



Southern Association of Colleges and Schools
Commission on Colleges

Finance Evaluator Training Modules

Dear Evaluators:

On behalf of the Trustees and staff of the Commission on Colleges, welcome to the Commission on Colleges' Evaluator Training Program designed for individuals who will be participating on the Commission's evaluation committees and who will be evaluating institutions' cases for compliance with the Commission's accreditation financial and physical resource requirements contained in *The Principles of Accreditation* (2010). The training program is intended to:

1. Enhance the foundation and application of the participants' informed professional judgment.
2. Enhance the levels of consistency across committees in the application of professional judgment.
3. Enrich the value of the review process for member institutions and their constituencies.

To achieve these outcomes, the training program is informed and guided by the following set of principles:

- Principle #1: The committee is comprised of evaluators in the review process.
- Principle #2: The committee conducts its review within the context of the institution's mission and the policies and procedures and *The Principles of Accreditation* of the Commission on Colleges.
- Principle #3: The committee conducts its review in a collegial manner.
- Principle #4: The committee demonstrates integrity in all aspects of its review.
- Principle #5: The committee applies its informed professional judgment in a responsible manner.
- Principle #6: The committee conducts a review that is of value to the institution.
- Principle #7: The committee review ensures accountability to the institution's constituencies and the larger community of higher education.

The Workshop consists of modules focusing on specific, but related, issues that provide the foundation for the effective and efficient evaluation of institutions. The modules begin with a macro perspective of the role and scope of accreditation in higher education and move to more focused discussions of financial and physical resource and the formation of professional judgment.

The Workshop is based on brief case studies. It is designed to apply the concepts and principles set forth in the modules to case studies focusing on issues related to financial and physical resources. The workshop provides guided opportunities to practice evaluating an institution and its case for compliance. The discussions will be guided by facilitators who are among the Commission's cadre of experienced evaluators addressing financial and physical resource issues.

MODULE 1: OVERVIEW OF ACCREDITATION

Module Focus:

Explains the philosophy and concept of self-regulation in higher education
Defines accreditation, its purposes and characteristics
Describes the review process and the reviewer's role
Explains how the accreditation process assists higher education institutions
Discusses the scope and mission of the SACSCOC

Expected Learning Outcomes:

1. The learner will be able to describe self-regulation in higher education.
2. The learner will be able to explain higher education accreditation as both a process and product.
3. The learner will be able to explain the role of evaluation committees in the accreditation process.
4. The learner will be able to describe the geographic region and types of institutions comprising the membership of SACSCOC.

Philosophy of Accreditation

Self-regulation through accreditation embodies a traditional U.S. philosophy that a free people can and ought to govern themselves through a representative, flexible, and responsive system. Accordingly, accreditation is best accomplished through a voluntary association of educational institutions.

Both a process and a product, accreditation relies on integrity, thoughtful and principled judgment, rigorous application of requirements, and a context of trust. The process provides an assessment of an institution's effectiveness in the fulfillment of its mission, its compliance with the requirements of its accrediting association, and its continuing efforts to enhance the quality of student learning and its programs and services. Based upon reasoned judgment, the process stimulates evaluation and improvement, while providing a means of continuing accountability to constituents and the public.

The product of accreditation is a public statement of an institution's continuing capacity to provide effective programs and services based on agreed-upon requirements [of the membership of the accreditation association].

Principles of Accreditation, 2008, p. 2

Accreditation Associations

U. S. accreditation organizations, formed over a century ago, have evolved in response to the needs of educational institutions and society. In James Miller's centenary history of the Southern Association of Colleges and Schools, he noted that SACS acted in "shaping society (and was) shaped by society" (Miller 1998, p. 35). Accreditation associations are organized at regional, national and professional levels, and they collectively represent the higher education community. Although the members of each accreditation association establish requirements unique to their institutions, all have the following characteristics:

1. The members determine the specific membership requirements.
2. Each institution conducts a comprehensive analysis of its compliance with the association's requirements.
3. An evaluation committee conducts an evaluation of the institution's case.
4. Elected representatives of the association review and determine the institution's accreditation status.

Accreditation in the United States is a voluntary and self-regulatory mechanism of the higher education community. It plays a significant role in fostering public confidence in the educational enterprise, maintaining standards, enhancing institutional effectiveness and improving higher education by establishing a common set of requirements with which accredited institutions must comply.

Accreditation associations recognized by the U.S. Department of Education also complete a review process to ensure that they are operating within the Department's regulations. In addition, the accrediting community established an umbrella organization - the Council on Higher Education Accreditation (CHEA) - that brings the associations together to address common interests.

The success of the reaffirmation process depends on four paramount concepts:

1. The process is conducted by **evaluators** whose professional expertise, experience and informed understanding of the issues enable them to apply their professional judgment in a reasonable and responsible manner.
2. All parties to the review process (committees, institutions and the accrediting agency) operate with **integrity and confidentiality** and maintain a relationship of **trust and forthrightness**.
3. All parties are committed to **quality enhancement and continuous improvement**.
4. The institution supports and enhances **student learning** within the context of its mission.

Although accreditation associations utilize different review processes, they all share the belief that evaluators can apply qualified collective professional judgment to evidence presented by an institution and assess compliance with the accreditation community's requirements.

The Role of SACSCOC

The Southern Association of Colleges and Schools is the regional body for the accreditation of degree-granting higher education institutions in the Southern states. The Commission's mission is the enhancement of educational quality throughout the region and the improvement of the effectiveness of institutions by ensuring that they meet standards established by the higher education community. SACSCOC serves as the common denominator of shared values and practices among the diverse institutions in Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Texas, Virginia, Latin America and other international sites approved by the Commission on Colleges that award associate, baccalaureate, master's, or doctoral degrees. The Commission also accepts applications from other international institutions of higher education.

The Commission expects institutions to enhance the quality of programs and services and create an environment in which teaching, public service, research, and learning occur in a manner appropriate to each institution's mission. At the heart of SACSCOC's philosophy of accreditation is the concept of quality enhancement and the presumption that each member institution is engaged in an ongoing program of improvement and can demonstrate how well it fulfills its stated mission. Each institution is expected to document the quality and effectiveness of all of its programs and services.

SACSCOC supports the right of an institution to pursue its established educational mission; the right of faculty members to teach, investigate, and publish freely; the right of students to access opportunities for learning and for the open exchange of ideas. However, the exercise of the aforementioned rights should not interfere with the overriding obligation of an institution to offer its students a sound education.

MODULE 2: THE ACCREDITATION PROCESS OF THE SOUTHERN ASSOCIATION OF COLLEGES AND SCHOOLS COMMISSION ON COLLEGES

Module Focus:

Describes the Commission's review process

Explains the tenets that guide the review process

Provides an overview of SACSCOC's review process

Describes the timelines, tasks and responsibilities of the Off-Site and On-site Reaffirmation Committees

Expected Learning Outcomes:

1. The learner will be able to describe the components of the Commission's three-tiered, review process.
2. The learner will be able to describe the role of evaluation committees in determining the accreditation status of a candidate and/or a member institution.
3. The learner will be able to identify the tenets of the SACSCOC review process.
4. The learner will be able to explain the responsibilities of evaluation committee members.
5. The learner will be able to describe the differences in the size, focus and function of an Off-Site Reaffirmation Committee and an On-Site Reaffirmation Committee.

SACSCOC Review and Reaffirmation Process

SACSCOC's process for determining an institution's accreditation status involves three steps:

1. The institution analyzes its compliance with the Commission's accreditation requirements contained in *The Principles of Accreditation*. The internal review prompts the institution to consider its effectiveness in achieving its stated mission, its compliance with the Commission's accreditation requirements, its efforts to enhance the quality of student learning, programs and services offered to its constituencies and its success in accomplishing its mission. This review process is the core of continuous quality improvement.
2. Once an institution has conducted its own analysis, an external evaluation committee conducts a review of the institution's materials, and in the case of a site visit, gathers additional information by meeting with various constituents of the institution. At the conclusion of its review, the evaluation committee prepares a report which is forwarded to the institution and the Commission on Colleges.
3. The seventy-seven member Board of Trustees of the Commission on Colleges reviews the reports from the institution and the evaluation committee and determines the institution's accreditation status.

