

PERFORMANCE AUDIT
OF THE

SCHOOL-TO-WORK SYSTEM AND
CAREER PREPARATION SYSTEM

MICHIGAN DEPARTMENT OF CAREER DEVELOPMENT AND
DEPARTMENT OF EDUCATION

May 2002

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	<p>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.</p> <p>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,</p>

* See glossary at end of report for definition.

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.

* See glossary at end of report for definition.

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

* See glossary at end of report for definition.

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

* See glossary at end of report for definition.

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.

May 10, 2002

Dr. Barbara Bolin, Director
Michigan Department of Career Development
Victor Center
Lansing, Michigan
and
Mr. Thomas D. Watkins, Jr., Chairperson
State Board of Education
Hannah Building
Lansing, Michigan

Dear Dr. Bolin and Mr. Watkins:

This is our report on the performance audit of the School-to-Work System and Career Preparation System, Michigan Department of Career Development and Department of Education.

This report contains our executive digest; description of programs; audit objectives, scope, and methodology and agency responses; comments, findings, recommendations, and agency preliminary responses; two exhibits, 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 Michigan Department of Career Development'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.

AUDITOR GENERAL

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MICHIGAN DEPARTMENT OF CAREER DEVELOPMENT AND
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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 is responsible for administering career and technical education programs, including the School-to-Work System (STW) and the Career Preparation System (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, the Department of Education (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 five-year grants to states and local communities to initiate the development of STWs through state initiatives and local partnerships between local units of government, school districts, and other local agencies. States and local communities are expected to secure alternate sources of funding to sustain STWs beyond the first five years. Participation by school districts and other local partners in STW is voluntary. The STW Act requires that such systems contain four main components: general program requirements, school-based learning, work-based learning, and connecting activities. The STW Act places the responsibility for implementing these components with the local partners through the creation of local STW programs. The purpose of STW is to provide students with the knowledge and skills to allow them to enter college, obtain additional training, or acquire a well-paying job directly out of high school.

Michigan was one of eight initial states to receive STW funding under the STW Act. 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. Michigan planned to accomplish this by initiating education system reform regarding the delivery of education and employment training. Under this STW, MDCD and its predecessor agency, MJC, in collaboration with DOE, were responsible for developing plans; encouraging business, community, and education participation and assistance; coordinating policy; providing staff expertise and technical assistance to local partnerships; and formally recognizing the existence of local partnerships to create and administer local STW programs.

Michigan stated in its STW implementation grant application that it planned to fully implement STW within the five-year grant period ended December 31, 1999. During the first two years of the grant, MJC awarded subgrants to 44 local partnerships to establish local STW programs. In October 1996, MJC redirected the regional administration away from these 44 partnerships to 25 regional workforce development boards (WDBs), appointed by local elected officials, and administered by Michigan Works! agencies (MWAs). During the next three years of the implementation grant, MJC provided STW subgrants to the 25 MWAs to continue establishing the local STW programs. The MWAs, in turn, entered into agreements with local and intermediate school districts for the purpose of creating these local programs.

As previously noted, 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. As required, Michigan implemented the State-funded CPS beginning in fiscal year 1998-99.

In September 1999, MDCD also received a one-year STW transition grant of \$2.64 million from the U.S. Department of Labor to sustain Michigan's STW and transition to CPS. MDCD was to use the STW grant to encourage the use of student educational development plans (EDPs) by local school districts by September 30, 2000. MDCD provided STW subgrants to the 25 MWAs to carry out the federal grant. The U.S. Departments of Education and Labor extended the STW implementation grant and the STW transition grant to September 30, 2001.

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 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. Also, CPS has three goals:

- (1) To ensure that career preparation is fully integrated into the Michigan education system.
- (2) To ensure that all students, with their parents, will be prepared to make informed choices about their careers.
- (3) To ensure that all students have the types and levels of skills, knowledge, and performance valued and required in their education and career choices.

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.

As stated in quarterly State of Michigan School-to-Work Narrative Reports to the U.S. Department of Labor:

Critical components of STW will be sustained through its transition to the new state Career Preparation Systems (CPS), which began its first year of implementation on October 1, 1998. The Michigan legislature allocated over 30 million general fund dollars to support STW by sustaining and integrating it into the CPS. The three core STW components of school-based learning, work-based learning, and connecting activities are included in the CPS seven core components. . . .

The main feature of CPS is Career Pathways, which is part of the career development component. Career Pathways consists of six broad career groupings around which school districts are encouraged to structure their curriculum and career-related activities. The six pathways are: arts and communication; business management, marketing, and technology; engineering, manufacturing, and industrial technology; health sciences; human services; and natural resources and agriscience. The Career Pathways feature is critical to CPS because it provides students with an academic and vocational "path" to follow to achieve the students' career goals.

Regionally, CPS is administered by an education advisory group (EAG) and fiscal agent. EAGs consists of business, community, and education members appointed by a WDB to help design and implement CPS. EAGs are responsible for developing and annually updating a regional plan for implementing CPS and for ensuring the quality of CPS in the region. Also, EAGs are responsible for appointing a school district to act as the region's fiscal agent. The regional fiscal agent is responsible for providing fiscal oversight for CPS funds and ensuring the accuracy and completeness of annual progress reports prepared by school districts participating in CPS.

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, MDCCD 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, MDCCD should consider these findings and recommendations within the context of improving the effectiveness and efficiency of CPS.

Audit Objectives, Scope, and Methodology and Agency Responses

Audit Objectives

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), had the following objectives:

1. To assess the effectiveness of MDCD in establishing STW and the effectiveness of MDCD and DOE in establishing CPS.
2. To assess the effectiveness of MDCD in administering and evaluating STW and the effectiveness of MDCD and DOE in administering and evaluating CPS.
3. To assess the effectiveness of MDCD and DOE in transitioning from STW to CPS.

Audit Scope

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.

Audit Methodology

Our audit procedures were performed from April 1999 through December 2000 and 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 the 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 workforce development board (WDB)/Michigan

Works! agency (MWA) areas covering: Charlevoix, Emmet, Grand Traverse, Kalamazoo, Livingston, Missaukee, St. Joseph, and Wexford Counties and the City of Detroit.

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 or CPS. We also examined program expenditures incurred by MDCD and 13 school districts 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 in detecting and preventing unallowable STW and CPS expenditures. In addition, we reviewed MDCD and local procedures for ensuring that local plans for implementing STW and CPS were developed in accordance with federal and State statute and MDCD policies, procedures, and guidelines and we reviewed the extent to which the plans were carried out. This review included examining the local STW implementation plans and regional CPS plans and end-of-year progress reports of four WDB/MWA areas as they related to 10 school districts. Additionally, we examined MDCD efforts to evaluate the effectiveness of STW and CPS and determine the degree to which established goals and objectives of each were achieved.

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.

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.

