

# The Successful Charter School Business Official

*What happens on a typical day in the life of a charter school SBO?*

By Richard Weeks, RSBA



**S**ince the start-up of what is regarded as the first public charter school in St. Paul, Minnesota, in 1992, charters have popped up in nearly all states, the District of Columbia, and Puerto Rico. The public has been drawn to the charter movement because of its private-sector market principles, including an emphasis on autonomy and accountability.

Many charter schools do not succeed. According to an analysis by the Center for Education Reform (Consoletti 2011), 5,250 charter schools opened between 1992 and 2009. During that time, 657 charters closed,

with reasons cited such as poor academic performance (14%), mismanagement (27%), and various means of financial deficiencies (41%).

## Working in charter schools is challenging, and there are lessons to be learned.

Many charter schools retain their own school business officials; others outsource business services to public schools, higher-education institutions, or for-profit management corporations. Working in charter schools is challenging, and there are lessons to be learned from those who succeed in keeping their schools from failing because of financial deficiencies.

Based on the real-life experiences of school business officials, let's follow a typical school day at your local charter schools with Tom, Mariana, and Nicole.

### The Day Begins

At 7:20 a.m., Tom is on the phone with the school bus dispatcher. Per state regulations, the town provides transportation for all students, including his charter school. This morning, the students will be arriving at school later than usual because of weather conditions, so Tom will dispatch a robocall to parents upon their children's safe arrival.

Tom's job title is director of finance, but the title indicates only one part of his responsibilities. Yes, Tom is a full-charge bookkeeper who handles most financial matters, including all accounting, payroll, accounts receivable, and annual budget preparation. He supervises one part-time bookkeeper, who manages purchasing, accounts payable, daily cash receipts, and other nonbusiness duties. He also manages the school's facilities, coordinates all grant applications, and maintains personnel records and files.

Tom worked alongside volunteer parents to install exterior security cameras and signage in the parking lot

during a holiday vacation. Local building and health inspectors call on him because he has the institutional history to help them during their periodic site visits.

His employment agreement calls for an onsite commitment of 40 hours per week. He rarely works fewer than 60 hours, including evenings and weekends.

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It is Tom's fourth year as business manager at this charter. He has observed a nearly 20% turnover in administrative staff annually, requiring him to continually orient new personnel to business office policies and procedures. He has the confidence of his board of trustees because of his diligent bookkeeping and his overall flexibility.

### Midmorning and Off to Class

Mariana has just completed data entry for the outsourced payroll company. It took her approximately four hours to process and transmit the information to the company, including enrolling two new employees, collecting time sheets from part-time workers, and processing new 403(b) annuity requests. Mariana is assisted by a part-time bookkeeper. With limited staff, the trustees retained a human resources consultancy to assist in personnel matters. The HR consultant is contacted several times a week. She provides guidance in the completion of state and federal forms, correct employee payroll deductions, and benefits procurement.

## In addition to serving as the director of finance, she is required to teach a class.

Now, Mariana is off to teach her advanced-placement economics class to eight seniors. Yes, in addition to serving as the director of finance, she is required to teach a class at her school. Later this month, she will participate in a Saturday retreat on study skills with all staff and students. That professional development opportunity must be effective, because the students score in the highest percentile on the annual Common Core-aligned assessments.

Mariana is successful because she fully embraces three commonly accepted tenants of charters: (1) her efforts must help her school achieve academic success; (2) she must contribute toward the mission of the school, as spelled out in the charter agreement between its founders and her state's department of education; and (3) she must work closely with her executive director to make the school organizationally viable.



### Lunchtime Work Time

Because of her city's high poverty rate, nearly all of the 300 students at Nicole's charter receive a free or reduced-price breakfast and lunch. As the students enjoy camaraderie over a nutritious hot lunch, Nicole is dining at her desk and completing a stack of paperwork, including updating the computer database for newly qualified participants and preparing monthly claim forms for her state department of education.

