

PERFORMANCE AUDIT
OF

MONTCALM COMMUNITY COLLEGE

February 2001

EXECUTIVE DIGEST

MONTCALM COMMUNITY COLLEGE

INTRODUCTION

This report, issued in February 2001, contains the results of our performance audit* of Montcalm Community College.

AUDIT PURPOSE

This performance audit was conducted under the authority of Section 204(2), Act 109, P.A. 1999 (a section of the community college appropriations act), which mandates that the Auditor General conduct not less than three performance audits of community colleges each year.

BACKGROUND

Montcalm Community College is a public two-year institution of higher education. The College district includes the public school districts of Carson City - Crystal, Central Montcalm, Greenville, Lakeview, Montabella, Tricounty, and Vestaburg.

The College, established in March 1965, 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 to six-year terms.

The College's mission* is to create a learning community in which educated and trained people contribute to the economic, cultural, and social well-being.

* See glossary at end of report for definition.

For the fiscal year ended June 30, 1999, the College reported current fund revenue (general, designated, auxiliary activities, and restricted funds) of \$10,769,199; expenditures and transfers of \$10,730,595; and enrollment of 913 fiscal year equated students*.

As of August 31, 2000, the College employed 27 full-time faculty, 62 part-time faculty, and 151 full-time and part-time administrative and support personnel.

AUDIT OBJECTIVES,
CONCLUSIONS, AND
NOTEWORTHY
ACCOMPLISHMENTS

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

Conclusion: The College's admission and monitoring practices were somewhat effective in helping students successfully complete their classes and programs.

Our assessment disclosed one material condition*:

- The College should continue to actively implement and monitor the progress of its marketing plan to effectively recruit and retain credit course students (Finding 1).

Our assessment also disclosed a reportable condition* related to developmental courses* (Finding 2).

Noteworthy Accomplishment: The College maintains a student services Intranet home page that provides data related to enrollment services for staff to use to evaluate student recruitment, transition, and success. The home page provides information on registration, the College's recruitment efforts (including high school visits, career fairs, business visits, and assessment testing),

* See glossary at end of report for definition.

applications received by high school, enrollment counts by semester, various survey results, and current job openings for which the College's students may qualify. In addition, the home page provides data on the number of high school graduates in the College's service area that went to college and the number of those students who attend Montcalm Community College.

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

Conclusion: **The College was generally effective in its efforts to evaluate the quality of its educational programs.** However, our assessment disclosed a reportable condition related to evaluation of the quality of educational programs (Finding 3).

Noteworthy Accomplishments: The College was first accredited by the Commission on Institutions of Higher Education of the North Central Association of Colleges and Schools in 1974 and has retained its accreditation since. The College's method for evaluating the quality of education includes following an instructional services plan, analyzing student licensure and certification examination results, establishing advisory committees for its occupational programs, obtaining information through student and transfer student surveys and faculty evaluations, and soliciting feedback from former students when participating in follow-up conferences hosted by four-year institutions.

Audit Objective: To assess the effectiveness of the College's efforts to use its educational program resources effectively* and efficiently*.

* See glossary at end of report for definition.

Conclusion: The College was generally effective and efficient in its use of resources for educational programs. However, our assessment disclosed reportable conditions related to a minimum class enrollment policy and repetitive course enrollments (Findings 4 and 5).

Audit Objective: To evaluate the relevancy and accuracy of the capital outlay program statement for the vocational/technology facility and to assess the College's effectiveness in managing the construction of the facility.

Conclusion: Our evaluation disclosed that the program statement for the vocational/technology facility was somewhat relevant and accurate, and our assessment disclosed that the College effectively managed the construction of the facility. Our evaluation disclosed one material condition:

- The College should improve the accuracy and reliability of information reported in capital outlay program statements submitted to the Department of Management and Budget (Finding 6).

The College agreed with the recommendation and stated that it has implemented procedures to improve the accuracy and reliability of information reported to the Department of Management and Budget.

Audit Objective: To review the propriety of selected fiscal-related activities of the College.

Conclusion: Our review disclosed reportable conditions related to internal control and compliance with the Manual for Uniform Financial Reporting of Michigan Public Community Colleges (Findings 7 and 8).

AUDIT SCOPE AND
METHODOLOGY

Our audit scope was to examine the program and other records of Montcalm Community College. Our audit was conducted in accordance with *Governmental 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 financial statements of Montcalm Community College are audited annually by a public accounting firm engaged by the College.

Our review and testing of the College records and procedures was primarily for the period July 1, 1997 through June 30, 2000.

We reviewed the College's admission process, enrollment trends, and the efforts to recruit and retain students. Also, we evaluated the methods used for monitoring student progress and analyzed the academic assessment and placement process. Further, we evaluated the College's efforts to assess the quality of its educational programs. In addition, we reviewed the methods used by the College to periodically assess the job training needs of the community's employers and determined whether the College had established procedures for evaluating and obtaining accreditation of its programs.

