

5B-1

PALM BEACH COUNTY
BOARD of COUNTY COMMISSIONERS

AGENDA ITEM SUMMARY

Meeting Date: 03/09/2010

Consent Regular
 Public Hearing

Department:

Submitted By: Internal Auditor's Office

I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to approve on preliminary reading and advertise for a Public Hearing on March 23, 2010 at 9:30 a.m.: An ordinance of the Board of County Commissioners of Palm Beach County, Florida, providing for title; providing for the establishment, purpose, authority, composition, meetings and responsibilities of the Palm Beach County Internal Audit Committee; providing for repeal of laws in conflict and repealing resolution R-2005-325 in its entirety; providing for severability; providing for inclusion in the code of laws and ordinances; and providing for an effective date.

Summary: The Audit Committee has been conducting a review of its duties and responsibilities as well as considering how to enhance the independence of the Committee from the agencies for which it has oversight authority. The ordinance replaces the present audit committee members who are primarily insiders with five private citizens to be appointed by the BCC. The ordinance also enhances the Committee's responsibilities regarding oversight of the internal audit function and review of management's system of internal controls, and establishes term limits and reporting requirements for the Committee. Countywide (PFK)

Background and Policy Issues: The Audit Committee began its review of its duties, responsibilities and independence by considering potential changes to its structure which would improve the Committee's independence from the agencies for which it has oversight responsibility. The current committee membership includes a county commissioner, the County Administrator, representatives of the Clerk and Comptroller, Sheriff and Solid Waste Authority, and two citizens. The proposed membership would be five citizens appointed by the BCC who are independent of the audited agencies. The ordinance replaces and existing resolution thereby providing a higher level of authority to the Committee. The ordinance also establishes the Audit Committee's purpose as assisting the BCC in fulfilling its oversight and governance responsibilities of county operations.

Attachment:

Ordinance

Recommended by: Joseph F. Bergeson 2.1.10
Internal Auditor Date

Recommended by: [Signature] 4/1/10
County Administrator Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

| Fiscal Years | 2010 | 2011 | 2012 | 2013 | 2014 |
|-------------------------|-----------|------|------|------|------|
| Capital Expenditures | | | | | |
| Operating Costs | | | | | |
| External Revenues | | | | | |
| Program Income (County) | | | | | |
| In-Kind Match (County) | | | | | |
| NET FISCAL IMPACT | SEE BELOW | | | | |
| # ADDITIONAL FTE | | | | | |
| POSITIONS (Cumulative) | | | | | |

Is Item Included In Current Budget? Yes X No
 Budget Account No.: Fund 0001 Agency 500 Org. 5000 Object
 Program Number Revenue Source

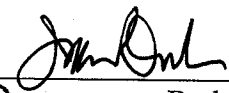
B. Recommended Sources of Funds/Summary of Fiscal Impact:

No fiscal impact


A. Department Fiscal Review:

III. REVIEW COMMENTS:

A. OFMB Fiscal and/or Contract Administration Comments:

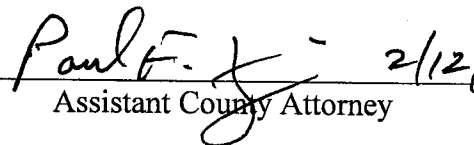
J.B. 2/8/10


 Budget/OFMB *2/2/10*
J.B.



 Contract Administration *2/11/10*

B. Legal Sufficiency:



 Assistant County Attorney *2/12/10*

C. Other Department Review:

 Department Director

- 1 A. Act as an advisor to the County Internal Auditor in conducting performance audits of
- 2 county departments, divisions, offices, agencies or boards which fall under the authority
- 3 of the BCC and entities contracting with the BCC.
- 4 B. Give guidance to the County Internal Auditor in planning and conducting effectiveness,
- 5 efficiency and economy reviews.
- 6 C. Act as an advisor to the BCC on the County Internal Auditor's function and activities.
- 7 D. Provide advice and recommendations regarding the assessment of significant risks and
- 8 exposures as well as compliance with policies, procedures, laws and regulations.
- 9 E. Seek and obtain any information it requires from BCC or county employees, all of whom
- 10 are directed to cooperate with the committee's request.

