

EXECUTIVE DIGEST

SCHOOL-TO-WORK SYSTEM AND CAREER PREPARATION SYSTEM

INTRODUCTION

This report, issued in May 2002, contains the results of our performance audit* of the School-to-Work System (STW) and Career Preparation System (CPS), Michigan Department of Career Development (MDCD) and Department of Education (DOE).

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness* and efficiency*.

BACKGROUND

Effective April 5, 1999, Executive Order No. 1999-1 created MDCD. MDCD's mission* is to develop a system that produces a workforce with the required skills to maintain and enhance the Michigan economy. MDCD's Office of Career and Technical Preparation is responsible for administering career and technical education programs, including STW and CPS.

The Michigan Jobs Commission (MJC) administered STW until Executive Order No. 1999-1 transferred the responsibility to MDCD, effective April 5, 1999, and abolished MJC. Also, DOE administered CPS until Executive Order No. 1999-12 transferred the responsibility,

effective January 1, 2000, to MDCD. Because MDCD presently administers both STW and CPS and will be responsible for corrective action, we have addressed our findings and recommendations to MDCD.

The Office of Career and Technical Preparation had 33 employees as of December 31, 2000.

School-to-Work System (STW)

The U.S. Departments of Education and Labor administer the School-to-Work Opportunity Act of 1994 (STW Act), i.e., Public Law 103-239. The STW Act provides funding to states and local communities to develop STWs. The STW Act requires that such systems contain four components: general program requirements, school-based learning*, work-based learning*, and connecting activities*.

Michigan received a \$48 million, five-year STW federal implementation grant in December 1994 to initiate a comprehensive Statewide STW consisting of State and local STW partnerships. The primary goal* of Michigan's STW was to establish local STW programs to assist students in making the transition from school to a good first job or a high skill, high wage career and to increase students' opportunities for further education. The U.S. Departments of Education and Labor extended federal STW grant funding to September 30, 2001.

The STW Act required states to plan to sustain STWs with state and/or private sector resources after federal funding from the STW Act ended. To sustain and expand STW and other related initiatives, Michigan implemented the State-funded CPS beginning in fiscal year 1998-99.

Career Preparation System (CPS)

For fiscal year 1997-98, the State School Aid Act of 1979 (Sections 388.1601 - 388.1772 of the *Michigan Compiled Laws*) was amended to include enabling legislation and funding to establish Michigan's CPS. In September 1997, DOE, in collaboration with MJC, began planning for the implementation of CPS. The primary objective* during the first year was to develop a three-year regional implementation plan centered on each of the State's 25 workforce development board (WDB) areas. Beginning with fiscal year 1998-99, the State School Aid Act of 1979 appropriated approximately \$24 million annually to implement these regional plans and create CPS.

CPS's mission is to ensure that all students completing the Michigan educational system will have the necessary academic, technical, and work behavior skills for success in a career of their choice and lifelong learning.

CPS is composed of seven components: academic preparation, career development, workplace readiness, professional and technical education, work-based learning, accountability, and school improvement. These components both sustained and expanded STW and other related initiatives.

AUDIT OBJECTIVES AND CONCLUSIONS

Audit Objective: To assess the effectiveness of MDCD in establishing STW and the effectiveness of MDCD and DOE in establishing CPS.

Conclusion: We concluded that MDCD was reasonably effective in establishing STW and that MDCD and DOE were generally effective in

establishing CPS. However, our assessment disclosed one material condition*:

- Michigan Works! agencies* (MWAs), in conjunction with local and intermediate school districts, had not implemented a number of local STW program requirements (Finding 1).

MDCD did not state a position whether it agreed or disagreed with the corresponding recommendation. However, MDCD did inform us that it generally agreed with the objective of building on the experience of STW to effectively implement CPS.

Our assessment also disclosed a reportable condition* related to education advisory group activities (Finding 2).

Audit Objective: To assess the effectiveness of MDCD in administering and evaluating STW and the effectiveness of MDCD and DOE in administering and evaluating CPS.