We extracted student academic record information from the College's database for use in examining repetitive course enrollment, minimum class enrollments, and underage student enrollments. We also analyzed the College's use of classrooms and faculty.

We reviewed the program statements, planning documents, and other pertinent information related to the

construction of the College's most recent capital outlay project. Also, we reviewed the College's internal control over various accounting and cashiering functions. Further, we analyzed selected financial transactions and related issues to determine if they were in compliance with the Manual for Uniform Financial Reporting of Michigan Public Community Colleges.

AGENCY RESPONSES

Our audit report contains 8 findings and 10 corresponding recommendations. The College's preliminary response indicated that it agreed with all 10 recommendations.

February 23, 2001

Ms. Karen Carbonelli, Chairperson
Board of Trustees
and
Dr. Donald C. Burns, President
Montcalm Community College
Sidney, Michigan

Dear Ms. Carbonelli and Dr. Burns:

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

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

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

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

AUDITOR GENERAL

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Description of Agency

Montcalm Community College is a public two-year institution of higher education. The College district includes the public school districts of Carson City - Crystal, Central Montcalm, Greenville, Lakeview, Montabella, Tricounty, and Vestaburg.

The College, established in March 1965, 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 to six-year terms.

The College's mission is to create a learning community in which educated and trained people contribute to the economic, cultural, and social well-being.

For the fiscal year ended June 30, 1999, the College reported current fund revenue (general, designated, auxiliary activities, and restricted funds) of \$10,769,199; expenditures and transfers of \$10,730,595; and enrollment of 913 fiscal year equated students.

As of August 31, 2000, the College employed 27 full-time faculty, 62 part-time faculty, and 151 full-time and part-time administrative and support personnel.

Audit Objectives, Scope, and Methodology and Agency Responses

Audit Objectives

Our performance audit of Montcalm Community College had the following objectives:

1. To assess the effectiveness of the College's admission and monitoring practices to help students successfully complete their classes and programs.
2. To assess the effectiveness of the College's efforts to evaluate the quality of its educational programs.
3. To assess the effectiveness of the College's efforts to use its educational program resources effectively and efficiently.
4. To evaluate the relevancy and accuracy of the capital outlay program statement for the vocational/technology facility and to assess the College's effectiveness in managing the construction of the facility.
5. To review the propriety of selected fiscal-related activities of the College.

Audit Scope

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

The financial statements of Montcalm Community College are audited annually by a public accounting firm engaged by the College.

Audit Methodology

Our fieldwork was performed during May through August 2000. Our review and testing of College records and procedures were primarily for the period July 1, 1997 through June 30, 2000.

To accomplish our first objective, we reviewed the College's admission process and evaluated methods used by the College for enrolling students in developmental classes and monitoring students' progress. We analyzed the College's academic assessment and placement process by reviewing a random sample of students enrolled at the College during fall semester 1997 through spring semester 2000. Further, we reviewed enrollment trends and the College's efforts to recruit and retain students.

To accomplish our second objective, we reviewed the College's efforts to assess the quality of its educational programs. We analyzed the College's efforts to obtain results of licensing and certification examinations and processes used to contact employers of graduates or four-year colleges and universities to determine if the training provided by the College was adequate. We also reviewed the methods used by the College to periodically assess the job training needs of the community's employers. Further, we determined whether the College had established procedures for evaluating and obtaining accreditation of its programs.

To accomplish our third objective, we extracted student academic record information from the College's database for use in examining repetitive course enrollment, minimum class enrollments, and underage student enrollments. We also analyzed the College's use of classrooms and faculty.

To accomplish our fourth objective, we reviewed the College's revised program statement, planning documents, and other pertinent information regarding the vocational/technical facility capital outlay project and compared them with conditions present during the project's planning and construction period. This included examining student enrollment, facility use, and other pertinent information related to the project. We also reviewed the project's contracting process, construction management, and payment records.

To accomplish our fifth objective, we reviewed internal control over various accounting and cashing functions and selected financial transactions and related activities to determine if the College was in compliance with the Manual for Uniform Financial Reporting for Michigan Public Community Colleges (MUFR).

Agency Responses

Our audit report contains 8 findings and 10 corresponding recommendations. The College's preliminary response indicated that it agreed with all 10 recommendations.

The agency preliminary response which follows each recommendation in our report was taken from the agency's written comments and oral discussions 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 Michigan Department of Career Development, the Auditor General, and the Department of Management and Budget. The response is due within 60 days after the audit report has been issued and should specify the action taken by the institution regarding the audit report's recommendations.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

STUDENT SUCCESS IN COMPLETING CLASSES AND PROGRAMS

COMMENT

Audit Objective: To assess the effectiveness of Montcalm Community College's admission and monitoring practices to help students successfully complete their classes and programs.

