



MICHIGAN

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT



THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

“...The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.”

– Article IV, Section 53 of the Michigan Constitution

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Michigan
Office of the Auditor General
REPORT SUMMARY

Performance Audit

Lake Michigan College

Report Number:
32-230-03

Released:
June 2005

Lake Michigan College became a public, two-year institution of higher education offering academic, vocational-technical, and continuing education programs in 1964. The community college district includes Berrien County, Covert Township in Van Buren County, and the South Haven School District. The College offers associate degrees and certificates in more than 75 transfer and occupational areas of study and programs.

Audit Objective:

To assess the effectiveness of the College's admissions and monitoring practices to help students successfully complete their classes and programs.

Audit Conclusion:

The College's admissions and monitoring practices were generally effective in helping students successfully complete their classes and programs.

Reportable Condition:

The College needs to annually perform evaluative measurements of its student academic achievement plan (Finding 1).

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Audit Objective:

To assess the effectiveness of the College's efforts to evaluate the quality of its educational programs.

Audit Conclusion:

The College's efforts to evaluate the quality of its educational programs were generally effective.

Reportable Condition:

The College needs to improve its practices for documenting credentials and evaluations of adjunct faculty (Finding 2).

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Audit Objective:

To assess the effectiveness and efficiency of the College's use of educational program resources.

Audit Conclusion:

The College's use of educational program resources was somewhat effective and efficient.

Reportable Conditions:

The College did not consistently fulfill some of the State and federal goals and objectives of a Michigan Technical Education Center (M-TEC) (Finding 3).

The College had not consolidated the financial and operational aspects of its M-TEC (Finding 4).

The College had not implemented a practice to regularly address repetitive

course enrollments and their impact on students' academic progress and the College's efficient use of resources. Also, the College had not monitored repetitive course enrollments to identify and counsel students with unsatisfactory academic progress. (Finding 5)

The College needs to establish a formal minimum class enrollment procedure to help ensure that its educational resources are used efficiently. Also, the College should document the reasons for holding low enrollment classes (Finding 6).

Noteworthy Accomplishments:

The College's One-Stop Student and Financial Services Center opened in August 2000. It consolidated financial and registration services scattered throughout the College into one central location for easy accessibility. American School & University magazine featured the One-Stop Center in its August 2001 Educational Interiors Showcase, and several educational institutions have visited the One-Stop Center. Additionally, the Michigan Community College Student Services Association invited the College to deliver a presentation about the

implementation of the One-Stop Center as a best practices model at its 2002 State conference.

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Audit Objective:

To assess the effectiveness of the College's methods for allocating operating and service costs to self-liquidating auxiliary activities and programs.

Audit Conclusion:

The College's methods for allocating operating and service costs to self-liquidating auxiliary activities and programs were generally effective. Our report does not include any reportable conditions related to this audit objective.

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Agency Response:

Our audit includes 6 findings and 8 corresponding recommendations. The College's preliminary response indicates that it agrees with all 8 recommendations. The College informed us that corrective action has already been initiated or completed since the audit.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



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AUDITOR GENERAL

June 16, 2005

Mr. Steven C. Silcox, Chairman
Board of Trustees
and
Dr. Richard J. Pappas, President
Lake Michigan College
Benton Harbor, Michigan

Dear Mr. Silcox and Dr. Pappas:

This is our report on the performance audit of Lake Michigan College.

This report contains our report summary; description of agency; audit objectives, scope, and methodology and agency responses; comments, findings, recommendations, and agency preliminary responses; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the College's responses subsequent to our audit fieldwork. Annual appropriations acts require that the audited institution develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

AUDITOR GENERAL

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Description of Agency

Lake Michigan College, which began as the Junior College of Benton Harbor in 1946, became a public, two-year institution of higher education offering academic, vocational-technical, and continuing education programs in 1964. The community college district includes Berrien County, Covert Township in Van Buren County, and the South Haven School District. The College offers associate degrees and certificates in more than 75 transfer and occupational areas of study and programs. Courses are available at four sites operated by the College and through a number of off-campus locations throughout Berrien and Van Buren Counties.

