



POLICY 1.091

5-A I recommend that the Board approve development of the proposed **revised** Policy 1.091, entitled "Audit Committee."

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Development

CONSENT ITEM

- The attached revised policy is amended as follows:
 - Provides the Audit Committee with authority to:
 - Serve as the Board's oversight of the Inspector General and provide advice and recommendations to the Inspector General. See Paragraphs 1 and 2(a).
 - Make recommendations to the Board on matters affecting the adequacy of internal controls, accounting procedures, systems and controls and financial reporting. See Paragraph 2(a).
 - Eliminates ex officio members (i.e., School Board members and staff) of the Committee. See page 4, lines 42-46.
 - Provides for the Inspector General to give direct support for the Audit Committee, and requires the General Counsel, Chief Financial Officer and other designated staff having technical knowledge to attend the meetings to advise or answer Committee questions. See Paragraph 5(d).
 - Provides the general responsibilities for the Audit Committee as follows: (See Paragraph 3(a)):
 - Receive reports of investigations completed by the Inspector General.
 - Receive completed reports of fraud, financial mismanagement, etc., detected by the Inspector General.
 - Report problems or problem areas to the School Board as deemed appropriate.
 - Perform oversight responsibilities as assigned by the School Board.
 - Provides for the Committee's oversight on *management accountability*

by providing for the Committee:

- To review and monitor reported findings of internal and external audits for the purposes of compliance and to ensure corrective actions are taken.
- To examine the effectiveness of the District's process for identifying significant financial, operational and regulatory risks or exposures and management's plans and efforts to monitor and control such risks. See Paragraph 3(b).
- Provides the Committee with *compliance* oversight responsibilities to review systems for monitoring compliance with Board policies, laws and regulations; to review the findings of any state and federal examinations; and to evaluate the adequacy and effectiveness of controls encompassing the District's governance, operations and information technology systems. See Paragraph 3(c).

POLICY 1.091

AUDIT COMMITTEE

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1. **Establishment.** The School Board ~~has created an~~ hereby establishes the Audit Committee (Committee), which is being created consistent with Board Policy 1.09 (Advisory Committees to the Board) for purposes of providing advice to the School Board and providing guidance and assistance to the Inspector General. The Inspector General shall report to the School Board. ~~An~~ The Audit Committee is an advisory committee to the Board and is to provide advice and recommendations to the Inspector General. The Committee shall be governed by its charter, as set forth herein.

2. **4. Authority**
 - a. The Audit Committee shall serve on behalf of the School Board as its oversight of the School Board's Inspector General, an internal audit and investigation functions. Its members rely on the representations of management, the Inspector General, the General Counsel, and other professional consultants. The Audit Committee shall review and make recommendations to the School Board on matters affecting the adequacy of internal controls, accounting procedures, systems and controls, and financial reporting in accordance with laws and regulations. Primary responsibility for the District's financial reporting and internal operating controls are vested in senior operating management as overseen by the School Board. The Audit Committee is advisory only, and has been created consistent with Policy 1.09, "Advisory Committees to the Board," for purposes of providing advice to the School Board and providing guidance and assistance to the District Auditor. The District Auditor shall report to the School Board.

 - b. Primary responsibility for the District's financial reporting and internal operating controls are vested in senior operating management as overseen by the Superintendent. District staff shall provide assurance of the District's compliance with pertinent laws and regulations, the management of the District's operations in accordance with sound business practices, and accurate and complete financial disclosure.

 - c. The Committee should ensure the Inspector General's office obtains all the needed information the Committee requires from District employees or vendors for investigations, audits, reviews and inspections.

 - d. ~~Whenever~~ Whenever a recommendation of the Committee on a substantive issue is reported to the School Board and the recommendation was not unanimous, the basis for the majority and minority positions should be brought to the

38 attention of the School Board.

