

PALM BEACH COUNTY
BOARD of COUNTY COMMISSIONERS

AGENDA ITEM SUMMARY

Meeting Date: 06/19/2012

[] Consent [] Regular

[X] Public Hearing

Department:

Submitted By: Internal Auditor's Office

I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to adopt: An ordinance of the Board of County Commissioners of Palm Beach County, Florida, amending Ordinance 2010-007; 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 the duties and responsibilities of the County Internal Auditor as established in Ordinance 2010-007, known as the Palm Beach County Internal Auditor Ordinance, and has identified several revisions they believe are necessary. The revisions are recommended to reflect the Committee's approval role for the annual audit plan, to revise the process relative to audits requested by a BCC member, to establish a formal recommendation follow up and reporting program, to establish a process for review and approval of the annual budget for the Office of the County Internal Auditor, and to revise the distribution process for audit reports. The revisions also clarify the expected relationship between the County Internal Auditor and the Palm Beach County Inspector General. In addition, the BCC at its April 24, 2012 workshop directed inclusion of solicitation of input from county officials in the development of the annual audit plan as part of the ordinance. Countywide (PFK)

Background and Policy Issues: The Audit Committee's recommend changes to Ordinance 2010-007 are summarized as follows:

- Requires approval of the annual audit plan by the Committee and submission of that plan to the BCC following Audit Committee approval;
- Requires BCC or Audit Committee approval for audits requested by a BCC member;
- Requires the County Internal Auditor to maintain a complete record of outstanding audit recommendations, conduct follow up reviews of those recommendations, and report on audit recommendations semi-annually to the Audit Committee, BCC and Management;
- Requires the budget for the Office of the County Internal Auditor be approved by the BCC with recommendations from the Audit Committee and County Administrator and limits the authority of the County Administrator over the budget of the Office;
- Requires audit reports to be submitted to the BCC as agenda items and to be posted on the Internal Audit web site;
- Clarifies and requires communication and coordination with the Palm Beach County Office of Inspector General in certain circumstances; and
- Requires solicitation of input from county officials in development of annual audit plan.

Attachment:

Ordinance

Recommended by:

Joseph F. Bergeron
 Internal Auditor

5 June 2012
 Date

Recommended by:

per [Signature]
 County Administrator

5/14/12
 Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2012	2013	2014	2015	2016
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

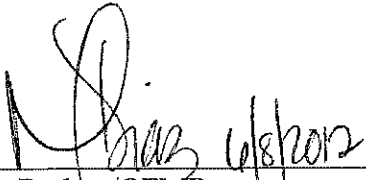
B. Recommended Sources of Funds/Summary of Fiscal Impact:

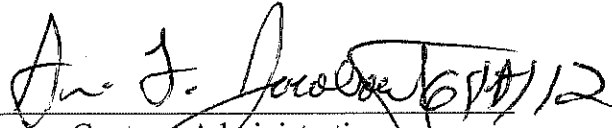
* No fiscal impact

A. Department Fiscal Review:

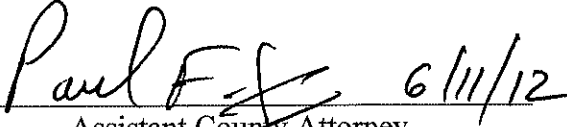
III. REVIEW COMMENTS:

A. OFMB Fiscal and/or Contract Administration Comments:


 Budget/OFMB
 6/8/12


 Contract Administration
 6-8-12 B. Wheeler

B. Legal Sufficiency:


 Assistant County Attorney
 6/11/12

C. Other Department Review:

 Department Director

This summary is not to be used as a basis for payment.

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1 membership of the BCC is required for either the appointment or dismissal of the
2 County Internal Auditor who shall serve at the pleasure of the BCC.

3 B. The County Internal Auditor shall be a person able to manage a professional audit staff,
4 analyze financial records, and evaluate operations for effectiveness, efficiency,
5 economy, program results, and compliance with grants, contracts and BCC directions,
6 policies, and procedures.

