



WISCONSIN STATE LEGISLATURE

Joint Audit Committee

Committee Co-Chairs:
State Senator Carol Roessler
State Representative Suzanne Jeskewitz

July 16, 2003

Ms. Lauren Baker, Former Chairperson
Milwaukee Area Technical College District Board
c/o Milwaukee Public Schools
6620 West Capitol Drive, Room 204
Milwaukee, Wisconsin 53216

Dear Ms. Baker:

The Joint Legislative Audit Committee will hold a public hearing on Legislative Audit Bureau report 03-4, *An Evaluation: Milwaukee Area Technical College District*, on Tuesday, July 29, 2003 at 1:00 p.m. in Room 411 South of the State Capitol.

As this audit report relates to the activities of the Milwaukee Area Technical College, we ask you to be present at the hearing to offer testimony in response to the audit findings and to respond to questions from committee members. Please plan to provide each committee member with a written copy of your testimony at the hearing.

Should you have questions about the hearing, please contact us.

Sincerely,

Senator Carol A. Roessler, Co-chair
Joint Legislative Audit Committee

Representative Suzanne Jeskewitz, Co-chair
Joint Legislative Audit Committee

Enclosure

cc: Janice Mueller
State Auditor



WISCONSIN STATE LEGISLATURE

Joint Audit Committee

Committee Co-Chairs:
State Senator Carol Roessler
State Representative Suzanne Jeskewitz

July 16, 2003

Dr. Darnell E. Cole, President
Milwaukee Area Technical College
700 West State Street
Milwaukee, Wisconsin 53233

Dear Dr. Cole:

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cc: Janice Mueller
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State Representative Suzanne Jeskewitz

July 16, 2003

Mr. Mark S. Maierle, Chairperson
Milwaukee Area Technical College District Board
c/o International Union of Operation Engineers Local 317
3152 South 27th Street
Milwaukee, Wisconsin 53215

Dear Mr. Maierle:

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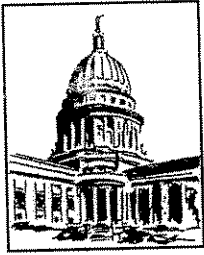
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Representative Suzanne Jeskewitz, Co-chair
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Enclosure

cc: Janice Mueller
State Auditor



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State Representative Suzanne Jeskewitz

July 16, 2003

Dr. Richard Carpenter, President
Wisconsin Technical College System
P.O. Box 7874
Madison, Wisconsin 53707-7874

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Senator Carol A. Roessler, Co-chair
Joint Legislative Audit Committee

Representative Suzanne Jeskewitz, Co-chair
Joint Legislative Audit Committee

Enclosure

cc: Janice Mueller
State Auditor

Asbjornson, Karen

From: O'Day, Tom
Sent: Friday, July 25, 2003 9:12 AM
To: Johnson, Dan (Legislature); *Legislative Senate Republicans; *Legislative Assembly Republicans
Subject: RE: Doyle and local governments

In case you missed it, here is how much MATC in Milwaukee is going to be spending, from a letter from Darnell Cole, their president.

"The total tax levy of \$111 million is a 4.9% increase over last year, and the total expenditures of \$265 million represents a 5.3% increase over the prior year."

And for good measure, he adds,

"These **modest** increases are necessary..."

MODEST!?!

-----Original Message-----

From: Johnson, Dan (Legislature)
Sent: Friday, July 25, 2003 9:05 AM
To: *Legislative Senate Republicans; *Legislative Assembly Republicans
Subject: Doyle and local governments

In his budget signing message Governor Doyle said:

"In my Budget Address, I called on school boards and local officials to join together with us to hold the line on taxes. I reaffirm that message today: Do as I have done -- balance your local budgets by cutting spending with no tax increases."

Well, not everyone is listening as just yesterday, this story appeared in one of our local papers:

JOINT 1 BUDGET CALLS FOR A SLIGHT TAX RATE INCREASE

"The total tax levy increased 6 percent from \$7.72 million in 2002-03 to a proposed \$8.19 million for next school year. Significant expenditure increases came in salaries and fringe benefits for employees. Salaries for employees increased \$210,173 or 3.1 percent. Fringe benefits including health, life, dental, and vision insurance increased \$279,892 or 7.76 percent. Salaries and fringe benefits make up nearly 80 percent of the district's expenses."

The rate increase passed unanimously.

Alberta Darling

Wisconsin State Senator

Co-Chair, Joint Committee on Finance

FOR IMMEDIATE RELEASE

For More Information, Contact:
Senator Alberta Darling

July 29, 2003
608-266-5830

MATC AUDIT REVEALS NEED FOR INCREASED ACCOUNTABILITY

MADISON . . . Recent financial and employee contract decisions made by MATC's Board of Directors may have placed the district in a perilous fiscal situation with regard to its overall long-term economic prosperity, according to state Senator Alberta Darling, (R-River Hills).

"I am glad today's Legislative Audit Committee hearing was able to shed even more light on the risky salary and benefit package decisions MATC has made over the past few years," said Darling. "I believe many of the issues we discussed today would not have become the publicly debatable topics they are if the audit had not been conducted."

In June of 2002, Darling requested the non-partisan Legislative Audit Bureau conduct a full-scale overview of MATC. The audit focused on five core concerns raised by board members, the public and the media: The results of two of those study items; district spending decisions that may have put the college at significant financial risk, and negotiated salary, wage and benefit package increases, were most troubling to Darling.

"MATC has been a successful tool in helping the Milwaukee-area economy grow and thrive, and there is no doubt the benefits the district and its' graduates bring to the community are great," said Darling. "However, I have doubts district leadership has practiced the same amount of fiscal responsibility that other local units of government have. There has to be a higher level of accountability to the taxpayers."

MATC's expenditures on employee benefits have risen over 15% in each of the last three school years. The audit revealed that the district's health care costs have increased from \$16.9 million in 2001-02 to \$19.5 million in 2002-03. Those numbers, coupled with the fact that a recent board decision means the district cannot renegotiate additional health plan changes until 2007; could result in drastic, costly budgetary decisions in the years to come.

"Unless fringe benefit costs level off, which is not likely in today's day and age, that decision will surely come back to bite them," said Darling. "The 'short-term gain in exchange for long-term pain' gamble rarely pays off at any level of government."

Darling says her goal in requesting the audit was to bring attention to the fiscal responsibility the MATC Board of Directors, with its \$152 million operating budget, must show.

