



**REPORT OF
THE
STATE AUDITOR**

**Arapahoe Community College
Student FTE Enrollment**

**Performance Audit
August 2000**

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STATE OF COLORADO

J. DAVID BARBA, CPA
State Auditor

OFFICE OF THE STATE AUDITOR
(303) 866-2051
FAX (303) 866-2060

Legislative Services Building
200 East 14th Avenue
Denver, Colorado 80203-2211

July 26, 2000

Members of the Legislative Audit Committee:

This report contains the results of the compliance audit of Arapahoe Community College Student Full-Time Equivalent Enrollment. This audit was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all departments, institutions, and agencies of state government.

This report presents our findings, conclusions, and recommendations, and the responses of the Arapahoe Community College, the State Board for Community Colleges and Occupational Education, and the Colorado Commission on Higher Education.

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STATE OF COLORADO
OFFICE OF THE STATE AUDITOR

REPORT SUMMARY

J. DAVID BARBA, CPA
State Auditor

**ARAPAHOE COMMUNITY COLLEGE
STUDENT FULL-TIME EQUIVALENT ENROLLMENT
PERFORMANCE AUDIT
AUGUST 2000**

Authority, Purpose, and Scope

This audit of Arapahoe Community College student full-time equivalent (FTE) enrollment was conducted pursuant to Section 2-3-103 et seq., C.R.S., which authorizes the State Auditor to conduct audits of all departments, institutions, and agencies of state government. Our audit focused on whether Arapahoe Community College (ACC) computed its student enrollment in accordance with Colorado Commission on Higher Education (Commission) policy and reported accurate student FTE enrollment statistics. To accomplish our audit objectives, we reviewed student files, interviewed staff, and analyzed data provided by the Commission, the State Board for Community Colleges and Occupational Education (State Board), and Arapahoe Community College. We focused our audit work on Fiscal Years 1999 and 2000. The audit work, performed from April through June 2000, was conducted according to generally accepted governmental auditing standards.

We gratefully acknowledge the assistance and cooperation extended by management and staff at Arapahoe Community College, the State Board, and the Colorado Commission on Higher Education.

**Arapahoe's Compliance With the Student FTE Enrollment Reporting Policy
Needs Improvement**

Our review of compliance with the Commission's student FTE reporting policy examined areas including final student enrollment figures, internal controls, the 98 percent tuition collection rule, employee scholarships, Type B Instruction, residency determination, course eligibility, alternative delivery courses, minimum contact hour requirements, and postsecondary enrollment for high school students. The areas that we determined that Arapahoe Community College is generally in compliance with policy are the 98 percent tuition collection rule, employee scholarships, and Type B Instruction.

As part of our audit we requested that Arapahoe staff detail the internal controls it uses to ensure that data reported to the Commission are both accurate and complete. Throughout the course of our audit we identified areas where ACC did not abide by its reported internal control procedures. Our primary concern was the college's inability to properly support and explain numbers reported

For further information on this report, contact the Office of the State Auditor at (303) 866-2051.

to the Commission as part of the Final Student Enrollment Report. Specific areas where these controls were deficient were related to the review and approval of enrollment reports, and documentation for Postsecondary Enrollment Options Program students, basic skills courses, and base contact hours. Since Arapahoe is not using its internal controls, we have low confidence in the accuracy of its reported numbers. Therefore, we found that Arapahoe Community College **should ensure FTE figures submitted for funding are accurate by implementing a process to ensure that internal controls are followed and that minimum contact requirements are met.**

Arapahoe Community College Should Not Submit FTE Generated Through Business Partnerships

Arapahoe Community College has developed partnerships with such entities as the American Institute of Banking, the Colorado Credit Union League, and the National Cable Television Institute as well as local high schools. While we commend the college for these partnerships, we identified two areas of concern. Our first concern was that we believe that the FTE generated through courses taught by business organizations are not eligible for state funding. Arapahoe received approximately \$156,977 in Fiscal Year 1999 and 2000 for FTE generated through its business partnerships with the American Institute of Banking, the Colorado Credit Union League, and the National Cable Television Institute. We believe that ACC **should not submit FTE generated through courses offered by partnerships and that the Commission should reexamine its FTE funding policy to determine eligibility for courses offered through partnerships.** Second, in the contracts outlining these agreements, ACC typically describes the financial arrangement as “our costs equal your costs.” However, Arapahoe staff have admitted that they have not determined actual costs associated with the requirements of its contracts. Thus, staff are unable to state with any certainty that the costs are equal. Therefore, **we recommend that Arapahoe Community College determine the actual instructional costs related to its partnership agreements with high schools, school districts, and businesses.**

Additional Assurance Regarding Residency Is Needed

Due to the difference between in-state and out-of-state tuition rates, students have a significant financial incentive to claim residency even if they are not eligible (i.e., in-state tuition of \$676 versus out-of-state tuition of \$3,202, per semester). In addition, institutions have no financial incentive to scrutinize evidence of residency because they only receive state funding for credit hours generated by in-state students. Eighty percent of the sample files we reviewed lacked any relevant evidence of in-state residency beyond the self-reported information on the application. Since ACC and State Board staff indicated that similar procedures for establishing residency are used at all community colleges, **we recommend that the State Board for Community Colleges and Occupational Education require all community colleges to conduct an appropriate sample of incoming freshmen to determine if all in-state tuition recipients can provide proof of residency.**

Administration of the Postsecondary Programs Needs Improvement

Several programs exist that allow high school students to take college courses and receive both high school and college credit. We found that ACC had difficulty in identifying which postsecondary students were involved in the various programs. We also determined that ACC needed to improve its administration of the Postsecondary Enrollment Options and the High School Fast Track Programs. Our main area for improvement focused on Arapahoe's statutorily required contracts with high schools. These contracts were decentralized, lacked standardization, and did not follow general contract guidelines. **We recommend that Arapahoe Community College comply with statutory and Commission requirements by improving the administration of its postsecondary programs and implementing criteria for reporting postsecondary students to the Commission.**

Summary of Agency Responses

Arapahoe Community College, the State Board for Community Colleges and Occupational Education, and the Colorado Commission on Higher Education generally agreed with our recommendations. Their responses are located in the audit report.

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
1	14	<p>Arapahoe Community College should ensure FTE figures submitted for funding are accurate by:</p> <ul style="list-style-type: none"> a. Implementing a process to ensure internal controls are followed. b. Establishing a policy and internal controls for periodically evaluating contact hours and ensuring that credit hours granted meet the Commission's minimum contact requirements. 	Arapahoe Community College	Agree	July 2000
2	15	The State Board for Community Colleges and Occupational Education should ensure consistency between annual FTE reports by documenting and recording the methodology used to calculate FTE subtotals and totals submitted for state funding.	State Board for Community Colleges and Occupational Education	Agree	July 2000
3	17	The Colorado Commission on Higher Education should request a written explanation from state colleges and institutions if significant changes are made to the figures reported in Census or Final Student Enrollment Reports.	Colorado Commission on Higher Education	Agree	January 2001
4	21	<p>Arapahoe Community College should:</p> <ul style="list-style-type: none"> a. Not submit FTE generated through courses offered by partnerships that do not meet Commission on Higher Education policy. b. Ensure consistent and appropriate accounting procedures are followed when reporting these students. 	Arapahoe Community College	Agree	Fall Term, 2000

