

PERFORMANCE AUDIT
OF
SELECTED COMMUNITY COLLEGES' REPORTING OF
ACTIVITIES CLASSIFICATION STRUCTURE DATA

May 2000

EXECUTIVE DIGEST

SELECTED COMMUNITY COLLEGES' REPORTING OF ACTIVITIES CLASSIFICATION STRUCTURE DATA

INTRODUCTION

This report, issued in May 2000, contains the results of our performance audit* of Selected Community Colleges' Reporting of Activities Classification Structure Data for the colleges' fiscal year 1998-99 (July 1, 1998 through June 30, 1999).

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General and was required by Act 109, P.A. 1999, the annual appropriations act for community colleges.

BACKGROUND

The activities classification structure (ACS) was developed in response to Section 8, Act 419, P.A. 1978 (a section of the fiscal year 1978-79 appropriations act for community colleges). Uniform data reporting requirements were developed for use in making State budget and appropriation decisions. Act 117, P.A. 1984, provided for a funding formula to be used to determine State aid for each community college. The funding formula is based on ACS data, such as full-time equated students, contact hours, expenditures, and other activity measures. For

* See glossary at end of report for definition.

fiscal year 1998-99, Act 295, P.A. 1998, continued with the reporting requirements as established in Act 117, P.A. 1984.

The Department of Education (DOE) is responsible for the collection and analysis of certain data submitted by the colleges on the various ACS forms.

Effective January 1, 2000, Executive Order No. 1999-12 transferred the responsibility for the administration of postsecondary services to the Michigan Department of Career Development.

**AUDIT OBJECTIVE
AND CONCLUSION**

Audit Objective: To assess whether colleges reported ACS data to DOE on the ACS forms in accordance with the provisions of the annual appropriations act for community colleges (Act 295, P.A. 1998), the ACS Manual for Michigan Community Colleges, the Manual for Uniform Financial Reporting of Michigan Public Community Colleges (MUFRR), and DOE's annual instructions.

Conclusion: We concluded that the selected community colleges generally reported ACS data to DOE on the ACS forms in accordance with the provisions of the annual appropriations act for community colleges, the ACS Manual for Michigan Community Colleges, MUFRR, and DOE's annual instructions. However, we did identify reportable conditions* relating to the calculation of the count date for credit hours, contact hours, and student headcount; student and course data reporting; contact hour computations and reporting; cost allocations and

* See glossary at end of report for definition.

expenditure reporting; and property tax data (Findings 1 through 5).

These reporting errors were not considered material and may not necessarily have a direct dollar impact on the community colleges' funding. However, it is important for comparative analyses that all community colleges report their enrollment and other ACS data in a consistent manner that adheres to the provisions of the annual appropriations act for community colleges, the ACS Manual for Michigan Community Colleges, MUFR, and DOE's annual instructions.

**AUDIT SCOPE AND
METHODOLOGY**

Our audit scope was to examine selected records supporting the activities classification structure data reported by seven community colleges for their fiscal year ended June 30, 1999. 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.

We randomly selected the following seven colleges to be audited and obtained ACS data for the colleges from DOE:

- Delta College
- Kalamazoo Valley Community College
- Lake Michigan College
- Oakland Community College
- Schoolcraft College
- St. Clair County Community College
- West Shore Community College

We interviewed staff responsible for preparing and submitting ACS data at each college. We tested the reporting of current fund expenditure data at the activity, subactivity, and element levels; supporting documentation regarding general fund full-time equated positions; and data related to tuition rates and local financing. We also tested the accuracy of reported contact and credit hours and headcount totals; class lists for headcounts, including in-district and out-of-district classification, class drop and add adjustments, and registration documentation; contact hour calculations; methods for determining legal residency; and methods for classifying general fund and non-general fund courses. In addition, we tested supporting documentation for energy usage and costs and the accuracy of reported physical plant area and volume.

AGENCY RESPONSES

Our audit includes 5 findings and 5 corresponding recommendations. We discussed our audit findings, along with the other reporting exceptions presented as supplemental information, with the management of each community college. The colleges' responses indicated general concurrence with our recommendations.

The Honorable Harry Gast, Chairman
Senate Appropriations Committee
Michigan Senate
and
The Honorable Terry Geiger, Chairman
House Appropriations Committee
Michigan House of Representatives
State Capitol
Lansing, Michigan

Dear Senator Gast and Representative Geiger:

This is our report on the performance audit of Selected Community Colleges' Reporting of Activities Classification Structure Data for the colleges' fiscal year 1998-99 (July 1, 1998 through June 30, 1999), mandated by Act 109, P.A. 1999, the appropriations act for community colleges.