The College operates under the authority of Sections 389.1 - 389.195 of the *Michigan Compiled Laws*, commonly known as the Community College Act of 1966 (Act 331, P.A 1966). A Board of Trustees consisting of seven members elected by the community college district for six-year terms governs the College. The College receives its support from local property tax assessments, appropriations from the State of Michigan, student tuition and fees, and various gifts and grants.

Philosophically, the College believes that it is fundamental for a community college to assist in meeting the educational, career, cultural, wellness, and recreational needs of the community it serves.

For the fiscal year ended June 30, 2003, the College reported general fund revenue of \$20,804,323, expenses and transfers of \$20,188,682, and full-time equated students of 4,441. As of winter semester 2003, the College employed 64 full-time faculty, 198 part-time faculty, and 180 full-time and part-time administrative and other personnel.

Audit Objectives, Scope, and Methodology and Agency Responses

Audit Objectives

Our performance audit* of Lake Michigan College had the following objectives:

1. To assess the effectiveness* of the College's admissions and monitoring practices to help students successfully complete their classes and programs.
2. To assess the effectiveness of the College's efforts to evaluate the quality of its educational programs.
3. To assess the effectiveness and efficiency* of the College's use of educational program resources.
4. To assess the effectiveness of the College's methods for allocating operating and service costs to self-liquidating auxiliary activities and programs.

Audit Scope

Our audit scope was to examine the program and other records of Lake Michigan College. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

A public accounting firm engaged by the College audits annually the College's financial statements.

Audit Methodology

Our audit procedures, performed from July 2003 through January 2004, included the testing of records primarily covering the period October 1, 2000 through September 30, 2003.

* See glossary at end of report for definition.

To accomplish our first objective, we reviewed the College's admissions and enrollment processes, including the methods used by the College for determining course placement and enrolling students in developmental courses*. We examined student academic record information from the College's database and analyzed the academic assessment and placement process, repetitive course enrollment, and course withdrawal. Also, we analyzed the effectiveness of the College's developmental courses by reviewing related information for students enrolled at the College during the period from fall semester 2000 through summer semester 2003. We evaluated the College's efforts and methods used for monitoring academic progress* and achievement of students. We reviewed enrollment trends and the College's efforts to recruit and retain students.

To accomplish our second objective, we evaluated the College's efforts and methods used to assess and monitor the quality of its educational programs. We assessed the procedures for evaluating and obtaining accreditation of its programs. We evaluated the College's efforts to survey its current students and graduates to determine if the education provided by the College was satisfactory to meet the students' educational and career goals. We examined the College's efforts to obtain results of licensing and certification examinations and processes used to contact employers of graduates and four-year colleges and universities to determine if the training provided by the College was adequate. We reviewed the methods used by the College to assess the job training needs of the community's employers. Also, we assessed the procedures for hiring and evaluating faculty members.

To accomplish our third objective, we examined student academic record information from the College's database for use in analyzing minimum class enrollment. We analyzed the College's assignment methods for, and use of, its classrooms, laboratories, and faculty, including the assignment of sabbaticals. Also, we evaluated operations and management practices of the College's Michigan Technical Education Center.

To accomplish our fourth objective, we examined the College's allocation of operating and service costs to self-liquidating auxiliary activities and programs. Also, we evaluated the management practices and services of the auxiliary activities as a function within the College's mission*.

* See glossary at end of report for definition.

Agency Responses

Our audit includes 6 findings and 8 corresponding recommendations. The College's preliminary response indicates that it agrees with all 8 recommendations. The College informed us that corrective action has already been initiated or completed since the audit.

The agency preliminary response that follows each recommendation in our report was taken from the College's written comments and oral discussion subsequent to our audit fieldwork. Annual appropriations acts require the principal executive officer of the audited institution to submit a written response to our audit to the House and Senate Appropriations Committees, the House and Senate Fiscal Agencies, the Department of Labor and Economic Growth, the Auditor General, and the State Budget Director. The response is due within 60 days after the audit report has been issued and should specify the action taken by the institution regarding the audit report's recommendations.

