PERFORMANCE AUDIT
OF THE

OFFICE OF CAREER AND TECHNICAL PREPARATION

MICHIGAN DEPARTMENT OF CAREER DEVELOPMENT

October 2003

45-185-02

"...The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof."

– Article IV, Section 53 of the Michigan Constitution

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REPORT SUMMARY

Performance Audit

Office of Career and Technical Preparation

Michigan Department of Career Development

Report Number:
45-185-02

Released:
October 2003

The Office of Career and Technical Preparation (OCTP) is responsible for administration of the federal Carl D. Perkins Vocational and Technical Education Act of 1998 and Section 61 of the State School Aid Act. The Career and Technical Education (CTE) and Tech Prep Programs are offered under these acts. "Vocational-technical education" is defined as organized educational programs offering courses directly related to preparing individuals for further education and for careers in current or emerging occupations requiring other than a baccalaureate or advanced degree.

Audit Objectives:

1. To assess OCTP's efforts to evaluate the effectiveness of the CTE and Tech Prep Programs.

2. To assess the effectiveness of OCTP's monitoring and oversight of the school district CTE and Tech Prep programs.

3. To assess the appropriateness of OCTP's allocation of State and federal funds for the CTE and Tech Prep Programs.

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Audit Conclusions:

1. OCTP was somewhat effective in evaluating the effectiveness of the CTE and Tech Prep Programs.

2. OCTP was not effective in monitoring the school district CTE and Tech Prep programs but was generally effective in providing other oversight.

3. OCTP's allocation of State and federal funds was generally appropriate for the CTE and Tech Prep Programs.

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Material Condition:

OCTP had not established a comprehensive monitoring process to help ensure that the school district CTE and Tech Prep programs operated in compliance with program requirements (Finding 3).

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Other Conditions:

OCTP had not established performance standards pertaining to specific CTE program-related placements and analyzed available program-related placement data to evaluate the effectiveness of specific CTE programs on a Statewide and individual school district basis (Finding 1).

OCTP should improve its processes for evaluating CTE and Tech Prep Program effectiveness (Finding 2).

OCTP did not perform added cost audits of school district CTE programs to provide reasonable assurance that financial and pupil count data was accurate. Also, OCTP did not follow up on exceptions or questionable items identified in school district Career and Technical Educational Expenditure Reports to ensure that the districts' reported corrective actions were appropriate. (Finding 4)

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Agency Response:

Our report contains 4 findings and 5 corresponding recommendations. The Michigan Department of Career Development's preliminary response indicated that it agreed with all of the findings and that it has taken or will take steps to comply with all of the recommendations.

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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/

Michigan Office of the Auditor General
201 N. Washington Square
Lansing, Michigan 48913

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

James S. Neubecker, C.P.A., C.I.A., D.P.A.
Executive Deputy Auditor General

Scott M. Strong, C.P.A., C.I.A.
Director of Audit Operations

STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
201 N. WASHINGTON SQUARE
LANSING, MICHIGAN 48913
(517) 334-8050
FAX (517) 334-8079

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

October 7, 2003

Mr. David C. Hollister, Director
Michigan Department of Career Development
Victor Center
Lansing, Michigan

Dear Mr. Hollister:

This is our report on the performance audit of the Office of Career and Technical Preparation, Michigan Department of Career Development.

This report contains our report summary; description of programs; audit objectives, scope, and methodology and agency responses and prior audit follow-up; comments, findings, recommendations, and agency preliminary responses; a summary of program completer placement data, 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 the audit.

Sincerely,

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

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MICHIGAN DEPARTMENT OF CAREER DEVELOPMENT

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Description of Programs

Effective April 5, 1999, Executive Order No. 1999-1 created the Michigan Department of Career Development (MDCD). MDCD's mission* is to develop a system that produces a work force with the required skills to maintain and enhance the Michigan economy. MDCD's Office of Career and Technical Preparation (OCTP) administers the Career and Technical Education (CTE) and Tech Prep Programs. The Department of Education administered the CTE and Tech Prep Programs until Executive Order No. 1999-12 transferred the responsibility, effective January 1, 2000, to MDCD.

OCTP is responsible for administration of the federal Carl D. Perkins Vocational and Technical Education Act of 1998 and Section 61 of the State School Aid Act. The federal act defines "vocational-technical education" as organized educational programs offering sequences of courses directly related to preparing individuals for further education and for careers in current or emerging occupations requiring other than a baccalaureate or advanced degree. Programs include competency-based applied learning that contributes to an individual's academic knowledge, higher-order reasoning, problem-solving skills, and occupational-specific skills. The programs emphasize the need to provide access and services to all persons while targeting special populations.

OCTP administers the two Statewide vocational-technical education programs that are delivered at the school district level. The CTE Program, which is funded by a federal Perkins grant and Section 61 of the State School Aid Act, provides opportunities for high school students in grades 9 through 12 to pursue specific career and technical training of their choice. The Tech Prep Program, which is funded by a federal Perkins grant, provides a framework for high school students in grades 11 and 12 to begin achieving their career goals in high school by taking dual-enrollment classes, receiving appropriate testing, and receiving skilled trade training. The Tech Prep Program allows students to transfer to community colleges without duplication of classes or remedial work.

