



BOARD OF GOVERNORS STATE UNIVERSITY SYSTEM OF FLORIDA

“DRAFT” AUDIT COMMITTEE CHARTER

**BOARD OF GOVERNORS
STATE UNIVERSITY SYSTEM OF FLORIDA
“DRAFT” AUDIT COMMITTEE CHARTER**

INTRODUCTION:

The Audit Committee was established to assist the Board of Governors for the State University System of Florida (“Board”) achieve its goals and objectives, by providing a systematic and disciplined approach to the evaluation of the Board’s operations and to be primarily responsible for improving the effectiveness of the organization’s risk management, control and governance processes. This Charter shall establish that the Audit Committee has the necessary authority to carry out its duties, including the responsibility to review policies related to the compliance function.

In addition, this Charter shall establish clear lines of authority, responsibility and expectations related to the Offices of Inspector General and Director of Compliance (“Inspector General”), which shall serve as the central point for the coordination of all activities designed to promote accountability, efficiency and effectiveness in the operations of the Board and the state university system.

Internal auditing is comprised of objective and independent assurance and consulting activities that are guided by a philosophy of adding value to the operations of the Board. Investigative activities are designed to deter, detect and prevent waste, fraud and abuse. Compliance activities are designed to provide management and other stakeholders with independent assurance that operations are being conducted in a manner that is fully consistent with all applicable laws, rules, regulations and policies of the organization. The compliance program embodies the Board’s commitment to “due diligence” in ensuring the prevention and timely detection of possible violations of law.

The Charter is presented with the following sections: I. Organization; II. Authority; III Professional Standards; IV Independence; V. Scope of Work; VI Audit Planning; VII. Reporting; and VIII. Monitoring.

I. ORGANIZATION:

The Board is comprised of seventeen members, fourteen of whom are appointed by the Florida Governor and confirmed by the Florida Senate for a term of seven years. The remaining members include the President of the Advisory Council of

the Faculty Senate, the Commissioner of Education, and the Chair of the Florida Student Council.

The Audit Committee serves as the central point for demonstrating the Board's commitment to accountability, integrity and efficiency in the "operations of the state university system." The essential functions of the Audit Committee are to provide oversight of internal audit, compliance and ethics related activities; to review significant accounting and reporting issues; to review risk assessment methodologies and risk management policies; assess the effectiveness of the internal control system and to review any report of significant audit or compliance related findings and recommendations. The Audit Committee shall provide guidance on how to establish and maintain strong working relationships with the external auditors and other stakeholders and assist the Board in obtaining adequate funding and resources needed by the Inspector General to fulfill his or her mandated duties.

The Board has significant oversight responsibilities for Florida's higher education system. The Board's Audit Committee in collaboration with the audit committees of the Boards of Trustees for the state universities and their respective internal audit executives, help to ensure that processes are in place to meet those responsibilities.

The Inspector General shall provide leadership and oversight of audit and compliance functions for the Board and the state university system and is generally responsible for coordinating activities that promote accountability, integrity, and efficiency as required by law.

In order to ensure maximum effectiveness and coordination, the Inspector General has a dual reporting relationship with the Audit Committee and the Chancellor. The Inspector General shall report directly to the Chancellor on matters related to annual assignment and broader policy issues and concerns that fall within the overall scope of work and to the Audit Committee on findings related to audit and compliance issues and any other matters conducted at the direction of the Board.

II. AUTHORITY:

Article IX, Section 7, subsection (d) of the Florida Constitution mandates the Board operate, regulate, control and be fully responsible for the management of the State University System of Florida, including but not limited to defining the distinctive mission of each constituent university and its articulation with free public schools and community colleges; ensuring the well-planned coordination

and operation of the system, and avoiding wasteful duplication of facilities or programs. The Board's management shall be subject to the powers of the Legislature to appropriate for the expenditure of funds and the Board shall account for such expenditures as provided by law.

Applicable law authorizes the creation of an Office of Inspector General to support the Board by providing a central point for coordination of all activities that promote accountability, integrity and efficiency in the state university system. Specific duties and responsibilities are set forth in Section V. "Scope of Work".

Applicable law also provides that the Inspector General have access to any records, data, and other information available to the Board and the state university system necessary to carry out his or her assigned duties and is authorized to request such information or assistance as may be necessary.

In addition, the Inspector General is authorized to investigate complaints filed by an employee of the Board's office pursuant to Florida's "Whistle-blower's Act", alleging the suspected violation of any federal, state, or local law, rule or regulation by a Board employee or independent contractor and which creates and presents a substantial and specific danger to the public's health, safety or welfare and any suspected act of gross mismanagement, malfeasance, misfeasance, gross waste of public funds, or gross neglect of duty.

III. PROFESSIONAL STANDARDS:

The Inspector General shall conduct all audits in accordance with the current International Standards for the Professional Practice of Internal Auditing published by the Institute of Internal Auditors, Inc., or, where appropriate, in accordance with Government Auditing Standards, published by the Comptroller General of the United States and the Principles and Standards for Offices of Inspector General published by the Association of Inspectors General. All reports issued by the Inspector General shall include a statement that the audit or investigation was conducted pursuant to the appropriate standards.

The Inspector General and his staff shall conduct their activities consistent with the Institute of Internal Auditors "Code of Ethics" as well as any and all professional codes of conduct required by applicable law, rule, regulation or Board's policy.

IV. INDEPENDENCE:

The Inspector General shall administratively report to the Chancellor for the Board and shall also report functionally to the Audit Committee on all matters set forth in this Charter. This dual reporting relationship is designed to ensure effective communication and coordination of activities while still ensuring that the Inspector General is not impaired in any manner from performing his or her mandated duties and responsibilities.

The Inspector General shall not be subject to the supervision of any other employee within the organization and shall be appointed without regard to political affiliation.

All internal audit activities shall remain free of influence by any other employee of the Board, including matters of audit selection, scope, procedures, frequency, timing or report content to ensure the continuation of independent and objective actions necessary to render accurate and unbiased conclusions and findings. In addition no employee of the Board shall prevent or prohibit the Inspector General from initiating, carrying out, or completing any audit or investigation that is authorized by the Board or by law.

V. SCOPE OF WORK:

A. BOARD OF GOVERNORS:

In accordance with this Charter and applicable law, the Inspector General shall review and evaluate internal controls necessary to ensure the fiscal accountability of the Board. The Inspector General shall conduct financial, compliance, electronic data processing, and performance audits of the agency and prepare audit reports of his or her findings. The scope and assignment of the audits shall be determined by the Inspector General however, the Board, the Audit Committee or the Chancellor, may at any time direct the Inspector General to perform an audit of a special program, function, or organizational unit. The performance of the audit shall be under the direction of the Inspector General or the Director of Auditing if the Inspector General does not possess the required qualifications to perform this function. The specific authorized duties and responsibilities of the Inspector General are as follows:

1. Internal Audit

- Provide direction for, supervise, and coordinate audits, management reviews, surveys, inspections and other such activities, relating to the

- programs and operations of the Board. Audits to be conducted shall be identified through a risk based assessment and work plan and include financial, performance, compliance and information systems/EDP audits.
- Conduct, supervise, or coordinate other projects carried out or financed by the Board for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, its programs and operations.
 - Report periodically to the Board and the Chancellor about fraud, abuses, or deficiencies relating to programs and operations administered or financed by the Board, recommend appropriate corrective actions, and report on the progress made in implementing such corrective action.
 - Act as liaison with the Auditor General, federal auditors, and other governmental entities to ensure coordination of external reviews avoiding duplication.
 - Review, as appropriate, rules relating to the programs and operations of the Board and make recommendations concerning their impact.

2. Investigations

- Receive and review complaints of alleged violations of policies, rules or procedures and when appropriate Initiate, conduct, supervise, and coordinate investigations designed to detect, deter, prevent, and eradicate fraud, waste, mismanagement, misconduct, and other abuses in state government.
- Receive complaints and coordinate all activities of the agency as required by the Florida's Whistle-blower's Act.
- 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.
- Conduct investigations and other inquiries free of actual or perceived impairment by any person to the independence of the Inspector General.
- Submit in a timely fashion to the Board, the Audit Committee and the Chancellor, final reports on investigations conducted by the Inspector General, except for investigations conducted pursuant to the Florida Whistle-blower's Act, which shall be conducted and reported pursuant to applicable law.

3. Compliance

- Identify key risk areas and perform a risk assessment on compliance readiness.

- Prioritize implementation of compliance program to focus on areas of higher regulatory risk which could impact health or safety, academic or fiscal integrity.
- Provide recommendations, education and training in connection with regulatory compliance gaps identified.
- Monitor new developments or requirements in regulatory compliance.
- Improve coordination, dissemination and communication of regulatory compliance issues.
- Develop a best practices model for regulatory compliance.

B. OTHER ACTIVITIES

- On or before September 30, prepare an annual report which summarizes the activities of the office of the Inspector General during the preceding fiscal year. The annual report shall be provided to the Chancellor, members of the Board and other designed entities.
- Ensure that an appropriate balance is maintained between audit, investigative, and other accountability activities.
- Provide support to the Board and the Chancellor, as requested, in matters that improve the overall efficiency and/or effectiveness of the organization.
- Provide oversight and coordination for the State University System audit, investigative and compliance functions as directed by the Board and applicable law, including serving as chair of the State University System Audit Council.
- Oversee and monitor audit and follow-up activities of the university's offices of audit and compliance, as appropriate.
- Work collaboratively and as a liaison with the Board staff and the Compliance Directors at the universities to ensure development, implementation, and maintenance of compliance activities within the State University System regarding state and federal rules and regulations.
- Review and evaluate audit, investigative and management advisory reports issued by the university offices of audit and compliance and from these reports, identify significant systemic issues, problematic trends, or issues with policy implications, and report those findings to the Audit Committee and when appropriate, make recommendations for improvements.
- Identify and develop system wide initiatives for the State University System internal audit, investigation and compliance function.
- Ensure that periodic quality assurance reviews of the office of the Inspector General occur.

- Review annual audits of the universities conducted by the Florida Auditor General and advise the Board, the Audit Committee and Chancellor, as appropriate, of possible corrective action as needed.
- Represent the Board by serving as Chair of the State University Audit Council.
- Act as a liaison with outside agencies and the federal government to promote accountability, integrity, and efficiency in the audit and compliance functions.

VI. AUDIT PLANNING:

The Inspector General shall develop long-term and annual Audit Plans based on the findings of periodic risk assessments. The Audit Plan shall include the individual audits to be conducted during each year and related resources to be devoted to the respective audits and activities and, when appropriate, post audit samplings of payments and accounts.

The Audit Plan shall be developed based on a review of all operational units using a risk based methodology and assessment. Any significant deviation from the formally approved work schedule shall be communicated to the Audit Committee and to the Chancellor through periodic status reports. The Audit Plan shall take into account available resources and staffing and budget limitations.

The Audit Plan shall be submitted to the Audit Committee of the Board for final approval, with a copy of the approved plan submitted to the Auditor General.

VII. REPORTING:

At the conclusion of each audit, the Office of Inspector General and Director of Compliance shall submit preliminary findings and recommendations to the person responsible for supervision of the program function or operational unit who shall respond to any adverse findings within thirty (30) working days after receipt of the tentative findings. Such response and the Inspector General's rebuttal to the response shall be included in the final audit report. The Inspector General shall submit the final report to the Audit Committee of the Board, to the Chancellor and to the Auditor General.

VIII. MONITORING:

The Office of Inspector General shall monitor the implementation of the Board's response to any report on the Board issued by the Office of the Auditor General or by the Office of Program Policy Analysis and Government Accountability. No later than six months after the Auditor General or the Office of Program Policy Analysis and Government Accountability publishes a report on the Board, the Inspector General shall provide a written response to the Audit Committee and to the Chancellor on the status of corrective actions taken. The Inspector General shall file a copy of such response with the Legislative Auditing Committee.

Approved by: Carolyn K. Roberts, Chair – Board of Governors
State University System of Florida

Date: _____

Approved by M. Lynn Pappas, Audit Committee Chair

Date: _____

Concurred with: Mark B. Rosenberg, Chancellor

Date: _____

Concurred with: Vikki Shirley, General Counsel

Date: _____

Prepared by: Derry Harper, Inspector General & Director of Compliance

Date: _____

Approved this ____ day of _____, 2008.

EXHIBIT I

FLORIDA CONSTITUTION

ARTICLE IX, SECTION 7

EXHIBIT I

FLORIDA CONSTITUTION - ARTICLE IX, SECTION 7

SECTION 7. State University System.--

(a) **PURPOSES.** In order to achieve excellence through teaching students, advancing research and providing public service for the benefit of Florida's citizens, their communities and economies, the people hereby establish a system of governance for the state university system of Florida.

(b) **STATE UNIVERSITY SYSTEM.** There shall be a single state university system comprised of all public universities. A board of trustees shall administer each public university and a board of governors shall govern the state university system.

(c) **LOCAL BOARDS OF TRUSTEES.** Each local constituent university shall be administered by a board of trustees consisting of thirteen members dedicated to the purposes of the state university system. The board of governors shall establish the powers and duties of the boards of trustees. Each board of trustees shall consist of six citizen members appointed by the governor and five citizen members appointed by the board of governors. The appointed members shall be confirmed by the senate and serve staggered terms of five years as provided by law. The chair of the faculty senate, or the equivalent, and the president of the student body of the university shall also be members.

(d) **STATEWIDE BOARD OF GOVERNORS.** The board of governors shall be a body corporate consisting of seventeen members. The board shall operate, regulate, control, and be fully responsible for the management of the whole university system. These responsibilities shall include, but not be limited to, defining the distinctive mission of each constituent university and its articulation with free public schools and community colleges, ensuring the well-planned coordination and operation of the system, and avoiding wasteful duplication of facilities or programs. The board's management shall be subject to the powers of the legislature to appropriate for the expenditure of funds, and the board shall account for such expenditures as provided by law. The governor shall appoint to the board fourteen citizens dedicated to the purposes of the state university system. The appointed members shall be confirmed by the senate and serve staggered terms of seven years as provided by law. The commissioner of education, the chair of the advisory council of faculty senates, or the equivalent, and the president of the Florida student association, or the equivalent, shall also be members of the board.

History.--Proposed by Initiative Petition filed with the Secretary of State August 6, 2002; adopted 2002.

EXHIBIT II

SECTION 20.055, FLORIDA STATUTES

AGENCY INSPECTORS GENERAL

EXHIBIT II
SECTION 20.055, FLORIDA STATUTES
AGENCY INSPECTORS GENERAL

20.055 Agency inspectors general.--

(1) For the purposes of this section:

(a) "State agency" means each department created pursuant to this chapter, and also includes the Executive Office of the Governor, the Department of Military Affairs, the Fish and Wildlife Conservation Commission, the Office of Insurance Regulation of the Financial Services Commission, the Office of Financial Regulation of the Financial Services Commission, the Public Service Commission, the Board of Governors of the State University System, and the state courts system.

(b) "Agency head" means the Governor, a Cabinet officer, a secretary as defined in s. [20.03](#)(5), or an executive director as defined in s. [20.03](#)(6). It also includes the chair of the Public Service Commission, the Director of the Office of Insurance Regulation of the Financial Services Commission, the Director of the Office of Financial Regulation of the Financial Services Commission, and the Chief Justice of the State Supreme Court.

(c) "Individuals substantially affected" means natural persons who have established a real and sufficiently immediate injury in fact due to the findings, conclusions, or recommendations of a final report of a state agency inspector general, who are the subject of the audit or investigation, and who do not have or are not currently afforded an existing right to an independent review process. Employees of the state, including career service, probationary, other personal service, Selected Exempt Service, and Senior Management Service employees, are not covered by this definition. This definition also does not cover former employees of the state if the final report of the state agency inspector general relates to matters arising during a former employee's term of state employment. This definition does not apply to persons who are the subject of audits or investigations conducted pursuant to ss. [112.3187](#)-112.31895 or s. [409.913](#) or which are otherwise confidential and exempt under s. [119.07](#).