7 C. The County Internal Auditor shall not be involved in any manner in any political
8 campaign for Palm Beach County elective office nor make financial contributions to any
9 such campaign.

10 D. The County Internal Auditor must be a Certified Public Accountant licensed in Florida,
11 a Certified Internal Auditor, or a Certified Government Audit Professional and must
12 currently possess and maintain active licensure (as appropriate) and certification. The
13 County Internal Auditor must also maintain active membership in relevant professional
14 associations such as the American Institute of Certified Public Accountants and the
15 Florida Institute of Certified Public Accountants (if a CPA), the Institute of Internal
16 Auditors, the Association of Local Government Auditors, and/or the Association of
17 Certified Fraud Examiners.

18 E. The County Internal Auditor will adhere to Government Auditing Standards, commonly
19 referred to as the Yellow Book or generally accepted government auditing standards
20 (GAGAS), issued by the Comptroller General of the United States.

21 F. Unless specifically directed by the BCC, the County Internal Auditor shall not assume
22 any non-audit duties or responsibilities except as enumerated herein.

23 G. The County Internal Auditor shall have such assistants and employees as are necessary
24 to perform the duties enumerated herein, subject to normal budgetary constraints.

25 ~~H. If the County Internal Auditor detects apparent violations of law or apparent instances of~~
26 ~~misfeasance or nonfeasance by an officer or employee or information that indicates~~
27 ~~derelictions may be reasonably anticipated, the County Internal Auditor shall report the~~
28 ~~irregularities in writing to the BCC, the County Administrator, and the Internal Audit~~
29 ~~Committee and, when appropriate, immediately notify the appropriate law enforcement~~
30 ~~authority in addition to those previously cited.~~

1 I. H. The County Internal Auditor may conduct audits of County Constitutional
2 Officers and other governmental agencies subject to approval by the Internal Audit
3 Committee under the provisions of Section 3-C – Annual Audit Plan below and subject
4 to BCC approval of an interlocal agreement submitted by the constitutional officer or
5 agency.

6 **SECTION 3 – DUTIES, RESPONSIBILITIES AND INDEPENDENCE OF COUNTY**
7 **INTERNAL AUDITOR.**

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

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

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

- 23 • Engage in prevention activities, including, but not limited to review of rules,
24 regulations, policies, procedures and transactions.
- 25 • Perform consulting services, beyond the Office's assurance services, to assist
26 management in meeting its objectives. These may include, without limitation, process
27 design, training, and advisory services.
- 28 • Keep the Internal Audit Committee informed of emerging risks and situations that
29 may have a significant negative impact to County operations under the BCC's direction.

1 • Cooperate with investigations by oversight agencies, law enforcement agencies and
2 the ~~County's Inspector General's Office~~ Office of Inspector General, Palm Beach
3 County.

4 • Monitor implementation of recommendations made and corrective actions taken.

5 **B. Independence**

6 1. The County Internal Auditor is directly responsible to the BCC. The County
7 Internal Auditor and his or her Office are independent from and not under the
8 direction or control of the County Administrator. The County Internal Auditor's
9 Office staff report directly to the County Internal Auditor.

10 2. The Office of the County Internal Auditor has no direct responsibility to or
11 authority over, any area subject to its audit, review and investigation. The
12 development and implementation of controls is the responsibility of the BCC
13 and County management. The County Internal Auditor may serve in an advisory
14 capacity to management in the development of controls.

15 3. To avoid any impairment to independence in fact or appearance, neither the
16 County Internal Auditor nor any staff member of the Office shall conduct or
17 supervise an audit of an operational or control activity for which he/she was
18 responsible or within which he/she was employed during the preceding two
19 years.

