



MICHIGAN

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT



THOMAS H. McTAVISH, C.P.A.
AUDITOR GENERAL

“...The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.”

– Article IV, Section 53 of the Michigan Constitution

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Michigan
Office of the Auditor General
REPORT SUMMARY

Performance Audit

Northern Michigan University

Report Number:
33-170-04

Released:
August 2005

Northern Michigan University is primarily an undergraduate institution emphasizing liberal arts, sciences, education, and professional programs in business, health, and other areas. The University is accredited by the Commission on Institutions of Higher Education of the North Central Association of Colleges and Schools. The University's 336-acre main campus is located in the City of Marquette, and the University operates extension centers in Escanaba and Kingsford. During fall semester 2004, the University had 9,331 students enrolled.

Audit Objective:

To assess the effectiveness of the University's admissions and monitoring practices to help students successfully complete their classes and programs.

Audit Conclusion:

We concluded that the University's admissions and monitoring practices were generally effective in helping students successfully complete their classes and programs.

Reportable Conditions:

The University did not consistently enforce its course prerequisites (Finding 1).

The University did not consistently enforce its academic proficiency policy for students on academic probation. Also, the University needs to enhance the scope, timeliness, and accuracy of student information provided to academic advisors. (Finding 2)

The University did not ensure that all departmental academic advisors obtained

periodic training on academic and career advising (Finding 3).

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Audit Objective:

To assess the effectiveness of the University's efforts to evaluate the quality of its educational programs.

Audit Conclusion:

We concluded that the University's efforts to evaluate the quality of its educational programs were generally effective.

Noteworthy Accomplishments:

The National Accrediting Agency for Clinical Laboratory Sciences accredited the University's cytogenetic technologist and diagnostic molecular scientist programs. The University was the first institute in the nation to have both these programs accredited at the same time.

Reportable Condition:

The University needs to improve compliance with its policy requiring academic departments to develop a program assessment plan and submit an

evaluation, analysis, and revision of the plan annually (Finding 4).

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Audit Objective:

To assess the effectiveness and efficiency of the University's use of educational and related program resources.

Audit Conclusion:

We concluded that the University's use of educational and related program resources was generally effective and efficient.

Noteworthy Accomplishments:

The University provides each full-time student with a laptop computer. The University is the only public university in Michigan to provide all full-time students with laptop computers.

Reportable Conditions:

The University did not consistently monitor repetitive course enrollments and course withdrawals to identify and counsel students who were not making satisfactory academic progress (Finding 5).

The University did not have a formal policy addressing minimum class enrollment standards and the requirements for exceptions (Finding 6).

The University did not effectively enforce its procedures regulating the use of department purchasing cards (Finding 7).

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Audit Objective:

To assess the effectiveness of the University's efforts to maintain, secure, and communicate the risks associated with hazardous materials and waste.

Audit Conclusion:

We concluded that the University's efforts to maintain, secure, and communicate the risks associated with hazardous materials and waste were somewhat effective.

Reportable Conditions:

The University did not effectively enforce its hazardous materials policies (Finding 8).

The University had not provided training regarding exposure to and control of hazardous materials or bloodborne pathogens to all employees who required such training. Also, the University needs to review and update its operating policy regarding exposure to and control of bloodborne pathogens. (Finding 9)

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Agency Responses:

Our audit report contains 9 findings and 11 corresponding recommendations. The University's preliminary response indicated that it agreed with 10 and partially agreed with 1 of the recommendations.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



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AUDITOR GENERAL

August 19, 2005

Mr. Karl A. Weber, Chair
Board of Trustees
and
Dr. Leslie E. Wong, President
Northern Michigan University
Marquette, Michigan

Dear Mr. Weber and Dr. Wong:

This is our report on the performance audit of Northern Michigan University.

This report contains our report summary; description of agency; audit objectives, scope, and methodology and agency responses; comments, findings, recommendations, and agency preliminary responses; various 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 Northern Michigan University'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 the audit.

AUDITOR GENERAL

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Description of Agency

Northern Michigan University was established by Act 51, P.A. 1899, as Northern State Normal School. In 1927, to emphasize the change to offering degree programs, the school was renamed Northern State Teacher's College. The school was renamed Northern Michigan College of Education in 1941 and Northern Michigan College in 1955. In 1963, the State Legislature established Northern Michigan University as a self-governing State institution.

The University's 336-acre main campus is located along the shores of Lake Superior in the City of Marquette. In addition to the facilities in Marquette, the University operates extension centers in Escanaba and Kingsford.

The University's mission* is to provide quality academic programs, strong student support, and extensive regional service for its stakeholders in the Upper Midwest that challenge its students, faculty, staff, and alumni to strive for excellence, both inside and outside the classroom, and to become outstanding citizens and leaders. The University's vision is to be a quality comprehensive public university of choice in the Midwest where students receive individual attention in a high-tech learning environment.

The University is primarily an undergraduate institution emphasizing liberal arts, sciences, education, and professional programs in business, health, and other areas. For academic year 2004-05, the University offered 4 diploma programs, 7 certification programs, 13 certificates, 25 associate degree programs, 116 minor degree programs, 145 baccalaureate degree programs, and 32 master's degree programs.

The University is accredited by the Commission on Institutions of Higher Education of the North Central Association of Colleges and Schools. Also, several of the University's educational programs are accredited by various other accrediting bodies. In addition, the University's nursing programs are fully approved by the Michigan Board of Nursing and accredited by the Commission on Collegiate Nursing Education.

The University is governed by an eight-member Board of Trustees appointed by the Governor with the advice and consent of the Michigan Senate. Members of the Board of Trustees are appointed for eight-year terms.

* See glossary at end of report for definition.

During fall semester 2004, the University had 9,331 students enrolled. As of December 31, 2004, the University had 306 full-time and 119 part-time faculty members, 83 graduate assistants, and 609 full-time and 14 part-time administrative and support personnel. For the fiscal year ended June 30, 2004, the University had revenues of \$144.4 million (which includes capital appropriations of \$15.2 million) and expenses of \$126.9 million (Exhibit 1 and Exhibit 2, respectively).

