PG-5.910: INTERNAL AUDITS

Sec. 1. PURPOSE OF POLICY.

Through this policy, the Board of Directors (hereafter, the "Board") of **Midland Academy Charter** doing business as **Midland Academy Charter** (hereafter, the "School") shall address the legal requirements, as applicable, promulgated at:

(a) Texas Business Organizations Code ("Tex. Bus. Org. Code") Sections 3.101, 22.201, 22.221 and 22.235;
(b) Texas Education Code ("Tex. Ed. Code") Sections 12.115(a)(2) and 12.121; and
(c) Texas Administrative Code, Title 19 ("19 TAC"), Sections 100.1033 and 100.1101.

Additionally, through this policy, the Board shall address best practices adopted by public schools.

Sec. 2. AUTHORITY OVER FISCAL MATTERS.

Sec. 2.1. In accordance with state law, the Board has primary and ultimate authority over fiscal matters. If a matter or decision-making process is not addressed in this or other duly adopted policies of the Board, authority rests with the Board. In the event of a conflict between this policy and any other Board policy, such conflict shall be brought to the Board for resolution. Refer to the Board's Policy relating to its Authority Over Fiscal Matters (the "Controlling Policy") for requirements applicable to this policy.

Sec. 2.2. The Delegate, as defined in Sec. 3.2 of the Controlling Policy, shall report to the Board any business arrangement or transaction with an individual that is an officer, as defined in Sec. 5 of the Controlling Policy, and any conflicted,[1] interested[2] or related[3] party, as defined in other Board policy or applicable law. The School and its officers may not enter into a business arrangement or conduct a transaction in such a manner so as to circumvent this requirement.

Sec. 2.3. As established in Sec. 4 of the Controlling Policy, where the Delegate is authorized to confer authority to a designee (as denoted by the phrase "or designee"), the Delegate may confer such authority to a single designee.

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[1] Tex. Ed. Code § 12.1054; 19 TAC §§ 100.1131 through 100.1135
[2] 19 TAC § 100.1047(f)
[3] Tex. Ed. Code § 12.1166

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Sec. 3. PURPOSE.

Under this policy, internal audits is established to provide independent and objective assurance and consulting services to improve the management of organizational risks and the effectiveness of internal controls.

Sec. 4. OVERSIGHT.

The Board's Board shall oversee and direct the activities of internal audits. However, the Board shall have final authority over internal audits, including any authority delegated to the Board under this policy.

Sec. 5. CHARTER.

The board shall adopt a charter for internal audits.

Sec. 6. STANDARDS.

The board shall require that internal audits conduct its work pursuant to the *International Standards for the Professional Practice of Internal Auditing* and other applicable professional auditing standards.

Sec. 7. ACCESS TO PERSONNEL, PROPERTY, AND RECORDS.

School officers and employees shall provide internal audits with access to any and all personnel, property, and records. If a School officer or other employee fails to provide internal audits said access, internal audits shall report the employee's failure to provide access to the board.

Sec. 8. RECOMMENDATIONS.

The Delegate or other officers may recommend or submit a request to the board that internal audits conduct an inquiry to address perceived or known concerns or issues.

Sec. 9. PROHIBITED CONDUCT.

School officers and employees, without exception, are prohibited from demanding or otherwise directing the work undertaken by internal audits, including the content of any report or other deliverable prepared by internal audits.

Sec. 10. ANNUAL RISK ASSESSMENT.

Internal audits shall conduct an annual risk assessment and present the results to the board. The board shall prioritize the identified risks that internal audits shall then address in the annual audit plan.

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Sec. 11. ANNUAL AUDIT PLAN.

Internal audits shall prepare an annual audit plan that addresses the risks prioritized by the Board, identifies the assurance and consulting work that it will perform, provides a timeline for the conduct of its work, allocates staff, financial, and other resources to the planned work, and discloses the deliverables that it will submit to the Board.

Sec. 12. BUDGET.

