

PROPOSED POLICY 1.092

5-B I recommend that the Board approve the proposed new Policy 1.092, to be entitled "Internal Audit Function," after selecting between alternate versions A and B of specified paragraphs.

◆ **Development**

HISTORY NOTES of Policy Development:

- The Office of Chief Counsel and the District Auditor's Office cooperated to prepare this proposed Policy based on the existing Internal Audit charter.
- On April 12, 2002, the Audit Committee approved the proposed Policy for recommendation to the Board.
- The School Board preliminarily approved the proposed Policy as a first reading for Development at the Special Meeting on Policies on April 22, 2002.
- At the June 3, 2002, Special Meeting on Policies, the Board voted to request some changes (reflected in alternate paragraphs version "A"), but also voted to postpone adoption of the Policy until further discussion with the Audit Committee at the joint meeting of the Board and Audit Committee on June 10.
- At the Joint Meeting on June 10, the Board requested that the Audit Committee discuss the Board's suggestions from the June 3rd Special Meeting and report the Committee's recommendations to the Board. The Committee's recommendations are reflected herein in alternate paragraphs version "B." (Other recommendations from the Audit Committee also appear, in **bold** print.)
- The Legal Department suggests that the Board discuss the merits of each alternate paragraph, versions A and B, and vote to select between each of the alternate versions.
- Even for first readings for Development, the Legal Department recommends that any member wishing to insert or delete language should propose the amendment as follows: "I move that we insert language at line # x to the effect that _____" (which may be subject to editing by Legal), or "I move that we strike the language on line # x." For clarity, the motion should be put to a vote.
- Upon approval of this proposed Policy as a first reading for Development on August 5, it can be scheduled for final reading/Adoption on September 9.

PROPOSED NEW POLICY 1.092

INTERNAL AUDIT FUNCTION

1 1. Purpose
2

- 3 a. It is the express interest of the School Board and the Superintendent of the
4 School District of Palm Beach County to promote fiscal responsibility and
5 accountability for the operations of the District. The internal audit function
6 shall be considered an essential element in achieving these goals, with a
7 view to assisting the School Board and District management in carrying out
8 their responsibilities relating to fiscal policies, internal controls, and
9 management reporting practices.
10
11 b. Internal audit will serve an independent appraisal function within the District
12 to examine and evaluate its activities, including the adequacy and
13 effectiveness of the District's system of internal controls and the quality of
14 performance. Internal audit will provide analyses, appraisals,
15 recommendations, counsel, and information concerning the activities
16 reviewed. The School Board and management of the District will be notified
17 of any potential problem areas.
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20 2. Organization of the Internal Audit Function
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- 22 a. [VERSION A] To promote the independence and objectivity of the audit
23 function, the District Auditor shall report to, and be evaluated by, the School
24 Board pursuant to Fla. Stat. § 230.23(10)(l).
25 [VERSION B] To promote the independence and objectivity of the audit
26 function, the District Auditor shall report to ~~and be evaluated by,~~ the School
27 Board *through the Audit Committee* pursuant to Fla. Stat. § 230.23(10)(l) *and*
28 *Policy 1.091. The Audit Committee is the School Board's designee responsible*
29 *for the performance of the District Auditor.*
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32 b. [VERSION A] The Audit Committee is governed by Policy 1.09,
33 "Advisory Committees to the Board," and shall promote independence in the
34 internal audit function and *advise on ensuring* broad audit coverage, adequate
35 consideration of audit reports, and appropriate action on audit reports.
36 [VERSION B] The Audit Committee is governed by Policy 1.09,
37 "Advisory Committees to the Board," and shall promote independence in the

38 internal audit function and *ensure* broad audit coverage, adequate consideration
39 of audit reports, and appropriate action on audit reports.

40
41 c. The District Auditor's office shall be free of organizational and political
42 pressures that limit its objectivity in selecting areas to be examined in
43 implementing the audit plan. The District Auditor should not be involved in
44 any political campaign for a School Board elective office nor make financial
45 contributions to any such campaign.

46
47 d. The District Auditor's office should be adequately staffed, within financial
48 constraints, to perform its auditing activities; and auditors should maintain their
49 technical competence through continuing education.

