BACKGROUND

Currently ACHENA has 14 standards. In recent months, letters have been sent, comments made and calls received, mainly from schools, in relation to the 12th standard. In summary:

- Schools are reluctant or unable to pay the burdensome 8-10K fee for an ‘audit’ given their student numbers as they hit the eligibility or reaccreditation phase. (Note ACHENA minutes have specified that there was a modification of that requirement by asking schools applying for accreditation to provide an audit at the candidacy stage rather than eligibility. It is presumed the reason for this is that it was too onerous and required schools that were ultimately rejected at the eligibility stage places an unfair burden).
- A formal financial ‘audit’ is not what other accrediting bodies impose on their schools.
- A formal financial audit is more stringent that the DoE’s current expectations of accredited schools.
- ACHENA is left with being forced to implement its own rules, a standard that is not received well by the homeopathic educational community.

Balancing that perspective is the reality that ACHENA commissioners must be confident in any accredited school's financial stability. Student stability is paramount and our own potential accreditation with the DoE would be severely compromised if ACHENA signed off on a school at any of the stages of accreditation that then failed financially when it was likely to do so, and it was not picked up by the Board in its processes.

The problem seems to revolve around ACHENA’s Accreditation Manual, Standard 12, Criterion 12.6. The word "audit" is used without defining the word. The word "audit" appears not only in Standard 12, Criterion 12.6 but in multiple places in the Accreditation Manual, addressing various non-financial requirements (e.g.: Periodic review (audit) of case records, clinical audit, audits and case studies etc).
STANDARD 12 -- FINANCIAL RESOURCES

The program shall have an adequate financial base for existing program commitments, shall provide evidence of adequate financial planning and shall have an appropriate financial management system. The program must be financially stable, with resources sufficient to carry out its objectives, to complete the instruction of all enrollees, and to support adequately its programs and activities now and in the foreseeable future. In the case of a program in an institution that is a sole-proprietorship, books and bank accounts for the program are required, and those books shall be distinct from the books and accounts for any other enterprise owned by the proprietor.

CRITERION 12.1 -- RESOURCES

The program shall have the financial capacity to respond to financial emergencies or unforeseen occurrences. If an accumulated deficit has been recorded, a realistic plan with reasonable and attainable benchmarks to eliminate the deficit must be clearly presented, understood, and approved by the governing entity. If a program has an operating loss for three consecutive years, it will be required to submit a financial plan.

CRITERION 12.2 -- CONTROL

The institution must have control of its financial resources and budgetary processes and be free from undue influence or pressure from external funding sources or agencies. In multi-purpose institutions, the program must have sufficient control over its program budget.

CRITERION 12.3 -- EXPENDITURE

The income of the program must be expended to provide adequately for instruction, administration, learning resources, student services and activities, maintenance, equipment, supplies, and other specific functions that are consistent with the goals of the program.

CRITERION 12.4 -- BUDGETARY PROCESS

The process by which the program's annual budget is established, and resources allocated, must be clearly defined and consistently implemented. It must provide a realistic projection of the program's revenue and expenditures. The budget must be reviewed and approved by the institution's governing entity. The program must be able to project its expenditures and revenues for at least a three-year period. The budget shall include notes explaining the assumptions on which the projected figures are based, e.g., the basis for increases or decreases in revenue or expenses.

CRITERION 12.5 -- MANAGEMENT

The financial management system must be set up to allow for a full audit by an outside independent certified public accountant. Each year, a minimum of a reviewed financial statement must be prepared. An accrual basis of accounting is required.

CRITERION 12.6 -- AUDIT

For the most recent year prior to submitting an Eligibility Report or seeking reaccreditation, a full audit with a management letter, certified by a licensed CPA, must be available to provide a detailed and accurate picture of the financial status of the program since the preceding year's reviewed financial statement. It must include a
balance sheet statement, certified for one year, the statement of revenue and expenditures, and change in fund balance and/or financial position, all certified by an independent auditor with no relation to the institution. This audit must be reviewed by the appropriate individuals or responsible groups within the program.

Guideline: The accountant that conducts the school's audit should be knowledgeable regarding higher education institutions.

CRITERION 12.7 -- INDEBTEDNESS

Adequate resources must be available to meet debt-service requirements of short-term and long-term indebtedness without adversely impacting the quality of the program.

