

## Compliance Components – CFO

Separate compliance components that constitute discrete issues to be addressed in developing a convincing argument for compliance in the Compliance Certification are underlined for each applicable requirement and standard. A narrative that addresses and documents some, but not all, of the compliance components is incomplete.

**Suggestions:** The “suggestions” provided below are guides to developing and documenting a narration that thoroughly addresses these compliance components.

**Excerpts citing noncompliance:** The “excerpts” are provided to assist Applicants and Candidates in identifying typical shortcomings in the narratives and documentation presented in support of an institution’s assertion of compliance; taken from reports developed by SACSCOC review committees, these excerpts are all part of some committee’s explanation of its finding of noncompliance.

### Core Requirements:

- 2.11.1 The institution has a sound financial base and demonstrated financial stability to support the mission of the institution and the scope of its programs and services.

**Suggestion:** *Develop a coherent narrative that presents a picture of adequate and stable financial support. Do not rely solely on the audited statements to create that image for the reader. The institution must provide evidence in its narrative that it is financially healthy and stable.*

The member institution provides the following financial statements: (1) an institutional audit (or Standard Review Report issued in accordance with Statements on Standards for Accounting and Review Services issued by the AICPA for those institutions audited as part of a system-wide or statewide audit) and written institutional management letter for the most recent fiscal year prepared by an independent certified public accountant and/or an appropriate governmental auditing agency employing the appropriate audit (or Standard Review Report) guide; (2) a statement of financial position of unrestricted net assets, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net assets attributable to operations for the most recent year; and (3) an annual budget that is preceded by sound planning, is subject to sound fiscal procedures, and is approved by the governing board. Audit requirements for applicant institutions may be found in the Commission policy “Accreditation Procedures for Applicant Institutions.” **(Financial Resources)**

### Comprehensive Standards:

#### 3.10 Financial Resources

- 3.10.1 The institution’s recent financial history demonstrates financial stability. **(Financial stability)**

*[Provide figures for a minimum of three years.]*

**Suggestion:** *Cross-reference CR 2.6, as appropriate.*

- 3.10.2 The institution provides financial profile information on an annual basis and other measures of financial health as requested by the Commission. All information is presented accurately and appropriately and represents the total operation of the institution. **(Submission of financial statements)**

*[This standard refers to (1) the annual Profile for Financial Information submitted to the Commission on Colleges each July by Candidate and Member institutions and to (2) other formal requests for financial information, typically through Monitoring Reports stemming from action on the institution's accreditation by the SACSCOC Board of Trustees.]*

- 3.10.3 The institution audits financial aid programs as required by federal and state regulations. **(Financial aid audits)**

*[Institutions that have recently qualified for federal financial aid programs through their Candidacy status with SACSCOC will have limited documentation of compliance with this standard available.]*

- 3.10.4 The institution exercises appropriate control over all its financial resources. **(Control of finances)**

*Excerpt citing noncompliance: "The audited financial statements and the report from the state examiner of public accounts revealed numerous deficiencies in internal control over financial reporting, such as accounting reconciliations, cash management, cash count reports, and construction contract administration. While most of these have been significant deficiencies, two were considered material weaknesses in the last audit."*

- 3.10.5 The institution maintains financial control over externally funded or sponsored research and programs. **(Control of sponsored research/external funds)**

*Excerpt citing noncompliance: "The Business Office uses the same internal controls and accounting processes to account and report activity for externally funded or sponsored programs. The Standard Review Report issued in 2010 indicated that for the fourth consecutive year the institution did not maintain adequate internal control over student and federal receivables."*