

**OKLAHOMA
DEPARTMENT OF
CAREER AND
TECHNOLOGY
EDUCATION**

**FOR THE PERIOD
JULY 1, 2008 THROUGH
JUNE 30, 2009**

OPERATIONAL AUDIT



Oklahoma State Auditor
& Inspector

**Audit Report of the
Oklahoma Department of
Career and Technology Education**

**For the Period
July 1, 2008 to June 30, 2009**

STATE AUDITOR AND INSPECTOR

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January 4, 2009

TO THE BOARD OF CAREER AND TECHNOLOGY EDUCATION

This is the audit report of the Oklahoma Department of Career and Technology Education for the period July 1, 2008 to June 30, 2009. The Office of the State Auditor and Inspector is committed to serving the public interest by providing independent oversight and by issuing reports that serve as a management tool to the State. Our goal is to ensure a government that is accountable to the people of the State of Oklahoma.

We wish to take this opportunity to express our appreciation to the agency's staff for the assistance and cooperation extended to our office during the course of our engagement.

Sincerely,

A handwritten signature in blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

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Agency Background

The Department of Career and Technology Education (ODCTE) provides leadership, resources, and assures standards of excellence for a comprehensive statewide system of career and technology education. The system offers programs and services in 29 technology center districts operating on 56 campuses, 398 comprehensive school districts, 25 skill centers and three juvenile facilities across the state.

The ODCTE pays for its operations primarily through state appropriations and federal funds.

Oversight is provided by a nine-member board comprised of the state superintendent of public instruction who serves as the chairperson, two members of the State Board of Education, a representative from each congressional district, one member at large, and the state director of Career and Technology Education who serves as an ex-officio, non-voting member. The two members of the State Board of Education are selected by the governor, and the congressional district representatives and member at large are appointed by the governor, with the consent of the Senate. The appointed members serve a term of six years.

Board members are:

Sandy Garrett	Superintendent of Public Instruction and Chairperson of the Board
Phil Berkenbile, Ed.D.	State Director and ex-officio nonvoting member and executive officer of the Board
Debbie Blue, Ed.D.	State Board of Education and Member
Sue Arnn	State Board of Education and Member
H.C. "Will" Williams	Member
Nevyle R. Cable	Member
Harold Anglin	Member
Marilyn Harrel	Member
Randy Gilbert	Member
Dale Nye	Member

Purpose, Scope, and Sample Methodology

This audit was conducted in response to 74 O.S. § 212, which requires the State Auditor and Inspector's Office to audit the books and accounts of state officers whose duty it is to collect, disburse or manage funds of the state.

The audit period covered was July 1, 2008 to June 30, 2009.

We selected our samples in such a way that whenever possible, the samples are representative of the populations and provide sufficient evidential matter. Sample methodologies can vary and are selected based on the audit objective and whether the total population of data was available. Random sampling is the preferred method; however, we may also use haphazard sampling (a methodology that produces a representative selection for non-statistical sampling), or judgmental selection when data limitation prevents the use of the other two methods. We identified specific attributes for testing each of the samples. When appropriate, we projected our results to that population.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit

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objectives. This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

Objective 1 - To determine if the ODCTE's internal controls provide reasonable assurance that inventory (equipment/furniture) was accurately reported in the accounting records.

Conclusion The ODCTE's internal controls do not appear to provide reasonable assurance that inventory (equipment/furniture) was accurately reported in the accounting records.

Methodology To accomplish our objective, we performed the following:

- Documented internal controls related to the inventory processes which included discussions with the ODCTE personnel, observation, and review of documents;
- Tested controls which included:
 - Determining the person responsible for recordkeeping is independent of initiating the transaction (purchasing, transferring, or deleting);
 - Agreeing 49 furniture/equipment items purchased¹ during the audit period to the inventory report to ensure the item was recorded, serial number, if any, agreed, a tag number was assigned, and the amount per the invoice agreed to inventory report;
 - Determining an annual physical inventory count was performed;
 - Agreeing 54 randomly selected items from the June 30, 2009 inventory report to the floor to ensure they existed, were identified as property of the state, the location was accurate, and the inventory tag numbers and serial numbers, if applicable, agreed to the listing; and
 - Agreeing 57 haphazardly selected items from the floor² to the June 30, 2009 inventory report to ensure they were recorded on the listing, identified as property of the state, the location was accurate, and the inventory tag numbers and serial numbers, if applicable, agreed to the listing.

