

Fifth Period: Personal Finance

Take a moment and Google the phrase “teacher misuses money” or “teacher arrested for misusing money.” There are loads of articles out in the press of teachers and other school officials “stealing” money from the school. Although some of these teachers may be guilty and are indeed taking money, others might not even know that they have been “stealing.”

That being said, this short chapter is meant to keep you out of jail; we don’t want you to be in that second category (and we assume you’re not in the first). It does not matter how big or small the grant is, once there is money involved, you must be careful of how you manage those funds.

This is not a comprehensive discussion on accounting or fiduciary duties or a replacement for a CPA or school clerk. Instead, this chapter is intended to equip you with survival skills needed to protect yourself. Always seek the advice of qualified and certified members of the financial services division of your school when dealing with matters of money management.

Pay Day!

Congrats! You won the grant you have been working on for weeks. That \$10,000 is sure going to come in handy in running your Model UN program for students. Now that you have the money, though, what do you do with it?

First, recall the discussion in chapter 4. Some grants may not give you the actual funds; they may spend it for you. This is great news! You don’t have to worry about a thing and can skip right over this chapter!

However, perhaps the granting organization does give you the money. They may dispense it all at once or they may give it out in installments. Some grants will require you to invoice them for the funds, adding a layer to the budgeting needed to implement this award. However they decide to give you the money, you must follow a few rules to keep you, your school, and your relationship with the funder safe.

Who Will Be the Fiscal Agent?

Figure out early on who will hold the money. This doesn't mean who will literally hold the physical cash, but, instead, who will be the bookkeeper for these funds. How are the funds stored and in which accounts? Your school administration and clerks may already have a solution for this, but it is important for you as the grant writer and principal investigator to be involved in this process. Here are a few examples:

- *The large pot approach.* Some schools may choose to stick the funds into a large pot of money. In the accounting world, many accounts are limited to their uses (furniture accounts can only buy furniture, capital funds can only be used in capital projects). You will hear a lot of this when schools discuss firing teachers. They may have funds locked up in another account that cannot be transferred to fund salaries.

There may be an account that your funds can go into that has little restriction. The benefit to this approach is that it is fairly simple for your administration to see and use that money, and it does not require the creation of new accounts. The downside is that it is more likely your funds could get spent on other items.

If this is the approach you take, make sure to keep your own journal on deposits and expenses. Routinely check your notes with the clerk to ensure your money is still there.

Ask questions, get clarification, and, most of all, remain part of the accounting process.

- *The department approach.* If you are in a departmentalized school, you may already have a department budget. The clerk may have a line or a series of lines intended strictly for your department into which you can deposit these funds.

This allows you to keep a closer eye on the funds and ensure they are being spent in the appropriate way. A drawback is the added responsibility put on you and possibly a department chair, adding another person to the mix.

- *The dedicated account approach.* Many teachers who are familiar with grants prefer this route. Your school clerk or administration would create a separate account where this money would live. No other funds would go in, and only approved project-related costs would go out. This allows for extreme control and transparency in how funds are spent.

The downside to this approach is, once again, the extra responsibility placed on you. If you are the only one with access to the funds and something goes wrong, the line points clearly back to you.

Whichever way you choose to hold the money, make sure all of the details are covered among you, the clerk or accountant, and school administrator. Clerks and accountants do this every day, so they may be tempted to dismiss you quickly, but persist. Ask questions, get clarification, and, most of all, remain part of the accounting process. Think of it this way: you wouldn't give your paycheck over to a friend to spend on your behalf each month.

Getting Intimate with the Numbers

If your project is a small project in which there will only be one expenditure of cash, and all of the money will be spent at once or the money will be handled by the granting organization, you can stop here. However, if that is not the case, the following are helpful hints on how to track and manage the spending of grant funds.

Granting organizations may disperse money in a variety of ways. Some organizations may give you the entire amount all at once and others may require you to invoice them as expenses are incurred. Both methods require a level of fiscal responsibility that goes beyond the usual call of a teacher.

First, make sure to keep an accurate log, or a ledger, of each deposit and expense. This ledger may look very similar to your checkbook at home and can be easily tracked in spreadsheet software. For example, when a granting organization disperses funds to you, either at the start of a project or through an invoice your school submits to it, you can record that as a "credit" to your account ledger. Once you begin spending those funds, "debit" them from the ledger. Keep in mind that this is an account that may exist on paper only. When we talk about accounts, it does not have to mean that your money is in a dedicated account. Instead, you are tracking the money that is specific to your project.

