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

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Community Broadband Network  
Audit Report: 2021-A-0002  
Issued: February 12, 2021



## Summary

### What We Did

We conducted an audit of the revenues and expenditures allocated to the Community Broadband Network (CBN) for fiscal year 2020. Our audit included: (1) preparing a Statement of Activities (**Attachment A**); (2) assessing if the requirements of the Interlocal Agreement with the Martin County School District (“District”) were followed; (3) assessing if revenues were allocated to offset the cost of maintenance; and, (4) assessing if the expenditures charged were appropriate.

### What We Found

The Martin County Information Technology Service (ITS) department has day-to-day responsibility for maintaining the CBN. Generally, the CBN control environment is effective and operating as designed; however, opportunities for improvement exist in the following area:

**The Fiber Optic (Dark Fiber) License Use Agreement between Martin County and Martin Memorial Health Systems, Inc.<sup>1</sup> (“Cleveland Clinic Martin Health”) should be updated to reflect current operations.**

On November 4, 2014, the Martin County Board of County Commissioners (“County”) entered into the “First Amendment and Complete Restatement of Fiber Optic (Dark Fiber) License Use Agreement” (“License Agreement”) with Cleveland Clinic Martin Health. In exchange for a yearly license fee of \$111,672, the County provides CBN access to Cleveland Clinic Martin Health’s locations in Hobe Sound, Palm City, Port St. Lucie and Stuart.

In October 2019, Cleveland Clinic Martin Health opened the Cleveland Clinic Family Health Center (“Family Health Center”) at 3801 South Kanner Highway in Stuart. To maintain interconnectivity between the existing locations and the Family Health Center, Cleveland Clinic Martin Health agreed to pay an additional yearly license fee of \$28,080. However, the existing License Agreement has not been amended to reflect the additional location and/or license fee.

<sup>1</sup> On or about January 6, 2019, Martin Memorial Health Systems, Inc. became a full member of the Cleveland Clinic, Inc. health system. Martin Memorial Health Systems, Inc. is now operating as Cleveland Clinic Martin Health.



### What We Recommend

We made one recommendation that, if implemented, will ensure the County maintains a License Agreement with Cleveland Clinic Martin Health that accurately reflects the CBN license fees being collected.

On February 9, 2021, County Administration submitted its response to the Audit Report (**Attachment B**) wherein, in part, it states:

“The County Administrator, County Attorney and Chief Information Office **agree** with the recommendation... and are taking corrective actions to update the LUA [*License Use Agreement*] and have all appropriate references and changes made. Once accomplished, the LUA will be presented to the Board for approval.”

### 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.

## Observations and Recommendations

### Observation (1)

**The current License Agreement with Cleveland Clinic Martin Health does not include all of the license fees being collected.**

#### Internal Audit Review

The County received \$28,080 in license fees from Cleveland Clinic Martin Health<sup>1</sup> for two fiber strands that are not included in the November 4, 2014, License Agreement. Specifically, during fiscal year 2020, Cleveland Clinic Martin Health paid license fees for the following fiber strands:

- CBN Indian/Kanner to South Hospital (\$8,640/annually)
- Indian/Kanner to Cobblestone (\$19,440/annually)

The current License Agreement requires Cleveland Clinic Martin Health to pay monthly license fees totaling \$9,306 (\$111,672/annually) in return for the exclusive use of two fiber strands. The fiber strands interconnect Cleveland Clinic Martin Health's facilities in Martin and St. Lucie counties. The locations contemplated in the License Agreement are identified in Appendix "B" as:

- Palm City Facility Route
- Hobe Sound Facility Route
- Martin Health Core Fiber Ring
- Tradition Medical Center Route

As identified above, the following fiber strands are not included:

Indian/Kanner to South Hospital

This fiber strand interconnects the Family Health Center, operating at 3801 South Kanner Highway, with the Cleveland Clinic South Hospital on SE Salerno Road. The Family Health Center opened in October 2019.

Indian/Kanner to Cobblestone

This fiber strand interconnects the Family Health Center with the Cleveland Clinic Tradition Hospital in Port St. Lucie. In addition to providing interconnection, this strand is a secondary resource that allows continuous operation of the CBN should the primary fiber strand fail.

However, because the current License Agreement does not reflect license fees for the two strands described above, it does not reflect current operations and should be updated accordingly. An updated Agreement would comply with Section 9—Miscellaneous Provisions, subparagraph 9.3, wherein it states “... Any modifications to the Agreement shall be in writing and executed in the same manner as this Agreement.”

Recommendations

1. The County should update its License Agreement with Cleveland Clinic Martin Health to reflect the license fees being collected for the route miles from:
  - a. Indian/Kanner to South Hospital; and,
  - b. Indian/Kanner to Cobblestone

Response

**Agreed.** Specifically, County Management stated: “The County Administrator, County Attorney and Chief Information Office **agree** with the recommendation... and are taking corrective actions to update the LUA and have all appropriate references and changes made. Once accomplished, the LUA will be presented to the Board for approval.”

**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>2</sup>

#### **Audit Scope**

The **scope** of this audit is from October 1, 2019 through September 30, 2020, 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

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.

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<sup>2</sup> International Professional Practices Framework, definition of Internal Auditing.

**Acknowledgement**

Internal Audit staff would like to extend our appreciation to Information Technology Services department staff for the cooperation and courtesies extended to us in the completion of this report.

