



STATE OF MICHIGAN

JENNIFER M. GRANHOLM  
GOVERNOR

DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH  
LANSING

STANLEY "SKIP" PRUSS  
DIRECTOR

February 3, 2009

Mr. Doug Ringler, Director  
Office of Office of Internal Audit Services  
Department of Management & Budget  
Romney Building – Seventh Floor  
111 S. Capitol, P.O. Box 30026  
Lansing, Michigan 48909

Dear Mr. Ringler:

We are enclosing our response to comments made in Findings 3 – 5 of the Office of the Auditor General's Performance Audit of Michigan Technical Education Centers (M-TECs), Department of Energy, Labor and Economic Growth (DELEG) for the period October 1, 2003 through June 30, 2007. Findings 1 and 2 of this report will be addressed by the applicable community colleges.

If you have any questions regarding this report, please feel free to call me at 636-0287.

Sincerely,

Signature Redacted

Allen Williams, Director  
Internal Audit & Monitoring Division

Enclosure

cc: Lisa Webb Sharpe, Director, DMB  
Michael Becker, OAG  
Stanley F. Pruss  
Andy Levin  
Liza Estlund Olson  
Janet Howard  
Marsha Black-Watson  
Susan Corbin  
Debbie Huntley  
Allan Pohl  
Chris Bayley

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OFFICE OF AUDIT & FINANCIAL COMPLIANCE  
GENERAL OFFICE BUILDING—1<sup>ST</sup> FLOOR, A-WING • P.O. BOX 30643 • LANSING, MICHIGAN 48909  
www.michigan.gov • (517) 636-0229 • TTY 1-888-605-6722

## AUDIT RESPONSE SUMMARY

### Performance Audit of Michigan Technical Education Centers (M-TECs) Michigan Department of Energy, Labor and Economic Growth (October 1, 2003 through June 30, 2007)

I. Citations complied with:

None

II. Citations to be complied with:

#3 - Estimated date of compliance is June 30, 2010

#4 - Estimated date of compliance is June 30, 2010

#5 - Estimated date of compliance is March 31, 2010

III. Citations agency disagrees with:

None

**Performance Audit of Michigan Technical Education Centers  
Agency Response**

**3. DELEG's Reporting and Validation Processes**

*DELEG needs to enhance its community colleges reporting and validation processes. Enhancements should include mechanisms to gather and verify operational data of the various M-TECs so that DELEG can make informed assessment about community colleges' effectiveness in complying with the grant agreements.*

**Agency Response:** DELEG agrees in part.

DELEG is in the preliminary stages of working out legal authority transfers with both the Michigan Economic Development Corporation (MEDC) regarding the M-TEC service marks and the community colleges regarding the non-financial agreements. These steps are necessary since the authority for both legally resides with MEDC which is no longer a part of DELEG. After the legal matters have been addressed we will implement a standardized reporting format that is compatible with all 18 M-TECs.

DELEG concurs that the activities currently performed by M-TECs do not always match those proposed in their original grant applications. DELEG deems some of the activities originally proposed over eight years ago to be outdated and accordingly will work with community colleges to develop a new program activity standard and a new validation process to ensure that M-TECs are operating in a manner consistent with a new planned focus.

**The anticipated date of completion is June 30, 2010.**

**4. DELEG's M-TEC Evaluation Efforts**

*DELEG needs to implement a comprehensive mechanism to evaluate the effectiveness of M-TECs.*

*The mechanism should:*

- a. Develop performance goals that could help assess the effectiveness of the M-TEC Program.*
- b. Accurately collect output and outcome data sufficient to identify the activities of and assess the performance of M-TECs.*
- c. Compare reported data to the service levels proposed in community college grant applications.*

**Agency Response:** DELEG agrees in part.

DELEG agrees that new mechanisms, goals and measures reflective of current market conditions are needed. DELEG plans to work with the community colleges, the Michigan Community College Association, MEDC, and the Michigan Attorney General's Office to

first develop a legal basis to work from, and then work to develop and implement realistic goals, performance indicators and assessment processes. It is important to note that the M-TECs were not held to prescriptive, program specific performance based goals in either their original applications (as a condition of getting their construction grant), or in the post construction MEDC non-financial agreements. There was an overall goal for the M-TECs to collectively train a predetermined number of people statewide. This goal was reached within the first three years of M-TEC operations under MEDC. Because of the on-demand and dynamic nature of many of the M-TEC activities and programs, it will not be possible for the M-TECs to preemptively give anticipated outcomes for any "non-standing" programs. Instead, DELEG's approach will be to preemptively categorize M-TEC programs and activities in a standard format, then document and report the outcomes achieved in each area in order to measure impact.

DELEG agrees that opportunities exist to improve the accuracy of collected data. As stated above (Finding 3 response), we anticipate working out the legal authority issues with the MEDC and then begin developing new metrics and impact measures with the community colleges.

DELEG concurs that it has not compared reported data to service levels proposed by community colleges in their original agreements. This was not done because the original service levels were deemed obsolete at the time the M-TECs were transferred to DELEG. DELEG's philosophy is that the M-TECs were designed to be demand-driven. Accordingly, DELEG has allowed the reporting of service level data that is reflective of current economic and industry conditions. DELEG disagrees that the old service level data reporting should be reinstated. Instead, DELEG maintains that new baseline measures must be developed.

**The anticipated completion date is June 30, 2010.**

## **5. Grant Agreements**

*DELEG needs to execute a grant agreement with Lansing Community College to operate its M-TEC.*

**Agency Response:** DELEG agrees with the finding.

DELEG learned of this deficiency after the M-TECs were transferred in. DELEG plans to enter into an agreement with Lansing Community College shortly.

**The anticipated completion date is March 31, 2010.**