



Agenda Report

2725 Judge Fran Jamieson
Way
Viera, FL 32940

Consent

F.23.

7/9/2024

Subject:

Acceptance and Approval of Internal Audit Reports

Fiscal Impact:

There is no fiscal impact associated with this request.

Dept/Office:

County Manager

Requested Action:

It is requested that the Board of County Commissioners acknowledge and approve the Internal Auditors' Reports.

Summary Explanation and Background:

The Internal Auditors completed the following Audit Reports:

- Internal Audit of the Contract for The Emergency Operations Center (EOC)
- Financial Condition Review of Utility Services
- Follow-up Testing
 - Pre-Trial and Misdemeanor Probation Services - Contract Compliance (all items closed)

These reports were reviewed by the Internal Audit Committee on May 22, 2024.

Clerk to the Board Instructions:

Maintain necessary documents for records retention.



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July 10, 2024

MEMORANDUM

TO: Frank Abbate, County Manager

RE: Item F.23., Acceptance and Approval of Internal Audit Reports

The Board of County Commissioners, in regular session on July 9, 2024, acknowledged and approved the Internal Auditors' Reports.

Your continued cooperation is always appreciated.

Sincerely,

BOARD OF COUNTY COMMISSIONERS
RACHEL M. SADOFF, CLERK

A handwritten signature in cursive script that reads "Kimberly Powell".

Kimberly Powell, Clerk to the Board

/tr



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

**Internal Audit of the Contract for
The Emergency Operations Center**

**Prepared By:
Internal Auditors**



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May 8, 2024

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

Pursuant to the approved 2023/2024 internal audit plan, we hereby submit our internal audit of the Emergency Operations Center contract. We will be presenting this report to the Audit Committee at the next scheduled meeting on May 22, 2024.

Our report is organized in the following sections:

Executive Summary	This provides a summary of the observations related to our internal audit of the Emergency Operations Center contract.
Background	This provides an overview of the Emergency Operations Center contract.
Objectives and Approach	The internal audit objectives and focus are expanded upon in this section as well as a review of our approach.
Observations Matrix	This section provides the results of our internal audit procedures, including our recommended actions and management’s responses.

We would like to thank all those involved in assisting the Internal Auditors in connection with the internal audit of the Emergency Operations Center contract.

Respectfully Submitted,

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

INTERNAL AUDITORS

Executive Summary

Overview

The Board of County Commissioners of Brevard County, Florida (the "County") entered into a construction contract ("Contract") with AJAX Building Company ("AJAX", "Contractor") on August 30, 2022 for the purpose of constructing a new Brevard County Emergency Operations Center ("EOC") consisting of a 48,427 sq. ft. facility and a 3,499 sq. ft. mechanical yard, to be located at 1751 Huntington Lane, Rockledge, Florida 32955 (the "Project").

Objective

The primary objective was to assess compliance by the Contractor with key provisions of the Agreement with the County and to assess whether the system of internal controls over the County's management of the contract is adequate and appropriate for promoting and encouraging consistent application of management's objectives for compliance with key contract terms, and County policies and procedures, as applicable.

Observations

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

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

Observation	Risk Rating
1. <i>Monthly Statements (Payment Applications) – copies of subcontracts were not included with each submission or formal documentation of the review process.</i>	Moderate
2. <i>Subcontractor licenses – subcontractor licenses were not verified pursuant to the Award grant.</i>	Low
3. <i>Quarterly Reporting – various quarterly reports were not submitted within the required deadline pursuant to the Award grant.</i>	Low

Other than the items identified above, we noted no exceptions in the areas tested including:

- Payment Applications
- Change Orders, including County-Direct Purchases
- Contingency Usage
- Bonds and Insurance
- Grant Compliance
- Project Management
- Subcontractor Procurement

Background

Overview

Contract Delivery Method

The type of contract delivery method utilized for the Project was a construction manager at risk contract. This means that the Owner entered into one contract with the Construction Manager for the construction of the project. The Construction Manager entered into subcontracts with each of the trades and suppliers that are procured by the Construction Manager. The Construction Manager team manages the subcontractors in their performance of the construction.

Compensation Structure (Articles 7.1; 2.3.4; 8.1.1)

The Contractor's written Guaranteed Maximum Price ("GMP") guarantees the maximum price to the County for the construction cost of the Project or the designated part thereof. Such GMP will be subject to increase and deduction for changes in the Project as provided in Article 10 and for County direct purchases, if any, in accordance with Attachment "C" (Article 7.1).

The Contractor's fee constitutes the Contractor's total compensation for profit (Article 8). All costs in excess of the final approved GMP, as adjusted up or down in accordance with the terms of this Contract, are the responsibility of the Contractor. Any savings between the GMP, as adjusted, and the sum of the actual cost of the Project, plus the Contractor's fee, will be returned to the County per Article 2.3.4 (Article 7.1). The Contractor shall be allowed to retain 2.225% of the fee on the returned savings (to represent one-half of the Contractor's fee) [Article 2.3.4].

County-Direct Purchases (Article 7.2)

County direct purchases represent purchases made by the County paid directly to vendors for the purchase of materials that were included as part of the applicable subcontractor lumpsum price. This direct purchase by the County results in sales tax savings since the County is not subject to sales tax. The GMP shall be reduced by the cost of the materials and the applicable sales tax is credited to the sales tax line item in the GMP ("Owner's Tax Savings") so that all sales tax savings accrue to the benefit of the County.

Buyout (Article 7.3)

Buyout represents the difference between the line items included in the GMP and the bids received and actual subcontracts executed. Any subcontract pricing that is below the applicable GMP line item will be set aside and added to contingency (Buyout surplus). Any funds that exceed the line item in the GMP will be taken from the contingency via an approved Authorization to Initiate Work/GMP Realignment form (GMP deficiency); however, such events shall not be cause to increase the GMP.

Construction Contingency Funds (Article 7.3)

Construction contingency funds will be used for the purpose of defraying the expenses due to unforeseen circumstances relating to construction. The Contractor will be required to furnish documentation evidencing expenditures charged to this contingency prior to the release of funds by the County. Documentation for use of the Contingency shall be determined by the Construction Team. The Architect/Engineer and County shall verify and approve the actual costs.

Background - continued

Cost of the Project [Work] (Article 9)

The term Cost of the Project shall mean costs reasonably and necessarily incurred in the Project during the Construction Phase for construction services paid by the Contractor... subject to the limits set forth in Articles 9.2 (Direct Cost Items) and 9.3 (Allowances) plus the Contractor's fee stipulated in Article 8, provided the total does not exceed the GMP (Article 9.1).

Direct Cost Items (Including General Conditions listed Attachment "M"): Article 9.2

- A. Labor wages paid for the on-site Project Superintendent, Operations Manager, Secretary, and personnel directly responsible for the operation and supervision of the Project (labor burden not to exceed 44.5% for payroll; and 25% for per diem).
- B. Payments due to Subcontractors from the Contractor or made by the Contractor to Subcontractors for their work performed pursuant to contract under this Contract.
- C. Cost of the premiums for insurance and bonds for the construction of the Project.
- D. Sales, use, gross receipts or similar taxes for allowable direct costs of the Project.
- E. Self-performed work by the Contractor, if approved by the County.
- F. Legal costs, if approved by the County in advance.
- G. Costs for temporary facilities: water, heat, power, sanitary, etc. as approved by the County.
- H. No costs shall be paid by the County to the Contractor for any expenses related to negligent, intentional, or willful acts or omissions by the Contractor, including any of its subcontractors, employees, or agents, to correct defective workmanship, to correct any work not in conformance with the Plans and Specifications, or to correct any deficiency or damage.

Changes in the Project (Article 10)

Change Orders - The County, without invalidating this Contract, may order Changes in the Project within the general scope of this Contract consisting of additions, deletions or other revisions which may cause an increase or decrease in the G.M.P., and/or the Construction Completion Date. All changes in the Project G.M.P. or Construction Completion Date not covered by an authorized contingency, as described in Article 7.3 must be authorized by a written Change Order or Construction Change Directive, and signed by the County, Architect and Contractor before the change is implemented. It shall be the County's discretion as to whether each change order requires the A/E signature. Maximum allowable mark-up on any change order above the G.M.P. for the Contractor is 5% Profit, 5% Overhead, and a 2% Bond. (Article 10.1)

The increase or decrease in the Guaranteed Maximum Price resulting from Change Orders in the Project shall be determined by one of the following ways:

- A. *by mutual acceptance of a lump sum properly itemized and supported by sufficient substantiating data to permit evaluation by the Architect/Engineer and County;*
- B. *by unit prices stated in the Contract or subsequently agreed upon;*
- C. *by cost as defined in Article 9 plus a mutually acceptable fixed or percentage fee; or*
- D. *by the method provided in Subparagraph 10.1.4. (Article 10.1.3)*

Background - continued

Payments to the Contractor (Article 12.1)

Monthly Statements - The Contractor shall submit to the County a sworn statement along with the Certificate for Payment, showing in detail all monies paid out, cost accumulated or costs incurred on account of the Cost of the Project during the previous period and the amount of the Contractor's fees due as provided in Article 8. This data shall be attached to and/or made available in a digital/electronic format compatible with the County's software alongside the Certificate for Payment Form shown in Attachment "N", and shall include, but not be limited, to the following:

- A. Daily Reports;
- B. Updated Project Schedule;
- C. Daily Redline As-Builts drawing(s) review;
- D. Provide a billing report with each payment application that shows a breakdown of costs incurred by line item. This report should correspond with the amounts being charged on the Schedule of Values.
- E. Provide backup copies of all invoices that the County is being billed for, including vendor invoices, payments to subcontractors, cell phone statements, insurance, petty cash receipts, etc. These invoices should be coded by the line item that they correspond to on the billing report and Schedule of Values.
- F. Provide backup copies and documentation of all costs incurred under General Conditions.
- G. Provide backup copies of all payroll that details which labor amounts were paid to whom on a weekly basis.
- H. Provide copies of all subcontractor contracts.

* The amounts charged on the Payment Application must be accurate and correspond with the total dollar amount of backup provided by the Contractor.

Payment by the County to the Contractor of the statement amount shall be made in accordance with Florida Statute 218.735. Five percent of each payment shall be held by the COUNTY as retainage until Final Completion, provided the retainage is not the subject of a good faith dispute, the subject of a claim brought pursuant to s. 255.05, Florida Statutes or otherwise the subject of a claim or demand by the COUNTY.

Staffing

Key personnel from the County that were involved in our engagement included:

Title
Public Works Director, Public Works
Contracts Administrator, Public Works
Facilities Construction Manager, Public Works (Project Director, as designated in Contract)
Director, Emergency Management
Operations Manager, Public Works

Background - continued – Project Statistics

The following table represents a summary of the original GMP:

8:02:53AM		Report includes Taxes & Insurance.
		6/17/2022
Description	Units	Total \$
NOTICE : This Document is considered proprietary information and shall not be distributed beyond the intended recipient without the express written consent of Ajax Building Company, LLC !!		
Total Division 01 GENERAL REQUIREMENTS		\$1,358,123
Total Division 03 CONCRETE		\$2,019,974
Total Division 05 METALS		\$1,426,595
Total Division 06 WOOD & PLASTICS		\$197,179
Total Division 07 THERMAL & MOISTURE PROTECTION		\$1,362,669
Total Division 08 DOORS & WINDOWS		\$1,285,704
Total Division 09 FINISHES		\$2,458,150
Total Division 10 SPECIALTIES		\$457,970
Total Division 11 EQUIPMENT		\$282,526
Total Division 12 FURNISHINGS		\$1,199,863
Total Division 21 FIRE SUPPRESSION SYSTEMS		\$236,730
Total Division 22 PLUMBING		\$983,440
Total Division 23 HVAC WORK		\$3,179,000
Total Division 26 ELECTRICAL WORK		\$7,027,764
Total Division 31 SITEWORK		\$2,812,043
Total Division 32 SITE IMPROVEMENTS		\$378,492
Total Division 36 BONDS & INSURANCE		\$582,191
Total Division 37 WARRANTY ALLOCATION		
Total Division 45 OWNER'S TAX SAVINGS		-\$420,000
Total Division 50 ESCALATION COSTS		\$50,000
Total Division 80 CONTINGENCY		\$463,035
Total Division 95 OVERHEAD & FEE		\$1,197,315
Total Sec BB BASE BID		\$28,538,763
ESTIMATE TOTALS		\$28,538,763

The following presents project activity for Payment Applications No. 1 – 15 (period ending – 1/24/24):

	Totals	ODP	Tax Savings	Non-ODP
Original GMP	\$ 28,538,763			
Change Order 3	ODP (1,813,090)	(1,813,090)	109,135	
Change Order 4	ODP (1,213,291)	(1,213,291)	72,847	
Change Order 7	ODP (1,241,059)	(1,241,059)	74,814	
Change Order 9	Switchboard & Chiller delay/ODP (1,781,134)	(2,159,289)	130,257	378,155
Change Order 11	ODP/voided ODP* (654,278)	(654,278)	39,257	
	-	-	-	-
Total change orders	(6,702,852)	(7,081,007)	426,310	378,155
Adjusted GMP (Contract Sum To Date)	\$ 21,835,911			
Completed and Stored To Date (thru PA 15) (period to: January 31, 2024)	18,185,311			
Balance to Finish	\$ 3,650,600			
Percent Complete	83%			
Change orders not included had no financial impact on the GMP. They were transfers between GMP line items or were changes that utilized the construction contingency reserve included in the GMP (Change Orders: 1-2, 5-6, 8, 10, and 12-13).				
*Net decrease of additional ODP of \$1,011,945 less voided ODP of \$357,668 = \$654,278 at 6% (approximate).				

Objectives and Approach

Objectives

The primary objective was to assess compliance by the Contractor with key provisions of the Contract with the County and to assess whether the system of internal controls over the County's management of the contract is adequate and appropriate for compliance with key contract terms, certain laws, rules and County policies and procedures, as applicable.

Approach

Our approach consisted of three phases:

Understanding and Documentation of the Process

During the first phase, we held an entrance conference with the Director of Public Works, the Director of Emergency Management, Construction Manager for Public Works, Operations Manager for Public Works, and the Contracts Manager for Public Works to discuss the scope and objectives of the audit work, obtain preliminary data, and establish working arrangements. We reviewed the Contract, Florida Statutes, administrative orders, County policies and other resources related to the Project. We conducted interviews with responsible Public Works personnel and documented their respective roles in the processes. We updated our understanding of the EOC contract key compliance attributes and relevant contract management controls.

