

Fiduciary Responsibility of the Principal What is it? What Does it Look Like?

Ethics Compliance and Business Management Services *August 21, 2019*

Presentation Overview

- What is a Fiduciary?
- The Principal's Fiduciary Role
- Professional Standards
- Internal Audit Findings
- How to Prevent Common Financial Errors
- Creating and Monitoring a Spending Plan
- Contact Information
- Questions

Definitions

"Fiduciary"

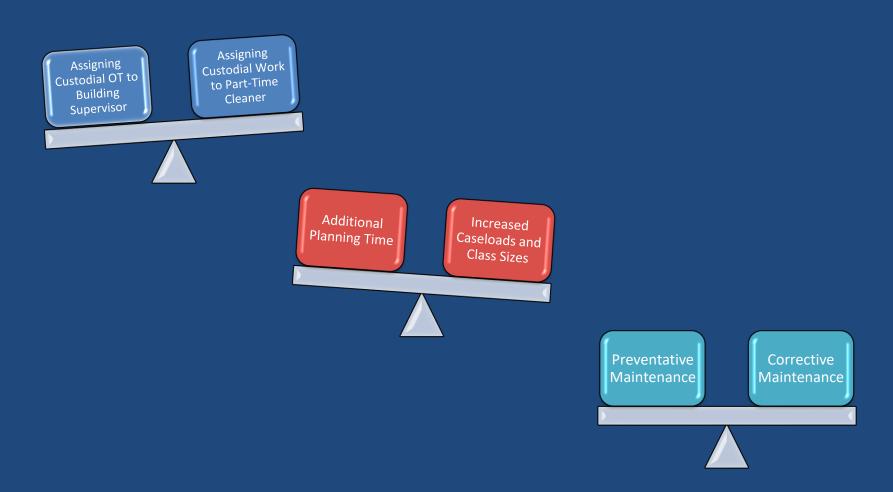
"Principal's Fiduciary Responsibility"

- Broad term embracing both technical fiduciary relations and those informal relations which exist whenever one person trusts in or relies upon another
- Describes the school system's reliance on the principal to safeguard the resources that flow into and out of a school.
- In short, the school system entrusts its principals to:
 - use the allocated resources for the their specified purpose,
 - to ensure that school employees do the same,
 - to safeguard against waste, fraud or abuse and
 - to maintain clear and complete records showing how resources were received, kept and expended.

In what ways is a Principal a "Fiduciary Agent"?



Subtle Trade-Offs in the Management of District Resources



Professional Standards

Professional Standards for Educational Leaders (2015) Standard 9: Operations and Management

Characteristics of Effective Leaders

Institute, manage, and monitor operations and administrative systems that promote the mission and vision of the school

Strategically manage staff resources, assigning and scheduling teachers and staff to roles and responsibilities that optimize their professional capacity to address each student's learning needs

Seek, acquire, and manage fiscal, physical, and other resources to support curriculum, instruction, and assessment; student learning community; professional capacity and community; and family and community engagement

Are responsible, ethical, and accountable stewards of the school's monetary and nonmonetary resources, engaging in effective budgeting and accounting practices

Protect teachers' and other staff members' work and learning from disruption

Employ technology to improve the quality and efficiency of operations and management

Professional Standards

Professional Standards for Educational Leaders (2015) Standard 9: Operations and Management

Characteristics of Effective Leaders

Develop and maintain data and communication systems to deliver actionable information for classroom and school improvement

(Continued)

Know, comply with, and help the school community understand local, state, and federal laws, rights, policies, and regulations so as to promote student success

Develop and manage relationships with feeder and connecting schools for enrollment management and curricular and instructional articulation

Develop and manage productive relationships with the central office and school board

Develop and administer systems for fair and equitable management of conflict among students, faculty and staff, leaders, families, and community

Manage governance processes and internal and external politics toward achieving the school's mission and vision

Solution: Support Improvement, Not Assign Blame



Internal Audit SAF Audit Findings (FY 2017 and 2018)



How to Prevent Common Financial Errors

Administration of Checks

APM Section 4.5.3 Cash Dispursements; Section 4.5.3.2 Check Dispursement Procedures

Typical Finding

Check not Properly Signed

Misclassification of Dispursements

Voided Checks

What does it look like?

