MICHIGAN

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT

PERFORMANCE AUDIT
OF

LANSING COMMUNITY COLLEGE

October 2007

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

032-0617-07

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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Office of the Auditor General

REPORT SUMMARY

Performance Audit

Lansing Community College

Report Number:
032-0617-07

Released:
October 2007

Lansing Community College is a public, two-year institution of higher education offering academic, vocational-technical, and continuing education programs. The College was established in 1957 as an added service of the Lansing School District and became a separate institution by vote of the electorate in 1964. The College district is composed of the region that lies within a 30-mile radius of the City of Lansing.

Audit Objective:
To assess the effectiveness of the College's controls over purchasing cards and reimbursable purchases to safeguard assets and to minimize purchasing costs.

Audit Conclusion:
We concluded that the College's controls over purchasing cards and reimbursable purchases were moderately effective in safeguarding assets and minimizing purchasing costs. We noted three reportable conditions (Findings 1 through 3).

Reportable Conditions:
The College had not established adequate controls over purchases of meals and discretionary items (Finding 1).

The College needs to strengthen its controls over employee travel expenses (Finding 2).

The College's electronic employee expense reporting system did not identify who approved employee expense reports or record the approval dates (Finding 3).

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Audit Objective:
To assess the effectiveness of the College's process for administering contracts.

Audit Conclusion:
We concluded that the College's process for administering contracts was moderately effective. We noted one reportable condition (Finding 4).

Reportable Condition:
The College had not established contract documents and did not document its process for acquiring professional services (Finding 4).

Noteworthy Accomplishments:
The College's Purchasing Department was the recipient of the National Purchasing Institute's Achievement of Excellence in Procurement award for 2003, 2004, 2005, and 2006.

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Audit Objective:
To assess the effectiveness of the College's efforts to establish and comply with policies and procedures for hiring, promoting, and compensating personnel.

Audit Conclusion:
We concluded that the College's efforts were effective in establishing and complying with policies and procedures for hiring, promoting, and compensating personnel. However, we noted one reportable condition (Finding 5).

Reportable Condition:
The College had not established controls to ensure that employee time sheets are properly approved (Finding 5).

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Agency Response:
Our audit report includes 5 findings and 5 corresponding recommendations. The College's preliminary response indicates that it agrees with 4 recommendations and partially agrees with 1 recommendation.

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

October 4, 2007

Mr. Chris A. Laverty, Chairman
Board of Trustees
and
Dr. Judith F. Cardenas, President
Lansing Community College
Lansing, Michigan

Dear Mr. Laverty and Dr. Cardenas:

This is our report on the performance audit of Lansing Community College.

This report contains our report summary; description of agency; audit objectives, scope, and methodology and agency responses; background; comments, findings, recommendations, and agency preliminary responses; various exhibits, presented as supplemental information; 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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LANSING COMMUNITY COLLEGE

GLOSSARY

Description of Agency

Lansing Community College is a public, two-year institution of higher education offering academic, vocational-technical, and continuing education programs. The College district is composed of the region that lies within a 30-mile radius of the City of Lansing.

The College's main campus is located on 48 acres in downtown Lansing. Its West Campus, which includes 1 of the State's 18 Michigan Technical Education Centers, is located on 65 acres in Delta Township. Other College facilities include the Clinton County Center in St. Johns, LCC East in East Lansing, the Livingston County Center in Howell, the Aviation Center at Capital City Airport, and the Truck Driver Training Center at Fort Custer near Battle Creek.

The College was established in 1957 as an added service of the Lansing School District and became a separate institution by vote of the electorate in 1964. 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. It is governed by a Board of Trustees consisting of seven members elected at-large by the voters of the College district for six-year terms.

The College's mission* is to exist so that the people it serves have learning and enrichment opportunities to improve their quality of life and standard of living. The College offers various academic programs, including 177 associate degree programs and 144 pre-associate certificate programs.

As of fall semester 2006, the College employed 238 full-time faculty, 1,934 part-time faculty, and 656 full-time and part-time administrative and support personnel. In addition, the College enrolled 19,635 students.

The College receives its financial support from appropriations from the State of Michigan, local property taxes, student tuition and fees, federal grants and contracts, and other miscellaneous revenue. For the fiscal year ended June 30, 2006, the College reported current fund revenues (general, designated, auxiliary activities, expendable restricted, student loan, and plant) of $140,468,683 and expenditures and transfers of $137,013,247.

** See glossary at end of report for definition.*

Audit Objectives

Our performance audit* of Lansing Community College had the following objectives:

1. To assess the effectiveness* of the College's controls over purchasing cards and reimbursable purchases to safeguard assets and to minimize purchasing costs.

2. To assess the effectiveness of the College's process for administering contracts.

3. To assess the effectiveness of the College's efforts to establish and comply with policies and procedures for hiring, promoting, and compensating personnel.

Audit Scope

Our audit scope was to examine the program and other records of Lansing Community 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. Our audit procedures, conducted from October 2006 through April 2007, generally covered the period October 1, 2004 through September 30, 2006.

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

Audit Methodology

We conducted a preliminary review of the College's operations to formulate a basis for defining the audit objectives and the scope of the audit. This included interviewing College staff and reviewing policies, procedures, and College records and reports. We obtained an understanding of the College's purchasing processes related to purchasing cards, purchase orders, and contracts. We also obtained an understanding of the College's processes for hiring, promoting, and compensating personnel.

** See glossary at end of report for definition.*

To achieve our first objective, we reviewed the controls over the issuance and use of the College's purchasing cards and reviewed controls over reimbursable purchases. We examined purchases for proper use, proper approvals, and adequate documentation. We also examined the College's purchasing practices to determine if the College maximized its purchasing card usage rebate opportunities.

To achieve our second objective, we reviewed the College's administrative processes for contracts, purchase orders, and capital outlay projects. We also reviewed the adequacy of and compliance with policies and procedures related to purchasing.

To achieve our third objective, we reviewed the adequacy of and compliance with policies and procedures related to hiring, promoting, and compensating personnel. Also, we examined the College's controls over its payroll process.

We use a risk and opportunity based approach when selecting activities or programs to be audited. Accordingly, our audit efforts are focused on activities or programs having the greatest probability for needing improvement as identified through a preliminary review. By design, our limited audit resources are used to identify where and how improvements can be made. Consequently, our performance audit reports are prepared on an exception basis. To the extent practical, we add balance to our audit reports by presenting noteworthy accomplishments for exemplary achievements identified during our audits.

Agency Responses

Our audit report includes 5 findings and 5 corresponding recommendations. The College's preliminary response indicates that it agrees with 4 recommendations and partially agrees with 1 recommendation.

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.

Background

From fall semester 2005 until the start of our audit in October 2006, the following events, which generated significant attention from the media and general public, occurred at Lansing Community College:

Date	Event
Fall 2005	• The College's newly implemented Students' Financial Aid System failed and resulted in delays in financial aid, incorrect payments, and erroneous scholarships and tuition waivers.
Late September/ Early October 2005	• The College's Board of Trustees directed the engagement of the College's financial auditing firm (Maner, Costerisan & Ellis, P.C.) to assess the student financial aid award packages for fall semester 2005.
October 11, 2005	• The College hired an auditing consultant (Plante & Moran, PLLC) to assess control risk and vulnerability related to the Students' Financial Aid System for fall semester 2005.
October 12, 2005	• The auditing firm (Maner, Costerisan & Ellis, P.C.), engaged in late September/early October 2005 to assess the student award aid packages for fall semester 2005, issued its report. The report disclosed exceptions projecting to approximately $32,000 (see Exhibit 20).
October 14, 2005	• The College hired an auditing consultant (BDO Seidman, LLP) to review the implementation of the Students' Financial Aid System.
October 17, 2005	• The Board of Trustees established an Ad Hoc Committee to investigate the cause of the Students' Financial Aid System's failure and recommend corrective actions.

October 18, 2005	•	The auditing consultant (Plante & Moran, PLLC), hired on October 11, 2005 to assess control risk and vulnerability related to the Students' Financial Aid System, issued its report. The report disclosed 16 issues of which 5 were considered "high priority" (see Exhibit 21).
Late October 2005	•	The auditing consultant (BDO Seidman, LLP), hired on October 14, 2005 to review the implementation of the Students' Financial Aid System, issued a report. The report identified seven significant contributors to the financial aid system issues "upon going live" (see Exhibit 22).
November 2005	•	The Ad Hoc Committee hired a legal consultant to assist in the investigation of the Students' Financial Aid System's failure.
November 14, 2005	•	The Board of Trustees directed the hiring of a consultant to develop policies and procedures for providing better communication and information flow between the Board and College administration.
November 21, 2005	•	The Board of Trustees directed the hiring of a legal consultant to review the Board's bylaws, the Oracle software contract, and other items as the Board requested.
January 17, 2006	•	The Board of Trustees directed the hiring of an auditing consultant to review the College's internal control* structure.
February 1, 2006	•	The presiding President submitted, and the Board of Trustees approved, her resignation.
February 9, 2006	•	The Ad Hoc Committee issued its report regarding the failure of the Students' Financial Aid System. The report cited three primary factors for the System's failure and stated that

** See glossary at end of report for definition.*

		approximately 80% to 90% of the scholarship checks issued in fall 2005 contained errors that cost the College an estimated $1 million (see Exhibit 23).
	•	The Board of Trustees appointed the Dean of the Student and Academic Support Division as Interim President for the period February 9, 2006 through December 31, 2006.
June 28, 2006	•	The Board of Trustees approved new and revised policies related to financial oversight and monitoring, budgeting, purchasing, travel expenses, and personnel.
	•	The Board of Trustees also approved the Executive Director of Compliance and Internal Control position.
August 8, 2006	•	The Board of Trustees hired a firm to conduct a nationwide search to locate candidates to fill the vacant president's position.
August 22, 2006	•	The College hired the Executive Director of Compliance and Internal Control.
September 8, 2006	•	The auditing consultant, hired on January 17, 2006 to review the College's internal control structure, issued a report. The report disclosed 12 notable items.
September 20, 2006	•	The Office of the Auditor General received notification of alleged improprieties regarding the College's use of funds.
September 28, 2006	•	The Interim President requested, and the Board of Trustees approved, the Executive Director of Compliance and Internal Control to investigate alleged improprieties regarding the College's use of funds.
September 29, 2006	•	Statements of alleged improprieties regarding the College's use of funds were made public.

October 9, 2006	• The Office of the Auditor General commenced a performance audit with the following audit objectives: 1. To assess the effectiveness of the College's controls over purchasing cards and reimbursable purchases to safeguard assets and to minimize purchasing costs. 2. To assess the effectiveness of the College's process for administering contracts. 3. To assess the effectiveness of the College's efforts to establish and comply with policies and procedures for hiring, promoting, and compensating personnel. • The Executive Director of Compliance and Internal Control issued the Internal Investigation Final Report regarding the allegations of impropriety. The report stated that the allegations did not have merit or were not substantiated.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

EFFECTIVENESS OF CONTROLS OVER PURCHASING CARDS AND REIMBURSABLE PURCHASES

COMMENT

Background: In July 2003, Lansing Community College implemented an electronic-based system to process employee expense reports. This system had employees electronically prepare employee expense reports and submit them with electronic images of receipts, invoices, and other supporting documentation. Hard copies were no longer used to process employee expenses.

For the two-year period October 1, 2004 through September 30, 2006, College employees submitted 15,736 electronic expense reports that included 54,114 transactions totaling $10.4 million. These transactions consisted of 40,801 transactions from the College's 485 active purchasing cards totaling $9.6 million and 13,313 employee reimbursable expense transactions totaling $800,000. Employee expense reports consist of purchasing cards and reimbursable expenses related to travel and purchases of goods and services below $500. Employees incurring expenses on behalf of the College are required to electronically complete expense reports, attach images of supporting documentation, and electronically submit the expense reports to their supervisors for approval at the end of each pay period.

Audit Objective: To assess the effectiveness of the College's controls over purchasing cards and reimbursable purchases to safeguard assets and to minimize purchasing costs.

Conclusion: We concluded that the College's controls over purchasing cards and reimbursable purchases were moderately effective in safeguarding assets and minimizing purchasing costs. Our assessment disclosed three reportable conditions* related to purchasing card usage, travel policy, and employee expense report approvals (Findings 1 through 3).

FINDING

1. Purchasing Card Usage

   The College had not established adequate controls over purchases of meals and discretionary items. As a result, the College lacked assurance that purchasing

** See glossary at end of report for definition.*

card usage was consistent with the appropriate use of public funds and that it was in direct support of college students.

One of the guiding principles supporting the College's mission states that the College will manage its finances in a responsible manner by allocating resources and achieving efficiencies to best serve the priority needs of the College's students and the taxpayers who support its operations. The College has informed its employees that, as a public entity, the College must be prudent in its expenditure of tax and tuition dollars and that some expenditures, while not materially significant, may lead to a perception that the College's first priority is not the direct support of students.

Our analysis of purchasing card usage for the two-year period October 1, 2004 through September 30, 2006 disclosed an array of purchasing patterns that warranted closer review. We more closely reviewed the use of purchasing cards for meals at local food and restaurant establishments and for purchases of gifts and flowers. Our review of these purchases noted the following control weaknesses:

a. <u>Meals at Local Food and Restaurant Establishments</u>

The College had not enforced policies regarding meal purchases at local food and restaurant establishments.

