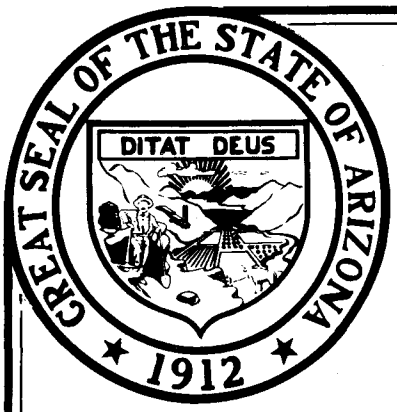

PERFORMANCE AUDIT

BOARD OF DIRECTORS FOR COMMUNITY COLLEGES

Report to the Arizona Legislature
By the Auditor General
June 1987
87-4

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June 22, 1987

Members of the Arizona Legislature
The Honorable Evan Mecham, Governor
Dr. Gherald L. Hoopes, Chairman

Transmitted herewith is a report of the Auditor General, A Performance Audit of the State Board of Directors for Community Colleges. This report is in response to a July 26, 1985 resolution of the Joint Legislative Oversight Committee.

The report addresses the need for the Board to strengthen its oversight of education issues in the community college system. In particular, the Board has not adequately monitored 1) the success of community college students transferring to the universities, or 2) the cost effectiveness of educational programs. Systemwide evaluations of transfer success and program costs will allow the Board to identify colleges or programs which may not be meeting students' needs.

My staff and I will be pleased to discuss or clarify items in the report.

Respectfully submitted,

Douglas R. Norton

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SUMMARY

The Office of the Auditor General has conducted a performance audit of the State Board of Directors for Community Colleges in response to a July 26, 1985, resolution of the Joint Legislative Oversight Committee. This performance audit was conducted as part of the Sunset Review set forth in Arizona Revised Statutes §§41-2351 through 41-2379.

The State Board of Directors for Community Colleges was established in 1960 as part of the junior college system that was intended to provide educational facilities in localities convenient to students and to relieve the load on existing State universities. Presently, the 18-member Board provides statewide oversight and coordination for an educational system of 15 community colleges in nine districts.

The State Board Needs to Strengthen Its Oversight of the Community College System (see pages 15 through 22)

Although the Board has addressed several issues of statewide concern, two important areas of community college performance have not been acted upon. The Board has not adequately monitored: 1) the success of community college students transferring to the universities, or 2) the cost effectiveness of educational programs.

The State Board is responsible for addressing statewide issues that affect the quality of education within or across community college districts and between educational systems in Arizona. The Board has acted in several areas of State interest, such as facilitating the development of an evaluative model for measuring vocational education effectiveness across the State. Other recent Board efforts have been in the area of adult literacy education, and the Board is coordinating efforts to address the issue of one-of-a-kind vocational programs to avoid unnecessary duplication of unique programs.

However, the Board does not monitor the success of community college students transferring to the universities. Such monitoring is important, since almost 65 percent of all community college course work is potentially transferable to universities. Further, accreditation reports for seven of Arizona's 15 community colleges cite a need for improved monitoring of university transfers. Greater oversight by the State Board could help identify which colleges are more successful in preparing students for transfer to the universities, and which are less successful. For example, an annual survey by the University of Arizona indicated that students transferring from Cochise College compared very favorably with students who started at the University of Arizona, and in fact, were doing better than most students from other community colleges.

The Board also needs to improve its ability to monitor the costs of community college programs. Although the Board receives district level cost information, it does not collect information about individual programs. Therefore, the Board has no financial and enrollment information specific enough to allow a comparison of program costs across districts or to identify programs that may no longer be serving a useful purpose. Accreditation reports indicate that at least three of the 15 community colleges have not done enough to monitor program cost effectiveness. According to the accreditation report for one community college:

> "Some programs have limited enrollment. . . . Such programs may be a 'luxury' which if further financial constraints are imposed, cannot be sustained except at the expense of more viable programs." (emphasis added)

Coordinating and developing a systemwide approach to evaluating transfer success and program costs may exceed the Board's existing staff resources. The Board should review its staff activities to determine how best to address these additional duties.

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INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted a performance audit of the State Board of Directors for Community Colleges. The audit was conducted in response to a July 26, 1985, resolution of the Joint Legislative Oversight Committee as part of the Sunset Review set forth in Arizona Revised Statutes §§41-2351 through 41-2379.

History of the Community College System

The State Board of Directors for Community Colleges was established in 1960 when the Arizona Legislature created the junior college system in Arizona. Although having such a system in Arizona had been discussed previously, a concerted movement for this purpose did not develop until 1957. In late 1958 the Junior College Survey Committee published a report supporting a junior college system in Arizona and recommending establishment of a Junior College State Commission, which would have authority to set standards for establishing, developing, administering and operating the junior colleges. The Committee recommended that this function be performed by a body separate from the Board of Regents or the Board of Education. In doing so, the Committee reasoned that because membership on the Board of Education was ex-officio, "members have not the time...to give the consideration required for planning a Statewide system of junior colleges..." The Committee also reasoned that the "Board of Regents has no Chancellor to effect a coordinated plan for higher education..." (emphasis added). Thus, the Committee concluded that a Junior College State Commission would be better suited for the function because it "could devote itself to the particular concerns of education beyond high school which are both occupational...and...parallel to lower division programs of four year institutions."

Originally, the junior college system was established to meet two goals: 1) to provide educational facilities in locations convenient to students, and 2) to relieve the load on existing State universities created by increased demand for higher education. In 1971 the name "junior college system" was changed to "community college system," to recognize the fact that Arizona's community colleges offer more than just the first two years of a four-year college degree.

