



Mary Taylor, CPA
Auditor of State

CUYAHOGA COMMUNITY COLLEGE
PERFORMANCE AUDIT

NOVEMBER 13, 2008



Mary Taylor, CPA

Auditor of State

To the Students and Board of Trustees of the Cuyahoga Community College:

In April 2008, the Cuyahoga Community College (CCC or the College) engaged the Auditor of State's Office (AOS) to conduct a performance audit of certain aspects of its book center operations in an effort to ensure efficient and effective services. Accordingly, a performance audit was initiated, which assessed the book centers' organization structure and staffing levels; financial performance and management practices; revenues and expenditures by category; the potential for outsourcing; and various operational practices, including employee training requirements, job descriptions, and performance measurement.

The performance audit contains recommendations which identify the potential for cost savings and operational improvements. While the recommendations contained in the audit report are resources intended to assist in improving operations, the College is encouraged to assess overall operations and develop additional alternatives.

The performance audit report includes the project history; the scope, objectives and methodology for the performance audit; background information; assessments not yielding recommendations; recommendations; and a summary of financial implications. This report has been provided to the College, and its contents discussed with the appropriate officials and CCC administrators. The College has been encouraged to use the results of the performance audit as a resource in further improving its overall operations and service delivery.

Additional copies of this report can be requested by calling the Clerk of the Bureau's office at (614) 466-2310 or toll free at (800) 282-0370. This performance audit can also be accessed online through the Auditor of State of Ohio website at <http://www.auditor.state.oh.us/> by choosing the "Audit Search" option.

Sincerely,

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 13, 2008

Book Centers

Project History

In April 2008, the Cuyahoga Community College (CCC or the College) engaged the Auditor of State's Office (AOS) to conduct a performance audit of certain aspects of CCC's Book Center (CCCBC) operations in an effort to ensure efficient and effective services.

Objectives

A performance audit is defined as an engagement that provides assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. A performance audit provides objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. The specific objectives of this performance audit include reviews of CCCBC's:

- Organization structure and staffing levels;
- Financial performance and management practices, including a review of profitability, revenues and expenditures by category, and the potential for outsourcing; and
- A review of various operational practices, including employee training requirements, job descriptions, and performance measurement.

The performance audit provides an independent assessment of the above areas. Where warranted, recommendations were developed to assist CCCBC in its efforts to improve overall operations.

Scope and Methodology

The performance audit was conducted in accordance with Generally Accepted Government Auditing Standards. Audit work was conducted between May and August, 2008. To complete this report, auditors gathered a significant amount of data pertaining to CCCBC, conducted interviews with numerous individuals, and reviewed and assessed available information. The College's data used to conduct the assessments in this performance audit was deemed reliable. Information used as criteria for comparison purposes was not tested for reliability, although the information was reviewed for reasonableness.

Two college book centers were used for peer comparisons throughout this report. The selected peers were the Lakeland Community College Book Center (Lakeland) and the Sinclair Community College Book Center (Sinclair). In addition, the Cleveland State University Book Center and the University of Akron Book Center are used for selected assessments. The peers were selected based on a variety of factors, including operating practices, location, organizational structure and discussions with officials at CCC. External organizations and sources were also used to provide comparative information and benchmarks. They included the National Association of College Stores (NACS), the Government Finance Officers Association (GFOA), and the Society for Human Resource Management (SHRM).

The performance audit process involved information sharing with CCC, including preliminary findings related to the audit objectives. Throughout the audit process, input from CCC was solicited and considered when assessing the selected areas and framing recommendations. Finally, as required by Generally Accepted Government Auditing Standards, CCC provided verbal and written comments in response to various recommendations. Where supported by audit documentation, AOS modified the report based on CCC's comments.

The Auditor of State and staff express their appreciation to the College for its cooperation and assistance throughout this audit.

