

PERFORMANCE AUDIT
OF
NORTH CENTRAL MICHIGAN COLLEGE

May 2002

EXECUTIVE DIGEST

NORTH CENTRAL MICHIGAN COLLEGE

INTRODUCTION

This report, issued in May 2002, contains the results of our performance audit* of North Central Michigan College.

AUDIT PURPOSE

This performance audit was conducted under the authority of Section 212(2), Act 272, P.A. 2000 (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

North Central Michigan College is primarily a public two-year institution of higher education offering academic and occupational degree and certificate programs. Also, the College provides students with educational opportunities through certain bachelor's and master's degree programs offered in partnership with Lake Superior State University, Grand Valley State University, and Spring Arbor University. The College is located in Petoskey, in Michigan's northwestern Lower Peninsula. Besides its Petoskey campus, the College has regional centers in Cheboygan and Gaylord. The College district includes the Charlevoix-Emmet Intermediate School District and the Cheboygan-Otsego-Presque Isle Educational Service District comprising 24 constituent local school districts.

The College was established in 1958 as Michigan's twelfth community college and operates under the authority of Sections 389.1 - 389.195 of the *Michigan Compiled Laws*,

* See glossary at end of report for definition.

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 provide educational, economic, and cultural opportunities for individual growth and community improvement in the following areas: quality education and support services, community services and activities, educational pathways to economic and work force development, educational leadership, and a center for higher education in partnership with other providers.

The College is supported financially through millage revenue from Emmet County, student tuition and fees, appropriations from the State of Michigan, federal and State grants, and other miscellaneous income. For the fiscal year ended June 30, 2000, the College reported current fund revenues (general, designated, auxiliary activities, and restricted funds) of \$12,069,771; expenditures and transfers of \$12,030,989; and enrollment of 1,038 fiscal year equated students*.

As of winter semester 2001, the College employed 31 full-time faculty, 123 part-time faculty, and 83 full-time and part-time administrative 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 generally effective in helping students successfully complete their classes and programs. However, our assessment disclosed reportable conditions*

* See glossary at end of report for definition.

related to assessment of student academic achievement and articulation agreements (Findings 1 and 2).

Noteworthy Accomplishments: The College has vigorously pursued bachelor's and master's degree program offerings in partnership with several Michigan universities. As of fall semester 2001, the College offered 7 bachelor's degree programs and 3 master's degree programs. Most of these partnership programs are offered as "3 + 1 programs." In these programs, a student completes three years of studies as a student of the College at its tuition rate and the final year as a student of a four-year university at the university's tuition rate. The student then receives a four-year degree from the university. All 3 + 1 classes are held at the College. These programs enhance academic achievement by providing area students with the opportunity to continue their education at community college tuition rates while remaining in the community. Student enrollment in these programs has increased 93% since fall semester 1998.

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

Conclusion: The College's efforts to evaluate the quality of its educational programs were effective.

Noteworthy Accomplishments: The College was first accredited by the Commission of Institutions of Higher Education of the North Central Association of Colleges and Schools in 1972 and has retained its accreditation without interruption to the present.

The College offers assurance of quality guarantees to students completing Associate of Arts/Associate of Science degree transfer courses and Associate of Applied

Science degree occupational programs for retraining if a graduate is subsequently judged by an employer as lacking the technical job skills normally expected of any entry level employee.

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

Conclusion: The College was somewhat effective and efficient in its use of resources for educational programs. Our assessment disclosed one material condition*:

- The College's process for determining classroom utilization did not provide accurate information to enable the College to effectively and efficiently use its resources and plan for future classroom needs (Finding 3).

The College partially agreed with this finding. The College agreed that developmental credit classes should not count as two sections and that arranged classes* and off-campus classes should be excluded from its classroom utilization calculation. The College did not agree that canceled classes should be excluded from its classroom utilization calculation. Once a commitment was made to offer a class, it considered the classroom space to no longer be available for other uses during the time period that the class was offered. The College stated that in order to be responsible and cancel low enrollment courses, it set itself up for underutilization of space.

* See glossary at end of report for definition.

Our assessment also disclosed reportable conditions related to minimum class enrollment and classroom scheduling (Findings 4 and 5).

Noteworthy Accomplishments: The College has a dedicated natural area of approximately 240 acres on its campus that is used to support instruction and by citizens from the community. Also, the College campus hosts several community events, including an annual campus cookout; a lecture series; the Bear River's Writers Conference, which attracts nationally recognized poets and writers; and the Campus Rampus and Free College Day during which classes are available at no cost to the community.

Audit Objective: To assess the effectiveness of the College's capital outlay planning and construction processes.

Conclusion: The College was generally effective in its capital outlay planning and construction processes.

Audit Objective: To assess the effectiveness of the College's methods for allocating operating and service costs to self-liquidating auxiliary activities and programs.

Conclusion: The College was generally effective in its methods for allocating operating and service costs to self-liquidating auxiliary activities and programs. However, our assessment disclosed a reportable condition related to auxiliary activities fund cost allocations (Finding 6).

**AUDIT SCOPE AND
METHODOLOGY**

Our audit scope was to examine the program and other records of North Central Michigan College. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United

States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements of North Central Michigan College are audited annually by a public accounting firm engaged by the College.

Our review and testing of the College's records and procedures were primarily for the period June 1, 1998 through May 31, 2001.

We reviewed the College's admission and enrollment processes, enrollment trends, and efforts to recruit and retain students. We extracted student academic record information from the College's database and analyzed the academic assessment and placement process. Also, we evaluated the College's efforts and methods used for monitoring student academic progress and achievement. In addition, we evaluated the College's efforts and methods used to assess and monitor the quality of its educational programs. Further, we reviewed the methods used by the College to assess the job training needs of community employers and examined the College's procedures for 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 course withdrawals. Also, we analyzed the College's use of its classrooms and faculty.