39 ~~c. The Audit Committee shall be appointed by the School Board from~~
40 ~~nominations by School Board members (one appointee per Board member)~~
41 ~~and will be composed of seven (7) voting members from the community and~~
42 ~~six (6) non-voting ex-officio members. The non-voting ex-officio members shall~~
43 ~~include: two School Board members, the Superintendent/designee, Chief~~
44 ~~Counsel to the School Board/designee (solely to provide legal advice), the~~
45 ~~President of the Classroom Teachers Association, and a representative from~~
46 ~~the District's school principals.~~

47 ~~d. In nominating individuals to serve on the Audit Committee, School Board~~
48 ~~members are encouraged to take into consideration representation from~~
49 ~~various racial and ethnic groups and professionals with a background in~~
50 ~~accounting, finance, or business.~~

51 ~~e. The terms of community members nominated by School Board members~~
52 ~~shall be consistent with the terms of their respective nominating School Board~~
53 ~~members, unless the nominating School Board member exercises his/her~~
54 ~~discretion to remove the Committee member. The terms of ex-officio members~~
55 ~~shall be consistent with their term of service in the position which qualified~~
56 ~~them to serve ex-officio on the Audit Committee.~~

57 ~~f. The Committee shall elect a Chair and a Vice Chair from among the~~
58 ~~seven community members. All Committee members serve in a voluntary~~
59 ~~capacity and shall be residents of Palm Beach County. Community members~~
60 ~~will be removed automatically should they miss three (3) consecutive regular~~
61 ~~meetings without good cause.~~

62 ~~g. Committee members, and/or their company(ies) in which the members~~
63 ~~have a direct financial interest, shall not do business with the District during~~
64 ~~the members' term, in accordance with § 112.313, Fla. Stat., and pertinent~~
65 ~~Opinions of the Florida Commission on Ethics.~~

66 ~~h. The School Board will reasonably provide adequate support to the Audit~~
67 ~~Committee to discharge its responsibilities. The Board, with the advice and~~
68 ~~counsel of the Audit Committee, shall ensure that the auditors have~~
69 ~~unrestricted reasonable access to District personnel and public documents.~~
70 ~~The management shall cooperate with the Committee in promoting the use of~~
71 ~~the internal audit as a constructive process. Committee activities shall be~~
72 ~~reported to the School Board on a regular basis.~~

73 **3. Responsibilities**

74 ~~a. Meetings. The Audit Committee will meet on a regular basis and call special~~

75 meetings as required with proper notice. Four (4) voting members shall constitute a
76 quorum. ~~Audit Committee meetings are to be conducted under Robert's Rule of~~
77 ~~Order Newly Revised. All Committee and subcommittee meetings are governed by~~
78 ~~the Sunshine Law as required by Chapter 286, Fla. Stat.~~

79 a. General – The Audit Committee shall:

- 80 i. Report Committee actions to the School Board with such
81 recommendations as the Committee may deem appropriate.
- 82 ii. Seek the Board's approval to retain independent accountants or others to
83 assist in the conduct of an investigation or audit.
- 84 iii. Receive the completed reports of fraud, financial mismanagement or
85 waste detected by the Inspector General. Where appropriate, the
86 Inspector General shall forward the reports of such fraud, financial
87 mismanagement or waste to the proper law enforcement agency for
88 disposition.
- 89 iv. Report problems or problem areas to the School Board at such times
90 deemed appropriate.
- 91 v. Perform other oversight responsibilities as assigned by the School Board.
- 92 vi. Review and assess the adequacy of the Inspector General and internal
93 audit process of the School Board Policies [1.091](#), [1.092](#), and [2.62](#)
94 annually, request the School Board's approval for proposed changes, and
95 ensure appropriate disclosure as may be required by law or regulation.
- 96 vii. In conjunction with the Inspector General, provide an annual report to the
97 School Board with such recommendations as the Audit Committee may
98 deem appropriate.
- 99 viii. Include, but not be limited to: nominating external auditors; reviewing
100 auditor engagement letters; coordinating with the District's Chief Financial
101 Officer in overseeing the audits by external auditors; arranging for
102 periodic reports from management, the external auditors, and the
103 Inspector General to assess the impact of significant regulatory changes
104 and accounting or reporting developments; reviewing external auditors'
105 performance; reviewing management letters and auditor's opinions;
106 reviewing and monitoring implementation of management's response to
107 auditors' recommendations and receiving completed investigation reports
108 performed by the Inspector General.

