

DIE AUDITS/FINANCIAL MONITORING

EXTERNAL AUDIT FUNCTION

The Governing Board directs the Superintendent to implement procedures that assure District compliance with all state and federal requirements for financial monitoring and audits. The financial records of the District shall be audited by an independent accounting firm in conformance with generally accepted auditing standards and legal requirements.

The procurement of the necessary services shall be consistent with the District's policy on bidding and purchasing procedures. Any allocation of costs for the services shall conform to the requirements of the Uniform System of Financial Records (U.S.F.R.).

A final report of each separate fiscal management review shall be presented to the Board for examination and discussion. After a report has been presented to the Board, it will become a matter of public record, and its distribution will not be limited. Copies of a final report shall be filed with appropriate state and other authorities.

Internal Audit Function

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

The Governing Board hereby establishes the internal audit function to conduct internal audits and investigations, and any special projects requested by the Governing Board, the Superintendent, District employees, as approved in internal audit plans.

District Auditor

The Governing Board may hire a chief audit executive ("District Auditor") to oversee the internal audit function and such other employees, independent contractors, or agencies as deemed necessary to perform the work of the internal audit function.

In lieu of hiring a District Auditor, the Governing Board may retain the services of an independent contractor or agency to perform the work of the District Auditor and fulfill the internal audit function. In such cases, the rights and obligations of the District and the independent contractor or agency shall be governed by the relevant contractual or intergovernmental agreement.

Authority

The District Auditor shall have the authority to conduct financial audits and investigations of all operational activities of the District in accordance with applicable government

auditing standards, and shall be provided free and open access, except as limited by law, to all records, personnel, facilities and information necessary to carry out these duties.

District Auditor Qualifications

The District Auditor shall be a person able to manage a professional audit staff, analyze financial records, and evaluate operations for economy, efficiency and program results, as well as conduct all parts of an internal audit process.

The District Auditor shall possess adequate professional proficiency for the job, demonstrated by relevant certifications, such as a certified internal auditor (CIA), certified public accountant (CPA), a certified management accountant (CMA) or have an advanced degree in a related field with at least five (5) years of experience in government auditing, evaluation, or analysis. The Governing Board may appoint an acting District Auditor not meeting these qualifications on an interim basis.

The District Auditor can only be removed by a majority vote of the Governing Board.

Audit Committee

The Governing Board may form an audit committee ("Audit Committee") pursuant to Governing Board Policy BDF to consult with the District Auditor regarding technical issues, to work to assure maximum coordination between the work of the District Auditor and the needs of the Superintendent and the other District officers, and to advise and perform other duties as required or directed by the Governing Board. The Audit Committee shall be governed by an audit committee charter (as amended from time to time) and which shall serve as the written statement of purpose for the committee.

The Audit Committee shall meet as needed to perform its duties, but shall meet not less than once quarterly, and shall be responsible for:

- A. Reviewing audit reports before the final audit report is issued;
- B. Transmitting audit reports to the Governing Board;
- C. Monitoring follow up on reporting findings to assure corrective action is taken;
- D. Reporting to the Governing Board on problem areas as deemed appropriate;
- E. Providing oversight of the external audit; and
- F. Evaluating the findings and recommendations of the peer review as required by applicable government auditing standards.

The audit committee shall consist of either three (3) or five (5) members that collectively possess sufficient knowledge of audit, finance, and specific industry knowledge, information technology, law, governance, risk and control. ~~At least one (1) member shall be a Governing Board member.~~

Scope of Audits

The District Auditor shall have the authority to conduct financial and performance audits of all departments, offices, boards, activities and agencies of the District to independently and objectively determine whether:

- A. Activities and programs being implemented have been authorized by the Governing Board, state law, or applicable federal law or regulations and are being conducted and funds expended in compliance with applicable laws;
- B. The department, office, or agency is acquiring, managing, protecting, and using its resources, including funds, property, equipment, space, and personnel, economically, efficiently, and effectively and in a manner consistent with the objectives intended by the Governing Board or applicable laws;
- C. The entity, activities, programs, functions or policies are effective, including the identification of causes of inefficiencies or uneconomical practices;
- D. And/or that the desired result or benefits of the program are being achieved;
- E. Financial and other reports are being provided that disclose fairly, accurately and fully all information that is required by law, that is necessary to ascertain the nature and scope of programs and activities and that is necessary to establish a proper basis for evaluating the programs and activities, including the collection of, accounting for and depositing of revenues and other resources;
- F. Indications of fraud, abuse or illegal acts are valid and need further investigation; and/or
- G. Management has established adequate operating and administrative procedures and practices, systems or accounting internal control systems and internal management controls.

