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State of New Mexico  
Sustainability of the School-To-Work  
Opportunities Program

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**FINAL AUDIT REPORT**



**Audit Control Number 07-70004**  
**May 1998**

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U.S. Department of Education  
Office of Inspector General  
Kansas City, MO

## NOTICE

**Statements that management practices need improvement, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. Determination of corrective action to be taken will be made by appropriate Department of Education officials.**

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# TABLE OF CONTENTS

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<b>EXECUTIVE SUMMARY</b> .....	1
<b>AUDIT RESULTS</b> .....	3
<b>SYSTEM STRENGTHS:</b>	
<i>Legislation/Policy</i> .....	3
<i>Governance</i> .....	3
<i>Roll-Out to Regional and Local Partnerships</i> .....	4
<b>SYSTEM VULNERABILITIES:</b>	
<i>Governance</i> .....	4
<i>Leveraged Funds</i> .....	5
<i>Strategic Planning</i> .....	6
<i>Involvement of Stakeholders</i> .....	6
<i>Roll-Out to Regional and Local Partnerships</i> .....	8
<b>RECOMMENDATIONS:</b> .....	9
<b>New Mexico’s Comments and Auditor’s Response</b> .....	10
<b>APPENDIX:</b>	
<b>Background</b> .....	12
<b>Audit Scope and Methodology</b> .....	13
<b>EXHIBIT A: National School To Work Office Response</b> .....	15
<b>EXHIBIT B: State of New Mexico Response</b> .....	16

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## EXECUTIVE SUMMARY

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The School-to-Work Opportunities Act of 1994 was established to provide seed money to States and local partnerships of business, labor, government, education, and community organizations to develop school-to-work systems. The purpose of these systems is to bring together efforts at education reform, worker preparation, and economic development to prepare youth for high-skill, high-wage careers.

The objective of this audit was to determine whether New Mexico has institutionalized elements that are indicative of a sustainable School-to-Work (STW) system. Even though New Mexico's five-year STW Implementation Grant had only been awarded eight months prior to our review, we found that the State had taken measures that would contribute to system sustainability. Through the creation of a statewide career education program, it had laid a foundation for the school-based learning component of its STW system. Further, its placement of the position of STW Coordinator in the Governor's Office appears to have encouraged a level of partnership and team work among key State agencies that may otherwise have been difficult to achieve. In addition, system sustainability may be enhanced by decisions made by State officials that will extend the benefits of STW to include students in non-public as well as public schools.

We also found areas in which actions could be taken to increase the likelihood that New Mexico's STW system will be sustained after Federal funding ceases. Therefore, the National School-To-Work Office should work with New Mexico to implement the following recommendations.

- The STW Advisory Council should develop formal plans for transition to the governance structure that will implement the STW system after Federal funding ceases.
- The State Board of Education and the New Mexico Department of Education should focus their strategic planning efforts on the transformation of public education in New Mexico into an STW-based education system.
- The State Board of Education should establish policies and procedures that will ensure that K-12 teachers, counselors, and administrators are prepared to deliver STW services to all students.
- The New Mexico Departments of Education and Labor should take larger leadership roles in the development of statewide skill credentialing processes.
- The STW Advisory Council and the Department of Finance and Administration should establish monitoring, evaluation, and technical assistance policies and procedures that will ensure the effectiveness of regional and local STW partnerships.

- The STW Operations Team should intensify efforts to:
  - Encourage small businesses to participate in regional and local partnerships,
  - Support the development of regional and local partnerships in rural school districts, and
  - Ensure availability of the funding needed to sustain STW after Federal funding ceases.

The State of New Mexico generally concurred with the recommendations contained in this report. We made changes to the recommendations based on the State of New Mexico's response. A synopsis of the State's response is included in the text of this report. The full text of the State of New Mexico's response is provided as an attachment to this report. The exhibits to the State of New Mexico response are available in our office and will be provided upon request.

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## AUDIT RESULTS

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The objective of this audit was to determine the degree to which New Mexico has institutionalized elements that are indicative of a sustainable STW system. The School-to-Work Opportunities Act of 1994 was established to provide seed money to States and local partnerships of business, labor, government, education, and community organizations to develop STW systems. The purpose of these systems is to bring together efforts at education reform, worker preparation, and economic development to prepare youth for high-skill, high-wage careers. Although New Mexico's five-year STW Implementation Grant had only been awarded eight months prior to our review, we found that the State had taken measures that would contribute to system sustainability. We also found areas in which actions could be taken to increase the likelihood that New Mexico's STW system will be sustained after Federal funding ceases. These areas are summarized below.

