

**Fiscal Management
Committee**

The fiscal management committee of the Board is established to review audit plans and reports and to make recommendations to the Superintendent and Board.

Composition

The committee shall consist of at least three Board members appointed annually by the Board President. The Board President shall appoint one of the members to chair the committee.

Meetings

The committee shall meet as called by the chair but at least annually to review the internal audit plan and the findings of the external auditor. [See CFC] Meetings of the fiscal management committee shall be conducted in accordance with the Texas Open Meetings Act.

**Internal Audit
Authority**

The internal audit function is established by the Board. Direct oversight of the internal audit function and its personnel shall be the responsibility of the fiscal management committee of the Board.

Purpose

The internal audit function is established to provide the Board with independent analysis, appraisals, and recommendations concerning the adequacy and effectiveness of the District's system of internal control and the equality of performance of management in carrying out assigned responsibilities.

Internal auditors shall have full access to all of the District's records, facilities, properties, and personnel relevant to the department or system under review and are free to review and appraise policies, plans, procedures, and records as deemed necessary. The internal auditors shall use discretion in their review of the records and ensure the confidentiality of all matters that come to their attention.

Internal auditors shall have no direct responsibility or authority over financial, compliance, or operational issues that may be subject to review. The independence of the internal audit function shall not be deemed adversely affected by determining and recommending standards of control to be applied to the development of the departments, systems, and procedures being reviewed.

Responsibilities

Internal auditors shall prepare a comprehensive long-term internal audit plan to ensure all activities of the District are reviewed at appropriate intervals based on a risk assessment of each activity. The internal audit plan shall encompass financial, operational, and compliance concerns as identified in the assessment of the District's risk. The extent of effort, skill level, and resources required shall be considered in the approved audit plan. The long-term internal audit plan shall be reviewed annually by the fiscal management committee. The Board shall approve a long-term audit plan annually.

Management will provide access to all requested records and personnel. Management is responsible for providing internal audit with a detailed written response to reported conditions.

Under direction of the fiscal management committee, internal auditors may undertake special projects outside the scope of the adopted internal audit plan. The Board shall be informed of any additional projects undertaken.

Standards of Internal Audit

Internal audit shall adhere to the standards regarding internal auditing as set by the Institute of Internal Auditors in its Statement of Responsibilities of Internal Auditing, Standards for the Professional Practice of Internal Auditing, and Code of Ethics, and as set by the American Institute of Certified Public Accountants in its Statement on Auditing Standards.

Types of Audits

Internal audit shall be involved in the following audit, review, and analysis activities:

1. Financial audits that concentrate on the review of specific financial transactions and operating data to ensure the reliability and accuracy of the District's financial and operating reports, including continued evaluation of internal accounting and financial controls such as:
 - a. Physical control over the District's assets;
 - b. Systems of authorization and approval;
 - c. Separation of accounting duties and responsibilities from those concerned with operation or custody of the District's assets; and
 - d. Environmental controls over management information systems.
2. Compliance audits, which seek to determine whether the department or area under review has complied with applicable statutory laws, regulations both internal and external, institutional policy procedures, and commonly acceptable principles of good management.
3. Operational audits that involve an independent, systematic evaluation of the activities under review for the purpose of improving organizational and operating effectiveness, increasing the attainment of District objectives, as well as the achievement of program purposes. The operational audit seeks to ensure the maximum benefit received for the resources expended.

4. Investigative audits that are generally unplanned and may result from findings during a routine audit or may take place due to information received from Board members, employees, the general public, external auditors, management, or security personnel.

**Management
Responsibility**

It is the responsibility of the department manager or activity officer to make available to internal audit all financial records, documentation, access to key individuals within the department, and related information, including custodial accounts that are in any way related to the review or the audit conducted by the auditors. Each department manager must also provide internal audit with adequate working space in the department, if necessary, to facilitate the work being performed.

**Management
Representation**

In connection with any examination, it is the responsibility of each department manager or activity officer to disclose possible irregularities involving management or employees that could have a significant impact on District operations. Acknowledgment of such responsibility at times may be requested in writing.

Department managers or officials responsible should to the best of their knowledge and belief confirm that there are no:

1. Violations or possible violations of laws or regulations whose effect should be considered for disclosure in the audit review or as a basis for recording a loss contingency; or
2. Material actions that have not been properly recorded in the accounting or operating records.

Department managers or officials responsible should to the best of their knowledge and belief confirm that they have complied with all aspects of contractual agreements that would have a material effect on the activities under review in the event of noncompliance.

Audit Reports

Financial
Operational Audits

Appropriate audit findings, when identified, are to be communicated to the manager of the audited unit in an exit conference and prior to issuing the formal report. This procedure allows the department or area manager to prepare written comments for the fiscal management committee on particular audit findings. It also provides an opportunity to correct any errors in fact and resolve any misunderstandings of material presented in the draft report prepared by the internal auditors.

The manager of the audited unit will be expected to prepare a written response to the audit findings explaining his or her plan of action to improve the cited weaknesses, if any, within 15 days after the exit conference. The auditee's responses shall be incorporated in the body of the internal audit report. The Superintendent is ulti-

mately responsible for ensuring that the appropriate written response to the audit report is prepared on a timely basis.

The formal "Internal Audit Report" is to be submitted directly to the fiscal management committee, explaining material findings and their possible adverse effect, recommendations to improve cited deficiencies, and management's response at the next scheduled meeting of said committee. The fiscal management committee, in turn, will then present such report to the Board at the next regularly scheduled meeting following the fiscal management committee meeting.

**Compliance and
Investigative Audits**

The formal "Internal Audit Report," explaining material findings and their possible adverse effect and recommendations to improve cited deficiencies, shall be communicated directly to the fiscal management committee at a meeting of the committee called within seven working days of the completion of the audit. The manager of the audited unit will be expected to prepare a written response to the audit findings within 15 days of the fiscal management committee meeting. The Superintendent is ultimately responsible for ensuring that the appropriate written response to the audit is prepared on a timely basis.

**Charter and Policy
Manual**

The District's Internal Audit Charter and Policy Manual further delineates internal audit's functions and the guidelines under which it operates at the District. The fiscal management committee shall review the Charter and Policy Manual at least biannually for possible revision, as deemed necessary by the committee.

Appraisal of Auditor

The fiscal management committee shall annually appraise the performance of the District's internal auditor.