Board Member Conference
Financial Oversight

Sponsored by
New York City Department of Education
New York State Board of Regents
SUNY Board of Trustees
FINANCIAL RESPONSIBILITIES
CHARTER SCHOOL BOARDS

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How Charters Differ

- **Public Institutions and Public Funds:**
  - Higher levels of visibility
  - Higher scrutiny
  - Higher levels of accountability

- **Requires:**
  - More transparency
  - Specific metrics
How Board Service Differs

- **MORE INTENSE COMMITMENT THAN NONPROFITS**

- **BOARD MEMBERS MUST:**
  - Have substantial time to commit to board service
  - Understand fully and be strongly committed to the school’s mission
  - Understand that board membership is not titular in nature; they are joining a working board
Your Role as a Board Member

**GOVERNOR**
- Attend all board meetings & annual board retreat

**AMBASSADOR**
- Host a “X School” event at work/home

**SPONSOR**
- Give personal gift to best of your ability
- Find 3 items for the auction

**CONSULTANT**
- Actively serve on one committee
Financial Pitfalls

- **Financial Acumen Lacking**
  - Board
  - School Leader
  - COO vs. CFO

- **Lack of Independence/Conflicts of Interest**
  - Auditor
  - Financial Service Provider
  - School Leader or CFO
Financial Pitfalls

**INTERNAL CONTROLS**
- Cash Management and Cash Flow
- Policies and Procedures
- Separation of Duties
- Regular Review and Oversight
Financial Responsibilities

- **FINANCIAL OVERSIGHT**
  - Public Entity
  - Scrutiny
  - Closures due to finance and mismanagement
    - 42% and 24% (2011 Center for Ed Reform)

- **RECRUIT FOR FINANCIAL ACUMEN**

- **REGULAR REVIEW OF FINANCIAL DATA**
  - Monthly
Financial Responsibilities

**AUDIT**
- Interview and Hire Auditor
- Meet independently with auditor

**UNDERSTAND ECONOMIC PARAMETERS**
- Funding Formula
- Resource Development Needs
- Salary and Benefits Structure
- Cash Position - Debt, Borrowing, Cash Flow
- Financial implications of Strategic Priorities
Financial Warning Signs

**For Board**
- Financial Reports are regularly late – month or two behind
- Budget is not approved in advance of next fiscal year
- Audit is not complete on time (11/1) or within budget
- Difficult or impossible to read statements
  - Poor formatting, not user-friendly, not intuitive
- Staff can’t/won’t answer specific questions
- Variances are minimized and “timing” is always the reason
- Leader always defers to the CFO or Service Provider
Financial Warning Signs

**FOR STAFF**

- Treasurer “forever”
- No, unpopulated or inactive Finance Committee
- Financial acumen is not a prioritized skill set
- Board or Finance Committee defers to school leadership and *never* asks questions
- Board is “too close” to the Auditor
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Questions for Discussion
  John Tarvin, Claremont Consulting
  Raj Thakkar, Charter School Business Management
Recognizing Successful Financial Management

• *In your opinion, at a high level, what does responsible financial management look like?*

• *What are some key financial best practices that should be non-negotiable and practiced as a discipline (and with what frequency)?*
Financial Management over Time

• *Which financial matters should be addressed annually versus quarterly versus monthly?*

• *Why and how might board oversight change at different stages during a school’s growth?*
Variation from one Organization to Another

• How does financial management differ at a school within a charter management organization versus when it is supported by a financial services provider versus managed independently in-house?
Pitfalls and How to Avoid Them

• What are some examples of shortcuts that schools have taken that appear to help in the short-term, but hurt them in the long-term?

• How/why do these shortcuts impact finances and/or academics?
Oversight in Summary

• *How can board members and school leaders be sure that systems, policies and procedures are robust?*

• *What are the triggers to let you know financial systems and policies are not as robust as you think they are?*

• *How can board members ensure policies and procedures are being followed?*