Audits shall be conducted in accordance with generally accepted government auditing standards and shall identify and make recommendations regarding any findings as necessary.

The District Auditor shall not conduct or supervise an audit of an activity for which he or she was responsible (in whole or in part) or within which he or she was employed during the preceding two (2) years.

Annual Audit Plan

At least annually, the District Auditor shall submit an audit plan to the Governing Board (or Audit Committee, if any) for review and recommendation, and the Governing Board for review and approval. The plan shall include the divisions, departments, offices, boards, activities and agencies scheduled for audit during the year. This plan may be

amended during the year after a review by the Governing Board (or Audit Committee, if any). Additionally, the District Auditor may conduct any other audit deemed necessary or as directed by the Governing Board.

In the selection of audit areas, the determination of audit scope and the timing of audit work, the District Auditor should consult with federal and state auditors and independent auditors so that the desirable audit coverage is provided and audit effort may be properly coordinated. The District Auditor should consult with the Superintendent and other District employees in a similar fashion to enhance audit coverage and improve audit coordination.

Special Audits

A District officer may request the District Auditor to perform special audits that are not included in the internal audit plan. After consultation with the Governing Board (or Audit Committee, if any), and approval by the Governing Board, a special audit requested by a District officer may become an amendment to the annual audit plan.

The District Auditor shall submit the report of the special audit to the Superintendent, the District employee who requested the audit, and the Governing Board (or Audit Committee, if any).

Funding

Sufficient funds shall be provided to carry out the responsibilities specified herein, including funds for continuing professional education necessary to maintain required professional certifications for the District Auditor and any requisite employees. The District Auditor's salary shall be set by the Governing Board and reviewed annually. The Audit Committee, if any, shall make recommendations to the Governing Board concerning the District Auditor's annual review.

Records

The District Auditor shall retain, for at least seven (7) years a complete file of each audit report and each report of other examinations, investigations, surveys, and reviews made under Governing Board authority. The file should include audit working papers, including all draft reports, and other supportive material directly pertaining to the final audit report.

Access to Records and Property

All officers and employees of the District shall provide the District Auditor free and open access as needed to conduct an audit or otherwise perform audit duties:

- A. to requested information and records within their custody or control as a District employee regarding powers, duties, activities, organization, property, financial transactions, and methods of business; and

- B. to all property, equipment, and facilities within their custody or control as a District employee.

The Governing Board, and each of its established committees, shall provide the District Auditor free and open access, as needed to conduct an audit or otherwise perform audit duties, to the minutes of any executive session of the Governing Board to the fullest extent permitted by law.

If District officers, officials, or employees fail to provide the District Auditor with the access described above, the District Auditor may initiate a search or obtain the records except as otherwise limited by law.

The District Auditor shall have access to contractor and subcontractor records and personnel as necessary to determine performance of a District contract. The District shall include audit rights within its contracts with third party contractors and their subcontractors.

Departmental Response

A final draft of the audit report will be forwarded to the audited department and the Superintendent for review and comment regarding factual content before it is released. The department must respond in writing specifying agreement with audit findings and recommendations or reasons for disagreement with findings and/or recommendations, plans for implementing solutions to identified problems and a timetable to complete such activities. The District Auditor will include the full text of the department's response in the report. If no response is received, the District Auditor will note that fact in the transmittal letter prior to finalizing the report.

The departmental response must be filed with the office of the District Auditor within thirty (30) calendar days from the date of the department's receipt of the final draft. Upon the request of the department, the District Auditor may grant a one-time extension of the time to respond up to, but not exceeding, fifteen (15) calendar days. The Audit Committee (if any), at the request of the department, may grant an extension of up to, but not exceeding, thirty (30) calendar days, either in addition to an extension granted by the District Auditor, or following the denial of an extension by the District Auditor. A request for an extension shall not be unreasonably withheld. The Governing Board may also grant extensions of time for departmental response.

The word department as used in this section, means the department, office, board or agency that is the subject of the audit or that is responsible for the activity audited, as applicable.

Audit Reports to the Governing Board

Each audit will result in a written report.

The District Auditor shall submit each audit report to the Governing Board and shall transmit a copy of each report to the Superintendent.

In accordance with applicable government auditing standards, the audit report shall contain relevant background information, findings, and recommendations and shall communicate results to the Audit Committee (if any), Governing Board, and the Superintendent.

Report of Irregularities

If the District Auditor becomes aware of abuse or illegal acts or indications of such acts that could affect the District, the District Auditor shall report the irregularities in writing to the District's General Counsel and shall promptly notify the appropriate prosecutorial or law enforcement agency as required.

