

# Charter School Fiscal Governance

*Ashley Baquero, Executive Director  
Office of Charter Schools*

# Fiscal Mismanagement

The number ONE reason charter schools close.

Your school is governed by its charter, which is given to the board of directors who ultimately have responsibility for upholding the requirements of the charter.

Board + staff must work together to properly manage charter finances. Financial mismanagement impairs a school's ability to meet its mission of serving students.

# Reference + Recommendation

*fiscally secure*  
by Raj Thakkar

# Fiscal governance is all about roles and responsibilities

WHO is doing what, when, where, why, and how

# Step 1: board + staff fiscal knowledge/training

# Board + Staffing Necessities

- The “good with math” math teacher does not equal finance staff.
- Hiring vendors/consultants does not absolve the board from the ultimate responsibility of fiscal governance.
- No school can afford to pay for someone’s steep learning curve.

# Scenarios

Any concerns? If so, what's the solution?

1. Two years after hiring your finance director, you discover he was previously indicted for fraud. Internal investigation finds there was not a thorough background check completed prior to hiring.
2. Your admin and board have limited to no background in finance yet are responsible for approving financial deliverables.

# Board + Staffing Necessities

- Highly recommend having someone with accounting/finance experience on your board EVEN if you hire outside consultants to handle financials.
- Highly recommend fiscal training to all board members - basic financial terms/concepts and how they apply to the financial structure of your school.



# Board + Staffing Necessities

Reviewing the cash balance and annual audit is not enough to maintain proper fiscal governance.

True story time: charters with no review of annual audit or financial information at ANY board meetings. Inexperienced “friends” handling financials. One person to rule them all.



# Reflection Questions

- Is the person overseeing the school's finances qualified, knowledgeable, and patient enough to explain fiscal matters to laypeople board members and school staff when needed?
- Has your school engaged a qualified resource to lead workshops re fiscal concepts/governance?
- Do board members receive monthly financial reports? Review annual audits in a meeting with discussion?

# Step 2: Financial Policies and Procedures Manual (FPPM)

Financial policies clarify the roles, authority, and responsibilities for essential financial management activities and decisions. In the absence of an adopted policy, staff and Board members are likely to operate under a set of assumptions that may or may not be accurate and productive."

– Propel Nonprofits [www.propelnonprofits.org](http://www.propelnonprofits.org)

# FPPM Basics

- **Who** does what in terms of all school financial transaction
- **How** your restricted and unrestricted funds are managed

The FPPM should be vetted or drafted by experienced financial professionals and approved by the board of directors.

# FPPM Basics

Board members should know the FPPM, review it annually, and it should be board approved.

Any staff members handling financial transactions, records, etc. should also be knowledgeable about all FPPM policies and procedures.

# FPFM what to cover

- internal control structure
- accounting method and procedures
- cash receipts and revenue
- purchases and cash disbursements
- cash management
- payroll
- property and equipment
- debt, contracts, leases
- audit preparation
- nonprofit upkeep/IRS Form 990 preparation
- budgeting and budget approval process
- third party contracts
- access to funding/petty cash
- records retention
- federal funds/grant management
- conflict of interest
- cybersecurity/privacy - systems access

# FPPM - problem areas we are seeing more often ... preparation = prevention

- federal funds/grant management
- conflict of interest - knowledge of how to evaluate and handle as a board
- cybersecurity/privacy - systems access

Establish a chain of command, document it, and follow it.

There should never be ONE person with access to important systems.



# Hard truths

Fraud can occur despite having a perfect FPPM, but it reduces the likelihood of it occurring.

A beautiful FPPM is worthless if it is not understood and followed.



# Step 3: Understand the value of finance, operations, and development

# Problem

School leaders are often too focused on the academic side of the house and do not recognize the complexity and volume of work involved for finance and operational staff.

School leaders/board do not budget enough for quality staff in these areas. The repercussions of not hiring enough staff or not outsourcing to a qualified service provider multiply quickly.

# Solution: Understand and value these roles

Every school needs front office/ops team ppl to handle: records, enrollment/withdrawals, lunch, transportation, technology, school programs, facilities and administrative aspects. Includes folks like director of ops, office manager, facility manager, tech support, admin assistants.

Back office staff needed includes finance manager/director, bookkeepers, accountant, payroll specialists - this will look different depending on size of school and whether you outsource or handle in-house.

