CS-86, FINANCE TRAINING PUBLIC INSTITUTIONS
MONDAY, DECEMBER 4, 1:30-2:30, GRAND 2

Donna Barrett
Director, Institutional Finance
December 2023
QUESTIONS TODAY:

Stop me, or
Send me an email after the session:

dbarrett@sacscoc.org

Use the word CS-86 in the subject

Please send questions by 12-15-23

Handouts will be at www.sacscoc.org staff directory,
Donna Barrett, homepage
HANDOUTS WILL BE ON-LINE, FOR NOW:
- 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
Examples
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 PUBLIC AUDIT ISSUES

- Is a System Audit okay?
- Is a State Audit okay?
- Are supplemental schedules to either okay?
- Is an audit every other year okay?

HINT: Can’t get enough of this topic, see Barrett homepage [www.sacscoc.org](http://www.sacscoc.org) for a five-minute presentation
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
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
-OPEB, Compensated Absences, Pensions

THIS IS A PROBLEM FOR PUBLICS

Spirit: Operational Resources Available
### A UNAEP EXAMPLE — FOR DISCUSSION

**ALL NUMBERS MUST COME FROM AUDIT / REVIEW**

<table>
<thead>
<tr>
<th>Description</th>
<th>Adjusted Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted Net Assets</td>
<td>$0</td>
</tr>
<tr>
<td>Add Back Compensated Absences-current</td>
<td></td>
</tr>
<tr>
<td>Add Back Compensated Absences-noncurrent</td>
<td></td>
</tr>
<tr>
<td>Add back OPEB liability-current</td>
<td></td>
</tr>
<tr>
<td>Add back OPEB liability-noncurrent</td>
<td></td>
</tr>
<tr>
<td>Less Deferred Outflows of Resources-OPEB</td>
<td></td>
</tr>
<tr>
<td>Add Deferred Inflows of Resources-OPEB</td>
<td></td>
</tr>
<tr>
<td>Add Liability-current, Pension</td>
<td></td>
</tr>
<tr>
<td>Add Liability-noncurrent Pension GASB 68</td>
<td>$0</td>
</tr>
<tr>
<td>Less Deferred Outflows of Resources-Pension</td>
<td></td>
</tr>
<tr>
<td>Add Deferred Inflows of Resources-Pension</td>
<td></td>
</tr>
</tbody>
</table>

**UNRESTRICTED NET ASSETS, ADJUSTED**: $0 $0

Unrestricted net assets are already reported net of plant, SACSCOC finance evaluators also add back compensated absences, OPEB (Other Post Employment Benefit) and Pension obligations to determine operational resources. Currently the states in our region fund these items on a "pay-as-you-go" basis, rather than a full accrual basis. This may result in a deficit in unrestricted net position. Institutions should take care to start with figures from the face of their statement of net position. Documentation for other entries must be provided if not provided there.
AND HOW DOES THIS AFFECT OUTCOMES?

<table>
<thead>
<tr>
<th>Net Effect of Pensions</th>
<th>$0</th>
<th>$0</th>
<th>$0</th>
<th>If these obligations changed significantly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Effect of OPEB</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>you may need to discuss the effect</td>
</tr>
<tr>
<td>Net Effect of Compensated Absences</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>on your operational outcome</td>
</tr>
</tbody>
</table>

**TOTAL CHANGE IN ADJUSTMENTS (P, O, CA)**

**ALLOCATED TO REVENUE / EXPENSE AND THRU TO INCOME STATEMENT?**
CR 13.2 ANNUAL BUDGET

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

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 is great supplemental data
- No prescribed format

Possible trends: Total net assets, Unrestricted Net Assets, UNAEP adjusted, Current ratio, Composite Financial Index, Unrestricted Cash, Accounts Payable, Various financial ratios, etc. CHANGE IN UNAEP adjusted
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?
**S 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?

All numbers must be documented historical, not projections

Are revenue streams stable? Consistent over time?

