

REPORT OF THE STANDING COMMITTEE ON FINANCE

Background: In January 2001, the Commission on Dental Accreditation (CODA) established a Standing Committee on Finance to assist the Chair in planning the Commission’s annual budget. In 2010, CODA reaffirmed the Finance Committee as a standing committee of the Commission. In Summer 2014, the Commission modified the charge of the Finance Committee to include oversight of the Commission’s Research and Development Fund. In Winter 2019, the Commission modified the charge of the Finance Committee to include review and recommendations regarding the Intercompany Memorandum of Understanding and Shared Services. In Winter 2020, the Commission modified the charge of the Finance Committee to replace “Research and Development Fund” with “Administrative Fund” as an oversight responsibility of the Finance Committee.

The Finance Committee’s charge is to: Monitor, review and make recommendations to the Commission concerning the annual budget, provide administrative oversight of the administrative fund, and review and make recommendations regarding the Intercompany Memorandum of Understanding and Services Agreement.

June 23, 2022 Finance Committee Meeting: The Standing Committee on Finance met on June 23, 2022 via a virtual meeting. Dr. Sanjay Mallya, chair, Finance Committee and vice chair, CODA, Dr. Victor Badner, Dr. Kevin Haubrick, Dr. Gary Myers, Dr. Miriam Robbins, Dr. Marybeth Shaffer, Dr. Alan Stein, and Ms. Lonni Thompson. Dr. Bruce Rotter, chair, Commission on Dental Accreditation (CODA), *ex officio*, was also in attendance. Dr. Sherin Tooks, director, CODA, Ms. Jamie Asher Hernandez, Ms. Kirsten Nadler, Ms. Jennifer Snow, and Ms. Peggy Soeldner, managers, CODA, Ms. Cathryn Albrecht, senior associate general counsel, ADA/CODA, and Mr. Naveed Mughal, manager, Financial Services, Education and Professional Affairs, ADA, were also in attendance.

The Standing Committee reviewed its charge as its first order of business.

Update on 2021-2022 Budget Activity and Update on 2023 Budget: The Standing Committee on Finance reviewed the Commission’s 2022 budget activity for CODA’s U.S.-based program, CODA’s international program, and CODA’s Preliminary Accreditation Consultation Visit (PACV) program, including year-end 2021 actuals. The Committee also discussed the 2023 Budget process along with a comparison of the CODA 2022 and 2023 budget for all three (3) programs within CODA. It was noted that the 2022 actual and 2023 actual budgets will be impacted by the need to conduct in-person follow-up site visits following the virtual site visits that were conducted during the COVID-19 pandemic. Additionally, the Finance Committee recalled its recommendation, which was subsequently adopted by CODA, that there be a 2% increase in 2023 annual accreditation fees. The Committee noted that also noted a significant increase in application revenue in 2021. Further, in 2023, the Commission has budgeted for three (3) additional full-time staff positions.

Finance Committee Recommendation: This report is informational in nature and no action is required.

Review of CODA Administrative Fund: The Standing Committee on Finance reviewed the CODA Administrative Fund Balance Sheet and Disbursement Accounting Form. The Committee noted that the Commission, in Summer 2020, directed that the 2021 Administrative Fund fee (\$100) be waived for all CODA-accredited programs. The Commission further directed that the Administrative Fund for 2022 be \$25 per program. Further, the Standing Committee recalled the most recent use of Funds to support CODA's strategic planning activities in 2021.

The Finance Committee considered a request submitted by CODA's Director to utilize Administrative Funds to engage with an expert legal consultant with knowledge of higher education accreditation to assist the Commission's Ad Hoc Committee to Consider Advanced Dental Education Delivery Models and Combined Programs. It was noted that CODA's Policy on CODA Administrative Fund allows the Finance Committee to approve uses up to \$20,000; in such cases, approval by the Commission is not required. Following discussion, the Finance Committee approved use of Administrative Funds not to exceed \$10,000 to engage with the expert legal consultant on the Ad Hoc Committee for advanced dental education.

The Finance Committee learned that the ADA-CODA Relationship Workgroup, at its June 2022 meeting, recommended no change to the \$300,000 cap placed on the CODA Administrative Fund by the American Dental Association (ADA). The Finance Committee confirmed that Administrative Funds collected in excess of \$300,000 would be transferred to the ADA at year-end. Following discussion, the Finance Committee concluded the Commission should rescind its Winter 2022 directive that CODA-accredited programs receive an Administrative Fund fee of \$25 in 2023. The Finance Committee recommended that the Commission direct there be no (0) Administrative Fund fee applied to programs in 2023. With this change, the Finance Committee believed that the Commission's Administrative Fund would remain at or below the \$300,000 cap.