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### SYSTEM STRENGTHS:

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#### *Legislation/Policy*

**New Mexico has laid a foundation for a statewide K-12 career education system:** The Employability Model, adopted by the State Board of Education in 1992, has served as one of the foundations for building STW in the State. For several years it was used to raise the awareness of teachers and school administrators about the need for career education in the elementary and secondary grades. Effective as of August 1997, curriculum and instruction at all State-accredited schools must be structured to teach specified career (or employability) competencies at the elementary and secondary levels. This is a critical first step in building sustainability for the school-based learning component. In our opinion, New Mexico's achievement in this area could be publicized as a "best practice" for consideration by other States.

#### *Governance*

**Leadership from the Governor's Office supports agency cooperation:** There are both sustainability strengths and vulnerabilities associated with the placement of lead authority for STW in the Office of the Governor. First, this type of governance communicates the commitment of the Governor to STW, which is essential for sustaining statewide reform. Second, locating the STW coordination position in the Governor's Office appears to have encouraged a level of partnership and teamwork among key State agencies that may otherwise have been difficult to achieve. The vulnerabilities are described in the section entitled System Vulnerabilities.

## *Roll-Out to Regional and Local Partnerships*

**New Mexico's STW system will benefit non-public as well as public school students:** New Mexico has defined its system so that, at least to some degree, its benefits will be made available to all students in all schools. With the State Board of Education's adoption of Career Competencies and Benchmarks in August 1997, all non-public State-accredited schools as well as the public schools were required to teach specified competencies that are necessary for career awareness and exploration and to meet general entry-level job requirements. Another way in which non-public school students may potentially benefit from New Mexico's STW system is that tribally controlled schools have been invited to participate fully in local and regional STW partnerships.

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## **SYSTEM VULNERABILITIES:**

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### *Governance*

**New Mexico has not established permanent leadership authority for the statewide STW system:** While the Governor has demonstrated commitment to STW, there is a degree of impermanence associated with the placement of lead authority for STW in the Office of the Governor and in the Department of Finance and Administration (DFA) that may hinder efforts to fully develop and sustain statewide reform. Recent research suggests that the systemic change envisioned in STW legislation will take longer than five years. We suspect that throughout those years there will be continuing need for a regional structure to roll out the new system statewide and to develop and maintain partnerships with business and industry. We learned from interviews that DFA will not be the lead agency for STW after Federal funding ceases and that, according to some, this leadership will transition to the New Mexico Department of Education (NMDE). However, there is no plan for moving from the current, grants management infrastructure of DFA to the type of administrative structure that is needed to complete and sustain the envisioned reform of New Mexico's educational system.

In our opinion, such a plan is needed for a smooth transition to a permanent administrative structure. It is needed for the new administering agency to plan for future years and to provide State legislators with the agency's budgetary needs for those years. Finally, it is needed to communicate to stakeholders that STW is not just a Federal program or passing fad but that it represents the future for education in New Mexico.

## *Leveraged Funds*

**New Mexico may need to increase State appropriations to fully develop and maintain a statewide STW system:** Policy-makers in any State engaged in STW reforms need to plan for the long-term costs of maintaining an STW-based education system. Given its economic circumstances, this consideration may be even more important in New Mexico than elsewhere.

Recent studies indicate that STW-based education systems cost more than traditional systems. The U.S. Department of Labor's report entitled "Experiences and Lessons of the School-to-Work/Youth Apprenticeship Demonstration," dated 1997, concluded that the cost of STW activities can be substantial. Evidence of the high cost of STW reform is also found in a study published in September 1997 by the Manpower Demonstration Research Corporation—"Home-Grown Progress: The Evolution of Innovative School-to-Work Programs," by Rachel A. Pedraza, Edward Pauly, and Hilary Kopp. This study of 16 STW projects that had been in existence for an average of seven years found that every one of the projects was staff-intensive and that a full-time or nearly full-time coordinator was critical for program growth. The responsibilities of these non-teaching STW staff were to develop and maintain employer relationships, create work-based learning positions, make efforts to connect school with work, schedule school-based and work-based learning, and monitor student progress at work sites.