11 **SECTION 4. COMPOSITION.**

- 12 A. The Internal Audit Committee shall be composed of five members appointed by the BCC
- 13 and shall not include any county commissioners as members.
- 14 B. All five members shall be citizens of Palm Beach County, independent of elected and
- 15 appointed county officials and employees, and not employed in any capacity by the BCC
- 16 or by an entity subject to audit by the County Internal Auditor.
- 17 C. Membership of the Internal Audit Committee will be to the greatest extent possible
- 18 representative of the community-at-large and reflect the racial, gender and ethnic make-
- 19 up of the community.
- 20 D. The members' terms shall be three years and staggered so that the Internal Audit
- 21 Committee annually includes a new member and members with one and two years of
- 22 service. Members' terms will be determined by lot at the first meeting with Seats 1 and 2
- 23 serving for three years, Seats 3 and 4 serving for two years, and Seat 5 serving for 1 year.
- 24 E. Each member shall serve no more than two consecutive full terms.
- 25 F. At least 90 days prior to the end of a member's term of service on the Internal Audit
- 26 Committee, the Internal Audit Committee shall either (a) recommend that the BCC
- 27 reappoint that member (if that member is eligible for reappointment) or (b) recommend
- 28 that the BCC appoint a new member.
- 29 G. Committee members shall have experience in business or finance; government
- 30 accounting, auditing, operations or financial management; or other relevant experience.

1 H. The chair of the Internal Audit Committee will have accounting, audit or related financial
2 management expertise, and will be elected by the members of the Internal Audit
3 Committee to serve a single two year term.

4 **SECTION 5. MEETINGS.**

5 A. The Internal Audit Committee will meet at least quarterly, with authority to convene
6 additional meetings, as circumstances require.

7 B. All Internal Audit Committee members must attend at least 75% of the scheduled
8 meetings to remain a member.

9 C. Absences due to extenuating circumstances may be excused by the Internal Audit
10 Committee at its discretion.

11 D. The Internal Audit Committee may invite members of management, internal auditors,
12 external auditors or others to attend meetings and provide pertinent information, as
13 necessary.

14 E. Meeting agendas will be prepared by the County Internal Auditor and provided in
15 advance to members, along with appropriate briefing materials. Meeting agendas will be
16 approved by the Internal Audit Committee at the start of each meeting.

17 F. Minutes will be prepared by the Clerk & Comptroller's Board Services/Minutes
18 Department.

19 G. Three out of five members must be present to have a quorum.

20 **SECTION 6. RESPONSIBILITIES.**

21 The Internal Audit Committee will carry out the following responsibilities:

22 **A. Review and Direction of Internal Audit Function.**

23 1. Review with the County Internal Auditor the Internal Audit Committee charter, audit
24 plans, activities, staffing, budget, and organization structure of the internal audit
25 function. The Internal Audit Committee's key responsibilities will be documented on
26 a checklist at the beginning of each fiscal year, identifying the frequency and the
27 specific meeting date that each responsibility will be completed.

28 2. Review and make recommendations to the BCC for amendments to the county charter
29 establishing the Office of the County Internal Auditor.

- 1 3. Review and approve the County Internal Auditor’s annual audit plan, submit the
- 2 approved plan to the BCC for information purposes only and review and approve any
- 3 proposed amendments to the annual plan.
- 4 4. Review and approve internal audit reports prior to issuance.
- 5 5. Send internal audit reports to the BCC and have internal audit reports posted on the
- 6 county’s website to promote transparency.
- 7 6. Report problems or problem areas to the BCC at such times as deemed appropriate.
- 8 7. Monitor follow-up on reported findings to ensure corrective actions are taken.
- 9 8. Evaluate at least annually the performance of the County Internal Auditor and the
- 10 effectiveness of the internal audit function and recommend compensation adjustments
- 11 and contract renewal for the County Internal Auditor to the BCC.
- 12 9. Evaluate the findings and recommendations of periodic peer reviews conducted by
- 13 independent parties to evaluate the internal audit function’s adherence to professional
- 14 audit standards.
- 15 10. Act as a selection committee for the County Internal Auditor whenever the position
- 16 becomes vacant. Interview candidates with the assistance of the Human Resources
- 17 department, and make a recommendation to the BCC for the new County Internal
- 18 Auditor.
- 19 11. Review any occurrences of fraud detected by the county internal auditor and provide
- 20 recommendations to the County Internal Auditor of the appropriate disposition,
- 21 including forwarding to the County Inspector General or proper law enforcement
- 22 agency.

