

ARTICLE VII. AUDITS*

***Cross references:** Audit ~~committee~~ and Finance Committee and internal audit delegations, § 101-42.

DIVISION 1. GENERALLY

Secs. 101-181--101-200. Reserved.

DIVISION 2. INTERNAL AUDIT CHARTER

Sec. 101-201. Scope.

It is the express interest of the Governing Board and the Executive Director of the South Florida Water Management District to promote accountability, integrity, and efficiency in the operations of the District. This charter establishes an internal audit function within the Office of Inspector General, which provides a central point for the coordination of and responsibility for activities that promote accountability, integrity, and efficiency in the District.

(R.M. No. 31)

Sec. 101-202. Purpose.

The purpose of the internal audit function is to assist the Governing Board and management of the District in the effective discharge of their responsibilities as they relate to the District's policies, internal controls and management reporting practices. It is the objective of the internal audit function to provide the Governing Board and management of the District with information about the adequacy and effectiveness of the District's system of internal controls and the quality of performance in carrying out assigned responsibilities. Internal audit will serve as an independent appraisal function within the District to examine and evaluate its activities. To this end, the Office of Inspector General will furnish the District with analyses, appraisals, recommendations, counsel and information concerning the activities reviewed.

(R.M. No. 31)

Sec. 101-203. General Authority.

Section 373.079(4)(b), Florida Statutes, states that the Governing Board of each water management District shall employ an Inspector General, who shall report directly to the Board.

(1) The Audit and Finance Committee has the authority to promote independence in the Internal Audit function and to ensure broad audit coverage, adequate consideration of audit reports, and appropriate action on audit reports. The Executive Director shall have the authority to request changes in the approved annual audit plan during the year, but these changes shall subsequently be submitted to the Audit and Finance Committee for approval.

- (2) The scope of work performed by the Office of Inspector General shall be unrestricted. To properly carry out its responsibilities, the Office of Inspector General shall be granted the following authority:
- a. Complete access to all District records and documents.
 - b. The ability to request reasonable assistance from appropriate personnel in acquiring requested records and documents.
 - c. Inspection privileges to all assets owned, leased or borrowed by the District.
 - d. The ability to request reasonable assistance from appropriate personnel in locating assets owned, leased or borrowed by the District.
 - e. Entry privileges to any and all facilities used by the District.
 - f. Interview privileges, either written or oral, with all District management, staff and employees.
- (R.M. No. 31)

Sec. 101-204. Audit Authority.

(a) The Office of Inspector General shall conduct performance, financial, compliance and electronic data processing audits of all ~~Departments~~departments, offices, activities and programs under the control of the District's Governing Board. Performance audits include economy and efficiency and program audits while financial audits include financial statement and financial related audits; the purpose of these types of audits is to independently determine:

(1) Performance Audits.

(2) Economy and Efficiency Audits:

- a. Whether the District is acquiring, protecting, and using its resources (such as personnel, property, and funds) economically and efficiently, and the causes of inefficiencies or uneconomical practices.
- b. Whether the District has complied with laws and regulations concerning matters of economy and efficiency.

(3) Program Audits:

- a. The extent to which the desired results or benefits established by the legislature, the Governing Board, or other authorizing body are being achieved.
- b. The effectiveness of programs, activities, functions and/or system controls.
- c. Whether the District has complied with laws and regulations applicable to the program.

(4) Financial Audits:

a. Financial Statement Audits:

1. Whether the financial statements present fairly the financial position, result of operations and cash flows, or changes in financial position in accordance with generally accepted accounting principles.
2. Whether the District has complied with laws and regulations for those transactions and events that may have a material effect on the financial statements.

Note: Since an outside public accounting firm will conduct an annual audit of the District's financial statements, Internal Audit will concentrate on:
Assisting the outside public accounting firm in their annual audit.
Performing financial related audits.

b. Financial Related Audits:

1. Whether financial reports and related items, such as elements, accounts, or funds, are fairly presented.
 2. Whether financial information is presented in accordance with established or stated criteria.
 3. Whether the District has adhered to specific financial compliance requirements.
 - (b) The Inspector General or any of the employees of the Office of Inspector General shall not conduct or supervise an audit of an activity for which such Inspector or employee was responsible or within which such Inspector or employee was employed during the preceding two years.
 - (c) Auditors are to have no authority or responsibility for the activities they audit.
- (R.M. No. 31)

Sec. 101-205. Other Duties and Responsibilities.