This report contains our executive digest; description of reported data; audit objective, scope, and methodology and agency responses; comment, findings, and recommendations; a summary of audit findings by college and a schedule of other reporting exceptions, presented as supplemental information; and a glossary of acronyms and terms.

Annual appropriations acts require that the audited institutions develop formal responses within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us by the community colleges.

AUDITOR GENERAL

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Description of Reported Data

The activities classification structure (ACS) was developed in response to Section 8, Act 419, P.A. 1978 (a section of the fiscal year 1978-79 appropriations act for community colleges). Uniform data reporting requirements were developed for use in making State budget and appropriation decisions. Act 117, P.A. 1984, provided for a funding formula to be used to determine State aid for each community college. The funding formula is based on ACS data, such as full-time equated students, contact hours, expenditures, and other activity measures. For fiscal year 1998-99, Act 295, P.A. 1998, continued with the reporting requirements as established in Act 117, P.A. 1984.

The development of ACS has proven beneficial in that ACS:

1. Assists in the collection of uniform and comparable financial data from the 28 State-supported community colleges.
2. Provides an internal management tool to relate information about resources and activities to the achievement of institutional objectives.
3. Interfaces a State reporting structure with accounting practices and organizational structures common to the community college system.
4. Provides a framework for identifying areas of institutional similarities and differences.
5. Provides a logical basis for determining the gross need of individual colleges and of the total system, which then becomes translated into State appropriations.

The Department of Education (DOE) is responsible for the collection and analysis of certain data submitted by the colleges on the various ACS forms. Colleges are to report ACS data in accordance with provisions of the annual appropriations act for community colleges (Act 295, P. A. 1998), the ACS Manual for Michigan Community Colleges, the Manual for Uniform Financial Reporting for Michigan Public Community Colleges (MUFR), and DOE's annual instructions.

Effective January 1, 2000, Executive Order No. 1999-12 transferred the responsibility for the administration of postsecondary services to the Michigan Department of Career Development.

Audit Objective, Scope, and Methodology and Agency Responses

Audit Objective

The audit objective for our performance audit of Selected Community Colleges' Reporting of Activities Classification Structure Data was to assess whether colleges reported activities classification structure (ACS) data to the Department of Education (DOE) on the ACS forms in accordance with the provisions of the annual appropriations act for community colleges (Act 295, P.A. 1998), the ACS Manual for Michigan Community Colleges, the Manual for Uniform Financial Reporting of Michigan Public Community Colleges (MUFR), and DOE's annual instructions.

Audit Scope

Our audit scope was to examine selected records supporting the activities classification structure data reported by seven community colleges for their fiscal year ended June 30, 1999. 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.

We randomly selected the following seven colleges to be audited and obtained ACS data for the colleges from DOE:

- Delta College
- Kalamazoo Valley Community College
- Lake Michigan College
- Oakland Community College
- Schoolcraft College
- St. Clair County Community College
- West Shore Community College

Audit Methodology

Our fieldwork was performed from January through March 2000. We interviewed staff responsible for preparing and submitting ACS data at each college. We tested the reporting of current fund expenditure data at the activity, subactivity, and element

levels; supporting documentation regarding general fund full-time equated positions; and data related to tuition rates and local financing. We also tested the accuracy of reported contact and credit hours and headcount totals; class lists for headcounts, including in-district and out-of-district classification, class drop and add adjustments, and registration documentation; contact hour calculations; methods for determining legal residency; and methods for classifying general fund and non-general fund courses. In addition, we tested supporting documentation for energy usage and costs and the accuracy of reported physical plant area and volume.

Agency Responses

Our audit includes 5 findings and 5 corresponding recommendations. We discussed our audit findings, along with the other reporting exceptions presented as supplemental information, with the management of each community college. The colleges' responses indicated general concurrence with our recommendations.

Annual appropriations acts require the principal executive officers of the audited institutions to submit written responses to our audit to the House and Senate Appropriations Committees, the House and Senate Fiscal Agencies, the Department of Education, the Auditor General, and the Department of Management and Budget. The responses are due within 60 days after the audit report has been issued and should specify the action taken by the institutions regarding the audit report's recommendations.

COMMENT, FINDINGS, AND RECOMMENDATIONS

ACCURACY OF REPORTED INFORMATION

COMMENT

Audit Objective: To assess whether colleges reported activities classification structure (ACS) data to the Department of Education (DOE) on the ACS forms in accordance with the provisions of the annual appropriations act for community colleges (Act 295, P.A. 1998), the ACS Manual for Michigan Community Colleges, the Manual for Uniform Financial Reporting of Michigan Public Community Colleges (MUFR), and DOE's annual instructions.

