

5B-2

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 general matters, duties, responsibilities and independence of the County Internal Auditor; providing for repeal of laws in conflict; 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. As part of this review, the Committee also reviewed the duties, responsibility and authority of the County Internal Auditor. The ordinance expands the Internal Auditor's responsibility for monitoring and reporting on operational risks and management's risk control policies and procedures. The ordinance also reinforces the Internal Auditor's independence from the County Administrator. The ordinance also requires that audit reports be posted on the County's internet website. Countywide (PFK)

Background and Policy Issues: As part of its review of its own duties and responsibilities, the Audit Committee also reviewed the authority, duties and responsibilities of the County Internal Auditor which were set forth in Resolution R-2005-0325. That resolution is being repealed in its entirety by the Palm Beach County Internal Audit Committee Charter Ordinance which is a companion to this Ordinance. The Audit Committee determined that separate ordinances addressing the duties, responsibilities and authority of the Internal Auditor and Audit Committee would be appropriate. The Audit Committee determined that the ordinance should re-emphasize the independence of the Internal Auditor from the County Administrator and establish some enhanced reporting and monitoring requirements for the Internal Auditor.

Attachment:

Ordinance

Recommended by:

Joseph F. Bergeron
Internal Auditor

2-1-10
Date

Recommended by:

[Signature]
County Administrator

2/12/10
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:

[Signature]
 Budget/OFMB
 2/8/10
 2/2/10

[Signature] 2/11/10
 Contract Administration

B. Legal Sufficiency:

[Signature] 2/12/10
 Assistant County Attorney

C. Other Department Review:

 Department Director

- 1 B. The County Internal Auditor shall be a person able to manage a professional audit staff,
2 analyze financial records, and evaluate operations for effectiveness, efficiency, economy,
3 program results, and compliance with grants, contracts and BCC directions, policies, and
4 procedures.
- 5 C. The County Internal Auditor shall not be involved in any manner in any political campaign
6 for Palm Beach County elective office nor make financial contributions to any such
7 campaign.
- 8 D. The County Internal Auditor must be a Certified Public Accountant licensed in Florida, a
9 Certified Internal Auditor, or a Certified Government Audit Professional and must currently
10 possess and maintain active licensure (as appropriate) and certification. The County Internal
11 Auditor must also maintain active membership in relevant professional associations such as
12 the American Institute of Certified Public Accountants and the Florida Institute of Certified
13 Public Accountants (if a CPA), the Institute of Internal Auditors, the Association of Local
14 Government Auditors, and/or the Association of Certified Fraud Examiners.
- 15 E. The County Internal Auditor will adhere to Government Auditing Standards, commonly
16 referred to as the Yellow Book or generally accepted government auditing standards
17 (GAGAS), issued by the Comptroller General of the United States.
- 18 F. Unless specifically directed by the BCC, the County Internal Auditor shall not assume any
19 non-audit duties or responsibilities except as enumerated herein.
- 20 G. The County Internal Auditor shall have such assistants and employees as are necessary to
21 perform the duties enumerated herein, subject to normal budgetary constraints.
- 22 H. If the County Internal Auditor detects apparent violations of law or apparent instances of
23 misfeasance or nonfeasance by an officer or employee or information that indicates
24 derelictions may be reasonably anticipated, the County Internal Auditor shall report the
25 irregularities in writing to the BCC, the County Administrator, and the Internal Audit
26 Committee and, when appropriate, immediately notify the appropriate law enforcement
27 authority in addition to those previously cited.
- 28 I. The County Internal Auditor may conduct audits of County Constitutional Officers and other
29 governmental agencies subject to approval by the Internal Audit Committee under the
30 provisions of Section 3-C – Annual Audit Plan below and subject to BCC approval of an
31 interlocal agreement submitted by the constitutional officer or agency.