Detailed Testing

The purpose of this phase was performance of testing procedures based on our understanding of the EOC contract key compliance attributes, applicable County ordinances, and Florida State Statutes. Our procedures included interviewing relevant personnel as well as detailed transactional and control testing. We met with responsible personnel from the County related to the EOC contract and documented their role in the process. The period of our testing included thirteen (13) payment applications: Application No. 1 (period ending November 30, 2022) – Application No. 13 (November 23, 2023). The procedures performed included the following by the respective areas noted below:

Payment Applications

Obtained monthly pay applications submitted to the County up to November 30th, 2023 in accordance, which included various provisions outlined in Article 12.1 of the Agreement, and tested the performance of the following attributes:

- a. Verified that daily reports were included in the submissions.
- b. Verified that the project schedule had been updated appropriately (monthly updates).
- c. Validated the review of daily Redline As-Built drawing(s).
- d. Verified that a billing report accompanied each payment application, detailing a breakdown of costs incurred by line item (this report should correspond with the amounts being charged on the Schedule of Values).
- e. Verified the inclusion of backup copies for all invoices billed to the County, including vendor invoices, payments to subcontractors, cell phone statements, insurance, petty cash receipts, etc. (these invoices should be coded by the line item that they correspond to on the billing report and Schedule of Values).

Objectives and Approach - continued

Approach – continued

Detailed Testing - continued

- f. Verified the inclusion of backup copies and documentation of all costs incurred under General Conditions.
- g. Verified the inclusion of backup copies of all payroll that details which labor amounts were paid to whom on a weekly basis.
- h. Verified the inclusion of copies of all subcontractor contracts.
- i. Validated the inclusion of signatures from the appropriate personnel, namely the project director and the Architect/Engineer on the Pay App.
- j. Recalculated overhead and fee to ensure fee calculation is based on percentage of work completed less retainage.
- k. Verify that the amounts charged on the Payment Application is accurate and correspond with the total dollar amount of backup provided by the Contractor (sample basis)
- l. Ensure mathematical accuracy through verification of the cover page and schedules of values (sample basis).
- m. Agreed original contract sum to the approved GMP in the Contract.

Change Orders, including County-Direct Purchases

Obtained all change orders (increases and decreases to the GMP) submitted to the County up to November 30th, 2023 and performed the following attributes:

- a. Verified that all necessary approvals and signatures are present on the change order (Project Director, Architect/Engineer, Contractor, and authorized by the County Manager, Assistant County Managers or Department/Office Director as delegated in BCC-27 Section II (C).
- b. Verified that the change order included proper backup support per the Contract.
- c. Recalculated the CM fee (overhead and fee) in accordance with the contract (only applicable for CO#9 (AJAX OCO #4).
- d. Verified that the material requisitions form complied with Attachment C for County-Direct purchases of materials and the sales tax was properly credited to the sales tax allowance line item in the GMP (schedule of values).

Contingency Usage

Obtained the change order/contingency log and haphazardly selected a sample of 5 contingency changes and performed the following:

- a. Obtained documentation of proper approval by the contractor and the subcontractor.
- b. Verify that proper documentation was included (i.e. labor, materials, or markup).
- c. Verify that components included in the change are allowable components per the contract
- d. Obtained documentation of proper approval of changes by the county designee.

Bonds and Insurance

To test compliance with the bonding and insurance requirements of the Contract, we performed the following:

- a. The Public Construction Bond obtained complied with the requirements of Article 13.2(B).
- b. The insurance certificates secured complied with the requirements of Article 12.2(C).

Objectives and Approach - continued

Approach – continued

Detailed Testing - continued

Grant Compliance

Obtained the executed award agreements, project scope documents, and subsequent amendments or extensions, (as applicable) and reviewed executed award agreements to gain an understanding of the compliance requirements including but not limited to: allowable activities, costs, and scope of work and any specifically disallowed types of expenses, reimbursement terms, and local match requirements (including possible over-reimbursement). Documented an understanding of the reimbursement request process.

Obtained reimbursement request submitted to the grantor and verified the following:

- a. Cost were incurred prior to seeking reimbursement.
- b. Reimbursement request was approved at the appropriate level by County management.
- c. Cost were supported by invoices, pay apps and other evidence.
- d. Activities and cost were allowable based on award terms and conditions.
- e. Reimbursable amount did not exceed the amount awarded.

Obtained subcontractors licenses and permits for compliance with grant agreement 19-SP-10-06-15-01-236 between the County and the Florida Division of Emergency Management, Attachment E.

Subcontractor Procurement

Obtained subcontractor documentation (bid tabulation) related to subcontractors selection process, selected a sample of the five largest trades, and performed the following:

- a. Evaluated subcontractor bid tabulation to validate that at least (3) bids were solicited to ensure a competitive process in accordance to BCC-25, section III (H).
- b. Verified that the lowest and qualified subcontractors were selected in accordance with BCC-25, section III (O).

Project Management

Obtained records of all monthly Owner Architect Contractor (OAC) meetings (minutes, agenda, and sign-in sheets) and utilized Active Data to select a sample of 10 to test the following pursuant to the contract agreement, Article 2, Sec 2.5.3:

- a. The County designee, architect, and contractor were in attendance.
- b. Meeting minutes were provided to the County.

Reporting

At the conclusion of our procedures, we documented our understanding of the processes and controls related to the EOC Contract and summarized our findings related to our contract compliance testing procedures. We conducted an exit conference with management and have incorporated management's responses into our report. We prepared our report and provided copies to appropriate County personnel.

Observations Matrix

Rating	Observations	Recommendation	Management Response
Moderate	<p>1. Monthly Statements (Payment Applications)</p> <p>We obtained and reviewed payment applications (PA) 1-13 and performed the 13 testing attributes (a-m) listed in the Objectives and Approach section on pages 7 and 8 and noted the following:</p> <ul style="list-style-type: none"> a. Copies of the subcontracts were not provided with any of the 13 PA's during our testing period in accordance with Article 12.1.h. b. Written evidence of the monthly validation process is not formally documented and retained.* <p>*Based on discussions with the Contract's Manager, the support obtained and attached to the PA each month is reviewed and matched to the items charged in the schedule of values including payroll, general conditions, general requirements, subcontractor payment applications, etc. The Contract Administrator provided emails as evidence of items identified for resolution with the Contractor. However, written evidence of this validation process, and related controls performed, is not fully documented.</p>	<p>We recommend that management perform the following:</p> <ul style="list-style-type: none"> a. Obtain copies of the subcontracts entered into by the Contractor as of the last processed PA and going forward, as applicable. b. Develop a PA checklist that includes all the items required in Article 12 of the Agreement as well as the steps necessary to verify that the charges in the PA are properly supported and allowable pursuant to the terms and conditions of the Contract. Evidence of this PA review process should be documented and retained. 	<p>Response:</p> <ul style="list-style-type: none"> a. Management subsequently obtained copies of the subcontracts from the Contractor. Management does not anticipate any new subcontracts for the remainder of the project. Management will not require subcontracts to be submitted for future projects unless it is a grant/funding requirement. b. Management subsequently developed a PA checklist with evidence of approval documented on the PA checklist for each PA reviewed and approved. <p>Responsible party: Project Director (as designated in the Contract).</p> <p>Estimated completion date:</p> <ul style="list-style-type: none"> a. Completed. b. Completed.

Observations Matrix

Rating	Observations	Recommendation	Management Response
Low	<p>2. Subcontractor Licenses</p> <p>The Award agreement for award 19-SP-10-06-15-01-236, between the County and Florida Department of Emergency Management, Attachment E – Warranties and Representations pertaining to Licensing and Permitting states the following:</p> <p><i>All subcontractors or employees hired by the Recipient shall have all current licenses and permits required for all the particular work for which they are hired by the Recipient.</i></p> <p>Based upon discussion with the Project Director, the County did not obtain subcontractor licenses to ensure compliance with this provision of the Award agreement.</p>	<p>We recommend that as required by the Award agreement that the County verify that all subcontractors or employees hired by the Recipient have current licenses and retain documentation as evidence.</p>	<p>Response: Management has subsequently obtained copies of the subcontract licenses from the Contractor. Management does not anticipate any new subcontractors for the remainder of the project.</p> <p>Responsible party: Project Director (as designated in the Contract).</p> <p>Estimated completion date: Completed.</p>

Observations Matrix

Rating	Observations	Recommendation	Management Response
Low	<p>3. Quarterly Reports – Not Submitted Timely</p> <p>The Award agreement for award 19-SP-10-06-15-01-236 between the County and Florida Department of Emergency Management includes the following terms and conditions:</p> <p><i>The Recipient shall provide the Division with quarterly reports and a close-out report. These reports shall include the current status and progress by the Recipient and all Sub-Recipients and subcontractors in completing the work described in the Scope of Work and the expenditure of funds under this Agreement, in addition to any other information requested by the Division.</i></p> <p><i>Quarterly reports are due to the Division no later than 15 days after the end of each quarter of the program year and shall be sent each quarter until submission of the administrative close-out report. The ending dates for each quarter of the program year are March 31, June 30, September 30, and December 31.</i></p> <p><i>If all required reports and copies are not sent to the Division or are not completed in a manner acceptable to the Division, the Division may withhold further payments until they are completed or may take other action as stated in Paragraph (15) REMEDIES. "Acceptable to the Division" means that the work product was</i></p>	<p>We recommend that management put a process in place to ensure that quarterly reports, required by Award agreements, are submitted by the respective due dates to avoid any possible delays in receiving payments.</p>	<p>Response: Throughout the grant cycle, Emergency Management staff worked closely with the State. No concerns were raised, and the funds were paid in full to the County without any issues. Emergency Management is actively working on identifying solutions to enhance task management across the divisions by refining the grant processing checklist, adding a suspense tracker, and implementing a management review, thereby bolstering confidence in eliminating delays for future projects.</p> <p>Responsible party: Emergency Management Director</p> <p>Estimated completion date: October 2024</p>

	<p><i>completed in accordance with the Budget and Scope of Work.</i></p> <p>We noted that six out of the nine quarterly reports submitted during the construction period to date were submitted after the 15 day deadline.</p> <p>The Director of Emergency Management stated the Quarterly reports were not consistently submitted for the life of the award due to a lack of project activity and/or the disruption by the COVID-19 pandemic. He also stated there were no adverse communications or consequences from the Grantor as a result.</p>		
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**Internal Audit Committee of
Brevard County, Florida**

Financial Condition Review of Utility Services

**Prepared By:
Internal Auditor**



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May 9, 2024

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

Pursuant to the approved 2022/2023 internal audit plan, we hereby submit our internal audit report, representing a financial condition review of Utility Services. We will be presenting this report to the Audit Committee at the next scheduled meeting on May 22, 2024.

Our report is organized into the following sections:

Executive Summary	This provides a summary of the results of our financial condition review of Utility Services.
Utility Services Financial Overview	This provides an overview of Utility Services.
Countywide Water and Sewer System	This provides an overview of Countywide Water and Sewer and discusses the results of the analysis.
Barefoot Bay Water and Wastewater System	This provides an overview of Barefoot Bay Water and Sewer and discusses the results of the analysis.
Capital Improvements Program (CIP)	This provides an overview of the Capital Improvement Projects needed by the department.
Long-Term Debt Service Requirements	This provides an overview of the current debt and debt service requirements.

We would like to thank Utility Services personnel and all others who were involved in assisting the Internal Auditors in connection with the financial condition review of Utility Services.

Respectfully Submitted,

INTERNAL AUDITORS

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

Executive Summary

Executive Summary

Brevard County's Utility Services department (the "department") administers the County's water and wastewater (sewer) programs and provides drinking water treatment and distribution services, wastewater collection and treatment services, and reclaimed water throughout the County. The department's mission is to provide for the protection of the public health through the operation and maintenance of publicly owned water and wastewater systems.

Utility Services operates as an enterprise fund, which by definition is intended to be self-sustaining and receives revenue primarily from user fees; a small portion of revenue is also derived from sewer, water and reuse connection fees and interest income. Only connection fees, capacity reservation and other application related fees are collected from new users. All operating, maintenance and capital expenses are paid for from user fees collected from all users of these services. The department is a County agency, operating under the control and authority of the Brevard County Board of County Commissioners.

The County's Utility Services Department has two separate programs - the Countywide Water and Sewer and the Barefoot Bay Water and Sewer, a district under Section 198.07, Florida Statutes. The Barefoot Bay system was purchased in 2000 from the Florida Governmental Utility Authority. As such, it is separate from the County system, and is accounted for separately. Each system has operations and maintenance and each system is responsible for long-term debt service and capital improvements. The Long-Term Debt Service and Capital Improvements Program areas are analyzed separately in this report. Summary data about the programs is as follows:

<p>Countywide Water and Sewer System</p>	<p>The FY2023 final budgeted expenditures are \$121.9M. FY2023 budget includes \$13.1M in compensation and benefits, \$33.6M in operating expenditures, \$4.4M in debt service payments and \$1.8M in indirect costs/dispatch charges. The remaining \$69M is designated for capital assets. This system includes:</p> <ul style="list-style-type: none"> • Treatment of groundwater to meet drinking water standards • Maintenance of well field production to meet seasonal demand, and • Maintenance of water distribution system and mechanical equipment.
<p>Barefoot Bay Water and Sewer System</p>	<p>The FY2023 final budgeted expenditures are \$9M. FY2023 budget includes \$1.1M in compensation and benefits, \$4.2M million in operating expenditures, \$1.1M in debt service payments and \$102K in indirect costs/dispatch charges. The remainder of \$2.4M is designated for capital assets. This system includes:</p> <ul style="list-style-type: none"> • Treatment of groundwater to meet drinking water standards • Maintenance of well field production to meet seasonal demand, and • Maintenance of water distribution system and mechanical equipment • Well fields
<p>Capital Improvements Program</p>	<p>The department's Capital Improvements Program expenditures are included in the Countywide and Barefoot Bay Water and Sewer programs noted above. The FY2023 final budget for the Capital Improvements Program includes approximately \$71.5 million in capital outlay for major equipment, land and construction and engineering costs. These budgeted projects include:</p> <ul style="list-style-type: none"> • Multiple lift station rehab or replacement, and • Infrastructure improvements.

Executive Summary

<p>Long-Term Debt Service</p>	<p>The Utility Services department has three revenue bond issues that were used to purchase and modernize the Countywide’s utility systems. The bonded debt includes:</p> <ul style="list-style-type: none"> • Water and Wastewater Utility Revenue bonds, Series 2014 • Barefoot Bay Utility System bonds, Series 2018 • Barefoot Bay Sales Tax Revenue Bond, Series 2009A <p>In addition, the Utility Services department has three state revolving funds:</p> <ul style="list-style-type: none"> • WW051100 – South Central Plant Expansion • WW051130 – Riverside Force Main Replacement • WW051170 – West Cocoa System Improvements Phase 1
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2012 Internal Audit Report Update

Since the Internal Audit Financial Condition Assessment performed in 2012, the department has made many changes and great strides towards addressing the areas for improvement that were outlined in the report. Some of the recommendations implemented were as follows:

- Increase revenue sources;
- Complete the utility rate study;
- Develop short and long-term plan to address the concerns of the aging infrastructure

A rate study was conducted during 2021 by Raftelis to understand the need to increase rates that had remained stagnant for several years, as well as to understand the County’s needs for capital improvement funding and to obtain the funding whether through increased fees, issuing debt or other avenues. See the results of the study in the body of this report.

In addition to the rate study mentioned above, the County also had a study performed by Raftelis to determine Utilities Services future funding needs over the next five years to complete projects, meet their targets and determine an estimate of the amount of debt needed to fund the projects. Since the study, other unexpected sources of funding, such as grants, were received by the County that were not considered in the study.

