



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
State Universities' Reporting of Selected
Higher Education Institutional Data
Inventory (HEIDI) Data*

Report Number:
33-300-06

Released:
September 2006

The 15 State universities are required to report HEIDI data to the Legislature on a fiscal year basis. Instructions for reporting the data are included in the boilerplate of the annual appropriations act for higher education and in the Office of the State Budget's HEIDI User Manual. Examples of information reported in HEIDI include enrollment data, faculty and staff status and compensation, revenues, expenditures, building square footage, scholarships and grants, tuition and fees, and student population profiles.

Audit Objective:

To assess whether the State universities reported selected HEIDI data as required by the annual appropriations act for higher education and by the Office of the State Budget's HEIDI User Manual.

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Audit Conclusion:

Our assessment disclosed that the State universities generally reported selected HEIDI data as required. However, our assessment disclosed one material condition.

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Material Condition:

Central Michigan University included ineligible student credit hours for distance learning courses that overstated its resident student credit hours and materially overstated its nonresident student credit hours reported to the Department of Management and Budget (Finding 1).

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Agency Response:

Our audit report includes 1 finding and 1 corresponding recommendation. Central Michigan University's preliminary response indicated disagreement with the finding.

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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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September 12, 2006

The Honorable Shirley M. Johnson, Chair
Senate Appropriations Committee
Michigan Senate
and
The Honorable Scott Hummel, Chair
House Appropriations Committee
Michigan House of Representatives
State Capitol
Lansing, Michigan

Ms. Mary A. Lannoye, State Budget Director
Office of the State Budget
Department of Management and Budget
George W. Romney Building
Lansing, Michigan

Dear Senator Johnson, Representative Hummel, and Ms. Lannoye:

This is our report on the performance audit of State Universities' Reporting of Selected Higher Education Institutional Data Inventory (HEIDI) Data for fiscal year 2004-05.

This report contains our report summary; description of reported data; audit objective, scope, and methodology and agency responses; comment, finding, recommendation, and agency preliminary response; and a glossary of acronyms and terms.

The agency preliminary response was taken from the response received subsequent to our audit fieldwork. Act 154, P.A. 2005, requires that the audited institutions for which we noted findings develop formal responses within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us by the universities.

AUDITOR GENERAL

TABLE OF CONTENTS

STATE UNIVERSITIES' REPORTING OF SELECTED HIGHER EDUCATION INSTITUTIONAL DATA INVENTORY (HEIDI) DATA

	<u>Page</u>
INTRODUCTION	
Report Summary	1
Report Letter	3
Description of Reported Data	6
Audit Objective, Scope, and Methodology and Agency Responses	8
COMMENT, FINDING, RECOMMENDATION, AND AGENCY PRELIMINARY RESPONSE	
Reporting of Selected HEIDI Data	11
1. Reporting of Ineligible Student Credit Hours	11
GLOSSARY	
Glossary of Acronyms and Terms	16

Description of Reported Data

The Legislature established the Higher Education Institutional Data Inventory (HEIDI) to capture enrollment and other data regarding State universities. Examples of information requested by the Legislature through HEIDI include enrollment data, such as student credit hours by academic level and residency; faculty and staff status and compensation; revenues; expenditures; building square footage; scholarships and grants; tuition and fees; and student population profiles. The 15 State universities are required to report the data to the Legislature on a fiscal year basis. Instructions for reporting the data are included in the boilerplate of the annual appropriations act for higher education and in the Office of the State Budget's HEIDI User Manual*.

For fiscal year 2004-05, gross appropriations to the 15 State universities totaled \$1,495,934,610, the total number of student credit hours generated was 7,220,854, and the total number of fiscal year equated students enrolled was 250,030:

University	Appropriation*	Student Credit Hours	Fiscal Year Equated Students
Central Michigan University **	\$ 79,910,900	619,448	21,431
Eastern Michigan University	77,295,800	550,045	18,947
Ferris State University	48,968,800	314,682	10,548
Grand Valley State University **	57,904,100	567,100	19,400
Lake Superior State University	12,685,000	77,698	2,591
Michigan State University	349,284,100	1,207,008	41,836
Michigan Technological University	48,723,000	171,943	5,932
Northern Michigan University	45,775,200	250,048	8,424
Oakland University	48,106,100	394,520	13,834
Saginaw Valley State University	26,140,200	223,360	7,649
University of Michigan - Ann Arbor	320,662,000	1,102,444	39,311
University of Michigan - Dearborn **	24,690,000	180,307	6,227
University of Michigan - Flint	21,228,000	145,302	4,941
Wayne State University	223,714,300	722,642	24,953
Western Michigan University	110,847,110	694,307	24,006
Total	<u>\$ 1,495,934,610</u>	<u>7,220,854</u>	<u>250,030</u>

* The appropriation amount reported for each university included only the amount specifically appropriated to the university under Act 352, P.A. 2004.

