

# LEADERSHIP Insider

**PRACTICAL PERSPECTIVES ON SCHOOL LAW & POLICY**

A Membership Benefit of NSBA National Affiliates

## Checks and Balances

*Walking the line between oversight and micromanagement*

Where to draw the line between appropriate school board oversight and inappropriate school board micromanagement is a constant theme among those who are tasked with governing the nation's schools. In the wake of enormously costly scandals in the private sector, governance questions have come in for renewed consideration—and legislation—at a national level as well. This issue of *Leadership Insider* briefly explores some facets of this topic.

Trainers for state school boards associations spend much of their time working with board members on these issues, and NSBA's Key Work of School Boards provides a comprehensive framework for helping to focus a board's work on the district's broad goals, especially academic achievement.

In his article on page 8, Nick Caruso of the Connecticut Association of Boards of Education sets forth some principles for school districts that are trying to rethink the board's traditional role and practices.

However, as charter school board members attending a recent charter governance workshop by the Oregon School Boards Association lamented, parents may have very different expectations. Some may want a board member to look out for

their particular interests.

Constituents generally tend to expect this of their elected officials and may make no exception for school boards. A local parent or resident confronting a

superficial or sporadic coverage to school boards and their elections.

A similar disjunction is found in discussions of school board relations with district staff. The public and the news

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**The need to focus on the big picture must not undermine the board's fiscal oversight role.**

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school board member with a complaint may not be particularly impressed with explanations of the board's governance role, its need to act collectively in open meetings, and its responsibility to the entire community.

Not surprisingly, many candidates running for school board—notably those running for the first time—campaign in a way that reflects and appeals to these public expectations. Indeed, this approach may be more effective, especially in communities where the news media devote only

media understandably express dismay over board in-fighting or bickering with the superintendent. At the same time, in the absence of visible conflict, other commentators vilify school boards for adopting such a consensus or hands-off approach as to suggest rubber-stamping or obliviousness.

Beginning on page 2, Dan B. Walden of the California School Boards Association's Governance Institute discusses one reality

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#### About NSBA

The National School Boards Association is the nationwide advocacy organization for public school governance. NSBA's mission is to foster excellence and equity in public elementary and secondary education in the United States through local school board leadership. Founded in 1940, NSBA is a not-for-profit federation of state associations of school boards and the school boards of the District of Columbia, Hawai'i, and the U.S. Virgin Islands.

#### About the National Affiliate Program

The National Affiliate Program extends NSBA's services directly to local school districts. School districts are eligible to join provided they are members in good standing of their state school boards associations.

#### About the Council of School Attorneys

The Council of School Attorneys provides information and practical assistance to attorneys who represent public school districts. It offers legal education, specialized publications, and a forum for exchange of information, and it supports the legal advocacy efforts of the National School Boards Association.

## Between Vision and Results

### *The board's role in implementing district goals*

By Dan B. Walden

The prospect of describing the board's role in implementing district goals can be daunting—districts can be very different, as can the cultures in the surrounding communities. Nevertheless, some principles that apply to the work of school boards are universal, and these principles provide the framework for my comments.

The role of the board is often described as representing the community in determining the policies by which the schools operate, and the role of the administration and staff is customarily described as implementing those policies to achieve the goals adopted by the board.

That being true, what does the elected board do after the direction has been set and before results have been evaluated? Is there a proper role for the board to fill while the staff is hard at work implementing the district's goals?

Indeed there is.

Below are descriptions of the board's roles and responsibilities that, in the view of California School Boards Association,

are integral to effective governance.

#### The 'What' and the 'How'

Like many state school boards associations, CSBA has studied governance and the board's role for several years. Our Effective Governance System is the basis for all of our governance training, as well as the work we do in the field helping individual boards and their superintendents—the governance team—work together more effectively.

We have found that the board's role can be most clearly described as representing the values of the community—the beliefs, vision, priorities, and policies—by which the education system operates. In short, the board's role is to define the "what" of the system. The superintendent helps the board work in this area as a member of the governance team.