Audit Objectives, Scope, and Methodology and Agency Responses

Audit Objectives

Our performance audit* of Northern Michigan University had the following objectives:

1. To assess the effectiveness* of the University's admissions and monitoring practices to help students successfully complete their classes and programs.
2. To assess the effectiveness of the University's efforts to evaluate the quality of its educational programs.
3. To assess the effectiveness and efficiency* of the University's use of educational and related program resources.
4. To assess the effectiveness of the University's efforts to maintain, secure, and communicate the risks associated with hazardous materials* and waste.

Audit Scope

Our audit scope was to examine the program and other records of Northern Michigan University. 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.

As part of our audit, we prepared, from information compiled by the University, supplemental information (Exhibits 1 through 5) that relates to our audit objectives. Our audit was not directed toward expressing an opinion on this information and, accordingly, we express no opinion on it.

A public accounting firm engaged by the University annually audits the University's financial statements.

* See glossary at end of report for definition.

Audit Methodology

Our audit procedures, performed from July 2004 through January 2005, included examination of the University's records and activities primarily for the period July 1, 2002 through December 31, 2004.

We conducted a preliminary review of the University's operations to formulate a basis for defining the audit scope. This included interviewing University personnel, reviewing Board of Trustees' meeting minutes, reviewing applicable policies and procedures, analyzing available data and statistics, reviewing reference materials, and obtaining an understanding of the University's management control* and operational, research, and academic activities.

To accomplish our first objective, we evaluated the University's general admissions and monitoring practices, including placement testing and academic advising services. We reviewed and assessed the University's compliance with policies and procedures related to academic progress*, including course prerequisites.

To accomplish our second objective, we examined the University's methods for assessing the quality of its academic programs. This examination included evaluating department program reviews, reviewing how the University utilizes student evaluations of faculty performance, and analyzing enrollment and graduation counts by major.

To accomplish our third objective, we analyzed students' repetitive course enrollment*, the University's minimum class enrollment* policy, and classroom utilization* rates. Also, we reviewed faculty overload payments*, assessed and tested the University's controls over the use of department purchasing cards, and analyzed the University's process for disposing of computers assigned to students and faculty. In addition, we evaluated the scheduling of directed study courses and reviewed the University's relationship with an economic development corporation.

To accomplish our fourth objective, we reviewed the University's methods to secure and inventory hazardous chemicals and analyzed the University's efforts to train staff regarding hazardous chemicals and bloodborne pathogens*.

* See glossary at end of report for definition.

Agency Responses

Our audit report contains 9 findings and 11 corresponding recommendations. The University's preliminary response indicated that it agreed with 10 and partially agreed with 1 of the recommendations.

The agency preliminary response that follows each recommendation in our report was taken from the University'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 Auditor General, the House and Senate Fiscal Agencies, 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 Northern Michigan University's admissions and monitoring practices to help students successfully complete their classes and programs.

Conclusion: We concluded that the University's admissions and monitoring practices were generally effective in helping students successfully complete their classes and programs. However, we noted reportable conditions* related to course prerequisites, academic advising, and training for departmental academic advisors (Findings 1 through 3).

FINDING

1. Course Prerequisites

The University did not consistently enforce its course prerequisites. As a result, the University could not ensure that all students possess certain foundational competencies deemed essential for successful course completion.

The University and its various colleges have established prerequisites for many of the University's course offerings. These prerequisites include such requirements as satisfactorily completing a designated course and/or completing a minimum number of credit hours, obtaining admission to a specific program, or earning a minimum qualifying score on a placement examination.

We analyzed 9 courses for the completion of course-based prerequisites during July 1, 2002 through June 30, 2004. Our analysis disclosed that 1,141 (25.3%) of

* See glossary at end of report for definition.

the 4,504 students who enrolled in the 9 courses had not satisfied the course prerequisite or had received a 1.70 (on a 4.0 scale) or lower in the prerequisite:

	Students Reviewed	
	Number	Percentage
Students not completing the prerequisites	832	72.9%
Students receiving 1.70 or lower in the prerequisites	215	18.8%
Students who withdrew from the prerequisites	17	1.5%
Students concurrently enrolled in the prerequisites and higher level courses	60	5.3%
Students who completed the prerequisites after the higher level course	17	1.5%
	1,141	100.0%
Total		

Our analysis also disclosed that students who bypassed the course prerequisites generally performed at a lower level than students who enrolled in and passed the prerequisites. For the 9 courses reviewed, 26.8% of the students who had not completed the prerequisite received a grade of 1.70 or lower. However, only 13.0% of the students who had completed the prerequisite with a grade of 2.00 or higher received a grade of 1.70 or lower.

Some students may not have taken a course prerequisite because the University did not always list course prerequisites in its course registration catalogs. We reviewed 30 courses with prerequisites from the University's winter semester 2005 course registration catalog and noted that 26 (86.7%) of these courses did not display the course prerequisites. Also, the Registrar's Office informed us that some students were able to enroll in courses without taking a required prerequisite because the University's on-line registration system did not always determine that students had fulfilled course prerequisites prior to course registration.

RECOMMENDATION

We recommend that the University consistently enforce its course prerequisites.

AGENCY PRELIMINARY RESPONSE

The University agreed and informed us that it is reviewing its policies and procedures regarding prerequisite courses to ensure that they are consistently enforced with the goal of increasing student success.

FINDING

2. Academic Advising

The University did not consistently enforce its academic proficiency policy for students on academic probation*. Also, the University needs to enhance the scope, timeliness, and accuracy of student information provided to academic advisors.

Timely and effective academic advising is necessary to help probationary students improve their academic effectiveness at college-level studies, make informed decisions regarding career options, select appropriate educational programs and courses, and become aware of available University resources.

The University places students with a University grade point average below 2.00 on academic probation. The University has designed an academic proficiency policy for probationary students, which mandates three advisor meetings per semester and other requirements, to provide structure and guidance for these students. The University's academic proficiency policy requires that probationary students sign a probation agreement acknowledging their probationary status and the necessary requirements to remain at the University. For fall semester 2004, 918 (9.8%) of the University's 9,331 students were on academic probation.

We reviewed the University's advising records for 25 students on academic probation. Our review disclosed:

- a. Three (12.0%) students had not signed probation agreements acknowledging their probationary status and probation requirements.

* See glossary at end of report for definition.

- b. Of 20 students who enrolled for classes after being placed on academic probation, 11 (55.0%) had not met with their academic advisors in accordance with their probation agreements.
- c. The academic advisors of record for 3 (12.0%) students were either incorrectly recorded as the students' academic advisors or had not been advised of their responsibility to the students.

