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
Fiduciary Responsibility
Definitions

“Fiduciary”

• Broad term embracing both technical fiduciary relations and those informal relations which exist whenever one person trusts in or relies upon another.

“Principal’s Fiduciary Responsibility”

• 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”? 

- Staff Oversight
- Grants, Donations and Fund Raisers
- Payroll Monitoring and Approval
- Asset Acquisition and Maintenance
- Budget Management
- Student Activity Funds
Fiduciary Responsibility

Subtle Trade-Offs in the Management of District Resources
## Professional Standards


### Standard 9: Operations and Management

<table>
<thead>
<tr>
<th>Characteristics of Effective Leaders</th>
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<tbody>
<tr>
<td>Institute, manage, and monitor operations and administrative systems that promote the mission and vision of the school</td>
</tr>
<tr>
<td>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</td>
</tr>
<tr>
<td>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</td>
</tr>
<tr>
<td>Are responsible, ethical, and accountable stewards of the school’s monetary and nonmonetary resources, engaging in effective budgeting and accounting practices</td>
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<td>Protect teachers’ and other staff members’ work and learning from disruption</td>
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<td>Employ technology to improve the quality and efficiency of operations and management</td>
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Characteristics of Effective Leaders (Continued)

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

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
Fiduciary Responsibility
Solution: Support Improvement, Not Assign Blame
Audit Findings and Corrections

Internal Audit SAF Audit Findings (FY 2017 and 2018)

Compared Analysis of Top Financial Audit Findings FY17 & FY18
Audit Findings and Corrections

How to Prevent Common Financial Errors

Administration of Checks

Typical Finding

APM Section 4.5.3 Cash Disbursements; Section 4.5.3.2 Check Disbursement Procedures

What does it look like?

Check not Properly Signed

Misclassification of Disbursements

Voided Checks

Potential Resolution, Recommendation

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

Checks missing in accounts 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
Audit Findings and Corrections
How to Prevent Common Financial Errors

Mismanagement of Receipts
*APM Section 4.5.2 Cash Receipts*

**Typical Finding**

**What does it look like?**
- Monetary Transmittal Form documentation
- Transfer of Funds Received

**Potential Resolution, Recommendation**
- 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)
Audit Findings and Corrections

How to Prevent Common Financial Errors

Mis-Management of Disbursements

**Typical Finding**

**What does it look like?**

- **Missing Signatures / Mis-matched dates**
- **Inadequate Supporting Documents**
- **Inadequate Prior Approval**
- **Delinquent Vendor Payments**
- **Contracts**

**Potential Resolution, Recommendation**

- **SFEF complete with proper prior approvals**
- **SFEF needs all substantiating receipts, invoices with transaction totals and docs must be maintained for future review**
- **SFEF must be 100% complete (staff); Pre-approval 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 activities**
Audit Findings and Corrections

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

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

Build Spending Schedule

- 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

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
## Audit Findings and Corrections

### Example Simplified Spending Plan

<table>
<thead>
<tr>
<th></th>
<th>Total Budget</th>
<th>Grade 6 Team</th>
<th>Grade 7 Team</th>
<th>Grade 8 Team</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Field Trip</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td>GOAL: EVERY student will be given the opportunity to participate in a <strong>minimum</strong> of 1 experiential learning experience during the 2019-2020 school year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Oversight</strong></td>
<td>Principal</td>
<td>Grade 6 Admin.</td>
<td>Grade 7 Admin.</td>
<td>Grade 8 Admin.</td>
</tr>
<tr>
<td>Spending Target</td>
<td>$12,000 (30 buses / year) from SBB</td>
<td>$____ RELA - SS - Science - Aquarium</td>
<td>$____ RELA - SS - Science -</td>
<td>$____ RELA/SS - Holocaust Museum Science - College Tours -</td>
</tr>
<tr>
<td>Paperwork Deadlines</td>
<td>90% prior to testing</td>
<td>90% prior to testing</td>
<td>70% prior to testing: College Tours - April/May</td>
<td></td>
</tr>
</tbody>
</table>

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

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Questions and Answers