PERFORMANCE AUDIT

OF

SELECTED TRAINING RELATED PROGRAMS

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

August 2003

07-404-02

Michigan

Office of the Auditor General

REPORT SUMMARY

Performance Audit

Selected Training Related Programs

Michigan Economic Development Corporation

Report Number:
07-404-02

Released:
August 2003

The Michigan Economic Development Corporation's (MEDC's) mission is to promote smart economic growth by developing strategies and providing services to create and retain good jobs and a high quality of life for Michigan residents. To accomplish its mission, MEDC oversees training related programs. These programs include the Economic Development Job Training (EDJT), the Michigan Technical Education Center (M-TEC), the Michigan Virtual University, and the Governor's Career Scholarship Programs.

Audit Objectives:

1. To assess the effectiveness of selected training related programs provided through MEDC.

2. To assess MEDC's compliance with the statutory requirements relating to the selected training related programs.

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Audit Conclusions:

1. We concluded that MEDC's selected training related programs were moderately effective. However, we noted reportable conditions related to verification of the EDJT employment effects and implementation of remedies; documentation of the M-TEC grant award process; and monitoring of the M-TEC Program and the Governor's Career Scholarship Program.

2. We concluded that MEDC complied with the statutory requirements relating to the selected training related programs that we reviewed.

~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~

Background and Reportable Conditions:

MEDC issues EDJT grants to entities that design training for the retention of existing employees or to train and provide job placement for new employees. The majority of the EDJT grants are to provide training for the retention of existing employees. EDJT grant recipients develop customized training programs to meet specific business needs.

MEDC did not independently verify the reported increases in employment resulting from training provided by the EDJT grantees. In addition, MEDC did not have procedures to seek remedies from EDJT grantees when they failed to meet their goals to increase employment. (Finding 1)

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M-TECs were developed to address the need for more highly skilled workers. A total of $60 million was allocated for capital costs for community colleges to establish the new technical training centers, known as M-TECs. The focus of M-TECs is to provide easy access to on-demand, state-of-the-art, customer friendly training in high-skill, high-wage, and high-demand occupations.

MEDC did not maintain complete documentation of its evaluation and its selection of the recipients of M-TEC grants to provide evidence that the grant proposals were consistently evaluated (Finding 2).

In addition, MEDC did not effectively monitor M-TECs to determine whether the M-TEC Program met its Program goals (Finding 3).

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In fiscal year 1997-98, the Governor's Career Scholarship Program was established to provide $20 million over a four-year period for approximately 12,500 scholarships for students enrolled in training for high-skill, high-wage, and high-demand occupations at community colleges or other training providers in Michigan.

MEDC did not effectively monitor the Governor's Career Scholarship Program during the four-year program period (Finding 4).

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Agency Response:

MEDC agrees with 1 finding, partially disagrees with 2 findings, and disagrees with 1 finding.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: www.state.mi.us/audgen/

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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

August 29, 2003

Ms. Sabrina Keeley, Chief Operating Officer
Michigan Economic Development Corporation
300 North Washington Square
Lansing, Michigan

Dear Ms. Keeley:

This is our report on the performance audit of Selected Training Related Programs, Michigan Economic Development Corporation.

This report contains our report summary; description of programs; audit objectives, scope, and methodology and agency responses; comments, backgrounds, findings, recommendations, and agency preliminary responses; two maps, presented as supplemental information; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

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MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

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Description of Programs

Article VII, Section 28 of the State Constitution and Act 7, P.A. 1967 (Sections 124.501 - 124.512 of the *Michigan Compiled Laws*), provided for the creation of the Michigan Economic Development Corporation (MEDC) as a public body corporate. MEDC was created as a separate legal entity on April 5, 1999 by a 10-year contract (interlocal agreement) between a participating local economic development corporation formed under Act 338, P.A. 1974 (Sections 125.1601 - 125.1636 of the *Michigan Compiled Laws*), and the Michigan Strategic Fund (MSF). Under the terms of the agreement, the governance of MEDC resides in an executive committee of 17 members appointed by the Governor to eight-year, staggered terms.

The executive committee appoints and provides oversight to the MEDC chief executive officer. The chief executive officer is charged with the administration of all programs, funds, personnel, contracts, and all other administrative functions of MEDC. MEDC's mission* is to promote smart economic growth by developing strategies and providing services to create and retain good jobs and a high quality of life for Michigan residents.

To accomplish its mission, MEDC oversees training related programs. The programs included in our scope were the Economic Development Job Training (EDJT), the Michigan Technical Education Center (M-TEC), the Michigan Virtual University (MVU), and the Governor's Career Scholarships Programs:

a. <u>EDJT Program</u>

In fiscal year 1992-93, the EDJT Program was established within the School Aid Fund appropriation as the adult education alternative training program. In fiscal year 1995-96, the EDJT Program was moved to the Michigan Jobs Commission. In fiscal year 1998-99, Executive Order No. 1999-1 moved the EDJT Program to MSF, which then transferred the program to MEDC as part of the interlocal agreement. The EDJT Program was appropriated approximately $30 million for each fiscal year during the period October 1, 1998 through July 31, 2002. MEDC issued approximately 285 grants per fiscal year to provide training and job placement services to individuals and companies to ensure that Michigan employers have the highly trained workers that they need to compete in a global economy.