23 **B. Review of the Systems of Internal Controls.**

- 24 1. Act as an advisor to the County Internal Auditor in identifying and assessing the
- 25 county’s significant risks or exposures. Such risks and exposures may arise from
- 26 areas including, but not limited to, county operations, finance, reporting, asserted and
- 27 unasserted litigation and claims, and non-compliance with laws, regulations,
- 28 contractual obligations and grants.
- 29 2. Review with the County Internal Auditor the process for providing reasonable
- 30 assurance that management has adequate controls to minimize these risks and
- 31 exposures.

- 1 3. Review with the County Internal Auditor the existing information technology systems
2 and related security and controls.
- 3 4. Obtain regular updates from the County Internal Auditor regarding compliance
4 matters or issues.
- 5 5. Obtain and review such additional information as deemed necessary to evaluate the
6 adequacy and effectiveness of controls encompassing the county's governance,
7 operations, and information systems including:
 - 8 a. reliability and integrity of operational and related financial information,
 - 9 b. effectiveness, efficiency and economy of operations,
 - 10 c. safeguarding of assets, and
 - 11 d. compliance with laws, regulations, contracts and grants.

12 **C. Other Responsibilities.**

- 13 1. Discuss with and provide guidance to the County Internal Auditor regarding the
14 County's policies and procedures with respect to risk assessment and risk manage-
15 ment.
- 16 2. Perform other activities related to the committee's purpose as defined in Section 2 of
17 this Ordinance.
- 18 3. Review and assess the adequacy of the Internal Audit Committee Ordinance annually,
19 request BCC approval for proposed changes, and ensure appropriate disclosure as
20 may be required by law or regulation.
- 21 4. Perform an annual self-assessment of the committee's and individual members'
22 performance and ensure all responsibilities outlined in this charter have been carried
23 out. Provide an annual report to the BCC.

24 **SECTION 7. REPEAL OF LAWS IN CONFLICT.**

25 All local laws and ordinances in conflict with any provisions of this Ordinance are hereby
26 repealed to the extent of such conflict. Resolution R-2005-325 is repealed in its entirety.

27 **SECTION 8. SEVERABILITY.**

28 If any section, paragraph, sentence, clause, phrase, or word of this Ordinance is for any
29 reason held by the Court to be unconstitutional, inoperative, or void, such holding shall not affect
30 the remainder of this Ordinance.

1 **SECTION 9. INCLUSION IN THE CODE OF LAWS AND ORDINANCES.**

2 The provisions of this Ordinance shall become and be made a part of the Code of Laws
3 and Ordinances of Palm Beach County, Florida. The sections of this Ordinance may be
4 renumbered or re-lettered to accomplish such, and the word "ordinance" may be changed to
5 "section," "article," or other appropriate word.

6 **SECTION 10. EFFECTIVE DATE.**

7 The provisions of this Ordinance shall become effective upon filing with the Department
8 of State.

9 APPROVED AND ADOPTED by the Board of County Commissioners of Palm Beach
10 County, Florida, on this the ____ day of _____, 2010.

11

12 SHARON R. BOCK
13 CLERK & COMPTROLLER

PALM BEACH COUNTY, FLORIDA, BY ITS
BOARD OF COUNTY COMMISSIONERS

14 By: _____

By: _____

15 Deputy Clerk

Chair

16 (SEAL)

17 APPROVED AS TO FORM AND
18 LEGAL SUFFICIENCY

19 By: _____
20 County Attorney

21 Filed with the Department of State on the ____ day of _____, 2010.

22 G:/audit committee/resolutions and miscellaneous/county Audit Committee Charter – Draft 6.1