Failing to enforce established policies can result in employee complacency and disregard for expected norms.

The College's travel policy states that reimbursement will not be made for meals taken in the local area except when attendance at a meal is necessary for participation in a conference or meeting. Although the policy did not clarify what constituted a "meeting," it did require that business reasons for the exception be stated in all instances. Also, the College's policy on providing refreshments for employee groups states that routine ordering of refreshments for regular meetings is not acceptable practice. In addition, the College's Cardholder Guide states that receipt documentation should include the name of the vendor, purchase amount, date of transaction, and description of item(s) purchased.

Our analysis identified 1,136 purchasing card transactions totaling $94,300 at local food and restaurant establishments that ranged from $2.59 to $1,860 during the two-year period. In some cases, automated expense reports that justified meal purchases lacked the details necessary to validate that the purchases were compliant with the College's policies and guiding principles. Often the descriptions merely stated that the purchase was for a departmental meeting, a working lunch meeting, or food for a staff meeting, with no evidence that the employee's supervisor or the College's accounting office questioned the validity of the purchases. Examples of employee charges that lacked at least two details generally required for this type of purchase (business reason for the meeting, identification of the attendees, or specification of the items purchased) are presented as supplemental information in Exhibits 2 through 5.

b. <u>Gift and Honorarium Purchases</u>

The College had not established a collegewide policy regarding the purchase of gifts.

Without an established policy, employees lacked direction and guidance as to what constitutes appropriate and acceptable practices for such purchases and what conditions constitute appropriate use of public funds for this purpose. Such a policy should require documentation of the services rendered on behalf of the College or its students and identify the recipients of the gifts.

Our analysis identified 289 purchasing card transactions for gift purchases totaling $44,800 that ranged from $.65 to $3,825 during the two-year period. Generally, the gifts were for students, employees, and guest speakers. Descriptions for gift purchases often did not identify the purpose of the gift and there was no evidence that the employee's supervisor or the College's accounting office questioned the validity of the gift purchase. Examples of employee charges that did not describe the services rendered on behalf of the College or its students and/or identify the recipients of the gifts are presented as supplemental information in Exhibits 6 through 11.

A collegewide policy on gift purchases did not exist. However, the College's Student and Academic Support Division established a guide entitled "Gifts and Special Purchases Using College Funds." The guide states that College funds may be used in some cases to purchase gifts in appreciation of services rendered on behalf of the College and/or on behalf of the College's students. The guide also states that such gifts are limited to $10 to $25 and should not include items such as alcoholic beverages and lottery/prize tickets. The guide further states that items should be purchased using a College purchasing card, which allows for tax exempt purchases. It was unclear whether the College endorsed gift purchases as an appropriate use of public funds.

c. Flower Purchases

The College had not established a collegewide policy regarding the purchase of flowers.

Without an established policy, employees lacked direction and guidance as to what constitutes appropriate and acceptable practices for flower purchases, if the College even deems it appropriate to use public funds for this purpose. If deemed appropriate, such a policy should define the appropriateness of flower purchases and require a description of the business reason for the purchase, require documentation of the services rendered on behalf of the College or its students, and identify the recipients of the flowers. Often, public sector employers require that flowers be paid from a "flower fund" funded by employee or other private contributions. Exceptions might include flowers purchased for ceremonial purposes.

Our analysis identified 495 purchasing card transactions for flower purchases totaling $35,300 that ranged from $6 to $1,814 during the two-year period. College employees purchased floral related items for various purposes, including congratulations, sympathy, and ceremonies. There was no evidence that the College's accounting office questioned flower purchases as an acceptable use of public funds. Such purchases appeared to be accepted as a norm based on past practices. Examples of employee charges that lacked at least two details generally required by sound business practices for this type of purchase (business reason for the purchase, specification of the services rendered on behalf of the College or its students, or identification of the recipients) are presented as supplemental information in Exhibits 12 through 16.

Also, our review disclosed 26 instances of multiple flower purchases for the same event. The number of purchases ranged from 2 to 6 for each event and totaled $3,858. There did not appear to be a coordinated process to avoid duplicate purchases of flowers for such events.

A collegewide policy on flower purchases did not exist. However, the aforementioned guide on "Gifts and Special Purchases Using College Funds" discusses when flowers could be purchased and for what amount. For example, in the event of births or deaths, the guide suggests an amount up to $75 for employees, parents/in-laws/guardians of employees, and spouse/children of employees. In the event of illness or serious injury, the guide suggests spending $30 to $50 for employees only. It was unclear whether the College endorsed flower purchases as an appropriate use of public funds.

Related to the issues noted in items a. through c., an auditing consultant hired by the College to review the College's internal control structure noted in its September 8, 2006 report that, "The College has healthy cash and investment balances and there appears to be a sense of casualness about accounting and finance matters because of it." The consultant's report also stated, "The previous CFO [Chief Financial Officer] and Administration did not appear to have the required knowledge to understand the severity of the internal control problems and/or the message from the auditors in their Material Weaknesses letters."

RECOMMENDATION

We recommend that the College establish adequate controls over purchases of meals and discretionary items.

AGENCY PRELIMINARY RESPONSE

The College agrees with the recommendation.

The College's Cardholder Guide states that supervisory review and approval of expense reports are key elements of the process to ensure that cards are used in accordance with established purchasing policies. Supervisors are responsible for assessing the appropriateness of the expenditure, the reasonableness of the amount, the availability of funds, compliance with budget allocations, and the appropriateness of the coding for each charge. Also, the Guide requires that supervisors ensure that employees match all purchases to supporting documentation at the end of each pay period for supervisory review.

The College informed us that it has a practice that requires divisions and departments that hold meetings to keep copies of meeting agendas and related material within their office. The College agrees to establish methods to determine that the documentation for the purchase of meals and discretionary items is stored in an accessible fashion and that the documentation will clearly reflect the appropriate requisites identified in the finding.

Accounting staff and supervisors will be routinely instructed to follow all expense policies when auditing or approving meals and discretionary expenses using the purchasing card.

The College stated that its own internal investigations, reviews, and analyses which were launched to determine the adequacy and appropriateness of certain past practices and expenditures did reveal that, while discretionary expenditures were either approved in advance or ratified, the information that enabled approval or ratification was not in all cases noted on the documentation evidencing the expense. Also, the College informed us that its current administration has already been working to bolster its controls to better document certain expenditures.

The College informed us that it has purchased a replacement for the Oracle ERP system. A new expense reporting system will be installed with this implementation. The College also informed us that it has issued requests for proposal (RFPs) for this system and is expecting to issue the contract and install the system before December 31, 2007. The College stated that this implementation will require training of all purchasing card users. The College also stated that, during this implementation, the College will reaffirm the required documentation for meals and discretionary expenses as well as the supervisor's role and responsibility when approving these expenses.

In addition, the College will implement collegewide policies regarding the purchasing of gifts and flowers at the time of this system implementation.

FINDING

2. Travel Policy

The College needs to strengthen its controls over employee travel expenses. As a result, the College lacked assurance that travel expenses were consistent with the appropriate use of public funds and that they were in direct support of the College's students.

The College has informed its employees that, as a public entity, the College must be prudent in its expenditure of tax and tuition dollars and that some expenditures, while not materially significant, may lead to a perception that the College's first priority is not the direct support of students.

For the two-year period October 1, 2004 through September 30, 2006, the College expended $343,000 and $533,000 for air/rail transportation and lodging, respectively. Our analysis of these expenses disclosed an array of purchasing patterns that warranted closer review, including some travel expenses of a significant dollar value. Our review of these expenses noted the following control weaknesses:

a. The College had not enforced its policies regarding air travel.

   Failure to enforce established policies can result in employee complacency and disregard for expected norms.

   The College's travel policy requires all College employees to utilize the least expensive fare available in coach/economy class regardless of aircraft size. However, the policy states that business class may be requested for continuing flights exceeding five hours of flight time to destinations outside the contiguous United States. The policy did not stipulate a limit to the amount an employee could spend on business class tickets. Employees using the exception were required to submit written justification and documentation of the cost benefit by the traveler and obtain specific prior approval by the Vice President of Academic Affairs. In addition, the policy requires that all air reservations be made through the College's designated travel agency, which is required to guarantee the lowest available airfares. Further, the travel policy states that expenses for an employee's spouse, family, or others accompanying the employee will not be paid by the College unless the individual's role is essential to the proceedings or activities.

Our review of 21 air travel transactions disclosed:

(1) The College purchased two business class tickets on an international flight for $15,700. Previous to this purchase, the College purchased two coach/economy tickets totaling $2,800 for the same travelers and the same travel itinerary. The College informed us that it purchased the business class tickets at the request of the travelers who wanted a class upgrade because of the length of the flight. However, the travelers did not submit written justification and documentation of the cost benefit.

The College received just $300 (11%) in reimbursement from the airline for the original 2 unused coach/economy tickets. Thus, the total airfare for the two travelers cost the College $18,200. The College informed us that it reimbursed itself $3,500 from the Lansing Community College Foundation's Megumi Shigematsu Memorial Scholarship Fund.

(2) The College purchased four international flight tickets totaling $5,400 that it did not reserve through the designated travel agency.

(3) The College purchased one domestic flight ticket costing $461 for a nonemployee who did not have an essential role in the proceedings or activities.

b. The College's policy did not stipulate limits to the amount that employees could pay for lodging.

Without stipulated limits, employees lacked direction and guidance as to what constitutes an appropriate and acceptable lodging rate and what conditions constitute an appropriate use of public funds for lodging.

The College's travel policy requires employees to always request the best rate for lodging accommodations. Also, the policy requires employees to stay in reasonable and economically priced single occupancy rooms, proximate to the business locations. However, the policy did not define a reasonable lodging rate. The College informed us that the reasonableness of the lodging rate is defined on a case-by-case basis.

For the period October 1, 2004 through September 30, 2006, the College had 1,616 lodging related transactions totaling $533,000 in amounts ranging from $.50 to $10,455. Our review of 20 lodging transactions exceeding more than $1,000 disclosed that the related documentation did not indicate that the reasonableness of the rate was considered and approved. For example:

(1) A College employee expended $1,301.75 for two nights at the Waldorf Astoria Hilton hotel. The per night lodging rates ranged from $489 to $549 plus taxes. The documentation to justify the purchase indicated "Lodging for [person's name] conference in New York" (see Exhibits 1 and 17).

(2) A College employee expended $824.98 for two nights at W Chicago Center hotel. The per night lodging rate was $359 plus taxes. The documentation to justify the purchase indicated "ROI Conference - June 28 - July 1" (see Exhibits 1 and 18).

(3) A College employee expended $1,375.71 for five nights at the New York Marriott Marquis hotel. The per night lodging rates ranged from $185 to $276 plus taxes. The documentation to justify the purchase indicated "Hotel/phone calls to office" (see Exhibits 1 and 19).

Having a policy that establishes reasonable limits for lodging expenses promotes fiscal responsibility among employees. For example, the State of Michigan has established specific rate limits for lodging reimbursements ($65 in 2007) and allows for variances for select high cost cities and in select instances, such as conventions, conferences, and meetings. For these select instances, proper documentation and approvals are required.

c. The College did not enforce its policy requiring employees to use the College's designated travel agency to make lodging reservations.

Failure to enforce established policies can result in employee complacency and a disregard for expected norms.

The College's travel policy states that all lodging reservations should be requested through the designated travel agency. Also, the agreement between the College and its designated travel agency requires the travel agency to ensure that the lowest rates are provided for all accommodations.

Our review of 26 lodging transactions totaling $32,000 disclosed that none of the 26 related reservations were made through the College's designated travel agency. The College's accounting office informed us that it was not aware of this requirement and that College employees were not instructed to make lodging reservations through the College's designated travel agency. However, we found that the policy was readily accessible on the College's Web site.

d. The College had not enforced its policies regarding the documentation of travel expenses.

Failure to enforce established policies can result in employee complacency and disregard for expected norms.

The College's travel policy states that travel vouchers submitted for conference-related travel must include copies of the conference agenda/materials and any information regarding meals, lodging, and transportation expenses that were included in the conference fee. The College's travel policy also states that when occupants other than College employees share a room, the employee must request that the single occupancy rate be noted on the receipt.

Our review of 26 travel related expenses disclosed:

(1) In 19 (95%) of 20 instances when the employees attended conferences, the employees did not provide documentation to support the dates, times, and locations of the conferences. Also, we identified 11 (55%) instances for which meal reimbursement and 2 (10%) instances for which lodging reimbursement was obtained and documentation was not provided to specify whether meal or lodging expenses were included in the conference fees.

(2) In 4 (100%) of 4 instances when a room was shared with nonemployees, the employees did not provide lodging receipts with single occupancy rates.

There was no evidence that the employee's supervisor or the College's accounting office questioned whether the expenses in items a. through d. were acceptable uses of public funds or compliant with purchasing policies and procedures.

RECOMMENDATION

We recommend that the College strengthen its controls over employee travel expenses.

AGENCY PRELIMINARY RESPONSE

The College partially agrees with the recommendation.

