



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:
331-0300-07

Released:
May 2008

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, scholarships and grants, tuition and fees, and student population profiles.

Audit Objective:

To assess whether the State universities reported selected HEIDI data in accordance with requirements prescribed by law.

Audit Conclusion:

Our assessment disclosed that the State universities generally reported selected HEIDI data as required. We noted one material condition (Finding 1) and two reportable conditions (Findings 2 and 3).

Material Condition:

Central Michigan University included ineligible student credit hours for distance learning courses in its report to the Department of Management and Budget. (Finding 1).

Reportable Conditions:

Wayne State University submitted its HEIDI data three months late. Also, the Department of Management and Budget did not initiate enforcement actions against Wayne State University for its late submission of HEIDI data. (Finding 2)

The Department of Management and Budget's HEIDI reporting methodology reported student credit hours for Michigan's 15 public universities based on a specific date rather than on completed student credit hours (Finding 3).

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Agency Response:

Our audit report includes 3 findings and 4 corresponding recommendations. Central Michigan University disagrees with the recommendation directed to it. Wayne State University did not respond regarding the recommendation directed to it. The Department of Management and Budget agrees with the two recommendations directed to it.

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May 6, 2008

The Honorable Ron Jelinek, Chair
Senate Appropriations Committee
Michigan Senate
and

The Honorable George Cushingberry Jr., Chair
House Appropriations Committee
Michigan House of Representatives
State Capitol
Lansing, Michigan

Mr. Robert L. Emerson, State Budget Director
Office of the State Budget
Department of Management and Budget
George W. Romney Building
Lansing, Michigan

Dear Senator Jelinek, Representative Cushingberry, and Mr. Emerson:

This is our report on the performance audit of State Universities' Reporting of Selected Higher Education Institutional Data Inventory (HEIDI) Data for fiscal year 2005-06.

This report contains our report summary; description of reported data; audit objective, scope, and methodology and agency responses and prior audit follow-up; comment, findings, recommendations, and agency preliminary responses; and a glossary of acronyms and terms.

The agency preliminary responses were taken from the responses received subsequent to our audit fieldwork. Act 340, P.A. 2006, 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 and Prior Audit Follow-Up	8
COMMENT, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES	
Accuracy of Selected HEIDI Data	11
1. Reporting of Ineligible Student Credit Hours	11
2. Timely Submission of HEIDI Data	13
3. Reported Student Credit Hours	15
GLOSSARY	
Glossary of Acronyms and Terms	18

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 feet; 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 2005-06, gross appropriations to the 15 State universities totaled \$1,419,831,900, the total number of student credit hours generated was 7,313,554, and the total number of fiscal year equated students enrolled was 253,020:

University	Appropriation *	Student Credit Hours	Fiscal Year Equated Students
Central Michigan University	\$ 80,061,900	622,983	21,579
Eastern Michigan University	76,140,600	544,266	18,775
Ferris State University	48,634,700	330,421	11,063
Grand Valley State University	61,129,900	584,592	19,986
Lake Superior State University	12,506,300	76,826	2,561
Michigan State University **	283,730,300	1,228,644	42,430
Michigan Technological University	48,018,800	177,475	6,124
Northern Michigan University	45,051,600	253,922	8,553
Oakland University **	50,685,700	405,682	14,246
Saginaw Valley State University	27,499,800	227,356	7,781
University of Michigan - Ann Arbor	316,368,500	1,131,407	40,043
University of Michigan - Dearborn	24,739,200	181,227	6,243
University of Michigan - Flint	20,903,100	149,559	5,111
Wayne State University	214,666,300	725,338	25,235
Western Michigan University **	109,695,200	673,856	23,290
Totals	<u>\$1,419,831,900</u>	<u>7,313,554</u>	<u>253,020</u>

* The appropriation amount reported for each university included only the amount specifically appropriated to the university under Act 154, P.A. 2005.

** These 3 universities were selected for audit for fiscal year 2005-06.

* See glossary at end of report for definition.

For the 3 universities selected for audit, gross appropriations totaled \$444,111,200, total student credit hours generated were 2,308,182, and total fiscal year equated students enrolled were 79,966 for fiscal year 2005-06.

Audit Objective, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up

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 in accordance with requirements prescribed by law.

Audit Scope

Our audit scope was to review HEIDI data for all 15 State universities and to audit selected HEIDI data of 3 State universities for fiscal year 2005-06. 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. Our audit fieldwork was conducted during April through July 2007.

