

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

SUBJECT:**INITIAL** **READING: TO AMEND BOARD POLICIES 6835, OFFICE OF MANAGEMENT AND COMPLIANCE AUDITS; AND 6840, AUDIT AND BUDGET ADVISORY COMMITTEE**

COMMITTEE:FISCAL ACCOUNTABILITY AND GOVERNMENTAL RELATIONS

LINK TO STRATEGIC BLUEPRINT:EFFECTIVE AND SUSTAINABLE BUSINESS PRACTICES

On April 17, 2019, at its regular meeting, the Board approved Revised Agenda Item H-13 (Procurement), sponsored by Dr. Steve Gallon III, Board member, and unanimously co-sponsored by all members of the Board, which directed the initiation of rule-making procedures to require that the Office of Procurement as well as District Offices whose transactions exceed \$50 million annually are recurrently audited, at least every three years. This item requests approval to amend Board Policy 6835, *Office of Management and Compliance Audits*, to require that audits of the Office of the Procurement and District Offices whose transactions exceed \$50 million annually be audited at least every three years.

In addition, the 2019 Legislature amended Section 218.391, F.S., to require that a school board's external auditor be selected by an auditor selection committee that is chaired by a member of the school board. Currently, the School Board's Audit and Budget Advisory Committee performs this function. This item requests approval to amend Policy 6840, *Audit and Budget Advisory Committee*, to establish an Auditor Selection Committee with a minimum of three members and chaired by a member of the School Board to select the external auditor.

Attached are the Notice of Intended Action and proposed policy amendments. Changes 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 to amend Policies 6835, *Office of Management and Compliance Audits*; and 6840, *Audit and Budget Advisory Committee*.

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

NOTICE OF INTENDED ACTION

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA, announced on August 14, 2019, its intention to amend Policies 6835, *Office of Management and Compliance Audits*; and 6840, *Audit and Budget Advisory Committee*, at its regular meeting on October 2, 2019.

PURPOSE AND EFFECT: Amendments to Board Policy 6835, *Office of Management and Compliance Audits*, will require that audits of the Office of the Procurement and District Offices whose transactions exceed \$50 million annually be audited at least every three years.

In addition, proposed amendments to Policy 6840, *Audit and Budget Advisory Committee*, will establish an Auditor Selection Committee with a minimum of three members and chaired by a member of the School Board to select the external auditor in accordance with Section 218.391, F.S.

SUMMARY: Amendments to Board Policy 6835, *Office of Management and Compliance Audits*, will require that audits of the Office of the Procurement and District Offices whose transactions exceed \$50 million annually be audited at least every three years.

In addition, proposed amendments to Policy 6840, *Audit and Budget Advisory Committee*, will establish an Auditor Selection Committee with a minimum of three members and chaired by a member of the School Board to select the external auditor in accordance with Section 218.391, F.S.

SPECIFIC LEGAL AUTHORITY UNDER WHICH RULEMAKING IS AUTHORIZED: 1001.41 (1), (2); 1001.42(12)(l), (m); 1001.43(10); F.S.

LAWS IMPLEMENTED INTERPRETED OR MADE SPECIFIC: 218.391, F.S.

IF REQUESTED, A HEARING WILL BE HELD DURING SCHOOL BOARD MEETING OF October 2, 2019, 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 in Section 120.54(1), F.S., must do so in writing by September 10, 2019, 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, F.S.)

COPIES OF THE PROPOSED AMENDED POLICIES are available at cost to the public for inspection and copying in the Citizen Information Center, Room 102, 1450 N.E. Second Avenue, Miami, Florida 33132.

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- 1 3. Perform an independent appraisal of the adequacy and
2 effectiveness of internal controls.
- 3 4. Assure compliance with policies and procedures established
4 by the Board and the administration, and with State and
5 Federal laws and regulations.
- 6 5. Improve the efficiency of the school system's operations by
7 providing recommendations in audit reports.
- 8 6. Ascertain the extent to which the assets of the school system
9 are accounted for and safeguarded from loss.
- 10 B. Responsibilities
- 11 1. Perform examinations of financial records and supporting
12 information for the purpose of determining the accuracy of
13 financial records and conformity with generally accepted
14 accounting principles.
- 15 2. Perform investigative audits by applying various audit
16 techniques and procedures for the purpose of detection of
17 fraud or as a deterrent to fraud.
- 18 3. Review and evaluate the existence and effectiveness of
19 adequate controls on electronic data processing systems
20 either under development or for existing applications.
- 21 4. Undertake comprehensive and constructive examinations of
22 functional units within the school system, including plans
23 and objectives, methods of control and use of human and
24 other resources.