* *See glossary at end of report for definition.*

We have included, as supplemental information, detail by county of the EDJT Program for fiscal year 2000-01.

b. M-TEC Program

The M-TEC Program was created to address the need for more highly skilled workers. A total of $60 million ($30 million in fiscal year 1997-98 and an additional $30 million in fiscal year 1998-99) was made available and expended to establish new technical training centers, known as M-TECs. The purpose of these centers is to provide easy access to on-demand, state-of-the-art, customer friendly training in high-skill, high-wage, and high-demand occupations.

c. MVU Program

In fiscal year 1997-98, MEDC allotted $30 million to help establish MVU, a private, not-for-profit, Michigan corporation. The primary goal of MVU is to provide on-line education and training opportunities to Michigan's current and future work force. MVU had received approximately $28 million of the $30 million allotment as of July 31, 2002.

d. Governor's Career Scholarship Program

In fiscal year 1997-98, the Governor's Career Scholarship Program was established to provide $20 million over a four-year period to fund approximately 12,500 scholarships for students enrolled in training for high-skill, high-wage, and high-demand occupations at community colleges or other training providers in Michigan. These occupations include construction trades workers, engineering and health care technicians, and computer programmers. Approximately 6,000 scholarships were awarded during the enrollment period that ended September 30, 1999.

The EDJT Program is funded from a transfer from the General Fund through the Michigan Strategic Fund. The M-TEC Program was partially funded by the General Fund and MEDC's other revenue sources. The MVU Program and Governor's Career Scholarship Program were funded from MEDC's other revenue sources.

As of July 31, 2002, MEDC had 43 corporation employees and 228 full-time permanent employees who were detailed* from MSF.

* *See glossary at end of report for definition.*

Audit Objectives, Scope, and Methodology and Agency Responses

Audit Objectives

Our performance audit* of Selected Training Related Programs, Michigan Economic Development Corporation (MEDC), had the following objectives:

1. To assess the effectiveness* of selected training related programs provided through MEDC.

2. To assess MEDC's compliance with the statutory requirements relating to the selected training related programs.

Audit Scope

Our audit scope examined the program and other records of selected training related programs provided through the Michigan Economic Development Corporation. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Audit Methodology

Our audit procedures, performed between May and October 2002, included examining MEDC's records and activities for the period October 1, 1998 through July 31, 2002. We conducted a preliminary survey, which consisted of interviewing various personnel and reviewing reports and procedures to gain an understanding of and to form a basis for selecting MEDC programs to audit.

To accomplish our first objective, we examined the records and activities of selected MEDC's training related programs. We researched training standards and publications to obtain an understanding of these programs. We also reviewed the processes utilized by MEDC to monitor the results of the training programs.

* *See glossary at end of report for definition.*

To accomplish our second objective, we determined the statutory requirements for the selected training related programs. We then assessed whether MEDC complied with these requirements.

Agency Responses

Our audit report contains 4 findings and 5 recommendations. MEDC's preliminary response indicated that it agrees with 1 finding, partially disagrees with 2 findings, and disagrees with 1 finding.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require MEDC to develop a formal response to our findings and recommendations within 60 days after release of the audit report.

COMMENTS, BACKGROUNDS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

EFFECTIVENESS OF SELECTED TRAINING RELATED PROGRAMS

COMMENT

Audit Objective: To assess the effectiveness of selected training related programs provided through the Michigan Economic Development Corporation (MEDC).

Conclusion: We concluded that MEDC's selected training related programs were moderately effective. However, we noted reportable conditions* related to verification of the Economic Development Job Training (EDJT) grants' employment effects and implementation of remedies; documentation of the Michigan Technical Education (M-TEC) grant award process; and monitoring of the M-TEC Program and the Governor's Career Scholarship Program (Findings 1 through 4). Our review of MEDC's administration of training related programs determined that MEDC had established goals* and performance measures for each program, followed its procedures for issuing grants and payments, and evaluated the training portion of EDJT grants.

BACKGROUND - EDJT Program

The goal of the EDJT Program is to ensure that Michigan employers have the highly trained technical workers that they need to compete in a global economy. MEDC issued 1,350 EDJT grants during the period October 1, 1998 through July 31, 2002 to entities that design training to improve the skills of existing employees or train and provide job placement services for new employees.

The majority of the EDJT grants are to provide training for the improvement of the skills of existing employees. EDJT grant recipients develop customized training programs to meet specific business needs. Most of the training programs are for front-line workers who can apply the new knowledge and skills gained from this training to current as well as future jobs. Technical, teamwork, and process improvement training funded by the EDJT Program often assist worker career advancement.

** See glossary at end of report for definition.*

MEDC's monitoring efforts included reviewing data from the grantees, trainees, and companies. Grantees also contracted with independent audit firms to review grantees' records after the completion of the grant in accordance with requirements and procedures issued by MEDC. The EDJT Program was appropriated, through the Michigan Strategic Fund, approximately $30 million each fiscal year during the period October 1, 1998 through July 31, 2002.

