

## PROPOSED NEW POLICY 1.092

**6-B** I recommend the Board discuss the merits of, and select one of, the alternate paragraphs A and B wherever specified in the proposed new Policy 1.092, in light of the discussion of the proposed Policy at the Joint Meeting with the Audit Committee on October 7, and then approve the Policy, to be entitled "Internal Audit Function."

[Contact: Lung Chiu or Cindy Adair, 434-7335.]

### **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. The Board's amendments are 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."
- The Legal Department suggested that the Board discuss the merits of each alternate paragraph, versions A and B, and vote to select between each of the alternate versions on August 5. (The Board did not reach this proposed Policy at the August 5 meeting.)
- Note from Legal: Fla. Stat. § 230.23(10)(l) provides: "The school board may employ an internal auditor to perform ongoing financial verification of the financial records of the school district. The internal auditor shall report directly to the school board or its designee."
- Discussion of this Policy was on the agenda of the Joint Meeting with the Audit Committee on October 7.

**PROPOSED NEW POLICY 1.092**

**INTERNAL AUDIT FUNCTION**

1 **1. Purpose**  
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- 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.*

- 30  
31
- 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.

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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

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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**  
93

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

- 122  
123       d. 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*.

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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 internal audit will result in a written report. Audit reports shall be  
160       objective, clear, concise, constructive, and timely and shall contain the  
161       professional 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.

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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.

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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.

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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