# Solution: Understand and value these roles

Schools should also be clear on who exactly is managing development duties. How you plan to and need to raise funds.

School leader? board? both? This requires a significant amount of work esp. if the school is bringing in time or purpose restricted funding.

# Solution: Understand and value these roles

Are you a school leader doing it ALL?

Provide this presentation to your board.

Advocate for help in the areas of operations, finance and development.

Call OCS and DPI when you have questions. There are no dumb questions.



# Step 4: No blurred lines between board and school leadership responsibilities

# Problem

Dysfunctional relationships between board and school leadership because roles get crossed and/or confused. One side micromanages or mistrusts the other.

the board GOVERNS  
the school leader MANAGES



# Solution: clear roles/responsibilities

Board and management must take time to clarify exactly who is responsible for each key duty.

Divide key duties between finance team, leadership/management team, finance committee, and board of directors.

Ensure the board governs the big picture and management handles the details.

# Solution: clear roles/responsibilities

The board's role is oversight

- interpret and guide the programmatic, financial, operational, and legal health of the nonprofit in accordance w/the school's charter and long/short term goals.

# Solution: clear roles/responsibilities

The board's role is oversight

- From the financial perspective the board should have its pulse of fiscal operations of the school.
- Ensure proper resources, policies, and procedures in place to safeguard the school's assets.
- Review and analyze financial statements, budgets, reports, and forecasts **regularly**.

Boards have a FIDUCIARY and LEGAL responsibility to identify and mitigate fiscal risks.

# Solution: clear roles/responsibilities

Management tracks and communicates to boards:

- enrollment trends/data
- programmatic status
- revenues
- expenses
- cash flow + forecasts
- key financial metrics

School leaders must be able to identify and communicate financial strengths and challenges.

# key financial duties

1. FPPM creation/review
2. Open/close of bank accounts
3. selected auditor (diff from back office team who prepares for audit)
4. revenue tracking
5. enrollment tracking
6. creating and updating budgets
7. creating and maintaining the org chart w/roles + reporting
8. insurance needs
9. creating and comm financial reports
10. review/approve audited financial statements
11. review/approve IRS form 990 tax returns
12. complying w/reporting requirements

closing point: your charter school's fiscal health is **NOT ONLY** the responsibility of the financial staff or vendors/consultants.

# Resources + Links

[Sign-up for OCS Newsletter](#)

[Cornell University has some great resources for designing internal controls + risk mitigation](#)

[Propel Nonprofits Resources](#)

[National Council of Nonprofits](#)

[fiscally secure book](#)

# How to Stay in the Know...



OCS Weekly Newsletter



Leadership Blasts



Newsletters from  
Other DPI Offices

Office of Early Learning  
Office of Exceptional Children  
School Business  
Others



Systems Guidance

EpiCenter  
Infinite Campus  
Records Request  
EDDIE



Connect:: [ocs@dpi.nc.gov](mailto:ocs@dpi.nc.gov)



@NCCharterOffice



# TEAM OCS ([first.last@dpi.nc.gov](mailto:first.last@dpi.nc.gov)) [ocs@dpi.nc.gov](mailto:ocs@dpi.nc.gov)

Ashley  
Baquero,  
Director

Jenna Cook, Renewals, Risk, Reports/Rules,  
Performance Framework, School Improvement

Joseph Letterio, Performance Framework, External  
Support, Communications & Data