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
5	22	The Colorado Commission on Higher Education should reexamine its FTE funding policy to determine FTE eligibility for courses offered by non-college entities through partnerships.	Colorado Commission on Higher Education	Agree	January 2001
6	24	Arapahoe Community College should determine the actual instructional costs related to its partnership agreements with high schools and businesses to ensure that the benefits to the college equal or outweigh the costs.	Arapahoe Community College	Agree	Fall Term, 2000
7	27	<p>The State Board for Community Colleges and Occupational Education should require all community colleges to conduct a representative sample of incoming freshmen to determine if all in-state tuition recipients can provide proof of residency by one of the methods below:</p> <p>a. Requiring adequate evidence (e.g., Colorado voter registration card, vehicle registration, Colorado income tax form) to ensure the eligibility of students classified as in-state residents.</p> <p>b. Conducting third-party verification to ensure the eligibility of students classified as in-state residents.</p>	State Board for Community Colleges and Occupational Education	Partially Agree	August 2000

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
8	32	<p>Arapahoe Community College should comply with statutory and Commission requirements for all postsecondary programs including the Postsecondary Enrollment Options and High School Fast Track Programs by:</p> <ul style="list-style-type: none"> a. Ensuring contract information is accessible. b. Clarifying the type, purpose, and financial provisions of each contract by developing a standardized format or boilerplate for high school programs. c. Ensuring that cooperative agreements exist with school districts that participate in the high school programs. d. Ensuring that contracts are signed by both interested parties. e. Updating agreements to comply with current statutes and Commission policy. 	Arapahoe Community College	Agree	Fall Term, 2000
9	34	Arapahoe Community College should develop and implement criteria to ensure that it is properly classifying high school coenrolled students by program.	Arapahoe Community College	Agree	July 2000
10	35	The Colorado Commission on Higher Education should review statutory changes and update its student FTE policy to reflect current statutes regarding postsecondary programs for high school students.	Colorado Commission on Higher Education	Agree	January 2001
11	37	Arapahoe Community College should not submit credit hours generated by financial aid recipients for state funding unless corresponding financial aid information is reported to the Colorado Commission on Higher Education in the annual SURDS Report.	Arapahoe Community College	Agree	Fall Term, 2000

Funding for Arapahoe Community College

Chapter 1

Overview of the Colorado Commission on Higher Education

Colorado's public colleges and universities are organized under the Department of Higher Education. The Colorado Commission on Higher Education (Commission) functions as the Department's policy-making and coordinating body. The Commission's authority over state-supported institutions of higher education includes:

- Determining the roles and missions of state colleges and universities.
- Establishing policies for reporting student Full-Time Equivalent (FTE) consistent with the role and mission of each state-supported institution.
- Distributing general fund appropriations and tuition monies to the governing boards.
- Establishing policies for setting tuition and fee rates.
- Setting academic admission standards.

The Commission allocates state appropriations for higher education among the six governing boards who have oversight of the State's 28 public colleges and universities. The State Board for Community Colleges and Occupational Education (State Board) operates as the governing board for Arapahoe Community College.

Funding of State Colleges and Universities

The General Assembly determines the overall funding for higher education on an annual basis. Section 23-1-105(3), C.R.S., requires the Commission to consult with the governing boards and to establish the distribution formula for appropriated general funds and cash funds received as tuition. Base funds for state institutions and colleges are determined by calculating FTE from course credit hours. Annual increases over base fund amounts are calculated using a combination of enrollment, inflation, and achievement of performance indicators. State colleges and universities

report resident and non-resident credit hours and student FTE annually to the Commission in the Final Student Enrollment Report.

Therefore, under the Commission's directive, institutions calculate state funding based primarily on course credit hours. In-state resident students who attend classes on campus comprise the bulk of the FTE enrollment total. The Commission established guidelines for institutional reporting in its *Policy for Reporting Full-Time Equivalent Student Enrollment*. In this manual, the Commission sets guidelines that state schools use to report student FTE, including:

- Courses and their student enrollment that are reportable for state funding.
- Credit hours that may be reported for various types of instruction.
- Credit hours and courses that are not reportable for funding.

Student FTE Enrollment Reporting Policy Determines Compliance

Our audit work focused on Arapahoe Community College (ACC) and whether it is reporting resident FTE in compliance with Commission policy. We reviewed data from Fiscal Year 1999 (Summer 1998, Fall 1998, and Spring 1999 semesters) and Fiscal Year 2000 (Summer 1999, Fall 1999, and Spring 2000 semesters).

We reviewed several areas that impact student FTE reporting. These areas include final student enrollment figures, internal controls, the 98 percent tuition collection rule, employee scholarships, Type B Instruction, residency determination, course eligibility, alternative delivery courses, minimum contact hour requirements, and postsecondary enrollment for high school students. The areas that we determined to be in compliance with policy include:

- **98 Percent Tuition Collection Rule.** According to Commission policy if a student has any outstanding tuition obligations but enrolls for a subsequent semester at the same institution, the credit hours generated by the student in the subsequent semesters cannot be reported. This requirement is waived for institutions that collect at least 98 percent of the tuition due by June 30. We found that ACC collected 98 percent of its tuition due as of June 30, 1999. Further, Arapahoe has developed an internal control which prevents students from registering for a subsequent semester if they have an outstanding tuition balance, regardless of the amount of overall tuition collected by the institution.

Therefore, students owing tuition are not included in the Final Student Enrollment Report.

- **Employee Scholarships.** Commission policy allows institutions to offer scholarships to their employees and report the resulting credits for funding if certain requirements are met. Our review of 100 files for three semesters (Fall 1998, Spring 1999, and Fall 1999) indicated that Arapahoe Community College generally met the requirements necessary to report employee-generated credits for state funding. However, we identified three instances in which employees received scholarships in excess of the amount allowed by the governing board's policy.
- **Type B Instruction.** Arapahoe offers several kinds of Type B Instruction. These include Alternative Delivery Courses, Independent Study, Internships, Clinical Practicums, and Cooperative Education Experiences. Commission policy requires that institutions establish outcomes, course descriptions, and minimum contact hours for these types of courses. Institutions must maintain records detailing how the number of credits for each of these courses was determined. As part of our audit work, we reviewed a sample of Type B courses offered by Arapahoe to determine if institutional and/or Commission policy was followed when awarding credit hours. Our review of the sample courses indicated that Arapahoe was in compliance with both its own and Commission policy.

The remainder of the report discusses areas where we noted a lack of compliance with the Commission's FTE policy or a lack of clarity with the policy.

Arapahoe Community College Should Abide by Its Internal Controls

At the beginning of our audit we requested that Arapahoe detail the internal controls it uses to ensure that data reported to the Commission are both accurate and complete. Arapahoe staff provided us with a detailed description of its existing internal controls. Throughout the course of the audit we identified situations where staff were not adhering to the identified internal controls. Our primary concern was the inability of the college to properly support and explain numbers reported to the Commission on the Final Student Enrollment Report and the Spring and Fall Census Reports, despite reported internal controls over this information. The FTE reported on the Spring and Fall Census Reports is a part of the formula that the Commission uses to determine funding for the governing boards. Therefore, it is imperative that these numbers are

accurate to ensure appropriate funding distributions. Some specific examples of the internal control issues we identified are:

Review and Approval of Enrollment Reports: According to the responses provided on the internal control questionnaire, ACC staff create unofficial FTE reports that are reviewed for accuracy by internal staff in institutional research, the controller's office, and records and admissions, prior to submitting FTE reports to the Commission. However, in Spring 2000, Arapahoe submitted an out-of-state headcount total of 13,123; several weeks later, after questions were raised by Commission staff, the college greatly reduced the headcount total to 499. A similar change was also made to the Fall 1999 figures. According to Commission representatives, headcount totals factor into decisions regarding financial aid, capital planning for facilities, and performance indicators. Therefore, it is important that proper review and approval of these reports occurs before the census reports are submitted.

