

Solomon C. Stinson, Member

**SUBJECT: PROPOSED AMENDMENT OF SCHOOL BOARD RULE: INITIAL READING
6Gx13- 2C-1.14, OFFICE OF MANAGEMENT AND COMPLIANCE AUDITS**

COMMITTEE: BUSINESS AND FINANCIAL SERVICES

Under §1001.42(10)(l), Florida Statutes, the School Board is authorized to employ an internal auditor to perform ongoing financial verification of the financial records of the school district. The statute provides that the internal auditor shall report directly to the district school board or its designee. School Board Rule 6Gx13- 2C-1.14, states that the office reports operationally to the Superintendent of Schools and administratively to the School Board through its Audit Committee, the School Board's designee. In order to ensure that the Board Rule is clear as to the reporting line, the proposed amendment will provide a specific reporting line for the Office of Management and Compliance Audits to the School Board through the Audit Committee as the School Board's designee. Attached for your information and review is a copy of the School Board Policy from Palm Beach County School District regarding the internal audit function reporting to the School Board.

Additionally, to further provide independence and objectivity of the internal audit function, it is recommended that the Chief Auditor be designated as a contract employee. Therefore, the School Board is requested to direct the Superintendent to take necessary action to delete the position of Chief Auditor from School Board Rule 6Gx13- 4D-1.022, Manual of Procedures for Managerial Exempt Personnel.

Attached are the Notice of Intended Action and the rule proposed for amendment. 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 Superintendent to initiate rulemaking proceedings in accordance with the Administrative Procedure Act for the amendment of Board Rule 6Gx13- 2C-1.14, Office of Management and Compliance Audits.

ACTION PROPOSED BY SOLOMON C. STINSON: That The School Board of Miami-Dade County, Florida, authorize the Superintendent to:

- 1) initiate rulemaking proceedings in accordance with the Administrative Procedure Act to amend School Board Rule 6Gx13- 2C-1.14, Office of Management and Compliance Audits, to provide that the Office of Management and Compliance Audits reports to the School Board through its Audit Committee, the School Board's designee; and
- 2) take necessary action to delete the position of Chief Auditor from School Board Rule 6Gx13- 4D-1.022, Manual of Procedures for Managerial Exempt Personnel.

**REPLACEMENT
D-17**

NOTICE OF INTENDED ACTION

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA, announced on April 9, 2003, its intention to amend Board Rule 6Gx13- 2C-1.14, Office of Management and Compliance Audits, at its meeting of May 14, 2003.

PURPOSE AND EFFECT: The revision to the Board Rule will provide the specific reporting line for the Office of Management and Compliance Audits in accordance with Florida Law.

SUMMARY: The rule as amended provides for policies and procedures by which the Office of Management and Compliance Audits will function and will specify the reporting line of the office to the School Board through the Audit Committee as the School Board's designee.

SPECIFIC LEGAL AUTHORITY UNDER WHICH RULEMAKING IS AUTHORIZED: 1001.41(1)(2); 1001.42(22); 1001.43(10) F.S.

LAW IMPLEMENTED, INTERPRETED, OR MADE SPECIFIC: 119.07(3)(y); 1001.42(10)(l); 1012.31 F.S.

IF REQUESTED, A HEARING WILL BE HELD DURING THE BOARD MEETING OF May 14, 2003 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 information regarding the statement of estimated regulatory costs, or 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 May 5, 2003, to the Superintendent of Schools, 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 RULE is available for inspection and copying at cost by the public in the Citizen Information Center, Room 158, 1450 N.E. Second Avenue, Miami, Florida 33132.

Originator: Dr. Solomon C. Stinson
Date: April 1, 2003

Administrative Operations**OFFICE OF MANAGEMENT AND COMPLIANCE AUDITS**

To promote the independence and objectivity of the internal audit function,
~~The Office of Management and Compliance Audits reports operationally to the Superintendent of Schools and administratively to the School Board through its Audit Committee, the School Board's designee,~~ pursuant to Section 1001.42(10)(1), Florida Statutes. To enhance the ~~objectivity and effectiveness~~ of the internal auditing activities, reports, audit findings and recommendations emanating from the Office are submitted to the School Board, the Board's Audit Committee and the Superintendent of Schools at the same time.

I. 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 School Board, the administration, and the Audit 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.

II. Office of Management and Compliance Audits

The Office of Management and Compliance Audits is responsible for providing the Superintendent of Schools, the Audit 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 School Board, the Superintendent of Schools, and the Audit Committee ~~and the School 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 Committee and the administration.
7. Keep abreast of new developments in the school system by attending the School 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. Bring to the attention of the School Board, the Superintendent of Schools, and the Audit Committee; ~~and the School Board~~ material matters of concern.

