

2024 Accreditation Standards and Understanding ACCJC's Role in Monitoring Fiscal Health

ACBO Institute II:
April 2024

Today's Facilitator:



Melynne Schiel
Vice President, ACCJC

Goals for Today's Session

- **Review ACCJC 2024 standards**
 - Fiscal standards
 - Report narrative and required documentation
- **Provide context for ACCJC's fiscal monitoring practices**
 - Standards 3.4-3.7, 3.10
 - Commission [Policy on Monitoring Institutional Performance](#)
- **Give an overview of ACCJC's annual fiscal review process**
 - Annual Fiscal Report contents and submission process
 - ACCJC's composite financial index and other criteria used in monitoring
 - Outcomes of the process, including Enhanced Fiscal Monitoring
- **Answer your questions**

Who is ACCJC?



- Institutional accreditor recognized by U.S. Department of Education
- Only recognized institutional accreditor specializing in two-year colleges
- Works collegially with member colleges to advance educational quality

ACCJC's Mission and Values

The ACCJC supports its member institutions to advance educational quality and student learning and achievement. This collaboration fosters institutional excellence and continuous improvement through innovation, self-analysis, peer review, and application of standards.



Principles Guiding the New Standards

- Align with Commission's Eligibility Requirements, policies, and values
- Reflect current norms and practices within US higher education
- Focus on outcomes and improvement rather than processes
- Reflect the diversity of ACCJC member institutions
- Use clear language and minimize redundancies
- Balance accountability and improvement
- Emphasize equity and inclusion



New Resources to Support the Changes



ACCJC ACCREDITATION
HANDBOOK



REPORT TEMPLATES WITH
EMBEDDED GUIDANCE



ONLINE CERTIFICATION
MODULES FOR PEER REVIEWERS

Overview of Major Changes in the Standards

FROM



TO

Repetitive and siloed



Streamlined and holistic

“do you have a process”



“what are the results, and how do you use them”

Narrative required for everything



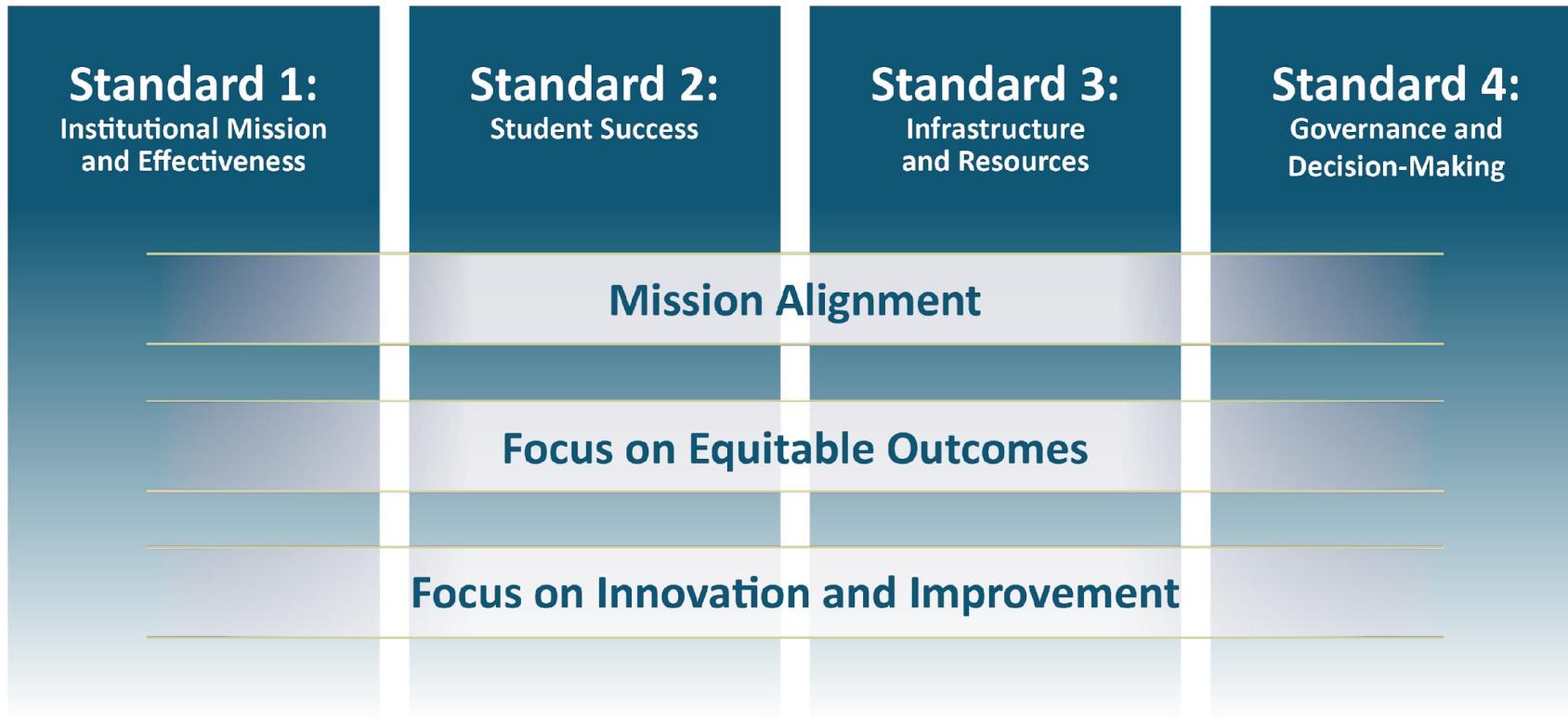
Some documentation provided via checklist