Nicky Niewinski, Reports/Rules, SBE/CSRB, Risk &  
Renewals, School Improvement

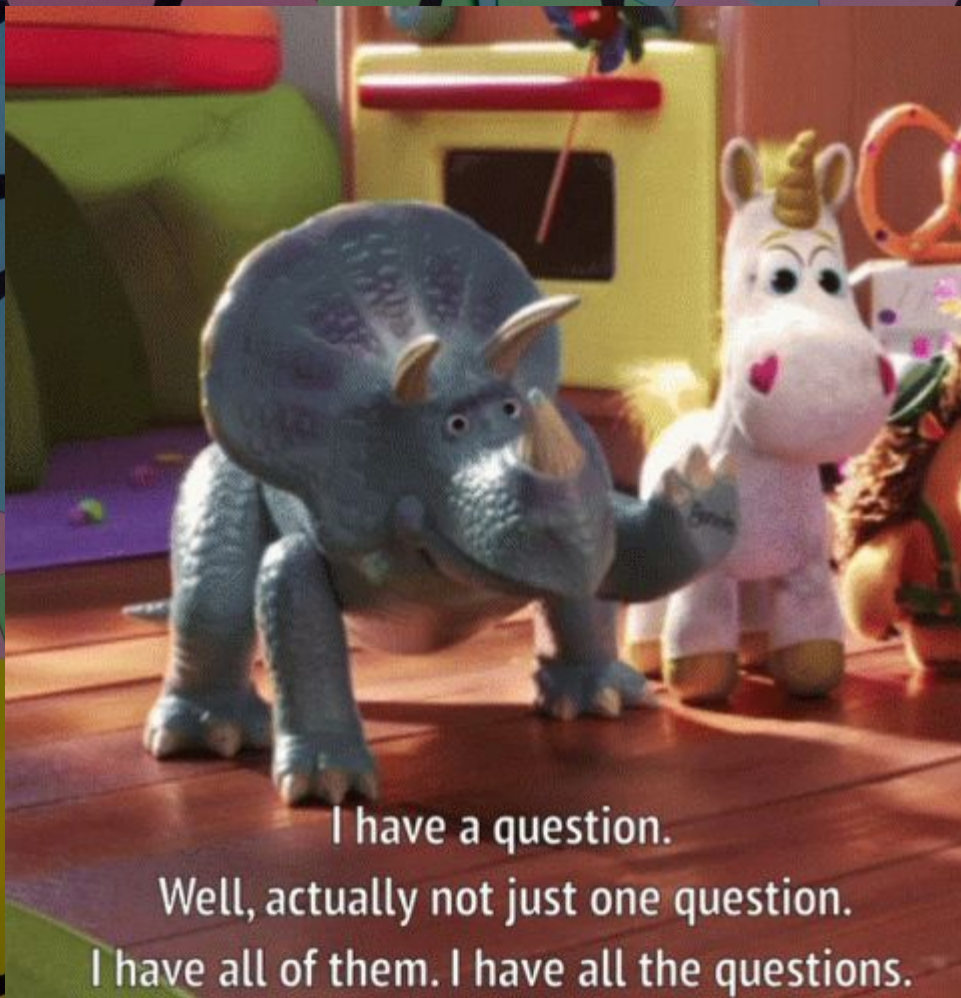
Dr. Natasha Norins, RTO/Planning Year, External  
Support, & School Partnerships

Melanie Rackley, Applications, Amendments,  
Reports/Rules

Dr. Brandi Gill, External Support, School  
Improvement & Risk

Megan Carter, Performance Framework, Risk,  
School Improvement & Renewals

Julie Whetzel, Applications, RTO, Amendments &  
External Support



I have a question.  
Well, actually not just one question.  
I have all of them. I have all the questions.

# Charter School Risk Mitigation

*Ashley Baquero, Executive Director  
Office of Charter Schools*



# Fiscal Mismanagement

The number ONE reason charter schools close.

Your school is governed by its charter, which is given to the board of directors who ultimately have responsibility for upholding the requirements of the charter.

Board + staff must work together to properly manage charter finances. Financial mismanagement impairs a school's ability to meet its mission of serving students.

# Reference + Recommendation

*fiscally secure*  
by Raj Thakkar

*The best way to take care of the future is to take care of the present moment.*

Thich Nhat Hanh

# Risk Mitigation Strategy #1 - Use systematic ways to file and locate documentation

*IT ONLY HAPPENED IF YOU HAVE PROOF*

# Issue

Charter schools are funded w/public dollars. As such there's a great deal of scrutiny.

It only happened if you have sufficient proof with appropriate sign-offs from the authorized signatories in your fiscal procedures and policies manual.



# Fix

Set up a document storage system that is intuitive, easy to follow, and not specific to any one person or small number of people.

Have backups.

Do not “one person to rule them all.”

Create a naming convention all follow.

Know records retention laws.

# Resources

[Tax exempt record requirements](#)

[Guidebook for nonprofit organizations](#)

[Document retention policy examples](#)

# Risk Mitigation Strategy #2 - prevent audit missteps

# Issue

Annual audits are required. Don't underestimate the process, value, and importance of the annual audit.

# Fix

- Take the time to select an experienced auditor/firm.
- Should review that relationship about every five years and change firms or lead (if not changing firm).

# Fix

- Educate your board, leadership, finance, and operations team on what auditors request and why.
- Follow your financial policies and procedures.
  - having and following these help you prepare throughout the year
- Respond quickly to auditor requests.
- Leverage your auditor throughout the year.