Here is an example of what this might look like: You have received a grant to start a robotics club. The grant will provide \$20,000 that can be used toward building materials, travel money to attend competitions, and a small stipend for a coach. On the first day of school, September 1, the granting organization provides you with \$5,000, enough to get started and show that you are using the money correctly. You



Keep your own log, even if your clerk is keeping track. Having two ledgers is a key element in financial reporting.



If you are an accountant who happens to be reading your husband's teaching book, across this book, we are using credit and debit in the basic sense and treating all accounts as cash accounts.

make the order the next day and purchase \$2,350 in supplies. What would your first two ledger entries look like?

Cash in Robotics Grant Account

Date	Description	Credit	Debit	Balance
				\$0
9/1	First installment	\$5,000		\$5,000.00
9/2	Robotics Inc. – supplies		\$2,350	\$2,650.00

Simple, right? You can expand this simple template to include more categories as well, which will help you classify and describe each transaction. For example, instead of just one “description” category, you may want to add “vendor,” “purpose,” “check number,” or “summary” to give you a higher level of organization and detail. Do whatever makes the most sense to you. Ideally, you will be the only one reading your books. When it comes time to report, you can process the information and display it in a much more user-friendly way.

Did you notice how we recorded the purchase of supplies when we made, not received, the order? Make sure to always record transactions at the time they occur, not when they are realized. For example, your school may order those goods on a credit card and then pay the credit card bill with the funds for the grant. This is a completely legal method of using the money. Imagine, though, that you were not keeping books or did not record the transaction at the time it occurred and waited until you received the goods. Your ledger would still read “\$5,000,” which could lead you to think you have more money than you actually do.

More likely, your clerk who is keeping his or her own record of your account might tell you that you have more money than you actually do on September 25, because the credit bill is not due until September 30. You may end up overspending your account. Keeping an accurate record and marking transactions when they occur will prevent most of these issues from happening.

Double Check

Make it a habit to check your books with your clerk's every now and then. It is important for two people to have independent books and then compare them for inaccuracies or mistakes.

If you do not have a clerk or another person to keep a dual record independent of yours, enlist the help of a parent, colleague, or school board member. Try

One school district recently uncovered a small accounting mistake that made the district appear to make \$16 million more than they actually did! Although that is no small figure, the mistake was a small one; they credited the wrong year for the mistake.

We hope you will not make a mistake that amounts to a \$16 million mishap (if so, I suggest you read about a good law defense rather than this grant-writing book!), but small mistakes can do a lot of damage, too.

your best not to have someone who supervises you directly keep a dual record, because it could lead to problems later. It is easy to pass receipts on to a third party with a good communication plan.

Security

In the accounting profession, practices to create consistency and reliability from company to company are called the generally accepted accounting principles (GAAP). They are enforced by various government agencies, and although each country may have a different method, there is movement to have international consistency in these same principles. In an ideal world, these practices would prevent situations such as what happened with Enron, WorldCom, and the \$16-million mistake made by the school district. There is no need to know all of the principles included in the GAAP; however, the security of money is vital in demonstrating your reliability to your administration and external grantors. Certain security precautions can be made in order to maintain trust and transparency in how you handle grant funds.

Your school district may already have many of these controls in place. If this is the case, your next step is to have a thorough discussion about your role in those. In the event your district does not have such stringent controls, you can implement many of these controls yourself. Once again, you are dealing with other people's money and, as such, have a much higher level of scrutiny. Do not take these items for granted; implementing some of these easy steps could not only save you a huge headache down the road, but may also save your job.

Here are a few internal controls that would be easy for you to implement:

- *Establishment of responsibility.* The premise of this internal control is to designate or restrict individuals to specific roles within financial transactions. Your district most likely implements this already by granting access to some individuals to pay bills and granting access to others to create invoices. If you are working with a small district or are required to complete all of the financial transactions on your own, ask for a volunteer to assist you, and establish duties

between the two of you. Perhaps one of you collects and counts money and the other person records the amount after double checking the count. Another example might be that one individual places orders with vendors and the other pays the vendor.

Most important, if a grant allows extra pay that will go to you, never sign your own paycheck. Internal controls help prevent someone from stealing money. Signing your own paycheck, even if legitimately, looks highly suspicious.

- *Segregation of duties.* Different individuals should be responsible for related financial activities. Have you tried to order something through your school before? Were you able to just call up the vendor, use a school credit card, and purchase your goods? If there are effective internal controls, you should not have been able to do that. One of the most important controls that could be implemented is segregation of duties.

