

PERFORMANCE AUDIT
OF

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

Fiscal Year 1998-99

EXECUTIVE DIGEST

SELECTED STATE UNIVERSITIES' REPORTING OF ENROLLMENT AND OTHER HEIDI DATA

INTRODUCTION

This report, issued in June 2000, contains the results of our performance audit* of Selected State Universities' Reporting of Enrollment and Other Higher Education Institutional Data Inventory (HEIDI) Data, including the provisions of the appropriations act for higher education (Act 93, P.A. 1999) and the State Budget Office (SBO) annual budget letter for fiscal year 1998-99.

AUDIT PURPOSE

This performance audit was conducted under the provisions of Section 701, Act 93, P.A. 1999, which mandates that the Auditor General audit enrollments at five public universities.

BACKGROUND

The 15 State universities are required to report certain enrollment and other HEIDI data to the Legislature and SBO 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 SBO annual budget letter to State universities.

The State budget director and the House and Senate Fiscal Agencies made substantial changes to the requirements for reporting enrollment and other HEIDI

* See glossary at end of report for definition.

data for fiscal year 1998-99. The changes to the reporting instructions were made to merge the HEIDI database with the federal Integrated Postsecondary Education Data System to eliminate duplicate reporting systems. The changes were retroactive for the universities' 1998-99 academic and fiscal year.

For fiscal year 1998-99, gross appropriations to the 15 State universities totaled approximately \$1.4 billion and the total number of fiscal year equated students enrolled was over 223,000. For the 5 selected universities audited for fiscal year 1998-99, gross appropriations totaled approximately \$700 million and the total number of fiscal year equated students enrolled was approximately 104,000.

AUDIT OBJECTIVE
AND CONCLUSION

Audit Objective: To assess the accuracy of the State universities' reporting of selected enrollment and other HEIDI data as required by the annual appropriations act for higher education and the SBO annual budget letter to universities.

Conclusion: **Our assessment did not disclose inaccuracies that could have caused a material misstatement* of the enrollment and other HEIDI data reported by the selected universities.** However, at all 5 universities, we noted instances of inaccurate reporting relative to one or more of the enrollment reporting requirements (Findings 1, 3, and 4). We also noted the need for the reporting instructions to define "correspondence course" and "Michigan instructional activity" (Finding 2).

* See glossary at end of report for definition.

**AUDIT SCOPE AND
METHODOLOGY**

Our audit scope was to examine 5 of the 15 State universities' records supporting selected enrollment student credit hours and other Higher Education Institutional Data Inventory data relating to general fund expenditures and transfers reported to the State Budget Office for fiscal year 1998-99. This included comparing reported instructional and non-instructional expenditures with the audited financial statements. 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 5 universities for audit:

Grand Valley State University
Michigan State University
Saginaw Valley State University
Wayne State University
Western Michigan University

We tested fiscal year 1998-99 reported student credit hours and selected other HEIDI data for accuracy and adherence to the annual appropriations act and SBO annual budget letter requirements.

AGENCY RESPONSES

Our audit report contains 4 findings and 4 corresponding recommendations. The State Budget Office and the universities generally concurred with the recommendations.

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June 30, 2000

The Honorable Harry Gast, Chairperson
Senate Appropriations Committee
Michigan Senate
State Capitol
Lansing, Michigan
and
The Honorable Terry Geiger, Chairperson
House Appropriations Committee
Michigan House of Representatives
State Capitol
Lansing, Michigan
and
Ms. Mary Lannoye, State Budget Director
Department of Management and Budget
Lewis Cass Building
Lansing, Michigan

Dear Senator Gast, Representative Geiger, and Ms. Lannoye:

This is our report on the performance audit of Selected State Universities' Reporting of Enrollment and Other Higher Education Institutional Data Inventory (HEIDI) Data, including the provisions of Act 93, P.A. 1999, and the State Budget Office annual budget letter, for fiscal year 1998-99.

This report contains our executive digest; description of reported data; audit objective, scope, and methodology and agency responses; comment, findings, recommendations, and agency preliminary responses; and a glossary of acronyms and terms.