Background

CCC offers over 70 two-year technical associate degree programs, 25 one-year certificate programs, and a variety of other continuing education opportunities to students at three campuses located in Cuyahoga County. According to the Ohio Board of Regents, the total enrollment at the CCC was approximately 29,800 in the fall semester of 2006. CCC is governed by a nine member Board of Trustees which works in collaboration with the College President to fulfill the goals of the College. Appointments to the Board of Trustees are made by the Governor (3 Trustees) and the Cuyahoga County Board of Commissioners (6 Trustees) for five-year terms.

Within this structure, CCC operates three separate campus book centers that are responsible for supporting the needs of students by selling textbooks and other supplies and materials that coincide with course offerings. CCCBC operates within the College's accounting structure as an auxiliary fund, whose intent is to operate as a profit center. The College's Executive Director for Business Services is responsible for overseeing all auxiliary fund operations, including CCCBC. The CCCBC District Director reports to the Executive Director for Business Services and is responsible for managing the daily operations of the CCCBC, which includes budget development and overall financial performance.

Financial Data

Table 1-1 compares CCCBC's revenues and expenditures to the peers on a per student basis.

Table 1-1: Per Student Revenues and Expenditures

	CCCBC FY 2005-06	CCCBC FY 2006-07	Lakeland FY 2006-07	Sinclair FY 2006-07	Peer Average
Student Enrollment¹	29,754	29,946	9,172	22,629	15,901
Total Sales	\$312	\$318	\$450	\$395	\$422
Expenditures:					
Cost of Sales	\$233	\$234	\$335	\$293	\$314
Salaries	42	44	35	40	37
Employee Benefits	6	6	9	10	10
Operating ²	18	16	6	21	14
Total Expenditures	\$299	\$299	\$385	\$363	\$374
Net Income	\$13	\$19	\$65	\$32	\$48
Other Financial Ratios³:					
Cost of Sales as a Percent of Sales	74.5%	74.5%	74.4%	74.1%	74.3%
Salaries as a Percent of Sales	13.6%	13.9%	7.7%	10.0%	8.8%
Net Income as a Percent of Sales	4.1%	5.9%	14.4%	8.0%	11.4%

Source: CCCBC, Peers and Ohio Board of Regents.

Note: Totals may vary due to rounding.

¹The total student enrollment represents figures reported by the Ohio Board of Regents for the Fall semester of 2006.

²**Table 1-1** excludes approximately \$60,000 from CCCBC's total operating costs in FY 2005-06 and FY 2006-07. This represents rent and utility costs that CCCBC is required to pay, in contrast to the peers.

³At the request of the client, the cost of sales as a percent of sales, salaries as a percent of sales, and net income as a percent of sales were added to the report to further clarify CCCBC's financial condition.

Table 1-1 shows that CCCBC's total net income in both years (\$13 and \$19) is significantly lower than the peer average (\$48). In addition, the National Association of College Stores (NACS) conducts an annual financial survey of book store members to gather a variety of collegiate retail information. NACS reported a median net income per student of approximately \$24 in FY 2006-07 (latest information available) for the 122 responses from two-year colleges. Explanations for CCCBC's lower net income and other variances in **Table 1-1** include the following:

- **Sales:** **Table 1-1** shows that although CCCBC's sales per student (includes textbooks and merchandise) increased slightly in FY 2006-07, its sales per student (\$318) is significantly lower than the peer average (\$422). Actively promoting the internet to sell merchandise (see **R1.1**), establishing formal profitability goals for management (see

R1.2), and evaluating customer satisfaction (see **R1.5**) would help CCCBC increase its sales per student.

- **Cost of Sales: Table 1-1** shows that CCCBC's cost of sales (\$234) is significantly lower than the peer average (\$314) on a per student basis. CCCBC's textbook purchasing procedures are similar to the peers. See **Assessments not yielding a Recommendation** for additional discussion.
- **Salaries and Benefits: Table 1-1** shows that although CCCBC's salary expenditures are higher than the peer average, the benefit costs are lower. This disparity is attributed to CCCBC contracting with a labor agency to provide employees. For example, of CCCBC's 37 FTEs, approximately 19 represent contracted labor that does not receive benefits from CCCBC. By comparison, none of the peers use contracted labor. However, despite the use of contracted labor, CCCBC's total staffing levels are higher than the peer average. This contributes to the higher salary costs per student in **Table 1-1**. See **R1.1** for additional analysis.
- **Operating Costs: Table 1-1** shows that although CCCBC's operating costs per student are lower than Sinclair, they are significantly higher than Lakeland. While this is partially due to Lakeland operating only one book center, reviewing the hours of operation to identify appropriate adjustments would help CCCBC reduce operating costs. See **R1.1** for additional analysis.