120 Standards (127 for multi-college districts)



30 Standards for all colleges

New Standards and Philosophical Approach



General Framework for Reflection & Improvement



Evolving Expectations for Institutional Self-Evaluation Reports

New ISER Template (embedded instructions for each section)

Major Sections in the Self-Evaluation Report	Suggested Length
Forward to the Institutional Self-Evaluation	1 page
A. Introduction: Institutional Context	2-5 pages
B. Institutional Self-Evaluation of Alignment with the Accreditation Standards	60-70 pages
C. Required Documentation	(no narratives)
D. Appendices: 1 – Verification of Catalog Requirements 2 – Organizational Information 3 – Additional Approved Locations (if applicable)	(no narratives)

Looking at the new standards



Fiscal Standards 2014 to 2024 Overview

Citation	2024 Standard	Mapping to Related 2014 Standards, ERs, and Policies
3.4	The institution develops, maintains, and enhances its educational services and operational functions through the effective use of fiscal resources. Financial resources support and sustain the mission and promote equitable achievement of student success.	III.D.1 ER 18: Financial Resources
3.5	The institution's mission and goals are the foundation for financial planning. Financial information is disseminated to support effective planning and decision-making and provide opportunities for stakeholders to participate in the development of plans and budgets.	III.D.2, III.D.3, III.D.4, III.D.6
3.6	The institution ensures the integrity and responsible use of its financial resources and regularly evaluates its fiscal outcomes and financial management practices to promote institutional mission fulfillment.	III.D.5, III.D.7, III.D.8, III.D.10, III.D.14
3.7	The institution ensures financial solvency. When making short-range financial plans, the institution considers its long-range financial priorities and future obligations to ensure sustained fiscal stability.	III.D.9, III.D.11, III.D.12, III.D.13 ER 18: Financial Resources
3.10	The institution has appropriate strategies for risk management and has policies and procedures in place to implement contingency plans in the event of financial, environmental, or technological emergencies and other unforeseen circumstances.	III.D.9
Required Documentation—Infrastructure and Resources		
3.iv	<i>Annual financial audit reports (3 prior years, including any auxiliary organizations)</i>	ER 5: Financial Accountability
3.v	<i>Practices for resource allocation and budget development (including budget allocation model for multi-college districts/systems)</i>	III.D.3
3.vi	<i>Polices around Title IV including the most recent three-year student loan default rates</i>	III.D.15
3.vii	<i>Policies guiding fiscal management (e.g., related to reserves, budget development)</i>	III.D.3
3.viii	<i>Any agreements that fall under ACCJC's policy on contractual relationships with non-accredited organizations</i>	III.D.16
3.ix	<i>Policies, procedures or agreements (e.g., AUAs) related to appropriate use of technology systems</i>	III.C.5

Exercise



STANDARD 3.6



WHAT DID YOU
DO?



WHAT WAS THE
OUTCOME?



HOW DO YOU
KNOW?