The College's Cardholder Guide states that supervisory review and approval of expense reports are key elements of the process to ensure that cards are used in accordance with established purchasing policies. Supervisors are responsible for assessing the appropriateness of the expenditure, the reasonableness of the amount, the availability of funds, compliance with budget allocations, and the appropriateness of the coding for each charge. Also, the Guide requires that supervisors ensure that employees match all purchases to supporting documentation at the end of each pay period for supervisory review.

The College informed us that it has a practice that requires divisions and departments to retain agendas and related material within their office. The College agrees to establish methods to determine that the documentation for travel expense is stored in an accessible fashion. Accounting staff and supervisors will be routinely instructed to follow all expense policies when auditing or approving travel expenses.

The College informed us that it has already reminded cardholders and supervisors that all airfare and lodging (unless part of a conference registration) should be purchased through its designated travel agency and that travel for nonemployees will only be provided when they have an essential role in the proceedings or activities.

The College stated that its own internal investigations, reviews, and analyses which were launched to determine the adequacy and appropriateness of certain past practices and expenditures did reveal that, while travel expenditures were either approved in advance or ratified, the information that enabled approval or ratification was not in all cases noted on the documentation evidencing the expense. Also, the College informed us that its current administration has already been working to bolster its controls to better document certain expenditures.

The College informed us that it has purchased a replacement for the Oracle ERP system. A new expense reporting system will be installed with this implementation. The College also informed us that it has issued RFPs for this system and is expecting to issue the contract and install the system before December 31, 2007. The College stated that this implementation will require training of all purchasing card users. The College also stated that, during this implementation, the College will reaffirm the required documentation for travel expenses as well as the supervisor's role and responsibility when approving these expenses.

The College does not agree that the purchase of business class tickets is a violation of its travel policy. This policy requires all employees to "utilize the least expensive fare available in coach/economy class regardless of aircraft size." The foreign travel section of the policy allows for business class flights for foreign travel on flights over 5 hours long if approved by the Vice President of Academic Affairs. The College informed us that the then Interim CFO of the College stated that she reviewed these travel arrangements and it was her belief that the length of the trip (i.e., 21 hours), the traveler's need to prepare for meetings, and the use of a laptop warranted the additional room and access to electrical power provided in business class. In addition, the College informed us that it was also her belief that, as Interim CFO, she had the capacity to approve a request of this nature as it was considered fair and reasonable. The College notes that the magnitude of the cost of the business class tickets is not the issue.

The College also does not agree that its current lodging policy is somehow inadequate as the policy clearly requires "best rates" and that its travel agency ensures that best rates are procured.

OFFICE OF THE AUDITOR GENERAL EPILOGUE

Although the College's travel policy allows for business class flights for foreign travel on flights over five hours long, the traveler did not submit the required written justification and cost-benefit analysis. Also, it is notable that the Interim CFO "believed" she had the authority to approve requests for business class tickets when the policy clearly states that the authority to approve such requests resides with the Vice President of Academic Affairs.

Regarding best rates, although the College believes that use of a travel agency would ensure the best rate, College employees generally have not utilized the travel agency to make lodging reservations.

FINDING

3. Employee Expense Report Approvals

The College's electronic employee expense reporting system did not identify who approved employee expense reports or record the approval dates. As a result, the College could not determine who approved any employee expenses, determine when the expenses were approved, ensure that employees' expenses were an appropriate use of public funds, and ensure that employees' expenses were consistent with the College's purchasing policies and procedures. As more fully described in Findings 1 and 2, the College's accounting staff did not question the appropriateness of employee expenses, relying instead on supervisors' approvals.

The College's Cardholder Guide states that supervisory review and approval of expense reports are key elements of the process to ensure that cards are used in accordance with established purchasing policies. Supervisors are responsible for assessing the appropriateness of the expenditure and the reasonableness of the amount, the availability of funds, compliance with budget allocations, and appropriateness of the coding for each charge. Also, the Guide requires that supervisors ensure that employees match all purchases to supporting documentation at the end of each pay period for supervisory review.

For the period October 1, 2004 through September 30, 2006, College employees submitted 15,736 electronic expense reports totaling $10.4 million. We could not identify the approvers or related approval dates for any of the 15,736 employee expense reports. After we requested the identities of expense report approvers and related approval dates, the College noticed and informed us that its employee expense reporting system does not record this information but that there are system controls to authorize specific employees to review and approve the expenditures charged to their assigned area. We also learned that authorized approvers may delegate their review and approval responsibilities. However, lacking the ability to identify the approvers or approval dates negated the value of purported system controls because the College cannot fix responsibility for the review and approval of expense reports or even determine whether the review and approval process was performed by an authorized approver.

RECOMMENDATION

We recommend that the College modify the electronic employee expense reporting system to identify who approved employee expense reports and record the approval dates.

AGENCY PRELIMINARY RESPONSE

The College agrees with the recommendation.

The College stated that this control deficiency was a product of the electronic system utilized by the College, which the administration believed was capturing and storing the information needed.

The College informed us that it has purchased a replacement for the Oracle ERP system. A new expense reporting system will be installed with this implementation. The College also informed us that it has issued RFPs for this system and is expecting to issue the contract and install the system before December 31, 2007. The College stated that this implementation will remedy the data problems with its approval records.

EFFECTIVENESS OF CONTRACT ADMINISTRATION PROCESS

COMMENT

Audit Objective: To assess the effectiveness of the College's process for administering contracts.

Conclusion: We concluded that the College's process for administering contracts was moderately effective. Our assessment disclosed one reportable condition related to the procurement of professional services (Finding 4).

Noteworthy Accomplishments: The College's Purchasing Department was the recipient of the National Purchasing Institute's Achievement of Excellence in Procurement award for 2003, 2004, 2005, and 2006. The Achievement of Excellence in Procurement award is designed to recognize organizational excellence in procurement. The award program measures innovation, professionalism, e-procurement, productivity, and leadership attributes of the procurement function. The College is 1 of 72 organizations to receive this national award at least four times.

FINDING

4. Procurement of Professional Services

The College had not established contract documents and did not document its process for acquiring professional services. As a result of weaknesses in its professional service procurement process, the College lacks assurance that it is managing its finances in a manner that best serves the needs of its students and the taxpayers who support its operations.

The guiding principles supporting the College's mission state that the College will manage its finances in a responsible manner by allocating resources and achieving efficiencies to best serve the priority needs of the College's students and the taxpayers who support its operations. The guiding principles also state that the College commits to continuous improvement in its programs and services.

For the period October 1, 2004 through December 19, 2006, the College expended $25.4 million for professional services. Our review of the procurement of 25 professional services totaling $5.1 million disclosed the following deficiencies:

a. Of the 25 service procurements reviewed, we noted 3 (12%) contracts for which the College did not issue an RFP or obtain vendor proposals specifying the services to be received, the delivery periods, the billing rates, or spending limits. In addition, subsequent to the delivery of services and receipt of related invoices, the College's purchasing staff created purchase orders so that the accounting staff could process the respective payments. The amounts paid to the 3 vendors totaled $301,500 and ranged from $18,700 to $241,100.

   Executing required contract documents helps ensure that the College's financial interests are protected, the College's and the professional service vendor's responsibilities are identified, the services to be rendered are defined, and the mutual agreements are documented.

The College requires that contract documents consist of the RFP, supplier proposal, supplier contract agreement (if needed), and a College purchase order.

b. Of the 25 professional service acquisitions reviewed, the College did not document whether 4 (16%) professional services were purchased through a request for quotation or RFP process. Also, the College did not document whether the 4 vendors were sole source contractors. The amounts paid to the vendors totaled $381,000 and ranged from $18,700 to $241,100.

Documenting the process for the procurement of professional services helps ensure that such services are acquired at competitive prices and that the business community has a fair and equal opportunity to participate in publicly funded projects.

For the period October 1, 2004 through June 28, 2006, the College's purchasing procedures required the College to use a request for quotation process for purchases ranging from $5,000 to $25,000. The procedures also required that the College use an RFP process for purchases over $25,000. However, the procedures permitted exceptions if the purchases were considered sole source.

RECOMMENDATION

We recommend that the College establish contract documents and document its process for acquiring professional services.

AGENCY PRELIMINARY RESPONSE

The College agrees with the recommendation.

As of June 28, 2006, the College's newly adopted purchasing policies specifically required that professional services be solicited through an RFP rather than a competitive bid process. The College informed us that it had an established practice prior to that date that did not require this for certain services, such as attorneys. The College also informed us that, on May 21, 2007, its Board of

Trustees approved the awarding of contracts to three law firms using a documented RFP process. In addition, the College informed us that it has also provided a "refresher" to the authorized purchasers of professional services. The College stated that this refresher included the documented process for verifying the receipt of professional services.

The College stated that while contracts can take many forms, the current administration's commitment to ensuring that the College is receiving excellent services at competitive prices has already resulted in reforms to its purchasing program and, as a result, it has identified many of the same issues observed during the audit.

EFFECTIVENESS OF EFFORTS TO ESTABLISH AND COMPLY WITH PERSONNEL POLICIES AND PROCEDURES

COMMENT

Audit Objective: To assess the effectiveness of the College's efforts to establish and comply with policies and procedures for hiring, promoting, and compensating personnel.

Conclusion: We concluded that the College's efforts were effective in establishing and complying with policies and procedures for hiring, promoting, and compensating personnel. However, our assessment disclosed one reportable condition related to time sheet approval (Finding 5).

FINDING

5. Time Sheet Approval

The College had not established controls to ensure that employee time sheets were properly approved. As a result, the College lacked assurance that employee time sheets accurately reported employees' time at work.

For the period October 1, 2004 through September 30, 2006, the College had $108.7 million in payroll expenditures related to 4,047 employees. Our review of

115 employee time sheets for this period disclosed internal control weaknesses that allowed employees to circumvent the time sheet approval process:

a. Of the 115 employee time sheets reviewed, 13 (11%) were processed without supervisor approval. The College informed us that its system generates approvals for time sheets not approved or rejected by an employee's supervisor. However, the College did not require supervisors to approve time sheets after the system approvals.

   Supervisor approvals help ensure that employee time sheets are complete, accurate, and free of errors and irregularities.

b. Of the 115 employee time sheets reviewed, 8 (7%) were approved by someone other than the direct supervisor. However, the College's time reporting system had not documented supervisors' delegation of authority to approve employee time sheets. As a result, the College could not ensure that employee time sheets were properly approved because the College did not know who may have been delegated the authority to approve time sheets.

   The College informed us that a supervisor may delegate authority to approve time sheets in place of direct supervisors. Documenting the delegation of authority to approve time sheets helps the College determine that persons who approve employee time sheets are authorized to do so.

RECOMMENDATION

We recommend that the College establish controls to ensure that employee time sheets are properly approved.

AGENCY PRELIMINARY RESPONSE

The College agrees with the recommendation.

The College informed us that it has purchased a replacement for its Oracle ERP system. The College stated that the HR/Payroll module is currently being developed with a planned effective date of January 1, 2008. The College also stated that this system will require supervisor approval and incorporate a process to ensure that supervisor approval is obtained and documented in the payroll process.

SUPPLEMENTAL INFORMATION

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Description of Exhibits

Exhibit 1 summarizes information contained in Lansing Community College's employee expense reporting system for the examples of College employees' purchases identified in Findings 1 and 2.

Exhibits 2 through 19 illustrate the receipts that employees submitted to the College as documentation for expenses. Some receipts may not be legible; however, these are the documents the College used to process the payments for these purchases. The employees' names and purchasing card numbers have been redacted.

Exhibit 20 is the report from an auditing firm (Maner, Costerisan, & Ellis, P.C.), issued on October 12, 2005, regarding its assessment of the student award aid packages for fall semester 2005.

Exhibit 21 is the report from an auditing consultant (Plante & Moran, LPPC), issued on October 18, 2005, regarding its assessment of control risk and vulnerability related to the Students' Financial Aid System.

Exhibit 22 is the report from an auditing consultant (BDO Seidman, LLP), issued in late October 2005, regarding its review of the implementation of the Students' Financial Aid System. The public version of this report included redacted information.

Exhibit 23 is the Ad Hoc Committee's report, issued on February 9, 2006, regarding the failure of the Students' Financial Aid System.

LANSING COMMUNITY COLLEGE
Summary of Select Data Provided in Employee Expense Reporting System

Finding Number	Exhibit Number	Vendor	Amount	Expenditure Item Date
1a	2	Park Lake Grill	$ 967.60	02/01/2005
1a	3	Cadillac Club	$ 760.15	12/15/2004
1a	4	Troppo	$ 668.38	08/10/2006
1a	5	Piazzano's	$ 427.80	12/19/2005
1b	6	Eastwood Towne Center	$ 3,825.00	01/06/2006
1b	7	Sears	$ 1,250.00	04/27/2006
1b	8	Eastwood Cinemas	$ 875.00	09/08/2006
1b	9a	Douglas J Day Spa Salon	$ 75.00	12/03/2004
1b	9b	Douglas J Day Spa Salon	$ 60.00	06/20/2005
1b	9c	Douglas J Day Spa Salon	$ 105.00	10/10/2005
1b	9d	Douglas J Day Spa Salon	$ 50.00	10/27/2005
1b	9e	Douglas J Day Spa Salon	$ 65.00	09/19/2005
1b	9f	Douglas J Day Spa Salon	$ 495.00	11/30/2004
1b	10	GiftCertificates.com	$ 652.65	05/06/2005
1b	11	Hammacher Schlemmer	$ 569.52	11/22/2005
1c	12	A Basketful by Sharl	$ 240.00	05/12/2005
1c	13	Belen's Flowers	$ 212.00	04/27/2006
1c	14	Smith Floral and Greenhouse	$ 113.97	08/01/2005
1c	15	A Basketful by Sharl	$ 112.95	02/23/2005
1c	16	A Basketful by Sharl	$ 106.00	10/12/2004
2b	17	Waldorf Astoria Hilton	$ 1,301.75	06/16/2006
2b	18	W Chicago Center	$ 1,237.47	06/15/2005
2b	19	New York Marriott Marquis	$ 1,375.71	08/31/2006

Source: Employee Expense Reporting System.