The agency preliminary response that follows each recommendation in our report was taken from MDCD'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 audit findings and recommendations within 60 days after release of the audit report.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

ESTABLISHING STW AND CPS

COMMENT

Audit Objective: To assess the effectiveness of the Michigan Department of Career Development (MDCD) in establishing the School-to-Work System (STW) and the effectiveness of MDCD and the Department of Education (DOE) in establishing the Career Preparation System (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.

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

FINDING

1. Implementation of Local STW Programs

MWAs, in conjunction with local and intermediate school districts, had not implemented a number of local STW program requirements.

MDCD received a \$48 million grant over a five-year period from the U.S. Departments of Education and Labor to implement a comprehensive Statewide STW consisting of State and local partnerships and local STW programs. During the five-year grant period, MDCD provided approximately 70% to 90% of its annual STW grant funding as subgrants to the State's local partnerships to create the local STW programs, which was where STW impacted students. The State's 25 MWAs were the State's local partnerships during our audit period.

MDCD's subgranting process required that each MWA submit an annual plan describing how the MWA would implement the local STW programs in its area. To

implement the local plans, MWAs entered into agreements with local and/or intermediate school districts in the MWA area for the purpose of creating the local STW programs. Participation by school districts in a local STW program was voluntary. The School-to-Work Opportunity Act of 1994 (STW Act) defines a local STW program as consisting of 25 separate requirements grouped into four categories: general requirements, school-based learning requirements, work-based learning requirements, and connecting activities (see Exhibit A for a complete listing of the 25 requirements). The STW Act states that such a system of local STW programs will help provide all students with the academic and occupational skills necessary to prepare them for jobs in high skill and high wage careers and increase their opportunities for further education and training.

In order to review the MWAs' implementation of local STW programs, we reviewed pertinent records and/or made inquiries related to 56 participating local school districts and 6 intermediate school districts within the area of responsibility of four MWAs. Our review disclosed that all four MWAs, in conjunction with the 56 local school districts and 6 intermediate school districts, had not implemented a number of local STW program requirements during the five years of the original STW grant award. We considered implementation of a program requirement to have occurred for a local STW program if the local school district, intermediate school district, or MWA had implemented the requirement. The MWAs, in conjunction with the 56 local school districts and 6 intermediate school districts, had implemented an average of 18 (72%) of the 25 requirements stipulated in the STW Act. The number of requirements that the MWAs, in conjunction with the 56 local school districts and 6 intermediate school districts, had implemented ranged from 16 to 21.

Our review also disclosed that the MWAs, in conjunction with the school districts, had generally implemented the less complex requirements of a STW program but had not implemented one or more of the more complex requirements. For example, all MWAs, in conjunction with the 56 local school districts and 6 intermediate school districts, had provided at least some of their students with career awareness, exploration, and counseling by the 7th grade as required by the STW Act. However, for one of the program's more complex and important requirements, that being that a local STW program provide students with the opportunity to complete what the STW Act calls "career majors*," only 29 (52%) of

* See glossary at end of report for definition.

the 56 local school districts in the four MWA areas had structured their curricula to provide students with this opportunity. A career major is a coherent sequence of courses, both occupational and academic, that prepares a student for employment in a broad occupational cluster. DOE has recommended that school districts use 6 occupational clusters (e.g., health sciences) around which to structure their curricula into career majors. The career majors requirement is critical to the STW program because it provides students with an academic and vocational "path" or "map" to follow to achieve the students' career goals.

MDCD's December 1994 grant agreement and subsequent annual grant extensions with the U.S. Departments of Education and Labor stated that MDCD would monitor the MWAs' implementation of local plans to create local STW programs. The grant agreement also stated that MDCD's monitoring would ". . . assist local partners [MWAs] identify areas of strengths and those areas needing strengthening."

MDCD and several MWAs informed us that MDCD did not monitor the implementation of local STW plans. As a result, MDCD did not gather the necessary information to determine or otherwise review the extent to which local STW plans and local STW programs were implemented throughout the State as provided by the grant agreement. MDCD's lack of monitoring during the original five-year grant period most likely contributed to the MWAs and school districts not implementing more STW program requirements.

RECOMMENDATION

We recommend that MDCD ensure that MWAs, in conjunction with local and intermediate school districts, continue to implement local STW program requirements.

AGENCY PRELIMINARY RESPONSE

MDCD did not state a position whether it agreed or disagreed with the recommendation. MDCD informed us that it generally agreed with the objective of building on the experience of STW to effectively implement CPS. However, MDCD did not agree with certain specific findings, particularly the indicated expectation that every school district within each STW partnership would be able to implement all 25 components of STW. Even the National School-to-Work Office did not use

all of the 25 components in its formal evaluations of STW implementation. Further, with respect to the finding that MDCD did not implement the more complex components such as career majors, at that time implementing career majors was a problem encountered nationally, not just in Michigan. One reason for not implementing all of the components was that the participation by local school districts in STW was voluntary. However, significant implementation has continued since the time of the audit, as evidenced by the advancement MDCD has made with the implementation of Career Pathways.

EPILOGUE

Although STW was funded by federal grants and, as such, had a limited life through September 30, 2001, we have presented this finding and recommendation to provide a report that is complete, accurate, and objective in accordance with *Government Accounting Standards* issued by the Comptroller General of the United States. Because STW no longer exists, MDCD would not be expected to implement corrective action for the recommendation. However, because STW's core components were sustained in CPS, MDCD should consider the finding and recommendation within the context of improving the effectiveness and efficiency of CPS.

MDCD's response that we expected "every school district" to "implement all 25 components [requirements] of STW" is inaccurate. The STW Act defines an STW program as consisting of 25 separate requirements. We reported the average number and corresponding range of requirements that local STW programs had implemented and the extent to which a key requirement, "career majors," was implemented. In determining the average number and range of requirements implemented for a local STW program, we credited the actions of the participating local school district, intermediate school district, and MWA. Further, as stated in the report, a school district's participation was voluntary; however, the STW Act did not provide for a local STW program to selectively implement certain requirements. Also, although a mature grant program at the time of our audit, MDCD had gathered and analyzed only limited information on the type or number of requirements that local STW programs had implemented.

FINDING

2. EAG Activities

MDCD should help ensure that EAGs fulfill their CPS planning and implementation responsibilities.

EAGs are intended to be an important component of the development and continued operation of the regional CPS. EAGs consist of business, community, and education members appointed by local workforce development boards (WDBs) to help design and implement a regional CPS. EAGs provide a mechanism for business, labor, and others in a region to share their expectations with education agencies of the knowledge and experiences that students need in various careers. EAGs use this input to help plan and implement a regional CPS.

Section 68(2) of the State School Aid Act of 1979 and MDCD guidelines state that EAGs are responsible for developing and annually updating a regional plan for implementing CPS. The plans are to be submitted to WDBs and MDCD for approval. The statute and guidelines also require that the EAG chairpersons certify that the plans were reviewed and approved by EAGs. Also, the MDCD guidelines state that EAGs are responsible for monitoring and providing oversight to regional CPSs and that EAGs are to meet as often as necessary to satisfy these responsibilities.