Documentation for Students Using the Postsecondary Enrollment Options Act (PSEO): Arapahoe's internal control questionnaire responses state that "inter-institutional agreements are maintained by admissions and records" and that an internal check is completed to ensure that figures on "roll-up" reports reconcile to the figures reported in the Final Student Enrollment Report. "Roll-up" reports are those reports generated at a lower level; the Final Student Enrollment Report would be a combination of all these lower-level reports. One of these lower-level reports details the Postsecondary Enrollment Options Program. This Program is one of several programs that high school students may use to receive college credit. High school students may also earn college credit through the Fast Track Program, through a district-specific program, or by enrolling in college as a regular student without support from a particular program. High school students opting for any of these opportunities are considered coenrolled. The Commission requires institutions, including Arapahoe Community College, to provide a report that details the total number of students enrolled in college through the Postsecondary Enrollment Options Act for each semester. The Commission uses this report to track enrollment patterns, make policy changes, and exclude these students from financial aid allocation formulas. We requested documentation to support the number of PSEO students submitted by Arapahoe Community College in Fiscal Year 1999. Arapahoe representatives were unable to reconcile the number of students reported under the PSEO Program or accurately differentiate the PSEO students from other coenrolled high school students. Therefore, Arapahoe was not complying with its internal control that supports reconciliation of roll-up reports to the Final Student Enrollment Report. Our review and other concerns regarding Arapahoe's administration of the Postsecondary Enrollment Options Program are discussed in more detail in Chapter 2.

Documentation for Basic Skills Courses: Arapahoe's internal control questionnaire responses explain the process for determining figures that are rolled up into the Final Student Enrollment Report. The questionnaire states that an internal check is completed to ensure that figures on lower-level reports reconcile to the figures reported in the Final Student Enrollment Report. In Fiscal Year 1999 Arapahoe submitted a total of 136.7 basic skills FTE. Of this amount, 124.2 FTE represented in-state residents and are therefore eligible for state funding. However, representatives from ACC were unable to provide documentation to support their entire calculation of basic skills FTE. Using documentation supplied by ACC we calculated a total of 124.9 FTE resulting from basic skills courses. This differs from ACC's submitted figures by 11.8 FTE representing \$25,181 in state funding. Without documentation to support their initial FTE calculation we cannot determine if Arapahoe accurately reported its basic skills FTE. We again concluded that Arapahoe is not complying with its internal control that supports reconciliation of roll-up reports to the Final Student Enrollment Report.

Verification of Base Contact Hours: Institutions calculate and report student FTE based on credit hours. Therefore, it is imperative that credit hours are consistently assigned and calculated. Commission policy requires that credit hours be assigned to courses based on the contact time between faculty and students and the type of instructional activity. In addition, the policy outlines the minimum contact time required for various methods of instruction; for a typical lecture course, one contact hour requires a minimum of 750 minutes of contact time per semester. Further, institutions are required to set and enforce their own policies to ensure that contact hours are sufficient to justify the credit hours reported on the Final Student Enrollment Report. We tested course contact hours and found that 5 of 40 courses (12.5 percent) did not meet the minimum contact requirements. While the financial impact related to this sample was below \$4,500, we are concerned that this sample could be representative of a larger reporting problem. We also determined that ACC has a procedure for assigning credit hours to courses. However, staff reported that this procedure is only used when course credit hours are initially assigned or revised. Arapahoe does not have a policy, procedure, or internal control to verify that courses meet the Commission's minimum contact hour requirements on an ongoing basis.

Overall, we found that Arapahoe Community College is not following its own internal controls developed to ensure that information submitted to the Commission is both accurate and complete. As a result, we lack confidence in the accuracy of the FTE numbers reported by Arapahoe for state funding. We believe that Arapahoe Community College should abide by its internal controls and ensure proper reviews are performed before submitting FTE figures for state funding. Further, we believe that Arapahoe Community College staff would have an easier time supplying supporting documentation if these internal controls were followed.

Recommendation No. 1:

Arapahoe Community College should ensure FTE figures submitted for funding are accurate by:

- a. Implementing a process to ensure internal controls are followed.
- b. Establishing a policy and internal controls for periodically evaluating contact hours and ensuring that credit hours granted meet the Commission's minimum contact requirements.

Arapahoe Community College Response:

Agree. The College has reviewed, revised and implemented processes, procedures and internal controls to ensure that all of its reporting is accurate, verifiable and documentable. Further, the College will periodically evaluate contact hours to ensure that the credit hours meet the Commission's requirements.

The State Board Should Ensure Consistent Definitions

As part of the Final Student Enrollment (FSE) Report, the Commission requires that Arapahoe Community College submit two other reports:

Basic Skills FTE—This report summarizes the headcount and credit hours generated by basic skills courses and basic skills laboratory courses. Basic skills courses are offered to help improve students' chances for success and strengthen weak areas that, if not addressed, may lead to difficulties or failure in college. The Commission uses this information to analyze trends and to determine how well students are prepared for college.

High School Students Enrolling Under Provisions of the Postsecondary Enrollment Options Act—This report summarizes headcount and credit hours generated by high school students enrolled under the provisions of the Postsecondary Enrollment Options Act. The credit hours generated by these students are subtracted out of the Final Student Enrollment Report when the Commission determines institutional financial aid allocations.

Information from these reports is “rolled up” into the final FTE numbers reported on the Final Student Enrollment Report and is used for funding decisions. Therefore, to ensure accurate Final Student Enrollment figures, the roll-up figures must also be accurate and reliable. Our audit work found that Arapahoe Community College staff were unable to clearly describe which courses are considered basic skills or which students were enrolled under the Postsecondary Enrollment Options Act. Arapahoe staff explained that reports used for reviewing and verifying these figures are selected from an existing computer information system which is maintained by the State Board. These staff stated that one reason they could not support the numbers submitted to the Commission was that the State Board writes the programs used to extract the FTE figures. Therefore, all reports generated at the college level are predetermined. Arapahoe staff select the type of report they need to print or review (e.g., Basic Skills FTE for Summer 1999), but noted that they are uncertain of the factors used to develop these programs. State Board staff report that the individual community colleges are responsible for identifying the specific data elements that generate the figures. As a result, the individual colleges are responsible for ensuring that data produced by those reports are accurate. We also found that neither Arapahoe nor State Board staff could explain exactly what information was reported, or should be reported, in categories such as which of the coenrolled students should be included on the list of Postsecondary Enrollment Options Program participants and which courses are considered basic skills. Arapahoe staff also acknowledged that they may have different definitions of factors from year to year.

We are concerned that Arapahoe's lack of understanding regarding which courses are included in requests for state funding may identify a systemwide problem affecting all of the community colleges. While we have not audited this topic at other state community colleges, we believe that the State Board should review the methodology that its staff uses to derive the roll-up reports and the Final Student Enrollment Report. This could ensure that *all* community colleges are consistently reporting these figures. Further, Commission staff are concerned that, although the State Board expends \$5.5 million annually for centralized computing and technology services, there may be consistency issues with the data it provides. One way to improve consistency would be by conducting an audit of the information system housed at the State Board. An information system audit would include a review of internal controls as well as ensuring that the same courses at each institution are included in FTE totals. This would provide a higher level of confidence in the funding requests for all community colleges.

