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Book Review

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FINANCIAL MANAGEMENT FOR HUMAN SERVICE ADMINISTRATORS. Lawrence L. Martin. Needham Heights, MA: Allyn & Bacon, 2001. 224 pages.

INSTRUCTOR'S MANUAL FOR FINANCIAL MANAGEMENT FOR HUMAN SERVICE ADMINISTRATORS. Lawrence L. Martin. Needham Heights, MA: Allyn & Bacon, 2001.

Professor Lawrence Martin, Columbia University, is essentially right when he points out that there are few recently published books on financial management in the human services. One was published in 1998 but it addresses the subject from a very different point of view (Feit & Chei Li). While there has been a recent book publishing boom in the management of nonprofit organizations, including financial management (see, for example, Dropkin & La Touche, 1998), these works are not specifically directed toward human services and social work. They lack the social work profession's emphasis on client-centeredness and service effectiveness. Many of those teaching financial management in schools of social work are still using all or parts of tried-and-true books such as Vinter and Kish (1984), Lohmann (1980), and Mayers (1989). Personal experience indicates that many social work students resist "nonsocial work" books (unfortunately), making Martin's book a long overdue addition.

Martin's goals for the book are to emphasize conceptual understanding, to demystify the subject, and to avoid dullness. (Anyone who can do this while explaining accounting deserves the Edgar). While he doesn't specifically identify his intended audience, he'd probably be happy to see the book used in MSW courses and by management practitioners. The book is composed of 15 chapters, one appendix on financial management information on the Web, and is accompanied by an instructor's manual. Each chapter covers material that is relevant for human service administrators in our current environment of accountability, managed care, and contracting. Approximately half the chapters include exercises. The *Instructor's Manual* includes course schedules for different formats, numerous reproductions to be used for handouts or overheads, talking points, teaching plans, and answers to the exercises.

There are too many chapters to describe individually, so I'll briefly discuss some of the topics Professor Martin chose to cover. One of the strengths of the book is the range of issues he deals with. He emphasizes performance and program budgeting, program structure, and program management, and indicates, "Perhaps the single most important action that can be taken to improve the financial management of a human service agency is to designate programs as expense centers" (p. 14), again, clearly displaying his orientation. He reviews accounting and extensively reviews the four major financial statements for nonprofits and describes how to analyze these statements to assess the financial health of the organization.

Accurate forecasting of caseloads and revenues is very important especially amid the clamor created when agencies have to deal with multiple capitated rates and performance contracts. Martin devotes a strong chapter to different approaches to forecasting and does a nice job explaining complicated material. There is also good material on fee setting, government grants and contracts, and risk management that is nicely integrated into a financial management perspective.

The emphasis Martin places on programs, program budgeting and management is well advised given that new and recent MSW administrative practice graduates usually find themselves employed at this organizational level. Program managers need more knowledge and tools than Martin provides if programs are designated as expense centers and if they are to carry out their financial management duties on a day-to-day basis. The financial statements and types of financial analysis he covers are organization-wide and usually developed annually. Administrators of human service programs need to monitor expenses and revenues closely with a type of warning system where trouble is spotted early; Martin doesn't include these types of tools.

In the same vein, a more discriminating analysis of the costs of services is needed than is presented in the chapter on cost analysis. Martin suggests simply dividing the total cost of a program by the total number of output or outcome units. This ignores the frequent reality that a single program produces several different outputs and outcomes. For example, program clients receive different "packages" of services (hopefully because of differing needs) and, therefore, differentially consume program resources. Managers need to understand this fully and calculate the different cost scenarios for the various client paths through the program. This is indispensable knowledge when negotiating contracts. Vinter and Kish's (1984) case study is a good example of this. All clients receive screening and eligibility determination services; the noneligibles exit the program at this point, but, nevertheless, have consumed resources. Other clients go on and receive referral services while others receive crisis intervention and referral services. Another concern in this chapter is Martin's uncommon conceptualization of the difference between direct and indirect costs.

Martin's orientation toward nonprofits is a little confusing. Early in the book he borrows from Drucker and says, "a nonprofit organization does not have a profit test" (p. 6). There are several problems that occur as a result of this thinking. First, the need to be efficient while accomplishing program outcomes may not get adequate attention. Second, nonprofits need to generate profits (or surpluses) for many reasons. They need to save money to replace equipment as it wears out (i.e., fund depreciation), to create a reserve fund they can tap for various reasons (e.g., moving to different quarters or to provide staff training that is not underwritten by any grant or contract). Profits can go toward service innovations and/or pilot programs, or to support other programs in the agency that don't break even, those that are devoted to serving oppressed and hard-to-reach client groups. Later in the book, Martin labels as a myth that nonprofits cannot make a profit, but he mistakenly asserts that the profits "must be used in furtherance of the agency's mission" (p. 21). The IRS focuses on the nature of the activities that generate profits, and whether they are exempt activities, not what the profits are used for.

To be fair, Martin never intended his book to be skill oriented. He met the goals he articulated and, with the cautions noted above, the book will be useful for future or current social work administrators. For instructors who prefer a hands-on learning experience, Vinter and Kish's (1984) use of a case study throughout their book, including exercises at every point of the budget cycle is very good. Martin's book could be used as a strong supplement to this.

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