Internal audits shall prepare and submit a Proposed Budget[4] to the Board separately from that prepared by the Delegate under the Board's Policy relating to the Authorization for the Obligation and Expenditure of Funds. Upon review and approval of the Proposed Budget, the Board shall submit the Proposed Budget to the Board for its consideration, revision, and approval. In like manner, internal audits shall submit any Proposed Amendment[5] to the Adopted Budget[6] to the Board for review, revision, and approval.

Sec. 13. LIAISON TO INDEPENDENT AUDITOR.

Internal audits shall liaise with the certified public accountant engaged to conduct the annual financial and compliance audit. As liaison, internal audits shall coordinate and facilitate the efficient and effective conduct of the annual audit.

Sec. 14. ADMINISTRATIVE SUPPORT.

The Delegate or designee shall provide administrative support to internal audits including, but not limited to:

(a) an adequate, equipped, furnished, and secure office comparable to all of the School's other offices; and

(b) accounting, information technology, payroll, purchasing, travel, and other essential administrative services comparable to those provided to all of the School's other offices; and

(c) human resource administration.

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4 *See* PG-5.020, Sec. 3.1.
5 *See* PG-5.020, Sec. 4.1.
6 *See* PG-5.020, Sec. 3.7.

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Sec. 15. TRAINING AND UPDATES.[7]

The Delegate or designee shall properly train officers and employees on the requirements of this policy and any administrative procedure(s) adopted to implement this policy. Additionally, the Delegate or designee shall keep officers and employees informed of any changes to this policy and related requirements.

Sec. 16. ADMINISTRATIVE PROCEDURES.[8]

The Delegate shall formally adopt administrative procedures as reasonably necessary to properly administer this policy and to adhere to applicable law and rule. In doing so, the Delegate shall not adopt, and is prohibited from adopting, an administrative procedure that conflicts with applicable law or this policy. Accordingly, the Delegate shall confer with the Board or legal counsel before deviating from the requirements set forth in this policy. In the event that a deviation from this policy becomes necessary, the Delegate shall either recommend an amendment to this policy or the Board's approval of a specific deviation, including the purpose, scope and duration of the requested deviation.

Sec. 17. DATE ADOPTED AND EFFECTIVE.

As set forth in the pertinent minutes to the meeting of the Board, the Board adopted this policy on 09/20/2022 and became effective on 09/20/2022.

Sec. 18. RETENTION.[9]

This policy shall be retained until superseded, expired, or discontinued and for five (5) years thereafter.

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[7] 2 CFR § 200.303(a), U.S. Government Accountability Office *Standards for Internal Control in the Federal Government*, 4.02 and 4.05.

[8] Tex. Ed. Code §12.115(a)(2); FASRG Module 2; 2 CFR §200.303. Consistent with 19 TAC § 100.1033(b)(14)(C)(iv), the Board has the final authority to adopt policies governing charter school operations, including authorizing the Delegate or designee to adopt an administrative procedure to implement this policy. Moreover, as set forth in School's Articles of Incorporation and Bylaws and in accordance with Tex. Bus. Org. Code §§ 3.101 and 22.201, the Board is School's governing authority and, as such, manages and directs School's business and affairs through Board actions, resolutions and policy.

[9] Tex. Ed. Code §12.1052; 19 TAC §100.1203; *See* Record Number GR1000-38 and GR1025-25 in Local Schedule GR: Records Common to All Local Governments, Revised 5th Edition (Effective April 17, 2016) adopted by the Texas State Library and Archives Commission at Texas Administrative Code, Title 13, §7.125(a)(1).

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SEC. 11. CERTIFICATION.

The Undersigned, being the Secretary of the Corporation, hereby certifies that the foregoing represents a true copy of the Board Policy relating to Internal Audits, as originally adopted by the Board on 09/20/2022, which Policy, as amended, is in full force and effect and has not been revoked or amended.

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Print Name:_____
Secretary

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Date Certified

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