Also, the University did not provide faculty academic advisors with critical information related to student success. For example, the University did not provide information regarding students' placement on academic probation or repetitive course enrollment notifications to their academic advisors. In addition, the University designed and implemented the Early Academic Feedback (EAF) system to facilitate academic advising by providing pertinent information, such as students' class attendance and interim course grades. However, the usefulness of EAF is dependent on faculty entering data into the system and academic advisors reported that faculty did not widely use EAF.

RECOMMENDATIONS

We recommend that the University consistently enforce its academic proficiency policy for students on academic probation.

We also recommend that the University enhance the scope, timeliness, and accuracy of student information provided to academic advisors.

AGENCY PRELIMINARY RESPONSE

The University agreed and informed us that it has recognized the need to improve the University's academic advising and has established it as one of its three institutional action projects under the University's Academic Quality Improvement Program (AQIP). The University also informed us that the University's Advising Review Committee (ARC) has completed an extensive study of academic advising and is in the process of drafting recommendations for improvement to the advising process at the University.

FINDING

3. Training for Departmental Academic Advisors

The University did not ensure that all departmental academic advisors obtained periodic training on academic and career advising.

Academic advising helps students maximize the educational benefits available at the University by assisting students in clarifying their educational goals; providing accurate information on educational options, requirements, and policies; and helping students plan an educational program consistent with their interests and abilities. Periodic training for departmental academic advisors would promote consistency and comprehensiveness within the advising process and help ensure that the advisors maintain and upgrade their advising skills.

Our review of University records for 14 departmental academic advisors disclosed that none of them had attended training on academic advising from 2002 through 2004.

The University's Academic and Career Advisement Center (ACAC) has developed and offers training sessions on academic advising. The ACAC recommends that departmental academic advisors periodically attend this training. To support the University's advising philosophy, students who have not declared a major or are on freshman probation* are assigned academic advisors from the ACAC, whereas department faculty provide academic advising services to students who have declared a major.

RECOMMENDATION

We recommend that the University ensure that all departmental academic advisors obtain periodic training on academic and career advising.

AGENCY PRELIMINARY RESPONSE

The University agreed and informed us that it has recognized the need to improve the University's academic advising and has established it as one of its three institutional action projects under the University's AQIP. The University also informed us that the University's ARC has completed an extensive study of

* See glossary at end of report for definition.

academic advising and is in the process of drafting recommendations for improvement to the advising process at the University.

EFFORTS TO EVALUATE THE QUALITY OF EDUCATIONAL PROGRAMS

COMMENT

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

Conclusion: We concluded that the University's efforts to evaluate the quality of its educational programs were generally effective. However, we noted a reportable condition related to academic program assessments (Finding 4).

Noteworthy Accomplishments: In October 2004, the National Accrediting Agency for Clinical Laboratory Sciences (NAACLS) accredited the University's cytogenetic technologist and diagnostic molecular scientist programs. The University was the first institute in the nation to have both these programs accredited at the same time. NAACLS stated that the University's cytogenetic technologist program's performance objectives and evaluation criteria should serve as a model for all NAACLS accredited programs. These programs had an agreement with the Mayo Foundation of Rochester, Minnesota, that allowed students to obtain clinical experiences at the renowned Mayo Clinic.

FINDING

4. Academic Program Assessments

The University needs to improve compliance with its policy requiring academic departments to develop a program assessment plan and submit an evaluation, analysis, and revision of the plan annually.

The gathering and evaluation of pertinent performance information, such as surveys, statistics, and student outcome information, would improve the University's ability to evaluate the quality of its educational services. The gathering and evaluation of such information would allow the University to compare the actual quality of education data with desired outputs and adopt appropriate

changes to address identified deficiencies, thus improving the overall quality of educational programs.

The University's 1994 accreditation from the North Central Association of Colleges and Schools (NCA) stated that the University needs to integrate academic program review and resource planning into its strategic planning process. The University's Academic Senate approved a formal plan for assessing educational outcomes in September 1994 and created the Outcomes Assessment Council to institute and monitor the plan. University policy requires departments to develop a program assessment plan and submit an evaluation, analysis, and revision of the plan annually in October.

We reviewed the departments' annual program assessment plans for academic year 2003-04. Our review disclosed that 14 (38.9%) of the 36 annual program assessment plans for academic year 2003-04 were not submitted at the time of our review in January 2005. Also, 3 (8.3%) departments had never submitted annual program assessment plans.

We reviewed 6 departments' most recent program assessment plans. We reviewed the stated criteria used in these assessments and also considered other available student outcome criteria, such as current student, alumni, and employer surveys; statistical evaluations, including student retention, graduation rates, and job placement rates; information on graduate performance on professional examinations; and enrollment rates by academic major. While not all criteria would be appropriate for all departments, our review of these 6 departments disclosed:

- a. Five departments did not use feedback from current or prior students, employers, and graduates within the program assessment plans.
- b. None of the 6 departments evaluated student retention or graduation rates within their program assessment plans.
- c. Five departments did not evaluate graduate job placement rates in their program assessment plans.
- d. Two departments did not evaluate graduate performance on professional examinations within their program assessment plans.

- e. None of the 6 departments considered the optimal number of majors offered by their programs or the viability of majors based on the number of students enrolled or graduates per year.

An analysis of University records for academic years 2002-03 and 2003-04 disclosed that the University offered several majors with low enrollments:

	<u>2003-04</u>	<u>2002-03</u>
Number of majors offered	211	209
Majors with less than 5 enrolled students:		
Number	48	46
Percentage	22.7%	22.0%
Majors with less than 5 graduates:		
Number	74	81
Percentage	35.1%	38.8%

NCA's 1984 and 1994 accreditation reviews of the University's academic programs noted that the University provided large numbers of programs graduating only one or two students.

RECOMMENDATION

We recommend that the University improve compliance with its policy requiring academic departments to develop a program assessment plan and submit an evaluation, analysis, and revision of the plan annually.

AGENCY PRELIMINARY RESPONSE

The University partially agreed and informed us that one of its three institutional action projects under the University's AQIP is the implementation of the University's assessment plan. The University also informed us that, over the past two years, is has implemented a process that assists departments with the creation of a complete assessment plan that includes regular reporting and revisions in the future. The University further informed us that, by the end of academic year 2005-06, it will have a complete assessment plan in place.