Checks generated by SFO; signed by Principal +1 additional approved desigee

Checks missing in acct'g system. ALL transactions & ALL checks (#s) must be accounted for & only used once

ALL Voided checks must be entered in SFO, signature line removed & attached to SFEFs or Void Check Proof sheets

Potential Resolution, Recommendation

How to Prevent Common Financial Errors

Mismanagement of Receipts

APM Section 4.5.2 Cash Receipts

Typical Finding

Monetary
Transmittal Form
documentation

Transfer of Funds Received

What does it look like?

Incomplete MTF, no supporting documentation, no validated bank deposit slip; ALL must be complete & Attached

Retain authorizations for transfers between accounts; show evidence of compliance/justification (with fund transfer guidelines)

Potential
Resolution,
Recommendation

How to Prevent Common Financial Errors

Mis-Management of Disbursements

APM Section 4.5.3 Cash Dispursements

Typical Finding

Missing Signatures
/ Mis-matched
dates

Inadequate Supporting Documents

Inadequate Prior Approval

Delinquent Vendor Payments

Contracts

What does it look like?

SFEF complete with proper prior approvals

SFEF needs all substantiating receipts, invoices with trasaction totals and docs must be maintained for future review

SFEF must be 100% complete (staff); Preapproval must be signed BY Principal BEFORE purchases are made

Vendor payments issued within 30 days of receipt (or by invoice due date)

ONLY Principal MUST approve & SIGN any/all contracts/ agreements for school activites

Potential Resolution,
Recommendation

Creating a Spending Plan as a Monitoring Tool

- Review available funds and inventories
- Assess operational spending needs
 - Determine spending priorities based on your data
- Create spending targets by priority areas

Create Budget
Priorities

Assign Available Funds

- Maintain operational and critical initiative funding at high level
- Devolve funding to Grade-Levels, Departments and Content Areas in line with Budget Priorities

- Determine when larger expenditures will take place
- Spread ongoing expenditures throughout the year
- Plan to spend most of your non-payroll funding early in the year so they serve current students

Build Spending Schedule

Continuous Monitoring

- Review spending plan vs. actual expenditures throughout year
- If spending plan differs from actuals, determine need to:
- (1) Amend the spending plan, or(2) Transfer funding to other accounts

Example Simplified Spending Plan

	Total Budget	Grade 6 Team	Grade 7 Team	Grade 8 Team
Field Trip Transportation	GOAL: EVERY student will be given the opportunity to participate in a <u>minimum</u> of 1 experiential learning experience during the 2019-2020 school year			
Oversight	Principal	Grade 6 Admin.	Grade 7 Admin.	Grade 8 Admin.
	\$12,000 (30 buses / year) from SBB \$ Grant funds \$ SAF funds/ charging families	\$ RELA - SS - Science - Aquarium	\$ RELA - SS - Science -	\$ RELA/SS - Holocaust Museum Science - College Tours -
Spending Target		90% prior to testing	90% prior to testing	70% prior to testing; College Tours - April/May
Paperwork Deadlines	Teams will identify opportunities no later than Oct. 1, including funding requirements. Leadership team will review and approve based on alignment with school goals and funding. Field trip packet, requisition requests are due to the BK (based on district guidelines)			

Administrative Next Steps

- Working on Best Business Practices versus Standard Operating Procedures or Audit Procedures
- Training for Bookkeepers, Secretaries and other Administrators who Principals entrust with school-based resources

Next Steps

Broad Recommendations for This School Year



- Start early with a plan
- Become familiar with the Accounting Procedures Manual
 - No need to memorize, just be familiar with the topics it covers
- Set the tone early with staff by providing them your expectations regarding financial responsibility
 - Checking their work is not an insult--it's your role as the school's fiduciary
 - Recognize and thank those who make an effort to check for mistakes
- Recognize when there is a problem and act quickly
- Ask for help
- Give feedback about resources, training and areas of confusion or concern

Contact Information

Contacts for Additional Information

Kristy Miller

Fiscal Compliance Officer kristy.miller@pgcps.org

Michelle Winston, CPA

Director, Internal Audit mwinston@pgcps.org

Joeday Newsom

Ethics Compliance Officer joeday.newsom@pgcps.org

Michael Herbstman

Chief Financial Officer michael.herbstman@pgcps.org

Questions and Answers