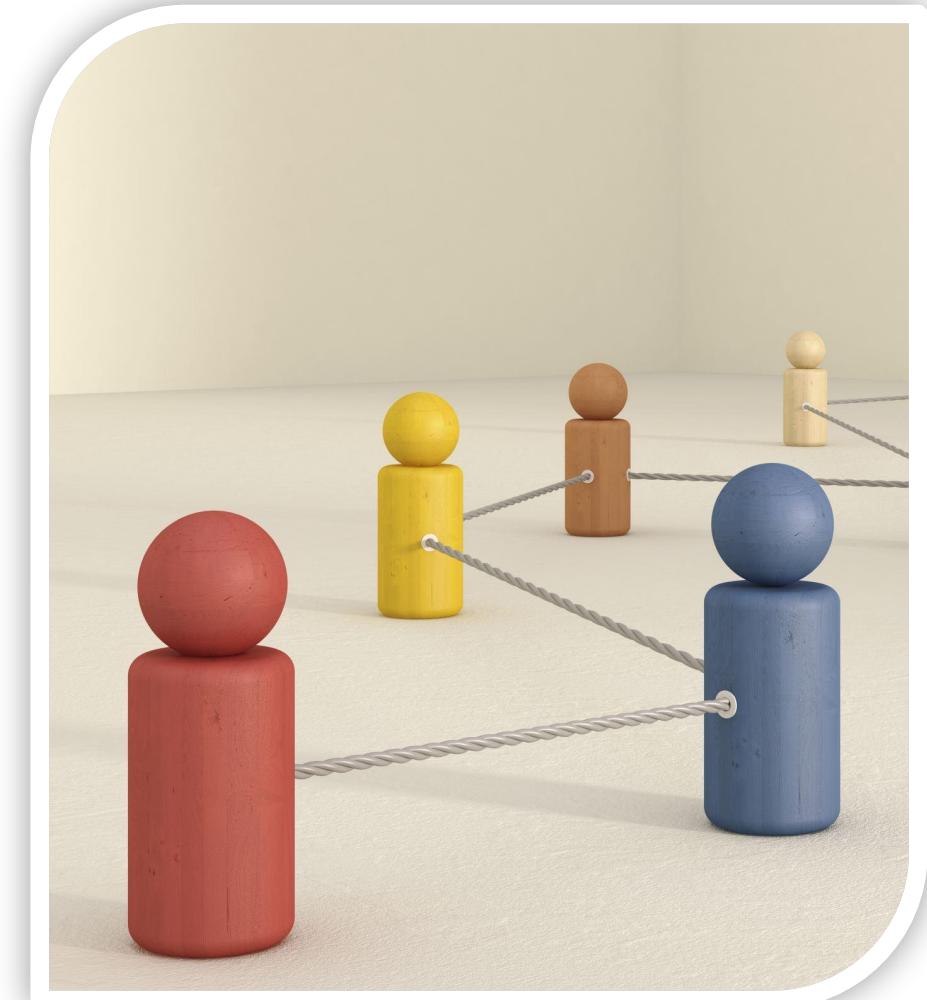


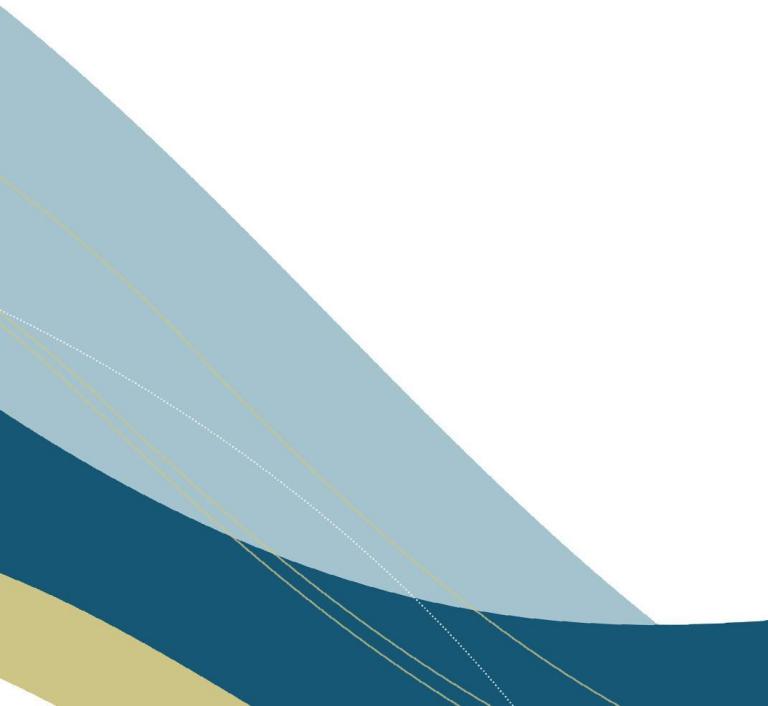
WHAT WILL YOU
DO DIFFERENTLY?

Apply the Standard: What does it mean?