Vocational-technical education programs for high school students focus on six career pathways*: arts and communications; business, management, marketing, and

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

technology; engineering, manufacturing, and industrial technology; health sciences; human services; and natural resources and agriscience.

State and federal funds expended on vocational-technical education programs for fiscal years 2000-01 and 2001-02 totaled $68.8 million and $71.9 million, respectively. OCTP had 32 employees as of July 31, 2002.

Audit Objectives, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up

Audit Objectives

Our performance audit* of the Office of Career and Technical Preparation (OCTP), Michigan Department of Career Development (MDCD), had the following objectives:

1. To assess OCTP's efforts to evaluate the effectiveness* of the Career and Technical Education (CTE) and Tech Prep Programs.

2. To assess the effectiveness of OCTP's monitoring and oversight of the school district CTE and Tech Prep programs.

3. To assess the appropriateness of OCTP's allocation of State and federal funds for the CTE and Tech Prep Programs.

Audit Scope

Our audit scope was to examine the program and other records of the Office of Career and Technical Preparation. 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 from March through July 2002, included an examination of OCTP records and activities primarily for the period July 1, 1999 through June 30, 2002.

To accomplish our objectives, we performed a preliminary survey of OCTP to gain an understanding of the CTE and Tech Prep Programs. This included reviewing applicable statutes, federal regulations, grants, policies, and procedures and interviewing OCTP staff.

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

In connection with our first audit objective, we examined the processes used by OCTP to evaluate effectiveness of the CTE and Tech Prep Programs. Also, we analyzed core performance indicator (CPI) data submitted to OCTP and examined OCTP's use of the CPI data. Further, we analyzed data, including related placement data, generated from the two most recent annual follow-up surveys of students who participated in CTE programs.

In connection with our second audit objective, we assessed OCTP's monitoring of school district CTE and Tech Prep programs to ensure compliance with program requirements. Also, we examined records maintained by OCTP regarding desk reviews of annual CTE and Tech Prep program applications and year-end final expenditure reports.

In connection with our third audit objective, we examined the processes to allocate federal funds for the CTE and Tech Prep Programs. Also, we analyzed added cost* rates and the allocation of State school aid added cost funds for school district CTE programs. Further, we examined OCTP's process to verify the accuracy of CTE program expenditure and student count data submitted by school districts.

Agency Responses and Prior Audit Follow-Up

Our audit report contains 4 findings and 5 corresponding recommendations. MDCD's preliminary response indicated that it agreed with all of the findings and that it has taken or will take steps to comply with all of the recommendations.

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 MDCD to develop a formal response to our findings and recommendations within 60 days after release of the audit report.

OCTP complied with 5 of the 7 prior audit recommendations included within the scope of our current audit. The other 2 prior audit recommendations are repeated in this report.

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

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

PROGRAM EFFECTIVENESS

COMMENT

Audit Objective: To assess the Office of Career and Technical Preparation's (OCTP's) efforts to evaluate the effectiveness of the Career and Technical Education (CTE) and Tech Prep Programs.

Conclusion: We concluded that OCTP was somewhat effective in evaluating the effectiveness of the CTE and Tech Prep Programs. Our assessment disclosed reportable conditions* related to CTE program-related placements and the evaluation of CTE and Tech Prep Program effectiveness (Findings 1 and 2).

FINDING

1. **CTE Program-Related Placements**

   OCTP had not established performance standards* pertaining to specific CTE program-related placements and analyzed available program-related placement data to evaluate the effectiveness of specific CTE programs on a Statewide and individual school district basis. Although OCTP does use several performance indicators* to assess the CTE programs, the addition of program-related placement data would help improve its assessment processes.

   OCTP expended approximately $49 million annually on CTE programs for secondary school students. To measure the cumulative effectiveness of the CTE programs funded, OCTP annually evaluated the CTE programs using federal accountability standards, known as "core performance indicators" (CPIs), as well as CTE program data obtained from surveys of program completers. OCTP's standard was that 95% of all CTE program completers would be placed in jobs and/or continuing education, including placements not related to their area of

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

training. Based on its annual survey data, OCTP determined that the Statewide placement rate was 95.0% in program year* 1998-99 and 94.5% for both program years 1999-2000 and 2000-01.

We recognize that the number of program completer placements in jobs and/or continuing education is a valid performance indicator. However, CTE programs are developed and funded for specific vocations, such as marketing education and allied health technologies. Also, OCTP uses labor market demand to evaluate program need when school districts apply to establish new CTE programs. Therefore, a significantly more precise performance indicator of the effectiveness of a specific program Statewide and, in particular, individual school district programs is job and/or continuing education placement in fields related to the specific CTE program training that the student received.

