

GUIDE TO EVALUATING INSTITUTIONS

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Addendum to Standard III.D.: Financial Resources

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Edition

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D. Financial Resources

Financial resources are sufficient to support student learning programs and services and to improve institutional effectiveness. The distribution of resources supports the development, maintenance, and enhancement of programs and services. The institution plans and manages its financial affairs with integrity and in a manner that ensures financial stability. The level of financial resources provides a reasonable expectation of both short-term and long-term financial solvency. Financial resources planning is integrated with institutional planning.

- What is the institution's overall budget?
 - Does it have sufficient revenues to support educational improvements?
 - Are the institutions finances managed with integrity in a manner that ensures financial stability?
 - Does the resource allocation process provide a means for setting priorities for funding institutional improvements?
 - Are institutional resources sufficient to ensure financial solvency?
1. The institution relies upon its mission and goals as the foundation for financial planning.
 - a. Financial planning is integrated with and supports all institutional planning.
 - Does institution review its mission and goals as part of the annual fiscal planning process?
 - Does the institution identify goals for achievement in any given budget cycle?
 - Does the institution establish priorities among competing needs so that it can predict future funding? Do institutional plans exist, and are they linked clearly to financial plans, both short term and long range?
 - Does the financial planning process rely primarily on institutional plans for content and timelines?
 - Can the institution provide evidence that past fiscal expenditures have supported achievement of institutional plans?
 - Does the board and other institutional leadership receive information about fiscal planning that demonstrates its links to institutional planning?
 - b. Institutional planning reflects realistic assessment of financial resource availability, development of financial resources, partnerships, and expenditure requirements.
 - Do individuals involved in institutional planning receive accurate information about available funds, including the annual budget showing ongoing and anticipated fiscal commitments?

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- Does the institution establish funding priorities in some fashion that helps the institution achieve its goals in reasonable fashion? Are items focused on student learning given appropriate priority? What other documents describing funding priorities are used by institutional planners?
- c. When making short-range financial plans, the institution considers its long-range financial priorities to assure financial stability. The institution clearly identifies and plans for payment of liabilities and future obligations.
- What evidence of long-term fiscal planning and priorities exists?
 - Does the institution have plans for payments of long-term liabilities and obligations, including debt, health benefits, insurance costs, building maintenance costs, etc.? Is this information used in short-term or annual budget and other fiscal planning?
 - Does the Institution allocate resources to the payment of its liabilities and funds/reserves to address long term obligations? Are resources directed to actuarially developed plans for Other Post-Employment Retirement Benefit (OPEB) obligations?
- d. The institution clearly defines and follows its guidelines and processes for financial planning and budget development with all constituencies having appropriate opportunities to participate in the development of institutional plans and budgets.
- Where or how are the processes for financial planning and budget recorded and made known to college constituents?
 - What mechanisms or processes are used to ensure constituent participation in financial planning and budget development?
2. To assure the financial integrity of the institution and responsible use of financial resources, the financial management system has appropriate control mechanisms and widely disseminates dependable and timely information for sound financial decision making.
- a. Financial documents, including the budget and independent audit, reflect appropriate allocation and use of financial resources to support student learning programs and services. Institutional responses to external audit findings are comprehensive, timely, and communicated appropriately.
- Are funds allocated, as shown in the budget, in a manner that will realistically achieve the institution's stated goals for student learning?
 - What do the audit statements say about financial management?
 - Does the institution provide timely corrections to audit exceptions and management advice?

