

**LANSING COMMUNITY COLLEGE**  
Board of Trustees

**Ad Hoc Committee Report (2/9/06)**

**I. Student Financial Aid System**

The widely publicized problems with financial aid at Lansing Community College in fall of 2005 were a major area of concern for the Board of Trustees because of the immediate negative implications to LCC students and the long-term effect of a failed system: What caused the problems? What was the college doing to fix the problems? Were there liabilities if the system were used for other business applications for outside customers? Would this happen again to our students? What were the total costs to the college and its stakeholders?

Since the Board stands in a fiduciary relationship with the college, Board Chairman Chris Laverty created the Ad Hoc Committee to address the apparent problems and mounting public (and internal) concern regarding the school's computer system and the detrimental effect it had on financial aid disbursements in the fall of 2005. Trustees Thomas Rasmusson (Ad Hoc Chairman), K.P. Pelleran, and Tim Brannan were appointed to the committee. The Ad Hoc Committee focused on the student financial aid system as its greatest concern.

- Students waited in long lines, sometimes multiple days seeking resolutions that literally took weeks
- Most financial aid checks were wrong in fall of 2005 (staff estimated 80 to 90 percent)
- Oracle Student System not fixed, contrary to recent information made public by the administration
- The Oracle Student System software to correct financial aid has not been completely developed and is not expected to be received until fall of 2006

- Some members of the college Executive Leadership Team (a committee that makes operational decisions for the President) have repeatedly misrepresented the truth by saying the system was fixed for Financial Aid (manual workarounds have required tremendous staff overtime and a group of consultants for major processes) when in fact it continues to have problems
- College lost an estimated \$1 million in fall of '05 from erroneous payments (staff estimated \$1 million; in October, auditors estimated \$800,000)

During its inquiry, the Ad Hoc Committee reviewed many documents, met with auditors and experts who were familiar with technology, reviewed emails from staff and students, and interviewed staff and administrators who had information regarding the Oracle Student System (OSS). The committee also reviewed three audit reports by BDO Seidman, LLP, Maner, Costerisan & Ellis, PC, and Plante & Moran which were prepared at the request of the President shortly after the financial aid problems occurred in Fall 2005. Only two audits were furnished to the Board in a report dated October 14, 2005. On October 17, 2005, the entire Board reviewed the two audits presented by BDO Seidman, LLP and Maner, Costerisa & Ellis, PC. The Board was told at the time that Plante & Moran did not have its report completed. The Ad Hoc Committee later learned that Plante & Moran was indeed prepared, but was asked to make changes to its report and not to present to the Board that evening. Board members did individually receive the abridged version of Plante's audit on October 18 – but were not presented the original report. After reviewing all audits, the Ad Hoc Committee believed that the audit reports merely scratched the surface of the systemic problems experienced at LCC as the scope of the audits appeared to be limited.

First, with regards to the Oracle software project, the board was misled from the very beginning. The Board was told by the college administration that: (1) the system was mature except as to the student system and that there was (2) great advantage from being part of the development and testing of a new student system and that (3) the system would save money. All three claims were untrue. Even the “mature” finance and Human Resources (HR) systems have been very troubled up to the present time, more

than a year after “implementation.” An expert from Michigan State University (as well as the experts from Collegis) told the Ad Hoc Committee that it is well known that being an “alpha site” (or “guinea pig” for software) is a difficult and costly process that can take many years to operate correctly; and, that back-ups and testing are necessary, which were not done at LCC. The problems were not a result of a “minor computer software glitch” in the system. A “minor computer software glitch” implies needing only a small adjustment. However, because the Oracle Student System was what is referred to in the industry as an “Alpha” system, it needed more than a minor fix. The Collegis report, which will be incorporated by reference into this report after its presentation, will discuss the system’s designation as an Alpha site in greater detail. The report concludes that the student financial aid system should **NOT** have “gone live” in the fall of 2005, although Information Technology (IT) and Information Services and College Development (ISCD) fully supported the system “going live”. There was no parallel system and no back up plan. Yet, for some reason the system was rushed into “going live” when it was obvious, even to the end-user community, that the system was going to fail. The failure of the Oracle Student System Software became evident when 1,900 students failed to have their financial aid correctly processed, thus, creating an undue burden on them and the staff at Financial Aid and the entire college community.