(d) "Entities contracting with the state" means for-profit and not-for-profit organizations or businesses having a legal existence, such as corporations or partnerships, as opposed to natural persons, which have entered into a relationship with a state agency as defined in paragraph (a) to provide for consideration certain goods or services to the state agency or on behalf of the state agency. The relationship may be evidenced by payment by warrant or

purchasing card, contract, purchase order, provider agreement, or other such mutually agreed upon relationship. This definition does not apply to entities which are the subject of audits or investigations conducted pursuant to ss. [112.3187](#)-112.31895 or s. [409.913](#) or which are otherwise confidential and exempt under s. [119.07](#).

(2) The Office of Inspector General is hereby established in each state agency to provide a central point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency in government. It shall be the duty and responsibility of each inspector general, with respect to the state agency in which the office is established, to:

- (a) Advise in the development of performance measures, standards, and procedures for the evaluation of state agency programs.
- (b) Assess the reliability and validity of the information provided by the state agency on performance measures and standards, and make recommendations for improvement, if necessary, prior to submission of those measures and standards to the Executive Office of the Governor pursuant to ¹s. [216.0166](#)(1).
- (c) Review the actions taken by the state agency to improve program performance and meet program standards and make recommendations for improvement, if necessary.
- (d) Provide direction for, supervise, and coordinate audits, investigations, and management reviews relating to the programs and operations of the state agency, except that when the inspector general does not possess the qualifications specified in subsection (4), the director of auditing shall conduct such audits.
- (e) Conduct, supervise, or coordinate other activities carried out or financed by that state agency for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, its programs and operations.
- (f) Keep such agency head informed concerning fraud, abuses, and deficiencies relating to programs and operations administered or financed by the state agency, recommend corrective action concerning fraud, abuses, and deficiencies, and report on the progress made in implementing corrective action.
- (g) Ensure effective coordination and cooperation between the Auditor General, federal auditors, and other governmental bodies with a view toward avoiding duplication.

(h) Review, as appropriate, rules relating to the programs and operations of such state agency and make recommendations concerning their impact.

(i) Ensure that an appropriate balance is maintained between audit, investigative, and other accountability activities.

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

(3)(a) The inspector general shall be appointed by the agency head. For agencies under the direction of the Governor, the appointment shall be made after notifying the Governor and the Chief Inspector General in writing, at least 7 days prior to an offer of employment, of the agency head's intention to hire the inspector general.

(b) Each inspector general shall report to and be under the general supervision of the agency head and shall not be subject to supervision by any other employee of the state agency. The inspector general shall be appointed without regard to political affiliation.

(c) An inspector general may be removed from office by the agency head. For agencies under the direction of the Governor, the agency head shall notify the Governor and the Chief Inspector General, in writing, of the intention to terminate the inspector general at least 7 days prior to the removal. For state agencies under the direction of the Governor and Cabinet, the agency head shall notify the Governor and Cabinet in writing of the intention to terminate the inspector general at least 7 days prior to the removal.

(d) The agency head or agency staff shall not prevent or prohibit the inspector general from initiating, carrying out, or completing any audit or investigation.

(4) To ensure that state agency audits are performed in accordance with applicable auditing standards, the inspector general or the director of auditing within the inspector general's office shall possess the following qualifications:

(a) A bachelor's degree from an accredited college or university with a major in accounting, or with a major in business which includes five courses in accounting, and 5 years of experience as an internal auditor or independent postauditor, electronic data processing auditor, accountant, or any combination thereof. The experience shall at a minimum consist of audits of units of government or private business enterprises, operating for profit or not for profit; or

(b) A master's degree in accounting, business administration, or public administration from an accredited college or university and 4 years of experience as required in paragraph (a); or

(c) A certified public accountant license issued pursuant to chapter 473 or a certified internal audit certificate issued by the Institute of Internal Auditors or earned by examination, and 4 years of experience as required in paragraph (a).

(5) In carrying out the auditing duties and responsibilities of this act, each inspector general shall review and evaluate internal controls necessary to ensure the fiscal accountability of the state agency. The inspector general shall conduct financial, compliance, electronic data processing, and performance audits of the agency and prepare audit reports of his or her findings. The scope and assignment of the audits shall be determined by the inspector general; however, the agency head may at any time direct the inspector general to perform an audit of a special program, function, or organizational unit. The performance of the audit shall be under the direction of the inspector general, except that if the inspector general does not possess the qualifications specified in subsection (4), the director of auditing shall perform the functions listed in this subsection.

(a) Such audits shall be conducted in accordance with the current International Standards for the Professional Practice of Internal Auditing as published by the Institute of Internal Auditors, Inc., or, where appropriate, in accordance with generally accepted governmental auditing standards. All audit reports issued by internal audit staff shall include a statement that the audit was conducted pursuant to the appropriate standards.

(b) Audit workpapers and reports shall be public records to the extent that they do not include information which has been made confidential and exempt from the provisions of s. [119.07](#)(1) pursuant to law. However, when the inspector general or a member of the staff receives from an individual a complaint or information that falls within the definition provided in s. [112.3187](#)(5), the name or identity of the individual shall not be disclosed to anyone else without the written consent of the individual, unless the inspector general determines that such disclosure is unavoidable during the course of the audit or investigation.

(c) The inspector general and the staff shall have access to any records, data, and other information of the state agency he or she deems necessary to carry out his or her duties. The inspector general is also authorized to request such information or assistance as may be necessary from the state agency or from any federal, state, or local government entity.

(d) At the conclusion of each audit, the inspector general shall submit preliminary findings and recommendations to the person responsible for supervision of the program function or operational unit who shall respond to any adverse findings within 20 working days after receipt of the preliminary findings. Such response and the inspector general's rebuttal to the response shall be included in the final audit report.

(e) At the conclusion of an audit in which the subject of the audit is a specific entity contracting with the state or an individual substantially affected, if the audit is not confidential or otherwise exempt from disclosure by law, the inspector general shall, consistent with s. [119.07\(1\)](#), submit the findings to the entity contracting with the state 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 audit report.

(f) The inspector general shall submit the final report to the agency head and to the Auditor General.

(g) The Auditor General, in connection with the independent postaudit of the same agency pursuant to s. [11.45](#), shall give appropriate consideration to internal audit reports and the resolution of findings therein. The Legislative Auditing Committee may inquire into the reasons or justifications for failure of the agency head to correct the deficiencies reported in internal audits that are also reported by the Auditor General and shall take appropriate action.

(h) The inspector general shall monitor the implementation of the state agency's response to any report on the state agency issued by the Auditor General or by the Office of Program Policy Analysis and Government Accountability. No later than 6 months after the Auditor General or the Office of Program Policy Analysis and Government Accountability publishes a report on the state agency, the inspector general shall provide a written response to the agency head on the status of corrective actions taken. The Inspector General shall file a copy of such response with the Legislative Auditing Committee.

(i) The inspector general shall develop long-term and annual audit plans based on the findings of periodic risk assessments. The plan, where appropriate, should include postaudit samplings of payments and accounts. The plan shall show the individual audits to be conducted during each year and related resources to be devoted to the respective audits. The Chief Financial Officer, to assist in fulfilling the responsibilities for examining, auditing, and settling accounts, claims, and demands pursuant to s. [17.03\(1\)](#), and examining, auditing, adjusting, and settling

accounts pursuant to s. [17.04](#), may utilize audits performed by the inspectors general and internal auditors. For state agencies under the Governor, the audit plans shall be submitted to the Governor's Chief Inspector General. The plan shall be submitted to the agency head for approval. A copy of the approved plan shall be submitted to the Auditor General.

(6) In carrying out the investigative duties and responsibilities specified in this section, each inspector general shall initiate, conduct, supervise, and coordinate investigations designed to detect, deter, prevent, and eradicate fraud, waste, mismanagement, misconduct, and other abuses in state government. For these purposes, each inspector general shall:

(a) Receive complaints and coordinate all activities of the agency as required by the Whistle-blower's Act pursuant to ss. [112.3187](#)-112.31895.

(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 inspector general's office. This shall include freedom from any interference with investigations and timely access to records and other sources of information.

(e) At the conclusion of each investigation in which the subject of the investigation is a specific entity contracting with the state or an individual substantially affected as defined by this section, and if the investigation is not confidential or otherwise exempt from disclosure by law, the inspector general shall, consistent with s. [119.07](#)(1), submit findings to the subject that is a specific entity contracting with the state or an 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. Such response and the inspector general's rebuttal to the response, if any, shall be included in the final investigative report.

(f) Submit in a timely fashion final reports on investigations conducted by the inspector general to the agency head, except for whistle-blower's investigations, which shall be conducted and reported pursuant to s. [112.3189](#).

(7) Each inspector general shall, not later than September 30 of each year, prepare an annual report summarizing the activities of the office during the immediately preceding state fiscal year. The final report shall be furnished to the agency head. Such report shall include, but need not be limited to:

(a) A description of activities relating to the development, assessment, and validation of performance measures.

(b) A description of significant abuses and deficiencies relating to the administration of programs and operations of the agency disclosed by investigations, audits, reviews, or other activities during the reporting period.

(c) A description of the recommendations for corrective action made by the inspector general during the reporting period with respect to significant problems, abuses, or deficiencies identified.

(d) The identification of each significant recommendation described in previous annual reports on which corrective action has not been completed.

(e) A summary of each audit and investigation completed during the reporting period.

(8) The inspector general in each agency shall provide to the agency head, upon receipt, all written complaints concerning the duties and responsibilities in this section or any allegation of misconduct related to the office of the inspector general or its employees, if received from subjects of audits or investigations who are individuals substantially affected or entities contracting with the state, as defined in this section. For agencies solely under the direction of the Governor, the inspector general shall also provide the complaint to the Chief Inspector General.

(9) Each agency inspector general shall, to the extent both necessary and practicable, include on his or her staff individuals with electronic data processing auditing experience.

History.--ss. 1, 2, ch. 86-131; s. 1, ch. 87-30; ss. 1, 4, ch. 90-247; s. 18, ch. 91-282; s. 2, ch. 91-285; s. 7, ch. 94-235; s. 1, ch. 94-340; s. 1315, ch. 95-147; s. 8, ch. 95-153; s. 8, ch. 95-312; s. 5, ch. 96-406; s. 15, ch. 98-73; s. 62, ch. 99-245; s. 2, ch. 2001-124; s. 21, ch. 2001-266; s. 68, ch. 2003-261; s. 2, ch. 2004-41; s. 1, ch. 2007-217; s. 1, ch. 2008-183.

¹**Note.**--Repealed by s. 61, ch. 2000-371.

EXHIBIT III

SECTION 20.155, FLORIDA STATUTES

BOARD OF GOVERNORS OFFICE
OF THE INSPECTOR GENERAL

EXHIBIT III
SECTION 20.155, FLORIDA STATUTES
BOARD OF GOVERNORS OFFICE OF THE INSPECTOR GENERAL

20.155 Board of Governors of the State University System.--

(1) GENERAL PROVISIONS.--The Board of Governors of the State University System is established by the State Constitution under s. 7, Art. IX and, accordingly, is granted rights and privileges equal to those of departments established under this chapter while preserving the Board of Governors' constitutional designation and title.

(2) HEAD OF THE BOARD.--The head of the Board of Governors is the board with members appointed by the Governor as provided for in s. 7, Art. IX of the State Constitution.

(3) PERSONNEL.--The Board of Governors may appoint a Chancellor to aid the board in the implementation of its responsibilities.

(4) POWERS AND DUTIES.--

(a) The Board of Governors shall operate, regulate, control, and be responsible for the management of the whole State University System in accordance with s. 7, Art. IX of the State Constitution and law.

(b) The Board of Governors, in exercising its authority under the State Constitution and statutes, shall do so in a manner that supports, promotes, and enhances all of the following:

1. Affordable access to postsecondary educational opportunities for Florida residents.
2. Articulation among state universities and with public schools and other postsecondary educational institutions.
3. Fiscal responsibility.
4. Accountability.

(5) OFFICE OF INSPECTOR GENERAL.--An Office of Inspector General shall be organized using existing resources and funds to promote accountability, efficiency, and effectiveness and to detect fraud and abuse within state universities. If the Board of Governors determines that a state university board of trustees is unwilling or unable to address substantiated allegations made by any person relating to waste, fraud, or financial mismanagement, the office shall conduct, coordinate, or request investigations into substantiated allegations made by any person relating to waste, fraud, or financial mismanagement within a state university. The office shall have access to all information

and personnel necessary to perform its duties and shall have all of its current powers, duties, and responsibilities authorized in s. [20.055](#).

History.--s. 3, ch. 2007-217.

EXHIBIT IV

SECTION 112.3187 - 112.31895, FLORIDA STATUTES

FLORIDA "WHISTLEBLOWERS ACT"

EXHIBIT IV
SECTIONS 112.3187 – 112.31985, FLORIDA STATUTES
FLORIDA “WHISTLEBLOWERS ACT”

112.3187 Adverse action against employee for disclosing information of specified nature prohibited; employee remedy and relief.--

(1) SHORT TITLE.--Sections [112.3187](#)-112.31895 may be cited as the "Whistle-blower's Act."

(2) LEGISLATIVE INTENT.--It is the intent of the Legislature to prevent agencies or independent contractors from taking retaliatory action against an employee who reports to an appropriate agency violations of law on the part of a public employer or independent contractor that create a substantial and specific danger to the public's health, safety, or welfare. It is further the intent of the Legislature to prevent agencies or independent contractors from taking retaliatory action against any person who discloses information to an appropriate agency alleging improper use of governmental office, gross waste of funds, or any other abuse or gross neglect of duty on the part of an agency, public officer, or employee.

(3) DEFINITIONS.--As used in this act, unless otherwise specified, the following words or terms shall have the meanings indicated:

(a) "Agency" means any state, regional, county, local, or municipal government entity, whether executive, judicial, or legislative; any official, officer, department, division, bureau, commission, authority, or political subdivision therein; or any public school, community college, or state university.

(b) "Employee" means a person who performs services for, and under the control and direction of, or contracts with, an agency or independent contractor for wages or other remuneration.

(c) "Adverse personnel action" means the discharge, suspension, transfer, or demotion of any employee or the withholding of bonuses, the reduction in salary or benefits, or any other adverse action taken against an employee within the terms and conditions of employment by an agency or independent contractor.

(d) "Independent contractor" means a person, other than an agency, engaged in any business and who enters into a contract, including a provider agreement, with an agency.

(e) "Gross mismanagement" means a continuous pattern of managerial abuses, wrongful or arbitrary and capricious actions, or fraudulent or criminal conduct which may have a substantial adverse economic impact.

(4) ACTIONS PROHIBITED.--

(a) An agency or independent contractor shall not dismiss, discipline, or take any other adverse personnel action against an employee for disclosing information pursuant to the provisions of this section.

(b) An agency or independent contractor shall not take any adverse action that affects the rights or interests of a person in retaliation for the person's disclosure of information under this section.

(c) The provisions of this subsection shall not be applicable when an employee or person discloses information known by the employee or person to be false.

(5) NATURE OF INFORMATION DISCLOSED.--The information disclosed under this section must include:

(a) Any violation or suspected violation of any federal, state, or local law, rule, or regulation committed by an employee or agent of an agency or independent contractor which creates and presents a substantial and specific danger to the public's health, safety, or welfare.

(b) Any act or suspected act of gross mismanagement, malfeasance, misfeasance, gross waste of public funds, suspected or actual Medicaid fraud or abuse, or gross neglect of duty committed by an employee or agent of an agency or independent contractor.