Evaluation Committees

The Commission's evaluation committees have different foci, size and composition. A description of the types of committees and materials pertaining to them are available on the Commission's web site (http://www.sacscoc.org/committee_forms1.asp). Each of the following committees has its own evaluation documents and review procedures:

1. **Candidacy Committees** conduct reviews of institutions seeking candidacy. The review focuses only on Core Requirements 1-11, selected Comprehensive Standards and Federal Requirements.
2. **Accreditation Committees** conduct reviews of institutions seeking initial membership. The review focuses on all Core Requirements, with the exception of CR 2.12 (Quality Enhancement), Comprehensive Standards (excluding CS 3.3.2) and Federal Requirements. Accreditation reviews are conducted in a manner similar to reaffirmation reviews.
3. **Off-Site Reaffirmation Committees** conduct reviews of institutions seeking continued membership. The comprehensive review addresses all Core Requirements except CR 2.12 (Quality Enhancement), Comprehensive Standards (excluding CS 3.3.2, Quality Enhancement) and Federal Requirements. The off-site reaffirmation committee process is described in a following section.
4. **On-Site Reaffirmation Committees** conduct reviews of institutions seeking continued membership. The review addresses an institution's compliance with the standards cited by the Off-Site Reaffirmation Committee and the acceptability of its Quality Enhancement Plan (CR 2.12 and CS 3.3.2). The committee also reviews a number of accreditation standards identified by the US. Department of Education. The on-site reaffirmation committee process is described in a following section.
5. **Special Committees** conduct reviews of institutions seeking continued accreditation following evaluation of accreditation-related institutional circumstances. The review focuses primary attention on selected requirements within *The Principles of Accreditation*.
6. **Substantive Change Committees** conduct reviews of institutions seeking approval and continued accreditation following a change, a significant modification or expansion of the institution's mission, governance, programs, locations and/or modes of delivery. The review focuses primary on selected Core Requirements and/or Comprehensive Standards.

Evaluation Committee Tenets

The review process requires comparable and consistent application of the Commission's requirements, policies and procedures across the broad spectrum of institutions comprising the SACSCOC membership. Objectivity and consistency is important to the institution and to the larger higher-education community. The Commission's review process and the committee's work are characterized by the objective and consistent application of the following tenets:

1. **The evaluation committee conducts a review that is valuable to the institution:** The committee's goal is to be of value to the institution by providing insight and guidance on actions the institution might take to enhance its efforts to achieve the stated mission.

2. **The review process is conducted by qualified evaluators:** The evaluation committee is comprised of knowledgeable individuals whose professional expertise and experiences are appropriate to their roles and responsibilities on the committee.
3. **The committee demonstrates personal and professional integrity in all aspects of its review:** Integrity in the accreditation process is best understood in the institutional context of the review, the utilization of professional judgment by evaluators employing commonly accepted sound academic theories and practice and the conscientious application of *The Principles of Accreditation*. The Commission's requirements, policies, processes, procedures and decisions are predicated on the integrity of all parties. Members of an evaluation committee are expected to demonstrate personal and professional commitment to integrity through word and deed in all their interactions with the institution under review. The Commission focuses considerable attention on issues such as conflict of interest to ensure that the committee's collective judgment is not impeded by any actual or perceived conflicts.
4. **The committee conducts its review within the context of the institution's mission, *The Principles of Accreditation* and the Commission's policies and procedures:** The accreditation process requires consideration of several complementary goals. Guided by *The Principles of Accreditation*, the committee must conduct the review process with an appreciation for the particular mission of the institution under review. The Commission on Colleges expects institutions to enhance the quality of their programs and services within the context of available resources and capacities. The Commission also expects the institution's mission to facilitate an environment where teaching, public service, research and learning occur.
5. **The committee conducts its review in a collegial, confidential, and professional manner:** The committee comes to the institution as guests and professional colleagues. Committee members are expected to conduct themselves in a cordial, collegial and professional manner. To ensure that the committee's interactions with the institution are treated with confidentiality and are conducted in a candid forthright manner, the committee shares its findings with the institution but does not discuss the issues with anyone not directly involved in the review. The deliberations of the committee are not shared with others within the institution's community or beyond.
6. **The committee applies its informed and responsible judgment in determining the institution's compliance with the *Principles*:** The committee exercises its collective professional judgment in a consistent, reasoned and reasonable fashion in assessing the extent to which the institution demonstrates its compliance with *The Principles of Accreditation*.

The Reaffirmation Process

Institutions seeking reaffirmation with SACSCOC are organized into two separate tracks, each with separate guidelines. Institutions offering only undergraduate degrees begin the process in January of year one and complete it in June of year three. Institutions offering graduate degrees begin the process in June of year one and complete it in December of year three.

All institutions undertake a comprehensive review of their compliance with applicable accreditation requirements every ten years. The process requires the institution to complete a Compliance Certification document and a Quality Enhancement Plan. The Commission's evaluation of the aforementioned and other supporting documents is conducted in the three-tiered, review process.

A. Off-Site Reaffirmation Committee

An Off-Site Reaffirmation Committee, normally composed of eight to ten evaluators, is the first level of external review after the institution completes its own assessment of its compliance with the Commission's accreditation requirements. The committee reviews Compliance Certifications of a group of three comparable institutions and makes preliminary judgments regarding each institution's compliance with the Core Requirements (except CR 2.12), Comprehensive Standards (except CS 3.3.2) and Federal Requirements in *The Principles of Accreditation*.

The Off-Site Reaffirmation Committee is advisory to both the institution and the On-Site Reaffirmation Committee that will conduct a review of the institution based on the Off-Site Reaffirmation Committee's report. The Off-Site Reaffirmation Committee:

1. Reviews documentation provided by three institutions;
2. Provides a written report of its findings for each institution based solely on the written documentation provided by the institution;
3. Conducts its work electronically and during a meeting in Atlanta without visiting the institution;
4. Completes its report without interaction with institutional representatives regarding the substance of their review; and
5. Submits a report that does not include formal Recommendations or decisions regarding the institution's accreditation status.

The Off-Site Reaffirmation Committee report represents a preliminary judgment concerning the extent to which the institution's documentation supports its compliance with *The Principles of Accreditation* requirements. The Off-Site Reaffirmation Committee's report is forwarded to the institution for its use in developing a Focused Report addressing deficiencies cited in the Off-Site Report. The institution submits its Focused Report to the On-Site Reaffirmation Committee that visits the campus four to six months after the Off-Site review.

Timelines for the Off-Site Reaffirmation Committee

Off-Site Reaffirmation Committees meet in Atlanta during either May or November to reach consensus and closure regarding each institution's compliance with the Principles; however, committee members begin reviewing each of the institutions ten or more weeks before the meeting. Institutions offering only undergraduate degrees are reviewed during the spring, and Off-Site Reaffirmation Committees meet during May. Institutions offering graduate degrees are reviewed during the fall, and Off-Site Reaffirmation Committees meet in November.

Invitations to participate on Off-Site Reaffirmation Committees are distributed by the Commission office approximately eight months prior to the committee's single meeting in Atlanta. Committee members receive assignments approximately five months before the meeting, and institutions send reports to committee members approximately three months before the meeting. Committee members review the reports for each of the institutions in the cluster and prepare draft analyses reports prior to the Atlanta meeting. In general, committees will conduct the preliminary analyses during a ten-week period leading up to the meeting.

Tasks of the Off-Site Reaffirmation Committee

Committees receive information from three sources: the institution, the Commission and the committee chair. Each institution in the cluster provides its Compliance Certification with support documentation. Although information may be presented in various ways, institutions typically rely on a combination of CD's and web links.

The SACSCOC office provides the Committee a set of documents, committee assignments and logistics information, and Commission staff provide additional skills training during telephone conference calls. One training topic is SharePoint, the software program that the Committee uses to build its report for each institution under review.

The committee chair will conduct two or more one-hour telephone conference calls with the entire committee. The first call will include a general orientation to the review process, the schedule for reviewing institutions and individual committee assignments. During the second call, (conducted at or near the conclusion of the first institution's review), committee members will discuss preliminary analyses of the institution and identify other issues bearing upon the review. All committee members are expected to participate fully in the discussion, to reflect seriously upon the deliberations and to keep all questions and comments confidential.

Financial and Physical Resources Assignments for the Off-Site Reaffirmation Committee

The financial and physical resource evaluator on an Off-Site Reaffirmation Committee will be assigned to review specific student services requirements within *The Principles of Accreditation*. Typically, the assignments will include Core Requirement 2.11.1, 2.11.1 (2), 2.11.2 and 2.12; Comprehensive Standards 3.3.2, 3.10.1, 3.10.2 (formerly 3.10.3), 3.10.3 (formerly 3.10.4), 3.10.4 (formerly 3.10.5), 3.11.1, 3.11.2 and 3.11.3; Federal Requirements 4.3 and 4.7. The financial and physical resource evaluator also may be asked to review other standards and/or assist other committee members in reviewing standards that pertain to planning, evaluation or facilities. Committee members with appropriate expertise will be assigned other standards to review, and in some instances, more than one person on the committee will be assigned to review a particular standard. Each evaluator will review the same set of requirements for all of the institutions in the "cluster."

