

**Internal Audit**

Purpose

The District shall support an internal audit department. The internal audit department is an independent and objective service organization dedicated to assisting management at all levels in the effective discharge of their duties.

The internal audit department shall examine and evaluate any activity of the District. These examinations shall be conducted to assist District management and the Board, when appropriate, by providing objective analyses, appraisals, counsel, recommendations, and any other pertinent information relative to the activities or operations examined. Examinations are also intended, where applicable, to promote effective internal controls in a cost-effective manner.

Authority

The internal audit department has no direct or indirect authority or responsibility over the personnel, activities, or operations in the District outside of the internal audit department. This includes the development and/or installation of applicable operating procedures and policies.

The internal audit department shall have full and unrestricted access to all District records (paper or electronic), physical properties, and personnel relevant to an examination. All documents or copies thereof, electronic data, and information obtained via interviews during an examination become part of the workpapers supporting that examination and thus belong to the internal audit department. Original documents and any other data or information, regardless of form, obtained during an examination, shall be returned to the appropriate department according to applicable internal procedures or various laws and regulations with due professional care and in a reasonable period of time.

Responsibility

The internal audit department shall function under policies established by the Board. The internal audit director shall report functionally to the Board and administratively to the Superintendent. Individual Board members may contact the internal audit director with suggestions of audit focus areas, but shall have no individual authority to direct such audits. Audit selection shall be based on the internal audit director's professional judgment augmented by the direction of the Board acting as a whole.

Report "functionally" means, but is not limited to, the Board operating in:

1. Approving internal audit plans.
2. Establishing resource requirements.
3. Communicating with the internal audit director concerning internal audit activities.

4. Evaluating the internal audit director's performance and setting the annual salary adjustment of the director and department staff.
5. Making decisions regarding the appointment or removal of the internal audit director.

Report "administratively" means the Superintendent shall provide appropriate structure for the internal audit function within the organization that includes but is not limited to:

1. Budget, accounting, procurement, information technology support.
2. Human resource administration including support in hiring personnel and providing compensation.
3. Adequate working space, furniture, and equipment.
4. Administration of the District's policies and procedures, to include enforcement of time and attendance, travel, and purchasing requirements.

The Superintendent may suggest, but shall not dictate areas to be audited, and shall work cooperatively with the internal audit director to ensure access and removal of impediments to audited areas.

Internal audits shall be planned and conducted in accordance with the *Standards for the Professional Practice of Internal Auditing* and *The Code of Ethics* promulgated by the Institute of Internal Auditors. This shall include:

1. Establishing risk-based plans to determine the priorities of the internal audit activity.
2. Communicating the internal audit plans and resource requirements to the Board for review and approval.
3. Responding to the Board's special requests for audit and consulting services.
4. Communicating results and recommendations to appropriate individuals.
5. Maintaining a system to monitor the disposition of results and recommendations communicated to management.
6. Reporting periodically to the Board on accomplishments relative to the audit plan and special requests. Reporting shall include significant risk, control, and policy issues identified during audits.

7. Coordinating audit efforts with those of the District's certified public accountants.
8. Continuing professional development of the audit staff.

**External Audit**

Selection of Audit  
Firm

The District shall contract with a certified public accounting firm that has sufficient resources and capabilities to audit the financial statements of the District. The audit shall be comprehensive, and performed on an annual basis, in accordance with generally accepted accounting principles, consistently applied. The audit firm shall be engaged to perform sufficient tests to obtain reasonable assurance that the information contained in the District's accounting records is reliable and sufficient as the basis for the presentation of the District's financial statements.

The audit firm shall comply with the auditing standards of the American Institute of Certified Public Accountants and the standards of the Financial Accounting Standards Board. The accounting firm shall provide an opinion of the District's financial statements that shall satisfy the requirements of the Moody Investors, Inc., Standard and Poor's, Inc., and TEA.

Proposals for audit services shall be solicited not less than every fifth year unless waived by the Board.

Restrictions

The accounting firm under contract for the District's audit needs shall not be simultaneously engaged to perform other technical or administrative services unrelated to the audit functions. An audit firm engaged to perform a major control system revision or development project for the District may not be contracted as the District's audit firm prior to an 18-month period between the implementation of the revised or new system, and the beginning of the audit engagement of the same firm.

Procedures

The following procedures shall be followed in the selection of an audit firm:

1. The criteria to be used in selecting an audit firm shall be discussed with the Board.
  - a. A Request for Qualifications (RFQ) for an audit firm shall be drafted.
  - b. The Board shall review the RFQ prior to mailing.
2. The assistant superintendent for business services, the executive director for fiscal management, and the budgetary services coordinator shall prepare a spreadsheet that shall compare all of the responding firms according to the criteria in the RFQ.

3. These same staff persons shall meet with the Board to narrow the list of firms to be considered for an interview. Staff shall call for references and forward information to the Board members.
4. The Board shall interview the top two or three firms, at their discretion. The staff shall attend interview(s) but shall not participate in the interview(s), being available only as a resource for Board members.
5. Proposals for the selection of an audit firm shall be solicited every five years unless waived by the Board.