In 2012 when the internal audit report was written, deferred maintenance costs for the utility system were determined by the department based on the useful life of the assets, however, with investment in and changes in technology the department now has in place a more efficient and effective method for accessing and prioritizing the most critical maintenance needs. They now rank the needs and address the most critical ones first.

Ability to operate within an approved budget:

Based on our analysis, the department is managing the operating budgets within reasonable limits and is using competitive bidding for significant purchases. In FY2023, compensation and benefits made up 24.4% of the actual operating expenditures. The department operated within the limits of their approved budget.

Executive Summary

Accomplishing more with fewer people:

Like many County departments, Utility Services is a 'staff-driven' department due to the maintenance component and regulatory monitoring. The department has 193 positions, of which 30 or 15.5% are currently vacant and are in the process of being filled. The FTEs have increased since FY2020 with future FTEs anticipated for upcoming fiscal years. The increase in FTEs are associated with the need to address more stringent State requirements for maintaining a utility operation along with increasing capacity due to growth in the County.

In order to have enough manpower to implement the departments plans, the Department will need to fill the vacant positions and/or hire outside vendors to provide the support needed. As capital improvements ramp up, the department will need to consider expanding project management capabilities and determine the need for project managers, inspectors and engineers to oversee the planning and management of capital projects, as well as manage the renewal and replacement program reserves.

Status and update on infrastructure:

Revenues have been increasing with the rate increases approved by the Board, and the department has been addressing aging infrastructure. The department also has a plan for the sustainability of the systems' assets however, the department plans have not been fully implemented since these are multi-year projects and are budgeted as such. In the last 3-4 years, the department has been assessing every asset in regards to the functionality of the utility system and from that assessment has developed a timeline to address the needs based on an international grading system, NASSCO, which is a scale of 1-5 with 1 being most critical. Based on this assessment, the County and Barefoot Bay utility systems currently have lift stations, various assets and other plant assets that are over their suggested useful lives, and will need to be addressed with capital spending in the near future. Outlined below are the projects, for both the treatment plants and lift stations, the Department anticipates budgeting for in the next 10 years. This plan includes a total of 106 treatment plant projects. Each project requires anywhere from one to two years to design, bid, and award with another one to two years to complete construction. The plan also includes 91 lift stations scheduled that take approximately 12 months to design and bid and an additional one to two years to complete construction.

Treatment Plant Projects			
Plant	Number of Projects	Total Cost	Total Cost with 20% Inflation
North Brevard (NB) WWTP	19	\$ 23,800,000	\$ 28,600,000
Mims WTP	16	\$ 18,900,000	\$ 22,700,000
South Central (SC) WWTP	23	\$ 17,400,000	\$ 20,900,000
South Beaches (SB) WWTP	31	\$ 84,200,000	\$ 101,100,000
Sykes Creek (MI) WWTP	17	\$ 33,100,000	\$ 39,800,000
	Total Cost	\$ 177,400,000	\$ 213,100,000

Assumed Inflation = 20%

*Source: BREVARD COUNTY | Utility Services Department Data (Unaudited)

Executive Summary

Lift Station Projects (Score <= 3)		
Service Area	Number of Projects	Total Cost ¹
North Brevard	9	\$ 9,900,000
South Central	39	\$ 42,900,000
South Beaches	14	\$ 15,400,000
Merritt Island	26	\$ 28,600,000
Barefoot Bay	3	\$ 3,300,000
	Total	\$ 100,100,000

Notes:

1. Assumed each lift station cost \$1,100,000 for design, construction, and CEI.

*Source: BREVARD COUNTY | Utility Services Department Data (Unaudited)

As shown, management’s estimate of the total cost to renew and/or replace (R&R) the areas of critical need total about \$31M a year for the next 10 years, which includes an assumed inflation rate of 20% for the wastewater and water treatment plants. In addition to the major projects estimated to be completed, the department also plans to include air release valves, manholes, and hydrants over the next two to three years as part of maintenance-type projects at an estimated cost of an additional \$2M for each of the next 3 years.

Grant funding:

In order to proceed with planned capital expenditures for FY2024 and beyond, Utility Services, as mentioned above, will need an estimated approximately \$33M a year, over 10 years, to continue with the current plan. Along with the money received from the rate increase, the department has also been the recipient of several grants that will assist with funding these projects. The Federal American Rescue Plan Act (ARPA) grant was awarded to the County and the portion allocated to Utility Services was \$37M, net of the statutory reduction, for both Countywide and Barefoot Bay. In addition, the department was also awarded a grant from the FDEP for approximately \$28M.

FEDERAL AMERICAN RESCUE PLAN ACT (ARPA) GRANT	FY 2022-23 Budget	FY 2022-23 Actual	FY 2021-22 Actual	FY 2020-21 Actual
Grant Revenues:				
Federal ARPA Grant	\$ 38,920,193	\$ 8,048,280	\$ 904,603	\$ -
Statutory Reduction	(1,946,011)	-	-	-
Total Grant Revenues	<u>\$ 36,974,182</u>	<u>\$ 8,048,280</u>	<u>\$ 904,603</u>	<u>\$ -</u>
Expenditures:				
Capital Renovations	\$ 7,724,570	\$ 1,770,675	\$ -	\$ -
Land	3,000,000	-	-	-
Construction	26,249,612	6,277,605	904,603	-
	<u>\$ 36,974,182</u>	<u>\$ 8,048,280</u>	<u>\$ 904,603</u>	<u>\$ -</u>

*Source: BREVARD COUNTY | Utility Services Department Data 2023 Budget and 2023 Actual (Unaudited), 2022 (Audited)

Conclusion

The Utility Service department’s rate increases have helped the department operationally and the grants awarded to the department provide an additional source of revenue to accomplish the department’s current project plans over the next several years. The total costs of the proposed projects may increase if inflation continues to rise. The department has also experienced staffing

Executive Summary

shortages and not been able to complete the infrastructure projects as quickly as they had intended. The Utility department now has a method for prioritizing the utilities needed improvements and has been making progress on these improvements. The department is currently in the process of having the capital improvement plan updated by Raftelis, a local government and utility management consultant, to determine where they stand compared to the last study that was done and to ensure they have adequate CPI built in the updated study to cover the unexpectedly high inflation rates that have been occurring.

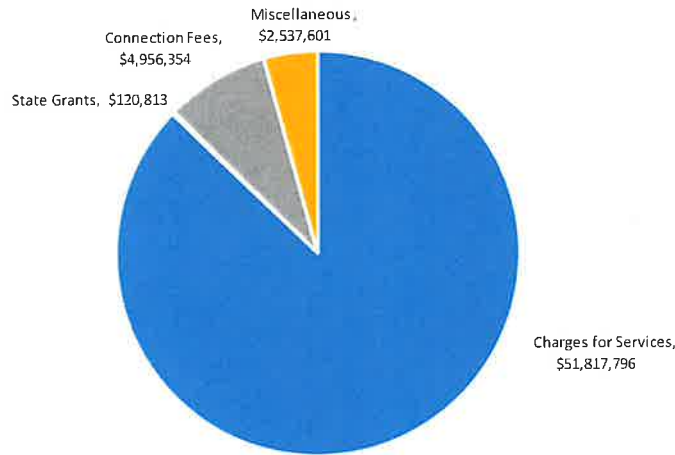
Barefoot Bay is growing rapidly and is in need of additional infrastructure to increase its capacity. The department plans to build a Water and Wastewater system (new system) outside the Barefoot Bay District. The District will be decommissioned when this new system is completed, about 5 to 6 years from now. Costs are estimated to be around \$100M to \$125M for the new system. Once the new system is operational, the District's requirements will be provided by the new system. The department has issued a Request for Qualification (RFQ) for the Engineering, Design, and Construction Oversight of the New System as of the date of this report. The District's debt will be retired in 2030 when the new system will be online. The department will maintain and complete all renewal and replacement required of the District. However, there are no plans to upgrade the current Barefoot Bay Water and Wastewater system as it will be replaced by the new system.

Utility Services Financial Overview

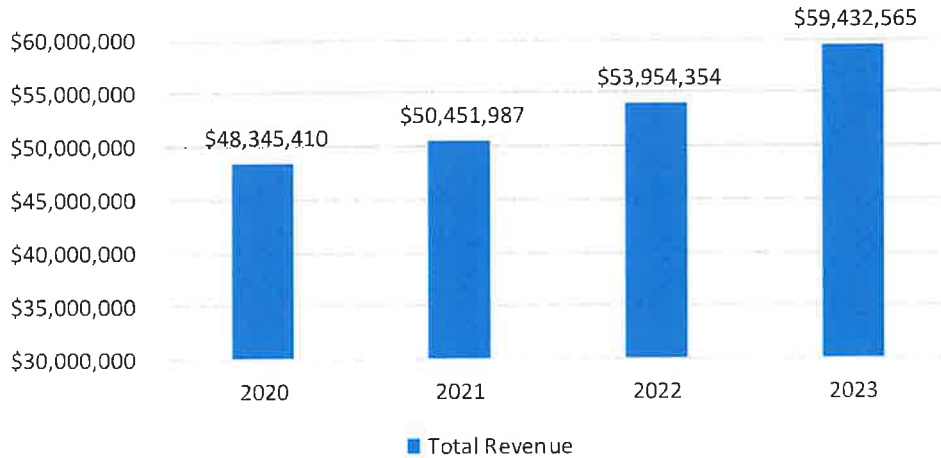
Revenue Trend Analysis

Utility Services operates as an enterprise fund, which by definition is intended to be self-sustaining and receives revenue primarily from user fees; a small portion of revenue is also derived from sewer connection fees and interest income. The department's revenues have been increasing since FY2013 when a rate increase plan was put into place. In FY2018, the earlier rate increase was reverted to only a CPI increase. In FY2021 a rate study was completed by Raftelis with a recommendation to immediately increase water and wastewater systems rates, see below for details. No tax revenues are received by Utility Services, nor do they receive general government transfers.

FY 2023 Utility Services Total Operating Revenues Collected



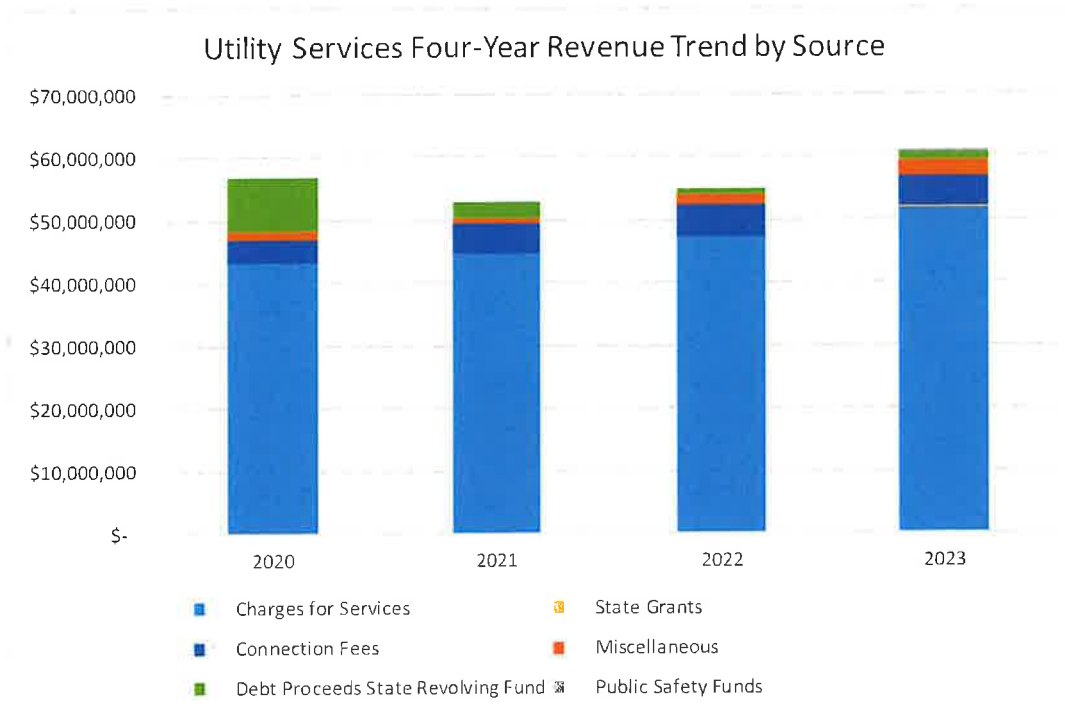
Utility Services Four-Year Operating Revenue Trend



*Source: BREVARD COUNTY | Utility Services Department Data 2023 (Unaudited), 2020 – 2022 (Audited) Both Charts

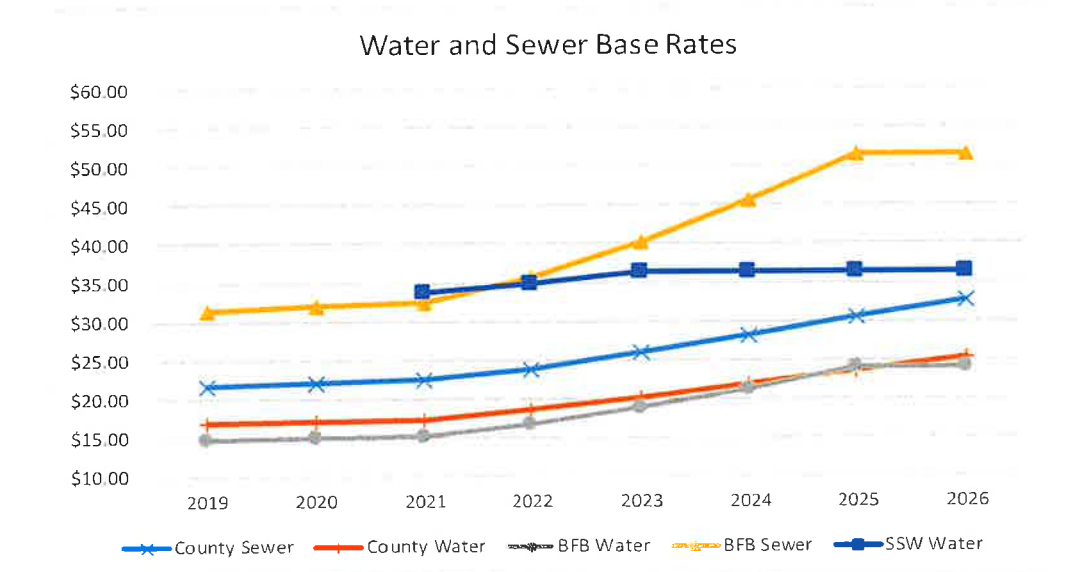
* Note: Both charts above are excluding Debt Proceeds and Public Safety Funds

Utility Services Financial Overview



*Source: BREVARD COUNTY | Utility Services Department Data 2023 (Unaudited). 2020 – 2022 (Audited)

The Board of County Commissioners establishes water and sewer rates at a level sufficient to cover the cost of system operations, maintenance, and debt service. Except as required by law, fees collected are used solely for the benefit of the water and wastewater system. The trend in the approved base water and sewer rates is shown below.



