

Office of Superintendent of Schools
Board Meeting of September 7, 2011

August 26, 2011

Office of School Board Attorney
Walter J. Harvey, School Board Attorney

SUBJECT: **PROPOSED AMENDMENT TO SCHOOL BOARD POLICIES:
INITIAL READING POLICY 6835 - *Office of Management and
Compliance Audits*, and 6840 - *Audit and Budget Advisory
Committee***

COMMITTEE: **INNOVATION, EFFICIENCY, AND GOVERNMENTAL
RELATIONS**

**LINK TO STRATEGIC
FRAMEWORK:** **SCHOOL/DISTRICT LEADERSHIP**

At its regular meeting of August 3, 2011, the School Board approved Agenda Item H-4 ("Audit Committee") presented by Mr. Carlos L. Curbelo, Board member seeking the initiation of rulemaking proceedings to amend School Board Policies 6835 and 6840. Pursuant to the Board's passage of Agenda Item H-4, this item is presented for the Board's consideration to initiate rulemaking proceedings in accordance with the Administrative Procedure Act to amend School Board Policies 6835 - *Office of Management and Compliance Audits*, and 6840 - *Audit and Budget Advisory Committee*, to reflect that the Chief Auditor reports directly to the School Board. Other amendments to these policies are also proposed in order to comport with the Board's directive that the Auditor's reporting line be revised to delineate that the Chief Auditor reports to directly to the School Board. These proposed amendments will neither diminish nor hinder the effectiveness of the Audit and Budget Advisory Committee.

Attached are the Notice of Intended Action and the proposed policy amendments. Changes from the current rule are indicated by underscoring words to be added and ~~striking-through~~ words to be deleted.

Authorization of the Board is requested for the School Board Attorney to initiate rulemaking proceedings pursuant to the Administrative Procedure Act to amend School Board Policies 6835 - *Office of Management and Compliance Audits*, 6840 - *Audit and Budget Advisory Committee*.

RECOMMENDED: That The School Board of Miami-Dade County, Florida, authorize the Superintendent to initiate rulemaking proceedings pursuant to the Administrative Procedure Act to amend School Board Policies 6835 - *Office of Management and Compliance Audits*, and 6840 - *Audit and Budget Advisory Committee*.

REPLACE THIS PAGE ONLY

NOTICE OF INTENDED ACTION

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA, announced on ~~July 13, 2011~~ September 7, 2011, its intention to amend School Board Policy 6835, *Office of Management and Compliance Audits* at its meeting of ~~September 7, 2011~~ October 19, 2011.

REVISED

PURPOSE AND EFFECT: The purpose of the proposed amendment is to clarify that the Chief Auditor reports directly to the School Board. Additional proposed amendments are included in order to comport with the Board's directive that the reporting line for the position of the Chief Auditor specify that the Chief Auditor reports to the Board and that the Office of Management Audits reports to the Board through the Chief Auditor.

SUMMARY: The proposed amendments clearly delineate that the Chief Auditor reports to the School Board.

SPECIFIC LEGAL AUTHORITY UNDER WHICH RULEMAKING IS AUTHORIZED: 1001.41(1), (2); 1001.42(25); 1001.43(10), F.S.

LAW IMPLEMENTED, INTERPRETED OR MADE SPECIFIC: 119.07; 286.011; 1001.32; 1001.41(1)(2); 1012.31, F.S.

IF REQUESTED, A HEARING WILL BE HELD DURING THE BOARD MEETING of October 19, 2011, which begins at 1:00 p.m., in the School Board Auditorium, 1450 N.E. Second Avenue, Miami, Florida 33132. Persons requesting such a hearing or who wish to provide a proposal for a lower cost regulatory alternative as provided by Section 120.541(1), F.S., must do so in writing by October 3, 2011, to the Superintendent, Room 912, at the same address.

ANY PERSON WHO DECIDES TO APPEAL THE DECISION made by The School Board of Miami-Dade County, Florida, with respect to this action will need to ensure the preparation of a verbatim record of the proceedings, including the testimony and evidence upon which the appeal is to be based. (Section 286.0105, Florida Statutes).