FINDING

1. Verification of EDJT Grants' Employment Effects and Implementation of Remedies

MEDC did not independently verify the reported increases in employment* resulting from training provided by the EDJT grantees. In addition, MEDC did not have procedures to seek remedies from EDJT grantees when they failed to meet their goals to increase employment.

In our review of MEDC's procedures for awarding and monitoring EDJT grants, we reviewed 68 grants of 493 that provided both training and increases in employment as a goal. Twelve of the 68 grants had completed their training and job placement activities by December 2001. In an attempt to validate the increases in employment as reported by the EDJT grantees, we obtained total employment information from the Michigan Employment Service Agency (ESA) for the first quarter of 2002 for companies that benefited from 7 of 12 grants. Sufficiently detailed information was not available from ESA to allow for comparison for the remaining 5 grants.

Originally, the 7 grant applications had a combined goal to increase employment at specific companies by 775 employees. MEDC informed us that because of uncontrollable events, such as downturns in the economy and employee turnover and retirements, the grantees' goals regarding increased employment were revised. The revised combined goal for these grants was to increase employment by 458 employees.

Upon completion of the grants, the grantees reported to MEDC an actual increase of 635 employees on their final grant reports. However, the ESA information

* *See glossary at end of report for definition.*

indicated an aggregate decrease of 222 employees after the grant periods. The decrease was primarily attributed to two grants:

a. One grant that targeted trainees who lacked skills to obtain gainful employment in a distressed area had an original goal to increase employment by 309 employees. The grantee reported that it increased employment by 205 employees; however, ESA reported a decrease in total employment of 400 employees.

b. The second grant had an original goal to increase employment by 26 employees and revised that goal to an increase of 18 employees. The grantee originally reported an increase of 5 employees on its final grant report, but later reported an increase of 24 employees. The ESA information indicated that there was a decrease in employment of 62 employees. Changes in reported information by grantees further supports the need for independent verification by MEDC.

The remaining 5 grants had an original combined goal to increase employment by 440 employees and a revised combined goal to increase employment by 131 employees. These grantees had reported a net increase of 406 employees. However, the ESA information showed a net increase of 240 employees. Although these 5 grantees exceeded their combined goal, MEDC's failure to independently verify reported increases in employment could result in MEDC failing to detect grantees that did not achieve program goals.

MEDC does not believe that ESA employment information is the best source for verifying increases in employment as a result of the grants. MEDC stated that economic factors could have affected a "net" increase and decrease for a company's total employment information which may not be related to the associated training grant. MEDC also indicated that there could be timing differences between the grantees' reported information and employers' information available through ESA. While we agree that timing differences may result in some differences between the grantees' information and ESA employment information, we believe that MEDC should consider analyzing ESA information or obtaining direct confirmation of new employees from employers to verify the grantees' reported information.

We also noted that MEDC did not have procedures to seek remedies from grantees that failed to accomplish their stated goals of increasing employment. For

example, for one of the grants we reviewed, MEDC awarded $800,000 to train and provide job placement at a cost of $1,677 per trainee. At the completion of the grant, MEDC requested and obtained a $10,750 refund from the grantee, resulting in the final cost of $3,850 per trainee. MEDC indicated that this grant was to provide technical training to obtain gainful employment in a distressed area and, because of the many challenges facing this grant, it was not comparable with other grants. Therefore, MEDC indicated that the refund was "negotiated" between MEDC and the grantee. However, MEDC did not document its basis for requesting only the $10,750 refund. The lack of specific procedures limits MEDC's ability to seek remedies when the grantees fail to meet their grant goals to increase employment.

RECOMMENDATIONS

We recommend that MEDC independently verify the reported increases in employment resulting from training provided by the EDJT grantees.

We also recommend that MEDC develop procedures to seek remedies from EDJT grantees when they fail to meet their goals to increase employment.