(6) TO WHOM INFORMATION DISCLOSED.--The information disclosed under this section must be disclosed to any agency or federal government entity having the authority to investigate, police, manage, or otherwise remedy the violation or act, including, but not limited to, the Office of the Chief Inspector General, an agency inspector general or the employee designated as agency inspector general under s. [112.3189](#)(1) or inspectors general under s. [20.055](#), the Florida Commission on Human Relations, and the whistle-blower's hotline created under s. [112.3189](#). However, for disclosures concerning a local governmental entity, including any regional, county, or municipal entity, special district, community college district, or school district or any political subdivision of any of the foregoing, the information must be disclosed to a chief executive officer as defined in s. [447.203](#)(9) or other appropriate local official.

(7) EMPLOYEES AND PERSONS PROTECTED.--This section protects employees and persons who disclose information on their own initiative in a written and signed complaint; who are requested to participate in an investigation, hearing, or other inquiry conducted by any agency or federal government entity; who refuse to participate in any adverse action prohibited by this section; or who initiate a complaint through the whistle-blower's hotline or the hotline of the Medicaid Fraud Control Unit of the Department of Legal Affairs; or employees who file any written complaint to their supervisory officials or employees who submit a complaint to the Chief Inspector General in the Executive Office of the Governor, to the employee designated as agency inspector general under s. [112.3189](#)(1), or to the Florida Commission on Human Relations. The provisions of this section may not be used by a person while he or she is under the care, custody, or control of the state correctional system or, after release from the care, custody, or control of the state correctional system, with respect to circumstances that occurred during any period of incarceration. No remedy or other protection under ss. [112.3187](#)-112.31895 applies to any person who has committed or intentionally participated in committing the violation or suspected violation for which protection under ss. [112.3187](#)-112.31895 is being sought.

(8) REMEDIES.--

(a) Any employee of or applicant for employment with any state agency, as the term "state agency" is defined in s. [216.011](#), who is discharged, disciplined, or subjected to other adverse personnel action, or denied employment, because he or she engaged in an activity protected by this section may file a complaint, which complaint must be made in accordance with s. [112.31895](#). Upon receipt of notice from the Florida Commission on Human Relations of termination of the investigation, the complainant may elect to pursue the administrative remedy available under s. [112.31895](#) or bring a civil action within 180 days after receipt of the notice.

(b) Within 60 days after the action prohibited by this section, any local public employee protected by this section may file a complaint with the appropriate local governmental authority, if that authority has established by ordinance an administrative procedure for handling such complaints or has contracted with the Division of Administrative Hearings under s. [120.65](#) to conduct hearings under this section. The administrative procedure created by ordinance must provide for the complaint to be heard by a panel of impartial persons appointed by the appropriate local governmental authority. Upon hearing the complaint, the panel must make findings of fact and conclusions of law for a final decision by the local governmental authority. Within 180 days after entry of a final decision by the local governmental authority, the public employee who filed the

complaint may bring a civil action in any court of competent jurisdiction. If the local governmental authority has not established an administrative procedure by ordinance or contract, a local public employee may, within 180 days after the action prohibited by this section, bring a civil action in a court of competent jurisdiction. For the purpose of this paragraph, the term "local governmental authority" includes any regional, county, or municipal entity, special district, community college district, or school district or any political subdivision of any of the foregoing.

(c) Any other person protected by this section may, after exhausting all available contractual or administrative remedies, bring a civil action in any court of competent jurisdiction within 180 days after the action prohibited by this section.

(9) RELIEF.--In any action brought under this section, the relief must include the following:

(a) Reinstatement of the employee to the same position held before the adverse action was commenced, or to an equivalent position or reasonable front pay as alternative relief.

(b) Reinstatement of the employee's full fringe benefits and seniority rights, as appropriate.

(c) Compensation, if appropriate, for lost wages, benefits, or other lost remuneration caused by the adverse action.

(d) Payment of reasonable costs, including attorney's fees, to a substantially prevailing employee, or to the prevailing employer if the employee filed a frivolous action in bad faith.

(e) Issuance of an injunction, if appropriate, by a court of competent jurisdiction.

(f) Temporary reinstatement to the employee's former position or to an equivalent position, pending the final outcome on the complaint, if an employee complains of being discharged in retaliation for a protected disclosure and if a court of competent jurisdiction or the Florida Commission on Human Relations, as applicable under s. [112.31895](#), determines that the disclosure was not made in bad faith or for a wrongful purpose or occurred after an agency's initiation of a personnel action against the employee which includes documentation of the employee's violation of a disciplinary standard or performance deficiency. This paragraph does not apply to an employee of a municipality.

(10) DEFENSES.--It shall be an affirmative defense to any action brought pursuant to this section that the adverse action was predicated upon grounds other than, and would have been taken absent, the employee's or person's exercise of rights protected by this section.

(11) EXISTING RIGHTS.--Sections [112.3187](#)-112.31895 do not diminish the rights, privileges, or remedies of an employee under any other law or rule or under any collective bargaining agreement or employment contract; however, the election of remedies in s. [447.401](#) also applies to whistle-blower actions.

History.--ss. 1, 2, 3, 4, 5, 6, 7, 8, ch. 86-233; s. 1, ch. 91-285; s. 12, ch. 92-316; s. 1, ch. 93-57; s. 702, ch. 95-147; s. 1, ch. 95-153; s. 15, ch. 96-410; s. 20, ch. 99-333; s. 2, ch. 2002-400.

¹112.3188 Confidentiality of information given to the Chief Inspector General, internal auditors, inspectors general, local chief executive officers, or other appropriate local officials.--

(1) The name or identity of any individual who discloses in good faith to the Chief Inspector General or an agency inspector general, a local chief executive officer, or other appropriate local official information that alleges that an employee or agent of an agency or independent contractor:

(a) Has violated or is suspected of having violated any federal, state, or local law, rule, or regulation, thereby creating and presenting a substantial and specific danger to the public's health, safety, or welfare; or

(b) Has committed an act of gross mismanagement, malfeasance, misfeasance, gross waste of public funds, or gross neglect of duty

may not be disclosed to anyone other than a member of the Chief Inspector General's, agency inspector general's, internal auditor's, local chief executive officer's, or other appropriate local official's staff without the written consent of the individual, unless the Chief Inspector General, internal auditor, agency inspector general, local chief executive officer, or other appropriate local official determines that: the disclosure of the individual's identity is necessary to prevent a substantial and specific danger to the public's health, safety, or welfare or to prevent the imminent commission of a crime; or the disclosure is unavoidable and absolutely necessary during the course of the audit, evaluation, or investigation.

(2)(a) Except as specifically authorized by s. [112.3189](#), all information received by the Chief Inspector General or an agency inspector general or information produced or derived from fact-finding or other investigations conducted by the Florida Commission on Human Relations or the Department of Law Enforcement is confidential and exempt from s. [119.07](#)(1) if the information is being received or derived from allegations as set forth in paragraph (1)(a) or paragraph (1)(b), and an investigation is active.

(b) All information received by a local chief executive officer or appropriate local official or information produced or derived from fact-finding or investigations conducted pursuant to the administrative procedure established by ordinance by a local government as authorized by s. [112.3187](#)(8)(b) is confidential and exempt from s. [119.07](#)(1) and s. 24(a), Art. I of the State Constitution, if the information is being received or derived from allegations as set forth in paragraph (1)(a) or paragraph (1)(b) and an investigation is active.

(c) Information deemed confidential under this section may be disclosed by the Chief Inspector General, agency inspector general, local chief executive officer, or other appropriate local official receiving the information if the recipient determines that the disclosure of the information is absolutely necessary to prevent a substantial and specific danger to the public's health, safety, or welfare or to prevent the imminent commission of a crime. Information disclosed under this subsection may be disclosed only to persons who are in a position to prevent the danger to the public's health, safety, or welfare or to prevent the imminent commission of a crime based on the disclosed information.

1. An investigation is active under this section if:

a. It is an ongoing investigation or inquiry or collection of information and evidence and is continuing with a reasonable, good faith anticipation of resolution in the foreseeable future; or

b. All or a portion of the matters under investigation or inquiry are active criminal intelligence information or active criminal investigative information as defined in s. [119.011](#).

2. Notwithstanding sub-subparagraph 1.a., an investigation ceases to be active when:

a. The written report required under s. [112.3189](#)(9) has been sent by the Chief Inspector General to the recipients named in s. [112.3189](#)(9);

b. It is determined that an investigation is not necessary under s. [112.3189](#)(5); or

c. A final decision has been rendered by the local government or by the Division of Administrative Hearings pursuant to s. [112.3187](#)(8)(b).

3. Notwithstanding paragraphs (a), (b), and this paragraph, information or records received or produced under this section which are otherwise confidential under law or exempt from disclosure under chapter 119 retain their confidentiality or exemption.

4. Any person who willfully and knowingly discloses information or records made confidential under this subsection commits a misdemeanor of the first degree, punishable as provided in s. [775.082](#) or s. [775.083](#).

History.--s. 6, ch. 90-247; s. 1, ch. 91-150; s. 3, ch. 91-285; s. 2, ch. 93-57; s. 1, ch. 95-136; s. 2, ch. 95-153; s. 1, ch. 95-166; ss. 36, 37, ch. 96-406; s. 21, ch. 99-333.

¹**Note.**--As amended by s. 1, ch. 95-166, s. 2, ch. 95-153, and s. 36, ch. 96-406; this version of paragraph (2)(a) was also amended by s. 21, ch. 99-333. For a description of multiple acts in the same session affecting a statutory provision, *see* preface to the *Florida Statutes*, "Statutory Construction." This section was also amended by s. 1, ch. 95-136, and s. 37, ch. 96-406, and that version reads:

112.3188 Confidentiality of information given to the Chief Inspector General and agency inspectors general.--

(1) The identity of any individual who discloses in good faith to the Chief Inspector General or an agency inspector general information that alleges that an employee or agent of an agency or independent contractor has violated or is suspected of having violated any federal, state, or local law, rule, or regulation, thereby creating and presenting a substantial and specific danger to the public's health, safety, or welfare or has committed or is suspected of having committed an act of gross mismanagement, malfeasance, misfeasance, gross waste of public funds, or gross neglect of duty is exempt from the provisions of s. [119.07](#)(1) and s. 24(a), Art. I of the State Constitution and shall not be disclosed to anyone other than a member of the Chief Inspector General's or agency inspector general's staff without the written consent of the individual, unless the Chief Inspector General or agency inspector general determines that:

(a) The disclosure of the individual's identity is necessary to prevent a substantial and specific danger to the public's health, safety, or welfare or to prevent the imminent commission of a crime, provided that such information is disclosed only to persons who are in a position to prevent the danger to the public's health, safety, or welfare or to prevent the imminent commission of a crime;

(b) The disclosure of the individual's identity is unavoidable and absolutely necessary during the course of the inquiry or investigation; or

(c) The disclosure of the individual's identity is authorized as a result of the individual consenting in writing to attach general comments signed by such individual to the final report required pursuant to s. [112.3189](#)(6)(b).

(2)(a) Except as specifically authorized by s. [112.3189](#) and except as provided in subsection (1), all information received by the Chief Inspector General or an agency inspector general or information produced or derived from fact-finding or other investigations conducted by the Department of Legal Affairs, the Office of the Public Counsel, or the Department of Law Enforcement is confidential and exempt from the provisions of s. [119.07](#)(1) and s. 24(a), Art. I of the State Constitution for an initial period of not more than 30 days during which time a determination is made whether an investigation is required pursuant to s. [112.3189](#)(5)(a) and, if an investigation is determined to be required, until the investigation is closed or ceases to be active. For the

purposes of this subsection, an investigation is active while such investigation is being conducted with a reasonable good faith belief that it may lead to the filing of administrative, civil, or criminal charges. An investigation does not cease to be active so long as the Chief Inspector General or the agency inspector general is proceeding with reasonable dispatch and there is a good faith belief that action may be initiated by the Chief Inspector General or agency inspector general or other administrative or law enforcement agency. Except for active criminal intelligence or criminal investigative information as defined in s. [119.011](#), and except as otherwise provided in this section, all information obtained pursuant to this subsection shall become available to the public when the investigation is closed or ceases to be active. An investigation is closed or ceases to be active when the final report required pursuant to s. [112.3189](#)(9) has been sent by the Chief Inspector General to the recipients specified in s. [112.3189](#)(9)(c).

(b) Information deemed confidential under this subsection may be disclosed by the Chief Inspector General or agency inspector general receiving the information if the Chief Inspector General or agency inspector general determines that the disclosure of the information is absolutely necessary to prevent a substantial and specific danger to the public's health, safety, or welfare or to prevent the imminent commission of a crime, and such information may be disclosed only to persons who are in a position to prevent the danger to the public's health, safety, or welfare or to prevent the imminent commission of a crime based on the disclosed information.

(3) Information or records obtained under this section which are otherwise confidential under law or exempt from disclosure shall retain their confidentiality or exemption.

(4) Any person who willfully and knowingly discloses information or records made confidential under this section commits a misdemeanor of the first degree, punishable as provided in s. [775.082](#) or s. [775.083](#).

112.3189 Investigative procedures upon receipt of whistle-blower information from certain state employees.--

(1) This section only applies to the disclosure of information as described in s. [112.3187](#)(5) by an employee or former employee of, or an applicant for employment with, a state agency, as the term "state agency" is defined in s. [216.011](#), to the Office of the Chief Inspector General of the Executive Office of the Governor or to the agency inspector general. If an agency does not have an inspector general, the head of the state agency, as defined in s. [216.011](#), shall designate an employee to receive information described in s. [112.3187](#)(5). For purposes of this section and s. [112.3188](#) only, the employee designated by the head of the state agency shall be deemed an agency inspector general.

(2) To facilitate the receipt of information described in subsection (1), the Chief Inspector General shall maintain an in-state toll-free whistle-blower's hotline and shall circulate among the various state agencies an advisory for all employees which indicates

the existence of the toll-free number and its purpose and provides an address to which written whistle-blower information may be forwarded.

(3) When a person alleges information described in s. [112.3187](#)(5), the Chief Inspector General or agency inspector general actually receiving such information shall within 20 days of receiving such information determine:

(a) Whether the information disclosed is the type of information described in s. [112.3187](#)(5).

(b) Whether the source of the information is a person who is an employee or former employee of, or an applicant for employment with, a state agency, as defined in s. [216.011](#).

(c) Whether the information actually disclosed demonstrates reasonable cause to suspect that an employee or agent of an agency or independent contractor has violated any federal, state, or local law, rule, or regulation, thereby creating and presenting a substantial and specific danger to the public's health, safety, or welfare, or has committed an act of gross mismanagement, malfeasance, misfeasance, gross waste of public funds, or gross neglect of duty.

(4) If the Chief Inspector General or agency inspector general under subsection (3) determines that the information disclosed is not the type of information described in s. [112.3187](#)(5), or that the source of the information is not a person who is an employee or former employee of, or an applicant for employment with, a state agency, as defined in s. [216.011](#), or that the information disclosed does not demonstrate reasonable cause to suspect that an employee or agent of an agency or independent contractor has violated any federal, state, or local law, rule, or regulation, thereby creating and presenting a substantial and specific danger to the public's health, safety, or welfare, or has committed an act of gross mismanagement, malfeasance, misfeasance, gross waste of public funds, or gross neglect of duty, the Chief Inspector General or agency inspector general shall notify the complainant of such fact and copy and return, upon request of the complainant, any documents and other materials that were provided by the complainant.