The agency preliminary responses were taken from responses received subsequent to our audit fieldwork. Act 93, P.A. 1999, 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

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TABLE OF CONTENTS

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

INTRODUCTION

	<u>Page</u>
Executive Digest	1
Report Letter	5
Description of Reported Data	8
Audit Objective, Scope, and Methodology and Agency Responses	11

COMMENT, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

Accuracy of Reported Enrollment and Other HEIDI Data	13
1. University Compliance With New Reporting Requirements	14
2. Definitions in Reporting Instructions	17
3. New Degree Program	19
4. Inmate Prison Program SCHs	20

GLOSSARY

Glossary of Acronyms and Terms	21
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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 expenditures, revenue, faculty and staff positions and compensation, student population profiles, physical plant specifications, and student credit hours (SCHs). The data reported to the Legislature is organized into tables for convenient reference. The 15 State universities are required to report the data 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 State Budget Office (SBO) annual budget letter to State universities.

The State budget director and the House and Senate Fiscal Agencies made substantial changes to the requirements for reporting enrollment and other HEIDI data for fiscal year 1998-99. The changes to the reporting instructions were made to merge the HEIDI database with the federal Integrated Postsecondary Education Data System to eliminate duplicate reporting systems. The changes were retroactive for the universities' 1998-99 academic and fiscal year. We noted the following corresponding changes to the reporting instructions:

- a. The reporting categories for SCHs and general fund instructional expenditures were changed from Higher Education General Information Survey (HEGIS) to Classification of Instructional Programs (CIP). In prior fiscal years, the universities used HEGIS categories for State reporting purposes and CIP categories for reporting to the federal government under the Integrated Postsecondary Education Data System. The conversion to CIP categories was implemented, in part, to eliminate the need for universities to maintain two separate databases (HEGIS and CIP) for reporting enrollment and other HEIDI data. Also, reporting SCHs and the related instructional expenditures by CIP category allows for a more detailed comparison between universities.
- b. The method and student levels* used to report SCHs generated by student level were changed. Universities now determine the student level based on the

* See glossary at end of report for definition.

university-assigned level for each course instead of the predominant level of students in a course. The student level assigned to a course by a university may not agree with the actual level of the students enrolled in the course. Also, the student levels were changed from lower division, upper division, graduate I, and graduate II to lower division, upper division, master's, graduate professional, and doctorate.

- c. The new instructions require universities to report faculty expenditures on a proportionate basis when assigned teaching activity involves more than one CIP category. Prior instructions did not provide guidance for reporting these instructional costs, and the universities generally included the entire cost for the faculty members in the departments where the faculty members were principally assigned. The new guidance is an attempt to match actual instructional costs to the proper CIP category code.

For fiscal year 1998-99, gross appropriations to the 15 State universities totaled \$1,422,832,468, the total number of SCHs generated was 6,456,935, and the total number of fiscal year equated students enrolled was 223,668:

University	Appropriation *	SCHs	Fiscal Year Equated Students
Central Michigan University	\$ 74,118,888	542,589	18,813
Eastern Michigan University	78,301,544	520,773	18,038
Ferris State University	49,950,570	255,076	8,510
Grand Valley State University **	49,451,256	398,222	13,649
Lake Superior State University	12,822,671	87,159	2,823
Michigan State University **	286,848,987	1,145,285	39,666
Michigan Technological University	49,019,667	176,703	6,066
Northern Michigan University	47,247,801	206,881	6,999
Oakland University	43,458,336	314,930	10,937
Saginaw Valley State University **	23,076,264	171,848	5,890
University of Michigan - Ann Arbor	323,484,780	1,035,037	36,675
University of Michigan - Dearborn	23,729,786	164,985	5,649
University of Michigan - Flint	20,642,696	150,309	5,086
Wayne State University **	229,675,955	662,593	23,234
Western Michigan University **	111,003,267	624,545	21,633
Totals	<u>\$ 1,422,832,468</u>	<u>6,456,935</u>	<u>223,668</u>

* The appropriation amount reported for each university included only the amount specifically appropriated to the university under Act 271, P.A. 1998. A university may receive additional distributions authorized under Act 271, P.A. 1998, or other applicable appropriations acts.

** These 5 universities were selected for audit for fiscal year 1998-99.

For the 5 selected universities audited for fiscal year 1998-99, gross appropriations totaled \$700,055,729, the total number of SCHs generated was 3,002,493, and the total number of fiscal year equated students enrolled was 104,072.

Audit Objective, Scope, and Methodology and Agency Responses

Audit Objective

The objective of our performance audit of Selected State Universities' Reporting of Enrollment and Other Higher Education Institutional Data Inventory (HEIDI) data was to assess the accuracy of the State universities' reporting of selected enrollment and other HEIDI data as required by the annual appropriations act for higher education and the State Budget Office annual budget letter to universities.