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MILWAUKEE CAMPUS
700 West State Street
Milwaukee, Wisconsin 53233-1443
414-297-6320
fax: 414-297-6553
e-mail: coled@matc.edu

AUG 01 2003

mate

Milwaukee Area Technical College

Darnell E. Cole
President

MILWAUKEE CAMPUS
700 West State Street
Milwaukee, Wisconsin 53233-1443
414-297-6600

NORTH CAMPUS
5555 West Highland Road
Mequon, Wisconsin 53092-1199
262-238-2200

SOUTH CAMPUS
6865 South Howell Avenue
Oak Creek, Wisconsin 53154-1196
414-571-4500

WEST CAMPUS
1200 South 71st Street
West Allis, Wisconsin 53214-3110
414-456-5500

July 31, 2003

The Honorable Carol A. Roessler
Co-Chairperson
Joint Legislative Audit Committee
PO Box 7882
Madison, WI 53707-7882

Dear Senator Roessler:

Thank you for the opportunity to testify before you and the other members of the Joint Legislative Audit Committee on July 29, 2003.

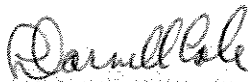
I appreciate your interest in Milwaukee Area Technical College and the vital role technical higher education plays in the economic growth of Wisconsin.

The audit and testimony allowed MATC to clarify and build upon our many strengths while guiding us toward significant improvements. We will continue to work with Janice Mueller, State Auditor, to ensure that all LAB recommendations and issues raised by your committee are fully addressed.

It is absolutely essential that we continue to strengthen our practices and procedures. MATC adds great value to our community and must be managed well.

If you have any questions regarding my testimony or the submitted written report, please do not hesitate to contact me.

Sincerely,


Darnell E. Cole
President

WISCONSIN
TECHNICAL COLLEGE
SYSTEM

September 17, 2003

Mark Maierle, District Board Chair
Darnell Cole, President
Milwaukee Area Technical College
700 West State Street
Milwaukee, Wisconsin 53233-1443

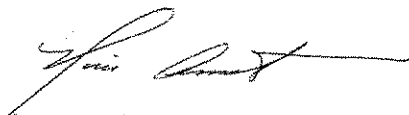
Dear Board Chair Maierle and President Cole:

As you are aware, members of the Joint Audit Committee have expressed an interest in follow-up information from both the WTCS Board and the Milwaukee Area Technical College District regarding the Legislative Audit Bureau's evaluation of MATC (Report 03-04). The WTCS Board has agreed to one such request from committee member Senator Alberta Darling.

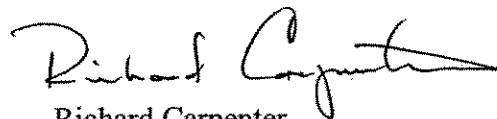
Specifically, the WTCS Board will review MATC's efforts to address the Legislative Audit Bureau's recommendations. Toward this end, the Board requests that representatives of MATC's district board and administration provide a progress report to the Board at its meeting on November 19, 2003. You should be prepared to describe actions taken to date to implement the Audit Bureau's recommendations, provide a timeline for future actions, and answer questions from the Board regarding issues raised in the Audit Bureau report. Future follow-up actions by the Board may then be determined.

For timely inclusion in the Board's meeting preparation materials, your written progress report should be submitted to the System Office by November 7, 2003. If you have any questions regarding the meeting or your presentation, please contact Dan Clancy at 608.266.7983.

Sincerely,



A.J. Nino Amato
WTCS Board President



Richard Carpenter
WTCS President

Dr. Richard Carpenter, President

WISCONSIN
TECHNICAL COLLEGE
SYSTEM

*Audit Bureau
will send
someone
to cover this
mtg*

September 18, 2003

SEP 19 2003

Senator Alberta Darling
Wisconsin Senate
317 East, State Capitol
Madison, Wisconsin 53707-7882

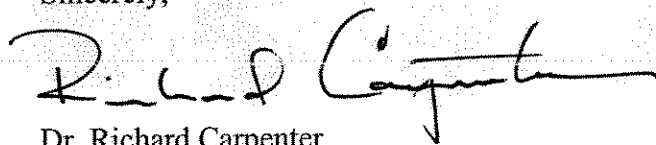
Dear Senator Darling:

As a follow-up to our recent discussion, this letter is to confirm the Wisconsin Technical College System's review of Milwaukee Area Technical College's progress in addressing the recommendations of the Legislative Audit Bureau (Report 03-04).

Attached is a letter from myself and WTCS Board President Nino Amato directing representatives of MATC's district board and administration to present a progress report to the Board at its meeting on November 19, 2003. As we discussed, I will provide you with a full accounting of the MATC report, the Board's discussion and any subsequent action on this matter.

Please contact me if you have questions about this process or any other matters regarding the Wisconsin Technical College System.

Sincerely,



Dr. Richard Carpenter
President
Wisconsin Technical College System

cc: ✓ Members, Joint Legislative Audit Committee
Members, WTCS Board
Janice Mueller, Director, Legislative Audit Bureau
Mark Maierle, MATC District Board Chair
Darnell Cole, MATC President

Dr. Richard Carpenter, President

ITEM: Status Report on Milwaukee Area Technical College Response to Legislative Audit Bureau Report 03-4, *An Evaluation: Milwaukee Area Technical College District*

In March 2002, Senator Alberta Darling requested an evaluation of Milwaukee Area Technical College (MATC) in response to concerns raised about the operations and fiscal condition of the college. The Joint Audit Committee approved the evaluation request in June 2002.

The Legislative Audit Bureau completed a performance evaluation of MATC in March 2003. The evaluation included analysis of the district's recent collective bargaining agreements, compensation packages, outside contracts for consultants, facility rentals and service provision, the district's financial condition, and adherence to district board policies. The Audit Bureau's final report included a series of recommendations to improve district operations and MATC's immediate response to the Bureau's findings and recommendations. (See attached excerpt from LAB Report 03-4. MATC's initial response to the audit is attached in a separate PDF file.)


In July 2003, the Joint Audit Committee held a public hearing at which State Auditor Mueller and Evaluation Director Wade presented their findings and recommendations. MATC President Cole and then-district board vice-chair Baker responded to the report findings, answered committee questions and provided an update on the district's progress in addressing the Audit Bureau's recommendations. President Carpenter also testified to thank the Audit Bureau for its work and to support the efforts of MATC's board and administration. At that time, several committee members, in particular Senator Darling, raised questions about the State Board's role in overseeing the operations of the districts. In conclusion, the committee co-chairs, (Senator Roessler and Rep. Jeskewitz) suggested that the Audit Committee could seek additional follow-up regarding MATC's response to the evaluation's findings and recommendations.