COMMENTS, FINDINGS, RECOMMENDATIONS,
AND AGENCY PRELIMINARY RESPONSES

STUDENT SUCCESS IN COMPLETING CLASSES AND PROGRAMS

COMMENT

Audit Objective: To assess the effectiveness of Lake Michigan College's admissions and monitoring practices to help students successfully complete their classes and programs.

Conclusion: The College's admissions and monitoring practices were generally effective in helping students successfully complete their classes and programs. However, our assessment disclosed a reportable condition* related to the evaluation of the student academic achievement assessment plan (Finding 1).

FINDING

1. Evaluation of Student Academic Achievement Assessment Plan

The College needs to annually perform evaluative measurements of its student academic achievement plan.

A comprehensive evaluation of student academic achievement assessment outcomes* is imperative for the College to identify educational program weaknesses, to improve program effectiveness, and to ensure continuous accreditation.

The College received 10-year accreditation from the North Central Association of Colleges and Schools' (NCA's) Commission on Institutions of Higher Education in 1999. NCA's accreditation criterion 3(b) requires an accredited institution to develop and implement an assessment plan of appropriate student academic achievement for all its programs and to document the evaluation of student learning and granting of academic credit by the faculty. Although the College implemented an assessment plan, which included identification of outcomes indicative of successful student achievement, performance indicators* for measuring these outcomes, and methods to gather outcome data, NCA noted that the College lacked an evaluation of the assessment plan. As a condition of its 1999 accreditation, NCA required the College to submit a progress report in 2002.

* See glossary at end of report for definition.

In responding to NCA, the College developed an annual report used to evaluate the assessment plan and to make decisions on the continuous improvement of student learning. "A Report on Student Learning in General Education: A Triangulation of Multiple Measures" (Triangulation Report) incorporated data from annual alumni surveys, College Assessment of Academic Proficiency (CAAP) test results, and faculty-developed assessment plans for each course taught. However, the College had not prepared the Triangulation Report in 2003 because data pertinent to its preparation was not collected:

- a. The College had not conducted the alumni survey portion of the Triangulation Report since January 2001. Such surveys are indicators of student learning in the general education requirements and are helpful in providing supporting (indirect) measures of student learning.
- b. The methodology used to administer the CAAP test was not consistent in measuring the value added to a student's knowledge. CAAP is a standardized test that is benchmarked with national mean scores and is designed to be given to students at the end of their college program. However, the College often administered CAAP to students who had just begun their college education. As a result, the value added to students' knowledge could not be effectively measured.
- c. The College had not enforced requirements for faculty to submit course assessments of expected student outcomes. As a result, faculty participation in the course assessment process has declined. For academic year 2002-03, 318 (83.9%) of the 379 required course assessments were submitted and accepted. For the fall semester of academic year 2003-04, only 205 (59.1%) of 347 course assessments were submitted and accepted.

In addition, during academic year 2003-04, the College did not have a director of institutional research and assessment to oversee the production of the Triangulation Report.

RECOMMENDATION

We recommend that the College annually perform evaluative measurements of its student academic achievement plan.

AGENCY PRELIMINARY RESPONSE

The College agrees and informed us that the specific actions recommended have been implemented.

The College informed us that, after the College's director of institutional research and assessment resigned during academic year 2002-03, the College contracted with a research consultant who helped administer and complete all three of the 2003 assessment components within six months.

Specifically, the College informed us that the CAAP test was administered to a random sample of graduating students and, beginning with academic year 2005-06, will be mandatory for all graduates. Also, the 2004 rate of compliance by College faculty for submitting expected student outcomes was 76%.

The College further informed us that it administered its annual evaluative measurements on schedule, since hiring a new director of institutional research and assessment in August 2004.

EFFORTS TO EVALUATE THE QUALITY OF EDUCATIONAL PROGRAMS

COMMENT

Audit Objective: To assess the effectiveness of the College's efforts to evaluate the quality of its educational programs.