Similarly, the role of the superintendent, administrators, and teachers is most clearly described as representing the professional skills—the strategies, tactics, and techniques—necessary to carry out the

#### ONE DISTRICT'S GOVERNANCE COMPACT

The Des Moines (Iowa) Public Schools set out to create "a primer on how the school board should operate," according to board member Marc Ward.

The result is an ambitious Governance Compact, in which the board promises to "devote its full energies to its unique governance responsibilities and create an environment in which the superintendent and other employees of the district know what the community expects of them and vigorously pursue those expectations to the very best of their abilities."

In the compact, the board declares five major areas of responsibility:

1. Serving as a link between the district and community;
2. Maintaining written governing policies describing big-picture issues such as board process, board and superintendent authority, district benefits, and outcomes measured in terms of cost vs. effect;

3. Assessing the superintendent's performance;

4. Developing the district's budget and monitoring its fiscal soundness;

5. Conducting regular board self-assessments; and

The compact "seems to be working," according to Ward. It "makes it clear that the board sets policy," he says. "It governs the district—it does not operate it." Ward includes himself among the members who, coming to the board, had a tendency to want to micromanage. Clarifying the board's proper role makes the compact especially helpful for new members.

The entire Governance Compact, including a board "job description," board president duties, committee responsibilities, a code of conduct, and a breakout of board/superintendent accountability is available online at [www.dmps.k12.ia.us/schoolboard/9compact.htm](http://www.dmps.k12.ia.us/schoolboard/9compact.htm).

policies and the priorities set by the board. In short, the role of the professional staff hired by the board is to determine and conduct the “how” of the education of children.

### Working in the Overlap

With this clarity of roles, then, how do we get wrapped up in so many discussions of “micromanagement”? This is because the roles are not entirely distinct, but overlap. In the overlap between the role representing the community’s vision and priorities and the role representing the professional’s skill-based strategies and techniques lie the district’s strategic goals and indicators of success.

This area represents the work of the governance team—the board and the superintendent—and is visible in planning documents developed with input from the administration, staff, and community and adopted by the board. Put a different way, the governance team works together to balance the education wishes and desires of the community with the resources, strategies, and timeframes necessary to implement them.

It is important throughout the planning and implementation process that the board act within its role and that board members understand and respect the role of the superintendent and staff. To guide

boards in this area, we emphasize the board’s five unique responsibilities:

- Setting direction;
- Establishing structure;
- Providing support;
- Ensuring accountability; and
- Leading the community.

Once the direction is set and incorporated into the district’s structural documents—the plans, budget, personnel framework, collective bargaining agreements, and so on—the board works to make sure a supportive climate exists throughout the district that helps all staff members work to their best ability to meet the needs of students. Once the work is completed, the board holds the system accountable for the financial and academic progress toward the goals that were set.

Throughout the entire process, the board needs to stay in touch with the community through effective communications and advocacy activities. Citizens rely on the board to include them in planning, help them understand district and student progress, and assure them that the district is accountable for educating children to high and equitable standards within the budget.

### Drawing the Line

Actions the board takes within its five

responsibilities need to be specific to the work of the board—not to the work of the superintendent and staff. Exactly where this line is drawn may be different from one district to the next due to cultural differences, the size of the district, and a variety of other factors.

The principle to remember is that the board has hired education professionals to perform the work, and the board would compromise its accountability responsibility if it placed itself in the position of evaluating its own results because it had sought to make implementation decisions appropriately made by the staff.

Working within the board’s responsibilities, while respecting the role and professional responsibilities of the superintendent and staff, helps to build trust and strengthen a culture for success.

*Dan B. Walden is the director of single district governance services at the Governance Institute of the California School Boards Association. More information about the Governance Institute can be found at CSBA’s website: [www.csba.org/gi](http://www.csba.org/gi).*

*The Governance Institute also offers a Board Self-Evaluation Toolkit to help boards evaluate their own effectiveness and ability to create a positive organizational culture. The Toolkit is available at: [www.csba.org/gi/toolkit.htm](http://www.csba.org/gi/toolkit.htm).*

## Fraud in the Business Office

### Legal and practical issues for the school board

By Gregory J. Guercio and Mary M. Roach

**H**ow much money is lost each year to fraud in school business offices? No firm figures are available. In many instances, the fraud is not detected or, if detected, is not reported. The Association of Certified Fraud Examiners (ACFE) estimates that approximately 30 percent of fraud cases, in the public and private sectors alike, are not reported to law enforcement agencies at all. And in some instances, fraud goes completely undetected.