USE OF EDUCATIONAL AND RELATED PROGRAM RESOURCES

COMMENT

Background: For the fiscal year ended June 30, 2004, the University had operating and nonoperating revenues and expenses totaling \$144.4 million and \$126.9 million, respectively. In fiscal year 2003-04, the State appropriated the University approximately \$44.8 million. Of the State appropriation, the University allocated approximately \$954,000 (2.1%) to athletics and \$190,000 (0.4%) to an economic development corporation (Exhibit 3).

Audit Objective: To assess the effectiveness and efficiency of the University's use of educational and related program resources.

Conclusion: We concluded that the University's use of educational and related program resources was generally effective and efficient. However, we noted reportable conditions related to repetitive course enrollment, minimum class enrollment, and department purchasing cards (Findings 5 through 7).

Noteworthy Accomplishments: To encourage greater student-faculty communication and collaboration and promote a learning environment that embraces technology, the University provides each full-time student*, both undergraduate and graduate, with a laptop computer. The laptop computers are equipped with a standard set of applications and the University can install up to 60 add-on software applications specific to course requirements. Students have 24-hour wireless access to the campus network and the Internet. The University is the only public university in Michigan to provide all full-time students with laptop computers.

FINDING

5. Repetitive Course Enrollment

The University did not consistently monitor repetitive course enrollments and course withdrawals to identify and counsel students who were not making satisfactory academic progress.

* See glossary at end of report for definition.

Generally, repetitive course enrollments and course withdrawals indicate a lack of academic progress and result in an inefficient use of resources. Because the tuition paid by students represents only a portion of the total costs to provide a course, allowing students to repetitively enroll in the same course is an inefficient use of State and University resources. Also, establishing reasonable limitations on the number of times that students can enroll in an undergraduate course provides the University with the opportunity to identify and counsel students who are not progressing satisfactorily.

We analyzed the repetitive course enrollments and course withdrawals for students enrolled in undergraduate courses (courses numbered less than 500 and excluding certain specialized courses) during fall semester 2004. Our analysis disclosed 599 instances (representing 490 students) in which students had enrolled in the same course three or more times. To provide us with a more complete picture, we reviewed the entire academic history for 26 of these students and noted:

- a. In 78 instances, the 26 students enrolled in the same course three or more times during their enrollment at the University. One student enrolled in 12 courses from 2 to 6 times, totaling 39 times, and withdrew from 21 courses.
- b. As of the end of summer semester 2004, the 26 students had repeated 167 courses a total of 276 times and withdrew from 223 courses. One student had repeated 12 courses between 1 and 5 times, totaling 28 times, and withdrew from 21 courses.
- c. Three (11.5%) of the 26 students attended the University on a tuition waiver and enrolled in 17 (10.2%) of the 167 courses representing 23 (8.3%) of the 276 repetitive enrollments and withdrew from 30 (13.5%) of the 223 courses included in item b. Repetitive course enrollments and course withdrawals by students receiving tuition waivers result in an inefficient use of State and University resources because these students do not pay any portion of the total costs to hold a class.
- d. As of the end of summer semester 2004, the 26 students had attempted a total of 3,522 credit hours of courses but had earned only 2,092 (59.4%) credit hours. One student had attempted 54 credit hours but had earned only 14 (25.9%). Another student had attempted 181 credits but had earned only 65 (35.9%).

The University has established a repetitive enrollment policy within the University's Undergraduate Bulletin. However, the University's policy does not address the number of times a student may repeat or withdraw from the course. Also, the University had not assigned responsibility or established a procedure to monitor repetitive course enrollments and course withdrawals to identify and counsel those students who are not making satisfactory academic progress.

RECOMMENDATION

We recommend that the University consistently monitor repetitive course enrollments and course withdrawals to identify and counsel students who are not making satisfactory academic progress.

AGENCY PRELIMINARY RESPONSE

The University agreed and informed us that it will revise the University's enrollment policy to address the number of times a student may repeat or withdraw from a course and that the University will implement a procedure to monitor repetitive course enrollments and withdrawals to identify and counsel students who are not making satisfactory academic progress.

FINDING

6. Minimum Class Enrollment

The University did not have a formal policy addressing minimum class enrollment standards and the requirements for exceptions.

A formal minimum class enrollment policy would help ensure that the University used available resources efficiently. Such a policy would also help identify the minimum student enrollment for credit classes based on revenues and expenses, factors to consider in hold/cancel determinations, special conditions that justify holding classes below the minimum student enrollment, who has the authority to approve holding low enrollment classes, and documentation requirements for these conditions and approvals.

We analyzed low enrollment credit classes held during fall and winter semesters of academic years 2002-03 and 2003-04. Our analysis of the 7,658 credit classes held during these semesters disclosed:

- a. The University held 632 (8.3%) low enrollment classes that did not qualify as exclusions under the informal minimum enrollment standard.
- b. The University did not require the colleges to provide written justification, or require the Provost's written approval, for holding low enrollment classes.
- c. The University's most recent break-even analysis for junior and senior undergraduate classes was inconsistent with the informal minimum enrollment standards. The analysis disclosed that an undergraduate class would need 16.4 students to break even. The University informed us that it had informal standards for reviewing junior and senior classes with 10 or fewer students. The University stated that it excluded student teaching, certain laboratories with station limits, classes with specified accreditation limits, directed studies, independent studies, and other similar for-credit experiences offered for individual students from the informal standards.
- d. The University had not completed a break-even analysis for graduate classes. The University informed us that it had an informal standard for graduate level credit classes of 10 or fewer students.

RECOMMENDATION

We recommend that the University develop a formal policy addressing minimum class enrollment standards and the requirements for exceptions.

AGENCY PRELIMINARY RESPONSE

The University partially agreed with the finding and agreed with the recommendation and informed us that it will develop a formal policy addressing minimum class enrollment standards and the requirements for exceptions. As noted in the finding, the University has been using informal enrollment standards to manage class enrollments. The University informed us that it has, as a result of the University's active management of class enrollments, the highest student credit hours taught per full-time equivalent faculty member compared with all public higher education institutions in the State.