Conclusion: **The College's efforts to evaluate the quality of its educational programs were generally effective.** However, our assessment disclosed a reportable condition related to faculty credentials and evaluations (Finding 2).

FINDING

2. Faculty Credentials and Evaluations

The College needs to improve its practices for documenting credentials and evaluations of adjunct faculty.

Verifying a faculty member's credentials and/or experience before hiring helps the College ensure that the faculty member possesses the required credentials and/or experience. Similarly, if a faculty member's performance is not evaluated on a routine basis, the College may not become aware of performance deficiencies so that they can be corrected in a timely manner.

The College's strategic plan states:

We hire, develop, and retain the most talented people available. There is an obvious link between what we search for in our employees, how we evaluate those characteristics and skills, and how we develop our current faculty and staff to achieve those core competencies.

Our review of the personnel files of 12 faculty members who provided course instruction from October 1, 2000 through September 30, 2003 disclosed:

- a. The College had not always documented that adjunct faculty possessed required credentials.

The College maintained that it verifies and documents faculty credentials prior to hiring by obtaining valid transcripts and maintaining the transcripts in the personnel files. We were informed that the human resources department periodically checked the personnel files for completeness and requested any missing information. However, the College did not have transcripts for 3 adjunct faculty members that we reviewed.

- b. The College did not document whether adjunct faculty received performance evaluations.

The College's faculty performance policies and procedures provide for student appraisals annually and supervisory evaluations of faculty performance every 1 to 3 years. College staff stated that student evaluations, classroom observations, and teaching/learning discussions had occurred for all of the faculty members reviewed. However, they could not provide documentation that performance evaluations were conducted for 3 adjunct faculty members that we reviewed.

RECOMMENDATION

We recommend that the College improve its practices for documenting credentials and evaluations of adjunct faculty.

AGENCY PRELIMINARY RESPONSE

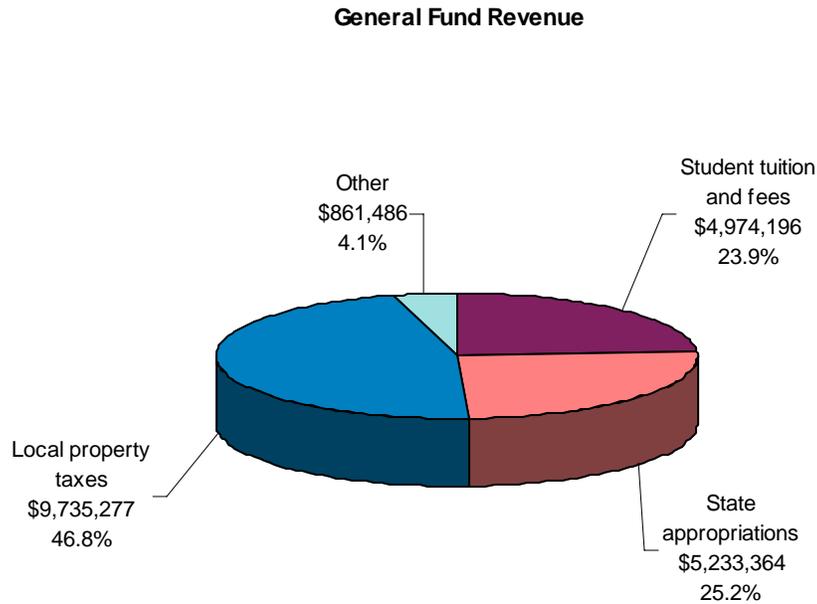
The College agrees but does not believe that a sample size of 12 faculty members is representative of its faculty population of 262. The College informed us that it has implemented a new recordkeeping procedure, which was adopted in August 2004, to ensure that official transcripts, resumes, and application materials on which faculty qualifications depend are routinely collected and maintained in the instructors' personnel files.

Per the College, this procedure entails ensuring that the College has official transcripts on file for any new adjunct instructor before the College will issue the instructor's first paycheck and maintaining a database to check personnel files or completeness. Also, each adjunct instructor is issued an employment agreement, as well as a letter, in which the completeness of his or her personnel file is noted, including information about credential requirements on the adjunct faculty pay calendars each semester.

