

PERFORMANCE AUDIT
OF
SELECTED COMMUNITY COLLEGES' REPORTING OF
ACTIVITIES CLASSIFICATION STRUCTURE DATA

July 1, 1997 through June 30, 1998

EXECUTIVE DIGEST

SELECTED COMMUNITY COLLEGES' REPORTING OF ACTIVITIES CLASSIFICATION STRUCTURE DATA

INTRODUCTION

This report, issued in May 1999, contains the results of our performance audit* of Selected Community Colleges' Reporting of Activities Classification Structure Data for the colleges' fiscal year 1997-98 (July 1, 1997 through June 30, 1998).

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General and was mandated by Act 295, P.A. 1998, the annual appropriations act for community colleges.

BACKGROUND

The activities classification structure (ACS) was developed in response to Section 8, Act 419, P.A. 1978 (a section of the fiscal year 1978-79 appropriations act for community colleges). Uniform data reporting requirements were developed for use in making State budget and appropriation decisions. Act 117, P.A. 1984, provided for a funding formula to be used to determine State aid for each community college. The funding formula is based on ACS data, such as full-time equated students, contact hours, expenditures, and other activity measures. For

* See glossary on page 24 for definition.

fiscal year 1997-98, Act 85, P.A. 1997, continued with the reporting requirements as established in Act 117, P.A. 1984.

The Department of Education (DOE) is responsible for the collection and analysis of certain data submitted by the colleges on the various ACS forms.

**AUDIT OBJECTIVE
AND CONCLUSION**

Audit Objective: To assess whether colleges reported ACS data to DOE on the ACS forms in accordance with the provisions of the annual appropriations act for community colleges (Act 85, P.A. 1997), the ACS Manual for Michigan Community Colleges, the Manual for Uniform Financial Reporting of Michigan Public Community Colleges (MUFR), and DOE's annual instructions.

Conclusion: We concluded that the selected community colleges generally reported ACS data to DOE on the ACS forms in accordance with the provisions of the annual appropriations act for community colleges (Act 85, P.A. 1997), the ACS Manual for Michigan Community Colleges, MUFR, and DOE's annual instructions. However, we did identify reportable conditions* relating to the disclosure of required data; calculation of the count date for credit hours, contact hours, and student headcount; student and course data reporting; residency verification; contact hour computations and reporting; and cost allocations and expenditure reporting (Findings 1 through 6).

These reporting errors were not considered material and may not necessarily have a direct dollar impact on the community colleges' funding. However, it is important for comparative analyses that all community colleges report their enrollment and other ACS data in a consistent

* See glossary on page 24 for definition.

manner that adheres to the provisions of the annual appropriations act for community colleges (Act 85, P.A. 1997), the ACS Manual for Michigan Community Colleges, MUFR, and DOE's annual instructions.

**AUDIT SCOPE AND
METHODOLOGY**

Our audit scope was to examine selected records supporting the activities classification structure data reported by seven community colleges for their fiscal year ended June 30, 1998. 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.

We randomly selected the following seven colleges to be audited and obtained ACS data for the colleges from DOE:

Alpena Community College
Jackson Community College
Kirtland Community College
Lansing Community College
Charles Stewart Mott Community College
Washtenaw Community College
Wayne County Community College

We interviewed staff responsible for preparing and submitting ACS data at each college. We tested the reporting of current fund expenditure data at the activity, subactivity, and element levels; supporting documentation regarding general fund full-time equated positions; and data related to tuition rates and local financing. We also tested the accuracy of reported contact and credit hours and headcount totals; class lists for headcounts, including in-district and out-of-district classification, class drop and add adjustments, and registration documentation; contact

hour calculations; methods for determining legal residency; and methods for classifying general fund and non-general fund courses. In addition, we tested supporting documentation for energy usage and costs and the accuracy of reported physical plant area and volume.

AGENCY RESPONSES

Our audit includes 6 findings and 6 corresponding recommendations. We discussed our audit findings, along with the other reporting exceptions presented as supplemental information, with the management of each community college. The colleges' responses indicated general concurrence with our recommendations.

