

Martin County, Florida

Management Letters for the Board of County
Commissioners, and Constitutional Officers
September 30, 2014



**Management Letter Required By
Chapter 10.550 of the Rules of the
Auditor General of the State of Florida**

To the Honorable Members of the Board
of County Commissioners
Martin County, Florida
Report on the Financial Statements

We have audited the financial statements of Martin County, Florida (the County) as of and for the year ended September 30, 2014, and have issued our report thereon dated March 31, 2015.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

Other Reports

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control Over Compliance; and Schedule of Findings and Questioned Costs; regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 31, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Sections 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 of the County's financial statements.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the County has met one or of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the County did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the County's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Annual Financial Report

Section 10.554(1)(i)5.b., rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the County for the fiscal year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.321(1)(a), Florida Statutes is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. In connection with our audit we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve the County's financial management. These recommendations are disclosed in Appendix A under the heading "Current Year's Recommendations to Improve Financial Management."

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

West Palm Beach, Florida
March 31, 2015

Martin County, Florida

Appendix A – Current Year’s Recommendations to Improve Financial Management Fiscal Year Ended September 30, 2014

ML 2014-01 Reserve for Incurred But Not Reported Health Insurance Claims

Criteria: The recording and reconciliation of the Board of County Commissioner’s reserve for incurred but not reported (“IBNR”) claims liability in the health internal service fund is a significant accounting control over the reporting process.

Condition: During our testing of the health insurance claims IBNR liability, we noted that the Board of County Commissioners had recorded their liability at the amount suggested by Blue Cross Blue Shield, the County’s third party claims administrator. A review of the claims paid subsequent to year end, indicated that the reserve suggested by Blue Cross Blue Shield may be overstated, both for 2013 and for 2014. The County hired an actuary to assess the claims liability. The actuary’s estimate of liability was significantly less than the reserve suggested by Blue Cross Blue Shield

Effect: The claim liability balance was overstated at year end.

Cause: The estimate provided by Blue Cross Blue Shield appears to overstate the claims liability.

Recommendation: We recommend the Board of County Commissioners develop a methodology to assess claim payment patterns and to ultimately assess the validity of the liability estimate provided by Blue Cross Blue Shield.

Views of Responsible Officials and Planned Corrective Action: Martin County Board of County Commission management agrees with the finding noted above. The planned corrective action includes continuing to receive the estimate provided by Blue Cross Blue Shield, as well as a review of the actuary’s annual estimate of liability and comparing those amounts. In addition, the Financial Services Department of the Clerk of the Circuit Court and Comptroller will perform a Claims Liability Lag Analysis to assess the liability for the fiscal year end reporting and review these results with the Office of Management and Budget to provide additional oversight to correctly state the liability.

Martin County, Florida

**Appendix B – Prior Year’s Recommendations to Improve Financial Management
Fiscal Year Ended September 30, 2014**

No.	Prior Year’s Observations	Observation is Still Relevant Partially Implemented	Comment Addressed or No Longer Relevant
2011-1	Penetration & Vulnerability Testing		X
2011-2	Disaster Recovery Plan		X
2013-1	User Access Reviews		X

**2011-1 Penetration & Vulnerability Testing
Comment has been repeated from 2010-1 and 2009-1**

Prior Year Observation: A penetration and vulnerability test has not been performed on the network. This increases the risk that weaknesses and vulnerabilities in the network could be exploited. During the lifetime of any network, changes can occur which may create situations that perpetuate imperfect security, and these situations can compound over time.

Prior Year Recommendation: To mitigate the risk that gaps in security can be overlooked, we recommend that a penetration and vulnerability test be periodically performed by a third party.

Prior Year Management’s Response: The Department has evaluated this action for several years now. However as previously noted, vulnerability and penetration testing involves a certain degree of risk to online systems which here-to-fore, many of the agencies who are on the network are unwilling to take. Further, none of the traditional consultants we have contacted have been able to assure the County that their testing can be limited nor mitigated. Until such testing can be performed with acceptable mitigation and risk reduction as a responsibility of those conducting tests, we are reluctant to subject to such testing. We have been provided with recommendations of new companies who may be able to provide acceptable risk mitigation and we have contacted several and received quotes from some including Verizon, Accuvant and IBM. However, given the deepening economic downturn conditions and severe budget reductions, this additional cost has not been funded.

Explanation of the Status of the Corrective Action: This has been resolved. A Vulnerability and Penetration testing contract was issued in the beginning of 2015 and the final report is expected April 2015.

**2011-2 Disaster Recovery Plan
Comment has been repeated from 2010-2 and 2009-2**

Prior Year Observation: There is no formal disaster recovery plan for recovering from a disaster affecting data processing services and the loss of financial systems and data. Statistics show that companies without a disaster recovery plan incurred higher costs and take longer to recover from a disaster than companies with a written and tested disaster recovery plan. Also, entities without disaster recovery plans have a greater risk of business failure if they experience a disaster that affects their operations or information systems. Entities should have a business continuity plan, which include provisions for continuing business operations in the event of a disaster and during the recovery period. Also, a disaster recovery plan is not considered complete until it has been tested.