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 judgmentally selected the following 3 universities for audit to accomplish our audit objective:

Michigan State University
Oakland University
Western Michigan University

We tested fiscal year 2005-06 reported student credit hours for accuracy and adherence to the annual appropriations act and to HEIDI User Manual requirements. In addition, to follow up on the prior year's audit finding, we tested Central Michigan University's fiscal year 2005-06 reported student credit hours.

* 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. For the three universities, we randomly selected students for review and projected the results to the population as appropriate.

Agency Responses and Prior Audit Follow-Up

Our audit report includes 3 findings and 4 corresponding recommendations. Central Michigan University disagrees with the recommendation directed to it. Wayne State University did not respond regarding the recommendation directed to it. The Department of Management and Budget agrees with the two recommendations directed to it.

The agency preliminary response that follows each 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.

We released our prior performance audit of State Universities' Reporting of Selected Higher Education Institutional Data Inventory (HEIDI) Data (33-300-06) in September 2006. We repeated the prior audit recommendation in this report.

COMMENT, FINDINGS, RECOMMENDATIONS,
AND AGENCY PRELIMINARY RESPONSES

ACCURACY OF SELECTED HEIDI DATA

COMMENT

Background: The appropriations act for higher education (Act 340, P.A. 2006) 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 Senate and House Fiscal Agencies.

Audit Objective: To assess whether the State universities reported selected HEIDI data in accordance with requirements prescribed by law.

Conclusion: Our assessment disclosed that the State universities generally reported selected HEIDI data as required. We noted one material condition*. Central Michigan University (CMU) included ineligible student credit hours for distance learning courses* in its report to the Department of Management and Budget (DMB) (Finding 1).

We also noted two reportable conditions* related to timely submission of HEIDI data (Finding 2) and reported student credit hours (Finding 3).

FINDING

1. Reporting of Ineligible Student Credit Hours

CMU included ineligible student credit hours for distance learning courses in its report to DMB. As a result, CMU materially overstated its resident student* credit hours.

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 resident students and nonresident students* for courses delivered on campus. CMU distance learning students did not pay the institution's resident rate, thus they are not eligible for inclusion in the student credit hours reported to DMB. CMU has a unique tuition rate not based on residency status for distance learning courses.

CMU's inclusion of ineligible student credit hours for distance learning courses had the following effects on its student credit hours reported to DMB for fiscal year 2005-06:

	Amount Reported	Overstatement
Resident credit hours:		
Undergraduate* level	536,934	12,183
Master's level*	68,405	9,341
Doctoral level*	7,998	750
Total	613,337	22,274

As indicated in the preceding table, CMU overstated resident undergraduate level student credit hours by 2.3%, resident master's level student credit hours by 15.8%, and resident doctoral level student credit hours by 10.3%. In total, CMU overstated its resident student credit hours by 3.8%.

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.

We noted the same condition in our September 2006 performance audit of State Universities' Reporting of Selected HEIDI Data (33-300-06). In response to that audit report, CMU indicated that it disagreed with the finding.

* See glossary at end of report for definition.

RECOMMENDATION

WE AGAIN RECOMMEND THAT CMU INCLUDE ONLY ELIGIBLE STUDENT CREDIT HOURS FOR DISTANCE LEARNING COURSES IN ITS REPORT TO DMB IN ACCORDANCE WITH THE ANNUAL APPROPRIATIONS ACT FOR HIGHER EDUCATION AND THE HEIDI USER MANUAL.

AGENCY PRELIMINARY RESPONSE

CENTRAL MICHIGAN UNIVERSITY

CMU disagrees and stated that the recommendation is predicated on an interpretation that CMU has only one resident tuition rate, which is the on-campus rate. CMU's off-campus programs, which include the distance learning courses in question, assess a single tuition rate independent of residency and have operated in this manner since before fiscal year 1991-92. This rate exceeds the on-campus resident rate, but is less than the on-campus nonresident rate. CMU has always considered the single off-campus program rate to be the resident rate for those courses and has reported student credit hour activity as such.

CMU referenced that the HEIDI Advisory Committee has revised the language in the HEIDI User Guide relevant to this issue. And, according to CMU, the new language, which is effective with reporting of fiscal year 2006-07 data, clarifies this issue.

FINDING

2. **Timely Submission of HEIDI Data**

Wayne State University (WSU) submitted its HEIDI data three months late. Also, DMB did not initiate enforcement actions against WSU for its late submission of HEIDI data.