Observation

Incomplete and Inaccurate Inventory Records – Repeat Finding

To protect against errors or irregularities, the internal control system should provide reasonable assurance that inventory records are accurate and reliable by performing periodic physical inventory counts and having procedures in place to ensure all new items are added to inventory records in a timely manner.

The following were noted as a result of procedures performed on 49 furniture/equipment items purchased during the audit period:

- Five items could not be located in the inventory records (one P-Card claim and four expenditure claims);
- Four items appeared to be included in the inventory records; however, the items' serial numbers were not reported (all were expenditure claims); and

¹ The items were selected from two different claim types: five Purchase-Card (P-Card) claims, and 22 expenditure claims. The claims were randomly selected; we then tested all items purchased on each claim.

² The items were selected from the ODCTE's Administrative offices, Lexington Skills Center, Gordon Cooper Technology Center, and Mid-America Technology Center.

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- One item's cost did not include shipping and handling (expenditure claim).

The following were noted as a result of procedures performed on the 54 randomly selected items from the ODCTE's June 30, 2009 inventory report:

- Three items' serial numbers did not agree with the inventory records;
- Thirteen items appeared to have a serial number; however, the inventory records did not identify one;
- Two items did not have a tag affixed to them nor could we locate a serial number. As a result, we were unable to determine if the items we visually inspected were the ones reported on the inventory records; and
- Two items were not located where the inventory records indicated they should be and transfer documentation was not completed.

The following were noted as a result of procedures performed on the 57 items haphazardly selected from the floor:

- Three items' serial numbers did not agree with the inventory records;
- Six items had serial numbers; however, the inventory records did not identify one;
- One item's tag number was included in the inventory records; however, it was not assigned to the same item. The item we selected could not be located in the inventory records by serial number either; and
- One item did not have a tag affixed to it; however, inventory records show one was assigned.

ODCTE performed a 100% inventory count in October 2008; however, it appears the process may not have been effective in detecting possible errors within the inventory records. The ODCTE does have policies regarding physical inventory counts; however, it does not address how the counts should be performed (i.e. what information should be verified on the list).

Although the service center manager reviewed all expenditure claims to ensure all new items purchased are added to inventory records, it appears the review process did not ensure all items and their identifying information were included in the inventory records.

Recommendation

We recommend:

- The ODCTE review and amend its policies and procedures to be more specific about the procedures to be performed during the annual physical inventory count. For example, the policy should address what information on the list should be verified (location, tag number, serial number, if applicable);
- The ODCTE establish policies and procedures related to the service center manager's review of claims to detect new furniture and equipment purchases. ODCTE should ensure these policies and procedures are communicated to the service center manager.

Views of Responsible Officials

We concur with this finding. Management will review agency guidelines and provide detailed procedures to service center manager regarding initial inventory of equipment and division managers for annual inventory of fixed assets within their division.

Objective 2 - To determine whether the materials (MAVCC³, CIMC⁴, and Print Shop) and office supplies inventory were properly safeguarded and accounted for.

Conclusion Materials (MAVCC³, CIMC⁴, and Print Shop) and offices supplies were properly safeguarded and accounted for.

Methodology To accomplish our objective, we performed the following:

- Obtained an understanding of the ODCTE’s inventory counting procedures;
- Physically inspected the location of the inventory to ensure it was properly safeguarded;
- Observed the ODCTE’s personnel performing their inventory count noting if the items were arranged to facilitate accurate counting, if care had been taken to include all inventory items, if items were clearly marked when counted to avoid omissions, and/or duplication of counts, if any items were moved during the count or not counted, and if any items appeared damaged or obsolete;
- Agreed 12 items from the CIMC inventory report, seven items from the MAVCC inventory report, and five items from the print shop inventory report to the floor to ensure the correct quantities were recorded;
- Agreed 12 items from the CIMC floor, seven items from the MAVCC floor, and five items from the print shop floor to the applicable inventory report to ensure the correct quantities were recorded;
- Agreed 10 items from the office supplies inventory report to the floor to ensure the correct quantity was recorded;
- Agreed 10 items from the office supplies floor to the inventory report to ensure the correct quantity was recorded; and
- Reviewed adjusting entries to inventory reports for variances noted during physical count procedures to ensure accounting records were properly modified.

Objective 3 - To determine whether the CIMC’s internal controls provide reasonable assurance that revenues and accounts receivables were accurately reported in the accounting records.

Conclusion CIMC’s internal controls do not provide reasonable assurance that revenues and accounts receivables were accurately reported in the accounting records.