** These 3 universities were selected for audit for fiscal year 2004-05.

* See glossary at end of report for definition.

For the 3 universities selected for audit, gross appropriations totaled \$162,505,000, total student credit hours generated were 1,366,855, and total fiscal year equated students enrolled were 47,058 for fiscal year 2004-05.

Audit Objective, Scope, and Methodology and Agency Responses

Audit Objective

The objective of our performance audit* of State Universities' Reporting of Selected Higher Education Institutional Data Inventory (HEIDI) Data was to assess whether the State universities reported selected HEIDI data as required by the annual appropriations act for higher education and by the Office of the State Budget's HEIDI User Manual.

Audit Scope

Our audit scope was to review HEIDI data for all 15 State universities and to audit selected data of 3 State universities for fiscal year 2004-05. 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.

Audit Methodology

We performed analytical audit procedures related to all 15 State universities. These procedures included performing data trend analysis and identifying significant differences between data reported to the House and Senate Fiscal Agencies with the data reported to HEIDI. We made telephone inquiries to the universities to obtain their representation as to the propriety of selected data recorded in HEIDI. Based on the analytical procedures performed, we selected the following 3 universities for audit to accomplish our audit objective:

Central Michigan University
Grand Valley State University
University of Michigan - Dearborn

We tested fiscal year 2004-05 reported student credit hours for accuracy and adherence to the annual appropriations act and to HEIDI User Manual requirements. Our audit fieldwork was conducted during April through June 2006.

* See glossary at end of report for definition.

For student credit hours, we verified the accuracy and appropriateness of reported totals. We verified the mathematical accuracy of fiscal year equated student calculations and traced selected students' reported courses to transcripts.

Agency Responses

Our audit report includes 1 finding and 1 corresponding recommendation. Central Michigan University's preliminary response indicated disagreement with the finding.

The agency preliminary response that follows the recommendation in our report was taken from written comments and oral discussions subsequent to our audit fieldwork. Annual appropriations acts require the principal executive officers of the audited institutions to submit written responses to our audit to the Auditor General, the House and Senate Fiscal Agencies, and the State Budget Director. The responses are due within 60 days after the audit report has been issued and should specify the action taken by the institutions regarding the audit report's recommendations.

COMMENT, FINDING, RECOMMENDATION,
AND AGENCY PRELIMINARY RESPONSE

REPORTING OF SELECTED HEIDI DATA

COMMENT

Background: The appropriations act for higher education (Act 154, P.A. 2005) states that the Auditor General shall review Higher Education Institutional Data Inventory (HEIDI) enrollment data submitted by all public universities. In addition, Act 95, P.A. 2006, states that the Auditor General shall perform audits of selected data submitted by public universities. The review and audits shall be based on the definitions, requirements, and uniform reporting categories established by the State Budget Director and the HEIDI Advisory Committee.

Audit Objective: To assess whether the State universities reported selected HEIDI data as required by the annual appropriations act for higher education and by the Office of the State Budget's HEIDI User Manual.

Conclusion: **Our assessment disclosed that the State universities generally reported selected HEIDI data as required.** However, our assessment disclosed one material condition* (Finding 1). Central Michigan University (CMU) included ineligible student credit hours for distance learning courses* that overstated its resident* student credit hours and materially overstated its nonresident* student credit hours reported to the Department of Management and Budget.

FINDING

1. Reporting of Ineligible Student Credit Hours

CMU included ineligible student credit hours for distance learning courses that overstated its resident student credit hours and materially overstated its nonresident student credit hours reported to the Department of Management and Budget.

Accurate reporting of financial and student information assists State policymakers with their decision-making processes.