Conclusion: The College's admission and monitoring practices were somewhat effective in helping students successfully complete their classes and programs. Our assessment disclosed one material condition. The College should continue to actively implement and monitor the progress of its marketing plan to effectively recruit and retain credit course students. Our assessment also disclosed a reportable condition related to developmental courses.

Noteworthy Accomplishment: The College maintains a student services Intranet home page that provides data related to enrollment services for staff to use to evaluate student recruitment, transition, and success. The home page provides information on registration, the College's recruitment efforts (including high school visits, career fairs, business visits, and assessment testing), applications received by high school, enrollment counts by semester, various survey results, and current job openings for which the College's students may qualify. In addition, the home page provides data on the number of high school graduates in the College's service area that went to college and the number of those students who attend Montcalm Community College.

FINDING

1. Student Recruitment and Retention

The College should continue to actively implement and monitor the progress of its marketing plan to effectively recruit and retain credit course students.

The College is a post-secondary educational institution that serves both credit and noncredit students. Students taking credit courses generate fiscal year equated student (FYES) enrollments, which are an important factor used in computing State

funding for the College. Also, credit courses usually generate tuition revenue for the College. Noncredit courses do not generate FYES enrollments, are not considered in determining State funding for the College, and do not generate tuition revenue. For the fiscal year ended June 30, 1999, the College received 35% and 14% of its general fund* revenue from the State and tuition, respectively. Therefore, effective recruiting and retaining of credit course students is critical to the fiscal well-being of the College.

The College's enrollment of credit course students has declined substantially since fiscal year 1995-96. As a result, the College's general fund cost per FYES has steadily increased and is the second highest among the State's community colleges. We believe this condition could seriously affect the College's long-term operations.

The College provided educational services to inmates of the Department of Corrections (DOC) through the end of fiscal year 1999-2000, at which time DOC terminated the prisoner education program. The prisoner education program accounted for 19% to 31% of the College's annual FYES enrollment over the last five fiscal years and, therefore, generated significant tuition for the College. The discontinuance of the prisoner program will further add to the decline in the College's enrollment of credit course students.

We reviewed the College's student enrollment trends and other related data. Because DOC has discontinued its prisoner program, we excluded prisoner student counts, prisoner credit hours, and associated revenue and expenditures. Our review disclosed:

- a. The College's FYES enrollment of 737 for fiscal year 1998-99 was the second lowest of the State's 28 community colleges. Between fiscal years 1995-96 and 1998-99, the College's FYES enrollment declined 12%. In comparison, the State's other three smallest community colleges (Gogebic, Kirtland, and West Shore) also had significant FYES enrollment declines of 15%, 13%, and 12%, respectively, for the same period. However, the eight smallest community colleges (Group 1*, excluding the College) had a combined FYES

* See glossary at end of report for definition.

enrollment decrease of only 1% during the same period. For fiscal year 1999-2000, the College's FYES enrollment further declined to 730.

- b. The College's unduplicated student head count* was 3,526 for fiscal year 1998-99. Between fiscal years 1995-96 and 1998-99, the College's unduplicated student head count declined 10%. In comparison, Gogebic's unduplicated student headcount decreased 13%, Kirtland's increased 13%, and West Shore's decreased 4% for the same period. The eight smallest community colleges (Group 1, excluding the College) had a combined decrease of only 0.1% for the same period. For fiscal year 1999-2000, the College's unduplicated student head count further declined to 3,500.
- c. The College's fall semester credit course student head count decreased 14% from fall semester 1996 to fall semester 1999. The credit hours generated from enrolled students decreased by 19% for the same period. Also, 188 (30%) of the 632 students who enrolled for the first time in fall semester 1998 did not reenroll for the following semester. Further, 421 (67%) of these 632 first time students did not reenroll for fall semester 1999.
- d. The College's unduplicated fiscal year head count for noncredit students decreased 54% from fiscal year 1995-96 to fiscal year 1997-98 and then increased significantly during the next two fiscal years. Overall, the head count of noncredit students decreased 18% from fiscal year 1995-96 to fiscal year 1998-99.
- e. The College's decline in FYES enrollment has resulted in the College's general fund expenditure per FYES to increase 39% from fiscal year 1995-96 to 1998-99. In comparison, Gogebic's general fund expenditure per FYES increased 25%, Kirtland's increased 27%, and West Shore's increased 28% for the same period. The College's general fund expenditure per FYES was the second highest of the State's 28 community colleges for fiscal year 1998-99.

The College informed us that the decrease in credit course students and FYES enrollment was because of the decrease in the area's unemployment rate. From calendar year 1995 through 1999, Montcalm County's unemployment rate

* See glossary at end of report for definition

decreased from 8% in 1995 to 6% in 1999. In comparison, the unemployment rates decreased for the county served by Gogebic from 10% to 7%, decreased for the counties served by Kirtland from 10% to 7%, and decreased for the counties served by West Shore from 11% to 6% for the same time period.