A COPY OF THE PROPOSED AMENDED POLICIES is available at cost to the public for inspection and copying in the Citizen Information Center, Room 158, 1450 N.E. Second Avenue, Miami, Florida 33132.

Originator: Carlos L. Curbelo, Board Member
Date: August 3, 2011

**REVISED
REPLACEMENT**

G-7

(08/31/11)

6835 - OFFICE OF MANAGEMENT AND COMPLIANCE AUDITS

The Chief Auditor and the Office of Management and Compliance Audits shall report to the ~~Audit and Budget Advisory Committee~~, the School Board's designee. To enhance the objectivity and effectiveness of the internal auditing activities, reports, audit findings and recommendations emanating from the Office are submitted to the Board, the Board's Audit and Budget Advisory Committee and the Superintendent at the same time.

Purpose

Internal auditing is an independent appraisal activity within an organization for the review of operations as a service to management. The objective of internal auditing is to assist the administration, the Audit and Budget Advisory Committee, and the School Board by reviewing and appraising the activities of the school system, the integrity of its records, and the general effectiveness of its operations.

Office of Management and Compliance Audits

The Office of Management and Compliance Audits is responsible for providing the Superintendent, the Audit and Budget Advisory Committee and the School Board with an independent and objective evaluation of the operation of the school system.

A. Objectives

1. Perform examinations of the financial records in accordance with generally accepted auditing standards.
2. Ascertain the reliability and adequacy of accounting and reporting systems and procedures.
3. Perform an independent appraisal of the adequacy and effectiveness of internal controls.
4. Assure compliance with policies and procedures established by the School Board and the administration, and with state and federal laws and regulations.
5. Improve the efficiency of the school system's operations by providing recommendations in audit reports.
6. Ascertain the extent to which the assets of the school system are accounted for and safeguarded from loss.

B. Responsibilities

1. Perform examinations of financial records and supporting information for the purpose of determining the accuracy of financial records and conformity with generally accepted accounting principles.

2. Perform investigative audits by applying various audit techniques and procedures for the purpose of detection of fraud or as a deterrent to fraud.
3. Review and evaluate the existence and effectiveness of adequate controls on electronic data processing systems either under development or for existing applications.
4. Undertake comprehensive and constructive examinations of functional units within the school system, including plans and objectives, methods of control and use of human and other resources.
5. Keep the Superintendent, the Audit and Budget Advisory Committee and the Board informed on audit plans and activities and to assist them by providing analyses, pertinent comments and recommendations concerning the activities reviewed.
6. Coordinate internal audit activities so as to best achieve the audit objectives of the school system and the objectives of the Audit and Budget Advisory Committee and the administration.
7. Keep abreast of new developments in the school system by attending the Board meetings and meetings of school system-wide committees.
8. Act as liaison between the school system and external auditors (federal, state and independent auditors). To monitor the responses from school system officials to audit findings and recommendations made by external auditors.
9. Upon receipt, place reports from the Office of the Inspector General (OIG) on the ~~next scheduled~~ agenda of the Audit and Budget Advisory Committee and/or the Ethics Advisory Committee. Additionally, forward to the Audit and Budget Advisory Committee and Ethics Advisory Committee any response or ~~corrective action plan~~ required by the OIG from the Superintendent or other entity that is the subject of the OIG investigation or audit.
10. Bring to the attention of the Superintendent, the Audit and Budget Advisory Committee, and the Board material matters of concern.

Policies

- A. Authority

1. The Office of Management and Compliance Audits shall have access to all records and areas within the school system.
2. The Office shall have direct communication and free access to the Superintendent, members of the Audit and Budget Advisory Committee, School Board members and school system officials to discuss audit findings.
3. The Office shall be accountable as a whole to the School Board through the Chief Auditor ~~its Audit and Budget Advisory Committee~~ in order to ensure an unrestrictive audit coverage and appropriate action in response to audit findings.
4. The Office shall be free of organizational pressures that limit its objectivity in selecting areas to be examined or in evaluating these areas.
5. The Office shall have adequate support from school system officials to perform its auditing activities.