Conclusion: We concluded that MDCD was reasonably effective in administering and evaluating STW and that MDCD and DOE were marginally effective in evaluating and administering CPS. Our assessment disclosed three material conditions:

- MDCD did not perform a comprehensive evaluation of the effectiveness of STW or specific requirements of STW for use in developing, implementing, and operating CPS (Finding 3).

MDCD did not state a position whether it agreed or disagreed with the corresponding recommendation. However, MDCD did inform us that it generally agreed

with the objective of building on the experience of STW to effectively implement CPS.

- MDCD had not established a comprehensive measurement system to evaluate and improve the Statewide CPS and determine progress in achieving CPS's mission (Finding 4).

MDCD stated that it generally agreed with the corresponding recommendation and had implemented corrective actions.

- MDCD's internal control was not effective in preventing reimbursement to school districts for unallowable CPS expenditures and in recovering these expenditures when appropriate (Finding 5).

MDCD stated that it agreed with the recommendation on establishing internal control and informed us that corrective actions have been implemented that include providing technical assistance to the education advisory groups and fiscal agents (see Finding 2). Professional development is conducted throughout the year on grant management, financial issues, and requirements for the review of applications for CPS grants.

MDCD did not state a position whether it agreed or disagreed with the recommendation for a Statewide audit of CPS expenditures. MDCD informed us that it is in the process of evaluating methods to initiate limited monitoring of CPS expenditures but that it does not have sufficient resources to conduct comprehensive audits.

Our assessment also disclosed reportable conditions related to regional CPS plans, CPS end-of-year regional

reports, and elementary charter school participation in CPS (Findings 6 through 8).

Audit Objective: To assess the effectiveness of MDCD and DOE in transitioning from STW to CPS.

Conclusion: We concluded that MDCD and DOE were generally effective in transitioning from STW to CPS. However, our assessment disclosed a reportable condition related to the STW to CPS transition (Finding 9).

**AUDIT SCOPE AND
METHODOLOGY**

Our audit scope was to examine the program and other records of the School-to-Work System and the Career Preparation System. 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.

Our audit procedures generally included an examination of STW and CPS records and activities for the period October 1, 1996 through December 31, 2000.

To accomplish our objectives, we reviewed applicable laws, regulations, policies, and procedures. We performed a preliminary survey of STW and CPS and interviewed MDCD and DOE staff.

In connection with our first audit objective, we examined program and school records, reviewed meeting minutes of various local governing bodies, and made inquiries of various State and local officials and administrators to assess the extent of STW and CPS implementation. This examination included reviewing various records related to 56 school districts located within four WDB/ MWA areas.

In connection with the second objective, we reviewed MDCD, DOE, and local processes for allocating funding to and contracting with local governing bodies or school districts for purposes of implementing STW and CPS. We also examined program expenditures to determine compliance with federal and State statutes and MDCD policies, procedures, and guidelines. Further, we examined MDCD's internal control to assess its effectiveness regarding unallowable STW and CPS expenditures. In addition, we reviewed the development of local plans for implementing STW and CPS and the extent to which the plans were carried out. Additionally, we examined MDCD efforts to evaluate the effectiveness of STW and CPS.

In connection with the third objective, we made inquiries of MDCD and local officials and administrators concerning coordination efforts to implement CPS. Also, we assessed whether selected local STW plans for transitioning to CPS addressed issues contained in MDCD planning instructions. Further, we determined the degree to which the transition issues had been implemented.

REPORTING ON STW

Although STW was funded by federal grants and, as such, had a limited life through September 30, 2001, we have presented all of our findings and recommendations, including items related to STW, to provide a report that is complete, accurate, and objective in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. As a result, MDCD would not be expected to implement corrective actions for recommendations that are specific to STW (i.e., Findings 1 and 3). However, because STW's core components were sustained in CPS, MDCD should consider these findings and recommendations within the context of improving the effectiveness and efficiency of CPS.

AGENCY RESPONSES

Our audit report includes 9 findings and 10 corresponding recommendations. MDCD's preliminary response stated that it agreed or generally agreed with 6 of the recommendations. MDCD's preliminary response did not state a position whether it agreed or disagreed with 4 of the recommendations.