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- Is the institutional budget an accurate reflection of institutional spending and does it have credibility with constituents?
 - Are audit findings communicated to appropriate institutional leadership and constituents?
- b. Appropriate financial information is provided throughout the institution.
- What information about budget, about fiscal conditions, about financial planning and about audit results is provided throughout the college? Is this information sufficient in content and timing to support institutional and financial planning and financial management?
- c. The institution has sufficient cash flow and reserves to maintain stability, strategies for appropriate risk management, and realistic plans to meet financial emergencies and unforeseen occurrences.
- What is the ending balance of unrestricted funds for the institution's immediate past three years. Is this amount sufficient to maintain a reserve needed for emergencies?
 - Does the institution have any other access to cash should the need arise?
 - How does the institution receive its revenues? Does this receipt pose cash flow difficulties for the college? If so, how does the college address cash flow difficulties? (e.g., COPS, loans)?
 - Has the institution sufficient insurance to cover its needs? Is the institution self-funded in any insurance categories? If so, does it have sufficient reserves to handle financial emergencies?
- d. The institution practices effective oversight of finances, including management of financial aid, grants, externally funded programs, contractual relationships, auxiliary organizations or foundations, and institutional investments and assets.
- What are the institution's procedures for reviewing fiscal management? Are those regularly implemented?
 - What evidence about fiscal management is provided by external audits and financial program reviews?
 - Does the institution review its internal control systems on a regular basis? Does the institution respond in a timely manner to internal control deficiencies identified in the annual audit?
 - Is there an annual assessment of debt repayment obligations and are resources allocated in a manner that ensures stable finances?
 - Are student loan default rates, revenues, and related matters monitored and assessed to ensure compliance with federal regulations?
 - Has the institution received any audit findings or negative reviews during the last six years?

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- e. All financial resources, including those from auxiliary activities, fund-raising efforts, and grants are used with integrity in a manner consistent with the mission and goals of the institution.
- Are the institution's special funds audited or reviewed by funding agencies regularly?
 - Do the audits demonstrate the integrity of financial management practices?
 - Are expenditures from special funds made in a manner consistent with the intent and requirements of the funding source? Are bond expenditures consistent with regulatory and legal restrictions?
- f. Contractual agreements with external entities are consistent with the mission and goals of the institution, governed by institutional policies, and contain appropriate provisions to maintain the integrity of the institution.⁵
- What contractual agreements exist, and are they consistent with institutional mission and goals?
 - Does the institution have appropriate control over these contracts? Can it change or terminate contracts that don't meet its required standards of quality?
- g. The institution regularly evaluates its financial management processes, and the results of the evaluation are used to improve financial management systems.
- Does the institution have an annual external audit to provide feedback on its processes?
 - Does the institution review the effectiveness of its past fiscal planning as part of planning for current and future fiscal needs?
3. The institution systematically assesses the effective use of financial resources and uses the results of the evaluation as the basis for improvement.
- What processes does the institution use to assess its use of financial resources?
 - How does the institution ensure that it assesses its use of financial resources systematically and effectively?
 - How does the institution use results of the evaluation as the basis for improvement?

Sources of Evidence: Examples for Standard III

Listed below are examples of potential sources of evidence for Standard III. There may be many other sources which institutions should provide and teams should ask for.

Standard III: Resources

A. Human Resources

- Evidence about how the institution determines human resource needs of programs and services.
- Evidence that the institution uses analyses in determining hiring priorities.
- Evidence, such as planning meeting minutes, that the institution systematically considers and relies on needs of programs and services in determining hiring priorities.
- Evidence that the institution has a reasonable means for deciding what employee qualifications are needed for each position.
- Evidence that the institution uses a clear and reasonable process for determining personnel selection criteria.
- Evidence that hiring procedures are written and consistently applied.
- Evidence that the institution verifies employee degrees, experience, and references of newly hired personnel.
- Evidence of a systematic process for determining personnel evaluation criteria.
- Evidence that evaluation criteria are based on job responsibilities.
- Evidence that evaluation processes are written and followed.
- Evidence that evaluations are conducted regularly.
- Evidence that the institution uses the results of personnel evaluations for improvement.
- Evidence that the institution evaluates the effectiveness in producing student learning outcomes of teachers, tutors, and others involved in the teaching-learning process.
- Evidence that the institution applies an ethics document or documents for all personnel.
- Evidence that the institution employs a core of full-time faculty.
- Evidence that the institution employs qualified administrators and support staff in sufficient numbers.