Recommendation No. 2:

The State Board for Community Colleges and Occupational Education should ensure consistency between annual FTE reports by documenting and recording the methodology used to calculate FTE subtotals and totals submitted for state funding.

State Board for Community Colleges and Occupational Education Response:

Agree. The State Board for Community Colleges and Occupational Education (SBCCOE) will direct its community colleges to document their procedures and data sources for reported credit hours and FTEs. Board staff will work with the colleges to ensure that the reports are based on Board established parameters that comply with the Commission's guidelines.

In addition, SBCCOE's staff will continue its work in developing common course numbering, common course definitions, the establishment of common competencies and common student placement procedures so that consistency and quality assurance are maintained among the colleges. The State Board is in the process of implementing House Bill 1464, which includes common definitions for basic skills instruction, common cut off scores and common placement procedures.

The Commission Should Request Justification for Changes in Census Reports

As we noted in our internal control discussion, Arapahoe Community College submitted an out-of-state headcount total of 13,123 as part of the Spring 2000 Census Report to the Commission. Several weeks later, after the Commission questioned this dramatic increase from the prior year, ACC reduced the out-of-state headcount total to 499. A similar correction had been made to the Fall 1999 figures. While Commission staff supplied us with email correspondence from the State Board discussing these increases, the Commission did not require any written explanation or documentation from the college to accompany either of these significant decreases in headcount totals.

We determined that students included in the initial headcount figures were taking courses through the National Cable Television Institute (NCTI). The National Cable Television Institute offers self-paced distance learning courses and under a partnership agreement, Arapahoe offers college credit for these courses. After the Commission questioned the increased headcount figure, Arapahoe staff decided to remove the NCTI students from the headcount because they believe that the majority are not likely

to seek a certificate or degree from Arapahoe and, therefore, would lead to an overstated headcount total.

According to Commission representatives, ACC's headcount should reflect the total number of individuals served by the college. The Commission factors headcount into decisions regarding financial aid, capital planning for facilities, and performance indicators. In addition, the Commission uses the Fall and Spring Census Student Enrollment Reports to develop budget request estimates. It is important that these data be accurate and that significant changes are documented and explained. We have investigated ACC's reasons for correcting its report and support its decision to do so. However, if the Commission deems these reports important, they should confirm the numbers submitted and ensure that the totals agree with accompanying documentation.

Recommendation No. 3:

The Colorado Commission on Higher Education should request a written explanation from state colleges and institutions if significant changes are made to the figures reported in Census or Final Student Enrollment Reports.

Colorado Commission on Higher Education Response:

Agree. The Commission on Higher Education has taken steps to require institutions submitting information in the current FTE reporting period to justify any changes requested in enrollment reports as filed in writing and to articulate in the change request the reasons the institution believes the report changes are needed.

Arapahoe Should Not Submit FTE Generated Through Business Partnerships

Our audit work found that Arapahoe Community College has developed several innovative partnerships to expand its program offerings and, therefore, widen its market appeal. At the time of our audit Arapahoe had entered into partnerships with three local business organizations, the American Institute of Banking (AIB), the

Colorado Credit Union League (CCUL), and the National Cable Television Institute (NCTI). These partnerships appear to increase the certificates and degrees that ACC can offer with minimal institutional or state resource expenditures. Further, one of Arapahoe's quality indicators is the "number of businesses and clients served through specialized business and industry training." This quality indicator is not mandated by the Commission; however, each institution is allowed to individualize two indicators to measure the quality of its programs. Thus, this particular indicator was selected by ACC and approved by its governing board. As discussed in the introduction, institutional performance is measured by these quality indicators and is a factor in the budget increases over the previous year's appropriation. While we commend the college for developing and nurturing these partnerships, we believe that FTE generated by these partnerships are ineligible for state funding. This belief is supported by Commission staff who explained to us that the purpose of the state's reimbursement of resident FTE is to cover a portion of the institution's cost of educating resident students.

The two financial organizations (AIB and CCUL) function primarily to provide professional education to banking and credit union employees. Through the partnership agreements, ACC students may take courses offered and taught by the American Institute of Banking and Colorado Credit Union League and receive credit hours toward a Financial Services Degree or Certificate. The partnership also allows members of the American Institute of Banking and Colorado Credit Union League to receive college credit for courses taught by the American Institute of Banking and Colorado Credit Union League. This credit can be used if the association member decides to pursue a degree at ACC or any other college. In Fiscal Years 1999 and 2000 Arapahoe Community College submitted FTE representing \$8,451 in state funds for courses taught by the American Institute of Banking and the Colorado Credit Union League.

Arapahoe Community College has also developed a partnership with the National Cable Television Institute (NCTI). NCTI offers courses internationally and provided distance learning courses to as many as 18,228 students during Fiscal Year 2000. Students taking NCTI courses must be employed by the cable industry, and the employer pays the tuition to NCTI. All of these students' records are downloaded into ACC's computer system because Arapahoe offers college credit for NCTI's courses and needs to be able to confirm the student's participation in these courses. Only a very small portion of these students live in Colorado and an even smaller portion of these students may pursue a college certificate or degree at ACC through this partnership. Thus, the majority of these National Cable Television Institute students will never "enroll" (in the traditional sense) at ACC to seek a certificate or degree.

According to ACC, the benefits of the partnership with NCTI are to:

- Offer one of the first degree and certificate programs in telecommunications offered by a Colorado community college and serve a field that historically has not provided its employees with college education opportunities.
- Develop the reputation of being a leader in telecommunications education and lead more telecommunications employers and employees to consider Colorado as a state that provides outstanding educational resources for the technology industry.
- Serve the needs of the many national and international telecommunications companies in Colorado.
- Address quality indicators and State Board requirements.

Arapahoe Community College offers an Associate of Applied Science Degree of Communication Technology and also offers several certificates in this area. Over the last year, ACC has been developing a certificate and degree for its Broadband Option of Communications Technology that is limited to employees of the cable industry. To obtain this degree, students must take the courses offered and taught by NCTI. In Fiscal Year 1999, ACC submitted 12.1 FTE representing \$25,821 in general funds for students taking these Broadband courses taught by the National Cable Television Institute. In Fiscal Year 2000 the amount of FTE generated through the Broadband Option grew to 57.5 FTE or \$122,705. These FTE represent a select number of students living in Colorado who are taking these National Cable Television Institute courses.

For the following reasons, we believe the FTE generated under these partnerships are ineligible for state funding.

- **Commission Policy on Limited Enrollment.** Commission policy prohibits state funding for limited enrollment courses in which “the enrollment in all sections is restricted to persons employed...by a particular employer.” The ACC courses offered through the National Cable Television Institute are restricted to employees of the cable industry. Since these courses are self-paced distance learning courses, the involvement of the employer as the provider of the “hands-on” training is a key component of these courses. Although the cable industry is not a *particular employer*, it is a *particular type of employer*. We believe that these are limited enrollment courses because they place specific employment restrictions on who can take the course and are not open to all ACC students.

