

BOARD MONITORING OF THE AGENCY'S FINANCIAL POSITION

Boards often wonder how they can most effectively monitor the financial position of their agency without meddling in the management prerogatives of the chief executive and staff. When a board falls short in its monitoring duties it fails to meet its fiduciary responsibility. If it goes too far, it undermines the ability of the chief executive and staff to manage the day to day operations of the organization.

In addition to the routine financial reports they receive, boards should review the most recently reported financial ratios for the agency and compare them to other similar agencies. They should also identify additional ratios or indicators that they feel are important for them to understand in order to meet their fiduciary responsibility. They should then get a report on where the agency currently stands on each ratio or indicator, set goals for change in each, decide which they want reports on in the future, and get clear on how frequently they want each. After making a commitment to provide the information requested by the board, the chief executive and finance staff should assure that there is a high degree of consistency between the ongoing reports they provide and the actual results that are continued subsequently by the audit which is provided to the board.

The information the board receives to monitor agency operations should be selective, strategic, normative and, where possible, graphic. What is meant by each of these criteria follows:

- **Selective** -- Boards rarely fail in their monitoring function because they get too little information. Rather, they get the wrong information, so much information that the most important information is obscured, or don't get it with the right degree of frequency, i.e., not frequently enough to respond or too frequently to determine trends and patterns.
- **Strategic** -- Information should relate to the bigger picture, longer range, strategic and financial issues and initiatives of the agency rather than operational issues that are outside of the board's priorities or domain of influence.
- **Normative** -- Knowing how much was spent in a particular budget area, how much money was raised during a particular period, etc. is of very limited value. The information should always be compared with the goal for the area, past performance, and/or norms in the field. It is these comparisons that enable the board to utilize the information most intelligently.
- **Graphic** -- Where possible, the information should be provided in graphic form. This will enable the board to more easily discern the patterns and trends than a purely numerical presentation will.