We reviewed the program statement, planning documents, payment documents, and other pertinent information related to the construction of the College's most recent capital outlay project. Also, we evaluated the College's most recent request for capital outlay funding and five-year

master plan documents for relevancy and compliance with the Michigan Capital Outlay Process*. Further, we examined the College's allocation of operating and service costs to self-liquidating auxiliary activities and programs.

AGENCY RESPONSES

Our audit report contains 6 findings and 7 corresponding recommendations. The College's preliminary response indicated that it partially agreed with Finding 3 and agreed with the remainder of the findings and recommendations.

* See glossary at end of report for definition.

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May 7, 2002

Mr. Robert Kinney, Chairman
Board of Trustees
and
Dr. Cameron Brunet-Koch, President
North Central Michigan College
Petoskey, Michigan

Dear Mr. Kinney and Dr. Brunet-Koch:

This is our report on the performance audit of North Central Michigan 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; two exhibits, presented as supplemental information; and a glossary of acronyms and terms.

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

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

AUDITOR GENERAL

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Description of Agency

North Central Michigan College is primarily a public two-year institution of higher education offering academic and occupational degree and certificate programs. Also, the College provides students with educational opportunities through certain bachelor's and master's degree programs offered in partnership with Lake Superior State University, Grand Valley State University, and Spring Arbor University. The College is located in Petoskey, in Michigan's northwestern Lower Peninsula. Besides its Petoskey campus, the College has regional centers in Cheboygan and Gaylord. The College district includes the Charlevoix-Emmet Intermediate School District and the Cheboygan-Otsego-Presque Isle Educational Service District comprising 24 constituent local school districts.

The College was established in 1958 as Michigan's twelfth community college and 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 philosophy statement states:

North Central Michigan College, an open-door community college, provides accessible and affordable quality post-secondary education. As a comprehensive community college, we meet the needs of our community by providing the academic, occupational, and continuing education opportunities required by the changing world

The College's mission is to provide educational, economic, and cultural opportunities for individual growth and community improvement in the following areas: quality education and support services, community services and activities, educational pathways to economic and work force development, educational leadership, and a center for higher education in partnership with other providers.

The College is supported financially through millage revenue from Emmet County, student tuition and fees, appropriations from the State of Michigan, federal and State grants, and other miscellaneous income. For the fiscal year ended June 30, 2000, the College reported current fund revenues (general, designated, auxiliary activities, and

restricted funds) of \$12,069,771; expenditures and transfers of \$12,030,989; and enrollment of 1,038 fiscal year equated students.

As of winter semester 2001, the College employed 31 full-time faculty, 123 part-time faculty, and 83 full-time and part-time administrative support personnel.

Audit Objectives, Scope, and Methodology and Agency Responses

Audit Objectives

Our performance audit of North Central Michigan 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 assess the effectiveness of the College's capital outlay planning and construction processes.
5. To assess the effectiveness of the College's methods for allocating operating and service costs to self-liquidating auxiliary activities and programs.

Audit Scope

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

The financial statements of North Central Michigan College are audited annually by a public accounting firm engaged by the College.

Audit Methodology

Our fieldwork was performed from May through August 2001. Our review and testing of College records and procedures were primarily for the period June 1, 1998 through May 31, 2001.

To accomplish our first objective, we reviewed the College's admission and enrollment processes, including the methods used by the College for determining course placement and enrolling students in developmental courses. We extracted student academic record information from the College's database and analyzed the academic assessment and placement process. Also, we analyzed the effectiveness of the College's developmental courses by reviewing students enrolled at the College during the period from summer semester 1998 through winter semester 2001. In addition, we evaluated the College's efforts and methods used for monitoring student academic progress and achievement. Further, we reviewed the College's enrollment trends and its efforts to recruit and retain students.

To accomplish our second objective, we evaluated the College's efforts and methods used to assess and monitor the quality of its educational programs. We assessed whether the College had established procedures for evaluating and obtaining accreditation of its programs. Also, we evaluated the College's efforts to survey its graduates to determine if the education provided by the College was satisfactory to meet the students' educational and career goals. In addition, we examined the College's efforts to obtain the results of licensing and certification examinations and its processes used to contact employers of graduates and four-year colleges and universities to determine whether the training provided by the College was adequate. Further, we reviewed the methods used by the College to assess the job training needs of the community's employers.

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 enrollment, and course withdrawals. Also, we analyzed the College's assignment methods for, and use of, its classrooms, laboratories, and faculty, including the assignment of sabbaticals.

To accomplish our fourth objective, we reviewed the relevancy and accuracy of the College's program statement, planning documents, payment documents, and other pertinent information related to the construction of the College's most recent capital outlay project. Also, we evaluated the College's most recent request for capital outlay funding and five-year master plan documents submitted to the Department of Management and Budget for relevancy and compliance with the Michigan Capital Outlay Process.

To accomplish our fifth objective, we examined the College's allocation of operating and service costs to self-liquidating auxiliary activities and programs.

Agency Responses

Our audit report contains 6 findings and 7 corresponding recommendations. The College's preliminary response indicated that it partially agreed with Finding 3 and agreed with the remainder of the findings and recommendations.

The agency preliminary response that follows each recommendation in our report was taken from the College's written comments and oral discussion subsequent to our audit fieldwork. Annual appropriations acts require the principal executive officer of the audited institution to submit a written response to our audit to the House and Senate Appropriations Committees, the House and Senate Fiscal Agencies, the Michigan Department of Career Development, the Auditor General, and the State budget director.

The response is due within 60 days after the audit report has been issued and should specify the action taken by the institution regarding the audit report's recommendations.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

STUDENT SUCCESS IN COMPLETING CLASSES AND PROGRAMS

COMMENT

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

Conclusion: The College's admission and monitoring practices were generally effective in helping students successfully complete their classes and programs. However, our assessment disclosed reportable conditions related to assessment of student academic achievement and articulation agreements.

