



4013.1 Internal Control Policy

Effective Date: March 13, 2020

Approved by: Board of Directors

Policy:

Internal control policies provide JCS, Inc. Family of Charter Schools (“[JCS]”) with the foundation to properly safeguard its assets, implement management’s internal policies, provide compliance with state and federal laws and regulations and produce timely and accurate financial information. Additionally, as a publicly supported entity, the Corporation has additional responsibilities to ensure the public’s confidence and the integrity of the Schools’ activities.

Board of Director Authority

The Board of Directors shall have the sole authority to approve and will incorporate into its own minutes such matters as (i) change of a School’s name, with Authorizer District pre-approval (ii) adoption of the annual operating and capital budgets, (iii) selection or termination of executive director (iv) key employee’s salary and salary changes, (v) incurrence of debt, mortgages or other encumbrances and their covenants and restrictions, within the terms of the charter (vi) investment policies, (vii) depository and investment banks, (viii) purchase or sale of property (ix) opening up or closing checking or savings accounts, and (x) selection of the corporation’s certified public accountants and (xi) other activities associated with the operations of the Schools.

The Board of Directors will meet at minimum quarterly to ensure that its fiduciary duty is maintained. The Board will review the following: prior meeting minutes, business items, educational items, and subcommittee reports as applicable.

Compliance

The Corporation will ensure its Schools follow all the relevant laws and regulations that govern the Charter Schools. Additionally, any Federal Government laws and regulations that relate to grant funding will be adopted as the grant funding is received. The following are specific policies of the Corporation:

A. Political Contributions

No funds or assets of the Charter Schools may be contributed to any political party or organization or to any individual who either holds public office or is a candidate for public office. The direct or indirect use of any funds or other assets of the Charter Schools for political contributions in any form, whether in cash or other property, services, or the use of facilities, is strictly prohibited. The Charter Schools also cannot be involved with any committee or other organization that raises funds for political purposes.

Following are examples of prohibited activities:

1. Contributions by an employee that are reimbursed through expense accounts or in other ways.
2. Purchase by the organization of tickets for political fundraising events.

3. Contributions in kind, such as lending employees to political parties or using the School assets in political campaigns.

B. Record Keeping

To provide an accurate and auditable record of all financial transactions, the Corporation and Schools' books, records, and accounts are maintained in conformity with generally accepted accounting principles (GAAP) as applicable to Public Charter Schools.

Further, the Schools specifically require that:

1. No funds or accounts may be established or maintained for purposes that are not fully and accurately described within the books and records of the Charter Schools.
2. Receipts and disbursements must be fully and accurately described in the books and records.
3. No false entries may be made on the books or records nor any false or misleading reports issued.
4. Payments may be made only to the contracting party and only for the actual services rendered or products delivered. No false or fictitious invoices may be paid.

Conflict of Interest or Self-Dealing

The Corporation will not be operated for the benefit of an affiliated or unaffiliated organization or an individual in his or her own private capacity or individuals related to the Corporation or its Schools or members of its management, unless the private benefit is considered merely incidental. This private benefit preclusion will extend to:

- A. Sale or exchange, or leasing, of property between the agency and an affiliated or unaffiliated organization or a private or related individual.
- B. Lending of money or other extension of credit between an agency and an affiliated or unaffiliated organization or a private or related individual.
- C. Furnishing of goods, services or facilities between the agency and an affiliated or unaffiliated organization or a private or related individual.
- D. Payment of compensation, unless authorized by the Board of Directors or its governing body, by the Schools to an affiliated or unaffiliated organization or a private or related individual.
- E. Transfer to, use by, or for the benefit of a private or related individual of the income or assets of the Schools.

Thus, the Corporation and its Schools will be guided by the principle of arms-length standards with all affiliated or unaffiliated organizations or with a private or related individual(s).

Related party transactions shall include transactions between a school and members of the board, management, contracted management organization, employees, related individuals and affiliated companies. Related individuals within the scope of this definition include spouses, parents, children, spouses of children, grandchildren, siblings, father in law, mother in law, sister in law and brother in law of a board member or school employee.

Signature Authority

To properly segregate duties within the Charter Schools, the Board Treasurer and the Executive Director are the only individuals with signatory authority and are responsible for authorizing all cash transactions. Individual checks for non-recurring expenses greater than \$10,000 are pre- approved by the Board Treasurer and the Executive Director.

The Executive Director cannot sign agreements between schools. Agreements between schools would need each Principal's signature and Governing Board Approval.

Government Access to Records

The Executive Director or contracted business back office services provider will provide access to the organization's records in accordance with the Charters' petitions and applicable state and federal laws.

Additionally, The Board of Directors is responsible for authorizing all bank accounts and check signers. Financial reports shall be presented to the Board of Directors for review on a monthly basis. An annual financial audit will be conducted by a qualified outside accounting agency. Applicable financial and administrative guidelines relating to specific grant funding shall be followed.

See additional fiscal policies:

Contracts

Fixed Assets and Capitalization

Financial Reports and Accountability

Disposal of Surplus Property

Cash Receipts Policy

Petty Cash/Revolving Cash

Cash Disbursements/Check Authorizations

Bank Reconciliations

And Travel and Expense Reports

Banking, Authorized Signatories of Operating Accounts

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