

NEW POLICY 1.092

4-D 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 77-80:
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.

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.
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- 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. To promote the independence and objectivity of the audit function, the District
23 Auditor shall report to, and be evaluated by, the School Board pursuant to
24 Fla. Stat. § 230.23(10)(l).
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- 26 b. The Audit Committee is governed by Policy 1.09, "Advisory Committees to
27 the Board," and shall promote independence in the internal audit function and
28 advise on ensuring broad audit coverage, adequate consideration of audit
29 reports, and appropriate action on audit reports.
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- 31 c. The District Auditor's office shall be free of organizational and political
32 pressures that limit its objectivity in selecting areas to be examined in
33 implementing the audit plan. The District Auditor should not be involved in
34 any political campaign for a School Board elective office nor make financial
35 contributions to any such campaign.
- 36
- 37 d. The District Auditor's office should be adequately staffed, within financial
38 constraints, to perform its auditing activities; and auditors should maintain their
39 technical competence through continuing education.
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41 e. The District Auditor and personnel on the internal audit staff are required to
42 follow the Audit Manual and all the Policies, procedures, and guidelines which
43 govern other District employees. The District Auditor is responsible for
44 administering and enforcing the audit staff's compliance with such Policies,
45 procedures, and guidelines and the Audit Manual.

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47 **3. Authority**

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49 a. To properly carry out its responsibilities, internal audit shall reasonably be
50 granted:

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52 i. The authority to conduct performance and financial audits of all
53 departments, offices, activities; programs under the control of the School
54 Board; and expenditures incurred by the School District;

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

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61 iii. The authority to request reasonable assistance from appropriate
62 personnel in locating assets and obtaining records and documents; and

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

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

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75 **4. Responsibility and Scope of Activities**

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77 a. Before the beginning of each fiscal year, the District Auditor shall develop, for
78 approval by the Board, a proposed audit plan after consultation with the
79 Board and Audit Committee at a joint meeting, and with input from the
80 Superintendent and other high-level administrators. Before presenting the
81 proposed audit plan for approval by the Board, the District Auditor shall first
82 submit the proposed plan (reflecting budget, staffing, scheduled audits, and
83 non-audit activities) for review and discussion by the Audit Committee, whose
84 advice on the proposed plan will be reported to the School Board before a
85 vote by the Board. The District Auditor may amend the approved plan during

86 the fiscal year only by approval of the School Board with input from the Audit
87 Committee.

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

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

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101 **5. Auditing and Reporting Procedures**

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

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

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

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122 d. During the course of audit work, the District Auditor and Audit staff shall be
123 alert to any indications of fraud, abuse, or illegal acts. If the District Auditor
124 detects apparent violations of law or apparent instances of misfeasance,
125 malfeasance, or nonfeasance by an employee or information that dereliction
126 may be reasonably anticipated, the District Auditor shall consult with the
127 Superintendent, Chief Counsel to the School Board, and the School Police
128 Chief. If the irregularity may be criminal in nature, the investigation shall be
129 handled by the School Police Department, in conjunction with the Office of
130 Chief Counsel to the School Board.

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132 e. Each internal audit will result in a written report. Audit reports shall be
133 objective, clear, concise, constructive, and timely and shall contain the
134 professional conclusions of the auditor regarding the activities audited.
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136 f. Before issuing a final written report, the District Auditor will communicate with,
137 and schedule a meeting to review the preliminary report and response with,
138 the respective audited department, office, or division. When auditing a
139 vendor, and/or in the event information and response is needed from a
140 vendor, this step may include meeting with the vendor when the audit is near
141 completion, and the vendor or affected person must agree to maintain the
142 confidentiality of preliminary/draft report and the information contained therein
143 pursuant to § 119.07(3)(y), Fla. Stat., and shall enter into a written
144 confidentiality agreement for the period until the audit is completed. A
145 vendor's failure to enter such written confidentiality agreement shall be
146 deemed to constitute that vendor's waiver of the opportunity to respond to the
147 preliminary report, and the audit shall be completed without the vendor's
148 response.
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150 g. The District Auditor shall advise the Superintendent of the findings. However,
151 the Auditor shall not provide any preliminary reports to the School Board or
152 individual Board members until the final draft of the report is distributed
153 (absent a Board vote requesting receipt of a preliminary/draft report before the
154 final draft of the report).
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156 h. The District Auditor will place on the agenda the finalized audit report for the
157 next available Audit Committee meeting prior to submitting the final report to
158 the School Board.
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160 i. Pursuant to § 119.07(3)(y), Fla. Stat., and Ch. 95-399 § 2, Laws of Fla., work
161 papers, notes, and preliminary or draft audit reports shall be held confidential
162 and exempt from public-records disclosure until the audit is completed by
163 submission of the final draft of the report to the School Board.
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165 j. To enhance the independence, objectivity, and effectiveness of the auditing
166 process, the final report shall be submitted at the same time to all members of
167 the School Board, the Superintendent, and affected department heads. After
168 submission of the final draft or final report to the School Board, audit reports
169 will be available to members of the press and the general public upon request.
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171 k. The District Auditor may request periodic status reports from audited
172 departments, offices, or divisions regarding corrective actions taken to
173 address reported deficiencies and audit recommendations.
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STATUTORY AUTHORITY: §§ 230.22(2); 230.23(22), Fla. Stat.

176 LAW IMPLEMENTED: §§ 119.07(3)(y); 230.22; 230.23(10)(l); 286.011, Fla. Stat.
177 OTHER REQUIREMENTS: *Government Auditing Standards*, General Accounting Office,
178 U.S. Comptroller of the Treasury.
179 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