The Honorable Harry Gast, Chairman
Senate Appropriations Committee
Michigan State Senate
and
The Honorable Terry Geiger, Chairman
House Appropriations Committee
Michigan House of Representatives
State Capitol
Lansing, Michigan

Dear Senator Gast and Representative Geiger:

This is our report on the performance audit of Selected Community Colleges' Reporting of Activities Classification Structure Data for the colleges' fiscal year 1997-98 (July 1, 1997 through June 30, 1998), mandated by Act 295, P.A. 1998, the appropriations act for community colleges.

This report contains our executive digest; description of reported data; audit objective, scope, and methodology and agency responses; comment, findings, and recommendations; a summary of audit findings by college and a schedule of other reporting exceptions, presented as supplemental information; and a glossary of acronyms.

Annual appropriations acts require that the audited institutions develop formal responses within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us by the community colleges.

AUDITOR GENERAL

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Description of Reported Data

The activities classification structure (ACS) was developed in response to Section 8, Act 419, P.A. 1978 (a section of the fiscal year 1978-79 appropriations act for community colleges). Uniform data reporting requirements were developed for use in making State budget and appropriation decisions. Act 117, P.A. 1984, provided for a funding formula to be used to determine State aid for each community college. The funding formula is based on ACS data, such as full-time equated students, contact hours, expenditures, and other activity measures. For fiscal year 1997-98, Act 85, P.A. 1997, continued with the reporting requirements as established in Act 117, P.A. 1984.

The development of ACS has proven beneficial in that ACS:

1. Assists in the collection of uniform and comparable financial data from the 28 State-supported community colleges.
2. Provides an internal management tool to relate information about resources and activities to the achievement of institutional objectives.
3. Interfaces a State reporting structure with accounting practices and organizational structures common to the community college system.
4. Provides a framework for identifying areas of institutional similarities and differences.
5. Provides a logical basis for determining the gross need of individual colleges and of the total system, which then becomes translated into State appropriations.

The Department of Education (DOE) is responsible for the collection and analysis of certain data submitted by the colleges on the various ACS forms. Colleges are to report ACS data in accordance with provisions of the annual appropriations act for community colleges (Act 85, P.A. 1997), the ACS Manual for Michigan Community Colleges, the Manual for Uniform Financial Reporting for Michigan Public Community Colleges (MUFR), and DOE's annual instructions.

Audit Objective, Scope, and Methodology and Agency Responses

Audit Objective

The audit objective for our performance audit of Selected Community Colleges' Reporting of Activities Classification Structure Data was to assess whether colleges reported activities classification structure (ACS) data to the Department of Education (DOE) on the ACS forms in accordance with the provisions of the annual appropriations act for community colleges (Act 85, P.A. 1997), the ACS Manual for Michigan Community Colleges, the Manual for Uniform Financial Reporting of Michigan Public Community Colleges (MUFR), and DOE's annual instructions.

Audit Scope

Our audit scope was to examine selected records supporting the activities classification structure data reported by seven community colleges for their fiscal year ended June 30, 1998. 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.

We randomly selected the following seven colleges to be audited and obtained ACS data for the colleges from DOE:

- Alpena Community College
- Jackson Community College
- Kirtland Community College
- Lansing Community College
- Charles Stewart Mott Community College
- Washtenaw Community College
- Wayne County Community College

Audit Methodology

Our fieldwork was performed from January through March 1999. We interviewed staff responsible for preparing and submitting ACS data at each college. We tested the reporting of current fund expenditure data at the activity, subactivity, and element

levels; supporting documentation regarding general fund full-time equated positions; and data related to tuition rates and local financing. We also tested the accuracy of reported contact and credit hours and headcount totals; class lists for headcounts, including in-district and out-of-district classification, class drop and add adjustments, and registration documentation; contact hour calculations; methods for determining legal residency; and methods for classifying general fund and non-general fund courses. In addition, we tested supporting documentation for energy usage and costs and the accuracy of reported physical plant area and volume.