Finance Committee Recommendation: It is recommended that the Commission on Dental Accreditation record the Standing Committee on Finance's authorization of Administrative Fund disbursement up to \$10,000, to engage with an expert legal consultant with knowledge of higher education accreditation to assist the Commission's Ad Hoc Committee to Consider Advanced Dental Education Delivery Models and Combined Programs.

It is further recommended that the Commission on Dental Accreditation rescind its \$25 Administrative Fund fee scheduled for 2023, and direct that in 2023 there be no (\$0) Administrative Fund fee applied to CODA-accredited dental and dental-related education programs.

Review of Intercompany Memorandum of Understanding and Services Agreement: The Standing Committee on Finance received an update on the June 2022 meeting of the ADA-CODA Relationship Workgroup during which the Shared Services Agreement was discussed. The Committee learned that three (3) predominate topics were discussed: 1) CODA's request to increase the cap of the CODA Administrative Fund from \$300,000 to \$500,000, 2) a discussion of the term

length from two (2) to three (3) years for the Agreement, and 3) a discussion related to CODA's ongoing need for enhanced technology to conduct its accreditation programs. A copy of the ADA-CODA Workgroup Report and proposed revisions to the Shared Services Agreement is found in **Appendix 1 (Commission only)**. Following discussion, the Finance Committee recommended that the Commission sign the Intercompany Memorandum of Understanding and Services Agreement, which included a three-year term, retained the \$300,000 cap on the CODA Administrative Fund, and further emphasized CODA's ongoing and urgent technology needs.

As with prior Finance Committee meetings, the Committee again discussed its ongoing concern that CODA ensure financial self-sufficiency as an accrediting agency, which it believes to be a best practice. The Committee noted that from 2015 to the present, CODA has covered all of its expenses (both direct and indirect expenses) with a remaining year-end revenue. Since the Commission has no mechanism by which it may retain its year-end revenue after all expenses are paid, the Finance Committee believed that CODA should develop a revenue model that results in a zero-balance at year-end. As discussed during prior meetings of the Finance Committee, the Committee again believed that the Commission should establish a process by which it can review its funding model and manage its operational budget. The Finance Committee recommended that the Commission on Dental Accreditation utilize its Administrative Fund to engage with a financial analyst to study CODA's revenue and expense planning model and assist the Commission with long-term projection modeling to obtain a revenue-neutral budget and, further, to conduct a comparative analysis among other accreditors related to financial models and administrative funds. Again, the Finance Committee believed that CODA's annual budget should be revenue-neutral; thus, professional analysis and development of budget forecasting models could assist the Commission in achieving this result. Further, the Finance Committee noted that a revenue-neutral budget would benefit educational programs. As the discussion concluded, it was again noted that the Policy on CODA Administrative Fund allows the Finance Committee to approve uses up to \$20,000 from the fund; in such cases, approval by the Commission is not required. Therefore, following lengthy discussion, the Finance Committee directed that no more than \$20,000 be allocated from CODA's Administrative Fund to engage with a financial analyst to study CODA's revenue and expense planning model and assist the Commission with long-term projection modeling to obtain a revenue-neutral budget and, further, to conduct a comparative analysis among other accreditors related to financial models and administrative funds.

Finance Committee Recommendations: It is recommended that the Commission on Dental Accreditation direct its Chair to sign the Intercompany Memorandum of Understanding and Services Agreement, effective January 1, 2022, as presented in **Appendix 1, Commissioners Only**.

It is further recommended that the Commission on Dental Accreditation record the Standing Committee on Finance's authorization of Administrative Fund disbursement up to \$20,000, to engage with a financial analyst to study CODA's revenue and expense planning model and assist the Commission with long-term projection modeling to obtain a revenue-neutral budget

and, further, to conduct a comparative analysis among other accreditors related to financial models and administrative funds.

Timeline (Long-Term Plan) to Assume Total Expenses and Authority to Determine and Manage Annual Operating Budget: The Finance Committee discussed the Commission's goal to obtain authority to determine and manage its annual operating budget noting, that in Winter 2020, the Commission directed a delay for two (2) years, until 2022, of its initiative to obtain sole authority to set and administer its annual operating budget. The Finance Committee believed that this topic could be revisited at a later date once the Commission has completed its work to study CODA's revenue and expense planning model and develop long-term projection modeling to obtain a revenue-neutral budget.

Finance Committee Recommendation: This report is informational in nature and no action is required.

Update on ADA-CODA Relationship Workgroup: The report of the ADA-CODA Relationship Workgroup is provided in **Appendix 1, Commissioners Only**.

Finance Committee Recommendation: This report is informational in nature and no action is required.

Commission Actions:

APPENDIX 1

COMMISSION ONLY