Conclusion: We concluded that the selected community colleges generally reported ACS data to DOE on the ACS forms in accordance with the provisions of the annual appropriations act for community colleges, the ACS Manual for Michigan Community Colleges, MUFR, and DOE's annual instructions. However, we did identify reportable conditions relating to the calculation of the count date for credit hours, contact hours, and student headcount; student and course data reporting; contact hour computations and reporting; cost allocations and expenditure reporting; and property tax data.

These reporting errors were not considered material and may not necessarily have a direct dollar impact on the community colleges' funding. However, it is important for comparative analyses that all community colleges report their enrollment and other ACS data in a consistent manner that adheres to the provisions of the annual appropriations act for community colleges, the ACS Manual for Michigan Community Colleges, MUFR, and DOE's annual instructions.

Several of our audit findings pertain to more than one college; therefore, we have included a summary of audit findings by college, as supplemental information, to identify the specific colleges involved.

Also presented as supplemental information is a schedule of other reporting exceptions. These reporting exceptions represent instances of noncompliance that have been determined, after consultation with DOE, to have a minimal, if any, impact on the funding formula and the ACS Data Book* .

FINDING

1. Calculation of the Count Date for Credit Hours, Contact Hours, and Student Headcount

Two colleges did not calculate their count dates in accordance with DOE's instructions.

To ensure uniformity in reporting, DOE's instructions require the colleges to report all enrollment data as of the count date. The count date is defined as being one tenth of the total calendar days between and including the first and last days of instruction (including holidays and the final examination day) for both full and less-than-full academic period courses. When the one-tenth calculation results in less than one day, the first day of the course offering should be recognized as the count date. Our review of count date calculations and applications disclosed:

- a. Oakland Community College used the first day of class as its count date for non-credit courses that ranged from 1 to 15 days in length. Also, the College did not include the first day of class when determining the count date for its non-credit courses that exceeded 15 days.
- b. Schoolcraft College did not count the first day of class when calculating the count date for its general fund summer 1998 and winter 1999 courses. Also, the College inappropriately excluded a student from its count as a result of the student dropping the course the day after the correct count date for winter 1999.

RECOMMENDATION

We recommend that the colleges calculate their count dates in accordance with DOE's instructions.

* See glossary at end of report for definition.

FINDING

2. Student and Course Data Reporting

Six colleges reported student and course data on the course enrollment data by instructional element, subactivity, and activity form (ACS 6) that did not agree with the supporting class lists and class summaries.

The appropriations act and DOE's instructions require the colleges to generate their ACS 6's using class lists and class summaries as of the count date. DOE's instructions also require that the data reported to DOE on the ACS 6 must be consistent with that shown on the class lists and class summaries. Our comparison of the colleges' ACS 6's with supporting documentation disclosed:

- a. Delta College did not maintain class list and class summary documentation to support its ACS 6. In response to our inquiry, the College produced documentation that did not reconcile with the ACS 6 as of the count date, but did provide reasonable assurance that data reported on the ACS 6 was materially correct.
- b. Delta College, Lake Michigan College, Oakland Community College, and West Shore Community College incorrectly included students who were "auditing" courses in their credit hour totals. DOE's instructions do not allow the inclusion of students "auditing" courses in credit hour totals.
- c. Kalamazoo Valley Community College did not include students who were "auditing" courses in headcount and contact hour totals. DOE's instructions allow for the inclusion of students "auditing" courses in the headcount and contact hour totals.
- d. Lake Michigan College improperly included "grant funded" courses in the general fund ACS 6 rather than in the non-general fund ACS 6.
- e. Oakland Community College did not maintain class summaries for each enrollment period to support its ACS 6. As a result, we could not reconcile the College's ACS 6 to any documentation to provide assurance that data reported on the ACS 6 was correct.

- f. Oakland Community College improperly included non-general fund courses in the general fund ACS 6 rather than in the non-general fund ACS 6. Also, the College improperly excluded high school students from its ACS 6.
- g. Schoolcraft College semester summary reports did not reconcile to the yearly totals that were reported on the non-general fund ACS 6 in accordance with Act 295, P.A. 1998. This was because the semester summary reports did not include some non-general fund continuing education classes.
- h. West Shore Community College did not report non-general fund courses in its ACS 6. DOE's instructions require colleges to report enrollment data for all credit and non-credit instruction. Also, the College improperly exceeded the 1 credit hour to 16 contact hour ratio for its internships, which was in noncompliance with DOE's instructions.

