DISCLAIMER

- General comments, not institution specific
- Not your assigned SACSCOC staff member
- Not your committee member
- Not a SACSCOC Board Member (no vote)
- For members
- No one “right” way to do this

TOPICS

Finance Standards
Case Study Analysis
Writing a Clear Report
Why be an Evaluator
CR 13.1 RESOURCES & BASE

Sound Financial Resources
Demonstrated Stable Base
Financial Documents (see CR 13.2)

CR 13.2 FINANCIAL DOCUMENTS

Audited Financial Statements
And Statement of Unrestricted Net Assets w/o plant
And Annual Budget
And Sound Planning
And Sound Fiscal Procedures
And Proof of Board Approval

NO MANAGEMENT LETTER (removed December 2017)

CR 13.2 PRIVATE AUDIT ISSUES

-NEW FASB – get it right
-"w/o donor restriction" same as unrestricted for SACSCOC
-Temporary & Permanent
-Unrestricted Operating Measure

IF YOU DON'T PROVIDE, PEERS WILL FIGURE IT OUT
CR 13.2 AUDIT ISSUES CONTINUED

- “for the most recent year”
- “an audit”
- One year of data is not enough
- Dollars and English

Spirit: External Verification

IN A PERFECT WORLD AUDIT

UNAEP identified, trended over multiple years
At least one year of comparative data - all financial statements
Accounts Payable broken out trade versus plant
Debt broken out-operational versus plant
Clear unrestricted operating measure
Capital releases considered non-operational
Clear operational releases in unrestricted operational income
Depreciation included in operational
Interest expense included in operational
Endowment spending per policy operational
Gains/losses (endowment, sale of assets, etc.) non-operational
CR 13.2 UNAEP
- A statement of “position” which represents “change” in UNAEP
- Exclusive of plant- and plant-related debt
- No prescribed format
- May be prepared by auditor or institution
- May be chart in narrative, footnote, on face of balance sheet, MD&A, etc.

Spirit: Operational Resources Available

UNAEP - IS IT REALLY AVAILABLE?
Work off the statement of financial position

PLANT ASSETS
- Include plant, net of depreciation
- Include debt proceeds held for capital expansion

PLANT-RELATED DEBT
- Bonds and related swaps
- Notes for construction, renovation, refi of plant
- Accounts Payable – plant
- Construction Loans – if LOC be sure to indicate plant

UNAEP – IS IT REALLY AVAILABLE
EVALUATORS MAY BACK OUT FROM UNAEP
- Artwork
- Horses
- Investment Land
- Intangibles
- Anything not readily available to meet obligations
CR 13.2 ANNUAL BUDGET

- Sound planning with PROOF
- Sound fiscal procedures
  - Balanced
  - Contingency
  - Amendment Process
  - Ability to react
- Approved by board with PROOF

Spirit: Deliberate financial planning w/controls

CR 13.1 RESOURCES & BASE

Sound Financial Resources
Demonstrated Stable Base
- Rely on Financial Statements
- Multi-year trends demonstrate stability
- MD&A can supplement data
- No prescribed format

Possible trends: Total net assets, Unrestricted Net Assets, UNAEP, Current ratio, Composite Financial Index, Unrestricted Cash, Accounts Payable, Various financial ratios, DOE score, etc.

CR 13.1 RESOURCES & BASE

SPIRIT

Is the institution stable over time?

Is this institution, overall, a sustainable entity?

Does the institution have a sufficient resource base to support its mission and programs?
13.3 Financial Responsibility

Is the institution living within revenues available to operations?
Is the institution living within cash flows available to operations?
Are financial behaviors sustainable?
Externally documented historical, not projections
what happened to “recent history”?
Possible trends: Operational outcomes, cash flows, revenue streams, enrollment, net tuition, net tuition per FTE, etc.

Case Example
There is no one way to create this
CR 13.1 VERSUS S 13.3

13.1 Core requirement versus 13.3 standard
13.1 Not reaffirmed versus 13.3 reaffirmation
13.1 Sanction versus 13.3 no sanction required

Probation versus Warning affects time

Think about whether financial distress has risen to a level that undermines the overall stability and/or resources of the institution.