Committee Review for the Off-Site Reaffirmation Committee

The bulk of the committee's work is completed prior to the Atlanta meeting. During that two-day session, the committee will review and finalize its analyses of each of the institutions included in its cluster. The committee will read and discuss its draft report for each institution in the cluster and will determine what further actions, if any, each institution should take to establish compliance. Since the report is preliminary in nature, the Off-Site Reaffirmation Committee does not make any formal recommendations or statements of non-compliance. Once the committee has completed its review during the May or November meeting in Atlanta, its work is complete, and no additional reviews are required.

B. On-Site Reaffirmation Committee

Approximately four to six months following the Off-Site review, the second level of the review process, the On-Site Reaffirmation Committee, conducts a focused evaluation of a single institution. The Committee has three main tasks:

1. Address issues of compliance identified by the Off-Site Reaffirmation Committee as well as

- other requirements within the *Principles*
2. Review any off-site locations or other distance learning initiatives
 3. Review the institution's Quality Enhancement Plan to judge its acceptability

Typically, the On-Site Reaffirmation Committee has seven to ten (or more) members depending on the complexity of the institution, its instructional locations and the scope of the issues identified in the Off-Site Reaffirmation Committee report. The On-Site Reaffirmation Committee generally completes its site review in three days. At the conclusion of its visit, the On-Site Reaffirmation Committee prepares a report of its findings, noting any requirements where it judged that the institution had not yet established compliance at the time of the review. The Report of the Reaffirmation Committee, along with the institution's response to areas of non-compliance, is forwarded to the Commission for review and action.

Timelines for the On-Site Reaffirmation Committee

Typically, invitations to participate on an On-Site Reaffirmation Committee are sent approximately five months prior to the visit; however, there is some variation in the process, depending on the Off-Site Reaffirmation Committee findings. Generally, committee members receive information from the institution four weeks prior to the committee visit. The chair will conduct one or more telephone conference calls with committee members prior to the visit to discuss various aspects of the on-site review and share preliminary impressions. Committees must manage time carefully while on campus because a number of issues must be reviewed in a relatively short amount of time, so the chair will develop a detailed itinerary for the committee's three-day visit to the institution.

Tasks of the On-Site Reaffirmation Committee

The committee's evaluation of the institution's case for its compliance with *The Principles of Accreditation* begins with an informed understanding of the institution's mission. Members should have a clear understanding of *The Principles of Accreditation* requirements and all SACSCOC policies and procedures that bear upon the committee review. Members should have a thorough knowledge of the specific accreditation requirements for which they will be responsible, and they should study the Off-Site Reaffirmation Committee report and the materials submitted by the institution.

The committee will judge the extent to which the institution has established its compliance with the *Principles* and prepare a written report of its findings for SACSCOC. If the committee judges that the institution has not established compliance with a particular requirement, it will write a Recommendation, a formal statement of an action or set of actions that the institution must take to establish compliance. The On-Site Reaffirmation Committee is advisory in nature; therefore, it does not accredit the institution or make the final determination of its status with the Commission; however, it may provide guidance and consultation to the institution on issues that will enhance the quality of the institution's programs and services.

Financial and Physical Resources Assignments for the On-Site Reaffirmation Committee

Each committee member will have specific assignments appropriate to his or her areas of expertise. The finance evaluator will be responsible for reviewing some or all of the financial and physical resources standards and Federal Requirements cited in the Off-Site report. The evaluator also will participate with others in the broader review of the QEP with particular attention to learning outcomes as the linkage among the QEP, student services, the student body profile and the institutional mission. Following the committee review, the chair will compile the committee's draft report and circulate it to members for

further editing. This process usually takes between two to six weeks. Once the chair finalizes the report, the committee's work is complete.

C. Review by SACSCOC

The Committees on Compliance and Reports (C&R) are standing committees of the Commission. Five or six C&R Committees convene at any given meeting of the Commission, depending on the number of institutions being reviewed. A C&R Committee reviews reports prepared by evaluation committees and the institutional responses to the reports. The C&R Committee makes a recommendation regarding an institution's reaffirmation of accreditation to the thirteen-member Executive Council for review. The Executive Council recommends action to the full Board of Trustees (comprised of seventy-seven elected members) which makes the final decision on the reaffirmation of an institution. The full Commission convenes twice a year.

MODULE 3: THE COMMITTEE EVALUATOR AND THE FORMATION OF PROFESSIONAL JUDGMENT

Module Focus:

Describes the desirable characteristics of an evaluation committee member

Describes the formation of professional judgment about the extent to which the institution makes a compelling case for its compliance with *The Principles of Accreditation*

Provides examples of issues to consider and questions to explore in developing professional judgment

Expected Learning Outcomes:

1. The learner will be able to identify the characteristics of an effective member of a SACSCOC evaluation committee.
2. The learner will be able to recognize SACSCOC's term, "professional judgment."
3. The learner will be able to identify the components of the formation of professional judgment.
4. The learner will be able to identify pertinent questions and/or issues that guide the formation of professional judgment about an institution's compliance with a particular accreditation requirement.

Characteristics of a Member of a SACSCOC Evaluation Committee

An effective evaluator brings to the committee an applied understanding of the complexities of a particular area or areas within institutions such as educational programs, student services, institutional effectiveness, libraries and information technology, distance learning, finance and facilities, governance and administration. Additionally, the committee member demonstrates an awareness of current issues, trends and practices within the larger higher education community. The work of an evaluator is guided by the accreditation requirements adopted by the SACSCOC membership and contained in *The Principles of Accreditation* as well as the Commission's policies and procedures applicable to the scope of the particular committee review. All committee members work collaboratively in evaluating the extent to which the institution presents a compelling case for its compliance with the *Principles*.

The quality of the committee member's contributions to the work of the committee is predicated on the following characteristics:

Integrity - The committee member demonstrates the following:

professional and personal honesty and candor

dedication to avoid real or perceived conflicts of interest

ability to conduct an *impartial, informed and reasoned analysis* of the institution's compliance with the *Principles*

commitment to the value of peer review and institutional enhancement

Expertise - The committee member demonstrates the following:

knowledge of institutional complexities
mature awareness of his or her profession
currency in his or her area(s) of professional expertise
experience in higher education
understanding of the requirements within *The Principles of Accreditation*

Communication skills - The committee member demonstrates the following:

effectiveness in producing clear, coherent, concise and cogent *writing*
ability to *speak* in a clear, coherent and cogent manner
willingness and ability to *listen* to others
commitment to *interact with others* in a professional, collegial, collaborative and coherent manner

Thoroughness - The committee member demonstrates the following:

willingness to perform *due diligence* in examining information provided by the institution
experience in *navigating* electronic data
capacity to synthesize large amounts of information
ability to form *judgments predicated on data* presented by the institution

Efficiency - The committee member demonstrates the following:

proficiency in *assimilating and evaluating* significant amounts of information in a compressed time period
skill in *interpreting* material that may be poorly organized or difficult to locate
ability to *prioritize* work and focus on the most significant issues and data

Objectivity and Consistency - The committee member demonstrates the following:

capacity to evaluate all information without prejudging the institution's compliance
ability to apply requirements and standards evenly within the context of the institution's mission and the Commission's requirements

Confidentiality - The committee member demonstrates the following:

commitment to *handle information* with confidentiality throughout the entire evaluation process
understanding of the constraints of sharing institutional information with others

Collegiality - Collegiality in an accreditation review means that the committee member demonstrates the following:

capacity to *act as a professional colleague* with other committee members and representatives of the institution being evaluated
experience *working in a collaborative manner* with others
ability to *make cogent, informed, timely and focused contributions* to committee discussions

Decisiveness - The committee member demonstrates the capacity to make decisions based on the following:

careful and thorough review of available and accessible evidence
informed analysis of the institution's case
informed and reasonable application of the Principles to the mission of the institution and the expectations of SACSCOC

Professional Judgment

The evaluator's professional judgment is a product of a triangulation of perspectives:

- Professional expertise and experience
- Informed understanding of the requirements of the *Principles*; the nature of the institution's case (assertion, evidence and analysis); the capacity to establish a *goodness of fit* between the institution's mission and case
- Knowledge of the generalized expectations of the SACSCOC membership

Within the context of peer review, professional judgment about an institution's compliance with *The Principles of Accreditation* is based on the following:

- understanding the requirements of the *Principles*
- capacity to apply the *Principles* within the context of the institution's mission and the scope of the evaluation committee's charge.
- due diligence in examining the institution's case for compliance
- awareness of SACSCOC and its member institutions' expectations

Professional background of the committee member. Individuals are selected as members of the evaluation committee because their experiences and expertise in higher education complement the task of the evaluation committee. In addition, the new relationship suggests an effective fit with some aspect of the institution being evaluated. The committee member's professional judgments are based on:

- The application of insights gained from their professional background and experiences to the analysis of the institution's case for compliance; and
- The capacity to weigh their perceptions of requirements of the *Principles* and the institution's case against the unique mission of the institution rather than an idealized vision or a comparison with the committee member's home institution.