For specific performance indicators, such as program-related placements, effectiveness can best be evaluated and improved by establishing performance standards that describe the desired level of outputs* and outcomes*, gathering output and outcome data on actual results, comparing actual results with established standards, reporting comparison results to management, and proposing modifications to improve effectiveness. Such an evaluation process provides for identifying ineffective programs, both at the Statewide and school district levels, and initiating corrective action.

OCTP does gather annual program-related completer placement data for CTE programs and provides the data to school districts for the programs they operate. Also, as more fully described in Finding 2, OCTP annually evaluates Statewide and regional achievement of six federally mandated CPIs for CTE programs. Although one CPI measures placement, it does not measure program-related placements. Therefore, OCTP did not perform the necessary additional effectiveness evaluation functions for program-related placements and, as a result, its ability to determine the effectiveness of specific CTE programs was significantly diminished.

We analyzed OCTP's program year 1998-99 and 1999-2000 CTE program completer survey data for related placements and determined that the average

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

Statewide related placement rate* (RPR) was 64% in each year. Although such Statewide RPRs may be reasonable, our analysis disclosed wide variances in the RPR's for specific Statewide programs. The summary of program completer placement data is presented as supplemental information in this report and contains the RPRs for all specific Statewide CTE programs.

Further analysis of specific CTE programs at individual school districts disclosed wide variances in RPRs between districts with like programs. The following table shows the wide range of school district RPRs for the business services and technology, marketing education, allied health technologies, and hospitality and food services programs during program years 1998-99 and 1999-2000:

		CTE Program							
	RPR Range	Business Services and Technology		Marketing Education		Allied Health Technologies		Hospitality and Food Services	
		1998-1999	1999-2000	1998-1999	1999-2000	1998-1999	1999-2000	1998-1999	1999-2000
Number of Districts Within RPR Range	0 - 20%	17	24	12	15	3	8	4	9
	21 - 40%	25	18	10	11	4	2	10	5
	41 - 60%	59	46	33	23	13	4	17	17
	61 - 100%	245	260	146	154	89	99	43	43
Statewide Average Program RPR		69%	70%	64%	65%	61%	63%	60%	62%

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

In addition, our analysis of these four CTE programs disclosed that many school district programs had RPR's that fell substantially from one year to the next. The following table shows the number of school districts with RPR decreases, by decrease range, from program year 1998-99 to program year 1999-2000:

	RPR Decrease Range	CTE Program: Business Services and Technology	Marketing Education	Allied Health Technologies	Hospitality and Food Services
Number of School Districts Within RPR Decrease Range	1 - 20%	71	52	31	12
	21 - 40%	34	18	8	7
	41 - 60%	19	8	2	7
	61 - 80%	6	3	3	4
	81 - 100%	8	4	3	2

Similar OCTP analyses of RPRs would identify Statewide and specific CTE programs at individual school districts that achieved less than expected performance and, therefore, would provide management with a more precise measurement of CTE program effectiveness. In addition, it would identify school districts that may need assistance from OCTP to improve specific program performance.

Our prior audit of CTE programs also included a finding and corresponding recommendation addressing the use of program-related placements to evaluate CTE programs. The Department of Education agreed with the recommendation and stated that it was developing a more comprehensive evaluation/measurement system.

RECOMMENDATION

WE AGAIN RECOMMEND THAT OCTP ESTABLISH PERFORMANCE STANDARDS PERTAINING TO SPECIFIC CTE PROGRAM-RELATED PLACEMENTS AND ANALYZE AVAILABLE PROGRAM-RELATED PLACEMENT DATA TO EVALUATE THE EFFECTIVENESS OF SPECIFIC CTE PROGRAMS ON A STATEWIDE AND INDIVIDUAL SCHOOL DISTRICT BASIS.

AGENCY PRELIMINARY RESPONSE

The Michigan Department of Career Development (MDCD) agreed with this finding. To assess program effectiveness, MDCD informed us that OCTP made a decision to use the performance indicators required within the Carl D. Perkins legislation and that federal law does not require that related placement be evaluated. OCTP views the performance indicator requirements in the Perkins legislation to be a more comprehensive approach to program effectiveness than related placement data alone. OCTP believes that an indication of the academic performance, technical skill achievement as well as completion and placement data provides districts with much more valuable and reliable information. OCTP also believes that it is then possible to make informed decisions about instruction and the curriculum, which are the two most important means affecting student achievement. MDCD responded that despite this, it believes that program-related placements would help improve its assessment process and will, therefore, incorporate this additional performance indicator into its process.

FINDING

2. Evaluation of CTE and Tech Prep Program Effectiveness

OCTP should improve its processes for evaluating CTE and Tech Prep Program effectiveness.

