



POLICY 2.62

5-C I recommend that the Board approve development of the proposed **revised** Policy 2.62, entitled “Audit Recommendations and Follow-Up.”

[Contact: Lung Chiu, PX 47335.]

Development

CONSENT ITEM

- This policy outlines procedures for follow-up of audit recommendations in audit reports issued by the School Board’s Inspector General’s Office, external auditors and/or external audit agencies.
- Definitions are provided for terms as: external audit agency, external audit, material weakness, significant finding and recommendations. See Paragraph 3.
- The proposed policy requires school principals and division/department heads to review, follow-up on audit findings and implement recommendations, or otherwise resolve the findings for their related programs or activities. Additionally, the parties are required to provide requested status reports on the results of audit findings and recommendations. See paragraph 4.
- Specific duties are outlined for the Inspector General (See paragraph 5a), the Audit Committee (See paragraph 5b) and the Division/Department Heads and Principals (See paragraph 5c) relative to audit recommendations and follow-up.
 - The Inspector General is required to:
 - Establish and maintain a system to monitor the proper resolution and implementation of recommendations
 - Provide periodic follow-up on the status of the implementation of recommendations to address audit findings
 - Provide a recommendation implementation status report to the Audit Committee, if audit recommendations have not been implemented within six (6) months of the audit report.
 - Report any recommendations related to significant findings/material weaknesses which have not been implemented within six (6) months.
 - The Audit Committee is to:

- Inquire with principals or division/department heads as to delay for implementation, reason and description of any alternative solutions proposed, proposed plan, and target date for implementation.
 - Provide reports to Board and Superintendent regarding any significant findings/material weaknesses which have not been resolved.
- Division/Department Heads; Principals are to:
- Develop corrective action plans to implement audit recommendations or alternatives that meet the objectives of the recommendations,
 - Resolve an audit recommendation that is not challenged; and if not resolved, submit the matter for review by Audit Committee.

POLICY 2.62

AUDIT RECOMMENDATIONS AND FOLLOW-UP

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3 1. **Purpose.** The School Board of Palm Beach County recognizes that the
4 primary benefits of ~~the~~ audits are not realized until effective and timely corrective
5 action is taken. At the core of auditing is making and implementing
6 recommendations that strengthen public accountability and improve government
7 efficiency and effectiveness of the School District, ~~in an attempt to prevent~~
8 ~~repeated audit findings~~. This policy outlines procedures for follow-up of audit
9 recommendations in audit reports issued by the School Board's Inspector
10 General's Office, external auditors and/or external audit agencies.

- 11 2. **Applicability of Policy.** This policy applies to all audits and reviews performed by
12 the Board's Inspector General, external auditors or external audit agencies.

- 13 3. **Definitions.** For the purposes of this policy, the following words are defined as
14 follows:
 - 15 a. *External Audit Agency* is an agency or organization not under the employ of
16 the School District who has an auditable interest in the School District, as a
17 federal, state, or local entity for purposes of monitoring contract and/or grant
18 pre-award or post-award activities, billing, cost reports, or other School District
19 related financial information and reports, or administrative practices.
20 Auditable interest means the agency has provided the School District with
21 funding for a specific purpose. This authority may be delegated to other
22 independent parties, such as a CPA firm or other governmental agency, as
23 determined by the external audit agency.

 - 24 b. *External Audit means an independent appraisal, by a non-School District audit*
25 *entity, of the School District's financial and administrative performance as a*
26 *custodian of public funds.*

 - 27 c. *External Auditors* refer to those non-School District audit professionals who
28 perform independent audits of the School District.

 - 29 d. *Material Weakness* is a deficiency, or a combination of deficiencies, in internal
30 control over financial reporting, such that there is a reasonable possibility that
31 a material misstatement of the School District's annual or interim financial
32 statements will not be prevented, detected or corrected on a timely basis.

 - 33 e. *Significant Finding* is a condition, or combination of conditions, which, in the
34 judgment of the Inspector General, external auditor or external audit agency,
35 could adversely affect the School District. Significant findings may include

36 conditions dealing with irregularities, illegal acts, errors, inefficiency, waste,
37 ineffectiveness, conflicts of interest, and control weaknesses.