In September, President Carpenter met with Senator Darling to discuss options for legislative and State Board follow-up on MATC's response to the Audit Bureau evaluation. President Carpenter suggested that the State Board take the lead in monitoring MATC's progress and that the Board would share its discussion, findings and any subsequent Board action on this matter with Senator Darling and the members of the Audit Committee. Toward this end, President Carpenter and Board President Amato directed representatives of MATC's district board and administration to present a progress report to the State Board at its meeting on November 19, 2003. (See attached letters.)

Attached is the requested status report, outlining MATC's progress in addressing the Audit Bureau recommendations along with a business plan for the college's Office of Corporate and Community Learning. Representatives of MATC will provide a summary of the report to the Board and are available to answer questions.

November 18-19, 2003

An Evaluation:
**Milwaukee Area
Technical College District**
March 2003

Report Highlights 

A number of MATC's financial decisions warrant review.
Instructor salaries are higher than at selected institutions.
MATC has not effectively managed the cost of health care benefits.
MATC agreed to forego additional health plan changes until 2007.
Information provided to the Board has been incomplete and inaccurate in some instances.

**Key Facts
and Findings**

MATC has both the largest enrollment and the largest budget of Wisconsin's technical college districts.
In FY 2001-02, operating expenditures were \$152.0 million.
A "negative outlook" was attached to MATC's debt rating in December 2001 but removed in December

2002.

MATC receives general state aid equivalent to \$2,149 per FTE student. The statewide average is \$1,857.

MATC does not comply with its policy of recovering 100 percent of costs associated with specialized training contracts.

Enterprise activities required nearly \$1.4 million in property tax levy support in FY 2001-02.

In 2002, 64.4 percent of MATC instructors earned more than \$76,000, and 12.0 percent earned more than \$100,000.

MATC's health care costs are projected to increase 15.7 percent in FY 2002-03.

The Milwaukee Area Technical College (MATC) District is the largest district in Wisconsin's technical college system. In fiscal year (FY) 2001-02, MATC enrolled 12,504 full-time equivalent (FTE) students and employed 1,944 FTE staff. Its FY 2001-02 operating expenditures totaled \$152.0 million.

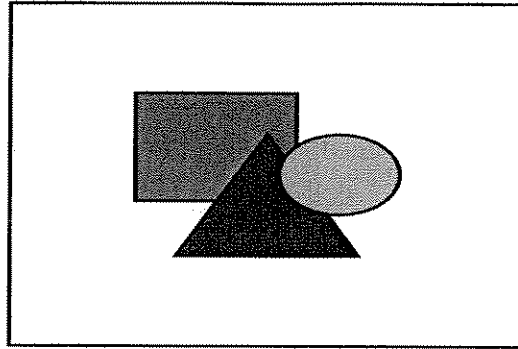
During FY 2001-02, MATC experienced significant financial difficulties, including an anticipated deficit of \$3.5 million in its general fund. Moody's Investors Service attached a "negative outlook" to MATC's debt rating in December 2001. As a result, some legislators and members of MATC's Board of Directors raised concerns about MATC's financial management and governance. Therefore, at the direction of the Joint Legislative Audit Committee, we analyzed:

- MATC's financial status;
- financial management issues, including management of revenue sources such as training contracts and enterprise activities, as well as compensation for administrators and contracting for professional services;
- employee wages and benefits, including those negotiated during the 2001 collective bargaining process; and
- MATC's governance, including adherence to state statutes and the Board's policies.

Financial Indicators

In FY 2001-02, local property taxes provided nearly half of MATC's operating revenues, as shown in Figure 1. State grants and aid were another 19.8 percent, and tuition and fees were 15.7 percent.

Figure 1
Sources of Operating Revenue
(FY 2001-02)



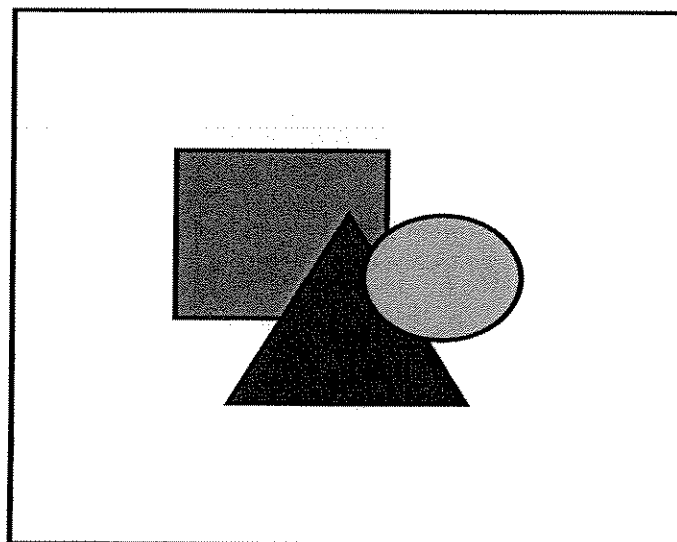
Other revenue sources were enterprise activities such as the bookstore, food service operations, and child care centers; specialized training contracts with local businesses, government agencies, school districts, and nonprofit organizations; and federal grants and aid.

Although its financial status has improved since December 2001, and steps have been taken to reduce costs, MATC faces challenges over the long term.

For example, it cannot raise additional operating revenue by increasing property tax rates because it has been at the statutory mill rate limit of \$1.50 per \$1,000 of assessed property value since FY 1990-91. Therefore, MATC must rely on growth in property values to gain additional operating revenue from property taxes.

MATC officials have expressed concern about declining general state aid levels. Aid to the district has declined. However, in FY 2001-02, MATC was third among the 16 technical college districts in general state aid as a percentage of operating costs per FTE student. As shown in Figure 2, the State provided \$2,149 per FTE student, which was 15.7 percent more than the statewide average.

Figure 2
General State Aid per FTE Student
(FY 2001-02)



Financial Management

The negative outlook attached to MATC's debt rating was removed in December 2002. However, management decisions and policies in several areas may reduce MATC's ability to improve its financial status in the future.

For example, the fees MATC charges for providing specialized training to businesses and others do not cover its costs. This is a violation of district policy and has resulted in average annual losses of \$468,196 from FY 1997-98 through FY 2001-02. We include a recommendation for MATC to comply with its cost recovery policy related to training contracts.

Enterprise activities such as MATC's bookstore, food service operations, and child care centers are generally expected to generate enough aggregate revenue to cover their costs. However, property tax subsidies have been required to cover losses in these areas over the past five fiscal years. In FY 2001-02, subsidies totaled nearly \$1.4 million. We include a recommendation for MATC to eliminate property tax subsidies for its enterprise activities.

