Benjamin Franklin Charter School Ltd.
Charter Renewal Application
Fiscal Viability

Benjamin Franklin Charter School Ltd. (BFCS) ensures fiscal viability thru appropriate financial decisions and strong internal controls. Internal controls as defined by the Committee of Sponsoring Organization of the Treadway Commission (COSO) consist of the following components:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

Such internal controls have resulted in years of audits with clean opinions and strong financial performance.

The control environment is established by the "tone at the top". The President and the Vice President of BFCS both have years of experience running successful businesses in the private sector as well as running a public charter school for the last 15 years. A desire for strong fiscal viability is evident in their consistent attitudes, awareness and actions. They are very involved in the day to day management of the school and they are very involved with the financial procedures and reports. They meet with the Director of Finance on a weekly basis to discuss problems and review the current financial status.

Risk assessment is performed on a continual basis. Key to risk assessment is identifying changing conditions and taking necessary actions. Management is continually monitoring economic conditions and the educational environment by monitoring economic information services and educational bills passing thru the state legislature. Risks are continually reviewed by management for specific school activities and financial processing.

Information is processed using modern computers and software systems appropriate for the complexity level of the school. The software systems incorporate controls within the software. The financial system includes established procedures to initiate, authorize, record, process and report financial transactions.

Monitoring is performed on a continual basis to ensure the quality of internal controls. The President and Vice President continually receive financial reports for evaluation and management continually performs reconciliations and comparisons to determine unusual events or weakness in controls.

Control activities are the policies and procedures that help ensure that plan management directives are carried out. Controls such as the following are implemented at BFCS:

> Segregation of Duties - Authorizing transactions, recording transactions and maintaining custody of assets are assigned to different people. For example, the purchasing manager must authorize all purchases, the payroll clerk records the purchase invoices, the director of finance, reviews the paperwork and transactions and creates the checks. Payroll is approved by the principals, reviewed and approved by the HR director and reviewed by the director of finance. Payroll transactions are entered into the payroll system by the HR director and reviewed by the director of finance. Payroll reports are reviewed by the HR director and director of finance. All checks require the signature of the President or Vice President. A signature stamp exists and is controlled only by the purchasing manager.

Reconciliations – all bank accounts are reconciled on a monthly basis. The asset system and payroll system are reconciled to the financial system on a monthly basis.

Physical controls – the financial office is locked at all times except when occupied by the director of finance. All important financial documents except for vendor contracts are kept in files in the financial office. Check stock is also kept in the financial office. The signature stamp is kept in a locked file in the purchasing manager's office. All campuses have monitored security systems on the buildings.

System controls – all computers used in the financial process are password protected. Financial records are backed up on a weekly basis. The payroll system is accessed via the internet and is password protected and backed up by payroll service.

Application controls – financial system is password protected. Access to areas of financial system are limited by user functions. The financial system has embedded controls such as notification of duplicate document numbers, autobalancing between subledgers and general ledger, user transaction logs, auto reports analyzing data for possible errors, autobalancing of transactions for debits and credits, notification of possible erroneous accounts in transactions, etc.

Analytical procedures – Current financial reports are compared to historical reports for trend analysis and ratio analysis. Detailed transactions in various ledgers are scanned on a consistent basis for anomalies and reasonableness. Financial statements are produced on a quarterly basis and reviewed by the President and Vice President.

Financial skills competency – the director of finance is a contracted CPA, not an employee, currently licensed in the state of Arizona and a participant in the AICPA peer review process.

Yearly audits – the BFCS financial statements are audited on a yearly basis by an independent CPA firm.

The efforts and attention to establish sufficient internal controls provides for the successful fiscal viability of BFCS. This success is evident in its historical financial performance and its current financial position.