in the middle when a total dollar budget comparison is performed.

	Brevard	Polk	Seminole	Indian River
FTEs	6	10	12	2.5
Program Budget	\$386,567	\$854,462	\$970,000	\$143,626
Total County Budget	\$1,036,245,182	\$1,267,695,161	\$736,000,000	\$259,579,973

	Osceola	Orange	St. Lucie
FTEs	11	22	4
Program Budget	\$851,043	\$1,974,144	\$317,560
Total County Budget	\$1,015,337,873	\$3,372,313,480	\$480,000,000

Background - continued

Comparison of Purchasing Thresholds

The following is a comparison of the County's purchasing thresholds as compared to other counties. The County is tied with Indian River County for the lowest threshold for no competitive pricing analysis. The County is tied with St. Lucie County for the 4th highest end user/department informal quote threshold. The County is tied with Osceola, Polk, Seminole and St. Lucie Counties for the highest formal bid threshold. Polk and Orange Counties do not have a County Manager approval threshold. The County is tied with Osceola and Seminole Counties for the highest County Manager approval threshold.

	Brevard	Polk	Seminole	Indian River
No competition dollar limit	< \$1,000	< \$5,000	< \$5,000	< \$1,000
End user/dept. informal quote threshold	\$1,000-\$15,000	\$5,000-\$49,999	\$5,000-\$10,000	Informal written quotes \$5,000-\$25,000 (not formal)
Formal quote threshold (Purchasing)	\$15,000-\$50,000	Informal quotes up to \$49,999 can be handled by department	\$10,000-\$49,999	N/A
Formal bid threshold	\$50,000+	\$50,000+	\$50,000+	\$25,000+
County Manager approval	\$100,000	Purchasing Director up to \$50,000 and Board over \$50,000	\$100,000	\$50,000

	Osceola	Orange	St. Lucie
No competition dollar limit	< \$5,000	< \$1,500	< \$5,000
End user/dept. informal quote threshold	Up to \$5,000	\$1,500-\$34,999	\$5,001-\$15,000
Formal quote threshold (Purchasing)	Informal \$5,001-\$50,000 using VendorLink	Informal quotes \$1,500-\$34,999	\$15,001-\$50,000
Formal bid threshold	\$50,000+	\$35,000+	\$50,000+
County Manager approval	\$100,000	Procurement Manager < \$100,000	\$50,000

Objectives and Approach

Objectives and Approach

Objectives

Objectives of the internal audit review of Purchasing include the following:

- Determine compliance with applicable Florida Statutes, and County Bylaws & Policies.
- Evaluate whether there are adequate records and documentation for competitive bid contracts to establish an audit trail and that policies and procedures are appropriately followed.
- Evaluate if there are adequate controls to prevent/detect either duplicate or fictitious vendors.
- Evaluate if there are adequate controls to prevent /detect related party transactions.
- Evaluate access controls and segregation of duties within the purchasing function.
- Review the adequacy and effectiveness of controls over contract monitoring and compliance.

Approach

Our audit approach consisted of three phases:

Understanding and Documentation of the Process

During the first phase, we held an entrance conference with the Central Services Office Director, Purchasing Manager and other personnel in Central Services to discuss the scope and objectives of the audit work, to obtain preliminary data and to establish working arrangements. We then conducted interviews with responsible personnel and documented their role in the processes.

Detailed Testing

The purpose of this phase was performance of testing procedures based on our understanding of the purchasing process, applicable County ordinances, State statutes, County policies and other resources related to Purchasing. Our procedures included observation and inquiry, walk-through and testing of individual transactions. The time period covered by testing was October 1, 2014 through June 30, 2015. We utilized sampling and other auditing techniques, as deemed necessary, to meet our audit objectives outlined above. The procedures we performed were as follows:

- Obtained an understanding of the purchasing and contract compliance processes.
- Determined whether any written policies and procedures were in place over purchasing and contract compliance processes.
- Determined whether proper segregation of duties existed at all points in the process for purchasing (custody of assets, authorization or approval of related transactions affecting those assets and recording or reporting of related transactions).
- We ran computer assisted audit techniques to perform the following:
 - Compared the vendor master listing to the active employee listing
 - Reviewed vendor master listing for sequence and duplicate:
 - Names
 - Addresses
 - Phone numbers
 - Tax identification numbers
 - Reviewed purchase order listing for sequence and duplicated purchase orders
 - Reviewed disbursements to calculate days paid
 - Reviewed the accounts payable aging to review for vendors with debit balances
- We reviewed segregation of duties over user access within SAP's purchasing features.
- We selected a sample of 60 purchase orders (POs) and traced to the purchase requisition and request for quote documentation to verify that the proper procedures were performed. We also performed the following procedures:
 - Reviewed for approval of purchase orders and requisitions
 - Determined that at least 3 responsive and qualified sources were solicited for applicable purchasing thresholds

Objectives and Approach – continued

Detailed Testing - continued

- Reviewed the annual capital budget, annual budget and the capital improvements plan approved by the Board to ensure capital outlay and improvements were included
- Determined whether there was any evidence of splitting of requisitions to circumvent competition required at applicable purchasing thresholds
- Determined that advertising requirements were met
- Reviewed bid tabulation to verify that the lowest formal bidder was selected
- Determined the purchase served a public purpose
- Traced the data to supporting documents to ensure the validity of the purchase orders.
- Selected a sample of 60 active contracts and tested for completeness of the files and attributes detailed in the contract database.
 - Reviewed contracts for appropriate approvals
 - Reviewed supporting documentation for a payment and performance bond, if required
 - Reviewed contracts for signatures of all parties
 - Reviewed effective and expiration dates of contracts agreed to the contract database
 - Reviewed that the insurance certificate corresponded to the contract period, if required
 - Tested amount per the contract agreed to amounts recorded in the contract database
 - Reviewed contracts for a "right to audit" clause
- We tested completeness of the contract database system by verifying if the PO's sampled had related contracts, were added to the contract database system and by reviewing the pending contract memorandums of contracts over \$100,000 to ensure Board approval was obtained.
- Verified that contract compliance audits were being conducted.

Reporting

At the conclusion of our audit, we documented our understanding of the processes surrounding purchasing based on our interviews at the County and summarized our findings related to these processes. We conducted an exit conference with management and have incorporated management's responses into our report. We prepared our report and related findings and provided copies to appropriate County personnel.

Issues Matrix

Issues Matrix - Contract Compliance and Purchasing

Rating	Issues	Recommendation	Notes									
High	<p>1. Contract Administration Management</p> <p>The responsibility for contract monitoring is “shared” by the Departments and Purchasing Services. AO-29 states the following:</p> <ul style="list-style-type: none"> The Officer of Primary Responsibility (OPR) shall be accountable for all contracts originating from his/her area of jurisdiction. The OPRs are responsible for timely input/update of the contract information into the Contract Management database (“database”). Contract Management within Purchasing Services shall be responsible for monitoring information within the database program to ensure information integrity. Purchasing Services is required to notify the Department/Office Director or designee that no contract activities should commence or continue until all contract requirements including insurance and bonding are in compliance. <p>Purchasing Services uses a contract review form for random audits which includes review of the contract amount, all effective dates and ensuring that all contract documents (i.e. insurance certificates and bond documents) have been received for the contracts.</p> <p>We selected a sample of 60 contracts from the database for testing and noted the following:</p> <p>12 contracts had differing expiration dates per the contracts as recorded in the database:</p> <table border="1" data-bbox="269 1346 886 1470"> <thead> <tr> <th>Contract #</th> <th>Expiration Date</th> <th>Database Date</th> </tr> </thead> <tbody> <tr> <td>263</td> <td>01/01/2016</td> <td>12/31/2014</td> </tr> <tr> <td>1296</td> <td>09/30/2014</td> <td>12/01/2014</td> </tr> </tbody> </table>	Contract #	Expiration Date	Database Date	263	01/01/2016	12/31/2014	1296	09/30/2014	12/01/2014	<p>Risk to the County is elevated as AO-29 is not being performed as outlined in the issues column.</p> <p>We recommend that a more careful review of the contract database to the source documents be performed to verify contract effective/expiration dates, contract amounts and source documentation agree to the information in the database.</p> <p>Purchasing Services offers internal training which includes basic and advanced purchasing, requests for proposals, contract management and monitoring and SAP requisitions. We recommend user department staff attend the internal trainings offered by Purchasing Services to be re-educated on the importance of ensuring that contracts are administered in accordance with the requirements as established in AO-29.</p>	<p>Respon one train training</p> <p>Purchas audits of insuranc include contract updated</p> <p>Respon Purchas</p> <p>Estimat January</p> <p>Next tes</p>
Contract #	Expiration Date	Database Date										
263	01/01/2016	12/31/2014										
1296	09/30/2014	12/01/2014										