MATC also operates two business incubators to promote economic development in the Milwaukee area. The Milwaukee Enterprise Centers have lost more than \$257,000 over the past five fiscal years. Complete information about their financial status has not been provided to MATC's Board of Directors. We include recommendations for MATC to evaluate the costs and benefits of the centers and to track key performance indicators.

MATC continues to contract for legal, public relations, and lobbying services although it has hired senior administrators at above-market salaries with responsibilities in these areas. Other contracts for professional services may have been avoidable considering the availability of MATC staff. We include a recommendation for MATC to review the continued use of consultants and ensure these costs are justified in light of existing staff resources.

Employee Wages

Instructor salaries are higher at MATC than at selected Wisconsin technical college districts. For example, as of January 2003, the maximum instructor salary at MATC is \$78,271. That is 6.7 percent higher than the maximum instructor salary at Madison Area Technical College, which had the second-highest instructor salary levels among selected Wisconsin technical college districts.

MATC's most recent collective bargaining agreements included higher salary increases than were budgeted by the administration. The two-year agreements provide annual increases of 4.0 percent in both FY 2001-02 and FY 2002-03.

Employee Benefits

In an environment of rapidly increasing health care costs, MATC officials separated health care plan

changes from collective bargaining discussions in November 2001. The 4.0 percent annual salary increases were predicated on achieving zero percent growth in health care costs in the two-year agreements covering FYs 2001-02 and 2002-03. However, MATC was unable to control health care costs to that degree, and health care costs instead increased by 15.7 percent, or from \$16.9 million in FY 2001-02 to an estimated \$19.5 million in FY 2002-03.

In October 2002, MATC and its unions reached agreements for significant health plan changes that include deductibles and co-payments. However, further changes to MATC's health plans cannot be pursued until July 2007 without the unions' agreement. This could limit MATC's ability to adjust health plans if costs continue to increase rapidly.

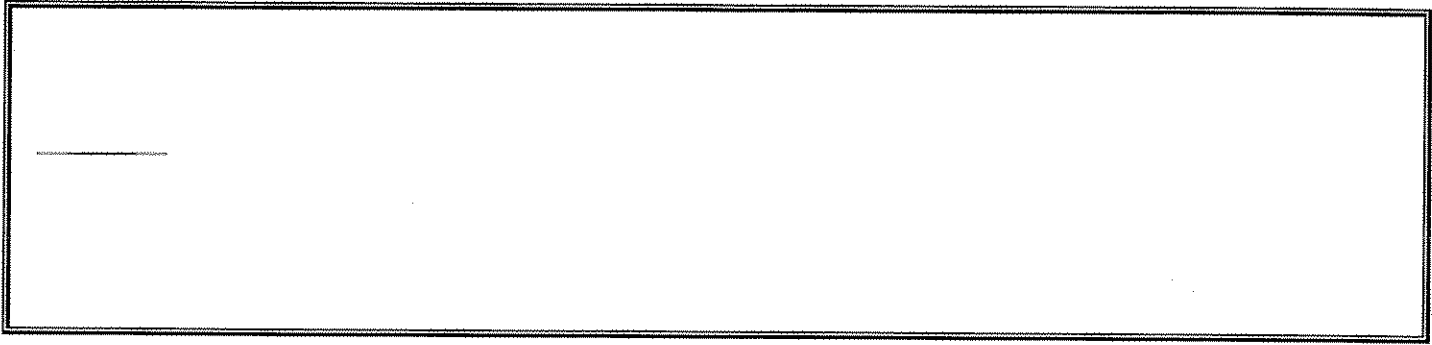
District Board Governance


In several instances, MATC's administration has not provided the MATC Board with complete or accurate information. For example, the Board was not informed of all health care proposals made by MATC's insurer in April 2002, nor was it given complete information on the fiscal effects of a March 2002 administrative restructuring plan. In addition, the Board has not consistently complied with state statutes and MATC policies, including the policy requiring probationary periods for new employees and statutory requirements for closed-session meetings. We include several recommendations related to MATC's governance.

Recommendations

Our recommendations address the need for MATC to:

- comply with district policy requiring aggregate full cost recovery for training contracts (p. 36);
- develop and implement plans to eliminate property tax subsidies for enterprise activities (p. 37);
- evaluate the costs and benefits of the Milwaukee Enterprise Centers (p. 41);
- review the use of consultants, especially in light of expanded internal capacities (p. 45);
- clarify the roles and authority of the Board and the president in personnel matters (p. 48);
- ensure that complete and accurate information is provided to the Board in a timely manner (p. 61);
- comply with district policy regarding probationary periods for new employees (p. 62); and
- seek guidance from the Wisconsin Department of Justice regarding its use of closed sessions (p. 63);




WISCONSIN
TECHNICAL COLLEGE
SYSTEM

September 17, 2003

Mark Maierle, District Board Chair
Darnell Cole, President
Milwaukee Area Technical College
700 West State Street
Milwaukee, Wisconsin 53233-1443

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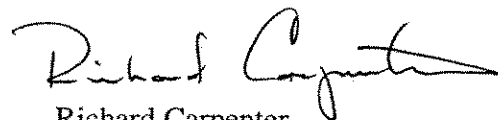
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Sincerely,



A.J. Nino Amato
WTCS Board President



Richard Carpenter
WTCS President

Dr. Richard Carpenter, President

310 Price Place PO Box 7874 Madison, Wisconsin 53707-7874 608.266.1207
TTY: 608.267.2483 Fax: 608.266.1690 E-mail: info@wtcsystem.org
www.wtcsystem.org www.witechcolleges.com

WISCONSIN
TECHNICAL COLLEGE
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September 18, 2003

Senator Alberta Darling
Wisconsin Senate
317 East, State Capitol
Madison, Wisconsin 53707-7882

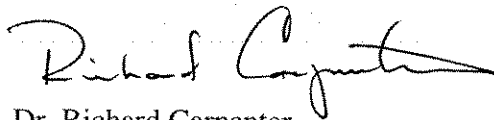
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Sincerely,



Dr. Richard Carpenter
President
Wisconsin Technical College System

cc: Members, Joint Legislative Audit Committee
Members, WTCS Board
Janice Mueller, Director, Legislative Audit Bureau
Mark Maierle, MATC District Board Chair
Darnell Cole, MATC President

Dr. Richard Carpenter, President

310 Price Place PO Box 7874 Madison, Wisconsin 53707-7874 608.266.1207

TTY: 608.267.2483 Fax: 608.266.1690 E-mail: info@wtssystem.org

www.wtssystem.org www.witechcolleges.com

Follow-Up Report on MATC State Audit

Milwaukee Area Technical College

November 10, 2003

Follow-Up Report on MATC State Audit

Table of Contents

Audit Recommendations

Contracted training.....
Enterprise and auxiliary services.....
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Closed sessions.....
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Communication with the board.....