The federal Carl D. Perkins Vocational and Technical Education Act of 1998 established six federal accountability standards, which are known as core performance indicators (CPIs). The six CPIs are:

a. Student attainment of challenging State-established academic skill proficiencies.

b. Student attainment of challenging State-established vocational and technical skill proficiencies.

c. Student attainment of a secondary school diploma, proficiency credential in conjunction with a secondary diploma, or a postsecondary degree or credential.

d. Placement in postsecondary education or advanced training, military service, or employment; retention in postsecondary education, advanced training, or employment; and completion of postsecondary education, advanced training, or vocational and technical education programs that lead to nontraditional training and employment.

e. Student participation in vocational and technical education programs that lead to nontraditional training and employment.

f. Student completion of vocational and technical education programs that lead to nontraditional training and employment.

CPIs are one component of the process to help assess the State's effectiveness in achieving Statewide progress in vocational and technical education and to optimize the return of federal funds invested in vocational and technical education activities. Another component of the process is OCTP's establishment of baselines* for each of the six CPIs using historical performance data and obtaining U.S. Department of Education approval of the baselines.

Local and intermediate school districts annually report to their region and, by mid-July, each region annually reports to OCTP outcome data by district and region for each CPI by specific vocational program, such as drafting, allied health technologies, or auto mechanics. Using the reported outcome data, OCTP annually evaluates Statewide and regional achievement of CPIs for both the CTE and Tech Prep programs. In program years 1999-2000 and 2000-01, there were 25 regions. OCTP informs regions in October of their CPIs that did not achieve the Statewide baselines. Regions with CPI(s) below the Statewide baselines are required to submit a separate Regional Improvement Plan (Plan) for each CPI below the baseline to OCTP by mid-January. The Plan is to describe the steps that the region will take to increase CPI performance and state a CPI improvement goal percentage for the year. OCTP reviews the submitted Plans and either approves the Plans or requests changes to the Plans. OCTP completes its approval process in March.

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

Our review of OCTP's evaluation processes for CTE and Tech Prep programs and related issues disclosed:

(a) OCTP's evaluation of CTE programs' CPI data on a regional basis, rather than at the school district level, provided significantly less useful information to assess effectiveness and identify needed improvements.

For CTE program years 1999-2000 and 2000-01, we analyzed 7,457 CPIs for 46 programs at 292 local and intermediate school districts throughout the State. Compared with OCTP's regional analysis, we determined that OCTP did not identify school district programs that were below the Statewide baselines and, therefore, not achieving acceptable CPI results. Specifically:

(1) Of the 7,457 CPIs analyzed, 2,519 (34%) were below the Statewide baselines in both program years. With one third of the CPIs below the baselines for both years, we question the CTE Program's overall Statewide effectiveness.

(2) Of the 2,519 CPIs below the Statewide baselines in both program years as described in part (a)(1), 905 (36%) CPIs were for CTE programs at 170 school districts located within regions that achieved the baselines for the entire region. As a result, OCTP did not require these regions to file a Plan for individual CPIs, and these 170 school districts that did not meet the baselines for individual CPIs would not be subject to a Plan. Also, OCTP most likely would not identify these school districts as needing technical assistance to help improve CTE program effectiveness.

(3) The 292 school districts for which we analyzed CPI data had 35 CTE programs with CPIs related to nontraditional participation and nontraditional completion. Nontraditional participation and nontraditional completion refer to occupations or fields of work for which individuals from one gender comprise less than 25% of the individuals employed in each such occupation or field of work. We determined that 170 (58%) of the 292 school districts had CPIs below both the nontraditional participation and nontraditional completion Statewide baselines in both program years 1999-2000 and 2000-01. This percentage of school districts below the baselines in both years indicates that CTE programs are not effective

Statewide in the important areas of nontraditional participation and nontraditional completion and, most likely, need technical assistance to significantly improve performance.

(b) OCTP's evaluation of Tech Prep programs' CPI data on a regional basis, rather than at the school district level, provided significantly less useful information to assess effectiveness and identify needed improvements.

For Tech Prep program years 1999-2000 and 2000-01, we analyzed 624 CPIs for 113 local and intermediate school districts within 10 of 27 regions Statewide and 699 CPIs for 125 local and intermediate school districts within 10 of 25 regions Statewide, respectively. Similar to the CTE Program, compared with OCTP's regional analysis, we determined that analyzing CPI data by Tech Prep program at the school district level was more useful for evaluating effectiveness and identifying deficient programs. Specifically:

(1) In program years 1999-2000 and 2000-01, 17 (28%) and 19 (32%) of 60 CPIs, respectively, measured at the regional level fell below the Statewide baselines. At the school district level in program year 1999-2000, we determined that 181 (29%) of the 624 CPIs fell below the Statewide baselines with 67 (37%) of 181 CPIs below the baselines by more than 10%. In program year 2000-01, 251 (36%) of the 699 CPIs fell below the Statewide baselines with 92 (37%) of 251 CPIs below the baselines by more than 10%. With at least one quarter of CPIs below the baselines in each year at both the regional and school district levels, we question the Tech Prep Program's overall Statewide effectiveness. Also, OCTP most likely would not identify these school districts as needing technical assistance to help improve Tech Prep Program effectiveness.