Methodology To accomplish our objective, we documented CIMC’s internal controls related to revenues and accounts receivables which included discussions with ODCTE personnel, observation, and review of documents.

³ MAVCC is an acronym for Multistate Academic and Vocational Curriculum Consortium. ODCTE houses materials produced by MAVCC.

⁴ CIMC is an acronym for Curriculum and Instructional Materials Center. CIMC develops quality competency based instructional products and services for career and technology education.

Observation

Inadequate Segregation of Duties

To protect against errors or irregularities, the internal control system should provide reasonable assurance that assets are adequately safeguarded by properly segregating duties.

The customer service clerk is responsible for receipting the monies, preparing the deposit, and mailing past-due invoices (dunning letters).

Management was not aware that one customer service clerk was responsible for all these duties. Misappropriation of assets could occur and not be detected in a timely manner.

Recommendation

We recommend the past-due invoices be mailed by an employee who is not responsible for receipting the monies.

Views of Responsible Officials

We concur with this finding. Management has determined that Curriculum Customer Service will segregate functions between the account clerks and division secretary.

Observation

Unit Sales Prices Calculated Incorrectly

To protect against errors or irregularities, the internal control system should provide reasonable assurance that the unit sales prices are calculated correctly and the sales system is updated to reflect changes in a timely manner.

We reviewed 20 haphazardly selected sales invoices (a total of 45 items) to recalculate the unit price charged and to ensure the sales system reflected the correct price. The following was noted:

- Two items' unit prices could not be recalculated because the documentation was not retained to support the amounts charged;
- Two items had the incorrect unit prices charged. One error appears to have occurred because the unit price was not calculated correctly. The other error appears to have occurred because the system was not updated to reflect the new unit price.

Generally, the unit price is calculated from printing costs plus a mark-up rate. However, some amounts are set by the marketing director and communicated to the CIMC division via email. These emails were not retained by CIMC staff. The ODCTE's policies and procedures do not appear to address retaining documentation used in calculating the unit price amounts.

CIMC personnel are responsible for manually calculating the costs as well as updating the sales system. No independent review appears to occur after the rates have been calculated and entered into the system to ensure the amounts are correct.

Without controls in place to ensure unit prices are calculated correctly and the system is updated, ODCTE could be charging incorrect rates for its products.

Recommendation

We recommend:

- The ODCTE revise their policies and procedures to reflect what documentation should be retained as supporting documentation of the unit price calculation;

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- The CIMC implement a formalized policy requiring a review of the unit price calculation prior to the amounts being changed in the system. To facilitate this review process, the CIMC may want to consider implementing a more automated process. Currently, an employee manually calculates each price and records it on a pricing sheet. Using an excel spreadsheet may reduce the risk of mathematical errors occurring as well as make the review process easier; and
- The CIMC implement a formalized policy requiring a review of the sales system after the unit prices have been updated to ensure the system is accurate. The ODCTE may want to consider creating a system generated report documenting changes in unit prices to facilitate this review process.

Views of Responsible Officials

We concur with this finding. CCS manager will develop an excel spreadsheet that calculates prices. We will continue to pursue automating this process as well through our Oracle data system.

Observation

Refunds Not Issued Timely

ODCTE policy states, “After 90-120 days of invoice date, a refund check will be issued unless a backorder is pending. A copy of appropriate backup should be attached to the refund check to document the customer account and amount.”

The June 2009 Aging Report contained 12 customers’ accounts who had a credit balance over 120 days old as of June 30, 2009.

CIMC personnel stated they typically do not issue refunds for in-state customers (this accounts for 10 of the 12 customers). However, refunds are issued for out-of-state customers. One of the out-of-state customers paid using a credit card which had expired by the time the refund was issued. As a result, the credit could not be applied to the customer’s card. The customer service clerk had made numerous attempts to contact the customer to obtain the current information so the credit could be applied. However, the customer did not respond.

If refunds are not issued timely, CIMC’s accounts receivable balance may be misstated.

Recommendation

We recommend the ODCTE management discuss its refund policy with the applicable personnel to ensure they understand it and are applying it.

Views of Responsible Officials

We concur with this finding. Management will enforce the policy. Policy will be discussed with Customer Service staff. Once a customer account has a credit balance for 120 days, a refund will be issued.

Observation

Customer Account Addresses May Not Be Correct

An effective internal control system should provide for accurate and reliable records.

We noted two customer accounts on the June 2009 Aging Report in which the customer information did not appear to be correct.