USE OF EDUCATIONAL PROGRAM RESOURCES

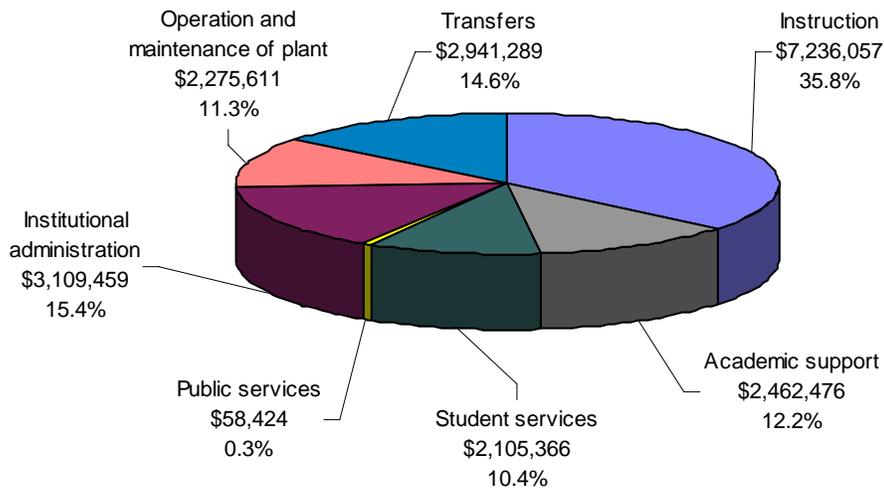
COMMENT

Background: The College receives its general fund revenue for educational programs from three primary sources: local property taxes, State appropriations, and student tuition and fees. The following chart shows the amount and percentage of each funding source for the fiscal year ended June 30, 2003:



The College's general fund supports functional areas such as instruction, student services, and institutional administration. The following chart shows the amount and percentage of general fund expenses and transfers for the fiscal year ended June 30, 2003:

General Fund Expenses and Transfers



Audit Objective: To assess the effectiveness and efficiency of the College's use of educational program resources.

Conclusion: The College's use of educational program resources was somewhat effective and efficient. Our assessment disclosed reportable conditions related to Michigan Technical Education Center (M-TEC) goals and objectives, M-TEC monitoring, repetitive course enrollments, and minimum class enrollment (Findings 3 through 6).

Noteworthy Accomplishments: The College's One-Stop Student and Financial Services Center opened in August 2000. It consolidated financial and registration services scattered throughout the College into one central location for easy accessibility. *American School & University* magazine featured the One-Stop Center in its August 2001 Educational Interiors Showcase, and several educational institutions have visited the One-Stop Center. Additionally, the Michigan Community College Student Services Association invited the College to deliver a presentation about the

implementation of the One-Stop Center as a best practices model at its 2002 State conference.

FINDING

3. M-TEC Goals and Objectives

The College did not consistently fulfill some of the State and federal goals and objectives of an M-TEC. The College needs to continue to monitor its M-TEC programs and services based on the needs of local businesses and the community. Such monitoring will help ensure the achievement of M-TEC goals and objectives and the long-term operation and viability of the College's M-TEC.

M-TECs were created to support the changing needs of employers by addressing the need for more highly skilled workers within Michigan. Employers have long recognized that the development of workplace skills is essential for creating and maintaining a competitive advantage. As the pace of change continues to increase, jobs will become increasingly more complex, making training and retraining even more important. The planned focus of M-TECs was to provide easy access to on-demand, state-of-the-art training in high-wage, high-skill, high-demand occupations.

The College requested and obtained funding for the construction and operation of its M-TEC from State and federal agencies totaling \$3,795,550 and \$579,520, respectively. M-TEC, which opened in August 2000, was to provide technical training in high-wage, high-skill, high-demand occupations to meet the needs of the business community.

