

Internal Control Policy 2019-2020

- I. Belmont Charter School's administration has the responsibility to establish and maintain an adequate system of internal control to help ensure that assets are not exposed to unauthorized access and use, transactions are properly recorded in the financial records, and the resultant financial information is reliable. This reliable financial information must be furnished to the Board of Directors in a timely manner. External organizations and supporters of Belmont Charter School rely on financial information to make decisions toward grants and other contractual relationships. Auditors are required annually to report upon the adequacy of Belmont Charter School's systems for control over financial reporting and compliance.

The system of internal control is meant to keep Belmont Charter School on course toward its mission. The system is designed to:

- protect assets,
- promote accurate and reliable financial reporting and data
- ensure effective and efficient operations
- comply with applicable laws and regulations

- a. Definitions

Internal control is a process

Internal control is about people, operations, communications, and the work environment.

Internal control can provide reasonable assurance, but no system of control can provide absolute assurance to the Board of Directors and other users of financial information.

- II. Procedures

- a. Responsibility

- i. The Board of Directors is responsible for setting the expectations for internal control and ensuring Belmont Charter School administration is aware of those expectations.
- ii. All levels of administrative management are responsible for monitoring internal controls and strengthening them if weaknesses are detected. Periodic review of policies and procedures should be conducted.
- iii. Third party accountants have the primary responsibility for internal control over financial reporting and compliance with applicable laws, rules, and regulations.

- iv. The Human Resource department is responsible for internal controls over employee recruitment, hiring, separation, promotion, job classification, employee rights, and salary administration.
 - v. Third party auditors are responsible for annually reviewing the adequacy of Belmont Charter School's internal controls and for reporting any weaknesses to the Board of Directors.
- b. Belmont Charter School will establish and maintain a system of internal controls that satisfies the following objectives:
- i. Risks are identified and effectively managed
 - ii. Assets are safeguarded
 - iii. Reliability and integrity of financial information
 - iv. Compliance with Belmont Charter School's policies, plans, procedures, and regulations
 - v. Economical and efficient use of Belmont Charter School's resources
 - vi. Meeting established objectives and goals for Belmont Charter School's operations and programs.
- c. General internal control principles for Belmont Charter School are:
- i. Separation of duties
 - 1) Duties are separated so that one person's work routinely serves as a check on another's work
 - 2) No one person has complete control over more than one key function or activity (e.g., authorizing, approving, certifying, disbursing, receiving, or reconciling).
 - ii. Authorization and approval
 - 1) Proposed transactions are authorized when policies and procedures are adhered to.
 - 2) Transactions are approved by the person who has delegated approval authority, which is delegated on the basis of special competency or knowledge.
 - iii. Custodial and security arrangements
 - 1) Responsibility for physical security/custody of Belmont Charter School assets is separated from record keeping/accounting for those assets
 - 2) Unauthorized access to Belmont Charter School assets and data is prevented
 - iv. Timely and accurate review and reconciliation
 - 1) Accounting records and documents are examined by employees who have sufficient understanding of Belmont Charter School's accounting and financial systems to verify that recorded transactions actually took place and were made in accordance with Belmont Charter School's policies and procedures as well as all applicable laws.
 - 2) Accounting records and documentation are compared with Belmont Charter School accounting system reports and financial statements to verify their reasonableness, accuracy, and completeness.
 - v. The general internal control principles should be applied to all Belmont Charter School operations, especially accounting records and reports, payroll, purchasing/receiving/disbursement approval, equipment and

supply inventories, cash receipts, petty cash and change funds, billing and accountable payable

- d. All Belmont Charter School's systems, processes, operations, functions, and activities are subject to evaluation of internal controls systems. The monitoring and evaluating of these processes provide information regarding Belmont Charter School's overall system of control.
- e. Information must be timely and communicated in a manner that enables people to carry out their responsibilities.
 - i. All Belmont Charter School staff must receive a clear message from the administration that control responsibilities are to be taken seriously. Failure to comply with established practices will subject individuals to potential disciplinary action.
 - ii. Employees must understand their own roles in the internal control system, as well as how individual activities relate to the work of others.
 - iii. Employees must have a means of communicating with Belmont Charter School administration
 - iv. Belmont Charter School must communicate effectively with external parties, such as students, parents, funding providers, contractors, suppliers, regulators, and other stakeholders.
- f. Internal control is meant to keep Belmont Charter School focused on achieving its mission. There is a balance between effective controls and mission accomplishment. Costs associated with internal controls should not exceed their benefit, nor should controls be allowed to stifle mission effectiveness and timely action. All levels of administration must assess the costs, benefits, and risks when designing controls to develop a positive control environment and compensate for the risks of non-compliance, loss of assets, or unreliable reporting while accomplishing Belmont Charter School's mission.