Attachment

Business plan, Office of Community and Corporate Learning

Contracted Training – Recommendation:

MATC should adhere to its policy of not allowing reduced-rate contracts unless contracted training is breaking even on aggregate.

MATC Response:

The MATC board has reviewed and revised its policy to reflect a goal of full cost recovery. We still have the option to award reduced-rate contracts, if certain criteria are met.

After the audit, we reorganized this department for better efficiency and direct accountability to the president. We also created a sales unit, comprised of two sales representatives, to bring in more business. Uniform criteria were established for discount pricing. We created a business plan (attached) to ensure that the proper mix of marketing, financial and operating strategies are in place. By increasing revenue and through consistent pricing, we believe this department can become a profit center.

Obtaining and keeping training contracts is important because they help us build partnerships with community organizations and employers. These relationships yield in-kind contributions of equipment that we use in numerous training programs and that defray our expenses. Without such gifts, we would have to buy the equipment, at considerable cost.

We agree with the broad goal of maximizing revenues set by the audit bureau. Yet we need to be able to respond quickly to changing needs in the business community. Our local economy is struggling compared to other areas of the state, such as Dane County, Waukesha County, Racine County and Brown County. We are concerned that a strict policy of 100 percent recovery, as defined by the audit bureau, would cause further strain for local businesses.

We would like to see the technical college system revise the recovery reporting formula to more accurately reflect revenues and expenses. We do recover 100 percent of costs, when indirect revenue and state aid generated from this activity are considered.

For reporting purposes to the state, anyone receiving contracted training from us is considered a student of MATC. Each full-time-equivalent student results in increased state aid. For FY02 the total derived from contracted training was \$360,000. In calculating our recovery rate, we factor in FTE revenue because it is the fairest way to measure net expense.

On a quarterly basis, we currently give the board a complete review of costs and recovery.

Enterprise and Auxiliary Services – Recommendation:

MATC should develop and implement plans to eliminate property tax subsidies for enterprise activities.

MATC Response:

We continue to make good progress and believe we have turned the corner. As suggested, we have extended our planning horizon beyond 2003.

Reversing our operating deficit in this area is a high priority. Our revenue growth in the current fiscal year is encouraging. Point person for the effort is our director of Enterprise and Auxiliary Services, who has a strong background in hospitality services and a track record of successful turnarounds.

The first phase of his plan is complete. It involved modernization of food service at the Milwaukee campus and transition of the regional campuses from food service vendors to in-house staff. Phase two will involve conversion of the former downtown cafeteria at the Milwaukee campus into a hospitality center for special events. Evening food service at the regional campuses is being phased out because those business units were operating at a deficit. We also are making revenue enhancements to our bookstore operations.

We are following an entrepreneurial model, generating increased sales through improved products, service and facilities and cutting back on unprofitable activities. Our goal is to at least break even on food service costs. Child care is more problematic. Operating margins are low throughout this industry. This year we will continue to offer child care at all four campuses, but are considering changes for FY 2004. Last summer we closed our child care center at the West Allis campus. Because these activities tie into our instructional program, some level of subsidy might be inevitable.

Milwaukee Enterprise Centers – Recommendation:

MATC should evaluate the costs and benefits of the Milwaukee Enterprise Centers. Specifically, MATC should establish “graduation” goals for each tenant, track job creation and report quarterly financial results.

MATC Response:

The board has reviewed the MECs’ purpose and mission. Per the audit bureau’s suggestion, we have established graduation goals.

The administration is again reviewing the role of the MECs in our educational mission. It should be emphasized that the MECs never have required any operational property tax support, and we do not envision the need ever arising.

Our policy is to not push tenants out into the community unless we have replacements lined up. To enforce an arbitrary graduation rate has the potential to deprive us of needed income. At the same time, we agree with the audit bureau that goals should be set and reviewed periodically. This will provide a framework for transitioning tenants to commercial spaces.

Similar to our position on contracted training, we believe the MECs add value to our mission in ways that indirectly help our bottom line.

Consulting – Recommendation:

MATC should review the use of consultants, especially in light of expanded internal capacities.

MATC Response:

For an institution our size, we make very modest use of consultants, and they do not overlap with internal staff. The situation, of course, merits constant monitoring.

We recently initiated quarterly reports to our district board on consulting expenses and activities. An overlap did exist more than a year ago with respect to public relations, and we eliminated it.

“Internal capacities” have been enhanced in that we hired some exceptionally capable and experienced senior leaders, but there has been no “expansion” in the sense of adding new executive positions. Job descriptions have been enlarged and reclassified, with responsibilities aligned to best-practice models. Our senior leaders were hired to direct activities such as litigation, governmental relations and community relations. Time constraints limit their personal involvement in those activities. The bulk of project work takes place at lower levels, executed by specialists or contractors.

The vice president, General Counsel, oversees Human Resources, Labor Relations and Public Safety, and manages all of our legal needs including our legal services contract with Michael Best & Friedrich. The general counsel job had been vacant for two years at the time we filled it again in spring 2002. We subsequently cut our outside legal costs by \$108,000 per year. We plan to cut that figure further through hiring of an in-house assistant general counsel. We also are re-evaluating the way we utilize outside legal services. Use of outside counsel will continue, because it allows quick access to specialty advice and legal support. Our contract with Michael Best gives us a very competitive hourly rate, as the audit acknowledges.

The reference to creating an internal position to perform communications and legislative relations, etc. apparently relates to our vice president, College Advancement. That position also is not new. It formerly was called associate vice president, Marketing, and included supervisory responsibility for governmental relations, public relations and fund raising. In spring 2002, we elevated the position to vice president to align us with best-practice models for organizations of our size. Responsibilities have been expanded significantly to include strategic planning, institutional research and grant development.

It should be noted that governmental relations has become nearly a full-time job at MATC. One reason is our ownership of a public television station with a strong interest in federal legislation. Hence, it is highly cost effective for MATC to use a firm such as Broydrick and Associates, which maintains a Washington, D.C. office and routinely monitors political developments there for a collective group of clients. Broydrick brings to bear invaluable specialty resources. So far, contracting for this service to a vendor has been both efficient and effective. Should we ever decide to hire a staff lobbyist, we have an option to cancel the consultant contract on 30 days' notice.