38 f. Recommendations are proposed actions to correct existing conditions or
39 improve operations.

40 4. **Policy Statement.** District officials including school principals and
41 division/department heads will review, follow-up on audit findings and implement
42 recommendations, or otherwise resolve such findings for those programs and/or
43 activities for which they have administrative responsibility. Each audit should
44 receive a response, and audit findings should be resolved, and corrective action be
45 implemented. Such officials shall provide requested follow-up reports on the status
46 of audit findings and recommendations made by the Inspector General, external
47 auditors and/or external audit agencies to the Audit Committee, the School Board
48 and/or Superintendent.

49 5. **Duties and Responsibilities Related to Audit Recommendations and Follow-**
50 **up.**

51 a. Inspector General. The Inspector General shall establish and maintain a
52 system to monitor the proper resolution and implementation of
53 recommendations and provide periodic follow-up on the status of the
54 implementation of recommendations to address the audit findings issued by
55 the Inspector General, external auditors and/or external audit agencies. When
56 audit recommendations have not been fully implemented or scheduled for
57 implementation within six (6) months of the issue date of the report, or repeat
58 findings of the same deficiencies, the Inspector General will provide a
59 recommendation implementation status report to the Audit Committee. Any
60 recommendations associated with significant findings or material weaknesses
61 associated with an audit conducted by the Inspector General, an external
62 auditor or external audit agency which has not been implemented, including
63 any recommendations the division/department/school plan for implementation
64 within six (6) months, shall be included in the report to the Audit Committee.

65 b. Audit Committee. The Audit Committee's duties, in addition to its duties and
66 responsibilities provided for in Policy 1.091, shall include:

67 i. Inquiry with division/department head or school principal as to an
68 explanation of why appropriate action has not been taken, circumstances
69 that delay the implementation, reason and description of any alternate
70 solution(s) proposed for implementation, and/or proposed plan with
71 targeted date for implementation of the audit recommendation(s).

72 ii. Provide a report to the School Board and Superintendent on any
73 significant findings and/or material weaknesses which have not been
74 resolved.

75 c. Division/Department Heads and School Principals. The division, department,
76 school or other activity under audit, review, and investigation shall provide full
77 co-operation to the Inspector General, external auditors and external auditing
78 and investigative agencies, and are ultimately responsible for responding to
79 and taking actions on findings and recommendations to improve management
80 practices. Thus, the head of such division, department, school or other activity
81 shall:

82 i. Develop corrective action plans to address and implement
83 recommendations contained in the audit report of the Inspector General,
84 external auditor or external audit agency, or alternatives that meet the
85 objectives of the recommendations.

86 ii. If an audit recommendation is not to be challenged, the official will try to
87 resolve the matter. If the matter is not resolved, it shall be submitted for
88 review by the Audit Committee.

89 ~~Although District officials and those responsible for various District activities are not~~
90 ~~obligated to accept all audit recommendations, they are required to:~~

91 ~~1. Review thoroughly each internal and external audit report issued concerning their~~
92 ~~operations.~~

93 ~~2. Consider carefully each finding and recommendation.~~

94 ~~3. Determine whether the corrective actions recommended can and should be~~
95 ~~taken.~~

96 ~~Ascertain whether the corrective action agreed upon has in fact been taken and that~~
97 ~~the same findings will not reoccur in the future.~~

98 STATUTORY AUTHORITY: Fla. Stat. §§ ~~230.23 (17); 230.23005;~~ 1001.41(2);
99 1001.42(23)

100 LAWS IMPLEMENTED: Fla. Stat. §§ School Board Policy 1.092 (Internal Audit
101 Charter); §11.45 (7)(d)(e)(f)

102 HISTORY: 5/3/00; __/__/2011

Legal Signoff:

The Legal Department has reviewed proposed Policy 2.62 and finds it legally sufficient for development by the Board.

Attorney

Date