Many factors can affect a college's ability to retain and attract new students, and the mix of credit and noncredit students may fluctuate as a college strives to achieve its mission. However, the College's substantial decline in credit course enrollments occurred even though the College did not have stringent academic policies and had reasonable tuition rates. For example, the College did not limit the number of times that students may repeat a course and used the student's highest grade attained for repeated courses to calculate grade point averages. Another factor that affects a college's ability to attract and retain students is its ability to compete with other area post-secondary educational institutions' programs. Therefore, the College's declining enrollment trend most likely is an indicator of its effectiveness in attracting new students and helping current students complete their programs of study.

The College hired a director of institutional advancement in March 1999 to direct the College's marketing effort. This individual developed and implemented a detailed marketing plan for fiscal year 1999-2000 aimed at attracting new students and retaining current students. Because the marketing plan had only recently been implemented and related actions had only recently taken place, results of the College's efforts to increase enrollment had not yet been determined.

RECOMMENDATION

We recommend that the College continue to actively implement and monitor the progress of its marketing plan to effectively recruit and retain credit course students.

AGENCY PRELIMINARY RESPONSE

The College agreed with the recommendation. The College reported that preliminary enrollment figures for the 2000-01 academic year indicate a 4% increase in credit enrollments and a 50% increase in noncredit enrollments.

FINDING

2. Developmental Courses

The College should assess the effectiveness of its developmental courses and take appropriate action to promote successful student academic achievement.

The College's admission policy requires that all new degree-seeking students, except for certain transfer students, senior citizens, and those holding a bachelor's degree or higher, complete placement testing for reading, writing, and mathematics before registering for college-level classes. The College required that students who achieved an unacceptable assessment test score enroll in a developmental class unless they were granted a waiver by a College course instructor. The College offers developmental classes in reading, writing, mathematics, and effective study.

One method of assessing the effectiveness of developmental courses is to analyze the performance of students who elect to retake the College's assessment test after completing a developmental course. The College informed us that it had reviewed the retake assessment test scores for improvement but had not reviewed them to determine the percentage of students who again received unacceptable test scores.

Using this method, we performed an analysis of students who took a developmental course during fall semester 1999 or spring semester 2000 and subsequently retook the assessment test. We determined from this analysis:

- a. Thirty-eight percent of those students who completed a developmental reading course and retook the reading assessment test received an unacceptable test score.
- b. Sixty-three percent of those students who completed a developmental mathematics course and retook the mathematics assessment test received an unacceptable test score.
- c. Twenty-nine percent of those students who completed a developmental writing course and retook the writing assessment test received an unacceptable test score.

Based on this analysis, it appears that a significant number of students did not attain the necessary skills in the developmental courses to move on to college-level courses.

While our analysis is not conclusive, it indicates the need for the College to periodically assess the effectiveness of its developmental courses in order to ensure such courses promote successful student academic achievement.

RECOMMENDATION

We recommend that the College assess the effectiveness of its developmental courses and take appropriate action to promote successful student academic achievement.

AGENCY PRELIMINARY RESPONSE

The College agreed with the recommendation and stated it has undertaken an assessment of developmental courses.

EFFORTS TO EVALUATE THE QUALITY OF EDUCATIONAL PROGRAMS

COMMENT

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

Conclusion: **The College was generally effective in its efforts to evaluate the quality of its educational programs.** However, our assessment disclosed a reportable condition related to evaluation of the quality of educational programs.

Noteworthy Accomplishment: The College was first accredited by the Commission on Institutions of Higher Education of the North Central Association of Colleges and Schools in 1974 and has retained its accreditation since. The College's method for evaluating the quality of education includes following an instructional services plan, analyzing student licensure and certification examination results, establishing advisory committees for its occupational programs, obtaining information through student and

transfer student surveys and faculty evaluations, and soliciting feedback from former students when participating in follow-up conferences hosted by four-year institutions.

FINDING

3. Evaluation of the Quality of Educational Programs

The College should improve its methods for evaluating the quality of its educational programs.

For fiscal year 1998-99, the College had 44 different degree and certificate programs and expended 69% of its total revenue on instruction and services to support instruction. As discussed in Finding 1, the College's enrollment had declined significantly in recent years. Therefore, obtaining and analyzing pertinent information is critical in allowing the College to thoroughly evaluate the quality of the educational programs and, if appropriate, make needed changes to the programs, which should help to increase and sustain enrollment.

The College uses a number of methods to obtain and analyze various aspects of its programs. Our review of these methods disclosed:

- a. The College did not formally contact employers of graduates to obtain feedback for evaluating the quality of its programs.