*Possible trends: Operational outcomes, cash flows, revenue streams, enrollment, net tuition, net tuition per FTE, etc.*

**TWO KEY COMPONENTS** – Operational outcome & cash flows
Operating Revenues | Revenues available for operations (operating and nonoperating) have been sufficient to meet operational expenses for two consecutive years (with the exclusion of depreciation, appropriate since state does not budget or fund).
Add Nonoperating Revenues | 
Less Operating Expenses | Did other items affect the operational outcome on the audit?
INCOME BEFORE OTHER REV,EXP, GAINS, LOSS | $0 | $0 | Did the change in the net effect of Pension or OPEB obligations significantly affect the operational outcome?
Add back depreciation expense | 
OPERATIONAL "BOTTOM LINE" w/o depreciation | $0 | $0 | If you assert this be consistent
<table>
<thead>
<tr>
<th>Cash flows from operations</th>
<th></th>
<th></th>
<th>( Is \text{ the institution living within available cash flows to operations?} )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Noncapital cash flows</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flows related to operations</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Cash and Equivalents</td>
<td></td>
<td></td>
<td>( \text{Are cash balances stable?} )</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td></td>
<td></td>
<td>( \text{Are accounts payable stable?} )</td>
</tr>
</tbody>
</table>
COMPLETE EXAMPLE

See handouts for a complete example of where to start a financial analysis

DO NOT – Include that handout in your report

DO NOT – say Donna Barrett said we had to do this

SAMPLE IS A STARTING POINT

You don’t have to use it, but it’s where most public finance evaluators start
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
Sanction could be Warning or Probation

*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

System or State Management Letter (unless institution’s findings listed individually)

Management Discussion & Analysis (MD&A)

Internal Audit Reports – not enough alone, may create more problems
S 13.4 CONTROL OF FINANCES

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

- STATE / EXTERNAL OPERATIONAL AUDITS for individual institution

- STATE or SYSTEM Management Letter — if lists individual institutions & findings

- Policies & Procedures about: safeguard cash, control of expenditures, etc.

- RESOURCE MANUAL may provide more ideas
What does your state do?
Do reports have to be requested?
S 13.4  GEORGIA  NOT ANY MORE

- Full Disclosure Management Report (FDMR) includes:

- Financial Statements
- Financial Statement Findings & Questioned Costs
- Federal Award Findings & Questioned Costs
- State Award Findings & Questioned Costs (if requested)
- Other Items Noted for Management’s Consideration

MEETS AUDIT, INTERNAL CONTROLS & FED AWARDS REQ.
May have to request from State Auditor
Letter from state auditor

Indicates matters discussed at a field exit conference (caution here, could be too detailed)

Covers Internal Control matters
Financial audit report 2020-XXX
Includes Report on Internal Control
Includes reference to “Operational Audit Report 2020-XXX”
VIRGINIA

Confusion

Report on Audit – contains internal control findings
Does not contain financial statements
S 13.5 CONTROL SPONSORED RESEARCH & PROGRAMS

Not Title IV
Federal Awards Audits – other than Title IV
Grants Policies (prove implementation)
State Single Audit may provide documentation
Federal Pandemic Funding issues here

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, No ECAR, no IPEDs required PLEASE
- No USDOE correspondence required unless specific to an issue
- Describe process & timing
- DOES NOT HAVE TO BE MOST RECENT YEAR

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

About Public Financial Aid Audit requirements
Go to www.sacscoc.org, Staff Directory, Barrett homepage
Five-minute presentation about Public Financial Aid
Louisiana Office of Student Financial Assistance (LOSFA)

Have you had a state financial aid review?

Has the review been closed?
S 13.7 PHYSICAL RESOURCES (RED COMMON ISSUES)

- 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)

See Resource Manual for ideas
S 13.8 INSTITUTIONAL ENVIRONMENT

Pandemic plans

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 RESOURCE MANUAL for language)
S 12.6 STUDENT DEBT

Information and guidance to help student borrowers understand

- How to manage debt
- How to repay loans

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
Requires President’s approval
- community service
- free professional education
- great networking
- peer review is self regulation
SUPPORT THE GREATER PURPOSE
BE A PART OF THE WHOLE
HOW TO SIGN UP AS AN EVALUATOR

- Your Institution’s Accreditation Liaison enters your basic information in the SACSCOC portal
- Your President gets an email link to approve your participation
- You get an email asking for more information
- When reviewed you get a Welcome email
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

My webpage HOT TOPICS about PUBLIC MANAGEMENT LETTERS and PUBLIC FINANCIAL AID AUDITS

(go to sacscoc.org, click about the commission, staff directory, under Donna Barrett homepage)

NACUBO publications – Strategic Financial Analysis

SACUBO

Your institution’s Accreditation Liaison