It shall be the duty and responsibility of the Inspector General to:

- (1) Advise in the development of performance measures, standards, and procedures for the evaluation of District programs.
- (2) Assess the reliability and validity of the information provided by the District on performance measures and standards, and make recommendations for improvement, if necessary.
- (3) Review the actions taken by the District to improve program performance and meet program standards and make recommendations for improvement, if necessary.
- (4) Provide direction for, supervise, and coordinate audits, investigations, and management reviews relating to the programs and operations of the District, except that when the Inspector General does not possess the qualifications specified under Section 20.055(4), Florida Statutes, the Director of Auditing shall conduct such audits. (The District's enabling legislation requires the Inspector General of the District to possess those qualifications specified in Section 20.055(4), Florida Statutes. Also see Section 373.079(4)(b)(2), Florida Statutes.)
- (5) Conduct, supervise, or coordinate other activities carried out or financed by the District for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, its programs and operations.
- (6) Keep the Governing Board informed concerning fraud, abuses, and deficiencies relating to programs and operations administered or financed by the District, recommend corrective action concerning fraud, abuses, and deficiencies, and report on the progress made in implementing corrective action.
- (7) Ensure effective coordination and cooperation between the Auditor General, federal auditors, and other governmental bodies with a view toward avoiding duplication.
- (8) Review, as appropriate, rules relating to the programs and operations of the District and make recommendations concerning their impact.
- (9) Ensure that an appropriate balance is maintained between audit, investigative, and other accountability activities.

(R.M. No. 31)

Sec. 101-206. Quality Assurance Reviews.

- (a) The audit activities of the Office of Inspector General shall be subject to a quality review at least once every three years by a professional, non-partisan objective group

utilizing guidelines endorsed by the U.S. General Accounting Office. A copy of the written report of this independent review shall be furnished to each member of the Governing Board and the Executive Director.

(b) The quality control review shall determine compliance with Government Auditing Standards and the quality of audit effort and reporting, including:

(1) General standards such as staff qualifications, due professional care and quality assurance.

(2) Fieldwork standards such as planning, supervision and audit evidence.

(3) Reporting standards such as report contents, presentation and timeliness.

(c) The District shall reimburse the costs of the quality control review team from funds budgeted or other in-kind support.

(R.M. No. 31)

Sec. 101-207. Responsibilities.

(a) The Inspector General shall develop long-term and annual audit plans based on the findings of periodic risk assessments.

(b) The Inspector General shall submit an annual budget and audit plan reflecting scheduled audits, non-audit activities and related resources to be devoted to the respective audit and non-audit activities to the Audit and Finance Committee within 45 days of the beginning of each fiscal year for review, discussion and approval. The long-term and annual audit plans shall be developed in cooperation with the Executive Director of the District. The annual plan may be amended during the year after review by the Audit and Finance Committee.

(c) The Inspector General may initiate and conduct any other audit or review such Inspector deems necessary to undertake.

(d) Reasonable notice should be given to appropriate personnel of intent to audit in their area. An exception to reasonable notice will be taken in cases that involve unannounced audits.

(e) The Office of Inspector General shall adhere to conduct audits, reviews, and investigations in accordance with the following standards:

(1) Generally Accepted Governmental Auditing Standards (GAGAS). ~~The Office of Inspector General will conduct its affairs in accordance with this charter and the~~ or the International Standards for the Professional Practice of Internal Auditing as issued by the Institute of Internal Auditors. ~~In addition, it will assist and coordinate activities with the District's~~

(2) General Principles and Standards for Offices of Inspector General as published and revised by the Association of Inspectors General.

(3) The provisions of this charter.

(f) The Office of Inspector General will administer the contract for the District's independent certified public accountants, and assist and coordinate their activities in order to eliminate duplication of activities where possible.

(g) Audits will be performed by those persons who collectively possess the necessary knowledge, skills and disciplines to conduct the audit properly.

(h) The Inspector General will have direct communication with the Audit and Finance Committee of the Governing Board in the presentation of audit reports. Audit reports will be prepared within the following guidelines:

(1) Each audit will result in a written report. Audit reports will be numbered sequentially by year, and the Inspector General will maintain a cross-reference of audit reports by Department/Office and/or program.

(2) Prior to providing a written audit report to the Governing Board, the Inspector General will provide a draft of the audit report to the Executive Director and Auditee Department/Office Directors for review and comment regarding factual content before the report is finalized and released. Draft reports shall remain confidential pursuant to Section 119.07(3)(y), Florida Statutes.

A stamped draft report will be provided to the Chair of the Audit and Finance Committee. Upon review and consultation with both the Executive Director and Inspector General, the Audit and Finance Committee Chair may instruct the Inspector General to transmit the draft report to the entire Governing Board.