Timely contact of such employers would be a primary source of feedback related to the quality of the College's programs in preparing students for the job market. The College informed us that it informally obtained feedback through business and industry outreach efforts and used this information to improve academic programs. The College also informed us that it plans to develop a survey to obtain feedback from employers of former students in fiscal year 2000-01.

- b. The College did not survey transfer students on a timely basis or analyze the survey results by educational program.

The College conducts a survey every three years of students who transferred to a four-year institution. Such infrequent surveys do not provide the College with timely information for assessing the quality of its programs and, most likely, reduce the number of responses received. Surveying transfer students

more frequently, such as annually, should provide the College with increased and more timely feedback to assess the quality of its programs.

The survey includes a request that the transfer students compare their grade point averages at the four-year institution with their grade point averages at the College. The College did not analyze this performance feedback by educational program to assist in identifying any program weaknesses. More specific analysis of the transfer students' performance should improve the College's overall process of evaluating the quality of its educational programs.

- c. The College did not obtain pertinent transfer student performance information from four-year institutions.

During the period July 1, 1997 through June 30, 2000, 14 four-year institutions provided the College with the names and social security numbers of students who transferred from the College to the institutions. However, only 4 of the four-year institutions provided performance information related to the students' grade point averages. The College did not follow up with the 10 institutions not providing this information to obtain it. Such information would be useful to the College in evaluating the quality of its educational programs.

The lack of complete and timely information on graduates and transfer students limits the ability of the College to evaluate the quality of its educational programs.

RECOMMENDATION

We recommend that the College improve its methods for evaluating the quality of its educational programs.

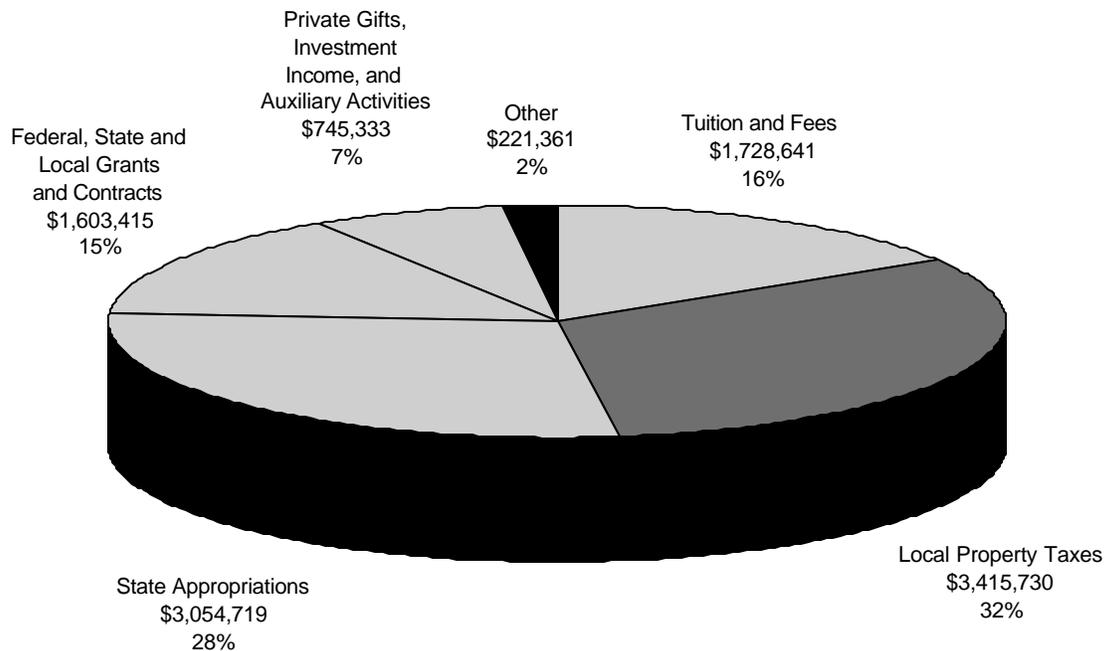
AGENCY PRELIMINARY RESPONSE

The College agreed with the recommendation and will implement procedures to improve the evaluation of its educational programs.

EFFORTS TO USE EDUCATIONAL PROGRAM RESOURCES EFFECTIVELY AND EFFICIENTLY

COMMENT

Background: The College receives revenue for educational programs from three primary sources: State appropriations, local property taxes, and tuition and fees. The following chart shows total revenue, by funding source, for the fiscal year ended June 30, 1999:



Audit Objective: To assess the effectiveness of the College's efforts to use its educational program resources effectively and efficiently.

Conclusion: **The College was generally effective and efficient in its use of resources for educational programs.** However, our assessment disclosed reportable conditions related to a minimum class enrollment policy and repetitive course enrollments.