The Community College System Today

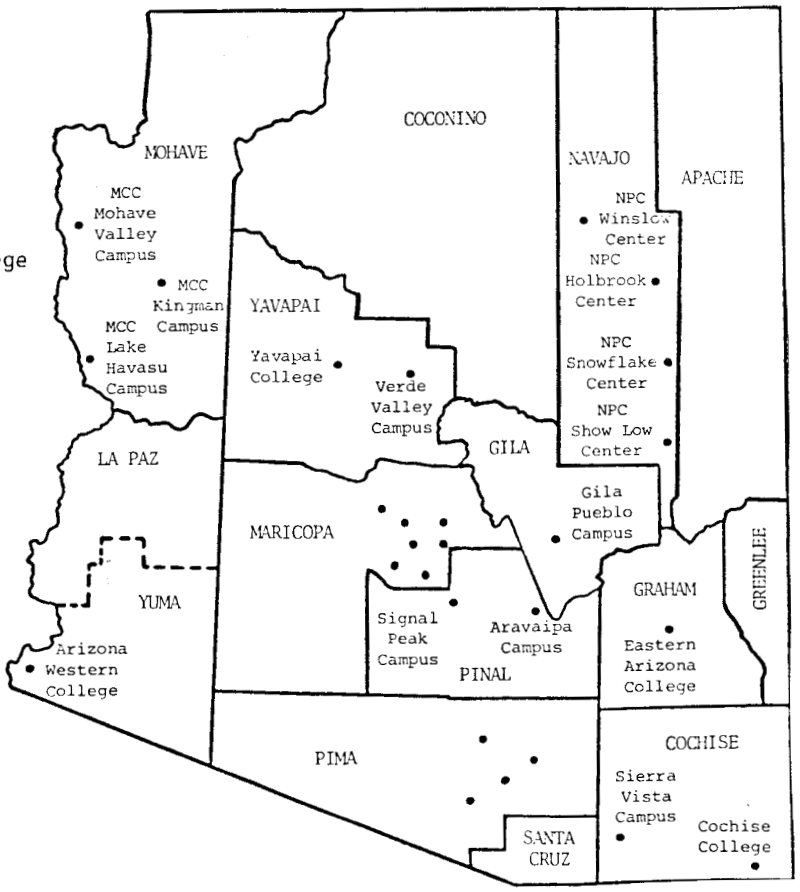
The community college system consists of the State Board of Directors for Community Colleges, the local district governing boards, and the nine community college districts. The nine districts are located in ten counties: Yuma-La Paz, Mohave, Yavapai, Navajo, Graham, Pima, Maricopa, Cochise and Pinal. The remaining counties are not organized into community college districts; these counties receive community college services from one or more of the nine existing districts. Figure 1 shows the location of Arizona's community college districts and campuses.

FIGURE 1

ARIZONA COMMUNITY COLLEGE DISTRICTS AND CAMPUSES

Maricopa Community Colleges
- Glendale Community College
- Maricopa Technical College
- Mesa Community College
- Phoenix College
- Scottsdale Community College
- South Mountain Community College
- Rio Salado Community College
  - Centers throughout Maricopa Co.

Pima Community Colleges
- Downtown Campus
- East Campus
- West Campus
- County-wide locations



Legend:
- - - - Multi-County District

Source: Annual Report to the Governor, 1985-86 (State Board of Directors for Community Colleges of Arizona), page 4.

The community college system serves a diverse student population. Community colleges serve academic transfer students and students pursuing occupational education for entry-level employment, and they also offer classes for persons wishing to take courses for general interest, and for those wanting to upgrade their skills or acquire new ones. In addition, community colleges provide instruction to improve adult literacy and improve English skills for those whose native language is not English. Further, nationally more than 30 percent of community college freshmen are 20 years of age or older, and in Arizona approximately 61 percent of all community college students taking courses for credit are 25 years of age or older. If evening, part-time students are included, the median age is well above that of the college population group, making the community college student population diverse in another sense.

The diversity is reflected in the statement of philosophy adopted by the State Board. The statement of philosophy delineates the six purposes of the community college system in Arizona. (1)

1. To offer the first two years of baccalaureate parallel or preprofessional courses . . . so that students . . . may complete study for the baccalaureate in four-year colleges and universities.

2. To provide occupational programs . . . and to provide retraining and upgrading of skills in these fields, so that students . . . are qualified to meet the current needs of the labor market.

3. To provide . . . general education for all citizens, so that they may perform . . . more effectively and exercise their obligations and privileges as citizens more intelligently.

4. To offer programs in continuing education for those who wish to improve . . . skills, acquire new ones, or expand their fields of knowledge and general interest.

5. To provide . . . academic and occupational counseling, including job placement services, so that students may learn to define their goals clearly and pursue them realistically.

6. To provide cultural and community service programs for the enrichment of the community, and to encourage the use of community college facilities and services by all citizens of the community.

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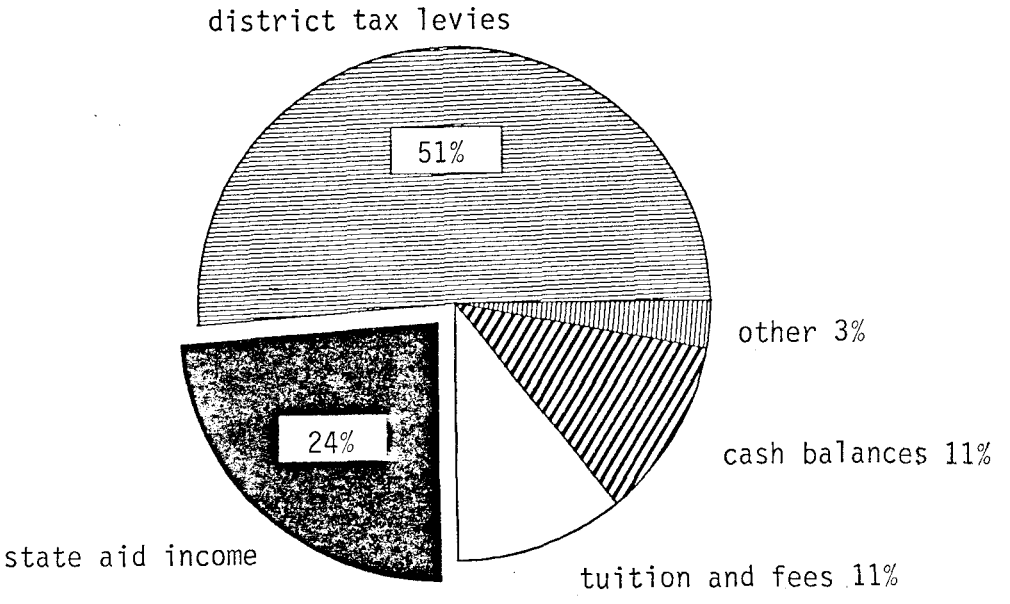
(1) For the full text of the statement of philosophy, see the Annual Report to the Governor, 1985-86 (State Board of Directors for Community Colleges of Arizona), page 1.