Although the actual scope of the problem cannot be known with any degree of certainty, anecdotal evidence suggests that fraud in the school business office is a significant problem that does not discriminate as to where and when it strikes. Two recent

cases from New York are illustrative:

1. In the Roslyn Union Free School District, Long Island, criminal investigation is ongoing into a possible multimillion-dollar embezzlement scheme allegedly involving the superintendent, the assistant superintendent for business and finance, and an accounts payable clerk who is related to the assistant superintendent.

The alleged theft of approximately \$12 million involves use of district credit cards to charge personal expenses and use of district funds to pay questionable expenses, including personal dry cleaning bills, rent, personal travel costs, four home mortgages, a Lexus automobile, motorized water scooters, and extensive personal credit card debt.

2. In the Capital Region BOCES, Albany, 10 years of theft by the treasurer amounted to a total \$3.7 million. Deposits were made into unauthorized accounts, but with bond recovery, there has been almost full restitution.

Such instances are not rare—others have occurred in Detroit, Miami, New Orleans, San Francisco, and elsewhere. They reflect the three categories of occupational fraud found in ACFE’s Uniform Occupational Fraud Classification System:

**1. Asset misappropriation**, which includes all theft or misuse of an organization’s assets; examples are skimming revenues, stealing inventory, and payroll fraud.

**2. Corruption**, which involves the use of influence in a business transaction for the purpose of obtaining a benefit, in violation of the duty to the employer; an example is accepting kickbacks.

**3. Fraudulent financial statements**, such as overstating revenues and understating liabilities to secrete wrongdoing. Asset misappropriation accounts for

more than 90 percent of all frauds detected, according to ACFE. And the asset most frequently misappropriated is cash, accounting for 93 percent of all misappropriation schemes. These misappropriations are generally accomplished in one of three ways:

**1. Fraudulent disbursements.** Examples include payment received after submitting false invoices for fictitious goods or services; inflated invoices; invoices used to make personal purchases; payroll schemes by which an employer issues payment for false claims of compensation; expense reimbursement claims for false or inflated business expenses; and simple forgery of checks.

**2. Skimming,** or taking cash before it is recorded on the books. A common form of skimming, called lapping, involves stealing one customer's payment and crediting the customer's account by using the payment of another customer. In turn, the second customer's account is credited with a third customer's account, and so on.

**3. Cash larceny,** or taking cash after it has been reported on the books.

### Avoiding and Detecting Fraud

The best way to deal with fraud in the business office is to implement policies and procedures that will avoid it altogether. In the final analysis, the school board is ultimately responsible for adopting and monitoring internal controls to protect the district's assets.

The board is responsible for adopting district policy and philosophy, including the internal financial controls to be used by administrators. The board is also responsible for hiring well-trained, honest, and competent administrators.

Administrators, in turn, are responsible for adopting and implementing the internal controls required by the school board. They should also look out for and alert the school board to any weaknesses in the internal control system.

Key internal financial controls include these actions:

- Conduct background checks on potential business office employees. Check all possible references, not just those offered, and perform criminal background checks on key business officials and others as warranted.
- Segregate functions within the business office so as to avoid the opportunity for fraud without collusion.
- Provide detailed written job descriptions so there can be no "misunderstand-

ing" of the need to operate in accordance with the established segregation of functions.

- Require continuous in-service training of all business office employees on the importance of fraud prevention and detection and the duty to report problems.

- Adopt an integrated financial system.

- Use computer software designed to prevent and detect fraud.

- Designate one firm or individual to be responsible for fraud detection.

- Change outside auditors regularly, and hire only those specifically trained in fraud examination.