B. Professional Standards

1. The Office staff shall comply with professional standards of conduct.
2. Internal auditing activities shall be performed with proficiency and due professional care.

C. Personnel

1. The Office should be adequately staffed to perform its auditing activities.
2. The Office personnel shall possess adequate technical proficiency, educational background and skills in human relations and communication to adequately perform the internal audit function.
3. Auditors shall maintain their technical competence through continuing education.
4. The Audit and Budget Advisory Committee shall serve as the Committee to provide recommendations on the selection of the Chief Auditor of the Office of Management and Compliance Audits and provide said recommendations to the School Board

on the person to fill the position. At the direction of the School Board, the Audit and Budget Advisory Committee shall provide its recommendations on the contractual provisions for the position of Chief Auditor. Prior to negotiation of the employment contract, the School Board shall conduct a workshop to provide guidance to the School Board's designated negotiator. Any recommendation for the removal or transfer of the Chief Auditor and the reasons for such removal or transfer shall be brought before the Audit and Budget Advisory Committee; the Audit and Budget Advisory Committee will then transmit its recommendations to the Board.

Procedures

The Chief Auditor will submit to the Audit and Budget Advisory Committee, the Superintendent, and the Board for review a comprehensive Audit Plan for a year. This plan should identify the overall audit scope of scheduled examinations in both financial and nonfinancial areas. Audit reviews, as requested by the Superintendent, the Board, the Audit and Budget Advisory Committee, and members of the administration, will be included to the degree feasible in the Audit Plan.

A. Scope of Auditing Activities

The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the system of internal control and the quality of performance in carrying out assigned responsibilities.

1. The Office shall review the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information.
2. The Office shall review the systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and shall determine whether the school system is in compliance.
3. The Office shall review the means of safeguarding assets and verify the existence of such assets.
4. The Office shall appraise the economy and efficiency with which resources are employed.
5. The Office shall review business and financial operations and controls to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

6. The Office shall review and evaluate the existence and effectiveness of controls on electronic data processing systems either under development or controls on existing applications.
- B. Performance of Auditing Activities and Communication of Results

The Chief Auditor will make an annual report to the Audit and Budget Advisory Committee, to the School Board and to the Superintendent on the results of auditing activities. Periodic reports on the results of the audits will be made at the request of the Audit and Budget Advisory Committee. These reports will contain a concise summary of audit scope and findings and major recommendations not implemented. A comparison with the Audit Plan will be made annually, summarizing the auditing services for the prior year and major variances explained.

The Office will issue an audit report at the conclusion of the performance of an audit or review.

1. The audit report shall be objective, clear, concise, constructive and timely.
2. The audit report will present the purpose, scope, results of the audit and applicable recommendations.
3. The responses from school system officials to the audit findings and recommendations will be presented with the audit report.

An evaluation of compliance with audit recommendations will subsequently be performed and major recommendations not implemented reported to the Audit and Budget Advisory Committee, the School Board, the Superintendent, and administrative personnel. The Audit and Budget Advisory Committee may request periodic reports from audited schools, departments, offices, etc., regarding corrective actions taken to address reported deficiencies and audit recommendations.

Pursuant to F.S. 119.07(3)(y), work papers, notes and preliminary or draft audit reports shall be held confidential and exempt from public records disclosure until the audit is completed and submission of the final draft of the report to the School Board.

REPLACE THIS PAGE ONLY

NOTICE OF INTENDED ACTION

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA, announced on July 13, 2011 ~~September 7, 2011~~, its intention to amend School Board Policy 6840, *Audit and Budget Advisory Committee* at its meeting of ~~September 7, 2011~~ October 19, 2011.

REVISED

PURPOSE AND EFFECT: The purpose of the proposed amendment is to clarify that the Chief Auditor reports directly to the School Board. Additional proposed amendments are included in order to comport with the Board's directive that the reporting line for the position of the Chief Auditor specify that the Chief Auditor reports to the Board. Amendments are also included to update reporting procedures and responsibilities of the Chief Auditor with respect to the Audit Committee. In order to avoid any perceived violation of the Sunshine Law, the Chief Auditor will not serve as a member of this advisory committee. The Chief Auditor will serve as the school district's liaison to the committee.