Assessments not Yielding a Recommendation

In addition to the analyses in this report, assessments were conducted on areas that did not warrant changes and did not yield recommendations. These areas include the following:

- **Purchasing:** In making textbook purchasing decisions, CCCBC works with the respective departments and reviews historical sales data to determine the appropriate number and types of textbooks needed for the upcoming semester. CCCBC then uses a variety of options to fill the order with used textbooks, when possible. If the order cannot be filled with used textbooks, the CCCBC District Director contacts the textbook publishers directly to fill any remaining needs with new textbooks. The process used by CCCBC is similar to the peers. Additionally, for accounting purposes, the cost of sales represents a measure of the costs that go into creating products for sale. For CCCBC and the peers, the cost of sales reflects the cost to obtain textbooks. In FY 2006-07, CCCBC's cost of sales represented 73.5 percent of total sales, which was similar to the NACS median of 73.2 percent and the peer average of 74.3 percent. This indicates that CCCBC's textbook purchasing costs were appropriate for the level of sales in FY 2006-07.

- **Budgeting Process:** CCCBC uses a decentralized process for developing the annual budget. Specifically, the managers at the three book centers are responsible for working with the staff to develop budget proposals for each store. The managers compile estimated sales, cost of sales, labor costs, and gross margins based on historical sales and the projected number of students. The College estimates the cost of utilities, rent, and other administrative charges, which are subsequently provided to the book center managers and incorporated into their respective budgets. The book center budgets are then sent to the CCCBC District Director, who reviews the proposals, makes any necessary modifications, and compiles the data into one overall budget document, which is then sent to the Executive Director for Business Services for review and approval. Upon completing the review, the Executive Director for Business Services submits the budget proposal to the College's Budget Department where it is aggregated with other departmental budgets and submitted to the Board of Trustees for final review and approval. Once the budget is approved, the campus managers can monitor their budgetary performance at any time through electronic access to the College's accounting system.

Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting (GFOA, 1999) indicates that a budget process that effectively involves all stakeholders – elected officials, government administrators, employees and/or their representatives, and citizen groups – and reflects their needs and priorities will serve as a positive force in maintaining good public relations and assist in improving financial and programmatic decision making. Although CCCBC's process generally complies with the GFOA recommended practice, developing a process to gauge student satisfaction as noted in **R1.5** would provide the College with another mechanism for obtaining stakeholder feedback. Additionally, the inclusion of formal profitability goals for book center managers as a part of the budget process would help improve CCCBC's financial performance (see **R1.2**).

Recommendations

Staffing, Organization Structure, & Performance

R1.1 The College should consider reducing at least 8.0 FTEs within the CCCBC. This would make CCCBC's staffing levels more comparable to the peer averages and the NACS median. However, to further improve long-term efficiency and potentially allow for additional staffing reductions, the College should review the hours of CCCBC's operations to identify appropriate adjustments, and actively use the internet to facilitate student orders and promote additional sales. Effectively using customer surveys (see R1.5) would assist CCC in identifying hours of operation and on-line sale options that would best meet student needs. As the College reviews these strategies, it should determine whether it would be more cost-effective to operate with fewer than three book centers.

Table 1-2 compares CCCBC's staffing levels to the peers for FY 2007-08.