The Wisconsin Technical College District Boards Association does not lobby for MATC specifically. The group is the professional association for technical college board members. Its principal activity is to plan and run quarterly meetings. Each member college hosts a meeting every four years. MATC hosted a meeting in January. While the group does lobby on issues important to the technical college system as a whole, it could never replace our MATC-dedicated lobbyist.

The community relations consultant cited in the audit was hired to be the president's liaison to minority community groups. The president felt the college wasn't doing enough in this area. To hire a vendor was the most cost-effective solution and was attractive from the standpoint of not creating another permanent, full-time, salaried position. Her work product is advocacy, similar to lobbyists. The associate vice president, Community and Urban Affairs, no longer exists as a position.

Probationary Periods – Recommendation:

The MATC Board should comply with district policy regarding probationary periods for all new employees.

MATC Response:

These incidents were simple mistakes that will not happen again.

The instances cited in the audit happened because of a departmental error. Procedures have been put in place to ensure that probationary periods will be included in all future employment contracts. At the board's direction, the president sent a memo to Human Resources, reiterating that probationary periods are to be included in all contracts.

Closed Sessions – Recommendation:

The MATC Board should seek guidance from the Department of Justice regarding its use of closed sessions.

MATC Response:

The board did as suggested. Assistant Attorney General Bruce Olsen, of the State Justice Department, gave a presentation to the board at its July meeting. For new board members, it was a good introduction. Continuing board members received a valuable refresher course. We believe the board's use of closed sessions has been appropriate and lawful.

The closed session to discuss the Hispanic Chamber lease was predicated on our need to protect a strategic position and preserve negotiating leverage. The law expressly allows such actions to guard the financial interests of public institutions and the taxpayers.

Regarding asbestos removal, the board convened in closed session to discuss "likely" litigation against the college. The Justice Department guidelines acknowledge that "likely" has an ambiguous meaning. Public bodies are advised to seek advice from legal counsel, exactly as happened in this case. To have met in open session to discuss different legal theories under which we might be sued could have made a lawsuit more likely and hurt our chances of successfully defending it.

Regarding raises for non-represented employees, the board convened in closed session in anticipation of also discussing individual salary adjustments. Individual adjustments ended up not being discussed. These two issues will be separated for discussion in open and closed session in the future.

Personnel Authority of the President – Recommendation:

The MATC Board should review its policies to ensure they clearly delineate the role of both the board and the president, including any delegated authority in personnel matters the board chooses to vest in the president.

MATC Response:

We agree. The board has repeatedly discussed the limits of presidential authority in retreats and during regular meetings. However, as the audit points out, consensus has proved hard to maintain. For board discussion, we are in the process of preparing a summary of existing policies and agreements relative to this issue. In light of recent turnover, the board plans to revisit this issue.

The notices of non-renewal were issued to 55 non-represented employees who fell into a unique class with special protection under state law. This preserved our option to lay people off, without ordaining it. No one from the group was laid off. Subsequent to the notices, we continued to fill vacancies as they occurred lower in the organization. For a variety of reasons, it wasn't feasible to fill the vacancies from the ranks of these senior managers and educators.

The board was provided a chart showing the new reporting scheme, new titles and projected net savings. It did not have names filled in, but did include complete financial data, showing projected savings. Every board member received a copy. The reorganization plan passed on a 7-2 vote. The seven directors who voted in favor felt they had adequate information to make an informed decision.

Communication with the Board – Recommendation:

The administration should ensure that complete and accurate information is provided to the board in a timely manner.

MATC Response:

We think we do a good job, but this is something that can always be improved. For every board member who says we don't communicate enough, there's another board member who says this administration is much more open and communicative than past administrations. Opinions vary widely from board member to board member.

Certainly, the administration believes it should be held to a very high standard. Sometimes information is scarce because a situation is evolving rapidly. There has never been any attempt to mislead, deceive or manipulate. Amid rapidly unfolding events, "timely" is sometimes in the eye of the beholder, no matter how quickly information is provided.

Most board members trust the administration and feel they do receive complete, accurate and timely information. The administration concurs with the general principle that we need to be proactive, complete and energetic in our board communications. We will look for opportunities to improve the procedures by which we communicate with the board.

With respect to the college reorganization, the board did receive organizational charts and financial projections for discussion.

With respect to the Compcare proposals, the board did not receive the proposal documents, but was informed of them. The college and its consultants felt the proposals did not merit serious consideration. When the board was told the amount of the proposed increases, no one asked to see the actual proposal documents, because the proposal was unacceptable on its face.

With respect to the new health insurance contracts, we felt the bids were self-explanatory and comparative analysis unnecessary.

With respect to the Hispanic Chamber lease, we ourselves believed it had expired. Only months later did we discover the mistake. Both negotiating parties were laboring under a false impression. Fortunately, the mix-up didn't affect the outcome.

With respect to the November action on health insurance contracts, we gave the board all the information in our possession. Time was short and the situation changing rapidly. We did our best under very difficult circumstances.

OCCL Business Plan

July 2003

DRAFT

Office of Corporate & Community Learning

Milwaukee Area Technical College

700 West State Street

Milwaukee, WI

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 Strengths and Challenges

DESCRIPTION OF ACTIVITY

Product

The Office of Corporate and Community Learning (OCCL) will focus on selling education, training, and other MATC services incorporating the knowledge base of the entire institution. OCCL will provide customized training, technical assistance, and credit-based learning, to better enhance the success of local business, in accordance with Wisconsin Statutes, Section 38.001.

History

MATC's Outreach office has been in existence since 1984 in one form or another. It has operated under several names: (CEBO) Continuing Education/Business Outreach; (WDI) Workforce Development Institute; (CEWD) Continuing Education and Workforce Development; and the current Office of Corporate and Community Learning. Leadership has been shifted several times to Deans, Directors and Vice Presidents. These different leaders have brought a mixture of philosophies and priorities.

Due to the frequent changes in leadership, it has been difficult being taken seriously by many faculty members and administrators in the institution. When in reality, OCCL is an important academic contributor to the well-being of the college community, and a direct link to all areas of the business community. This lack of awareness throughout the institution has transcended to the office of OCCL and it has become a stagnant organization, not operating near its potential. In addition, two major factors contributing to inefficient operation are the lack of any consensus in the college about what the office's priorities are, and the inefficiencies of several internal processes.

The office has often been staffed by educators rather than salespeople. The philosophy appears to have been "let's hire educators and teach them to sell", when in reality, it would be more appropriate to "hire salespeople and educate them on the product".