SUMMARY: The proposed amendments will clearly delineate that the Chief Auditor reports to the School Board.

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Originator: Carlos L. Curbelo, Board Member
Date: August 3, 2011

**REVISED
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G-7

(08/31/11)

6840 - AUDIT AND BUDGET ADVISORY COMMITTEE

The general purpose of the Audit and Budget Advisory Committee is to review and make recommendations to the School Board and Superintendent on fiscal management matters presented to the committee by either the Board or the Superintendent. The Audit and Budget Advisory Committee shall serve as the principal advisory committee to assist the Board in fulfilling its fiduciary responsibilities on budgeting, financial reporting and accounting and business policies and practices and is the Board's principal agent in ensuring the independence of the District's external and internal auditors.

The Audit and Budget Advisory Committee's goals are to assist in:

- A. strengthening accountability for the stewardship and efficient and effective use of School District funds;
- B. maintaining transparency of the District's financial and business operations; and
- C. promoting an adequate system of internal control.

Membership

Members of the Audit and Budget Advisory Committee should reflect the Board's commitment to diversity, have a basic understanding of finance and accounting and be able to understand and interpret financial statements and audit reports. Members should have a background in auditing, accounting, finance, business, management consulting, or law.

The members of the Audit and Budget Advisory Committee are:

- A. nine (9) voting members from the community not employed by the School District or having any direct or indirect business dealings with the School District;

The nine (9) Board members will each select one (1) appointee.

- B. one (1) voting Board member appointed by the Chair of the Board;

The Board member appointed to the Audit and Budget Advisory Committee shall vote on all matters that come before the Audit and Budget Advisory Committee.

- C. one (1) voting member from the community to be appointed by the Superintendent;
- D. one (1) non-voting member from the District to be appointed by the Superintendent;
- E. the Chief Auditor shall serve as the District's liaison and provide administrative and logistical support to the Audit and Budget Advisory Committee.

- E. ~~the Chief Auditor, who reports directly to the Audit and Budget Advisory Committee, shall serve as a non-voting member.~~

The Audit and Budget Advisory Committee shall elect a chair and vice-chair from its community members. An Audit and Budget Advisory Committee member may not serve more than four (4) consecutive years as either chair or vice-chair.

Term of Service

The term of service is two (2) fiscal years. The terms of community members nominated by Board members shall be consistent with the terms of their respective nominating Board members. Newly appointed Board members shall have the discretion to retain the former Board member's appointee or to nominate a new committee member. A member's term may be extended beyond the two (2) year term by nomination by any Board member. Community members may be removed should they miss three (3) consecutive regular meetings without good cause upon a majority vote of the audit committee.

Meetings

The Audit and Budget Advisory Committee will meet on a regular basis throughout the fiscal year with the first meeting to be scheduled in early September and the last meeting in late June. The committee will meet at least six (6) times during the fiscal year, subject to any unforeseen circumstances such as natural disasters, emergencies, etc.

When deemed necessary and appropriate, special meetings of the Audit and Budget Advisory Committee may be called by the Chief Auditor or by the chair of the Audit and Budget Advisory Committee. Such special meetings shall require at least two (2) days prior public notice.

A majority of the voting members shall constitute a quorum for the committee in order to conduct business.

All committee and subcommittee meetings are governed by the Florida's Government in the Sunshine and Public Records Laws, F.S. Chapter 119 and 286.011. Meetings will be held in open public sessions and all materials made or received by the Audit and Budget Advisory Committee in connection with official business are available for public inspection.

The Office of Management and Compliance Audits is responsible for providing administrative support to the committee, including publishing meeting notices, keeping its minutes, establishing the agenda in collaboration with the chair of the Audit and Budget Advisory Committee, and gathering the supporting documentation for distribution, and ensuring the smooth operation of the committee affairs.

Authority

The Audit and Budget Advisory Committee is advisory in nature. Its recommendations regarding audit findings and exceptions, and other items will be provided in writing to the Board and Superintendent. In its advisory role, the Audit and Budget Advisory Committee is subject to the control and direction of the Board.