Agency Responses

Our audit includes 6 findings and 6 corresponding recommendations. We discussed our audit findings, along with the other reporting exceptions presented as supplemental information, with the management of each community college. The colleges' responses indicated general concurrence with our recommendations.

Annual appropriations acts require the principal executive officers of the audited institutions to submit written responses to our audit to the House and Senate Appropriations Committees, the House and Senate Fiscal Agencies, the Department of Education, the Auditor General, and the Department of Management and Budget. 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, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

ACCURACY OF REPORTED DATA

COMMENT

Audit Objective: To assess whether colleges reported activities classification structure (ACS) data to the Department of Education (DOE) on the ACS forms in accordance with the provisions of the annual appropriations act for community colleges (Act 85, P.A. 1997), the ACS Manual for Michigan Community Colleges, the Manual for Uniform Financial Reporting of Michigan Public Community Colleges (MUFR), and DOE's annual instructions.

Conclusion: We concluded that the selected community colleges generally reported ACS data to DOE on the ACS forms in accordance with the provisions of the annual appropriations act for community colleges (Act 85, P.A. 1997), the ACS Manual for Michigan Community Colleges, MUFR, and DOE's annual instructions. However, we did identify reportable conditions relating to the disclosure of required data; calculation of the count date for credit hours, contact hours, and student headcount; student and course data reporting; residency verification; contact hour computations and reporting; and cost allocations and expenditure reporting.

These reporting errors were not considered material and may not necessarily have a direct dollar impact on the community colleges' funding. However, it is important for comparative analyses that all community colleges report their enrollment and other ACS data in a consistent manner that adheres to the provisions of the annual appropriations act for community colleges (Act 85, P.A. 1997), the ACS Manual for Michigan Community Colleges, MUFR, and DOE's annual instructions.

Several of our audit findings pertain to more than one college; therefore, we have included a summary of audit findings by college, as supplemental information, to identify the specific colleges involved.

Also presented as supplemental information is a schedule of other reporting exceptions. These reporting exceptions represent instances of noncompliance that have been determined, after consultation with DOE, to have a minimal, if any, impact on the funding formula and the ACS Databook* .

FINDING

1. Disclosure of Required Data

Five colleges did not disclose certain data on their class lists as required by the appropriations act. Also, five colleges did not disclose certain data on their class summaries as required by the appropriations act.

Act 85, P.A. 1997, requires that class lists and class summaries shall identify clearly, by course, the number of in-district and out-of-district student credit and contact hours. The class lists and class summaries shall be consistent with each other and shall include, for each course, the course prefix, number, title, credit and contact hours, credit and contact hours generated by each student, and activity classifications consistent with the taxonomy. Our review of class lists and class summaries disclosed:

- a. Alpena and Jackson Community Colleges did not include the number of in-district and out-of-district student credit hours and contact hours on their class lists and class summaries.
- b. Kirtland Community College did not include the course titles on its class lists.
- c. Lansing Community College did not include the number of in-district and out-of-district student credit and contact hours on its class lists. Also, the College did not include the number of in-district and out-of-district student contact hours on its class summaries.
- d. Mott Community College did not include the number of in-district and out-of-district student credit and contact hours on its class lists. Also, the College did not provide the course title on the class summaries.

* See glossary on page 24 for definition.

- e. Washtenaw Community College did not include the course title on its class summaries.

Full disclosure of the required data is necessary to clearly identify the number and type of student credit and contact hours which may be used for future funding for these colleges.

RECOMMENDATION

We recommend that the colleges disclose all data required by the appropriations act on their class lists and class summaries for each enrollment period.

FINDING

2. Calculation of the Count Date for Credit Hours, Contact Hours, and Student Headcount

Four colleges did not calculate their count dates in accordance with DOE's instructions.

