

# Board Member Conference Financial Oversight

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**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)

ASK  
QUESTIONS



- **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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# Board Member Conference Financial Oversight

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?***