Duties and Responsibilities

The duties and responsibilities of the Audit and Budget Advisory Committee are:

- A. with regard to the external auditor:
 - 1. serve as the committee to select and recommend the hiring of the external auditing firm to conduct the District's annual audit according to Florida statutes and assist in the development of the external audit contract;
 - 2. oversee the work and evaluate the qualifications, performance, and independence of the external auditor and recommend the termination or replacement of the external auditor;
 - 3. review with the external auditor their annual audit plan;
 - 4. review the Consolidated Annual Financial Report (CAFR), Management Letter, and Single Audit Report with the external auditor and District staff and make recommendations as appropriate;
 - 5. the Chief Auditor will provide administrative support to the committee for all external audit contracts.

- B. with regard to the District's budgeting and financial management:
 - 1. with the Chief Financial Officer, review proposed annual budgets, revenues, and expense forecasts and forecast assumptions, and budget amendments;
 - 2. receive periodic progress reports from the Chief Financial Officer regarding the District administration's collection and disbursement of financial resources pursuant to the District's budget;
 - 3. receive periodic reports from and consult with the Chief Financial Officer on the adequacy of the District's budget and tracking system;
 - 4. make recommendations to the Superintendent and Board to improve the quality and reliability of budgeting and accounting for the results of financial operations and not opine on the policy and programmatic implications of budget proposals and amendments.

- C. with regard to the Chief Auditor and the Office of Management and Compliance Audits:
 - 1. review the annual budget of the Office of Management and Compliance Audits and make recommendations to the Board and the Superintendent as to the sufficiency of the budget;

The budget shall make adequate provisions for external auditing fees, staffing of the office, required continued professional education/staff development, equipment, and supplies. The committee should review the costs of the use of outside professional services deemed necessary by the Chief Auditor and make recommendations to the Board.

2. review, provide feedback and approve the annual Audit Plan presented by the Chief Auditor;

Receive periodic updates on the progress in completing the Audit Plan and confer with the Chief Auditor on any significant changes in the required planned scope of the annual Audit Plan.

3. review the operations and projects against the Audit Plan to determine the progress made in the execution of the Audit Plan;
4. review internal audit reports with the Chief Auditor and District administration and make recommendations regarding audit findings, recommendations, and management responses;
5. serve as the committee, in consultation with the Superintendent, to select the Chief Auditor and provide make recommendations to the Board on the person to fill the position;

At the request of the Board, the committee will provide recommendations on the contractual provisions for the position of Chief Auditor. Prior to negotiation of the employment contract, the Board shall conduct a workshop to provide guidance to the Board's designated negotiator.

6. any recommendation for the removal or transfer of the Chief Auditor and the reasons for such removal or transfer shall be brought before the committee to obtain its recommendation to the Board;
 7. review the Chief Auditor's performance and provide input to the Superintendent and Board in connection with performance evaluations of the Chief Auditor. Written evaluations will be kept on file.
- D. review and make recommendations on the audited financial statements of the District's charter schools, community-based organizations, direct support organizations and audits of impact fees, and any other relevant external audits brought before the committee;
 - E. review and make recommendations on District-related audit reports prepared by Federal and State auditors;
 - F. provide an effective communication link between the external and internal auditors, the Board, and the Superintendent to accomplish the following objectives:

1. completeness of audit coverage;
 2. reduction of redundant efforts; and
 3. effective use of audit resources.
- G. receive and comment on periodic updates of selected audit follow-up regarding corrective action(s) being taken by the administration to implement audit recommendations;
- H. submit periodic reports, at least annually, on the work of the Audit and Budget Advisory Committee, to the Board and the Superintendent;
- I. ~~prior to initial reading,~~ review and make recommendations on any amendments to Policy 6835, Policy 6840, and Policy 0157;

At the request of the Board, provide input to the Board with respect to the selection of the Inspector General, and with regard to the operation of the Inspector General as more specifically outlined in Policy 0157.

- J. receive and review reports from the Inspector General and receive, and review, and monitor corrective action plans and responses submitted pursuant to Inspector General reports or recommendations.

F.S. 119.07(3)(y), 286.011, 1001.32, 1001.41(1)(2), 1012.31