Our review of EAG activities for fiscal years 1997-98 and 1998-99 at 4 CPS regions disclosed:

- a. Two (50%) of the 4 EAGs may not have actually reviewed and approved the regional plans submitted to MDCD for fiscal year 1998-99. Although the chairpersons for these two EAGs had certified that EAG review and approval had taken place, the 2 EAGs did not meet during the time period that the plans were developed and finalized. Also, we found no other evidence that such a review and approval had taken place. MDCD had relied on these certifications when approving the plans supporting regional funding allocations.
- b. Two (50%) of the 4 EAGs met infrequently. One of the EAGs met an average of twice and the other met an average of 2.5 times a year during the two years with the meetings for one of the EAGs up to 11 months apart. The other two EAGs met an average of 3.5 and 6.5 times a year. Neither the State School

Aid Act of 1979 nor MDCD's guidelines require a minimum number of EAG meetings each year.

- c. Member attendance was often poor when the four EAGs did meet. The average member attendance rate for the four EAGs ranged from 43% to 61% with an overall average attendance of only 53%. As a result, in violation of EAG bylaws, EAGs frequently conducted official business without a majority of members present to form a quorum. For example, one of the EAGs approved and submitted to MDCD its end-of-year regional report for fiscal year 1998-99 on CPS implementation even though a quorum was not present.

Based on items a. through c., we question the ability of the EAGs to fulfill their planning and implementation responsibilities. Therefore, MDCD was not assured that regional CPSs had the coordinated support among a region's business and community leaders and education agencies.

RECOMMENDATION

We recommend that MDCD help ensure that EAGs fulfill their CPS planning and implementation responsibilities.

AGENCY PRELIMINARY RESPONSE

MDCD stated that it agreed with the recommendation and has implemented corrective actions. In March 2000, MDCD issued a policy regarding EAG operations that covered membership, meetings, responsibilities, conflict of interest, and other guidance. An additional policy was issued requiring a minimum number of EAG meetings per year and that the minutes of the meetings be posted on the MWA web site.

ADMINISTERING AND EVALUATING STW AND CPS

COMMENT

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. Also, MDCD had not established a comprehensive measurement system to evaluate and improve the Statewide CPS and determine progress in achieving CPS's mission. Further, MDCD's internal control was not effective in preventing reimbursement to school districts for unallowable CPS expenditures and in recovering these expenditures when appropriate.

Our assessment also disclosed reportable conditions related to regional CPS plans, CPS end-of-year regional reports, and elementary charter school participation in CPS.

FINDING

3. Evaluation of the Effectiveness of STW

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.

MDCD received a \$48 million federal grant over a five-year period to develop and implement a comprehensive Statewide STW consisting of State and local partnerships and local STW programs. Because the federal STW funding was limited to a five-year period, MDCD planned to sustain STW by integrating it into the new State-funded CPS. As a result, MDCD incorporated the three core STW components of school-based learning, work-based learning, and connecting activities into CPS. Also, in December 1998, MDCD reported to the National School-to-Work Office that "Michigan is the only state in the nation to commit general fund dollars to sustain and transition School-to-Work goals into a new Career Preparation System." Since fiscal year 1998-99, the Legislature appropriated approximately \$24 million annually for CPS.

Because CPS both sustained and expanded STW, a comprehensive evaluation of the effectiveness of STW and its specific requirements would appear to have been a key element to the development, implementation, and operation of CPS. Such

an evaluation of STW should have included: gathering accurate output* and outcome* data for various performance indicators*, comparing the data to expected goals or standards, and using any other pertinent evaluation methods needed to determine what worked and what did not work for use in developing and implementing CPS.

Also, MDCD's December 1994 grant agreement and subsequent annual grant extensions with the U.S. Departments of Education and Labor provided that MDCD and the MWAs would evaluate local STW programs to demonstrate the effectiveness of STW.

MDCD has taken only limited steps to evaluate the effectiveness of STW and local STW programs. Our review of MDCD's efforts disclosed:

- a. A consultant's review of STW did not include an evaluation of pertinent effectiveness issues. MDCD contracted with a consultant in May 2000 to perform a review of STW. The review was to include: an evaluation of overall outcomes and attainment of objectives and goals, a determination of evidence of program sustainability, and a determination of the level of STW participation by school districts, students, and others. However, in August 2000, MDCD significantly reduced the scope of the consultant's review because the MWAs had completed annual self-assessment STW surveys for the U.S. Departments of Education and Labor, and the MWAs did not believe any further evaluation of STW was needed. Also, MDCD had concerns about the timeliness of the consultant's report. As a result, the consultant's review, dated November 2000, addressed program sustainability and STW participation on a limited basis but did not address an evaluation of overall outcomes and attainment of objectives and goals.
- b. MDCD did not always establish the most useful STW performance indicators/goals. MDCD established 5 outcome-related performance indicators (i.e., goals) to assess the overall effectiveness of STW by 1999. MDCD informed us that the 5 performance indicators/goals were intended to foster system implementation and provide a means of STW evaluation. We

* See glossary at end of report for definition.

concluded that 2 (40%) of the 5 performance indicators/goals were of questionable value in evaluating the effectiveness of STW because either the performance indicator/goal was not directly relevant to the stated purposes of STW or there were several key variables other than STW that significantly impacted the performance indicator/goal output or outcome.

For example, one of the performance indicators/goals was that "By 1999, at least 90% of all high school students will have remained in school until graduation, or there will have been at least a two percentage point annual increase in the student graduation rate." MDCD reported in a performance indicator/goal achievement determination report that the student graduation rate decreased from 81.4% in fiscal year 1994-95 to 73.1% in fiscal year 1995-96. However, the degree to which this change was directly attributable to STW was questionable.

Our review disclosed that there does not appear to be any evidence to substantiate that STW activities had an impact on graduation rates. Also, there were several other factors that most likely have a significant impact on a school district's student graduation rate besides STW. These factors included: teenage pregnancy rate, parental involvement, class size, poverty rates, and the success of early elementary education programs.

- c. MDCD did not evaluate the degree to which STW achieved the 5 performance indicators/goals after or near the end of the five-year STW grant period. Also, MDCD's one-time evaluation of STW performance indicators/goals was of limited usefulness.

MDCD determined performance indicator/goal achievement and reported the results to management and other interested stakeholders only in April 1998. These reported results were issued nearly one and one-half years before the end of the grant period. MDCD's reported results for 4 of MDCD's 5 performance indicators/goals were based on data for either one or two of the first three years of the five-year grant period. In addition, MDCD's reported results for 1 of MDCD's 5 performance indicators/goals was for a time period prior to the implementation of STW.

Also, MDCD's reported results often measured only part of the performance indicator/goal or did not measure the performance indicator/goal as it was stated. For example, MDCD established a performance indicator/goal that "By 1999, at least 35% of high school graduates will have earned a skill certificate in a career field. By 1999, all community college students who complete an occupational program will earn a skill certificate." However, MDCD did not specifically report on this performance indicator/goal. Instead, MDCD reported on the percentage of high school graduates who completed a career and technical education (CTE) program through fiscal year 1995-96. This outcome data did not address the percentage of high school graduates who actually earned a skill certificate or the percentage of community college students completing an occupational program that earned a skill certificate.