Without timely submission of all university HEIDI data, the HEIDI database is incomplete. Section 18.1299 of the *Michigan Compiled Laws* mandates requirements for maintaining HEIDI data. The requirements stipulate that HEIDI data be accurate and be provided in a useful manner and format to allow State policymakers and public university officials to make informed policy decisions. If the HEIDI database is not complete, it is not accurate or useful to State policymakers and public university officials. In addition, enforcement of penalties may stimulate timely submission of HEIDI data.

Act 340, P.A. 2006, requires all universities to submit HEIDI data and associated financial and program information by specific dates. Universities with fiscal years ending June 30 must submit their HEIDI data to the State Budget Director by October 15. The Act requires universities with fiscal years ending September 30 to submit their final HEIDI data by December 15. If universities fail to submit HEIDI data in accordance with the reporting schedule, the Act provides that the State Treasurer shall withhold the universities' monthly operations installments until the data is received.

WSU, which has a fiscal year-end of September 30 and a reporting requirement of December 15, did not submit all HEIDI data until April 27, 2007. The State Budget Director did not notify the State Treasurer of WSU's late submission of HEIDI data. As a result, WSU continued to receive its monthly operations installments.

RECOMMENDATIONS

We recommend that WSU submit its HEIDI data on a timely basis.

We also recommend that DMB initiate enforcement actions against universities for late submission of HEIDI data.

AGENCY PRELIMINARY RESPONSE

WAYNE STATE UNIVERSITY

WSU was provided with an opportunity to respond and did not.

DEPARTMENT OF MANAGEMENT AND BUDGET

DMB agrees that accurate and timely submission of HEIDI data by all universities is important to allow State policymakers and public university officials to make informed policy decisions. According to DMB, WSU has made significant improvement in the quality of its HEIDI data submission. Although WSU was late in fully completing the data certification process, DMB stated that WSU did provide the highest priority data when needed by the Office of the State Budget and the House and Senate Fiscal Agencies. The Office of the State Budget will work with the Legislature to modify existing appropriations act language so that the penalty may be applied only when the State Budget Director believes that a university is egregious in failing to provide HEIDI data.

FINDING

3. Reported Student Credit Hours

DMB's HEIDI reporting methodology reported student credit hours for Michigan's 15 public universities based on a specific date rather than on completed student credit hours. As a result, university enrollment data could be overstated.

Michigan's 15 public universities annually submit HEIDI data to DMB. DMB established and maintains detailed methodologies for the universities to follow when submitting HEIDI data. These methodologies instruct the universities to report their student credit hours as of a specific date that is consistent from term to term and year to year according to policy established by the university's governing board.

The three universities that we visited submitted student credit hours based on DMB's allowed date, which is early in the academic term. The universities used the same date from term to term and year to year as required by DMB. Because of the earliness of the enrollment reporting dates used by universities, the HEIDI reports do not reflect changes in student credit hours occurring after the reporting dates.

Our limited sample from each term for academic year 2005-06 disclosed that actual student credit hours earned was significantly different than what was reported by the three universities:

University	Student Records Tested	Number of Student Records With Credit Hour Adjustments	Projected Number of Student Records With Credit Hour Adjustments*
Michigan State University	100	11	12,475
Oakland University	60	18	13,452
Western Michigan University	60	12	13,078

* Projection is based on a presumed change in DMB's HEIDI reporting methodology from date specific to completed credit hours.

Requiring universities to report student credit hours upon completion of the term would more accurately report total student credit hours completed and provide more useful information for State policymakers and public university officials to make informed policy decisions.

RECOMMENDATION

We recommend that DMB's HEIDI reporting methodology report student credit hours for Michigan's 15 public universities based on completed student credit hours rather than on a specific date.

AGENCY PRELIMINARY RESPONSE

DEPARTMENT OF MANAGEMENT AND BUDGET

DMB agrees that its HEIDI reporting methodology should result in the most accurate and useful information on student credit hours being available to State policymakers and public university officials. Act 95, P.A. 2006, establishes the HEIDI Advisory Committee to advise the State Budget Director regarding HEIDI data collection definitions and policies. The Office of the State Budget will present this recommendation to change current policy for reporting student credit hours to the HEIDI Advisory Committee for its review and advice.

GLOSSARY

Glossary of Acronyms and Terms

CMU	Central Michigan University.
distance learning courses	Instruction provided solely through the Internet, cable television, teleconference, or mail.
DMB	Department of Management and Budget.
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.
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.
nonresident student	A student who does not qualify to pay in-State tuition.
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 student	A student who 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.
WSU	Wayne State University.