FINDING

7. Department Purchasing Cards

The University did not effectively enforce its procedures regulating the use of department purchasing cards.

Effective enforcement of procedures regulating department purchasing card usage would help the University reduce the risk that irregularities could occur without the University detecting them in a timely manner.

The University's department purchasing card procedures require cardholders to adhere to basic responsibilities, such as retaining original, itemized receipts for four years; limiting purchases to \$1,000 per transaction; and requiring account directors to sign the monthly billing statements. Also, the University's procedures and the purchasing card application state that users cannot purchase hazardous chemicals, employment advertising, and telephones with department purchasing cards.

As of September 30, 2004, the University had 330 active department purchasing cards. For the period April 1, 2004 through September 30, 2004, department purchasing card activity averaged \$243,600 per month. We reviewed 91 department purchasing card transactions totaling \$25,470 initiated by 6 cardholders for this period. Our review disclosed:

- a. Ten (11.0%) transactions were not supported by receipts.
- b. Two (2.2%) transactions were included in purchases that cardholders had split to bypass the \$1,000 limit.
- c. Thirteen (14.3%) transactions were for hazardous chemicals (or substances), 3 (3.3%) transactions involved payments for employment advertising, and 3 (3.3%) transactions included cell phone usage.

RECOMMENDATION

We recommend that the University effectively enforce its procedures regulating the use of department purchasing cards.

AGENCY PRELIMINARY RESPONSE

The University agreed and informed us that it has reviewed its policies and procedures related to the use of department purchasing cards. The University informed us that, as a result of the review, the University will modify its policies and procedures to address the noncompliance issues identified in this finding.

EFFORTS TO MAINTAIN, SECURE, AND COMMUNICATE RISKS ASSOCIATED WITH HAZARDOUS MATERIALS AND WASTE

COMMENT

Audit Objective: To assess the effectiveness of the University's efforts to maintain, secure, and communicate the risks associated with hazardous materials and waste.

Conclusion: We concluded that the University's efforts to maintain, secure, and communicate the risks associated with hazardous materials and waste were somewhat effective. We noted reportable conditions related to hazardous materials and safety training (Findings 8 and 9).

FINDING

8. Hazardous Materials

The University did not effectively enforce its hazardous materials policies. As a result, the University could ensure neither the accuracy of its inventory nor the safe storage of its hazardous materials.

The University maintains hazardous materials at various locations on campus, including the chemistry department, biology department, arts and design, plant operations, and resident housing units. The University's hazard communications policy states that the University will annually review the hazardous materials inventory and that Public Safety will maintain the inventory. Also, the University's hazardous materials management policy requires that the University post the hazardous materials inventory of each storage area and provide copies of the inventory to Public Safety. These postings alert individuals that the area contains hazardous materials that have the potential to cause harm to them or are a risk to the general public.

We reviewed the hazardous materials inventory records and controls for the chemistry and biology department stockrooms that house such materials. Our review disclosed:

- a. The chemistry department had not inventoried the hazardous materials maintained in its stockroom since 2002. The chemistry department estimated that it maintained approximately 4,000 chemicals/substances in its stockroom. Also, the chemistry department did not inventory hazardous materials maintained in its five research laboratories.
- b. Although the biology department conducted biannual inventories of hazardous materials in its stockroom and annual inventories of hazardous materials in its eight research laboratories, it could not reconcile physical counts with its inventory records because it did not update inventory records to reflect purchases and disbursements.
- c. Neither department provided Public Safety with annual updates of hazardous materials maintained in the stockrooms and research laboratories.
- d. The chemistry department had not posted a listing of hazardous materials maintained in its stockroom and none of the 13 research laboratories had postings of hazardous materials maintained within the laboratories.
- e. The chemistry department did not have a monitoring system to alert University staff of variances in climatic conditions in areas where the department stored hazardous materials. For example, on December 6, 2004, a steam valve malfunction in an area that stored solvents and organic substances caused the room temperature to rise to 97 degrees. The change in temperature went unnoticed for approximately 4.5 hours. Department staff stated that the solvents and organic substances may have reacted and begun to degrade if the room's temperature had reached 102 degrees.

RECOMMENDATION

We recommend that the University effectively enforce its hazardous materials policies.

AGENCY PRELIMINARY RESPONSE

The University partially agreed with the finding and agreed with the recommendation and informed us that it will ensure that all areas comply with the revised policies. The University also informed us that the University's hazard communications policy, the hazardous materials management policy, and the emergency response plan are in the process of being revised and that the revised policies will be in effect by fall semester 2005.

In addition, the University informed us that updated inventories have been completed for all areas in the chemistry and biology departments, that the inventories have been submitted to Public Safety for inclusion to the master hazardous materials database, and that required postings have been made. The University also informed us that, for both the chemistry and biology departments, monitoring systems to alert staff of variances in climatic conditions should be installed before fall semester 2005.

FINDING

9. Safety Training

The University had not provided training regarding exposure to and control of hazardous materials or bloodborne pathogens to all employees who required such training. Also, the University needs to review and update its operating policy regarding exposure to and control of bloodborne pathogens.

Providing required training regarding exposure to and control of hazardous materials and bloodborne pathogens would help the University ensure that its employees know the physical and health effects of hazardous materials and bloodborne pathogens; what actions lessen the opportunity of or prevent exposure to hazardous materials and bloodborne pathogens; and what procedures to follow when exposed to hazardous materials or bloodborne pathogens.

We reviewed the hazardous materials training records for the 88 employees hired by the University from January 1, 2003 through November 30, 2004. We also reviewed the bloodborne pathogen exposure and control training records of the

167 employees identified by the University as needing such training prior to their initial assignments where exposure may occur. Our review disclosed:

- a. The University had not trained any of the 88 new employees regarding hazardous materials. University staff responsible for conducting hazardous materials training stated that the University had not notified them of new employees who would require such training.
- b. The University could not substantiate that 47 (28.1%) of the employees identified by the University as requiring bloodborne pathogen exposure and control training prior to their initial assignments had received that training. We could not determine if the University had exposed these 47 employees to situations involving bloodborne pathogens.

In addition, the University's policy regarding exposure to and control of bloodborne pathogens identified 7 instructor and 5 staff positions that the University no longer utilized and failed to identify at least 2 staff positions that required such training.