# Fix

- The board and school leadership should have a public board meeting dedicated to presenting and reviewing the audit, and determining next steps/corrective actions needed.

# Hard truths

An unqualified opinion from an auditor does NOT equal a completely clean bill of health for your school.

The purpose of an audit is to provide assurance that financials are fairly stated at a given time. It is not meant to be an in-depth analysis of the school's financial future and CANNOT be used as an excuse to get lazy about your processes and policies.





# Resources

[NC Treasurer Audit Resources/Acct firm directory](#)

legal reference

**§ 115C-218.30. Accountability; reporting requirements to State Board of Education.**

# Risk Mitigation Strategy #3 - Prevent Budget Missteps

*A budget is more than just a series of numbers on a page; it is an embodiment of our values.*

Barack Obama

# Issue

Budgets based on “gut instincts” and “passion” as opposed to research and informed assumptions.

This occurs most with launching new schools or scaling existing ones.

# Fix

- When estimates are resting on research, ideally for every single line item in the budget, you'll arrive at a realistic, achievable, and balanced budget.

# Fix

- MUST use research to anchor your budget with the key elements - enrollment max and enrollment break even (or floor).
- Max is the absolute max number of students you can take in, based on statute, space, etc.
- Break even is the minimum number of students you can enroll in order to make the budget “break even.”

# Fix

- Need to know what is required as opposed to “nice to have.”
  - State requirements for licensed staff (salaries may differ).
  - Technology and cyber security requirements
  - Facility and safety requirements
- Understand differences between operating and capital budgets.
  - Operating - short term, revenue/expenses projecting surplus or deficit for the fiscal year.
  - Capital - long term, investments in assets such as technology, equipment, property etc. and considers depreciation and/or interest and its impact on the operating budget.

# Fix

- Keep it simple
  - All stakeholders should be able to follow the logic.
  - It should align w/your chart of accounts so it can easily be entered into the accounting system/reporting.
  - Track assumptions and keep detailed notes so budget variances can be communicated clearly.
- Choose wisely between “easy-hard” or “hard-easy” - Invest the time up front



# Fix

- Decide timeline for budget review and approval. Give time for everyone to review, discuss, align.
  - Finance committee
  - Finance team
  - School leadership
  - Board

# Risk Mitigation Strategy #4 - Know the proper use of funding toward expenses

# Issue

Some funds come w/purpose or time requirements and must be used toward specific expenses or assets w/in certain time frames.

Being unaware and misspending can lead to noncompliance, return of monies, or other consequences such as not receiving future funding.

# Fix

- Gain clarity on the proper use of funding toward expenses.
- Read and reread the details of grant agreements.
- Complete monthly tagging of expenses and assets. This helps you know you've spent every last dime against each restricted funding sources w/out going over or under and prevents double dipping (applying funds from two or more sources to cover same expense).

# Risk Mitigation Strategy #5 - Failing to PROACTIVELY mitigate risk



# Issue

General underestimating organizational risk and what it takes to run a charter school.

Ignorance is not an excuse for noncompliance.

# Fix

- Understand rules and regulations
  - Assign a point person or team to keep up
  - Proactively check with DPI and other agencies
  - Consult legal proactively
- Provide PD to both staff and board



# Fix

- Regularly review policies
  - Calendar these reviews
- Be ready to detect and address fraud of all kinds
- Implement total transparency between board and leader
- Consider hiring a certified fraud examiner or auditor to proactively identify risks periodically

# Fix

- Build a strong relationship with the board's finance committee
- Finalize, disseminate, and edit reports on time
- Review finances on an agreed upon basis
- Stop throwing people at problems and consider creating efficiencies via technology
  - Select a lead to pilot changes first

# Fix

- Value your team!!
- Make it comfortable to share feedback
- Role clarity
- Prepare for departures
- Discuss annually what to start, stop, continue and revise.