The institution's case for compliance. The institution is responsible for presenting a comprehensive and compelling case of its compliance. In evaluating the institution's case, the committee member:

- exercises due diligence in identifying the institution's assertion of the extent to which it meets the requirements of the *Principles*;
- exercises due diligence in searching out and evaluating the evidence presented by the institution;
- examines closely the institution's analysis of its case, as well as the linkages between the analysis and the evidence presented;
- weighs the extent to which the institution's case appears reasonable, reasoned and compelling; and
- evaluates the extent to which the institution's case demonstrates its compliance with the requirements of the *Principles*.

The judgment of the individual committee member regarding the extent to which an institution demonstrates its compliance with SACSCOC accreditation requirements is a thoughtful balance and weighing of the perspectives. In all instances, the individual is searching for the preponderance of "evidence" that leads to the judgment; however, the development of the individual's professional judgment represents only part of the evaluation process. The evaluation committee is responsible for receiving and reviewing the individual's analysis and findings as it collectively evaluates the institution's case. That process is described in a following section.

Formation of the Committee's Collective Professional Judgment

The committee member formulates and articulates a reasoned and reasonable basis for his or her professional judgment about the institution's compliance with SACSCOC requirements, policies and procedures. However, that does not represent the committee's judgment until all members thoroughly and rigorously vet the issues. The committee's review and deliberations are guided by discussion questions such as:

- What is the institution's assertion regarding its compliance with the *Principles*?
- What is the basis for the institution's assertions made within its case?
- To what extent does the institution's evidence support its case?
- To what extent does the institution's case demonstrate its compliance with the *Principles* within the context of its institutional mission?
- What is the basis for the committee's judgment?
- To what extent does the committee's judgment appear to be consistent with or differ from the general expectations of SACSCOC and its member institutions?

The Institution's Case

The committee is charged with developing an overarching judgment of the institution's case which is analogous to the sum being larger than the individual parts. While each of the components of an institution's case is vital, the committee's task is to weigh the components against one. In this regard, the committee is always addressing whether the institution's case (assertion, evidence and analysis) is sufficient to establish its compliance with the requirement. The committee weighs the information provided by the institution to determine whether the necessary information was presented. Additionally, the committee needs to determine whether the evidence presented by the institution stands the tests of evidence to conclude that it is sufficient to support the case. NOTE: Module Four focuses on the components of an institution's case as well as the evidence that supports the case.

The Institution's assertion of its Compliance. *The Principles of Accreditation* provides an institution with considerable leeway in the interpretation of the extent to which it meets and exceeds the accreditation requirements with respect to its missions. Institutions assume primary responsibility for asserting the extent to which they meet the requirements. When an institution concludes on the basis of its internal review that it is not in compliance with a requirement, it is responsible for indicating the basis for that assertion and presenting a means whereby it will establish compliance. In some instances, an institution may present a time line for establishing compliance as well as actions it will take and indicators it will use to evaluate its progress for establishing compliance.

The Institution's Evidence. The institution's case cannot stand without evidence to support the assertions. Module Four looks more closely at the role of evidence and outlines key tests to determine whether the evidence presented is sufficient to demonstrate compliance. Insofar as the development of the committee's professional judgment is concerned, the absence or lack of institutional evidence will adversely affect the committee's judgment about the institution's case for compliance.

The basis of the Institution's Claims. While a case for compliance cannot stand without evidence, evidence by itself does not establish compliance. The institution is responsible for demonstrating the link between the evidence supporting its case and the claim it is making regarding its compliance with the requirement. The institution is in essence saying, "*The evidence demonstrates compliance because. . .*" The committee weighs the strengths of the institution's analysis in arriving at its judgments about the institution's case.

The Committee's Professional Judgment

The starting point for the committee's discussion is a common understanding of the specific requirement within the *Principles* as well as a shared understanding of expectations regarding the requirement. The committee also applies the *Principles* within the context of the institution's mission as it examines the institution's case for compliance. In the formation of its judgment, the committee also recognizes there may be many different ways that institutions might demonstrate compliance with the requirement. The application of the *Principles* to the institution's case is not a *one size fits all* process.

All members are responsible for participating in the focused discussions about the institution's case. Based on its exploration of questions and issues such as the ones outlined above, the committee's task is to weigh all available information, perspectives and understandings to develop its collective judgment of the institution's compliance.

MODULE 4: EVALUATING FINANCIAL AND PHYSICAL RESOURCES

Module Focus:

Focuses on evaluating an institution's compliance with the Financial and Physical Resource requirements within *The Principles of Accreditation* in the context of the institution's educational mission

Encompasses other aspects of the *Principles* when fiscal and physical factors bear upon those requirements; i.e., planning and evaluation, adequacy of human resources, the Quality Enhancement Plan

Expected Learning Outcomes:

1. The learner will be able to identify Core Requirements, Comprehensive Standards, and Federal Requirements within *The Principles of Accreditation* related to financial and physical resources.
2. The learner will be able to identify questions to consider when evaluating an institution's case for compliance with financial and physical requirements.
3. The learner will be able to identify types of evidence documenting compliance with financial and/or physical resource requirements.
4. The learner will be able to evaluate the institution's case for compliance in the context of its institutional mission.

Responsibilities of the Institution

The institution is responsible for presenting an empirically-based analytical case for compliance. If the institution concludes it has not established compliance with a particular requirement, then it is responsible for presenting that analysis to the evaluation committee, as well as actions it has taken or will take to establish compliance. If the institution presents future actions to be taken, then it needs to demonstrate the reasonableness of those actions. The institution needs to report in a clear, candid, and forthright manner. The report needs to be easily and readily accessible to the reader and presented in a cordial and timely manner.

Responsibilities of SACSCOC Evaluators

Evaluators are responsible for applying professional experiences, expertise and knowledge of SACSCOC accreditation requirements to their comprehensive review of all data presented by the institution and analysis of the institution's case for compliance. Ultimately the evaluators' professional judgments are grounded in an informed, reasoned and reasonable understanding of the institution's case for compliance and the SACSCOC requirements bearing upon that case.

While it is always important for the evaluator to provide the basis for whatever judgments are reached, it is especially important that the evaluation of compliance with the financial and physical resource requirements provide the following:

- Evaluators should tie all numbers cited in the report directly to information provided by the institution, such as the audited financial statements or other documentation.
- The reader needs to be able to locate the sources for information cited in the report.

- The evaluator’s calculations and findings need to be explained and linked to the institutional documentation.
- References to audited financial information such as total net assets, unrestricted net assets, change in total net assets, etc. need to bear exactly the same name and numbers as those presented in the audited financial statements.

The clarity of the written report is important to the institution as well as to SACSCOC when it reviews the institution’s response to the report.

PART I: Financial Resources

The financial issues raised in this module are common financial and physical resource issues an evaluator is likely to encounter. They are not exhaustive, nor are they intended to be interpreted as a list of compliance issues, questions and documents to be “checked off”. They are intended to help the evaluator frame the issues and focus the analysis. This module is based on a compilation of experienced financial evaluators and their professional judgments.

Professional opinions do not bear the authority of *The Principles of Accreditation*, but may provide insight into issues financial peer evaluators consider when determining compliance.

Components of Financial Resources

The requirements pertaining to financial resources within the *POA* appear as Core Requirements, Comprehensive Standards and Federal Requirements. This section of the module addresses each of those areas by focusing specifically on accreditation requirements. The assessment of the institution’s case needs to be placed within the context of its mission as well as the range and scope of its educational programs, the delivery and support of those programs, and the institution’s capacity to administer those programs and services.

Assessing an Institution’s Case for Compliance with Financial and Physical Resource Requirements of the Principles of Accreditation

As you consider the institution’s case and the evidence and analysis supporting its assertions, you should test the assumptions on which the case is based. Though not intended as an exhaustive list, the following represent questions to consider:

- Does the institution provide documentation that its institutional policies are board-approved, reviewed and updated regularly?
- Does the institution provide documentation that its Institutional procedures are implemented and followed?
- Does the institution provide documentation that its Institutional Committees meet on a regular basis and carry out their charges?

Financial information about the institution must be presented in a timely manner in a standard and reliable format following generally accepted accounting principles.

Evaluating the Institution's Case for Compliance: Financial Resources

This next portion of the module focuses on primary requirements in the *POA* that address financial resources. Each requirement is addressed in terms of the (1) issues it raises; (2) illustrative questions to help evaluate the institution's case; and (3) types of documentation that might support the evaluator's professional judgment.

CORE REQUIREMENT 2.11.1

The institution has a sound financial base and demonstrated financial stability to support [its] mission and the scope of its programs and services.

A sound financial base provides the foundation for the accomplishment of the institution's mission. Adequate resources allow for deliberate consideration of the effective use of resources to fulfill that mission. Evidence of a sound financial base, over time, is a strong indicator of a sound educational program.