RECOMMENDATION

We recommend that the colleges report enrollment data that agrees with supporting class lists and class summaries.

FINDING

3. Contact Hour Computations and Reporting

Four colleges did not calculate and report contact hours based on DOE's instructions.

DOE's instructions require that a contact hour be based on 50 instructional minutes. Total contact hours for a course are to be calculated by summing the total instructional minutes for a course in the academic period and dividing by 50. The instructions further state that: 1) course contact hours may be calculated on a section-by-section basis, or 2) all sections of a course may be reported at the same course contact hour value as long as each section's actual course contact hour value is not less than the reported value of that course by more than 5%. Colleges must perform an actual calculation on a random sample of courses to

determine the actual contact hour difference. Documentation of this random sample must be maintained for audit purposes. Our review disclosed:

- a. Lake Michigan College reported contact hours based on a predetermined number of hours for each credit hour instead of actual instructional minutes. The College informed us that its courses were within the required 5% of actual course contact hours and that it had performed a random sample as required by DOE's instructions; however, the College could not provide related documentation.
- b. Oakland Community College calculated contact hours for credit and non-credit courses by multiplying the number of credit hours times the number of weeks that the class was scheduled times a multiplier of 1.2. The multiplier was intended to account for instructional time provided to students in excess of the 50 minutes per contact hour.
- c. Schoolcraft College calculated continuing education contact hours using a divider of 16 for each hour taught instead of generating actual instructional minutes and dividing by 50 as required by DOE's instructions.
- d. West Shore Community College calculated contact hours based on 60 minutes instead of 50 minutes.

The consistent reporting of contact hours by all colleges is important because the number of contact hours may affect college funding.

RECOMMENDATION

We recommend that the colleges calculate and report contact hours based on DOE's instructions.

FINDING

4. Cost Allocations and Expenditure Reporting

Three colleges did not properly allocate or report some expenditures on their current fund expenditures by activity/subactivity/element forms (ACS 3's).

The annual appropriations acts, the ACS Manual for Michigan Community Colleges, MUFR, and DOE's instructions provide direction to community colleges on the proper allocation and reporting of expenditures. Our review disclosed:

- a. Lake Michigan College did not allocate indirect costs for auxiliary services in compliance with DOE's instructions.
- b. Oakland Community College did not establish an expenditure account to record the difference in tuition rates for students residing out-of-district who are charged in-district rates. The College allows in-district companies to pay in-district tuition rates for its employees regardless of where the employees reside. The College also allows students who reside out-of-district to pay in-district rates if the students own property within the district. While the College is entitled to have such tuition policies, MUFR requires that tuition and fee remissions or exemptions in any form be recorded and reported as expenditures.
- c. West Shore Community College did not allocate work-study expenditures to the department or organizational unit to which the service was rendered. Instead, the College reported the work-study expenditures as financial aid.

Accurate reporting of expenditures is necessary for comparable analyses of expenditures among the 28 community colleges. This data is used to determine the financial need of the individual colleges in the appropriation process.

RECOMMENDATION

We recommend that the colleges properly allocate and report expenditures on their ACS 3's.

FINDING

5. Property Tax Data

Four colleges did not accurately report their millage rate or taxable value on their tuition, taxable value, and millage data form (ACS 5).

The ACS 5 reports information on a college's tuition rates and local financing. Our review of ACS 5 information disclosed:

- a. Kalamazoo Valley Community College overstated its Total Operating Millage Levied line item for fiscal year 1999-2000.
- b. Lake Michigan College and St. Clair County Community College understated their Operation Millage line item for fiscal years 1998-99 and 1999-2000 and fiscal year 1999-2000, respectively.
- c. Oakland Community College underreported its taxable value for fiscal years 1998-1999 and 1999-2000 because it did not include all taxing authority taxable values in its ACS 5.

RECOMMENDATION

We recommend that the colleges accurately report their millage rate and taxable value on their ACS 5's.