One customer’s account name may have been incorrectly changed to be “to the attention” of name. The other customer’s account is an in-state school district, which was noted on

the June 2009 Aging Report as having an out-of-state address. It was also noted that this school has at least two other customer accounts. The administrative office has one account, and the middle school has another. The out-of-state address error could have occurred during a system update that occurred in July 2009.

Incorrect customer account information could result in: 1) payments being received and not posted to the correct account, resulting in a potential misstatement of CIMC's accounts receivables, or 2) incorrect pricing schedule being used when an order is received (in-state versus out-of-state).

Recommendation

We recommend:

- CIMC personnel review all customer accounts to ensure they are accurate;
- If a customer has multiple accounts, consideration be given to consolidating the accounts. For example, typically all Oklahoma school districts' bills are paid by the administrative office; as a result, each district should only have one customer account; and
- The ODCTE management evaluate who has the ability to change customer account information and ensure those responsibilities have been assigned appropriately.

Views of Responsible Officials

We concur with this finding. CCS staff will review customer accounts for accuracy as well as consolidate accounts as needed. CCS manager will assign one staff member the responsibility of updating customer account information.

Item for Further Consideration

Although not considered significant to the audit objective, we feel the following issue should be communicated to management.

Observation

Legislative Authorization for Uncollectible Accounts Receivable

The ODCTE has \$29,821.87 in CIMC customer accounts⁵ that have been deemed uncollectible by the ODCTE personnel. The age of these accounts range from 1991 to 2007.

The Oklahoma state legislature has granted specific statutory authority⁶ to the Oklahoma Tourism and Recreation Department (OTRD), which grants them the ability to determine accounts as "uncollectible" provided certain requirements have been met. However, the ODCTE does not have similar statutory authority.

Recommendation

We recommend:

- The ODCTE consider introducing legislation which would allow them to deem certain accounts uncollectible. As a result of the age of these receivables, the ODCTE may want to consider including language that would allow them to

⁵ ODCTE also has \$43,126.79 in uncollectible customer accounts for the MAVCC division as well. Because this unit was not included in our audit objective, we did not perform any procedures related to these accounts. However, based on discussion with the ODCTE personnel, the procedures are the same for both CIMC and MAVCC divisions.

⁶ 74 O.S. § 2245

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write off the amount as of June 30, 2009, without further collection efforts being required;

- The ODCTE establish written policies and procedures outlining what procedures should be performed by personnel in an attempt to collect the funds. For example, invoices are to be re-mailed at 30 days, attempt to contact customer at 60 days, etc. The policy should also address collection effort documentation requirements and how long the documentation should be retained.

Views of Responsible Officials

We concur with this finding. Management will submit language into the July 1, 2010 “Rules for Career and Technology Education” detailing our policy for removing uncollectible accounts receivables.

Objective 4 - To determine whether the ODCTE has complied with certain requirements of the Career and Technical Education – Basic Grants to States (Perkins IV), CFDA # 84.048, as defined in the OMB A-133 March 2009 Compliance Supplement: Activities Allowed or Unallowed, Allowable Costs/Cost Principles (excluding indirect costs), Special Reporting, and Subrecipient Monitoring.

Objective Background

The ODCTE expended \$14,495,167 in federal funding from the Career and Technical Education – Basic Grants to State program (Carl Perkins or program) during the audit period. This program provides grants to states and outlying areas to develop the career, technical, vocational, and academic skills of secondary students and postsecondary students by:

1. Promoting the integration of career, academic, and technical instruction;
2. Developing challenging academic and technical standards;
3. Increasing state and local flexibility in providing services and activities designed to develop, implement and improve career and technical education, including tech-prep education;
4. Conducting and disseminating national research;
5. Providing technical assistance;
6. Supporting partnerships among secondary schools, postsecondary institutions, baccalaureate degree-granting institutions, area career and technical education schools, local workforce investment boards, business and industry, and intermediaries; and
7. Providing individuals with opportunities to develop, in conjunction with other educational and training programs the knowledge and skills needed to keep the United States competitive.

The ODCTE’s management requested our office to include this program in the audit objectives. The program requirements included in the objective were selected because of changes in the OMB A-133 Compliance Supplement since the last time an audit was conducted on this program. Below is a description of the program requirements:

Activities Allowed/Unallowed – Each federal program has specific laws and regulations that provide guidelines as to how the program funds can be expended (also referred to as allowable activities).