Audit Scope

Our audit scope was to examine 5 of the 15 State universities' records supporting selected enrollment student credit hours and other Higher Education Institutional Data Inventory data relating to general fund expenditures and transfers reported to the State Budget Office for fiscal year 1998-99. This included comparing reported instructional and non-instructional expenditures with the audited financial statements. 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

To accomplish our objective, we randomly selected 5 universities for audit:

- Grand Valley State University
- Michigan State University
- Saginaw Valley State University
- Wayne State University
- Western Michigan University

We tested fiscal year 1998-99 reported student credit hours and selected other HEIDI data for accuracy and adherence to the annual appropriations act and State Budget Office annual budget letter requirements. Our audit fieldwork was conducted during February through April 2000.

For student credit hours, we verified, on a selective basis, the accuracy and appropriateness of reported totals. We verified the mathematical accuracy of report totals by tracing the report totals to class lists and then to selected student transcripts.

For other HEIDI data, we verified reported general fund expenditures by category (instructional and non-instructional). As a starting point, we obtained and relied on independent audited financial statement report totals that were compared to the totals reported by the universities. We then reviewed selected adjustments from the audited totals and reviewed selected accounting classifications to ensure that the expenditures were properly reported.

Agency Responses

Our audit report contains 4 findings and 4 corresponding recommendations. The State Budget Office and the universities generally concurred with the recommendations.

The preliminary response which follows each recommendation in our report was taken from written comments and oral discussions subsequent to our 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 Department of Management and Budget. The responses are due 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 ENROLLMENT AND OTHER HEIDI DATA

COMMENT

Background: The appropriations act for higher education (Act 93, P.A. 1999) mandates that the Auditor General audit enrollments at five randomly selected public universities based on the act and definitions and requirements established by the State budget director and the House and Senate Fiscal Agencies. In accordance with the act, these audits are based on uniform reporting categories and include Higher Education Institutional Data Inventory (HEIDI) data. Examples of HEIDI data include expenditures, revenue, faculty and staff positions and compensation, student population profiles, physical plant specifications, and student credit hours (SCHs).

Each university had developed computer programs to process the data and to generate reports; however, significant changes were required based on the State Budget Office (SBO) annual budget letter for fiscal year 1998-99.

Each university had to determine whether it would be able to comply with the new instructions based on staff time available. An additional concern that the universities expressed was the Year 2000 conversion and whether there was employee time available to reprogram their computer systems to enable compliance with the new requirements.

Audit Objective: To assess the accuracy of the State universities' reporting of selected enrollment and other HEIDI data as required by the annual appropriations act for higher education and the SBO annual budget letter to universities.

Conclusion: **Our assessment did not disclose inaccuracies that could have caused a material misstatement of the enrollment and other HEIDI data reported by the selected universities** (Grand Valley State University, Michigan State University, Saginaw Valley State University, Wayne State University, and Western Michigan

University). However, at all 5 universities, we noted instances of inaccurate reporting relative to one or more of the enrollment reporting requirements. We also noted the need for the reporting instructions to define "correspondence course" and "Michigan instructional activity."

The reporting errors identified in this report may not necessarily have a direct dollar impact on the universities' funding. However, it is important for comparative analyses that all universities report their enrollment and other HEIDI data in a consistent manner that adheres to the SBO instructions.

FINDING

1. University Compliance With New Reporting Requirements

The selected universities did not fully comply with new reporting instructions as stated in the SBO annual budget letter for fiscal year 1998-99. Universities were required to change the methodology for accumulating SCHs and the related general fund expenditures by program category and for determining the student level for each course. In addition, the new instructions specifically required the reporting of instructional costs on a prorated basis when faculty teach in more than one program category.

SBO issued new instructions to universities for fiscal year 1998-99 on August 27, 1999. This was after the June 30, 1999 fiscal year-end for all but one of the universities. We were informed by the universities that, by the time the instructions were received, they had already accumulated enrollment and other HEIDI data based on prior fiscal year instructions. In order to comply with SBO instructions, universities had to retroactively determine the new program category and the intended student level for each course and reprogram computer programs used to generate reports.

Our review of university compliance with the new reporting instructions relating to enrollment and other HEIDI data for fiscal year 1998-99 disclosed:

- a. The 5 universities did not assign all courses to the proper Classification of Instructional Programs (CIP) category. We noted courses at each university that were assigned to the wrong CIP category. As a result, the universities'

reports submitted to SBO contained errors in the CIP category totals for both SCHs and the related general fund instructional expenditures.