When the cafeteria manager is absent, Nicole oversees the preparation and serving of meals and handles student transactions.

Charters draw on private-sector business nomenclature in describing their operations. They broaden the business office to include other functions, commonly referred to as "back-office" tasks. Nicole's job title is operations specialist, and she reports to the director of finance and operations. Her success is attributable to training, experience, flexibility, and accessibility. Including purchasing and procurement, Nicole handles all trip planning and scheduled events at the school. Her board of trustees trusts her to manage many of the fund-raising activities and community outreach programs.

Many charters recognize the industry standard and employ one back-office specialist per 150 students. Because many charter school corporations have multiple schools, the number of back-office personnel can become expansive. Figure 1 outlines the number of back-office personnel in varying sizes of charters; they are counted as full-time equivalent employees.

On the organizational charts of many charters, most employees generally report to the executive director, regardless of who supervises or who is supervised. The executive director reports to the board of trustees. These schools have lean institutional hierarchies.

To reduce the potential for fraud, charters keep duties segregated. Back-office personnel are responsible for accounting on the financial management software,

preparing reports, handling cash, preparing checks, and overseeing the use of credit and debit cards, as well as for all purchasing and procurement. The executive director is the signatory for all checks and contracts. A trustee is designated the backup signatory in the absence of the executive director. In larger charter corporations, the chief financial officer has the authority to sign checks and contracts, along with the executive director.

## Nicole handles all trip planning and scheduled events at the school.

The end of the month is looming, so Mariana will spend a few moments with her executive director, reviewing and initialing the monthly close checklist. Mariana is using a helpful management tool prepared by former ASBO International director Shirley Broz (see Figure 2).

Because nobody with financial expertise is on-site to oversee her work, Mariana is on her own. The school's auditor advised her to maintain a monthly checklist and to review it with her executive director to ensure that the fiscal operations are accountable. In addition to working in a school, Mariana is the de facto finance manager of a small business. The executive director and trustees need to know whether the reported transactions of the previous month's bank statements were posted to the general ledger. Were asset depreciation, prepaids, and accruals adjusted correctly? Did Mariana post all the employee payroll and related benefits and expenses that the outsourced payroll company submitted to her? The monthly close checklist would also be useful for public school business officials with considerable financial responsibility who work independently.



## Late-Afternoon Meeting with Finance Committee

Today's monthly meeting will be a busy one. Last week, Tom submitted the customary financial statements to members of the trustees' finance committee. One of the statements is a cash flow analysis that projects anticipated revenues and expenditures for the next three fiscal years. He updates this statement monthly, as it serves to inform the trustees of the potential upcoming financial situation and to make any necessary corrective actions.

With only four months remaining in the fiscal year, Tom prepared a financial forecast suggesting an

Figure 1. Back-Office Staffing in Charter Schools

Single School (300 students)	Two or Three Schools (650 students)	More than Three Schools (3,000 students)
<p><b>Director of Finance and Operations</b> (supervises) Operations Specialist</p>	<p><b>Director of Finance</b> (supervises) AR/AP Bookkeeper</p> <p><b>Director of Operations</b> (supervises) HR Manager School Operations Manager</p>	<p><b>Chief Financial Officer</b> (supervises) Controller AR/AP Bookkeeper</p> <p><b>Chief Operating Officer</b> (supervises) HR Manager School Operations Manager Student Information Systems Manager</p>
<b>FTE: 2</b>	<b>FTE: 5</b>	<b>FTE: 7</b>

Note: AR/AP = accounts receivable/accounts payable; FTE = full-time equivalent.