Second, the Ad Hoc Committee found that there was no formal training on the Oracle System in the Financial Aid Department, even though the Ad Hoc Committee had been told otherwise. This lack of training was first mentioned to the Ad Hoc Committee during an interview with the interim Director of Financial Aid, Nancy Sinsabaugh. She remarked that the staff in the Financial Aid Department had no training on the Oracle student system, that there was a lack of support and that the financial aid department was short staffed. Subsequent interviews revealed that financial aid workers were learning the system through trial-and-error “work sessions” with ISCD. No one present at the sessions knew how to use the system. Interviews with the administration and staff led the Ad Hoc Committee to conclude that not only was the financial aid staff untrained on the new system, but that the entire department was unprepared to “go live” in the fall of 2005. The Ad Hoc Committee was also disturbed to learn that the problems with the

Oracle student financial aid system have caused LCC to be out of compliance with federal financial aid regulations. Since compliance is a premier factor in the accreditation process for LCC, being non-compliant would potentially subject LCC to sanctions and fines.

Third, the committee learned that the financial aid department was severely understaffed. During the critical time of the Oracle Student System implementation, the financial aid office was functioning without a Director, Assistant Director, Loan Supervisor, and a Financial Aid Technical person. A request was made by the Financial Aid Department to fill staff vacancies. Subsequently, the Executive Leadership Team denied this request. One of the vacancies that the Department requested to be filled was that of the Financial Aid Director position. Another important position which remained vacant was for a Financial Aid Technical person. When asked why the position would not be filled, the then Chief Information Officer (CIO), stated that “all work could be done by ISCD.” Unfortunately, ISCD lacked the knowledge for loading Free Application for Federal Student Aid (FAFSA) information, packaging awards, assigning budgets, assigning “To Do Items”, and completing federal and state reports. Lack of permanent individuals in leadership positions and staff within the financial aid department during this crucial time was an important reason why the department did not support “going live.” Yet their position was overridden by the ISCD personnel involved in the decision.

In addition, many staff were taken from various divisions/departments and relocated to ISCD without replacement. There was a documented lack of internal effective communication between Financial Aid and ISCD. It appeared that an inordinate level of authority had been granted to ISCD and that all departments were pressured to oblige. It was also suggested by many of those interviewed by the Ad Hoc Committee that the approach taken appeared to be one of “throw more money at the problem” to try and fix it.

Most concerning to the Ad Hoc Committee has been what we believe to be the blatant misrepresentation of fact by the college’s then CIO and some members of its Executive

Leadership Team. In the September 29, 2005 and February 6, 2006 editions of the Lansing State Journal, members of the Executive Leadership Team were quoted as saying the Student Financial Aid System is “fixed.” In fact, it is well known that the system was not fixed because (1) the software to fix it will not even arrive until the fall of 2006, (2) only manual workarounds involving extra staff hours, along with a costly team of out-of-state consultants, are getting any financial aid checks out to students, (3) that 80 to 90 percent of the scholarship checks in the fall were erroneous, (4) that errors in scholarship awards cost the College an estimated \$1 million in the fall of 2005.

In conclusion, most of the problems that occurred during the fall of the 2005 financial aid disbursement period are linked to the Oracle Student System and its gross mismanagement. The student financial aid system was not ready to “go live.” The Financial Aid Department lacked the manpower and personnel in decision-making positions it desperately needed, and the Financial Aid staff were not properly trained on the new system. To say that the problems in financial aid were due to a “minor computer software glitch” is a gross understatement and reflects a lack of understanding of the problems. It is believed by the Ad Hoc Committee that the delays in financial aid, incorrect payments, and erroneous scholarship and tuition waivers were a direct result of the mismanagement of the Oracle Student System and its premature application. The college’s Administration is in **complete denial** with regards to the computer problems currently being experienced at LCC. From the very beginning, the system lacked the capability to handle crucial tasks essential to the operation of the Financial Aid Department. The Ad Hoc Committee was told that many calculations were being done by hand (increasing the possibility of human error), that financial aid checks were not being printed properly, that money was being disbursed for students who really had not qualified for financial aid, that improper amounts for financial aid were authorized by ISCD staff rather than financial aid staff, or that financial aid was not being provided to students who did qualify for it.

Lansing Community College is an institution of higher education, and its top priority is to the welfare and success of its students. Students at LCC who depended on financial aid

to pay for their tuition, books, and basic necessities were left to fend for themselves at the start of the semester. Students could not get the kind of help that was necessary, and often were on hold on the phone for hours or stood in lines repeatedly for days waiting for help. As frustrations mounted, staff at the service end who had direct contact with students and parents, often found themselves being verbally abused, and worse, felt completely powerless when it came to trying to help out students out. A staff member said it was “heartbreaking” to know that people were “suffering financially” and “we were powerless to help.”

That is why the Ad Hoc Committee suggested a thorough review by an outside firm with the required level of expertise to lend a qualified opinion as to why our system failed and what was needed to fully support its implementation in a manner that served our students needs, while being cost effective.

The following list is a work in progress by the Ad Hoc Committee, and information will be provided at subsequent scheduled Board meetings.