(5)(a) If the Chief Inspector General or agency inspector general under subsection (3) determines that the information disclosed is the type of information described in s. [112.3187](#)(5), that the source of the information is from a person who is an employee or former employee of, or an applicant for employment with, a state agency, as defined in s. [216.011](#), and that the information disclosed demonstrates reasonable cause to suspect that an employee or agent of an agency or independent contractor has violated any federal, state, or local law, rule, or regulation, thereby creating a substantial and specific danger to the public's health, safety, or welfare, or has committed an act of gross mismanagement, malfeasance, misfeasance, gross waste of public funds, or gross neglect of duty, the Chief Inspector General or agency inspector general making such determination shall then conduct an investigation, unless the Chief Inspector General or the agency inspector general determines, within 30 days after receiving the allegations from the complainant,

that such investigation is unnecessary. For purposes of this subsection, the Chief Inspector General or the agency inspector general shall consider the following factors, but is not limited to only the following factors, when deciding whether the investigation is not necessary:

1. The gravity of the disclosed information compared to the time and expense of an investigation.
2. The potential for an investigation to yield recommendations that will make state government more efficient and effective.
3. The benefit to state government to have a final report on the disclosed information.
4. Whether the alleged whistle-blower information primarily concerns personnel practices that may be investigated under chapter 110.
5. Whether another agency may be conducting an investigation and whether any investigation under this section could be duplicative.
6. The time that has elapsed between the alleged event and the disclosure of the information.

(b) If the Chief Inspector General or agency inspector general determines under paragraph (a) that an investigation is not necessary, the Chief Inspector General or agency inspector general making such determination shall:

1. Copy and return, upon request of the complainant, any documents and other materials provided by the individual who made the disclosure.
2. Inform in writing the head of the state agency for the agency inspector general making the determination that the investigation is not necessary and the individual who made the disclosure of the specific reasons why an investigation is not necessary and why the disclosure will not be further acted on under this section.

(6) The agency inspector general may conduct an investigation pursuant to paragraph (5)(a) only if the person transmitting information to the agency inspector general is an employee or former employee of, or an applicant for employment with, the agency inspector general's agency. The agency inspector general shall:

- (a) Conduct an investigation with respect to the information and any related matters.
- (b) Submit to the complainant and the Chief Inspector General, within 60 days after the date on which a determination to conduct an investigation is made under paragraph (5)(a), a final written report that sets forth the agency inspector general's findings, conclusions, and recommendations, except as provided under subsection (11). The complainant shall be advised in writing by the agency head that the complainant may

submit to the Chief Inspector General and agency inspector general comments on the final report within 20 days of the date of the report and that such comments will be attached to the final report.

(7) If the Chief Inspector General decides an investigation should be conducted pursuant to paragraph (5)(a), the Chief Inspector General shall either:

(a) Promptly transmit to the appropriate head of the state agency the information with respect to which the determination to conduct an investigation was made, and such agency head shall conduct an investigation and submit to the Chief Inspector General a final written report that sets forth the agency head's findings, conclusions, and recommendations; or

(b)1. Conduct an investigation with respect to the information and any related matters; and

2. Submit to the complainant within 60 days after the date on which a determination to conduct an investigation is made under paragraph (5)(a), a final written report that sets forth the Chief Inspector General's findings, conclusions, and recommendations, except as provided under subsection (11). The complainant shall be advised in writing by the Chief Inspector General that the complainant may submit to the Chief Inspector General comments on the final report within 20 days of the date of the report and that such comments will be attached to the final report.

(c) The Chief Inspector General may require an agency head to conduct an investigation under paragraph (a) only if the information was transmitted to the Chief Inspector General by:

1. An employee or former employee of, or an applicant for employment with, the agency that the information concerns; or

2. An employee who obtained the information in connection with the performance of the employee's duties and responsibilities.

(8) Final reports required under this section must be reviewed and signed by the person responsible for conducting the investigation (agency inspector general, agency head, or Chief Inspector General) and must include:

(a) A summary of the information with respect to which the investigation was initiated.

(b) A description of the conduct of the investigation.

(c) A summary of any evidence obtained from the investigation.

(d) A listing of any violation or apparent violation of any law, rule, or regulation.

(e) A description of any action taken or planned as a result of the investigation, such as:

1. A change in an agency rule, regulation, or practice.
2. The restoration of an aggrieved employee.
3. A disciplinary action against an employee.
4. The referral to the Department of Law Enforcement of any evidence of a criminal violation.

(9)(a) A report required of the agency head under paragraph (7)(a) shall be submitted to the Chief Inspector General and the complainant within 60 days after the agency head receives the complaint from the Chief Inspector General, except as provided under subsection (11). The complainant shall be advised in writing by the agency head that the complainant may submit to the Chief Inspector General comments on the report within 20 days of the date of the report and that such comments will be attached to the final report.

(b) Upon receiving a final report required under this section, the Chief Inspector General shall review the report and determine whether the report contains the information required by subsection (8). If the report does not contain the information required by subsection (8), the Chief Inspector General shall determine why and note the reasons on an addendum to the final report.

(c) The Chief Inspector General shall transmit any final report under this section, any comments provided by the complainant, and any appropriate comments or recommendations by the Chief Inspector General to the Governor, to the Joint Legislative Auditing Committee, to the investigating agency, and to the Chief Financial Officer.

(d) If the Chief Inspector General does not receive the report of the agency head within the time prescribed in paragraph (a), the Chief Inspector General may conduct the investigation in accordance with paragraph (7)(b) or request that another agency inspector general conduct the investigation in accordance with subsection (6) and shall report the complaint to the Governor, to the Joint Legislative Auditing Committee, and to the investigating agency, together with a statement noting the failure of the agency head to file the required report.

(10) For any time period set forth in subsections (3), (6), (7), and (9), such time period may be extended in writing by the Chief Inspector General for good cause shown.

(11) If an investigation under this section produces evidence of a criminal violation, the report shall not be transmitted to the complainant, and the agency head or agency inspector general shall notify the Chief Inspector General and the Department of Law Enforcement.

History.--s. 13, ch. 92-316; s. 3, ch. 93-57; s. 129, ch. 2003-261.

112.31895 Investigative procedures in response to prohibited personnel actions.--

(1)(a) If a disclosure under s. [112.3187](#) includes or results in alleged retaliation by an employer, the employee or former employee of, or applicant for employment with, a state agency, as defined in s. [216.011](#), that is so affected may file a complaint alleging a prohibited personnel action, which complaint must be made by filing a written complaint with the Office of the Chief Inspector General in the Executive Office of the Governor or the Florida Commission on Human Relations, no later than 60 days after the prohibited personnel action.

(b) Within three working days after receiving a complaint under this section, the office or officer receiving the complaint shall acknowledge receipt of the complaint and provide copies of the complaint and any other preliminary information available concerning the disclosure of information under s. [112.3187](#) to each of the other parties named in paragraph (a), which parties shall each acknowledge receipt of such copies to the complainant.

(2) **FACT FINDING.**--The Florida Commission on Human Relations shall:

(a) Receive any allegation of a personnel action prohibited by s. [112.3187](#), including a proposed or potential action, and conduct informal fact finding regarding any allegation under this section, to the extent necessary to determine whether there are reasonable grounds to believe that a prohibited personnel action under s. [112.3187](#) has occurred, is occurring, or is to be taken.

(b) Notify the complainant, within 15 days after receiving a complaint, that the complaint has been received by the department.

(c) Within 90 days after receiving the complaint, provide the agency head and the complainant with a fact-finding report that may include recommendations to the parties or proposed resolution of the complaint. The fact-finding report shall be presumed admissible in any subsequent or related administrative or judicial review.

(3) **CORRECTIVE ACTION AND TERMINATION OF INVESTIGATION.**--

(a) The Florida Commission on Human Relations, in accordance with this act and for the sole purpose of this act, is empowered to:

1. Receive and investigate complaints from employees alleging retaliation by state agencies, as the term "state agency" is defined in s. [216.011](#).
2. Protect employees and applicants for employment with such agencies from prohibited personnel practices under s. [112.3187](#).

3. Petition for stays and petition for corrective actions, including, but not limited to, temporary reinstatement.
 4. Recommend disciplinary proceedings pursuant to investigation and appropriate agency rules and procedures.
 5. Coordinate with the Chief Inspector General in the Executive Office of the Governor and the Florida Commission on Human Relations to receive, review, and forward to appropriate agencies, legislative entities, or the Department of Law Enforcement disclosures of a violation of any law, rule, or regulation, or disclosures of gross mismanagement, malfeasance, misfeasance, nonfeasance, neglect of duty, or gross waste of public funds.
 6. Review rules pertaining to personnel matters issued or proposed by the Department of Management Services, the Public Employees Relations Commission, and other agencies, and, if the Florida Commission on Human Relations finds that any rule or proposed rule, on its face or as implemented, requires the commission of a prohibited personnel practice, provide a written comment to the appropriate agency.
 7. Investigate, request assistance from other governmental entities, and, if appropriate, bring actions concerning, allegations of retaliation by state agencies under subparagraph 1.
 8. Administer oaths, examine witnesses, take statements, issue subpoenas, order the taking of depositions, order responses to written interrogatories, and make appropriate motions to limit discovery, pursuant to investigations under subparagraph 1.
 9. Intervene or otherwise participate, as a matter of right, in any appeal or other proceeding arising under this section before the Public Employees Relations Commission or any other appropriate agency, except that the Florida Commission on Human Relations must comply with the rules of the commission or other agency and may not seek corrective action or intervene in an appeal or other proceeding without the consent of the person protected under ss. [112.3187](#)-112.31895.
 10. Conduct an investigation, in the absence of an allegation, to determine whether reasonable grounds exist to believe that a prohibited action or a pattern of prohibited action has occurred, is occurring, or is to be taken.
- (b) Within 15 days after receiving a complaint that a person has been discharged from employment allegedly for disclosing protected information under s. [112.3187](#), the Florida Commission on Human Relations shall review the information and determine whether temporary reinstatement is appropriate under s. [112.3187](#)(9)(f). If the Florida Commission on Human Relations so determines, it shall apply for an expedited order from the appropriate agency or circuit court for the immediate reinstatement of the

employee who has been discharged subsequent to the disclosure made under s. [112.3187](#), pending the issuance of the final order on the complaint.

(c) The Florida Commission on Human Relations shall notify a complainant of the status of the investigation and any action taken at such times as the commission considers appropriate.

(d) If the Florida Commission on Human Relations is unable to conciliate a complaint within 60 days after receipt of the fact-finding report, the Florida Commission on Human Relations shall terminate the investigation. Upon termination of any investigation, the Florida Commission on Human Relations shall notify the complainant and the agency head of the termination of the investigation, providing a summary of relevant facts found during the investigation and the reasons for terminating the investigation. A written statement under this paragraph is presumed admissible as evidence in any judicial or administrative proceeding but is not admissible without the consent of the complainant.

(e)1. The Florida Commission on Human Relations may request an agency or circuit court to order a stay, on such terms as the court requires, of any personnel action for 45 days if the Florida Commission on Human Relations determines that reasonable grounds exist to believe that a prohibited personnel action has occurred, is occurring, or is to be taken. The Florida Commission on Human Relations may request that such stay be extended for appropriate periods of time.

2. If, in connection with any investigation, the Florida Commission on Human Relations determines that reasonable grounds exist to believe that a prohibited action has occurred, is occurring, or is to be taken which requires corrective action, the Florida Commission on Human Relations shall report the determination together with any findings or recommendations to the agency head and may report that determination and those findings and recommendations to the Governor and the Chief Financial Officer. The Florida Commission on Human Relations may include in the report recommendations for corrective action to be taken.

3. If, after 20 days, the agency does not implement the recommended action, the Florida Commission on Human Relations shall terminate the investigation and notify the complainant of the right to appeal under subsection (4), or may petition the agency for corrective action under this subsection.

4. If the Florida Commission on Human Relations finds, in consultation with the individual subject to the prohibited action, that the agency has implemented the corrective action, the commission shall file such finding with the agency head, together with any written comments that the individual provides, and terminate the investigation.

(f) If the Florida Commission on Human Relations finds that there are no reasonable grounds to believe that a prohibited personnel action has occurred, is occurring, or is to be taken, the commission shall terminate the investigation.

(g)1. If, in connection with any investigation under this section, it is determined that reasonable grounds exist to believe that a criminal violation has occurred which has not been previously reported, the Florida Commission on Human Relations shall report this determination to the Department of Law Enforcement and to the state attorney having jurisdiction over the matter.

2. If an alleged criminal violation has been reported, the Florida Commission on Human Relations shall confer with the Department of Law Enforcement and the state attorney before proceeding with the investigation of the prohibited personnel action and may defer the investigation pending completion of the criminal investigation and proceedings. The Florida Commission on Human Relations shall inform the complainant of the decision to defer the investigation and, if appropriate, of the confidentiality of the investigation.

(h) If, in connection with any investigation under this section, the Florida Commission on Human Relations determines that reasonable grounds exist to believe that a violation of a law, rule, or regulation has occurred, other than a criminal violation or a prohibited action under this section, the commission may report such violation to the head of the agency involved. Within 30 days after the agency receives the report, the agency head shall provide to the commission a certification that states that the head of the agency has personally reviewed the report and indicates what action has been or is to be taken and when the action will be completed.

(i) During any investigation under this section, disciplinary action may not be taken against any employee of a state agency, as the term "state agency" is defined in s. [216.011](#), for reporting an alleged prohibited personnel action that is under investigation, or for reporting any related activity, or against any employee for participating in an investigation without notifying the Florida Commission on Human Relations.

(j) The Florida Commission on Human Relations may also petition for an award of reasonable attorney's fees and expenses from a state agency, as the term "state agency" is defined in s. [216.011](#), pursuant to s. [112.3187](#)(9).

(4) RIGHT TO APPEAL.--

(a) Not more than 60 days after receipt of a notice of termination of the investigation from the Florida Commission on Human Relations, the complainant may file, with the Public Employees Relations Commission, a complaint against the employer-agency regarding the alleged prohibited personnel action. The Public Employees Relations Commission shall have jurisdiction over such complaints under ss. [112.3187](#) and [447.503](#)(4) and (5).

(b) Judicial review of any final order of the commission shall be as provided in s. [120.68](#).

History.--s. 14, ch. 92-316; s. 4, ch. 93-57; s. 703, ch. 95-147; s. 22, ch. 99-333; s. 130, ch. 2003-261.

EXHIBIT V

INSTITUTE OF INTERNAL AUDITORS

INTERNATIONAL STANDARDS FOR INTERNAL AUDITING

EXHIBIT V
INSTITUTE OF INTERNAL AUDITORS
INTERNATIONAL STANDARDS FOR INTERNAL AUDITING

Standards for the Professional Practice of Internal Auditing

International Standards for the Professional Practice of Internal Auditing

Note: Changes effective January 2007 are highlighted in ***bold italics*** to allow readers to easily identify modifications and assist in the translation process.

Introduction

Internal audit activities are performed in diverse legal and cultural environments; within organizations that vary in purpose, size, complexity, and structure; and by persons within or outside the organization. While differences may affect the practice of internal auditing in each environment, compliance with the *International Standards for the Professional Practice of Internal Auditing* (*Standards*) is essential if the responsibilities of internal auditors are to be met. If internal auditors are prohibited by laws or regulations from complying with certain parts of the *Standards*, they should comply with all other parts of the *Standards* and make appropriate disclosures.

The purpose of the *Standards* is to:

1. Delineate basic principles that represent the practice of internal auditing as it should be.
2. Provide a framework for performing and promoting a broad range of value-added internal audit activities.
3. Establish the basis for the evaluation of internal audit performance.
4. Foster improved organizational processes and operations.

The *Standards* consist of Attribute, Performance, and Implementation Standards. Attribute Standards address the attributes of organizations and individuals performing internal audit services. The Performance Standards describe the nature of internal audit services and provide quality criteria against which the performance of these services can be measured. The Attribute and Performance Standards apply to all internal audit services. The Implementation Standards expand upon the Attribute and Performance Standards, providing guidance applicable in specific types of engagements. These standards ultimately may deal with industry-specific, regional, or specialty types of audit services.

There is one set of Attribute and Performance Standards; however, there are multiple sets of Implementation Standards: a set for each of the major types of internal audit activity. The Implementation Standards have been established for assurance (A) and consulting (C) activities.