To ensure uniformity in reporting, DOE's instructions require the colleges to report all enrollment data as of the count date. The count date is defined as being one tenth of the total calendar days between and including the first and last days of instruction (including holidays and the final examination day) for both full-length and less than full-length academic period courses. When the one-tenth calculation results in less than one day, the first day of the course offering should be recognized as the count date.

We determined that all colleges used the one-tenth count data methodology for their general fund courses. However, four colleges did not properly apply the methodology:

- a. Jackson Community College inappropriately used the full academic period count date for its less than full-length academic period courses. Also, the College generated its class list as of the day after the count date for its general fund courses. In addition, an error in the College's computer programming logic resulted in the College calculating various count dates for its spring 1998 courses.

- b. Lansing Community College did not count the first day of class when calculating the count date for its spring 1998 courses.
- c. Mott Community College did not include holidays in the calculation of the count date for summer 1997, winter 1998, and spring 1998 courses.
- d. Washtenaw Community College did not include the first day of class when determining the count date for its 15-week courses for winter 1998. Also, the College added a day in its count when determining the count date for the first 7½-week courses for spring 1998.

RECOMMENDATION

We recommend that the colleges calculate their count dates in accordance with DOE's instructions.

FINDING

3. Student and Course Data Reporting

Six colleges reported enrollment data on student headcount, contact hours, and credit hours by element, subactivity, and activity forms (ACS 6's) that did not agree with the supporting class lists and class summaries.

The appropriations act and DOE's instructions require the colleges to generate their ACS 6's using class lists and class summaries as of the count date. DOE's instructions also require that the data reported to DOE on the ACS 6 must be consistent with that listed on the class lists and class summaries. Our comparison of the colleges' ACS 6's with supporting documentation disclosed:

- a. Jackson Community College did not include contact hours for independent study and/or cooperative education courses.
- b. Jackson and Mott Community Colleges' class lists did not agree with the student and course data reported.
- c. Jackson and Kirtland Community Colleges incorrectly reported, as in-district students, out-of-district students who were paying in-district tuition.

- d. Jackson, Kirtland, Washtenaw, and Wayne County Community Colleges correctly counted students who were "auditing" courses in headcount and contact hour totals; however, the Colleges incorrectly included these students in their credit hour totals.
- e. Lansing Community College did not include all courses in calculating its unduplicated student headcount.
- f. Mott Community College did not include the student headcount, contact hours, and credit hours for courses that were less than a full-length academic period and started after the full semester count date.
- g. Mott Community College reported all students enrolled in continuing education courses as in-district, regardless of the students' residency location.
- h. Wayne County Community College class summaries did not agree with the ACS 6.
- i. Wayne County Community College improperly included non-general fund courses in the general fund ACS 6 rather than the non-general fund ACS 6. In addition, the College did not report some other non-general fund courses because the courses did not have an assigned ACS code.

RECOMMENDATION

We recommend that the colleges report enrollment data that agrees with supporting class lists and class summaries.

FINDING

4. Residency Verification

Kirtland and Wayne County Community Colleges did not verify the legal residency of returning students as required by DOE's instructions.

DOE's instructions require that all new students' residency must be verified at the time of admission. Further, the instructions identify the following three formal methods considered acceptable for verifying the legal residency of returning students:

- a. Require students to verify their residency status in person.
- b. Require a copy of a rent receipt, driver license, etc., to be submitted with tuition payments.
- c. Send out registration confirmations and grade mailings using the "Postmaster Do Not Forward" label on the envelope and placing a hold on the student's record when his/her mail is returned. The student must then prove his/her residency before any further registration is allowed.

As a result of not verifying the legal residency of returning students, Kirtland and Wayne County Community Colleges' reported headcount and applicable credit hours and contact hours between in-district and out-of-district may be in error. Failure to correctly report student residency affects the tuition deduct portion of the State funding formula and may affect the Colleges' funding.

RECOMMENDATION

We recommend that Kirtland and Wayne County Community Colleges verify the legal residency of returning students as required by DOE's instructions.