Financial stability creates confidence in the administrative capabilities of the institution. It enables faculty and staff to focus on their individual responsibilities within the delivery of educational programs and services. When financial stability is troubled, faculty and staff become distracted from their roles in the educational process. The inability to maintain stability may result in the reduction of services for critical programs or constant changes in funding which create uncertainty and distrust.

The demonstration of financial stability requires multiple years of financial data, with the most recent fiscal year and two previous fiscal years being generally desirable. *For private institutions* this means three years of externally audited financial data. For reaffirmations, reports must include the external audit for the fiscal year ended prior to the due date of the compliance certification. Some public institutions are audited on a rotating basis, not necessarily annually. Audited financial statements, or a standard review report with individual statements included, for the fiscal year ended prior to the due date of the compliance certification is a requirement for reaffirmations. Data from prior years should be provided and derived from the most reliable source available. External audits are also acceptable for public institutions.

Core Requirement 2.11.1 addresses the overall financial resources and stability of the institution. It is possible that an institution has financial concerns that have not yet affected overall financial stability. These items are generally events in the recent history of the institution such as enrollment declines, hurricane damage, minor deficits, etc. Financial concerns that are recent, possibly temporary, or minor may be reasonably addressed under Comprehensive Standard 3.10.1.

Illustrative Questions

- Is the institution living within its means?
- Is it producing operational surpluses? Or deficits?
- Have resources (unrestricted, temporarily restricted, permanently restricted and total net assets) remained steady or increased each year?
- Are cash flows related to operations positive?
- Are revenue sources stable, and if not, how is the institution reacting?
- Is operational debt, such as lines of credit, increasing?
- Is the institution borrowing from or against endowment?
- Is the institution current in its financial obligations to employees, vendors, and governmental entities?

- Does the institution have a reasonable and prudent endowment spending policy as well as evidence that it follows that policy?
- Are current assets adequate to meet current liabilities?
- How does the net tuition trend compare to enrollment trends?
- How do budgets approved by the board compare with audited year end revenue and expenditures?
- Is the institution dependent on revaluations of assets, endowment gains, releases of capital restrictions, or gains on the sale of property to support unrestricted operational revenues?
- Are audited financial statements, or standard review reports, prepared in accordance with generally accepted accounting principles and all FASB or GASB pronouncements that may apply and do they present unqualified opinions?

Related Documentation: The following list suggests types of documentation to support the institution's case for compliance.

- **REQUIRED** - Audited financial statements, with footnotes, for the most recently ended fiscal year prior to the due date of an institution's compliance certification, or (for publics) Standard Review Report, with individual institutional financial information, for the most recently ended fiscal year end prior to the due date of an institution's compliance certification.
- **REQUIRED** - A written management letter individual to the institution for the most recently ended fiscal year prior to the due date of an institution's compliance certification.
- Two previous fiscal years' audited financial statements with footnotes, management letters, and financial aid and compliance audits, (for publics only, if audits are unavailable provide financial statements of highest reliability).
- **REQUIRED** - Statement of Unrestricted Net Assets exclusive of plant and plant-related debt, (at least two years data as change in balance is required).
- **REQUIRED** - An annual budget
- **REQUIRED** - Evidence of budget planning.
- **REQUIRED** – Proof of board approval of budget (usually an excerpt from board minutes indicating approval).
- Management's Discussion and Analysis related to most recent financial statements.
- Additional years of select financial data derived from audits (or most reliable source).
- Rating agency reviews, paying special attention to any upgrades or downgrades in bond ratings (if applicable).
- Approved, amended and actual budget totals over time.
- History of enrollment trends (FTE and headcount).
- Copies of agreements with outside entities that provide substantial support for the organization.
- Financial ratios based on audited financial statements for three to five years, i.e. CFI (composite financial index) and other standard ratios (if benchmarked, provide source of benchmark).

CORE REQUIREMENT 2.11.1 (2)

(2) a statement of financial position of unrestricted net assets, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net assets attributable to operations for the most recent year;

This segment of the Core Requirement addresses the soundness and stability of the institution's unrestricted net assets excluding plant. Unrestricted net assets (UNA) are assets held by the institution not restricted to specific use. The assets may be used as the institution deems appropriate. UNA include assets of varying liquidity. For instance, some assets, such as cash and equivalents, might be very liquid

while other plant assets, such as buildings, furnishings and equipment, are not readily available. Therefore, the purpose of calculating UNA exclusive of plant assets and plant-related debt (UNAEP) is to determine the level of assets available to meet day-to-day operational needs of the institution.

If you look closely at the language of this requirement you will note that it requires the preparation of a separate financial schedule not defined or required by FASB or GASB. This statement may be prepared by the institution or by its auditor (generally as a supplemental schedule to the audit). It is important that the institution's statement be consistent with the audited statements. Additionally, the inclusion of the word "change" means that the institution will need to prepare a multi-year statement in order to demonstrate any changes in its UNAEP over time.

There is no prescribed format for this schedule, nor any requirement regarding the number of years of data to be included. What must be included is defined by the standard: unrestricted net assets LESS plant assets net of plant-related debt and the change in that number over multiple years. Plant is generally reported net of depreciation, and that is assumed in this calculation.

The definitions of plant, and plant-related debt, can be problematic for institutions and evaluators alike. It is important that institutions work with their auditors to properly classify assets as either plant or investment assets on their audited financial statements. Common areas for peer evaluator consternation include real estate, art collections, and plant-related debt. Financial peer evaluators are holistic in their review approach, and do not base decisions of financial stability or resources on any one indicator, including UNAEP.

For peer evaluation purposes, whether real estate held for investment is included with, or excluded from, plant assets, would depend upon the intent of the investment, the time period for liquidating the investment, and the purpose of the funds if liquidated. Typically, real estate held for short-term investment that could be liquidated with proceeds used to support current financial operations would not be included with plant assets. Real estate which may be utilized in the future for campus expansion should be included in plant, and thus excluded from UNAEP. It seems unrealistic and possibly misleading to classify real estate as an investment (for peer review purposes and the calculation of UNAEP) which does not produce revenue and/or may never be available for sale to meet operational needs. Treatment of real estate for purposes of calculating UNAEP should be consistent from year-to-year, with any changes in treatment explained.

For peer evaluation purposes, generally an art collection would be treated as a plant asset and, therefore, be excluded from UNAEP since it is typically an illiquid investment, unless it is the intention of the institution to sell the collection on a short-term basis. Treatment of art collections for purposes of calculating UNAEP should be consistent from year-to-year, with any changes in treatment explained.

Plant-related debt is generally considered by evaluators to be debt obtained for the purpose of plant expansion or refinance. Indebtedness obtained to fund operational deficits, even if collateralized by plant, should not be included in plant-related debt. Plant-related debt may not exceed plant, net of depreciation, for purposes of the calculation of UNAEP.

Obviously the calculation of URNEP can require judgment. Institutions should be guided by the missive, "Is the asset in question reasonably available to meet general operational obligations?" An apparently wealthy institution can be over-invested in plant, straining operational resources. Likewise the trend in UNAEP can reveal whether the institution is producing or using available resources over time. A deficit in UNAEP can help explain why an institution with a strong resource base is having difficulty meeting obligations.

Generally board-designated unrestricted net assets would be included as unrestricted net assets for the purposes of this schedule.

Public institutions have two common issues with this standard. Frequently public institutions do not produce a separate schedule as required, since unrestricted net assets are reported net of plant on the face of their GASB-format statements. A separate, multi-year schedule must be produced to meet this core requirement. Secondly, many public institutions run a deficit in UNAEP due to budgetary policies within their state. If a public institution runs a deficit in UNAEP it is important to explain under this standard the reason(s) for that deficit corresponding to their state policies. Many public institutions fail to make an appropriate case, and fail to provide a separate schedule.

Illustrative Questions:

- Are UNAEP positive and adequate to meet the operational needs of the institution?
- Does the UNAEP trend represent an increase, or decrease, in resources available for operational use?
- If there is a deficit or decline in UNAEP, what is the cause?
- Have operational deficits created a deficit or decline in UNAEP?
- Has overinvestment in plant created a deficit or decline in UNAEP?
- Has lack of appropriate accounting for restrictions allowed restricted funds to be spent for unrestricted, operational expenses? Has this created a deficit in UNAEP?
- Has UNAEP fallen due to purchases of plant assets without acquiring debt?
- If the UNAEP has fallen do available balances appear adequate to meet the operational needs of the institution?
- In public institutions, has state budgetary policy created a deficit in UNAEP? (Unfunded compensated absences? Unfunded Other Post-Employment Benefits?)
- What actions has the institution taken to resolve negative trends or deficits in UNAEP?

Related Documentation: What types of documentation, or patterns of evidence, would document compliance with the standard?