AGENCY PRELIMINARY RESPONSE

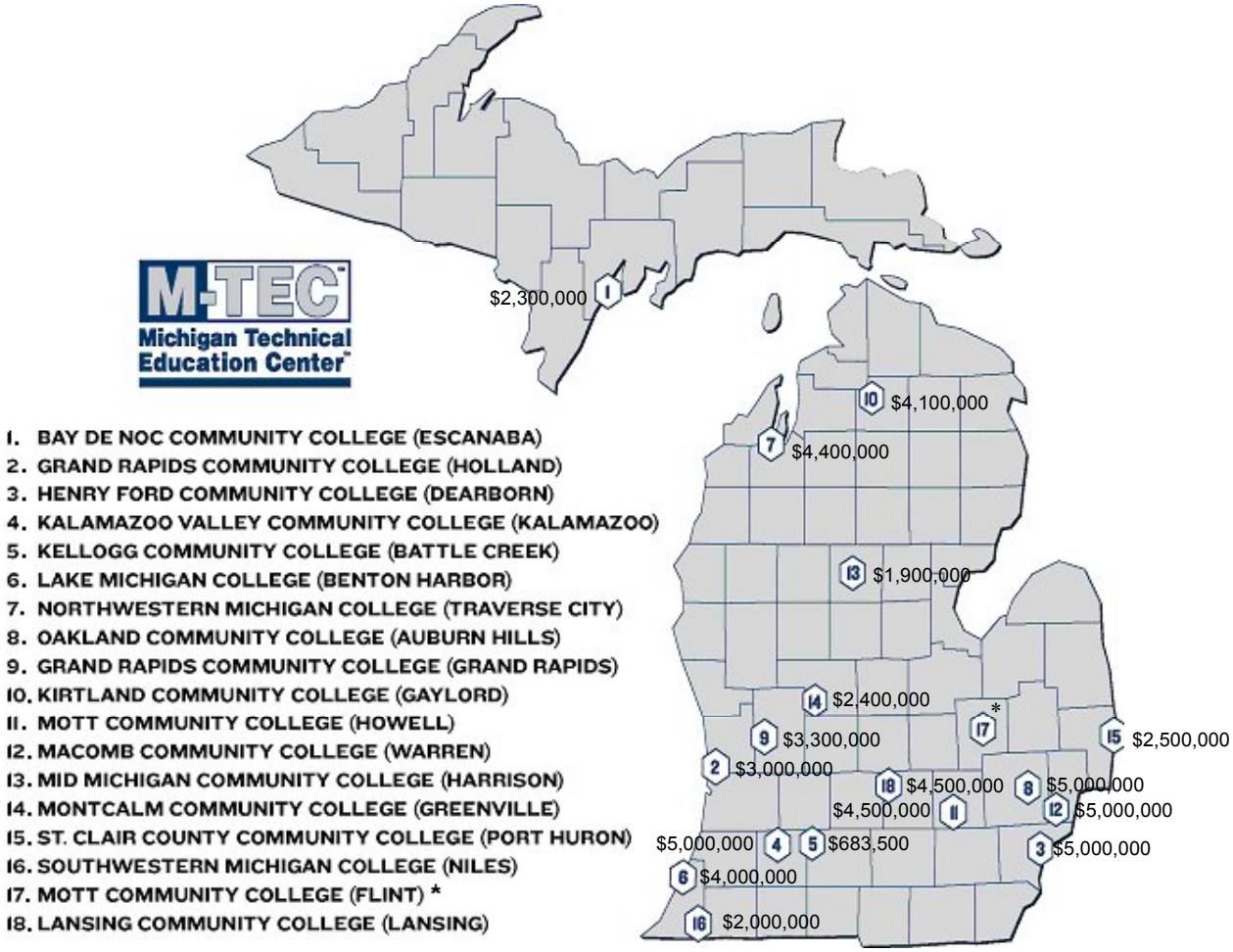
MEDC partially disagrees with this finding. MEDC does receive employment data from the grantees at the completion of training in order to disburse final payment. MEDC does not believe that the ESA information is the best source of information for verifying increases in employment. MEDC had procedures in place to verify the number of persons to receive training and to reduce the amount of awards when the actual training is less than planned. However, MEDC is in the process of revising its application and grant documents for future grants to include language regarding independent employment verification and a standard method for grant reimbursements.

BACKGROUND - M-TEC Program

To address the need for more highly skilled workers, a total of $60 million ($30 million in fiscal year 1997-98 and an additional $30 million in fiscal year 1998-99) was allocated for community colleges to establish new technical training centers, known as M-TECs. The focus of M-TECs is to provide easy access to on-demand, state-of-the-art, customer friendly training in high-skill, high-wage, and high-demand occupations.

Twenty-six community colleges applied for the M-TEC competitive grants. Seventeen grants were awarded in two rounds: 8 community colleges were selected to receive funding in the first round and 9 were selected in the second round. Five of the M-TECs were opened in 2000, 6 were opened in 2001, 5 were opened in 2002, and 1 is still in the construction phase. In addition, one community college was appropriated capital outlay funds directly, separate from the MEDC grant award process, and then received the M-TEC designation from MEDC. The community colleges with M-TECs are shown on the following map:

M-TEC Grant Awards



* Funding by capital outlay appropriation.

Source: MEDC

FINDING

2. Documentation of the M-TEC Grant Award Process

MEDC did not maintain complete documentation of its evaluation and its selection of the recipients of M-TEC grants to provide evidence that the grant proposals were consistently evaluated.

A systematic, comprehensive, and uniform evaluation process should be used to ensure that all grant proposals are consistently evaluated, that the evaluations are properly documented, and that MEDC has selected the best proposals to meet its goals. MEDC's evaluation process included preestablished evaluation criteria, a scoring methodology, and instructions to evaluators on scoring and documenting the evaluation of each grant proposal. To corroborate the integrity of the selection process, documentation of the evaluations should be developed and maintained to provide evidence that the same criteria was used to evaluate and score each proposal and that the evaluations were completed in a consistent manner.