(2) In program year 1999-2000, one region that met all of its CPI baselines had 5 school districts within the region with 20 CPIs below the Statewide baselines. Also, in program year 2000-01, the region fell below the Statewide baselines and was required to submit a Plan. In addition, another region met all its CPIs baselines, but one school district within the region had 4 CPIs below the baselines.

As a result, OCTP did not require these regions to file a Plan for individual CPIs and the school districts not meeting the CPI baselines would not be subject to a Plan to improve their effectiveness. Also, OCTP most likely would not identify these school districts as needing technical assistance to help improve Tech Prep program effectiveness.

(c) Plan improvement goals often provided for only minimal CPI improvement.

Plans submitted for CPIs below Statewide baselines usually had improvement goals of only 1% above the actual CPI rate for the program year assessed, regardless of how far the region was below the baseline. For example, the baseline for the academic skill proficiencies CPI was 60.01%. One region's actual CPI performance rate was 27.6% and its submitted and approved Plan for the next program year had an improvement goal of only 1% to 28.6%, which was 52% (31.41 percentage points) below the Statewide baseline. Such minimal improvement rates do not appear to be in the best interest of either the CTE Program or the Tech Prep Program or the Programs' participating students.

(d) Regions often did not meet CPI improvement goals as stated in their Plans.

We selected 32 Plans submitted in program year 2000-01 for 32 CPIs below baselines in program year 1999-2000 to determine if the regions achieved their CPI improvement goals in program year 2000-01. Even though many of the 32 Plans had CPI improvement goals of only 1%, as described in part (c), regions did not meet their program year 2000-01 improvement goals in 18 (56%) of the cases. Continued nonachievement of Statewide baselines and CPI improvement goals most likely is an indicator of less effective regional CTE and/or Tech Prep programs and indicates a need for OCTP technical assistance.

(e) OCTP's CPI evaluation processes did not provide for timely improvement in the CTE and Tech Prep programs.

As described in this finding, OCTP's CPI evaluation process time line included: OCTP informing regions in October of CPIs that did not meet Statewide baselines, regions submitting Plans by mid-January, and OCTP providing final

approval of the Plans in March. Under this time line, school districts have started their new program year before they are informed that their regions' prior program year fell below CPI baseline(s) and the new program year is approximately 50% completed before Plans are submitted and approximately 75% completed before OCTP gives final approval to the Plans.

An expedited OCTP time line would allow regions, in conjunction with their school districts, to implement Plans earlier in the next program year, thereby providing a better chance to make needed improvements and meet CPI improvement goals. Also, a more expedited time line would allow OCTP additional time to provide technical assistance to school districts to help improve CPI performance.

In addition, it is probable that the current time line contributed to the high percentage of regions that did not meet their CPI improvement goals as discussed in part (d).

Addressing the issues discussed in parts (a) through (e) would help OCTP to better identify school district CTE and Tech Prep programs that are less effective and in need of improvement. Such changes in the process to evaluate effectiveness combined with analyzing CTE program-related placement data (see Finding 1) would help to optimize the investment of federal funds in effective programs as required by federal statute.

RECOMMENDATION

We recommend that OCTP improve its processes for evaluating CTE and Tech Prep Program effectiveness.

AGENCY PRELIMINARY RESPONSE

MDCD agreed with this finding. MDCD informed us that the new monitoring system, referred to in its response to Finding 3, will use disaggregated CPI data as part of the selection criteria for site visits. This monitoring system will also require that each grant recipient annually assess/review 20% of its CTE programs.

MDCD also informed us that in program year 2001-02, OCTP asked for Regional Improvement Plans from school districts that were below the State level of performance as soon as possible after the data became available. This decision

was made in order to allow the districts a jump-start on making a difference in student performance for the next year. However, in August 2002, the Office of Vocational and Adult Education, U.S. Department of Education, recommended that the Regional Improvement Plans be eliminated and that OCTP require continuous review and revision of grant applications for the current and future grant years based upon the most recent CPI data. Therefore, grant applicants for program year 2002-03 were instructed to use data provided in December 2002 and January 2003 to revise program year 2002-03 activities to address low CPI performance and drive activity/budget decisions for program year 2003-04.

MONITORING AND OVERSIGHT

COMMENT

Audit Objective: To assess the effectiveness of OCTP's monitoring and oversight of the school district CTE and Tech Prep programs.

Conclusion: We concluded that OCTP was not effective in monitoring the school district CTE and Tech Prep programs but was generally effective in providing other oversight. Our assessment disclosed one material condition*. OCTP had not established a comprehensive monitoring process to help ensure that the school district CTE and Tech Prep programs operated in compliance with program requirements (Finding 3).

FINDING

3. Monitoring of School District CTE and Tech Prep Programs

OCTP had not established a comprehensive monitoring process to help ensure that the school district CTE and Tech Prep programs operated in compliance with program requirements.

