

Fiscal Oversight

5 Steps to Improve Your School Now

SCSC Governance Training
February 4, 2020

Terence
Washington
Financial
Accountability
Manager



PRESENTATION OVERVIEW

1. Staff Up
2. Improve Your Financial Policies
3. Improve Your Procedures
4. Monitor Your Budget
5. Monitor Your Financial Performance

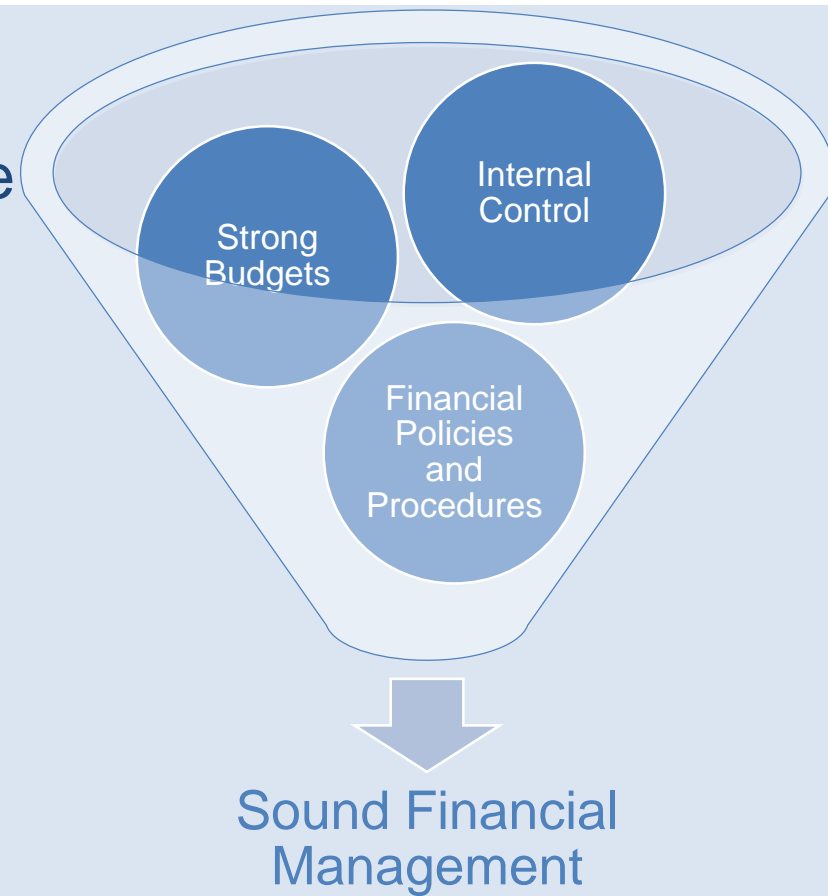


FIDUCIARY RESPONSIBILITY



FIDUCIARY RESPONSIBILITY DEFINED

- Fiduciary duty is defined as a legal obligation of one party to **act in the best interest** of another. The obligated party is typically a fiduciary, that is, someone **entrusted** with the care of money or property.



BOARD MEMBER FIDUCIARY RESPONSIBILITY

Financial Oversight of the Charter School

Oversee Budget – Operating & Capital

Hold School Staff Accountable for Budget Management

Ensure Financial Policies are in Place



STAFF UP



STAFF UP

- CFO
- Bookkeeper
- Data Clerk
- Communications Director
- Training
- Superintendent



STAFF UP

- Background checks for all employees involved in purchase process at the central office
 - Fraud and other offences may not always be committed in a candidate's current state or country. Therefore a list of former residences allows employers to conduct a deeper, more complete background check.
 - When creating background check policies, it's important to address the grounds on which a candidate may not be granted a position. For example, if a candidate's background check reveals they were currently charged with theft, they could possibly be a risk to the company if they are being considered for a financial position
 - Types of background checks to consider:
 - Criminal reports
 - Credit reports
 - Education and employment verification
 - <https://cpaverify.org/>
 - <https://ecorp.sos.ga.gov/BusinessSearch>



CFO REQUIREMENT

At the time your charter term begins you should have a highly qualified CFO

Name the person OR provide details of job qualifications and rigorous hiring process

List how their qualifications match state requirements



CFO REQUIREMENT

State Requirements

A baccalaureate or higher degree in business, accounting, or finance from an accredited college or university and a minimum of four years experience in a field related to business or finance; or

Documented experience of ten or more years in the field of business and financial management



IMPROVE YOUR FINANCIAL POLICIES



FINANCIAL POLICIES DEFINED

Financial policies are guidelines or a plan of action for decisions as they relate to financial matters



EFFECTIVE POLICY CHARACTERISTICS

- Clear, Specific
- Current
- Centrally available
- Comprehensive
 - Who, what, when, where (not how!)



