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Internal Audit Policy

This policy was approved by the Board of Directors on October 25, 2016

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 informal 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 should review the financial statements on a "budgeted vs. actuals" basis.

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 to ensure compliance with the Authorized Signatures and Purchasing 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.

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 6: approved by the BOD on October 25, 2016

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 6

Added auditing check signatures.

