

MITCH Charter School

Internal Controls Policy

Internal control is the means by which MITCH Charter School resources are directed, monitored, and measured. Control itself exists to keep performance or a state of affairs within what is expected, allowed or accepted. It plays an important role in preventing and detecting fraud and protecting MITCH resources, both physical (e.g., equipment and property) and intangible (e.g., reputation or intellectual property). Our internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations. At the specific transaction level, internal control refers to the actions taken to achieve a specific objective. Internal control procedures reduce process variation, leading to more predictable outcomes.

Virtually all employees produce information used in the internal control system or take other actions needed to effect control. Also, all personnel should be responsible for communicating upward problems in operations, noncompliance with the code of conduct, or other policy violations or illegal actions.

Management: The Executive Director of the organization has overall responsibility for designing and implementing effective internal control. More than any other individual, the executive director sets the "tone at the top" that affects integrity and ethics and other factors of a positive control environment. Management is responsible for completion of regulations by which this policy is implemented.

Board of Directors: Management is accountable to the board of directors, which provides governance, guidance and oversight. Effective board members are objective, capable and inquisitive. They also have knowledge of the entity's activities and environment, and commit the time necessary to fulfill their board responsibilities. A strong, active board, particularly when coupled with effective communications channels and capable financial, legal and internal audit functions, is best able to identify and correct problems.

Control activities may also be explained by the type or nature of activity. These include (but are not limited to):

- Segregation of duties - separating authorization, custody, and record keeping roles of fraud or error by one person.
- Authorization of transactions - review of particular transactions by an appropriate person.
- Retention of records – refer to records retention policy.
- Supervision or monitoring of operations - observation or review of ongoing operational activity.

- Physical safeguards - usage of cameras, locks, physical barriers, etc. to protect property, and guard against libelous behavior.
- Top-level reviews-analysis of actual results versus organizational goals or plans, periodic and regular operational reviews, and other key performance indicators.

- IT Security - usage of passwords, access logs, etc. to ensure access restricted to authorized personnel.
- Top level reviews-Management review of reports comparing actual performance versus plans, goals, and established objectives.
- Controls over information processing-A variety of control activities are used in information processing. Examples include edit checks of data entered, accounting for transactions, comparing file totals with control accounts, and controlling access to data, files and programs.

END OF POLICY