Noteworthy Accomplishments: The College has vigorously pursued bachelor's and master's degree program offerings in partnership with several Michigan universities. As of fall semester 2001, the College offered 7 bachelor's degree programs and 3 master's degree programs. Most of these partnership programs are offered as "3 + 1 programs." In these programs, a student completes three years of studies as a student of the College at its tuition rate and the final year as a student of a four-year university at the university's tuition rate. The student then receives a four-year degree from the university. All 3 + 1 classes are held at the College. These programs enhance academic achievement by providing area students with the opportunity to continue their education at community college tuition rates while remaining in the community. Student enrollment in these programs has increased 93% since fall semester 1998.

FINDING

1. Assessment of Student Academic Achievement

The College should continue to actively develop and improve its student academic achievement assessment efforts to help ensure that its students successfully progress toward and complete coursework required for a degree or certificate program.

The College's mission is to provide educational, economic, and cultural opportunities for individual growth and community improvement in the following areas: quality education and support services, community services and activities, educational pathways to economic and work force development, educational leadership, and a center for higher education in partnership with other providers. Most of the College's resources are allocated to its educational degree and certificate programs.

The College can best evaluate the attainment of its mission and the effectiveness of its educational programs by assessing the progress and success of its students in achieving their educational goals. Effective assessment efforts should include: identification of outcomes indicative of successful student achievement, performance indicators* for measuring these outcomes, methods to gather outcome data, a comparison of the actual data with desired outcomes, a reporting of the comparison results to management, and procedures to use the results to improve program effectiveness, if necessary.

The College received 10-year accreditation status from the Commission on Institutions of Higher Education of the North Central Association of Colleges and Schools (NCA) in 1995. NCA's accreditation criterion 3(b) requires an accredited institution to develop and implement a plan for the continuing assessment of student academic achievement in all of its programs to ensure that the institution is accomplishing its educational and other purposes. The 1995 NCA evaluation team reported that the College's plan for assessment of student academic achievement was inadequate. As a condition of the College's 1995 accreditation status, the College was required to submit progress reports to NCA in 1997 and 2000 detailing the College's acceleration and refinement of its assessment efforts. The College reported in its progress reports to NCA that its refined assessment plan included the creation of a committee structure to identify general education and occupational program outcomes, performance indicators, and a combination of national examination and local evaluation instruments to assess the accomplishment of the outcomes.

The College implemented the Academic Profile as the primary evaluation instrument to annually assess general education outcomes for its associate's degree programs in winter semester 1997. The Academic Profile was a nationally

* See glossary at end of report for definition.

normed student achievement examination that provided benchmarks and multistate comparative data in humanities, social sciences, natural sciences, reading, writing, critical thinking, and mathematics. The College discontinued the use of the Academic Profile after winter semester 2000 in favor of in-house assessments developed by faculty. However, the College had not yet fully developed or implemented replacement evaluations for all general education outcomes. The College implemented mathematics assessment examinations and writing portfolios and was to start pilot assessments for social science and natural science in summer semester 2001 and fall semester 2001, respectively. The College had not yet developed humanities assessments.

A comprehensive assessment of general education outcomes is imperative for the College to identify associate's degree program weaknesses and to improve program effectiveness and quality. Also, the College's failure to continually assess student academic achievement may affect its NCA accreditation.

RECOMMENDATION

We recommend that the College continue to actively develop and improve its student academic achievement assessment efforts to help ensure that its students successfully progress toward and complete coursework required for a degree or certificate program.

AGENCY PRELIMINARY RESPONSE

The College agreed with this recommendation. The College informed us that during fall semester 2001, two key College committees, the Curriculum Review and Academic Planning Committee and the Institutional Effectiveness Committee, received explicit charges from the College president to work on improving the College's student outcome assessment system. The College stated that it had completed an inventory of existing pilot programs of faculty-developed student outcomes assessment for courses. The inventory revealed existing pilot projects in the academic areas of nursing, writing, physical sciences, mathematics, and social science. For winter 2002, all full-time faculty members will conduct pilot studies and will report findings at the conclusion of winter semester 2002.

FINDING

2. Articulation Agreements

The College should obtain and maintain articulation agreements for all programs offered in partnership with other educational institutions. Also, the College should ensure that all programs offered through educational partnerships are communicated to students.

Annual community college appropriations acts encourage the State's community colleges to explore ways of increasing collaboration and cooperation with four-year universities, particularly in the areas related to training, instruction, and program articulation. One aspect of the College's mission is to provide educational opportunities for individual growth through a center for higher education in partnership with other providers. To accomplish its mission, the College offers a variety of bachelor's and master's degree programs and certificate programs in partnership with other community colleges and four-year universities. Most of these partnership programs are offered as a "3 + 1 program." In these programs, a student completes three years of studies as a student of the College at its tuition rate and the final year as a student of a four-year university at the university's tuition rate. The student then receives a four-year degree from the university. All 3 + 1 classes are held at the College. The College enrolled 87 students in these partnerships for winter semester 2001, a 93% increase since fall semester 1998.

An articulation agreement is a written document that sets forth the guidelines for the relationship between the College and a partner educational institution, including admission and curriculum criteria, to ensure that courses taken by students are accepted for credit by the partner educational institution.

The College did not have articulation agreements for 19 (76%) of 25 programs offered to its students from summer semester 1998 through winter semester 2001.

Also, for 2 of the 6 agreements provided to us, the College had to obtain the agreements from the other educational institution. Further, the College provided us with articulation agreements with another community college for surgical technology and respiratory care programs. These program offerings were not included in the College's course listing or course catalog and students were not notified of these programs through advisors.