- Establish an anonymous method for employees and outside persons to report fraud, usually a hot line. Advertise and publicize the hot line's availability and importance, and allow staff the time and authority to investigate tips and complaints.

ACFE provides a Fraud Prevention Check-Up, which may be found at its website, [www.acfe.com](http://www.acfe.com).

In New York, the state comptroller has responded to recent scandals at several New York school districts by proposing the following five-point plan:

**1. Enhance the effectiveness of external audits.** Provide guidance to outside auditors on testing for internal controls, including specific types of testing and level of details. Require the external auditors to present audit results to the full school board, including items noted in the management letter. Provide a checklist of items to outside auditors that should be addressed in the management letter. Require a formal, written school district response to items noted in the management letter. Ensure that school district officials are sensitive to the issue of CPAs providing nonaudit services, as well as certification for fraud examinations obtainable by auditors.

**2. Require that each school district have an audit committee.** Empower the committee to ensure that all audit findings and other accountability issues receive

### RED FLAGS IN THE BUSINESS OFFICE

Most employees who commit fraud are first-time offenders, but the longer they've been with the district, the higher their salary, and the higher up they are in the organizational hierarchy, the larger the dollar value of the fraud.

Red flags might be raised about people who:

- Show an extraordinary devotion to work—arrive early, stay late, never miss a day, refuse to take vacation or sick leave.

- Refuse promotion or the offer of assistance, such as additional staff.

- Are facing stressful situations at home, such as marital problems, sick children, or family changes such as a wedding or college tuition that require significant funding.

- Are "control freaks" who refuse to allow anyone else near the financial center of the organization and refuse to assign any significant duties to others.

- Have a tendency to hire employees in the business office who are lax, inexperienced, or extraordinarily submissive.

- Are easily annoyed or outraged by reasonable questioning or obfuscate in response.

- Express resentment at their compensation package.

- Exhibit noticeable life-style changes, such as expensive cars, luxury trips, jewelry, and second homes.

On an organizational level, look for:

- Lack of segregation of functions in a vulnerable area. For example, the same person who is responsible for recording checks received is the same person authorized to open company accounts.

- Lack of an integrated bank system.

- Missing documents or document alteration.

- Unduly close relationships with outside auditors.

- Reluctance to provide information to auditors, frequent disputes with auditors, or frequent or erratic change of outside auditors.

- Dismissal of or resistance to any tightening recommendations made by auditors.

- Attempts to direct auditors to one side or the other, revenue or expense.

- Weak internal control attitude; lax or incorrect practices tolerated.

- Lack of oversight of authority to open accounts.

- Sudden influxes of activity in dormant accounts.

- Excessive cash transactions.

adequate attention. Provide the committee with oversight responsibility for internal and external audit work. Authorize the committee to oversee the selection process for internal and external auditors. Require the committee to review the financial report in detail before presenting it to the school board. Ensure that the committee monitors the corrective action plan for any items reported in the auditor's report.

**3. Require a competitive request for proposals for selection of auditors.** Issue an RFP when a contract with an auditing firm expires or at least every five years. A model RFP can be found at the New York State Comptroller's website, [www.osc.state.ny.us](http://www.osc.state.ny.us).

**4. Create an internal audit function on each school's management team.** The primary function would be to test for viability and adherence to internal controls. School districts could contract out for the service or engage in a shared service arrangement. The internal auditor would

report directly to the school board. The current statute covering an internal claims auditor would be clarified to ensure proper independence and qualifications for the position.

**5. Require training for all newly elected school board members on their financial oversight responsibilities.** Six hours of training would be required for each new member, during the first year, covering the basics of financial oversight, accountability, and fiduciary responsibilities, to be incorporated into training already offered to newly elected school board members.

### What To Do in Case of Fraud

When fraud is discovered, some practical steps should be taken to keep everyone calm and on an even keel.

First, determine if the suspected perpetrator is still employed or still in a position to continue the fraud. If so, immediate suspension should be considered unless delay is advisable due to the need to question

the employee—or if there is a chance of detecting further fraud by letting the employee continue to work without knowing that the wrongdoing has been discovered.