- **Commission Policy on Sponsored Enrollment.** Commission policy also prohibits funding for sponsored courses or those “courses fully funded by an outside source...and are offered on the institution’s campus.” Students enrolled in the National Cable Television Institute, American Institute of Banking, and Colorado Credit Union League courses do not pay tuition to Arapahoe Community College. Typically, the students’ employers directly pay the National Cable Television Institute, the American Institute of Banking, or the Colorado Credit Union League the tuition for the courses. In addition, under the partnership agreements, no actual funds are exchanged between these organizations and Arapahoe Community College. Although these courses may not be taught at Arapahoe’s campus, they are typically paid for by the students' employers and are taught by the private organization. Therefore, we believe that they are fully funded by an outside source and not eligible for state funding.
- **Commission Policy on Tuition.** According to Commission policy:

All credit hours, for which an institution may claim FTE funding, must be generated under a tuition schedule uniformly applied to all students...Tuition *must be assessed and collected for all credit hours* that will be reported as part of the student FTE enrollment figures used in statewide budgeting. (Emphasis added.)

Tuition is neither assessed nor collected under any of the Memorandums of Understanding between ACC and the American Institute of Banking, the Colorado Credit Union League, and the National Cable Television Institute. For example, ACC records an expenditure for National Cable Television Institute courses for those students who completed a supplemental enrollment form, although it is not actually incurring an expenditure. On the same day, ACC records a revenue from the National Cable Television Institute for those students who complete the extra enrollment form in an amount equal to the expenditure, although no revenue is earned. As a result, we are concerned that Arapahoe is overstating its expenditures and revenues at year end. As we have already noted, NCTI, not ACC, is teaching these students. In addition, ACC does not actually bill either the student or NCTI for the supposed costs that it is incurring.

- **Inconsistent Treatment of In-State and Out-of-State National Cable Television Institute Students.** As discussed previously, ACC includes some NCTI students living in Colorado as part of the headcount and also submits them for FTE funding. According to the registrar, these students have completed a supplemental enrollment form, which includes questions related to Colorado residency. This enrollment form is only given to those NCTI

students who provide a Colorado address. This means that NCTI students with an out-of-state address are not given the same opportunity to "enroll" at ACC. In addition, although out-of-state NCTI students are taking the same classes as those living in Colorado, ACC does not include them as part of out-of-state headcount or out-of-state credit hour totals. We are concerned with the inconsistencies regarding these students who are taking identical courses. It appears that ACC only reports to the Commission those NCTI students living in Colorado who ACC believes are eligible for FTE state funding. We do not believe that the completion of a supplemental enrollment form makes these students eligible for state funding.

Our interpretation of the Commission's FTE policy is that FTE generated through these business partnerships are ineligible for state funding. In addition, the intent of FTE reimbursement is to cover a portion of the institution's cost of educating resident students. As a result, we do not believe that ACC should submit FTE derived from these partnerships since the private organizations and/or employers are paying the cost to educate these students as well as providing the actual instruction. As noted above, we also have concerns regarding the accounting procedures ACC uses when reporting these students.

Recommendation No. 4:

Arapahoe Community College should:

- a. Not submit FTE generated through courses offered by partnerships that do not meet Commission on Higher Education policy.
- b. Ensure consistent and appropriate accounting procedures are followed when reporting these students.

Arapahoe Community College Response:

Agree. The College will not include the questioned 57.5 FTE in its enrollment report for Fiscal Year 2000. However, Arapahoe Community College does believe it has met the intent of current Commission policy while striving to provide responsive workforce development initiatives. As evidenced by the auditor's narrative for Recommendation No. 5, the Commission's "policy does not specifically address the types of partnerships ACC has developed..." ACC will revise its partnership agreements to adhere to Commission policy and to any changes or clarifications to the Commission

policy. In addition, the College will improve on its accounting procedures and the accuracy of its reporting to the Commission.

The Commission Should Clarify Non-Fundable Courses

Commission policy details eligibility for funding FTE. Although we believe that FTE generated through these partnerships are ineligible for state funding, current Commission FTE policy may not specifically address the issues raised by these business partnerships. In the prior recommendation, we discussed the Commission policy that describes the types of courses that are non-fundable for general fund dollars. This non-fundable policy includes sections on “limited enrollment” and “sponsored enrollment.” However, this policy does not specifically address the types of partnerships ACC has developed with the American Institute of Banking, the Colorado Credit Union League, and the National Cable Television Institute. Further, current policy does not quantify the amount of resources a college must expend before being allowed to claim FTE for funding. We do not accept ACC's contention that full FTE reimbursement should be provided for courses developed and taught by an outside entity. On the other hand, ACC staff report that there are some administrative and faculty costs associated with these business partnerships, but ACC has not quantified those costs. We believe that the Commission should review its policy in light of these new business partnerships, discuss the benefits of such partnerships with the colleges, and determine what resources a college must expend before it is appropriate to submit FTE for full or partial funding.

Recommendation No. 5:

The Colorado Commission on Higher Education should reexamine its FTE funding policy to determine FTE eligibility for courses offered by non-college entities through partnerships.

Colorado Commission on Higher Education Response:

Agree. However, the Commission on Higher Education would further request that the policy in question clearly does not allow reimbursement for the types of courses outlined above and that the institution should reimburse any state funding it claimed in this manner.

The Commission has an internal working committee undertaking a complete review of the FTE funding policy. That team is to complete its work within the next four months. External stakeholders will be asked to join a working group to analyze the existing policy and determine whether it meets legislative intent, whether changes should be suggested in the statutes governing the existing policy and whether current statutes and policies accommodate current needs.

However, the Commission believes the existing policy is not confusing with regard to reimbursement for the types of courses outlined in the section above. As a result, the Commission believes the institution should be required to refund all FTE funding obtained for courses developed and taught by any outside entity. Current policy does not contemplate providing state reimbursement for “diploma-mill style” course delivery and believes the institutions fully understand such reimbursement claims are not appropriate.

Arapahoe’s Contracts Lack Cost Analyses

Arapahoe Community College enters into contractual agreements with high schools, school districts, and private business organizations. These agreements provide additional instructional opportunities to high school students, ACC students, and employees of certain private businesses. During the audit we reviewed 12 contracts between Arapahoe Community College and school entities and 3 contracts between Arapahoe and private business entities. Eight of these contracts were Memorandums of Understanding (MOUs); the other seven were referred to as “agreements.” To the best of our knowledge, none of these documents were approved through either the State Controller’s Office or the Deputy Attorney General at the State Board for Community Colleges and Occupational Education. We have concerns with the “cost equalization” portion of the Arapahoe Community College contracts.

“Cost equalization” is expressed when Arapahoe describes the financial arrangement as “our costs equal your costs.” By using this method, Arapahoe does not have to incur the administrative costs of cutting checks or receiving payments. However, these costs and expenditures are also not accurately recorded. Arapahoe staff have acknowledged that they have not determined actual costs associated with the requirements of these contracts. Thus, they are unable to state with certainty that the costs are indeed equal.

Arapahoe contracts with high schools to provide opportunities for high school students to earn college credit. Among other areas, these MOUs typically describe the financial compensation agreed upon between the college and high school. For example, in one Memorandum of Understanding, ACC provides course content outlines and the high school teacher serves as adjunct faculty for courses taught at the high school. In this case ACC charges the applicable tuition and fees for the student seeking credit while the high school “charges ACC for the direct and indirect instructional costs in an amount equal to the tuition fees assessed by ACC” to the high school. In other words, ACC’s costs are assumed to equal the high school’s costs.

