

## 13.4 The institution exercises appropriate control over all its financial resources. (Control of finances)

### Rationale and Notes

Financial resource management is critical to the long-term stability of an institution. The institution has a fiduciary responsibility to operate in a prudent and responsible manner. This responsibility extends to the care for its financial assets by obtaining, sustaining, and maintaining them for achieving its mission. This requires the institution to employ a sufficient number of qualified staff empowered to provide systems and procedures for adequate checks, balances, and control over assets.

### Questions to Consider

- Are there internal control findings (financial statement or federal awards) in the audit of federal awards? Are there control issues noted in the Auditor's Report on Internal Control?
  - If so, did these findings rise to significant deficiencies? material weaknesses?
  - Are the findings serious, pervasive, or indicative of administrative issues?
- What are the qualifications and experience of staff responsible for the control of institutional finances?
- What written policies and procedures are available for safeguarding cash? For approval of expenditures?
  - Is there evidence these policies are followed?
  - If there have been cases of not following internal control policies, have those been addressed?
- How does the institution manage risk as it relates to financial resources?
- Does the institution have an internal audit function?
  - If so, to whom does the internal auditor report?
  - If so, are there internal audit reports relevant to this standard?
  - Note. Internal audit alone is not considered sufficient documentation for compliance, but as a supplement to external validation of an adequate control environment.

### Sample Documentation

- Auditor's Report on Internal Control.
- Control issues noted in the audit of federal awards (or lack thereof).
- Documentation of the duties, qualifications, and experience of staff responsible for control of institutional finances.
- Institutional policies related to internal controls/audit.
- Sample documentation (not blank forms) illustrating implementation of policies.

- Documentation of budget status interim reporting to appropriate constituencies, including the CEO and members of the board.
- Internal audit and risk management reports.
- Written Management Letter if issued in conjunction with audited financial statements (while no longer required, this may still be useful, if available.)

### Reference to SACSCOC Documents, If Applicable

SACSCOC position statement:

[The Impact of Budget Reductions on Higher Education](#)

### Cross-References to Other Related Standards/Requirements, If Applicable

- CR 4.1 (*Governing board characteristics*), see part (b)
- Standard 4.2.b (*Board/administrative distinction*)
- CR 13.1 (*Financial resources*)
- Standard 13.3 (*Financial responsibility*)
- Standard 13.6 (*Federal and state responsibilities*)

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

### Rationale and Notes

Externally funded research and programs are designed to aid in fulfillment of the institution's mission. Ceding financial controls to the funding source may compromise financial, ethical, or management standards of the institution. The same prudence in financial control should prevail as in internally funded activities.

#### NOTE

*While a separate standard exists that requires compliance with Title IV Program Responsibilities [see 13.6 (Federal and state responsibilities)] this standard generally applies to any other funding from external sources, such as grants, funding for research, or other federal programs.*

### Questions to Consider

- What are the policies governing the expenditures of external funds, and are they published?
- Are the institution's externally funded or sponsored research programs accounted for in an appropriate manner, consistent with the institution's financial policies and procedures?