At all stages, the district should cooperate with investigations conducted by local authorities. And careful communications are critical. Have all board members been notified of suspected fraud before releasing the information to the public? Are any board members suspected of being part of the fraud? Can that board member be excluded from the meeting so the others may be fully informed of the suspected wrongdoing?

Finally, the district should consider engaging a forensic accountant.

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## After Enron

### What the Sarbanes-Oxley Act means for your schools

By Edgar H. Bittle and Martin Semple

In the wake of financial scandals involving Enron, Arthur Anderson, Global Crossing, and others, Congress enacted sweeping requirements for the governance and management of companies regulated by federal securities laws. Most of the American Competitiveness and Corporate Accountability Act of 2002, otherwise referred to as the Sarbanes-Oxley Act, applies only to such publicly traded companies.

Certain provisions, however, apply to nonprofit corporations and public bodies, including public school districts. And even the obligations imposed only on regulated corporations may suggest practices that school board members and administrators should consider. These include provisions to disclose and attest to true and accurate financial conditions, to increase financial transparency and accountability, and to design internal financial controls.

The effect of the Sarbanes-Oxley Act has been to redefine corporate responsibility generally. School officials need to understand this climate for increased cor-

porate responsibility when exercising their own financial oversight obligations.

Put another way, even if Sarbanes-Oxley did not impose any new legal responsibility for school board members, the public's expectations may have changed. Financial advisors, auditors, attorneys, companies providing liability insurance, bond rating agencies, or members of corporate boards of directors may expect that the practices mandated by Sarbanes-Oxley should also be applied to oversight of public school district financial operations.

Moreover, in a lawsuit involving a school board member's or administrator's legal responsibilities, a court very well may look to this redefined corporate responsibility to help define the school official's duty of care.

### Painful Examples

Several recent cases have provided examples that invite a review of school board financial oversight practices. Two such cases arose in Colorado:

1. In the St. Vrain Valley School Dis-

trict, the district auditor warned the school board at a Dec. 12, 2001, meeting against continuing to approve budgets in which the district spent more than it brought in. "Your fund balance from the general fund dropped fairly significantly this year..." she said, recorded on videotape. "It was your budget, so it was something that probably wasn't a surprise to you guys, but it gets to be a concern when that fund balance continues to drop."

On Jan. 9, 2003, the *Denver Post* reported that "the district, by the time of the videotaped meeting, had budgeted expenses for fiscal 2002—a year that had not yet been audited—to overrun revenue by \$9.8 million. Part of the problem was that the 2002 budget was drafted to erroneously show that the district would start the year with a balance of \$15.1 million."

When this crisis first surfaced, one board member was quoted as saying it was not the board's responsibility to doublecheck the district's finances, but the board ultimately accepted responsibility. "I think we blame ourselves," one board member conceded. "We all think we could have done a better job."

2. In the Elizabeth School District, a \$2.25 million shortfall in a \$30 million budget was discovered in the 2002-2003 school year. The district's chief financial officer used school bond money to cover cash-flow problems and violated school

budget statutes. The superintendent altered his contract in three separate school years. At a public meeting, he stated his salary was \$123,000; it was actually \$177,000. The CFO altered her contract to get extra \$6,000 to \$13,000 per year.

The superintendent and CFO were found guilty of fraud and embezzlement, and each received six-year jail sentences. But the judge agreed with the defendants that there was plenty of blame to go around: "They are correct. When a school board says 'We may be stupid but we are not liars,' something is terribly wrong."

### The Board's Duty of Care

These cases demonstrate the need to review the board's financial oversight and

obligations and policies, financial reports, and any matters suggesting a need for inquiry or investigation. And they should discuss how to carry out their responsibility to promote the best interests of the district.

Individual board members should exercise independent judgment for the overall benefit of the district and all of its stakeholders. This includes regularly attending meetings; receiving and studying information and agendas in advance of meetings; keeping informed of the efforts of legal counsel, accountants, or others who are acting within their professional or expert competence; and evaluating employees and others upon whom the board relies in exercising its corporate responsibilities.