Our review of documents related to the construction and ongoing operation of the College's M-TEC disclosed:

- a. The College needs marketing efforts to increase or sustain the level of enrollments in M-TEC credit courses*. The number of these credit courses

* See glossary at end of report for definition.

decreased 33.3% and the number of students enrolled in such courses decreased 28.9% from academic year 2000-01 to academic year 2002-03 as shown in the following table:

| Academic Year | Number of M-TEC Credit Courses Offered | Number of Students Enrolled |
|------------------|---|--------------------------------|
| 2000-01 | 78 | 715 |
| 2001-02 | 71 | 720 |
| 2002-03 | 52 | 508 |

When applying for M-TEC designated funding, the College stated that it would market high-wage, high-skill, high-demand jobs to prospective students. At the end of our audit, the College informed us that it had initiated a new Home Appliance Technologies program at M-TEC with 9 new courses. Subsequently, the College informed us that it enrolled 18 new students in the program.

- b. The College utilized excess capacity in its M-TEC building to offer nontechnical training business and personal enrichment courses. As previously stated, funding for the construction and operation of the College's M-TEC was predicated upon providing technical training in high-wage, high-skill, high-demand occupations.

The number of nontechnical business and personal enrichment courses held at M-TEC increased 12 times and the number of students enrolled in these courses increased 7 times from academic year 2000-01 to academic year 2002-03, as shown in the following table:

| Academic Year | Number of Noncredit Courses Offered | | Number of Students Enrolled | |
|------------------|--|------------------------|--------------------------------|------------------------|
| | Nontechnical Business | Personal Enrichment | Nontechnical Business | Personal Enrichment |
| | 2000-01 | 3 | 1 | 58 |
| 2001-02 | 16 | 12 | 304 | 165 |
| 2002-03 | 40 | 9 | 577 | 110 |

The College's M-TEC application stated that its M-TEC would be flexible to meet the high technical training needs of businesses and that its M-TEC would be a multi-use facility that mirrored the manufacturing environment. Also, College management informed us that its M-TEC was designed to be a one-stop for business and industry, including noncredit professional development and small business development courses and seminars.

However, nontechnical business classes existed prior to M-TEC's inception. Also, most colleges without an M-TEC offer such courses. In addition, the College replaced the business-related classrooms at the Napier campus with a childcare facility. Further, to fill M-TEC's classrooms, the College had increased personal enrichment training offered at M-TEC, including food classes, health issues, stained glass, gardening, and children's activities.

The College stated that these courses were offered to bring in "foot traffic" rather than have the building sit empty.

- c. The M-TEC Advisory Council remained inactive from November 2000 to the end of our audit period. As a result, the College had not received ongoing input for curriculum and technical educational programs consistent with its M-TEC application.

The College established the M-TEC Advisory Council with the stipulation that it would meet quarterly. The College established several advisory committees, which are responsible for an individual program's curriculum and activities. However, each committee focused on only one program. The M-TEC Advisory Council was to oversee all technical programs and assess, recommend, and advise College management on the types of programs and services offered at M-TEC.

RECOMMENDATION

We recommend that the College consistently fulfill the State and federal goals and objectives of an M-TEC.

AGENCY PRELIMINARY RESPONSE

The College agrees and informed us of specific actions that have been implemented.

The College plans to initiate the Emerging Technologies Education and Training Center, to be located at M-TEC, which will bring academic and research institutions, corporate partners, private investors, government, and economic development organizations. It will address an urgent and substantial workforce need by providing education and training for a highly-skilled, technically trained, nanotechnology workforce; drive the commercialization of emerging technologies; and stimulate economic growth by attracting new nanotechnology related businesses.

The College informed us that it received a \$100,000 Michigan Regional Skills Alliance (MiRSA) grant for this initiative and has been designated by the State as the primary source for nanotechnology technical training for Michigan workers. The College acknowledges that the M-TEC Advisory Council was created but not convened since November 2000. A new M-TEC Advisory Committee recently was created and convened on January 27, 2005.

FINDING

4. M-TEC Monitoring

The College had not consolidated the financial and operational aspects of its M-TEC.

