

FOLLOW-UP REVIEW
OF
WAYNE COUNTY COMMUNITY COLLEGE DISTRICT

August 2003



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AUDITOR GENERAL

August 4, 2003

Mr. Frank Hayden, Chairperson
Board of Trustees
and
Dr. Curtis L. Ivery, Chancellor
Wayne County Community College District
Detroit, Michigan

Dear Mr. Hayden and Dr. Ivery:

This is our report on our follow-up review of the 3 material findings (Findings 1, 2, and 8) and related recommendations reported in the performance audit of Wayne County Community College District. That audit report was issued and distributed in September 2001; however, additional copies are available on request.

Our review disclosed that the College had substantially complied with 2 recommendations and had partially complied with 1 recommendation.

If you have any questions, please call me or Scott M. Strong, C.P.A., C.I.A., Director of Audit Operations.

AUDITOR GENERAL

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TABLE OF CONTENTS

WAYNE COUNTY COMMUNITY COLLEGE DISTRICT FOLLOW-UP REVIEW

INTRODUCTION

	<u>Page</u>
Report Letter	1
Introduction	4
Purpose of Review	4
Background	4
Scope	5
Follow-Up Review Results	
Efforts to Use Educational Program Resources Effectively and Efficiently	6
1. Student Tuition and Fees Process	6
2. Student Accounts Receivable Process	8
Student Success in Completing Courses and Programs	11
8. Placement Testing and Developmental Courses	11

WAYNE COUNTY COMMUNITY COLLEGE DISTRICT FOLLOW-UP REVIEW

INTRODUCTION

This report contains the results of our follow-up review of the material findings and related recommendations reported in the performance audit of Wayne County Community College District. The performance audit contained 3 material findings (Findings 1, 2, and 8) and 7 other reportable conditions.

PURPOSE OF REVIEW

The purpose of this follow-up review was to determine whether Wayne County Community College District had taken appropriate corrective measures in response to the 3 material findings.

BACKGROUND

Description of Agency

The College is a public, two-year, multi-campus institution of higher education. The College district includes all of Wayne County, excluding the cities of Dearborn, Dearborn Heights, Garden City, Highland Park, Livonia, Northville, and Plymouth and part of Canton Township.

The College, established in 1967, operates under the authority of Sections 389.1 - 389.195 of the *Michigan Compiled Laws*, commonly known as the Community College Act of 1966. It is governed by a board of trustees, consisting of nine members elected at large to six-year terms.

The College's mission is to promote the educational, cultural, and economic development of the community by providing quality education.

For the fiscal year ended June 30, 2002, the College reported current fund revenue (general, designated, and restricted funds) of \$102,729,789; expenditures and transfers of \$87,504,231; and enrollment of 5,538 fiscal year equated students.

SCOPE

We reviewed the College's policies and procedures to determine whether there were any changes since our audit. We interviewed College personnel and performed various tests to determine whether the corrective action taken to comply with the material recommendations was working as the College had intended.

FOLLOW-UP REVIEW RESULTS

EFFORTS TO USE EDUCATIONAL PROGRAM RESOURCES EFFECTIVELY AND EFFICIENTLY

FINDING

1. Student Tuition and Fees Process

RECOMMENDATION

We recommend that the College significantly improve its process for monitoring the payment of student tuition and fees and initiating appropriate action regarding those students who do not make full payment.

AGENCY PRELIMINARY RESPONSE

The College agrees with the recommendation.

The deferred tuition payment process serves a vital role in assisting the College's students to meet their financial obligations. One way to keep the door of educational opportunity open to students from low-income families is to be as flexible and accommodating as the College can with regard to how the students cover college costs. Many of the College's students would not be able to attend college if they had to pay full tuition and fee costs at registration. It is sound policy from an economic perspective to allow students to defer payments on a portion of their tuition and fees. The College would realize a loss in tuition revenue from those students who would be financially unable to enroll without such a plan. While the deferred payment process can be improved, it is imperative that the College continue to be appropriately sensitive to its student population and administer the process in a way that best serves the needs of the students.

The College informed us that it is currently reviewing proposals to implement the following policy/process improvements:

- (1) Students must pay at least 65% of their total charges at registration. Students with financial aid or other third party sponsorship not covering at least 65% of total charges must pay the difference in cash before registration is complete.

Placing the cashiering and enrollment certification function with the cashier will ensure student payment.

- (2) The College will charge a deferment fee to students not making full payment at registration.
- (3) Students must pay cash at registration if third party sponsorship contains conditions, such as earning a minimum grade.
- (4) Students applying for, but not yet awarded, financial aid must pay cash at registration.
- (5) The College will purge the registrations of students not paying 65% of their total charges by the close of registration.
- (6) Students must pay all deferred balances by a mid-term due date. Unpaid balances will result in a late fee and an accounts receivable hold. Accounts receivable holds will prevent the release of transcripts and subsequent registration. In extenuating circumstances, campus business office staff will be permitted to collect 50% of deferred balances and enter into time-specific payment agreements with students. Failure to comply with a payment agreement will result in an accounts receivable hold.

FOLLOW-UP REVIEW CONCLUSION

We conclude that the College has initiated corrective action to substantially comply with this recommendation.

The College has developed or revised student enrollment policies and procedures that address the College's assessment, deferment, and payment of tuition and fees. These policies and procedures remain in the draft stages as the College performs a complete review of its Board of Trustees' policies and corresponding administrative procedures.

Also, the College implemented a system to identify and place holds on students who had not paid their outstanding tuition and fee balances as of the designated due date.

However, the College did not consistently charge its drop/add fee during portions of fall semester 2002 and spring semester 2003.