Articulation agreements are essential for the College to ensure that students' coursework completed at the College will transfer to the applicable partner institution. Also, all program offerings should be communicated to students to maximize their participation.

RECOMMENDATIONS

We recommend that the College obtain and maintain articulation agreements for all programs offered in partnership with other educational institutions.

We also recommend that the College ensure that all programs offered through educational partnerships are communicated to students.

AGENCY PRELIMINARY RESPONSE

The College agreed with this finding. The College informed us that a change in leadership happened in July 2001, and it could not find the articulation agreements. The College stated that the agreements are now kept in the president's office and the academic dean's office. Information will be shared with students in the advising center (in Learning Support Services) and the resource center (in Student Services).

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's efforts to evaluate the quality of its educational programs were effective.**

Noteworthy Accomplishments: The College was first accredited by NCA in 1972 and has retained its accreditation without interruption to the present.

The College offers assurance of quality guarantees to students completing Associate of Arts/Associate of Science degree transfer courses and Associate of Applied Science

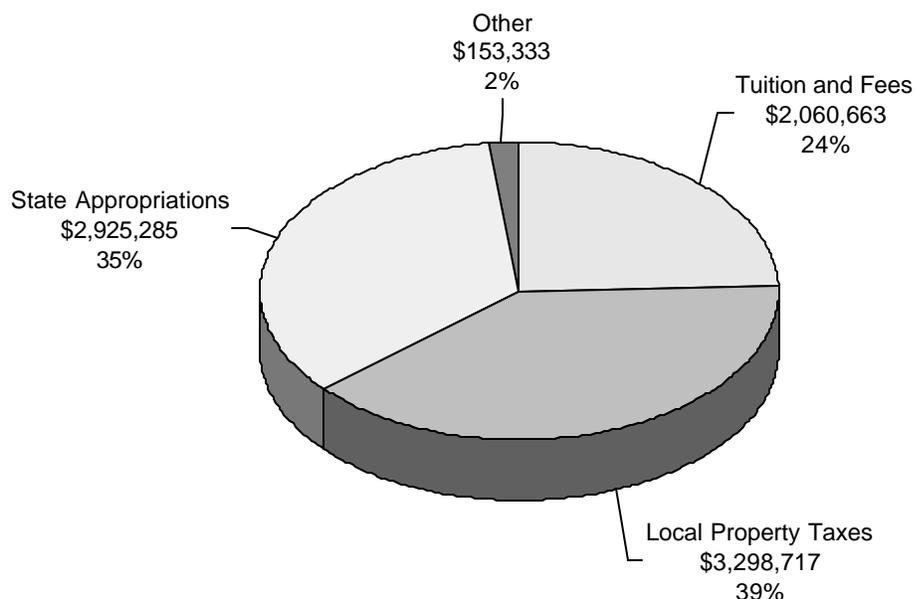
degree occupational programs for retraining if a graduate is subsequently judged by an employer as lacking the technical job skills normally expected of any entry level employee.

The College's methods for evaluating the quality of education include analyzing student licensure and certification examination results, conducting annual student pre-graduation and post-graduation satisfaction surveys, establishing advisory committees for its occupational programs, and conducting student evaluations of full-time and part-time faculty. During calendar year 2000, 96% of the College's nursing graduates passed the national registered nurse licensure examination on their first try. The national average passing rate was 85%.

EFFORTS TO USE EDUCATIONAL PROGRAM RESOURCES EFFECTIVELY AND EFFICIENTLY

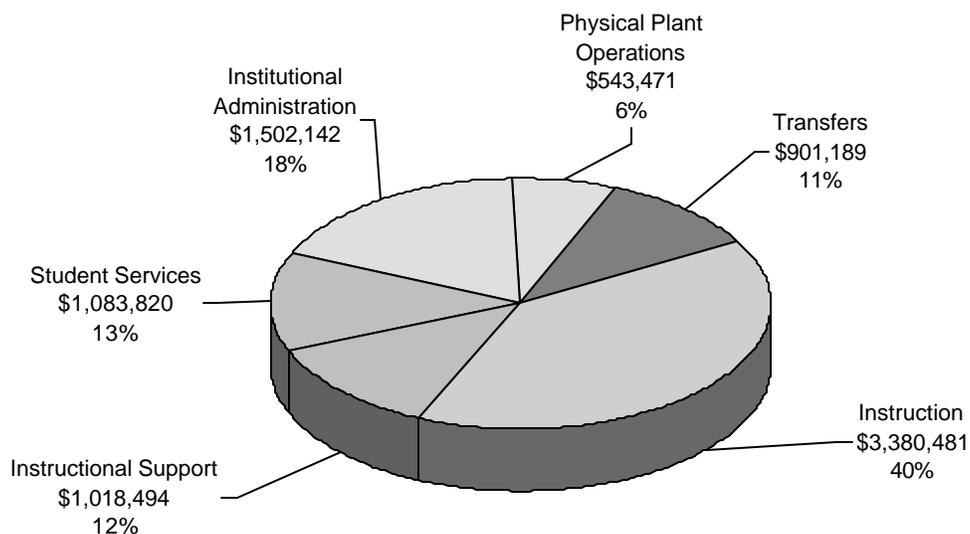
COMMENT

Background: The College receives its general fund revenues for educational programs from three primary sources: local property taxes, State appropriations, and tuition and fees. The following chart shows the amount and percentage of general fund revenues for the fiscal year ended June 30, 2000:



Source: Audited financial statements for the fiscal year ended June 30, 2000.

The College uses its general fund sources to primarily support its costs for instruction, institutional administration, and student services. The following chart shows the amount and percentage of general fund expenditures and transfers for the fiscal year ended June 30, 2000:



Source: Audited financial statements for the fiscal year ended June 30, 2000.

