

EXECUTIVE DIGEST

COMMUNITY COLLEGES ACTIVITIES CLASSIFICATION STRUCTURE

INTRODUCTION This report contains the results of our compliance audit of the Community Colleges Activities Classification Structure for the colleges' fiscal year 1996-97 (July 1, 1996 through June 30, 1997).

AUDIT PURPOSE This compliance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General and was mandated by Act 85, P.A. 1997, 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 information, such as full-time equated students, contact hours, expenditures, and other activity measures.

For fiscal year 1996-97, Act 293, P.A. 1996, continued with the reporting requirements as established in Act 117,

P.A. 1984. Act 293 requires the colleges to annually report to the Department of Education (DOE) certain information on ACS forms.

**AUDIT OBJECTIVE
AND CONCLUSION**

Audit Objective: To determine whether the ACS information reported to the DOE on the ACS forms was in accordance with the provisions of the annual appropriations act for community colleges (Act 293, P.A. 1996), 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: In our opinion, the seven community colleges at which we reviewed the accuracy of selected ACS information were in general compliance with the reporting requirements. However, the community colleges did not accurately report some information and did not retain all supporting documentation for audit (Findings 1 through 11).

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 (Act 293, P.A. 1996), the ACS Manual for Michigan Community Colleges, the 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 Databook^{*}.

AUDIT SCOPE

Our audit scope was to examine the financial and other records supporting the activities classification structure information reported by seven community colleges for their fiscal year ended June 30, 1997. 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.

The following community colleges were included in our audit:

Glen Oaks Community College
Grand Rapids Community College
Henry Ford Community College
Macomb Community College
Mid-Michigan Community College
North Central Michigan College
Southwestern Michigan Community College

AGENCY RESPONSES

Our audit includes 11 findings and 11 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 findings.