The University's hazardous materials management policy, which the University developed to comply with Title 29, Part 1910, section 1200 of the *Code of Federal Regulations (CFR)*, requires the University to train all employees on the potential hazards of the substances used at their respective workstations. The University's policy regarding exposure to and control of bloodborne pathogen, which the University developed to comply with federal regulation 29 *CFR* 1910.1030, requires that the University train all employees covered by the policy prior to the employees' initial assignment to tasks where occupational exposure may occur and that the University maintain all records required by federal regulation 29 *CFR* 1910.1030. The latter policy also identifies the University's positions for which such training is required.

University staff informed us that the University's decentralization of the responsibility for providing and documenting bloodborne pathogen exposure and control training may have impacted the University's compliance with established standards.

RECOMMENDATIONS

We recommend that the University provide training regarding exposure to and control of hazardous materials or bloodborne pathogens to all employees who require such training.

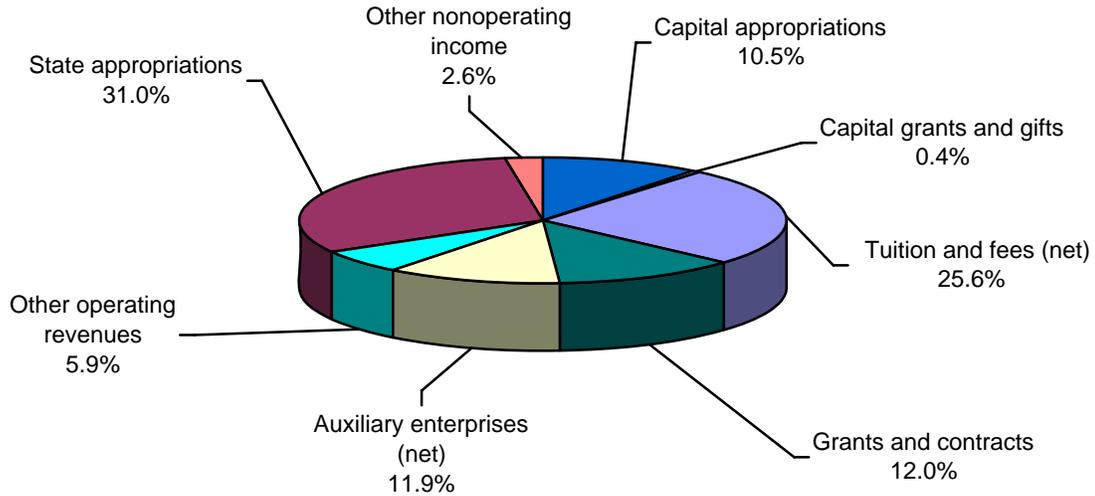
We also recommend that the University review and update its operating policy regarding exposure to and control of bloodborne pathogens.

AGENCY PRELIMINARY RESPONSE

The University agreed and informed us that it has initiated a complete review of all required training. The University also informed us that, as a result of this review, the policy covering bloodborne pathogens has been updated. The University further informed us that it is in the process of revamping the University's program for conducting required training as well as the process for documenting training completed by each employee. In addition, the University informed us that those employees who were identified as not having the required training have been or are being scheduled for training. The University stated that, by August 31, 2005, the University should have implemented a revised training program to ensure that University employees will complete all required training and that such completed training will be appropriately documented and available for inspection.

SUPPLEMENTAL INFORMATION

NORTHERN MICHIGAN UNIVERSITY
Revenues
For Fiscal Year 2003-04



Operating Revenues:

Tuition and fees (net)	\$ 37,028,944
Grants and contracts	17,323,491
Auxiliary enterprises (net)	17,124,164
Other operating revenues	8,560,812
Total Operating Revenues	<u>\$ 80,037,411</u>

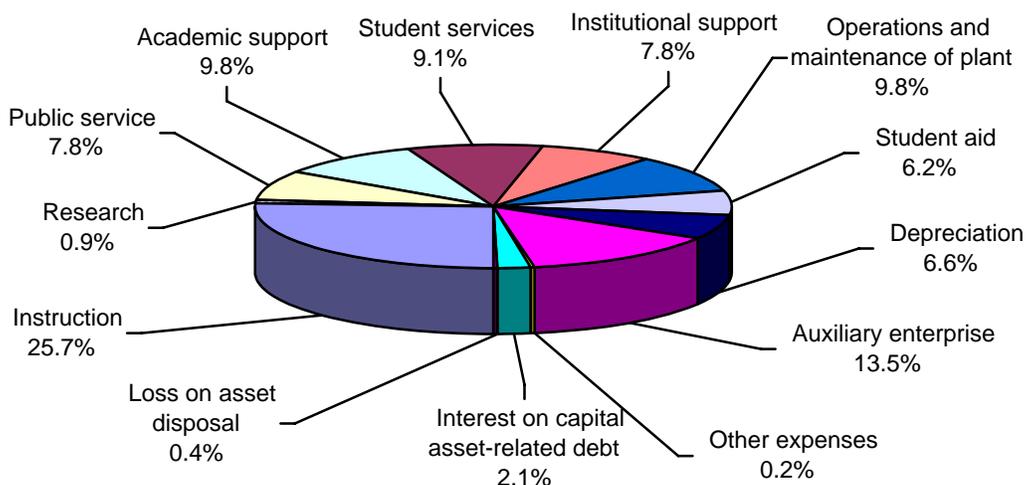
Nonoperating and Other Revenues:

State appropriations	\$ 44,824,131
Other nonoperating income	3,695,197
Capital appropriations	15,224,642
Capital grants and gifts	620,054
Total Nonoperating and Other Revenues	<u>\$ 64,364,024</u>

Total Revenues	<u><u>\$ 144,401,435</u></u>
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Source: Northern Michigan University financial statements.

