

G. Financial Operations

1. GENERAL

Financial stability and integrity are major factors in determining the viability of any institution of higher education. Its financial resources will be adequate to carry out its mission and support its programs and activities for the foreseeable future.

Institutions are to give evidence of financial stability and integrity with enough monetary support to assure the continuity of the essential operations beyond the date when current students would complete their degree programs.

All member institutions obtain a certified external audit of the financial statements annually, in conformity with generally accepted accounting principles (GAAP) and federal guidelines. Auditors will not be inappropriately involved with the institution (e.g., are not members of the governing board, not employees of the institution, not under contract to the institution for services other than the audit and tax return preparation, or not involved in the decision-making activity, etc.).

Standards and Evaluative Criteria

- 17.1 Finances are adequate to support the staffing, facilities, equipment, materials, and support services for the approved programs and will continue to do so into the future. **(IER #7b)**
- 17.2 Institution exercises complete control over all its financial resources.
- 17.3 Accurate and timely financial reports are provided to the CEO, governing board, and other designated persons.
- 17.4 A certified external audit of the financial statements is conducted each year in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards. Final audit reports along with all management letters are submitted to the TRACS office annually within 5 months of the close of the institution's fiscal year. (See definition of Certified External Audit.) **(IER #7a)**
 - a. Audits demonstrate a recent history of financial stability. (See Definition of *Financial Stability*.)
 - b. Institutions organized as non-profit or not-for-profit entities must have their Audit prepared using the "net asset" model of accounting consistent with the policies and procedures provided by the American Institute of Certified Public Accountants (AICPA) in its document, *Audit and Accounting Guide: Not-for-Profit Organizations: June 1, 1996*, or any later enacted version.
 - c. The audit demonstrates adequate finances to support the institutional mission and programs.
- 17.5 Institution evidences that the finances will continue to support the current programs.

- a. Institution uses a Board approved budget which incorporates input from grassroots personnel, gives priority to learning experience needs, and is driven by the priorities of the long-range Strategic Plan.
 - b. Current and long-range financial plans reflect positive cash flows and positive budget outcomes, and are realistic.
- 17.6 Institution has sufficient professionally qualified finance staff, led by a chief financial officer.
- 17.7 ~~Institution demonstrates credit lines or other liquid reserves adequate to ensure operations at all times. Credit line is in place and maintained with a financial institution or institution has a segregated contingency reserve equal to at least 10% of the operational budget. (IER #7b)~~

2. FEDERAL TITLE IV COMPLIANCE

Candidacy (Pre-Accreditation) or Accreditation by TRACS entitles institutions to apply for Federal Title IV funds. The following Standards apply to all institutions participating in Federal Title IV programs.

Standards and Evaluative Criteria

- 18.1 Institution evidences compliance with its program responsibilities under Title IV of the most recent *Higher Education Act* as amended. In evaluating an institution's compliance with Title IV program responsibilities, the Accreditation Commission will rely on documentation forwarded to it by the U.S. Secretary of Education.
- a. Letters of authorization are on file from relevant agencies indicating certification of eligibility.
 - b. Federal Aid audits are available.