FINDING

4. Minimum Class Enrollment Policy

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

We were informed that the College has an informal policy of reviewing classes with 9 or fewer students to determine whether to hold or cancel a class. The vice president of instruction and one of three academic deans review enrollment prior to the start of a class. The rationale for holding the classes with 9 or fewer students was based on professional judgment.

The College held 2,273 credit classes during fall semester 1997 through spring semester 2000. We reviewed class enrollment data using the College's informal policy of 9 students as a threshold to reduce the number of low enrollment classes. Our review of low student class enrollments disclosed:

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

During the review period, the College held 965 classes (excluding noncredit and certain specialized classes) that had 9 or fewer students. The College provided reasonable explanations for 304 (32%) of the low enrollment classes.

We were informed that the probable reasons for holding the other 661 classes included various conditions, such as the class was offered only one time during the semester, the class was needed to graduate, or the class was instructed by an adjunct instructor. Documenting the reason and formal approval for holding the low enrollment classes would help ensure that the College's resources are efficiently used.

- b. The College's informal review of low class enrollment each semester did not take into consideration nontuition students.

Employees, employee family members, and senior citizens do not pay tuition for classes taken at the College. To ensure the most efficient use of resources and to enable the College to make more informed decisions on whether to hold or cancel classes, the College should consider the effects of nontuition students.

A formal minimum class enrollment policy should specify an acceptable minimum enrollment for classes, identify factors to consider in hold/cancel determinations, identify special conditions that justify holding classes below the acceptable minimum enrollment, and require the documentation of these special conditions.

RECOMMENDATIONS

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

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

AGENCY PRELIMINARY RESPONSE

The College agreed with the recommendations and informed us that it has implemented a formal minimum class enrollment policy and process to document the reasons for holding low enrollment classes.

FINDING

5. Repetitive Course Enrollments

The College should establish a policy to effectively monitor repetitive course enrollments. Also, the College did not monitor repetitive enrollments to identify and counsel those students making unsatisfactory academic progress.

Academic progress is the progression toward completion of coursework required for a degree or certificate program. The College's current academic progress policy requires the achievement of a minimum grade point average to remain enrolled in the College. However, the College did not limit the number of times a student may enroll in a course and, with the exception of financial aid or nursing program enrollees, did not monitor students enrolling in a class multiple times.

We performed a computer analysis of students who were enrolled in courses from fall semester 1997 through spring semester 2000. Our analysis of these students' academic histories disclosed 136 instances (related to 112 students) in which students enrolled in a course three or more times.

We recognize that for certain courses, such as directed study, repeating a course several times may be appropriate. However, repetitive enrollment generally indicates a lack of academic progress. Also, because revenue generated from tuition and fees paid by students represents only 16% of the College's revenue, allowing students to repetitively enroll in the same courses may result in an inefficient use of State, federal, and local tax dollars and other revenue sources that provide funding for the remaining 84% of the College's operating costs.

Establishing a policy on repetitive enrollments and monitoring such enrollments would provide the College with the opportunity to identify and counsel students who are not progressing satisfactorily and may provide more efficient use of the College's resources.

RECOMMENDATIONS

We recommend that the College establish a policy to effectively monitor repetitive course enrollments.

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

AGENCY PRELIMINARY RESPONSE

The College agreed with the recommendations and informed us that it has implemented procedures to monitor repetitive course enrollments and to counsel those students making unsatisfactory academic progress.

CAPITAL OUTLAY PROGRAM STATEMENT AND CONSTRUCTION MANAGEMENT

COMMENT

Audit Objective: To evaluate the relevancy and accuracy of the capital outlay program statement for the vocational/technology facility and to assess the College's effectiveness in managing the construction of the facility.

Conclusion: Our evaluation disclosed that the program statement for the vocational/technology facility was somewhat relevant and accurate, and our assessment disclosed that the College effectively managed the construction of

the facility. Our evaluation disclosed one material condition. The College should improve the accuracy and reliability of information reported in capital outlay program statements submitted to the Department of Management and Budget (DMB).

FINDING

6. Capital Outlay Project

The College should improve the accuracy and reliability of information reported in capital outlay program statements submitted to DMB.

During fiscal year 1988-89, the College submitted an initial program statement to DMB for the construction of a new vocational/technology facility and extensive remodeling to existing facilities. The total project cost was estimated at \$8.5 million, with a 1993 completion date. The project was delayed until the College could obtain funding for its portion of the estimated cost. In April 1996, the College submitted a revised program statement for the same project. The revised estimated cost was \$11.4 million, with a completion date of August 1999. The project would be 50% State-funded and 50% College-funded. The College received DMB approval to proceed with the project in May 1996. Act 128, P.A. 1995, authorized \$5.7 million to the College for the completion of plans and commencement of construction. Actual construction started in May 1998.

