

Fiscal Crisis to
Financial
Solvency
through
Best Practices



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INVEST IN **YOURSELF** IGNITE **OTHERS**



Introductions

Speaker: Dr. Douglas A. Wood
President & CEO Leadership Management Solutions, LLC
IASBO Field Representative
Retired Superintendent



Speaker: Charlotte A. Montgomery, CPA, CSBO, SFO
Ball-Chatham CUSD #5
Chief School Business Official



Moderator: Crista Rigg
West Prairie CUSD 103
District Business Manager



WEST PRAIRIE
COMMUNITY UNIT SCHOOL DISTRICT 103



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What is important to you as a leader

- Why do you exist in your current role?
 - Be clear about your role
- Who is dependent on your success?
 - Be clear about who you serve as a leader
- Why is it important for you to succeed?
 - Be clear about your purpose/outcome



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Challenges

- FBI and District Attorney interviews regarding previous administrations
- We had a generous revenue stream, but an out-of-control spending problem
- Financial fraud
- Building trust and buy-in from community and staff
- Dealing with Unions that see any new revenue as theirs
- Hiring new teachers after previous administration released teachers to cover contract cost
- Explaining compounding contract costs (steps and cells)
- Decoupling incestual relationships



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Guiding Principles

1. **Goals and Outcomes must define your mission.**
 - If it does not begin or end with, “its best for student”, we must adjust our sails.
2. **Respect is non-negotiable.**
 - Regardless of how others may or may not treat you, never change the respectful manner with which you treat them.
3. **Work from the assumption of good.**
 - Assume people have the best of intentions and are seeking the best outcome.



CREATING THE CLIMATE FOR CHANGE

COMMUNICATION IS KEY



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Strategic Planning

- KISS Philosophy
 - Keep It Simple Stupid
- What must you do to achieve your goals and outcomes
 - Specific and Attainable
 - Align your human resources to maximize your financial resources
 - Make the hard decisions early
 - Put on your floaties before you jump in the pool
- Our Community Makes It Possible
- Our Staff Makes It Attainable
- Our Students Make It Happen



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Financial Stewards

- Responsibility to Taxpayers
- Independent Audit
- Setting Financial Boundaries and Expectations
- Cultivating Trust
- Professional Autonomy
- Spend Money to Make Money (Maximize Monetary Assets to Increase Net Revenue)



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IMPLEMENTING AND SUSTAINING

NOW THE REAL WORK GETS
UNDERWAY.



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Maximizing Strategies

- Keep Board of Directors Informed
- Working with Labor Unions
- Support Autonomous Decision Makers
- Establish Key Communicators
- Know your Detractors
- Provide Opportunity to Acknowledge Contributions
- Symbiotic Relationships
- Develop at the Graduate Level. Be prepared to explain it at an elementary level
- Hire team members that compliment your style



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Psychology Behind Decisions

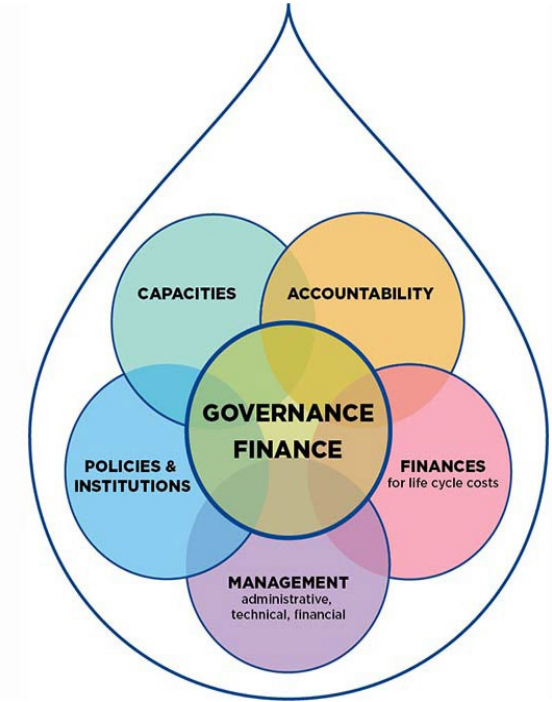
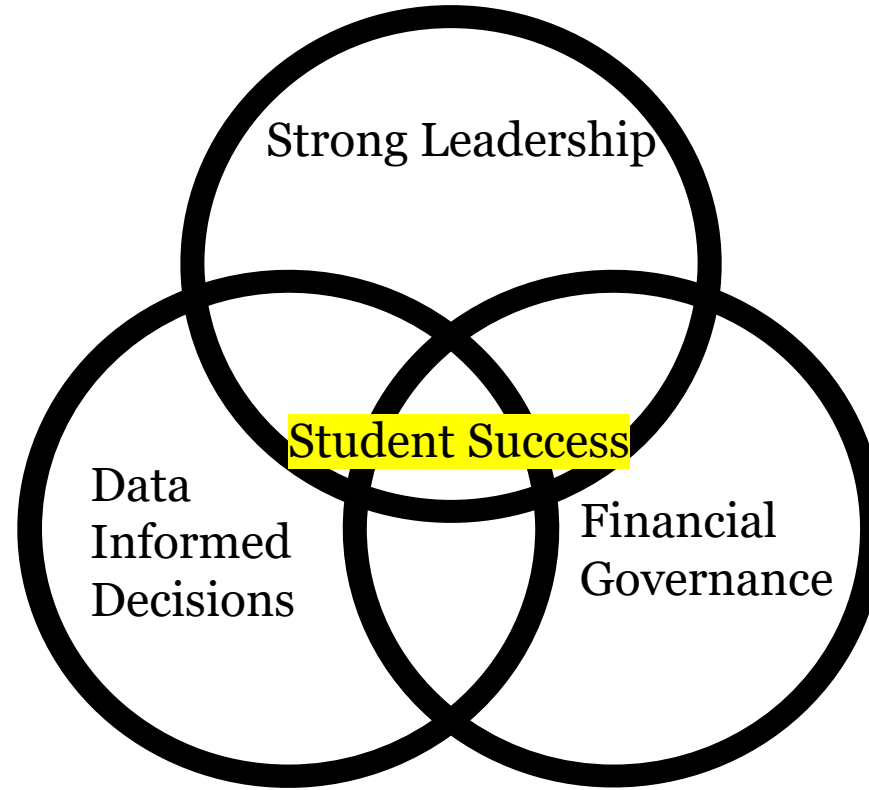
- Educational Entrepreneurs
- Encourage Risk Taking
- Trust your Gut
- Track and Manage Patterns
- Accept Responsibility
- Never allow others to cause you to treat them differently.
- Data has no feelings
- Distinguish Difference: Personal vs. Personnel
- Lead with Courage