Table 1-2: Staffing Comparison

	CCCBC	Lakeland	Sinclair	Peer Average
Total Sales	\$9,514,138	\$4,125,032	\$8,938,668	\$6,531,850
Total Enrollment	29,946	9,172	22,629	15,901
Total FTEs	37.1	7.4	24.5	15.9
Sales per Student	\$318	\$450	\$395	\$422
Total Staff per \$1,000,000 of Sales	3.9	1.8	2.7	2.3
Total Staff per 1,000 Students	1.24	0.80	1.08	0.94

Source: Cuyahoga Community College, Sinclair Community College, Lakeland Community College and Ohio Board of Regents (enrollment figures).

Table 1-2 shows that despite the lower sales per student, CCCBC uses more employees to operate the book centers than either of the peers. As a result, CCCBC's total staff per \$1,000,000 of sales and staff per 1,000 students are higher than the peers. Likewise, CCCBC's staffing levels per \$1,000,000 of sales and per 1,000 students are higher when compared to data reported by NACS. Specifically, the NACS reported that the median staffing level for book centers was 9.0 FTEs, which equates to 1.03 FTEs per 1,000 students and 3.2 FTEs per \$1,000,000 of sales.

CCCBC would need to reduce between approximately 8 and 15 FTEs¹ to achieve the peer average number of FTEs per 1,000 students and FTEs per \$1,000,000 in sales, respectively. If CCCBC reduced 8.0 FTEs, the revised staffing per \$1,000,000 in sales would be 3.1. Although this would be slightly below the NACS median of 3.2, this would still be higher than both peers.

CCCBC's higher staffing levels can be attributed to a variety of organizational and structural differences. A summary of these differences include the following:

- **Cuyahoga Community College:** The College operates three campus book centers that are open and fully staffed from 8:30 a.m. to 5:00 p.m. Monday through Thursday and from 8:30 a.m. to 1:00 p.m. on Friday. In total, the three book centers have 116 hours per week that staff must be present². CCCBC also allows students to place textbook orders on-line and will ship them directly to the student's home. However, the Executive Director for Business Services indicated that the on-line capabilities are not actively promoted and are likely underutilized by students. In FY 2006-07, CCCBC's on-line sales equaled \$9.56 per student. By comparison, the NACS reported that the median on-line sales were \$11.45 per student.
- **Sinclair Community College:** Sinclair operates a main book center and three satellite offices, with a lower number of total hours that staff must be present (102 hours) than CCCBC. Additionally, the hours of operation and staffing assignments are structured to meet demand at each location. For example, since the main campus is the busiest, it is open to customers from 8:30 a.m. to 7:00 p.m. Monday through Thursday and 8:30 a.m. to 4:30 p.m. on Friday, for a total of 50 hours per week. In contrast, two of the satellite offices are open from 11:00 am to 3:00 pm on Monday, Wednesday and Friday, and from 2:00 p.m. to 6:00 p.m. on Tuesday and Thursday, for a total of 20 hours per week. The third satellite office is open from 9:00 a.m. to 1:00 p.m. on Monday, Wednesday and Friday, for a total of 12 hours per week. Under this organization structure, Sinclair fully staffs the main campus, but only uses a part-time clerk and a full-time employee who splits time in the bookstore and other college functions to staff the satellite book stores. Sinclair also allows students to purchase textbooks on-line and had on-line sales of \$32.23 per student in FY 2006-07.

¹ These figures were rounded down to the nearest whole FTE to conservatively present potential staffing reductions. The actual number of FTEs reductions based on the respective peer averages would be between 8.70 and 15.25.

² The College's Director of Audit and Advisory Services indicated that the campus book centers are also open 4 hours on certain Saturdays throughout the year. However, because these are not regularly scheduled days that are advertised on the College's website, they were not included in the 116 hours used for purposes of this report. If the Saturday hours were included, the College would be operating and staffing the book centers approximately 128 hours per week, which is significantly higher than each of the peers.