Funding for community college districts in 1985-86 came from several sources, including district tax levies, State aid, tuition and fees, cash balances carried over from previous years, and other sources. [1] Figure 2 shows the proportion of district funding from these various sources.

FIGURE 2

SOURCES OF COMMUNITY COLLEGE DISTRICT FUNDING (FISCAL YEAR 1985-86)



Source: Annual Report to the Governor, 1985-86 (State Board of Directors for Community Colleges of Arizona), page 12

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(1) Other sources represent monies from grants, contracts, auxiliary enterprises and transfers.

Governance of the System and the State Board

The community college system is governed at two levels. Each individual community college district has an elected, five-member (local) district governing board which oversees overall operations in its district. Statewide oversight is provided by the State Board of Directors for Community Colleges, an 18-member board consisting of one representative from each of the 15 counties, appointed by the Governor for seven-year terms; and three ex officio members, representing the Board of Regents, the Superintendent of Public Instruction, and the Director of the Division of Vocational Education. The State Board is responsible for a variety of functions related to oversight of the community college system.

- Enacting ordinances for the government of institutions under its jurisdiction. (1)
- Setting standards for the establishment, development, administration, operation and accreditation of community colleges.
- Prescribing guidelines for the transferability of courses.
- Fixing tuition and fees to be charged by community college districts.
- Determining the location of sites for new campuses.
- Establishing curricula and courses that serve the interest of the State.
- Establishing qualifications for and certifying community college instructional staff.

Although the State Board has broad policymaking and administrative powers, a significant amount of operational and policy responsibility exists at the district board level. The statutes divide governance and oversight powers between the State Board and the district governing boards.

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(1) This portion of the statutes refers to the promulgation of rules and regulations by the Board.

Staffing and Budget of the State Board

The State Board is funded by State appropriations, monies received from fees collected for the issuance and renewal of teaching certificates (Certification Fund), and Federal monies. As of December 1986 the State Board had 11 full-time equivalent employees (FTEs): eight funded from the General Fund, 2.25 FTEs from the Certification Fund, and .75 FTE funded by Federal vocational education monies. Table 1 (page 7) details use of General Fund monies, including actual expenditures for fiscal years 1983-84 through 1985-86 and approved expenditures for fiscal year 1986-87. Table 1 also details the amounts distributed by the Board in State aid for community college operations and capital outlay, as well as funding for the system's three skill centers. Table 2 (page 8) shows actual Certification Fund revenues and expenditures for fiscal years 1982-83 through 1985-86.

Audit Scope and Purpose

The audit report focuses on the Board's ability to effectively perform its functions. The report presents a detailed finding and recommendations addressing the adequacy of Board oversight in several important areas.

We also developed Other Pertinent Information regarding the current structure of the State Board (page 23). Due to time constraints, we were unable to address all potential issues identified during the audit. The section Areas for Further Audit Work (page 25) describes these potential issues.

This audit was conducted in accordance with generally accepted governmental auditing standards.

The Auditor General and staff express their appreciation to the Executive Director and staff of the State Board of Directors for Community Colleges for their cooperation and assistance during the course of our audit.

TABLE 1

STATE BOARD OF DIRECTORS FOR COMMUNITY COLLEGES
GENERAL FUND EXPENDITURE AND BUDGET DETAIL
FISCAL YEARS 1983-84 THROUGH 1986-87
(unaudited)

	Actual Fiscal Year 1983-84	Actual Fiscal Year 1984-85	Actual Fiscal Year 1985-86	Approved Fiscal Year 1986-87
FTE Positions	8.0	8.0	8.0	8.0
Personal Services	$272,600	$267,900	$288,888	$320,500
Employee Related Exp.	45,150	50,000	51,635	65,000
Prof. & Outside Svcs.	950	2,100	10,680	1,400
Travel - State	21,350	22,600	27,769	29,600
Travel - Out of State	700		86	2,700
Other Operating	11,500	17,000	30,845	52,700
Capital Outlay-Equip.		5,900	14,046	3,100
STATE BOARD FUNDING	$352,250	$365,500	$423,949	$475,000
State Aid to Community Colleges [a]				
Operating Budget	$35,848,000	$35,318,800	$52,699,777 [b]	$59,905,400
Capital Outlay	5,000,000	5,000,000		7,327,600
Skill Centers	788,700	788,700	79,950	
Capital Outlay Fund [c]		1,000,000	1,250,000	
TOTAL EXPENDITURES	$41,988,950	$42,473,000	$54,453,676	$67,708,000

(a) The specific amount of State aid going to each district is based on the district's number of full-time student equivalencies (FTSE), and consists of aid for operations and capital outlay for existing campuses.

(b) Includes $40,000 for county vocational planning and $383,970 for skill centers. Separate breakdown for Operating Budget and Capital Outlay was not available from documents reviewed.

(c) The Capital Outlay Fund represents State funding for an initial campus in a newly formed district and additional campuses in existing districts. Money for this Fund is provided in amounts equal to 50 percent of the total cost of the capital outlay, not to exceed $1 million for any one campus.

