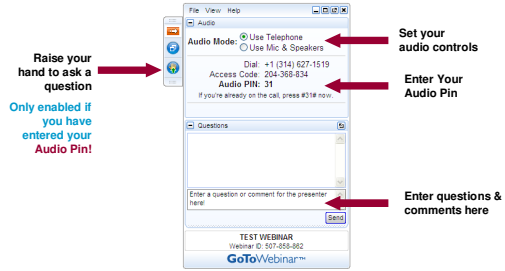


Webinar Control Panel



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CAPLAW
Community Action Program Legal Services, Inc.

BEYOND THE BASICS



Strategic Approaches to Organization-wide Compliance, Risk Management, and Resource Development

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Webinar Series Schedule

Today	Budget Builders: Who Does What? Why is Important?
June 1	Agency-wide Budgeting: Counting Every Dollar Because Every Dollar Counts
July 20	More than Math: The Board's Role in Financial Oversight and Monitoring
July 27	The COSO Internal Control Integrated Framework
August 17	Strategic Resource Development: Fundraising and Revenue Creation Plans
August 24	Tapping into the Time, Talent, and Treasure of the Tripartite Board
September 14	Quality Improvement: The Payoff from Internal Controls

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Budget Builders: Who Does What? Why it's Important?

May 18, 2011
Presented by Kay Sohl
kay@kaysohlconsulting.net



Webinar Challenge!



*This project calls for real concentration.
Are you still able to multitask?*

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You Could Win a Prize

Your name will be entered into the prize
drawing every time you:

- ✓ Respond to Polls
- ✓ Enter Comments or Pose Questions



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Practice Poll

Your Role in CAA?

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Topics for Today

- Goals of the **Budget Process**
- Getting the info you need
- Spotting & resolving **BIG CHOICES**
- Board and staff roles
- Presenting budget info clearly
- Managing the budget process

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Technical Budget Issues

Don't Miss!

Agency-wide Budgeting:
Counting Every Dollar Because
Every Dollar Counts

CAPLAW Beyond the Basics Webinar
June 1, 2011, 2 p.m. – 3:30 p.m. EST

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CAA Annual Budget

- **Comprehensive** –all sources & uses of resources
- **Consistent** – reflects all funding agreements, employment policies, labor agreements
- Constitutes **Board Authorization** – Board approval authorizes staff to execute the budget plan

Budget Development Challenges

- Uncertainty
- Complexity
- Overlapping grant/award periods
- Integration with strategic plan
- Time pressure

One More Big Challenge...

Potentially significant reductions in funding from federal, state, & local sources.



Effective Agency-wide Budgets Provide

- Board **authorization**
- Financial **road map** to implement the strategic plan
- Tool for **compliance & control**
- Management **accountability** tool

Financial Road Map

- How **resources** will be **obtained**
- How **resources** will be **used**
- How we'll ensure **compliance**
- How **net worth** will be **increased**



Compliance & Control Tool

- **OMB A-110** requires comparison of actual expenditures to budget
- **OMB A-122** requires organization-wide approach to cost allocation
- **COSO** approach to **risk management** emphasizes comparison of financial results to budget plan

Management Accountability Tool

Requires clarity on each manager's level of authority and responsibility for:

- Cost control
- Income generation

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Budget Development Process

- Identify needed info
- Gather, analyze, integrate info
- Identify high impact choices
- Develop & evaluate alternate strategies
- Gather input/discuss options
- Resolve choices
- Create final document
- Board approval

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Info Needs?

- Strategic plan
- Updated community needs info
- Innovation & improvement ideas
- Grant/contract budgets & requirements
- Fund development plan
- Monitor/audit findings
- Compensation plan
- Major expense trends & projections

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Internal Info Sources

- Financial records
- HR
- IT
- Program Managers
- Compliance Officer
- Development Director/grant writer
- Staff

ED Contributions to Budget Development????

It Depends....Possible ED Roles:

- Overall coordination for budget process
- High level direction on key issues
- Require managers to participate actively
- Work closely with CFO to identify areas where more info is needed
- Take the lead in engaging the Board Finance Committee in budget discussions

Internal ?

- **Financial health** – how much **risk** can we take?
- **Compensation** commitments – contracts, precedents, expectations, competitive position
- **Compliance problems** – changes needed to meet requirements

More Internal ?

- Infrastructure – cost/benefit of tech investment/starvation
- Innovation/redesign ideas
- Significant expense trends:
 - Health insurance/fringe benefits
 - Facilities
 - Other?



Ideas for Innovation or Redesign to:

- Reduce cost per person served
- Improve service quality & results
- Launch/enhance income generating services & products
- Streamline administrative functions
- Increase non-governmental funding

Private Fund Raising ?

- Grants submission plan & projections
- Anticipated contribution to overhead through grants
- Individual & business contribution strategies & projections:
 - Gross proceeds
 - Net unrestricted contribution



Avoiding the Fund Raising “Plug”

- Detailed, comprehensive plan for all types of fund raising:
- Comparison of planned to prior:
 - # of donors
 - Average gift size
 - Donor retention rate
 - Ratio of net to gross



External Info Sources

- Funders
- Low income individuals & leaders
- Safety net resource providers
- 211
- Community planning agencies



- Excessive info gathering may be an unconscious conflict avoidance strategy
- Info will not make tough decisions
- Complexity may mask “control issues”

Analyze & Integrate Available Info

- Develop budget **format**
- Insert all “**known**” info
- Identify significant “**unknowns**”
- Estimate **best & worst case** scenarios for the unknowns
- Create preliminary **rough models**

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Before jumping into detailed line-item projections....

