
Questions to Use in Institutional Evaluation

This *Guide* is designed to provoke thoughtful dialogue and judgment about institutional quality by college communities engaged in self evaluation and by external evaluation teams assigned to affirm the quality of institutions. As either group seeks to evaluate an institution's ability to meet the Accreditation Standards, inquiry – asking questions and seeking answers – is necessary before judgment is made. The following questions are designed to provoke thoughtful reflection about institutional quality and may be asked by either the institution engaged in self-reflection for self evaluation, or by the External Evaluation Team that visits the college. The *Guide* also provides a list of possible sources of evidence that can be used to develop answers to the questions raised through the process of inquiry.

The questions, and lists of possible evidence, are designed to inform discussions of student achievement and learning, such as number of graduates, number of transfer students, retention rates, course completion rates, job placement rates; institutional performance such as the presence and effective use of institutional resources, structures, and policies, to achieve the institutions educational mission; and student learning outcomes such as the acquisition of knowledge, skills, abilities and attitudes that the institution intended students to learn and which are defined by the institution as the intended learning outcomes. There may be many other questions that institutions and team members can and should ask in order to assess educational quality and institutional effectiveness relevant to each college's unique mission.

Standard III D

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 at both college and district/system levels in multi-college systems.

- What is the institution's overall budget?
 - Does it have sufficient revenues to support educational improvements?
 - 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?
1. The institution's mission and goals are 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 governing 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?
 - 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?

- c. 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.
 - 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 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 internal control structure 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, have a high degree of credibility and accuracy, and reflect appropriate allocation and use of financial resources to support student learning programs and services.
 - 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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- b. Institutional responses to external audit findings are comprehensive, timely, and communicated appropriately.
- 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?
- c. Appropriate financial information is provided throughout the institution, in a timely manner.
- 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., 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?
- d. 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.
- What are the institution's procedures for reviewing fiscal management? Are they 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 to internal control deficiencies identified in the annual audit in a timely manner?
 - 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? Have these been addressed in a timely manner?
- e. The institution's internal control systems are evaluated and assessed for validity and effectiveness and the results of this assessment are used for improvement.
- Are the institution's special funds audited or reviewed by funding agencies regularly?

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- 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?
3. The institution has policies and procedures to ensure sound financial practices and financial stability.
- a. The institution has sufficient cash flow and reserves to maintain stability, strategies for appropriate risk management, and develops contingency plans to meet financial emergencies and unforeseen occurrences.
 - What is the level of the institution's fiscal reserve?
 - b. 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 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?
 - c. 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.
 - Is the institution fully funding its annual OPEB obligation (Annual required contribution [ARC])? At what level is the contribution being funded?
 - d. The actual plan to determine Other Post-Employment Benefits (OPEB) is prepared, as required by appropriate accounting standards.
 - e. 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.
 - 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 institutional financial stability?
 - f. Institutions monitor and manage student loan default rates, revenue streams, and assets to ensure compliance with federal requirements.
 - What is the default rate for the past three years?
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- Is the default rate within federal guidelines?
 - Does the institution have a plan to reduce the default rate if it exceeds federal guidelines?
- g. 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.⁶
- 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?
- h. The institution regularly evaluates its financial management practices and the results of the evaluation are used to improve internal control structures.
- 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?
4. Financial resource planning is integrated with institutional planning. The institution systematically assesses the effective use of financial resources and uses the results of the evaluation as the basis for improvement of the institution.
- How does the institution ensure that financial decisions are developed from program review results, institutional needs, and plans for improvement?
 - What evidence is there that the institution bases its financial decisions on the results of evaluation of program and service needs?
 - How does the institution determine that financial needs in program and service areas are met effectively?
 - How does the institution prioritize needs when making financial decisions? How effectively are those needs met?

Evidence Examples

D. Financial Resources

- Evidence that includes copies of the annual budget, audits for past three years, financial plans associated with institutional plans, budget documents prepared for 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 evidence includes actuarial plans for the repayment of Other Post Employment 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 the relationship to educational goals as identified through institutional assessment and planning
- Evidence showing that fiscal planning follows institutional planning (in time sequence), and funds are used to achieve institutional plans and goals
- 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 budgets, capital plans, and long-term fiscal plans undergo periodic review and evaluation
- Evidence of a fiscal planning process, documents describing the financial planning, and budgeting processes, and minutes or other records showing the institution has followed those processes
- Evidence the institution monitors student financial aid obligations such as student loan default rates and compliance with all federal regulations that impact the institution
- Evidence the institution ensures that financial decisions are developed from program review results, institutional needs, and plans for improvement
- Evidence the institution bases its financial decisions on the results of evaluation of program and service needs
- Evidence the institution determines that financial needs in program and service areas are met effectively
- Evidence the institution prioritizes needs when making financial decisions