

PROPOSED NEW POLICY 1.091

6-A I recommend the Board discuss the proposed new Policy 1.091, to be entitled "Audit Committee," in light of the discussion of the proposed Policy at the Joint Meeting with the Audit Committee on October 7, and approve the Policy accordingly.

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

Development.

- The District Auditor's Office and the Office of Chief Counsel worked together to prepare this proposed Policy based on the existing committee charter. The charter is now incorporated into this proposed Policy.
- 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 suggested that the Board discuss the merits of each alternate paragraph, versions A and B. On August 5, the Board discussed the issues and chose version A of § (2)(c)ii.
- By request of a Board member at the Aug. 5 meeting, lines 13-16 have been added regarding reporting non-unanimous recommendations of the Committee.
- On August 5, the Board also requested input on how to amend these Policies to strengthen management accountability. After discussion with District staff, legal counsel suggested an amendment (part of which is in the existing charter), to 70-75. At its meeting on Sept. 17, the Audit Committee voted to amend lines 70-75 as shown herein. Additionally, language from the existing charter has been restored to this draft at lines 124-126 concerning peer review.
- Discussion of this Policy was on the agenda of the Joint Meeting with the Audit Committee on October 7.

PROPOSED NEW POLICY 1.091

AUDIT COMMITTEE

1 The School Board has created an Audit Committee, which is an advisory committee to
2 the Board. The Committee shall be governed by its charter, as set forth herein.

3 4 **1. Authority**

5
6 a. Primary responsibility for the District's financial reporting and internal operating
7 controls is vested in senior operating management as overseen by the School
8 Board. The Audit Committee is advisory only, and has been created consistent
9 with Policy 1.09, "Advisory Committees to the Board," for purposes of providing
10 advice to the School Board and providing guidance and assistance to the District
11 Auditor. The District Auditor shall report to the School Board.

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13 b. Whenever a recommendation of the Committee on a substantive issue is
14 reported to the School Board and the recommendation was not unanimous, the
15 basis for the majority and minority positions should be brought to the attention of
16 the School Board.

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18 c. The Audit Committee shall be appointed by the School Board from nominations
19 by School Board members (one appointee per Board member) and will be
20 composed of seven (7) voting members from the community and six (6) non-
21 voting ex-officio members. The non-voting ex-officio members shall include: two
22 School Board members, the Superintendent/designee, Chief Counsel to the
23 School Board/designee (solely to provide legal advice), the President of the
24 Classroom Teachers Association, and a representative from the District's school
25 principals.

26
27 d. In nominating individuals to serve on the Audit Committee, School Board
28 members are encouraged to take into consideration representation from various
29 racial and ethnic groups and professionals with a background in accounting,
30 finance, or business.

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32 e. The terms of community members nominated by School Board members shall be
33 consistent with the terms of their respective nominating School Board members,
34 unless the nominating School Board member exercises his/her discretion to
35 remove the Committee member. The terms of ex-officio members shall be
36 consistent with their term of service in the position which qualified them to serve
37 ex-officio on the Audit Committee.

38
39 f. The Committee shall elect a Chair and a Vice Chair from among the seven
40 community members. All Committee members serve in a voluntary capacity and
41 shall be residents of Palm Beach County. Community members will be removed

42 automatically should they miss three (3) consecutive regular meetings without
43 good cause.

44
45 f.g. Committee members, and/or their company(ies) in which the members have a
46 direct financial interest, shall not do business with the District during the
47 members' term, in accordance with § 112.313, Fla. Stat., and pertinent Opinions
48 of the Florida Commission on Ethics.

49
50 g.h. The School Board will reasonably provide adequate support to the Audit
51 Committee to discharge its responsibilities. The Board, with the advice and
52 counsel of the Audit Committee, shall ensure that the auditors have unrestricted
53 reasonable access to District personnel and public documents. The
54 management shall cooperate with the Committee in promoting the use of the
55 internal audit as a constructive process. Committee activities shall be reported to
56 the School Board on a regular basis.