Source: Figures for fiscal years 1983-84, 1984-85 and 1986-87 were compiled by Auditor General staff from the State of Arizona Appropriations Reports for fiscal years 1985-86 and 1986-87. Figures for fiscal year 1985-86 were obtained from the Annual Report to the Governor, 1985-86 (State Board of Directors for Community Colleges).

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TABLE 2

STATE BOARD OF DIRECTORS FOR COMMUNITY COLLEGES CERTIFICATION FUND ACTUAL REVENUES AND EXPENDITURES FISCAL YEARS 1982-83 THROUGH 1985-86

(unaudited)

	Fiscal Year 1982-83	Fiscal Year 1983-84	Fiscal Year 1984-85	Fiscal Year 1985-86
FTE Positions [a]	2.0	2.0	2.0	2.0
Revenue				
Balance Forward, 7/1	$ 30,962	$ 35,985	$ 28,221	$ 28,565
Certification Fees	79,368	74,637	72,655	72,028
TOTAL REVENUE	$110,330	$110,622	$100,876	$100,593
Expenditures				
Personal Services	$44,128	$42,292	$48,993	$51,053
Employee Related Exp.	7,736	8,716	10,440	10,335
Other Operating	8,795	19,108	12,878	23,719
Capital Outlay-Equip.	13,686	12,285		
TOTAL EXPENDITURES	$74,345	$82,401	$72,311	$85,107
BALANCE AS OF 6/30	$35,985	$28,211	$28,565	$15,486

(a) Although the State Board's Annual Reports show 2.0 FTE funded from the Certification Fund, State Board staff report that 2.25 to 2.5 FTEs have actually been funded by these monies in recent fiscal years.

Source: Annual Report to the Governor (State Board of Directors for Community Colleges), 1982-83 through 1985-86.

SUNSET FACTORS

In accordance with Arizona Revised Statutes §41-2354, the Legislature should consider the following 12 factors in determining whether the State Board of Directors for Community Colleges of Arizona should be continued or terminated.

1. **The objective and purpose in establishing the State Board of Directors for Community Colleges**

   The Arizona Legislature established the State Board of Directors for Community Colleges of Arizona as a result of the recommendations of a Junior College Survey Committee established by the Legislature in 1958. Enabling legislation became effective in 1960.

   The intended purpose of the State Board can be inferred from legislative history, the statutory powers of the Board, and the Board's statement of philosophy, even though the purpose is not specifically stated in statute. These documents indicate that the Board's purpose is to provide for the government, oversight, planning and coordination of the community college system in areas of statewide concern. This purpose appears to be consistent with the purposes for which the Arizona community college system was created, i.e., to provide an integrated statewide system of community colleges convenient to students and to relieve the increasing load on the existing State universities.

2. **The effectiveness with which the State Board has met its objective and purpose and the efficiency with which the State Board has operated**

   The State Board has generally met its purpose in carrying out its statutory responsibilities in several areas. The Board has played a role in maintaining the quality of education by reviewing and approving courses and curricula for local districts. In addition, the Board has set standards for and approved local

district plans for construction and remodeling projects for community college facilities and has certified community college instructional staff. However, the Board could improve its effectiveness by increasing oversight of the community college system in the areas of statewide concern, such as student evaluation and program cost evaluation (see Finding, page 15).

Based on interviews with representatives of several local districts, the State Board appears to operate efficiently. These representatives indicated that the Board has generally responded to local district requests in a timely and accurate manner.

3. <u>The extent to which the State Board has operated within the public interest</u>

The State Board has operated in the public interest by addressing certain issues of statewide concern. It has provided a common approach to some concerns of the system through standards established for the local districts in areas such as teacher certification and facilities construction, as required by law. It has also acted to redirect the actions of local boards; for example, the Board placed one district's governing board on probation in response to major concerns expressed by the accreditation commission. However, the Board could further serve the public interest by setting guidelines and monitoring district activities in areas of statewide importance, such as student evaluation and program cost evaluation (see Finding, page 15).

4. <u>The extent to which rules and regulations promulgated by the State Board are consistent with the Legislative mandate</u>

The Board has rules and regulations that reflect its broad statutory mandates. For example, the Board has promulgated rules and regulations in areas for which the Board has statutory responsibility, including tuition and fees,

curricula, general program standards, certification, procedures for counting full-time student equivalencies for State aid, and facilities construction and planning. The Board has also adopted rules and regulations under its broad authority to enact ordinances for the government of institutions under its jurisdiction. Board rules and regulations are reviewed, revised and updated on an on-going basis.

5. **The extent to which the State Board has encouraged input from the public before promulgating its rules and regulations and the extent to which it has informed the public as to its actions and their expected impact on the public**

The Board has encouraged input from the public before promulgating rules and regulations. The Board follows the Administrative Procedures Act, which requires public notice and hearings before adoption of rules. In addition, the Board regularly mails proposed rules to local districts before taking action, and has encouraged comments from interested parties in Board committee meetings, study sessions and regular Board meetings.

6. **The extent to which the State Board has been able to investigate and resolve complaints within its jurisdiction**

This factor is not applicable since the State Board is not a regulatory board. However, on occasion Board staff have reportedly mediated complaints from community college students about local districts.

7. **The extent to which the Attorney General or any other applicable agency of State government has the authority to prosecute actions under enabling legislation**

This factor is not applicable since the State Board is not a regulatory board.

8. <u>The extent to which the State Board has addressed deficiencies in the enabling statutes which prevent it from fulfilling its statutory mandate</u>

The State Board has not initiated legislation to address major deficiencies in its own statutes in the past five years. However, it has acted jointly with community college districts to initiate legislative action addressing local community college concerns, such as increasing State aid and improving vocational education.