109 b. Management Accountability The responsibility of the Audit Committee in the
110 area of financial reporting is to:

- 111 i. ~~to review~~ Review interim financial statements, annual financial
112 statements, ~~and~~ the District's annual management letter and completed
113 investigation reports and assist the Board in interpreting these
114 documents.
- 115 ii. Review and monitor reported findings of external audits for the purposes
116 of compliance and to ensure corrective actions are taken.
- 117 iii. Review and approve the Inspector General's annual audit plan prior to the
118 submission of such audit plan for approval by the School Board, and
119 incorporate the advice of the Audit Committee in the report to the School
120 Board.
- 121 iv. Identify significant financial, operational, and regulatory risks or
122 exposures and management's plans and the effectiveness of the District's
123 process and efforts to monitor and control such risks.
- 124 v. Review with the Inspector General, General Counsel, Chief Financial
125 Officer, Treasurer, and any other relevant District employee or officer,
126 legal or regulatory matters that, in the opinion of management, may have
127 a material impact on the financial statements.

128 ~~Specific responsibilities of the Audit Committee shall include, but not be limited~~
129 ~~to: nominating external auditors; reviewing auditor engagement letters;~~
130 ~~coordinating with the District's chief financial officer in overseeing the audits by~~
131 ~~external auditors; arranging for periodic reports from management, the~~
132 ~~external auditors, and the District Auditor to assess the impact of significant~~
133 ~~regulatory changes and accounting or reporting developments; reviewing~~
134 ~~external auditors' performance; reviewing management letters and auditor's~~
135 ~~opinions; reviewing and monitoring implementation of management's response~~
136 ~~to auditors' recommendations; reviewing and recommending to the Board any~~
137 ~~necessary changes to the Audit Committee charter or Internal Audit~~
138 ~~procedures as set forth in Policies 1.091 and 1.092; and recommending an~~
139 ~~annual audit plan to the School Board.~~

140 c. Compliance with Policies, Rules, Regulations and Laws. The Audit Committee
141 shall:

- 142 i. Review the effectiveness of systems for monitoring compliance with laws,
143 Board Policies and regulations and the results of management follow-up
144 of any non-compliance.
- 145 ii. Review the findings of examinations by state and federal regulatory
146 agencies, and determine the District's compliance with ~~any~~
147 recommendations.

148 iii. Monitor follow-up on reported findings to ensure corrective actions are
149 taken consistent with Board policy 2.62 (Audit Recommendations and
150 Follow-up).

151 iv. Ensure the Inspector General obtains and reviews such additional
152 information as deemed necessary to evaluate the adequacy and
153 effectiveness of controls encompassing the District's governance,
154 operations, and information technology systems including the reliability
155 and integrity of operational and related financial information and
156 safeguarding of assets.

157 d. District Governance

158 i. ~~The Audit Committee~~ District staff shall provide assurance that the District
159 is in compliance with pertinent laws and regulations relating to accounting
160 and financial matters; is operating in accordance with sound business
161 practices; is conducting its affairs ethically; is maintaining ~~maintains~~
162 effective controls against employee conflict of interest, errors and fraud,
163 financial mismanagement, waste, and abuse; and is providing ~~provides~~
164 accurate and complete financial disclosure.

165 ii. Among other responsibilities, the Audit Committee shall provide input to
166 the Board in the Board's ~~performance~~ evaluations of the ~~District Auditor~~
167 Inspector General's performance, whose written evaluations will be kept
168 on file pursuant to Fla. Stat. § 231.294 1012.31.

169 iii. The Audit Committee may review and make recommendations on any
170 proposed disciplinary action upon, or termination of the employment of,
171 the ~~District Auditor~~ Inspector General. In the event of a vacancy in the
172 position of ~~District Auditor~~ Inspector General, the Audit Committee may
173 ~~should~~ review the applicants and provide its recommendations to the
174 School Board regarding selection.

175 4. Committee – Composition, Appointment, Term of Service, Chair, etc.

176 a. Composition and Appointment. The Audit Committee will be composed of
177 seven (7) voting members from the community who shall be appointed by the
178 Board as provided in Board Policy 1.09 (Advisory Committees to the Board)
179 and this policy. In appointing individuals to serve on the Audit Committee,
180 School Board members are encouraged to take into consideration
181 representation from various racial and ethnic groups and professionals with a
182 background in accounting, finance, or business. All Committee members serve
183 in a voluntary capacity and shall be residents of Palm Beach County.