- A separate schedule of unrestricted net assets, less plant (already net of depreciation), with plant-related debt added back that is multi-year indicating the change over time

CORE REQUIREMENT 2.12 and COMPREHENSIVE STANDARD 3.3.2: The institution's Quality Enhancement Plan.

As the finance evaluator on an On-Site Committee you will likely be tasked to work with others on the committee to assess the institution's plan for its QEP. From your perspective, it will be a question of whether the institution has allotted sufficient financial resources to implement and carry out its QEP. In conducting your analysis, you may want to consider questions such as the following:

- Has the institution developed a budget for the QEP?
- Has the institution allocated appropriate administrative oversight for the QEP?
- Has the institution realistically calculated the costs of implementing and conducting the QEP?
- Has the institution provided sufficient evidence that it has incorporated the QEP within its institutional planning and budgeting processes?
- Has the institution sufficiently identified the funding source(s) to implement and complete the QEP?

COMPREHENSIVE STANDARD 3.10.1

The institution's recent financial history demonstrates financial stability.

An institution may be overall financially stable, with generally adequate financial and physical resources, and still experience fluctuations in financial health. Lack of financial stability in recent fiscal years can be due to fluctuations in funding, enrollment, or expenditures. These fluctuations may or may not erode the overall financial health of the institution. It is important that an institution understand the cause of the financial instability and have a reasonable plan for correction or adjustment.

Illustrative Questions:

- Have resources (unrestricted, temporarily restricted, permanently restricted, and total net asset classes) remained steady or increased each year?
- Is the institution living within its means? Producing operational surpluses?
- Can financial difficulties be attributed to recent events in the financial history?
- Has recent financial distress risen to affect overall stability or resources? (If so, has it risen to noncompliance with Core Requirement 2.11.1 also?)
- Has the institution experienced major shifts in revenue sources?
- Have enrollment declines caused drops in tuition revenues?
- Has the cause (or causes) of any recent financial difficulties been identified?
- Is a reasonable plan in place to address these issues?
- How long has management been in place to deal with issues raised by recent financial history?
- What new programs are being added?
- What programs are being eliminated?
- Are there special circumstances that explain any unusual financial conditions?
- Have there been withdrawals, or borrowings from/against endowment?

Related Documentation: Documentation or patterns of evidence such as the following might document compliance with the standard, revealing changes in the recent financial history of the institution.

- Trends of select financial data derived from audits (or most reliable source)
- Rating agency reviews, paying special attention to any upgrades or downgrades in bond ratings (if applicable)
- Approved, amended and actual budget totals over time.
- History of enrollment trends (FTE and headcount)
- Copies of agreements with outside entities that provide substantial support for the organization
- Financial ratios based on audited financial statements for three to five years, i.e. CFI (composite financial index) and other standard ratios (if benchmarked, provide source of benchmark)
- Documentation of financial events affecting recent financial history

CS 3.10.2 is being deleted if approved in December, additional standards renumbered.

~~COMPREHENSIVE STANDARD 3.10.2~~

~~*The institution provides financial profile information on an annual basis and other measures of financial health as requested by the Commission. All information is presented accurately and appropriately and represents the total operation of the institution.*~~

~~The Commission on Colleges collects information annually from member and candidate institutions. Institutions are requested to make two submissions each year, a financial profile including financial indicators, and another instrument related to enrollment and general information. This data is used for various purposes, including dues calculations and producing trends to support financial evaluators. Other~~

information may be requested from time to time; institutions are expected to respond in an accurate and timely manner.

Illustrative Questions to inform your evaluation of the institution's case for compliance with this requirement are listed below. For a more comprehensive set of questions regarding this topic, refer to Module 4 Appendix.

- ~~Has the institution submitted the most recent Institutional Profile for Financial Information as requested by the Commission on Colleges?~~
- ~~Has the institution submitted the most recent Institutional Profile for General and Enrollment Information as requested by the Commission on Colleges?~~
- ~~Has the institution responded to other written requests for information from the Commission on Colleges, if applicable?~~

Related Documentation: ~~What type of documentation, or patterns of evidence, would document compliance with the standard?~~

- ~~A copy of the institution's most recent Institutional Profile for Financial Information.~~
- ~~A copy of the institution's most recent Institutional Profile for General and Enrollment Information.~~
- ~~A copy of the written institutional response to any recent Commission on Colleges request for information, if applicable.~~

COMPREHENSIVE STANDARD 3.10.3 2

The institution audits financial aid programs as required by federal and state regulations.

Financial aid programs often have a significant impact on the finances of an institution. A full program of audit using the OMB A-133 audit procedure is necessary to determine the accountability and veracity of an institution's financial aid program. Many institutions and their students are highly dependent on federal and state funds, thus continued compliance with regulations is critical to long-term financial health.

This standard requires documentation of the audit of both federal and state financial aid programs. It is important that institutions provide evidence of both.

Many public institutions are audited less than annually for federal and state aid compliance. Some states audit their public institutions every other year, or even less frequently. It is important that institutions explain the frequency of their federal and state aid audits, and what they do between audits to maintain compliance.

Illustrative Questions:

- How frequently are federal and state financial aid programs audited?
- For public institutions, if programs are not audited annually what steps are taken to ensure compliance between audits?
- Did the institution receive an unqualified opinion in the Auditors' Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*?
- Did the institution receive an unqualified opinion in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance With OMB Circular A-133?

- Have there been federal or state award findings? If so, have they been resolved? Are findings repeated/unclear?
- Is the institution on electronic transfer or has it been placed on direct reimbursement method for federal funds?
- Has the institution been obligated to post a letter of credit on behalf of the U.S. Department of Education?
- Have there been large sums of money paid back to federal programs due to fraud, waste or abuse?
- Is there a remediation plan for improvement before additional funds are dispersed? If so, is it being observed?
- Have there been any warnings from federal or state agencies regarding an investigation?
- Are there litigation issues with respect to financial aid activities?

Related Documentation: What types of documentation, or patterns of evidence, would document compliance with the standard?

- Federal awards audits and findings
- State awards audits and findings
- Institutional responses to all findings
- Financial Aid Policies and Procedures Handbook
- Copies of correspondence received from the U.S. Department of Education

Important, if public institutions' federal/state awards are audited as part of a larger system or state audit, there are important caveats. First, the audit must indicate that the institution is included in the audit by name. Second, all findings in the system or state audit must be clearly associated with a particular entity, in order to determine if the entity being reviewed has findings.

COMPREHENSIVE STANDARD 3.10-4-3

The institution exercises appropriate control over all its financial resources.

Fiscal resource management is critical to long-term stability. Limited resources must be effectively utilized to achieve the mission of the institution. The institution also has a fiduciary responsibility to operate in a prudent and responsible manner. This responsibility extends to the care for its financial assets by obtaining, sustaining, and maintaining them for the furtherance of its mission. This requires the institution to employ qualified and sufficient staff empowered to provide systems and procedures for adequate checks, balances and control over fiscal assets. Safeguarding and control of financial assets is paramount to financial reporting as well as the well-being of the institution.

Illustrative Questions:

- Are written policies and procedures in place for safeguarding cash?
- Are written policies in place for the management of and distributions from endowment funds?
- Are written policies and procedures in place for approval of expenditures?
- Is there an interim reporting process in place to compare expenditures to available budgeted funds?
- Are regular collection efforts made and are they effective for accounts receivable?
- What adjusting entries were made in the audit and why were they necessary?
- Does the institution have an internal audit function?
- Are internal control policies, procedures and activities documented?
- To whom does the internal auditor report?
- Are written policies in place for acceptance and recording of gifts to the institution?

- Does that policy specify the duties of the Development Office and the Business Office?
- Are there regular reconciliations between the Development and Business Office for donations?
- Are officials handling cash adequately bonded?
- Does the institution carry adequate liability insurance?
- Are written policies and procedures in place for safeguarding cash?
- Are written policies in place for the management of and distributions from endowment funds?
- Are written policies and procedures in place for approval of expenditures?
- Is there an interim reporting process in place to compare expenditures to available budgeted funds?
- Are regular collection efforts made and are they effective for accounts receivable?
- What adjusting entries were made in the audit and why were they necessary?
- Does the institution have an internal audit function?
- Are internal control policies, procedures and activities documented?
- To whom does the internal auditor report?
- Are written policies in place for acceptance and recording of gifts to the institution?
- Does that policy specify the duties of the Development Office and the Business Office?
- Are there regular reconciliations between the Development and Business Office for donations?
- Are officials handling cash adequately bonded?
- Does the institution carry adequate liability insurance?

Related Documentation: What types of documentation, or patterns of evidence, would document compliance with the standard?