NORTHERN MICHIGAN UNIVERSITY
Expenses
For Fiscal Year 2003-04



Operating Expenses:

Instruction	\$ 32,658,266
Research	1,186,490
Public service	9,837,958
Academic support	12,456,097
Student services	11,552,583
Institutional support	9,843,889
Operations and maintenance of plant	12,470,337
Student aid	7,808,262
Depreciation	8,419,615
Auxiliary enterprise	17,177,323
Other expenses	293,128
Total Operating Expenses	<u>\$ 123,703,948</u>

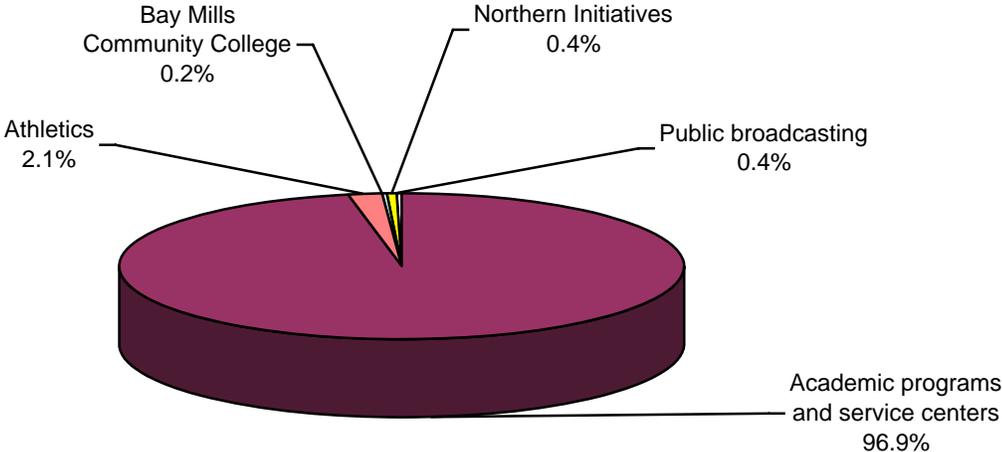
Nonoperating Expenses:

Interest on capital asset-related debt	\$ 2,695,859
Loss on asset disposal	451,135
Total Nonoperating Expenses	<u>\$ 3,146,994</u>

Total Expenses	<u><u>\$ 126,850,942</u></u>
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Source: Northern Michigan University financial statements.

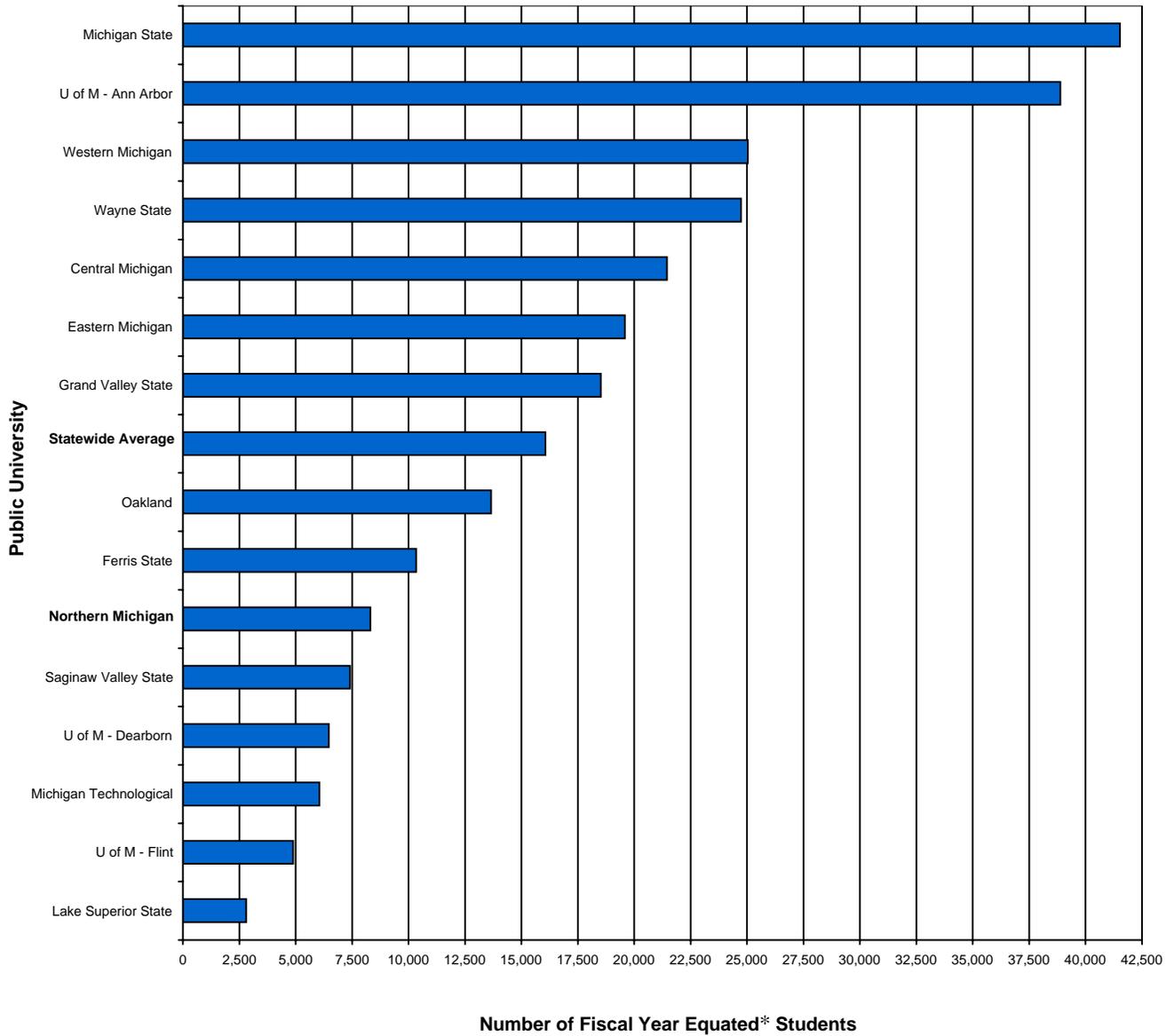
NORTHERN MICHIGAN UNIVERSITY
Summary of State Appropriation Allocations
For Fiscal Year 2003-04



State Appropriations:	
Academic programs and service centers	\$ 43,417,612
Athletics	953,557
Bay Mills Community College	85,500
Northern Initiatives	190,014
Public broadcasting	<u>177,448</u>
 Total State Appropriations	 <u><u>\$ 44,824,131</u></u>

Source: Northern Michigan University Controller Office.