Exhibit 1

Organization	Division
Business Department	Business Media and Information Technologies
President's Office Operations	Executive Office
President's Office Operations	Executive Office
Aviation Flight and Ground School	Technical Careers
President's Office Operations	Executive Office
Human Resources	Administrative Services
President's Office Operations	Executive Office
President's Office Operations	Executive Office
Board of Trustees	Executive Office
Board of Trustees	Executive Office
President's Office Operations	Executive Office
Capital Quality Initiative	Business and Community Institute
President's Office Operations	Executive Office
HHPS Division Office	Human, Health and Public Services
President's Office Operations	Executive Office
Public Relations	Executive Office
SAS Division Office	Student and Academic Services
HHPS Division Office	Human, Health and Public Services
Public Relations	Executive Office
Public Relations	Executive Office
Academic Affairs Office	Executive Office
SAS Division Office	Student and Academic Services
SAS Grants	Student and Academic Services

Park Lake Grill

Establishment: Park Lake Grill, an East Lansing restaurant
Amount Charged: $967.60
Justification Entry: Park Lake Grill - external meeting reconciled on behalf of [person's name].
Observations: Neither the receipt nor the justification entry described the business reason for the dinner or identified the attendees.

PARK LAKE GRILL

NEW AMERICAN CUISINE

Invoice
December 13, 2004 Catering

To: Lansing Community College
President's Office MC8100A
P.O. Box 40010
Lansing, MI 48910

Attn:

5 Course Meal	13 @ $33.95	$441.35
Wine	14 @ $14.00	$196.00
Fruit Tray	1 @ $45.00	$45.00
Cheese Tray	1 @ $45.00	$45.00
Whitefish Dip	1 @ $45.00	$45.00

Subtotal:	$772.35
Tax:	Waived
Gratuity:	$145.25
Server:	$50.00
Total:	$967.60

Thank you,

5900 Park Lake Road • East Lansing, Michigan 48823
Phone 517.339.0755 • Fax 339.1959

Cadillac Club

Establishment: Cadillac Club, a downtown Lansing restaurant
Amount Charged: $760.15
Justification Entry: Appreciation dinner with deans and ELT.
Observations: Neither the receipt nor the justification entry described the business reason for the dinner or identified the attendees. Also, the College paid sales tax totaling $26.19, even though purchases are sales tax exempt.

Cadillac Club

SERVER:
TABLE: 391
TICKET: 12960 12/15/2004 22:12
GUEST: 1

1115 S. Washington
Lansing, MI 48910
(517)-853-1912

Coastal Vintners	5.00
Lindeman's	5.00
Coastal Vintners	5.00
Grey Goose	5.50
Soda	1.75
Absolute	4.50
Coastal Vintners	5.00
Coastal Vintners	5.00
Karl Heinz	5.00
Soda	1.75
Soda	1.75
Coastal Vintners	5.00
Glenlivet	6.50
Glenlivet	6.50
Lindeman's	5.00
Di Saronno Amaretto	4.50
Coastal Vintners	5.00
Coastal Vintners	5.00
Coastal Vintners	5.00
Coastal Vintners	5.00
Coastal Vintners	5.00
Coastal Vintners	5.00
Soda	1.75
Karl Heinz	5.00
Karl Heinz	5.00
Glenlivet	6.50
Glenlivet	6.50
Grey Goose	5.50
Coastal Vintners	5.00
Lindeman's	5.00
Folanari	5.00
Karl Heinz	5.00
Lindeman's	5.00
Coastal Vintners	5.00
Coastal Vintners	5.00
Coastal Vintners	5.00
Di Saronno Amaretto	4.50
Coastal Vintners	5.00
Karl Heinz	5.00
Coastal Vintners	5.00
Prime Rib	17.00
Whitefish	16.00
Prime Rib	17.00
Roast Chicken Breast	16.00
Roast Chicken Breast	16.00
Prime Rib	17.00
Whitefish	16.00
Prime Rib	17.00
Prime Rib	17.00
Prime Rib	17.00
Whitefish	16.00
Whitefish	16.00
Whitefish	16.00
Whitefish	16.00
Whitefish	16.00
Whitefish	16.00
Whitefish	16.00
Prime Rib	17.00
Prime Rib	17.00
$6 Dessert	6.00
$6 Dessert	6.00
$6 Dessert	6.00
$6 Dessert	6.00
$6 Dessert	6.00
$6 Dessert	6.00
$6 Dessert	6.00
$6 Dessert	6.00
$6 Dessert	6.00
$6 Dessert	6.00
$6 Dessert	6.00
$6 Dessert	6.00
$5 Dessert	5.00
$5 Dessert	5.00
$6 Dessert	6.00
Coffee	1.50
Coffee	1.50
Coffee	1.50
Coffee	1.50
Coffee	1.50
Coffee	1.50
Coffee	1.50
Coffee	1.50
Coffee	1.50
SUB TOTAL:	622.00
TAX:	26.19
TOTAL:	648.19
CARD PAID:	648.19
GRATUITY:	111.96
TOTAL:	760.15

Signature

CARD #: ************

Thank you for dining at
The Cadillac Club!

Thank You!

Exhibit 4

Troppo

Establishment: Troppo, a downtown Lansing restaurant

Amount Charged: $668.38

Justification Entry: Dinner meeting with out-of-town guests for a week-long training session that was sponsored by the President's Office.

Observations: Neither the receipt nor the justification entry described the business reason for the dinner or identified the attendees. Also, the receipt did not identify the items purchased.

dinner meeting for out-of-town guests

101 S. Washington Square
Downtown Lansing 48933
517-371-4000

Server:	DOB: 08/10/2006
08:42 PM	08/10/2006
Table 20/1	4/40014
Visa	4194315
Card #XXXXXXXXXXXX	
Magnetic card present:	
Approval: 010025	
Amount:	562.09
+ Included Gratuity:	106.29
+ Additional Tip	0
= Total:	668.38

X____________________

Approval: 010025

Customer Copy

032-0617-07

Exhibit 5

Piazzano's

Establishment: Piazzano's, a Lansing-area restaurant
Amount Charged: $427.80
Justification Entry: Piazzano's - internal meeting.
Observations: Neither the receipt nor the justification entry described the business reason for the dinner or identified the attendees. Also, the College paid sales tax totaling $20.70, even though purchases are sales tax exempt.

PIAZZANO'S

484-9922

Party

Check No	Tab	Cov	SN	Server	Time	Date
485418	2635	1	1	168	5:03:53 PM	12/19/05

30	CLASSIC BUFFET	345.00
	Food Sub-Total	345.00
	SUB TOTAL	345.00
	Sales Tax	20.70
	TIP	62.10
	TOTAL	427.80

Check out tomorrow's specials:

ROAST PORK
CHICKEN PARMESIAN
TEXAS RED BURGER

Soup of the Day = POTATO W/HAM

THANK YOU
We enjoyed serving you today......
Please come again !!!

THANK YOU

Eastwood Towne Center

Establishment: Eastwood Towne Center, a Lansing-area shopping mall
Amount Charged: $3,825.00
Justification Entry: 153 $25.00 gift certificates for employee recognition ceremony.
Observations: Neither the receipt nor the justification entry described the services rendered on behalf of the College or its students or identified the recipients of the gift certificates. Also, the receipt did not identify the items purchased.

EASTWOOD TOWNE CENTER
3003 PREVDE BLVD.
LANSING, MI 48912
(517) 316-9209

18639

TRANSIT NUMBER	AMOUNT PAID		RECEIVED FROM	DATE	DESCRIPTION	BALANCE DUE	RECEIVED BY
	CHECK	CASH					
18639	3825.00		LCC	1/16	031347-499		

RETAIN THIS RECEIPT FOR YOUR RECORDS

EASTWOOD TOWN CENTER
3003 PREVDE BLVD.
LANSING, MI 46912
517-316-9209
1000295902979

Merchant ID: 1009295902979

Phone Order

[illegible]
VISA Entry Method: Manual

Amount: $ 3,825.00
Tax: $ 0.00

Total: $ 3,825.00

01/06/06 11:36:14
Inv#: 000003 Appr Code: 000263
Apprvd: Online Batch#: 000349
CVV2 Code: MATCH M
Cust #:

Customer Copy
THANK - YOU
PLEASE COME AGAIN

Exhibit 7

Sears

Establishment: Sears
Amount Charged: $1,250.00
Justification Entry: Retiree gifts.
Observations: Neither the receipt nor the justification entry identified the recipients of the gifts or what positions they held or their years of service.

SEARS
LANSING, MI 01170
[redacted]
RETAIN FOR COMPARISON
WITH MONTHLY STATEMENT

SALESCHECK #
011705524327

TRAN# PG/STORE REG# ASSOC#
4327 10 01170 552
SALE
79 76023 MAINFRAME, MDS 250.00
GIFT CARD:
EXPIRATION DATE: 01/01/3025
79 76023 MAINFRAME, MDS 250.00
GIFT CARD:
EXPIRATION DATE: 01/01/3025
79 76023 MAINFRAME, MDS 250.00
GIFT CARD:
EXPIRATION DATE: 01/01/3025
79 76023 MAINFRAME, MDS 250.00
GIFT CARD:
EXPIRATION DATE: 01/01/3025
79 76023 MAINFRAME, MDS 250.00
GIFT CARD:
EXPIRATION DATE: 01/01/3025
SUBTOTAL 1250.00
TAX 06.000% .00
CARD TYPE: VISA
ACCT #:
~~AUTH CODE:~~
04/27/06 VISA TOTAL 1250.00

RC: 5737-6000-7637-6187

Exhibit 8

Eastwood Cinemas

Establishment: Eastwood Cinemas, a Lansing-area movie theater
Amount Charged: $875.00
Justification Entry: Congratulatory gift for MAHE participants upon successful completion of contract.
Observations: Neither the receipt nor the justification entry described the services rendered on behalf of the College or its students or identified the recipients of the gifts.

10 Credit
Receipt
**** Sale ****

NCG Eastwood
2500 Showtime Dr.
Lansing, MI 48912

03/07/2006 7:44 PM

Dinner and Movie	35.00
Dinner and Movie	35.00
Dinner and Movie	35.00
Dinner and Movie	35.00
Dinner and Movie	35.00
Dinner and Movie	35.00
Dinner and Movie	35.00
Dinner and Movie	35.00
Dinner and Movie	35.00
Dinner and Movie	35.00
Dinner and Movie	35.00
Dinner and Movie	35.00
Dinner and Movie	35.00
Dinner and Movie	35.00
Dinner and Movie	35.00
Dinner and Movie	35.00
Dinner and Movie	35.00
Dinner and Movie	35.00
Dinner and Movie	35.00
Dinner and Movie	35.00
Dinner and Movie	35.00
Dinner and Movie	35.00
Dinner and Movie	35.00
Dinner and Movie	35.00
Dinner and Movie	35.00

MAHE Gift

Subtotal 875.00
Tax 0.00
Total 875.00

Cashier Name -
Terminal - Box Office 8
Order #:

Name :
Account:
Exp : 04/07
Type : VISA
Trans : **** Sale ****

I Agree to pay the above total
According to the card issuer agreement

Signature

THANK YOU FOR VISITING

Douglas J Day Spa Salon

Establishment: Douglas J Day Spa Salon
Amounts Charged: a. $75.00, b. $60.00, c. $105.00, d. $50.00, e. $65.00, and f. $495.00
Justification Entries: a. Gift certificates for thank you gifts. b. Gift certificate for trustee [person's name] from board of trustees and president. c. Per President's request - ordered 3 gift certificates for [persons' names] "thank you for all your work with the grand opening" on 9/16/05. d. Gift for [person's name] of CNB. e. Speaker gift. f. Gift certificates for thank you gifts.
Observations: Neither the receipts nor the justification entries described the services rendered on behalf of the College or its students. Also, the receipts did not identify the items purchased. In addition, some receipts and justification entries did not identify the recipients of the gift certificates. Further, some receipts are not legible; as a result, the College cannot verify the items purchased or their respective amounts. The following six receipts are facsimiles of the original receipts, depicting their legibility:

<table>
<tr><th>Exhibit 9.a.</th><th>Exhibit 9.b.</th></tr>
<tr><td>


*DOUGLAS J DAY SPA SALON
4663 ARDMORE
OKEMOS, MI 48864

(517) 349-5271

BANK ID :5436
MERCHANT:843942202080
TERM ID :002
REF NO. :330001 007
RRN :34337528
DATE :12/03/04 09:54

XXXXXXXXXXXXXXX

TYPE :VISA
AUTH NO.:003787

SALE $ 75.00

SIGNATURE

I AGREE TO PAY ABOVE TOTAL AMOUNT ACCORDING TO CARD ISSUER AGREEMENT (MERCHANT AGREEMENT IF CREDIT VOUCHER)

TOP COPY-MERCHANT
BOTTOM COPY-CUSTOMER
</td><td>


DOUGLAS J DAY SPA SALON
4663 ARDMORE
OKEMOS, MI 48864

(517) 349-5271

BANK ID :5436
MERCHANT:843942202080
TERM ID :002
REF NO. :171001 002
RRN :91867296
DATE :06/20/05 10:31

XXXX XXXXXXXXXXX

TYPE :VISA
AUTH NO.:020769

SALE $ [illegible]0.00

SIGNATURE

I AGREE TO PAY ABOVE TOTAL AMOUNT ACCORDING TO CARD ISSUER AGREEMENT (MERCHANT AGREEMENT IF CREDIT VOUCHER)

TOP COPY-MERCHANT
[illegible]
</td></tr>
</table>

Exhibit 9 (*Continued*)

Exhibit 9.c.	Exhibit 9.d.
DOUGLAS J DAY SPA SALON 4663 ARDMORE OKEMOS, MI 48864 (517) 349-5271 BANK ID :5436 MERCHANT:843942202080 TERM ID :002 REF NO. :283001 002 RRN :22716741 DATE :10/10/05 12:06 XXXXXXXXXXXXXXXX TYPE :VISA AUTH NO.:910657 AVS CODE: N SALE $ 165.00 X SIGNATURE I AGREE TO PAY ABOVE TOTAL AMOUNT ACCORDING TO CARD ISSUER AGREEMENT (MERCHANT AGREEMENT IF CREDIT VOUCHER) PLEASE IMPRINT CARD TOP COPY-MERCHANT BOTTOM COPY-CUSTOMER	DOUGLAS J DAY SPA SALON 4663 ARDMORE OKEMOS, MI 48864 (517) 349-5271 BANK ID :5436 MERCHANT:843942202080 TERM ID :001 REF NO. :300001 054 RRN :41448922 DATE :10/27/05 17:24 XXXXXXXXXXXXXXXX TYPE :VISA AUTH NO.:027608 SALE $ 160.00 SIGNATURE I AGREE TO PAY ABOVE TOTAL AMOUNT ACCORDING TO CARD ISSUER AGREEMENT (MERCHANT AGREEMENT IF CREDIT VOUCHER) TOP COPY-MERCHANT BOTTOM COPY-CUSTOMER

Exhibit 9 (*Continued*)

<table>
<tr><th>Exhibit 9.e.</th><th>Exhibit 9.f.</th></tr>
<tr><td>
DOUGLAS J DAY SPA SALON
4663 ARDMORE
OKEMOS, MI 48864

(517) 349-5271

BANK ID :5436
MERCHANT:843942202080
TERM ID :002
REF NO. :262001 008
RRN :97236694
DATE :09/19/05 16:50

XXXXXXXXXXXXXXXX

TYPE :VISA
AUTH NO.:019920

SALE $ 65.00

X
SIGNATURE

I AGREE TO PAY ABOVE
TOTAL AMOUNT ACCORDING
TO CARD ISSUER AGREEMENT
(MERCHANT AGREEMENT IF
CREDIT VOUCHER)

TOP COPY-MERCHANT
BOTTOM COPY-CUSTOMER</td><td></td></tr>
</table>

Exhibit 10

GiftCertificates.com

Establishment: GiftCertificates.com
Amount Charged: $652.65
Justification Entry: Honorarium gift certificates for departments and programs.
Observations: Neither the receipt nor the justification entry described the services rendered on behalf of the College or its students or identified the recipients of the gifts.

From: orders@GiftCertificates.com
Sent: Thursday, May 05, 2005 9:56 AM
To: @lcc.edu
Subject: Order confirmation (125050188582)

Dear ,

Thank you for your order. We'll send you another email when your order has shipped.

For your records, we've included a detailed description of your order.

Order Confirmation Number: 125050188582
Date of Order: 5/5/05 9:44 AM (EST)

```
SHIP TO NAME - ITEM
  Shipping Method =========================================================
                - 2 $25 American Express
  U.S. Mail
                - 4 $50 American Express
  FedEx 2Day Pak, 1-2 lbs.
                - 3 $100 American Express
  FedEx 2Day Pak, 1-2 lbs. ===============================================================
$550.00          Subtotal

$90.75           Service Fees
$11.90           Shipping
----------
$652.65          TOTAL
```

Questions about your order, fees, or shipping costs?
http://www.GiftCertificates.com/account/b_s_a/status.cfm

To check the status of your order or obtain tracking information go to the following link and sign in to your account: http://www.GiftCertificates.com/account/b_s_a/status.cfm

Need further assistance? http://www.GiftCertificates.com/info/help/index.cfm

==================================

GiftCertificates.com
http://www.GiftCertificates.com

Exhibit 11

Hammacher Schlemmer

Establishment: Hammacher Schlemmer
Amount Charged: $569.52
Justification Entry: Gifts for ELT.
Observations: Neither the receipt nor the justification entry described the services rendered on behalf of the College or its students.

Hammacher Schlemmer
9180 LeSaint Drive, Fairfield, OH 45014
(800) 543-3366 TO PLACE ORDERS
(800) 233-4800 CUSTOMER SERVICE
Visit our Web Site at: www.hammacher.com

A Lifetime Guarantee of Complete Satisfaction
Our products are guaranteed for their normal life under standard non-commercial use. Should any product fail to meet your expectations, simply return it. We will replace it, refund the purchase price, or credit your credit card.

SOLD TO:
LANSING COMMUNITY COLLEGE
MAIL CODE 8100 A
315 N GRAND AVE
LANSING, MI 48933

SHIP TO:
LANSING COMMUNITY COLLEGE
MAIL CODE 8100 A
315 N GRAND AVE
LANSING, MI 48933
(517) 483-1811

CUSTOMER #: 0084651140
ORDER #: H454827100018
PO# CALLED ORDER

LOCATION	QTY	ITEM NO.	DESCRIPTION	UNIT PRICE	TOTAL PRICE
A504BB04	10	72627	CLOCK COLOR PATTERN TIX	56.95	569.52

[redacted]

Net Product $ 569.52
Total Shipment $ 569.52
Amt Charged to VI 569.52

Thank you for your order!

Representative:

A5 BOX: HS23 Page 1 (Last)

A Basketful by Sharl

Establishment: A Basketful by Sharl
Amount Charged: $240.00
Justification Entry: Custom gift mugs.
Observations: Neither the receipt nor the justification entry described the business reason for the purchase, specified the services rendered on behalf of the College or its students, or identified the recipients of the gifts.

A BASKETFUL...by Shari
904 Cooper Avenue
Lansing, MI 48910
www.ABasketfulbyShari.
(517) 484-8211

Invoice

Invoice # 41144
Date: 05-12-05
Page: 1 of 1

A Basketful...by Shari

Ship To:

Same

Bill To:

President's Office
P.O. Box 40010
Lansing Community College
Lansing, MI 48901

$PAID
BS
P-Card
5/12/05

Date	Your Order #	Our Order #	Sales Rep	FOB	Ship Via	Terms	Tax ID
05-12-05						Net/15 days**	

Quantity	Item	Units	Description	Discount	Taxable	Unit Price	Total
25	R Custom		Custom Gift Mugs			$ 9.00	$ 225.00
						$	$
						$	$
						$	$
						$	$
						$	$
						Subtotal	$ 225.00
						Tax	$ exempt
						Shipping	$ 15.00
						Delivery/ Pickup	$
						Miscellaneous	$
						Subtotal	$ 240.00
						Payment/ Deposit	$ 240.00
						Balance Due	$ 00

**Please note terms are net/15 days unless previous arrangements have been made. Accounts not paid in 30 days will assess a monthly service fee of $10.00. Accounts not paid in 45 days will be charged to your credit card when prior agreement & arrangements have been made. Thank you in advance for your prompt payment.

WE ACCEPT VISA, MASTERCARD, DISCOVER AND AMERICAN EXPRESS
(Circle One)

Credit Card No.:
Expiration Date:

Signature

Belen's Flowers

Establishment: Belen's Flowers
Amount Charged: $212.00
Justification Entry: Congratulatory gift.
Observations: Neither the receipt nor the justification entry described the business reason for the purchase, specified the services rendered on behalf of the College or its students, or identified the recipient of the gift. Also, the College paid sales tax totaling $12, even though purchases are sales tax exempt.

0000021302
01 Belen's Apr 27, 2006 11:28 AM

Sales Person
Copy 1 Page 1 of 1

Action

Special Instructions

Recipient
Lansing, MI

Card Message

Merchandise	Delivery	Service	Discount	Tax
$200.00	$0.00	$0.00	$0.00	$12.00

Form of Payment: CC — **Total** $212.00

Description	Qty	Unit Price	Discount	Net Amount
Fresh Arrangement Vase tulips	1	$200.00	$0.00	$200.00

09 Miscellaneous

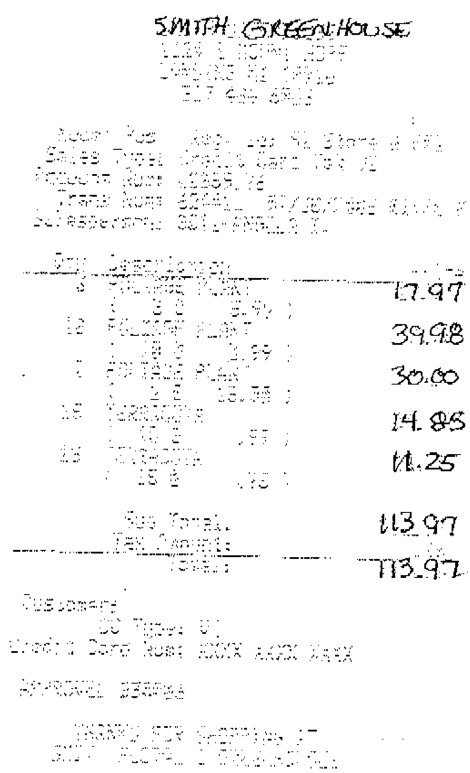
Customer

Wire Service

Exhibit 14

Smith Floral and Greenhouse

Establishment: Smith Floral and Greenhouse
Amount Charged: $113.97
Justification Entry: Appreciation plants for HHPS staff.
Observations: Neither the receipt nor the justification entry described the business reason for the purchase, specified the services rendered on behalf of the College or its students, or identified the recipients of the gifts. The amounts were handwritten, presumably by the employee to add clarity to the receipt.


SMITH GREENHOUSE

	17.97
	39.98
	30.00
	14.85
	11.25
	113.97
	113.97

A Basketful by Sharl

Establishment: A Basketful by Sharl
Amount Charged: $112.95
Justification Entry: Gift baskets - baby and gift.
Observations: Neither the receipt nor the justification entry described the business reason for the purchase, specified the services rendered on behalf of the College or its students, or identified the recipients of the gifts.

A Basketful...by Shari

Invoice

Invoice #: 41028
Date: 02-23-05
Page: 1 of 1

Bill To:

President's Office
PO Box 40010
Lansing Community College
Lansing, MI 48901-7210

Ship To:

Same (Golf)

Department of Energy (Baby)
Attn:
1000 Independence Ave. SW
MC EE-2H
Washington, D.C. 20585

Date	Your Order #	Our Order #	Sales Rep	FOB	Ship Via	Terms	Tax ID
02-23-05						Net/15 days**	

Quantity	Item	Unit	Description	Discount	Taxable	Unit Price	Total
2	Rcustom/ W/add ins		LCC Golf Gift Basket			$ 35.00	$ 70.00
1	Rcustom/ W/add ins		LCC Baby Gift Basket			$	$ 25.00
						$	$
						$	$
						$	$
						$	$

Subtotal	$ 95.00
Tax	$ exempt
Shipping	$ 11.95
Delivery/ Pickup	$ 6.00
Miscellaneous	$
Subtotal	$ 112.95
Payment/ Deposit	$ 112.95
Balance Due	$ 0

Thanks so much - as always it is a pleasure! Shari

**Please note terms are net/15 days unless previous arrangements have been made. Accounts not paid in 30 days will assess a monthly service fee of $10.00. Thank you in advance for your prompt payment.

WE ACCEPT VISA, MASTERCARD, DISCOVER AND AMERICAN EXPRESS
(Circle One)

Credit Card No.:
Expiration Date:

Signature

A BASKETFUL...by Shari
904 Cooper Avenue
Lansing, MI 48910

(517) 484-8211

Exhibit 16

A Basketful by Sharl

Establishment: A Basketful by Sharl
Amount Charged: $106.00
Justification Entry: Gifts given by president.
Observations: Neither the receipt nor the justification entry described the business reason for the purchase, specified the services rendered on behalf of the College or its students, or identified the recipients of the gifts.

