# Standard III: Resources

The institution effectively uses its human, physical, technology, and financial resources to achieve its mission and to improve academic quality and institutional effectiveness. Accredited colleges in multi-college systems may be organized so that responsibility for resources, allocation of resources, and planning rests with the district/system. In such cases, the district/system is responsible for meeting the Standards, and an evaluation of its performance is reflected in the accredited status of the institution(s).

# financial resources

*PLANNING*

1. Financial resources are sufficient to support and sustain student learning programs and services and improve institutional effectiveness. The distribution of resources supports the development, maintenance, allocation and reallocation, and enhancement of programs and services. The institution plans and manages its financial affairs with integrity and in a manner that ensures financial stability. (ER 18)

SUMMARY OUTLINE

Does it have sufficient revenues to support educational improvement and innovation?

Are the institution’s 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?

How does the institution meet the standard as to the baccalaureate degree, and how is this demonstrated in evidence?

Does the institution’s budget provide sufficient resources for the effective planning, maintenance, implementation and enhancement of DE courses, programs and services as well as personnel development?

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RED FLAGS

1. The institution’s mission and goals are the foundation for financial planning, and financial planning is integrated with and supports all institutional planning. The institution has policies and procedures to ensure sound financial practices and financial stability. Appropriate financial information is disseminated throughout the institution in a timely manner.

SUMMARY OUTLINE

Does the 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 governing board and other institutional leadership receive information about fiscal planning that demonstrates its links to institutional planning?

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?

How does the institution receive its revenues? Does this receipt pose cashflow difficulties for the college? If so, how does the college address cashflow difficulties? (e.g., Certificates of Participation (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?

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RED FLAGS

1. 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.

SUMMARY OUTLINE

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?

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RED FLAGS

*FISCAL RESPONSIBILITY AND STABILITY*

1. Institutional planning reflects a realistic assessment of financial resource availability, development of financial resources, partnerships, and expenditure requirements.

SUMMARY OUTLINE

Do individuals involved in institutional planning receive accurate information about available funds, including the annual budget showing ongoing and anticipated fiscal commitments?

Does the institution establish funding priorities in a manner that helps the institution achieve its mission and goals? Are items focused on student learning given appropriate priority? What other documents are used in institutional planning?

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RED FLAGS

1. To assure the financial integrity of the institution and responsible use of its financial resources, the internal control structure has appropriate control mechanisms and widely disseminates dependable and timely information for sound financial decision making. The institution regularly evaluates its financial management practices and uses the results to improve internal control systems.

SUMMARY OUTLINE

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?

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?

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?

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RED FLAGS

1. Financial documents, including the budget, have a high degree of credibility and accuracy, and reflect appropriate allocation and use of financial resources to support student learning programs and services.

SUMMARY OUTLINE

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?

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?

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1. Institutional responses to external audit findings are comprehensive, timely, and communicated appropriately.

SUMMARY OUTLINE

What information about budget, fiscal conditions, financial planning, and audit results is provided throughout the college? Is this information sufficient in content and timing to support institutional and financial planning and financial management?

Does the institution provide timely corrections to audit exceptions and management advice?

Has the institution received any audit findings or negative reviews during the last six years? Have these been addressed in a timely manner?

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RED FLAGS

1. The institution’s financial and internal control systems are evaluated and assessed for validity and effectiveness, and the results of this assessment are used for improvement.

SUMMARY OUTLINE

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?

Does the institution review its internal control systems on a regular basis? Does the institution respond to internal control deficiencies identified in the annual audit in a timely manner?

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RED FLAGS

1. The institution has sufficient cash flow and reserves to maintain stability, support strategies for appropriate risk management, and, when necessary, implement contingency plans to meet financial emergencies and unforeseen occurrences.

SUMMARY OUTLINE

What is the level of the institution’s unrestricted fiscal reserve?

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RED FLAGS

1. 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.

SUMMARY OUTLINE

What processes does the institution use to assess its use of financial resources?

How does the institution demonstrate compliance with Federal Title IV regulations and requirements? (Federal Regulation)

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?

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RED FLAGS

*LIABILITIES*

1. The level of financial resources provides a reasonable expectation of both short-term and long-term financial solvency. When making short-range financial plans, the institution considers its long-range financial priorities to assure financial stability. The institution clearly identifies, plans, and allocates resources for payment of liabilities and future obligations.

SUMMARY OUTLINE

What evidence of long-term fiscal planning and priorities exits?

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 Benefit (OPEB) obligations?

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1. The institution plans for and allocates appropriate resources for the payment of liabilities and future obligations, including Other Post-Employment Benefits (OPEB), compensated absences, and other employee related obligations. The actuarial plan to determine Other Post-Employment Benefits (OPEB) is current and prepared as required by appropriate accounting standards.

SUMMARY OUTLINE

Is the institution fully funding its annual OPEB obligation (Annual required contribution [ARC])? At what level is the contribution being funded?

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1. On an annual basis, the institution assesses and allocates resources for the repayment of any locally incurred debt instruments that can affect the financial condition of the institution.

SUMMARY OUTLINE

What is the level of locally incurred debt?

What percentage of the budget is used to repay this debt?

Does the locally incurred debt repayment schedule have an adverse impact on meeting all current fiscal obligations?

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1. All financial resources, including short- and long-term debt instruments (such as bonds and Certificates of Participation), auxiliary activities, fund-raising efforts, and grants, are used with integrity in a manner consistent with the intended purpose of the funding source.

SUMMARY OUTLINE

Is there an annual assessment of debt repayment obligations, and are resources allocated in a manner that ensures stable finances?

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1. The institution monitors and manages student loan default rates, revenue streams, and assets to ensure compliance with federal requirements, including Title IV of the Higher Education Act, and comes into compliance when the federal government identifies deficiencies.

SUMMARY OUTLINE

What is the default rate for the past three years?

Is the default rate within federal guidelines?

Does the institution have a plan to reduce the default rate if it exceeds federal guidelines?

Are student loan default rates, revenues, and related matters monitored and assessed to ensure compliance with Federal Regulation?

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*CONTRACTUAL AGREEMENTS*

1. 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 and the quality of its programs, services, and operations.

SUMMARY OUTLINE

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?

Are external contracts managed in a manner to ensure that federal guidelines are met?

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