



Book	School Board Policies
Section	Ch. 2. General Administration
Title	Audit Recommendations and Follow-Up
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### **Policy 2.62 - Audit Recommendations and Follow-Up**

1. **Purpose.** The School Board of Palm Beach County recognizes that the primary benefits of audits or reviews are not realized until effective and timely corrective action is taken. At the core of auditing is making and implementing recommendations that strengthen public accountability and improve government efficiency and effectiveness of the School District. This policy outlines procedures for follow-up of recommendations in audit reports or reviews issued by the School Board's Inspector General's Office, external auditors and/or external audit agencies.
2. **Applicability of Policy.** This policy applies to all audits and reviews performed by the Board's Inspector General, external auditors or external audit agencies.
3. **Definitions.** For the purposes of this policy, the following words are defined as follows:
  - a. *External Audit Agency* is an agency or organization not under the employ of the School District who has an auditable interest in the School District, as a federal, state, or local entity for purposes of monitoring contract and/or grant pre-award or post-award activities, billing, cost reports, or other School District related financial information and reports, or administrative practices. Auditable interest means the agency has provided the School District with funding for a specific purpose. This authority may be delegated to other independent parties, such as a CPA firm or other governmental agency, as determined by the external audit agency.
  - b. *External Audit* means an independent appraisal, by a non-School District audit entity, of the School District's financial and administrative performance as a custodian of public funds.
  - c. *External Auditors* refer to those non-School District audit professionals who perform independent audits of the School District.
  - d. *Material Weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the School District's annual or interim financial statements will not be prevented, detected or corrected on a timely basis.
  - e. *Significant Finding* is a condition, or combination of conditions, which, in the judgment of the Inspector General, external auditor or external audit agency, could adversely affect the School District. Significant findings may include conditions dealing with irregularities, illegal acts, errors, inefficiency, waste, ineffectiveness, conflicts of interest, and control weaknesses.
  - f. *Recommendations* are proposed actions to correct existing conditions or improve operations.
  - g. *Reviews* are nonaudit services, which are different from audits (financial and performance) and attestation engagements as defined by **Generally Accepted Government Auditing Standards (GAGAS)**. These nonaudit services typically involve follow-up on prior audit recommendations; limited scope special reviews as on matters that directly support the entity's operations; and technical advice based on the auditor's

technical knowledge and expertise. Nonaudit services are provided as long as they do not impair the auditor's independence as required by GAGAS.

4. **Policy Statement.** District officials including school principals and division/department heads will review, follow-up on audit or review findings and implement recommendations, or otherwise resolve such findings for those programs and/or activities for which they have administrative responsibility. Each audit or review should receive a response, and audit or review findings should be resolved, and corrective action be implemented. Such officials shall provide requested follow-up reports on the status of audit or review findings and recommendations made by the Inspector General, external auditors and/or external audit agencies to the Audit Committee, the School Board and/or Superintendent.

5. **Duties and Responsibilities Related to Audit Recommendations and Follow-up.**

a. *Inspector General.* The Inspector General shall establish and maintain a system to monitor the proper resolution and implementation of recommendations and provide periodic follow-up on the status of the implementation of recommendations to address the audit or review findings issued by the Inspector General, external auditors and/or external audit agencies. When audit or review recommendations have not been fully implemented or scheduled for implementation within six (6) months of the issue date of the report, or repeat findings of the same deficiencies, the Inspector General will provide a recommendation implementation status report to the Audit Committee. Any recommendations associated with significant findings or material weaknesses associated with an audit or review conducted by the Inspector General, an external auditor or external audit agency which has not been implemented, including any recommendations the division/department/school plan for implementation within six (6) months, shall be included in the report to the Audit Committee.

The follow-up will be limited to a review of comments in the original audit or review report(s) being used as the basis of review for the follow-up examination. The scope of the original audit or review may only be expanded when a condition is noted, while performing the above follow-up work, which indicates the potential for fraud, gross mismanagement, or deceit in representations made to auditors and senior management in responding to comments, criticisms, and recommendations presented in the audit or review report(s).

b. The six (6) month period provided herein may be adjusted by the Inspector General based on the risk and exposure involved as well as the degree of difficulty and the significance of timing in implementing corrective action.

c. *Audit Committee.* The Audit Committee's duties, in addition to its duties and responsibilities provided for in Policy 1.091, shall include:

i. Inquiry with division/department head or school principal, through the Inspector General, as to an explanation of why appropriate action has not been taken; why commitments made in writing in responding to the audit or review report findings were not performed as indicated in the final audit or review report; circumstances that delay the implementation, reason and description of any alternate solution(s) proposed for implementation; and/or proposed plan with targeted date for implementation of the audit or review recommendation(s).

ii. Provide a report to the School Board and Superintendent on any,

A. Significant findings and/or material weaknesses which have not been resolved and/or timely disposed of by District employees.

iii. Finding(s) or weakness(es) that District employees are recommending that no action be taken and the reason(s) why.

d. *Division/Department Heads and School Principals.* The division, department, school or other activity under audit, review, and investigation shall provide full co-operation to the Inspector General, external auditors and external auditing and investigative agencies, and are ultimately responsible for responding to and taking actions on findings and recommendations to improve management practices. Thus, the head of such division, department, school or other activity shall:

i. Develop corrective action plans to address and implement recommendations contained in the audit or review report of the Inspector General, external auditor or external audit agency, or alternatives that meet the objectives of the recommendations.

ii. If an audit or review recommendation is not to be challenged, the official will try to resolve the matter. If the matter is not resolved, it shall be submitted for review by the Audit Committee.

iii. The failure of a division/department head or school principal to correct audit or review findings and implement corrective actions shall be addressed and assessed as part of the division/department head's or school principal's annual performance evaluation.

**6. IG to Receive Copies of External Audits and Investigations.**

i. Copies of any such external audits, reviews or investigations completed on the District shall be provided to the Inspector General, and notices of all related entrance and exit conferences.

STATUTORY AUTHORITY:	Fla. Stat. §§ 1001.41(2); 1001.42
LAWS IMPLEMENTED:	Fla. Stat. § 11.45(7)(d)(e)(f); School Board Policy 1.092 (Internal Audit Charter)
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