

Best Financial Practices for School Sustainability & Growth

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Abstract

To ensure our schools' sustainability and growth, we must adopt financial practices which are sound and which are fit for the business world. While schools are institutions of learning, they must be run as businesses if they are to continue to provide the highest standards of learning for our children.

We must look at the examples set by other private schools, by standards set by other religious schools, and by standards set by state departments of education for the public school system. Each school must then evaluate its current practices and make the necessary changes that will ensure its success.

Presenter

Magda Elkadi Saleh is the Head of School at the American Youth Academy in Tampa. She has worked in Islamic Education for over 18 years at two schools in several capacities. When she began her career, she served as Assistant Principal and was also in charge of financial matters within the school; there was not sufficient funding at the time to hire a different person for each position.

Although she has not filled a Financial Management position in many years, her experience in that field has helped her merge the gap between "teachers" and "Board Members / Financial Managers."

At the first Education Forum, I remember clearly the frustration of school administrators and teachers with Board members. They questioned, very vocally, the wisdom of having Board members who were not educators. "How could Board members, who were businessmen, possibly know anything about running schools?" "How could Board members dictate to administrators and teachers how much could and could not be spent? They knew nothing of what was necessary to educate students well!"

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As the years progressed, and many schools struggled under great financial stress, it became clear, sometimes painfully so, that schools had to adopt sound financial practices if they were to survive and grow. It became clear that schools desperately needed Board members who were well-versed in best financial practices, and who had a strong business sense if they were to survive. These Board members had to make financial decisions and set budgets whose limits administrators and teachers had to learn to live within.

It became clear that administrators had to accept and embrace this reality and serve as the liaison between the Board and the teachers, leading teachers to greatest financial responsibility. Within their classrooms, they needed to be shown how to meet their educational goals while living within the set budgets. Schools must implement Best Financial Practices if they are to be sustainable, and if they are to grow to meet the ever-growing demands of our Muslim communities.

When we discuss “Best Practices,” what is it that we are talking about?

According to Wikipedia, “a best practice is a technique, method, process, activity, incentive, or reward which conventional wisdom regards as more effective at delivering a particular outcome than any other technique, method, process, etc. when applied to a particular condition or circumstance. The idea is that with proper processes, checks, and testing, a desired outcome can be delivered with fewer problems and unforeseen complications. Best practices can also be defined as the most efficient (least amount of effort) and effective (best results) way of accomplishing a task, based on repeatable procedures that have proven themselves over time for large numbers of people.

A given best practice is only applicable to particular condition or circumstance and may have to be modified or adapted for similar circumstances. In addition, a “best” practice can evolve to become better as improvements are discovered.”

When we discuss Best Financial Practices, we are applying each element listed in the definition of “Best Practices” to the financial aspect of our schools. These Best Practices actually impact almost every aspect of our schools, since money is an integral element in almost every school operation: Curriculum Development; Furnishings; Technology; Staff Hiring, Retention and Development; Facilities Maintenance; etc. And, it is for this reason, that it is imperative that we follow the best possible financial practices.

It is not necessary for Islamic schools to re-invent the wheel. There are innumerable resources for schools to access accepted and agreed-upon Best Financial Practices. These resources pertain to private institutions, state and local governments, independent school organizations, parochial school organizations, and state and county school systems.

Google has given us the tools to do intensive research into this field without leaving the comfort of our homes and/or offices. Some of the resources that are easy to use as tools of development and measurement are as follows and can be found at the following sites:

- 1) Office of Program Policy Analysis & Government Accountability (OPPAGA) Overview of Florida’s Best Financial Management Practices Program for School Districts
<http://www.oppaga.state.fl.us/reports/pdf/0258Arpt.pdf>
- 2) How to Use the Financial Management Standard & Toolkit, by the Financial Management Standard in Schools (FMSIS)
- 3) Best Financial Practices, Louisiana Local Government
<http://www.lla.state.la.us/userfiles/file/oppaga.pdf>
- 4) NAIS Best Financial Practices [Accessible to NAIS members only]
<http://www.nais.org/financial/home.cfm?Itemnumber=153539>

There is general agreement among all of the sources on the reasons for implementing Best Financial Practices and on the indicators of best financial practices.

The Florida Department of Education determined that the goals of putting these financial best practices into place were to:

- Use performance and cost-efficiency measures to evaluate programs;
- Use appropriate benchmarks based on comparable school districts, government agencies and industry standards to assess their operation and performance;
- Identify potential cost savings through privatization and alternative service delivery;
- Link financial planning and budgeting to district priorities, including student performance. (<http://www.oppaga.state.fl.us/reports/pdf/0258Arpt.pdf>)

There are indicators to look for in our schools to determine if we are implementing financial best practices. They may differ slightly from one school to another, but, overall, they can be determined by answering the following questions, modified from those found in the Louisiana Local Government’s “Best Financial Practices”.