CRITERION 12.8 -- FINANCIAL AID OPERATION

If the program utilizes public resources for financial aid, the financial aid operation must be capably administered as documented by reports from the funding source.

CRITERION 12.9 -- DEFAULT RATE

If the program’s cohort default rate exceeds 25%, or if it is 15% or higher and has increased 50% over the prior year’s rate, the Commission shall review the program to determine if it remains in compliance with the accreditation criteria.

CRITERION 12.10 -- REFUND POLICY

The program must clearly define and uniformly follow a fair and equitable refund policy for unearned tuition that complies with applicable state and federal laws and regulations.

Guideline: The pro rata amount may be computed by using the ratio of the number of weeks of instruction completed to the total number of weeks of instruction scheduled for the period of enrollment.

Guideline: Refund computations should apply to the stated tuition charges attributable to each school term.

THREE PROPOSED CHANGES

4.0 Eligibility Standards for Master’s Degree & Professional Homeopathic Practitioner Diploma and Certificate Programs

The current wording of paragraph 5 of 4.0 reads:

5. The institution documents a funding base and financial resources adequate to support its mission and goals and to assure financial stability. The institution has performed or will perform an external audit by a certified public accountant or an appropriate public audit agency within one year before or after applying for eligibility.
Rationale: A school's financial stability is important for assuring students and the general public of its ongoing viability. An audit is not required to establish eligibility but would be required within one year before or after applying for eligibility.

(The Proposed Change)
5. The institution documents a funding base and financial resources adequate to support its mission and goals and to assure financial stability. The institution will submit an external financial Review by an outside independent licensed CPA prior to and included with the Self Study, and with every subsequent accreditation renewal.
Rationale: A school's financial stability is important for assuring students and the general public of its ongoing viability.

Criterion 12.5 currently says:
Criterion 12.5 -- Management
The financial management system must be set up to allow for a full audit by an outside independent certified public accountant. Each year, a minimum of a Reviewed financial statement must be prepared. An accrual basis of accounting is required.

(The Proposed Change)
Criterion 12.5 -- Management
An accrual basis of accounting is required. The financial management system must be set up to allow for a full audit by an outside independent licensed CPA if, in ACHENA’s opinion, an audit is deemed necessary. Each year, a financial statement must be prepared by schools and submitted with its Annual Report. This yearly financial report must include:

- Most recent Tax Return (prepared by a licensed CPA)
- Current Budget, Balance Sheet, Profit & Loss Statement (may be prepared by bookkeeper or accountant).

These documents must be reviewed for accuracy by the appropriate individuals or responsible groups within the institution. The above documents must be submitted with an affirmation sheet signed by the Director of the institution.

Criterion 12.6 currently says:
Criterion 12.6 -- Audit
For the most recent year prior to submitting an Eligibility Report or seeking reaccreditation, a full audit with a management letter, certified by a licensed CPA, must be available to provide a detailed and accurate picture of the financial status of the program since the preceding year’s Reviewed financial statement. It must include a balance sheet statement, certified for one year, the statement of revenue and expenditures, and change in fund balance and/or financial position, all certified by an independent auditor with no relation to the institution. This audit must be reviewed by the appropriate individuals or responsible groups within the program.
Guideline: The accountant that conducts the school's audit should be knowledgeable regarding higher education institutions.

(The Proposed Change)
Criterion 12.6 – Evaluation of the School’s Finances
To provide a detailed and accurate picture of the financial status of the program, new applicants and applicants for reaccreditation must provide the following:
- A current financial Review (prepared by a licensed CPA).
- Three years most recent tax returns (prepared by a licensed CPA).
- Current budget and two years projected budgets (may be prepared by bookkeeper or accountant).
- Current Balance Sheet and two preceding years Balance Sheets (may be prepared by bookkeeper or accountant).
- Current Profit & Loss Statements and two preceding years Profit & Loss statements (may be prepared by bookkeeper or accountant).

These documents must be reviewed for accuracy by the appropriate individuals or responsible groups within the institution. The above documents must be submitted with an affirmation sheet signed by the Director of the institution.

PUBLIC COMMENT

An opportunity for public comment was open in September and October 2017. One comment was received and considered.

ADOPTION

The changes outlined above were voted on and passed unanimously at the commissioners meeting in October 2017.

Alastair Gray October 2017