The usefulness of the April 1998 reported data for evaluating the effectiveness of STW appears questionable.

- d. MDCD needed to establish additional specific performance indicators by which management and interested stakeholders could assess the effectiveness of STW.

As noted in item b., 2 of MDCD's 5 performance indicators for STW were of questionable value. In addition, the 3 other performance indicators that involved other measures, such as student Michigan Educational Assessment Program (MEAP) test scores, student work experiences, and skill certificates, provided only limited insight into the effectiveness of STW.

There are a number of other more specific performance indicators that would better measure STW outputs and outcomes than the 5 established by MDCD. Other additional performance indicators could include:

- (1) Percentage of school districts implementing a complete local STW program.
- (2) Number of school districts implementing the various requirements of a local STW program (e.g., career exploration and counseling by the 7th grade or a system of career majors).

- (3) Number of students participating in various requirements of STW, such as career exploration, career majors, and workplace mentoring.
- (4) Percentage of high school graduates achieving high skill, high wage careers.
- (5) Percentage of high school graduates achieving their career goals.
- (6) Employer satisfaction* with the academic and/or technical skills of school district graduates.

Such performance indicators would help management and the interested stakeholders to better assess the specific impact that STW had on the State's school districts and students.

- e. MDCD had not developed procedures to ensure that outcome data gathered by the MWAs was accurate. MDCD established a performance indicator/goal that "By 1999, all high school students will have at least one structured, work-based learning experience. Fifty percent (50%) of students in work-based learning will be paid." MDCD directed the State's MWAs to collect data from the local school districts for the purpose of making an outcome determination. MDCD also instructed the MWAs that, in order to count a work-based learning experience toward the achievement of this performance indicator/goal, the experience must be a structured learning activity supported by a written agreement between the school, employer, and student and the experience should relate to the student's selected career goal. Based on the data collected, MDCD reported in a performance indicator/goal achievement determination report that, by fiscal year 1996-97, 58% of high school graduates had at least one work-based learning experience. Also, MDCD had reported that students were paid for 38% of those experiences. However, MDCD did not review the information obtained by the MWAs from the school districts to assess its accuracy.

We reviewed pertinent records and/or made inquiries of 10 school districts within the area of responsibility of four MWAs. Seven of the 10 (70%) school

* See glossary at end of report for definition.

districts informed us that they had not retained documentation to support the work experience figures reported to the MWAs. Three of these 7 school districts also informed us that they could not recall how they had derived the numbers that it had reported. Further, 1 of the 7 school districts informed us that it had reported all students who were issued work permits by the school district regardless of whether the work permit was for a structured work experience or a work experience related to a student's career goal. This practice was contrary to MDCD's instructions for counting a work experience toward performance indicator/goal achievement.

Because at least one school district that we reviewed submitted incorrect information and because of the general lack of documentation, we question the accuracy of the outcome data collected by the MWAs for MDCD's achievement determination of the performance indicator/goal.

As a result of the issues in items a. through e., we concluded that MDCD's efforts to evaluate the effectiveness of STW provided little useful information to assist management in the development and implementation of CPS.

We recognize the complexity of STW and the difficulty in assessing performance outputs and outcomes. Also, any comprehensive evaluation of STW effectiveness should take into consideration the implementation status of local STW programs by MWAs, in conjunction with school districts (see Finding 1). However, without evaluating the effectiveness of STW using appropriate performance indicators/goals and obtaining accurate output and outcome data, MDCD's ability to develop and implement CPS would appear to have been significantly diminished.

RECOMMENDATION

We recommend that MDCD perform a comprehensive evaluation of the effectiveness of STW and specific requirements of STW for use in developing, implementing, and operating CPS.

AGENCY PRELIMINARY RESPONSE

MDCD did not state a position whether it agreed or disagreed with the recommendation. MDCD informed us that it generally agreed with the objective of building on the experience of STW to effectively implement CPS. CPS includes some of the components of STW and the lessons from the STW implementation

efforts were incorporated into the design of CPS. However, at the detail program level, CPS is different from STW in structure, priorities, and delivery system. For example, goals under STW were set at the State level, whereas goals under CPS are established by each region.

EPILOGUE

Although STW was funded by federal grants and as such, had a limited life through September 30, 2001, we have presented this finding and recommendation 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. Because STW no longer exists, MDCD would not be expected to implement corrective action for the recommendation. However, because STW's core components were sustained in CPS, MDCD should consider the finding and recommendation within the context of improving the effectiveness and efficiency of CPS.

FINDING

4. Comprehensive Measurement System for CPS

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

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.

MDCD guidelines for CPS, dated December 1997, provide that MDCD and participating school districts establish a CPS accountability component via a comprehensive measurement system. The guidelines state: "The overall purpose of this component is to . . . provide consistent data that could be used to improve the overall efficiency and effectiveness of the education system" The guidelines also state that the measurement system should include five performance indicators for measuring student outputs and outcomes: academic achievement*, workplace readiness achievement*, career competency achievement*, college/career placement*, and employer satisfaction. In addition to

* See glossary at end of report for definition.

the performance indicators, the guidelines further state that the measurement system should include the following five elements:

- a. Performance measures to identify assessment tools to determine results or progress on a particular performance indicator.
- b. Performance standards and targets that describe the desired level or rate of student performance on a specific performance indicator and measure.
- c. Baseline data that is collected to establish a starting point for monitoring progress toward reaching a performance standard or target.
- d. An assessment of whether a standard or target has been achieved and at what level.
- e. A reporting process for sharing the results of this measurement system with interested stakeholders to help in decision making related to improving student performance.

The stated ultimate goal of the measurement system is to gauge the State's progress in achieving CPS's mission. Such a measurement system would also provide a useful management tool for evaluating CPS's effectiveness and implementing any needed improvements.

The establishment of a comprehensive measurement system early in CPS's implementation is critical if MDCD is to evaluate the overall impact of CPS on the State's educational system. Delays in establishing a performance measurement system will make gathering prior years' information difficult, if not impossible, because school districts most likely would not be aware of the performance indicators and measures of CPS for which to capture data for future evaluation. Also, the untimely establishment of the system delays the identification of any ineffective aspects of CPS and subsequent corrective action.

Our review of MDCD's efforts to establish a comprehensive measurement system for CPS disclosed:

- (a) MDCD had taken only limited steps to establish a comprehensive measurement system for CPS. As of the completion of our fieldwork, MDCD had not developed and used any of the six elements for a comprehensive measurement system as required by program guidelines.
- (b) MDCD operated CPS for much of the first two years of its implementation without identifying performance indicators and measures.