A Basketful...by Shari

Invoice

Invoice #: 40860
Date: 10-12-04
Page: 1 of 1

Ship To:

Same

Bill To:

President's Office LCC MC 8100A
P.O. Box 40010
Lansing Community College
Lansing, MI 48901

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10-11-04						Net/15 days**	

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10	Custom LCC Mugs		LCC Promo Gift Mugs			$ 10.00	$ 100.00
						$	$
						$	$
						$	$
						$	$
						$	$

Thank you for your mug orders!
Shari

Subtotal	$ 100.00
Tax	$ exempt
Shipping	$
Delivery/ Pickup	$ 6.00
Miscellaneous American Express	$
Subtotal	$ 106.00
Payment/ Deposit	$ 106.00
Balance Due	$ 0

**Please note terms are net/15 days unless previous arrangements have been made. Accounts not paid in 30 days will assess a monthly service fee of $10.00. Thank you in advance for your prompt payment.

WE ACCEPT VISA, MASTERCARD, DISCOVER AND AMERICAN FXPRESS
(Circle one)

Credit Card No.:
Expiration Date:

Signature

A BASKETFUL...by Shari
904 Cooper Avenue
Lansing, MI 48910
(517) 484-8211

Exhibit 17

Waldorf Astoria Hilton

Establishment: Waldorf Astoria Hilton

Amount Charged: $1,301.75

Justification Entry: Lodging for [person's name] conference in New York.

Observations: Neither the receipt nor the justification entry indicate that the reasonableness of the rate was considered and approved.

301 PARK AVE
NEW YORK, NY 10022
TELEPHONE 212 355 3000 FAX 212 371 3510

2505/K1MRR1
06/13/06 10:15PM
06/15/06 11:22AM

LANSING, MI 48917
US

1/0
489.00

RATE PLAN LV1

HH#

AL:
BONUS AL: CAR:

CONFIRMATION NUMBER : 3243604177

06/22/06 PAGE 1

06/13/06	*ROOM SERVICE	LINTR	6178618	$89.56		
06/13/06	GUEST ROOM	KASHER	6179575	$549.00		
06/13/06	OCC TAX	KASHER	6179575	$4.00		
06/13/06	ROOM OCCUPANCY TAX 5%	KASHER	6179575	$27.45		
06/13/06	STATE ROOM TAX	KASHER	6179575	$45.98		
06/13/06	JAVITS CENTER FEE	KASHER	6179575	$1.50		
06/14/06	*OSCAR'S	LINTR	6182899	$24.34		
06/14/06	GUEST ROOM	KASHER	6185585	$489.00		
06/14/06	OCC TAX	KASHER	6185585	$4.00		
06/14/06	ROOM OCCUPANCY TAX 5%	KASHER	6185585	$24.45		
06/14/06	STATE ROOM TAX	KASHER	6185585	$40.95		
06/14/06	JAVITS CENTER FEE	KASHER	6185585	$1.50		
06/15/06	VS *0900	MJONES	6187635		$1,301.75	
	BALANCE					$0.00

VS *0900 06/13/06 794775 B

013585

Exhibit 18

W Chicago Center

Establishment: W Chicago Center
Amount Charged: $1,237.47*
Justification Entry: ROI Conference - June 28 - July 1.
Observations: Neither the receipt nor the justification entry indicate that the reasonableness of the rate was considered and approved.

* The College employee originally charged $1,237.47 for a three-night stay but subsequently canceled one night and received a credit of $412.49.

W
CHICAGO
CITY CENTER
172 West Adams Street, Chicago, Illinois 60603
Tel: 312-332-1200 Fax: 312-917-5771

GUEST
Po Box 40010
Lansing, MI 48901

ROOM 1508
RATE 359.00
NO. PERS 1
FOLIO 79448 R
PAGE 1
ARRIVE 28-JUN-05 16:40
DEPART 01-JUL-05
PAYMENT V1

TRAVEL AGENT

CHARGE TO

DATE	REFERENCE	DESCRIPTION		CHARGES - CREDITS
Balance Through	27-JUN-05		0.00	
28-JUN-05	RT1508	Room Charge		359.00
28-JUN-05	RT1508	State Tax		42.72
28-JUN-05	RT1508	City Tax		10.77
28-JUN-05	DEPOSIT	Advance Deposit Applied		1237.47-
29-JUN-05	RT1508	Room Charge		359.00
29-JUN-05	RT1508	State Tax		42.72
29-JUN-05	RT1508	City Tax		10.77
	Total-Due		412.49-	

EXPENSE REPORT SUMMARY

Date	Room	Tax	Tel	Food Bev	Other	Total	Payment
28-JUN-05	359.00	53.49	0.00	0.00	0.00	412.49	1237.47-
29-JUN-05	359.00	53.49	0.00	0.00	0.00	412.49	0.00
Total	718.00	106.98	0.00	0.00	0.00	824.98	1237.47-

If you can't rate us a 10 for a perfect W experience, or have billing questions, please contact us at GMAndrew.Casperson@Whotels.com

I agree to remain personally liable for the payment of this account if the corporation or other third party billed fails to pay part or all of these charges

As a Starwood Preferred Guest you have earned at least 1470 Starpoints for this visit

W
CHICAGO
CITY CENTER
312-332-1200

Exhibit 19

New York Marriott Marquis

Establishment: New York Marquis

Amount Charged: $1,375.71

Justification Entry: Hotel/phone calls to office.

Observations: Neither the receipt nor the justification entry indicate that the reasonableness of the rate was considered and approved.

NEW YORK Marriott MARQUIS

1535 Broadway, New York City, New York 10036 (212) 398-1900

GUEST FOLIO

3742		185.00	09/10/06	12:00	23362	11075
ROOM	NAME	RATE	DEPART	TIME	ACCT#	GROUP
GNK	LANSING COMMUNITY CO	3	09/05/06	18:19		
TYPE			ARRIVE	TIME		
163	PO BOX 40010	PASSPORT:				
	LANSING MI					
	48901				MR#:	
ROOM CLERK	ADDRESS					

DATE	REFERENCE		CHARGES	CREDITS	BALANCE DUE
09/05	ROOM GRP	3742, 1	185.00		
09/05	RM TAX	3742, 1	24.74		
09/05	OCC/JAV		3.50	meal / restaurant name	
09/06	ENCORE	15903742	28.68		
09/06	ROOM GRP	3742, 1	275.00		
09/06	RM TAX	3742, 1	36.91		
09/06	OCC/JAV		3.50		
09/07	ROOM GRP	3742, 1	275.00		
09/07	RM TAX	3742, 1	36.91		
09/07	OCC/JAV		3.50		
09/08	LNG DIST	5013-517	5.84	phone calls	Split DTAEO
09/08	LNG DIST	5015-517	5.84		
09/08	LNG DIST	5048-517	5.76		
09/08	ROOM GRP	3742, 1	275.00		
09/08	RM TAX	3742, 1	36.91		
09/08	OCC/JAV		3.50		
09/09	ROOM GRP	3742, 1	185.00		
09/09	RM TAX	3742, 1	24.74		
09/09	OCC/JAV		3.50		
09/10	BK CARD			$1422.83	

TO BE SETTLED TO: VISA CURRENT BALANCE .00

THANK YOU FOR CHOOSING MARRIOTT! TO EXPEDITE YOUR CHECK-OUT, PLEASE CALL EXTENSION 6200, OR PRESS "MENU" ON YOUR TV. FOR AN UPDATED FOLIO CHECK OUT WITH OUR SELF SERVICE LOBBY KIOSK

NEW YORK Marriott MARQUIS

For questions regarding this folio
Please call Marriott Business Service
Toll Free at (800) 435-7627

Signature X ______________________

Exhibit 20

Maner, Costerisan & Ellis, P.C., Report

Maner, Costerisan & Ellis, P.C.
Certified Public Accountants

Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda J. Schaeffer
Steven W. Scott
David M. Bauck
Robert F. Miller, Jr.
Steven R. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward E. Williams, III
Timothy J. Olsen
Dennis D. Theis

Walter F. Maner, Jr. (1924-2001)
Floyd L. Costerisan
Leon A. Ellis (1955-1988)

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

October 12, 2005

To the Board of Trustees
Lansing Community College
Lansing, Michigan

We have performed the procedures enumerated in Appendix A to this report, which were agreed to by Lansing Community College, solely to assist you in evaluating Lansing Community College's Fall Semester 2005 student award aid packages in accordance with the general guidelines associated with the distribution of student financial assistance during this period. Management is responsible for Lansing Community College's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those specified parties in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we applied and our findings are described in Appendix A to this report. We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on Lansing Community College's Fall Semester 2005 student award aid packages in accordance with the general guidelines associated with the distribution of student financial assistance during the period ended October 12, 2005. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Lansing Community College and not intended to be and should not be used by anyone other than these specified parties.

Maner, Costerisan & Ellis, P.C.

Certified Public Accountants

544 Cherbourg Drive • Suite 200 • Lansing, Michigan 48917-5010 • (517) 323-7500 • Fax (517) 323-6346 • www.mcecpa.com

Appendix A

Agreed-upon procedures performed as specified by Lansing Community College with resulting conclusions:

1. Lansing Community College identified 61 individuals who inappropriately received financial aid refund checks amounting to $21,731.

   Procedure performed

   - We judgmentally selected and reviewed a sample of 5 individuals from this population, totaling $1,370, to test ineligibility.

   Conclusion

   - No exceptions were noted related to the College's assertion.

2. Lansing Community College manually disbursed 289 emergency loans, totaling $181,668, to students who were in desperate need of financial assistance.

   Procedure performed

   - We judgmentally selected and reviewed a sample of 10 students from this population, totaling $11,421, to test eligibility.

   Conclusion

   - No exceptions were noted related to the disbursement of emergency loans.

3. Lansing Community College disbursed 3,405 refund checks, totaling $1,370,523, beginning with check number 36526 and ending with check number 44647 for the period August 2, 2005 through October 12, 2005.

   Procedure performed

   - We reviewed the check register for check amounts over $3,000.

   Conclusion

   - We noted no check amounts greater than $4,852 and all check amounts appear reasonable.

Appendix A (Concluded)

4. Lansing Community College awarded financial aid to approximately 6,000 students for the Fall 2005 semester.

Procedure performed

- We statistically selected a sample of 72 students who received financial aid for the Fall 2005 semester. We tested the students for eligibility for financial aid and recalculated their award package to determine whether they were awarded the correct amount of aid.

Conclusion

- Eligibility
  - ✓ No exceptions were noted, all students that received aid were eligible for the specific type of aid they received.

- Award Package
  - ✓ We tested Federal, State and Local aid and noted the following exceptions:

Type of Aid	Number of exceptions	Total Dollar Amount of Exceptions
Federal Aid	0	$ -
State Aid	4	619.00
Local Aid	1	275.00
Total	5	$ 894.00

  - ✓ When applying this error rate to the population of all students who received tuition waivers for the Fall 2005 semester, the expected dollar amount of exceptions is approximately $32,000.

  - ✓ The exceptions noted were predominately in waivers such as the Michigan Tuition Incentive Program, which waives tuition for eligible students up to a maximum of 24 credit hours and fees up to $50 per year.

(J:\RO\2005\LansingCommunityCollege-AUP-SFAProject)

Exhibit 21

Plante & Moran, PLLC, Report

plante moran

Final Issued Report

Memorandum

To: President Paula D. Cunningham

From: Vicki VanDenBerg, Darlene Middleton, Katie Thornton

Date: Tuesday, October 18, 2005

Re: Student Financial Aid Risk and Vulnerability Assessment

Objective: Identify areas of risk and vulnerability as a result of the Fall Semester 2005 implementation of Oracle in the Student Financial Aid department.

We have grouped the findings by status and ordered by priority (High, Moderate, and Low).

STATUS–TO BE ADDRESSED

High Priority

- *Issue:* Student Financial Aid (SFA) is manually completing a "pink" sheet (loan worksheet) for every loan application to summarize all eligibility information due to inadequate reports produced from Oracle. SFA will be using the "pink" sheet for Spring Semester 2006.

  Recommendation: Customized reports should be created to reduce manual effort and likelihood for human error.

- *Issue:* Procedures were not followed to produce uniform results (especially in the area of "work arounds" to solve individual problems) which resulted in a multitude of adjustments for federal grants including Supplemental Employment Opportunity Grant and Pell Grant (awarding, then canceling, and re-awarding) and the application of manually posted awards (Merit, Michigan Competitive Scholarship and Tuition Incentive Program).

  Recommendation: "Work arounds" should be reviewed for efficiency, effectiveness, and avoided when an automated procedure can be established.

- *Issue:* Title IV federal grant refunds for students canceling, dropping, and changing courses for Summer Semester 2005 have not been paid back to the Federal Government within 30 days (in progress).

  Recommendation: Procedures for Title IV refunds need to be instituted for Fall Semester 2005 to meet the 30 day requirement.

- *Issue:* SFA is identifying problems (incorrect Pell and SEOG awards, lack or incorrect calculations for satisfactory progress, etc.) when completing the "pink" sheet for loan processing.

  Recommendation: The need for quick ways to review large amounts of information for reasonableness should be investigated through Oracle queries, downloads, and comparison of actual activity.