On Jan. 24, 1996, the Securities and

traded company to set up an independent audit committee. No "inside" directors—that is, company employees—can be members of the audit committee, and the committee must appoint, set compensation for, and oversee the work of the independent auditor.

Creation of a school board audit committee may be appropriate in certain circumstances, assuming state law allows. Subject to that law, the committee would be made up of board members and could also include one or more financial experts from the community.

Under Sarbanes-Oxley, a "financial expert" is defined as someone who, through education or experience, has knowledge of generally accepted accounting principles and financial statements; experience in the preparation or application of audit statements; experience with internal accounting controls; and an understanding of audit committee functions.

The primary functions of an audit committee would be to recommend the appointment of the independent auditor to the board; to recommend the terms of engagement, including compensation; and to oversee the auditor's work. The superintendent and business manager could be required to certify that they have reviewed the audit report and that the report does not contain any untrue statement of a material fact or omit any material fact that makes the statements misleading. The audit committee would also work with the administration and the board to establish internal controls.

As a result of the St. Vrain and Elizabeth situations, the Colorado Legislature has amended a number of school budgetary and financial reporting statutes. The district superintendent and CFO now are required to certify to the state treasurer any amount requested under the state's interest-free loan program. The school board must adopt a specific resolution to authorize the use of a portion of the beginning fund balance and must be provided a quarterly review of the fund balance budgeted and actually spent. Other states may also be considering regulation of school board financial oversight responsibilities.

Subject to applicable state law and the school board's review and approval, the audit committee could be primarily responsible for oversight of the board's financial reporting process. Oversight functions may include prevention, deterrence, investigation, and detection of fraud; monitoring the financial reporting process; overseeing the audit function;



**When a school board says 'We may be stupid but we are not liars,' something is terribly wrong.**



the scope of audits. As a matter of prudence, principles of auditor independence and corporate responsibility for financial statements and other practices found in Sarbanes-Oxley provide lessons that school boards would be well-advised to consider.

One best practice could be to establish an orientation for board members and administrators covering their duty of care and statutory financial oversight responsibilities. Boards also may wish to establish an audit committee, a code of ethics for administrators and financial officers, a document management system, and whistleblower protection, as matters of good practice.

The fourth edition of the *Corporate Director's Guidebook* of the American Bar Association's Section of Business Law suggests including financial literacy training in such an orientation. Board members should consider their decision-making duties, including how they formulate district policy and strategic goals with the administration, and how they take actions on specific matters, including those required legally.

Board members should also consider how they exercise oversight duties, including ongoing monitoring of the district's business and affairs, business performance, plans and strategies, risk assessment and risk management, compliance with legal

Exchange Commission issued a cease-and-desist order against individual members of the Board of Supervisors of Orange County, Calif. The SEC's investigation found there was inadequate disclosure in connection with the offer and sale of municipal securities issued by the county.

"Public entities that issue securities are primarily liable for the content of their disclosure documents," the report stated. "... In authorizing the issuance of securities and related disclosure documents, a public official may not authorize disclosure that the official knows to be false; nor may the public official authorize disclosure while recklessly disregarding facts that indicate that there is a risk that the disclosure may be misleading."

The SEC order and report illustrate the duty of care and standard of conduct that will be expected of board members when exercising financial oversight responsibilities for bond or other debt issues. Board members cannot shed these responsibilities simply by engaging legal counsel and other professionals. And, as the St. Vrain case illustrates, waiting until the time comes to make disclosure in a bond or other debt offering may be too late.

### The Audit Committee

Sarbanes-Oxley requires a publicly

overseeing the internal control system; and reporting findings to the board.

Under Sarbanes-Oxley, public accounting firms are prohibited from performing non-audit services to the clients they audit, and the audit committee must preapprove all services provided by the auditor. The board may want to include in its policy or code of ethics a statement that it is unlawful for a board member, administrator, or employee to exert influence on or mislead an auditor.