MDCD contracted with a consultant during fiscal year 1998-99 to help develop performance indicators and measures for the system. The consultant issued a report, dated December 1999, recommending workplace readiness, college/career placement, and academic achievement as performance indicators for CPS. These indicators were 3 of the 5 indicators that the CPS guidelines had already required. The consultant also recommended that MDCD link each of these 3 performance indicators to one or more student performance measures. However, MDCD had not adopted the consultant's recommended performance indicators, the guidelines' required indicators, or any other alternative performance indicators or measures by the end of our fieldwork.

- (c) MDCD did not always ensure that school districts gathered and reported useful information.

Beginning with fiscal year 1998-99, MDCD required school districts to submit an annual progress report to regional fiscal agents detailing, among other things, school district progress in meeting the projected activities and outcomes contained in MDCD's approved regional plans for implementing CPS. One purpose of the annual progress report was to provide MDCD with information for developing and conducting future assessments of CPS.

Although the information contained in these regional plans and annual progress reports was somewhat useful for documenting how school districts expended their CPS funding allocations, the plans and reports did not constitute the elements of a comprehensive measurement system and

contained limited useful information for helping MDCD assess CPS progress in achieving its mission or evaluate the effectiveness of CPS. Our review of the plans and reports submitted by 10 school districts in four regions for fiscal year 1998-99 disclosed:

- (1) Each school district had established and reported on different CPS activities and outcomes. As a result, gathering common Statewide performance data to make a meaningful comparison between school districts and regions appeared unlikely. The lack of established performance indicators and measures, as noted in item a. of this finding, contributed significantly to this condition.
- (2) Based on MDCD directions, each school district had established plan outcomes that were principally concerned with producing and measuring CPS-related activities or outputs (e.g., implement a new curriculum or train a specified number of teachers) rather than measuring actual student outcomes (e.g., number of graduating students achieving their designated career goal). As previously indicated, measuring student outcomes for specific performance indicators is an important element of a comprehensive measurement system.
- (3) School districts often established plan outcomes that were not specific and measurable and prepared progress reports that contained inaccurate and incomplete information on their progress in implementing CPS (see Findings 6 and 7).

As a result of the preceding factors, MDCD's ability to evaluate and improve CPS effectiveness and to determine Statewide progress in achieving CPS's mission will be limited.

RECOMMENDATION

We recommend that MDCD establish a comprehensive measurement system to evaluate and improve the Statewide CPS and determine progress in achieving CPS's mission.

AGENCY PRELIMINARY RESPONSE

MDCD stated that it generally agreed with the recommendation and had implemented corrective actions. However, with respect to the finding, it should be noted that the audit took place within the first year of CPS implementation. It was a new initiative and has continued to evolve toward appropriate measures of success. The recently adopted three-year plan was significantly changed to include specific standards and benchmarks for each CPS component. In addition, although some of the components may vary among the regions, the participating regions must now focus their activities toward full implementation of two components of CPS: Career Pathways and education development plans (EDPs).

FINDING

5. Unallowable CPS Expenditures

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

Section 68(3) of the State School Aid Act of 1979 states that MDCD shall determine CPS allowable costs. However, MDCD delegated the responsibility for fiscal oversight to the EAG-designated fiscal agents that were either a local or intermediate school district.

MDCD funds each region's CPS through monthly school aid payments made directly to the regional fiscal agent. The fiscal agent uses these payments to reimburse participating school districts for expenditures incurred in carrying out the region's CPS plan up to an MDCD-approved budget amount. The fiscal agent reports on these expenditures to MDCD following the end of each fiscal year.

We examined pertinent financial and other records of 13 local and intermediate school districts in four regions that participated in CPS in fiscal year 1998-99. Our examination of \$1,470,953 in reported and reimbursed CPS expenditures disclosed that 9 of the 13 districts expended \$288,597 (20%) for activities, equipment and/or supplies that were unallowable according to the MDCD guidelines and/or statute. Neither MDCD nor the regional fiscal agents had detected these unallowable expenditures.

Examples of such expenditures included:

- a. CTE equipment and supplies totaling \$164,892 for one local school district. The items purchased included \$149,817 for computers, printers, monitors, and software for a computer-aided design laboratory and \$15,075 for food, games, t-shirts, and other supplies for a CTE center open house party. CTE equipment and supplies were not reimbursable expenditures under MDCD guidelines.
- b. Counselor salaries, teacher stipends, and career and employability skill materials totaling \$46,410 for four local and intermediate school districts that these districts had funded with local funds in prior fiscal years. Expenditures that supplant, rather than supplement, locally funded CPS services were not reimbursable under MDCD guidelines.
- c. Travel costs and registration fees totaling \$11,988 for 14 staff of one local school district to visit a school district in Oregon to obtain information on implementing a Career Pathway curriculum. We question the necessity and reasonableness of these expenditures without first requesting implementation assistance from MDCD and other districts within the State, including two districts within the same CPS region that had already established Career Pathway curricula. Only necessary expenditures were reimbursable under Section 68(3) of the State School Aid Act of 1979.

Also, the responsible intermediate school district for this region had budgeted \$120,000 in CPS funds for 10 other local school districts to send representatives to Oregon on the same trip. This represented over 25% of the region's CPS budget. Local school district staff informed us that approximately 40 people from the 10 other districts also made the trip to Oregon. Although we did not visit these 10 districts and review their CPS expenditure records, we again question the necessity and propriety of using CPS funds for this purpose.

- d. Computers and software totaling \$10,767 for one local school district to use as part of a CPS-related curriculum project that its school board had not yet approved. Without school board approval, the district could not implement this CPS-related curriculum project until the 2000-01 school year at the earliest. As a result, school district staff informed us that the primary use of the

computers and software during fiscal year 1998-99 was not CPS related. These expenditures did not appear to be necessary in order to implement the region's CPS plan for fiscal year 1998-99 and we, therefore, question their propriety. Only necessary expenditures were reimbursable under Section 68(3) of the State School Aid Act of 1979.

- e. Supplies for a wood shop totaling \$2,063 for one local school district. The wood shop was not part of the district's CPS. Supplies and materials not directly related to CPS were not reimbursable expenditures under Section 68(3) of the State School Aid Act of 1979.
- f. Two local and intermediate school districts reported expenditures totaling \$26,586 that had not occurred by the end of the fiscal year. Per MDCD guidelines, CPS funds not expended by the end of the fiscal year cannot be retained and expended by school districts in the next fiscal year. Therefore, these expenditures were unallowable.

As indicated by the preceding examples, MDCD's internal control neither prevented reimbursement of the unallowable expenditures nor detected them at some point later and initiated corrective action. MDCD informed us that there were primarily two factors that limited the effectiveness of its internal control and, therefore, did not prevent or detect reimbursement of the unallowable expenditures. First, MDCD expected that fiscal agents would provide "fiscal oversight." However, MDCD did not provide guidance to fiscal agents that explained what fiscal oversight entailed. As a result, fiscal agents in the four regions we visited did not perform any pre- or post-reimbursement review to determine the allowability of the expenditures. The fiscal agents only collected expenditure reports from participating local and intermediate school districts and summarized the information for end-of-year regional reports to MDCD. Second, MDCD informed us that it did not have the resources available to allocate for staff to routinely review expenditures of school districts and monitor the activities of fiscal agents. However, as required by statute, MDCD is responsible for determining the allowability of CPS costs.