Our review of the evaluation of grant proposals noted:

a. MEDC did not maintain documentation of the details of how each proposal was evaluated and scored against its established criteria and scoring methodology. MEDC's evaluators did not maintain individual evaluation score sheets to indicate how well the individual proposals met the specific criteria. MEDC's files primarily contained review notes that included follow-up questions for on-site visits of applicants. Because of the subjective nature of the criteria, the documented results of how each proposal was evaluated and scored for each criterion should be maintained to provide evidence that it was properly used in the overall evaluation process.

b. MEDC's documentation did not include a summary of results of the evaluations that identified which proposal was selected and the reasons why. MEDC did prepare a large work sheet that documented a variety of numeric scores and narratives that indicated the strengths and weaknesses of each proposal but did not readily identify which proposals were selected and the reasons why. Because of the subjective nature of the criteria, sufficient details explaining the reasons why proposals were selected should be completely documented.

RECOMMENDATION

We recommend that MEDC maintain complete documentation of its evaluation and its selection of the recipients of grants to provide evidence that the grant proposals are consistently evaluated.

AGENCY PRELIMINARY RESPONSE

MEDC partially disagrees with the finding. MEDC recognizes that some of the detail documentation was not maintained. However, the evaluation teams did follow a review process, evaluated the applications against consistent selection criteria, performed site visits, and held discussions with all evaluation team members. Each evaluation team developed a spreadsheet from the individual and team evaluations that indicated the results of the grant application reviews and was used as a working document for team discussions to assist in reaching a consensus regarding grant award recommendations to senior management.

FINDING

3. Monitoring of the M-TEC Program

MEDC did not effectively monitor M-TECs to determine whether the M-TEC Program met its Program goals.

The M-TEC Program established grants to increase the capacity of community colleges in order to provide technical training in high-skill, high-wage, and high-demand occupations. M-TEC grants were awarded based on a competitive process that required applicants to provide proposed quantitative and qualitative outcomes* for their proposed training programs.

Our review of MEDC's monitoring of the M-TEC Program noted:

a. MEDC did not evaluate each M-TEC's annual performance against the proposed five-year service levels and performance outcomes that were included in the grant proposals. Grant applicants provided separate proposed service levels for each training program and a total for a five-year period, which MEDC used in its evaluation of each grant application. If an M-TEC's actual performance is less than proposed, MEDC should take steps to ensure

* *See glossary at end of report for definition.*

that the M-TEC develops and implements strategies to attain the proposed service levels.

b. MEDC did not obtain sufficient information from the grantees to allow MEDC to evaluate the grantees' performance in relation to the proposed performance outcomes that were included in the grant proposals. For example, performance outcome measurement data included in the applications that MEDC could utilize to evaluate the programs included:

(1) Training programs identified in an M-TEC application compared with the training programs actually provided.

(2) The projected number of certificates and degrees received and apprenticeships completed in an application compared with those actually received or completed in each training area.

(3) The projected number and percent of students achieving industry-validated standards in each training area compared with the actual results.

(4) The projected number of students per application paying tuition related to the designated training areas per the application compared with the actual number.

(5) The projected number of students hired by businesses that provided support to the center compared with the actual number.

MEDC could use this data to assess the performance of each M-TEC in relation to the grant agreement. MEDC could also use this data to determine if its M-TEC Program was meeting its objectives. MEDC should also verify any performance data it uses to evaluate programs.

c. MEDC did not obtain or evaluate building utilization information for any of the M-TEC buildings. Because M-TEC grants were awarded for the purpose of building or renovating structures to provide technical training, building utilization information would provide useful data, in addition to the performance data, to determine facility needs. Neither the application process nor the grant agreement provided for the M-TECs to report building utilization information to

MEDC. However, this information would also provide a basis for determining whether the completed buildings were used for their intended purpose of providing facilities for technical training once the programs were operational.

Our review of building utilization information provided to us by 4 M-TECs that had been open for more than nine months noted:

(1) Two M-TECs did not provide any enrollment information related to the classes that used the M-TEC facilities. As a result, the extent to which the M-TEC buildings were used could not be determined.

(2) Three M-TECs had not used 18 (42%) of 43 total classrooms during the time periods reported. Because of insufficient information provided by some of these 3 M-TECs, we could not accurately determine the number of hours that the remaining 25 classrooms had been used during the time periods reported.

(3) One M-TEC could not provide any classroom utilization data.

MEDC should obtain and evaluate relevant data from the M-TECs on an ongoing basis to help ensure that building utilization is as close to capacity as possible and that M-TEC buildings are used for the intended purposes. In addition, effective evaluation of this information can provide useful information in determining the need for additional technical training centers.

d. MEDC did not obtain information on actual annual operating revenues and costs, tuition revenue, and private sector support related to the M-TECs. Grant agreements required each M-TEC to provide financial reports as requested by MEDC. In addition, each M-TEC applicant was required to submit a five-year business plan, including projected annual operating revenues and costs, projected tuition revenue, and estimated private sector support, with its proposal.

MEDC staff stated that a key purpose of this requirement was to encourage applicants to plan for the long-term viability of the facility. Without periodic financial reports of this information, MEDC lacks the ability to evaluate the M-TECs' performance in relation to the proposed budgets. This information would also help MEDC to ensure that the M-TECs are developing at a pace to

meet MEDC's goal of the M-TECs being fully operational and functional within five years of their opening.