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

Conclusion: The College was somewhat effective and efficient in its use of resources for educational programs. Our assessment disclosed one material condition. The College's process for determining classroom utilization did not provide accurate information to enable the College to effectively and efficiently use its resources and plan for future classroom needs. Our assessment also disclosed reportable conditions related to minimum class enrollment and classroom scheduling.

Noteworthy Accomplishments: The College has a dedicated natural area of approximately 240 acres on its campus that is used to support instruction and by citizens from the community. Also, the College campus hosts several community events, including an annual campus cookout; a lecture series; the Bear River's Writers Conference, which attracts nationally recognized poets and writers; and the Campus Rampus and Free College Day during which classes are available at no cost to the community.

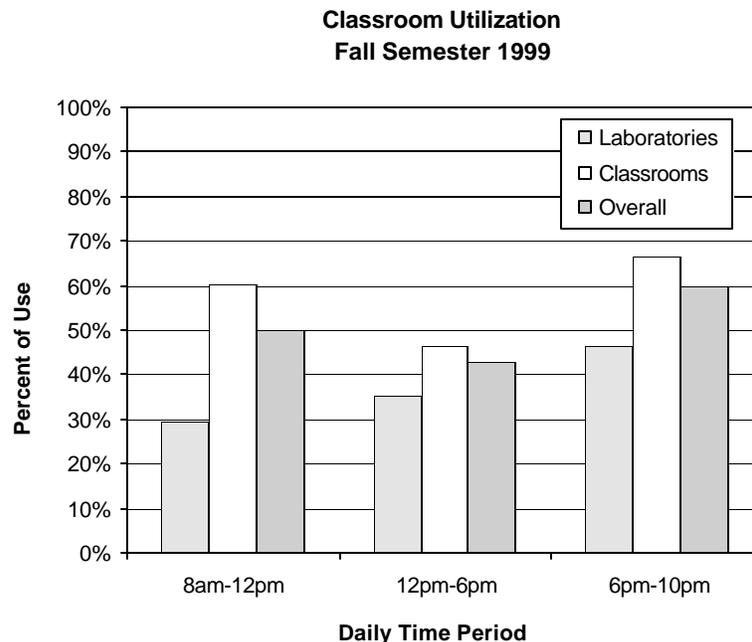
FINDING

3. Classroom Utilization

The College's process for determining classroom utilization did not provide accurate information to enable the College to effectively and efficiently use its resources and plan for future classroom needs.

The College reported in its five-year master plans (capital outlay request to the Department of Management and Budget) for fiscal years 1999-2000 and 2000-01 that it experiences nearly 100% utilization of its classrooms, including laboratories, during operating hours. Based on this utilization, the College reported an immediate need for 8.5 additional classrooms and a projected need of 20.5 additional classrooms within the next five years.

We analyzed the College's utilization of 31 classrooms for fall semester 1999 to verify the College's reported classroom utilization rate. Using the master room schedule, the Registrar's Office course schedule, and a listing of canceled classes for fall semester 1999, we calculated the following utilization rates:



The College stated that its peak classroom utilization was during the hours of 6 p.m. to 10 p.m., excluding Fridays. For this peak period, we determined that the College's classroom utilization rate was 60%.

Because of the substantial difference between our analysis and the College's reported utilization rate, we reviewed the College's methodology for determining classroom utilization as reported in its five-year master plans. We determined that the College calculated classroom utilization based on classes reported in the Registrar's Office course schedule and did not consider the actual time that classrooms were available (see Finding 5). The Registrar's Office course schedule included canceled classes, developmental credit classes*, arranged classes, and off-campus classes, which overstated the College's computed classroom utilization rate.

The College's fiscal year 1999-2000 five-year master plan included a draft program statement for the construction of a \$10-million, 32,255-square foot facility. The facility would include 14 classrooms, expand offices and the library, and add a technical support center. The draft statement reported that the primary reason for the facility was to satisfy the continuing need of additional classroom space for the higher education opportunities offered at the College in partnership with four-year institutions. The College's five-year master plan for fiscal year 2000-01 increased the facility plans to 45,000 square feet with 30 to 32 additional classrooms, offices, and distance learning conference rooms. The College stated that it would submit the 2000-01 master plan to the Department of Management and Budget in fall 2001.

An accurate assessment of classroom utilization is essential to ensure that the College is making the most efficient use of its resources and to provide a basis for determining future classroom needs.

RECOMMENDATION

We recommend that the College develop a process for determining classroom utilization that provides accurate information to enable the College to effectively and efficiently use its resources and plan for future classroom needs.

AGENCY PRELIMINARY RESPONSE

The College partially agreed with this finding. The College agreed that developmental credit classes should not count as two sections and that arranged classes and off-campus classes should be excluded from its classroom utilization

* See glossary at end of report for definition.

calculation. The College did not agree that canceled classes should be excluded from its classroom utilization calculation. Once a commitment was made to offer a class, it considered the classroom space to no longer be available for other uses during the time period that the class was offered. The College stated that in order to be responsible and cancel low enrollment courses, it set itself up for underutilization of space.

FINDING

4. Minimum Class Enrollment

The College should improve its controls over minimum class enrollment to help ensure that its educational resources are used efficiently.

The College informed us that it has an informal policy of requiring 12 students to be enrolled before a class is held and reviews classes with 11 or fewer students to determine whether to hold or cancel a class. The dean of instruction, two academic directors, and a representative from Student Services review enrollment levels prior to the start of classes and again after the drop/add period.

To improve its controls, the College should have a formal minimum class enrollment policy. The policy should: specify a minimum student enrollment for classes based on revenues and expenses associated with varying class size, identify factors to consider in hold/cancel determinations, identify special conditions that justify holding classes below the minimum student enrollment, and require the documentation of these special conditions.