Standard 3.6: (Infrastructure and Resources)

The institution ensures the integrity and responsible use of its financial resources and regularly evaluates its fiscal outcomes and financial management practices to promote institutional mission fulfillment.





Standard 3.6 Review Criteria:

- The institution has effective internal and external control mechanisms in place to ensure that dependable, accurate, and timely financial information is available for sound financial decision-making.
- Audits demonstrate the integrity of financial management practices, and audit findings and/or compliance issues are addressed in a timely manner.
- Information about budget, fiscal conditions, and audit results are communicated with stakeholders as appropriate to the institution's mission and structure.

Standard 3.6 Possible Sources of Evidence Could Include:

- Budgets, financial reports, audit reports, and/or similar documents
- Finance department program review, including evaluation of effectiveness of internal controls
- Practices for evaluating the effectiveness and integrity of financial management practices, and the results of such evaluations
- Annual external audit reports and findings
- Audits of any foundations that are not separately incorporated
- Examples of timely corrections of external audit reports and findings
- Minutes of meetings when audits and findings are discussed, and responses are planned

Standard 3 (Infrastructure and Resources) – Required Documentation:

- 3i. Written policies and procedures for human resources, including hiring procedures
- 3ii. Employee handbooks or similar documents that communicate expectations to employees
- 3iii. Annual financial audit reports (3 prior years, include auxiliary organizations, if applicable) (ER 5)
- 3iv. Practices for resource allocation and budget development (including budget allocation model for multi-college districts/systems)
- 3v. Policies guiding fiscal management (e.g., related to reserves, budget development)
- 3vi. Policies, procedures or agreements (e.g., AUAs) related to appropriate use of technology systems

FOR TITLE IV PARTICIPANTS

- 3vii. Documentation that the institution's student loan default rates are within the acceptable range defined by ED, or – if rates fall outside the acceptable range – documentation of corrective efforts underway to address the issue

REQUIRED ONLY IF APPLICABLE

- 3viii. Documentation of any agreements that fall under ACCJC's Policy on Contractual Relationships with Nonaccredited Organizations
- 3ix. Written code of professional ethics for all personnel including consequences for violations

Context for ACCJC's Fiscal Monitoring Practices

Federal regulations require that recognized accreditors:

- Have Standards related to institutions' fiscal capacity
- Monitor institutions to identify potential issues related to ongoing compliance
- Take into account institutional strengths and stability during the review cycle

ACCJC implements these requirements through:

- Eligibility Requirements and Accreditation Standards (esp. Standard 3)
- Comprehensive Review processes
- Annual monitoring (See [Policy on Monitoring Institutional Performance](#))

ACCJC's Annual Fiscal Review Process

Annual Fiscal Review process designed to:

- Assess and affirm institutions' fiscal health
- Take into account areas of strength and stability
- Identify potential issues related to ongoing compliance with Standards
- Allow time for institutions to make corrections in response to emerging issues
- Meet federal reg related to institutional monitoring (34 CFR §602.19(b))

Process relies on:

- Institutions' self-reported data (most recent FY & two prior FYS)
- Input from practitioners at ACCJC member institutions (Fiscal Review Team)

Annual Fiscal Review: Overview of the Timing

Approximate Date	What Happens
Early February	ACCJC opens Annual Fiscal Report survey and holds webinar to assist the field/address questions
February – March	Each college completes and submits its Annual Fiscal Report
Early April	Final Certified Annual Fiscal Reports due to ACCJC
April – May	ACCJC staff conduct an initial scoring of all Annual Fiscal Reports using ACCJC's Composite Financial Index
June-August	ACCJC's Fiscal Advisory Group meets (multiple times) to discuss context and weighting of individual criteria on the Composite Financial Index

Annual Fiscal Report: Process & Submission

Report Preparation Process:

- Annual Fiscal Report must be completed online
- Unique survey link is sent to college ALO
- ALO shares the link
- ACCJC Webinar to launch the Annual Fiscal Report and discuss any updates etc.
- College CBOs enter data (collaborating w/ District CBOs if applicable)
- College CEO, CBO, or ALO reviews and submits final report to certify

Current Fiscal Advisory Group Composition

ACCJC Representatives:

ACCJC Commission Chair

Lori Gaskin

ACCJC Commissioner

Kathleen Burke

Christine Statton

ACCJC Fiscal Review Associate

Melynne Schiel

ACCJC Vice President

Member College Representatives:

Mario Rodriguez

Vice Chancellor, Finance & Facilities

North Orange Community College District

Dan Troy

Assistant Superintendent/VP Administrative Services

Cuesta College

Mike Unebasami

Associate Vice President for Administrative Affairs

University of Hawaii Community Colleges

Paula Perez

Vice President of Finance

Campus College

Annual Fiscal Report: Review & Scoring

- Scoring discussed by ACCJC's Fiscal Advisory Team
- Composite Financial Index (CFI) methodology
- CFI developed in partnership with the field and drew on:
 - *Strategic Financial Analysis for Higher Education*, 7th Edition by KPMG & National Association of College and University Business Officials
 - CCCCO's Sound Financial Management Assessment Checklist
- Consistent with principles in CCCCO *Fiscal Forward* training
- Contains 12 criteria that are used to score fiscal health

Annual Fiscal Report: Review & Scoring

Composite Financial Index Criteria for CA Community Colleges

Criterion	Description	Standards
1. Primary Reserve Ratio	Fund balance percentage: Ending UGF balance ÷ total GFU expenses <i>* Each year is scored individually</i>	3.4, 3.7, 3.10 <i>Required Documentation: Policies guiding fiscal management (related to reserves)</i>
2. Operating Revenue Ratio	Surplus or deficit ÷ total revenue	3.4, 3.7
3. Surplus or Deficit	Total GFU revenue – Expenditures	3.7

Notes:

1. Calculations for criteria 1-3 do NOT include one-time transfers-in as revenue
2. Calculations for criteria 2-3 use three-year averages for all variables.

Annual Fiscal Report: Review & Scoring

Composite Financial Index Criteria for CA Community Colleges

Criterion	Description	Standards
4. Compensation Percentage	Salaries & benefits as a percentage of total expenditures	3.4, 3.7
5. College Enrollment	Percent change in FTES over the three-year reporting period	3.4, 3.7
6. Funded Non-Pension Ratio: OPEB	Funded percentage of Total OPEB Liability (most recent FY only)	3.7

1. Calculation for criteria 4 uses three-year average for all variables.
2. Calculation for criteria 6 uses the most recent FY only.

Annual Fiscal Report: Review & Scoring

Composite Financial Index Criteria for CA Community Colleges

Criterion	Description	Standards
7. Change in Cash Balance as percentage of expenditures	Change from 2 years prior to current FY as % of expenditures	3.7, 3.10
8. Audit Concerns	Number of findings, and qualified or modified opinions (Most recent report year)	3.6 <i>Required Documentation: Annual Financial Audit Reports – prior three years</i>
9. Student Loan Default Rate <small>Notes:</small>	Official cohort default rate from US Department of Education	<i>Required Documentation: Documentation that the student loan default rates are within the ED acceptable range for federal compliance</i>

1. Calculation for criteria 9 uses a three-year average.

Annual Fiscal Report: Review & Scoring

Composite Financial Index Criteria for CA Community Colleges

Criterion	Description	Standards
10. Cash Flow Projections	Consideration of cash flow projections	3.7
11. Active negotiations	Consideration of the state of any open negotiations	3.7
12. Excessive Changes in College and District Leadership	Consideration of leadership stability	3.4

Annual Fiscal Report: Review & Scoring

CFI criteria that *most frequently* contribute to low scores

Criterion	Concern
1. Primary Reserve Ratio	Fund balance of <10% (CCC average is 33%)
2. Operating Revenue Ratio	Negative ratio (3-year average)
3. Surplus or Deficit	3-year average deficit
5. College Enrollment	Large decreases in college-level FTES over 3-year reporting period
6. Funded Ratio: OPEB	Less than 50% funded
8. Audit Issues	Excessive findings, and modified or qualified opinions
12. Leadership Changes	4 or more, combined with numerous interim and/or vacancies

Annual Fiscal Review: Potential Results

Based on scoring against the CFI, colleges fall into one of three categories:

Category	Next Steps for College
Healthy	None; college is not notified
Monitoring	None; college is not notified
Enhanced Monitoring	Respond to: <ul style="list-style-type: none">• Formal communication from ACCJC Staff (Level 1)• Commission Action Letter (Level 2)

Enhanced Monitoring

Level 1

- First and second year of Enhanced Monitoring
- “Staff Level” monitoring: Commission is not yet formally involved
- Typically involves a letter with additional info and/or outlining corrective actions

Level 2

- Third year of Enhanced Monitoring
- Commission monitoring begins
- May take action to request a special report and/or fiscal monitoring visit

What questions remain?



More questions? Contact Us!



Melynne Schiel
ACCJC Vice President
mschiel@accjc.org



Christine Statton
ACCJC Fiscal Review Associate
cstatton@accjc.org