MEDC informed us that it disagrees with our findings and believes it has fulfilled its monitoring obligations because the M-TEC grants were for construction costs associated with building or renovating facilities to be used for technology centers. However, we believe that the intent of the M-TEC Program was to provide easy access to on-demand, state-of-the-art training in high-skill, high-wage, and high-demand occupations. In addition, the grant application process required applicants to provide proposed quantitative and qualitative training related outcomes that support the M-TECs' stated goals. Without a comprehensive process to monitor and evaluate the M-TEC Program, MEDC's ability to improve the effectiveness and to ensure the success of the Program is significantly diminished.

RECOMMENDATION

We recommend that MEDC effectively monitor M-TECs to determine whether the M-TEC Program has met its Program goals.

AGENCY PRELIMINARY RESPONSE

MEDC disagrees with the finding. While MEDC recognizes the importance of ongoing monitoring to ensure the M-TECs achieve their goals, MEDC does not believe that it has the authority and has not received funding for ongoing monitoring efforts. The intent of the M-TEC grant awards was to allocate funds for construction costs associated with building or renovating facilities to be used for technology centers.

BACKGROUND - Governor's Career Scholarship Program

In fiscal year 1997-98, the Governor's Career Scholarship Program was established to provide $20 million over a four-year period for approximately 12,500 scholarships for students enrolled in training for high-skill, high-wage, and high-demand occupations at community colleges or other training providers in Michigan. The scholarships were to provide assistance to those enrolled in occupations such as construction trades workers, engineering and health care technicians, and computer programmers. The scholarships were allocated to Michigan Works! agencies' (MWAs) throughout the State and had to be awarded by September 30, 1999. The MWAs awarded about 6,000 (48%) of the scholarships during the enrollment period. At the end of the third year of the Governor's Career Scholarship Program, approximately $6.3 million of the $20

million of available scholarship funds had been expended. Scholarship funds were available until September 30, 2002 for approximately 1,000 students who had not completed their training.

FINDING

4. Monitoring of the Governor's Career Scholarship Program

MEDC did not effectively monitor the Governor's Career Scholarship Program during the four-year program period.

Section 3.2 of the scholarship grant agreements between MEDC and the MWAs required MEDC to have annual program-specific audits completed for each of the Governor's Career Scholarship Program grantees. MEDC had not completed the required audits. MEDC limited its monitoring of the grantees to collecting summary data. MEDC informed us that it planned to review the Program when it was completed in fall 2002 because it did not believe that it was cost beneficial to perform the audits annually.

MEDC's monitoring should have included steps to verify that grant recipients were adhering to the scholarship requirements during the required annual audits. These steps could have included verifying that:

a. Students receiving scholarships were new enrollees.

b. Students receiving scholarships met established criteria.

c. Students receiving scholarships were enrolled in a training program that would lead to the acquisition of a high-skill, high-wage, and high-demand occupation.

d. Students receiving the scholarships were enrolled in the classes for which the scholarship paid.

e. Tuition amounts paid by scholarship funds were the same as tuition amounts paid by other students taking the same classes.

Implementation of the required periodic audits as a monitoring tool would help ensure that only those students who met the grant requirements received the

scholarships. Delaying the audits until the end of the grant period makes the process for recovering any unallowable funds related to scholarships that were paid for students who did not meet the criteria very difficult. Without periodic audits to monitor and evaluate the Program, MEDC's ability to manage the Program effectively is significantly diminished.

RECOMMENDATION

We recommend that MEDC effectively monitor grant programs on a continuous basis.

AGENCY PRELIMINARY RESPONSE

MEDC agrees with the finding and understands the importance of annual monitoring. All future grant programs will be monitored as agreed upon in the contract. Since September 30, 2002, MEDC has reviewed all final expenditure reports and other program requirements for the Governor's Scholarship Program and received refunds of approximately $335,000 upon closing the Program.

COMPLIANCE WITH STATUTORY REQUIREMENTS

COMMENT

Audit Objective: To assess MEDC's compliance with the statutory requirements relating to the selected training related programs.

Conclusion: We concluded that MEDC complied with the statutory requirements relating to the selected training related programs that we reviewed. Our report does not include any reportable conditions related to this objective.