*Source: BREVARD COUNTY | Utility Services Department Data (Unaudited)

Prior to FY2021, rates for the County system had been fairly consistent with increases related only to CPI as illustrated above. In FY2021 a rate study was performed. The purpose of the study was to

Utility Services Financial Overview

evaluate the ability of the operating revenues produced by each respective utility system to fund i) the cost of operations and maintenance; ii) annual debt service requirements including associated covenant requirements of the trust indenture; iii) capital improvement renewals and replacements; iv) payments-in-lieu-of-taxes (“PILOT”); and v) sufficient reserves to meet the identified financial targets recognized in the study and promote the overall creditworthiness of the respective Systems. As a result of the rate study, a rate schedule was implemented with the first increase for the County at 6.5% and Barefoot Bay at 10%, effective in fiscal year 2022. These rates were approved via Resolution No. 22-008 for the County and Resolution 22-01 for Barefoot Bay.

The rate increase schedule approved in the aforementioned resolutions for the Countywide Water and Sewer and Barefoot Bay Water and Sewer was as follows:

	<u>County</u>	<u>Barefoot Bay</u>
2022	6.50%	10.0%
2023	8.50%	13.0%
2024	8.50%	13.0%
2025	8.50%	13.0%
2026	7.50%	N/A

N/A – no rate included in the resolution for that year.

**Source: BREVARD COUNTY | Resolution No. 22-008 and Resolution No. 22-01*

After 2026 for Countywide Water and Sewer and after 2025 for Barefoot Bay Water and Sewer, the water and sewer user rates are to automatically adjust based on the actual change in the Consumer Price Index Sewer and Water Maintenance Index (SWMI)(U) based on the average of the index from the previous 12 months (November to November).

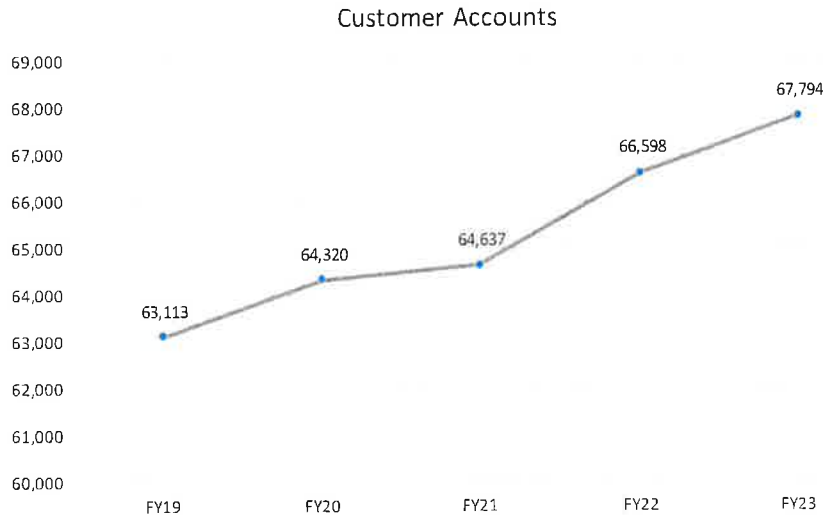
The primary reasons noted in the rate study for the recommended rate adjustments to the respective systems were due to:

- a. Continued inflationary pressure on the cost of operation and maintenance;
- b. Funding of the capital improvement program, including the issuance of additional bonds;
- c. The need to develop a dedicated capital improvement funding program which would improve the creditworthiness of the System but also provide some surety as to having funds available for capital to benefit the existing ratepayers;
- d. The requirement to comply with the rate covenants as defined in the County System’s Bond Resolution which authorized the issuance of the outstanding bonds for the County System as well as the anticipated bond resolution issued in support of the issuance of the County Series 2013 Bonds and the Trust Indenture which authorized the issuance of the outstanding bonds for the District System; and
- e. Maintain minimum cash balances (reserves) and meet the financial objectives delineated in the study with the purpose of promoting the creditworthiness of the utility and improving the overall rating of the utility in support of the issuance of additional bonds which are deemed necessary to finance the identified capital needs of the respective Systems.

Utility Services Financial Overview

Customer Accounts Trend

The chart below depicts the trends in the number of residential utility accounts served by the County.



**Source: BREVARD COUNTY | Utility Services Department Data (Unaudited)*

The billed accounts total, on the chart, shows a steady increase in customers year over year. As new residential and commercial construction continues in the County the customer accounts served will continue to grow year over year requiring additional infrastructure to be able to service the increased capacity needed.

Full-Time Equivalent

Like many County departments, Utility Services is a “staff-driven” department due to the maintenance component and regulatory monitoring requirements. The department has 193 positions, of which 30 or 15.5% are currently vacant and are in the process of being filled.

The FTEs have increased since FY2020 with future FTEs anticipated for upcoming fiscal years. The increase in FTEs are associated with the need to address increasing State requirements for maintaining a utility operation along with more stringent penalties from the State when violations occur. In order to accomplish this, the department will need to fill the vacancies and/or also increase the need for outside vendors to provide the support needed due to current vacant positions.

Fund Balance

Brevard County, like all governments, is required to present a balanced budget. A positive fund balance is created when revenues exceed expenditures or temporarily restricted or designated cash has not yet been spent.

Utility Services has a fund balance that is primarily set aside for capital improvements, as well as a portion restricted for debt service. Fund balance represents actual cash on hand.

Utility Services Financial Overview

Four-Year Overview

The following chart below illustrates the operating and cash flow trends for Utility Services for the last four fiscal years and the budget for FY2023. The unspent balances that carry forward from one fiscal year to the next are referred to as the fund balance. The fund balance has been steadily increasing year over year as budgeted and planned to carry out non-operating activities, such as multi-year funding capital projects and renewal and replacement of its capital assets. These funds will be needed for future planned capital projects that are currently in the bid or design phase.

The following is a summary of the Utility:

Utility Services - Overview	FY 2022-23 Budget	FY 2022-23 Actual	FY 2021-22 Actual	FY 2020-21 Actual	FY 2019-20 Actual
Revenues:					
Charges for Services	\$ 52,866,343	\$ 51,817,796	\$ 47,297,345	\$ 44,732,499	\$ 43,253,277
State Grants	29,684,211	120,813	-	-	13,459
Connection Fees	3,872,628	4,956,354	5,045,084	4,812,740	3,629,186
Miscellaneous	680,878	2,537,601	1,611,925	906,748	1,449,487
Statutory Reduction	(4,355,203)	-	-	-	-
Debt Proceeds State Revolving Fund	1,900,000	1,259,996	946,217	2,438,483	8,416,556
Public Safety Funds	-	-	212,888	-	-
Total Revenues	84,648,857	60,692,561	55,113,459	52,890,470	56,761,966
Expenditures:					
Compensation and Benefits	14,157,396	12,015,751	11,204,467	11,284,932	11,215,653
Operating Expenditures	37,876,673	21,312,159	16,841,634	13,931,401	14,077,799
Machinery and Equipment	1,187,750	586,040	768,778	2,597,429	2,180,485
Capital Renovations	2,489,000	677,602	166,376	331,792	393,859
Land	200,000	-	42,675	347,761	521,678
Construction	67,589,412	7,378,899	6,522,147	10,487,349	14,346,775
Bond and SRF Loan Debt Service	5,436,527	5,360,137	5,125,435	4,536,584	4,518,862
Indirect Cost/Dispatch Charges	1,909,405	1,909,540	1,869,255	1,653,616	1,658,654
	130,846,163	49,240,129	42,540,767	45,170,865	48,913,765
Net Change in Fund Balance	(46,197,306)	11,452,431	12,572,692	7,719,605	7,848,201
Beginning Fund Balance	80,322,837	80,322,837	67,750,146	60,030,541	52,182,340
Ending Fund Balance	\$ 34,125,531	\$ 91,775,269	\$ 80,322,837	\$ 67,750,146	\$ 60,030,541

*Source: BREVARD COUNTY | Utility Services Department Data 2023 Budget and Actual (Unaudited). 2020 – 2022 (Audited)

Expenditures Analysis

The expenditures analysis focuses on the reasonableness of the FY2023 budget, given certain assumptions and known changes that will occur, as well as provides an analysis of cash flow for meeting debt service requirements and capital outlay needs. Our analysis primarily focused on the variances between the FY2023 budget and the FY2023 actual expenditures, as well as the FY2022, FY2021 and FY2020 expenditures from a historical perspective. It should be noted that the FY2023 budget is the budget, as amended, and varies from the adopted budget as a result of Board approved amendments. Based on our analysis, the department is managing the operating budgets within approved limits and is using competitive bidding. For further details, see pages 14-16 for the Countywide Water and Sewer and page 19 for Barefoot Bay Water and Sewer.

Countywide Water and Sewer System

The Countywide Water and Sewer system is made up of two water treatment plants and five wastewater treatment plants. One water treatment and wastewater treatment plant is located in Mims and the second water treatment plant is located in San Sebastian Woods. The other plants are located in Port St. John, Merritt Island, Viera, and Melbourne Beach. FY2023 budgeted expenditures include \$69M in capital outlay expenditures and \$4.4M in debt service payments. This area includes:

- Treat groundwater to meet drinking water standards
- Maintain water distribution system and mechanical equipment
- Test water quality
- Collect wastewater and pump to treatment plants
- Maintain equipment and lines
- Test wastewater quality
- Correct aging infrastructure problems with Renewal and Replacement (R&R) projects

Four-Year Overview

The table on page 13 illustrates the operating and cash flow trends for the County system for the last four fiscal years and the current budget for FY2023. The results show that the department uses the fund balance as expected and planned to carry out non-operating activities, such as multi-year funding capital projects and renewal and replacement of its capital assets. The department also has available to them grant revenue from the Federal American Rescue Plan Act (ARPA). In FY2023 there was \$37.7M in ARPA grant funds allocated to the Countywide system, less a statutory reduction of \$1.9M for a net of \$35.8M. In order to proceed with planned capital expenditures for FY2024, the Countywide system will need approximately \$32M of the fund balance or a combination of fund balance and available ARPA funding. Refer to the Capital Improvements Program section of this report on page 25 for more analysis on needed capital improvements.

Countywide Water and Sewer System

Countywide Water and Sewer System	FY 2022-23 Budget	FY 2022-23 Actual	FY 2021-22 Actual	FY 2020-21 Actual	FY 2019-20 Actual
Revenues:					
Charges for Services	\$47,552,689	\$46,356,076	\$42,658,816	\$40,337,417	\$38,943,823
State Grants	29,684,211	120,813	-	-	13,459
Connection Fees	3,814,668	4,592,567	4,763,214	4,711,883	3,465,799
Miscellaneous	623,878	2,279,438	1,502,235	830,035	1,353,670
Statutory Reduction	(4,083,772)	-	-	-	-
Debt Proceeds State Revolving Fund	1,900,000	1,259,996	946,217	2,438,483	8,416,556
Public Safety Funds	-	-	212,888	-	-
Total Revenues	79,491,674	54,608,890	50,083,370	48,317,818	52,193,308
Countywide Water and Sewer System					
	FY 2022-23 Budget	FY 2022-23 Actual	FY 2021-22 Actual	FY 2020-21 Actual	FY 2019-20 Actual
Expenditures:					
Compensation and Benefits	13,052,863 A	10,891,747	10,228,449	10,300,129	10,183,200
Operating Expenditures	33,636,626 B	19,758,145	15,687,452	12,767,530	12,904,228
Machinery and Equipment	1,159,550 C	543,322	723,865	2,372,986	2,109,346
Capital Renovations	2,095,000 C	480,374	61,465	312,825	338,199
Land	200,000 C	-	42,675	347,761	521,678
Construction	65,593,412 C	6,910,385	6,387,460	10,304,674	14,020,451
Bond and SRF Loan Debt Service	4,355,147 D	4,274,358	4,060,051	3,473,905	3,448,162
Indirect Cost/Dispatch Charges	1,807,244	1,807,594	1,765,180	1,549,892	1,554,725
	121,899,842	44,665,924	38,956,597	41,429,703	45,079,989
Net Change in Fund Balance	(42,408,168)	9,942,966	11,126,773	6,888,115	7,113,319
Beginning Fund Balance	74,155,551	74,155,551	63,028,778	56,140,663	49,027,345
Ending Fund Balance	\$31,747,383	\$84,098,517	\$74,155,551	\$63,028,778	\$56,140,663

FEDERAL AMERICAN RESCUE PLAN ACT (ARPA) GRANT	FY 2022-23 Budget	FY 2022-23 Actual	FY 2021-22 Actual	FY 2020-21 Actual
Grant Revenues:				
Federal ARPA Grant	\$37,675,982	8,048,280	\$ 904,603	\$ -
Statutory Reduction	(1,883,800)	-	-	-
Total Grant Revenues	\$35,792,182	8,048,280	904,603	-
Expenditures:				
Capital Renovations	\$ 6,542,570	1,770,675	-	-
Land	3,000,000	-	-	-
Construction	26,249,612	6,277,605	904,603	-
	\$35,792,182	\$ 8,048,280	\$ 904,603	\$ -

*Source: BREVARD COUNTY | Utility Services Department Data 2023 Budget and Actual (Unaudited), 2020 – 2022 (Audited)

Countywide Water and Sewer System

Expenditure Analysis

Below is a high-level summary of the total operating and nonoperating expenditures analysis for the Countywide Water and Sewer system. The FY2023 operating expenditures, including compensation and benefits, budget is \$16M or 66% higher than the FY2023 actual operating expenditures and compensation and benefits. The primary reasons for this increase are expected increases in compensation, other contracted services, repair and maintenance and other current charges. FY2023 budget-to-actual expenditures and the FY2023 actual expenditures to FY2022 actual expenditures with variances of greater than \$100K and 10% were considered significant and identified with a **blue** letter. See below for further analysis of these line items.