Martin County, Florida

Appendix B – Prior Year’s Recommendations to Improve Financial Management (Continued) Fiscal Year Ended September 30, 2014

Prior Year Recommendation: We understand that the County currently participates in the Florida Technology Disaster Recovery Consortium and is informally developing disaster recovery technologies. We recommend that the County set a target date for the completion of their comprehensive, formal disaster recovery plan and that the plan be periodically tested and updated based on the results of testing.

Prior Year Management’s Response: Martin County has been working on projects over the past five fiscal years to provide the facilities and technology necessary to support a disaster recovery plan. In 2013 ITS completed network upgrades to provide more capacity for backups, upgraded the existing Network Attached Storage servers and added additional Network Attached Storage servers to improve storage capacity. The department also implemented market leading backup software in order to backup data and software between the three existing data centers as well as to an offsite (cloud service provider) location. In addition the department completed a disaster recovery plan for the two primary financial systems, Ventyx Customer Suite and Banner Financial Management System. The department is working on testing the existing disaster recovery plans and developing a comprehensive plan as resources permit.

Explanation of the Status of the Corrective Action: A COOP plan has recently been updated by the department and a meeting with a County-wide COOP Coordinator is planned in April. The department COOP plan may be updated as a result of consultation in those meetings.

2013-1 User Access Reviews

Prior Year Observation: We noted that a user access review is not being performed on a periodic basis.

Prior Year Recommendation: We recommended that management performs a user access review of terminated and existing user access rights for the network, including what was reviewed, who performed the review, when the review was performed, and whether any inappropriate access was identified and the steps taken for resolution.

Prior Year Management’s Response: Martin County does not conduct a periodic review of all network (Active Directory) users. As stated in 5_System_Access_Review_Active_Directory.docx the procedure ITS follows for granting and revoking network (Active Directory) user access is directed by the user departments as follows:

The ITS service desk receives new user requests from the department executive aides to grant access to the network via Active Directory.

The ITS service desk receives requests from department executive aides to disable access of employees terminated. The ITS service desk also receives a report of employees terminated in the Banner system as notification to remove access to the network via Active Directory.

Explanation of the Status of the Corrective Action: Martin County does conduct a periodic review of all network (Active Directory) users.

Current Year Status: This task has been undertaken by the Finance and Accounting departments and a review is performed daily of the user access logs.



Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

To the Honorable Carolyn Timmann
Clerk of the Circuit Court and Comptroller
Martin County, Florida

Report on the Financial Statements

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Officer of the Clerk of the Circuit Court of Martin County, Florida (the "Office"), as of and for the year ended September 30, 2014, and have issued our report thereon dated May 7, 2015, which was prepared to comply with State of Florida reporting requirements.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

Other Reports

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated May 7, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Sections 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 of the Office's financial statements.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve the Office's financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

West Palm Beach, Florida
May 7, 2015



Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

The Honorable Laurel Kelly
Property Appraiser
Martin County, Florida

Report on the Financial Statements

We have audited the financial statement of the major fund of the accompanying financial statements of the major fund of the Office of the Property Appraiser of Martin County, Florida ("Office"), as of and for the year ended September 30, 2014, and have issued our report thereon dated May 7, 2015.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

Other Reports

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Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

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Other Matters

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Purpose of this Letter

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West Palm Beach, Florida
May 7, 2015



Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

The Honorable William Snyder
Sheriff
Martin County, Florida

Report on the Financial Statements

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Office of the Sheriff of Martin County, Florida (the "Office"), as of and for the year ended September 30, 2014, and have issued our report thereon dated May 7, 2015, which was prepared to comply with State of Florida reporting requirements.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

Other Reports

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Prior Audit Findings

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Other Matters

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Purpose of this Letter

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West Palm Beach, Florida
May 7, 2015



Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

The Honorable Vicki Davis
Office of the Supervisor of Elections
Martin County, Florida

Report on the Financial Statements

We have audited the financial statement of the major fund of the Office of the Supervisor of Elections, of Martin County, Florida (the "Office"), as of and for the year ended September 30, 2014, and have issued our report thereon dated May 7, 2015.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

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Prior Audit Findings

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West Palm Beach, Florida
May 7, 2015



Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

The Honorable Ruth Pietruszewski
Tax Collector
Martin County, Florida

Report on the Financial Statements

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Office of the Tax Collector of Martin County, Florida (the "Office"), as of and for the year ended September 30, 2014, and have issued our report thereon dated May 7, 2015, which was prepared to comply with State of Florida reporting requirements.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

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West Palm Beach, Florida
May 7, 2015