Excluding laboratory classes, internships, classes that were combined with others, Institute of Business Information Technology classes, and certain specialized classes, we determined that 440 (22%) of 1,994 classes that the College held during the period from fall semester 1998 through winter semester 2001 had 11 or fewer students. Our evaluation disclosed:

- a. The College did not use its break-even analysis effectively to determine the minimum class enrollment number.

College management annually completes a break-even analysis to determine the minimum number of students needed for a class to efficiently use College

resources. The College's break-even analysis for fiscal year 2000-01 was based on the averages of instructional salary expense (overload* compensation was not considered), tuition revenue, and class size. The College determined that the break-even points for on-campus and off-campus classes were 15 and 8 students, respectively. The College used the average of these two points (12) as its minimum class enrollment threshold. However, we determined that, during the period from fall semester 1998 through winter semester 2001, the College held 78% of its classes on campus and 19% off campus and that 3% did not have a specified location.

Based on the preponderance of classes held on campus, the College should either determine a weighted average or apply separate on-campus and off-campus break-even points to help ensure that College resources are used efficiently.

- b. The College's review of low enrollment classes did not take into consideration non-tuition students.

Employees, employee family members, and senior citizens do not pay tuition for credit courses taken at the College. We determined that 85 (19%) of the 440 low enrollment classes included students who received tuition waivers. Also, an additional 270 (14%) of the 1,994 classes had enrollments of 12 to 14 students. We determined that 31 (11%) of the 270 classes would have been considered low enrollment classes if non-tuition students were excluded.

To help ensure the most efficient use of resources and enable the College to make a more informed decision on whether to hold or cancel low enrollment classes, the College should consider the effects of non-tuition students.

- c. The College often paid full-time faculty overload compensation for low enrollment classes during winter semester 2001.

The College held 69 low enrollment classes in winter semester 2001. We determined that full-time faculty taught 38 of these classes. The College compensated full-time faculty with overload pay totaling \$54,625 for 36 (95%)

* See glossary at end of report for definition.

of these 38 classes. Also, an administrative staff member received overload pay of \$1,725 for teaching 1 class of 7 students.

As noted in item a., the College did not consider the cost of overload compensation in its minimum class enrollment break-even analysis. To help ensure that the College's resources are efficiently used, the College should include overload compensation in its break-even analysis.

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

We were informed that probable reasons for holding these 440 low enrollment classes included various conditions, such as the class was needed for students to graduate, the class was a new offering, the class did not usually generate a large enrollment, the class was held off campus, or the class was for a program that was being phased out. We recognize that there are reasonable conditions that would require the College to hold a low enrollment class. However, to help ensure that the College's resources are efficiently used, the reasons and formal approvals for holding low enrollment classes should be documented.

RECOMMENDATION

We recommend that the College improve its controls over minimum class enrollment to help ensure that its educational resources are used efficiently.

AGENCY PRELIMINARY RESPONSE

The College agreed with this recommendation. The College stated that it established a formal document (called "Course Cancellation History") with a written explanation for holding low enrollment classes. The College stated that it will also revise its break-even analysis to accurately reflect its costs.

FINDING

5. Classroom Scheduling

The College should improve its methodology for classroom scheduling to help ensure the optimal use of resources.

The dean of instruction is responsible for determining the classes that will be offered each semester. After the classes to be offered are determined, the registrar enters the information into an automated information system, the AS400*. The dean of instruction's office is responsible for scheduling the classes into available classrooms (including laboratories) and enters the room assignment into the AS400.

Our evaluation of the College's methodology for scheduling classrooms for fall semester 1999 disclosed:

- a. The College did not have an effective, centralized scheduling process for all classrooms on campus.

The College informed us that one individual was responsible for assigning classrooms for classes held on campus each semester and maintaining a master room schedule. However, this individual did not include and schedule 6 (19%) of 31 classrooms that were available in fall semester 1999.

- b. The College did not use complete and accurate information regarding classes held.

Class information contained in the master room schedule was based on the dean of instruction's interoffice class list. We compared this list with the Registrar's Office "official" course schedule and determined that the master room schedule did not include all classes held. Also, the official course schedule included canceled classes, developmental credit classes, arranged classes, and off-campus classes, which overstated classroom space needs and the College's computed classroom utilization rate (see Finding 3).

- c. The College should consider revising its evening class hours to maximize its classroom utilization.

The College's reported peak classroom utilization period was from 6:00 p.m. to 10:00 p.m. Also, College management stated that students have indicated a preference for evening classes to be held from 5:30 p.m. to 7:00 p.m. rather

* See glossary at end of report for definition.

than 6:00 p.m. to 9:00 p.m. Our analysis of evening classroom scheduling and utilization disclosed that the College scheduled 15% and 57% of its evening classes from 6:00 p.m. to 9:00 p.m. or 7:00 p.m. to 10:00 p.m., respectively, and 10% from 5:30 p.m. to 7:00 p.m.

Scheduling two 1.5-hour evening classes twice a week rather than a 3-hour block class would be consistent with student preference and increase the College's ability to schedule multiple evening classes in each classroom.

An effective classroom scheduling process would include a centralized operation and the use of complete and accurate information that considers class hours that students prefer and allows optimal class offering and classroom utilization.

RECOMMENDATION

We recommend that the College improve its methodology for classroom scheduling to help ensure the optimal use of resources.

AGENCY PRELIMINARY RESPONSE

The College agreed with this finding and agreed that tighter controls are called for to ensure optimal use of resources. The College stated that classroom scheduling has been moved to one person and that the centralized scheduling should address the noted concerns.

CAPITAL OUTLAY PLANNING AND CONSTRUCTION PROCESSES

COMMENT

Background: The College received capital outlay authorization in Act 321, P.A. 1996, for a multipurpose educational facility, an art facility, and student center renovations in the amount of \$3,967,400. The estimated total construction cost of the project was \$11,474,426. Construction began on the project in fall 1999. Completion of the project was expected in fall 2001.