Assurance services involve the internal auditor's objective assessment of evidence to provide an independent opinion or conclusions regarding a process, system, or other subject matter. The nature and scope of the assurance engagement are determined by the internal auditor. There are generally three parties involved in assurance services: (1) the person or group directly involved with the process, system, or other subject matter - the process owner, (2) the person or group making the assessment - the internal auditor, and (3) the person or group using the assessment - the user.

Consulting services are advisory in nature, and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. Consulting services generally involve two parties: (1) the person or group offering the advice - the internal auditor, and (2) the person or group seeking and receiving the advice - the engagement client. When performing consulting services the internal auditor should maintain objectivity and not assume management responsibility.

The *Standards* employ terms that have been given specific meanings that are included in the Glossary.

The development and issuance of the *Standards* is an ongoing process. The Internal Auditing Standards Board engages in extensive consultation and discussion prior to the issuance of the *Standards*. This includes worldwide solicitation for public comment through the exposure draft process. All exposure drafts are posted on The IIA's Web site as well as being distributed to all IIA institutes.

Suggestions and comments regarding the *Standards* can be sent to:

The Institute of Internal Auditors
Professional Practices Department
247 Maitland Avenue
Altamonte Springs, FL 32701-4201, USA
E-mail: standards@theiia.org
Web: <http://www.theiia.org>

Attribute Standards

1000 - Purpose, Authority, and Responsibility

The purpose, authority, and responsibility of the internal audit activity should be formally defined in a charter, consistent with the *Standards*, and approved by the board.

1000.A1 - The nature of assurance services provided to the organization should be defined in the audit charter. If assurances are to be provided to parties outside the organization, the nature of these assurances should also be defined in the charter.

1000.C1 - The nature of consulting services should be defined in the audit charter.

1100 - Independence and Objectivity

The internal audit activity should be independent, and internal auditors should be objective in performing their work.

1110 - Organizational Independence

The chief audit executive should report to a level within the organization that allows the internal audit activity to fulfill its responsibilities.

1110.A1 - The internal audit activity should be free from interference in determining the scope of internal auditing, performing work, and communicating results.

1120 - Individual Objectivity

Internal auditors should have an impartial, unbiased attitude and avoid conflicts of interest.

1130 - Impairments to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment should be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

1130.A1 - Internal auditors should refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.

1130.A2 - Assurance engagements for functions over which the chief audit executive has responsibility should be overseen by a party outside the internal audit activity.

1130.C1 - Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.

1130.C2 - If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure should be made to the engagement client prior to accepting the engagement.

1200 - Proficiency and Due Professional Care

Engagements should be performed with proficiency and due professional care.

1210 - Proficiency

Internal auditors should possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively should possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.

1210.A1 - The chief audit executive should obtain competent advice and assistance if the internal audit staff lacks the knowledge, skills, or other competencies needed to perform all or part of the engagement.

1210.A2 - The internal auditor should have sufficient knowledge to identify the indicators of fraud but is not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

1210.A3 - Internal auditors should have knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.

1210.C1 - The chief audit executive should decline the consulting engagement or obtain competent advice and assistance if the internal audit staff lacks the knowledge, skills, or other competencies needed to perform all or part of the engagement.

1220 - Due Professional Care

Internal auditors should apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

1220.A1 - The internal auditor should exercise due professional care by considering the:

- Extent of work needed to achieve the engagement's objectives.

- Relative complexity, materiality, or significance of matters to which assurance procedures are applied.
- Adequacy and effectiveness of risk management, control, and governance processes.
- Probability of significant errors, irregularities, or noncompliance.
- Cost of assurance in relation to potential benefits.

1220.A2 - In exercising due professional care the internal auditor should consider the use of computer-assisted audit tools and other data analysis techniques.

1220.A3 - The internal auditor should be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.

1220.C1 - The internal auditor should exercise due professional care during a consulting engagement by considering the:

- Needs and expectations of clients, including the nature, timing, and communication of engagement results.
- Relative complexity and extent of work needed to achieve the engagement's objectives.
- Cost of the consulting engagement in relation to potential benefits.

1230 - Continuing Professional Development

Internal auditors should enhance their knowledge, skills, and other competencies through continuing professional development.

1300 - Quality Assurance and Improvement Program

The chief audit executive should develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity and continuously monitors its effectiveness. This program includes periodic internal and external quality assessments and ongoing internal monitoring. Each part of the program should be designed to help the internal auditing activity add value and improve the organization's operations and to provide assurance that the internal audit activity is in conformity with the *Standards* and the *Code of Ethics*.

1310 - Quality Program Assessments

The internal audit activity should adopt a process to monitor and assess the overall effectiveness of the quality program. The process should include both internal and external assessments.

1311 - Internal Assessments

Internal assessments should include:

- Ongoing reviews of the performance of the internal audit activity; and
- Periodic reviews performed through self-assessment or by other persons within the organization, with knowledge of internal audit practices and the *Standards*.

1312 - External Assessments

External assessments should be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organization. The potential need for more frequent external assessments as well as the qualifications and independence of the external reviewer or review team, including any potential conflict of interest, should be discussed by the CAE with the Board. Such discussions should also consider the size, complexity and industry of the organization in relation to the experience of the reviewer or review team.

1320 - Reporting on the Quality Program

The chief audit executive should communicate the results of external assessments to the board.

1330 - Use of "Conducted in Accordance with the Standards"

Internal auditors are encouraged to report that their activities are "conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*." However, internal auditors may use the statement only if assessments of the quality improvement program demonstrate that the internal audit activity is in compliance with the *Standards*.

1340 - Disclosure of Noncompliance

Although the internal audit activity should achieve full compliance with the *Standards* and internal auditors with the *Code of Ethics*, there may be instances in which full compliance is not achieved. When noncompliance impacts the overall scope or operation of the internal audit activity, disclosure should be made to senior management and the board.

Performance Standards

2000 - Managing the Internal Audit Activity

The chief audit executive should effectively manage the internal audit activity to ensure it adds value to the organization.

2010 - Planning

The chief audit executive should establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization's goals.

2010.A1 - The internal audit activity's plan of engagements should be based on a risk assessment, undertaken at least annually. The input of senior management and the board should be considered in this process.

2010.C1 - The chief audit executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the organization's operations. Those engagements that have been accepted should be included in the plan.

2020 - Communication and Approval

The chief audit executive should communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and to the board for review and approval. The chief audit executive should also communicate the impact of resource limitations.

2030 - Resource Management

The chief audit executive should ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

2040 - Policies and Procedures

The chief audit executive should establish policies and procedures to guide the internal audit activity.

2050 - Coordination

The chief audit executive should share information and coordinate activities with other internal and external providers of relevant assurance and consulting services to ensure proper coverage and minimize duplication of efforts.

2060 - Reporting to the Board and Senior Management

The chief audit executive should report periodically to the board and senior management on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting should also include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the board and senior management.

2100 - Nature of Work

The internal audit activity should evaluate and contribute to the improvement of risk management, control, and governance processes using a systematic and disciplined approach.

2110 - Risk Management

The internal audit activity should assist the organization by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control systems.

2110.A1 - The internal audit activity should monitor and evaluate the effectiveness of the organization's risk management system.

2110.A2 - The internal audit activity should evaluate risk exposures relating to the organization's governance, operations, and information systems regarding the

- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations.
- Safeguarding of assets.
- Compliance with laws, regulations, and contracts.

2110.C1 - During consulting engagements, internal auditors should address risk consistent with the engagement's objectives and be alert to the existence of other significant risks.

2110.C2 - Internal auditors should incorporate knowledge of risks gained from consulting engagements into the process of identifying and evaluating significant risk exposures of the organization.

2120 - Control

The internal audit activity should assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

2120.A1 - Based on the results of the risk assessment, the internal audit activity should evaluate the adequacy and effectiveness of controls encompassing the organization's governance, operations, and information systems. This should include:

- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations.
- Safeguarding of assets.
- Compliance with laws, regulations, and contracts.

2120.A2 - Internal auditors should ascertain the extent to which operating and program goals and objectives have been established and conform to those of the organization.

2120.A3 - Internal auditors should review operations and programs to ascertain the extent to which results are consistent with established goals and objectives to determine whether operations and programs are being implemented or performed as intended.

2120.A4 - Adequate criteria are needed to evaluate controls. Internal auditors should ascertain the extent to which management has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors should use such criteria in their evaluation. If inadequate, internal auditors should work with management to develop appropriate evaluation criteria.

2120.C1 - During consulting engagements, internal auditors should address controls consistent with the engagement's objectives and be alert to the existence of any significant control weaknesses.

2120.C2 - Internal auditors should incorporate knowledge of controls gained from consulting engagements into the process of identifying and evaluating significant risk exposures of the organization.

2130 - Governance

The internal audit activity should assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organization.
- Ensuring effective organizational performance management and accountability.
- Effectively communicating risk and control information to appropriate areas of the organization.
- Effectively coordinating the activities of and communicating information among the board, external and internal auditors and management.

2130.A1 - The internal audit activity should evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs and activities.

2130.C1 - Consulting engagement objectives should be consistent with the overall values and goals of the organization.

2200 - Engagement Planning

Internal auditors should develop and record a plan for each engagement, including the scope, objectives, timing and resource allocations.

2201 - Planning Considerations

In planning the engagement, internal auditors should consider:

- The objectives of the activity being reviewed and the means by which the activity controls its performance.

- The significant risks to the activity, its objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level.
- The adequacy and effectiveness of the activity's risk management and control systems compared to a relevant control framework or model.
- The opportunities for making significant improvements to the activity's risk management and control systems.

2201.A1 - When planning an engagement for parties outside the organization, internal auditors should establish a written understanding with them about objectives, scope, respective responsibilities and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records.

2201.C1 - Internal auditors should establish an understanding with consulting engagement clients about objectives, scope, respective responsibilities, and other client expectations. For significant engagements, this understanding should be documented.

2210 - Engagement Objectives

Objectives should be established for each engagement.

2210.A1 - Internal auditors should conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives should reflect the results of this assessment.

2210.A2 - The internal auditor should consider the probability of significant errors, irregularities, noncompliance, and other exposures when developing the engagement objectives.

2210.C1 - Consulting engagement objectives should address risks, controls, and governance processes to the extent agreed upon with the client.

2220 - Engagement Scope

The established scope should be sufficient to satisfy the objectives of the engagement.

2220.A1 - The scope of the engagement should include consideration of relevant systems, records, personnel, and physical properties, including those under the control of third parties.

2220.A2 - If significant consulting opportunities arise during an assurance engagement, a specific written understanding as to the objectives, scope, respective responsibilities and other expectations should be reached and the

results of the consulting engagement communicated in accordance with consulting standards.

2220.C1 - In performing consulting engagements, internal auditors should ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations should be discussed with the client to determine whether to continue with the engagement.

2230 - Engagement Resource Allocation

Internal auditors should determine appropriate resources to achieve engagement objectives. Staffing should be based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources.

2240 - Engagement Work Program

Internal auditors should develop work programs that achieve the engagement objectives. These work programs should be recorded.

2240.A1 - Work programs should establish the procedures for identifying, analyzing, evaluating, and recording information during the engagement. The work program should be approved prior to its implementation, and any adjustments approved promptly.

2240.C1 - Work programs for consulting engagements may vary in form and content depending upon the nature of the engagement.

2300 - Performing the Engagement

Internal auditors should identify, analyze, evaluate, and record sufficient information to achieve the engagement's objectives.

2310 - Identifying Information

Internal auditors should identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives.

2320 - Analysis and Evaluation

Internal auditors should base conclusions and engagement results on appropriate analyses and evaluations.

2330 - Recording Information

Internal auditors should record relevant information to support the conclusions and engagement results.

2330.A1 - The chief audit executive should control access to engagement records. The chief audit executive should obtain the approval of senior management

and/or legal counsel prior to releasing such records to external parties, as appropriate.

2330.A2 - The chief audit executive should develop retention requirements for engagement records. These retention requirements should be consistent with the organization's guidelines and any pertinent regulatory or other requirements.

2330.C1 - The chief audit executive should develop policies governing the custody and retention of engagement records, as well as their release to internal and external parties. These policies should be consistent with the organization's guidelines and any pertinent regulatory or other requirements.

2340 - Engagement Supervision

Engagements should be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.

2400 - Communicating Results

Internal auditors should communicate the engagement results.

2410 - Criteria for Communicating

Communications should include the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans.

2410.A1 - Final communication of engagement results should, where appropriate, contain the internal auditor's overall opinion and or conclusions.

2410.A2 - Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.

2410.A3 - When releasing engagement results to parties outside the organization, the communication should include limitations on distribution and use of the results.

2410.C1 - Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client.

2420 - Quality of Communications

Communications should be accurate, objective, clear, concise, constructive, complete, and timely.

2421 - Errors and Omissions

If a final communication contains a significant error or omission, the chief audit

executive should communicate corrected information to all parties who received the original communication.

2430 - Engagement Disclosure of Noncompliance with the Standards

When noncompliance with the *Standards* impacts a specific engagement, communication of the results should disclose the:

- *Standard(s)* with which full compliance was not achieved,
- Reason(s) for noncompliance, and
- Impact of noncompliance on the engagement.

2440 - Disseminating Results

The chief audit executive should communicate results to the appropriate parties.

2440.A1 - The chief audit executive is responsible for communicating the final results to parties who can ensure that the results are given due consideration.

2440.A2 - If not otherwise mandated by legal, statutory or regulatory requirements, prior to releasing results to parties outside the organization, the chief audit executive should:

- Assess the potential risk to the organization.
- Consult with senior management and/or legal counsel as appropriate
- Control dissemination by restricting the use of the results.

2440.C1 - The chief audit executive is responsible for communicating the final results of consulting engagements to clients.

2440.C2 - During consulting engagements, risk management, control, and governance issues may be identified. Whenever these issues are significant to the organization, they should be communicated to senior management and the board.

2500 - Monitoring Progress

The chief audit executive should establish and maintain a system to monitor the disposition of results communicated to management.

2500.A1 - The chief audit executive should establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

2500.C1 - The internal audit activity should monitor the disposition of results of consulting engagements to the extent agreed upon with the client.

2600 - Resolution of Management's Acceptance of Risks

When the chief audit executive believes that senior management has accepted a level of residual risk that may be unacceptable to the organization, the chief audit executive should discuss the matter with senior management. If the decision regarding residual risk is not resolved, the chief audit executive and senior management should report the matter to the board for resolution.

Glossary

Add Value - Value is provided by improving opportunities to achieve organizational objectives, identifying operational improvement, and/or reducing risk exposure through both assurance and consulting services.

Adequate Control - Present if management has planned and organized (designed) in a manner that provides reasonable assurance that the organization's risks have been managed effectively and that the organization's goals and objectives will be achieved efficiently and economically.

Assurance Services - An objective examination of evidence for the purpose of providing an independent assessment on risk management, control, or governance processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements.

Board - A board is an organization's governing body, such as a board of directors, supervisory board, head of an agency or legislative body, board of governors or trustees of a non profit organization, or any other designated body of the organization, including the audit committee, to whom the chief audit executive may functionally report.

Charter - The charter of the internal audit activity is a formal written document that defines the activity's purpose, authority, and responsibility. The charter should (a) establish the internal audit activity's position within the organization; (b) authorize access to records, personnel, and physical properties relevant to the performance of engagements; and (c) define the scope of internal audit activities.

Chief Audit Executive - Top position within the organization responsible for internal audit activities. Normally, this would be the internal audit director. In the case where internal audit activities are obtained from outside service providers, the chief audit executive is the person responsible for overseeing the service contract and the overall quality assurance of these activities, reporting to senior management and the board regarding internal audit activities, and follow-up of engagement results. The term also includes such titles as general auditor, chief internal auditor, and inspector general.

Code of Ethics - The Code of Ethics of The Institute of Internal Auditors (IIA) are Principles relevant to the profession and practice of internal auditing, and Rules of Conduct that describe behavior expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.