The College informed us that many of the weaknesses presented in our audit report resulted from an antiquated software system. At the time of this follow-up review, the College's request for proposal (RFP) for a new software system was nearly complete. The RFP includes the following conditions:

- a. The system must have the ability to place holds on transcripts for students with an outstanding balance.
- b. The system will allow for the setting and release of multiple holds on a student's account.
- c. The system must be able to automatically add charges to the account based on user-defined criteria.

With the improvements initiated by the College and upon implementation of a new software system as defined in the RFP, the College should achieve full compliance with our recommendation. Also, the new system should result in additional efficiencies for the College.

FINDING

2. Student Accounts Receivable Process

RECOMMENDATION

We recommend that the College significantly improve its student accounts receivable process to help ensure the timely collection of amounts owed the College.

AGENCY PRELIMINARY RESPONSE

The College agrees with the recommendation.

However, the College does not believe this to be a material issue because students who make a partial payment at registration still contribute to the College's overall revenue. Moreover, the total tuition collected by the College far exceeds the

portion that is unpaid and eventually becomes uncollectible. Nonetheless, the College informed us that it has made or is considering the following process improvements:

- (1) The College will establish a schedule for routine accounts receivable tasks, including the generation of student statements each semester/term.
- (2) The College will use available software to identify students with past-due balances and related collection efforts.
- (3) The College will make collection assignments to staff each semester/term.
- (4) The College will assign student accounts to an outside collection agency. The College will assess the effectiveness of the collection agency.

FOLLOW-UP REVIEW CONCLUSION

We conclude that the College has initiated corrective action to substantially comply with this recommendation.

The College implemented various controls, policies, and procedures to improve the accounts receivable process, including:

- a. Students were automatically dropped if, at the time of registration, 65% of the charges were not paid, unless the students were granted an exemption.
- b. Students were required to pay at least 50% of any outstanding balance and to enter into a payment plan for the remaining balance prior to registering for classes in a new term.
- c. Enrolled students received statements from the College indicating the current term and cumulative balances on a routine basis.
- d. The College typically assigned individuals with outstanding balances to a collection agency after the College had made reasonable attempts to collect the money.

- e. The College provided training to its staff responsible for cashiering, student accounts receivable, collection, and payment processes to inform them of the College's policies and procedures related to the accounts receivable process.

Although the College substantially complied with our recommendation, we noted remaining weaknesses that still need to be addressed. The College had not mailed statements to students with outstanding balances who were no longer enrolled and whose balances were not referred to a collection agency. Also, the College did not send statements to those students whose sponsor payments did not cover 100% of their tuition and fees. Further, the College did not have an adequate process in place to ensure that students on financial aid with balances from prior terms were always referred to a collection agency.

The College had improved its reconciliation process between the general ledger and student accounts receivable system. However, the College's external auditors noted that the College could still make improvements. In particular, the reconciliations could be performed on a more periodic basis throughout the College's fiscal year.

The College informed us that many of the weaknesses presented in our audit report resulted from an antiquated software system. At the time of this follow-up review, the College's RFP for a new software system was nearly complete. The RFP includes the following conditions:

- (a) The system must have the ability to consolidate third party sponsored tuition and student accounts and to generate automatic invoices.
- (b) The system must have the ability to generate student account statements on demand. These statements should show outstanding balances, broken down by semester, applicable financial aid and third party sponsorship amounts, payment due dates based on aging balances, and payment amounts and dates the payments were applied.
- (c) The system must allow for adjustments of delinquent accounts receivable for transfer to a collection agency and for write-offs.
- (d) The system must provide the ability to run reports identifying invoice/billing register and aging reports for all open and past due student accounts.

With the improvements initiated by the College and upon implementation of a new software system as defined in the RFP, the College should achieve full compliance with our recommendation. Also, the new system should result in additional efficiencies for the College.

STUDENT SUCCESS IN COMPLETING COURSES AND PROGRAMS

FINDING

8. Placement Testing and Developmental Courses

RECOMMENDATION

We recommend that the College improve its controls for monitoring new students' completion of placement testing and enrollment in developmental courses, when required.

AGENCY PRELIMINARY RESPONSE

The College agrees with the recommendation.

The College believes that there is an obvious need for guidelines, but that College staff must have some flexibility to address the special needs of individual students. Nevertheless, the College is open to undertaking a study of current processes to determine where tighter controls may be helpful to students. The College informed us that it has appointed a task force to prepare recommendations on placement testing and developmental courses.

FOLLOW-UP REVIEW CONCLUSION

We conclude that the College has initiated corrective action to partially comply with this recommendation.

The College increased the number of academic advisors and provided training to all academic advisors related to the registration process and the requirements for placement testing. Also, the College was in the process of implementing controls to place holds on students who have not taken the required placement tests. The College indicated that this control would take effect in summer semester 2003.

The College informed us that many of the weaknesses presented in our audit report resulted from an antiquated software system. Specifically, the College informed us that it was unable to implement a control within the current system to ensure that students scoring in the developmental range in the mathematics component of the required placement tests took the required developmental mathematics course(s). This is an important control weakness that the College was unable to correct because of its antiquated system. However, at the time of this follow-up review, the College's RFP for a new software system was nearly complete. The RFP includes the following conditions:

- a. The system must have the ability for placement test results to be available on-line for review by counselors and advisors.
- b. The system must have the ability for placement test data to be stored centrally with correlating placement recommendations.
- c. The system must have the ability at registration to enforce prerequisites and to place administrative holds on student records.

With the improvements initiated by the College and upon implementation of a new software system as defined in the RFP, the College should achieve full compliance with our recommendation. Also, the new system should result in additional efficiencies for the College.