Contract Auditors, Consultants and Experts

The Superintendent, Governing Board, and/or District Auditor may obtain the services of certified or registered public accountants, qualified management consultants, or other similar professional experts as reasonably necessary to conduct, or aid the performance of, an audit.

An audit that is performed by contract must be conducted by persons who have no financial interests in the affairs of the District or its officers. The Superintendent, or District Auditor (if any), will coordinate and monitor auditing performed by certified public accounting firms or other organizations employed under contract by the District to assist with audit related activities. Contracting for these audits will be awarded in accordance with established District contracting procedures and all applicable federal and state procurement laws.

Peer Review

The audit activities of the District Auditor's office shall be subject to peer review in accordance with applicable government auditing standards. The peer review shall be performed by a professional, nonpartisan objective group utilizing guidelines endorsed by the Association of Local Government Auditors or the U.S. Government Accountability Office. A copy of the written report of this independent review shall be furnished to each member of the Governing Board.

The peer review will use applicable government auditing standards to evaluate the quality of audit effort and reporting. Specific peer review areas shall include staff qualifications, adequacy of planning and supervision, sufficiency of workpaper preparation and evidence, and the adequacy of systems for reviewing internal controls, fraud and abuse,

program compliance, and automated systems. The peer review will also assess the form, distribution, timeliness, content, and presentation of internal audit reports.

Audit Follow-Up

The District Auditor shall follow-up on audit recommendations and the related management action plans to determine if corrective action has been taken. The District Auditor will request periodic status reports from audited departments regarding actions taken to address audit recommendations and may perform review activities as deemed necessary to report to the Audit Committee on the status of corrective actions.

Reporting Structure

The District Auditor will report administratively to the Superintendent and functionally to the Governing Board. Functional reporting includes but is not limited to:

- A. approving the risk based internal audit plan;
- B. approving the internal audit budget and resource plan;
- C. receiving communications from the District Auditor on the internal audit activity's performance relative to its plan and other matters;
- D. approving decisions regarding the appointment and removal of the District Auditor;
- E. approving compensation of the District Auditor; and
- F. making appropriate inquiries of management and the District Auditor to determine whether there are inappropriate scope or resource limitations, including but not limited to determining if management has placed any restrictions on the scope of internal audits and investigations.

The District Auditor will have the unrestricted ability to communicate with the Governing Board and its members.

Board Approvals

At a minimum, the District Auditor must present to the Governing Board (or Audit Committee, if any) for approval the following written documentation once per year:

- A. Risk based internal audit plan;
- B. Internal audit budget and resource plan; and
- C. Any other matters requested by the Governing Board or Superintendent.

Governing Board Communications and Presentations

The District Auditor must provide the following written documentation to the Governing Board (or Audit Committee, if any) on a quarterly basis:

- A. Concluded internal audit reports;
- B. Internal audit activity's performance relative to its plan and other matters;
- C. Superintendent's action plans to address the results of internal audits and to monitor follow up;
- D. Any evidence of fraud that has been identified during internal audits;
- E. Steps taken to ensure that the internal audit activity conforms with applicable government auditing standards; and
- F. Any other matters requested by the Governing Board or Superintendent.

The Governing Board, District Auditor, Superintendent, or Audit Committee may request a meeting to discuss the following matters as needed:

- A. Concluded internal audit reports;
- B. Internal audit activity's performance relative to its plan and other matters;
- C. Inappropriate scope or resource limitations;
- D. Ensuring that the District Auditor has unrestricted access to relevant school district personnel, facilities, vendors, data, and documents; and
- E. Any other matters requested by the Board or Superintendent related to the District Auditor's responsibilities.

District Auditor Evaluation

The Governing Board members and Superintendent shall evaluate the District Auditor's performance at least once per year. The Superintendent's evaluation scores will not be quantitatively counted and will be used solely for the purposes of furnishing the Governing Board with additional information about the District Auditor's performance on which the Board may rely.

If an Audit Committee has been formed, the Audit Committee may also provide input on the District Auditor's evaluation.

Adopted: June 22, 2021

LEGAL REF.:

A.R.S.

[15-213](#)

[15-239](#)

[15-914](#)

[15-2111](#)

[41-1279.03](#)

[41-1279.04](#)

[41-1279.05](#)

[41-1279.07](#)

[41-1279.21](#)

[41-1279.22](#)

A.A.C.

[R7-2-902](#)

USFR - Audit Requirements

2 CFR Part 200 Appendix XI, Compliance Supplement

CROSS REF.:

[DICA](#) - Budget Format