BASIC INTERNAL CONTROLS

Performance
Reviews

Information
Processing
Controls

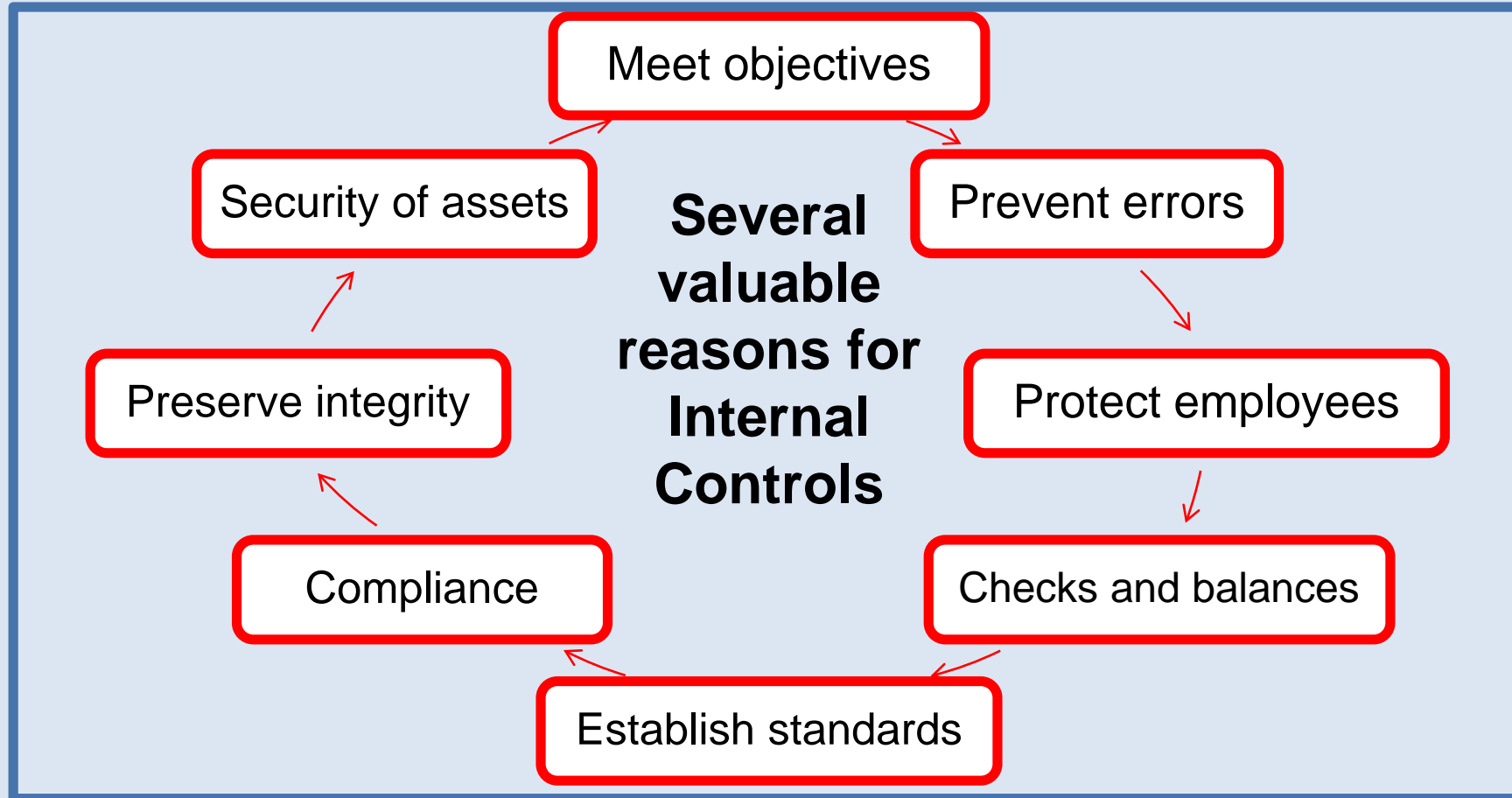
Physical
Controls

Segregation of
Duties

Authorization
and Document
Based Controls



IMPORTANCE OF INTERNAL CONTROLS



DUTIES TO SEGREGATE

The process of reviewing and approving transactions or operations

Authorization

Custody of Asset

Having access to or control over physical assets such as cash, checks, equipment

Process of creating and maintaining records of revenues, expenditures, inventories, journal entries, etc. May be manual records or computerized accounting records

Recordkeeping

Reconciliation

Performing a comparison of actual to balances on ledger. Examples include cash, accounts receivable, accounts payable, etc.



IF YOU CAN'T SEGREGATE, THEN COMPENSATE

■ Compensating Controls

- Reviews and reconciliations conducted by independent parties
- Mitigate the risks of a potential control weakness
- Less desirable than segregation of duties since they occur after the transactions are complete (DETECTIVE not PREVENTIVE)
- Takes more resources to detect errors than to prevent them

Continued on next slide



IF YOU CAN'T SEGREGATE, THEN COMPENSATE

- Examples include:

- Have the Board Treasurer perform a monthly review or a periodic re-performance of bank reconciliations
- Monthly review of detailed revenue and expenditure reports/transactions



ADDITIONAL I/C RESOURCES

- <http://www.gao.gov/greenbook/overview>
- <http://www.coso.org/IC.htm>
- <http://www.gfoa.org/>
- https://register.cviog.uga.edu/ecsprod2/Heading.aspx?heading_id=75



HOW DO YOU KNOW IF YOUR STAFF IS FOLLOWING BOARD POLICIES?

- During FY2020 school monitoring the majority of schools had financial policy related findings
 - 33% of these were due to charter school staff members not following their school's financial policy manual