- **Lakeland Community College:** Lakeland Community College has one main campus and three satellite campuses. However, Lakeland only operates one book center that is located at the main campus. Students attending school at the satellite campuses are required to either purchase textbooks at the main campus or place orders on-line and have the textbooks shipped to their homes. Under this organizational structure, Lakeland operates the book center from 8:00 a.m. to 7:00 p.m. on Monday and Tuesday, 8:00 a.m. to 6:00 p.m. on Wednesday and Thursday, and 8:00 a.m. to 5:00 p.m. on Friday. To better meet student needs and availability, the book center is also open 4 hours on certain Saturdays throughout the school year. In total, the Lakeland book center has 55 hours per week that staff must be present. Lakeland's on-line sales equaled \$19.45 per student in FY 2006-07.
- **Other Area Colleges:** The University of Akron educates approximately 24,200 students and contracts with a private company to operate three full-service book centers for a total of 116 hours per week. However, the University of Akron structures the hours differently for each book center based on demand and actively promotes the use of on-line sales capabilities. Likewise, Cleveland State University educates approximately 15,100 students and contracts with a private company to operate one book center. In total, CSU's book center has 57 hours per week that staff must be present. CSU also promotes on-line sales and is open 4 hours on Saturdays to meet student needs. See **R1.6** for more information on the potential for outsourcing.

Reviewing the number of book centers in operation, the hours of operation, and the use of on-line capabilities would allow CCCBC to improve efficiency by reducing additional staff and/or operating costs (utilities, supplies and materials, inventory, etc). Additionally, conducting user surveys to help structure the hours of operation and actively promoting the internet to facilitate student orders may also help CCCBC improve sales.

Financial Implication: CCCBC could save approximately \$202,000 by reducing 8.0 FTEs (assumes CCCBC would reduce contracted employees that do not receive benefits). However, this savings would be captured in the overall financial implication included in **R1.6** (profitability analysis).

- R1.2 The College should require that CCCBC develop, track, and report various performance measures to evaluate operational efficiency and effectiveness and to facilitate future decision-making based on objective information. Additionally, the College should work with book center management to develop annual goals regarding the financial performance of CCCBC, including profitability goals. The College should subsequently hold the managers accountable for their financial**

performance by making this one of the criteria used in the annual performance evaluations.

CCCBC does not regularly use a wide range of performance measures to ensure that consistent and objective management decisions are made at each campus book center. Rather, the CCCBC District Director indicated that each book center is treated as its own entity and managers are given discretion to operate based on the unique needs of the campus. The CCCBC District Director also indicated that managers neither are assigned specific profitability goals nor are they evaluated on the financial performance of the CCCBC.

Table 1-3 compares the staffing levels and profitability of CCCBC's East, Metro and West Campus book centers.

Table 1-3: Individual Book Center Profitability Comparison

	East Book Center	Metro Book Center	West Book Center
Enrollment	6,895	9,999	13,052
Total FTEs	9.0	13.5	14.6
Sales	\$2,173,764	\$2,807,834	\$4,532,539
Sales Per Student	\$315	\$281	\$347
FTEs per \$1,000,000 in Sales	4.1	4.8	3.2
FTEs per 1,000 Students	1.31	1.35	1.12
Net Income	\$102,369	(\$69,823)	\$468,017
Net Income per Student	\$15	(\$7)	\$36
Net Income as a Percent of Sales	4.7%	(2.5%)	10.3%

Source: Cuyahoga Community College and Ohio Board of Regents

Table 1-3 shows that CCCBC's net income varies significantly by campus, which is partially attributable to the variance in staffing levels. Specifically, the Metro Campus Book Center lost \$7 per student in FY 2006-07 and maintained the highest staffing levels. Conversely, the West Book Center realized the highest gain of 10.3 percent and employed the fewest FTEs per \$1,000,000 in sales and per 1,000 students. Moreover, the NACS reported that in FY 2006-07, the median FTEs per \$1,000,000 in sales was 3.2, median FTEs per 1,000 students was 1.03, the sales per student was \$318 and the net income as a percent of sales was 7.5 percent. **Table 1-3** shows that while the West Campus Book Center employs more FTEs per 1,000 students than the NACS median, it was the only campus to meet or exceed the NACS medians in the other two categories. The lack of performance measures to facilitate decision-making and the failure to hold managers accountable for the financial performance of the CCCBC can contribute to the inconsistencies in net income and staffing levels.