Without effective internal control, MDCD had little assurance as to the propriety of CPS expenditures submitted for reimbursement. As a result, based on the

numerous instances of unallowable CPS expenditures identified by our examination, MDCD should conduct a Statewide audit of CPS expenditures.

RECOMMENDATIONS

We recommend that MDCD establish internal control effective in preventing reimbursement to school districts for unallowable CPS expenditures.

We also recommend that MDCD conduct a Statewide audit of CPS expenditures and recover any unallowable expenditures.

AGENCY PRELIMINARY RESPONSE

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 EAGs 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.

FINDING

6. Regional CPS Plans

MDCD did not ensure that regional CPS plans contain specific and measurable outcomes for individual school districts in accordance with established guidelines.

MDCD guidelines require that a school district receiving CPS funding annually develop a new or updated CPS plan to support its planned expenditures for the implementation of CPS. The guidelines require that the plan include the district's activities for implementing CPS and specific and measurable outcomes that should result from those activities. EAG-designated representatives compile the individual plans into a regional plan for EAG, WDB, and MDCD review and approval prior to the start of the fiscal year.

We examined 4 approved fiscal year 1998-99 regional CPS plans that included specific details for 10 individual districts. The plans contained from 3 to 74 outcomes unique to each district. Our examination disclosed that 96 (55%) of 176 expected plan outcomes were not expressed in specific and measurable terms. For example:

- a. One regional CPS plan stated that an outcome for an intermediate school district within the region would be to provide training to local school district staff to acquire appropriate skills and techniques to implement career awareness and exploration activities for a total cost of \$8,295. The outcome neither defined what was meant by "appropriate skills and techniques" nor stated how many or what percentage of teachers and/or other staff it would train. Therefore, the stated outcome was neither specific nor measurable.

In its annual progress report to the EAG, WDB, and MDCCD, the district stated that it had completed or exceeded the expected plan outcome by providing training to 199 teachers and educators. This represented 17% of the 1,166 teachers and educators in the intermediate school district. Because the expected plan outcome was neither specific nor measurable, we question the district's ability to conclude that it had completed or exceeded the planned outcome.

- b. One regional CPS plan stated that an outcome for a local school district within the region was that its elementary students would be aware of a broad range of career opportunities as a result of teacher-developed career awareness activities. The outcome neither defined what was meant by student awareness of a "broad range of career opportunities" nor stated how many or what percentage of elementary students would be provided career awareness activities. Therefore, the stated expected plan outcome was neither specific nor measurable. The planned outcome was part of the district's \$52,412 budget for career awareness and exploration activities.

In its annual progress report to the EAG, WDB, and MDCCD, the district stated that it had completed or exceeded the expected plan outcome by exposing 258 (5%) of 4,722 elementary students from one of its 15 elementary schools to a career awareness program, purchasing 126 career videos, and training four teachers. Because the expected plan outcome was neither specific nor

measurable, we question the district's ability to conclude that it had completed or exceeded the planned outcome.

- c. One regional CPS plan stated that an outcome for a local school district within the region would be to develop and pilot a manufacturing curriculum to increase enrollment of bilingual students in an area CTE center. The outcome did not state the anticipated percentage increase or the number of additional bilingual students that would enroll in the CTE center programs. The planned outcome was part of the district's \$267,000 budget for career awareness and exploration activities.

In its annual progress report to the EAG, WDB, and MDCD, the district stated that it completed or exceeded the expected plan outcome by implementing the manufacturing curriculum and increasing bilingual students' enrollments at one CTE center. In this case, because both the expected outcome and results reported in the progress report were neither specific nor measurable, we again question the district's ability to conclude that it had completed or exceeded the planned outcome.

Without expected plan outcomes stated in specific and measurable terms as required by established guidelines, it is not possible for the EAGs, WDBs, or MDCD to objectively determine the degree to which school districts have developed and implemented effective CPS.

RECOMMENDATION

We recommend that MDCD ensure that regional CPS plans contain specific and measurable outcomes for individual school districts in accordance with established guidelines.

AGENCY PRELIMINARY RESPONSE

MDCD stated that it agreed with this recommendation and had implemented corrective actions. However, the recently adopted three-year plan established and evaluated CPS outcome measures on a regional basis, rather than at the local district level.

FINDING

7. CPS End-of-Year Regional Reports

MDCD needs to improve the accuracy and completeness of CPS end-of-year regional reports.

MDCD guidelines require that school districts receiving CPS funding submit an annual progress report to the regional fiscal agent detailing, among other things, agency progress in meeting the projected activities and expected outcomes contained in the MDCD-approved regional plan for implementing CPS. The regional fiscal agent compiles the individual agency annual progress reports into an end-of-year regional report for EAG and WDB review and approval and submission to MDCD. The guidelines require that the fiscal agent certify that the information contained in the regional report is accurate.

The intended purpose of the regional report is to help meet State accountability expectations by providing EAGs, WDBs, and MDCD with information regarding CPS accomplishments. Also, the report is to be used for developing and conducting future assessments of CPS.

We compared the fiscal year 1998-99 CPS end-of-year regional reports to regional CPS plans and program records for 10 local and intermediate school districts in four regions. We also made inquiries of school district administrative staff in the four regions. Our examination disclosed that 28 (58%) of 48 expected plan activities and outcomes, pertaining to 4 school districts, included in one region's CPS plan were changed or deleted from the regional report without documented explanation or EAG, WBD, and MDCD approval. Our examination also disclosed that 18 (10%) of 173 outcomes, pertaining to 5 school districts, included in the four regional reports were not supported by regional or school district program records and/or school district administrative staff inquiries. For example:

- a. One regional report indicated that a local school district within the region had completed or exceeded the expected plan outcome of revising CTE center recruitment plans to help increase center enrollments. The school district had reported this information to the regional fiscal agent. However, we found no evidence to support this reported outcome. School district administrative staff informed us that the CTE center recruitment plan revisions were not completed by the end of the fiscal year as reported.

- b. One regional report stated that a local school district in the region had completed or exceeded the expected plan outcome of having 40% of senior high students explore career choices using career exploration software by instructing 45% of its senior high students in the use of the software. The school district had reported this information to the fiscal agent. However, the region's approved CPS plan stated that the expected outcome was to have students engage in career decision making and complete appropriate education planning. The regional report did not explain why the expected outcome stated in the approved CPS plan had been changed. Also, the regional report did not indicate the number or percentage of students who had used this career exploration software to make career decisions and complete education planning related to a career decision.

- c. One regional report stated that a local school district in the region had completed or exceeded the expected plan outcome of training teachers to integrate career-related activities into its elementary school curriculum by providing appropriate training to 11 teachers. The school district had reported this information to the fiscal agent. However, the region's approved CPS plan stated that the expected outcome was to have students engage in career-related activities. The regional report did not explain why the expected outcome stated in the approved CPS plan had been changed. Also, the annual progress report was silent as to whether any students had engaged in career-related activities.