The College's revised program statement stated that the primary reasons for the project were increased enrollment, the critical need to accommodate technology enhanced education, the strain on available classrooms on campus, and the professional development needs of area employers. The revised program statement also listed other reasons, including space needed for support services, such as staff offices, storage, and check-out and repair areas for computer and business labs. These reasons were aimed at addressing three problems that Montcalm County was experiencing as identified in the revised program statement. The problems were that county residents were experiencing a high level of unemployment, had a diminishing work force, and were being serviced by a community college that has outgrown its educational facilities, as well as the current state of funding.

Our review of the College's revised program statement and pertinent conditions at the College disclosed:

- a. The revised program statement information regarding student enrollment did not report relevant conditions.

The revised program statement stated that the College's "enrollments have increased at an unprecedented rate." The College reported that it experienced a 53% overall increase in FYES enrollment during the 10-year period ended June 30, 1995. Although accurate as stated, this information did not represent current and therefore relevant conditions.

For the five fiscal years preceding the revised program statement, the College's FYES enrollment decreased from 1,208 in fiscal year 1990-91 to 1,197 in fiscal year 1994-95. Also, FYES enrollment presented by the College included the prisoner education program students whose classes were held off campus. Nonprisoner FYES enrollment decreased 8% from 1,036 in fiscal year 1990-91 to 949 in fiscal year 1994-95.

Further, nonprisoner FYES enrollment continued to decline after the College had submitted the revised program statement. At the time construction started in May 1998, FYES had decreased an additional 15% to 810 for fiscal year 1997-98. The College did not report this continued declining enrollment information to DMB.

- b. The revised program statement contained statements regarding classroom use that were inaccurate and did not report relevant conditions.

The revised program statement stated that a primary reason for the project was "a great strain on the availability of space on the campus."

The revised program statement also stated that the county residents were being served by "a community college which had outgrown its educational facilities." The program statement did not report statistical data on classroom use. The College informed us that it had analyzed classroom usage rates to support these statements in the program statement, but it did not maintain the documentation to support the statement.

Using the most reliable data available for the semester nearest the start of construction, we analyzed classroom usage rates for fall semester 1998. Our analysis disclosed that 44% of the classrooms were used from 8 a.m. to 3 p.m. and 51% from 6 p.m. to 10 p.m., with an overall usage rate of only 45% of the available hours for the semester. Based on the College's enrollment trends, it appears that classroom usage rates would have been approximately the same during fiscal year 1995-96, which was the year in which the College prepared the program statement.

- c. The revised program statement contained statements and information regarding county unemployment rates that did not report relevant conditions.

The revised program statement stated that Montcalm County's economy was "reeling from recent and anticipated closings on [of] several plants combined with a continuing high level of unemployment." The revised program statement reported 1986 unemployment statistics, including the county's unemployment rate of 14%. This data was 9 years old at the time the revised program statement was submitted in April 1996. Based on Michigan Department of Career Development data, Montcalm County's average unemployment rate was 8% for 1995.

- d. The revised program statement contained a statement regarding the county's labor force that was inaccurate.

The revised program statement stated that Montcalm County was experiencing a diminishing work force but did not report statistical data regarding this issue. Based on Michigan Department of Career Development data, Montcalm County's labor force had increased 8% from a monthly average of 23,000 in 1991 to a monthly average of 24,825 in 1995.

To help facilitate the efficient use of limited State resources, it is important that the planning documents submitted to DMB provide accurate and reliable information for evaluating a project that support the project's priority in relation to other proposed capital outlay projects.

Our prior audit report of the College (dated February 27, 1990) also noted that College records did not support statements made in the initial program statement submitted to DMB in fiscal year 1988-89 for this capital outlay project.

RECOMMENDATION

We recommend that the College improve the accuracy and reliability of information reported in capital outlay program statements submitted to DMB.

AGENCY PRELIMINARY RESPONSE

The College agreed with the recommendation and stated that it has implemented procedures to improve the accuracy and reliability of information reported to DMB.

PROPRIETY OF FISCAL-RELATED ACTIVITIES

COMMENT

Audit Objective: To review the propriety of selected fiscal-related activities of the College.

Conclusion: Our review disclosed reportable conditions related to internal control and compliance with the Manual for Uniform Financial Reporting of Michigan Public Community Colleges (MUFR).

FINDING

7. Internal Control

The College needs to improve its internal control over certain accounting and cashiering functions.

Internal control over accounting and cashiering activities provides assurance that the College properly accounts for financial transactions. Such internal control includes adequate separation of duties and managerial oversight.

Our review of the College's internal control over various accounting and cashiering functions disclosed:

- a. The College had not established a formal policy relating to writing off unpaid student accounts. In addition, balances due on student accounts were written off by accounting staff without management authorization. The College informed us that amounts written off were based on an informal procedure of the Accounting Office. The College also informed us that account balances were pursued after they were written off. Establishing a formal policy, which

includes management approval of write-offs, would strengthen internal control and help prevent the inappropriate write-offs of student accounts.