**Community Broadband Network**

**Statement of Activities**

For the Year Ended September 30, 2020

|   |                |
|---|----------------|
| <b>Revenues</b>                         |                |
| Community Broadband Network Access      | 57,912         |
| Dark Fiber Lease                        | 163,704        |
| Interest Income                         | 7,502          |
| Total Revenues                          | <u>229,118</u> |
| <b>Expenditures</b>                     |                |
| Professional Services - IT              | 51,072         |
| Software Maintenance                    | 6,680          |
| County Labor Expenses                   | 53,034         |
| Total Expenses                          | <u>110,785</u> |
| <b>Excess of Revenues over Expenses</b> | <u>118,333</u> |
| <b>Other Financing Sources</b>          |                |
| Contribution by MCBocC                  | <u>-</u>       |
|   | <u>-</u>       |
| <b>Net Change in Financial Position</b> | <u>118,333</u> |
| <b>Fund Balance Beginning</b>           | <u>587,767</u> |
| <b>Fund Balance Ending</b>              | <u>706,100</u> |

ATTACHMENT A – Page 2

Schedule A

**Community Broadband Network**

**Statement of Activities**

For the Years Ended September 30,

|   | <u>2018</u>    | <u>2019</u>    | <u>2020</u>    |
|---|----------------|----------------|----------------|
| <b>Revenues</b>                         |                |                |                |
| Community Broadband Network Access      | 57,912         | 57,912         | 57,912         |
| Dark Fiber Lease                        | 135,624        | 135,624        | 163,704        |
| Interest                                | 4,740          | 9,940          | 7,502          |
| Total Revenues                          | <u>198,276</u> | <u>203,476</u> | <u>229,118</u> |
| <b>Expenditures</b>                     |                |                |                |
| Professional Services - IT              | 32,833         | 37,808         | 51,072         |
| Repairs and Maintenance                 | -              | -              | -              |
| Software Maintenance                    | 6,280          | 6,280          | 6,680          |
| Other - Non Capital Equipment           | -              | -              | -              |
| County Labor Expenses                   | 55,145         | 48,620         | 53,034         |
| Capital Outlay                          | -              | -              | -              |
| Total Expenses                          | <u>94,258</u>  | <u>92,708</u>  | <u>110,785</u> |
| <b>Excess of Revenues over Expenses</b> | <u>104,018</u> | <u>110,768</u> | <u>118,333</u> |
| <b>Other Financing Sources (Uses)</b>   |                |                |                |
| Contribution by MCB <sub>o</sub> CC     | -              | -              | -              |
| Contribution by MCSD                    | -              | -              | -              |
| <b>Total Other Financing Sources</b>    | <u>-</u>       | <u>-</u>       | <u>-</u>       |
| <b>Net Change in Financial Position</b> | <u>104,018</u> | <u>110,768</u> | <u>118,333</u> |
| <b>Fund Balance Beginning</b>           | 372,981        | 476,999        | 587,767        |
| <b>Fund Balance Ending</b>              | <u>476,999</u> | <u>587,767</u> | <u>706,100</u> |



**MARTIN COUNTY**  
**BOARD OF COUNTY COMMISSIONERS**  
2401 S.E. MONTEREY ROAD • STUART, FL 34996

|                      |                          |                   |  |
|----------------------|--------------------------|-------------------|--|
| DOUG SMITH           | Commissioner, District 1 | TARYN KRYZDA, CPM | County Administrator                                   |
| STACEY HETHERINGTON  | Commissioner, District 2 | SARAH W. WOODS    | County Attorney  |
| HAROLD E. JENKINS II | Commissioner, District 3 |                   |  |
| SARAH HEARD          | Commissioner, District 4 | TELEPHONE         | (772) 288-5400   |
| EDWARD V. CIAMPI     | Commissioner, District 5 | WEBSITE           | <a href="http://www.martin.fl.us">www.martin.fl.us</a> |

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February 9, 2021

Hank K. Nagel, CIA, CIGI, CFE, Internal Auditor  
Clerk of the Circuit Court & Comptroller  
P.O. Box 9016  
Stuart, FL 34995

**RE: Community Broadband Network Draft Audit Report 2021-A-0002**  
**Response to Findings**

Dear Mr. Nagel:

Martin County has received the Community Broadband Network Draft Audit Report (Audit) dated January 27, 2021. This audit was to assure compliance with the current License Use Agreement (LUA) between Martin County (County) Board of County Commissioners (Board) and the Cleveland Clinic Martin Health (CCMH). The LUA was developed when CCMH, who was originally Martin Memorial, connected to the County and District's fiber optic network.

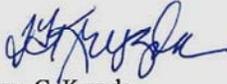
Since the initial LUA, Cleveland Clinic Martin Health has expanded operations in Martin County. CCMH has services which include their facility at Tradition in Port St. Lucie and a new facility located at the intersection of Kannor Highway and Indian Street, which is referred to as the Family Health Center.

With the addition of Tradition and the Family Health Center to Cleveland Clinic Martin Health's service territory, an expansion of the fiber optic network was necessary to fully service their operations. The County worked with CCMH to ensure the fiber optic network was operational to the expanded sites and established a rate for these expanded services, which CCMH has been paying. The LUA was not updated to include and reference the additional sites nor are they reflected in the appropriate appendices. The Audit revealed this error and has brought it to the attention of the County Administrator. The County Administrator, County Attorney and Chief Information Officer **agree** with the recommendation made by the Internal Auditor and are taking corrective actions to update the LUA and have all appropriate references and changes made. Once accomplished, the LUA will be presented to the Board for approval. The County

Hank K. Nagel  
February 9, 2021  
Page 2

appreciates the Internal Auditor bringing this to our attention and welcome similar future audits to ensure entities are in compliance with their agreements.

Sincerely,



Taryn G. Kryzda  
County Administrator  
Martin County Board of County Commissioners

cc: Honorable Carolyn Timmann, Clerk of the Circuit Court & Comptroller  
Sarah Woods, County Attorney  
Michael Merker, Chief Information Officer