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|  <p><b>GOVERNING BOARD POLICY</b></p> | POLICY TITLE: Internal Auditing |
|                                                                                                                        | POLICY CODE: xxxx               |

**Purpose:** TUSD is committed to using best practices in review and oversight of internal systems, including ensuring the availability of an effective internal audit function. Internal auditing encompasses the examination and evaluation of the District's system of internal controls and the quality of performance under that system. This function may be fulfilled by an internal auditor employed by the District or through contracting with qualified personnel to meet the objectives of this policy.

The primary purpose of the District's internal audit function is to assist the Governing Board and administration by bringing a systematic approach to evaluating and improving the effectiveness of internal District systems in the areas of financial controls, asset management, risk exposure, procurement, regulatory compliance, conflict of interest, and other areas related thereto.

### **Selection, Direction, and Evaluation**

For the purposes of day-to-day function and supervision, the internal auditor shall report to the Superintendent or his/her designee. However, the auditor's duties are fiduciary obligations running to the District as a whole and he/she may report directly to the Superintendent or Governing Board. The internal auditor may only be hired or fired with the involvement of the Governing Board. The Superintendent and Board President shall perform an annual evaluation of the internal auditor. Individual board members may contact the internal auditor with questions or suggestions, but have no individual authority to direct audits. Only the Superintendent or the Governing Board, acting as a whole, shall direct areas to be audited.

To ensure objectivity, internal audit shall be accomplished by independent designated staff with no authority over the people and activities being audited. Internal auditors are authorized full access to all records, personnel, and properties relevant to the subject under review. The internal auditor may provide information subject to disclosure under A.R.S. § 39-121 *et. seq.* to the audit committee on matters related to the internal auditor's general responsibilities, but the audit committee does not supervise the internal auditor or direct his/her work.

## **Responsibilities and Reports**

The internal auditor's minimum responsibilities include: developing and annually updating a risk assessment of district operations, including financial policies and procedures, procurement policies and procedures, and property control; developing and executing an annual audit plan for testing internal controls; monitoring changes to federal and state laws; helping to coordinate TUSD's external audit activities; and conducting any special audits or investigations formally requested by the Governing Board.

The internal auditor has general authority to investigate any areas that he or she believes present financial or operational risk to the district and to make recommendations to the Superintendent or his designee, and to the Governing Board.

The internal auditor shall produce annual reports on all significant observations, findings, and recommendations, with additional reports as appropriate. All reports from the internal auditor shall go the Governing Board and superintendent.

## **Communication**

All formal communication between the internal auditor and the Governing Board, beyond the internal auditor's official reports, shall go through the board president. The internal auditor may, with the permission of the board president or Superintendent, withhold reports or communications from persons whose conduct is under investigation.