General Observations
<p>The FY2023 total actual expenditures were \$77.2M less than budgeted. Per discussion with management, this is due to budgeting an additional \$28M of Florida Department of Environmental Protection grant funded projects and \$48M in ARPA projects. Since these projects have a duration period longer than one year, the carryover to FY2024 was needed. All grant projects funded are time intensive with vendor procurement. Compensation was \$2.1M under the budget as there were many vacancies during the year. As of the date of this report, the department has 193 positions, of which 30 or 15.5% are currently vacant and are in the process of being filled. All available FTEs are budgeted for and included.</p>
<p>In FY2023, compensation and benefits made up 24.4% of the actual expenditures. There were pay increases approved in FY2022 to keep up with the cost of living and provide competitive wages. This provided the Department more financial flexibility based on the upcoming environmental requirements required by the State and to continue its level of service for water, wastewater and reuse for anticipated growth.</p>
<p>The main reason for the operating expenditure budget exceeding actual was due to the Repairs & Maintenance 2023 budget increasing over the prior year budget of \$9.M by 95% in an effort to assess the needs for repair and as a means of establishing a replacement program and to address known assets that were beyond their useful life and needed meter replacements. The increase also was focused on complying with State law on the integrity and reliability of the system. It should be noted this area is budgeted as a worst case scenario for potential events that may arise during the year.</p>
<p>As more fully described in the Capital Improvements Program section of this report, the County system has lift stations, force mains and other assets over their suggested useful lives, which will need to be addressed with capital spending in the near future. Although the Department was approved for the rate adjustments in FY2022, there is a concern of the Department being able to fund all the projects anticipated in the future. Per the rate analysis performed by Raftelis Consulting, the rate consultant, the rates were calculated at a CPI mostly in the range of 3% per year with the new CPI estimated to be over 4%. Recent CPI has exceeded over 7%, and construction costs have been exceeding over 20% of estimates. The cost increases could reduce the Department's capability to fully fund projects. The County has hired Raftelis to look at where the County currently is with the projects and factor in current inflationary rates and determine if, and how much, additional funding will be needed in the future.</p>
Specific Account Observations
<p>A: Compensation and Benefits: There were vacant positions which resulted in lower than expected costs. The FY2023 budget includes funding for 187.5 positions and any vacancies that are in the process of being filled. These are operational field positions as well as administrative and customer</p>

Countywide Water and Sewer System

service related positions. The actual expenditures for the year should be less than the expected budget due to the vacancies not being filled. The increasing State mandates for the system require additional staffing. The combination of these staffing needs along with the vacancies has resulted in the department having to pay staff overtime.

B: Operating Expenditures:

- **Other Contracted Services:** This line item includes accounts for the administrative services fees paid to the cities of Cocoa and Melbourne for providing service, billing and collection to County customers within their water service areas. It also includes the costs for manhole and sewer inspections, groundwater monitoring, payments to the City and sludge disposal services. Per discussion with the department, this can fluctuate year over year. The department has issued several purchase orders dedicated to assessing all assets (i.e. sewer assessment, valve assessment, smoke testing, pressure pipe) within the department's water, sewer and reuse. Implementation has been slower than expected due to unknown issues impacting the logistics and implementation of the specified scope of the work. Per discussion with management, a focus has been made to progress past these obstacles going forward. In addition, these delays have resulted in other contracts being delayed thereby pushing them into subsequent fiscal periods.
- **Utility Services:** This account is made up primarily of electricity charges, but also includes water and solid waste assessments paid through the Tax Collector. There is only one electricity vendor – Florida Power & Light – and the rates are nonnegotiable. The department budgets consistently from year to year, but monitors legislative changes and reports of rate changes. There was a \$192k increase between the actual 2023 expenditures and budgeted expenditures primarily due to an approved rate settlement agreement from FPL for 2022-2025. There was also a \$318k or 17% increase between 2023 actual expenditures and 2022 due to the department receiving new lift stations (6) that came into service during the year which contributed to additional utility costs of running the stations. New lift stations are donated and the department is unaware of these items at the time of the budget creation. Additional efficiencies may be gained as part of a rejuvenated capital improvements program to replace older assets with newer efficiently operating assets when funding becomes available.
- **Repairs and Maintenance:** Repairs and Maintenance expenditures had a 24% increase in actual expenditures from FY2022 to FY2023 primarily due to emergency purchase orders for unexpected utility asset failures. The budget for FY2023 was 57% more than actual expenditures due to the department budgeting for water meter replacements and also as a result of conservatively budgeting for emergency repair and maintenance needs that might arise.
- **Other Current Charges:** This line item includes both licenses and permits and indirect costs. Indirect costs are allocated based on the County's cost allocation plan which is updated every 2 years by an outside consulting firm used to determine the allocation. In FY2023, State and County permit fees were \$543k under expected budgeted expenditures due to project delays from supply chain issues.

Countywide Water and Sewer System

- **Operating Supplies:** This line item includes purchases of fuel, which piggyback on the Brevard County School Board's fuel contract with Glover Oil. Fuel purchases vary from year to year depending on whether or not there is an event that would drive additional fuel usage, such as needing generators due to power outages from hurricanes. Additionally, this line item includes chemical purchases, which are used at the treatment plants to meet regulatory requirements. Operating supplies are normally conservatively budgeted to ensure enough dollars are available to cover unexpected issues should they arise; however, 2023 was an unusual year and the supplies needed exceeded the budget. There are multiple chemical contracts for various different chemicals which are competitively bid at different times during the year, with the lowest bidder as the awarded vendor. There was a 17% or \$185K increase in chemical purchases in FY2023 over the budget. Per discussion with management these increases are due to inflation and the need for additional chemicals to provide better odor control at several locations mandated by the State as more homes were built closer to the plants and the chemical solution to neutralize the odor was significantly more expensive than what was used in prior years.

C: Capital Outlay: The department received and budgeted for many multi-year capital projects. The department received over \$28M in FDEP grants for Capital Improvement Projects that were not spent during the year since the funding is dedicated for construction projects but many of the projects were still in the design phase. The department has hired 2 additional engineers in FY2023 which should assist with the workload and shorten the timeline needed to get through the design phase and into the construction phase.

D: Bond and SRF Loan Debt Service: The FY2023 actual costs for bond and the SRF loan debt service was greater than FY2022 by \$224k, however; this increase is in line with the approved debt service schedule.

Barefoot Bay Water and Sewer System

The Barefoot Bay Water and Sewer system was purchased in 2000 from the Florida Governmental Utility Authority. As such, it is separate from the County system, and is accounted for separately. FY2023 budget expenditures were \$8.9M. The FY2023 operating budget included \$4.2M in operating expenditures and \$1.1M in debt service payments. The rest was reserved for capital programs. These variances are described in more detail below. This system includes:

- Treat groundwater to meet drinking water standards
- Maintain water distribution system and mechanical equipment
- Test water quality
- Collect wastewater and pump to treatment plants
- Maintain equipment and lines
- Test wastewater quality
- Correct aging infrastructure problems with Renewal and Replacement (R&R) projects

Four-Year Overview

The table below illustrates the operating and cash flow trends for the Barefoot Bay Water and Sewer system for the last four fiscal years and the current budget for FY2023. The results show that the department uses the fund balance as expected and planned for in order to carry out non-operating activities, such as funding capital projects and renewal and replacement of its capital assets.

Barefoot Bay Water & Sewer System	FY 2022-23 Budget	FY 2022-23 Actual	FY 2021-22 Actual	FY 2020-21 Actual	FY 2019-20 Actual
Revenues:					
Charges for Services	\$ 5,313,654	\$ 5,461,721	\$ 4,638,529	\$ 4,395,082	\$ 4,309,454
State Grants	-	-	-	-	-
Connection Fees	57,960	363,786	281,870	100,857	163,387
Miscellaneous	57,000	258,163	109,690	76,713	95,817
Statutory Reduction	(271,431)	-	-	-	-
Debt Proceeds State Revolving Fund	-	-	-	-	-
Public Safety Funds	-	-	-	-	-
Total Revenues	5,157,183	6,083,671	5,030,088	4,572,652	4,568,658
Expenditures:					
Compensation and Benefits	1,104,533	1,124,004	976,017	984,803	1,032,453
Operating Expenditures	4,240,047	1,554,014	1,154,183	1,163,871	1,173,570
Machinery and Equipment	28,200	42,718	44,913	224,443	71,139
Capital Renovations	394,000	197,229	104,911	18,967	55,659
Land	-	-	-	-	-
Construction	1,996,000	468,515	134,686	182,675	326,324
Bond Debt Service	1,081,380	1,085,779	1,065,384	1,062,679	1,070,700
Indirect Costs/Dispatch Charges	102,161	101,946	104,075	103,724	103,929
Total Expenditures	8,946,321	4,574,205	3,584,170	3,741,162	3,833,776
Net Change in Fund Balance	(3,789,138)	1,509,466	1,445,919	831,490	734,882
Beginning Fund Balance	6,167,287	6,167,287	4,721,368	3,889,878	3,154,996
Ending Fund Balance	\$ 2,378,149	\$ 7,676,752	\$ 6,167,287	\$ 4,721,368	\$ 3,889,878

*Source: BREVARD COUNTY | Utility Services Department Data 2023 Budget and Actual (Unaudited). 2020 – 2022 (Audited)

Barefoot Bay Water and Sewer System

It should be noted that approximately \$80,000 each year is paid to the County system for an interfund loan related to the purchase of the Snug Harbor utility in 2007. That amount is not included in the Debt Service numbers above. The Barefoot Bay District received \$1.2M of ARPA money, net of statutory reduction. The County owns land outside of the Barefoot Bay District and plans to build a system outside of this District to service the increased growth in that area. The cost of this project is estimated to be between \$100M and \$125M.

FEDERAL AMERICAN RESCUE PLAN ACT (ARPA) GRANT	FY 2022-23 Budget	FY 2022-23 Actual	FY 2021-22 Actual	FY 2020-21 Actual
Grant Revenues:				
Federal ARPA Grant	\$ 1,244,211	\$ -	\$ -	\$ -
Statutory Reduction	(62,211)	-	-	-
Total Grant Revenues	<u>\$ 1,182,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Capital Renovations	1,182,000	-	-	-
Land	-	-	-	-
Construction	-	-	-	-
	<u>\$ 1,182,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*Source: BREVARD COUNTY | Utility Services Department Data (Unaudited)

Barefoot Bay Water and Sewer System

Expenditure Analysis

Below is a high-level summary of the total expenditures of the Barefoot Bay Water and Sewer system. It should be noted that the FY2023 Budget is the current budget, as amended, and varies from the adopted budget as a result of Board approved amendments. The FY2023 operating expenditure budget is \$2.7M or 273% higher than the FY2023 actual operating expenditures. This primarily relates to supply chain delays. FY2023 budget-to-actual expenditures and the FY2023 actual expenditures to FY2022 actual expenditures with a variances of greater than \$100K and 10% were considered significant and identified with a **blue** letter. See below for further analysis of these line items. These are discussed below.

General Observations
The FY2023 total actual expenditures were \$4.4M less than budgeted. Construction was also \$1.5M under budget and actual expenditures were higher than the prior year by about \$1M. The department has on-going projects in design that have been budgeted for capital outlay. They anticipate that these projects will be bid in FY23/24 and construction started.
Specific Account Observations
A: Compensation and Benefits: There was a \$147K increase (15%) in compensation and benefits in FY2023 in comparison to FY2022. Per discussion with the department there were more filled positions in FY2023 than in FY2022.
B: Operating Expenditures: <ul style="list-style-type: none"> • Other Contracted Services: Per discussion with the department the reason for the variance to budget was due to several system/infrastructure assessments that were delayed or taking longer than anticipated. There were also several purchase orders that remained opened at yearend for engineering assessments that will be carried into FY2024. • Repairs and Maintenance: Repairs and Maintenance expenditures increased from FY2022 to FY2023 by 127% and FY2023 was under budget by \$2M. The department attempted to initiate a meter replacement project in 2022 and again in 2023 however due to the lack of supplies and availability of the meters, most of the project was pushed into FY2024. • Operating Supplies: This line item includes purchases of fuel, which piggyback on the Brevard County School Board’s fuel contract with Glover Oil. Additionally, this line item includes chemical purchases, which are used at the treatment plants to meet regulatory requirements and are conservatively estimated by the department as it is hard to determine exact amounts and costs that will be needed. The contract for chemicals is also a major competitively bid contract, with the lowest bidder as the awarded vendor. Per discussion with management there were more chemicals needed to control odor at the Barefoot Bay location as there was \$20k more spent in FY2023 than in FY2022.
C: Capital Outlay: The expenditures in capital outlay were \$1.7M under budget as a result of several projects either postponed or the work was unable to be completed during the year. Per discussion from management the following projects were unable to be completed; Barefoot Bay Lift Station, Inflow and Filtration, Center Drive replacement, Carbon Dioxide replacement, EQ Basin project and Boost Pump Station for a total of about \$1.6M.

Capital Improvements Program (CIP)

The Capital Improvements Program (CIP) for Utility Services has historically been used to provide funding and staff services for the construction of capital improvements primarily related to aging infrastructure projects and concurrency needs. Concurrency refers to the process of working with real estate developers to ensure that there is adequate, appropriate and compliant infrastructure in place to support planned development. The CIP is also referred to as capital renewal and replacement (R&R), which is defined as a systematic management process to plan and budget for known cyclical repair and replacement requirements that extend the life and retain usable condition of facilities and systems. Renewal and replacement costs are normally not included in the annual operating budget and are a planned investment program that ensures facilities will function commensurate with an entity's priorities and missions. Included are major building and infrastructure systems and components that have a maintenance cycle in excess of one year.

The table below describes the major component groups of assets managed by Utility Services and their required use.

<p><u>Gravity Sewer:</u> The public gravity sewers are large diameter pipes constructed in road rights of way or utility easements. Sewage from each house flows through the down sloping pipe. At each change of direction or every 300 (approximate) feet, there is a manhole. Manholes provide access for the sewer system maintenance. Because these pipes flow by gravity, a leak in the pipe allows ground water to enter the sewer line. Leaking gravity lines do not leak out. Modern gravity sewers are made of PVC, while the traditional material for older lines is vitrified clay pipe. The Brevard County sewer system has 598 miles of gravity sewer pipeline.</p>
<p><u>Lift Station:</u> In order for gravity sewers to flow, they must be sloped downhill. At some point, the depth of the sewer becomes too great for practical installation and maintenance. In regions without hills, such as coastal Florida, pump stations are required periodically to elevate the water into a new gravity sewer. Sewage pump stations, also called lift stations, pump the water up to a new gravity sewer, thereby allowing gravity to transport the sewage downhill again. Utility Services operates 314 pumping stations.</p>
<p><u>Force Main:</u> Force mains are the pipes that carry the sewage away from their pump station to the next gravity sewer. They are sometimes as short as several hundred feet and sometimes several miles long. When force mains leak, they leak out rapidly. A force main leak, like a water main leak, becomes immediately evident by the flow of water from the ground. Force mains often carry the wastewater directly to the treatment plant. Utility Services operates 205 miles of force main.</p>
<p><u>Reclaim Main:</u> Reclaimed water or recycled water, is former wastewater (sewage) that is treated to remove solids and certain impurities, and used in sustainable landscaping irrigation or to recharge groundwater aquifers. The purpose of these processes is sustainability and water conservation, rather than discharging the treated water to surface waters such as rivers and oceans. A reclaimed water main is pipeline used to transport reclaimed water to designated areas. Utility Services began using reclaimed water in the late 1980s.</p>
<p><u>Water Main:</u> A water main is the principal pipeline used in a water supply system for conveying drinking water. Brevard County doesn't have many miles of water main pipeline due to the municipal water systems in place at the County, such as those at the City of Cocoa, Melbourne and Palm Bay. The County contracts with the cities to provide water service to the unincorporated areas for a fee.</p>

Capital Improvements Program (CIP)

Plant: A water and/or wastewater treatment plant is the facility used to remove pollutants and suspended solids from wastewater, ground runoff and other sources through a combination of biological, chemical and physical processes and then redistribute the filtered water according to federal and state guidelines. Utility Services operates two water treatment plants (Mims and Barefoot Bay) and six wastewater treatments plants. These plants consist of buildings, wells, tanks and other structures.