(3) The audited Department/Office shall respond in writing regarding audit findings and recommendations indicating agreement or disagreement, and reasons for any disagreements, plans for implementing solutions to identified problems, and a timetable to complete such activities. Normally, the draft responses must be forwarded to the Executive Director within two weeks. The Executive Director shall review the draft responses, make any necessary changes, and normally forward the District response to the Inspector General within two weeks. The Inspector General will include the full text of the response in the final report.

(4) The Inspector General will schedule a meeting to review the report and response with the Executive Director and respective audited Department/Office before issuing a final written report. After such meeting, the Inspector General shall agenda the final audit report for the next available Audit and Finance Committee meeting.

(5) Upon completion, the Inspector General shall release the audit report to all members of the Governing Board, Executive Director, and affected Department heads. Upon presentation to the Audit and Finance Committee, the final report will be made available to the general public and members of the press upon request.

(6) The report will contain the professional conclusions of the auditor regarding the activities audited. The Inspector General shall include in the audit reports:

- a. A precise statement of the scope of the audit.
- b. A statement that the audit was performed in accordance with Generally Accepted Governmental Auditing Standards, if appropriate.
- c. A statement that an examination for compliance with applicable laws, policies and regulations was conducted and a presentation of the findings associated with that examination.
- d. A summary of findings, including a statement of underlying cause, evaluation criteria used, and the current and prospective significance of the findings.
- e. A statement that internal control systems were examined and a report of any material weakness found in the internal control systems, if appropriate.
- f. Statements of response submitted by the audited Department/Office relevant to the audit findings.
- g. A concise statement of the corrective actions already taken as a result of the audit findings or on the auditee's own initiative.
- h. Recommendations for additional necessary or desirable action.

(7) The Inspector General may request periodic status reports from audited Departments/Offices/Divisions regarding actions taken to address reported deficiencies and audit recommendations.

(8) During the course of audit work, the Inspector General and staff shall be alert to any indications of fraud, abuse or illegal acts. If the Inspector General detects apparent violations of law or apparent instances of misfeasance, malfeasance, or nonfeasance by an employee or information that derelictions may be reasonably anticipated, the Inspector General, after consultation with the General Counsel, shall report the irregularities in writing to the Governing Board members, the Executive Director and the Audit and Finance Committee. If the irregularity may be criminal in nature, the Office of Counsel, in conjunction with the Inspector General, shall immediately notify the appropriate chief prosecuting authority in addition to those previously cited.

(9) In carrying out the investigative duties and responsibilities specified in this section, the Inspector General shall initiate, conduct, supervise, and coordinate investigations designed to detect, deter, prevent, and eradicate fraud, waste, mismanagement, misconduct, and other abuses in the District. For these purposes, the District shall:

- a. Receive complaints and coordinate all activities of the agency as required by the Whistle-Blower's Act pursuant to Section 112.3187 et seq., Florida Statutes.
- b. Receive and consider the complaints which do not meet the criteria for an investigation under the Whistle-Blower's Act and conduct, supervise, or coordinate such inquiries, investigations, or reviews as the Inspector General deems appropriate.
- c. Report expeditiously to the Department of Law Enforcement or other law enforcement agencies, as appropriate, whenever the Inspector General has reasonable grounds to believe there has been a violation of criminal law.
- d. Conduct investigations and other inquiries free of actual or perceived impairment to the independence of the Inspector General or the Office of Inspector General. This shall include freedom from any interference with investigations and timely access to records and other sources of information.
- e. Submit in a timely fashion final reports on investigations conducted by the Inspector General to the Governing Board, except for whistle-blower's investigations, which shall be conducted and reported pursuant to Section 112.3189, Florida Statutes.

(10) Pursuant to Section 20.055, Florida Statutes , as amended, at the conclusion of an audit or investigation in which the subject of the audit or investigation is a “specific entity contracting with the state” (as defined by Section 20.055(1)(d), Florida Statutes), or an “individual substantially affected” (as defined by Section 20.055(1)(c), Florida Statutes), if the audit or investigation is not confidential or otherwise exempt from disclosure by law, the Inspector General shall, consistent with Section 119.07(1), Florida Statutes, submit the findings to the entity contracting with the District or the individual substantially affected, who shall be advised in writing that they may submit a written response within 20 working days after receipt of the findings. The response and the Inspector General’s rebuttal to the response, if any, must be included in the final report.

(R.M. No. 31)

Sec. 101-208. Organization.

(a) The Inspector General will be responsible to the Governing Board, through the Chair of the Audit and Finance Committee. Personnel on the Inspector General's staff are required to follow all normal guidelines, policies and procedures which govern District employees. The Executive Director will be responsible for enforcing and administering compliance with those policies.

(b) To the extent both necessary and practicable, the Inspector General shall include on the staff individuals with ~~electronic data processing~~information systems auditing experience.

(R.M. No. 31)