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- 1 5. Keep the Superintendent, the Audit and Budget Advisory
2 Committee and the Board informed on audit plans and
3 activities and to assist them by providing analyses, pertinent
4 comments, and recommendations concerning the activities
5 reviewed.

- 6 6. Coordinate internal audit activities so as to best achieve the
7 audit objectives of the school system and the objectives of the
8 Audit and Budget Advisory Committee and the
9 administration. This includes audits that shall be conducted
10 at least once every three years of the Office of Procurement
11 and District Offices whose transactions exceed \$50 million
12 annually.

- 13 7. Keep abreast of new developments in the school system by
14 attending the Board meetings and meetings of school
15 system-wide committees.

- 16 8. Act as liaison between the school system and external
17 auditors (Federal, State, and independent auditors). To
18 monitor the responses from school system officials to audit
19 findings and recommendations made by external auditors.

- 20 9. Upon receipt, place reports from the Office of the Inspector
21 General (OIG) on the agenda of the Audit and Budget
22 Advisory Committee or the Ethics Advisory Committee.
23 Additionally, forward to the Audit and Budget Advisory
24 Committee and Ethics Advisory Committee any response
25 required by the OIG from the Superintendent or other entity
26 that is the subject of the OIG investigation or audit.

- 27 10. Bring to the attention of the Superintendent, the Audit and
28 Budget Advisory Committee, and the Board material matters
29 of concern.

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1 **Policies**

2 A. Authority

3 1. The Office of Management and Compliance Audits shall have
4 access to all records and areas within the school system.

5 2. The Office shall have direct communication and free access to
6 the Superintendent, members of the Audit and Budget
7 Advisory Committee, Board members and school system
8 officials to discuss audit findings.

9 3. The Office shall be accountable as a whole to the Board
10 through the Chief Auditor in order to ensure an unrestrictive
11 audit coverage and appropriate action in response to audit
12 findings.

13 4. The Office shall be free of organizational pressures that limit
14 its objectivity in selecting areas to be examined or in
15 evaluating these areas.

16 5. The Office shall have adequate support from school system
17 officials to perform its auditing activities.

18 B. Professional Standards

19 1. The Office staff shall comply with professional standards of
20 conduct.

21 2. Internal auditing activities shall be performed with proficiency
22 and due professional care.

23 C. Personnel

24 1. The Office should be adequately staffed to perform its
25 auditing activities.

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- 1 2. The Office personnel shall possess adequate technical
2 proficiency, educational background, and skills in human
3 relations and communication to adequately perform the
4 internal audit function.

- 5 3. Auditors shall maintain their technical competence through
6 continuing education.

- 7 4. The Audit and Budget Advisory Committee shall serve as the
8 Committee to provide recommendations on the selection of
9 the Chief Auditor of the Office of Management and
10 Compliance Audits and provide said recommendations to the
11 Board on the person to fill the position. At the direction of
12 the Board, the Audit and Budget Advisory Committee shall
13 provide its recommendations on the contractual provisions
14 for the position of Chief Auditor. Prior to negotiation of the
15 employment contract, the Board shall conduct a workshop to
16 provide guidance to the Board's designated negotiator. Any
17 recommendation for the removal or transfer of the Chief
18 Auditor and the reasons for such removal or transfer shall be
19 brought before the Audit and Budget Advisory Committee; the
20 Audit and Budget Advisory Committee will then transmit its
21 recommendations to the Board. The Board has the final
22 authority to appoint or remove the Chief Auditor and to
23 determine the terms of the Chief Auditor's employment
24 contract.