SUPPLEMENTAL INFORMATION

Description of Maps

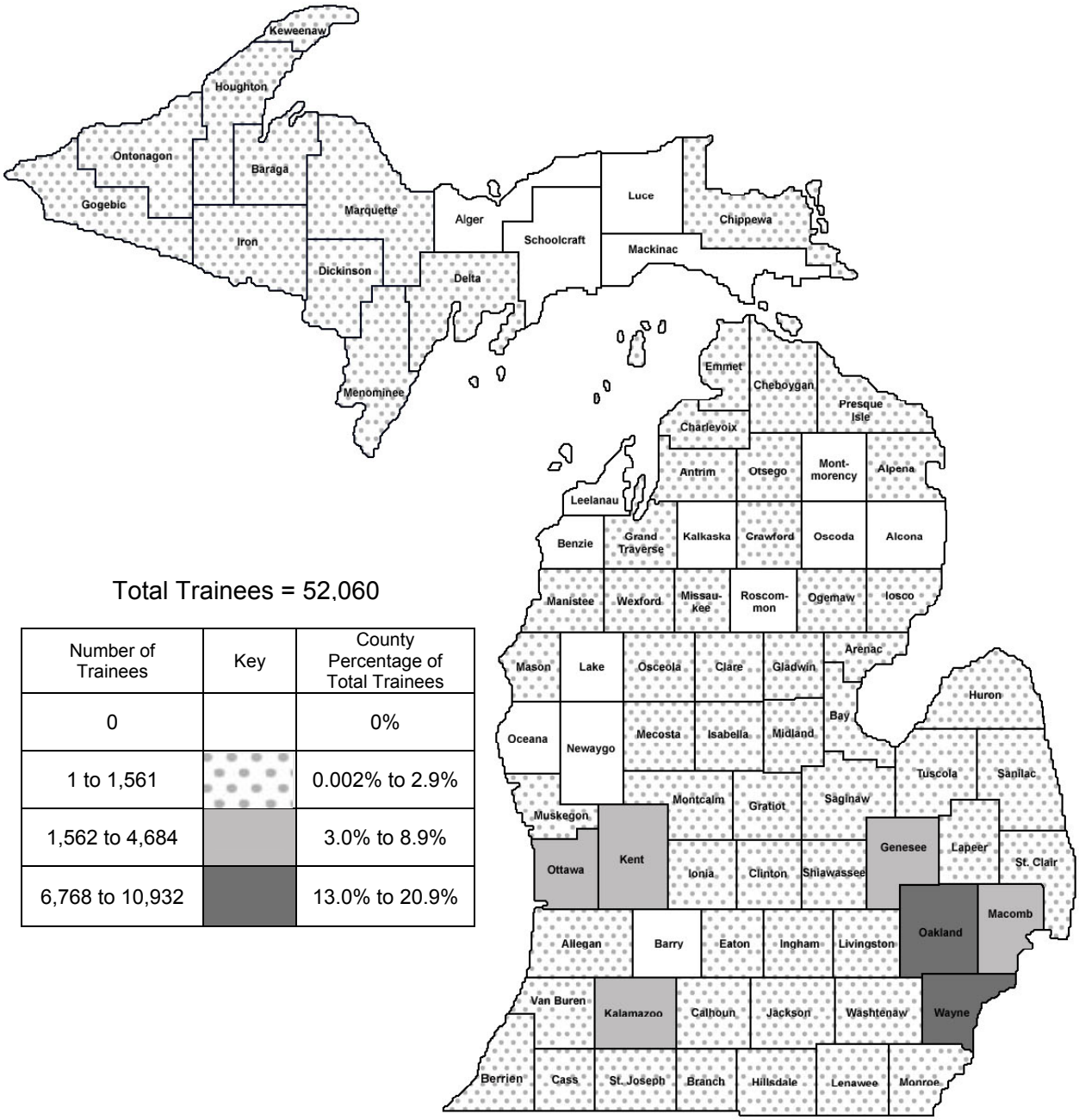
The following maps provide information by county on the number of Economic Development Job Training (EDJT) trainees and the Michigan Department of Career Development (MDCD) median* 12-month employment data related to fiscal year 2000-01.

The median 12-month employment data represents the middle number of individuals employed for the year. The median is more representative of the overall number of persons employed than the average 12-month employment data because it limits the effect of seasonal employment on the results.

* *See glossary at end of report for definition.*

Map 1

SELECTED TRAINING RELATED PROGRAMS
Michigan Economic Development Corporation (MEDC)
Economic Development Job Training (EDJT) Trainees by County
Fiscal Year 2000-01