SUPPLEMENTAL INFORMATION

SELECTED COMMUNITY COLLEGES' REPORTING OF
ACTIVITIES CLASSIFICATION STRUCTURE DATA
 Summary of Audit Findings by College
July 1, 1998 through June 30, 1999

Audit Finding	Delta College	Kalamazoo Valley Community College	Lake Michigan College	Oakland Community College	Schoolcraft College	St. Clair County Community College	West Shore Community College
1a				X			
1b					X		
2a	X						
2b	X		X	X			X
2c		X					
2d			X				
2e				X			
2f				X			
2g					X		
2h							X
3a			X				
3b				X			
3c					X		
3d							X
4a			X				
4b				X			
4c							X
5a		X					
5b			X			X	
5c				X			

SELECTED COMMUNITY COLLEGES' REPORTING OF
ACTIVITIES CLASSIFICATION STRUCTURE DATA

Schedule of Other Reporting Exceptions *

July 1, 1998 through June 30, 1999

ACS 3: Current Fund Expenditures by Activity/Subactivity/Element

1. Delta College did not report facility rental expenditures under the "Facility" column. The College reported these expenditures under the "Other" column.
2. Delta College did not accurately report instructional administration and support expenditures under the "Other Current Funds" column. The College reported some of these expenditures under its instructional "Other Current Funds" column.
3. Lake Michigan College did not report some maintenance salaries and fringe benefits on ACS line item 7.2, Maintenance. The College reported these expenditures on ACS line item 7.4, Energy Services.
4. Lake Michigan College did not prepare an audit trail to support the transfer of expenditures.

ACS 4: General Fund Personnel Activity Measures

1. Delta College did not allocate full-time equated (FTE) faculty positions for staff who taught outside their respective subactivity level.
2. Lake Michigan College did not include continuing education part-time FTE positions in the ACS 4. Also, the College did not accurately report FTE positions for full-time faculty at the instructional subactivity level. This was because two faculty taught in two different ACS elements; however, their FTE positions were not split between the two element levels. In addition, the College did not accurately allocate FTE positions for department chairpersons to line item 4.0, Instructional Support.

3. Lake Michigan College and St. Clair County Community College did not report the number of data processing and printing service FTE positions in the "Memo Item."
4. Oakland Community College calculated overload and part-time faculty FTE positions using an average salary basis rather than a total-units-produced basis.
5. Schoolcraft College inaccurately included institutional administration and physical plant personnel in ACS line item 5.0, Student Services, and ACS line item 4.0, Institutional Administration, respectively. Also, one administration position at the noninstructional subactivity level was counted twice.

ACS 6: Course Enrollment Data by Instructional Element, Subactivity, and Activity

1. Delta College understated contact hours for one class. Also, Delta College incorrectly reported in-district and out-of-district contact hours for non-general fund training by classifying the attendees as a resident/nonresident based on the training site.
2. Lake Michigan College did not differentiate residency within its senior citizen and faculty categories for summer semester 1998. Also, the College did not include the total number of in-district and out-of-district students, credit hours, and contact hours on its class list for summer semester 1998. The College reported this information for the remaining semesters after undergoing a database conversion process.
3. The Lake Michigan College student duplicated headcount was understated.
4. St. Clair County Community College incorrectly calculated one class contact hour. Also, the College did not use the correct count date for one continuing education class.
5. West Shore Community College did not use the correct count date for one class. Also, the College did not meet the 800 instructional minutes for one course.

ACS 7: Plant and Grounds Expenditures and Activity Measures

1. Delta College overstated its physical plant total fund line item and physical plant general fund line item by including energy service expenditures.
 2. Lake Michigan College overstated its energy general fund line item, water and sewage general fund line item, and physical plant general fund line item by not allocating indirect costs to auxiliary funds. Also, the College inappropriately included energy services in its physical plant general fund line item.
 3. Lake Michigan College overstated its overall volume because of a miscalculation of gross square footage and cubic footage by inappropriately including overhang area.
 4. Oakland Community College did not maintain sufficient documentation to support overall volume reported for its gross square footage and cubic footage.
 5. Schoolcraft College overstated its physical plant general fund line item by not deducting applicable utility expenditures.
 6. Schoolcraft College understated its gross square footage and cubic footage because of a posting error and miscalculation.
 7. St. Clair County Community College understated its physical plant general fund line item because of a posting error.
 8. West Shore Community College understated its energy general fund line item and physical plant general fund line item because of a posting error.
- * This schedule of other reporting exceptions identifies instances of noncompliance that have been determined, after consultation with the Department of Education, to have a minimal, if any, impact on the funding formula and the ACS Data Book.

Glossary of Acronyms and Terms

ACS	activities classification structure.
ACS Data Book	An annual publication from the Department of Education of enrollment, instruction, fiscal, and other data submitted by Michigan's 28 community colleges.
DOE	Department of Education.
FTE	full-time equated.
MUFR	Manual for Uniform Financial Reporting of Michigan Public Community Colleges.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
reportable condition	A matter coming to the auditor's attention that, in the auditor's judgment, should be communicated because it represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.