Allowable Costs/Cost Principles – In addition to the expenditure having to be for an allowable activity, expenditures must also be an allowable cost and comply with cost principles. The criteria for an allowable cost and cost principles are defined in OMB Circular A-87.

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Special Reporting – One of the reports required to be submitted to the federal government for this program is the *Annual Accountability Report (Part D) for the Consolidated Annual Report C for the Carl D. Perkins Career and Technical Education Act of 2006 (CAR)*, which is required to be submitted in December of each year. This report documents the progress of the state in achieving the state-adjusted levels of performance on the core indicators of performance. The state-adjusted levels of performance were established in the Final Agreed Upon Performance Levels (FAUPL), which is incorporated into the ODCTE’s state plan (policies on how they are going to operate this program).

Subrecipient Monitoring – 85% of the program funds were passed-through by the ODCTE to public schools, area career technology centers, and colleges. The subrecipients must use these funds to improve career and technical education programs. The specific activities to be carried out are specified in the subrecipients’ annual applications they submit to the ODCTE.

Because program funds are passed-through to subrecipients, federal regulations require the ODCTE to perform procedures that would provide reasonable assurance the subrecipients are administering the federal award in compliance with laws, regulations, and the provisions of the contracts or grant agreements and performance goals are achieved.

Conclusion

With respect to the items tested, it appears:

- The ODCTE expended program funds only for allowable activities and generally followed the allowable costs/cost principle requirements when expending the funds;
- The ODCTE notified the subrecipients of federal award information and compliance requirements and approved only allowable activities in the award documents, generally monitored subrecipients activities, and ensured required audits are performed; and
- The CAR was supported by records and was generally mathematically correct.

Methodology

To accomplish our objective, we performed the following:

- Documented the internal controls over the activities allowed/unallowed and allowable costs/costs principles process which included discussions with the ODCTE personnel, observation, and review of documents;
- Performed the following procedures to determine whether program funds were expended only for allowable activities and conformed with the OMB Circular A-87 to be an allowable cost:
 - Reviewing 15 randomly selected and three judgmentally⁷ selected non-payroll related program payments totaling \$65,688.87 to ensure the claim was properly approved. This included ensuring the claim was for an allowable activity, met applicable cost principles, was properly supported, and mathematically accurate; and
 - Reviewing 38 randomly selected and seven judgmentally⁷ selected subrecipient payments, totaling \$3,125,499.25 to ensure the claim was for allowable activities, met applicable cost principles, was properly supported, and mathematically accurate. These payments were also

⁷ The items were judgmentally selected based on the dollar amount. The items were either large when compared to the rest of the population or negative transactions.

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traced to ODCTE's budget to actual worksheet to ensure a budget to actual comparison was being performed.

- Documented the internal controls over the ODCTE's preparation of the CAR which included discussions with the ODCTE personnel, observation, and review of documents;
- Performed the following procedures to determine whether the CAR was supported by applicable records and was mathematically accurate:
 - Recalculating the amounts presented in the report to ensure they were mathematically accurate;
 - Tracing amounts presented in the report to supporting documentation to ensure amounts agreed.
- Documented the internal controls over the ODCTE's subrecipient monitoring activities which included discussions with the ODCTE personnel, observation, and review of documents; and
- Performed the following procedures to determine whether the ODCTE: notified the subrecipients of federal award information and compliance requirements; approved only allowable activities in the award documents; monitored subrecipients activities; and ensured required audits were performed:
 - Reviewing 38 randomly selected and three judgmentally⁷ selected subrecipients to ensure they were sent an approval letter notifying them of OMB A-133 audit requirements, grant award amount, program name, CFDA number, federal awarding agency, and applicable compliance requirements;
 - Reviewing 12 randomly selected on-site visits forms to ensure a review of the form occurred;
 - Reviewing 38 randomly selected and three judgmentally⁷ selected subrecipients to ensure schools received a technical assistance visit, and colleges and technology centers received technical assistance correspondence;
 - Reviewing 46 randomly selected and 13 judgmentally⁷ selected subrecipients to ensure an independent audit report was obtained and reviewed by ODCTE personnel; and
 - Reviewing 38 randomly selected and seven judgmentally⁷ selected subrecipients' budgets to ensure they were reviewed prior to approval of application, and only allowable costs had been included.