57 58 2. Responsibilities

59 a. Meetings

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62 The Audit Committee will meet on a regular basis and call special meetings as
63 required with proper notice. Four (4) voting members shall constitute a quorum.
64 Audit Committee meetings are to be conducted under *Robert's Rule of Order*
65 *Newly Revised*. All Committee and subcommittee meetings are governed by the
66 Sunshine Law as required by Chapter 286, Fla. Stat.

67 68 b. Management Accountability

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70 i. The responsibility of the Audit Committee in the area of financial reporting is
71 to ~~provide assurance that financial disclosures made by management~~
72 ~~reasonably portray the District's financial condition, results of operations and~~
73 ~~plans, and long term commitments~~ **review interim financial statements,**
74 **annual financial statements, and the district's annual management**
75 **letter, and assist the Board in interpreting these documents.**

76
77 ii. Specific responsibilities of the Audit Committee shall include, but not be
78 limited to: nominating external auditors; reviewing auditor engagement letters;
79 coordinating with the District's chief financial officer in overseeing the audits
80 by external auditors; arranging for periodic reports from management, the
81 external auditors, and the District Auditor to assess the impact of significant
82 regulatory changes and accounting or reporting developments; reviewing
83 external auditors' performance; reviewing management letters and auditor's
84 opinions; reviewing and monitoring implementation of management's
85 response to auditors' recommendations; reviewing and recommending to the
86 Board any necessary changes to the Audit Committee charter or Internal

87 Audit procedures as set forth in Policies 1.091 and 1.092; and recommending
88 an annual audit plan to the School Board.

89
90 c. District Governance

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92 i. The Audit Committee is to provide assurance that the District is in compliance
93 with pertinent laws and regulations relating to accounting and financial
94 matters; is operating in accordance with sound business practices; is
95 conducting its affairs ethically; maintains effective controls against employee
96 conflict of interest, errors and fraud; and provides accurate and complete
97 financial disclosure.

98
99 [SELECT ONE:]

100 ii. [VERSION A] Among other responsibilities, the Committee shall provide
101 input to the Board in the Board's performance evaluations of the District
102 Auditor, whose written evaluations will be kept on file pursuant to Fla. Stat. §
103 231.291. [Was selected by the Board on Aug. 5.]

104
105 [VERSION B] Among other responsibilities, the Committee shall evaluate
106 the District Auditor. The Audit Committee Chair will discuss the recommended
107 evaluation with the School Board Chair, and the recommendation is subject to
108 review by the Board. The final written evaluations will be kept on file
109 pursuant to Fla. Stat. § 231.291. [Not chosen by the Board on Aug. 5.]

110 iii. The Audit Committee may review and make recommendations on any
111 proposed disciplinary action upon, or termination of the employment of, the
112 District Auditor. In the event of a vacancy in the position of District Auditor,
113 the Audit Committee should review the applicants and provide its
114 recommendations to the School Board regarding selection.

115
116 3. Internal Control

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118 The responsibility of developing and implementing adequate internal control rests
119 with the management of the District. The Audit Committee must fulfill its internal
120 control oversight responsibilities, through the District Auditor, without unnecessary or
121 inappropriate intervention in the prerogatives of District management. Nevertheless,
122 to carry out its responsibility, the Audit Committee must, among other actions, assist
123 in determining if any restrictions have been placed by management on the scope of
124 independent auditors' examinations. The Committee should review the results of
125 each peer review of the Office of District Auditor and discuss the nature of any
126 corrective measures. The District Auditor shall also coordinate with the Chief
127 Counsel to the School Board and the School Police Chief in special investigations
128 into significant matters.

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130 **4. Duration of Charter**

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132 The Audit Committee's charter shall remain in effect until repealed or amended by
133 the Board following appropriate procedures. The Board may modify or terminate the
134 charter with stated cause.

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

138 LAW IMPLEMENTED: §§ 230.22, 230.23(10)(I); 286.011, Fla. Stat.

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

141 HISTORY: __/__/02

Legal signoff:

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

Attorney

Date