Audit Objective: To assess the effectiveness of the College's capital outlay planning and construction processes.

Conclusion: The College was generally effective in its capital outlay planning and construction processes.

ALLOCATION OF OPERATING AND SERVICE COSTS TO SELF-LIQUIDATING AUXILIARY ACTIVITIES AND PROGRAMS

COMMENT

Audit Objective: To assess the effectiveness of the College's methods for allocating operating and service costs to self-liquidating auxiliary activities and programs.

Conclusion: The College was generally effective in its methods for allocating operating and service costs to self-liquidating auxiliary activities and programs. However, our assessment disclosed a reportable condition related to auxiliary activities fund cost allocations.

FINDING

6. Auxiliary Activities Fund Cost Allocations

The College did not allocate all appropriate institutional support costs to the auxiliary activities fund.

An auxiliary activity is an entity that exists to furnish goods or services to students, faculty, or staff and is not by itself an instructional or administrative activity. An auxiliary activity may also serve the general public. The auxiliary activities fund accounts for transactions of these revenue-producing, substantially self-supporting activities. The College's auxiliary activities included residence halls, student center, food service, college bookstore, vending operations, and conference center.

The Manual for Uniform Financial Reporting of Michigan Public Community Colleges (MUFR) and the American Institute of Certified Public Accountants Industry Guide entitled *Audits of Colleges and Universities* require that expenditures of the auxiliary fund include all costs relating to the operations of the auxiliary activities, including expenditures for institutional support, such as executive and administrative offices that serve the whole institution. These expenditures can be charged directly or allocated on a reasonable and justifiable basis.

During fiscal years 1998-99 through 2000-01, the College reported approximately \$1 million annually in expenditures for the auxiliary activities fund. Although the College allocated support costs, such as utilities, it did not allocate general fund executive and administrative costs to the auxiliary activities. College staff stated that these general fund costs were not allocated because the activities could not absorb such costs and remain self-supporting.

Without an appropriate allocation of all institutional support costs related to the auxiliary activities fund, management is not aware of the total costs of operating these activities to allow an informed decision on the allocation of College resources. Also, for financial reporting purposes, the College understates the expenditures of those activities and overstates general fund expenditures.

RECOMMENDATION

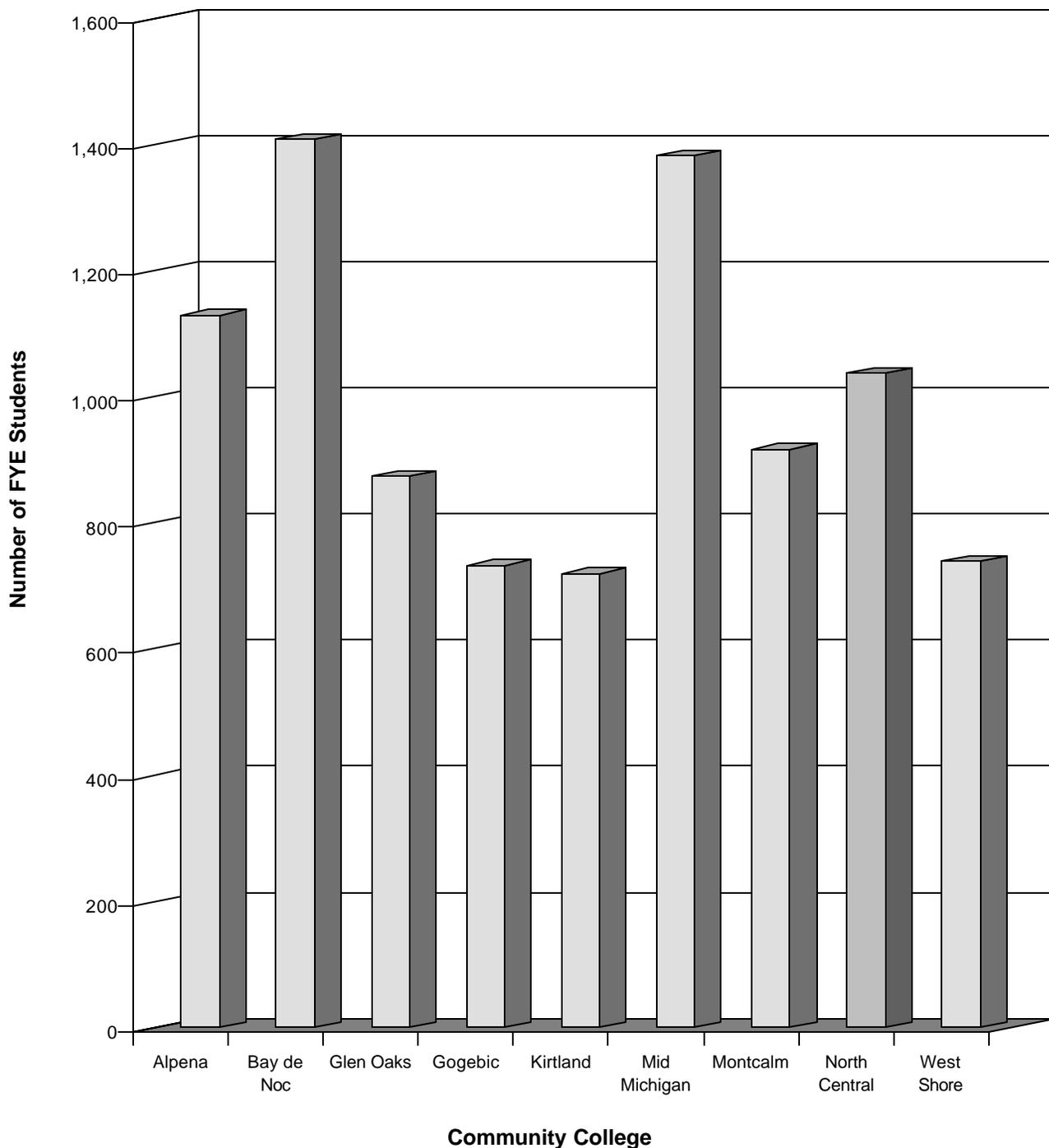
We recommend that the College allocate all appropriate institutional support costs to the auxiliary activities fund.