As a safeguard, the policy could require periodic rotation of the lead audit partner and the audit review partner. It also could require the auditor to report directly to the audit committee and the board, not to the administration. Additionally, if a school district hires someone formerly employed by the auditor, the board may want to adopt a policy restricting that person's responsibilities with respect to the audit.

## Two Provisions for School Districts

While most of the provisions of Sarbanes-Oxley apply only to publicly traded companies regulated by federal securities laws, two specific provisions are clearly applicable to school districts. Both are amendments to the federal criminal code:

**1. Document destruction.** Sarbanes-Oxley makes it a crime to knowingly destroy a document with the intent to obstruct or to influence "the investigation or proper administration of any matter within the jurisdiction of any department or agency of the United States ... or in relation to or contemplation of any such matter or case." These provisions clearly

apply to anyone dealing with the federal government, including K-12 schools. Districts should adopt document-management policies that take this into account.

**2. Whistleblower protection.** The act also makes it a crime for anyone to take any action with intent to retaliate against someone for providing to a law enforcement officer any truthful information relating to commission of any federal offense. This is in addition to any existing requirements under state whistleblower laws and state and federal employment and civil rights statutes.

In addition to reviewing and establishing internal controls, a school board would be wise to adopt a code of ethics that describes high standards of ethical conduct. Specific topics may include conflicts of interest; gifts; travel and expense reporting; use of consultants, agents, and lobbyists; use of district-owned equipment; political contributions and activities; and public utterances on behalf of the district. As a starting point, boards might look at the ethics codes of the Association of School Business Officials International, the Government Finance Officers' Association, and the National Association of College and University Business Officials.

While most of Sarbanes-Oxley is not legally applicable to public school districts, the practices that it establishes for ensuring accurate financial reporting, increased accountability, and internal financial controls may serve as a model of good business practices, which school boards may want to consider adopting voluntarily.

Ultimately, responsibility for the school district's financial accountability rests with the board. These practices may provide both guidelines and protection for the administrators and employees reporting to the board, the state agencies, and—especially—the public.

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*More information on Sarbanes-Oxley compliance is available on the additional resources page for this issue of Leadership Insider at [www.nsba.org/na](http://www.nsba.org/na).*

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## BALANCES

*Continued from page 1*

complicating the line-drawing: the significant overlap between the community's priorities and district's strategies and techniques for achieving them. While counseling boards to be thoughtful about their role, Walden also warns against an all-purpose, one-size-fits-all approach to these matters, which may vary by locale and by district.

Even more important, the need to focus on the big picture must not undermine the board's fiscal oversight role. High-profile incidents of corruption have been unearthed not only in large districts like Detroit, Miami, and New Orleans, but in smaller ones like Roslyn, N.Y., Sauk Vil-

lage, Ill., and Eastpointe, Mich. NSBA Council of School Attorneys members Gregory J. Guercio and Mary M. Roach-Roemer highlight, beginning on page 3, some of the potential red flags and lessons learned.

Recent changes in the law bear on the board's duties. Two former chairs of COSA, Edgar H. Bittle and Martin Semple, review governance requirements under the federal Sarbanes-Oxley Act, enacted in the wake of corporate debacles. They point out that these requirements, even those that technically do not apply to school boards, may suggest best practices and may shape conceptions of good governance among the public, government agencies, and—significantly—the courts.

When presenting this information at a recent COSA seminar, Bittle and Semple cautioned school board attorneys against too readily allowing cries of "micromanagement" to interfere with appropriate school board questions and oversight.

This admonition highlights an important reality in our American system of democratic accountability. As with any other concerns, when fiscal problems—let alone malfeasance—arise in a school district, the public naturally demands to know, "Where was the school board?"

Even well-designed safeguards cannot prevent every potential problem at an acceptable administrative cost. But they can help school districts provide reassuring answers to such questions if a problem should be discovered. ■

# The Big-Picture Board

*Focusing on what matters is the mark of effective school governance*

By Nicholas D. Caruso Jr.