The plant and infrastructure assets supporting the County’s water and wastewater service areas includes about \$1.606 billion in costs with estimated lives ranging from 40 years to 95 years. The information provided in this section is based upon estimates made by the department and subject to change.

2023 Budgeted Projects

Through FY2027 and beyond it is estimated a total of \$188,461,383 of capital improvements will be needed with the funded projects being covered by charges for services, grant revenue, other finance sources or permit/fees revenue. The final budget for expenditures for capital projects was \$71.4M with \$8.7M in actual expenditures as seen on page 26.

Capital Improvement Plan by Department Fiscal Year 2022-2023 to Fiscal Year 2026-2027 Funded Projects

Utility Services Department	All Prior Fiscal Years	Fiscal Year 2021-2022	Fiscal Year 2022-2023	Fiscal Year 2023-2024	Fiscal Year 2024-2025	Fiscal Year 2025-2026	Fiscal Year 2026-2027 & Future	Total
Charges for Services Revenue	\$ 27,387,303	\$ 24,219,584	\$ 15,888,095	\$ 48,587,377	\$ 13,908,302	\$ 12,132,903	\$ 7,650,000	\$ 149,773,564
Other Finance Sources Revenue	\$ 9,915,297	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,915,297
Grant Revenue	\$ -	\$ -	\$ 10,681,603	\$ -	\$ -	\$ -	\$ -	\$ 10,681,603
Permit/Fees Revenue	\$ 179,799	\$ 711,120	\$ 1,400,000	\$ 14,000,000	\$ -	\$ -	\$ -	\$ 16,290,919
Unfunded	\$ -	\$ -	\$ 1,800,000	\$ -	\$ -	\$ -	\$ -	\$ 1,800,000
Total Revenue	\$ 37,482,399	\$ 24,930,704	\$ 29,769,698	\$ 62,587,377	\$ 13,908,302	\$ 12,132,903	\$ 7,650,000	\$ 188,461,383
Planned Expenditures:	\$ 35,202,576	\$ 2,375,704	\$ 51,063,603	\$ 65,613,570	\$ 14,423,027	\$ 12,132,903	\$ 7,650,000	\$ 188,461,383

*Source: BREVARD COUNTY | Annual Operating and Capital Budget Proposed FY 2022-2023 (Unaudited)

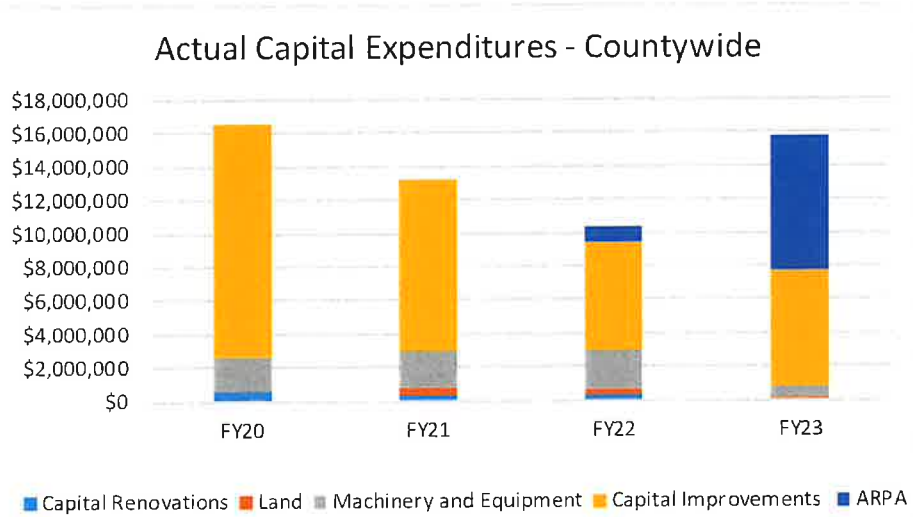
During FY2023 the department completed several projects and began several initiatives. The trends and issues identified going into 2023 were the following:

- The Florida Department of Environmental Protection Agency is providing stricter guidelines and penalties related to illicit discharges. This includes converting wastewater treatment plants adjacent to or feeding into the Indian River Lagoon to Advanced Wastewater Treatment (AWT).
- Reduce inflow and infiltration in the collection system
- Florida passed Section 403.064, Florida Statutes, for reuse of reclaimed water and Section 403.086, Florida Statutes, for sewage disposal facilities; advanced and secondary waste treatment which are anticipated to require significant investment to comply with the law
- Increase demand for irrigation in the reuse system and the need to control and maintain sufficient supply for users

Capital Improvements Program (CIP)

Expenditures and Aging of Assets

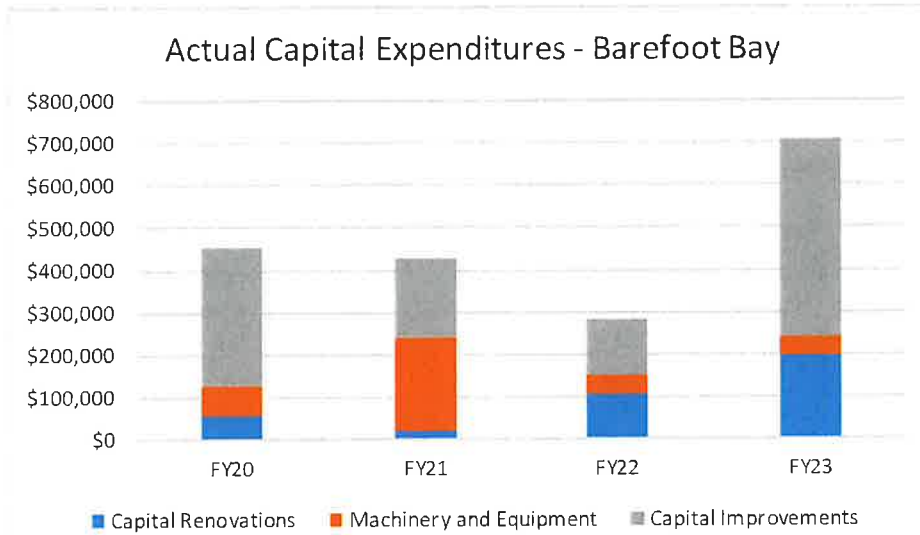
As illustrated in the chart below, the Utility Services department capital expenditures have decreased from FY2020 with significant increases seen for both the Countywide and Barefoot Bay systems in FY2023.



**Source: BREVARD COUNTY | Utility Services Department Data 2023 (Unaudited). 2020 – 2022 (Audited)*

Actual capital expenditures have decreased from 2020 through 2022 because of the departments focus on completing work from previous years and the receipt of ARPA and SOIRL funding. As shown above in FY2022, ARPA expenditures amounted to \$904,603. As of current trending in FY2023, the department’s ARPA expenditures are an estimated \$8M however the final number is not yet available. The work performed by the department on SOIRL, during FY2021-2023, projects has been significant but it is not tracked at the department level. This funding is not reflected in the department’s budget but encompasses their staff resources to complete the projects which delays the department funded projects.

Capital Improvements Program (CIP)



*Source: BREVARD COUNTY | Utility Services Department Data 2023 (Unaudited), 2020 – 2022 (Audited)

From FY2020 to FY2022 capital expenditures decreased due to completion of several major projects including the South Central Plant expansion. The large increase in FY2023 was due to the clarifier rehab project being completed as well as half of the inflow and infiltration prevention work. There was also continued design effort for the equalization basin treatment plant.

The primary source of revenue for utilities capital projects over the past several years has been charges for services even though sewer connection fees have also increased. The 5 year trend for connection fees is illustrated below. A sewer connection fee only occurs when the property is first connected to the sewer lines.



*Source: BREVARD COUNTY | Utility Services Department Data 2023 (Unaudited), 2019 – 2022 (Audited)

Capital Improvements Program (CIP)

Future Assessed Plan

While revenues have increased as a result of the rate adjustments approved by the Board, the department's plans have not been fully implemented since these are multi-year projects and are budgeted as such. Over the course of the last 3-4 years, the department has put in place a process for assessing every asset in regards to its functionality and from that assessment has developed a timeline to address the needs. An international grading system, NASSCO, which utilizes a scale of 1-5 with 1 being most critical has been used to assess, categorize and prioritize repair and replacement to the department's existing assets. The Countywide and Barefoot Bay systems currently have lift stations, various assets and other plant assets over their suggested useful lives, which the County has identified will need to be addressed with capital spending in the near future. Outlined below are the projects, for both the treatment plants and lift stations, anticipated to be completed in the next 10 years. This plan includes a total of 106 treatment plant projects. These projects can take anywhere from one to two years to design, bid, and award with another one to two years to complete construction. The plan also includes 91 lift stations scheduled over the same period with about 12 months to design, bid and award with one to two years to complete construction. These assets identified received scores of less than or equal to 3 on the grading scale. As shown below, management's estimate of the total cost to renew and/or replace (R&R) the areas of critical need total about \$31M a year, which includes an assumed inflation rate of 20% for the wastewater and water treatment plants. In addition to the major projects estimated to be completed, the department also plans to include air release valves, manholes and hydrants over the next two to three years as part of ongoing maintenance-type projects at an estimated cost of an additional \$2M for each of the next 3 years.

Treatment Plant Projects			
Plant	Number of Projects	Total Cost	Total Cost with 20% Inflation
North Brevard (NB) WWTP	19	\$ 23,800,000	\$ 28,600,000
Mims WTP	16	\$ 18,900,000	\$ 22,700,000
South Central (SC) WWTP	23	\$ 17,400,000	\$ 20,900,000
South Beaches (SB) WWTP	31	\$ 84,200,000	\$ 101,100,000
Sykes Creek (MI) WWTP	17	\$ 33,100,000	\$ 39,800,000
	Total Cost	\$ 177,400,000	\$ 213,100,000

Assumed Inflation = 20%

Lift Station Projects (Score <= 3)		
Service Area	Number of Projects	Total Cost ¹
North Brevard	9	\$ 9,900,000
South Central	39	\$ 42,900,000
South Beaches	14	\$ 15,400,000
Merritt Island	26	\$ 28,600,000
Barefoot Bay	3	\$ 3,300,000
	Total	\$ 100,100,000

Notes:

1. Assumed each lift station cost \$1,100,000 for design, construction, and CEI.

*Source: BREVARD COUNTY | Utility Services Department Data (Unaudited)

Capital Improvements Program (CIP)

	2024	2025	2026	2027	2028 & Beyond
Treatment Plants	21,310,000	21,310,000	21,310,000	21,310,000	127,860,000
Lift Stations	10,010,000	10,010,000	10,010,000	10,010,000	60,060,000
Ongoing Maintenance	736,833	736,833	557,333	-	-
Total	32,056,833	32,056,833	31,877,333	31,320,000	187,920,000

**Source: BREVARD COUNTY | Utility Services Department Data (Unaudited)*

The department plans to build a Water and Wastewater system (new system) outside the Barefoot Bay District. The District will be decommissioned when this new system is completed, about 5 to 6 years from now. Costs are estimated to be around \$100M to \$125M for the new system. Once the new system is operational, the District's requirements will be provided by the new system. The Department has issued a Request for Qualification (RFQ) for the Engineering, Design, and Construction Oversight of the New System as of the date of this report. The District's debt will be retired in 2030 when the new system will be online. The department will maintain and complete all renewal and replacement required of the District. However, there are no plans to upgrade the current Barefoot Bay Water and Wastewater system as it will be replaced by the new system.

Capital Improvements Program (CIP)

A rate study was conducted by Raftelis during 2021 to understand the need to increase rates that had remained stagnant for several years, as well as understand the County's needs for capital improvement funding and various suggestions on obtaining the funding whether through increased fees, issuing debt or other ventures.

In addition to the rate study mentioned above, the County also had a study performed by Raftelis to determine Utilities Services funding needed over the next five years to complete projects, meet their targets and estimate the amount of debt needed to fund the projects. However at the time of the study other sources of funding, such as grants, were not part of the original calculation. As of the date of this report, Raftelis has been engaged to provide an updated report to adjust for current inflation rates and other factors. As of the date of this report, their new report is unavailable.

Effective FY2022, there was a new rate schedule approved by resolution for the County and Barefoot Bay to increase the rates through FY2026. These additional revenues could be used to help fund the capital improvement plan to help extend the life of assets or replace out-dated assets to improve efficiencies. Below is a snapshot of data utilized in the report to illustrate the County's capital improvement plan funding needs:

	2020	2021	2022	2023	2024	2025	2026 & Beyond	Total
CAPITAL PROJECTS - WATER SYSTEM								
Mims System	\$ 230,877	\$ 3,516,020	\$ 3,364,629	\$ 3,487,672	\$ 13,212,971	\$ 12,582,494	\$ 6,222,037	\$ 42,616,700
CAPITAL PROJECTS - WASTEWATER SYSTEM								
North Brevard	261,774	2,201,800	2,132,455	4,302,387	16,604,441	9,332,794	18,126,534	52,962,185
Port St. John	45,745	3,287,760	4,768,211	24,098,295	6,143,426	5,951,301	11,797,934	56,092,672
Sykes Creek (MI)	2,766,610	17,618,150	12,348,505	8,787,688	16,137,245	16,967,187	29,058,443	103,683,828
West Cocoa	362,788	3,413,008	1,299,603	4,611,308	3,399,037	1,483,871	3,420,195	17,989,810
South Central	760,283	9,127,860	21,049,480	9,971,705	10,557,860	19,034,337	10,329,169	80,830,694
South Beaches	12,513,228	7,051,858	5,321,967	15,871,346	16,841,567	8,884,114	10,260,590	76,744,670
Departmental Capital Fund 4150	1,743,769	-	-	-	-	-	-	1,743,769
	\$ 18,685,074	\$ 46,216,456	\$ 50,284,850	\$ 71,130,401	\$ 82,896,547	\$ 74,236,098	\$ 89,214,902	\$ 432,664,328

*Source: Brevard County Revenue Sufficiency and Financial Forecast Evaluation Rate Study (Modified)

The rate study provided useful information to County management and the Board of the costs needed to adequately fund the capital improvement plan. One item to note as previously mentioned is that the rates were calculated mostly in the range of 3% per year with new CPI estimated to be over 5%. In the U.S., the 2021 construction industry inflation jumped to 8% and in 2022 hit 12%^a. If inflation does not subside soon, the estimated costs for operating, maintaining and building the infrastructure could be substantially more.

The rate study concluded that the only way to adequately address the capital needs of the water and wastewater system would be to issue bonds. See the next page for the rate study's five-year capital improvement funding plan.