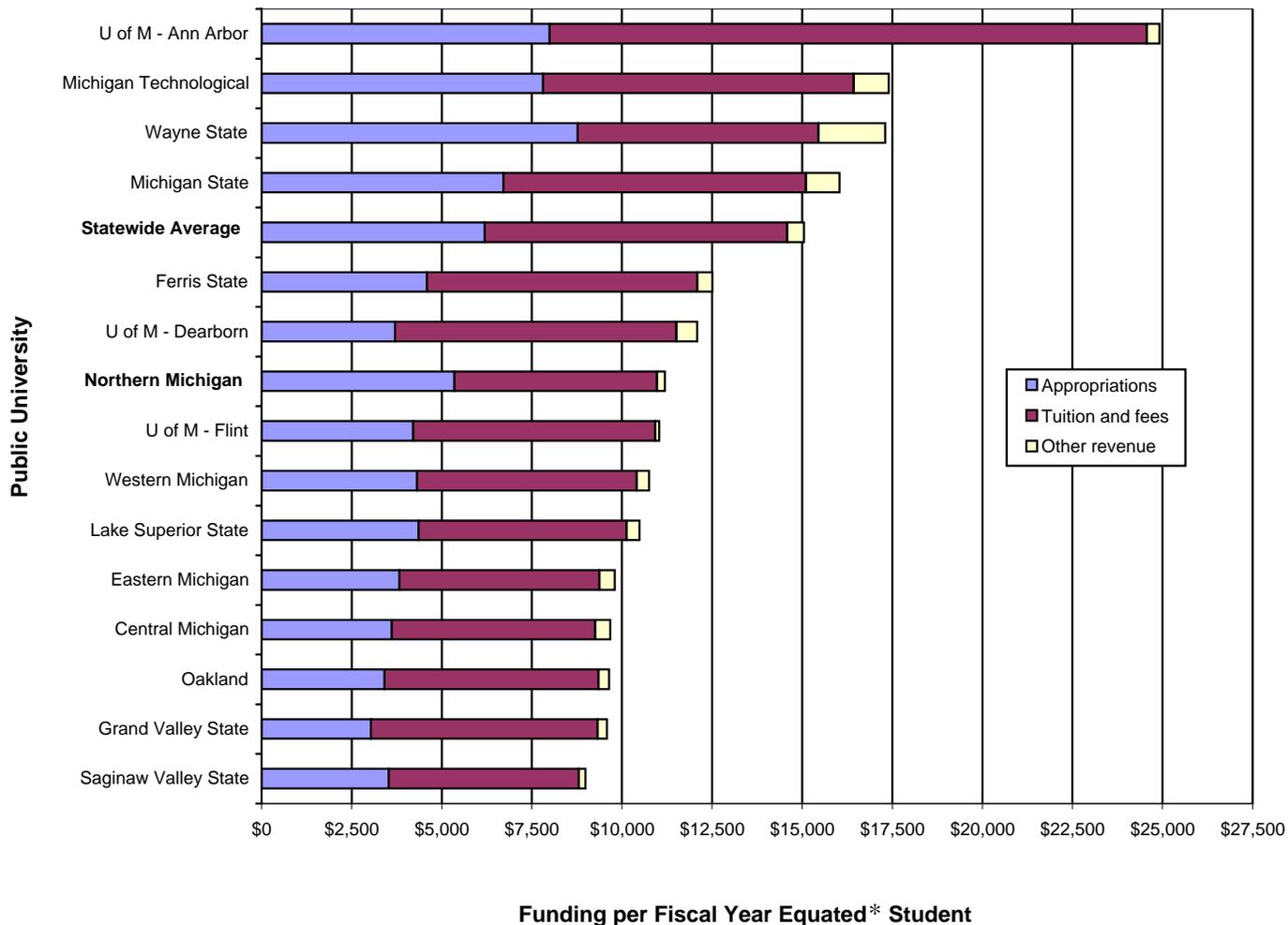
NORTHERN MICHIGAN UNIVERSITY
Statewide Enrollment by Public University
For Fiscal Year 2003-04



* The equivalent of 30 undergraduate semester credit hours.

Source: Higher Education Institutional Data Inventory (HEIDI) data.

NORTHERN MICHIGAN UNIVERSITY
Per Student Funding From General Fund Sources
by Public University
For Fiscal Year 2003-04



* The equivalent of 30 undergraduate semester credit hours.

Source: Higher Education Institutional Data Inventory (HEIDI) data.

GLOSSARY

Glossary of Acronyms and Terms

ACAC	Academic and Career Advisement Center.
academic probation	Status of students with a University grade point average that falls below 2.00 or those initially admitted to the University on probation.
academic progress	The progression toward completion of coursework required for a degree.
AQIP	Academic Quality Improvement Program.
ARC	Advising Review Committee.
bloodborne pathogen	Any pathogenic microorganism that is present in human blood and can cause disease in persons who are exposed to it.
<i>CFR</i>	<i>Code of Federal Regulations.</i>
classroom utilization	The proportion of time that classrooms are utilized for class sessions during regularly scheduled class times.
EAF	Early Academic Feedback.
effectiveness	Program success in achieving mission and goals.
efficiency	Achieving the most outputs and outcomes practical with the minimum amount of resources.
faculty overload payment	Payment for teaching a course assigned to a faculty member by the department head that is in addition to the normal assigned professional responsibilities.

freshman probation	Status of students admitted to the University with fewer than 12 college credit hours and a high school grade point average of less than 2.25 or an American College Test (ACT) score of less than 19.
full-time student	A student enrolled in a minimum of 12 credit hours in each semester of attendance (fall, winter, and summer).
hazardous materials	Any item or agent (biological, chemical, or physical) that has the potential to cause harm to humans, animals, or the environment, either by itself or by interactions with others.
management control	The plan of organization, methods, and procedures adopted by management to provide reasonable assurance that goals are met; resources are used in compliance with laws and regulations; valid and reliable data is obtained and reported; and resources are safeguarded against waste, loss, and misuse.
minimum class enrollment	The class enrollment level below which the University evaluates whether it is in the best interest of the University to hold the class.
mission	The agency's main purpose or the reason that the agency was established.
NAACLS	National Accrediting Agency for Clinical Laboratory Sciences.
NCA	North Central Association of Colleges and Schools.
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.

repetitive course
enrollment

To enroll in a subsequent semester in the same course that a student previously has been enrolled in.

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.

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