

Sec. 1. PURPOSE OF POLICY

Through this policy, the Board of Directors (hereafter, the “Board”) of LifeSchool of Dallas doing business as Life School (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 interested² or related³ 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.

Sec. 3. PURPOSE

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

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

Sec. 4. OVERSIGHT

The Board or designee 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 Audit Committee under this policy.

Sec. 5. PROCEDURE

The Board or designee shall adopt a procedure that includes internal audits.

Sec. 6. STANDARDS

The Board or designee 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 or designee.

Sec. 8. RECOMMENDATIONS

The Delegate or designee, or other officers may recommend or submit a request to the Board or designee 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 or designee. The Board or designee shall prioritize the identified risks that internal audits shall then address in the annual audit plan.

Sec. 11. ANNUAL AUDIT PLAN

Internal audits shall prepare an annual audit plan that addresses the risks prioritized by the Board or designee, 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 or designee.

Sec. 12. BUDGET

Internal audits shall prepare and submit a Proposed Budget⁴ to the Board or designee separately from that prepared by the Delegate or designee 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 or designee shall submit the Proposed Budget to the Board for its consideration, revision, and approval. In like manner, internal audits shall submit any Proposed Amendment⁵ to the Adopted Budget⁶ to the Board or designee 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.

Sec. 15. TRAINING AND UPDATES⁷

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.

⁴ See PG-5.020, Sec. 3.1.

⁵ See PG-5.020, Sec. 4.1.

⁶ See PG-5.020, Sec. 3.7.

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

Sec. 16. ADMINISTRATIVE PROCEDURES⁸

The Delegate or designee 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 or designee shall not adopt, and is prohibited from adopting, an administrative procedure that conflicts with applicable law or this policy. Accordingly, the Delegate or designee 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 or designee 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.

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.