20 4. The budget for the Office of the County Internal Auditor will be approved by the
21 BCC with recommendations from the Internal Audit Committee and the County
22 Administrator (if the Administrator so chooses). The County Administrator may
23 not make revisions to the budget submitted by the Office of the County Internal
24 Auditor.

25 **C. Annual Audit Plan**

26 1. Prior to the beginning of each fiscal year, the County Internal Auditor shall
27 submit an annual risk-based audit plan to the Internal Audit Committee for
28 review and approval comment. The County Internal Auditor shall solicit input
29 from the members of the BCC, the County Administrator and his/her staff,
30 department heads and departmental financial managers for use in developing the

1 annual audit plan. The plan shall be submitted to the BCC as an agenda item for
2 informational purposes following Internal Audit Committee approval. The plan
3 shall include the departments, offices, boards, activities, and programs scheduled
4 for audit during the year and will include any additional duties to be performed
5 in accordance with Section 3-F – Additional Duties of this Ordinance. This plan
6 may be amended during the year by the Internal Audit Committee or as provided
7 in Section 3-D – ~~Special Audits~~ Audits Requested by a Member of the BCC of
8 this Ordinance. Additionally, the County Internal Auditor may at any time
9 initiate and conduct any other audits deemed necessary or advisable whether or
10 not included in the Annual Audit Plan.

- 11 2. In the selection of audit areas, the determination of audit scope, and the timing
12 of the audit work, the County Internal Auditor should consult with federal, state
13 and independent auditors as necessary or appropriate so that desirable audit
14 coverage is provided and audit efforts may be properly coordinated.

15 **D. ~~Special Audits~~ Audits Requested by a Member of the BCC**

- 16 1. ~~The BCC or the Internal Audit Committee may request the County Internal~~
17 ~~Auditor to perform special audits. Special a~~ Audits requested by a member of
18 the BCC must be approved by the BCC at a regularly scheduled BCC meeting or
19 referred by the BCC to the Internal Audit Committee for consideration. If
20 ~~approved by the Internal Audit Committee, special audits may also be performed~~
21 ~~for the County Administrator. Such special audits will become an amendment~~
22 ~~to the annual audit plan.~~

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

25 **E. Audit Reports**

- 26 1. Each audit will result in a written report. Audit reports will be numbered for
27 identification, and the County Internal Auditor will maintain a cross-reference of
28 audit reports by department and/or program.
- 29 2. The County Internal Auditor shall provide a draft of the audit report to the
30 audited agency for review and comment regarding factual information before the
31 report is finalized and released. The head of the audited agency must respond in

1 writing specifying agreement with audit findings and recommendations or
2 reasons for disagreement, plans for implementing solutions to identified
3 problems, and a timetable to complete such activities. The response must be
4 forwarded to the County Internal Auditor within two weeks. The County
5 Internal Auditor will include the response in the final report.

6 3. The County Internal Auditor shall submit copies of the final audit report to the
7 audited agency, the BCC as an agenda item, the Internal Audit Committee and to
8 county administration, after approval by the Internal Audit Committee and shall
9 retain a copy as a permanent record. The County Internal Auditor will post audit
10 reports to the County's website concurrently with the distribution of final reports
11 after Internal Audit Committee approval. ~~Reports with significant findings shall~~
12 ~~also be provided to the BCC based on the Internal Audit Committee's evaluation~~
13 ~~and recommendation.~~

14 4. The report will contain the professional conclusions of the County Internal
15 Auditor regarding the activities audited. The County Internal Auditor shall
16 include in the audit reports:

- 17 (a) a precise statement of the audit's objectives, scope and
18 methodology;
- 19 (b) a statement that the audit was performed in accordance with
20 generally accepted government auditing standards, if
21 appropriate;
- 22 (c) a summary of findings, including a statement of the underlying
23 cause, evaluative criteria used, and the current and prospective
24 significance of the findings;
- 25 (d) statements of response submitted by the audited agency relevant
26 to the audit findings;
- 27 (e) a concise statement of the corrective actions already taken as a
28 result of the audit findings or on the auditee's own initiative; and
29 (f) recommendations for additional improvements or corrective
30 actions.