Compliance - Conformity and adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.

Conflict of Interest - Any relationship that is or appears to be not in the best interest of the organization. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.

Consulting Services - Advisory and related client service activities, the nature and scope of which are agreed with the client and which are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

Control - Any action taken by management, the board, and other parties *to manage* risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Control Environment - The attitude and actions of the board and management regarding the significance of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values.
- Management's philosophy and operating style.
- Organizational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

Control Processes - The policies, procedures, and activities that are part of a control framework, designed to ensure that risks are contained within the risk tolerances established by the risk management process.

Engagement - A specific internal audit assignment, task, or review activity, such as an internal audit, Control Self-Assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

Engagement Objectives - Broad statements developed by internal auditors that define intended engagement accomplishments.

Engagement Work Program - A document that lists the procedures to be followed during an engagement, designed to achieve the engagement plan.

External Service Provider - A person or firm, outside of the organization, who has special knowledge, skill, and experience in a particular discipline.

Fraud - Any illegal acts characterized by deceit, concealment or violation of trust. These acts are not dependent upon the application of threat of violence or of physical force. Frauds are perpetrated by parties and organizations to obtain money, property or services; to avoid payment or loss of services; or to secure personal or business advantage.

Governance - The combination of processes and structures implemented by the board in order to inform, direct, manage and monitor the activities of the organization toward the achievement of its objectives.

Impairments - Impairments to individual objectivity and organizational independence may include personal conflicts of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations (funding).

Independence - The freedom from conditions that threaten objectivity or the appearance of objectivity. Such threats to objectivity must be managed at the individual auditor, engagement, functional and organizational levels.

Internal Audit Activity - A department, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organization's operations. The internal audit activity helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Objectivity - An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they have an honest belief in their work product and that no significant quality compromises are made. Objectivity

requires internal auditors not to subordinate their judgment on audit matters to that of others.

Residual Risks - The risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk.

Risk - The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Risk Management - A process to identify, assess, manage, and control potential events or situations, to provide reasonable assurance regarding the achievement of the organization's objectives.

Should - The use of the word "should" in the Standards represents a mandatory obligation.

Standard - A professional pronouncement promulgated by the Internal Auditing Standards Board that delineates the requirements for performing a broad range of internal audit activities, and for evaluating internal audit performance.

EXHIBIT VI

INSTITUTE OF INTERNAL AUDITORS

CODE OF ETHICS

EXHIBIT VI
INSTITUTE OF INTERNAL AUDITORS
CODE OF ETHICS

Introduction

The purpose of The Institute's Code of Ethics is to promote an ethical culture in the profession of internal auditing.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about risk management, control, and governance. The Institute's Code of Ethics extends beyond the definition of internal auditing to include two essential components:

1. Principles that are relevant to the profession and practice of internal auditing;
2. Rules of Conduct that describe behavior norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.

The Code of Ethics together with The Institute's *Professional Practices Framework* and other relevant Institute pronouncements provide guidance to internal auditors serving others. "Internal auditors" refers to Institute members, recipients of or candidates for IIA professional certifications, and those who provide internal auditing services within the definition of internal auditing.

Applicability and Enforcement

This Code of Ethics applies to both individuals and entities that provide internal auditing services.

For Institute members and recipients of or candidates for IIA professional certifications, breaches of the Code of Ethics will be evaluated and administered according to The Institute's Bylaws and Administrative Guidelines. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable, and therefore, the member, certification holder, or candidate can be liable for disciplinary action.

Principles

Internal auditors are expected to apply and uphold the following principles:

- Integrity

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

- Objectivity

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments

- Confidentiality

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

- Competency

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal auditing services.

Rules of Conduct

1. Integrity

Internal auditors:

- 1.1. Shall perform their work with honesty, diligence, and responsibility.
- 1.2. Shall observe the law and make disclosures expected by the law and the profession.
- 1.3. Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.
- 1.4. Shall respect and contribute to the legitimate and ethical objectives of the organization.

2. Objectivity

Internal auditors:

2.1. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.

2.2 Shall not accept anything that may impair or be presumed to impair their professional judgment.

2.3 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3. Confidentiality

Internal auditors:

3.1 Shall be prudent in the use and protection of information acquired in the course of their duties.

3.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

4. Competency

Internal auditors:

4.1. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.

4.2 Shall perform internal auditing services in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

4.3 Shall continually improve their proficiency and the effectiveness and quality of their services.

Adopted by The IIA Board of Directors, June 17, 2000

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Permission is hereby given to duplicate and translate this Code provided no substantive changes are made.

EXHIBIT VII

TABLE OF ORGANIZATION

FLORIDA BOARD OF GOVERNORS

Office of the Board of Governors (BOG) Organizational Chart – Senior Staff

(August 2008)

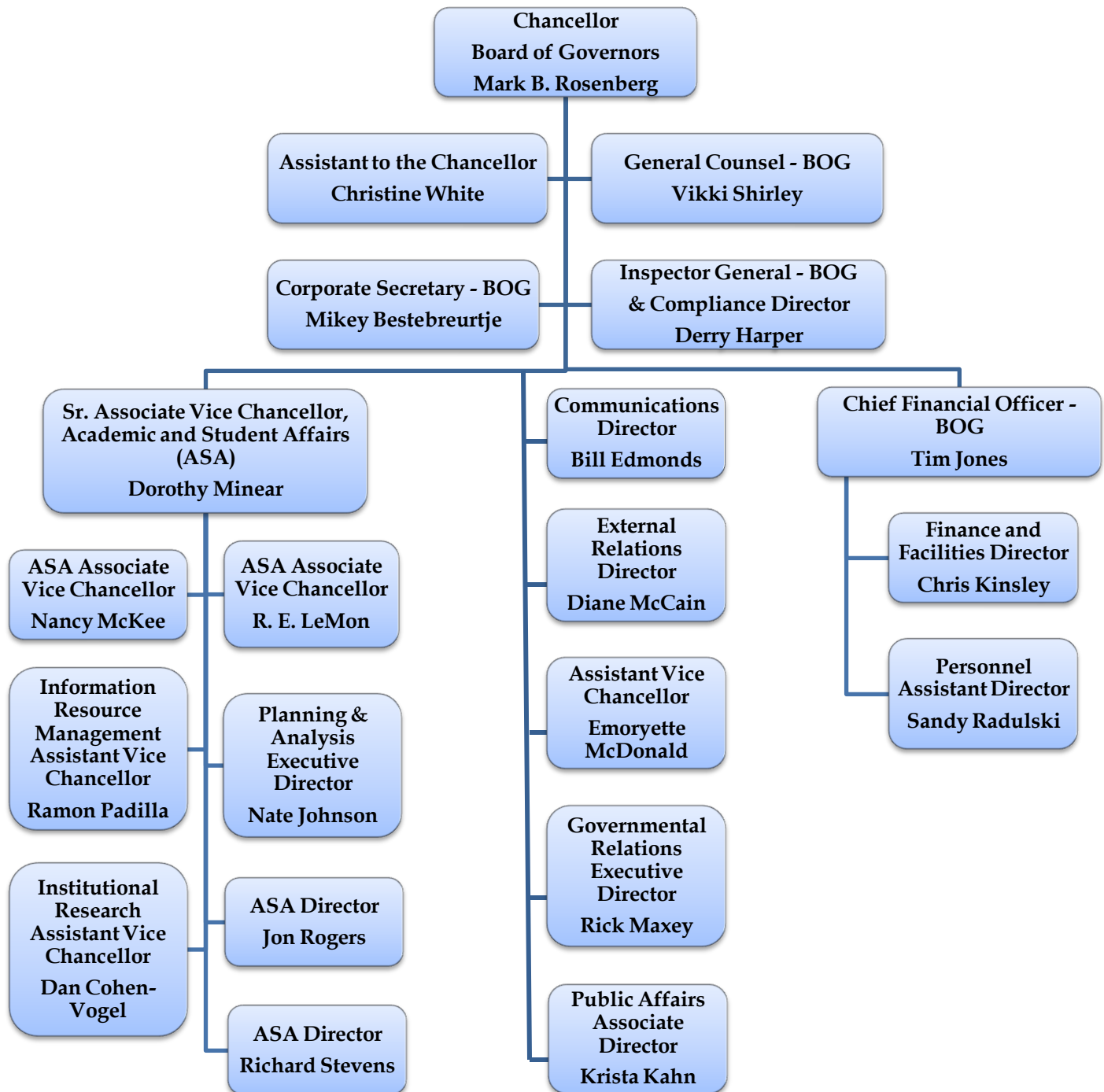


EXHIBIT VIII

STATE UNIVERSITY SYSTEM OF FLORIDA

BEST PRACTICES FOR AUDIT COMMITTEES
AND INTERNAL AUDITORS

PREPARED BY: STATE UNIVERSITIES AUDIT COUNCIL (SUAC)

State University System of Florida

Best Practices for Audit Committees and Internal Auditors

This white paper is designed to (1) provide the Audit Committee of the Board of Governors with some of the best practices for audit committees and internal auditors and (2) be used as a road map to assist the committee in carrying out its governance responsibilities.

AUDIT COMMITTEES

The accounting scandals at Enron, WorldCom, and Tyco¹ created resurgence in audit committees for public corporations. The Sarbanes-Oxley Act of 2002² (SOX) required, in part, the establishment of an audit committee for any publicly traded company as well as specific responsibilities for the audit committee. However, as an oversight concept, audit committees predate SOX by at least two decades.

In 1989, the American Institute of Certified Public Accountants established Statement on Auditing Standards No. 61 entitled “Communication with Audit Committees”³. Essentially SAS 61 required auditors to communicate significant matters to the audit committee, which has responsibility for oversight of the financial reporting process. Generally Accepted Government Auditing Standards, also known as the Yellow Book, incorporate similar requirements as does the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing⁴.

Institutions of higher education are not required to comply with SOX; however, SOX requirements for audit committees can be a basis for best practices. The National Association of College and University Business Officers⁵ (NACUBO) along with PriceWaterhouseCoopers⁶ reviewed the SOX requirements and identified sections of the Act that could represent best practices in higher education. This guidance includes:

- The institution should have an audit committee or incorporate audit in an existing committee, such as Finance and Audit Committee.

- The audit committee should have a charter and the necessary authority to carry out its duties.
- The audit committee should include at least one financial expert. Universities should consider rotating the financial expert and planning for the process and cost of recruiting, training, and retaining financial expertise.
- Institutions with internal audit departments should consider using them to periodically report on internal controls to the audit committee in addition to reporting to management.
- The audit committee should ensure a process exists for receiving confidential complaints and reviewing the nature and disposition of reported matters.
- The audit committee should consider periodic inquiries of executives on the adequacy of financial controls.
- Executive incentives related to financial results should be disclosed to the audit committee.
- The audit committee should be aware of and review policies on ownership interests in related ventures or start-ups. Existing conflict of interest policies can be leveraged and should be reviewed with the audit committee.
- The audit committee should review the code of ethics for senior financial officers and periodically review how compliance is assured.
- The audit committee should review the performance of the external auditor annually and consider rotating the external audit among different audit firms. For the SUS, external audits are performed by the Florida Auditor General, so rotation of external audit firms is not applicable. However, rotation of external auditors for the university's direct support organizations and athletics program, if applicable, is a consideration. Also, the audit committee should approve, in advance, any non-audit work performed by external auditors.

**NACUBO and
PriceWaterhouseCoopers
gave these guidelines for
higher education audit
committees based on SOX.**

The Institute of Internal Auditors (IIA), an international professional organization for internal auditors, provides a global perspective on audit committee best practices. The IIA lists ten key areas of responsibility for audit committees, which can be incorporated into the audit committee charter⁷:

1. **Financial statements.** The audit committee should understand financial statements and review significant accounting and reporting issues. The committee should also review the results of external audits, including financial statements, federal awards, and operational audits at SUS institutions. The Auditor General (AG) performs financial and operational audits of the universities as required by Florida Statutes, using Governmental Auditing Standards. The audit committee should consider meeting with the AG staff each year about the scope and time frame of the engagement. Also, the BOG may need to determine if direct support and affiliated organizations' audited financial statements should follow the requirements of the Governmental Accounting Standards Board as the universities do.
2. **Risk management and internal control.** The audit committee should discuss risk assessment and risk management policies with management and the chief audit executive. The committee should consider the effectiveness of the university's internal control system and review any report on significant audit findings and recommendations, including management's responses and corrective action.
3. **Compliance and ethics.** The audit committee should review the effectiveness of the system for monitoring compliance with laws and regulations. Procedures should exist for receiving complaints and performing investigations. Also, the committee should ensure that evolving expectations are met and the university's reputation is protected.
4. **Oversight of internal auditing.** The audit committee should review the internal audit charter, risk assessments, work plans, activities, staffing, organizational structure, and reporting lines. The committee should review the effectiveness of the internal auditing function and review and concur with the appointment and

dismissal of the chief audit executive. Regular meetings should be held with the chief audit executive to discuss sensitive or confidential matters privately. (While the Florida Sunshine Law does not allow private business-related conversations with more than one audit committee member, audit committee members can, and should, hold individual private conversations with the chief audit executive as needed to address sensitive or confidential matters.)

The IIA Research Foundation sponsored a document titled “20 Questions Directors Should Ask About Internal Audit”⁸ authored by John Fraser, CA, CIA, CISA and Lindsay Hugh, FCA, CIP, which addresses issues such as:

- Internal Audit role and mandate
- Internal Audit relationships
- Internal Audit resources
- Internal Audit process
- Closing questions
- Audit Committee assessment

Each question has a brief discussion and, where appropriate, practice recommendations. The questions and recommendations contained in this publication are very helpful in the evaluation of the effectiveness of internal audit functions and should be reviewed by audit committee members and university management.

- 5. Relationship with external auditors.** The audit committee should impart guidance on how to establish and maintain the relationship with the external auditors.
- 6. Resources.** The audit committee should use sufficient resources to effectively carry out their responsibilities.
- 7. Committee composition.** The audit committee should have membership with a breadth of skill and expertise to assure success.

- 8. Training.** Plans should be made to obtain requisite knowledge.
- 9. Meetings.** Suggestions should be made to improve meeting effectiveness, through agendas, targeted advance materials, and active participation.
- 10. Charter and evaluation.** Members should recommend methods for self-assessing the adequacy of the charter and the effectiveness of the committee's performance.

Underlying these responsibilities is the all-encompassing concept of governance. Sy Sternberg, CEO of New York Life Insurance Co., put it this way: *“Proper corporate governance is the cornerstone of all internal control systems. Governance means establishing, communicating, and enforcing clear accountabilities and responsibilities. And, as far as I’m concerned, the three most critical roles in governance belong to the internal auditor, the board’s audit committee, and the CEO. All three must be fully engaged. All three must take leadership roles. And all three must work closely together.”*

INTERNAL AUDITORS

An effective internal auditing activity provides assurance that internal controls are sufficient to mitigate risks, that governance processes are adequate, and that organizational goals and objectives are met.

The IIA⁹ outlines best practices of the internal auditing activity as follows:

- **Organizational independence and reporting structure.** The audit activity should have sufficient independence to conduct work without interference. Best practice has the chief audit executive reporting functionally to the audit committee with administrative reporting to the university president. The publication “20 Questions Directors Should Ask about Internal Audit” further clarifies these reporting relationships.