The reporting categories for SCHs and general fund instructional expenditures were changed from Higher Education General Information Survey (HEGIS) to CIP. In prior fiscal years, the universities used HEGIS categories for State reporting purposes and CIP categories for reporting to the federal government under the Integrated Postsecondary Education Data System.

- b. Grand Valley State University, Saginaw Valley State University, and Wayne State University did not comply with SBO instructions for reporting SCHs based on the level assigned to the course. SBO instructions for reporting SCHs by level (lower division, upper division, master's, graduate professional, and doctorate) changed from student predominance within a course by semester to the university-assigned course level. However, Grand Valley State University and Saginaw Valley State University reported the level of their SCHs based on the prior method (student predominance). Wayne State University reported the level of its SCHs based on the level of the individual students taking the course. As a result, the three universities assigned incorrect levels to the SCHs generated in courses when the enrolled student level differed from the intended course level.
- c. Grand Valley State University, Wayne State University, and Western Michigan University did not comply with SBO instructions to prorate teaching faculty instructional costs to CIP categories. Instead, these universities reported all the instructional costs in the department where the instructor was assigned. As a result, the reported instructional costs by CIP were misstated by any amount required to be prorated.

Universities that did not previously prorate teaching faculty instructional costs by program category were instructed to make the proration for fiscal year 1998-99. In order to comply with this instruction, those universities that had not previously prorated faculty instructional costs needed to retroactively determine which instructors taught courses in more than one program category and prorate their instructional costs based on their work loads.

These issues would not have an effect on the overall total SCHs or total instructional costs reported by the universities. However, the reported SCHs and instructional costs were not always reported in the proper student level and/or CIP category as required by the new instructions. Based on our review, it does not appear that these inaccuracies would cause a material misstatement of the reported enrollment and other HEIDI data.

During our audit, each university expressed its concern over the amount of time provided to implement the changes set forth in the instructions for fiscal year 1998-99. The universities did indicate that they were aware that changes to the SBO reporting instructions would be forthcoming, but the consensus was that the implementation would be effective for fiscal year 1999-2000.

RECOMMENDATION

We recommend that the universities continue to improve their compliance with SBO reporting instructions.

AGENCY PRELIMINARY RESPONSE

Grand Valley State University

Grand Valley State University agreed with this recommendation. As indicated, "SBO issued new instructions to universities for fiscal year 1998-99 on August 27, 1999. This was after the June 30, 1999 fiscal year-end for all but one of the universities."

Grand Valley State University had already accumulated much of the data for reporting to SBO in the "old" format prior to receiving the budget letter indicating new formats and definitions. A lack of time and staff precluded redoing all of the data that had already been accumulated within the time frame for reporting to SBO.

The University indicated that it will be in compliance with the new definitions effective with data for fiscal year 1999-2000.

Michigan State University

Michigan State University concurred with our recommendation and indicated that the University completed the HEIDI data requirements in accordance with the SBO

instructions available at the time. As was the case in other institutions and with the verbal approval of SBO, the 1998-99 analysis was prepared under the guidelines in effect when the data was generated over the period of fiscal year 1998-99.

The University indicated that it will fully comply with the revised requirements in the next reporting cycle.

Saginaw Valley State University

Saginaw Valley State University concurred with the lack of clear and timely instructions for the submission of data requirements and the ensuing confusion. Based upon the University's subsequent review, it recognizes its oversight and informed us that it has taken corrective measures to ensure future compliance.

Wayne State University

Wayne State University agreed with our recommendation and indicated that it will comply during the fiscal year 1999-2000 reporting cycle. The University indicated that it did follow the SBO crosswalk when converting from HEGIS to CIP categories but did not make adjustments when the conversion resulted in courses being included in a CIP category that did not meet a CIP category definition. The University also indicated that, except for a few instances, it did prorate teaching faculty instructional costs to CIP categories.

Western Michigan University

Western Michigan University concurred with our recommendation relating to University compliance with new reporting requirements. The University will continue to improve its compliance with SBO reporting instructions by assigning all courses to the proper CIP category and by prorating faculty instructional costs based on work loads.

FINDING

2. Definitions in Reporting Instructions

The accuracy of university reporting could be enhanced if reporting instructions included definitions of "correspondence course" and "Michigan instructional activity" for the universities' use in determining which type of courses and/or SCHs to include when reporting enrollments.

Annual appropriations acts require universities to exclude SCHs generated through correspondence courses from their enrollment reports but the acts do not specifically exclude courses taught out-of-State. The acts place the responsibility for establishing reporting definitions and requirements on the State budget director and the House and Senate Fiscal Agencies. The annual budget letter was the method used to notify the universities of the definitions and requirements established for reporting. These instructions are now available through the Internet as the HEIDI Users Guide.