If the previously described scenario had implemented a segregation of duties control, it would look like this: You wish to order some supplies through a selected vendor. You choose what you want and send your order to someone inside the school or district for approval. They approve the purchase and send it off to be purchased by a purchasing agent. A record of those goods is recorded with the purchasing office and the person who first authorized your order after you receive them.

The key difference from the first one here is that it would be nearly impossible for someone to create factious orders or invoices or pay a company that benefits themselves.

Here is another example: You plan on using your grant funds to buy tee shirts for a schoolwide event. Your brother-in-law owns a shirt-printing company and offers you a heavily discounted rate if you bring business to him.

Now if you were able to make the order, pay the order, and receive the goods without any approvals, you can see clearly how an outsider (maybe a rival company that usually prints shirts for the school) could make a conflict of interest claim against you. A better method to avoid this would be to involve an internal third party, such as an administrator or clerk. You can provide this internal third party with the quote from your brother-in-law, as well as other quotes you have found. They may wish to do their own searching as well. Once they have determined that it is indeed in the best interest of the school to go with your brother-in-law's business, they can place the order and allow you to receive the goods. The advantage is obvious. The disadvantage is that it will take more time by involving more people, but the trade-off is worth it.

The second major consideration under segregation of duties is that the record keeper and the person in physical custody of the item should not be

the same person. Another way to put this is that someone other than the person working with the products should independently keep a record of the items purchased.

Here's an example: You have won a restorative justice grant that permits you to start a DJ club after school. Being the leader of this grant, you purchase DJ equipment for youth to use in your club. Because you purchased it, there is no direct record of the equipment other than your own. Do you see the issue? What prevents you from taking that DJ equipment home with you and making it a permanent fixture in your house? Having another person record the purchase of that asset prevents you from taking custody of the product.

This idea can get tricky when it comes to smaller grants such as Donors-choose.org. Because those grants purchase the items for you, you must be clear with the funder whether the items are yours or the school's.

One good example of this can be seen in a university program that goes to great lengths to parse out these nuances. In this university's teacher induction program, each new teacher and mentor receive one piece of technology. If they successfully complete the program, that piece of technology is theirs to keep, as long as it remains a classroom tool. In the event that someone does not complete the program, that piece of technology is forfeited to the school where the teacher works, not the university. However, if a teacher transfers from one school to the other but still works in the serviceable area of the mentoring program, that technology will follow the teacher.

Make sure you know who owns your equipment, and, whenever possible, have an independent person record the acquisition of those items.

- *Documentation procedures.* Documentation makes everyone feel a lot better about where and how money is spent, so document everything. Keep receipts. Match them up with invoices, shipping slips, and bank and credit card records. When dealing with actual cash, have it counted by multiple people and ask each to sign next to his or her name after counting it. Keep records of check numbers, dates, and any other information that will help you keep track of transactions.

Make and keep copies of all checks, invoices, packing slips, and other related



If the items purchased do not belong to the school but are awarded directly to you, consider employing this same internal control by having the items added to your homeowner's or renter's insurance policy. Another option is to get clear language from the grantor as to whom the items legally belong. Always plan for the worst-case scenario.

documents. You can stay organized with a filing system or binder that is separated by type of document or in a chronological sequence. Try to avoid having one overstuffed file folder for your entire grant. Consider having your clerk or other record keeper initial or sign key documents including checks. This will certify that they, too, acknowledge the receipt of the document and have recorded it appropriately.

Finally, get signatures whenever possible. When having items shipped to your school, request that the shipping company have someone sign for the package. Many schools have fallen victim to “missing shipments” of goods only to find out that another person in the school accepted the package and thought it was supposed to be used for something else. In some school districts, packages have to go through a centralized distribution center operated by the district. Having packages signed helps you track your shipment as it leaves the world of bar code tracking and enters the abyss of school storage rooms.

- *Physical controls.* These controls have to do with the physical security of various assets. Whether you are working with cash or products that you have purchased, think carefully how you intend to keep those items safe. Is there a locked storage room for those new basketballs you ordered? How about a locked cabinet to store the new tablets? Accepting cash at an art show? Do you have a lockable cash box and a locked location to store that cash box after?

There are many ways to answer these questions and secure your products and goods. Make sure to take in consideration not only the physical control but also the access to that physical control. Many banks have drop boxes where

they deposit money throughout that day. Only certain members of the bank have access to those drop boxes, preventing theft.