Title 34, Subtitle A, Section 80.40 of the *Code of Federal Regulations* states that grantees are responsible for monitoring grant and subgrant supported activities to ensure compliance with applicable federal requirements. The regulation also states that grantee monitoring must cover each program, function, or activity. Also,

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

the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* requires grantees to monitor subrecipient activities to provide reasonable assurance that the subrecipients administer federal awards in compliance with federal regulations. Further, the monitoring of State-funded programs is needed to help ensure compliance with State policies and procedures. Such monitoring of both federally funded and State-funded programs is an important administrative function that also helps improve program effectiveness.

A comprehensive monitoring process for the school district CTE and Tech Prep programs should primarily consist of conducting on-site monitoring reviews of the districts' programs. An on-site monitoring function should include:

a. Planned periodic visits to all school districts. School districts with significant deficiencies may require more frequent visits.

b. The use of a standardized monitoring guideline. Such a guideline helps to ensure that the on-site monitoring visits include a review of all issues that management has determined pertinent.

c. Documentation of worked performed and conclusions drawn. Proper documentation will allow management to review the extent to which the pertinent issues were examined and how related conclusions were drawn.

d. Timely preparation and distribution of a written report to the school districts that communicates monitoring findings and any needed corrective action.

e. Follow-up procedures to ensure that school districts took appropriate corrective action.

We determined that OCTP conducted limited on-site monitoring at school districts for the CTE Program and no on-site monitoring for the Tech Prep Program. OCTP informed us that it believed that its desk reviews of program budgets in annual applications and program year-end final expenditure reports were sufficient to ensure that the school districts expended CTE and Tech Prep funds for allowable activities in compliance with federal regulations. However, OCTP's desk reviews did not provide sufficient assurances of compliance because they did not include a

detailed review of the program activity expenditures and supporting documentation, including those CTE expenditures used in added cost calculations (see Finding 4). In addition to the detailed review of activity expenditures, on-site monitoring of school district CTE and Tech Prep programs should include other pertinent issues, such as determining that the school districts:

(a) Operate CTE and Tech Prep programs that strengthen the academic and vocational skills of students through integration of academics and technical education.

(b) Provide the CTE and Tech Prep programs to eligible students.

(c) Operate effective CTE and Tech Prep programs (see Findings 1 and 2).

(d) Ensure that the CTE and Tech Prep programs use work-based or worksite learning in conjunction with business and all aspects of an industry.

(e) Ensure that the CTE and Tech Prep programs develop, improve, or expand the use of technology in vocational and technical education.

(f) Ensure that Tech Prep students are taught to the same academic standards as all other students and that counseling is used to encourage students to pursue a coherent sequence of courses that integrates academic and occupational disciplines.

Without an on-site monitoring function as described in this finding, management has limited assurance that school district CTE and Tech Prep programs operated in compliance with federal and State regulations and policies.

RECOMMENDATION

We recommend that OCTP establish a comprehensive monitoring process to help ensure that the school district CTE and Tech Prep programs operate in compliance with program requirements.

AGENCY PRELIMINARY RESPONSE

MDCD agreed with this finding and informed us that OCTP has developed an extensive monitoring system that will be implemented at the beginning of fiscal

year 2003-04. MDCD reported that it has identified various data sources to use as a means of targeting the sites to visit and that, in one visit, it will be looking at Perkins, Tech Prep, Career Preparation, added cost, and student data verification. MDCD also reported that it has used the past year to develop the system, compile guidelines, and plan technical assistance meetings for those sites scheduled for a visit.

MDCD informed us that OCTP has developed two sets of documents to assist administrators with the appropriate planning and implementation of federal and State grant activity. The Career Initiatives Notebook is an extensive document that provides detailed information on legislative requirements for all grant programs, a financial guide, a set of specific guidelines for each funding source, and rules for appropriate expenditures for the funding sources. The Administrator's Guide is also available, which gives specific guidelines regarding CTE program requirements, Work Based Learning, CTE administrator responsibilities as well as data and accountability requirements. In addition, each year, OCTP holds several technical assistance meetings that provide information and assistance with grant applications. Another series of technical assistance meetings are conducted at the time of the final reporting process. These sessions considerably reduce the need for revisions or recapture of funds.

ALLOCATION OF STATE AND FEDERAL FUNDS

COMMENT

Audit Objective: To assess the appropriateness of OCTP's allocation of State and federal funds for the CTE and Tech Prep Programs.

Conclusion: We concluded that OCTP's allocation of State and federal funds was generally appropriate for the CTE and Tech Prep Programs. However, our assessment disclosed a reportable condition related to added cost administrative functions (Finding 4).

FINDING

4. Added Cost Administrative Functions

OCTP did not perform added cost audits of school district CTE programs to provide reasonable assurance that financial and pupil count data was accurate. Also,

OCTP did not follow up on exceptions or questionable items identified in school district Career and Technical Educational Expenditure Reports to ensure that the districts' reported corrective actions were appropriate.