1 **SECTION 3 – DUTIES, RESPONSIBILITIES AND INDEPENDENCE OF COUNTY**
2 **INTERNAL AUDITOR.**

3 **A. Authority and Responsibilities** The County Internal Auditor shall have authority to
4 conduct audits of all departments, offices, boards, activities, agencies, contracts, grants,
5 procurements, agreements and other arrangements under the control of the BCC. Such audits
6 may include operational, compliance, performance, management and other audits which are
7 intended to provide reasonable assurance of achievement of objectives in the following areas:

- 8 1. Effectiveness, efficiency and economy of operations;
- 9 2. Measurement and reporting of performance goals, objectives and results;
- 10 3. Reliability and integrity of operating and financial information and the means used to
11 identify, measure, classify, and report such information;
- 12 4. Compliance with applicable laws and regulations, grants and contracts, and BCC
13 directions, policies and procedures; and
- 14 5. Safeguarding assets and critical information.

15 In addition, the County Internal Auditor, in the discharge of his or her duties, is authorized and
16 responsible for engaging in the following types of functions:

- 17 • Engage in prevention activities, including, but not limited to review of rules, regulations,
18 policies, procedures and transactions.
- 19 • Perform consulting services, beyond the Office's assurance services, to assist
20 management in meeting its objectives. These may include, without limitation, process
21 design, training, and advisory services.
- 22 • Keep the Internal Audit Committee informed of emerging risks and situations that may
23 have a significant negative impact to County operations under the BCC's direction.
- 24 • Cooperate with investigations by oversight agencies, law enforcement agencies and the
25 County's Inspector General's Office.
- 26 • Monitor implementation of recommendations made and corrective actions taken.

27 **B. Independence**

- 28 1. The County Internal Auditor is directly responsible to the BCC. The County Internal
29 Auditor and his or her Office are independent from and not under the direction or

1 control of the County Administrator. The County Internal Auditor's Office staff
2 report directly to the County Internal Auditor.

- 3 2. The Office of the County Internal Auditor has no direct responsibility to or authority
4 over, any area subject to its audit, review and investigation. The development and
5 implementation of controls is the responsibility of the BCC and County management.
6 The County Internal Auditor may serve in an advisory capacity to management in the
7 development of controls.
- 8 3. To avoid any impairment to independence in fact or appearance, neither the County
9 Internal Auditor nor any staff member of the Office shall conduct or supervise an
10 audit of an operational or control activity for which he/she was responsible or within
11 which he/she was employed during the preceding two years.

12 **C. Annual Audit Plan**

- 13 1. Prior to the beginning of each fiscal year, the County Internal Auditor shall submit an
14 annual risk-based audit plan to the Internal Audit Committee for review and
15 comment. The plan shall include the departments, offices, boards, activities, and
16 programs scheduled for audit during the year and will include any additional duties to
17 be performed in accordance with Section 3-F – Additional Duties of this Ordinance.
18 This plan may be amended during the year by the Internal Audit Committee or as
19 provided in Section 3-D – Special Audits of this Ordinance. Additionally, the
20 County Internal Auditor may at any time initiate and conduct any other audits deemed
21 necessary or advisable whether or not included in the Annual Audit Plan.
- 22 2. In the selection of audit areas, the determination of audit scope, and the timing of the
23 audit work, the County Internal Auditor should consult with federal, state and
24 independent auditors as necessary or appropriate so that desirable audit coverage is
25 provided and audit efforts may be properly coordinated.

26 **D. Special Audits**

- 27 1. The BCC or the Internal Audit Committee may request the County Internal Auditor
28 to perform special audits. Special audits requested by a member of the BCC must be
29 approved by the BCC at a regularly scheduled BCC meeting or referred by the BCC
30 to the Internal Audit Committee for consideration. If approved by the Internal Audit

1 Committee, special audits may also be performed for the County Administrator.

2 Such special audits will become an amendment to the annual audit plan.

- 3 2. The County Internal Auditor shall submit the special audit report to the Internal Audit
4 Committee for approval prior to distribution.