In contrast to CCCBC, Lakeland Community College establishes formal profitability goals for bookstore managers and subsequently evaluates them on financial performance. Additionally, *Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting* (GFOA, 1999) indicates that a government should develop and utilize performance measures to evaluate how efficiently and effectively functions, programs and activities are provided, and for determining whether program goals are being met. GFOA goes on to indicate that performance measures should be valid, reliable, and verifiable. The performance measures should also be reported in periodic reviews of functions and programs, and should be an integral part of resource allocation decisions.

Operating Practices

R1.3 The CCCBC District Director should work with the College's Vice President of Human Resources in reviewing the status of the book centers' current job descriptions and ensuring they accurately capture job duties and expectations. Subsequently, the CCCBC District Director should work with the College's Vice President of Human Resources in adopting a regular cycle (e.g., every two years) for reviewing and modifying employee job descriptions. This would ensure job descriptions reflect the current responsibilities, education, experience and competency requirements for each position.

CCC uses a decentralized approach for reviewing and updating employee job descriptions. Specifically, each department is responsible for ensuring that job descriptions are up-to-date and accurately reflect the duties of each position. To modify a job description, the department manager must complete a questionnaire that summarizes the major responsibilities for a position. The questionnaire is then used by the Human Resources Department to determine the job classification, union status, and salary grade for the position. However, under this process, CCCBC does not have a regular schedule for reviewing all job descriptions to ensure they continue to be accurate. Rather, the CCCBC District Director indicated that CCCBC's job description reviews usually take place when new positions are created, there is significant turnover, or an employee requests that a review take place. As a result, the CCCBC District Director estimates that the job descriptions for certain positions have been updated every two years, while other positions have not been updated in 20 years. However, the Vice President of Human Resources at the College indicated that the job descriptions for all non-bargaining positions were reviewed in 2004, the AFSCME union positions were reviewed in 2006, and other union positions are in the process of being reviewed.

Job Descriptions: A resource guide for school management (the Society for Human Resource Management, 2002) indicates that job descriptions (and other forms of job documentation) have the potential to become the subject of contention, including

grievances or litigation. Accordingly, it is critical they be accurately maintained. To ensure this level of accuracy, the employer should have a plan for reviewing job descriptions regularly.

- R1.4 CCCBC should develop an annual training program for all employees and contracted labor that covers critical aspects of an employee's responsibilities, including new, updated and revised policies and procedures. CCCBC should also consider implementing the use of individual development plans (IDP) for all managers and full-time employees. This would help ensure that employees are receiving appropriate training based on the mutual goals of the College and employee. The IDP process will also help prepare CCCBC employees to assume future leadership/administrative roles. Lastly, attendance at all training sessions should be documented and included in employee files.**

The majority of CCCBC's training opportunities for new employees are limited to discussions of the computer system, various customer service issues and a new employee orientation that covers the College's organization structure, code of conduct, contractual status, and a variety of similar issues. The annual training for management employees is limited to attendance at two State and National conferences that cover a variety of topics related to book center operations. However, the CCCBC District Director does not track the book center related training received by each employee or the associated hours. Additionally, although the College has an orientation program that can impact new employees, the majority of CCCBC's staff is contracted labor (19 of 37 FTEs are contracted labor) that is not required to attend the training. Lastly, while some training requirements are identified in employee performance evaluations, the book centers do not use individual development plans (IDP) to help ensure that training for CCCBC's managers and other full-time employees is consistent with CCC's goals and objectives.

It should be noted that the College is undertaking a new initiative called "One College Customer Care (OC3)" with the overall goal of setting forth the vision, mission, values, objectives and goals to enable the College to better serve its customers. As part of this initiative, employees in targeted areas, including the book centers, will be required to attend training for improving customer service, performance standard setting, and developing management skills. However, using IDP's within the CCCBC will help ensure that future training activities for CCCBC employees align with the goals and objectives of the OC3 initiative.