III. 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 with the School Board members, the Superintendent of Schools, members of the Audit Committee, School Board members and school system officials to discuss audit findings.
3. The Office shall report ~~administratively~~ to the School Board through its Audit 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 ~~their~~ 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 ~~should~~ shall comply with professional standards of conduct.
2. Internal auditing activities ~~should~~ 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 ~~should~~ shall possess adequate technical proficiency, educational background and skills in human relations and communication to adequately perform the internal audit function.
3. Auditors ~~should~~ shall maintain their technical competence through continuing education.
4. ~~The Audit Committee should review and provide their recommendations to the School Board and the Superintendent of Schools regarding the selection of the person to fill the position of Chief Auditor. The reasons for termination of employment of the Chief Auditor should also be reviewed by the Audit Committee.~~

The Chief Auditor shall be employed and evaluated by the School Board with input from the Audit Committee. Such written evaluations will be on file pursuant to Section 1012.31, Florida Statutes. The reasons for termination, reassignment, or transfer of the Chief Auditor shall be reviewed by the Audit Committee, who shall provide its recommendations to the School Board.

5. Additions to the internal audit staff, or changes in staffing levels of the Office may be made by approval of the School Board upon the recommendation of the Chief Auditor to the Audit Committee, who shall provide its recommendations to the School Board. The reasons for termination, reassignment, or transfer of Office staff shall be reviewed by the Audit Committee, who shall provide its recommendations to the School Board. Annual evaluations of the office staff will be made by the Chief Auditor and filed pursuant to Section 1012.31, Florida Statutes.

IV. Procedures

The Chief Auditor will submit to the School Board, the Audit Committee and the Superintendent of Schools 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 School Board, the Audit Committee, the Superintendent of Schools, the School Board, the Audit 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 periodic an annual reports to the Audit Committee, to the School Board and to the Superintendent of Schools on the progress results of auditing activities. Periodic reports on the progress of the audits will be made at the request of the Audit 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 activities 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 ~~should~~ 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 Committee, the School Board, the Superintendent of Schools, and administrative personnel. The Audit Committee may request periodic reports from audited schools, departments, offices, etc., regarding corrective actions taken to address reported deficiencies and audit recommendations.

Pursuant to Section 119.07(3)(y), Florida Statutes, work papers, notes and preliminary or draft audit reports shall be held confidential and exempt from public records disclosure until the audit is completed by submission of the final draft of the report to the Audit Committee.

Specific Authority: ~~230.22(2); 230.23(22)~~ 1001.41(1)(2); 1001.42(22); 1001.43(10) F.S.
Law Implemented, Interpreted, or Made Specific: ~~44.45(3)(a)4; 119.07(3)(y);~~
~~230.23005(2); 230.33(6); 230.33(7)(a); 230.33(15)~~ 1001.42(10)(l); 1012.31 F.S.

History

New: 3-31-82

Amended: 12-12-01

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

1.092 INTERNAL AUDIT FUNCTION

School Board Policy 6Gx50-1.092

INTERNAL AUDIT FUNCTION

1. Purpose

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

2. Organization of the Internal Audit Function

- a. 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.
- b. The Audit Committee is governed by Policies 1.09, "Advisory Committees to the Board" and 1.091, "Audit Committee," and it shall promote independence in the internal audit function and advise on ensuring 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.
- e. The District Auditor and personnel on the internal audit staff are required to follow the Audit Manual and all the Policies, procedures, and guidelines which govern other District employees. The District Auditor is responsible for administering and enforcing the audit staff's compliance with such Policies, procedures, and guidelines and the Audit Manual.

3. Authority

- a. To properly carry out its responsibilities, internal audit shall reasonably be granted:
 - i. The authority to conduct performance and financial audits of all departments, offices, activities; programs under the control of the School Board; and expenditures incurred by the School District;
 - ii. Complete and unrestricted access to all District records, documents, and facilities or other assets owned, borrowed, or used by the District, which includes information regarding District vendors, as deemed necessary in performing audit activities;
 - iii. The authority to request reasonable assistance from appropriate personnel in locating assets and obtaining records and documents; and
 - iv. Unrestricted interview privileges, both written or oral, with all District management and employees. The District Auditor may also obtain information from District vendors when such information is needed while conducting an audit.