Purchasing Function

Issues Matrix - Contract Compliance and Purchasing

Rating	Issues			Recommendation	
High	1. Contract Administration Management				
	1552	04/29/2017	02/11/2015		
	2048	01/02/2017	01/03/2015		
	2201	No proper extension on file. Only change order completed.	05/31/2015		
	2371	03/31/2015	12/01/2014		
	2476	No end date because there is no notice to proceed.	01/27/2015		
	2673	No end date because there is no notice to proceed.	04/27/2015		
	358	Contract has numeric 10 years (03/22/2021) and written word as 20 years (03/22/2031)	3/22/2026		
	2972	10/18/2015	7/20/2015		
	594	12/31/2099	12/31/2098		
	1917	No extension on file	11/07/2015		
	7 contracts had differing effective dates:				
	Contract #	Effective Date	Database Date		
	1199	07/07/2009	09/06/2000		
	1552	04/29/2015	02/11/2014		

Purchasing Function

Issues Matrix - Contract Compliance and Purchasing

Rating	Issues			Recommendation	N																								
High	1. Contract Administration Management																												
	1674	04/12/2013	04/22/2014																										
	2048	02/05/2015	01/03/2013																										
	255	No effective date per contract. Only says 2008	10/01/2013																										
	1917	11/07/2012	09/30/2013																										
	264	01/01/2008	01/01/2011																										
	7 contracts had differing amounts:																												
	<table border="1"> <thead> <tr> <th data-bbox="277 646 483 709">Contract #</th> <th data-bbox="483 646 690 709">Contract Amount</th> <th data-bbox="690 646 893 709">Database Amount</th> </tr> </thead> <tbody> <tr> <td data-bbox="277 709 483 835">320</td> <td data-bbox="483 709 690 835">Amount dependent on hours worked by staff</td> <td data-bbox="690 709 893 835">\$360,000</td> </tr> <tr> <td data-bbox="277 835 483 898">1687</td> <td data-bbox="483 835 690 898">No amount on contract</td> <td data-bbox="690 835 893 898">\$300</td> </tr> <tr> <td data-bbox="277 898 483 930">2821</td> <td data-bbox="483 898 690 930">\$45,000</td> <td data-bbox="690 898 893 930">\$450,000</td> </tr> <tr> <td data-bbox="277 930 483 961">2972</td> <td data-bbox="483 930 690 961">\$14,751,480</td> <td data-bbox="690 930 893 961">\$14,815,071</td> </tr> <tr> <td data-bbox="277 961 483 993">2374</td> <td data-bbox="483 961 690 993">\$700,778</td> <td data-bbox="690 961 893 993">\$642,234</td> </tr> <tr> <td data-bbox="277 993 483 1119">10</td> <td data-bbox="483 993 690 1119">Contract includes an annual amount</td> <td data-bbox="690 993 893 1119">No amount</td> </tr> <tr> <td data-bbox="277 1119 483 1239">1780</td> <td data-bbox="483 1119 690 1239">Contract amount dependent on gross receipts</td> <td data-bbox="690 1119 893 1239">\$15,000</td> </tr> </tbody> </table>			Contract #	Contract Amount	Database Amount	320	Amount dependent on hours worked by staff	\$360,000	1687	No amount on contract	\$300	2821	\$45,000	\$450,000	2972	\$14,751,480	\$14,815,071	2374	\$700,778	\$642,234	10	Contract includes an annual amount	No amount	1780	Contract amount dependent on gross receipts	\$15,000		
Contract #	Contract Amount	Database Amount																											
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	7 files were lacking a copy of the certificate of insurance:																												
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Purchasing Function