50
51 e. [VERSION A] The District Auditor and personnel on the internal audit
52 staff are required to follow the Audit Manual and all the Policies, procedures,
53 and guidelines which govern District employees. The District Auditor is
54 responsible for administering and enforcing the audit staff's compliance with
55 such Policies, procedures, and guidelines and the Audit Manual.

56
57 [VERSION B] The District Auditor and personnel on the internal audit
58 staff are required to follow the Audit Manual and all the Policies, procedures,
59 and guidelines which govern District employees. *With the advice and counsel*
60 *of the Audit Committee Chair,* the District Auditor is responsible for
61 administering and enforcing the audit staff's compliance with such Policies,
62 procedures, and guidelines and the Audit Manual.

63
64 **3. Authority**

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66 a. To properly carry out its responsibilities, internal audit shall reasonably be
67 granted:

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69 i. The authority to conduct performance and financial audits of all
70 departments, offices, activities; programs under the control of the School
71 Board; and expenditures incurred by the School District;

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73 ii. Complete and unrestricted access to all District records, documents, and
74 facilities or other assets owned, borrowed, or used by the District, which
75 includes information regarding District vendors, as deemed necessary in
76 performing audit activities;

77
78 iii. The authority to request reasonable assistance from appropriate
79 personnel in locating assets and obtaining records and documents; and

80
81 iv. Unrestricted interview privileges, both written or oral, with all District
82 management and employees. The District Auditor may also obtain
83 information from District vendors when such information is needed while
84 conducting an audit.

85
86 b. Auditors are to have no authority or responsibility for the activities they audit.
87 The District Auditor or any of the employees of the Office of District Auditor
88 shall not conduct or supervise an audit of an activity for which he/she was
89 responsible or within which he/she was employed during the preceding two
90 (2) years.

91
92 **4. Responsibility and Scope of Activities**
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94 a. [VERSION A] Before the beginning of each fiscal year, the District
95 Auditor shall develop a proposed audit plan, with the advice of the
96 Superintendent, for approval by the School Board. The District Auditor shall
97 submit to the Audit Committee such plan reflecting budget, staffing, scheduled
98 audits, and non-audit activities, for review and discussion by the Audit
99 Committee, whose advice on the proposed plan will be reported to the Board
100 before a vote by the School Board. The District Auditor may amend the
101 approved plan during the fiscal year only by approval of the School Board
102 with input from the Audit Committee.

103
104 [VERSION B] Before the beginning of each fiscal year, the District
105 Auditor shall develop, *in cooperation with the Superintendent*, a proposed
106 audit plan, ~~with the advice of the Superintendent, for approval by the School~~
107 ~~Board.~~ The District Auditor shall submit to the Audit Committee such plan
108 reflecting budget, staffing, scheduled audits, and non-audit activities, for
109 review, ~~and discussion, and preliminary approval~~ by the Audit Committee,
110 ~~whose advice on the proposed plan will be reported to the Board before final~~
111 ~~approval a vote~~ by the School Board. The District Auditor may amend the
112 approved plan during the fiscal year only *by preliminary approval of the Audit*
113 *Committee and final approval by* of the School Board ~~with input from the~~
114 ~~Audit Committee.~~

115
116 b. The School Board shall have the authority to make changes in the approved
117 audit plan during the year, and these changes shall be submitted to the Audit
118 Committee for advisory input. All staff requests for amendments to the audit
119 plan shall be reviewed by the Audit Committee and submitted to the School
120 Board for approval, along with a report stating the Audit Committee's advice
121 on the requested amendments.

- 122
123 c. Types of audits to be performed by internal audit shall include, but not be
124 limited to: performance audits, economy and efficiency audits, program
125 audits, financial statement audits, and financial-related audits, as defined by
126 the *Government Auditing Standards*.