- **Unrestricted access.** Internal auditors should have complete and unrestricted access to employees, property, and records of the university. If the scope of the internal audit activity extends to the direct support and affiliated organizations of the university, this access should be expanded to the records and employees of those organizations as well,
- **Audit charter.** The purpose, mission, and authority of internal auditing should be established in a formal charter. The charter should address independence, duties, responsibilities, and professional standards and should be approved by the audit committee.
- **Professional audit standards.** Standards provide a framework to promote quality audit work. The IIA's International Standards for the Professional Practice of Internal Auditing⁴ and Code of Ethics are generally accepted and give internal auditors an approach that provides a systematic, objective, and evidentiary basis for their work.
- **Training and quality assessment.** To stay abreast of emerging issues facing universities and the internal audit profession, internal auditors should participate in continuing education programs. Also, professional standards require an external quality assessment of internal audit activity every five years as well as ongoing self-assessments.
- **Prioritization, a risk-based approach.** The internal auditing function must assess organizational risks and operational changes for the most effective use of internal audit resources. This risk-based approach should also be applied to the development of the internal audit work plan as well as to each individual audit.
- **Audit reports and follow-up.** The results of audits are communicated through formal audit reports that should be distributed to appropriate levels of management. The audit reports may also be distributed to the audit committee. Internal auditing should follow up on its observations and recommendations to ensure management's action plans were effectively implemented. Results of the follow-up may be conveyed to the audit committee.
- **Advisory services and investigations.** In addition to audits, internal auditing should provide advisory services to management and investigate complaints or

allegations of fraud. Advisory services are generally a more informal approach to improving controls and operations. Investigations should be handled in a confidential manner with communication to the audit committee as needed to keep them informed and up-to-date on issues facing the university.

SUMMARY

The Board of Governors has significant oversight responsibilities for Florida's higher education system. The BOG audit committee in collaboration with the universities' audit committees and their respective internal audit executives can ensure that processes are in place to meet those responsibilities. This white paper is the roadmap of best practices to achieve effective governance at the institutions related to audit committees and internal audit.

Footnotes

- ¹ Forbes.com “The Corporate Scandal Sheet” P. Patsuris, August 26, 2002, lists recent accounting scandals <http://www.forbes.com/2002/07/25/accountingtracker.html>
- ² The Sarbanes-Oxley Act of 2002 <http://www.sec.gov/about/laws/soa2002.pdf>
- ³ American Institute of Certified Public Accountants Statement on Auditing Standards No. 61 Communication with Audit Committees
<http://www.aicpa.org/download/members/div/auditstd/AU-00380.PDF>
- ⁴ Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing <http://www.theiia.org/guidance/>
- ⁵ NACUBO Checklist for Higher Education (NACUBO recommendations regarding Sarbanes-Oxley Act of 2002)
http://www.nacubo.org/documents/business_topics/SOXChecklist3.7112003.doc
- ⁶ NACUBO and PriceWaterhouseCoopers “Sarbanes Summit: Taking the Right Path”
<http://www.nacubo.org/x8028.xml?s=x40>
- ⁷ Institute of Internal Auditors and PriceWaterhouseCoopers publication: Audit Committee Effectiveness –What Works Best August 9, 2005 (available for purchase)
<http://www.theiia.org/theiia/newsroom/news-releases/?C=226>
- ⁸ Institute of Internal Auditors “20 Questions Directors Should Ask about Internal Audit” August 2004 (available for purchase)
http://www.theiia.org/bookstore.cfm?fuseaction=product_detail&order_num=519
- ⁹ The Institute of Internal Auditors has two publications relevant to audit committees and internal auditing, especially in the public sector. “Role of Auditing in Public Sector Governance” <http://www.theiia.org/download.cfm?file=3512> and “The Audit Committee: Purpose, Process, Professionalism” <http://xrl.us/uiw3>

Other Reading

American Institute of Certified Public Accountants, Audit Committee Toolkit for not-for-profits <http://www.aicpa.org/Audcommctr/toolkitsnpo/homepage.htm>

Association of Governing Boards, Effective Committees: The Audit Committee
<http://www.agb.org/wmspage.cfm?parm1=547> (available for purchase)

State of Tennessee Audit Committee Act http://comptroller.state.tn.us/Attachment_A.pdf

State Universities Audit Council

Florida Agricultural and Mechanical University
Division of Compliance & Audit
Rufus R. Little, III, Vice President

Florida Atlantic University
Office of the Inspector General
Morley Barnett, Inspector General

Florida Gulf Coast University
Office of Internal Audit
Carol Slade, Director

Florida International University
Office of Internal Audit
Ted Guba, Audit Director

Florida State University
Office of Audit Services
David Coury, Chief Audit Officer

University of Central Florida
University Audit
Amy S. Voelker, Director

University of Florida
Office of Audit and Compliance Review
Nur Erenguc, Chief Audit Executive

University of North Florida
Office of Internal Auditing
Marty Khan, Director

University of South Florida
University Audit and Compliance
Debbie Gula, Director

University of West Florida
Internal Auditing and Management Consulting
Betsy Bowers, Associate Vice President

EXHIBIT IX

SECTION 14.32, FLORIDA STATUTES

OFFICE OF THE CHIEF INSPECTOR GENERAL

EXHIBIT IX
SECTION 14.32, FLORIDA STATUTES
OFFICE OF THE INSPECTOR GENERAL

14.32 Office of Chief Inspector General.--

(1) There is created in the Executive Office of the Governor the Office of Chief Inspector General. The Chief Inspector General shall be responsible for promoting accountability, integrity, and efficiency in the agencies under the jurisdiction of the Governor. The Chief Inspector General shall be appointed by and serve at the pleasure of the Governor.

(2) The Chief Inspector General shall:

(a) Initiate, supervise, and coordinate investigations, recommend policies, and carry out other activities designed to deter, detect, prevent, and eradicate fraud, waste, abuse, mismanagement, and misconduct in government.

(b) Investigate, upon receipt of a complaint or for cause, any administrative action of any agency, the administration of which is under the direct supervision of the Governor, regardless of the finality of the administrative action.

(c) Request such assistance and information as may be necessary for the performance of the duties of the Chief Inspector General.

(d) Examine the records and reports of any agency the administration of which is under the direct supervision of the Governor.

(e) Coordinate complaint-handling activities with agencies.

(f) Coordinate the activities of the Whistle-blower's Act pursuant to chapter 112 and maintain the whistle-blower's hotline to receive complaints and information concerning the possible violation of law or administrative rules, mismanagement, fraud, waste, abuse of authority, malfeasance, or a substantial or specific danger to the health, welfare, or safety of the public.

(g) Report expeditiously to and cooperate fully with the Department of Law Enforcement, the Department of Legal Affairs, and other law enforcement agencies when there are recognizable grounds to believe that there has been a violation of criminal law or that a civil action should be initiated.

(h) Act as liaison with outside agencies and the Federal Government to promote accountability, integrity, and efficiency in state government.

- (i) Act as liaison and monitor the activities of the inspectors general in the agencies under the Governor's jurisdiction.
 - (j) Review, evaluate, and monitor the policies, practices, and operations of the Executive Office of the Governor.
 - (k) Conduct special investigations and management reviews at the request of the Governor.
- (3) The Chief Inspector General shall serve as the inspector general for the Executive Office of the Governor.

History.--s. 9, ch. 94-235.

EXHIBIT X

BOARD OF GOVERNORS
POSITION DESCRIPTION

class. file

STATE OF FLORIDA
POSITION DESCRIPTION

CAREER SERVICE <input type="checkbox"/> SELECTED EXEMPT SERVICE <input type="checkbox"/> SENIOR MANAGEMENT SERVICE <input checked="" type="checkbox"/> OTHER <input type="checkbox"/>				
POSITION LOCATION INFORMATION		Position Exempt Under 110.205(____)(____), F.S. Managerial <input type="checkbox"/> Confidential <input type="checkbox"/> Supervisory <input type="checkbox"/> Other <input type="checkbox"/>		
NAME OF AGENCY: Education		Organization Level: Current: 70 10 01 Proposed: _____		
DIVISION/COMPARABLE: Board of Governors		Position Number: 48001070	FTE: 1.0	
BUREAU/COMPARABLE: Office of the Chancellor		Current Broadband Level Code: 43-9061-01	Current Class Title: Clerk - Career Service	
SECTION/SUBSECTION:		Proposed Broadband Level Code: 10-1021-02	Proposed Class Title: Inspector General (WT: Inspector General and Director of Compliance)	
HEADQUARTERS/COUNTY CODE: Tallahassee/Leon/37		Proposed Class Code: 7005 7238		
INCUMBENT: Vacant		Type of Transaction: add/delete - CS to SMS		
APPROVAL AUTHORITY USE ONLY				
POSITION ATTRIBUTES: EEO: 01 <input checked="" type="checkbox"/> 02 <input type="checkbox"/> 03 <input type="checkbox"/> 04 <input type="checkbox"/> 05 <input type="checkbox"/> 06 <input type="checkbox"/> 07 <input type="checkbox"/> 08 <input type="checkbox"/> CBU: 01 <input type="checkbox"/> 02 <input type="checkbox"/> 03 <input type="checkbox"/> 04 <input type="checkbox"/> 05 <input type="checkbox"/> 06 <input type="checkbox"/> 07 <input type="checkbox"/> 08 <input type="checkbox"/> 09 <input type="checkbox"/> 10 <input type="checkbox"/> 11 <input type="checkbox"/> 18 <input type="checkbox"/> 80 <input type="checkbox"/> 81 <input type="checkbox"/> 86 <input type="checkbox"/> 87 <input type="checkbox"/> 89 <input type="checkbox"/> 99 <input checked="" type="checkbox"/> Other <input type="checkbox"/> _____ Special Risk: Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Overtime: Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> CAD: Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>		Broadband Level Code:	Class Code:	
		Approved By:		Effective Date:
		APPROVED BROADBAND OCCUPATION:		
		APPROVED CLASS TITLE:		
1. This position reports directly to: Position Number <u>48001048</u> Broadband Level Code <u>10-9033-02</u> Broadband Occupation <u>Chief Executive</u> Class Code <u>6246</u> Class Title <u>Chancellor, Board of Governors</u>				
2. Broadband level code, class title, class code, position number, and headquarters location of each position which reports directly to this position:				
3. What statutes establish or define the work performed? Chapters 1000 - 1013 F.S., Section 20.155 F.S.				
4. This position has financial disclosure responsibility in accordance with Section 112.3145, F. S.: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
5. Current budget for which this position is accountable (if applicable):				
Salaries & Benefits		O.P.S.		
F.C.O.		Expenses		
Data Processing		TOTAL ALLOTMENT		
If the current budget includes other areas of accountability include them in the TOTAL ALLOTMENT and provide a brief explanation.				

Duties and Responsibilities - Describe in detail the specific duties and responsibilities assigned to this position and the percentage of time for each. Indicate the role of this position in accomplishing the unit and agency mission. If applicable, include examples of independent, final policy decisions made and show their effect on the agency, the public, or other state agencies.

% **Duties and Responsibilities**
SPECIFIC RESPONSIBILITIES

The position of Inspector General and Director of Compliance provides leadership and oversight of these functions for the Board of Governors and State University System and is generally responsible for coordinating activities that promote accountability, integrity, and efficiency as defined in Section 20.055 F.S. Handles confidential and sensitive information, and maintains confidentiality of information regarding the BOG and SUS that is protected from disclosure by law. Specific responsibilities include but are not limited to:

Provides oversight and coordination for the SUS audit and compliance functions and advises in the development of performance measures, standards, and procedures for the evaluation of university programs as applicable. Oversee and monitor the audit and follow-up activities of the university's offices of audit and compliance.

Works with the Board staff and the Compliance Directors at the universities to ensure development, implementation, and maintenance of compliance activities within the SUS regarding state and federal rules and regulations. This position is responsible for, but not limited to, maintaining standards based on regulatory guidelines and making recommendations for improvements, changes including innovative recommendations.

Review and evaluate all audit, investigative and management advisory reports issued by the university offices of audit and compliance and from these reports, identify significant systemic issues, problematic trends, or issues with policy implications, and, if necessary, make recommendations for improvements.

Communicate significant issues identified through audits, investigations, and advisory services to the Chancellor and the Board of Governors.

Keep the Chancellor informed of fraud, abuse and/or deficiencies relating to programs or operations, and makes recommendations for corrective action. Prepare reports and work papers for the Chancellor and the members of the Board of Governors as needed.

Identify and develop system wide initiatives for the SUS Inspector General function.

Ensure that periodic quality assurance reviews to the university Inspector General function occur.

Monitor compliance with the financial reporting requirements established by law or rule.

Review annual audits of the universities conducted by the Florida Auditor General and advises the Chancellor and Board of Governors as appropriate of possible corrective action.

Represent the Board of Governors on the State University Audit Council.

Acts as a liaison with outside agencies and the federal government to promote accountability, integrity, and efficiency in the audit and compliance functions.

Section 20.155 F.S. is an attachment to this position description and provides additional responsibilities and detail.

Works with the BOG General Counsel on legal issues as required.

GENERAL OVERALL STATEMENT

The employee must be productive under tight timeframes, balance multiple and competing priorities and maintain goal-directed behavior and performance sometimes under stressful conditions.

The employee must interact courteously with others.

The employee's performance and behavior must demonstrate consideration of the workload concerns of others and must not negatively affect productivity and morale of the unit.

Attendance is an essential function of this position.

Performs related assignments as required.

7. Knowledge, skills and abilities, including utilization of equipment, required for the position:

Knowledge of: the Standards for the Professional Practice of Internal Auditing and Generally Accepted Accounting Principles; methods of compiling and analyzing data; principles and processes involved in business and organizational planning and execution; applicable laws, statutes, rules. Ability and skill in: independent judgment; conducting fact-finding interviews and taking statements; collect and analyze evidence; use deductive reasoning; establish and maintain effective working relationships; communicate effectively; critical thinking and analysis

8. Licensure/registration/certification requirements (If applicable, list the appropriate Florida Statute or federal regulation cite):

9. Other job-related requirements for this position: Requires a J.D., a bachelor's degree from an accredited college or university, CPA or CIA certificate.

10. Working hours: (A) Daily from 8:00am to 5:00pm (B) Total hours in workweek 40 (C) Explain any variation in work (split shift, rotation)

11. **Agency Use Only – Check those that apply:** Uniform Allowance ☐ CJIP ☐ Bond Indicator ☐ Drug Screening ☐ Re-screening ☐
 Security Check: No security screen required ☐ Background investigation required ☐ Background & fingerprint required ☐
 Fingerprint investigation required ☐ Access to abuse records ☐ Caretaker ☐ Financial ☐ Law enforcement ☐ Management ☐
 Sensitive ☐ Agency Security Check ☐ Other:

The following have acknowledged that the statements above, to the best of their knowledge, accurately describe the duties and responsibilities of the position.

Incumbent Signature (optional): <i>[Signature]</i> VACANT Date:	
Discussed with Employee: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Title: <i>CHANCELLOR</i> <i>CHIEF OF STAFF</i>
Supervisor's Signature: <i>[Signature]</i>	Date:
Approval of Reviewing Authority: * <i>[Signature]</i>	Title: BOR Personnel Admin*
Approval of Agency Personnel Officer:	Date: 6/13/07

*Delegated authority

Attachment to position description, Inspector General – BOG

Title IV

EXECUTIVE BRANCH

Chapter 20

ORGANIZATIONAL STRUCTURE

20.055 Agency inspectors general.--

(1) For the purposes of this section:

(a) "State agency" means each department created pursuant to this chapter, and also includes the Executive Office of the Governor, the Department of Military Affairs, the Fish and Wildlife Conservation Commission, the Office of Insurance Regulation of the Financial Services Commission, the Office of Financial Regulation of the Financial Services Commission, the Public Service Commission, and the state courts system.

(b) "Agency head" means the Governor, a Cabinet officer, a secretary as defined in s. 20.03(5), or an executive director as defined in s. 20.03(6). It also includes the chair of the Public Service Commission, the Director of the Office of Insurance Regulation of the Financial Services Commission, the Director of the Office of Financial Regulation of the Financial Services Commission, and the Chief Justice of the State Supreme Court.

(2) The Office of Inspector General is hereby established in each state agency to provide a central point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency in government. It shall be the duty and responsibility of each inspector general, with respect to the state agency in which the office is established, to:

(a) Advise in the development of performance measures, standards, and procedures for the evaluation of state agency programs.

