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Internal Audit Policy

This policy was approved by the Board of Directors on March 29, 2019.

Purpose

The purpose of this policy is to set the frequency and substance of internal audits.

Quarterly Financial Audits

Quarterly Audits will be performed for each of the first three quarters within a reasonable timeframe after the quarter end. This will allow the school's finance staff to record the month-end numbers.

An internal audit will not be conducted for the fourth quarter, as this is when the external, independent audit takes place.

The internal audit committee will be comprised of the Treasurer, or his or her designee, the Executive Director of Schools (EDS) and the school's finance staff. Findings of the audit will be reported at the next Board of Directors' meeting. During the same time period, the Treasurer shall review the school's financial statements.

The following items will be evaluated on a quarterly basis:

1. Cash Reconciliation – Verify that the bank statement has been reconciled to the internal ledger every month of the quarter. The cash should tie out to the bank statement each and every month.
2. Check Signature Review – Review signed checks under the threshold set in the Authorized Signatures and Purchasing Policy to ensure compliance with that policy.
3. Disbursements – Obtain a list of expenses and select all of the relatively large expenses (and several smaller expenses randomly) and verify that the expense has been approved. Verify that the amount on the check is the same on the invoice. If grant money was used for the purchase, verify that it meets grant requirements and/or restrictions. Also make sure that any ordered goods were received and accurately recorded. ** Reconcile 5-10 disbursements from beginning to end quarterly
4. Payroll – For payroll, verify that the amount on the Employment Agreement matches the amount paid on the payroll reports for randomly selected employees.
5. Receipts – Deposits should be documented and deposit slips retained. Verify that the revenue recorded was received in that time period.
6. Related Party Transactions – Be aware of transactions with related parties (e.g. Board members, staff, PTO Executive Committee). The school's finance staff will retain a copy of every disbursement or reimbursement for review by audit committee on a quarterly basis.
7. Credit Card Statements – The credit card statements and supporting original documentation/receipts for randomly selected transactions must be reviewed by the Treasurer of the Board of Directors.
8. Financial Transparency – Ensure that AA is in compliance with applicable financial transparency laws.
9. Verify Fixed Asset Inventory – Review the school's depreciation list, select an item and verify the location within the school.
10. Exceptions – Note any issues on the Internal Audit form and clear issues noted on the last Internal Audit Form.

POLICY HISTORY

- Original:* approved by the BOD on May 9, 2008
- Revision 1:* approved by the BOD on February 18, 2010
- Revision 2:* approved by the BOD on January 18, 2012
- Revision 3:* approved by the BOD on May 16, 2012
- Revision 4:* approved by the BOD on June 16, 2014
- Revision 5:* approved by the BOD on October 7, 2014
- Revision 6:* approved by the BOD on August 17, 2016
- Revision 7:* approved by the BOD on October 25, 2016
- Revision 8:* approved by the BOD on March 29, 2019

SUMMARY OF REVISION 1

Fourth quarter clarification and inventory definitions.

SUMMARY OF REVISION 2

Clarification of timeframe requirement.

SUMMARY OF REVISION 3

Add review of financial transparency requirements.

SUMMARY OF REVISION 4

Adjust inventory requirements.

SUMMARY OF REVISION 5

Clarification on payroll audit requirements.

SUMMARY OF REVISION 7

Added auditing check signatures.

SUMMARY OF REVISION 8

Added requirement to clear exceptions.