In a similar Memorandum, ACC charges applicable tuition and fees for the student seeking credit while the high school charges ACC for the rental of the instructional facility and other instructional costs “in an amount equal to the tuition and fees assessed by ACC” to the high school. Seven of twelve school contracts we reviewed contained an “our costs equal your costs” arrangement. The other five contracts specify that either the student or the school district must pay tuition to the college.

This concept of “cost equalization” also exists in Arapahoe’s contracts with private business entities. According to these Memorandums of Understanding, ACC charges tuition and fees to students taking these courses while the business partner charges for teaching the students. Arapahoe staff explained that while these contracts do not explicitly describe an “our costs equal your costs” arrangement, funds are rarely exchanged between the college and the business entities.

We believe that Arapahoe’s practice of cost equalization is not a sound business practice. If Arapahoe does not know the actual instructional costs incurred to offer courses at a high school or through a private business entity, the college cannot determine whether the rates are reasonable. We believe that Arapahoe Community College should determine the actual costs of instruction to ensure that the college is benefitting from these partnerships. In some cases it may be appropriate for the college to apply findings from one cost analyses to other contracts with similar characteristics (e.g., offering a course at a high school).

Recommendation No. 6:

Arapahoe Community College should determine the actual instructional costs related to its partnership agreements with high schools, school districts, and businesses.

Arapahoe Community College Response:

Agree. The College will identify actual instructional costs related to its partnership agreements with high schools, school districts and businesses.

Additional Assurance Regarding Residency Is Needed

Out-of-state tuition at Colorado's state-supported institutions and colleges is more than four times higher than in-state tuition. For example, in-state tuition for 12 credit hours at Arapahoe Community College for the Spring 2000 semester totaled \$676 while out-of-state tuition totaled \$3,202. Commission policy states that only credit hours earned by students who are classified as in-state residents may be reported for Colorado resident enrollment. Therefore, institutions only receive state funding for credit hours earned by in-state resident students.

State statutes give the Commission the authority to establish policies for determining tuition residency status. However, the Commission's policies generally refer to statutes when classifying students as in-state or out-of-state for tuition purposes. Section 23-7-101 et seq., C.R.S., defines an in-state resident as a student who has been domiciled in Colorado for one year or more immediately preceding registration at any institution of higher education. The statute also lists several items that may be considered criteria for establishing in-state residency, such as graduation from a Colorado high school or voter registration. Statutes provide the Commission an opportunity to use "any other factor peculiar to the individual which tends to establish the necessary intent to make Colorado a permanent home." Therefore, statutes do not limit the evidence that students may use to prove that they are Colorado residents. Additionally, the Commission allows institutions to develop detailed criteria regarding what evidence supports residency status.

As part of our audit we conducted two student file reviews. The first was to determine if ACC was charging students the appropriate tuition rate. We confirmed that the tuition rate recorded on the business office records matched the tuition listed in the course schedule in all files that we reviewed. Therefore, we verified that ACC charged the appropriate in-state tuition rate for the semester we reviewed.

The second file review was conducted to determine what evidence of residency ACC requires before classifying a student as eligible for in-state tuition. Statutes note the need for institutions to apply uniform rules for determining in-state classification.

In response to this requirement for uniform rules, ACC has developed its “Rule of Three.” Therefore, in addition to reviewing residency information at the statutory level, we also reviewed ACC’s compliance with its internal procedures for residency classification. These procedures state:

To determine residency we are using what we call the “Rule of Three.” We are looking for a minimum of three items on the back of the application that show that the student has lived in Colorado for at least 12 months prior to the beginning of the semester. If the student provides three answers to the “Tuition Classification” questions on the backside of the application, that show physical presence for at least 12+ months, we also presume intent to have Colorado as their permanent home. When we are lacking three clear-cut items, we must request additional documentation or require a petition (for residency).

Our sample file review determined that all 25 applications contained information on the backside that complied with ACC’s “Rule of Three.” Therefore, ACC has developed and followed its internal guidelines to classify students as residents for tuition purposes.

We used this same sample of files to determine what other evidence of residency was offered by the students. This review indicated that 20 of the 25 files (80 percent) did not include any applicable evidence of in-state residency beyond the self-reported information on the application.

Regardless of their eligibility, ACC students have an incentive to request residency status because of the difference between in-state and out-of-state tuition rates. Hence, if a portion of the 80 percent of the sample that did not provide evidence beyond the self-reported information in the application are ineligible for state funds, this could have a significant impact on the amount of state support provided to ACC. We also determined that institutions, including ACC, have no financial incentive to scrutinize evidence of residency. Institutions receive state funds based on the credit hours earned by in-state resident students. Students who are classified as in-state for tuition purposes contribute to the amount of general funds received by the institution. Commission staff reported that each year institutions receive base general funds representing the prior year's funding plus additional funds to cover inflation, in-state enrollment, and recognize achievement of performance indicators. Out-of-state students provide cash funds to the institutions; however, these students do not contribute to the institution's base funding.

Both ACC and State Board representatives indicated that similar procedures for establishing residency are used at all community colleges. As a result, this issue may

also exist at other community colleges. We believe that community colleges should verify information on college applications by conducting residency testing on an appropriate sample of incoming freshmen. The colleges may approach this sample one of two ways.

- **Require additional documentation**—The college could select an appropriate sample of students and require evidence of residency be provided. Either the students would have to present originals and a staff member would note the evidence in their files or the students would need to supply copies of documentation for their files.
- **Amend existing college applications**—In lieu of requiring the students to provide documentation supporting claims of residency, the college may amend existing college applications to include a statement allowing third-party verification of residency information. The college would have the option of developing an agreement with another state agency to access residency information (e.g., Department of Motor Vehicles to verify vehicle registration, or the Colorado Department of Revenue to verify state income taxes were paid). The sample could be conducted without requiring any effort from the students.

The State Board should ensure that in-state tuition is only being offered to eligible students by requiring sufficient evidence to establish residency through one of the above-described methods.

Recommendation No. 7:

The State Board for Community Colleges and Occupational Education should require all community colleges to conduct an appropriate sample of incoming freshmen to determine if all in-state tuition recipients can provide proof of residency by one of the methods below:

- a. Requiring adequate evidence (e.g., Colorado voter registration card, vehicle registration, Colorado income tax form) to ensure the eligibility of students classified as in-state residents.
- b. Conducting third-party verification to ensure the eligibility of students classified as in-state residents.

State Board for Community Colleges and Occupational Education Response:

Partially agree. The State Auditor's Office has identified an issue that should be explored further. The State Board for Community Colleges and Occupational Education (SBCCOE) will work with the Commission and the State Auditor's Office to determine the appropriate approach to address this issue. It is important to note that the auditors found that the college appropriately determined the residency of the students, using the criteria defined in statute. The Board understands the auditors' concerns and is also aware that implementing the auditors' recommendation would place a significant additional burden on colleges' students and staffs. Therefore, the State Board would propose addressing this issue through continued discussion with the Commission and the State Auditor's Office during which other alternatives could be explored.

Postsecondary Opportunities for High School Students

Chapter 2

High School Students May Earn College Credit

High school students may earn college credit through the Postsecondary Enrollment Options Program (PSEO), through the High School Fast Track Program, or by enrolling in college as a regular student without support from a particular program. In addition, Arapahoe Community College and some local school districts have created unique programs to provide college opportunities to high school students (e.g., Douglas County Options, Sheridan 21st Century Diploma).