A report entitled "Skills Standards in New Mexico's Secondary and Post-Secondary Schools," prepared by Richard C. Marchese, Resource Development Services, Santa Fe, published in June 1997, noted, "*standards-led reform accompanied by an academic/vocational integration project [reforms such as STW] requires a substantial budget.*" This report also noted that schools in New Mexico cannot carry out these reforms on their current budgets:

*"The situation is so bad that woefully underpaid school teachers earning in the mid-twenties are using their salaries not only to support their families but also to support their classroom supplies budget, which has shrunk to pitiful levels in recent years. If school districts are not able to meet their basic operating costs such as school supplies, how are they able to allocate funds for school improvement projects?"*

New Mexico may have more of a challenge than other States in finding the resources needed to maintain an STW system. One official we interviewed referred to New Mexico as the poorest State in the Nation (in terms of the percent of the population below the poverty line).<sup>1</sup> Others commented that over 90 percent of the funding for public schools in the State comes from State appropriations, and that New Mexico is a small-business State, i.e., only a small portion of the economy is accounted for by large businesses. Thus, it appears that New Mexico may not be able to rely on funding from the business community for continuance of a new, statewide education system and that the financial burden for the new system could fall mainly on public funding.

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<sup>1</sup> In 1996, New Mexico ranked 48<sup>th</sup> in total per capita personal income based on information provided by the Bureau of Economic Analysis, U.S. Department of Commerce. In addition, according to information obtained from the U.S. Census Bureau, New Mexico is ranked as the highest in percent of persons in poverty for 1994, 1995 and 1996.



## *Strategic Planning*

**NMDE and the State Board of Education have not developed comprehensive strategic plans for their leadership of statewide education reform:** New Mexico may not be providing clear and convincing leadership for education reform. Indications of this were found in the efforts of top officials to engage in long-range planning and the results of those efforts.

In 1994 the State Board of Education issued a document entitled “Consolidating Initiatives for Tomorrow’s Education” (CITE), which was intended to serve as a “policy framework for system-wide educational change.” Two years later, the State legislature determined that “a comprehensive framework for education” was needed if there was to be “long-term support from all branches of government and the public.” To remedy this situation, it passed the Strategic Planning for Public Education Act. Thus, the legislature appeared to be saying that the State Board of Education’s policy framework was inadequate and that long-term State funding for education was in jeopardy if a plan was not developed in accordance with the specifications of the Act. In the following months, a strategic plan for public education was developed. However, legislation for implementing this plan was vetoed by the Governor, and the State Board of Education never adopted the plan.

Currently, the State Board of Education and NMDE each have embarked on their own efforts to develop strategic plans for education reform. An official in the NMDE told us that, prior to these current planning efforts, neither the NMDE nor the State Board of Education had ever before developed strategic plans for their organizations, even though all local school districts in New Mexico have been required for 12 years, to follow well defined strategic planning procedures in developing their Educational Plans for Student Success. We were told that the NMDE and the State Board of Education planned to complete their plans by July 1998. However, as of October 1997, they were not coordinating their efforts, but, instead, were proceeding on separate tracks.

## *Involvement of Stakeholders*

**State agencies are not providing direction for the development of skill standards and portable credentials:** State-level coordination of skill certification efforts and the involvement of State agencies in those efforts should be strengthened to ensure the full development and sustainability of a statewide process. A study conducted by the Manpower Demonstration Research Corporation concludes that occupation-specific skill certification should not be left to “local operators.” It notes that State or Federal involvement is needed to ensure the portability of the credentials that are issued. If a skill credential is to be accepted by employers outside a local area, the standards on which the credential is based must be validated by a group that can represent the industry or business on a State, regional, or national level. In addition, a degree of standardization in the assessment instruments and procedures used in the credentialing process is needed to ensure portability.

New Mexico’s application for STW Implementation Grant funding acknowledges the need for State-level involvement in the skill certification process. Certification efforts will be “linked throughout the State with the ongoing efforts coordinated by the STW State Coordinator” with input from NMDE, NMDL, and other stakeholders. At the time of our audit, the Executive Director of the State’s

Association of Community Colleges had the lead responsibility for skill standards development. NMDL had provided labor market information for the contracted study of skill standards development; and NMDE was working with a credentialing project at the Albuquerque Technical Vocational Institute to develop model vocational curricula. However, neither NMDL nor NMDE was taking steps to build a statewide credentialing system.<sup>2</sup>

We believe that STW in New Mexico would be more sustainable if appropriate State agencies were to develop and implement statewide processes for targeting industry sectors that can provide students with placements in high-skill occupations, validating occupation-specific skill standards, and assessing student attainment of skill standards.<sup>3</sup>

**NMDE has not developed plans to ensure that local school personnel are prepared to deliver STW services to all students in the State:** At the time of our field work, State officials had not developed plans to ensure that K-12 teachers, counselors, and administrators are prepared to implement a comprehensive STW system. In fact they had not yet identified the specific changes that would be needed in teacher training and certification and did not appear to have specific plans for this preliminary step. Independent of the STW initiative, NMDE was initiating a process of updating required competencies for K-12 teachers, counselors, and administrators in all academic subject areas and other areas of responsibility. However, the plans that had been developed for this process did not show that the competencies to be defined would include those that will be needed for implementing STW.