Issues Matrix - Contract Compliance and Purchasing

Rating	Issues	Recommendation	N									
High	<p>1. Contract Administration Management</p> <table border="1" data-bbox="451 306 659 499"> <tr><td>358</td></tr> <tr><td>2821</td></tr> <tr><td>2912</td></tr> <tr><td>3</td></tr> <tr><td>255</td></tr> <tr><td>10</td></tr> </table> <p>2 contracts had certificates of insurance that did not correspond to the contract period:</p> <table border="1" data-bbox="451 621 659 747"> <tr><td>Contract #</td></tr> <tr><td>1212</td></tr> <tr><td>1965</td></tr> </table> <p>For contract number 263, the original was signed by the County, but the renewal was not signed.</p>	358	2821	2912	3	255	10	Contract #	1212	1965		
358												
2821												
2912												
3												
255												
10												
Contract #												
1212												
1965												

Purchasing Function

Issues Matrix - Contract Compliance and Purchasing

Rating	Issues	Recommendation	Notes
Moderate	<p>2. Initial Contract Forms</p>	<p>We recommend that departments complete initial contract forms and submit with contract for initial execution by the Board. The forms should include basic contract information and approvals necessary for execution.</p>	<p>Response: departments complete initial contract forms and submit with contract for initial execution by the Board. The forms should include basic contract information and approvals necessary for execution.</p> <p>Response: departments complete initial contract forms and submit with contract for initial execution by the Board. The forms should include basic contract information and approvals necessary for execution.</p> <p>Estimated completion: 1, 2016</p> <p>Next test:</p>
<p>In accordance with AO-29, <i>Contract Administration</i>, initial contract forms should be submitted with the contract for initial execution by the Board of County Commissioners.</p> <p>We selected a sample of 60 contracts from the database for testing and noted that 8 contracts did not have an initial contract form completed. Contract files should be up-to-date and complete, including supporting documentation such as an initial contract form.</p>			

Purchasing Function

Issues Matrix - Contract Compliance and Purchasing

Rating	Issues	Recommendation	N
Moderate	3. Vendor Maintenance		
	<p>We noted twelve (12) of the twenty seven (27) vendors had no activity in the past twenty four (24) months ranging from last activity in the year 2000 to February 2012. Vendors with no activity in the past 24 months should be removed or deactivated from the vendor file.</p>	<p>We recommend that vendors with no activity in the past 24 months be removed or deactivated from the vendor file and the County should perform a more detailed review of the file at least annually.</p>	<p>Respon Finance their an eliminat</p> <p>Respon Purchas AP Cour</p> <p>Estimat 1, 2016</p> <p>Next tes</p>