The Postsecondary Enrollment Options (PSEO) Act was created in 1988 to academically challenge, encourage, and enable secondary students by providing access to postsecondary courses prior to graduation from high school. The Postsecondary Enrollment Options Program provides local school districts the opportunity to offer courses for high school and college credit using Per Pupil Operating Revenue (PPOR) from the local school districts to pay college tuition. School districts are responsible for informing the students within their jurisdiction of the Program and have discretion over what courses they will accept for high school credit. This discretion ensures local control over the budgetary impact of the PSEO Program in the individual school district. The PSEO Program requires the school district to reimburse the student's tuition upon successful completion of a postsecondary course.

Another statutorily defined opportunity for high school students to take postsecondary courses is through the High School Fast Track Program (Fast Track). This Program differs from PSEO because the student must have fulfilled the requirements of graduation prior to enrolling in the postsecondary institution, and the school district is required to forward up to 75 percent of the Per Pupil Operating Revenue to pay college tuition. Arapahoe staff stated that the college participates in both the PSEO Program and the Fast Track Program. Our audit did not address the advantages and disadvantages of either Program; we focused solely on Arapahoe's administration of these Programs.

Arapahoe Community College Needs To Improve Administration of Its Postsecondary Programs

In general, Arapahoe needs to improve the administration of the PSEO and Fast Track Programs. Commission policy requires the school district and college to enter into cooperative agreements that specify enrollment and funding information for each pupil. Statutes also refer to these cooperative agreements between the school district and the college. Among other issues, we determined that Arapahoe's administration of these program agreements was decentralized and inconsistent. In fact, to obtain all the statutorily required agreements, an Arapahoe representative had to contact the dean of each department to locate copies of all the existing agreements. This inadequate records management has caused confusion regarding FTE reporting requirements, fiscal arrangements, and programmatic agreements between the school districts and the college. Therefore, we believe that ACC should improve its administration of these programs by having the required agreements either maintained at a central location or accessible when needed.

As part of our audit we reviewed seven agreements and five Memorandums of Understanding (MOU) between Arapahoe and local school districts. It is our understanding that these documents represent all of the agreements involving coenrolled high school students. We identified the following problems during our evaluation of these 12 contracts:

Lack program type and purpose—The language in the contracts does not specify whether the agreements and MOUs are Postsecondary Enrollment Options, Fast Track, or other coenrollment arrangements between a school district and ACC. For example, we identified some PSEO statutory language in 4 of the 12 contracts. If the agreements are written to address statutory requirements, they should clearly identify the purpose and type of program they represent. Further, payment structures vary by program. Therefore, ACC staff need to be able to accurately identify the program in which each student is enrolled in order to properly depict the student's payment requirements. Arapahoe Community College could address this issue through creating standardized contracts for the Postsecondary Enrollment Options Program, the Fast Track Program, and any other coenrollment programs that need written agreements.

Nonexistent—We believe that Arapahoe may be missing statutorily required contracts. For example, Arapahoe Community College was unable to provide

any PSEO contracts with the Littleton Public School District prior to March 1999. However, our audit work showed that students from the Littleton Public School District were enrolled under the PSEO Program prior to 1999. Therefore, ACC has been in violation of Commission policy and statute. ACC staff commented that they use a unilateral high school coenroll options document that is signed by the student, parent, and representatives from the school district to meet statutory and policy requirements for a written agreement. However, according to representatives from the State Controller's Office and the Commission, this document does not address the statutory requirement to have an agreement between the school district and the college because it is not signed and approved by ACC representatives. Arapahoe Community College should ensure that it is in compliance with the PSEO and Fast Track statutes and maintain all appropriate cooperative agreements.

Unauthorized—Two of the twelve contracts are not signed by the high school district's representatives. This lack of authorized and enacting signatures raises questions regarding the ability to validate and enforce the agreement. Arapahoe Community College should ensure that all contracts include appropriate signatures and authorizations.

Outdated—Some Postsecondary Enrollment Options Program agreements are not reflective of current statutes or Arapahoe's tuition rates. For example, one contract specified a tuition rate of \$36 per credit hour, which is significantly less than the 1999-2000 rate of \$56.30 per credit hour. Effective start dates on agreements go back as far as 1989 without specific end dates. Three of the four contracts containing PSEO language did not incorporate the 1998 legislation requiring students to pay tuition subject to reimbursement by the school district upon successful completion of the course. ACC staff admitted they did not begin to implement this statutory change effective March 1998 until the Fall 1999 semester. However, ACC staff report that those requirements were consistently implemented in all school districts by the Fall 1999 semester. To confirm this, we conducted a small sample of students identified by ACC as participating in the Postsecondary Enrollment Options Act for the Fall 1999 semester. ACC's accounting records for the sample of students indicated that the students paid the course tuition as required by the statute.

One of the purposes of the 1998 PSEO legislation was to ensure that school districts did not incur expenses for coenrolled students who did not complete district-paid postsecondary courses (the statute allows for some exceptions, including financial hardship cases). If ACC does not require the student to pay tuition, the school districts bear the responsibility of recovering tuition costs from students who do not complete the postsecondary courses. Thus, Arapahoe

Community College should ensure that it follows all financial requirements dictated by statute.

The above list describes issues of concern and lack of compliance regarding Arapahoe's agreements and Memorandums of Understanding with school districts for postsecondary programs. Further, according to the State Controller's Office, MOUs typically do not include financial provisions. Therefore, MOUs are not the most appropriate medium for ACC's postsecondary programs. The lack of detail and standardization in Arapahoe's cooperative agreements and MOUs could pose a potential financial risk to the college. For example, if the tuition rates described in the contract are not reflective of current rates, the school district could pay the lesser amount of tuition. Overall, the administration of ACC's postsecondary programs was decentralized and lacked standardization and consistency. Therefore, we believe that Arapahoe Community College should improve its administration of these programs.

Recommendation No. 8:

Arapahoe Community College should comply with statutory and Commission requirements for all postsecondary programs including the Postsecondary Enrollment Options and High School Fast Track Programs by:

- a. Ensuring contract information is accessible.
- b. Clarifying the type, purpose, and financial provisions of each contract by developing a standardized format or boilerplate for high school programs.
- c. Ensuring that cooperative agreements exist with school districts that participate in high school programs.
- d. Ensuring that contracts are signed by both interested parties.
- e. Updating contracts to comply with current statutes and Commission policy.

Arapahoe Community College Response:

Agree. The College will create a contract that will clarify the type, purpose and financial arrangements for each high school program. These agreements will be updated to comply with current statutes and Commission policy. The College will ensure that contract information is current and accessible.

ACC Cannot Appropriately Identify Postsecondary Students

Arapahoe Community College annually serves several hundred coenrolled high school students through its postsecondary educational programs. These programs have a variety of eligibility and financial requirements. Therefore, it is important that ACC be able to accurately classify coenrolled students by program type. However, our audit work showed that Arapahoe could not properly classify its coenrolled high school students by postsecondary program.

