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**CAROLYN TIMMANN**  
Clerk of the Circuit Court & Comptroller

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Community Broadband Network  
Audit Report: 2019-A-0001  
Issued: January 17, 2019

## Summary

### What We Did

In conjunction with the Martin County School District (“District”) Internal Auditor, we conducted an audit of the revenues and expenditures allocated to the Community Broadband Network (CBN) for fiscal year 2018. Our audit included: (1) preparing a Statement of Activities (**Attachment A**); (2) assessing if the requirements of the Interlocal Agreement (“Agreement”) were followed; (3) assessing if revenues were allocated to offset the cost of maintenance; and, (4) assessing if the expenditures charged were appropriate.

*The ITS Department provided evidence it attempted to include the District in the preparation of the Operations & Maintenance Budget for FY18; however, District staff was unresponsive.*

### What We Found

#### **Section 2, subsection D, titled, Administration and Coordination of the Network, of the Interlocal Agreement was not followed.**

Martin County (“County”) Information Technology Services (ITS) Department staff did not provide the District with an Operations and Maintenance Budget, to include a Capital Improvement, Repair and Maintenance Plan, for fiscal year 2018.

### What We Recommend

The ITS Department should, with or without participation by the District, submit an Operations and Maintenance Budget by February 1, each year.

On January 14, 2019, ITS submitted its response to the Audit Report (**Attachment B**), wherein it agreed with our recommendation.



## Martin County Clerk & Comptroller

The Florida Constitution established the clerk of the circuit court as the local constitutional officer who serves as the public trustee for the county. In addition to serving as the clerk to the courts, the clerk provides a county level system of checks and balances through services as the county comptroller, clerk to the board of county commissioners, guardian of public and official records, clerk to the value adjustment board and internal auditor of county funds.

Internal audit activity is established as a responsibility of the County Clerk & Comptroller by Florida Constitution Article VIII, §1, cl.(d) as the “ex officio clerk of the board of county commissioners, auditor, recorder and custodian of all county funds.” The internal audit activity

is administered on the government operations of the County Clerk, and its functional divisions, and the Martin County Board of County Commissioners, and its functional divisions, as specified in the State Constitution, State Statutes and decisions and opinions of the State Judiciary.

## BACKGROUND

On December 14, 2010, the County Commission and the District entered into an Agreement for the “use of mutual assets, comprised of Fiber Optic Network, underground conduit and other related assets owned individually and jointly” by the County and the District. The Agreement defines the following networks, collectively known as the CBN:



- **County Network:** a network owned, operated and managed by the County to serve the communications needs of many government and non-profit institutions operating in the County.
- **District Network:** a separate network owned, operated and managed by the District to serve the communications needs of public schools in the County.
- **Project Network:** a Fiber Optic Network to serve County sites, and other governmental and non-profit institutions, including the District’s sites.

## Audit Objectives

The County Commission is responsible for establishing and implementing a system of internal controls designed to provide a reasonable assurance regarding the achievement of objective relating to operations, reporting and compliance.

The audit was initiated to address the following **objectives**:

1. Prepare a Statement of Activities;
2. Assess if the requirements of the Agreement were followed;
3. Assess if revenues are being allocated to offset the cost of maintenance; and,
4. Assess if expenditures charged are appropriate.

Internal Auditing is an “independent, objective assurance and consulting activity designed to add value and improve an

organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."<sup>1</sup>

### **Audit Scope**

The **scope** of this audit is from October 1, 2017 through September 30, 2018, the County's fiscal year.

### **Audit Methodology**

Audit **procedures** included, but were not limited to:

1. Reviewing the Interlocal Agreement
2. Reviewing source documents maintained in the County's financial system (Banner)
3. Reviewing the allocation of revenues and expenditures to the CBN
4. Interviewing County staff
5. Interviewing District staff

The audit was planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for our comments and conclusion based upon the audit objectives. This audit report is intended to provide management, and those charged with governance and oversight, with information to improve program performance and operations, reduce cost, facilitate decision making by parties with responsibility to oversee or initiate corrective action and contribute to public accountability. We believe that the evidence obtained provides a reasonable basis for our comments and conclusions based upon our stated objectives.

### **Review of Prior Observations**

ITS staff provided the District with FY17 Operations and Maintenance Budget on March 12, 2018.

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<sup>1</sup> International Professional Practices Framework, definition of Internal Auditing.

## Observations and Recommendations

### Observation (1)

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**For fiscal year 2018, the Information Technology Services Department did not provide the Martin County School District with an Operations and Maintenance Budget, to include a Capital Improvement, Repair and Maintenance Plan, by February 1.**

### Criteria

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The Interlocal Agreement states: the “County shall, in coordination with the District, on or before February 1 of each year, develop a Project Network and County Network Operations and Maintenance Budget for the coming fiscal year and submit such budget to the District for review and comment.” Moreover, [t]he County shall, in coordination with the District, develop a three-year capital improvement, repair and maintenance plan for the Project Network and County Network.”