9. <u>The extent to which changes are necessary in the laws of the State Board to adequately comply with the factors listed in the Sunset laws</u>

Currently, it does not appear that statutory changes are necessary to allow the Board to adequately comply with the sunset factors. However, the Legislative Council representative assigned to review education statutes has expressed concerns that because Board statutes were developed incrementally, they may not be as thorough as needed. For example, since the statutes are open to very narrow as well as very broad interpretations, the current Board and staff have chosen to implement the Board's statutory mandates in a manner that defers to local districts, in some cases inappropriately. However, because of the need for Statewide oversight, and since the statutes authorize such oversight, the Board should interpret its mandate broadly in areas of statewide concern, regardless of whether statutes are changed (see Finding, page 17).

10. <u>The extent to which the termination of the State Board would significantly harm the public health, safety or welfare</u>

Termination of the State Board would not pose a direct, immediate harm to the public health, safety or welfare. However, the termination of the State Board might be harmful to the community college system since it would eliminate an important coordinating and oversight function in the area of educational policy.

According to authoritative sources, coordination and leadership at the State level is important to the functioning of a community college system. For example, in 1986 the Western Interstate Commission on Higher Education (WICHE) reported,

> "States have a longstanding interest in two fundamental components of community college governance:
>
> 1. Role and mission. What populations and educational needs will be served by these institutions, particularly in relation to other components of the educational system and in light of demands on the state for financing facilities and operations?
>
> 2. Public accountability. Are community colleges governed and administered to ensure financial accountability, particularly in the use of public funds, and are they effective in achieving specific educational objectives?"

In addition, most states have provided for State involvement in their community college systems. During 1986, at least 48 states had established some form of state agency to oversee community colleges. The need for a state level involvement was also expressed by the Committee on the Future of Maryland Community Colleges, which identified the role of Maryland's state board as "...serv(ing) as a catalyst for quality through the Maryland community college system....(by)...'coordinat(ing) and provid(ing) statewide leadership....'"

Although some states govern or coordinate their community colleges through other agencies such as departments of education, transferring the Arizona Board's function to another existing agency does not appear to be beneficial to the State. Of the 48 states known in 1986 to maintain some state agency over community colleges, 27 functioned through their higher education agencies, 14 through a separate community college board, and 7 functioned through their departments of education. Literature suggests that the structure of the state function has little, if any, relationship to its effectiveness.

Furthermore, although the State Board of Education or the Arizona Board of Regents could assume functions currently performed by the State Board, significant concerns may be associated with such an option. A Board of Regents staff member states that the disadvantages of transferring these responsibilities to the Board of Regents may outweigh the advantages, because the Board of Regents has neither the background nor the experience in overseeing vocational or career programs. In addition, he stated that the difference in governing structures between the university and community college systems would make combining the two under one entity "awkward." Persons in the community college system, as well as the Superintendent of Public Instruction at the time of this audit, point out that the systems which the Department of Education and the Board of Regents oversee have different missions than the community college system.[1] Some individuals fear that the needs of smaller and less visible groups currently served by the community college system may be overlooked if the system were under the jurisdiction of another agency.

11. <u>The extent to which the level of regulation exercised by the State Board is appropriate and whether less or more stringent levels of regulation would be appropriate</u>

This sunset factor is not applicable since the State Board is not a regulatory agency.

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(1) The community college mission is diverse, and includes providing general education and community service, offering college-transfer courses to those interested in pursuing a four-year degree, providing vocational education, and offering continuing education for upgrading professional and job-related skills. By comparison, the university mission focuses on academic education, and the Board of Education is concerned with general education of students in grades kindergarten through 12th.

12. <u>The extent to which the State Board has used private contractors in the performance of its duties and how effective use of private contractors could be accomplished</u>

The State Board uses private contractors for some activities. For example, by law the Board must approve major construction and remodeling undertaken at the community colleges. To assist in the decision-making and approval process, the Board consults with a group of architects and engineers who regularly advise the Board on facilities development. Thus, the Board has been able to perform some functions without having to develop in-house expertise.

FINDING

THE STATE BOARD OF DIRECTORS FOR COMMUNITY COLLEGES NEEDS TO STRENGTHEN ITS OVERSIGHT OF THE COMMUNITY COLLEGE SYSTEM

The State Board of Directors for Community Colleges does not adequately monitor the performance of the Arizona Community College system to ensure that important statewide goals are being achieved. Statutes give the Board broad authority to govern the community college system with regard to educational policy, and several other factors support the Board's use of its authority to address statewide issues. However, the Board has not monitored the success of students transferring to universities or costs of district programs, two important statewide issues.

The Board is Responsible for Statewide Issues

The State Board is responsible for ensuring that educational policy issues of statewide importance are addressed. Arizona statutes give the Board broad authority to govern the community college system. However, other State law provisions, community college system funding, educational authorities from other states, and historical factors work to direct the Board to concentrate its efforts on statewide issues.

Two of the Board's general powers and duties grant the Board broad authority to control the community college system. (1) Arizona Revised Statutes §15-1425, in part, requires the State Board to:

1. Enact ordinances (2) for the government of the institutions under its jurisdiction; and
2. Set standards for the establishment, development, administration, operation and accreditation of community colleges. (3)

---

(1) Both the State Board and the local district boards have specific legal responsibilities other than those associated with providing educational services, such as leasing and ownership of real property. This section does not intend to address issues other than those generally associated with providing education.

(2) This refers to promulgating rules and regulations.

(3) The Board's enabling statutes also grant the Board specific authority in several educational areas, such as the authority to establish curricula and certify instructors. See page 5 for other examples.

Although these particular statutes give the Board broad authority, State law also divides authority for oversight over educational policy in the community college system between the State Board and the local district boards. [1] Even though the State Board is required to "enact ordinances for the government of institutions under its jurisdiction" and set standards for "administration [and] operation . . . of community colleges," the district boards are responsible for examining the "management, conditions, and needs" of colleges in their respective districts. In many areas of shared responsibility, the State Board has allowed districts to administer and operate their colleges within broad parameters of State policies and procedures. Educators and authorities suggest that leaving most operational decisions at the local level is beneficial to a community college system.