More importantly, it was difficult to evaluate these individuals when as educators they were asked to do so many other activities in the institution that were unrelated to selling. Their evaluation focus was on process, and not quantifiable selling results. There was often great conflict as to whether they were able to serve the institution while "wearing so many different hats".

Current Situation/Potential Growth

This lack of long-term focus, coupled with the inability to measure the value of the activities and staff, has resulted in an unimpressive internal reputation and a virtually non-existent external reputation. Many MATC faculty, staff and administration consider the outreach function as either irrelevant, or as an actual internal competitor. Without significant changes this office will continue to be a sporadic achiever, when the market begs for an aggressive approach.

According to the National Center for Educational Studies (NCES), one in fifteen adults study in non-credit programs, as compared to one in twenty-five adults who study in credit programs. It is estimated that of the 90 million adult learners in 1999, 11.5 million were enrolled in some type of credential, degree, diploma or certificate. At the same time 77 million adults, roughly 85% of those seeking some form of education, were engaged in either work related training or personal enrichment courses (NCES, 1999). Research predicts that 75% of the current workforce will need significant retraining in the next decade, and that 80% of the people who will be working in 2005 are already in the workforce (Vaughn, 2003).

Valencia Community College in Florida has successfully changed the organizational culture through embedding workforce training in the vision, values, and mission of the college. Valencia is aligning its structure so that faculty and staff have a clear understanding that for their community to have economic health, people must work and possess the right skills whether they are in liberal arts, occupational education, or training. Workforce development is viewed as everyone's job, and the president is actively involved in communicating this mission (Stark, 1994).

MATC's mission is to prepare students for the workplace, and it is now recognized that everyone in the college is in the business of workforce development. As such, the reorganization of OCCL is part of a comprehensive, institutional response to the demands of the workforce development needs. To better identify and clarify the internal roles relating to workforce development, the student population has been segmented into four major sectors of the workforce:

The Emerging Worker – The younger student preparing for their first full-time employment after high school.

The Transitional Worker – Those that are moving from one career to another, either through downsizing, lay-off, or individual alternative career choice.

The Entrepreneurial Worker – The significant and growing number that own their own small to mid-size business and who use the local colleges as their in-house training department.

The Incumbent Worker – Those who are currently employed and need additional skills to maintain their current job or to qualify for promotion.

This business plan outlines a strategic direction for that segment of the workforce that will be targeted by OCCL, the incumbent worker.

The newly reorganized office of OCCL will continue to sell the products it currently has, but will undergo a cultural change that will require an aggressive selling strategy that will offer all of the institution's knowledge for sale.

In an increased effort to function as educational liaisons to business and industry, OCCL will begin to create an Educational Partner Referral List, so that no customer is turned away without additional options. The goal is for MATC to become the first point of contact for the educational needs of business and industry in southeast Wisconsin.

Increased sales revenue goals will be supported by a sales staff, which will be educated to seek new customers and expand on existing relationships. Immediate requests will be addressed, but the goal will be to work with organizations to develop a strategic training plan, and result in true partnerships that will be leveraged for resource sharing, and student articulation into programs.

MARKETING PLAN

A detailed plan is currently being developed for OCCL. Below are several of the overall objectives that will be met in that plan.

Internal Marketing

To effectively identify and market the services of the college through OCCL, efforts will be made to increase awareness of the Office and its activities within the institution. Due to the lack of a coordinated marketing strategy, no effort was made to expose the attributes of OCCL within the institution. As a result, it has been relegated to a secondary status. A clear understanding by the academic offices of how OCCL contributes to the mission of the college, including the major contribution to aidable FTEs, will serve as the foundation to a more cohesive, institution-wide effort to identify those products and services that add value to the community while significantly increasing revenue to the college.

The goal will be for faculty and staff to be aware of the contribution of OCCL to FTE's and revenue. This effort will be quantified through the number of referrals forwarded to OCCL, as well as through the use of a survey given before the initiative and again after the marketing intervention.

External Marketing - Potential Customers

Business and industry supply the greatest potential for customers. Past history shows significant contracts were written for large corporations such as Northwestern Mutual Life Insurance, Miller Brewing, Midwest Express Airlines, the City of Milwaukee, Briggs & Stratton, Harley-Davidson Motor Company, and more.

Traditionally, due to the structure of the OCCL, clients often called into MATC to start the process of training. The new method of selling will require that sales personnel be out in the community and visible. They will be expected to develop new partnerships by selling the "entire" institution.

There is a tremendous market to be considered if MATC exposes their valued products and services to business and industry. The new effort will be to offer several alternatives to a potential customer. In addition, there will be a greater emphasis to work with the academic offices to coordinate the delivery of credit courses when possible and to eliminate the current competition within MATC.

Historically, due to a long standing practice, and cumbersome internal processes, the OCCL office has been more reactive than proactive regarding sales. The focus on increased revenue will require that sales personnel be more visible in the community through improved distribution

of branded market materials, attendance at business functions and events, and the use of basic customer prospecting methods.

Corporate Response Team

Supporting both internal and external marketing initiatives is the newly created Corporate Response Team (CRT) formed to develop and facilitate the ease of doing business with MATC for corporate partners, businesses, and other community-based organizations. The Executive CRT will be composed of senior leaders who direct and advise the Operational Team. The Operational CRT is composed of the Associate Vice President of Student Services, the Director of Financial Aid, the Director of Recruiting, and a representative of OCCL.

Other resources within the college serve on an ad hoc basis, as a need arises. For example, to support the previous referenced goal, "strong partnerships that in the future will be leveraged for resource sharing and increased student articulation into programs", the Director of MATC's Foundation and the Office of Articulation serve as ad hoc members.

Competition

The learning market is a \$735 billion dollar marketplace and growing at a rapid pace as our economy continues to place increasing value on knowledge and skills. An article in the periodical *Training and Development* discussed the top trend for professionals in workforce development, and notes that the rapid pace of change requires that workplace learning occur on a just-in-time, just-enough and where-it's needed basis (Bassi, 1997).

Competition is significant in the Milwaukee Metropolitan area. All colleges (public and private) and many consultants and private entrepreneurs offer some type of customized training. More than any other time in history, students and their employers are shopping for, and purchasing the best deals for educational services, and they will purchase from those who can provide the desired results, at convenient times, at the most affordable price. In addition national organizations – degree and non-degree granting – such as Achieve Global (formerly Zenger-Miller), and the University of Phoenix are rolling into the MATC community with big dollars for new customer acquisition.

