

**POLICY 1.092**

**4-D** I recommend the Board approve the proposed new Policy 1.092, to be entitled "Internal Audit Function." [CONTACT LUNG CHIU, 434-7335]

Development

- The Office of Chief Counsel and the District Auditor's Office worked together to prepare this proposed Policy based on the existing Internal Audit charter.
- On April 12, 2002, the Audit Committee approved this proposed Policy for recommendation to the Board.

## 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 the School Board through the Audit Committee  
24     pursuant to § 230.23(10)(l), Fla. Stat., and Policy 1.091. The Audit  
25     Committee is the School Board's designee responsible for the performance  
26     of the District Auditor.

27  
28     b. The Audit Committee is governed by Policy 1.09, "Advisory Committees to  
29     the Board," and shall promote independence in the internal audit function and  
30     ensure broad audit coverage, adequate consideration of audit reports, and  
31     appropriate action on audit reports.

32  
33     c. The District Auditor's office shall be free of organizational and political  
34     pressures that limit its objectivity in selecting areas to be examined in  
35     implementing the audit plan. The District Auditor should not be involved in  
36     any political campaign for a School Board elective office nor make financial  
37     contributions to any such campaign.

38  
39     d. The District Auditor's office should be adequately staffed, within financial  
40     constraints, to perform its auditing activities; and auditors should maintain their  
41     technical competence through continuing education.

- 42  
43 e. Personnel on the internal audit staff are required to follow the *Audit Manual*  
44 and the policies, procedures, and guidelines which govern District employees.  
45 With the advice and counsel of the Audit Committee Chair, the District Auditor  
46 is responsible for administering and enforcing the audit staff's compliance with  
47 such policies, procedures, and guidelines and the *Audit Manual*.  
48

### 49 3. Authority

- 50  
51 a. To properly carry out its responsibilities, internal audit shall reasonably be  
52 granted:  
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54 i. The authority to conduct performance and financial audits of all  
55 departments, offices, activities; programs under the control of the School  
56 Board; and expenditures incurred by the School District;  
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58 ii. Complete and unrestricted access to all District records, documents, and  
59 facilities or other assets owned, borrowed, or used by the District, which  
60 includes information regarding District vendors, as deemed necessary in  
61 performing audit activities;  
62  
63 iii. The authority to request reasonable assistance from appropriate  
64 personnel in locating assets and obtaining records and documents; and  
65  
66 iv. Unrestricted interview privileges, both written or oral, with all District  
67 management and employees. The District Auditor may also obtain  
68 information from District vendors when such information is needed while  
69 conducting an audit.  
70  
71 b. Auditors are to have no authority or responsibility for the activities they audit.  
72 The District Auditor or any of the employees of the Office of District Auditor  
73 shall not conduct or supervise an audit of an activity for which he/she was  
74 responsible or within which he/she was employed during the preceding two  
75 (2) years.  
76

### 77 4. Responsibility and Scope of Activities

- 78  
79 a. Before the beginning of each fiscal year, the District Auditor shall develop, in  
80 cooperation with the Superintendent, a proposed audit plan. The District  
81 Auditor shall submit to the Audit Committee such plan reflecting budget,  
82 staffing, scheduled audits, and non-audit activities, for review, discussion,  
83 and preliminary approval by the Audit Committee before final approval by the  
84 School Board. The District Auditor may amend the approved plan during the  
85 fiscal year only by preliminary approval of the Audit Committee and final  
86 approval by the School Board.

- 87  
88 b. The School Board shall have the authority to make changes in the approved  
89 audit plan during the year, and these changes shall be submitted to the Audit  
90 Committee. All staff requests for amendments to the audit plan shall be  
91 reviewed by the Audit Committee and, if preliminarily approved by the  
92 committee, submitted to the School Board for approval.
- 93
- 94 c. Types of audits to be performed by internal audit shall include, but not be  
95 limited to: performance audits, economy & efficiency audits, program audits,  
96 financial statement audits, and financial-related audits, as defined by the  
97 Government Auditing Standards.
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99 **5. Auditing and Reporting Procedures**