FINDING

5. Contact Hour Computations and Reporting

Six colleges did not calculate and report contact hours based on DOE's instructions.

DOE's instructions require that a contact hour be based on 50 instructional minutes. Total contact hours for a course are to be calculated by summing the total instructional minutes for a course in the academic period and dividing by 50. The instructions further state that: 1) course contact hours may be calculated on a section-by-section basis, or 2) all sections of a course may be reported at the

same course contact hour value as long as each section's actual course contact hour value is not less than the reported value of that course by more than 5%. Colleges must perform an actual calculation on a random sample of courses to determine the actual contact hour difference. Documentation of this random sample must be maintained for audit purposes. Our review disclosed:

- a. Alpena and Kirtland Community Colleges calculated contact hours based on a pre-determined number of hours for each credit hour instead of actual instructional minutes.
- b. Jackson Community College calculated contact hours using a standard of 16 contact hours per credit hour and a multiplier of 1.1. The multiplier was intended to account for instructional time provided to students in excess of the 50 minutes per contact hour required by DOE's instructions, instead of actual instructional minutes.
- c. Mott Community College calculated contact hours based on a predetermined rate of 55 minutes per contact hour and a standard of 15 weeks.
- d. Washtenaw Community College calculated contact hours using a predetermined number of contact hours per credit hour and a multiplier of 1.1. The multiplier was intended to account for instructional time provided to students in excess of the 50 minutes per contact hour required by DOE's instructions, instead of actual instructional minutes.
- e. Wayne County Community College calculated contact hours based on 60 minutes instead of 50 minutes.

The consistent reporting of contact hours by all colleges is important because the number of contact hours may affect college funding.

RECOMMENDATION

We recommend that the colleges calculate and report contact hours based on DOE's instructions.

FINDING

6. Cost Allocations and Expenditure Reporting

Six colleges did not properly allocate or report some expenditures on their activity/subactivity/element current fund expenditures forms (ACS 3's).

The annual appropriations acts, the ACS Manual, MUFRR, and DOE's instructions provide direction to community colleges on the proper allocation and reporting of expenditures. Our review disclosed:

- a. Alpena Community College did not allocate indirect costs for auxiliary services in compliance with ACS instructions.
- b. Kirtland, Mott, and Washtenaw Community Colleges did not properly report capital expenditures on the ACS 3.

Kirtland and Mott Community Colleges did not report library book purchases in the category of "Capital" as required by DOE's instructions. Instead, the Colleges reported the library book purchases in the category of "Other." Washtenaw Community College did not report computer equipment purchases in the category of "Capital" as required by DOE's instructions. Instead, the College reported the computer equipment purchases in the category of "Computer."

- c. Lansing, Washtenaw, and Wayne County Community Colleges did not allocate work-study expenditures to the department or organizational unit to which the service was rendered. Instead, the Colleges reported the work-study expenditures in "Financial Aid."
- d. Washtenaw Community College did not establish an expenditure account to record the difference in tuition rates for students residing out-of-district who are charged in-district rates. The College allows students who reside out-of-district to pay in-district rates if the students own property within the district. While the College is entitled to have such a tuition policy, MUFRR requires that tuition and fee remissions or exemptions in any form be recorded and reported as expenditures.

Accurate reporting of expenditures is necessary for comparable analyses of expenditures among the 28 community colleges. This data may be used to determine the financial need of the individual colleges in the appropriation process.

RECOMMENDATIONS

We recommend that the colleges properly allocate and report expenditures on their ACS 3's.