- *Issue:* Transactions are posting to student accounts without semester information, only date of transaction. As a result, Fall semester financial aid was applied to an outstanding balance in the Summer semester before the Summer semester was completed.

  Recommendation: Assess the capability of the system and make necessary adjustments to handle posting of activity in the proper order in time for Spring semester registration.

<u>Moderate to High Priority</u>

- *Issue:* Oracle has not consistently applied satisfactory progression tests to student accounts as of 10/14/05, including not properly accounting for transfer credits (ISCD is working on transfer credit inclusion).

  Recommendation: SFA and ISCD need to review satisfactory progression testing for students awarded funds. In addition, it needs to be clarified how the testing is technically "run" in the Oracle system (i.e., is it by individual student or against the entire population and how often?).

- *Issue:* Some students have had a program/major change that resulted in Oracle not assessing or charging tuition and fees to the student accounts, only charging course fees and refunding all financial aid applied to the account.

  Recommendation: Work with Oracle to resolve.

<u>Moderate Priority</u>

- *Issue:* Academic Completion Plans (ACP) tests for 150% completion (progression test for federal funds) where the student meets with an academic advisor once they have attempted 75 credits, and the total number of credits remaining for degree completion is determined. Oracle did not show this information and awards were paid incorrectly (i.e., a student with 6 ACP credits remaining but enrolled for 12 credits during Fall 2005, the student was paid the Pell amount for a full-time student instead of a half-time student).

  Recommendation: If the "work around" is excessively inefficient, the College should consider investing in these customizations in Oracle.

- *Issue:* An SFA staff username for Oracle and a federal online website was used by a number of people. There were no system restrictions to prevent multiple sign-ons.

  Recommendation: The College should run security reports to check usage/responsibilities and instituted protocol for accommodating additional staff assisting SFA.

-2-

- *Issue:* Some students have a third party sponsorship for payment of tuition and fees from organizations (Women's Resource Center, Michigan Works! etc.) and employers. These sponsorships pay after any federal grants are applied to the balance due. As a result of late application of Pell and SEOG, the third party sponsors were billed for their respective students before awards were applied to accounts. As a result, Cash Operations will have to refund collections back to the third party through a manual process. Timely posting of SFA awards will eliminate this issue.

  Recommendation: Assess whether any type of customized report could be created to reduce manual effort.

Low to Moderate Priority

- *Issue:* 40% of emergency loans have not been paid back yet and the College is letting SFA students register a day early.

  Recommendation: Assess the impact of these outstanding balances. Can the students register with an outstanding emergency loan? What is the plan for issuing for Spring semester? Set criteria on how and who to award and communicate to students for Spring semester, if necessary.

- *Issue:* ISIR records were not entirely loaded (due to receiving separate files) into Oracle to date (SFA has students on the "issue log" whose ISIR information has not been loaded). Currently, there is no process in place to verify that all ISIR files have been loaded and loaded completely.

  Recommendation: A process should be instituted to assure timely loading of ISIR information.

Low Priority

- *Issue:* Police academy loans have a different term (July-November) and those loans have not been processed yet.

  Recommendation: The Oracle system needs to be set up to handle this type of loan or the College should identify an alternative method of processing these loans.

- *Issue:* Lack of paper documentation of student financial aid activity, awarding information, and process sign-off/review. More than one preparer handled the information and there was no formal approval tracking.

  Recommendation: ISCD will be adding electronic sign-offs in the system to capture the preparer for entries.

- *Issue:* FERPA - The College's help desk employees assisted students with questions requiring their accounts. These interactions may have included personal information (i.e., social security numbers, passwords). Volunteers and student employees also had access to student records and personal information.

  Recommendation: All College staff should be reminded of FERPA regulations.

- *Issue:* In the Disbursement Detail screen when edits are made (canceling, reducing, increasing awards), a warning message pops up every time that states "Over Award Holds on the Award." The staff ignores this now, but could be missing an actual over-award.

  Recommendation: This message should only pop up when there is an actual over-award.

STATUS—IN PROGRESS

- Oracle cannot calculate a GPA from a specific semester. It is a running, live calculation. GPA is one of the satisfactory progress tests to receive student financial aid. ISCD is working on a way to capture GPA and store by semester.

- All Merit and waiver awards (Michigan Competitive and TIP awards, etc.) were applied to student accounts manually with deviations from eligible amounts resulting in awarding to ineligible students, awarding too much to eligible students and not awarding to all eligible students. These scholarship student accounts are currently being reviewed and corrected. Expected completion is by November 11.

- Manual adjustments to financial aid currently are not restricted and would allow duplication for any non-Pell award. ISCD is working with Oracle to set up restrictions to prevent duplicate postings.

STATUS–COMPLETED

- 61 student disbursements to students that should not have received the disbursement, primarily with SEOG funds ($100 per student) and Pell funding. All students have been billed back for the funds.

- C-codes (ISIR comment codes) were not mapped properly to the appropriate "to-do" item until the beginning of September, which resulted in delayed communication to students for required items needed to complete and award their financial aid.

- Oracle will be updated with new Student Financial Aid regulations for Fall 2006.

- Manual adjustments were made to award Pell when the automatic award had already hit the student accounts (10 instances of double awarding Pell found and corrected). The system no longer allows duplicate Pell awarding.

Exhibit 22

BDO Seidman, LLP, Report

Dear President Cunningham,

As requested, I have conducted a review to determine the cause of difficulty in processing student financial aid packages resulting from the implementation of the new Oracle enterprise information systems.

As we discussed, the intent of the review was not to be an exhaustive study, but to identify the issues to a sufficient level of detail to determine with a reasonable level of certainty:

What was the underlying cause of the problem(s)?

How do we assure we do not have these problems again in the future?

My review consisted of interviews with Judith Cardenas (Dean - Student & Academic Support), Glenn Cerny (CIO), and Evan Montague (IT Project Lead for Financial Aid). In addition, I reviewed the project materials which were provided to me.

Approach used for the Review

The success of an application implementation project of this magnitude, requires that certain activities are accomplished during the project life cycle (project milestones), and that a management review and signoff occur at key milestones signifying that both parties (Information technology staff & "end-users") are in agreement as to project status and have assessed the likelihood of the success of the project. In my investigation, I was looking for several key pieces of project documentation that Oracle's Application Implementation Methodology (AIM), and most other IT project methodologies recommend:

- Scope, Objectives, and Approach documentation – In brief, this documentation clearly defines the objective of the project, business processes included in the scope, the approach for implementation, and key measures for determining success.

- Evidence of operational meetings occurring at regular intervals to address the specifics of the systems design and build and identify and track any issues within the project, with significant participation by both Information Technology team members, as well as representative business process "owners".

- Evidence of current test scripts demonstrating that the new business processes on the new Oracle system were used or reviewed in detail by the business process owners, with signoff of the business processes by the business process "owners" or manual "work-arounds" defined for use in the initial go-live.

What was the underlying cause of the problem(s)?

In my investigation, I was unable to find evidence that adequate controls existed for the financial aid implementation project. While elements of this data existed, it was either not "close at hand" (implying not really used), not current, or not complete with both party sign-offs as a commitment to being ready before the go-live date.

In my questioning to determine who had overall responsibility for assuring all business processes necessary were addressed and working was answered with a vague or inconsistent response. On a positive note – there was not any finger pointing, both Information Technology and Student Services management were willing to "take the blame" for the outcome. The financial aid project lacked a clear "champion" to take charge, an operationally competent leader who understood all the business processes and how they would be conducted in the "new" system; thus when problems were identified during the implementation process, they were not elevated to a level where the college's management team could comprehend the magnitude of the problem and develop an understanding of the ramifications it would have on operations. Simply put, it fell into a void despite the teams best intentions.

Based upon my discussions it became apparent that significant contributors to the financial aid system issues upon going live were as follows:

- The Financial Aid Project Implementation lacked the controls typically found in a large scale IT project. Prior successes in overcoming obstacles in the financial implementation using simplified project techniques and additional support staff, probably led to a false sense of comfort to continue with what had worked in the past.
- The initial team assigned to the Oracle project were either not significantly qualified, or not "fully engaged", or committed to the implementation plan of this project. Specifically [redacted] who was assigned to the project was preparing to retire and did so, just prior to the go-live date. From my conversations it did not appear as though [redacted] had much interaction with Student Services management regarding the project. Subsequent to his departure, there was not another financial aid staff member completely familiar with the Oracle systems.
- Student services staff assigned were predominantly administrative types with – no operational leadership or initiative to take charge or actively volunteer to take responsibility.
- During this critical time, there was not a Director of Financial Aid.
- There was not a routine operational forum for specific departmental issues to be tracked, monitored and escalated as needed.
- Formal project management techniques and procedures for client (business leader) signoff at each stage were not followed. This would have escalated visibility to the risks earlier in the project.
- Lansing Community College is a BETA site for Oracle software, therefore fundamental business operating functions may not be operational in the software application.

Review of planning, timelines, training, communication:

I did not conduct an exhaustive study reviewing these detail elements, nor do I feel it would be prudent to spend college funds to conduct a more detailed review since without the controls mentioned above in place, the value of assessing more of the details is without significant benefit in correcting the situation going forward.

How do we assure we do not have these problems again in the future?

To assure that these problems do not continue, it is recommended that the following actions occur for the financial aid project, and all other significant IT projects going forward.

Implement and follow a Project Lifecycle Methodology intended for large scale application implementation and assures that proper controls are identified and a formal signoff process of the specifics is in place. At a minimum, the methodology should provide the following elements which should be reviewed by the college's executive staff and approved for completeness and consistency with the college's stated objectives and mission statement.

- Produce a clearly defined document of the project scope, objectives, and approach. Obtain signoff by the business side owner (client) and/or the executive team. Clearly define what the system: Must have, Should have, Could have, and Won't have.

- Produce a complete Business Requirements document with college signoff. The college is therefore responsible for gathering constituent approvals where necessary. Example: sample students to approve look and feel of self service, administrative staff to approve approach to updates and reporting etc., third party agencies for acceptability of reports and electronic format of data etc.

- Identify all business processes to be supported by system
    - ID those that can be performed manually if necessary.
    - ID those that represent significant risk to the ongoing operations of the college or it's stakeholders.
- Identify control points in process and verify data integrity and security. (establish an internal audit of these controls)

- Jointly develop Oracle Application workflow for all required business processes. Identify all open issues, customizations required, manual work arounds & prioritize these as necessary to support operations.

- Develop a test plan

- Conduct Test Scripts

- Use case scenarios to demonstrate work flow. Try to break it during use cases by using specific data to trigger risk events.

- Schedule a walkthrough with key business owners… form consensus of risk to determine preparedness to go live and user readiness to assume responsibility for the systems.

A "Business Owner" assigned to represent financial aid on this project. This individual should have the appropriate authority and acumen to assure the financial aid process is adequate for ongoing business operations and meets the intended objectives for students and administrative needs.

Conduct a Healthcheck and Risk Assessment for Financial Aid Processing. I have included a representative copy of each with my assessment of where the project would fall today. The college needs to assess the implied risks, have the team identify what they intend to do to mitigate this risk to the satisfaction of the management team.

Conduct a data integrity audit of the production data. Identify key data elements and relationships – conduct statistical analysis to assess reasonableness of accuracy in master data. Possibly implement a procedure like cycle count to constantly monitor data integrity. This should be incorporated into internal audit processes.

Immediate Need

A business plan needs to be put in place for next semester processing based on the assumption that no new development will take place within the next few weeks. This needs to be accomplished before the project is re-started since it will likely consume all available resources.

Observation

Due to the significant changes which have taken place with the enterprise wide implementation of the Oracle applications in such a short period of time, many business processes were likely hastened into production and not optimized. There are probably opportunities to improve operations using these new robust tools. A routine meeting should be established within the executive community with an operational focus on improvements. In addition, this same theme should be imbedded in all departmental meetings on a daily / weekly basis. It is important that a feeling of ownership for these systems transition from IT to the operational department heads. This group needs to be focused on the ongoing / day-to-day business of running the college. What are the key objectives – how will you measure success…monitor, maintain and control the routine operations. Operational meetings should be short and concise, assignments are delegated and tracked.

Ad Hoc Committee Report

LANSING COMMUNITY COLLEGE
Board of Trustees

Ad Hoc Committee Report (2/9/06)

I. Student Financial Aid System

The widely publicized problems with financial aid at Lansing Community College in fall of 2005 were a major area of concern for the Board of Trustees because of the immediate negative implications to LCC students and the long-term effect of a failed system: What caused the problems? What was the college doing to fix the problems? Were there liabilities if the system were used for other business applications for outside customers? Would this happen again to our students? What were the total costs to the college and its stakeholders?

Since the Board stands in a fiduciary relationship with the college, Board Chairman Chris Laverty created the Ad Hoc Committee to address the apparent problems and mounting public (and internal) concern regarding the school's computer system and the detrimental effect it had on financial aid disbursements in the fall of 2005. Trustees Thomas Rasmusson (Ad Hoc Chairman), K.P. Pelleran, and Tim Brannan were appointed to the committee. The Ad Hoc Committee focused on the student financial aid system as its greatest concern.