There are many ways to look for in our schools to determine if we are implementing financial best practices. They may differ slightly from one school to another, but, overall, they can be determined by answering the following questions, modified from those found in the Louisiana Local Government's "Best Financial Practices":

1. Has the school developed appropriate performance and cost-efficiency measures for its programs?
2. Can the school demonstrate that major expenditures, including construction costs, are reasonable?
3. Has the school analyzed the benefits of outsourcing, contracting, and joining with entities to provide services?
4. Has the school developed and clearly defined its priorities, goals, objectives, and strategies and related them to program performance and goals?
5. Can the school demonstrate that it aligns expenditures with the priorities established by its governing body?
6. Can the school provide evidence that it adheres to appropriate county, state and federal requirements?
7. Can the school provide evidence that, when considering issues with significant financial implications and proposed budgets, management and the governing board solicits feedback from the public / its stakeholders?

The OPPAGA provides, at: <http://www.oppaga.state.fl.us/districtpractices.aspx>, a 68-page self-assessment tool covering all of the following aspects of financial management in schools:

- Management Structures
- Performance Accountability Systems
- Educational Service Delivery
- Administrative and Instructional Technology
- Personnel Systems and Benefits
- Facilities Construction
- Facilities Maintenance
- Transportation
- Food Service Operations
- Cost Control Systems

As summarized by Financial Management Standard in Schools (FMSIS), good practice in schools that meet the required standards can be analyzed under the following five headings:

Leadership & Governance

Good financial management requires clear leadership and effective governance.

People Management

The staff who are responsible for financial management must be well-trained and ably led.

Policy & Strategy

Resources are deployed carefully to ensure that school meets its objectives, achieves Best Value, and undertakes activities it can afford.

Partnership & Resources

The school uses its resources efficiently and effectively, and seeks to access additional resources through partnerships and other arrangements.

Processes

Financial management includes effective processes for budgeting, monitoring, control and reporting to ensure that:

- financial plans are achieved
- loss and waste are minimal, and
- safeguards against fraudulent practices are robust.

(FMSIS) – April 2010, Accessed February 12, 2011.

In order for the best financial practices to work in a consistent and on-going manner, they must be both systemized and institutionalized, and they must be implemented with the intention of fulfilling the school's mission.

The school's mission must be clear, attainable, and agreed-upon by all stakeholders. Every action taken and every decision made throughout the school should be in an effort to fulfill the school's mission. Thus, before any action is taken or decision made the following questions must be answered:

1. What is the school's mission?

fulfill the school's mission. Thus, before any action is taken or decision made the following questions must be answered:

1. What is the school's mission?
2. Will what we are planning to do help us fulfill the school's mission?
3. How will what we are planning to do help us fulfill the school's mission?

If there is any hesitancy in answering any of these three questions, a re-evaluation of the action or decision needs to be made.

Systemizing the best practices requires several components:

- A clear idea of each component of the financial system and operations in the school. Under this component will come each detail of the school's financial system including, but not limited to:
 - Payroll
 - Human Resources
 - Tax Types, Deadlines and Payments
 - Tax Exemptions
 - Accounts Receivable
 - Accounts Payable
 - Deposits
 - Bank Statement Reconciliations
 - Insurance Coverage: Liability, Property Damage, Student Accident, DOA, Blanket, Vehicle, etc.
 - Scholarship / voucher programs
 - Grant Programs: E-Rate, Title Programs, NSLP, etc.
- Trained, capable and dedicated staff to follow through with each of the processes.
- An environment where the operations are not dependent on one individual. Several people must be aware of what is happening; must be capable of performing all functions; and must be available when needed.
- An impeccable filing system.
- Clear processes which have been documented clearly and are which are easily accessible to any individual appointed to complete a certain task.

To institutionalize the best practices, there must be total buy-in from all stakeholders in the school: Governing Board, Administrators, teachers, staff, students, parents, community-members and donors. In order to achieve this buy-in, the following components must be developed and in place:

- **Clarity:** Every process, system and decision should be clear. As per dictionary.com, clarity means: intelligibility; exactness; simplicity.
- **Transparency:** Every process, system and decision should also be transparent or visible to anyone who is looking at it. A lack of transparency leads to a lack of trust among and between stakeholders, and, without trust, a strong institution that will withstand pressures from within and without cannot be built.
- **Communication:** It is very important to communicate internally, with all members of the staff involved with financial decisions. The more they understand and feel that they have a way to communicate their needs, questions and/or concerns, the more they will be willing and eager to assist with whatever is needed to ensure the school's success. It is also important to communicate with parents, community-members and donors. The more they know, the more they are likely to assist, support and contribute. Also, the more they are included in the communication process, the more they will feel secure in the decisions made by the school's governing body and administrators.

Once all of these components are in place, schools must then look at growth and development options and resources. Every administrator and Board member knows that income from tuition and fees in no way covers the school's expenses. Every administrator and Board member also knows the agonizing pain of continuous and on-going fundraising. It has become imperative on all of our schools to invest in a growth and development department to come up with more creative ways to increase a school's financial resources.

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