^aSource: Construction Analytics: Economics Behind the Headlines by Ed Zarenski

Table 5

Brevard County, Florida
Water and Wastewater Utility System

Five-Year Capital Improvement Program (CIP) Funding Plan

Line No.	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
COMBINED WATER AND WASTEWATER SYSTEMS											
189	\$ 5,251,251	\$ 13,084,698	\$ 6,949,711	\$ 7,692,057	\$ 10,966,793	\$ 11,664,567	\$ 12,069,909	\$ 10,571,258	\$ 10,234,731	\$ 10,311,942	\$ 98,796,917
190	-	-	-	-	-	-	-	-	-	-	-
191	580,148	6,231,500	742,630	13,385,906	1,821,057	1,839,268	80,000	80,000	80,000	80,000	24,600,508
192	1,838,300	361,750	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	2,840,050
193	-	-	-	-	-	-	-	-	-	-	-
194	10,557,871	3,258,508	-	-	-	-	-	-	-	-	13,816,379
195	232,934	12,887,300	10,357,187	3,108,641	562,754	579,637	-	-	-	-	27,728,453
196	-	-	-	-	-	-	-	-	-	-	-
197	-	5,551,700	22,492,574	12,403,940	38,019,944	7,504,758	-	-	-	-	79,821,019
198	-	-	9,662,749	32,138,326	6,794,613	4,746,647	4,745,251	-	-	-	14,599,371
199	-	-	-	-	-	-	-	-	-	-	-
200	224,570	4,841,000	-	-	-	-	-	-	-	-	14,379,506
201	-	-	-	-	10,536,718	10,854,880	-	-	-	-	23,713,129
202	-	-	-	2,321,531	2,813,772	27,485,178	-	-	-	-	30,298,950
203	-	-	-	-	-	-	-	-	-	-	-
204	-	-	-	-	-	-	8,765,957	8,724,682	8,947,339	-	26,437,978
205	-	-	-	-	11,298,895	9,481,164	9,636,224	-	-	-	30,416,283
206	-	-	-	-	-	-	-	-	-	-	-
207	\$ 18,685,074	\$ 46,216,456	\$ 50,284,850	\$ 71,130,401	\$ 82,896,547	\$ 74,236,098	\$ 35,297,340	\$ 24,263,548	\$ 19,262,070	\$ 10,391,942	\$ 432,664,327

Source: Brevard County Revenue Sufficiency and Financial Forecast Evaluation Rate Study (Modified)

Long-Term Debt Service Requirements

Revenue Bonds

Governments issue bonds for many reasons, including allowing assets to be acquired as needed rather than when enough cash is saved; spreading costs of capital over time and smoothing out cash flow imbalances. In FY2023, the Utility Services department had three revenue bond issues outstanding that were used to finance the acquisition, construction and equipping of various capital improvements to the County’s utility system.

Water and Wastewater Utility Revenue Bonds, Series 2014

Revenue bonds used to finance the County water and wastewater projects were originally issued in 2014. These bonds are due in annual installments of \$635,000 to \$1,205,000 through September 1, 2040 with interest ranging from 2.50% to 5.00%. The term bonds maturing on September 1, 2044 are subject to mandatory redemption in the amount of \$1,260,000 to \$1,415,000 from September 1, 2041 to final maturity of interest at 4.00%. The balance at September 30, 2023 was \$20,660,000. The bonds are secured by the net revenues and connection fee revenue.

Below is the Waste and Wastewater Utility debt service requirement schedule for the next four years:

	Debt Service Requirements					
	FY 24	FY 25	FY 26	FY 27	Beyond	Total
Principal	\$ 665,000	\$ 700,000	\$ 735,000	\$ 755,000	\$ 17,805,000	\$ 20,660,000
Interest	806,681	773,431	738,431	720,056	7,241,525	10,280,125
Total	\$ 1,471,681	\$ 1,473,431	\$ 1,473,431	\$ 1,475,056	\$ 25,046,525	\$ 30,940,125

**Source: Bond Documents and Related Amortization Schedules*

Barefoot Bay System Revenue Bonds

The Utility Refunding Revenue Notes, Series 2018 (Barefoot Bay Utility System), were issued for \$9,700,000 with interest at 2.58%. These bonds were issued to refund all of the outstanding 2000 Utility Bonds (Barefoot Bay Utility System) and pay certain costs of issuance. The original Series 2000, were issued for \$17,135,000 with variable interest ranging from 4.15% to 5.25% over a series of term bonds set to expire in October 2011, 2018 and 2029. These bonds were issued to acquire the Barefoot Bay public utility system, which was owned and operated by the Florida Governmental Utility Authority prior to the County acquisition in 2000. As of September 30, 2023, the principal balance due on these bonds was \$6,170,000.

Long-Term Debt Service Requirements - continued

The Barefoot Bay utility also has a Subordinated Sales Tax Revenue Bond, Series 2009A, through December 2029. The original issue was \$1,547,000 at a 4.18% interest rate but was refunded in 2018 to lower the interest rate to 3.37%. The bond was issued to repair and renovate the Barefoot Bay Wastewater Treatment Plant. The revenue is secured by a subordinate lien on the sales tax revenues along with a covenant to budget and appropriate from legally available non-ad valorem revenues. The annual principal and interest payments are approximately \$113,000. This debt is payable from the revenues/user fees of the Barefoot Bay utility system. As of September 30, 2023, the principal balance due on these bonds for that fiscal year was \$698,000.

Below is the Barefoot Bay debt service requirement schedule for the next four years:

	Debt Service Requirements					Total
	FY 24	FY 25	FY 26	FY 27	Beyond	
Principal	\$ 908,000	\$ 926,000	\$ 955,000	\$ 979,000	\$ 3,100,000	\$ 6,868,000
Interest	170,648	146,282	121,283	95,568	125,415	659,195
Total	\$ 1,078,648	\$ 1,072,282	\$ 1,076,283	\$ 1,074,568	\$ 3,225,415	\$ 7,527,195

*Source: Bond Documents and Related Amortization Schedules

Bond Coverage

The County is required by bond resolutions to fix, establish and maintain such user rates that will always provide sufficient revenue for debt service, operations and maintenance, and all other reserve requirements pertinent to the bond issues within the affected enterprise funds. Where the bond resolution provides for more than one financial coverage test, the covenant shown is the most restrictive.

The following tabulation indicates the degree of compliance with the bond resolution covenant in the Barefoot Bay Water and Sewer District and the Water and Wastewater Utility System at September 30, 2022. This coverage test compares the required debt coverage against the revenue available after operating and maintenance expenses, as defined by the bond covenants.

	Barefoot Bay Water and Sewer District	Water and Wastewater Utility System
Gross revenues available for compliance	\$ 4,522.684	\$ 40,734.028
Operating and maintenance expense	2,346.877	26,005.730 (1)
Amount of revenue over operating and maintenance expense	\$ 2,175.807	\$ 14,728.298
Debt coverage required	\$ 954.697	\$ 1,618.276
Percent coverage for the year ended September 30, 2022	228%	910%

(1) Excludes payments in lieu of taxes in the amount of \$1,760.889

Source: 2022 Brevard County Annual Financial Audit

Note: FY 2023 amounts are not available at this time due to audit not being complete

Long-Term Debt Service Requirements - continued

State Revolving Loans Payable

In December 2015, the County began participation in the Clean Water State Revolving Fund Construction Loan Program with the State of Florida Department of Environmental Protection. Loan proceeds are being utilized by the Water and Wastewater Utility System Department to finance various projects of the water and wastewater system. Pledged revenues are those pledged as security by the County in its loan agreement, after payment of operation and maintenance expenses and satisfaction of the yearly payment obligation for outstanding system revenue bonds. The County has covenanted to maintain rates and charges for system services, which will be sufficient each fiscal year after payment of senior parity obligations, to provide pledged revenues of at least 1.15 times the sum of all Loan Program payments due in the fiscal year.

In December 2015, a loan (WW051100) was approved to finance regional wastewater treatment facilities expansion and improvement projects in the initial amount of \$40,972,625 and reduced by costs not expended in August 2020 to \$39,134,615 to reflect the final project cost. The loan bears an interest rate of 1.04%, with forty semi-annual payments due in January and July of each fiscal year beginning July 15, 2020. The amount of the loan payable at September 30, 2023 is \$32,774,332.

In February 2019, a loan (WW051130) was approved to finance a force main replacement in the initial amount of \$10,997,913. The loan bears an interest rate of 1.01%, with forty semi-annual payments due in March and September of each fiscal year beginning September 15, 2021. The amount of the loan payable at September 30, 2023 is \$9,570,348.

In June 2019, a loan (WW051170) was approved to finance a major sewer rehabilitation in the initial amount of \$3,163,600 and reduced by costs not expended in April 2021 to \$2,292,885 to reflect the adjustment to estimated final project cost. The project was further reduced to a funding amount of \$2,219,279 in a subsequent amendment. The loan bears an interest rate of 0.00%, with forty semi-annual payments due in May and November of each fiscal year beginning May 15, 2024. The amount of the loan payable at September 30, 2023 is \$2,219,279.

Below is the State Revolving Funds future debt payment schedule for the next four years and beyond:

WW051100	2024	2025	2026	2027	Beyond	Total
Principal	\$ 1,830,663	\$ 1,849,751	\$ 1,869,039	\$ 1,888,528	\$ 25,336,352	\$ 32,774,332
Interest	336,106	317,018	297,730	278,241	1,748,260	2,977,355
Payment	\$ 2,166,769	\$ 2,166,769	\$ 2,166,769	\$ 2,166,769	\$ 27,084,612	\$ 35,751,687

WW051130	2024	2025	2026	2027	Beyond	Total
Principal	\$ 502,612	\$ 507,700	\$ 512,842	\$ 518,034	\$ 7,529,160	\$ 9,570,348
Interest	95,394	90,306	85,164	79,972	543,927	894,763
Payment	\$ 598,006	\$ 598,006	\$ 598,006	\$ 598,006	\$ 8,073,087	\$ 10,465,111

WW051170	2024	2025	2026	2027	Beyond	Total
Principal	\$ 12,206	\$ 113,183	\$ 113,183	\$ 113,183	\$ 1,867,524	\$ 2,219,279
Fees	44,386	-	-	-	-	44,386
Payment	\$ 56,592	\$ 113,183	\$ 113,183	\$ 113,183	\$ 1,867,524	\$ 2,263,665

*Source: Loan Agreements and Related Amortization Schedules

**Internal Auditor Follow-Up Report
Summary of Audit Corrective Actions**

BREVARD COUNTY INTERNAL AUDIT

May 2024

Audit Report / Subject	Management Comments	Auditor Status Up-Date	Report Issue Date	Corrective Actions		
				Total	Open	Closed
Individual Functions						
Accounts Payable	NA	NA	May 10, 2023	3	3	0
Pre-Trial and Misdemeanor Probation Services - Contract Compliance	April 2024	April 2024	September 6, 2023	8	0	8
Total				11	3	8

NOTES:

Follow-up testing was planned for January/February 2024, but since this was during the time the external financial audit was being conducted, County Finance requested that the follow-up be postponed until after the end of April 2024. None of the three observations were rated as high risk.

Internal Auditor Follow-Up Report of Corrective Actions

Report Issue Date: September 6, 2023

**BREWARD COUNTY INTERNAL AUDIT
FUNCTION: PRE-TRIAL AND MISDEMEANOR PROBATION SERVICES**

Risk	Observation #1: Probationer Documentation	Management Comments as of April 2024	Auditor Comments as of April 2024	Status
High	<p>We selected a random sample of 40 probationer (offenders) cases such that our sample included all the types of cases managed by PPS probation officers (PO) including: Pre-trial Release, Pre-Trial Community Supervision, Pre-Trial Diversion and Misdemeanor Probation. We noted the following:</p> <p>a. For 17 out of 40 cases, there was a lack of documentation included in Probation Tracker as required by the Agreement (Attachment A, C. 3.) Types of documentation: Rejection Letters, Community Center Completion, Drug test results, Probation Program Completion Letter, Probation Terms Modification, VOP forms, Warrants, Medical marijuana cards, etc.</p> <p>b. For the 17 cases noted above, PPS was unable to subsequently provide documentation not included in Probation Tracker (some offender cases included multiple missing document types) as follows:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Program Completion Letters - 1 <input type="checkbox"/> Rejection Letters - 2 <input type="checkbox"/> Positive Drug Statement - 3 <input type="checkbox"/> Community Service - 1 <input type="checkbox"/> Drug Tests Notated/Recorded - 9 <input type="checkbox"/> Medical Marijuana cards - 2 <input type="checkbox"/> Program Contract agreement - 1 <input type="checkbox"/> Dismissal Letter - 2 <input type="checkbox"/> Violation of Probation - 1 <input type="checkbox"/> Judgments - not signed - 2 <input type="checkbox"/> Unemployment Assistance - 1 	<p>a. Professional Probation Services (PPS) has implemented an audit form to ensure performance requirements are met in compliance with the contract including all relevant case documentation being uploaded to Probation Tracker. Community Corrections Manager (CCM) provides oversight by reviewing (PPS) caseloads monthly and provides any discrepancies to PPS manager.</p> <p>b. PPS manager currently has quarterly training with staff. PPS manager provided training plan to CCM which includes new employee training and refresher training for PPS staff.</p> <p>c. PPS has implemented an audit form to ensure performance requirements are met in compliance with the contract.</p>	<p>a. We obtained a copy of the audit form from PPS which includes a checklist to ensure all the required documents are uploaded to Probation Tracker. We tested this item as part of c. below. No exceptions were noted. This audit item is considered closed.</p> <p>b. We obtained PPS's "Training Plan 2024" and inspected documents detailing agendas, objectives, and attendees noting evidence of the training on 1/19/2024. This audit item is considered closed.</p> <p>c. We obtained a copy of the audit form as noted in a above. Additionally, we selected 30 offenders/defendants' (20 new cases; 10 existing cases) for the period of December 1, 2023 to March 31, 2024 to test for proper documentation retention. No exceptions were noted. This audit item is considered closed.</p>	Closed
	<p>Auditor Recommendation We recommend that County management perform the following:</p> <ul style="list-style-type: none"> a. Require PPS to retain and upload all relevant case documentation to Probation Tracker in accordance with the Agreement (Attachment A, Section C.3.) b. Request PPS to provide additional training to PO's to help facilitate more effective PO compliance with the requirement to retain relevant case documentation in Probation Tracker. c. Request PPS to put a process in place to provide for review/oversight of the PO's. 	<p>ECD:</p> <ul style="list-style-type: none"> a. Closed. b. Closed. c. Closed. 	<p>Testing Date:</p> <ul style="list-style-type: none"> a. Closed. b. Closed. c. Closed. 	