Since the process of revising professional competencies could affect every aspect of service delivery in the New Mexico public education system, State officials expect that it will take four years to complete. If the groups that will develop the competencies aren't charged, in very specific terms, with the responsibility for identifying what each professional will need to know and do to implement STW, it is likely the needed changes may not be made and STW may not achieve its full statewide potential. The long-term success of STW in New Mexico is very much dependent on what is done

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<sup>2</sup> The management plan for the STW Operations Team--the "Implementation State Performance Agreement Matrix," dated June 11, 1997--states that a skill standards development plan is being created through funding under the Carl D. Perkins Vocational and Applied Technology Education Act. We were told that this referred to a study entitled "Skills Standards in New Mexico's Secondary and Post-Secondary Schools," which is written as a "how-to" manual for local school personnel to develop skill standards. This study could be useful if it were presented in the context of a statewide plan for standards development. However, in and of itself, it does not constitute such a plan. Its focus on local players operating in a vacuum relative to district, regional, and State education and labor organizations could detract from the sense of partnership that is needed to build a statewide system and effect statewide reform. If the guidance offered in this report is to help teachers and administrators develop skill standards, it needs to be placed in the State and district policy framework in which they operate.

<sup>3</sup> The labor market information provided in the Marchese report titled, "Skill Standards in New Mexico's Secondary and Post-Secondary Schools," may help in identifying major occupational clusters for which skill standards should be developed initially. The two largest clusters in the State's labor force are "Business," which represents 28 percent of total employment in the State, and "Services" (including those employed in education, human services, hotel, recreation, and fast food), which also represents 28 percent of total employment. Of the eleven occupations projected to have the most openings from 1995-2005, nine are in these two areas (i.e., general manager, bookkeeper, accounting clerk, cashier, general office clerk, retail sales, secretary, cook/baker, waiter/waitress). The two largest clusters after Business and Services, are Technology (including those employed in the trades, construction, computer science, and manufacturing) and Health, at 20 and 14 percent of the labor force respectively.

in the coming months to ensure that STW is carefully considered in the process of revising professional competencies.

**Obtaining the business involvement needed for a self-sustaining statewide STW system is a significant challenge:** In spite of the strong commitment to education reform demonstrated by several key businesses, we learned in interviews that many businesses have a “wait and see” attitude about STW and may not be willing to commit to the effort at this time. This may be true more with the small businesses than the larger businesses in the State’s urban centers. For this reason, it is important that the STW Operations Team intensify efforts to encourage businesses to participate in regional and local partnerships.

### *Roll-Out to Regional and Local Partnerships*

**Achieving systemic change in New Mexico’s rural school districts may be particularly challenging:** Most school districts in the State are rural, and some officials we interviewed talked about the difficulty of developing strategies to involve the rural population in STW. One said that it would be helpful for the National School-To-Work Office (NSTWO) to hold a conference on this topic and encourage States to share their insights on the problem.

**New Mexico had not developed instruments and procedures for monitoring, evaluating and providing technical assistance to regional and local STW partnerships:** Monitoring, evaluation and technical assistance structures to support regional and local STW implementation are not in place. This is understandable given New Mexico is in the early stages of its implementation grant. However, it did not appear that New Mexico had a plan for developing these support structures.

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## RECOMMENDATIONS:

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To increase the likelihood that the STW system will be sustained after Federal STW funding ceases, the National School-to-Work Office should work with New Mexico to implement the following recommendations.