Sinclair has established a formal training program that impacts all employees. For example, Sinclair holds annual training sessions that all employees are required to attend. Past topics have included discussions on customer service and employee diversity issues, and were conducted by outside facilitators. Likewise, all new temporary and regular part-time employees are required to attend training on customer service, shipping and

receiving, and proper lifting techniques. All full-time employees receive training for new employee orientation, sexual harassment issues, staff mentoring, and technology utilization. Lastly, the Sinclair book center managers are responsible for tracking the abovementioned training activities for each employee.

According to Human Technology Inc., an IDP is a formal document identifying a person's learning and development goals. The supervisor and individual jointly develop a plan that contains training, education and development activities to acquire the competencies needed to meet the IDP goals. Steps in developing the IDP include:

- Use the IDP to assess an individual's current skill levels, strengths, and development needs. The IDP can also be used to compare an individual's current ability with the required job competencies.
- Mutually determine developmental activities to be included in the IDP.
- Conduct an IDP meeting. The IDP can be developed after a formal performance appraisal, and it should be a separate discussion.
- Review and update the IDP regularly (once a quarter or twice a year).

Human Technology Inc. also indicates that the following organizations/programs use IDPs: the Defense Information Systems Agency/National Communication System, the Department of Agriculture's National Agriculture Statistical Services, the Presidential Management Intern Program, and the Health Care Finance Administration.

R1.5 The CCCBC should develop a formal process for obtaining, monitoring and evaluating stakeholder satisfaction with its operating practices, goods and services. The process should be completed at least annually and documented over time to demonstrate progress in addressing identified issues. Doing so will ensure that CCCBC considers a broad range of input to help identify future operational improvements.

CCCBC does not currently have a regular method for obtaining feedback from students or employees. For example, CCCBC does not regularly use customer or employee surveys, public forums, or focus groups as methods to measure satisfaction with CCCBC's operating practices or goods and services. The Executive Director for Business Services indicated that CCCBC has conducted student satisfaction surveys in the past. However, these were limited to measuring satisfaction with CCCBC's book buy-back program and did not address other areas of operation. Additionally, the College recently conducted a user survey of various aspects of its operations, including the CCCBC, as part of the OC3 initiative. However, conducting more detailed surveys specific to CCCBC's operations on an annual basis will provide the College with additional information to help identify improvements.

By comparison, Sinclair places survey forms at all registers, the book center lobby, and in all packages for on-line sales that are designed to gauge student perceptions of the book center operations. The information from the survey cards is compiled in an excel spreadsheet and shared with managers and staff during quarterly meetings. According to *Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting* (GFOA, 1999), agencies should monitor and evaluate stakeholder satisfaction with programs and services. GFOA goes on to indicate that stakeholder satisfaction can be monitored in many ways, including surveys, public forums or hearings, and focus groups of clients/customers. These assessments should take place on a regular basis and should be measured over time to provide appropriate benchmarks for gauging improvement.

Service Delivery Alternatives

R1.6 The College should periodically use competitive bidding to determine the cost of outsourcing CCCBC operations and consider other relevant factors when assessing service delivery options. Doing so will ensure the “best” approach is being used for providing these services. If the College decides to continue operating the CCCBC in-house, it should consider the recommendations identified in this performance audit and other operational changes for improving profitability.

Table 1-1 shows that CCCBC’s net income per student is lower than the peer average and the NACS median. This performance audit identifies several recommendations that would assist CCCBC in improving efficiency and increasing sales, including reducing staff, expanding the use of the internet, and reviewing the hours of operation for each campus book center to identify appropriate adjustments (**R1.1**). However, Cleveland State University (serves 15,119 students) used a competitive bidding process to outsource the operation of its bookstore. Under the terms of the agreement, Cleveland State University (CSU) receives 12.6 percent of all book sales as their net income. The remaining 87.4 percent represents the amount that is paid to the vendor to operate the bookstore. With the exception of facility maintenance, the contracted company is responsible for all operations of the bookstore, including hiring, firing, training and managing staff; monitoring inventory levels; and maximizing sales. All facility maintenance issues are addressed by staff at CSU. If CCC were able to negotiate a similar contract, the net income earned in FY 2006-07 would have been \$40 per student. This is significantly higher than CCCBC’s actual net income of \$19 and NACS reported median net income of \$24, but still lower than the peer average (\$48) (see **Table 1-1** and accompanying discussion).