Internal Auditor Follow-Up Report of Corrective Actions

Report Issue Date: September 6, 2023

**BREWARD COUNTY INTERNAL AUDIT
FUNCTION: PRE-TRIAL AND MISDEMEANOR PROBATION SERVICES**

Risk	Observation #2: Probationer Supervision	Management Comments as of April 2024	Auditor Comments as of April 2024	Status
High	<p>For the 40 cases sampled, we noted the following regarding PPS supervising activities:</p> <ul style="list-style-type: none"> - For 4 of the offenders that were court ordered to have no contact with the victims, there was no notation in Probation Tracker by the PO that the offender's address was compared to the victim's address in accordance with the Agreement (Attachment A, Section H, 4.). - For 1 of the offenders, the VOP process was not notated by the PO in the offender's file that resulted in the auditor being unable to verify that the VOP process was in accordance with the 5 days required by the Agreement (Attachment A, Section K.). - One of the offenders failed to check in for one month, and the PO fail to contact the offender until one month thereafter out of compliance with the Agreement (Attachment A, Section B, 2. (1) Face-to-face meeting per month for each person who is placed on Pretrial Community Supervision. Additionally, each person in the program shall be required to call-in to the telephone number designated by the Contractor once a week for the other weeks of each month). - For one of the cases, fees for Cost of Supervision were collected in excess of the scheduled amount in the amount of \$165.00. Instead, the fees collected were based on the State Attorney Pre-trial form. 	<ul style="list-style-type: none"> a. PPS manager provided training plan including new employeee training and refresher training for PPS staff. b. PPS have reviewed overpayment and refund has been completed. c. CCM will send a memo to PPS CCO to be compliant with the fee schedule accordance with contract. d. PPS has implemented an audit form to ensure performance requirements are met in compliance with contract. 	<ul style="list-style-type: none"> a. We acquired PPS's Training Plan 2024, and first quarter documentation provided, and examined documents detailing agendas, objectives, and attendees. This audit item is considered closed. b. We reviewed the documentation that supports a refund was issued to the offender for the overage in fee collected. Documentation is sufficient. This audit item is considered closed. c. We obtained copy of memo CCM sent to PPS CCO to be compliant with the fee schedule. This audit item is considered closed. d. We selected 30 offenders/defendants' cases (20 new cases; 10 existing cases) for the period of December 1, 2023 to March 31, 2024 to test PO's case supervision. No exceptions were noted. This audit item is considered closed. 	Closed
	<p>Auditor Recommendation We recommend that County management perform the following:</p> <ul style="list-style-type: none"> a. Request PPS to provide additional training to PPS PO's to help facilitate more effective PPS PO compliance with the requirements of their supervisory services. b. Request PPS to refund the overpayment of \$165.00, if feasible. c. Remind PPS of the requirement to charge and collect fees in accordance with the fee schedule included in the Agreement (Attachment B). d. Request PPS to put a process in place to provide for review/oversight of the PO's. 		<p>Testing Date:</p> <ul style="list-style-type: none"> a. Closed. b. Closed. c. Closed. d. Closed. 	

Internal Auditor Follow-Up Report of Corrective Actions

Report Issue Date: September 6, 2023

**BREVARD COUNTY INTERNAL AUDIT
FUNCTION: PRE-TRIAL AND MISDEMEANOR PROBATION SERVICES**

Risk	Observation #3: Random Drug Testing	Management Comments as of April 2024	Auditor Comments as of April 2024	Status
High	<p>PPS is required to supervise offenders with respect to random drug testing in accordance with drug test policies set by the respective judge. The PO's supervision of the random drug testing includes: the identification and reporting of the following: fraudulent tests, missed tests and failed tests. For the 40 offenders selected, 15 of them included judge ordered random drug testing which resulted in the following:</p> <p>a. One offender presented a fraudulent sample, however, there was no indication that PO immediately notified the judge/court (fraudulent sample is grounds for immediate notification to the Judge/court). Note: the fraudulent sample was noted in Probation Tracker on 12/27/2021 and VOP status was reported 10/31/2022. Additionally, there was no notation by the PO that he alerted the judge/court of the fraudulent sample.</p> <p>b. Three offenders failed to show/missed more than 2 drug test appointments for drug testing, however, PO did not report violation to Judge per policy (2 no shows is grounds for violation), (1 missed 5 tests, 2 missed 25+)</p> <p>c. 1 out of the 15 offenders failed drug test 19 times before VOP was filed. PO failed to adhere to Judge's drug test policy (2 drug fails is grounds for violation).</p>	<p>a. PPS manager and CCM have had a meeting regarding CCM review of cases and PPS detailed explanations for each of the exceptions noted.</p> <p>b. PPS manager and CCM had a meeting regarding PPS compliance with respective judge's drug testing policies and VOP requirements.</p>	<p>a. We evaluated and examined the detailed explanations provided. The explanations provided were deemed sufficient. This audit item is considered closed.</p> <p>b. We reviewed written plan provided by PPS to CCM. We selected 30 offenders/delinquents' cases (20 new cases; 10 existing cases) from the period June 1, 2023 - March 31, 2024 to assess activity from December 1, 2023 to March 31, 2024 to test for proper drug testing. Based on what the PO documented in the notes in Probation Tracker, no exceptions were noted. This audit item is considered closed.</p>	Closed
	<p>Auditor Recommendation We recommend that County management perform the following:</p> <p>a. Request PPS management to provide a detailed explanation as to the causes for each of these specific exceptions noted.</p> <p>b. Request PPS management to provide a written action plan for the steps PPS will take to facilitate PPS compliance with the respective judge order drug testing policies and VOP reporting requirements.</p>		<p>Testing Date: a. Closed. b. Closed.</p>	

Internal Auditor Follow-Up Report of Corrective Actions

**BREVARD COUNTY INTERNAL AUDIT
FUNCTION: PRE-TRIAL AND MISDEMEANOR PROBATION SERVICES**

Report Issue Date: September 6, 2023

Risk	Observation #4: Caseload by Probation Officer	Management Comments as of April 2024	Auditor Comments as of April 2024	Status
Moderate	<p>The Agreement requires the following with respect to PO caseload throughout the contract period (Attachment A, Section A.2.):</p> <p>One (1) probation officer for every 200 people on active probation, community supervision, or pre-trial diversion. No probation officer shall have more than 200 people under supervision (includes people on probation, community supervision and/or pretrial diversion cases added together, a person under supervision for more than one case is counted as one person for the purpose of this limitation).</p> <p>We noted the following with respect to this provision:</p> <ul style="list-style-type: none"> <input type="checkbox"/> For the month of October 2022, we noted that four PO's exceeded this threshold as follows: 202, 256, 239, and 256. <input type="checkbox"/> For the month of December 2022, we noted that four PO's exceeded this threshold as follows: 203, 230, 250, and 226. <input type="checkbox"/> For the months of February and May 2023, no exceptions were noted. 	<p>a. PPS provided a plan to maintain caseloads under threshold. CCM sent a memo to PPS CCO to be compliant and review caseloads in accordance with the agreement.</p> <p>b. CCM is reviewing caseloads every two weeks and documenting results.</p>	<p>a. We obtained a copy of the email memo sent to PPS CCO noting memo included reminder to be compliant and review caseloads in accordance with the contract. We obtained and inspected a copy of the Caseload Plan for keeping caseloads below the threshold established in the contract. This audit item is considered closed.</p> <p>b. We selected the months of January, February and March 2024 to test compliance with the contract requirement that active caseloads, by respective PO, does not exceed 200 in any given month. No exceptions were noted. This audit item is considered closed.</p>	Closed
	<p>Auditor Recommendation</p> <p>We recommend that County management perform the following:</p> <p>a. Request PPS to provide a plan as to how they will comply with the caseload requirements of the Agreement throughout the Agreement period (Attachment A, Section A.2.) and remind them in writing of the requirement as indicated below:</p> <p>Each officer's caseload shall be reviewed every two (2) weeks to ensure this caseload limitation is being met and caseloads shall be adjusted to meet the limitation. Documentation of such review and how caseloads are equalized shall be forwarded to the County's contract manager at the end of each month.</p> <p>b. Implement a documented review of PPS PO caseload as part of County management's monthly desktop audits to monitor PPS progress and compliance with the Agreement.</p>		<p>Testing Date:</p> <p>a. Closed.</p> <p>b. Closed.</p>	

Internal Auditor Follow-Up Report of Corrective Actions

**BREVARD COUNTY INTERNAL AUDIT
FUNCTION: PRE-TRIAL AND MISDEMEANOR PROBATION SERVICES**

Report Issue Date: September 6, 2023

Risk	Observation #5: Background Checks	Management Comments as of January 2024	Auditor Comments as of January 2024	Status
Moderate	<p>We noted that the Agreement requires the following with respect to background checks for PPS employees: A background check, including FCIC/NCIC check, and verification of relevant employment and claimed education shall be conducted on all newly hired officers and supervisors to determine that the person is of good character and has no felony or other conviction involving dishonesty or deceit. Pursuant to Sec. 948.15(3)(b), Florida Statutes, staff qualifications and criminal record checks of staff shall comply with standards established by the American Correctional Association. The results of the background check shall be kept on file and available for examination by the Court and the County (Attachment A, Section L.)</p> <p>We reviewed the background checks of 27 PPS employees noting the following result for one current PPS PO employee: <input type="checkbox"/> Misdemeanor conviction – Theft by Deception</p> <p>This is a lack of compliance with Section L noted above since the nature of the misdemeanor conviction is identified as "Theft by Deception" and, as such, appears to qualify as an "other conviction involving dishonesty or deceit."</p>	<p>a. On 09/22/2023 County Staff resubmitted fingerprints retained in FALCON (Florida's Integrated Criminal History System)- all came back on 09/25/2023 for all PPS staff- no Criminal history noted on either NCIC or FCIC background checks.</p> <p>b. On 09/22/2023 County Staff resubmitted fingerprints retained in FALCON (Florida's Integrated Criminal History System)- all came back on 09/25/2023 for all PPS staff- no Criminal history noted on either NCIC or FCIC background checks.</p>	<p>a & b. We received a copy of an email provided by the CCM as evidence that updated background checks were performed for the PPS employees, and that per the email: "no criminal history was identified on NCIC or the Florida Background Checks for the employees". This audit item is considered closed.</p>	Closed
	<p>Auditor Recommendation We recommend that County management perform the following:</p> <p>a. Request PPS to conduct updated background checks for all its officers and supervisors and present the results to the County upon request.</p> <p>b. Request PPS to provide the results of the background checks in accordance with the Agreement (Attachment A, Section L.) and to address the disposition of "felony or other conviction involving dishonesty or deceit" as applicable.</p>		<p>Testing Date: Closed.</p>	

Internal Auditor Follow-Up Report of Corrective Actions

BREVARD COUNTY INTERNAL AUDIT
FUNCTION: PRE-TRIAL AND MISDEMEANOR PROBATION SERVICES

Report Issue Date: September 6, 2023

Risk	Observation #6: Annual Audited Financial Statements	Management Comments as of January 2024	Auditor Comments as of January 2024	Status
Moderate	<p>The Agreement requires the following with respect to annual financial statements (Attachment A, Section M.1.)</p> <p>An annual financial report, <u>audited and certified by a licensed, independent Certified Public Accountant</u>, shall be provided to the County within 180 (one hundred-eighty) days following the close of the Contractor's fiscal year. The certified financial report shall be in such detail as to disclose the revenues, expenses, and disbursements relating to the services provided (emphasis added).</p> <p>The annual financial report provided for 12/31/2022 was a compilation and not "<u>audited and certified by a licensed, independent Certified Public Accountant</u>."</p> <p>A Compilation Financial Report offers no assurance whatsoever by the accountant as stated in the report:</p> <p>We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.</p>	<p>CCM received the CPA's annual audited financial report for FY2022 (PPS fiscal year-end is 12/31; the 12/31/23 audit is not due until 180 days after the close of PPS fiscal year.</p>	<p>We inspected the documentation provided on November 13, 2023 noting that an independent Auditor's report for FY2022 was performed by McMullan CPA. This audit item is considered closed.</p>	Closed
	<p>Auditor Recommendation</p> <p>We recommend that County management require PPS to provide an annual audited financial report by a licensed, independent Certified Public Accountant within 180 days following the close of the Contractor's fiscal (i.e. 12/31/2022) year as required by the Agreement (Attachment A, Section M.1.).</p>	EOD: Closed	Testing Date: Closed	

Internal Auditor Follow-Up Report of Corrective Actions

BREVARD COUNTY INTERNAL AUDIT
FUNCTION: PRE-TRIAL AND MISDEMEANOR PROBATION SERVICES

Report Issue Date: September 6, 2023

Risk	Observation #7: Reporting – Annual and Quarterly	Management Comments as of January 2024	Auditor Comments as of January 2024	Status
Low	<p>Annual Budget Reporting PPS did not provide the County with a copy of their fiscal budget each year within 30 (thirty) days of the beginning of its fiscal year for fiscal years 2021, 2022 or 2023 pursuant to the Agreement (Attachment A, Section M.2.)</p> <p>Quarterly Reporting In its Quarterly Reporting, PPS did not include the following statistical data to the County: Number of in person visits, number of other visits, and type of visit for each program in accordance with the Agreement (Attachment A, Section M.3.)</p>	<p>PPS provided the 2024 fiscal year budget. PPS provided quarterly reports updated with requirements in accordance with the contract.</p>	<p>We obtained a copy of PPS Fiscal Budget for 2024 that was provided to the county pursuant to the Agreement (Attachment A, Section M.2.) within 30 days of the contractor's fiscal year end (12/31/23). This audit item is considered closed.</p> <p>We obtained a copy of quarterly reports for the 3rd and 4th quarter of 2023 noting that both reports included the following statistical data to the County: number of in-person visits, number of other visits, and type of visit for each program pursuant to the Agreement (Attachment A, Section M.3.). This audit item is considered closed.</p>	Closed
	<p>Auditor Recommendation We recommend that County management to require PPS to comply with the annual and quarterly reporting requirements in accordance with the Agreement (Attachment, A, Sections M.2 and M.3).</p>	<p>ECD: Closed</p>	<p>Testing Date: Closed</p>	

Internal Auditor Follow-Up Report of Corrective Actions

**BREVARD COUNTY INTERNAL AUDIT
FUNCTION: PRE-TRIAL AND MISDEMEANOR PROBATION SERVICES**

Report Issue Date: September 6, 2023

Risk	Observation #8: Policies and Procedures	Management Comments as of January 2024	Auditor Comments as of January 2024	Status
Low	<p>We noted that PPS policies and procedures have not been updated for at least ten years specific to their services provided to the County. Additionally, we noted that the respective judge testing protocol effective dates ranged from 2018 to 2020.</p>	<p>a. CCM sent a memo for PPS to review policies and procedures to ensure they are up-to-date and align with the contract requirements. b. CCM sent a memo for PPS to review drug testing protocols for each respective judge on an annual basis and document the policy.</p>	<p>a. We obtained and inspected the memo from CCM to PPS Management noting the memo included the request for PPS to update its policies and procedures to align with compliance with the contract. This audit item is considered closed. b. We obtained and inspected the "PPS compliance with respective judge's drug testing policies and VOP requirements" which documents PPS policy which indicates that drug testing policies of the respective County judges are up-dated every time judges rotate from the bench. This audit item is considered closed.</p>	Closed
	<p>Auditor Recommendation We recommend that County management perform the following:</p> <p>a. Request PPS to provide updated and consistent policies and procedures manual. b. Include a policy that requires PPS to obtain the most recent drug testing protocols from the respective judge on a regular basis (suggest annual) and document the updated policy as applicable in Probation Tracker.</p>	<p>ECD: Closed.</p>	<p>Testing Date: Closed</p>	

█ = On schedule to complete ECDs
█ = Missed ECD (1st time), planned to complete in next 3 month review
█ = Missed ECD (2nd time or over 3 months for revised ECD)