

**POLICY 1.092**

**4-A** I recommend the Board adopt the proposed new Policy 1.092, to be entitled "Internal Audit Function."

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

**Adoption**

**CONSENT ITEM**

- The District Auditor's Office and the Office of Chief Counsel cooperated to prepare this proposed Policy based on the existing internal audit charter. The charter is now incorporated into this proposed Policy.
- This proposed Policy was discussed at the Joint Meeting of the Audit Committee and School Board on October 7.
- On October 14, the Board approved the Policy, with an amendment substantially as follows at lines 81-84:  

*Before the beginning of each fiscal year, the District Auditor shall develop, for approval by the Board, a proposed audit plan after consultation with the Board and Audit Committee at a joint meeting, and with input from the Superintendent and other high-level administrators.*
- On December 2, the Board approved the Policy, with amendments substantially as follows:  

*Lines 17-19: The District Auditor will advise individual Board members periodically of significant findings identified during audits, before the final report is released.*

*Lines 26-27: To promote the independence and objectivity of the audit function, the District Auditor shall report to, and be evaluated by, the School Board pursuant to Fla. Stat. § 1001.42(10)(l), with input from the Audit Committee in accordance with Policy 1.091(2)(c)ii.*

**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. The District Auditor will advise individual  
18 Board members periodically of significant findings identified during audits,  
19 before the final report is released.

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21

22 **2. Organization of the Internal Audit Function**

- 23
- 24 a. To promote the independence and objectivity of the audit function, the District  
25 Auditor shall report to, and be evaluated by, the School Board pursuant to  
26 Fla. Stat. § 1001.42(10)(l) [230.23(10)(l)], with input from the Audit Committee  
27 in accordance with Policy 1.091(2)(c)ii.
- 28
- 29 b. The Audit Committee is governed by Policies 1.09, "Advisory Committees to  
30 the Board" and 1.091, "Audit Committee," and it shall promote independence  
31 in the internal audit function and advise on ensuring broad audit coverage,  
32 adequate consideration of audit reports, and appropriate action on audit  
33 reports.
- 34
- 35 c. The District Auditor's office shall be free of organizational and political  
36 pressures that limit its objectivity in selecting areas to be examined in  
37 implementing the audit plan. The District Auditor should not be involved in  
38 any political campaign for a School Board elective office nor make financial  
39 contributions to any such campaign.
- 40

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

44  
45 e. The District Auditor and personnel on the internal audit staff are required to  
46 follow the Audit Manual and all the Policies, procedures, and guidelines which  
47 govern other District employees. The District Auditor is responsible for  
48 administering and enforcing the audit staff's compliance with such Policies,  
49 procedures, and guidelines and the Audit Manual.

### 50 51 **3. Authority**

52  
53 a. To properly carry out its responsibilities, internal audit shall reasonably be  
54 granted:

55  
56 i. The authority to conduct performance and financial audits of all  
57 departments, offices, activities; programs under the control of the School  
58 Board; and expenditures incurred by the School District;

59  
60 ii. Complete and unrestricted access to all District records, documents, and  
61 facilities or other assets owned, borrowed, or used by the District, which  
62 includes information regarding District vendors, as deemed necessary in  
63 performing audit activities;

64  
65 iii. The authority to request reasonable assistance from appropriate  
66 personnel in locating assets and obtaining records and documents; and

67  
68 iv. Unrestricted interview privileges, both written or oral, with all District  
69 management and employees. The District Auditor may also obtain  
70 information from District vendors when such information is needed while  
71 conducting an audit.

72  
73 b. Auditors are to have no authority over, or responsibility for, the activities they  
74 audit. The District Auditor or any of the employees of the Office of District  
75 Auditor shall not conduct or supervise an audit of an activity for which he/she  
76 was responsible or within which he/she was employed during the preceding  
77 two (2) years.

### 78 79 **4. Responsibility and Scope of Activities**

80  
81 a. Before the beginning of each fiscal year, the District Auditor shall develop, for  
82 approval by the Board, a proposed audit plan after consultation with the  
83 Board and Audit Committee at a joint meeting, and with input from the  
84 Superintendent and other high-level administrators. Before presenting the  
85 proposed audit plan for approval by the Board, the District Auditor shall first

86 submit the proposed plan (reflecting budget, staffing, scheduled audits, and  
87 non-audit activities) for review and discussion by the Audit Committee, whose  
88 advice on the proposed plan will be reported to the School Board before a  
89 vote by the Board. The District Auditor may amend the approved plan during  
90 the fiscal year only by approval of the School Board with input from the Audit  
91 Committee.

92  
93 b. The School Board shall have the authority to make changes in the approved  
94 audit plan during the year, and these changes shall be submitted to the Audit  
95 Committee for advisory input. All staff requests for amendments to the audit  
96 plan shall be reviewed by the Audit Committee and submitted to the School  
97 Board for approval, along with a report stating the Audit Committee's advice  
98 on the requested amendments.