Our review of courses offered by the State universities disclosed that courses are taught on campus and off campus at locations that are in-State, out-of-State or out-of-country and to residents and nonresidents. In addition to the traditional classroom instruction, courses are taught using various audio visual techniques, including television, teleconferencing, and the Internet, that can transcend State boundaries. These courses are frequently very similar to traditional correspondence courses except that they do not use the United States mail system.

We were informed by the universities that there is a need for a detailed definition of "correspondence course" and "Michigan instructional activity" that would assist them when planning and developing courses and help ensure consistent treatment of SCHs. For example, we were informed by Saginaw Valley State University that its enrollment report included SCHs generated in a master's degree program taught primarily in Taiwan and that it believed that these SCHs were properly reported. However, Central Michigan University informed us that it does not include SCHs generated out-of-country in its enrollment report. Also, the universities offer international study courses that are included in their enrollment reports.

RECOMMENDATION

We recommend that reporting instructions to universities include definitions of "correspondence course" and "Michigan instructional activity" for the universities' use in determining which type of courses and/or SCHs to include when reporting enrollments.

AGENCY PRELIMINARY RESPONSE

State Budget Office

SBO concurred with this recommendation. It indicated that it will raise these issues with the House and Senate Fiscal Agencies and the HEIDI Advisory Committee and seek input on improving the reporting instructions.

Saginaw Valley State University

Saginaw Valley State University informed us that it originally thought that the SCHs and the related costs for the master's degree program taught primarily in Taiwan were eligible for inclusion in the totals reported to SBO. However, the University contacted SBO and was informed that the SCHs and related costs were ineligible because they did not meet the definition of "Michigan instructional activity." The University indicated in its response that it will no longer include these SCHs and related costs in the HEIDI report submitted to SBO.

FINDING

3. New Degree Program

Saginaw Valley State University did not obtain legislative approval for a new degree program to enable the reporting of SCHs generated within the program.

Act 93, P.A. 1999, and the SBO annual budget letter required universities to exclude SCHs generated in new degree programs in their enrollment reports unless specifically authorized for funding by the Legislature. However, the University included, in its reported enrollment data, SCHs generated in a new degree program (bachelor's degree in International Studies) that was not approved by the Legislature. As a result, the University overstated, in its enrollment report to SBO, the SCHs that were generated by students seeking a degree in this new program.

RECOMMENDATION

We recommend that Saginaw Valley State University obtain legislative approval for new degree programs to enable the reporting of SCHs generated within the programs.

AGENCY PRELIMINARY RESPONSE

Saginaw Valley State University concurred with our recommendation relating to the International Studies degree program and will submit a request for approval.

FINDING

4. Inmate Prison Program SCHs

Western Michigan University did not exclude SCHs generated in an inmate prison program when reporting enrollment data to SBO.

Act 93, P.A. 1999, and the SBO annual budget letter required universities to exclude SCHs generated in an inmate prison program, regardless of teaching location, when reporting enrollment data to SBO. However, the University reported SCHs in its enrollment totals that were generated in an inmate prison program. As a result, the University overstated reported SCHs by 1,259.

RECOMMENDATION

We recommend that Western Michigan University exclude SCHs generated in its inmate prison program when reporting enrollment data to SBO.

AGENCY PRELIMINARY RESPONSE

Western Michigan University concurred with our recommendation relating to inmate prison program SCHs. The inmate prison program has been discontinued. The University informed us that, if such a program is initiated in the future, all SCHs generated will be excluded when reporting enrollment data to SBO.

Glossary of Acronyms and Terms

CIP	Classification of Instructional Programs.
HEGIS	Higher Education General Information Survey.
HEIDI	Higher Education Institutional Data Inventory.
material misstatement	A misstatement in the enrollment and other HEIDI data that causes the data to not present fairly the actual enrollment and other HEIDI data in conformity with the annual appropriations act boilerplate language and the SBO annual budget letter.
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.
SBO	State Budget Office.
SCHs	student credit hours.
student level	The level for which each course was intended, including the following categories: Lower division - Instruction at the freshman and sophomore levels. Upper division - Instruction at the junior and senior levels.

Master's - Instruction applicable to a master's degree (beyond the baccalaureate degree).

Graduate professional - Instruction applicable to degrees in medicine, veterinary medicine, dentistry, law, and doctorate of pharmacy.

Doctorate - Instruction applicable to specialist or doctorate degrees (beyond the master's degree).