

POLICY 1.092

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

[CONTACT: LUNG CHIU, 434-7335]

◆ Adoption

- The Office of Chief Counsel and the District Auditor's Office cooperated 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.
- The Board approved the proposed Policy at the Special Meeting on Policies on April 22, 2002.

CONSENT ITEM

PROPOSED NEW POLICY 1.092

INTERNAL AUDIT FUNCTION

1. Purpose

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- a. It is the express interest of the School Board and the Superintendent of the School District of Palm Beach County to promote fiscal responsibility and accountability for the operations of the District. The internal audit function shall be considered an essential element in achieving these goals, with a view to assisting the School Board and District management in carrying out their responsibilities relating to fiscal policies, internal controls, and management reporting practices.
- b. Internal audit will serve an independent appraisal function within the District to examine and evaluate its activities, including the adequacy and effectiveness of the District's system of internal controls and the quality of performance. Internal audit will provide analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed. The School Board and management of the District will be notified of any potential problem areas.

2. Organization of the Internal Audit Function

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- a. To promote the independence and objectivity of the audit function, the District Auditor shall report to the School Board through the Audit Committee pursuant to § 230.23(10)(l), Fla. Stat., and Policy 1.091. The Audit Committee is the School Board's designee responsible for the performance of the District Auditor.
- b. The Audit Committee is governed by Policy 1.09, "Advisory Committees to the Board," and shall promote independence in the internal audit function and ensure broad audit coverage, adequate consideration of audit reports, and appropriate action on audit reports.
- c. The District Auditor's office shall be free of organizational and political pressures that limit its objectivity in selecting areas to be examined in implementing the audit plan. The District Auditor should not be involved in any political campaign for a School Board elective office nor make financial contributions to any such campaign.
- d. The District Auditor's office should be adequately staffed, within financial constraints, to perform its auditing activities; and auditors should maintain their technical competence through continuing education.

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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*.
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49 3. Authority

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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;

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

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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.
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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.
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77 4. Responsibility and Scope of Activities

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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.

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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.

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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.

98 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.

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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.

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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.

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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.

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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.

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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).

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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.

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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.

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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.

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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

Proof of Publication of Development Notice

Proof of Publication of Adoption Notice

Estimated Cost Form