S 13.4 CONTROL OF FINANCES

SPIRIT: EXTERNAL VERIFICATION OF INTERNAL CONTROLS

WHAT’S NOT ACCEPTABLE

Internal Audit Reports – not enough alone, may create more problems.

IDEAS FOR DOCUMENTATION

- LACK OF FINANCIAL STATEMENT / CONTROL FINDINGS IN FEDERAL AWARDS AUDIT (if at institutional level) (excludes title IV)
- AUDITOR’S REPORT ON INTERNAL CONTROL – are there significant deficiencies or material weaknesses
- EXTERNAL OPERATIONAL AUDITS for individual institution if available
- Management Letter – if still get something like it
- Policies & Procedures about: safeguard cash, control of expenditures, etc.
S 13.5 CONTROL SPONSORED RESEARCH & PROGRAMS

Not Title IV
Federal Awards Audits – other than Title IV
Grants Policies (prove implementation)

Spirit: If you take someone’s money you have to follow their rules.

S 13.6 FEDERAL & STATE RESPONSIBILITIES

- Audits of federal and state financial aid for individual institution
- Not for state or system unless institution clearly included
- Critical to address previous findings
- Perfection not required
- No PPA required, please
- Describe process and timing

Spirit: Is your federal & state financial aid externally audited?
Spirit: Are findings minor, isolated, new (not repeats?)

S 13.7 PHYSICAL RESOURCES

- CR eliminated
- Describe all sites, on and off campus
- "Adequately serve" educational programs, support services, & mission-related activities
- Include the library
- Are there specific areas of concern (not unusual)
- Are specific areas of concern being addressed?
- Risk? Maintenance? Inventory? (Include examples)
- Is "technological infrastructure" sufficient for DL (required)
S 13.8 INSTITUTIONAL ENVIRONMENT

- Safety plan
  - Security function, in-house? Outsourced?
  - Relationship to local law enforcement
- Crisis communications plan? Tested?
- How are alerts disseminated?
- Buildings reviewed for safety concerns
  - On and off-campus

REQUIRED: Investigations by USDOE Office of Civil Rights re: sexual violence? (see RM)

S 12.6 STUDENT DEBT

Information and guidance to help student borrowers understand

- How to manage debt
- How to repay loans

THIS IS NOT A FEDERAL AWARDS STANDARD

Examples of documentation include:
  - Student education – might be embedded in coursework, might be provided as information, etc.,

DO NOT DESCRIBE FEDERAL REQUIREMENTS FOR EXIT / ENTRANCE COUNSELING

A DOZEN FISHY BEHAVIORS

- Operational deficits
  - Negative operational cash flows
  - Deficit in UNAEP
- Prior year restatements, particularly frequent & favorable
  - Including LOC with maturity less than 1 year in long-term debt
  - Movement of plant assets into investments
  - Endowment borrowing (from or against), or draws above policy
  - Changing lives on plant to reduce depreciation
  - Increase in enrollment w/ a corresponding increase tuition, net
  - Land and real estate in endowment
  - Pledges supporting operational revenues
BE A SACSCOC PEER EVALUATOR

www.sacscoc.org/evalinfoform.asp

Requires President's approval
- community service
- free education
- great networking
- peer review is self regulation

SUPPORT THE GREATER PURPOSE
BE A PART OF THE WHOLE

BE CLEAR

What did you see?
What did you think?
Provide basis for compliance or not
Cite source of numbers
The best case is

BE TIMELY

Respond to requests to serve promptly
Stay for the whole visit
Become part of the committee
BE REASONABLE

No institution is perfect
Does the institution meet the standard?

NEED MORE INFORMATION

www.sacscoc.org
SACSCOC Handbook for Institutions Seeking Reaffirmation
NACUBO publications – Strategic Financial Analysis
SACUBO
Your institution’s Accreditation Liaison