Purchasing Function

Issues Matrix - Contract Compliance and Purchasing

Rating	Issues	Recommendation	Notes
Low	<p>4. Right to Audit Clauses</p> <p>Performing an audit of contracts is an important tool to ensure that the purpose outlined in the agreement and the performance criteria of the contract actually occurs. Audits conducted after problems are uncovered are reactionary. The goal of a contract audit is to identify weaknesses and inform management of situations before problems develop. All too often, once negotiations are completed and goods begin to flow, there is limited visibility to ensure that the terms negotiated are the terms executed.</p> <p>We selected a sample of 60 contracts to review for "right to audit" clauses and noted that 1 contract was lacking a "right to audit" clause. We also noted that there was 1 intergovernmental contract that did not have the "right to audit" clause, but it is "good practice" to include that clause.</p>	<p>To assist the County in reducing the risk that contractors are not fulfilling their contract obligations, we recommend "right to audit" clauses be required on all County contracts and the County should continue to perform random audits of contracts to ensure contract compliance.</p>	<p>Response: The "right to audit" clauses will be required on all County contracts. Initial Contract Compliance Office to conduct random audits of contracts to ensure contract compliance.</p> <p>Response: Services County /</p> <p>Estimated: 31, 2015</p> <p>Next test:</p>

Purchasing Function

Issues Matrix - Contract Compliance and Purchasing

Rating	Issues	Recommendation	Notes
Low	<p>5. Duplicate Vendors</p> <p>We obtained a list of all active vendors (excluding the Clerk's vendors) as of June 30, 2015 and sorted by Employee Identification Number, name and address using data extraction techniques to identify potential duplicate vendors for the entire County since vendors are not specific to a Department. Often times, vendors have separate order and payment addresses and require separate setup in SAP. The County is able to link the intentional duplicate vendors together using an "alternate payee" field in SAP in order for separate instances of the vendor in SAP to be referenced back to a single vendor number and payment address.</p> <p>We noted thirty-three (33) likely unintentional duplicate vendors.</p>	<p>A more detailed review of the vendor file should be performed at least annually to ensure there are no unintentional duplicate vendors.</p>	<p>Response Finance their an eliminate</p> <p>Response Purchas AP Cour</p> <p>Estimated Novemb</p> <p>Next test</p>

Purchasing Function

Issues Matrix - Contract Compliance and Purchasing

Rating	Issues	Recommendation	N
Low	6. Purchasing Website		
	<p>Board Policy BCC-25, <i>Procurement</i>, was approved by the Board of County Commissioners on May 26, 2015. Per review of the Purchasing Services homepage (http://www.brevardcounty.us/CentralServices/Purchasing) on August 31, 2015, the prior policy approved December 17, 2013 was listed and able to be downloaded rather than the most recent policy.</p>	<p>We recommend that the Purchasing website be updated for the most current approved policies and procedures.</p>	<p>Respon been up Respon Purchas Estimat Comple Next tes</p>



Working Draft - Internal Audit Plan - as of October 21, 2015
FY 2015 / 2016

AUDIT UNIVERSE		Last Audit	2012	2013	2014	2015	Proposed 2016
Overall Audit Functions							
Risk Assessment			✓				✓
Update Risk Assessment			✓		✓	✓	✓
Ongoing Remediation and Follow-Up Procedures			✓	✓	✓	✓	✓
Quality Control			✓				✓
Audits by Department and / or Organization							
Budget Office							
Budgetary Tools and Reporting	2008						
Discovery	2008						
Financial Position Review	2007						
High-Level Ten Year Analysis	2011					✓	
Central Services Office							
Asset Management	2009						
Asset Management Cycle Audit							✓
Central Cashier	2002						
Central Fleet Services	2013			✓			
Facilities Construction	2003						
Facilities Maintenance	2012		✓				
Purchasing	2009						
Purchasing Card	2010					✓	
Emergency Management Office							
Year End Financial Close	2008						
Clerk of the Court							
Traffic Ticket Fines	2003						
Other							
Economic Development Commission	2002						
Impact Fees for Schools (BPS)	2014				✓		
Merritt Island Redevelopment Agency (MIRA)	2008						

Legend

Orange	Ongoing Function
Blue	Audit Closed
Light Blue	Action Deferred due to Resources
Yellow	Follow-up in Progress
Green	Audit Report Issued
Dark Green	Audit in Progress
Red	Proposed for upcoming year



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