99  
100 c. Types of audits to be performed by internal audit shall include, but not be  
101 limited to: performance audits, economy and efficiency audits, program  
102 audits, financial statement audits, and financial-related audits, as defined by  
103 the *Government Auditing Standards*.

## 104 **5. Auditing and Reporting Procedures**

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106  
107 a. Internal audit will conduct its affairs in accordance with this Policy; the Audit  
108 Committee charter as set forth in Policy 1.091; the *Government Auditing*  
109 *Standards*; and the *Audit Manual*, which is hereby incorporated by reference  
110 herein and made a part of this Policy, provided that nothing in the *Manual*  
111 shall be interpreted as contrary to state or federal law. The *Audit Manual* shall  
112 be filed with the Clerk of the School Board as a part of this Policy and shall be  
113 available for inspection in the Public Information office. If any part of the *Audit*  
114 *Manual* may be deemed to conflict with this body of the Policy, the provisions  
115 within this body of the Policy shall control.

116  
117 b. The District Auditor, in collaboration with the Superintendent, may initiate and  
118 conduct any emergency audits or reviews not listed in the audit plan, if  
119 deemed necessary, in view of potential illegal acts, fraud, abuse, or misuse of  
120 District funds. Evidence of such irregularities shall be referred to the School  
121 Police and the School Board's Office of Chief Counsel for further investigation.

122  
123 c. Except for audits intended to be unannounced, reasonable notice should be  
124 given to appropriate personnel of an intent to audit in their area.

125  
126 d. During the course of audit work, the District Auditor and Audit staff shall be  
127 alert to any indications of fraud, abuse, or illegal acts. If the District Auditor  
128 detects apparent violations of law or apparent instances of misfeasance,  
129 malfeasance, or nonfeasance by an employee or information that dereliction  
130 may be reasonably anticipated, the District Auditor shall consult with the

131 Superintendent, Chief Counsel to the School Board, and the School Police  
132 Chief. If the irregularity may be criminal in nature, the investigation shall be  
133 handled by the School Police Department, in conjunction with the Office of  
134 Chief Counsel to the School Board.  
135

- 136 e. Each internal audit will result in a written report. Audit reports shall be  
137 objective, clear, concise, constructive, and timely and shall contain the  
138 professional conclusions of the auditor regarding the activities audited.  
139
- 140 f. Before issuing a final written report, the District Auditor will communicate with,  
141 and schedule a meeting to review the preliminary report and response with,  
142 the respective audited department, office, or division. When auditing a  
143 vendor, and/or in the event information and response is needed from a  
144 vendor, this step may include meeting with the vendor when the audit is near  
145 completion, and the vendor or affected person must agree to maintain the  
146 confidentiality of preliminary/draft report and the information contained therein  
147 pursuant to § 119.07(3)(y), Fla. Stat., and shall enter into a written  
148 confidentiality agreement for the period until the audit is completed. A  
149 vendor's failure to enter such written confidentiality agreement shall be  
150 deemed to constitute that vendor's waiver of the opportunity to respond to the  
151 preliminary report, and the audit shall be completed without the vendor's  
152 response.  
153
- 154 g. The District Auditor shall advise the Superintendent of the findings. However,  
155 the Auditor shall not provide any preliminary reports to the School Board or  
156 individual Board members until the final draft of the report is distributed  
157 (absent a Board vote requesting receipt of a preliminary/draft report before the  
158 final draft of the report).  
159
- 160 h. The District Auditor will place on the agenda the finalized audit report for the  
161 next available Audit Committee meeting prior to submitting the final report to  
162 the School Board.  
163
- 164 i. Pursuant to § 119.07(3)(y), Fla. Stat., and Ch. 95-399 § 2, Laws of Fla., work  
165 papers, notes, and preliminary or draft audit reports shall be held confidential  
166 and exempt from public-records disclosure until the audit is completed by  
167 submission of the final draft of the report to the School Board.  
168
- 169 j. To enhance the independence, objectivity, and effectiveness of the auditing  
170 process, the final report shall be submitted at the same time to all members of  
171 the School Board, the Superintendent, and affected department heads. After  
172 submission of the final draft or final report to the School Board, audit reports  
173 will be available to members of the press and the general public upon request.  
174

175 k. The District Auditor may request periodic status reports from audited  
176 departments, offices, or divisions regarding corrective actions taken to  
177 address reported deficiencies and audit recommendations.  
178

179 STATUTORY AUTHORITY: §§ §§ 1001.41(2) [230.22(2)]; 1001.42(22) [230.23(22)], Fla. Stat.

180 LAWS IMPLEMENTED: §§ 119.07(3)(y); 1001.41 [230.22]; 1001.42(10)(l) [230.23(10)(l)];  
181 286.011, Fla. Stat.

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

184 HISTORY: \_\_ / \_\_ /03

Legal signoff:

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

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Attorney

\_\_\_\_\_  
Date