127
128 **5. Auditing and Reporting Procedures**

- 129
130 a. Internal Audit will conduct its affairs in accordance with this Policy; the Audit
131 Committee charter as set forth in Policy 1.091; the *Government Auditing*
132 *Standards*; and the *Audit Manual*, which is hereby incorporated by reference
133 herein and made a part of this Policy, provided that nothing in the *Manual*
134 shall be interpreted as contrary to state or federal law. The *Audit Manual* shall
135 be filed with the Clerk of the School Board as a part of this Policy and shall be
136 available for inspection in the Public Information office. If any part of the *Audit*
137 *Manual* may be deemed to conflict with this body of the Policy, the provisions
138 within this body of the Policy shall control.
- 139
140 b. The District Auditor, in collaboration with the Superintendent, may initiate and
141 conduct any emergency audits or reviews not listed in the audit plan, if
142 deemed necessary, in view of potential illegal acts, fraud, abuse, or misuse of
143 District funds. Evidence of such irregularities shall be referred to the School
144 Police and the School Board's Office of Chief Counsel for further investigation.
- 145
146 c. Except for audits intended to be unannounced, reasonable notice should be
147 given to appropriate personnel of an intent to audit in their area.
- 148
149 d. During the course of audit work, the District Auditor and his Audit staff shall be
150 alert to any indications of fraud, abuse, or illegal acts. If the District Auditor
151 detects apparent violations of law or apparent instances of misfeasance,
152 malfeasance, or nonfeasance by an employee or information that dereliction
153 may be reasonably anticipated, the District Auditor shall consult with the
154 Superintendent, Chief Counsel to the School Board, and the School Police
155 Chief. If the irregularity may be criminal in nature, the investigation shall be
156 handled by the School Police Department, in conjunction with the Office of
157 Chief Counsel to the School Board.
- 158
159 e. Each audit will result in a written report. Audit reports shall be objective, clear,
160 concise, constructive, and timely and shall contain the professional
161 conclusions of the auditor regarding the activities audited.
- 162
163 f. Before issuing a final written report, the District Auditor will communicate with,
164 and schedule a meeting to review the preliminary report and response with,
165 the respective audited department, office, or division. When auditing a
166 vendor, and/or in the event information and response is needed from a

167 vendor, this step may include meeting with the vendor when the audit is near
168 completion, and the vendor **or affected person** must agree to maintain the
169 confidentiality of preliminary/draft report and the information contained therein
170 pursuant to § 119.07(3)(y), Fla. Stat., and shall enter into a written
171 confidentiality agreement **for the period until the audit is completed.** A
172 vendor's failure to enter such written confidentiality agreement shall be
173 deemed to constitute that vendor's waiver of the opportunity to respond to the
174 preliminary report, and the audit shall be completed without the vendor's
175 response.

176
177 g. The District Auditor shall advise the Superintendent of the findings. However,
178 the Auditor shall not provide any preliminary reports to the School Board or
179 individual Board members until the final draft of the report is distributed
180 (absent a Board vote requesting receipt of a preliminary/draft report before the
181 final draft of the report).

182
183 h. The District Auditor will place on the agenda the finalized audit report for the
184 next available Audit Committee meeting prior to submitting the final report to
185 the School Board.

186
187 i. Pursuant to § 119.07(3)(y), Fla. Stat., and Ch. 95-399 § 2, Laws of Fla., work
188 papers, notes, and preliminary or draft audit reports shall be held confidential
189 and exempt from public-records disclosure until the audit is completed by
190 submission of the final draft of the report to the School Board.

191
192 j. To enhance the independence, objectivity, and effectiveness of the auditing
193 process, the final report shall be submitted at the same time to all members of
194 the School Board, the Superintendent, and affected department heads. After
195 submission of the final draft or final report to the School Board, audit reports
196 will be available to members of the press and the general public upon request.

197
198 k. The District Auditor may request periodic status reports from audited
199 departments, offices, or divisions regarding corrective actions taken to
200 address reported deficiencies and audit recommendations.

201
202 STATUTORY AUTHORITY: §§ 230.22(2); 230.23(22), Fla. Stat.

203 LAW IMPLEMENTED: §§ 119.07(3)(y); 230.22; 230.23(10)(l); 286.011, Fla. Stat.

204 OTHER REQUIREMENTS: *Government Auditing Standards*, General Accounting Office,
205 U.S. Comptroller of the Treasury.

206 HISTORY: / /02

Legal Signoff

The Legal Department has reviewed proposed Policy 1.092 and finds it legally sufficient for development by the Board.

Attorney

Date