Although information related to M-TEC operations was contained in the College's databases, it was not utilized to ascertain whether M-TEC had met its financial and enrollment expectations. M-TEC program applicants were required to include operating revenue and expense information and student projections with their requests to assist the colleges in planning for the long-term viability of M-TECs.

Our review disclosed the following deficiencies that prevent the College from monitoring M-TEC operations:

- a. The College did not aggregate and report budgetary and actual cost information related to all activities of M-TEC. Such information is necessary

for effective monitoring of M-TEC activities to ensure that M-TEC is meeting its goals and objectives.

In 1999, NCA's Commission on Institutions of Higher Education noted a concern that operational support for M-TEC might have a negative financial impact on future College operating budgets. The College included a five-year projection of positive revenue in its request for approval to operate M-TEC. Aggregating and reporting budgetary and actual cost data for the M-TEC program would help the College determine the level of progress, or lack thereof, in meeting these financial goals.

- b. The College did not aggregate and report all M-TEC student enrollment data. Such data is necessary for effective monitoring of M-TEC activities to ensure that M-TEC is meeting its goals and objectives.

A standard report of all enrollment activity at M-TEC would provide management with consistent information for making informed decisions.

RECOMMENDATION

We recommend that the College consolidate the financial and operational aspects of its M-TEC.

AGENCY PRELIMINARY RESPONSE

The College agrees and informed us that financial and enrollment data is available. Also, a limited reporting of M-TEC activities is annually submitted to the Michigan Economic Development Corporation. However, the College acknowledges that such information has not been aggregated and reported on a regular basis for monitoring all activities at M-TEC.

FINDING

5. Repetitive Course Enrollments

The College had not implemented a practice to regularly address repetitive course enrollments and their impact on students' academic progress and the College's efficient use of resources. Also, the College had not monitored repetitive course enrollments to identify and counsel students with unsatisfactory academic progress.

Generally, repetitive enrollments indicate a lack of academic progress. The establishment of reasonable limitations on repetitive enrollments would provide the College with the opportunity to identify and counsel students who are not progressing satisfactorily. State and local tax dollars account for 72.0% of the College's total revenue. Allowing students to repetitively enroll in the same course without monitoring them and providing academic assistance to satisfactorily complete the applicable course results in the inefficient use of these dollars.

We analyzed the repetitive enrollments of students enrolled from fall semester 2000 through spring semester 2003. Our analysis of academic histories for 14,797 students disclosed 531 students who enrolled in 717 courses four or more times. To provide a more complete analysis of repetitive enrollments and related monitoring at the College, we reviewed the entire academic histories for 13 of these 531 students.

These 13 students had repeated 35 courses a total of 166 times. Also, 1 student had repeated 6 different courses between 3 and 17 times. Further, these 13 students had attempted courses totaling 1,357 credit hours but passed (received a grade of D or better or a mark of S [satisfactory]) only 399 (29.4%) credit hours.

RECOMMENDATIONS

We recommend that the College implement a practice to regularly address repetitive course enrollments and their impact on students' academic progress and the College's efficient use of resources.

We also recommend that the College monitor repetitive course enrollments to identify and counsel students with unsatisfactory academic progress.

AGENCY PRELIMINARY RESPONSE

The College agrees and informed us that it recognizes that excessive course repetition usually indicates a lack of academic progress and, in such cases, it is to the College's and, most importantly, the students' advantage to intervene.

FINDING

6. Minimum Class Enrollment

The College needs to establish a formal minimum class enrollment procedure to help ensure that its educational resources are used efficiently. Also, the College should document the reasons for holding low enrollment classes.

The College informed us that it has an informal procedure requiring that classes with less than 12 students enrolled be reviewed. Prior to the start of classes, the vice president of academic and student services meets with the deans, the department chairs, and the registrar to determine whether to hold or cancel classes. However, without a formal policy, the College risks inconsistent reasoning for its decision to hold or cancel classes.