The annual appropriations act for higher education and the HEIDI User Manual state that student credit hour reports shall not include hours generated in classrooms located outside Michigan or through distance learning instruction for

* See glossary at end of report for definition.

students who are not paying the institution's resident tuition rate. The appropriations act and the HEIDI User Manual define distance learning courses as instruction provided solely through the Internet, cable television, teleconference, or mail.

CMU has separate tuition rates for Michigan residents and nonresidents for courses delivered on campus. However, CMU has a unique tuition rate not based on residency status for all distance learning courses. This rate exceeds the established on-campus resident tuition rate but is less than the established on-campus nonresident tuition rate.

CMU's reporting of distance learning course had the following effects on its student credit hours reported for fiscal year 2004-05:

	Amount Reported	Overstatement
Resident Credit Hours:		
Undergraduate* level	527,979	2,542
Master's level*	63,633	2,976
Doctoral level*	5,282	225
Total	596,894	5,743
Nonresident Credit Hours:		
Undergraduate level	13,985	537
Master's level	7,281	4,605
Doctoral level	1,288	650
Total	22,554	5,792
Total Credit Hours:		
Undergraduate level	541,964	3,079
Master's level	70,914	7,581
Doctoral level	6,570	875
Total	619,448	11,535

As indicated in the preceding table, CMU overstated its total resident student credit hours by 1%. In addition, CMU overstated nonresident undergraduate level student credit hours by 4%, nonresident master's level student credit hours by

* See glossary at end of report for definition.

63%, and nonresident doctoral level student credit hours by 50%. In total, CMU overstated its nonresident credit hours by 26%.

If CMU had complied with the reporting requirements in the annual appropriations act for higher education and the HEIDI User Manual, such overstatements would not have occurred.

RECOMMENDATION

We recommend that CMU include only eligible student credit hours for distance learning courses in the student credit hours reported to the Department of Management and Budget in accordance with the annual appropriations act for higher education and the HEIDI User Manual.

AGENCY PRELIMINARY RESPONSE

CMU respectfully disagrees with the finding. CMU stated that, as specified in the appropriations act for higher education (Act 154, P.A. 2005) and in the HEIDI User Manual, student credit hours generated through distance learning courses for students who are not paying the institution's resident tuition rate should not be reported. However, CMU also stated that this language inaccurately assumes that institutions have but one resident rate. CMU believes that the Office of the Auditor General's view is that, because CMU's off-campus programs have a tuition rate that is different from the Mount Pleasant campus resident tuition rate, the distance learning student credits hours generated through CMU's off-campus programs should not have been reported. CMU is convinced that universities can (and most do) have more than a single resident tuition rate. CMU stated that resident rates often vary based on the class level, student level, and/or specific academic program. CMU further stated that, in this same manner, CMU's off-campus programs have a different rate from its on-campus programs and that these rates have differed since CMU first began reporting in-Michigan off-campus program activity for school year 1991-92. CMU believes that because the rates are different does not mean that the rate in question cannot be the "resident" rate.

OFFICE OF THE AUDITOR GENERAL EPILOGUE

The statutory requirement that student credit hour reports shall not include student credit hours generated through distance learning instruction for students not paying the institution's resident tuition rate was a means for identifying which students are residents and which students are nonresidents.

CMU informed us of its understanding that the intent of the requirement was not to have the State paying for students physically located out of State. And, based on an apparently similar understanding, the two other universities selected for audit excluded nonresident distance learning student credit hours from their reports to the Department of Management and Budget.

GLOSSARY

Glossary of Acronyms and Terms

CMU	Central Michigan University.
distance learning course	Instruction provided solely through the Internet, cable television, teleconference, or mail.
doctoral level	Courses intended to lead to a post-master's certificate or a doctorate degree.
HEIDI	Higher Education Institutional Data Inventory.
HEIDI User Manual	Manual containing detailed instructions for entering data using either the data entry screens or the electronic upload entry method, deadlines for submission of data elements, information about maneuvering in and between entry screens, as well as other technical assistance.
nonresident	A student who has not established Michigan as his/her domicile and, therefore, does not qualify to pay in-State tuition.
master's level	Courses intended to lead to a post-baccalaureate certificate or a master's degree.
material condition	A 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.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or

function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.

reportable condition

A matter 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.

resident

A student who has established Michigan as his/her domicile and, therefore, qualifies to pay in-State tuition.

undergraduate

A student enrolled in a bachelor's degree program, an associate's degree program, or a vocational or technical program below the baccalaureate.

