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| <p style="text-align: center;">Tucson Unified School District  GOVERNING BOARD POLICY</p> | POLICY TITLE: Internal Auditing |
| | POLICY CODE: xxxx |

Purpose: TUSD is committed to using best practices in the review and oversight of internal-district systems and processes through, ~~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 effectiveness and efficiency of departmental or program performance under that system.~~ —This function may be fulfilled by an internal auditor employed by the District and/or through contracting with qualified firms or 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, operational efficiency, program or departmental effectiveness, and other areas related thereto.

Selection, Direction, and Evaluation

The internal auditor may only be hired (or contracted) or terminated with the approval of the Governing Board. For the purposes of day-to-day function and supervision, the internal auditor shall receive direction from and report to the Superintendent or his/her designee. However, the auditor’s duties are fiduciary obligations ~~running to the District as a whole to the Governing Board~~ and he/she shall provide audit reports directly to both the Superintendent and Governing Board. The Superintendent, with input from the Board President and other board members, 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 Public Records statutes (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.

Comment [GG1]: This is in conflict with a later statement allowing the internal auditor to decide what to audit. I like this statement better.

Comment [GG2]: Is this referencing the current board audit committee comprised of outsiders only? We recommended that this name be changed to a board advisory committee to avoid confusion.

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 monitoring compliance with those policies and procedures and 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; and conducting follow-up audits to ensure that prior audit recommendations have been implemented.

Comment [GG3]: Internal audit does not develop or maintain district policies or procedures. They only make recommendations to change them based on their findings. Only the Board can adopt policies.

The internal auditor ~~has general authority to investigate~~ may make recommendations to conduct audits in any areas that he or she believes present financial or operational risk to the district. ~~These and to make~~ recommendations will be made to the Superintendent ~~or his designee~~, and to the Governing Board.

Comment [GG4]: Does the board really want to give them this authority? I think the authority is already established earlier with the Supt. and Board with all reports going to the board. The audit plan and any other directives will guide the work, not the internal auditor desires. They can certainly recommend audits and investigations however.

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 Governing Board Office with a copy to the Superintendent. The internal auditor may, with the permission of the board president or Superintendent, withhold reports or communications ~~from persons whose conduct is under investigation.~~

Comment [WN5]: I think this covers an investigation of the Superintendent.