AGENCY PRELIMINARY RESPONSE

The College agreed with this finding. The College informed us that all auxiliary services will be charged appropriate administrative fees.

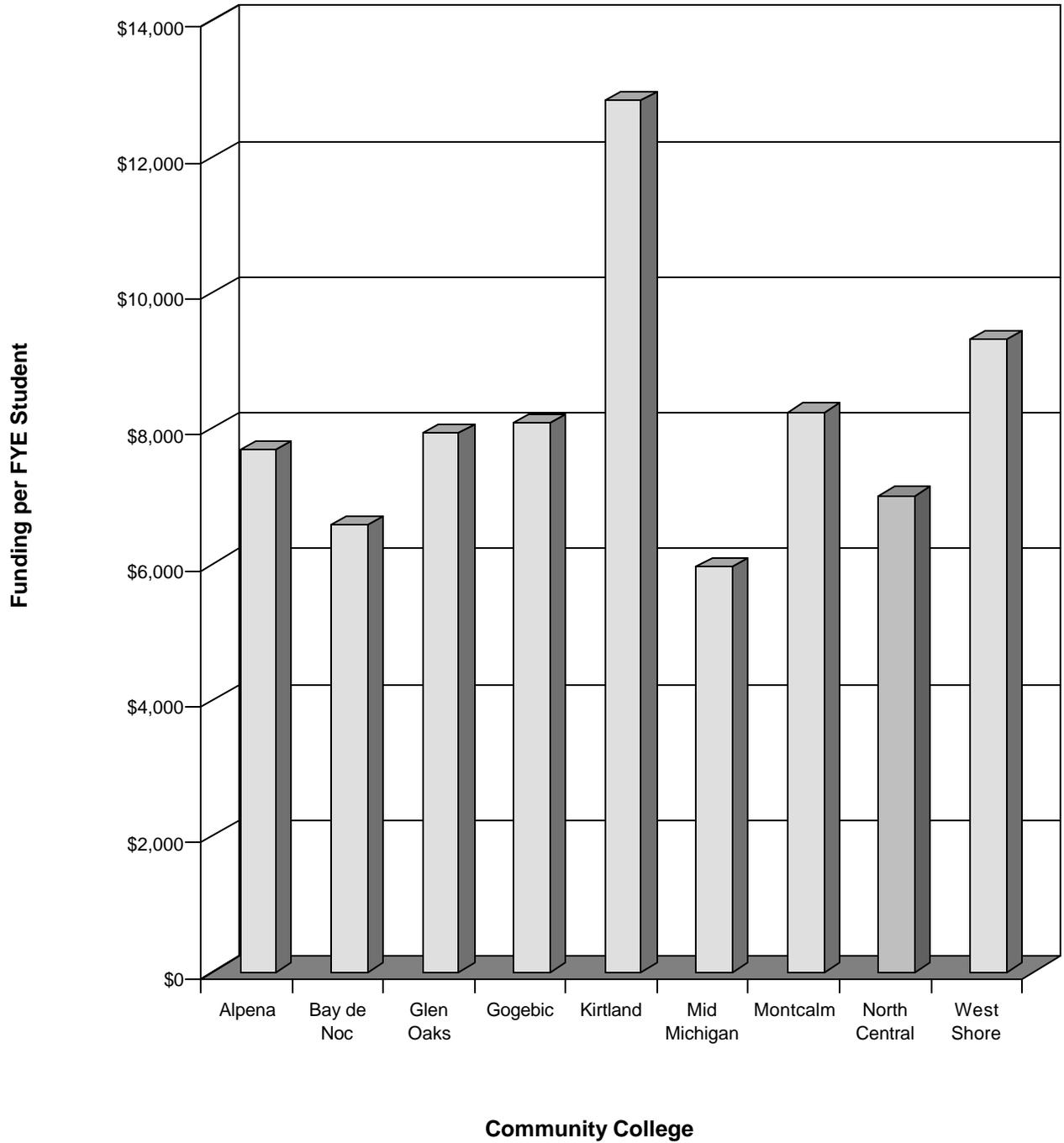
SUPPLEMENTAL INFORMATION

NORTH CENTRAL MICHIGAN COLLEGE
Number of Fiscal Year Equated Students for Similar Community Colleges
For Fiscal Year 1999-2000



Source: Activities Classification Structure (ACS) data.

NORTH CENTRAL MICHIGAN COLLEGE
Per Student Funding From General Fund Sources for Similar Community Colleges
For Fiscal Year 1999-2000



Source: Activities Classification Structure (ACS) data.

Glossary of Acronyms and Terms

arranged class	A class of independent study or private instruction.
AS400	The automated information system that contains the student records database.
developmental credit class	A non-college level class in English or mathematics that, if the student meets course objectives, will earn the student credit for the related college-level English or mathematics course.
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 (FYE) student	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."
material condition	A serious reportable condition that could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program.
Michigan Capital Outlay Process	House Fiscal Agency procedures and standards to be followed by Michigan's public universities and community colleges to request State financial support for a building project.
mission	The agency's main purpose or the reason that the agency was established.

NCA	Commission on Institutions of Higher Education of the North Central Association of Colleges and Schools.
overload	Additional hours assigned to a faculty member beyond the faculty member's normal work load. The normal work load required for full-time faculty is 15 hours per semester.
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 initiation corrective action.
performance indicators	Information of a quantitative or qualitative nature used to assess student achievement.
reportable condition	A matter that, in the auditor's judgment, represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.