Observation

Personnel Services Documentation Does Not Comply with
OMB A-87, Attachment B

OMB Circular A-87 Attachment B, 11.h (3) for compensation for personnel services states:

Where employees are expected to work solely on a single Federal award or cost objective, charges for these salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

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According to the ODCTE personnel, documentation to support employees' payroll costs consists of the following items:

- Employees' timesheets, which are signed by both the employee and the employee's supervisor;
- Employees' job descriptions, which are signed by the employee at the time of employment and any time a change to the description occurs.

ODCTE personnel felt the documentation above complied with the federal requirements. This documentation does not appear to comply with the "periodic certification" requirement.

Recommendation

We recommend the ODCTE ensure certifications are performed at least semi-annually for employees expected to work solely on a single Federal award or cost objective. This certification can be a separate document, or a statement added to the employee's monthly timesheet.

Views of Responsible Officials

We concur with this finding. ODCTE will perform semi-annual certifications for employees working on a single Federal award or cost objective.

Observation

No Independent Review of Special Report Prior to Submission

To protect against errors or irregularities, the internal control system should provide reasonable assurance that records are accurate and reliable.

The grand total reported for student enrollment for career technology education in the CAR submitted in December 2008 was not mathematically accurate. The total should have included the total of male and female students; however, only the female amount was included. This error resulted in the grand total being under reported by the following amounts:

Table 1 – Determination of Student Enrollment Variance					
	# of Secondary Students	# of Post-secondary Students	# of Adult Students	# of Secondary Tech Prep Students	# of Post-secondary Tech Prep Students
Amount Reported	54,446	45,083	1,815	136	103
Correct Amount	114,309	75,712	3,893	332	239
Variance	(59,863)	(30,629)	(2,078)	(196)	(136)

Source: CAR report and auditor analysis

An independent review of the report prior to submission does not appear to have occurred.

Without an effective review process, errors or irregularities could occur and not be detected in a timely manner.

Recommendation

We recommend an independent review of the CAR be conducted by someone other than the person(s) responsible for preparing the report. This review should include reviewing

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and agreeing the amount(s) reported, or a sample of fields at a minimum, to supporting documentation and ensuring the report is mathematically accurate.

We concur with this finding. A new internal control document will be created and implemented which will allow staff to verify data prior to submission of the CAR.

Observation

Subrecipient Monitoring – Self-Evaluations

The ODCTE's Monitoring Plan for the program states in part:

- **Self-Evaluation**

A Carl Perkins Self-Evaluation – Use of Funds Monitoring Instrument report... is completed and submitted to the Federal Legislation Assistance (FLA) Division within the ODCTE...at the completion of each program year...FLA staff review each monitoring instrument to ensure compliance with the local application.

FLA staff stated that due to a key employee retiring in March 2009, the self-evaluations submitted with the fiscal year (FY) 2009 applications were not reviewed.

The ODCTE did not comply with their policy, which could limit their ability to properly monitor subrecipients.

Recommendation

We recommend staff review the self-evaluations submitted with the FY 09 applications as soon as possible. In addition, the ODCTE program management should consider potential impacts of staff shortages on its ability to comply with federal requirements.

Views of Responsible Officials

We concur with this finding. The FLA staff has a plan in place to complete the review of the self-evaluations submitted with the FY-09 applications no later than April 1, 2010. In subsequent years, self-evaluations will be reviewed concurrently with the review of the applications.

Observation

Subrecipient Monitoring – Performance Level

20 U.S. Code 2343(b)(1) states in part: "Each eligible agency shall evaluate annually, using the local adjusted levels of performance described in section 2323(b)(4)⁸ of this title, the career and technical education activities of each eligible recipient receiving funds under this subchapter."

FLA staff stated that due to changes made in how the levels of performance were to be measured, the subrecipients did not maintain data in a way that would allow it to be compared to the performance measures. As a result, ODCTE did not monitor the subrecipients for compliance with this requirement. FLA staff did communicate this to their federal program administrator. FLA staff indicated changes were made to ensure the data was obtained and retained so that these measures could be monitored in FY10.

It appears ODCTE did not comply with this federal regulation.

Recommendation

We recommend the ODCTE continue their efforts to gather necessary data from the subrecipients to enable them to comply with this requirement in the future.

⁸ This section can be found in Appendix A of the audit report.

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We concur with this finding. FLA staff and Information Management Division (IMD) staff are working to complete and provide performance data to sub-recipients by January 30, 2010. FLA and IMD staffs are working toward improving the timeliness of sub-recipient performance data.