5 **E. Audit Reports**

- 6 1. Each audit will result in a written report. Audit reports will be numbered for
7 identification, and the County Internal Auditor will maintain a cross-reference of
8 audit reports by department and/or program.
- 9 2. The County Internal Auditor shall provide a draft of the audit report to the audited
10 agency for review and comment regarding factual information before the report is
11 finalized and released. The head of the audited agency must respond in writing
12 specifying agreement with audit findings and recommendations or reasons for
13 disagreement, plans for implementing solutions to identified problems, and a
14 timetable to complete such activities. The response must be forwarded to the County
15 Internal Auditor within two weeks. The County Internal Auditor will include the
16 response in the final report.
- 17 3. The County Internal Auditor shall submit copies of the final audit report to the
18 audited agency after approval by the Internal Audit Committee and shall retain a copy
19 as a permanent record. The County Internal Auditor will post audit reports to the
20 County's website after Internal Audit Committee approval. Reports with significant
21 findings shall also be provided to the BCC based on the Internal Audit Committee's
22 evaluation and recommendation.
- 23 4. The report will contain the professional conclusions of the County Internal Auditor
24 regarding the activities audited. The County Internal Auditor shall include in the
25 audit reports:
- 26 (a) a precise statement of the audit's objectives, scope and methodology;
 - 27 (b) a statement that the audit was performed in accordance with generally
28 accepted government auditing standards, if appropriate;
 - 29 (c) a summary of findings, including a statement of the underlying cause,
30 evaluative criteria used, and the current and prospective significance
31 of the findings;

- 1 (d) statements of response submitted by the audited agency relevant to
- 2 the audit findings;
- 3 (e) a concise statement of the corrective actions already taken as a result
- 4 of the audit findings or on the auditee's own initiative; and
- 5 (f) recommendations for additional improvements or corrective actions.

6 5 The County Internal Auditor shall retain a complete file of all audit reports, audit
7 work papers, and other supportive material in accordance with record retention
8 requirements established by State law. In no instance shall such record be disposed
9 of sooner than three years from the date of the report.

10 **F. Additional Duties** In addition to the audit functions described above, the County Internal
11 Auditor shall be responsible for the additional duties described below. Any reports resulting
12 from the performance of these duties shall be handled in accordance with the requirements of
13 Section 3-E- Audit Reports of this Ordinance.

- 14 1. Providing available staff or other assistance to the external auditors in order to reduce
- 15 the cost of the countywide audit.
- 16 2. Providing advice in the preparation of policy and procedures manuals by all
- 17 departments and offices under the control of the BCC and reviewing the adequacy of
- 18 policies and procedures relating to financial controls. In order to maintain
- 19 independence, the Internal Auditor shall have no responsibility for the actual
- 20 preparation of the manuals.

21 **SECTION 4. REPEAL OF LAWS IN CONFLICT.**

22 All local laws and ordinances in conflict with any provisions of this Ordinance are hereby
23 repealed to the extent of such conflict.

24 **SECTION 5. SEVERABILITY.**

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

28 **SECTION 6. INCLUSION IN THE CODE OF LAWS AND ORDINANCES.**

29 The provisions of this Ordinance shall become and be made a part of the Code of Laws and
30 Ordinances of Palm Beach County, Florida. The sections of this Ordinance may be renumbered
31 or re-lettered to accomplish such, and the word "ordinance" may be changed to "section,"

1 "article," or other appropriate word.

2 **SECTION 7. EFFECTIVE DATE.**

3 The provisions of this Ordinance shall become effective upon filing with the Department of
4 State.

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

7

8 SHARON R. BOCK
9 CLERK & COMPTROLLER

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

10

11

12 By: _____
13 Deputy Clerk

By: _____
Chair

14 (SEAL)

15 APPROVED AS TO FORM AND
16 LEGAL SUFFICIENCY

17

18

19 By: _____
20 County Attorney

21 Filed with the Department of State on the ____ day of _____, 20__.

22

23 G:/audit committee/resolutions and miscellaneous/county internal auditor ordinance draft 6