In addition, funding of the community college system further illustrates shared responsibility. According to the State Board's 1985-86 Annual Report, approximately 62 percent of the district budgets came from locally generated monies, while about 24 percent of the budgets came from State appropriations. [2]

Although the statutes seem to simultaneously provide broad governing powers to the State Board and a decentralized form of governance for the community college system, several factors indicate that the proper level of State Board governance is for the Board to take an active role in statewide issues. For example, the 1958 Junior College Survey Committee report, which recommended the State Board's creation, specifically stated that the function of the Junior College State Commission (i.e., the State Board) would be to set standards for the community college system. Similarly, the statement of philosophy established by the State Board for the community college system indicates that the State Board must function to "establish standards, and to assess and coordinate needs and services <u>in the best interest of the state</u>." (emphasis added)

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(1) Arizona law limits the Board's authority largely to educational issues and allows the Board very little authority regarding financial oversight of districts. The State Board has no statutory authority over many of the districts' financial practices, and the statutes exempt the districts from limitations placed on State agencies in these areas. While the Board has statutory authority over district procurement, it has chosen to delegate most of this authority to the districts. (See Areas for Further Audit Work, page 28.)

(2) The remainder of community college funding comes from cash balances, grants, contracts, auxiliary enterprises and transfers.

Furthermore, reports from other states support the concept of State Board involvement primarily in statewide issues. California's Commission for the Review of the Master Plan for Higher Education, in a report that reassessed California's community colleges, said that a (state) community college governing structure should provide strong statewide leadership, while encouraging and supporting local initiative. A report of the Committee on the Future of Maryland Community Colleges determined that the mission of the State Board was to "coordinate and provide statewide leadership . . . that continues to meet changing state and local needs."

Thus, various sources indicate that a state community college Board should adopt a statewide perspective in fulfilling its duties. Because the system is one of shared governance, a reasonable division of governing power would be for the respective district boards to have authority in areas affecting the college(s) under their jurisdiction, and the State Board to have authority in areas of statewide importance.

Based on our review, issues of statewide interest appear to include those: 1) affecting more than one district, 2) affecting the State or the system as a whole, 3) affecting or being affected by other educational entities, or 4) affecting the quality of education offered to community college students.

The Board has acted on several issues of statewide concern. For example, the Board is presently involved in developing a vocational program evaluation model, and it is making efforts to address the problems of adult illiteracy. In addition, the Board is reviewing special, one-of-a-kind programs that serve a limited number of students, in an effort to control unnecessary duplication of unique vocational programs. Finally, the Board has coordinated district efforts to deliver services in counties without organized community college districts.

The State Board Does Not Sufficiently Monitor Transfer Student Success or Program Costs

Although the Board has acted in some areas of statewide concern, it has not monitored the system to ensure that two important objectives are achieved. The Board does not obtain systematic information to indicate whether community college students have difficulty when transferring to universities, nor does it obtain information to assess the costs of districts' academic and vocational programs. [1] The Board had incorrectly determined that oversight of these two areas was not its duty.

The Board does not collect or analyze student transfer information - The State Board has no systemwide information to help identify problems that may inhibit the successful transfer and performance of its academic students. Rather, it relies on local districts to monitor university transfer success. As a result, adequate information is not available within the system to evaluate the success of the university transfer process.

The Board's stated mission specifies academic transfer as one of the system's major objectives. Academic courses comprised almost 65 percent of all community college course work in Arizona in 1985-86.[2] With approximately 2,800 students transferring from the community colleges into Arizona State University alone in 1985-86, information relating to the success and performance of transfer students is important.

However, the Board is unable to determine whether successful transfers are being achieved across the system. It does not collect and analyze information to evaluate whether community college students are able to continue their education at

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(1) As indicated on page 17, the Board is directly involved in vocational program evaluation efforts. However, as of January 1987, the evaluation model being developed did not present any cost analyses of the vocational programs.

(2) For reporting purposes, the Board divides all community college credit coursework into two categories, based on statutory funding requirements: (a) vocational, comprising approximately 35 percent of credit coursework in 1985-86, and (b) academic-transferable, comprising about 65 percent in 1985-86. According to the Board's Executive Director, the majority of courses categorized as academic-transferable are eligible for transfer to universities, while a small portion are remedial courses and, therefore, are not eligible for university transfer credit. However, all students taking academic-tranferable courses do not transfer to the universities, but take the courses for other reasons such as personal self-improvement.

the State's universities. The Board collects no academic transfer information on its own, nor does it collect the information compiled at the district level. Therefore, the Board cannot compare the performance of transfer students with other university students.

Since the Board does not require local districts to report on students' academic success, it is up to the districts to monitor their own success rates, and several have not done so adequately. According to Arizona colleges' most recent accreditation reports, spanning an eight-year period, seven of the 15 community colleges (in four of the nine districts) were identified by the North Central Association of Colleges and Schools as lacking adequate information to monitor their transfer student success. [1]

A recent Auditor General survey of the State's 15 community colleges indicates that some community colleges may not be taking advantage of academic transfer information available from the three state universities. Grade Point Average (GPA) data is an important indicator of academic success of transfer students. However, all colleges do not currently receive GPA information from the universities. Thirteen of the 15 community colleges receive GPA information about their own students from Arizona State University, 12 receive it from the University of Arizona, and three receive it from Northern Arizona University. The State Board may wish to require that all community colleges collect and analyze this information over time, to identify potential problems within their own colleges. Furthermore, the Board should request the results of such analyses to compare the longitudinal data between the community colleges.[2]

The Board needs to ensure that academic transfers are evaluated systematically across districts. In doing so, it should also take advantage of existing evaluation capabilities within the districts. Working with the districts, it should: 1) identify

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(1) The North Central Association of Colleges and Schools is the regional accrediting body for all Arizona community colleges.