 - 58% were from not following the GADOE LUA Manual
- What's the point?
- What can you do?
- Compliance Log
 - The date of the activity
 - The trigger/basic description
 - Policy citation
 - Backup documentation



EXAMPLE



IMPROVE YOUR FINANCIAL PROCEDURES





■ Policy

- Guiding principle put in place to give employees direction
- Set by governing body
- Reflect the mission statement of the school
- Sets out what staff can do

■ Procedure

- Set of actions that staff perform
- Step by step instruction that tell employees what to do and when to do it
- Spells out how staff is going to do it

Policies translated into action are procedures.

PROCEDURE MANUAL

- Updated annually
- Protects the school when employees leave
- Adds an additional layer of transparency
- Protects the staff
- Key areas
 - Inventory
 - Purchase process
 - Credit cards
 - ACH
 - Checks
 - Expense reimbursements
 - Cash and check receipt process
 - Payroll
 - DE046
 - Audit
 - Month end/Year end



MONITOR YOUR BUDGET



MONITOR YOUR BUDGET

- Monthly meetings to discuss the budget
- Staff should provide budget projections
 - Comparison of actuals to projections
 - Budget variance summary report
- Budget Amendments
 - At least one per year if necessary



COMMON BUDGET MISTAKES

Overestimating
Funding

Underestimating
Expenses

Including Donations
as a Guaranteed
Source of Revenue

Budget Deficits
w/o Deficit
Reduction Plan

Negative Ending
Cash Amounts

Fuzzy
Assumptions



EXAMPLE



MONITOR YOUR FINANCIAL PERFORMANCE



MONITOR YOUR FINANCIAL PERFORMANCE

- Establish performance goals
 - Should align with the school's strategic goals
- Monitor monthly
 - Create a tool to assess performance
- Hold Staff Accountable



SCSC PERFORMANCE FRAMEWORK DASHBOARD

- What is a dashboard?
- What metrics should we look at?
- Come to the Predicting Your CPF Score session today at 1pm to find out!



Questions