The sad reality is that theft typically happens when someone has access and opportunity. Although we all want to trust our colleagues and students, it is best to eliminate access and opportunity, thus lowering the temptation of theft.

Here are some methods to reduce opportunity and access ultimately leading to good physical control:



If you lack certain physical controls or spaces that would aid in the protection of your goods, see if you can work it into your budget request. Oftentimes when ordering items, you can order related items, such as storage bins, racks, and cabinets to secure your belongings. Funders would be happy to help you make their investment a long-term one by preventing theft.

- When possible, keep items (such as cash and small but valuable goods) out of sight and locked up. At the surface this may be obvious but try to be mindful of who sees you putting away materials. It would be best if fewer people knew where you kept certain items.
- Use tagging. Many institutions tag or otherwise mark their materials clearly so that they are easily identifiable. Stickers, bar codes, quick response (QR) codes, and serial numbers are a few easy ways to mark property and prevent someone from stealing an item.
- Keep up-to-date and accurate records of all serial numbers, bar codes, and other information in a safe place *away* from where the materials are stored. Keeping the binder with the equipment information in the same unlocked cabinet with all the equipment is a recipe for disaster. Perhaps you can keep your records in the school office or in a colleague's workspace.
- Take photos of your materials. Oftentimes, photos help in documenting the existence of a product in the event it is stolen. Insurance companies may ask for photos to not only prove you indeed did have the product but also to provide information on the quality of the product, which can come into play when making reimbursements for loss.
- Create a checkout system or logbook. If you are working with small electronics, large machines, musical instruments, books, or any other material that individuals will be using, it is always best to keep a logbook tying the user to the equipment. One common mistake is not related to theft but to damage to traveling laptop computers stored on carts. As they are passed from classroom to classroom, undoubtedly computers will break or be vandalized in some manner. However, many teachers do not have a logbook of which computer was assigned to which student, making it impossible to effectively correct the misbehavior.
 - *Independent internal verification.* This last consideration was partially addressed already. By keeping your own ledger and records, you allow yourself the opportunity to verify your records with the other independent party in your school. Periodically, check your records against theirs. If there are discrepancies (beyond transposition issues or typos), take the records to the next level of management to help sort it out. Although you would most likely be able to solve the issue between the two of you, having a third party involved protects everyone from accusations of bad accounting and money mismanagement.

You can see now why it would be desirable to have the person keeping the dual record to yours be someone who does not directly supervise you. If your records reveal an error on his or her records and that person is your administrator,

it could create a tense situation and put you in the middle of an ethical dilemma. Try and have a school clerk, parent, or school board member fill that role.

Reporting

The final function of good money management is reporting. Chapter 7 provides follow-up procedures although an attempt to address financial reporting is made here to realize the whole process.

Companies and nonprofits, both large and small, are required to submit financial reports periodically. Largely, these reports are used by lenders, owners of companies, board members in nonprofits, and other crucial parties that use these reports to decide if they should continue to buy a company's stock, donate to a nonprofit, or, in our case, continue to fund your project.

Financial reporting is an effective method of generating new support as well as maintaining current financial support from grantors. Once again, this conversation lends itself to larger grants in which more than one expenditure occurs.

Checkpoint

Many grantors may have reporting requirements already in place for your grant. Government grants in particular require a high level of reporting, with foundations a close second. If you already have to report to your funder, make sure to use their formats and paperwork. If your grant does not require reporting or the reporting is not substantive, here are a few easy steps that create a high-quality reporting system.

Timeline. Just as you created a timeline for your project, decide with your team what your reporting timeline should be. It could be as simple as once a year, at the end of the project, or once a quarter. If your grant is very active with lots of funds going back and forth, it may be wise to create quarterly reports. Another way to look at quarterly reporting is if you are trying to raise a match or donation amount to sustain your project. Quarterly reporting can take the form of progress monitoring and encourage future donations.

Similarly, it may be wise to simply report at the end of the project or year. For example, if your grant supports a transition program to aid freshmen students' transition into high school, it may be wise to report at the end of the year so you can highlight the academic progress of students along with the financial operations.

As mentioned in chapter 4, remember to consider the various fiscal calendars when constructing your reporting timeline. If your fiscal year is different from your funder's, it may affect when reports take place. For example, you may need to send out reports for the closing of the fiscal year even though your project is only halfway done. Perhaps you then choose to report twice a year so as to avoid creating more work for yourself.