SUPPLEMENTAL INFORMATION

SELECTED COMMUNITY COLLEGES' REPORTING OF
ACTIVITIES CLASSIFICATION STRUCTURE DATA
 Summary of Audit Findings by College
July 1, 1997 through June 30, 1998

<u>Audit Finding</u>	<u>Alpena Community College</u>	<u>Jackson Community College</u>	<u>Kirtland Community College</u>	<u>Lansing Community College</u>	<u>Charles Stewart Mott Community College</u>	<u>Washtenaw Community College</u>	<u>Wayne County Community College</u>
1a	X	X					
1b			X				
1c				X			
1d					X		
1e						X	
2a		X					
2b				X			
2c					X		
2d						X	
3a		X					
3b		X			X		
3c		X	X				
3d		X	X			X	X
3e				X			
3f					X		
3g					X		
3h							X
3i							X
4			X				X
5a	X		X				
5b		X					
5c					X		
5d						X	
5e							X
6a	X						
6b			X		X	X	
6c				X		X	X
6d						X	

SELECTED COMMUNITY COLLEGES' REPORTING OF
ACTIVITIES CLASSIFICATION STRUCTURE DATA

Schedule of Other Reporting Exceptions*

July 1, 1997 through June 30, 1998

ACS 3: Activity/Subactivity/ Element Current Fund Expenditures

1. Alpena Community College did not report maintenance and safety and supply expenditures on ACS line items 7.2, Maintenance, and 7.5, Health and Safety, respectively. The College reported these expenditures on ACS line item 7.1, Physical Plant.
2. Jackson Community College did not report energy expenditures on ACS line item 7.4, Energy Services. The College reported these expenditures on ACS line item 7.1, Physical Plant.
3. Jackson Community College did not report miscellaneous operating expenditures under the "Other" column. The College reported these expenditures under the "Facility" column.
4. Kirtland Community College did not accurately report "Other" operating expenditures at the noninstructional element level.
5. Lansing Community College did not report non-general fund "Capital" expenditures on line item 4.0, Instructional Support. The College reported these expenditures under the "Capital" column on ACS line item 1.0, Instruction Total.

ACS 4: General Fund Personnel Activity Measures

1. Alpena Community College did not accurately report full-time equated (FTE) positions for full-time faculty at the noninstructional subactivity level because two of the data processing staff were inappropriately included in ACS line item 6.0, Instructional Administration. Also, one clerical staff was inappropriately included under the "Professional" column and two clerical staff were inappropriately included under the "Technical/Paraprof" column.

2. Jackson Community College did not accurately report FTE positions for full-time faculty at the noninstructional subactivity level. This was because physical plant staff were inappropriately included under the "Technical/Paraprof" and "Office/Clerical" columns.
3. Jackson Community College did not allocate FTE positions for department chairpersons to line item 4.0, Instructional Support.
4. Wayne County Community College did not accurately report FTE positions for full-time faculty at the noninstructional subactivity level. The provosts for the College were inappropriately included in ACS line item 4.0, Instructional Support. Also, the Dean of Academic Services was inappropriately included in line item 6.0, Institutional Administration. In addition, 10 physical plant staff were inappropriately reported under the "Office/Clerical" column.

ACS 6: Course Enrollment Data by Instructional Element, Subactivity, and Activity

1. Wayne County Community College did not use the correct count date for one class.

ACS 7: Plant and Grounds Expenditures and Activity Measures

1. Alpena and Lansing Community Colleges overstated their general fund energy, general fund water and sewage, and general fund physical plant line items by not deducting applicable auxiliary fund allocations.
2. Jackson and Lansing Community Colleges overstated their overall volume because of a miscalculation of gross square feet for one of their buildings.
3. Mott Community College overstated its general fund physical plant line item and understated its total physical plant line item because of a posting error.

* This schedule of other reporting exceptions identifies instances of noncompliance that have been determined, after consultation with the Department of Education, to have a minimal, if any, impact on the funding formula and the ACS Databook.

Glossary of Acronyms and Terms

ACS	activities classification structure.
ACS Databook	An annual publication from the Department of Education of enrollment, instruction, fiscal, and other data submitted by Michigan's 28 community colleges.
DOE	Department of Education.
FTE	full-time equated.
MUFR	Manual for Uniform Financial Reporting of Michigan Public Community Colleges.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
reportable condition	A matter coming to the auditor's attention that, in his/her judgment, should be communicated because it represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.