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

4. Responsibility and Scope of Activities

- a. 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. Before presenting the proposed audit plan for approval by the Board, the District Auditor shall first submit the proposed plan (reflecting budget, staffing, scheduled audits, and non-audit activities) for review and discussion by the Audit Committee, whose advice on the proposed plan will be reported to the School Board before a vote by the Board. The District Auditor may amend the approved plan during the fiscal year only by approval of the School Board with input from the Audit Committee.
- b. The School Board shall have the authority to make changes in the approved audit plan during the year, and these changes shall be submitted to the Audit Committee for advisory input. All staff requests for amendments to the audit plan shall be reviewed by the Audit Committee and submitted to the School Board for approval, along with a report stating the Audit Committee's advice on the requested amendments.
- c. Types of audits to be performed by internal audit shall include, but not be limited to: performance audits, economy and efficiency audits, program audits, financial statement audits, and financial-related audits, as defined by the *Government Auditing Standards*.

5. Auditing and Reporting Procedures

- a. Internal audit will conduct its affairs in accordance with this Policy; the Audit Committee charter as set forth in Policy 1.091; the *Government Auditing Standards*; and the *Audit Manual*, which is hereby incorporated by reference herein and made a part of this Policy, provided that nothing in the *Manual* shall be interpreted as contrary to state or federal law. The *Audit Manual* shall be filed with the Clerk of the School Board as a part of this Policy and shall be available for inspection in the Public Information office. If any part of the *Audit Manual* may be deemed to conflict with any body of the Policy, the provisions within this body of the Policy shall control.
- b. The District Auditor, in collaboration with the Superintendent, may initiate and conduct any emergency audits or reviews not listed in the audit plan, if deemed necessary, in view of potential illegal acts, fraud, abuse, or misuse of District funds. Evidence of such irregularities shall be referred to the School Police and the School Board's Office of Chief Counsel for further investigation.
- c. Except for audits intended to be unannounced, reasonable notice should be given to appropriate personnel of an intent to audit in their area.
- d. During the course of audit work, the District Auditor and Audit staff shall be alert to any indications of fraud, abuse, or illegal acts. If the District Auditor detects apparent violations of law or apparent instances of misfeasance, malfeasance, or nonfeasance by an employee or information that dereliction may be reasonably anticipated, the District Auditor shall consult with the Superintendent, Chief Counsel to the School Board, and the School Police Chief. If the irregularity may be criminal in nature, the investigation shall be handled by the School Police Department, in conjunction with the Office of Chief Counsel to the School Board.
- e. Each internal audit will result in a written report. Audit reports shall be objective, clear, concise, constructive, and timely and shall contain the professional conclusions of the auditor regarding the activities audited.
- f. Before issuing a final written report, the District Auditor will communicate with, and schedule a meeting to review the preliminary report and response with, the respective audited department, office, or division. When auditing a vendor, and/or in the event information and response is needed from a vendor, this step may include meeting with the vendor when the audit is near completion, and the vendor or affected person must agree to maintain the confidentiality of preliminary/draft report and the information contained therein pursuant to Fla. Stat. § 119.07(1)(b) and shall enter into a written confidentiality agreement for the period until the audit is completed. A vendor's failure to enter such written confidentiality agreement shall be deemed to constitute that vendor's waiver of the opportunity to respond to the preliminary report, and the audit shall be completed without the vendor's response.
- g. The District Auditor shall advise the Superintendent of the findings. However, the Auditor shall not provide any preliminary reports to the School Board or individual Board members until the final draft of the report is distributed.

(absent a Board vote requesting receipt of a preliminary/draft report before the final draft of the report).

- h. The District Auditor will place on the agenda the finalized audit report for the next available Audit Committee meeting prior to submitting the final report to the School Board.
- i. Pursuant to § 119.07(3)(y), Fla. Stat., and Ch. 95-399 § 2, Laws of Fla., work papers, notes, and preliminary or draft audit reports shall be held confidential and exempt from public-records disclosure until the audit is completed by submission of the final draft of the report to the School Board.
- j. To enhance the independence, objectivity, and effectiveness of the auditing process, the final report shall be submitted at the same time to all members of the School Board, the Superintendent, and affected department heads. After submission of the final draft or final report to the School Board, audit reports will be available to members of the press and the general public upon request.
- k. The District Auditor may request periodic status reports from audited departments, offices, or divisions regarding corrective actions taken to address reported deficiencies and audit recommendations.

STATUTORY AUTHORITY: §§ 1001.41(2); 1001.42(22), Fla. Stat.

LAWS IMPLEMENTED: §§ 119.07(3)(y); 1001.41; 1001.42(10)(l); 286.011, Fla. Stat.

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

HISTORY: 1/13/2003