1. The STW Advisory Council should develop formal plans for transition to the governance structure that will implement the STW system after Federal funding ceases.
2. The State Board of Education and the New Mexico Department of Education should focus their strategic planning efforts on the transformation of public education in New Mexico into an STW-based education system.
3. The State Board of Education should establish policies and procedures that will ensure that K-12 teachers, counselors, and administrators are prepared to deliver STW services to all students.
4. The New Mexico Departments of Education and Labor, should take larger leadership roles in the development of statewide skill credentialing processes, including the:
  - Targeting of industry sectors that can provide students with placements in high-skill occupations,
  - Validation of occupation-specific skill standards, and
  - Assessment of student attainment of skill standards.
5. The STW Advisory Council and the Department of Finance and Administration should establish monitoring, evaluation, and technical assistance policies and procedures that will ensure the effectiveness of regional and local STW partnerships.
6. The STW Operations Team should intensify efforts to:
  - Encourage small businesses to participate in regional and local partnerships,
  - Support the development of regional and local partnerships in rural school districts, and
  - Ensure availability of the funding needed to sustain STW after Federal funding ceases.

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## New Mexico's Comments and Auditor's Response

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The Governor's Office (State) generally concurred with our recommendations. The State disagreed with the finding that the New Mexico Department of Labor (NMDL) has been only marginally involved with the implementation of STW. NMDL stated that it is supporting involvement of business and associations in School to Work by making available employer lists to the regional partnerships, by having local Workforce Development Center managers serve on regional boards and by encouraging the local Job Service Employer Councils to be active in School to Work. Based on the information provided by the NMDL we eliminated the finding and recommendation.

NMDE noted that they are providing active leadership in implementing programs that provide skill credentialing. They currently have several auto-technician programs operating in the State through school-business partnerships involving secondary-postsecondary curriculums that allow high school students to be concurrently enrolled in a training program that leads to a national skills certification. NMDE also administers the Apprenticeship Training Program that leads to national skills certification in the apprenticeable trades. Currently, NMDE does not have a formal working relationship with NMDL but is willing to become more involved through program coordination and service delivery. NMDL feels that skill credentials relate most to technical skills learned at the technical-vocational level, hence the major research effort was begun at the community college system. They also believe that the community colleges will be the lead organization. We believe that strong leadership by NMDE is important if students are to have the opportunity to earn skill credentials upon graduation from high school, and that strong leadership by NMDL is important if the credentials are to be portable, as required by Federal STW legislation.

The State generally concurred with our recommendation that formal plans should be developed for transition to the governance structure that will administer the STW system after Federal funding ceases. However, they noted that we had been misinformed about the State's Department of Finance and Administration not being the lead agency for STW after Federal funding ceases. The State noted: "others familiar with STW systems have indicated that New Mexico's governance structure may prove to be the most effective structure to sustain our system into the future.... Depending upon DFA's experience administering the STW system during the first two or three years, the existing governance structure may prove to be 'permanent'.... However, if the STW Advisory Council determines the need for a transition, a formal plan will be developed to insure an orderly transfer and system sustainability." NMDE commented that, if the responsibility for STW is to be assigned to them, a funding source will be necessary to provide for State level administration and to sustain activities at the local level. NMDE also commented that the STW Advisory Council should move expeditiously to develop a formal transition plan. We agree.

With regard to the strategic planning efforts, the State Board of Education is scheduled to conduct strategic planning during the summer. The State Superintendent of Public Instruction said he would apprise the Executive Committee of the recommendations of the OIG report. He said that the

Committee may wish to schedule a time for the Governor's Office "to request that the Board consider a STW-based education system in the development of their strategic plan." The State Superintendent noted that the State could, at the same time, address the need for Board policies and procedures on professional development to prepare teachers, counselors, and administrators to deliver STW. We believe that for a sustainable STW system to be created, the State Board of Education should focus its strategic plan on the development of an STW-based education system and prepare school personnel to implement the system.

### Background

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School-to-Work is a new approach to learning for all students. It is based on the concept that education works best and is most useful for future careers when students apply what they learn to real life, real work situations. Many young people leave school unequipped with skills they need to perform the jobs of a modern, competitive world economy. In addition, employers are having difficulty finding workers who are adequately prepared for today's more demanding jobs.

The purpose of the School-to-Work Opportunities Act of 1994 (Public Law 103-239) is to provide seed capital to States and localities for developing and implementing comprehensive School-to-Work Opportunities systems that will provide all students with the academic and occupational skills necessary to prepare them for first jobs in high-skill, high-wage careers, and to increase their opportunities for further education and training. The Secretary of Labor and the Secretary of Education jointly administer this Act in a flexible manner to promote State and local discretion in establishing and implementing statewide School-to-Work Opportunities systems. The authority provided by the School-to-Work Act will terminate October 1, 2001. Grants are awarded by either the U.S. Department of Education or the U.S. Department of Labor.