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- Evidence that the institution administers its personnel policies consistently and fairly.
 - Evidence that the institution maintains personnel records safely.
 - Evidence about how the institution provides employees access to their records.
 - Evidence that the institution has written policies on equity and diversity.
 - Evidence that the institution is sensitive to issues of equity and diversity.
 - Evidence that programs and services are designed to provide for the range of personnel needs at the institution.
 - Evidence about how the institution tracks, analyzes, and uses its employment equity record.
 - Evidence about how the institution treats its personnel and students.
 - Evidence about how the institution uses identified teaching and learning needs to determine professional development opportunities.
 - Evidence that the institution evaluates professional development needs of its personnel.
 - Evidence that the institution bases its programs on identified needs.
 - Evidence about how participants are involved in the programs' evaluation.
 - Evidence that the institution assesses the use of its human resources.
 - Evidence that institutional plans determine human resource allocation priorities.
 - Evidence that human resource decisions are based on the results of evaluation of program and service needs.

B. Physical Resources

- Evidence about how the institution evaluates the safety and sufficiency of its facilities.
- Evidence that the institution provides adequate facilities for its programs and services.
- Evidence that off campus sites are adequate to support programs conducted at those sites.
- Evidence that equipment supports the needs of its programs and services.

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- Evidence that equipment supports the needs of the distance modes of delivery the college offers.
 - Evidence about how the institution plans and maintains its facilities.
 - Evidence that the institution has considered the total cost of ownership when making decisions about facilities and equipment.
 - Evidence that the institution's bases its building plans on the needs of programs and services.
 - Evidence that the institution has replacement and maintenance plans for equipment.
 - Evidence that the institution uses its facilities and equipment effectively.
 - Evidence about how the institution constructs and maintains its facilities at all locations.
 - Evidence about how the institution evaluates its facilities.
 - Evidence about how the institution evaluates the physical resources needs of its programs and services.
 - Evidence about how the institution plans its facilities.
 - Evidence about how the institution makes decisions about equipment purchases.
 - Evidence that long range capital projects are based on institutional planning.
 - Evidence that the institution assesses the use of its physical resources.
 - Evidence that institutional plans determine physical resource priorities.
 - Evidence that physical resource decisions are based on the results of evaluation of program and service needs.

C. Technology Resources

- Evidence about how the institution evaluates how well its technology meets the needs of its programs and services.
- Evidence about how the institution evaluates how well its technology meets the need for college-wide communications, research, and operational systems.
- Evidence about how the institution makes decisions about technology services, facilities, hardware, and software.
- Evidence about how the institution evaluates the effectiveness of its technology.

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- Evidence that the institution assesses the need for information technology training for students and personnel.
 - Evidence that training is designed to meet the needs of students and personnel.
 - Evidence about how the institution plans and maintains its technology, infrastructure, and equipment.
 - Evidence that the institution bases its technology plans on the needs of programs and services.
 - Evidence that the institution has replacement and maintenance plans for its technology.
 - Evidence about how the institution uses and distributes its technology resources.
 - Evidence about how the institution assesses the technology needs of its programs and services.
 - Evidence that the institution assesses the use of its technology resources.
 - Evidence that institutional plans determine technology resource priorities.
 - Evidence that technology resource decisions are based on the results of evaluation of program and service needs.

D. Financial Resources

- Evidence that includes copies of annual budget, audits for past three years, financial plans associated with institutional plans, budget documents prepared to grant and other external funding, data showing financial planning is regularly evaluated and the results of that evaluation, documents showing institutional fiscal commitments for foreseeable future, including contracts for services, employee agreements, loans and other debt.
- Other debt includes actuarial plans for the repayment of Other Post Employment Retirement Benefits (OPEB) and funding plans to address the obligation.
- Evidence that the mission and goals are used in short and long-range financial planning, such as a list of financial goals, a grid showing financial contributions to meeting goals, or an introductory text to fiscal documents such as annual budgets, long-range capital plans, long-range financial plans, etc., that show relationship to educational goals as identified through institutional assessment and planning.
- Evidence showing the fiscal planning follows institutional planning in time sequence, and that funds are used to achieve institutional plans.

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- Evidence that fiscal planning is evaluated on the basis of its contribution to achievement of institutional goals, not solely on the basis of accounting principles of good practice. Evidence that the financial plans, including annual budget, capital plans, long term fiscal plans undergo periodic review and evaluation.
 - Evidence of a fiscal planning process and documents describing the financial planning and budgeting processes and minutes or other records showing the institution has followed those processes.
 - Evidence that the institution monitors student financial aid obligations such as student loan default rates and compliance with all federal regulations that impact the institution.