*Although it is preferable to include the District in budget preparations, it appears the Agreement designates submission responsibility to the County.*

### Internal Audit Review

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The ITS Department provided electronic correspondence supporting that it attempted to coordinate the preparation of the FY18 budget with the District; however, District representatives were unresponsive. ITS staff is reminded that although it is preferable to include the District in budget preparations, it appears the Agreement designates responsibility for its submission to the County.

### Recommendations

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1. The Information Technology Services Department should submit an Operations and Maintenance Budget for the coming fiscal year to the District by February 1, each year.

The Operations and Maintenance Budget is required to include a three-year Capital Improvement, Repair and Maintenance Plan for the County Network and the Project Network.

### Management Response:

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Information Technology Services stated that it agreed with all reported findings, recommendations and financial statements. Additionally, on

December 28, 2018, it provided a draft budget to the Martin County School District for review and comment with the final budget being submitted on or before January 21, 2019.

### **Acknowledgement**

Internal Audit staff would like to extend our appreciation to the staff at the Information Technology Services Department and the Martin County School District's Internal Auditor for the cooperation and courtesies extended to us in the completion of this report.

ATTACHMENT A

**Community Broadband Network**

**Statement of Activities**

For the Year Ended September 30, 2018

<b>Revenues</b>	
Community Broadband Network Access	57,912
Dark Fiber Lease	135,624
Interest Income	4,740
Total Revenues	<u>198,276</u>
<b>Expenditures</b>	
Professional Services - IT	32,833
Software Maintenance	6,280
County Labor Expenses	55,145
Capital Outlay	-
Total Expenses	<u>94,258</u>
<b>Excess of Revenues over Expenses</b>	<u>104,018</u>
<b>Other Financing Sources</b>	
Contribution by MCBocC	-
	-
<b>Net Change in Financial Position</b>	<u>104,018</u>
<b>Fund Balance Beginning</b>	372,981
<b>Fund Balance Ending</b>	<u>476,999</u>

**Community Broadband Network**

Statement of Activities  
For the Years Ended September 30,

	2016	2017	2018
<b>Revenues (Schedule B)</b>			
Community Broadband Network Access	57,912	58,288	57,912
Dark Fiber Lease	129,164	135,624	135,624
Insurance Settlement	-	10,625	-
Interest	875	2,312	4,740
<b>Total Revenues</b>	<b>187,951</b>	<b>206,849</b>	<b>198,276</b>
<b>Expenditures (Schedule C)</b>			
Professional Services - IT	14,985	48,662	32,833
Repairs and Maintenance	20,197	3,075	-
Software Maintenance	5,340	5,340	6,280
Other - Non Capital Equipment	-	5,690	-
County Labor Expenses	56,299	54,604	55,145
Capital Outlay (Schedule D)	18,572	13,030	-
<b>Total Expenses</b>	<b>115,393</b>	<b>130,401</b>	<b>94,258</b>
<b>Excess of Revenues over Expenses</b>	<b>72,558</b>	<b>76,448</b>	<b>104,018</b>
<b>Other Financing Sources (Uses)</b>			
Contribution by MCBoCC (Schedule D)	18,572	13,030	-
Contribution by MCSD	-	-	-
<b>Total Other Financing Sources</b>	<b>18,572</b>	<b>13,030</b>	<b>-</b>
<b>Net Change in Financial Position</b>	<b>91,130</b>	<b>89,478</b>	<b>104,018</b>
<b>Fund Balance Beginning</b>	<b>192,373</b>	<b>283,503</b>	<b>372,981</b>
<b>Fund Balance Ending</b>	<b>283,503</b>	<b>372,981</b>	<b>476,999</b>

ATTACHMENT B

**Hank Nagel**

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**From:** Michael Merker <mmerker@martin.fl.us>  
**Sent:** Monday, January 14, 2019 2:06 PM  
**To:** Hank Nagel  
**Cc:** Matthew Hinckle; Carol Merrigan; Lisandra Bonet  
**Subject:** RE: DRAFT AUDIT REPORT - Community Broadband Network

Mr. Nagel – Upon review of the draft audit report of the Community Broadband Network Interlocal Agreement between the Martin County Board of County Commissioners and the Martin County School Board, I agree with all reported findings, recommendations and financial statements.

For the coming year, I have already submitted, on December 28, 2018, a draft budget and three-year capital plan to the Martin County School Board representative for review and comment. I expect to file the final budget with the Martin County Board of County Commissioners and the Martin County School Board Superintendent on or before January 21, 2019, in order to meet the terms of the Interlocal Agreement.

Michael Merker, CGCIO  
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