In school years 1998-99, 1999-2000 and 2000-01, OCTP allocated State school aid added cost funds of approximately $29.8 million each year to more than 400 school districts Statewide for CTE programs. OCTP required each school district to submit a year-end Career and Technical Educational Expenditure Report for its CTE programs. OCTP reviews these reports to ensure that school districts meet their matching requirement and that their level of spending for program improvement complied with State regulations. In addition, OCTP uses these reported expenditures to calculate the next year's State school aid added cost payments.

Periodic audits of school districts are necessary to substantiate the expenditure and attendance data on which reimbursement of CTE program added costs is based. Audits serve as the primary tool for ensuring that school districts submit appropriate and accurate added cost expenditure and other related data. However, OCTP did not perform any added cost audits of school district CTE programs for school years 1998-99, 1999-2000, and 2000-01. As a result, OCTP had little assurance as to the propriety and accuracy of the added cost expenditure and other data.

We examined OCTP's review of 30 school district Career and Technical Educational Expenditure Reports for school years 1998-99 and 1999-2000. We determined that OCTP did not properly follow up on exceptions or questionable items identified in its review of 5 (17%) of the 30 reports. Specifically:

a. OCTP determined that 2 school districts had not met their local program improvement spending requirements. For 1 school district, OCTP took no action to resolve the noncompliance. For the other school district, OCTP sent a letter requesting the district to submit a revised expenditure report. However, the school district never submitted a revised report, and OCTP took no further action to resolve the noncompliance.

b. OCTP determined that a school district had not met its local contribution requirement and requested that the district submit a revised expenditure

report. The school district submitted a revised report that indicated the district had met the local contribution requirement, and OCTP approved the report. However, the report was for the prior program year and OCTP did not detect the reporting error.

c. OCTP determined that a school district did not meet its program improvement spending requirement and another district did not meet its local contribution requirement. OCTP requested that both school districts submit revised expenditure reports, and the revised reports indicated that both districts had met their respective requirements. However, OCTP took no further action to determine the propriety of the amounts in the revised expenditure reports.

Proper follow-up and resolution of Career and Technical Educational Expenditure Report review exceptions and questionable items are necessary to help ensure that school districts meet CTE program spending and local contribution requirements. School districts that do not meet required spending for matching and program improvement can have their State school aid payments adjusted for the amount of the deficiency. However, we did not note any instances in which OCTP took this action.

Our prior audit report indicated that OCTP performed only a few added cost audits of school district CTE programs annually and recommended that OCTP increase the number of these audits. The Department of Education agreed with the recommendation and stated that it would increase the number of audits performed.

RECOMMENDATIONS

WE AGAIN RECOMMEND THAT OCTP PERFORM ADDED COST AUDITS OF SCHOOL DISTRICT CTE PROGRAMS TO PROVIDE REASONABLE ASSURANCE THAT FINANCIAL AND PUPIL COUNT DATA IS ACCURATE.

We also recommend that OCTP follow up on exceptions or questionable items identified in school district Career and Technical Educational Expenditure Reports to ensure that the districts' reported corrective actions are appropriate.

AGENCY PRELIMINARY RESPONSE

MDCD agreed with the finding. MDCD responded that OCTP does not have its own auditing staff and that each school district must annually complete both a

financial audit and a pupil accounting audit. The Department of Education's internal auditor, via an agreement between MDCD and the Department of Education, performs desk reviews of these reports for all school districts and forwards any issues related to CTE programs to the OCTP director for follow-up. This follow-up includes consulting the Department of Education's internal auditor on corrective action related to the CTE programs. To enhance the usefulness of these audits and gain coverage of added cost funding, OCTP will work with the Department of Education to include an added cost section in the pupil accounting manual and other guidance provided to auditors of school district operations.

MDCD also responded that a monitoring visit by the Office of Vocational and Adult Education, U.S. Department of Education, has prompted the development of a process to carefully review data submitted by districts. The review will take place yearly through the Career Initiatives Leadership Team comprised of staff within OCTP. MDCD has added the added cost expenditure and match reports to this process so that they will be reviewed systematically each year.

SUPPLEMENTAL INFORMATION

OFFICE OF CAREER AND TECHNICAL PREPARATION
Michigan Department of Career Development
Career and Technical Education Programs
Summary of Program Completer Placement Data
For Program Years 1998-99 and 1999-2000