MDCD relied on the fiscal agents to provide EAGs, WBDs, and MDCD with complete and accurate information on each region's progress in implementing its CPS plan. However, as indicated by items a. through c. of this finding, this sometimes did not happen. This condition may have resulted, in part, because MDCD had not provided guidance to the fiscal agents on the steps necessary to ensure the reliability of the information reported to them in the school districts' annual progress reports. Such steps should include comparing the approved regional CPS plan and individual district plans to individual school districts' progress reports to determine if changes had occurred, and reviewing documentation from local and intermediate school districts to determine the propriety of assertions made in the school districts' progress reports.

RECOMMENDATION

We recommend that MDCD improve the accuracy and completeness of CPS end-of-year regional reports.

AGENCY PRELIMINARY RESPONSE

MDCD stated that it agreed with the recommendation and had taken steps to implement corrective actions.

FINDING

8. Elementary Charter School Participation in CPS

MDCD should consider revising its eligibility criteria to allow elementary charter schools to participate in 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 guidelines to WDBs and education fiscal agencies responsible for identifying local educational agencies to participate in CPS state that school systems that serve only elementary students and do not have middle school or high school students are not eligible to participate in CPS because these school systems cannot fully implement CPS. Therefore, this eligibility criteria prevents charter schools that enroll only kindergarten through 6th grade students from participating in CPS.

We question the practice of excluding elementary charter schools from CPS because it appears to contradict the mission of helping "all students." Although these charter schools cannot provide a full continuum of CPS services, CPS could assist the schools in providing career awareness and exploration activities to the students as it does with elementary schools within eligible school districts.

For fiscal year 1998-99, there were 31 elementary charter schools in Michigan with approximately 8,100 students who were not allowed to participate in CPS. We conducted a telephone survey of 6 of these elementary charter schools. Charter school administrators at all 6 schools informed us that they would be interested in participating in CPS if it was offered to them. During fiscal year 1999-2000,

another 25 elementary charter schools opened in the State for which MDCD did not have enrollment numbers.

As these charter school students advance beyond the 6th grade, many of them may transfer to another local school district in their area. At that point in their education, these students will not have had the same exposure to career awareness, career exploration, and other CPS activities as their other local school district peers have experienced. This condition could place them at a disadvantage in determining their career and educational goals for the future.

RECOMMENDATION

We recommend that MDCD consider revising its eligibility criteria to allow elementary charter schools to participate in CPS.

AGENCY PRELIMINARY RESPONSE

MDCD stated that it agreed with the recommendation and informed us that since 1999 the eligibility criteria for CPS has covered all kindergarten through 12th grade students, including elementary charter schools.

TRANSITIONING FROM STW TO CPS

COMMENT

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. STW to CPS Transition

MDCD did not establish an effective process for ensuring that WDBs and MWAs develop and implement appropriate plans for the transition from STW to CPS.

MDCD issued a policy statement in June 1998 that required each MWA to address 52 issues in its fiscal year 1998-99 STW plan. Eight of the 52 issues were specifically designed to help MWAs in the transition from STW to CPS (see Exhibit B). The eight issues ranged from enhancing public awareness and information on the transition to linking CPS with local school improvement plans. MDCD's policy statement also informed each MWA that it considered WDB involvement crucial to the success of CPS because such involvement would help to ensure business and industry input in the development of a regional CPS. MDCD reviewed the STW plans to ensure compliance with MDCD policy instructions.

For fiscal year 1998-99 STW plans, we reviewed WDB and MWA activities to address the 8 transition issues in the four regions. Our examination and review disclosed:

- a. One of the STW plans did not address 4 (50%) of the 8 required issues and another plan did not address 2 (25%) of the 8 required issues.

Issues not addressed in the two plans were enhancing public awareness and information on the transition to CPS, facilitating student choice with regard to career clusters and pathways, evaluating the progress and success of the transition to CPS, and ensuring appropriate WDB appointments to and participation on peer review committees. Because the plans did not address these issues, it would appear that the MWAs had no formal strategies for them. Without the MWAs appropriately addressing all transition issues, it is questionable that an effective and long-lasting CPS could be developed. The MDCD review of the plans did not question or follow up on the issues not addressed in the STW plans.

During our field visits, we determined that the MWAs responsible for these 2 STW plans did not conduct activities directed at 5 of the 6 issues not addressed in the plans.

- b. None of the four MWAs visited had completely implemented their transition plans.

For the 26 transition issues addressed in the STW plans, the four MWA's had implemented from 67% to 88% of the issues with an overall implementation rate of 77% of the issues. The planned transition issues not implemented

included linking CPS with local school improvement plans, facilitating student choice with regard to career clusters and pathways, and ensuring the appropriate WDB appointments to and participation on peer review committees.

STW staff informed us that they did not monitor and or otherwise determine MWA progress in implementing the 8 STW plan issues regarding transition from STW to CPS.

As a result, we concluded that MDCD did not have an effective process for ensuring that WDBs and MWAs developed and implemented appropriate plans for the transition from STW to CPS. Therefore, MDCD could not be assured that regional CPSs had sufficient input from business and industry to help facilitate a smooth transition from STW to CPS and that an effective CPS had been developed.

RECOMMENDATION

We recommend that MDCD establish an effective process for ensuring that WDBs and MWAs develop and implement appropriate plans for the transition from STW to CPS.

AGENCY PRELIMINARY RESPONSE

MDCD did not state a position whether it agreed or disagreed with the recommendation. MDCD informed us that it generally agreed with the objective of building on the experience of STW to effectively implement CPS. However, although STW and CPS are closely related programs, the audit report overstates CPS as being a direct continuation of STW. Rather, at the detail program level, CPS is substantially different from STW in structure, priorities, and delivery system.

Consequently, MDCD's agreement with certain specific findings is qualified. The plans for fiscal year 1998-99 were intended primarily as STW implementation plans, not as transition plans to CPS. To isolate the 8 issues out of a total of 52 issues is significantly misleading for assessing the effectiveness of the implementation of STW. Further, this recommendation is moot as a result of the termination of federal STW funding as of September 30, 2001.

EPILOGUE

Although STW was funded by federal grants and, as such, had a limited life through September 30, 2001, we have presented this finding and recommendation 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. Because STW no longer exists, MDCCD would not be expected to implement corrective action for the recommendation. However, because STW's core components were sustained in CPS, MDCCD should consider the finding and recommendation within the context of improving the effectiveness and efficiency of CPS.

In its response, MDCCD's statement that the audit report "overstates CPS as being a direct continuation of STW" is inaccurate. As properly described throughout the report, CPS sustained STW and was not a direct continuation. Also, reporting on the 8 STW plan issues pertaining to transition was appropriate and consistent with our third audit objective. Assessing the effectiveness of STW implementation was appropriately addressed in our first audit objective.