- 25 5. The Chief Auditor shall implement and maintain a current
26 *Succession Management Plan* for the Office of Management
27 and Compliance Audits to identify and develop highly
28 qualified employees for current and future positions within
29 the Office. The Board has final authority in appointing office
30 employees and determining the terms of employee contracts
31 based on the recommendation of the Chief Auditor.

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1 **Procedures**

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

9 A. Scope of Auditing Activities

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

14 1. The Office shall review the reliability and integrity of financial
15 and operating information and the means used to identify,
16 measure, classify, and report such information.

17 2. The Office shall review the systems established to ensure
18 compliance with those policies, plans, procedures, laws and
19 regulations which could have a significant impact on
20 operations and reports, and shall determine whether the
21 school system is in compliance.

22 3. The Office shall review the means of safeguarding assets and
23 verify the existence of such assets.

24 4. The Office shall appraise the economy and efficiency with
25 which resources are employed.

26 5. The Office shall review business and financial operations and
27 controls to ascertain whether results are consistent with
28 established objectives and goals and whether the operations
29 or programs are being carried out as planned.

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1 6. The Office shall review and evaluate the existence and
2 effectiveness of controls on electronic data processing
3 systems either under development or controls on existing
4 applications.

5 B. Performance of Auditing Activities and Communication of Results

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

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

17 1. The audit report shall be objective, clear, concise,
18 constructive, and timely.

19 2. The audit report will present the purpose, scope, results of
20 the audit and applicable recommendations.

21 3. The responses from school system officials to the audit
22 findings and recommendations will be presented with the
23 audit report.

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

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

13 F.S. 1001.42(12)(l)

14 Revised 10/19/11

15 Revised 8/5/15

16 Revised 4/25/18

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AUDIT AND BUDGET ADVISORY COMMITTEE

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

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

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

16 **Membership**

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

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1 The members of the Audit and Budget Advisory Committee are:

2 A. eleven (11) members and alternates from the community not
3 employed by the School District or having any direct or indirect
4 business dealings with the School District;

5
6 The nine (9) Board members will each select one (1) appointee and
7 alternate.

8
9 One (1) voting member and alternate appointed by the
10 Superintendent.

11
12 One (1) voting member and alternate appointed by the Miami-Dade
13 County Council of PTAs/PTSAs.

14 B. one (1) voting Board member and alternate appointed by the Chair
15 of the Board;

16
17 The Board member or alternate appointed to the Audit and Budget
18 Advisory Committee shall vote on all matters that come before the
19 Audit and Budget Advisory Committee.

20 C. one (1) non-voting member from the District to be appointed by the
21 Superintendent;

22 D. the Chief Auditor shall serve as the District's liaison and provide
23 administrative and logistical support to the Audit and Budget
24 Advisory Committee.

25 Alternates may only vote in the absence of the member.

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

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1 **Term of Service**

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

10 **Meetings**

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

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

20 A majority of the voting members shall constitute a quorum for the committee in
21 order to conduct business. The committee shall conduct its meetings according to
22 the most recent edition of *Robert's Rules of Order, Newly Revised*.

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

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

6 **Authority**

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

11 **Duties and Responsibilities**

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

13 A. with regard to the external auditor:

14 1. [an Auditor Selection Committee shall be established in](#)
15 [accordance with Section 218.391, F.S., to](#) serve as the
16 committee to select and recommend [to the Board](#) the hiring of
17 the external auditing firm to conduct the District's annual
18 audit according to Florida statutes and assist in the
19 development of the external audit contract. [The Auditor](#)
20 [Selection Committee shall be comprised of the Audit and](#)
21 [Budget Advisory Committee and shall be chaired by the](#)
22 [Board member representative appointed to the Audit and](#)
23 [Budget Advisory Committee by the Board Chair.](#)

24 2. oversee the work and evaluate the qualifications,
25 performance, and independence of the external auditor and
26 recommend the termination or replacement of the external
27 auditor;

28 3. review with the external auditor their annual audit plan;

29 4. review the Consolidated Annual Financial Report (CAFR),
30 Management Letter, and Single Audit Report with the external

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auditor and District staff and make recommendations as
appropriate;

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- 1 5. the Chief Auditor will provide administrative support to the
2 committee for all external audit contracts.