While there are many entrepreneurs and private training groups, MATC has several distinct advantages:

- MATC is accredited by NCA to offer college credit and continuing education units, which are portable.
- MATC has a faculty of over 2000 individuals with unlimited experience. The faculty is diverse, enthusiastic and knowledgeable about their subjects.

- MATC, has been a significant part of the community for over 70 years, has name recognition and can offer unmatched stability. Customers know that MATC will be here tomorrow!

In a further measure of the competition, there appears to be a significant number of training groups who quickly surface with the latest technology or trend, only to dwindle away when the next technology leaves or moves forward so rapidly, that they are left behind. This leaves their customers helpless when they wish to continue with additional training or increase their employee expertise to the next level.

Sales Plan

Internal paperwork has been reassigned to other areas, allowing OCCL sales personnel to spend more of their time to sell the services of the college. Sales staff will undergo a sales orientation, product-training program, and will participate in joint sales calls with more experienced OCCL staff. The Director of OCCL will reassign appropriate existing clients to the new staff, and communicate expectations and sales goals.

Activities will be monitored at regular sales meetings, and success toward sales goals will be measured using the following criteria:

- Contacts completed
- Sales calls
- Proposals submitted
- Contracts sold
- Repeat and additional business sale.

Each customer will be sent a satisfaction survey at the conclusion of their contract.

Official Name Change

The name of the organization was changed during 2002 to better reflect the mission of the Office. The president of the institution had requested that a committee meet and help plan the direction of the office. As a part of that discussion the new name was proposed. Office of Corporate and Community Learning (OCCL) was felt to be a better reflection for the institution and easier for the customer to relate to.

Sales Training

Sales training will be incorporated in the initial Orientation, ongoing training and sales support will be provided by the current sales staff member acting as sales trainer.

While the process of developing OCCL is on-going and will change frequently, the newly instituted training program will last approximately one week before new hires are given several accounts that have been proven to bring results for MATC. Their initial sales calls and experience will begin with support from the current sales staff member acting in the role as a sales trainer.

Location of Office

The office is currently located on the eighth floor of the FH building making it difficult for customers and prospective customers to find. The entire OCCL office should be relocated to the main building of the downtown facility. This will provide increased visibility, encouraging business, industry and other community-based organizations to come on campus.

In addition, private offices will be eliminated for non-essential functions, and a more open area of cubicles will be implemented.

ORGANIZATIONAL PLAN

The office is being reorganized to streamline its operations and more efficiently use existing resources. Currently, specific functions are handled by one individual and when that person is out ill, or incapacitated, those functions must be put on hold.

Two additional sales personnel are being hired to compliment the current selling staff of one. These sales individuals will be required to keep daily sales logs, will sell the entire institution, and be held distant from the normal politics that have interspersed themselves in the past. They will be supervised on a daily basis by a sales coordinator after receiving intensive training on what the college has to offer. This training component has not been utilized in the past.

There has always been some confusion as to whether OCCL is a "Division" or an office of the institution. The new structure will define and refer to OCCL as an Office with a director responsible for the activities.

As the implementation of contracts and associated paper work has been reassigned to the academic offices, the two remaining 587 persons will function as sales and administrative support to the Director and the three sales persons, and as customer support for incoming requests. This effort will allow the sales team to remain focused on revenue generating activities. The newly hired sales personnel will receive a salary for the first year, during which time a commissioned sales structure will be developed for implementation the second year. Sales staff will meet with the director to define a reasonable sales goal. Activities unrelated to OCCL, such as workshops, have been reassigned to other areas of the college.

Advisory Committee

An advisory committee will be formed with approximately nine individuals to help give guidance and direction to the new office. Past history has shown that successful advisory

committee members are also ambassadors for the programs they supervise. While the advisory committee has several members involved in training, the emphasis is on selling.

FINANCIAL PLAN

General Comments

Previously this office has delivered reports that show significant losses which are often attributed to economic development activities. The new policy, while allowing for these activities, requires that over a period of time, any losses must be recovered in the aggregate within the same fiscal year. This procedure recognizes, and allows for "loss leaders", community development, and other activities, but it now emphasizes that every attempt must be made to recover or make whole all losses of any account prior to the end of the fiscal year.

Capital Equipment

Approximately \$10,000 to \$12,000 has been allocated to the office each year. This allocation has been returned to the institution for use in other areas. It was specifically designed as a hedge against capital needs that may be required by a new business and industry contract. This will remain consistent with no new expenses.

Funds from budget number 90901 will be reallocated to the divisions to support their interests

Monthly Reports

Monthly projected income statements will be kept reflecting all OCCL 38:14 activities in the college. This is being recommended as a change to give a more accurate report of the financial stats of the office. Year end reports will include state aids resulting from the FTEs generated by contract activity.

Quarterly Reports

Quarterly reports are submitted to the MATC Board which list total contract revenue, less contract costs, margin of difference and the percent of cost recovery as established by board policy. In the future, these reports will segregate OCCL business and industry contracts from Workplace Learning, and High School contracts.

Modification of BO301

Recommended Changes:

Page 1, last paragraph-

Change first sentence to read, "The pricing of service provided by the district shall be established so as to make every effort to recover 100% of direct costs and the administrative

costs associated with the Office of Corporate and Community Learning on an annual aggregate basis.

Change third sentence to read, "The president or the president's designee have the authority to approve contract pricing at less than 100% cost recovery under conditions defined in Appendix A,"

Page 2, last paragraph-

Change third sentence to read, "Each contract will be assessed for compliance by the president's designee prior to execution."

Change last sentence to read, "Contracts not subject to full-cost recovery per criteria defined in Appendix A must have prior approval by the president or the president's designee."

SUMMARY

Strengths

MATC has immediate name recognition

MATC has been serving business and industry since 1884

Diversity of faculty and staff that reflect the market

Cutting edge technology

Unlimited pool of subject matter from within the institution

Flexibility to package training to meet customer needs

Solid base of current and past customers

Areas of expertise and focus unique among local educational institutions

Challenges

Several changes in leadership and philosophies over the years

Lack of consensus as to the role and responsibility of the office

No real recognition with the institution

No designated area for training professionals

Financial reporting is difficult to understand and not reflective of true results

External competition: neighboring technical colleges, four-year institutions, growing number of private training vendors, and consultants

Internal competition (offering programs and courses to external customers at tuition and fee rates)

Costs are pushing the limits of what is competitive in the local market.

Internal systems, designed to support traditional academic activity, use excessive resources and limit responsiveness to customers

Rate of faculty pay can change depending on the length of the contract

Limited resources to implement and manage contracts generated by new sales staff (whether in OCCL or the instructional offices)