A minimum class enrollment policy should specify an acceptable minimum student enrollment for classes based on revenues and expenses associated with varying class size, identify factors to consider in the determination of holding or canceling classes, and identify special conditions that justify holding classes below the minimum student enrollment and require the documentation of these special conditions.

Of the 4,464 classes held from fall semester 2000 through spring semester 2003, 503 (11.3%) classes (excluding noncredit and certain specialized classes) had 10 or fewer students. Our evaluation of these classes disclosed:

- a. The College's review of low enrollment classes did not consider nontuition-paying students.

Employees, employee family members, and senior citizens do not pay tuition for credit courses taken at the College. We determined that 108 (21.5%) of the 503 low enrollment classes included 157 nontuition-paying students. Five of these classes were composed entirely of nontuition-paying students, and another 12 classes were composed of at least 50% nontuition-paying students.

- b. The College did not document the reason for holding low enrollment classes.

Proper documentation would alert management of trends in course participation or scheduling problems that may result in an inefficient use of resources. For example, the College compensated full-time faculty members with overload* pay totaling \$100,062 for 136 (27.0%) of the 503 low enrollment classes. Although the College's overload rate of pay is equivalent to the adjunct rate, this should be a consideration when determining whether to hold or cancel classes.

We recognize that there are reasonable conditions that would require the College to hold a class with low enrollment, such as the class being needed to fulfill a graduation requirement or the class being a new offering for which the College anticipates an increase in enrollment as students become aware of the class. However, the reasons and formal approvals for holding low enrollment classes should be documented.

RECOMMENDATIONS

We recommend that the College establish a formal minimum class enrollment procedure to help ensure that its educational resources are used efficiently.

We also recommend that the College document the reasons for holding low enrollment classes.

AGENCY PRELIMINARY RESPONSE

The College agrees and informed us that it will develop and implement a procedure to document the reasons for offering academic courses with enrollments below the established minimum. Also, the College will develop a program in its database system to differentiate nontuition-paying from tuition-paying students. Phase I of this program, which will identify full-time employees, their spouses and dependents, and senior citizens as nontuition-paying students, will be completed in fiscal year 2004-05. Further, when enrollment is the relevant criterion for deciding whether to offer or not to offer a particular course, the College will make that decision based on the number of full-tuition-paying students enrolled in that course.

* See glossary at end of report for definition.

**ALLOCATION OF OPERATING AND SERVICE COSTS
TO SELF-LIQUIDATING AUXILIARY
ACTIVITIES AND PROGRAMS**

COMMENT

Audit Objective: To assess the effectiveness of the College's methods for allocating operating and service costs to self-liquidating auxiliary activities and programs.

Conclusion: The College's methods for allocating operating and service costs to self-liquidating auxiliary activities and programs were generally effective. Our report does not include any reportable conditions related to this audit objective.

GLOSSARY

Glossary of Acronyms and Terms

| | |
|----------------------|---|
| academic progress | The progression toward completion of coursework required for a degree or certificate program. |
| CAAP | College Assessment of Academic Proficiency. |
| developmental course | A basic course in reading, writing, or mathematics designed to correct a student's academic deficiencies prior to enrollment in college-level courses. |
| effectiveness | Program success in achieving mission and goals. |
| efficiency | Achieving the most outputs or outcomes practical with the minimum amount of resources. |
| mission | The agency's main purpose or the reason that the agency was established. |
| M-TEC | Michigan Technical Education Center. |
| M-TEC credit courses | High-wage, high-skill, high-demand training in an industry-like facility for college credit. |
| NCA | North Central Association of Colleges and Schools. |
| outcomes | The actual impacts of the program. |
| overload | Additional hours assigned to a faculty member beyond the faculty member's normal work load. The normal work load required for full-time faculty is 15 hours per semester. |
| performance audit | An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or |

function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.

performance indicators

Information of a quantitative or qualitative nature used to assess achievement of goals and/or objectives.

reportable condition

A matter that, in the auditor's judgment, represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.

Triangulation Report

"A Report on Student Learning in General Education: A Triangulation of Multiple Measures."

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