(2) GPA information has already been used by at least one university for comparisons among groups of students. According to the 1984 accreditation study for Cochise District, an annual survey by the University of Arizona indicated that students transferring to it from Cochise College compared very favorably with students who started at the University of Arizona, and in fact, were doing better than most students from other community colleges.

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data needed from or about the districts to measure academic student success, 2) develop the evaluation model, which should begin as simply as possible, and 3) develop procedures to ensure that the data is routinely collected and is comparable among the districts. This systematic information would allow the Board to make program or college comparisons, and where necessary, revise or even terminate ineffective programs.

State Board does not evaluate program cost effectiveness - The Board does not monitor the cost of district courses, but leaves this function to the local districts. The Board collects cost information only at the district level; consequently, it does not have information about any individual program within a district. Without this information, the Board cannot ensure that funds are spent effectively or judiciously on programs that continue to be useful.

The Board does not collect or analyze information to enable a determination of whether districts' educational programs are cost effective, specifically, whether program costs are justified by sufficient enrollment. Although the State Board is responsible for approving new programs and program changes, it does not require local districts to report on the cost effectiveness of continuing programs.

However, as economic and other factors change, so may program needs. Authoritative sources note that occupational courses may have limited life spans if the market for an occupation has been eliminated or reduced. Without continuous, systematic review of program cost effectiveness, programs may continue past their usefulness. If costs are high and enrollment low, a program in question may no longer be serving a useful purpose, thus tying up funds that could be spent on a more viable program.

The Board has, in effect, left this issue to the discretion of the local boards, but at least three of the 15 colleges have been criticized for their failure to evaluate program cost effectiveness. According to accreditation reports, these community colleges do not adequately evaluate program cost effectiveness. The accreditation report of one community college stated:

> "Some programs have limited enrollment. . . . Such programs may be a 'luxury' which if further financial constraints are imposed, cannot be sustained except at the expense of more viable programs." (emphasis added)

The State Board should ensure that the districts systematically and consistently evaluate their programs' cost effectiveness. The Board should begin by identifying needed data, it should develop a simple evaluation model, and it should build on the studies conducted by some of its districts.

State Board's determination of role was incorrect - The State Board has not monitored transfer student success or program costs because it has never considered these concerns as part of its duties. Board members have not formally considered these issues, perhaps because they were not specified in statute. However, as mentioned previously, the Board has the authority to address any statewide issues, including transfer student success and program costs.

The Board has not formally considered evaluation of transfer student success and program costs. The past State Board chairperson acknowledged the Board's authority to institute a statewide evaluation system. However, she indicated that a statewide system for evaluating transfer success or program costs was not officially considered during her seven-year tenure on the Board. Furthermore, our review of 1986 Board minutes revealed no action taken on these issues.

The Executive Director indicated that the Board in recent years has only addressed areas specified in statute because it has determined that it is more appropriately the responsibility of each local Board to resolve as many issues as possible at the local level.[1] Since the evaluation of transfer student success or program costs is not specified as a Board duty, no evaluation system was considered for these areas.

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(1) A review of 1986 State Board minutes reveals that official Board actions centered on duties clearly specified in statute. For example, curriculum, funding and facility issues received the majority of Board action, and all are specified in the law as Board duties.

The Executive Director also stated that the Board does not currently have sufficient resources to evaluate transfer student success and program costs. [1] Therefore, the Board will need to evaluate current staff utilization and identify resources that might be needed to perform these evaluations. [2]

RECOMMENDATION

The Board should strengthen oversight by monitoring the performance of the community college system in regard to at least two important system components: student transfer success and program costs. The Board should carefully define the data, the evaluation model should build upon existing models, and the evaluations should be systematic.

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(1) The Board has not requested any staff increases over the past five years, according to a review of State Board budget requests.

(2) The Board's Executive Director has also commented that the Board may need additional staff if it decides to monitor local district compliance with its rules and regulations. According to the Executive Director, the Board will need to strengthen its information gathering capacity in several of these areas, because it does not know first hand whether colleges are in compliance.

OTHER PERTINENT INFORMATION

During the course of our audit we developed information on the structure of the State Board of Directors for Community Colleges.

Representatives of the community college districts and the State Board have expressed concerns as to how the composition of the State Board impacts decisions and decision making. The State Board presently has 18 voting members.

Two concerns were expressed. First, each of the 15 counties has one State Board representative, regardless of the county's population or the number of community college students in each county. In addition, since each county has equal representation, counties that are not part of a community college district also vote on issues that may almost exclusively impact on counties which have established districts. For example, the Maricopa District served nearly 57 percent of Arizona's community college students in 1985-86, [1] but Maricopa District has no more representation than any other district or county that has not organized into a community college district. The second concern involved the three remaining ex officio members representing the Division of Vocational Education, the Superintendent of Public Instruction and the Board of Regents. Some district representatives question whether ex-officio members should be on the Board. In addition, two of the three ex-officio members have rarely attended Board meetings in the past three years.

We did not identify any single best form of representation for Community College Districts. Rather, the form of representation depends largely on the goals and policies of the state.

Other states contacted by Auditor General staff use different approaches to representation on their community college boards. For example, in Florida the Governor appoints 11 of its 13 State Board members at large. The remaining two

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[1] Obtained from the Annual Report to Governor, 1985-86 (State Board of Directors for Community Colleges of Arizona), pages 34-35. These figures represent headcounts based on the 45-day census.

must by law be the Commissioner of Education and a student currently enrolled in a community college. Washington's State Board consists of eight members representing each of the state's Congressional districts. In North Carolina, authority for selecting 18 of its 20 board members is divided between the General Assembly and the Governor. Ten of these 18 members are selected completely at large. The remaining two are ex officio members of the Board.

The Arizona Legislature may need to determine whether Board composition should be modified, based on the policies it wants to pursue for community college education in the State.

AREAS FOR FURTHER AUDIT WORK

During the course of our audit we identified potential issues that we were unable to pursue due to time constraints.