- An organizational chart for the Business Office function
- Evidence of qualifications of Business Office staff
- Evidence of bank reconciliations
- Internal audit reports
- Institutional policies related to internal controls/audit
- Investment policy
- Conflict of interest policy
- Evidence of budget planning and procedures and documentation for budget changes
- Documentation of budget reporting to internal constituencies and board members
- Audits and Management letters
- An organizational chart for the Business Office function
- Evidence of qualifications of Business Office staff
- Evidence of bank reconciliations
- Internal audit reports
- Institutional policies related to internal controls/audit
- Investment policy
- Conflict of interest policy
- Evidence of budget planning and procedures and documentation for budget changes
- Documentation of budget reporting to internal constituencies and board members
- Audits and Management letters

COMPREHENSIVE STANDARD 3.10.5 4

The institution maintains financial control over externally funded or sponsored research and programs.

Externally funded research and programs should aid in fulfillment of the institution's mission. The same prudence in financial control should prevail as in internally funded activities. Ceding financial controls to the funding source may compromise financial, ethical or management standards of the institution. An external organization may exercise undue influence on the education, research and service of the institution. Additionally, externally funded programs may actually detract from the educational mission of the organization if not carefully managed by the institution. An institution must understand and meet management requirements of externally funded or sponsored research and programs if accepting external funding.

An institution must demonstrate that it is not dependent upon the revenues from externally funded or sponsored research. It must prove these program revenues are not used to pay for ongoing operating expenses. The institution must act as a fiduciary and has direct responsibility for meeting the requirements established by the external funding source. Funded programs, by nature, are unique, may be less supervised, may require more confidentiality and may obligate the institution if improperly managed.

Illustrative Questions:

- Is the externally funded program or research consistent with the institution's mission?
- Are policies established and periodically reviewed for expenditure of external funds?
- What is the process for approval/review of a project/grant before the institution accepts or applies for the program?
- Is there review of the institution's ability to meet grant control requirements before acceptance?
- Are all externally funded or sponsored research programs accounted for in an appropriate manner, consistent with the institution's financial policies and procedures?
- Are general ledger accounts reconciled regularly?
- Are appropriate reports filed in a timely manner as required by external source of funds?
- Are institutional personnel qualified to manage external funds in a prudent manner?
- Is employees' time between college and sponsored programs adequately divided?
- Who has ultimate financial control over external program and research funds?
- How much does the institution receive in indirect cost revenues or administrative cost allowances?
- Has any program or department become too dependent upon administrative cost allowances?
- Are there findings related to grant management in the Single Audit as required by OMB A-133?
- Is the externally funded program or research consistent with the institution's mission?
- Are policies established and periodically reviewed for expenditure of external funds?
- What is the process for approval/review of a project/grant before the institution accepts or applies for the program?
- Is there review of the institution's ability to meet grant control requirements before acceptance?
- Are all externally funded or sponsored research programs accounted for in an appropriate manner, consistent with the institution's financial policies and procedures?
- Are general ledger accounts reconciled regularly?
- Are appropriate reports filed in a timely manner as required by external source of funds?
- Are institutional personnel qualified to manage external funds in a prudent manner?
- Is employees' time between college and sponsored programs adequately divided?
- Who has ultimate financial control over external program and research funds?
- How much does the institution receive in indirect cost revenues or administrative cost allowances?

- Has any program or department become too dependent upon administrative cost allowances?
- Are there findings related to grant management in the Single Audit as required by OMB A-133?
- Grant policies and procedures with evidence of review and board approval (if required)
- Indirect cost policy
- Copies of grant letters and/or agreements from government or private agencies
- Five years of OMB A-133 reports stating any exceptions, and resolution of these exceptions
- Federal audits and management letters
- Reports filed with appropriate agencies
- General ledger accounts reconciled to reports
- Board minutes indicating approval of acceptance of external funding
- Financial statements for programs

Related Documentation: What types of documentation, or patterns of evidence, would document compliance with the standard?

- Grant policies and procedures with evidence of review and board approval (if required)
- Indirect cost policy
- Copies of grant letters and/or agreements from government or private agencies
- OMB A-133 reports stating any exceptions, and resolution of these exceptions
- Federal audits and management letters
- Reports filed with appropriate agencies
- General ledger accounts reconciled to reports
- Board minutes indicating approval of acceptance of external funding
- Financial statements for programs

PART II: Physical Resources

CORE REQUIREMENT 2.11.2

*The institution has **adequate physical resources** to support the mission of the institution and the scope of its programs and services.*

Adequate physical resources are essential to the educational environment. Physical resources are a reflection of the recent financial history of the institution. Adequate physical resources include well-maintained buildings and grounds in good repair, appropriate for the scope of the institution's programs and services. Deferred maintenance and uncompleted facility repairs are indicators of financial stress.

This core requirement addresses the overall state and quality of physical resources. It is possible that an institution's physical resources are adequate overall, with concerns related to particular buildings or programs, or in other isolated/minor areas. In that case it may be reasonable to find an institution noncompliant with one of the comprehensive standards related to physical resources numbered CS 3.11.1 through CS 3.11.3, as opposed to core requirement 2.11.2.

Illustrative Questions:

- Are physical resources adequate in quality, quantity and condition to meet the scope and purpose of programs?
- Do the physical resources demonstrate adequate maintenance and repair?
- For private institutions, is depreciation being funded so that unrestricted net assets (including capital assets) are not eroding over time?
- Is there currently a capital campaign in place to raise funds for facilities?
- Does the institution have a policy regarding capital expansion, i.e. percentage of funds pledged or in hand prior to groundbreaking?
- How often is the Campus Master Plan updated?
- Is there a plan to address any deferred maintenance?

Related Documentation: What types of documentation, or patterns of evidence, might document compliance with the standard?

- Campus Master Plan
- Campus Map
- Video/Photos of Campus Facilities
- Funding for capital budget
- Student/Faculty/Staff Satisfaction Surveys
- Data comparing needs to actual facilities available
- Capacity data versus usage for various facilities
- Narrative explaining why facilities are adequate for scope and purpose
- List of deferred maintenance and plans to accomplish
- Plant and plant operations budget
- Fiscal history and narrative regarding recently completed, present or planned capital campaigns
- Capital improvements over the past 3-5 years
- Facilities Maintenance Plan
- Minutes of Board Buildings and Grounds Committee

COMPREHENSIVE STANDARD 3.11.1

The institution exercises appropriate control over all its physical resources.

Physical resource management is critical to the mission of the institution. This responsibility extends to the care for its physical assets by obtaining, sustaining, and maintaining them for the furtherance of its mission in a prudent manner. This requires the institution to employ qualified and sufficient staff empowered to provide systems and procedures for adequate checks, balances and control over physical assets. Safeguarding and control of physical assets is paramount to financial reporting as well as the well-being of the institution.

Related Questions: What questions should be raised by this standard?

- Does the institution have accurate records of its physical inventory? Are items inventoried on a regular basis?
- Is proper documentation maintained to explain asset disposals?
- Is adequate insurance carried for facilities? For other property?
- Are there high-value assets (e.g. art collections)? How are they safeguarded?
- Does the institution carry sufficient business interruption insurance (loss of use), or otherwise have a plan in place for continuing operations given a catastrophic loss of facilities?
- Does the institution have income producing properties or enterprises? How are they safeguarded and controlled?
- Does the institution have title to its major facilities or is there a rental arrangement? If rental, does the institution have control of the facilities so as to deliver its mission?
- Does the institution own the land where its facilities are located? If not, explain.
- Is there a process in place to ensure that bids are solicited prior to hiring vendors/contractors?

Related Documentation: What types of documentation, or patterns of evidence, would document compliance with the standard?

- Evidence of physical inventory on a regular basis
- Evidence physical inventory reconciles to general ledger
- Institutional policies related to purchasing including methods for recording, tracking and disposal of assets
- Proof of adequate insurance coverage
- History of insurance claims
- Copies of rental agreements for facilities
- Institutional policies related to facilities usage, including use by non-institutional persons
- Qualifications of key facilities staff

COMPREHENSIVE STANDARD 3.11.2

The institution takes reasonable steps to provide a healthy, safe, and secure environment for all members of the campus community.

An institution should provide a healthy, safe and secure environment for all campus constituents, not only to maintain quality of life issues, but also to reduce exposure to unnecessary liabilities. A healthy, safe and secure environment should provide improved satisfaction for both students and employees. Failure to maintain adequate physical resources may result in inadequate instruction, poor health or unsafe conditions.

While a healthy, safe and secure environment is frequently taken for granted, an unsafe environment can create negative reactions and distrust in internal and external constituencies.

Related Questions: What questions should be raised by this standard?

