

Appendix G: SCHOOL-BASED GOVERNANCE FINANCIAL STANDARDS

On June 25, 1998, the Milwaukee Board of School Directors passed a resolution establishing Financial Standards for schools. These Standards provide principals with controls necessary to minimize the risk of theft and financial fraud. Principals are expected to implement these standards and each will be held accountable for the financial condition of their school. A principal's evaluation will include a financial performance measurement.

There are ten financial standards adopted by the Board. Each of these standards is defined below with additional explanation provided in italics.

#1 Budget Management

School budgets should be managed and controlled to maximize benefits allowed under the financial standards. Principals are responsible for determining that all expenditures are reasonable, ordinary and necessary for the operation of the school; using appropriate account codes; establishing and authorizing purchasing procedures; retaining adequate funding levels throughout the fiscal year; and aligning the budget with the school's educational plan.

Use of IFAS tools such as the drill down feature in the Budget Control Remaining Balance and LES reports will provide detailed information concerning a school's current financial status and funds availability.

#2 Payroll Approval

Principals are required to approve their payroll each pay period for all hours and absences entered in to the Time and Attendance system. Once the payroll is entered and approved, a copy of both the "Print My Unapproved Time" and "Print My Approved Timesheets" with the principal's signature should be printed and retained a minimum of seven years for audit purposes. Principals must not reveal their passwords to secretaries or other employees. Supporting payroll documentation should be approved by the principal and retained for seven years.

Additionally principals are required to validate their assigned non-hourly employees *each* pay period. Principals will be able to select a "Do not Pay" box to identify any discrepancies in assigned non-hourly employees. Checking the "Do not Pay" box will send an alert to the Office of Human Capital Services that this employee is not working at their site.

Once the principal performs the validation of non-hourly employees payroll and then submits, an email is generated to the principal confirming the validation was performed and employees marked as "Do not Pay" are listed on the email. The email is to be printed and retained with the payroll records each pay period.

Also, principals should review payroll accounts each pay period to verify 1) personnel being paid are their assigned school employees, 2) personnel are being paid only for hours worked and, 3) personnel are being paid at the correct rate.

Questions on payroll authorizations should be directed to the Payroll Department at 475-8300.

#3 Conflict of Interest

Principals should avoid conflicts of interest, (e.g. hiring or contracting with a friend or family member to work for the school). If a principal is in doubt whether hiring or contracting with someone constitutes a conflict of interest, (s)he should contact the Department of Human Capital prior to hiring the person. *A conflict of interest may also occur if a principal accepts a gift from a vendor, potential vendor, or student. Board and administrative policies should be consulted before a gift is accepted.*

#4 Contracts

All professional service contracts must be reported to the Office of Finance.

Principals should consider conflict-of-interest issues when they are contracting for professional services. Principals should also be aware of market rates of pay before they agree to a professional service compensation plan. All consultant contracts must be paid by Central Services to meet Internal Revenue Service reporting requirements. Employees are never to be paid on a professional services contract.

All professional service contracts must be submitted to and approved by the Office of Finance before services commence.

*Administrators are responsible for complying with all Board rules regarding contracting. These include Board requirements regarding **bidding** (for all contracts over \$5,000), **background checks** (for any vendor coming into contact with MPS students), and necessary **approvals** (by Board and Superintendent for contracts \$50,000 and above). All of this information can be found on the Contracting tab on the IFAS Dashboard.*

Contracts may not be processed through the IFAS system through the Student Activity Module or as a Direct Pay.

Failure to comply with the aforementioned rules may result in sanctions up to denial and non-payment of the contract.

#5 Capital Cash

Capital Cash is to be used for small expenditures (expenditures less than \$500) that can be reimbursed by Central Services and charged to a school's budget. Requests for reimbursement(s) should be submitted at least once a month. Capital Cash is not to be used for travel, out-of-town seminars, consultants, or large equipment purchases.

*Remember, large Capital Cash balances reduce the amount of available funds in a school's checking account, and reduce the amount of interest earned on cash balances. (Also see the **Capital Cash Agreement** section of the School Accounting Manual).*

#6 Separation Of Duties

The separation of duties is important in limiting an employee's opportunity to misuse school funds or misappropriate school assets.

The area of highest risk at a school is cash management. Ideally, different employees should be assigned to counting, depositing, recording, and reconciling cash. When this is not possible, at a minimum no employee should be allowed to perform any two consecutive functions. For example, an employee may both count and record cash, but not count and deposit cash; or an employee may deposit and reconcile cash, but not record and reconcile cash.

In addition, the employee charged with receiving fixed assets at a school should not also record fixed assets into the District's inventory system. If possible, duties should be rotated every one to two years; more often if misconduct is suspected.

If a principal requires assistance in establishing a segregation of duties, (s)he should contact the School Accounting Department.

#7 Bank Statement Reconciliation

Bank statements should be reconciled with the school's cash account each month. If reconciliations are not current, principals will not know the amount of cash available for expenditures and will not be able to detect if funds are being misused. Principals should review bank reconciliations regularly.

A copy of a school's monthly bank reconciliation is due in the Office of Finance, School Accounting Department by the 20th of the following month.

#8 Blank Checks/Signature Stamps

Principals should never sign blank checks. Also, Principals should never "sign" checks with a signature stamp. Check stocks should be safeguarded to protect against unauthorized use.

An original, authorized signature is required on all Direct Pay and Capital Cash reimbursement requests, Professional Services Contracts, and Petty Cash requests.

An expenditure authorization form should be submitted to the Office of Finance annually.

#9 Student Activity Fund Records

Financial records must be updated on a monthly basis, with completion by the 15th of the following month. This includes posting of receipts, disbursements, electronic fund transfers, and general journal entries to the IFAS system. Principals are also expected to produce and review monthly reports.

Be aware, schools may be charged bank fees for overdrawn accounts. Therefore, do not sign or mail checks unless sufficient funds are available.

#10 Fixed Asset Tracking

Fixed assets must be recorded into IFAS within 30 days of receipt (not including lock out dates needed for reporting purposes). Obsolete equipment and transferred equipment should be deleted from the inventory within 30 days of the occurrence. All fixed assets should be tagged and secured. Periodically during the school year, random audits should be made to determine if assets exist.

*Fixed assets are defined as equipment and furniture with a useful life greater than one-year and an initial cost of \$5,000 or more. Fixed assets must be recorded in the IFAS inventory module. Board policy also requires that portable technology such as computers, printers, televisions, fax machines, digital cameras, camcorders, etc. be recorded in IFAS regardless of cost. A complete inventory of all assets in the IFAS fixed asset inventory must be completed prior to the end of each school year. Inventory documents must be dated and signed by the principal. Retain documents from audit-to-audit. (For information on loaning district equipment, see the **Equipment Loan Policy** section in the School Accounting Manual).*