The ability to classify these students is important for two reasons. First, each program has eligibility requirements and financial provisions. For example, the Fast Track Program is only available to seniors who have met graduation requirements and allows school districts to forward up to 75 percent of the Per Pupil Operating Revenue to the college for these enrolled students. The Postsecondary Enrollment Options Act is available to juniors and seniors and requires the student, with some exceptions, to pay for courses subject to reimbursement by the school district upon successful completion of those courses. To ensure accurate accounting, Arapahoe's financial department needs to be able to separate and classify these students by program type. Additionally, ACC did not have a process in place to ensure that students who wanted high school credit only for a course were not reported for state funding. As a result, nine students who were coenrolled in the Fall 1998 and Spring 1999 semesters but only received high school credit were incorrectly reported to the Commission for funding in Fiscal Year 1999. The total funding from the credit hours generated from these nine students equates to \$2,560. We are concerned that ACC is not able to accurately classify coenrolled students and ensure the financial provisions are consistently applied to the various programs.

Second, Commission policy requires colleges to submit the total number of students enrolled specifically through the Postsecondary Enrollment Options Program. We determined that Arapahoe Community College was unable to accurately identify which of the coenrolled high school students were reported to the Commission as PSEO participants due to the unreliable coding of these coenrolled students. Therefore, we were unable to verify the headcount and credit hours for PSEO students reported as part of the Fiscal Year 1999 Final Student Enrollment Report. In Fall 1998 and Spring 1999, ACC listed a total of 963 high school coenrolled students. However, ACC only reported 295 of these students to the Commission as PSEO participants. ACC staff were unable to replicate or explain the specific criteria they used to calculate the number of PSEO students reported to the Commission. Therefore Arapahoe's current internal coding system for coenrolled students is not effective.

Our review indicated that Arapahoe Community College's administrative procedures are not adequate to meet oversight requirements of the PSEO Program. The Commission uses the reported number of PSEO students to track enrollment patterns, make policy changes, and exclude these students from financial aid allocation formulas. Statutory changes to the PSEO program, coupled with staff turnover at Arapahoe, appear to have contributed to the administrative concerns we have identified.

Legislation allows high school students to explore postsecondary opportunities through a variety of programs. However, each of these programs entails eligibility and financial provisions that the college is responsible for enforcing. We believe that Arapahoe Community College needs to clarify its internal coding system and properly classify these students by postsecondary program type.

Recommendation No. 9:

Arapahoe Community College should develop and implement criteria to ensure that it is properly classifying high school coenrolled students by program.

Arapahoe Community College Response:

Agree. The College has already developed and implemented criteria and procedures to ensure that it is properly classifying high school coenrolled students by postsecondary program.

Commission Policy Does Not Incorporate Statutory Changes

The Colorado Commission on Higher Education's student enrollment reporting policy was last revised in July 1997 to clarify the requirements for institutions of higher education regarding the Postsecondary Enrollment Options Program. However, additional statutory changes were made to the Program during the 1998 legislative session. One of these changes requires the student, with some exceptions, to pay tuition subject to reimbursement by the school district. The Commission issued a memorandum in August 1998 explaining this change; however, it did not update its policy. Thus, the existing policy incorrectly states that "the school district must pay the tuition designated in the tuition schedule for the number and type of courses in question." Therefore, Commission policy does not reflect current statutory language.

In our discussions with Commission staff, they acknowledged the need to revisit the FTE policy with regard to all postsecondary programs. Commission staff also expressed an interest in revisiting statute to ensure that the current postsecondary programs recognize the original statutory intent. Therefore, we believe that the Commission should recognize the statutory changes and provide financial assurance to Colorado school districts regarding postsecondary programs for high school students.

Recommendation No. 10:

The Colorado Commission on Higher Education should review statutory changes and update its student FTE policy to reflect current statutes regarding postsecondary programs for high school students.

Colorado Commission on Higher Education Response:

Agree. The policy was not updated to reflect the 1998 statutory changes in the Postsecondary Enrollment Options Program and the policy should reflect those changes. Clearly, the Commission believes its intent to have institutions follow the new legislative directive was outlined in the August 1998 memorandum to all institutions and that institutions were on notice that the statute had changed and should have been collecting tuition payments accordingly.

The current revision of the FTE policy being undertaken by the Commission will incorporate all statutory changes and requirements in the postsecondary programs.

Arapahoe Needs to Report High School Scholarship Recipients to the Commission

Commission policy allows institutions to provide institutional scholarships to students and submit the FTE generated from those scholarship recipients as long as certain requirements are met. During the course of our audit we determined that Arapahoe Community College offers a Senior Tuition Scholarship to eligible high

school students who enroll at the institution. The college then submits the resulting FTE for state funding. Commission policy states that recipients of these institutional scholarships may only be submitted for FTE funding if the recipients are reported to the Commission in the annual Student Unit-Record Data System (SURDS) Report. Our audit work determined that Arapahoe does not include the Senior Tuition Scholarship recipients in the SURDS Report, and therefore, the resulting FTE are ineligible for state funding.

In general, high school students are not allowed to receive federal or state financial aid. However, Commission policy does give governing boards or institutions the authority to develop institutional scholarships for specific groups of students. The policy requires that students receiving these scholarships be reported on the financial aid file of the annual SURDS Report. The purpose of the SURDS Report is to collect information about student aid applicants that accurately and completely describes, to the extent possible, the status of financial aid in Colorado. Commission staff reported that this document is used to meet state and federal financial aid reporting requirements, to provide the General Assembly with accurate financial aid information to support statewide policy decisions, to determine succeeding year student aid allocations among institutions, and to report the distribution of financial aid funds in Colorado. As a result, we believe that it is important that the Commission receive complete information regarding the amount of financial aid provided by the individual institutions.

Arapahoe representatives acknowledged that Senior Tuition Scholarships are considered institutional scholarships. However, our audit work showed that ACC did not include the Senior Tuition Scholarship recipient information in the annual SURDS Report. Arapahoe's financial aid office is responsible for submitting the SURDS Report and it does not administer the Senior Tuition Scholarships. However, these scholarships are funded out of the same general fund dollars as other institutional scholarships, such as those given to ACC employees. We determined that ACC did report other institutional scholarship recipients as part of the SURDS Report and, therefore, it should also report the Senior Tuition Scholarship recipients. On the basis of documents provided by ACC, we determined that in Academic Year 1999 (Fall 1998 and Spring 1999 semesters), the Senior Tuition Scholarship recipients generated a total of 13.1 FTE representing approximately \$27,955 in state funds. Since ACC did not report these institutional scholarship recipients in accordance with Commission policy, we believe these FTE were ineligible for state funding.

Arapahoe Community College is not reporting all financial aid recipients in the SURDS Report as required by Commission policy. As a result, it is submitting ineligible FTE for state funding. We believe that Arapahoe should ensure that it properly reports all financial aid recipients in accordance with Commission policy.

Recommendation No. 11:

Arapahoe Community College should not submit credit hours generated by financial aid recipients for state funding unless corresponding financial aid information is reported to the Colorado Commission on Higher Education in the annual SURDS Report.

Arapahoe Community College Response:

Agree. The College will not submit credit hours of financial aid recipients for state funding unless the corresponding information is reported to the Commission in the SURDS Report.

Distribution

Copies of this report have been distributed to:

Legislative Audit Committee (12)
Arapahoe Community College (10)
State Board for Community College and Occupational Education (2)
Colorado Commission on Higher Education (15)
Joint Budget Committee (2)
Department of Treasury (2)
Department of Personnel
d.b.a. General Support Services
Executive Director (2)
State Controller (2)

Honorable Bill Owens, Governor
Office of State Planning and Budgeting (2)
Depository Center, Colorado State Library (4)
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Members of the National Legislative Program Evaluation Society
Members of the Colorado General Assembly
National Association of State Auditors, Comptrollers, and Treasurers

Report Control Number 1318