**Figure 2.** Liberty Innovation Charter Public School  
Monthly Close Checklist

For Month of: \_\_\_\_\_ (previous month)

Activity	Responsibility	Status	✓	Notes
<b>Preclose</b>				
Post final accounts receivable entries and review A/R aging summary report	Mariana (all close-out activities)	Complete	✓	
Post final accounts payable entries and review A/P aging summary report		Complete	✓	Needed to back-out Invoice no. 742; post to current month.
Review and adjust payroll accruals, post final employee expense/payroll entries		In Progress		
Review and adjust other month-end recurring entries, including pension and 403(b) annuity contributions		In Progress		
<b>Day 1</b>				
Review and adjust depreciation journal entries		In Progress		
Review related transactions and review balances between Liberty Charter School and Liberty Foundation, Inc.		Complete	✓	The school makes monthly payments of \$23,475 to Liberty Foundation to pay down loan.
<b>Day 2</b>				
Close previous month's subsidiary ledgers including payroll, AP, and AR		In Progress		
Draft first version of monthly financial statements		In Progress		
<b>Day 3</b>				
Reconcile bank and petty cash accounts		In Progress		
Draft revised financials including footnotes and disclosures		In Progress		
<b>Day 4</b>				
Conduct comprehensive review of financials with executive director		Hold		
Post final journal entries as required		Hold		
Release financial statements to Finance Committee and trustees		Hold		
<b>Day 5</b>				
Begin current month's reporting cycle		Hold		
<b>Reviewed by:</b>		<b>Date:</b>		

Source: Shirley Broz, MBA, former ASBO International Director.

Note: AP = accounts payable; AR = accounts receivable.



operating surplus. This forecast will enable the executive director to assure the trustees that they have the funding to purchase additional laptop and tablet computers and to expand the school's Internet bandwidth capacity.

Closing the fiscal year with surplus funds is an acceptable business practice in charter schools. (Their fiscal year generally runs from July 1 to June 30.) Many states' charter school statutes regulate and cap the cumulative surplus revenues that charters can maintain in their bank accounts. For example, if the surplus funds at Tom's school on June 30 exceed 20% of the succeeding fiscal year's operating and capital budgets, the amount in excess of 20% would have to be returned to the municipalities of the students who attend the school.

Accrued surplus funds, which are contingencies, are a necessity for charter schools. They are used to fund such things as teacher salaries or emergency building repairs, if state appropriations or grant funds are not forthcoming as speculated. Another consideration is long-term financing should a charter school intend to obtain it for additional buildings, grounds, or renovations. An annual surplus demonstrates to

lending institutions, bond holders, and their insurers the likelihood of the school's making good on annual loan payments.

Only a few of the nation's charters own their real estate assets without long-term bonds. The states have established quasi agencies that serve as the finance and development authorities for charter schools. Those agencies guarantee bank loans or tax-exempt bonds for proposed charter school start-ups, as well as for renovations to leased properties.

Tom will be pleased to report to the finance committee that the final repayment was made to a local bank on the school's line-of-credit borrowings. Several years ago, the trustees had the foresight to increase the school's line of credit to \$300,000 before Hurricane Sandy. Tom had to borrow \$125,000 for repairs caused by damage that was not covered by

insurance or that was ineligible for assistance from the Federal Emergency Management Agency.

The trustees have confidence in Tom because of his close attention to detail. Stored in his notebook computer are the terms of the line-of-credit borrowing. When asked about the interest on the borrowing, he will reply: "The last repayment was made on June 30 at the prime lending rate as published in the *Wall Street Journal* (3.25%), plus 1%. Let's hope we don't have to use the line of credit again soon."

### Are Charters in Your Future?

The trustees of America's charter schools are ever mindful that they govern a hybrid of a public school, subsidized almost entirely by the public coffers. The Center for Education Reform's statistic showing that 68% of charters were shuttered because of mismanagement and financial deficiencies should be enough incentive for charters to seek the most highly qualified school business officials.

### Reference

Consoletti, A. 2011. The state of charter schools—what we know—and what we do not—about performance and accountability. Center for Education Reform, Washington, DC, [www.edreform.com/wp-content/uploads/2011/12/StateOfCharter-Schools\\_CER\\_Dec2011-Web-1.pdf](http://www.edreform.com/wp-content/uploads/2011/12/StateOfCharter-Schools_CER_Dec2011-Web-1.pdf).

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