184 Each committee member, upon appointment, shall be provided this policy and
185 Board Policies 1.09; 1.092 (Inspector General) and 2.62 (Audit

- 186 Recommendations and Follow-up).
- 187 b. Term of Appointment. The term of a committee member's appointment
188 shall be as provided in Board Policy 1.09.
- 189 c. Chair and Vice Chair. The Committee shall elect a Chair and a Vice Chair
190 from among the seven community members at its annual organizational
191 meetings. The term limitation of a Chair shall be as provided in Board Policy
192 1.09.
- 193 5. Committee Meetings; Operations and Procedures; Administrative Matters
- 194 a. Meetings. The Audit Committee will hold its regular meetings on a monthly
195 basis, or as otherwise needed, and consistent with the provisions of Board
196 Policy 1.09.
- 197 b. Operations and Procedures. The Audit Committee shall conduct its meetings
198 consistent with the provisions as provided in Board Policy 1.09, and present its
199 report of meetings to the Board in a timely manner.
- 200 c. Applicability of Sunshine, Public Records and Conflicts of Interest. Members
201 of the Committee shall abide by the Florida's Government in the Sunshine
202 Law, Public Records Law and Code of Ethics as provided in Board Policy 1.09.
- 203 d. Staff Support and Others. The School Board will reasonably provide
204 adequate support to the Audit Committee to discharge its responsibilities, and
205 the Inspector General's Office will coordinate Audit Committee meetings. The
206 Inspector General shall provide direct support to the Audit Committee by
207 preparing the meeting agendas, with the advice of the Chair of the Audit
208 Committee; providing the agenda in advance to committee members, along
209 with appropriate supporting or briefing materials; preparing the minutes of the
210 Committee meetings; and attending the Committee meetings to provide
211 support and advice to the Audit Committee. Additional staff members may be
212 assigned to the Committee by the School Board as needed, and the
213 Superintendent shall comply with the Board's request.
- 214 The General Counsel, Chief Financial Officer, and other designated staff
215 having technical knowledge as deemed necessary by the Audit Committee,
216 including the Superintendent's designees, shall attend the meetings to advise
217 or assist the Committee members and answer questions. The President of the
218 Classroom Teachers Association and a representative of the School Principals
219 are also invited to attend Committee meetings.
- 220 6. Access to Personnel and Documents. The Board, with the advice and counsel
221 of the Audit Committee, shall ensure that the investigators and auditors of the
222 Inspector General's office have unrestricted reasonable access to District

223 personnel, District vendors, records, data and documents. The District
224 management shall cooperate with the Committee in promoting the use of the
225 Inspector General's Office as a constructive process.

226 7. ~~3.~~ **Internal Control**-- The responsibility of developing and implementing adequate
227 internal control rests with the management of the District. The Audit Committee
228 must fulfill its internal control oversight responsibilities, through the ~~District Auditor~~
229 Inspector General, without unnecessary or inappropriate intervention in the
230 prerogatives of District management. Nevertheless, to carry out its responsibility,
231 the Audit Committee must, among other actions, assist in determining if any
232 restrictions have been placed by management on the scope of independent
233 investigations, audits, inspections and reviews ~~auditors' examinations~~. The
234 Committee should review the results of each peer review of the Office of ~~District~~
235 ~~Auditor~~ Inspector General and discuss the nature of any corrective measures. ~~The~~
236 ~~District Auditor Inspector General may shall also coordinate with the General Chief~~
237 ~~Counsel to the School Board, Human Resources, and the School Police Chief, if~~
238 ~~necessary, in special investigations into significant matters.~~

239 8. **4. Duration of Charter**-- The Audit Committee's charter shall remain in effect until
240 repealed or amended by the Board following appropriate procedures. ~~The Board~~
241 ~~may modify or terminate the charter with stated cause.~~

242 STATUTORY AUTHORITY: Fla. Stat. §§ ~~230.22(2); 230.23(22)~~ 1001.41 (1) & (2);
243 1001.42 (25)

244 LAWS IMPLEMENTED: Fla. Stat. §§ ~~230.22, 230.23(10)(l)~~ 1001.32 (2); 1001.42
245 (12),(13), & (15); 1001.43 (2), (6), & (10); 286.011

246 OTHER REQUIREMENTS: *Government Auditing Standards*, Government
247 Accountability Office, U.S. Comptroller of the Treasury; *General Principles and*
248 *Standards for Offices of Inspector General* as published by the Association of
249 Inspectors General; *International Standards for the Professional Practice of Internal*
250 *Auditing* as published by the Institute of Internal Auditors, Inc.

251 HISTORY: 12/2/02; ___/___2011

Legal Signoff:

The Legal Department has reviewed proposed Policy 1.091 and finds it legally sufficient for development by the Board.

Attorney

Date