- Is there a campus safety plan?
- Does the campus have an up-to-date emergency procedures plan?
- Is there a crisis communications plan?
- Does this plan provide for notification of emergencies to campus constituents? Are these individuals aware of the plan?
- Has the crisis communications plan been tested?
- Is there a procedure for anyone to be able to immediately report safety issues other than emergencies?
- Is there a functioning safety committee?
- Is someone on campus designated as responsible for health, safety and security issues?
- Have appropriate staff been trained in their roles for health and safety incidents?
- Are plans periodically reviewed?
- Is there a plan and financial commitment for continued repairs and improvements to a safe and secure environment?
- Are facilities and grounds regularly reviewed and/or tested for health and safety concerns such as lighting, sprinklers, fire alarms, AEDs, etc.?
- Are evacuation plans posted?
- Does the campus perform regular fire drills in residence halls? In other campus buildings?
- If the institution has been through a natural disaster, is there a clear facilities development/restoration plan?
- If the institution has been through a natural disaster, have support services been made physically unavailable to students?
- Has the institution complied with the Clery Act?
- Are security personnel adequate? Properly trained?
- Is the security function outsourced?
- Is the campus security staff armed? If not, is there a relationship with local authorities?
- Does the campus have surveillance capabilities for security?
- Have there been insurance claims for workers' compensation? Have causes been investigated and remedied if possible?
- Do laboratories have proper safety manuals and checklists?
- Are Material Safety Data Sheets (MSDS) appropriately maintained and made available for campus personnel?
- Does the institution have an asbestos abatement plan?
- Does the institution have a whistleblower's policy?
- Has the institution had a health and safety review from its insurance carrier within the last two years?

Related Documentation: What types of documentation, or patterns of evidence, would document compliance with the standard?

- Qualifications of key safety and security staff
- Safety plan
- Minutes from safety committee meetings
- Emergency procedures

- Copy of campus crisis communication plan
- Evidence of faculty/staff/student training in safety and risk management procedures
- Disaster plans
- Business Continuity Plans
- Health inspection reports
- Evidence of facility safety review
- Procedures for Material Safety Data Sheets
- Evidence of evacuation plans
- Evidence of fire drills
- Work schedules for security staff
- If security services are contractual, a copy of contract and a copy of state license to operate
- Documentation of campus review for safety issues
- Evidence of review of safety/emergency plan
- Crime statistics posted as required by the Clery Act
- Evidence of compliance with environmental and occupational regulations, such as EPA, OSHA, ADA, etc.
- Satisfaction survey results and documented use of same
- Evidence of adequate fire protection systems with particular attention to residence halls
- Copy of asbestos abatement plan
- Whistleblower's policy

COMPREHENSIVE STANDARD 3.11.3

The institution operates and maintains physical facilities, both on and off campus, that appropriately serve the needs of the institution's educational programs, support services, and other mission-related activities.

Within the mission and purpose of the institution is the need to operate and maintain physical facilities adequate to serve the educational programs, support services and other mission-related activities. The institution must have adequate, well-maintained facilities for all programs able to meet the needs of the constituents using them. For example, inadequate science laboratories may impact the ability of faculty to prepare students. Poor library facilities may limit the richness of both instruction and learning. The activities and mission of an institution should be directly linked to use and availability of appropriate and adequate facilities.

Related Questions: What questions should be raised by this standard?

- Are there isolated instances where specific facilities do not meet the institution's needs?
- Have these isolated instances been identified and is there a plan for correction?
- Is there a significant amount of deferred maintenance?
- Does the institution have adequate maintenance and housekeeping of facilities?
- Is there a documented plan for routine and preventive maintenance?
- Have facilities been reviewed for adequacy given their current use?
- Is there a master facility plan in place to deal with current or planned future facility needs?
- What mission-critical physical facilities are indicated as inadequate in the campus master plan?
- Is the master plan periodically reviewed and updated?
- Are buildings regularly maintained and in good repair?
- Are there records indicating regular maintenance and repairs as needed?
- Is there a work order or similar system for offices to report needed maintenance or repairs?
- Have academic and support staff been asked for comment on perceived facility needs?

- Is there adequate and appropriate classroom space?
- Do faculty have adequate office space?
- Do off-campus sites provide support services, or are there other means to reasonably obtain those services?
- Is adequate parking available?

Related Documentation: What types of documentation, or patterns of evidence, would document compliance with the standard?

- Campus map
- Photos of campus buildings and grounds
- Space utilization reports
- Facilities Master Plan with evidence of board approval
- Policies and procedures regarding maintenance and repairs, with evidence of periodic review
- Documentation of routine maintenance
- Evidence of work order process to request repairs and results of requests
- A video or other visual means to provide a “walking tour” of all the institution’s facilities
- Qualifications of key maintenance and facilities staff
- Amount of deferred maintenance compared with campus replacement value
- Deferred maintenance /capital improvements budget
- Surveys of faculty, staff and students regarding satisfaction with buildings

Part III: Federal Requirements

COMPREHENSIVE STANDARD 4.3

The institution makes available to students and the public current academic calendars, grading policies, and refund policies.

Communication to students of the academic calendar, grading policies and refund policies is necessary so that students can make adequate or sufficient progress toward their degree and make fully informed decisions if withdrawal becomes necessary. Policies should be fair with appeal procedures clearly outlined. Refund policies and procedures are required by Federal Financial Aid programs and the institution is required to meet certain requirements when calculating and making refunds in order to continue receiving Federal Funds.

Related Questions: What questions should be raised by this standard?

- What is the institution's refund policy?
- Does the institutional refund policy meet the requirements of Federal Financial Aid?
- Where and how are academic calendars, grading policies and refund policies published?
- Does the institution follow its policies?

Related Documentation: What types of documentation, or patterns of evidence, would document compliance with the standard?

- Evidence that academic calendars are readily available to students, either print, on-line or both
- Evidence that grading policies are readily available to students, either print, on-line or both
- Evidence that refund policies are readily available to students, either print, on-line or both
- Copies of academic calendars, grading policies and refund policies
- A-133 Audit and Management letter
- Documentation of recent appeals and actions taken

FEDERAL REQUIREMENT 4.7

The institution is in compliance with its program responsibilities under Title IV of the 1998 Higher Education Amendments.

Most institutions are dependent upon the availability of Title IV financial aid to assist students with their educational expenses and maintain adequate levels of enrollment. The institution must comply with the program responsibilities under Title IV of the 1998 Higher Education Act or risk the loss of federal aid for both its students and other organizational needs. This requirement is important philosophically and practically, as the obligation to review compliance is a requirement of the regional accreditation process. As an industry we need to show the highest level of stewardship toward governmental resources.

Related Questions: What questions should be raised by this standard?

- Do independent audits of the institution's title IV programs evidence noncompliance?
- Is noncompliance significant? Systemic in nature? Are findings isolated? Are findings repeated?
- What issues exist with Title IV programs for the institution, if any?
- If issues exist, what is the history and progress in resolution?

- Do financial aid and business office staff attend training regarding Title IV regulations and participation?
- Has the institution been placed on the reimbursement method?
- Has the institution been required to obtain a letter of credit in favor of the U.S. Department of Education?
- Are there adequate controls between the business office and financial aid office?
- Have complaints been filed with the U.S. Department of Education regarding this institution?
- If so, what was the nature of the complaint? What was the school's response?
- Are there significant impending litigation issues with respect to financial aid activities?
- Are there significant unpaid dollar amounts due back to the U.S. Department of Education?
- Do financial aid records reconcile with the business office general ledger?
- Has adverse communication been received from the U.S. Department of Education? If so, what was the institution's response?
- Does the institution have an excessive student loan default rate?
- Is the institution aware of infractions to regulations which would jeopardize Title IV funding?
- Does the institution respond to, and quickly clear, audit findings related to Title IV compliance?

Related Documentation: What types of documentation, or patterns of evidence, would document compliance with the standard?

- Three years annual OMB A-133 financial aid audit report
- Institutional response to findings in financial aid audit report
- Three years management letters
- Annual FISAP report
- Program participation agreement (not sufficient as only documentation)
- Eligibility and Certification Report
- Copies of all recent correspondence from the U.S. Department of Education
- Copies of institutional response to U.S. Department of Education correspondence
- Details regarding negotiated settlement agreements for the payoff of any fines or monies owed in connection with program or fiscal audits
- Copies of any reports on compliance from the U.S. Department of Education
- Evidence that title IV student financial aid refund policies comply with U.S. Department of Education guidelines
- Business office and financial aid procedure manuals

Summary and Conclusion. This module has explored selected foundational issues pertaining to the evaluation of an institution's financial and physical resources. The module identified a series of more focused topics and questions that bear directly on those topics. Determining the institution's compliance with the requirements within the *Principles of Accreditation* requires a thoughtful weighing and informed understanding of the context of the institution's mission, culture, the specific requirements of the *POA*, and the thorough review of the institution's case for compliance.

Remember that the responsibility of the evaluator is to write a report of the review that is of value to the institution and other readers of the report. Your report should include a description of the institutional information you reviewed as well as analysis of the strengths and weakness of that information in terms of the institution's case for compliance. Relate your analysis and findings directly to the information reviewed, and let the reader know what that information was. If your judgment is that the institution has not established its compliance with a specific requirement, then provide a rationale for your judgment.