Programs by Career Pathway	Program-Related Placement Rate*		Completer Surveys Returned		Program-Related Placements	
	1998-99	1999-2000	1998-99	1999-2000	1998-99	1999-2000
Arts and Communications						
Graphic and Printing Communications	51%	50%	954	974	486	486
Radio and Television	54%	44%	157	206	85	91
Theatre Stagecrafts Management	44%	53%	18	17	8	9
Visual Imaging Technology	45%	42%	190	195	86	81
Pathway Total	50%	48%	1,319	1,392	665	667
Business, Management, Marketing, and Technology						
Business Services and Technology	69%	70%	7,259	7,453	5,044	5,188
Marketing Education	64%	65%	4,235	4,504	2,725	2,946
Pathway Total	68%	68%	11,494	11,957	7,769	8,134
Engineering, Manufacturing, and Technology						
Agricultural Mechanics	73%	79%	77	78	56	62
Air Transportation	67%	82%	12	11	8	9
Aircraft Mechanics	58%	63%	78	64	45	40
Auto Body Repair	51%	52%	298	260	151	136
Auto Mechanics	57%	59%	1,397	1,133	802	664
Automotive Technician	68%	62%	301	577	204	357
Building and Home Maintenance and Services	56%	54%	87	69	49	37
Collision Repair Technician	81%	79%	43	75	35	59
Commercial Painting and Interior Treatment Services	55%	90%	22	31	12	28
Construction and Building Maintenance	68%	59%	256	281	174	167
Construction Trades	64%	65%	1,010	1,093	650	710
Diesel Engine Mechanics	68%	62%	76	94	52	58
Drafting	63%	67%	834	874	527	584
Drafting and Design and Technology	59%	66%	531	641	313	422
Electric and Power Transmission Installer	65%	70%	148	142	96	99
Electrical and Electronics Repair	69%	67%	702	670	481	451
Electri-Mechanical Technology	69%	59%	45	39	31	23
Heating, Air Conditioning, and Refrigeration	58%	69%	98	90	57	62
Hydraulics and Pneumatics	47%	22%	19	9	9	2
Industrial Equipment Maintenance and Repair	76%	77%	41	53	31	41
Industrial Production Technology	50%	64%	10	14	5	9
Machine Tool and Machine Shop	66%	68%	650	513	427	349
Major Appliance Repair	86%	**	7	0	6	**
Manufacturing Technology	69%	64%	410	483	284	311
Marine Mechanics	60%	50%	10	2	6	1
Medium Heavy Truck Technician	**	100%	0	1	**	1
Plastics	48%	54%	48	24	23	13

This summary continued on next page.

OFFICE OF CAREER AND TECHNICAL PREPARATION
Michigan Department of Career Development
Career and Technical Education Programs
Summary of Program Completer Placement Data
For Program Years 1998-99 and 1999-2000
(continued)

Programs by Career Pathway	Program-Related Placement Rate*		Completer Surveys Returned		Program-Related Placements	
	1998-99	1999-2000	1998-99	1999-2000	1998-99	1999-2000
Small Engine Repair	47%	65%	126	93	59	60
Transportation Service and Technology	62%	66%	98	82	61	54
Watch Repair	67%	100%	6	2	4	2
Welding, Brazing, and Soldering	62%	63%	413	432	256	272
Woodworking and Furniture Making	50%	46%	44	37	22	17
Pathway Total	63%	64%	7,897	7,967	4,936	5,100
Health Sciences						
Allied Health Technologies	61%	63%	2,382	2,283	1,459	1,442
Human Services						
Child and Adult Care Services	62%	59%	769	895	477	530
Clothing and Textile Production and Services	72%	60%	18	10	13	6
Cosmetology	64%	61%	474	543	301	330
Hospitality and Food Services	60%	62%	1,048	989	633	615
Law Enforcement	62%	58%	139	162	86	94
Public Safety and Protection Service	55%	62%	119	114	65	71
Pathway Total	61%	61%	2,567	2,713	1,575	1,646
Natural Resources and Agriscience						
Products and Processing	100%		1	1	1	0
Science and Natural Resources Education	57%	56%	1,075	1,199	617	667
Pathway Total	57%	56%	1,076	1,200	618	667
Statewide Totals	64%	64%	26,735	27,512	17,022	17,656

* The program-related placement rate is based on follow-up surveys returned by program completers.

** No surveys were returned for this program.

Glossary of Acronyms and Terms

added cost	The cost differential between CTE and general academic education; appropriated State aid funds are allocated to school districts and area vocational training centers for the reimbursement of the additional cost of CTE programs over and above the cost of non-CTE programs.
baseline	The calculated performance level that the CTE and Tech Prep Programs should achieve Statewide for each of the six CPI indicators.
career pathway	Broad groupings of careers that share similar characteristics whose employment requirements call for many common interests, strengths, and competencies.
CPI	core performance indicator.
CTE	Career and Technical Education.
effectiveness	Program success in achieving mission and goals.
goals	The agency's intended outcomes or impacts for a program to accomplish its mission.
material condition	A reportable condition that could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program.
MDCD	Michigan Department of Career Development.
mission	The agency's main purpose or the reason that the agency was established.

OCTP	Office of Career and Technical Preparation.
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.
performance indicator	Information of a quantitative or qualitative nature used to assess achievement of goals and/or objectives.
performance standard	A desired level of output or outcome.
Plan	Regional Improvement Plan.
program year	July 1 to June 30.
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.
related placement rate (RPR)	The rate of CTE program completers obtaining employment and/or pursuing continuing education in a field related to their CTE program training.