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- 101 a. Internal Audit will conduct its affairs in accordance with this Policy; the Audit  
102 Committee charter as set forth in Policy 1.091; the *Government Auditing*  
103 *Standards*; and the *Audit Manual*, which is hereby incorporated by reference  
104 herein and made a part of this Policy, provided that nothing in the *Manual*  
105 shall be interpreted as contrary to state or federal law. The *Audit Manual* shall  
106 be filed with the Clerk of the School Board as a part of this Policy and shall be  
107 available for inspection in the Public Information office. If any part of the *Audit*  
108 *Manual* may be deemed to conflict with this body of the Policy, the terms  
109 within this body of the Policy shall control.
- 110
- 111 b. The District Auditor, in collaboration with the Superintendent, may initiate and  
112 conduct any emergency audits or reviews not listed in the audit plan, if  
113 deemed necessary, in view of potential illegal acts, fraud, abuse, or misuse of  
114 District funds. Evidence of such irregularities shall be referred to the School  
115 Police and the School Board's Office of Chief Counsel for further investigation.
- 116
- 117 c. Except for audits intended to be unannounced, reasonable notice should be  
118 given to appropriate personnel of an intent to audit in their area.
- 119
- 120 d. During the course of audit work, the District Auditor and his staff shall be alert  
121 to any indications of fraud, abuse, or illegal acts. If the District Auditor detects  
122 apparent violations of law or apparent instances of misfeasance, malfeasance,  
123 or nonfeasance by an employee or information that dereliction may be  
124 reasonably anticipated, the District Auditor shall consult with the  
125 Superintendent, Chief Counsel to the School Board, and the School Police  
126 Chief. If the irregularity may be criminal in nature, the investigation shall be  
127 handled by the School Police Department, in conjunction with the Office of  
128 Chief Counsel to the School Board.
- 129
- 130 e. Each audit will result in a written report. Audit reports shall be objective, clear,  
131 concise, constructive, and timely and shall contain the professional

132 conclusions of the auditor regarding the activities audited.

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- 134 f. Before issuing a final written report, the District Auditor will communicate with,
- 135 and schedule a meeting to review the preliminary report and response with,
- 136 the respective audited department, office, or division. When auditing a
- 137 vendor, this step may include meeting with the vendor when the audit is near
- 138 completion, and the vendor must agree to maintain the confidentiality of
- 139 preliminary/draft report and the information contained therein pursuant to §
- 140 119.07(3)(y), Fla. Stat., and shall enter into a written confidentiality
- 141 agreement. A vendor's failure to enter such written confidentiality agreement
- 142 shall be deemed to constitute that vendor's waiver of the opportunity to
- 143 respond to the preliminary report, and the audit shall be completed without the
- 144 vendor's response.
- 145
- 146 g. The District Auditor shall advise the Superintendent of the findings. However,
- 147 the Auditor shall not provide any preliminary reports to the School Board or
- 148 individual Board members until the final draft of the report is distributed
- 149 (absent a Board vote requesting receipt of a preliminary/draft report before the
- 150 final draft of the report).
- 151
- 152 h. The District Auditor will place on the agenda the finalized audit report for the
- 153 next available Audit Committee meeting prior to submitting the final report to
- 154 the School Board.
- 155
- 156 i. Pursuant to § 119.07(3)(y), Fla. Stat., and Ch. 95-399 § 2, Laws of Fla., work
- 157 papers, notes, and preliminary or draft audit reports shall be held confidential
- 158 and exempt from public-records disclosure until the audit is completed by
- 159 submission of the final draft of the report to the School Board.
- 160
- 161 j. To enhance the independence, objectivity, and effectiveness of the auditing
- 162 process, the final report shall be submitted at the same time to all members of
- 163 the School Board, the Superintendent, and affected department heads. After
- 164 submission of the final draft or final report to the School Board, audit reports
- 165 will be available to members of the press and the general public upon request.
- 166
- 167 k. The District Auditor may request periodic status reports from audited
- 168 departments, offices, or divisions regarding corrective actions taken to
- 169 address reported deficiencies and audit recommendations.
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171 **STATUTORY AUTHORITY:** §§ 230.22(2); 230.23(22), Fla. Stat.

172 **LAW IMPLEMENTED:** §§ 119.07(3)(y); 230.22; 230.23(10)(l); 286.011, Fla. Stat.

173 **OTHER REQUIREMENTS:** *Government Auditing Standards*, General Accounting Office,

174 U.S. Comptroller of the Treasury.

175 **HISTORY:**  / /02

**Legal Signoff:**

From: Office of Chief Counsel

Re: Proposed New Policy 1.092, to be entitled "Internal Audit Function."

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This proposed Policy has been reviewed and is legally sufficient to be brought to the Board for development.

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Bruce A. Harris, Esq.

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Date