What to report. Financial reporting, in the context of grants, largely consists of informing readers of two financial functions: revenue and expenses. The report should include any income that you have received on this specific grant project and any expenses you have paid. People want to see how money is coming in and how money is being spent.

Financial data alone will create more questions in the minds of your readers than you want. It is vital to tell a story with your numbers. As you report revenues and expenses, make sure to report progress-monitoring data as they pertain to your project.

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For example, if you are implementing a grant that provides professional development for teachers, a report would include how much money you have received, how much money you have spent, how the money gets spent, and how much money is left. Following this, you would want to discuss how many teachers have been trained, how many students have benefited from this training, how students increased their test scores as a result of the training, and other metrics you are including in your evaluation plan (see chapter 7 for more details).

When choosing what to report, try to keep in mind the reasons you are reporting in the first place. You not only want to keep those intimate with the project informed of your progress, but you are also informing the public at large of your success.

How to report. There are a number of effective methods of producing effective financial reports. Most companies use a standard format, consisting of four major reports: the balance sheet, income statement, statement of owner's equity, and statement of cash flows. You can adjust this method to meet your needs by using two of these reports: an income statement and balance sheet. Between these two reports, a reader can learn where your money is coming from, how much money you have spent, how much money you still owe, and what other assets you have.

For many teachers, the balance sheet and income statement are too cumbersome and time consuming. Plus, you should not be dealing with additional debt or equity holding of your grant project. Instead, you may choose to take the "nonprofit" approach.

The nonprofit approach is a preferable format to mimic, because it strikes the balance we are looking for between effective reporting and effective promotion. You have probably seen reports provided by nonprofits that show how much money they have, where that money has come from, and how they have spent it. They often incorporate this with progress-monitoring data and language that articulates their future plans.

Play around with a number of techniques. Try to incorporate some graphs into the mix. For example, if you have multiple revenue sources, use a pie chart to show how much money has come from each source. You can use that similar technique with expenditures. We have included in appendix B a few examples of nonprofit reports that can be imitated in style and purpose.

How to disseminate. Now that your report has been written, edited, and been approved by the people who need to approve those items, it is time to disseminate the information. First, meet the requirements set forth by your grant. If you are required to send your granting agency a report, send it to them first. Always meet their demands first.

After meeting your contractual obligation, you may want to send this report in the sense of a follow-up to administrators, colleagues, and the general public. Other methods of dissemination include sending it to a school's website or local news sources, creating a press release for local media outlets, sending a flier home, creating e-mail blasts, or posting on social networking sites. If you do not have someone who can contact the media on your behalf, consider writing your own press release and sending it along; most news agencies have a general e-mail address you can send it to. However, be sure to ensure that permissions, such as those pertaining to your freedom to release student data or use images of youth, are met before sending anything out.

In general, give this report to everyone possible. Hand it out to students, and ask for their input. Have extra copies in the front office and teachers' lounge for teachers and parents to pick up and read. Send it home with students. Provide it to community and parent groups, even if they are not involved with the grant this time.

Fifth-Period Review Guide

- ✍ While writing the grant proposal, determine who or what entity will be the fiscal agent, that is, who will control the money.
- ✍ Keep an accurate log or ledger of all incoming and outgoing funds.
- ✍ Ensure that a trusted, independent person is also keeping a logbook to avoid errors, abuse, and questions regarding fraud.
- ✍ The five types of security are as follows:
 - Establishment of responsibility
 - Segregation of duties
 - Documentation procedures
 - Physical controls
 - Independent internal verification
- ✍ Make a habit of reporting financial information to the public on a regular basis.

Fifth-Period Exit Ticket

1. Define the “dedicated account approach” to money management.
2. Read the following scenario and answer the following questions:

Ms. Espinoza at Griffin Academy has been awarded a grant to create a peace room in her school. This room will be used for students who need an alternative space to focus themselves before returning to class and will be left open all day available to anyone. A teacher or other school staff member will staff the room during prep periods on a rotating schedule.

Ms. Espinoza and her clerk have decided to keep dual books of all financial activities including the purchasing and receipt of new furniture and small board games for the space. They will meet once a month to compare ledgers and correct any mistakes. Ms. Espinoza chooses the items she wants to buy, brings the information to her clerk, who then gets administration approval to put the items on the school credit card. When the goods arrive, both Ms. Espinoza and the clerk keep a signed copy of the receipt and packing slip for their records.

- a. Which of the five controls are missing?
- b. What are some steps you would take to add the missing control?