

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

Standard 5.3 (Institution-related entities)

- 5.3** For any entity organized separately from the institution and formed primarily for the purpose of supporting the institution or its programs:
- (a) The legal authority and operating control of the institution is clearly defined with respect to that entity.
 - (b) The relationship of that entity to the institution and the extent of any liability arising from that relationship are clearly described in a formal, written manner.
 - (c) The institution demonstrates that (1) the chief executive officer controls any fund-raising activities of that entity or (2) the fund-raising activities of that entity are defined in a formal, written manner which assures that those activities further the mission of the institution.

(Institution-related entities)

Rationale and Notes

It is common for institutions of higher education to create or have affiliations with independent, separately incorporated entities. Often these entities bear the name of the higher education institution. These separate entities are often formed to raise private gifts to supplement other institutional resources and to manage their distribution. Other entities assume responsibility for institutionally related activities such as managing hospitals, operating research enterprises, establishing centers of excellence, or funding and operating residence halls.

Any entity related to the institution and having as its primary purpose to support the institution or its programs can, at its best, be a major source of strength to the quality and success of the institution. However, at its worst, such a related entity can be an interfering body that uses its resources to exercise inappropriate control, influence, or management of the institution, or whose actions place the institution at risk. It is critical to assure that the institution does not become so reliant on an outside related entity that its autonomy is compromised and its continued functioning is put in jeopardy.

This standard expects that the legal authority and operating control within the institution's governance structure is clearly defined as it relates to these separate entities. There is also an expectation that any liability arising out of the relationship with the related entity is clearly described in a formal, written manner. Further, the Commission expects the institution's chief executive officer to control any fund-raising activities of that entity or to define the fund-raising activities in a formal, written manner to ensure that the activities further the mission of the institution.

NOTE

An institution is required to provide narrative and supporting documentation for each of the expectations embedded in the standard above. There should be a subheading addressing each letter.

Questions to Consider

- Are adequate definitions of legal authority and operating responsibility clearly stated in institutional documents?
- Within the institution's governance structure, what organization, office, or officer has legal authority and operating responsibility for dealing with outside entities?
- If an external entity has been established to support intercollegiate athletics, what evidence indicates that the institution's CEO has adequate information and control to ensure that the entity conducts activities in a manner consistent with the institution's mission and with other external oversight bodies without compromising the integrity of the institution?
- What are the essential elements of the contractual agreements between these outside entities and the institution?
- How do these agreements accurately describe the relationship between the entity and the institution?
- How does the agreement describe any institutional liability associated with that relationship?
- What is the mission of each entity, and is it consistent with the mission of the institution it supports?
- Does the financial position of the entity affect the financial soundness of the institution?
- What structures are in place to assure that the leadership of the entity and the institution are separate but work cooperatively? How is this evaluated?
- What evidence exists that (1) the CEO controls any of the fund raising of that entity or (2) the fund-raising activities of the entity are defined in a formal, written manner which assures that those activities further the mission of the institution?

Sample Documentation

- Contracts, MOUs, or other formal (and signed) agreements that define the relationship between each related entity and the institution.
- Charters and bylaws indicating legal authority and operating control within the institution's governance structure for related entities.
- Mission statements for each related entity.
- Contracts or other formal agreements with third parties.
- Policies and regulations related to intercollegiate athletics and the CEO's oversight and relationship to outside entities.

- Memos, minutes, and/or written correspondence that show that either the CEO controls the fund-raising activities of the related entity, or documents that show that the fund-raising activities of the related entity are defined in a formal, written manner assuring that the activities further the mission of the institution.

Reference to SACSCOC Documents, If Applicable

None noted.

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

- CR 4.1 *(Governing board characteristics)*
- Standard 4.2.d *(Conflict of interest)*
- Standard 4.2.f *(External influence)*
- Standard 4.3 *(Multi-level governance)*
- Standard 5.2.a *(CEO control)*
- Standard 5.2.b *(Control of intercollegiate athletics)*
- Standard 5.2.c *(Control of fund-raising activities)*
- Standard 13.3 *(Financial responsibility)*
- Standard 13.5 *(Control of sponsored research/external funds)*

5.4 The institution employs and regularly evaluates administrative and academic officers with appropriate experience and qualifications to lead the institution. *(Qualified administrative/academic officers)*

Rationale and Notes

In order to ensure that an institution has effective leadership to accomplish its mission, the institution employs academic and administrative officers with the credentials and expertise appropriate to the duties and responsibilities associated with their positions. Administrator qualifications align with position descriptions. There is an expectation that these administrative and academic officers are regularly evaluated to allow feedback on performance.

This standard applies to key decision makers within the institution’s governance structure. However, the standard does not apply to the chief executive as the employment and evaluation of the CEO are addressed in Standard 4.2.c *(CEO evaluation/selection)*. The institution should provide a rationale for the group of persons addressed by this standard because titles vary greatly across different institutions. Generally, this standard would address all executive-level officers, as well as directors of major academic units (e.g., academic deans). This standard requires professional judgment as to the appropriateness of the qualifications of persons in leadership positions.