1 5 The County Internal Auditor shall retain a complete file of all audit reports, audit
2 work papers, and other supportive material in accordance with record retention
3 requirements established by State law. In no instance shall such record be
4 disposed of sooner than three years from the date of the report.

5 **F. Follow up on Audit Recommendations** The County Internal Auditor will
6 maintain a complete record of all outstanding audit recommendations including
7 management's planned implementation actions and implementation date. The County
8 Internal Auditor will follow up on all recommendations to determine the status of
9 management actions on the recommendations. The County Internal Auditor will issue a
10 follow up results memorandum following each follow-up review to communicate the results
11 of the follow up to management. These follow up results memoranda will not be considered
12 audit reports as covered by Section 3E of this Ordinance. The County Internal Auditor will
13 issue formal reports on the status of open audit recommendations semi-annually to the Audit
14 Committee, county management and the BCC. These formal reports will also be posted on
15 the Internal Auditor's web site.

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

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

27 **SECTION 4. COORDINATION WITH INSPECTOR GENERAL.**

28 **A. REFERRALS** If the County Internal Auditor detects possible ~~potential~~ fraud,
29 waste, abuse or wrongdoing related to any audit, the County Internal Auditor will report
30 same to the Office of Inspector General and meet with the Inspector General to

determine an appropriate course of action. The County Internal Auditor and Inspector General will jointly determine what adjustments, if any, need to be made in continuing the subject audit so as to avoid potential interference with any investigate efforts the Inspector General may initiate. Audit reports will include information relative to these matters to the extent possible without interference with ongoing investigations. The County Internal Auditor will review a draft of the audit report with the Inspector General to ensure no inappropriate material is included in the audit report.

B. ANNUAL AUDIT PLAN During development of the annual audit plan the County Internal Auditor will solicit input from the Inspector General so as to avoid duplication of effort and to ensure appropriate audit coverage of County operations. Copies of the completed annual audit plan will be provided to the Inspector General.

C. ANNUAL RISK ASSESSMENT During development of the annual risk assessment, the County Internal Auditor will solicit input from the Inspector General to identify areas of emerging risk or changes in the risk environment so as to maintain an appropriate risk inventory of County operations. Copies of the completed risk assessment will be provided to the Inspector General.

D. AUDIT REPORTS The County Internal Auditor will provide copies of all audit reports to the Office of Inspector General promptly after completion of each audit.

E. PERIODIC MEETINGS The County Internal Auditor will meet with the Inspector General regularly throughout the year to discuss matters of mutual interest and to ensure close coordination between the efforts of the two offices.

SECTION 4 5. REPEAL OF LAWS IN CONFLICT.

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

SECTION 5 6. SEVERABILITY.

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

SECTION 6 7. INCLUSION IN THE CODE OF LAWS AND ORDINANCES.

The provisions of this Ordinance shall become and be made a part of the Code of Laws and

1 Ordinances of Palm Beach County, Florida. The sections of this Ordinance may be
2 renumbered or re-lettered to accomplish such, and the word "ordinance" may be changed to
3 "section," "article," or other appropriate word.

4 **SECTION 7.8. EFFECTIVE DATE.**

5 The provisions of this Ordinance shall become effective upon filing with the Department of
6 State.

7 APPROVED AND ADOPTED by the Board of County Commissioners of Palm Beach
8 County, Florida, on this the ____ day of _____, 2012.

9
10 SHARON R. BOCK
11 CLERK & COMPTROLLER

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

12
13
14 By: _____
15 Deputy Clerk

By: _____
Chair

16 (SEAL)

17 APPROVED AS TO FORM AND
18 LEGAL SUFFICIENCY

19
20
21 By:  _____
22 County Attorney

23 Filed with the Department of State on the ____ day of _____, 20__.
24