

EXECUTIVE DIGEST

CAPITAL OUTLAY PROJECT FOR THE LEARNING RESOURCE CENTER AND THE HEALTH CAREERS EDUCATION CENTER

INTRODUCTION

This report contains the results of our performance* and financial audit* of Henry Ford Community College's Capital Outlay Project for the Learning Resource Center and the Health Careers Education Center. The financial portion of our audit covered the period May 13, 1996 through January 12, 1998.

AUDIT PURPOSE

This performance and financial audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. This audit was conducted under the authority of Section 203(2), Act 85, P.A. 1997 (a section of the community colleges' appropriations act), which mandates that the Auditor General conduct not less than three performance audits of community colleges each year. The audit was also conducted to comply with Section 1351a(2) of the Revised School Code (Section 380.1351a(2) of the *Michigan Compiled Laws*), which mandates that a school district have an independent audit of bonded construction activities after completion of all projects financed by the proceeds of the bonds.

BACKGROUND

Henry Ford Community College is a public two-year institution of higher education that was established in 1938. The College is part of the School District of the City of Dearborn and is governed by the School District's Board of Education.

The College operates under the authority of Sections 1601 - 1607 of the Revised School Code. The College's purpose is that of a comprehensive, public, nonresidential community college which meets the diversified post-secondary educational needs of the community by offering occupational/career programs in addition to traditional college and university transfer programs.

For the fiscal year ended June 30, 1997, the College reported current fund revenue (general, designated, auxiliary, and restricted funds) of \$60,542,236 and an enrollment of 7,020 full-year equated students. As of June 30, 1998, the College employed 206 full-time faculty, 598 part-time faculty, and 230 administrative and support personnel.

**AUDIT OBJECTIVES,
CONCLUSIONS, AND
NOTEWORTHY
ACCOMPLISHMENTS**

Audit Objective: To evaluate the relevancy and accuracy of the College's capital outlay program statement that was submitted to the Department of Management and Budget (DMB) for the Learning Resource Center and the Health Careers Education Center.

Conclusion: Our evaluation disclosed that the College's program statement was relevant but generally not

accurate. Our evaluation disclosed one material condition*:

- The College did not accurately determine and report classroom and laboratory utilization information in its capital outlay program statement that was submitted to DMB for the Learning Resource Center and the Health Careers Education Center (Finding 1).

The College agrees that it should accurately determine and report information supporting the need for capital outlay projects in program statement documents submitted to DMB. Further, the College informed us that it has taken steps to ensure more accurate room utilization reporting in future capital outlay program statements.

Our evaluation also disclosed one reportable condition* regarding the capital outlay project payment process (Finding 2).

Noteworthy Accomplishments: The College's capital outlay program statement reported a significant increase in the use of the Learning Laboratory as one of the conditions demonstrating the need for the Learning Resource Center. The Learning Laboratory opened in the fall of 1974 and had 11,263 visitations that year. By the fall of 1991, the annual number of visits to the Learning Laboratory had increased to 62,976.

Audit Objective: To determine if the College expended certain bond proceeds* for the Learning Resource Center and the Health Careers Education Center, as approved, in

accordance with Section 1351a(2) of the Revised School Code (Section 380.1351a(2) of the *Michigan Compiled Laws*).

Conclusion: We determined that the College expended certain bond proceeds for the Learning Resource Center and the Health Careers Education Center in accordance with the Revised School Code. Although we have cited undocumented expenditures in Finding 2.b., under our capital outlay project evaluation objective, those expenditures did not pertain to the bond proceeds as approved and subject to the Revised School Code.

Audit Objective: To audit the College's financial statements pertaining to the Learning Resource Center and the Health Careers Education Center as of and for the 20-month period ended January 12, 1998 for bond proceeds subject to audit in accordance with the Revised School Code and the Department of Treasury's *Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan*.

Conclusion: We expressed an unqualified opinion on the financial statements pertaining to the Learning Resource Center and the Health Careers Education Center as of and for the 20-month period ended January 12, 1998. However, our review disclosed one reportable condition related to the accounting for construction bond proceeds (Finding 3).

**AUDIT SCOPE AND
METHODOLOGY**

Our audit scope was to examine the program and financial records for Henry Ford Community College's capital outlay project for the Learning Resource Center and Health Careers Education Center. Also, our audit scope was to examine the financial records for the period May 13, 1996 through January 12, 1998. Our audit was conducted in

accordance with generally accepted auditing standards and *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 College's financial statements not related to the bonded construction funds are audited annually by a public accounting firm engaged by the College.

Our examinations of the College's records and activities primarily covered the period October 1, 1995 through January 12, 1998 and classroom and laboratory utilization data for fall terms 1991 and 1993.

We evaluated the College's capital outlay program statement regarding its recently completed Learning Resource Center and Health Careers Education Center. We compared assertions in the program statement with classroom and laboratory utilization data obtained from the College's data base and other available records.

We reviewed selected expenditures and applicable bid procedures for the capital outlay project to determine if the College complied with applicable laws and regulations.

We assessed the adequacy of applicable internal accounting controls to determine if the College reported financial transactions in compliance with the Revised School Code and the Department of Treasury's *Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan*.

AGENCY RESPONSES

Our audit report contains 3 findings and 5 corresponding recommendations. The College's preliminary response indicated that it agreed with all 5 recommendations. The College informed us that it has implemented or plans to implement each of the recommendations.