SUPPLEMENTAL INFORMATION

SCHOOL-TO-WORK SYSTEM (STW) AND CAREER PREPARATION SYSTEM

School-to-Work Opportunity Act of 1994

Requirements of a Local STW Program

General Program Requirements (Section 101)

A School-to-Work opportunities program under this act shall:

1. Subsection (1) - Integrate school-based learning and work-based learning; integrate academic and occupational learning; and establish linkages between secondary and postsecondary education.
2. Subsection (2) - Provide students with an opportunity to complete career majors.
3. Subsection (3) - Incorporate program components provided in sections 102 - 104.
4. Subsection (4) - Provide participating students, to the extent practicable, with strong experience in and an understanding of chosen industry.
5. Subsection (5) - Provide *all* students with equal access to program components.

School-Based Learning Component (Section 102)

The school-based learning component of an STW opportunities program shall include:

6. Subsection (1) - Career awareness and exploration and counseling (beginning at the earliest possible age, but not later than 7th grade) in order to help students who may be interested to identify, and select or reconsider, their interests, goals, and career majors, including those options that may not be traditional for their gender, race, or ethnicity.
7. Subsection (2) - Selection of a career major by interested students not later than the beginning of the 11th grade.
8. Subsection (3) - Program of study to meet the academic content standards established by the State, including Goals 2000, and meet requirements to prepare students for postsecondary education or to earn a skill certificate.

9. Subsection (4) - Program of instruction and curriculum that integrate academic and vocational learning and incorporate instruction, to the extent practicable, in all aspects of an industry related to a participant's career major.
10. Subsection (5) - Regular student evaluations to identify academic strengths and weaknesses, academic progress, workplace knowledge, student goals, and the need for additional learning opportunities to master core academic and vocational skills.
11. Subsection (6) - Procedures to help students obtain additional training or postsecondary education, as well as to facilitate the transfer of students between education and training programs.

Work-Based Learning Component (Section 103)

Subsection (a) - Mandatory activities - The work based learning component of an STW opportunities program shall include:

12. Subsection (a)(1) - Work experience.
13. Subsection (a)(2) - Program of job training and work experience related to a career major that leads to a skill certificate.
14. Subsection (a)(3) - Workplace mentoring.
15. Subsection (a)(4) - Instruction in general workplace competencies (e.g., positive work attitude).
16. Subsection (a)(5) - Broad instruction, to the extent practicable, in all aspects of a student's chosen industry.

[Subsection (b) - Permissible activities include: paid work experience, job shadowing, school-sponsored enterprises, or on-the-job training.]

Connecting Activities Component (Section 104)

The connecting activities component of an STW opportunities program shall include:

17. Subsection (1) - Matching students with work-based learning opportunities of employers.
18. Subsection (2) - Providing a school site mentor for each student to act as a liaison between the student, employer, school, teacher, school administrator, and parent.
19. Subsection (3)(A) - Providing technical assistance and services to employers and others in designing school-based and work-based learning components described in sections 102 and 103 and counseling and case management services.
20. Subsection (3)(B) - Providing technical assistance and services to employers and others in training teachers, workplace mentors, school site mentors, and counselors.
21. Subsection (4) - Providing assistance to schools and employers to integrate school-based and work-based learning and academic and occupational learning.
22. Subsection (5) - Encouraging employer participation in implementing sections 102, 103, and 104 activities.
23. Subsection (6) - Providing students who completed the program with help finding an appropriate job, continuing their education, or entering additional training program and linking the student with other community services to ensure a successful STW transition.
24. Subsection (7) - Collecting and analyzing information on post program outcomes of participants.
25. Subsection (8) - Linking STW activities with employer strategies for upgrading worker skills.

SCHOOL-TO-WORK SYSTEM (STW) AND CAREER PREPARATION SYSTEM (CPS)
STW to CPS Transition Issues Contained in Michigan Works! Agency STW Plans
For Fiscal Year 1998-99

1. Ensuring business/industry input into the skill needs of employers and sharing this information with the area's education advisory group (EAG).
2. Advising EAG on workforce development needs and trends.
3. Enhancing public awareness and information on the transition to CPS.
4. Linking CPS with local school improvement plans.
5. Promoting student academic achievement and workplace readiness skill attainment.
6. Facilitating student choice with regard to career clusters and pathways.
7. Evaluating the progress and success of the transition to CPS.
8. Ensuring appropriate workforce development board (WDB) appointments to and participation on peer review committees (see Note).

Note: Act 297, P.A. 2000, effective July 26, 2000, eliminated the requirement that each WDB establish regional peer review committees to evaluate CPS.

Glossary of Acronyms and Terms

academic achievement	The achievement of the core academic standards in the Michigan Curriculum Framework (1996), including standards for communication arts (reading and writing), mathematics, and science.
career competency achievement	The achievement of business/industry validated academic and technical knowledge and skills identified for each career and technical education program or cluster.
career major	A coherent sequence of courses, both occupational and academic, that integrates academic and occupational learning, integrates school-based and work-based learning, establishes linkages between secondary and postsecondary educational institutions, and prepares a student for employment in a broad occupational cluster.
college/career placement	Demonstrating success in a career of one's choice and/or continuing post high school advanced education and training to reach that goal.
connecting activities	Efforts undertaken to help employers and schools establish and maintain links between the school-based and work-based components of STW.
CPS	Career Preparation System.
CTE	Career and technical education.
DOE	Department of Education.
EAG	education advisory group.
effectiveness	Program success in achieving mission and goals.

efficiency	Achieving the most outputs and outcomes practical for the amount of resources applied or minimizing the amount of resources required to attain a certain level of outputs or outcomes.
employer satisfaction	Student academic preparation, work readiness, and professional/technical preparation that meet the expectations and needs of employers.
goals	The agency's intended outcomes or impacts for a program to accomplish its mission.
material condition	A serious 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 opinion of an interested person concerning the effectiveness and efficiency of the program.
MDCD	Michigan Department of Career Development.
Michigan Works! agencies (MWAs)	Twenty-five local agencies that oversee workforce development programs and provide support to workforce development boards in their local areas.
mission	The agency's main purpose or the reason that the agency was established.
MJC	Michigan Jobs Commission.
objectives	Specific outputs that a program seeks to perform and/or inputs that a program seeks to apply in its efforts to achieve its goals.
outcomes	The actual impacts of the program. Outcomes should positively impact the purpose for which the program was established.

outputs	The products or services produced by the program. The program assumes that producing its outputs will result in favorable program outcomes.
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 indicators	The measurable aspects of performance that address an agency's mission.
reportable condition	A matter coming to the auditor's attention that, in the auditor's judgment, should be communicated because it represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.
school-based learning	Classroom instruction linked to workplace experiences that provides students with the information and skills needed to identify and prepare for promising careers.
STW	School-to-Work System.
STW Act	School-to-Work Opportunity Act of 1994.
WDB	workforce development board.
work-based learning	Work experience, structured training, and other workplace activities appropriate to students' career interests and linked to their school curricula.
workplace readiness achievement	The achievement of general workplace knowledge, behavior, and skills.