Appendix A

20 U.S. Code

Sec. 2323. **Accountability**

(a) Purpose

The purpose of this section is to establish and support State and local performance accountability systems, comprised of the activities described in this section, to assess the effectiveness of the State and the eligible recipients of the State in achieving statewide progress in career and technical education, and to optimize the return of investment of Federal funds in career and technical education activities.

(b) State performance measures

(1) In general

Each eligible agency, with input from eligible recipients, shall establish performance measures for a State that consist of—

- (A) the core indicators of performance described in subparagraphs (A) and (B) of paragraph (2);
- (B) any additional indicators of performance (if any) identified by the eligible agency under paragraph (2)(C); and
- (C) a State adjusted level of performance described in paragraph (3)(A) for each core indicator of performance, and State levels of performance described in paragraph (3)(B) for each additional indicator of performance.

(2) Indicators of performance

(A) Core indicators of performance for career and technical education students at the secondary level

Each eligible agency shall identify in the State plan core indicators of performance for career and technical education students at the secondary level that are valid and reliable, and that include, at a minimum, measures of each of the following:

- (i) Student attainment of challenging academic content standards and student academic achievement standards, as adopted by a State in accordance with section 6311(b)(1) of this title and measured by the State determined proficient levels on the academic assessments described in section 6311(b)(3) of this title.
- (ii) Student attainment of career and technical skill proficiencies, including student achievement on technical assessments, that are aligned with industry-recognized standards, if available and appropriate.
- (iii) Student rates of attainment of each of the following:
 - (I) A secondary school diploma.
 - (II) A General Education Development (GED) credential, or other State-recognized equivalent (including recognized alternative standards for individuals with disabilities).
 - (III) A proficiency credential, certificate, or degree, in conjunction with a secondary school diploma (if such credential, certificate, or degree is offered by the State in conjunction with a secondary school diploma).
- (iv) Student graduation rates (as described in section 6311(b)(2)(C)(vi) of this title).
- (v) Student placement in postsecondary education or advanced training, in military service, or in employment.
- (vi) Student participation in and completion of career and technical education programs that lead to non-traditional fields.

(B) Core indicators of performance for career and technical education students at the postsecondary level

Each eligible agency shall identify in the State plan core indicators of performance for career and technical education students at the postsecondary level that are valid and reliable, and that include, at a minimum, measures of each of the following:

- (i) Student attainment of challenging career and technical skill proficiencies, including student achievement on technical assessments, that are aligned with industry-recognized standards, if available and appropriate.
- (ii) Student attainment of an industry-recognized credential, a certificate, or a degree.
- (iii) Student retention in postsecondary education or transfer to a baccalaureate degree program.
- (iv) Student placement in military service or apprenticeship programs or placement or retention in employment, including placement in high skill, high wage, or high demand occupations or professions.
- (v) Student participation in, and completion of, career and technical education programs that lead to employment in non-traditional fields.

(C) Additional indicators of performance

An eligible agency, with input from eligible recipients, may identify in the State plan additional indicators of performance for career and technical education activities authorized under this subchapter, such as attainment of self-sufficiency.

(D) Existing indicators

If a State has developed, prior to the date of enactment of the Carl D. Perkins Career and Technical Education Improvement Act of 2006 [August 12, 2006], State career and technical education performance measures that meet the requirements of this section (as amended by such Act), the State may use such performance measures to measure the progress of career and technical education students.

(E) State role

Indicators of performance described in this paragraph shall be established solely by each eligible agency with input from eligible recipients.

(F) Alignment of performance indicators

In the course of developing core indicators of performance and additional indicators of performance, an eligible agency shall, to the greatest extent possible, align the indicators so that substantially similar information gathered for other State and Federal programs, or for any other purpose, is used to meet the requirements of this section.

(3) State levels of performance

(A) State adjusted levels of performance for core indicators of performance

(i) In general

Each eligible agency, with input from eligible recipients, shall establish in the State plan submitted under section 2342 of this title, levels of performance for each of the core indicators of performance described in subparagraphs (A) and (B) of paragraph (2) for career and technical education activities authorized under this subchapter. The levels of performance established under this subparagraph shall, at a minimum--

- (I) be expressed in a percentage or numerical form, so as to be objective, quantifiable, and measurable; and

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(II) require the State to continually make progress toward improving the performance of career and technical education students.

(ii) Identification in the State plan

Subject to section 2303 of this title, each eligible agency shall identify, in the State plan submitted under section 2342 of this title, levels of performance for each of the core indicators of performance for the first 2 program years covered by the State plan.