# Resources + Links

[Sign-up for OCS Newsletter](#)

[Cornell University has some great resources for designing internal controls + risk mitigation](#)

[Propel Nonprofits Resources](#)

[National Council of Nonprofits](#)

[fiscally secure book](#)

# How to Stay in the Know...



OCS Weekly Newsletter



Leadership Blasts



Newsletters from  
Other DPI Offices

Office of Early Learning  
Office of Exceptional Children  
School Business  
Others



Systems Guidance

EpiCenter  
Infinite Campus  
Records Request  
EDDIE



Connect:: [ocs@dpi.nc.gov](mailto:ocs@dpi.nc.gov)



@NCCharterOffice

# TEAM OCS ([first.last@dpi.nc.gov](mailto:first.last@dpi.nc.gov)) [ocs@dpi.nc.gov](mailto:ocs@dpi.nc.gov)

Ashley  
Baquero,  
Director

Jenna Cook, Renewals, Risk, Reports/Rules,  
Performance Framework, School Improvement

Joseph Letterio, Performance Framework, External  
Support, Communications & Data

Nicky Niewinski, Reports/Rules, SBE/CSRB, Risk &  
Renewals, School Improvement

Dr. Natasha Norins, RTO/Planning Year, External  
Support, & School Partnerships

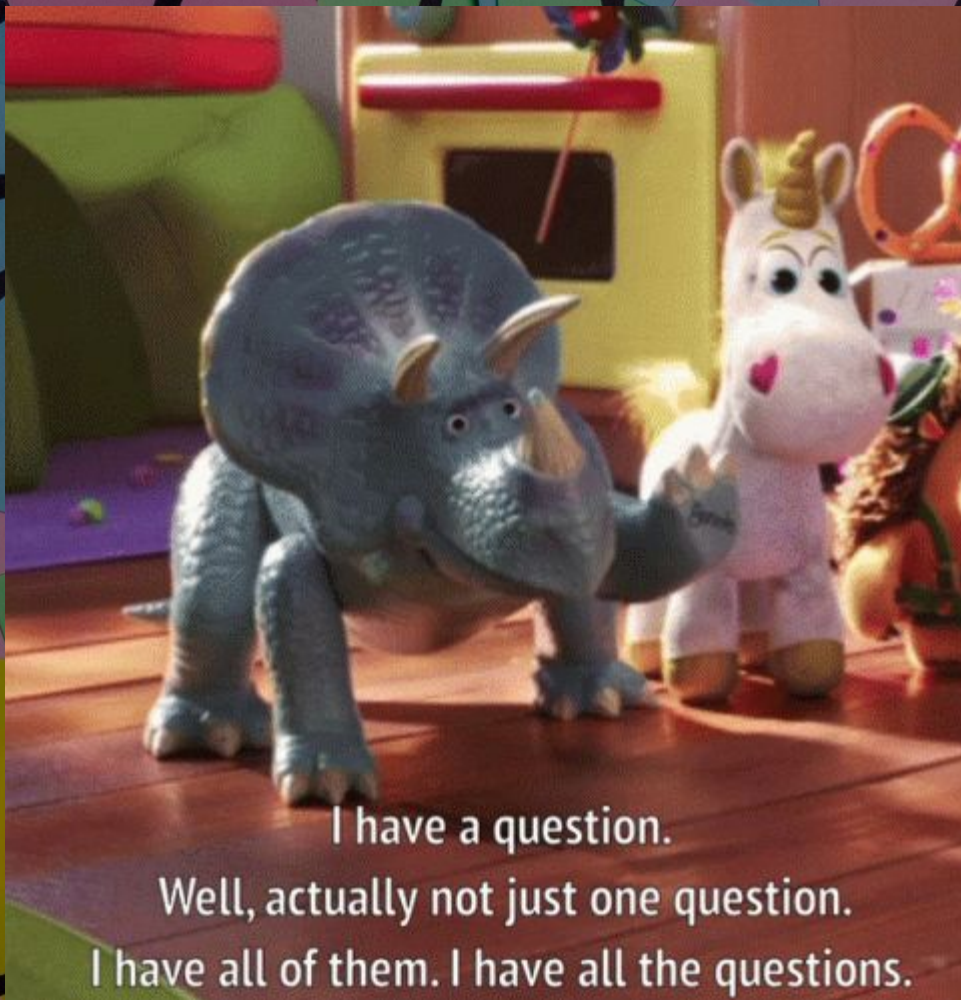
Melanie Rackley, Applications, Amendments,  
Reports/Rules

Dr. Brandi Gill, External Support, School  
Improvement & Risk

Megan Carter, Performance Framework, Risk,  
School Improvement & Renewals

Julie Whetzel, Applications, RTO, Amendments &  
External Support





I have a question.  
Well, actually not just one question.  
I have all of them. I have all the questions.