- Students waited in long lines, sometimes multiple days seeking resolutions that literally took weeks
- Most financial aid checks were wrong in fall of 2005 (staff estimated 80 to 90 percent)
- Oracle Student System not fixed, contrary to recent information made public by the administration
- The Oracle Student System software to correct financial aid has not been completely developed and is not expected to be received until fall of 2006

- Some members of the college Executive Leadership Team (a committee that makes operational decisions for the President) have repeatedly misrepresented the truth by saying the system was fixed for Financial Aid (manual workarounds have required tremendous staff overtime and a group of consultants for major processes) when in fact it continues to have problems
- College lost an estimated $1 million in fall of '05 from erroneous payments (staff estimated $1 million; in October, auditors estimated $800,000)

During its inquiry, the Ad Hoc Committee reviewed many documents, met with auditors and experts who were familiar with technology, reviewed emails from staff and students, and interviewed staff and administrators who had information regarding the Oracle Student System (OSS). The committee also reviewed three audit reports by BDO Seidman, LLP, Maner, Costerisan & Ellis, PC, and Plante & Moran which were prepared at the request of the President shortly after the financial aid problems occurred in Fall 2005. Only two audits were furnished to the Board in a report dated October 14, 2005. On October 17, 2005, the entire Board reviewed the two audits presented by BDO Seidman, LLP and Maner, Costerisa & Ellis, PC. The Board was told at the time that Plante & Moran did not have its report completed. The Ad Hoc Committee later learned that Plante & Moran was indeed prepared, but was asked to make changes to its report and not to present to the Board that evening. Board members did individually receive the abridged version of Plante's audit on October 18 – but were not presented the original report. After reviewing all audits, the Ad Hoc Committee believed that the audit reports merely scratched the surface of the systemic problems experienced at LCC as the scope of the audits appeared to be limited.

First, with regards to the Oracle software project, the board was misled from the very beginning. The Board was told by the college administration that: (1) the system was mature except as to the student system and that there was (2) great advantage from being part of the development and testing of a new student system and that (3) the system would save money. All three claims were untrue. Even the "mature" finance and Human Resources (HR) systems have been very troubled up to the present time, more than a year after "implementation." An expert from Michigan State University (as well as the experts from Collegis) told the Ad Hoc Committee that it is well known that being an "alpha site" (or "guinea pig" for software) is a difficult and costly process that can take many years to operate correctly; and, that back-ups and testing are necessary, which were not done at LCC. The problems were not a result of a "minor computer software glitch" in the system. A "minor computer software glitch" implies needing only a small adjustment. However, because the Oracle Student System was what is referred to in the industry as an "Alpha" system, it needed more than a minor fix. The Collegis report, which will be incorporated by reference into this report after its presentation, will discuss the system's designation as an Alpha site in greater detail. The report concludes that the student financial aid system should **NOT** have "gone live" in the fall of 2005, although Information Technology (IT) and Information Services and College Development (ISCD) fully supported the system "going live". There was no parallel system and no back up plan. Yet, for some reason the system was rushed into "going live" when it was obvious, even to the end-user community, that the system was going to fail. The failure of the Oracle Student System Software became evident when 1,900 students failed to have their financial aid correctly processed, thus, creating an undue burden on them and the staff at Financial Aid and the entire college community.

Second, the Ad Hoc Committee found that there was no formal training on the Oracle System in the Financial Aid Department, even though the Ad Hoc Committee had been told otherwise. This lack of training was first mentioned to the Ad Hoc Committee during an interview with the interim Director of Financial Aid, Nancy Sinsabaugh. She remarked that the staff in the Financial Aid Department had no training on the Oracle student system, that there was a lack of support and that the financial aid department was short staffed. Subsequent interviews revealed that financial aid workers were learning the system through trial-and-error "work sessions" with ISCD. No one present at the sessions knew how to use the system. Interviews with the administration and staff led the Ad Hoc Committee to conclude that not only was the financial aid staff untrained on the new system, but that the entire department was unprepared to "go live" in the fall of 2005. The Ad Hoc Committee was also disturbed to learn that the problems with the

Oracle student financial aid system have caused LCC to be out of compliance with federal financial aid regulations. Since compliance is a premier factor in the accreditation process for LCC, being non-compliant would potentially subject LCC to sanctions and fines.

Third, the committee learned that the financial aid department was severely understaffed. During the critical time of the Oracle Student System implementation, the financial aid office was functioning without a Director, Assistant Director, Loan Supervisor, and a Financial Aid Technical person. A request was made by the Financial Aid Department to fill staff vacancies. Subsequently, the Executive Leadership Team denied this request. One of the vacancies that the Department requested to be filled was that of the Financial Aid Director position. Another important position which remained vacant was for a Financial Aid Technical person. When asked why the position would not be filled, the then Chief Information Officer (CIO), stated that "all work could be done by ISCD." Unfortunately, ISCD lacked the knowledge for loading Free Application for Federal Student Aid (FAFSA) information, packaging awards, assigning budgets, assigning "To Do Items", and completing federal and state reports. Lack of permanent individuals in leadership positions and staff within the financial aid department during this crucial time was an important reason why the department did not support "going live." Yet their position was overridden by the ISCD personnel involved in the decision.

In addition, many staff were taken from various divisions/departments and relocated to ISCD without replacement. There was a documented lack of internal effective communication between Financial Aid and ISCD. It appeared that an inordinate level of authority had been granted to ISCD and that all departments were pressured to oblige. It was also suggested by many of those interviewed by the Ad Hoc Committee that the approach taken appeared to be one of "throw more money at the problem" to try and fix it.

Most concerning to the Ad Hoc Committee has been what we believe to be the blatant misrepresentation of fact by the college's then CIO and some members of its Executive

Leadership Team. In the September 29, 2005 and February 6, 2006 editions of the Lansing State Journal, members of the Executive Leadership Team were quoted as saying the Student Financial Aid System is "fixed." In fact, it is well known that the system was not fixed because (1) the software to fix it will not even arrive until the fall of 2006, (2) only manual workarounds involving extra staff hours, along with a costly team of out-of-state consultants, are getting any financial aid checks out to students, (3) that 80 to 90 percent of the scholarship checks in the fall were erroneous, (4) that errors in scholarship awards cost the College an estimated $1 million in the fall of 2005.

In conclusion, most of the problems that occurred during the fall of the 2005 financial aid disbursement period are linked to the Oracle Student System and its gross mismanagement. The student financial aid system was not ready to "go live." The Financial Aid Department lacked the manpower and personnel in decision-making positions it desperately needed, and the Financial Aid staff were not properly trained on the new system. To say that the problems in financial aid were due to a "minor computer software glitch" is a gross understatement and reflects a lack of understanding of the problems. It is believed by the Ad Hoc Committee that the delays in financial aid, incorrect payments, and erroneous scholarship and tuition waivers were a direct result of the mismanagement of the Oracle Student System and its premature application. The college's Administration is in **complete denial** with regards to the computer problems currently being experienced at LCC. From the very beginning, the system lacked the capability to handle crucial tasks essential to the operation of the Financial Aid Department. The Ad Hoc Committee was told that many calculations were being done by hand (increasing the possibility of human error), that financial aid checks were not being printed properly, that money was being disbursed for students who really had not qualified for financial aid, that improper amounts for financial aid were authorized by ISCD staff rather than financial aid staff, or that financial aid was not being provided to students who did qualify for it.

Lansing Community College is an institution of higher education, and its top priority is to the welfare and success of its students. Students at LCC who depended on financial aid to pay for their tuition, books, and basic necessities were left to fend for themselves at the start of the semester. Students could not get the kind of help that was necessary, and often were on hold on the phone for hours or stood in lines repeatedly for days waiting for help. As frustrations mounted, staff at the service end who had direct contact with students and parents, often found themselves being verbally abused, and worse, felt completely powerless when it came to trying to help out students out. A staff member said it was "heartbreaking" to know that people were "suffering financially" and "we were powerless to help."

That is why the Ad Hoc Committee suggested a thorough review by an outside firm with the required level of expertise to lend a qualified opinion as to why our system failed and what was needed to fully support its implementation in a manner that served our students needs, while being cost effective.

The following list is a work in progress by the Ad Hoc Committee, and information will be provided at subsequent scheduled Board meetings.

II. Legal Liability

According to the documents that were furnished by the College, there was no legal liability of the software provider for correcting problems and reimbursing expenses. Other legal opinions include:

- No signed contract between LCC and Oracle
- No enforceable contract
- No remedies, no scope of work (timelines, milestones, outcomes)
- No performance parameters or deliverables
- Recovery against Oracle is unlikely

It was wrong for the college to release the 1995 State of Michigan contract between Oracle and the State, claiming that it was the complete "main" contract between Oracle and LCC. Many parts were missing or were never supplied to the Ad Hoc Committee or the attorneys. Other documents were incorporated which provide that the supplier would not be liable or obligated to supply deliverables. Therefore, based on the contracts supplied to the Ad Hoc Committee, it is unlikely that a court would force the software supplier to pay extra cost to fix the problems or to reimburse LCC for any extra money spent fixing the system.

III. No Cost Savings From Technology

In its presentation to the Board, the Administration told the Board that the Oracle Implementation would save money. However, costs continue to rise and the implementation of the Oracle Student System, in reality, has not saved the college any money. As a matter of fact, there was no set budgeted amount for the Oracle system.

The cost, to date, associated with the purchase and implementation of the Oracle Student System is estimated at more than $40 million (hardware/software, staff, licenses).[1]

- Oracle student system may have only a two-year lifespan, after which Oracle may no longer support the current student system.
- It would have cost less to have 150 full-time employees doing the work manually than it did to maintain and correct the Oracle student system.

Oracle Project Cost Breakdown:

Enterprise software	$7.5 million
Database	$1.8 million
Hardware/Software	$8 million
Licensing to Oracle	$2.5 million

[1] Total based on data furnished and estimates for data not furnished.

ISCD implementation	$21[2] million	
Test Software	-------	Cost information not supplied by college.
Annual Oracle Maintenance	-------	Cost information not supplied by college.
Patches (software updated)	-------	Cost information not supplied by college.
Oracle support	-------	Cost information not supplied by college.
Development costs borne by LCC	-------	Cost information not supplied by college.
Interim financial aid director contract plus fees and expenses	$150/hour (partial cost)	Only partial information on hourly fee provided by consultant. Other cost information not supplied by college.
Out-of-state contractors brought in to LCC in Fall 2005 and January 2006 to package financial aid.	-------	Cost information on number of contractors, wages, fees and expenses not supplied by college.
Staff overtime	-------	Cost information not supplied by college.
Cost of fixing financial aid problems from implementation	-------	Cost information not supplied by college. Estimated overpayments in scholarships at $1 million.
TOTAL:	$40.8 million	(It is estimated that this figure would be higher.)

[2] Estimate – after four months of board requests this has not been furnished. It is known in '06 at a cost of $5.5 million. Prior years are estimates (fiscal years '02, '03, '04, and '05).

There is no cost benefit from this large technology investment at this time. This raises the question as to why it was recommended to the board and why it was represented as generating a cost savings (staff on the software review team said they felt the questions were leading and in favor of Oracle. Conversely, they indicated that Banner gave an inadequate presentation). The Ad Hoc Committee is hopeful that by working through the Oracle software problems, LCC will eventually return to its rightful place as a leader in technology, and that a new world of capabilities will emerge making LCC students the most technologically savvy in the global workplace.

V. Alpha Site

- The term "alpha site" means the Oracle Student software was undeveloped.
- Such a system was unlikely to function without a period of operating and working out problems – this could take years.
- The Board was led to believe by the Administration in numerous presentations by the former CIO that the Oracle Student System software was in the College's best interest. They were never informed that the software was neither developed nor tested and that LCC would be an "alpha site"
- It should have been expected that the software would fail. The Ad Hoc committee is hopeful that the Oracle Student System can be fixed to become a useful tool for administration, faculty and students.
- Personnel across campus were not trained in the system and were left on the sidelines watching their colleagues deal with the botched implementation of the financial aid system. They were rendered helpless when, in contrast to other system implementations, they could have provided relief by helping students.
- Campus-wide, personnel felt that there was no where to go for help. It was either ISCD's way or the highway.

CONCLUSION

1. It is imperative that LCC has a computer system that works efficiently and properly.

2. An independent firm should be retained (through the RFP process) at LCC to restore integrity in the Oracle Student System by assessing problems and developing solutions, properly training staff campus-wide, using proper number of staff needed to perform the IT functions for each department.

3. Assess the various options at this point:
   a. Fixing present software versus mature software.
   b. College operating its own system versus outsourcing operation.

Ad-Hoc Committee Chair

GLOSSARY

Glossary of Acronyms and Terms

CFO	Chief Financial Officer.
effectiveness	Program success in achieving mission and goals.
ELT	Executive Leadership Team.
HHPS	Human, Health and Public Services.
internal control	A process, effected by management, designed to provide reasonable assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
MAHE	Michigan Association for Higher Education.
mission	The agency's main purpose or the reason that the agency was established.
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 the parties responsible for overseeing or initiating corrective action.
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.
RFP	request for proposal.
ROI Conference	Return on Investment Conference.
SAS	Student and Academic Support.

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STATE OF MICHIGAN

OFFICE of the AUDITOR GENERAL