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Words to lead by....

“In matters of style, swim with the current; In matters of principle, stand like a rock.”

Thomas Jefferson



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**KNOW WHEN AND
HOW MONEY CAN BE
WALKING OUT THE
DOOR**



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Importance of Internal Controls

- Internal controls refer to established procedures which provide assurances that assets are safeguarded, and financial records are correct.
- Internal control procedures promote the effectiveness and efficiency of an organization's operations.
- Specific internal control policies and procedures are established by board and administration, carried out by line staff, verified by internal auditors, and reviewed by external auditors.



WITHOUT INTERNAL CONTROLS



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GUIDLING PRINCIPLES

- Segregation of Duties
- Authorization and Approvals
- Safeguarding Assets
- Review and Reconciliation
- Training and Supervision
- Cost Benefit Analysis of the Implementation of an Internal Control
- Monitor and Assess
- Review and Evaluate



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INTERNAL CONTROLS CIRCUVENTED

- Inadequate Staffing Levels
- Ineffective Communication
- Lack of Reinforcement Training
- Modification of an Internal Control
- Management Override
- Employee Collusion
- No accountability



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FINANCIAL RED FLAGS

- Missing Documents
- Excessive Journal Entries
- Multiple Duplicate Payments
- Spikes in Invoice Volume
- Increase Credit Card Use
- Unexplained Variances
- Adjustments to Bank Reconciliations



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FINANCIAL RED FLAGS

- Event Ticket Sales vs. Event Revenues
- Fundraiser vs. Expectations
- Vending Machine Revenues
- Food Service Operations in the Red
- No Bid Contracts

KEY TO FINANCE OVERSIGHT

- Decline in Revenue Expectations
- Increase in Expenditure Expectations



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EMPLOYEE RED FLAGS

- Disgruntled Attitude
- Resists Time Off or Cross Training
- Living beyond Their Means
- Lifestyle Changes
- Nervousness During Audit
- Pattern of Skirting Internal Controls
- Works After Hours
- Wants to Change Auditors



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WAIT

**EVEN WITH ALL THOSE
STRATEGIES
MONEY CAN BE STILL
WALKING OUT THE
DOOR**



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OTHER NEGATIVE IMPACTS TO FINANCES

Food Service:

- Hoarding.
- Cafeteria staff making more than needed to take home leftovers.
- Ordering more than need leading to either waste or donating to staff.
- Meal costs exceed revenues received.
- Meal portions are too large leading to waste.
- Poor meal selection – kids throw it in the trash.



OTHER NEGATIVE IMPACTS TO FINANCES

Operations and Maintenance:

- Hoarding.
- Not utilizing product/equipment as intended.
- Deferring maintenance resulting in higher costs in the future.
- Improper storage of chemicals making them ineffective.
- Using more than recommended quantities for the task at hand.



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OTHER NEGATIVE IMPACTS TO FINANCES

Principals and Instructional Staff:

- Hoarding.
- Mentality of spend it or loose it.
- Purchases not competitively bid.
- Ignoring instructional technology that could save resources.
- Not using the vendors who provide discounted pricing.



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OTHER NEGATIVE IMPACTS TO FINANCES

Superintendent and/or Board of Education:

- Ignoring Best Practices.
- Not following fiscal and/or auditor recommendations.
- Allowing personal bias to impact a decision.
- Conflicts of Interest.
- Champagne taste on a Beer budget.
- Allowing unions to bully for higher wages.



SOLUTIONS

- Conduct analysis on meal cost for pricing structure.
- Reduce meal portions and limit waste.
- Analyze meal production costs, i.e. staffing, food and supplies.
- Implement a freeze on spending. Only spend for current year use.
- Clear communication on budget limits.
- Communicate the financial impact of any decision regardless of who is making that decision.



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IN CONCLUSION

The Board of Education, administration, and staff should be well versed on policies, procedures, expectations, budget limitations, and the importance of internal controls. They should monitor processes, listen to external auditors' recommendations, support board and staff training, and keep an open-door policy so staff can feel free to communicate an effective idea, or report when a process or procedure is not working as intended. These open lines of communication are a key factor in the success or failure of a district's financial health.



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Presenters:

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