

## Objectives in Sight

*The financial well-being of your district relies on the sharp vision of its board members. Remember, clear vision can help distinguish a solution from a catastrophe*

**S**eeing the light at the end of the tunnel has two meanings. It could mean you are reaching the end of a difficult situation. On the other hand, that light may mean you are about to be hit by a speeding train.

Clear vision can help distinguish a solution from a catastrophe, as you can see from this example: In 2006, five Wisconsin school districts attempted to shelter themselves from increasing costs associated with employee retirement. District leadership wanted a safe funding source for retiree health care premiums. Although their goal was prudent, their investment salesman and his brokerage firm misled the districts about a high-risk deal, which was inappropriate for school districts. As a result, the district lost \$200 million. The final outcome has yet to be decided by the courts.

The financial well-being of any school district relies on the sharp vision of its board members. Trust the many functions of sight to strengthen your board's effectiveness. For example, enhance your insight into money matters by collaborating with administrators and expanding your knowledge base. Foresight and hindsight can help you anticipate problems and learn from past decisions. Combined, these strategies are essential components for the oversight necessary to guide your

district toward its mission.

### Look now

Insight relies on penetrating mental vision to discern the accurate meaning of a situation. Of course, developing a working knowledge of how a district operates requires a steep learning curve. The range of subjects confronting a board can be overwhelming, especially for new members. For example, financial matters, along with their associated regulatory requirements, often differ significantly from transactions encountered in private life or in the business world.

In addition, because school districts are not typically for-profit enterprises, accounting methods are different. Regulations require adherence to strict bidding procedures and avoiding conflicts of interest. Furthermore, state mandates regarding investment policies are more restrictive, since school districts manage public monies.

Understandably, board members are sometimes uncomfortable asking questions regarding the intricacies of district finances because they are reluctant to reveal gaps in their knowledge. Although board members need not be financial experts, sufficient knowledge is necessary to understand financial reports and the procedures necessary to protect district funds and assets.

This is why savvy individuals work diligently to cultivate insight into district operations and regulatory guidelines.

For instance, you can learn about finance matters by meeting with the district's business manager. Ask questions freely, emphasizing the goal is to expand your knowledge base rather than critique the official's performance. If necessary, ask for a thorough orientation to reports used to update the board.

Also, keep up with current events impacting education in your community. The announcement of a new housing development or manufacturing plant closing could have drastic effects on your budget. Similarly, legal or political issues such as tax caps or expensive state mandates may alter finances in your district.

Familiarizing yourself with district finances, asking questions as necessary, and being alert to community events will strengthen your insight and enhance your decision-making abilities.

### Look forward

Foresight is the ability to anticipate problems before they develop. Fine-tune yours by actively participating in your state school boards association. These groups provide access to information regarding new developments in educational research and changes in education law.

They also keep school boards informed about state and national legislation that may have a significant effect on school budgets. In addition, they provide a formidable and respected voice advocating for school districts. Add your voice to theirs. Lobby for additional financial aid or oppose

government actions that impose unfunded mandates or other restrictive requirements.

School boards associations also provide learning opportunities for board members through conferences, seminars, webinars, face-to-face training, and publications. They offer access to a network of seasoned board members and professional staff. Tapping into their expertise is an excellent way to strengthen your ability to anticipate problems.

Finally, these associations also promote the sharing of information among districts, allowing you to benefit from the experiences of others. These resources will enhance your understanding of the financial and educational dilemmas you confront. Educating yourself will assist you in anticipating the impact of your decisions before you make them.

### Look back

Hindsight is understanding the nature of a past event. It is a valuable learning tool. Board members often find it challenging to acquire a historical perspective of their district's past financial decisions. However, understanding how these decisions were made will enhance your ability to evaluate current options. You will be better prepared to anticipate the potential pitfalls and consequences of any strategies now under consideration. Change without knowledge of all relevant factors can unwittingly set your district on a path toward financial difficulty.

Where can you find the data you need? Information related to past board decisions may be readily available in board meeting minutes. You also may arrange to speak directly with past board members to gain their perspective. Be sure to talk with individuals who opposed the decision as well as supporters. Naturally, if you discover prior errors, avoid publicly assigning blame.

While many deride the concept of "Monday morning quarterbacking," the

practice can serve as a valuable learning tool. History does repeat itself. When the outcomes of past decisions are positive, we can learn much. However, it is risky to assume that all the decisions were well informed and effective. Be curious. Choose which history you will repeat.

### Look over

Oversight is the process of providing responsible regulatory supervision. Perhaps the most important duty of a school board is to ensure that taxpayers' funds are used wisely. Astute oversight is essential if your district is to offer students the best possible educational experience.

In order to monitor district spending and investing activities, board members must know which questions to ask and how to ask them skillfully. Unfortunately, questions about sensitive financial matters are sometimes perceived as a challenge to an administrator's integrity. Therefore, it is critical to seek answers in a respectful, non-threatening manner. No need to sound like a prosecutor. By helping administrators understand that questions are necessary to further the board's knowledge, you minimize the potential for misunderstanding.

Of course, sometimes asking questions is not enough. When boards need in-depth help with oversight responsibilities, resources are available. Across the country, boards are enlisting the help of knowledgeable individuals by creating audit committees. When carefully constructed, an audit committee can supplement the financial and regulatory expertise found within the board's membership. Reporting directly to the board, committee members are charged with assisting the board but have no management authority.

Composition of the audit committee is important. Depending on state regulations, audit committees may include board members as well as others. Often, you can recruit community

members with financial, audit, or business expertise. State regulations vary regarding the inclusion of administrators. While administrators can certainly provide valuable insights, including them may hinder independent oversight.

Sometimes administrators are appointed as ex-officio members. While they are able to advise and provide context to district operations, they can be excused when auditors present their reports to the audit committee or board. This allows auditors to discuss their reports independently and share concerns freely.

Be thoughtful when introducing the concept of an audit committee to administrators. Emphasize the board's duty to provide financial oversight. Assure administrators that it is in their best interest as well to embrace the concept, because having an audit committee provides fiscal transparency. Both the board's and administration's credibility within the community will be enhanced.

Serving on a school board is a powerful opportunity to make an enduring contribution to your community. But it also carries weighty responsibilities. Whether overseeing spending or investing, be certain you fully understand the transaction. Ask all participants in the deal to disclose their financial relationships. If necessary, ask for help. Seek advice from district auditors or regulators such as the state comptroller. And be aware that, in an effort to solve a problem, it is all too easy to be misled by a solution that will cause more harm than good.

While eyesight may not always be 20/20, the astute vision of your board may very well protect your district from the heartache of being blindsided. ■

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