(iii) Agreement on State adjusted levels of performance for first 2 years

The Secretary and each eligible agency shall reach agreement on the levels of performance for each of the core indicators of performance, for the first 2 program years covered by the State plan, taking into account the levels identified in the State plan under clause (ii) and the factors described in clause (vi). The levels of performance agreed to under this clause shall be considered to be the State adjusted level of performance for the State for such years and shall be incorporated into the State plan prior to the approval of such plan.

(iv) Role of the Secretary

The role of the Secretary in the agreement described in clauses (iii) and (v) is limited to reaching agreement on the percentage or number of students who attain the State adjusted levels of performance.

(v) Agreement on State adjusted levels of performance for subsequent years

Prior to the third and fifth program years covered by the State plan, the Secretary and each eligible agency shall reach agreement on the State adjusted levels of performance for each of the core indicators of performance for the corresponding subsequent program years covered by the State plan, taking into account the factors described in clause (vi). The State adjusted levels of performance agreed to under this clause shall be considered to be the State adjusted levels of performance for the State for such years and shall be incorporated into the State plan.

(vi) Factors

The agreement described in clause (iii) or (v) shall take into account--

- (I) how the levels of performance involved compare with the State adjusted levels of performance established for other States, taking into account factors including the characteristics of participants when the participants entered the program and the services or instruction to be provided; and
- (II) the extent to which such levels of performance promote continuous improvement on the indicators of performance by such State.

(vii) Revisions

If unanticipated circumstances arise in a State resulting in a significant change in the factors described in clause (vi), the eligible agency may request that the State adjusted levels of performance agreed to under clause (iii) or (v) be revised. The Secretary shall issue objective criteria and methods for making such revisions.

(B) Levels of performance for additional indicators

Each eligible agency shall identify in the State plan State levels of performance for each of the additional indicators of performance described in paragraph (2)(C). Such levels shall be considered to be the State levels of performance for purposes of this subchapter.

(4) Local levels of performance

(A) Local adjusted levels of performance for core indicators of performance

(i) In general

Each eligible recipient shall agree to accept the State adjusted levels of performance established under paragraph (3) as local adjusted levels of performances, or negotiate with the State to reach agreement on new local adjusted levels of performance, for each of the core indicators of performance described in subparagraphs (A) and (B) of paragraph (2) for career and technical education activities authorized under this subchapter. The levels of performance established under this subparagraph shall, at a minimum--

- (I) be expressed in a percentage or numerical form, consistent with the State levels of performance established under paragraph (3), so as to be objective, quantifiable, and measurable; and
- (II) require the eligible recipient to continually make progress toward improving the performance of career and technical education students.

(ii) Identification in the local plan

Each eligible recipient shall identify, in the local plan submitted under section 2354 of this title, levels of performance for each of the core indicators of performance for the first 2 program years covered by the local plan.

(iii) Agreement on local adjusted levels of performance for first 2 years

The eligible agency and each eligible recipient shall reach agreement, as described in clause (i), on the eligible recipient's levels of performance for each of the core indicators of performance for the first 2 program years covered by the local plan, taking into account the levels identified in the local plan under clause (ii) and the factors described in clause (v). The levels of performance agreed to under this clause shall be considered to be the local adjusted levels of performance for the eligible recipient for such years and shall be incorporated into the local plan prior to the approval of such plan.

(iv) Agreement on local adjusted levels of performance for subsequent years

Prior to the third and fifth program years covered by the local plan, the eligible agency and each eligible recipient shall reach agreement on the local adjusted levels of performance for each of the core indicators of performance for the corresponding subsequent program years covered by the local plan, taking into account the factors described in clause (v). The local adjusted levels of performance agreed to under this clause shall be considered to be the local adjusted levels of performance for the eligible recipient for such years and shall be incorporated into the local plan.

(v) Factors

The agreement described in clause (iii) or (iv) shall take into account--

- (I) how the levels of performance involved compare with the local adjusted levels of performance established for other eligible recipients in the State, taking into account

- factors including the characteristics of participants when the participants entered the program and the services or instruction to be provided; and
- (II) the extent to which the local adjusted levels of performance promote continuous improvement on the core indicators of performance by the eligible recipient.

(vi) Revisions

If unanticipated circumstances arise with respect to an eligible recipient resulting in a significant change in the factors described in clause (v), the eligible recipient may request that the local adjusted levels of performance agreed to under clause (iii) or (iv) be revised. The eligible agency shall issue objective criteria and methods for making such revisions.



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