- Should the State Board continue to certify instructors?

The State Board is currently responsible for certifying community college instructional staff. A major purpose of certification is to ensure that instructors are qualified to teach. However, State level certification may not be necessary.

One local district representative commented that local districts review all credentials of prospective faculty, and may even have stricter requirements in certain subject areas. In addition, the North Central Association of Schools and Colleges performs limited review of evaluations of instructional staff teaching performance for accreditation purposes. A State Board staff member also reported that only one state other than Arizona certifies instructional staff at the state (rather than the local) level, and that state (California) indicated that it was considering possible elimination of this function. Finally, Board information for 1985-86 shows that few certification requests were refused. Board staff stated that refusals are limited because detailed guidelines explaining requirements accompany each application.

Further audit work is needed to: 1) obtain detailed information regarding what is involved in State and local district screening of prospective instructors, and 2) determine whether discontinuing Board certification would require some other type of Board oversight.

- Can the system for providing educational services to counties not part of a community college district be improved?

Presently the five counties without established community college districts receive services from neighboring districts. However, according to Legislative research staff and a community college district official, these counties have had difficulty

obtaining adequate services. For example, the community college official stated that because of the low number of students in at least one county, insufficient money is generated from the county to ensure that a full range of classes are available from existing community college districts for meeting program requirements. In addition, the availability of instructors is limited. Thus, some required classes may not be offered. Further, according to one State Board member, counties not part of a community college district are not paying the districts' actual costs of providing educational services. In addition, Board minutes show that at least one county that is not part of a district had not paid monies owed because of financial trouble within the county.

Further audit work is needed to determine the extent of difficulties with counties not part of community college districts, and whether and how difficulties in the present system can be resolved.

- Should community college districts be required to adhere to the same or similar financial controls as State agencies?

Presently, the districts are not required to adhere to the same requirements as State agencies in the areas of personnel, travel reimbursement, or procurement. A.R.S. §41-762 by definition restricts the application of the personnel administration statutes to State employees. A.R.S §15-1406 specifically exempts community college districts from most provisions of Title 38, Chapter 4 ("Compensation and Liability Insurance"), including restrictions over travel reimbursement. Finally, the definition of "state governmental unit," to which the State Procurement Code (A.R.S. §41-2501 et seq.) applies, does not include community college districts.

Moreover, the statutes do not allow for State Board control in most of these areas. According to Legislative Council, all matters relating to personnel are more appropriately handled at the district level. A.R.S. §15-1444, subsection A, paragraph 6, requires district boards to "Determine the salaries of persons it appoints and employs." The Legislative Council states that this statute should be construed to apply to all personnel matters, including travel reimbursement. Finally,

A.R.S. §15-1424, subsection B, paragraph 4, authorizes the State Board to govern district procurement practices. However, the State Board has chosen to delegate most of this authority to the individual districts, placing only general limitations on contracting practices.

Previous financial audits of various community college districts conducted by the Auditor General have identified concerns regarding the lack of controls over district financial practices. Further audit work is needed to (1) identify the extent to which actual district financial practices differ significantly from units of State and local government, and (2) determine the appropriate level of State control over district financial practices.

Arizona (602) 255-4037

Community College Board

Century Plaza Suite 810 3225 N. Central Phoenix, Arizona 85012

June 15, 1987

Mr. Douglas R. Norton
Auditor General
2700 North Central, Suite 700
Phoenix, AZ 85004

Dear Mr. Norton:

The Report of the Performance Audit of the State Board of Directors for Community Colleges has been reviewed by the staff and the Executive Committee of the Board.

Please note the attached response.

Sincerely,

Gherald L. Hoopes

Gherald L. Hoopes
Chairman

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JUN 1987
RECEIVED
AUDITOR
GENERAL

Arizona (602) 255-4037

Community College Board

Century Plaza Suite 810 3225 N. Central Phoenix, Arizona 85012

RESPONSE OF THE STATE COMMUNITY COLLEGE BOARD
TO THE
PERFORMANCE AUDIT REPORT

Although not in total agreement with every aspect of the audit report, the State Board does concur with its major findings, i.e., it should strengthen its oversight functions, particularly in the areas of monitoring student transfer success and cost effectiveness of educational programs. It must be pointed out, however, that any significant increase in monitoring efforts will, more than likely, require a commensurate expansion of the Board's budget and must be looked at carefully to make certain that the desired results justify the added effort and cost.

The major weakness in the report, from the Board's perspective, is that it doesn't include enough information about other state level boards with similar responsibilites. The Board believes that the findings would have been enhanced if more data had been included which contrasted the functions of the State Community College Board with those of the Arizona Board of Regents, the Arizona Board of Education and community college boards from other states. Such information, in the Board's view, could provide added insight concerning the appropriateness of its role

in the state system, its performance and the resources it needs to achieve its purposes.

The candor of the review team is appreciated. Their observations will stimulate the Board to take an in-depth look at all of its monitoring functions to make certain it is fulfilling its duties properly. If indicated, the Board will also seek additional resources to carry out the obligations identified by the performance review as well as others that might become evident as a result of further investigation.

The Board has also taken note of the observation that there is an absence in state statutes of a clear statement of State Board purpose, as well as a lack of thoroughness in community college laws due to their incremental development over the years. It intends to work with the legislature to make any corrections or additions necessary.

The Board also has a strong interest in any further review of its composition, as suggested by the audit. It has seen no evidence that a major restructuring is called for. The fact is, over the past twenty-five years, under the leadership of the State Board as constituted, Arizona's community college systen has developed from two institutions, enrolling approximately 9,000 students, into the tenth largest system in the United States, with nine districts, and seventeen colleges delivering

high quality, comprehensive programs to more than 120,000 students annually.

The observations that further studies might consider faculty certification, unorganized counties and the establishment of additional financial controls on the districts, will also be of continued interest to the Board. A major study is underway at this time on the issue of unorganized counties.

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