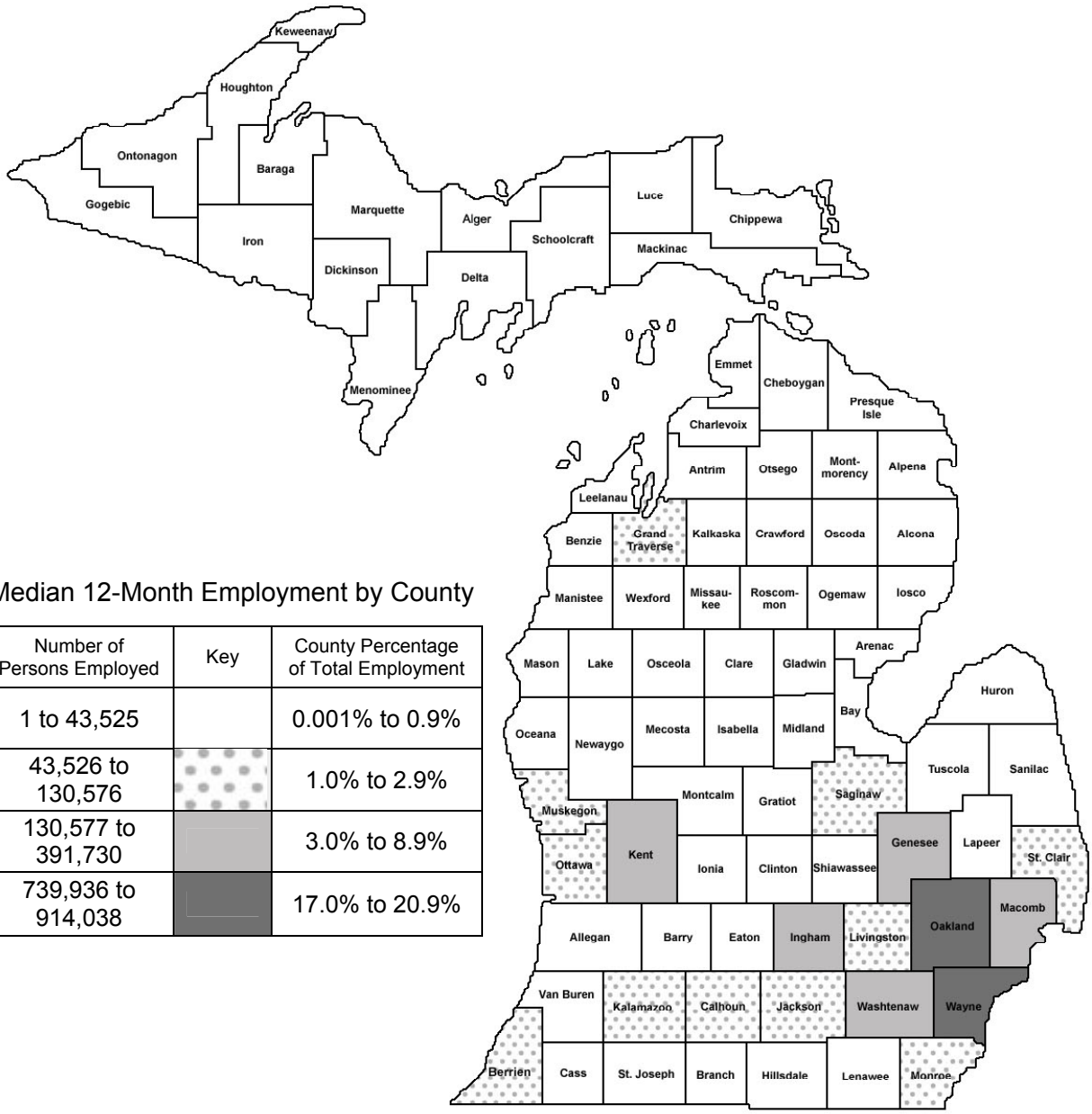
Total Trainees = 52,060

Number of Trainees	Key	County Percentage of Total Trainees
0		0%
1 to 1,561		0.002% to 2.9%
1,562 to 4,684		3.0% to 8.9%
6,768 to 10,932		13.0% to 20.9%

This map provides information by county on the most recent number of current and future employees who completed or are currently taking an EDJT training course for an employer located in that county which was awarded a fiscal year 2000-01 EDJT grant.

Source: MEDC

SELECTED TRAINING RELATED PROGRAMS
Michigan Economic Development Corporation
Median Michigan Employment by County
Fiscal Year 2000-01



Median 12-Month Employment by County

Number of Persons Employed	Key	County Percentage of Total Employment
1 to 43,525		0.001% to 0.9%
43,526 to 130,576		1.0% to 2.9%
130,577 to 391,730		3.0% to 8.9%
739,936 to 914,038		17.0% to 20.9%

This map provides information by county on the median 12-month number of employees working within that county for fiscal year 2000-01. Median employment data provides a more realistic employment number because it does not fluctuate as a result of seasonal employment. An analysis of the information in Map 1 and this map shows a positive correlation between the number of current employees working within a particular county and the number of employees receiving Economic Development Job Training (EDJT) training within a particular county.

Source: Michigan Department of Career Development

Glossary of Acronyms and Terms

detailed employees	The temporary assignment of employees from a governmental entity to another business entity. Employees in this capacity continue to receive the same compensation and benefits of the original employer, but receive day-to-day direction (work assignments and supervision) from the entity they are detailed to.
EDJT	Economic Development Job Training.
effectiveness	Program success in achieving mission and goals.
employment	The number of part-time and full-time workers who worked during or received wages for the week that includes the twelfth day of each month. Employment data is collected from employers who are covered by or subject to the State's unemployment insurance laws.
ESA	Michigan Employment Service Agency.
goals	The agency's intended outcomes or impacts for a program to accomplish its mission.
MDCD	Michigan Department of Career Development.
MEDC	Michigan Economic Development Corporation.
median	The middle of a distribution: half the amounts are above the median and half are below the median.
mission	The agency's main purpose or the reason that the agency was established.
MSF	Michigan Strategic Fund.

M-TEC	Michigan Technical Education Center.
MVU	Michigan Virtual University.
MWAs	Michigan Works! agencies.
outcomes	The actual impacts of the program.
outputs	The products or services produced by the program.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
reportable condition	A matter that, in the auditor's judgment, represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.