In the early years of public education, school boards were created to run school districts. But as district sizes increased and social expectations of educators grew, a cadre of professional administrators developed who were capable of operating school districts quite well. Now boards—the link with the needs of the local community—may be uncertain of their proper role or may misperceive it entirely.

I have seen boards demand that superintendents go out of their way to adjust their leadership style to accommodate what a board wants, even if what the board wants is wrong. This may not be the result of bad intentions. The board may simply say, “This is the way we’ve always done it.”

I often advise such boards that shifting to an appropriate structure of governance and decision making can enhance student learning in the district. The key is for the board to discuss governance with the superintendent and come to a consensus over the proper role of each member of the leadership team. By using their respective strengths, the board and superintendent can create a synergy that is greater than the sum of the parts.

## Rules for Boards

Trust and communication are the necessary ingredients of a high-performance board-superintendent team. If either is lacking, the team must find a way to develop it or face difficult times. Board members must trust their CEO and vice versa. At the first sign of conflict, the board and superintendent need to be able to talk about issues and help resolve any concerns. The board chair should be sensitive to this and, when necessary, promote a dialogue to resolve conflict.

The board can ensure smooth sailing by following a few important rules:

- Don’t hire a superintendent without true consent among board members.
- Set ground rules with the superintendent for *who* will do *what*—including coming to you when the superintendent needs help.
- Ask the superintendent to define what he or she sees as the board’s proper role.

- Arrive at consensus on these issues as a board and hold to it.
- Develop a board professional development plan that includes roles, responsibilities, and governance issues.
- Set goals, develop a mission statement, and undertake strategic planning.

A friend of mine recently took over the superintendency in a new community. I’ve worked with him in several districts, and he always tells me the same thing. “I’m an educator,” he’ll say. “It’s my job to ensure everyone is getting the opportunity to learn, and that starts with the board of education.”

He works with the board to make sure the members are focusing on the big picture, and he looks carefully at district policies to see if there are ways he can use policy to frame administrative decisions rather than having the board use important meeting time on administrative functions. The board holds retreats to discuss its role and how the team can function at a higher level.

In every district where he has worked, my friend has used this approach with great success. Of course, that would not be the case if the board were not willing to explore new models of leadership, which often means looking differently at what the board is doing.

## Letting Go of Minutiae

A couple of years ago, a board chair in a small town here in Connecticut handed out pairs of huge sunglasses to her board colleagues and said she was going to help them all focus on the “Big Vision.” Whenever someone on the board started micro-managing, their colleagues would don the sunglasses, thus reminding themselves to focus on the Big Vision.

The sunglasses were an amusing reminder of an important principle of school governance: Boards need to let go of matters that are not vision-related. Instead, the board should work with the superintendent to ensure that meetings are spent talking about meaningful global issues.

Begin by holding a facilitated retreat where the board and superintendent can talk about board policy-setting, leaving the superintendent—not the board—to take responsibility for implementing poli-

cies. I recently watched a board discuss the approval of seven field trips, all repeats of trips taken annually. The board could easily have set a policy providing guidance to the administration on what is permissible, and then let the implementation be an administrative decision.

Remember the big sunglasses and focus your board agenda on the big picture. Ask yourself this: Do the agenda items relate to student achievement? Or are your meetings focused on operational decisions?

To be fair, boards often get mired in minutiae because their superintendent has a habit of giving them minutiae. But once your board starts down that road, you can’t focus on the big picture. Instead, discussion at the board table should cover the district budget, data-driven decision making, student achievement, community engagement, vision building, goal-setting, and other overarching issues.

## Fine-tuning Governance

Boards should spend time talking about *governance*. A retreat to fine-tune your governance model can do wonders for the leadership in the district. Most state school boards associations offer such training. Be sure you know the training staff at your association and take advantage of what the association can provide.

By governing the public schools, boards of education play a critical role in bringing about needed change in education. But achieving constructive change may mean rethinking your board’s decision-making role. The dialogue at the board table must focus on aligning resources with district priorities, assessing the district’s progress in meeting its stated goals, and looking for areas of systemic improvement.

Each and every school board member can help make this vision a reality. Our nation’s financial security and our democracy depend on it.

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