## **II. Legal Liability**

According to the documents that were furnished by the College, there was no legal liability of the software provider for correcting problems and reimbursing expenses. Other legal opinions include:

- No signed contract between LCC and Oracle
- No enforceable contract
- No remedies, no scope of work (timelines, milestones, outcomes)
- No performance parameters or deliverables
- Recovery against Oracle is unlikely

It was wrong for the college to release the 1995 State of Michigan contract between Oracle and the State, claiming that it was the complete “main” contract between Oracle

and LCC. Many parts were missing or were never supplied to the Ad Hoc Committee or the attorneys. Other documents were incorporated which provide that the supplier would not be liable or obligated to supply deliverables. Therefore, based on the contracts supplied to the Ad Hoc Committee, it is unlikely that a court would force the software supplier to pay extra cost to fix the problems or to reimburse LCC for any extra money spent fixing the system.

### **III. No Cost Savings From Technology**

In its presentation to the Board, the Administration told the Board that the Oracle Implementation would save money. However, costs continue to rise and the implementation of the Oracle Student System, in reality, has not saved the college any money. As a matter of fact, there was no set budgeted amount for the Oracle system.

The cost, to date, associated with the purchase and implementation of the Oracle Student System is estimated at more than \$40 million (hardware/software, staff, licenses).<sup>1</sup>

- Oracle student system may have only a two-year lifespan, after which Oracle may no longer support the current student system.
- It would have cost less to have 150 full-time employees doing the work manually than it did to maintain and correct the Oracle student system.

#### **Oracle Project Cost Breakdown:**

|                     |               |
|---------------------|---------------|
| Enterprise software | \$7.5 million |
| Database            | \$1.8 million |
| Hardware/Software   | \$8 million   |
| Licensing to Oracle | \$2.5 million |

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<sup>1</sup> Total based on data furnished and estimates for data not furnished.

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|--|---------------------------|--|
| ISCD implementation  | \$21 <sup>2</sup> million |  |
| Test Software  | -----                     | Cost information not supplied by college.  |
| Annual Oracle Maintenance  | -----                     | Cost information not supplied by college.  |
| Patches (software updated)   | -----                     | Cost information not supplied by college.  |
| Oracle support   | -----                     | Cost information not supplied by college.  |
| Development costs borne by LCC   | -----                     | Cost information not supplied by college.  |
| Interim financial aid director contract plus fees and expenses                                     | \$150/hour (partial cost) | Only partial information on hourly fee provided by consultant. Other cost information not supplied by college. |
| Out-of-state contractors brought in to LCC in Fall 2005 and January 2006 to package financial aid. | -----                     | Cost information on number of contractors, wages, fees and expenses not supplied by college.                   |
| Staff overtime   | -----                     | Cost information not supplied by college.  |
| Cost of fixing financial aid problems from implementation  | -----                     | Cost information not supplied by college. Estimated overpayments in scholarships at \$1 million.               |
| TOTAL:   | \$40.8 million            | (It is estimated that this figure would be higher.)  |

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<sup>2</sup> Estimate – after four months of board requests this has not been furnished. It is known in '06 at a cost of \$5.5 million. Prior years are estimates (fiscal years '02, '03, '04, and '05).

There is no cost benefit from this large technology investment at this time. This raises the question as to why it was recommended to the board and why it was represented as generating a cost savings (staff on the software review team said they felt the questions were leading and in favor of Oracle. Conversely, they indicated that Banner gave an inadequate presentation). The Ad Hoc Committee is hopeful that by working through the Oracle software problems, LCC will eventually return to its rightful place as a leader in technology, and that a new world of capabilities will emerge making LCC students the most technologically savvy in the global workplace.

## **V. Alpha Site**

- The term “alpha site” means the Oracle Student software was undeveloped.
- Such a system was unlikely to function without a period of operating and working out problems – this could take years.
- The Board was led to believe by the Administration in numerous presentations by the former CIO that the Oracle Student System software was in the College’s best interest. They were never informed that the software was neither developed nor tested and that LCC would be an “alpha site”
- It should have been expected that the software would fail. The Ad Hoc committee is hopeful that the Oracle Student System can be fixed to become a useful tool for administration, faculty and students.
- Personnel across campus were not trained in the system and were left on the sidelines watching their colleagues deal with the botched implementation of the financial aid system. They were rendered helpless when, in contrast to other system implementations, they could have provided relief by helping students.
- Campus-wide, personnel felt that there was no where to go for help. It was either ISCD’s way or the highway.

## CONCLUSION

1. It is imperative that LCC has a computer system that works efficiently and properly.
2. An independent firm should be retained (through the RFP process) at LCC to restore integrity in the Oracle Student System by assessing problems and developing solutions, properly training staff campus-wide, using proper number of staff needed to perform the IT functions for each department.
3. Assess the various options at this point:
  - a. Fixing present software versus mature software.
  - b. College operating its own system versus outsourcing operation.

Ad-Hoc Committee Chair