- b. The same individual who prepared the daily bank deposit and had access to student financial records also performed bank reconciliations. The College informed us that the control weakness was caused by insufficient staffing and staff turnover, which resulted in some employees taking on additional work to meet department work loads. Proper internal control requires that separate individuals prepare deposits and perform the bank reconciliation to help ensure the proper accounting and deposit of all College funds.
- c. The mailroom did not require staff to initial checks received, restrictively endorse checks, or maintain a protected log of checks received. Also, the College records checks received through the mailroom on an electronic file. However, the electronic file was not secured to prevent changes from being made after the mailroom had completed its processing. Development of internal control regarding these issues would help ensure that all funds received were accurately accounted for and deposited.
- d. The College did not reconcile receipt numbers to help ensure the proper accounting of all funds received. The College recently implemented a new software system to manage student accounts. This system automatically assigns a number to receipts entered on the system. Accounting staff had the capability to void transactions that would remove the receipt number from the system. Routine reconciling of receipt numbers would prevent the improper voiding of transactions and, therefore, improve internal control over the receipt of funds.

Development of effective internal control would reduce the risk that errors, irregularities, and fraud could occur and not be detected.

RECOMMENDATION

We recommend that the College improve its internal control over certain accounting and cashiering functions.

AGENCY PRELIMINARY RESPONSE

The College agreed with the recommendation and stated that it has implemented procedures to improve its internal control over accounting functions. Also, the College stated that its annual financial audits have noted no internal control violations related to item d.

FINDING

8. Compliance With MUFR

The College sometimes did not comply with MUFR.

MUFR provides uniform accounting policies to community colleges to ensure that financial information is consistently collected and reported. MUFR requires that community colleges use a designated fund to account for transactions of funds restricted for a specific operating purpose and that the colleges designate a specific operating use for the funds. MUFR also requires that community colleges describe the transfer of funds in sufficient detail within the financial statements. Further, MUFR states that community colleges must allocate identifiable costs of an auxiliary activity on a reasonable and justifiable basis.

Our review of the College's financial transactions and related issues, primarily for fiscal years 1997-98 and 1998-99, disclosed:

- a. The College had not designated a specific operating use for money accumulated in its designated fund. The College's designated fund balance increased from a negative \$150,389 at June 30, 1997 to a positive \$196,596 at June 30, 1999. The increase was primarily the result of the College assessing technology fees to students for each credit hour attempted.
- b. The College's financial statements did not detail the purpose of transfers from the general fund to plant funds. Transfers, which totaled \$977,000 in fiscal year 1997-98 and \$704,150 in fiscal year 1998-99, were for plant additions and repayment of debt related to the additions.
- c. The College could not support the formula used to allocate costs to auxiliary and self-supporting activities. In addition, the College had not reviewed the propriety of the allocation method since its implementation. In 1990, the

College completed a cost allocation study, adopted a formula to allocate costs based on square footage, and made the initial cost allocation. Based on the developed formula, an initial allocated cost was applied. Since 1990, allocated costs each year have been based on the initial allocation adjusted for inflation. However, the College did not maintain documentation to support the allocation method and has not reviewed the propriety of the formula since implementation. For fiscal years 1997-1998 and 1998-1999, the College allocated \$10,448 and \$10,672 to the auxiliary and self-supporting activities.

RECOMMENDATION

We recommend that the College comply with MUFR.

AGENCY PRELIMINARY RESPONSE

The College agreed with the recommendation. The College reported that financial statements will detail transfers from the general fund and that a new cost allocation study is being completed.

Glossary of Acronyms and Terms

| | |
|------------------------------------|---|
| developmental course | A basic course in reading, writing, or mathematics designed to correct a student's academic deficiencies prior to enrollment in college-level courses. |
| DMB | Department of Management and Budget. |
| DOC | Department of Corrections. |
| effectively | Having the intended or expected results. |
| efficiently | Achieving a high level of output or outcomes in relation to the amount of resources applied. |
| fiscal year equated student (FYES) | The calculated equivalent of a student having completed one full year (31 semester hours) of credit course work. Also known as "full-time equated student." |
| general fund | Funds used to account for transactions related to instructional and academic programs. |
| Group 1 | The nine smallest community colleges, each having fewer than 1,600 fiscal year equated students. |
| material condition | A serious reportable condition which would impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the opinion of an interested person concerning the effectiveness and efficiency of the program. |
| mission | The agency's main purpose or the reason the agency was established. |
| MUFR | Manual for Uniform Financial Reporting of Michigan Public Community Colleges. |

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| 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. |
| unduplicated student head count | The combined number of credit course students and noncredit course students. |