Although the College monitors CCCBC’s profitability, it does not regularly conduct cost-benefit analyses to determine if outsourcing the CCCBC would be more cost-effective. *Recommended Budget Practices: A Framework for Improved State and Local*

Government Budgeting (GFOA, 1999) indicates that programs and services are the means by which a government addresses priorities established through its policies and plans. An evaluation of delivery alternatives for services and programs helps ensure that the best approach is selected for delivering a service. GFOA goes on to indicate that considerations in evaluating service delivery mechanisms, whether provided by a government or contracted out, include:

- **Cost of service:** including short and long-term direct costs, costs to administer and oversee the service, impact on rates and charges, and impact on costs of other government services.
- **Service quality and control:** including safety and reliability, ability to control service levels and who receives the service, ability of the government to make internal changes to improve its performance, ability to change the delivery mechanism in the future, and risk of contractual non-performance and default.
- **Management issues:** including the quality of monitoring, reporting, and performance evaluation systems, public access to information, and ability to generate or sustain competition in service delivery.
- **Financial issues:** including impact on outstanding debt and grant eligibility.
- **Impact on stakeholders:** including government employees, customers, and taxpayers.
- **Statutory and regulatory issues:** including impact on federal and state, legal and regulatory requirements, and liability.

Financial Implication: If the CCCBC were able to achieve a net income per student of \$40 either through implementing the performance audit recommendations and other operational changes or through outsourcing the operations, the overall increase in profitability would be approximately \$655,000 annually.

Financial Implication Summary

The following table presents a summary of the performance audit recommendations with financial implications.

Table 1-4: Financial Implication

Recommendation	Annual Financial Implication
R1.6 Increase profitability through changes in in-house operations or outsourcing.	\$655,000
Total	\$655,000

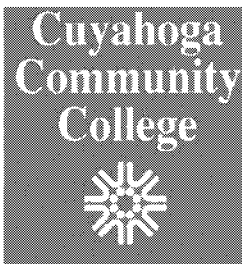
Source: AOS Recommendations

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Client Response

The letter that follows is the Cuyahoga Community College's official response to the performance audit of Book Center operations. Throughout the audit process, staff met with College officials to ensure substantial agreement on factual information presented in the report. When the College disagreed with information contained in the report and provided supporting documentation, appropriate revisions were made to the audit report.

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October 10, 2008

Mr. James W. Penning, Chief Auditor
Performance Audit Section
Auditor of State of Ohio
Lausche Building
615 Superior Avenue, NW, 12th Floor
Cleveland, OH 44113-1801

Dear Mr. Penning:

This communication is in response to the Cuyahoga Community College Book Centers performance audit. On behalf of the College's administrative team, I would like to express our appreciation for the time, energy, and effort spent by you and your staff to put this report together.

The administration along with our Director of Audit and Advisory Services has embraced the performance audit as a valuable management tool to ensure that fiscally prudent decisions are made within the College as we move forward with our Book Center operations. The ability to analyze our operations and compare our Book Centers to other peer institutions provides additional important data for us to use as we begin to make recommendations and decisions based on the performance audit.

The recommendations presented in the report have been carefully reviewed by our team and a comprehensive executive summary based on the recommendations from the audit for our Book Center operations will be prepared in the coming weeks along with a solid implementation plan for the future operation of those stores.

I would like to thank everyone involved in the Cuyahoga Community College Book Center performance audit for their diligence, professionalism, and cooperation in developing a report that is objective in nature and will help guide the future direction of the Book Center operations at the College.

Sincerely,

A handwritten signature in black ink, appearing to read "Craig Foltin".

Dr. Craig Foltin, CPA
Executive Vice President/Treasurer
Administration and Finance

Book Ctr Audit/mb/r

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