(b) Assess the reliability and validity of the information provided by the state agency on performance measures and standards, and make recommendations for improvement, if necessary, prior to submission of those measures and standards to the Executive Office of the Governor pursuant to ¹s. 216.0166(1).

(c) Review the actions taken by the state agency to improve program performance and meet program standards and make recommendations for improvement, if necessary.

(d) Provide direction for, supervise, and coordinate audits, investigations, and management reviews relating to the programs and operations of the state agency, except that when the inspector general does not possess the qualifications specified in subsection (4), the director of auditing shall conduct such audits.

(e) Conduct, supervise, or coordinate other activities carried out or financed by that state agency for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, its programs and operations.

(f) Keep such agency head informed concerning fraud, abuses, and deficiencies relating to programs and operations administered or financed by the state agency, recommend corrective action concerning fraud, abuses, and deficiencies, and report on the progress made in implementing corrective action.

(g) Ensure effective coordination and cooperation between the Auditor General, federal auditors, and other governmental bodies with a view toward avoiding duplication.

(h) Review, as appropriate, rules relating to the programs and operations of such state agency and make recommendations concerning their impact.

(i) Ensure that an appropriate balance is maintained between audit, investigative, and other accountability activities.

(3)(a) The inspector general shall be appointed by the agency head. For agencies under the direction of the Governor, the appointment shall be made after notifying the Governor in writing, at least 7 days prior to an offer of employment, of the agency head's intention to hire the inspector general.

- (b) Each inspector general shall report to and be under the general supervision of the agency head and shall not be subject to supervision by any other employee of the state agency. The inspector general shall be appointed without regard to political affiliation.
- (c) An inspector general may be removed from office by the agency head. For agencies under the direction of the Governor, the agency head shall notify the Governor, in writing, of the intention to terminate the inspector general at least 7 days prior to the removal. For state agencies under the direction of the Governor and Cabinet, the agency head shall notify the Governor and Cabinet in writing of the intention to terminate the inspector general at least 7 days prior to the removal.
- (d) The agency head shall not prevent or prohibit the inspector general or director of auditing from initiating, carrying out, or completing any audit or investigation.
- (4) To ensure that state agency audits are performed in accordance with applicable auditing standards, the inspector general or the director of auditing within the inspector general's office shall possess the following qualifications:
- (a) A bachelor's degree from an accredited college or university with a major in accounting, or with a major in business which includes five courses in accounting, and 5 years of experience as an internal auditor or independent postauditor, electronic data processing auditor, accountant, or any combination thereof. The experience shall at a minimum consist of audits of units of government or private business enterprises, operating for profit or not for profit; or
- (b) A master's degree in accounting, business administration, or public administration from an accredited college or university and 4 years of experience as required in paragraph (a); or
- (c) A certified public accountant license issued pursuant to chapter 473 or a certified internal audit certificate issued by the Institute of Internal Auditors or earned by examination, and 4 years of experience as required in paragraph (a).
- (5) In carrying out the auditing duties and responsibilities of this act, each inspector general shall review and evaluate internal controls necessary to ensure the fiscal accountability of the state agency. The inspector general shall conduct financial, compliance, electronic data processing, and performance audits of the agency and prepare audit reports of his or her findings. The scope and assignment of the audits shall be determined by the inspector general; however, the agency head may at any time direct the inspector general to perform an audit of a special program, function, or organizational unit. The performance of the audit shall be under the direction of the inspector general, except that if the inspector general does not possess the qualifications specified in subsection (4), the director of auditing shall perform the functions listed in this subsection.
- (a) Such audits shall be conducted in accordance with the current Standards for the Professional Practice of Internal Auditing and subsequent Internal Auditing Standards or Statements on Internal Auditing Standards published by the Institute of Internal Auditors, Inc., or, where appropriate, in accordance with generally accepted governmental auditing standards. All audit reports issued by internal audit staff shall include a statement that the audit was conducted pursuant to the appropriate standards.
- (b) Audit workpapers and reports shall be public records to the extent that they do not include information which has been made confidential and exempt from the provisions of s. 119.07(1) pursuant to law. However, when the inspector general or a member of the staff receives from an individual a complaint or information that falls within the definition provided in s. 112.3187(5), the name or identity of the individual shall not be disclosed to anyone else without the written consent of the individual, unless the inspector general determines that such disclosure is unavoidable during the course of the audit or investigation.
- (c) The inspector general and the staff shall have access to any records, data, and other information of the state agency he or she deems necessary to carry out his or her duties. The inspector general is also authorized to request such information or assistance as may be necessary from the state agency or from any federal, state, or local government entity.
- (d) At the conclusion of each audit, the inspector general shall submit preliminary findings and recommendations to the person responsible for supervision of the program function or operational unit who shall respond to any adverse findings within 20 working days after receipt of the tentative findings. Such response and the inspector general's rebuttal to the response shall be included in the final audit report.
- (e) The inspector general shall submit the final report to the agency head and to the Auditor General.

(f) The Auditor General, in connection with the independent postaudit of the same agency pursuant to s. 11.45, shall give appropriate consideration to internal audit reports and the resolution of findings therein. The Legislative Auditing Committee may inquire into the reasons or justifications for failure of the agency head to correct the deficiencies reported in internal audits that are also reported by the Auditor General and shall take appropriate action.

(g) The inspector general shall monitor the implementation of the state agency's response to any report on the state agency issued by the Auditor General or by the Office of Program Policy Analysis and Government Accountability. No later than 6 months after the Auditor General or the Office of Program Policy Analysis and Government Accountability publishes a report on the state agency, the inspector general shall provide a written response to the agency head on the status of corrective actions taken. The Inspector General shall file a copy of such response with the Legislative Auditing Committee.

(h) The inspector general shall develop long-term and annual audit plans based on the findings of periodic risk assessments. The plan, where appropriate, should include postaudit samplings of payments and accounts. The plan shall show the individual audits to be conducted during each year and related resources to be devoted to the respective audits. The Chief Financial Officer, to assist in fulfilling the responsibilities for examining, auditing, and settling accounts, claims, and demands pursuant to s. 17.03(1), and examining, auditing, adjusting, and settling accounts pursuant to s. 17.04, may utilize audits performed by the inspectors general and internal auditors. For state agencies under the Governor, the audit plans shall be submitted to the Governor's Chief Inspector General. The plan shall be submitted to the agency head for approval. A copy of the approved plan shall be submitted to the Auditor General.

(6) In carrying out the investigative duties and responsibilities specified in this section, each inspector general shall initiate, conduct, supervise, and coordinate investigations designed to detect, deter, prevent, and eradicate fraud, waste, mismanagement, misconduct, and other abuses in state government. For these purposes, each state agency shall:

(a) Receive complaints and coordinate all activities of the agency as required by the Whistle-blower's Act pursuant to ss. 112.3187-112.3189.

(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 inspector general's office. 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 agency head, except for whistle-blower's investigations, which shall be conducted and reported pursuant to s. 112.3189.

(7) Each inspector general shall, not later than September 30 of each year, prepare an annual report summarizing the activities of the office during the immediately preceding state fiscal year. The final report shall be furnished to the agency head. Such report shall include, but need not be limited to:

(a) A description of activities relating to the development, assessment, and validation of performance measures.

(b) A description of significant abuses and deficiencies relating to the administration of programs and operations of the agency disclosed by investigations, audits, reviews, or other activities during the reporting period.

(c) A description of the recommendations for corrective action made by the inspector general during the reporting period with respect to significant problems, abuses, or deficiencies identified.

(d) The identification of each significant recommendation described in previous annual reports on which corrective action has not been completed.

(e) A summary of each audit and investigation completed during the reporting period.

(8) Each agency inspector general shall, to the extent both necessary and practicable, include on his or her staff individuals with electronic data processing auditing experience.

History.--ss. 1, 2, ch. 86-131; s. 1, ch. 87-30; ss. 1, 4, ch. 90-247; s. 18, ch. 91-282; s. 2, ch. 91-285; s. 7, ch. 94-235; s. 1, ch. 94-340; s. 1315, ch. 95-147; s. 8, ch. 95-153; s. 8, ch. 95-312; s. 5, ch. 96-406; s. 15, ch. 98-73; s. 62, ch. 99-245; s. 2, ch. 2001-124; s. 21, ch. 2001-266; s. 68, ch. 2003-261; s. 2, ch. 2004-41. ¹**Note.**--Repealed by s. 61, ch. 2000-371.

EXHIBIT XI

INSTITUTE OF INTERNAL AUDITORS
SAMPLE AUDIT COMMITTEE CHARTER

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Sample Audit Committee Charter

The following sample charter captures many of the best practices used today and complies with the requirements of the Sarbanes-Oxley Act and the U.S. Stock Exchanges. Of course, no sample charter encompasses all activities that might be appropriate to a particular audit committee, nor will all activities identified in a sample charter be relevant to every committee. Accordingly, this charter must be tailored to each committee's needs and governing rules. The footnotes identify Sarbanes-Oxley and related stock exchange requirements that were addressed in the most recent update of this charter. These footnotes would not be included in a company's actual charter.

Audit Committee Charter¹

PURPOSE

To assist the board of directors in fulfilling its oversight responsibilities for (1) the integrity of the company's financial statements, (2) the company's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, and (4) the performance of the company's internal audit function and independent auditors.² The audit committee will also prepare the report that SEC rules require be included in the company's annual proxy statement.³

AUTHORITY

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of the public accounting firm employed by the organization to conduct the annual audit. This firm will report directly to the audit committee.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all auditing and permitted non-audit services performed by the company's external audit firm.
- Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.⁴
- Seek any information it requires from employees--all of whom are directed to cooperate with the committee's requests--or external parties.
- Meet with company officers, external auditors, or outside counsel, as necessary.

- The committee may delegate authority to subcommittees, including the authority to pre-approve all auditing and permitted non-audit services, providing that such decisions are presented to the full committee at its next scheduled meeting.⁵

COMPOSITION

The audit committee will consist of at least three and no more than six members of the board of directors. The board nominating committee will appoint committee members and the committee chair.⁶

Each committee member will be both independent⁷ and financially literate. At least one member shall be designated as the "financial expert," as defined by applicable legislation and regulation.⁸ No committee member shall simultaneously serve on the audit committees of more than two other public companies.⁹

MEETINGS

The committee will meet at least four times a year,¹⁰ with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting, in person or via tele- or video-conference. The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will meet separately, periodically, with management, with internal auditors and with external auditors.¹¹ It will also meet periodically in executive session. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

RESPONSIBILITIES

The committee will carry out the following responsibilities:

Financial Statements

- Review significant accounting and reporting issues and understand their impact on the financial financial statements. These issues include:
- Complex or unusual transactions and highly judgmental areas
- Major issues regarding accounting principles and financial statement presentations, including any significant changes in the company's selection or application of accounting principles
- The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the company¹²
- Review analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements,

including analyses of the effects of alternative GAAP methods on the financial statements¹³

- Review with management and the external auditors the results of the audit, including any difficulties encountered. This review will include any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management.¹⁴
- Discuss the annual audited financial statements and quarterly financial statements with management and the external auditors, including the company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."¹⁵
- Review disclosures made by CEO and CFO during the Forms 10-K and 10-Q certification process about significant deficiencies in the design or operation of internal controls or any fraud that involves management or other employees who have a significant role in the company's internal controls.¹⁶
- Discuss earnings press releases (particularly use of "pro forma," or "adjusted" non-GAAP, information), as well as financial information and earnings guidance provided to analysts and rating agencies. This review may be general (i.e., the types of information to be disclosed and the type of presentations to be made). The audit committee does not need to discuss each release in advance.¹⁷

Internal Control

- Consider the effectiveness of the company's internal control system, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.¹⁸

Internal Audit

- Review with management and the chief audit executive the charter, plans, activities, staffing, and organizational structure of the internal audit function.¹⁹
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the chief audit executive.
- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing*.

- On a regular basis, meet separately with the chief audit executive to discuss any matters that the committee or internal audit believes should be discussed privately.²⁰

External Audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors. In performing this review, the committee will
 - At least annually, obtain and review a report by the independent auditor describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the company²¹
 - Take into account the opinions of management and internal audit.
 - Review and evaluate the lead partner of the independent auditor.
 - Present its conclusions with respect to the external auditor to the Board.
- Ensure the rotation of the lead audit partner every five years and other audit partners every seven years, and consider whether there should be regular rotation of the audit firm itself.²²
- Present its conclusions with respect to the independent auditor to the full board²³
- Set clear hiring policies for employees or former employees of the independent auditors²⁴
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.²⁵

Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Establish procedures for: (i) The receipt, retention, and treatment of complaints received by the listed issuer regarding accounting, internal

- accounting controls, or auditing matters; and (ii) The confidential, anonymous submission by employees of the listed issuer of concerns regarding questionable accounting or auditing matters.²⁶
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
 - Review the process for communicating the code of conduct to company personnel, and for monitoring compliance therewith. ²⁷
 - Obtain regular updates from management and company legal counsel regarding compliance matters.

Reporting Responsibilities

- Regularly report to the board of directors about committee activities and issues that arise with respect to the quality or integrity of the company's financial statements, the company's compliance with legal or regulatory requirements, the performance and independence of the company's independent auditors, and the performance of the internal audit function.²⁸
- Provide an open avenue of communication between internal audit, the external auditors, and the board of directors.
- Report annually to the shareholders, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- Review any other reports the company issues that relate to committee responsibilities.

Other Responsibilities

- Discuss with management the company's major policies with respect to risk assessment and risk management²⁹
- Perform other activities related to this charter as requested by the board of directors.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the committee's and individual members' performance at least annually.³⁰

¹NYSE Proposed Rules § 303 A (7) (b) requires the audit committee to have a written charter that addresses the points listed below.

²NYSE subsection 7(b)(i)(A)

³NYSE subsection 7(b)(i)(B)

⁴NYSE subsection 7(b)(ii)(E)

⁵Sarbanes-Oxley, section 202

⁶NYSE subsections 4 and 6

⁷SEC proposed rules for implementing Section 301 of Sarbanes-Oxley (released Jan. 8, 2003)

⁸SEC final rules for implementing Sections 406 and 407 of Sarbanes-Oxley (released Jan. 23, 2003)

⁹*Commentary* to NYSE subsection 6

¹⁰Amex proposed rules

¹¹NYSE subsection 7(b)(ii)(G)

¹²*Commentary* to NYSE subsection 7(b)(iii)

¹³*Commentary* to NYSE subsection 7(b)(iii)

¹⁴NYSE subsection 7(b)(ii)(H) and *Commentary*

¹⁵*Commentary* to NYSE subsection 7(b)(ii)(C)

¹⁶Sarbanes-Oxley, section 302 requires the CEO and CFO to make these disclosures to the audit committee and the external auditor

¹⁷NYSE subsection 7(b)(ii)(D)

¹⁸NYSE subsection 7(b)(iii)

¹⁹NYSE subsection 7(b)(ii)(H)

²⁰NYSE subsection 7(b)(ii)(G)

²¹NYSE subsection 7(b)(ii)(B)

²²NYSE subsection 7(b)(ii)(B)

²³NYSE subsection 7(b)(ii)(B)

²⁴NYSE subsection 7(b)(ii)(I)

²⁵NYSE subsection 7(b)(ii)(G)

²⁶SEC proposed rules for implementing Section 301 of Sarbanes-Oxley (released Jan. 8, 2003)

²⁷SEC final rules for implementing Sections 406 and 407 of Sarbanes-Oxley (released Jan. 23, 2003) requires a code of ethics for the CEO and senior financial officers. They do not require audit committee involvement.

²⁸NYSE subsection 7(b)(ii)(J)

²⁹NYSE subsection 7(b)(ii)(F)

³⁰NYSE subsection 7(b)(iii) requires annual evaluation of the committee, not of each member