- 3 B. with regard to the District's budgeting and financial management:
 - 4 1. with the Chief Financial Officer, review proposed annual
5 budgets, revenues, and expense forecasts and forecast
6 assumptions, and budget amendments;

 - 7 2. receive periodic progress reports from the Chief Financial
8 Officer regarding the District administration's collection and
9 disbursement of financial resources pursuant to the District's
10 budget;

 - 11 3. receive periodic reports from and consult with the Chief
12 Financial Officer on the adequacy of the District's budget and
13 tracking system;

 - 14 4. make recommendations to the Superintendent and Board to
15 improve the quality and reliability of budgeting and
16 accounting for the results of financial operations and not
17 opine on the policy and programmatic implications of budget
18 proposals and amendments.

- 19 C. with regard to the Chief Auditor and the Office of Management and
20 Compliance Audits:
 - 21 1. review the annual budget of the Office of Management and
22 Compliance Audits and make recommendations to the Board
23 and the Superintendent as to the sufficiency of the budget;
24
25 The budget shall make adequate provisions for external
26 auditing fees, staffing of the office, required continued
27 professional education/staff development, equipment, and
28 supplies. The committee should review the costs of the use of
29 outside professional services deemed necessary by the Chief
30 Auditor and make recommendations to the Board.

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- 1 2. review, provide feedback and approve the annual Audit Plan
2 presented by the Chief Auditor;
3
4 Receive periodic updates on the progress in completing the
5 Audit Plan and confer with the Chief Auditor on any
6 significant changes in the required planned scope of the
7 annual Audit Plan.

- 8 3. review the operations and projects against the Audit Plan to
9 determine the progress made in the execution of the Audit
10 Plan;

- 11 4. review internal audit reports with the Chief Auditor and
12 District administration and make recommendations regarding
13 audit findings, recommendations, and management
14 responses;

- 15 5. serve as the committee to make recommendations to the
16 Board on the person to fill the position;
17
18 At the request of the Board, the committee will provide
19 recommendations on the contractual provisions for the
20 position of Chief Auditor. Prior to negotiation of the
21 employment contract, the Board shall conduct a workshop to
22 provide guidance to the Board's designated negotiator.

- 23 6. any recommendation for the removal or transfer of the Chief
24 Auditor not made by the Audit Committee and the reasons for
25 such removal or transfer shall be brought before the
26 committee to obtain its recommendation to the Board;

- 27 7. in conjunction with Board members and at each Board
28 member's sole discretion, review the Chief Auditor's
29 performance. Written evaluations will be kept on file.

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- 1 D. review and make recommendations on the audited financial
2 statements of the District's charter schools, community-based
3 organizations, direct support organizations and audits of impact
4 fees, and any other relevant external audits brought before the
5 committee;
- 6 E. review and make recommendations on District-related audit reports
7 prepared by Federal and State auditors;
- 8 F. provide an effective communication link between the external and
9 internal auditors, the Board, and the Superintendent to accomplish
10 the following objectives:
- 11 1. completeness of audit coverage;
- 12 2. reduction of redundant efforts; and
- 13 3. effective use of audit resources.
- 14 G. receive and comment on periodic updates of selected audit follow-up
15 regarding corrective action(s) being taken by the administration to
16 implement audit recommendations;
- 17 H. submit periodic reports, at least annually, on the work of the Audit
18 and Budget Advisory Committee, to the Board and the
19 Superintendent;
- 20 I. review and make recommendations on any amendments to
21 Policy 6835, Policy 6840, and Policy 0157;
- 22
- 23 At the request of the Board, provide input to the Board with respect
24 to the selection of the Inspector General, and with regard to the
25 operation of the Inspector General as more specifically outlined in
26 Policy 0157.

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

5 F.S. 119.07(3)(y)
6 F.S. 286.011
7 | [F.S. 218.391](#)
8 F.S. 1001.32
9 F.S. 1001.41(1)(2)
10 F.S. 1012.31

11 Revised 10/19/11
12 Revised 4/18/12
13 Revised 6/19/13
14 Revised 9/3/14
15 Revised 11/15/17
16 Revised 4/25/18
17 Revised 6/20/18

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