- Ask & answer fundamental questions
- Identify & resolve the most significant **choices**



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Fundamental ?

- Strategic financial goals
- Commitments to personnel
- Cut-back philosophy
- Expansion/innovation criteria
- Infrastructure investment philosophy

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Strategic Financial Goals

- Net asset targets & strategies to achieve
- Appetite/capacity for risk of losses
- Desired shifts in income mix
- Facilities ownership/improvement
- Compensation positioning
- Infrastructure investment

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Personnel

- Current commitments & labor agreements
- Desired position within your labor market – top 25%, bottom 25% ?
- Hiring/retention barriers
- Benefits philosophy

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Cut-back Philosophy

- Share the pain
- Silo approach
- Big cut versus multiple small cuts
- Tenure versus skills needs
- Priorities for use of unrestricted funds

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Financial Criteria for Expansion/Innovation

Resources must be available to cover:

- some direct costs?
- all direct costs?
- all direct costs + some overhead?
- all direct costs + full share of overhead?
- contribution beyond fully-loaded cost

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Infrastructure Philosophy

- Make **minimum investment** needed to get by...or
- Consider both **costs and benefits** of potential investments
- Consider "**opportunity costs**" – what could be accomplished by staff if they were not devoting time to "making do" with inadequate infrastructure?

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Identify High Impact Choices

- Personnel related
- Facilities & infrastructure
- Drop/add programs
- Redesign service delivery models
- Invest in fund development
- Other?



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What are the Highest Impact Budget Choices for your CAA?

Type your key choices into the chat box at the lower right of your screen...and increase your chances to win a prize



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Personnel Choices

- Pay raises/reductions
- Benefits
- Lay-offs/ position eliminations
- Outsourcing functions

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Resolving High Impact Choices

- Clarify the level at which each major choice will be resolved:
 - Management Team?
 - Executive Director?
 - Finance Committee?
 - Full Board?

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Financial Models?

- Identify limited number of options for resolving each **key choice**
- Create rough financial model for each option:
 - Cost implications
 - Income implications
 - Infrastructure implications

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Board Role in Resolving Choices

- Executive Director and Finance Committee Chair determine which of the key choices require Board or Finance Committee input/direction
- Staff prepares briefing on options for the selected choices
- Clarify whether the Committee is providing **input** or **direction**

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After Resolving Major Choices..

- Prepare comprehensive budget document integrating all cost center budgets
- Invite input from all managers
- Provide info to support managers' input

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Cost Center Info for Managers

- Current year budget, actual, & projected year end info by line item
- Preliminary personnel expense schedule
- Projected overhead charges to the cost center
- Projected income available to support the cost center – including uses of CSBG

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Questions for Managers

- **Personnel** – proposed changes from preliminary schedule
- Proposed **line item expenses** for items within scope of manager will be **responsible for controlling**
- Proposed **revisions to income** estimates

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Integrating Cost Center Info

- Fiscal staff integrates all proposed budget info from managers into master budget document
- Identifies areas in which proposed expenses exceed projected income
- Works with Executive Director or Management Team to resolve choices to create comprehensive document

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Board Finance Committee Role

- Review draft comprehensive budget
- Evaluate the level of risk which the proposed budget presents
- Identify strategic issues that require full Board discussion
- May request revisions
- Prepare recommendation for approval or revision to the full Board

Board & Staff Budget Roles

- Proposed budget is management's plan to get and use resources
- Management is responsible for accuracy and completeness
- Finance Committee is responsible for ensuring that management's plan is consistent with the CAA's strategic plan, values, mission and represents reasonable risks

Full Board Role

- Board approval of the annual budget comprises authorization to management to implement the plan contained in the budget
- Board must evaluate risk and consistency with mission & strategic plan

Board Budget Pitfalls

- Over attention to **insignificant line items**
- Under attention to **risks**
- Under attention to consistency with strategic plan, community needs assessment, mission, and values
- Belief that the CAA is **powerless** in the face of funder decisions & demands

Your Board Budget Pitfalls?

Type your **worst fear/experience** into the **chat box** at the lower right of your screen... and increase your chances to **win a prize**



Avoiding Board Pitfalls

- Streamline budget format
 - Provide 1 page summary
 - Consolidate line items
 - Consolidate related programs
- Provide bullet-point narrative: highlight major choices reflected in the budget
- Identify major risks

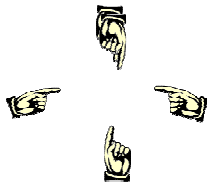
Managing the Budget Process

- Identify **Project Manager** for budget development process
- Create budget development **plan & timeline**
- Clarify Board and Staff **roles**
- Focus on **critical choices**
- **Accuracy** check
- **Impact** check

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Question

Who manages the budget process in your CAA?



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How Long Will it Take?



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How many months does it take to prepare the annual budget for your CAA?

Pre-Webinar Survey Results:

- Less than 1 month . . . none
- 1 to 2 months. 44.5%
- > 2 but <4 months 44.5%
- More than 4 months. . . 11%

Your Next Steps?

- Agency-Wide Budgeting [Webinar](#) - 6/1/11
- Identify [Project Manager](#) for your budget process
- Clarify Board & Staff roles
- Identify [key choices](#)
- Confront the [certainty](#) of [uncertainty](#)