The Secretaries of Education and Labor funded activities for the States through Development Grants, to begin creating comprehensive statewide School-to-Work Opportunities systems. These activities must lead to the development of a comprehensive plan for the School-to-Work Opportunities system that addresses the common features, including the basic program components, and leads to the required outcomes described in the purpose of the School-to-Work Opportunities system. The State Implementation Grants enable States to implement their plans for statewide School-to-Work Opportunities systems that will offer young Americans access to programs designed to prepare them for a first job in high-skill, high-wage careers, and for further education and training.

Every State and locally created School-to-Work system must contain the following three core elements:

- School-based Learning - classroom instruction based on high academic and business-defined occupational skill standards;
- Work-based Learning - career exploration, work experience, structured training and mentoring at job sites; and
- Connecting Activities - courses integrating classroom and on-the-job instruction, matching students with participating employers, training of mentors and the building of other



bridges between school and work.

While School-to-Work may look different from State to State, it is intended that each local system provides relevant education, marketable skills, and valued credentials to all its learners.

New Mexico was advised November 21, 1996 that it had been selected to receive an STW Implementation Grant from the U.S. Department of Education. The grant award is intended to be \$13.2 million dollars for the period 1997 through 2001. In 1997, New Mexico will receive \$2.2 million dollars in the first year of funding and an additional \$11 million dollars spread over the following four years. New Mexico had only been in the implementation phase of building a School-to-Work system for approximately eight months prior to the start of our audit. In addition, New Mexico received \$300,000 in 1994 and \$150,000 in 1995 in State Development Grant monies. In 1995 Local Partnership Grants totaled \$500,000 and Urban/Rural Opportunity Grants totaled \$343,805.

In order to help coordinate the vast job of School-to-Work system building, the New Mexico plan has divided the State into seventeen Regional Area Partnerships taking advantage of the solid Community College infrastructure in the state. This network will help the state support the Local Area Partnerships in their respective geographic areas. Local Area Partnerships are the core of New Mexico STW and represent the creative partnerships between education, business and communities that have evolved from individual local situations and environments.

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## **Audit Scope and Methodology**

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The purpose of our audit was to determine that New Mexico has institutionalized the elements that are indicative of a sustainable School-to-Work system.

In April 1997, officials from the U.S. Department of Education, Office of Inspector General, the U.S. Department of Labor, Office of Inspector General and the National School-To-Work Office (NSTWO) met to formulate an audit strategy that would result in providing added value to NSTWO's current program management strategy. The ability of the STW initiative to continue after the expiration of the STW grants was a major area of concern expressed by NSTWO officials. As a result, officials agreed to the following elements that are considered to be indicative of a sustainable STW system. We believe that the elements listed below are embraced in Section 213 (d) of the Act, which specifies what must be included in a State implementation plan. Elements of a Sustainable School-to-Work System have been identified as:

- (1) Legislation/Policies
- (2) Governance - Organizational Distance from the Governor (subunits-structure, organizational flow, etc.)



- (3) Performance Indicators/Strategic Plans
- (4) Incorporation of Other Programs
- (5) Leveraged Funds
- (6) Involvement of Stakeholders (e.g., students, employers, schools, parents, trade associations, unions, professional associations, K-16 school levels)
  - Incentive/ Reward Structure
  - Certification of Teachers/Guidance Counselors
  - Skill Certificates/Portable Credentials
  - Public Message/Outreach
- (7) System Roll-Out to Regional and Local Partnerships

To accomplish our audit objective we reviewed applicable Federal regulations. We interviewed key personnel and reviewed pertinent documents related to STW at both NSTWO and the New Mexico State offices. In addition, we used information contained in studies related to STW.

We conducted fieldwork at NSTWO during the period July 22 through July 25, 1997. As part of that review, we judgmentally selected state's to be reviewed out of a universe of 37 states that had been awarded an implementation grant as of March 19, 1997.

Our audit of the State of New Mexico covered the period January 1, 1997, the date the Implementation Grant was awarded, through August 15, 1997. We conducted the fieldwork at the auditee's offices in Santa Fe, New Mexico during the period August 11 through August 15, 1997, as well as in our Kansas City, Missouri office through October 20, 1997. Our audit was conducted in accordance with Government Auditing Standards appropriate to the scope of review described above.

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## REPORT DISTRIBUTION LIST

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### Audit Control Number A07-70004

#### Auditee

Ms. Vonell Huitt  
Education Policy Advisor  
Office of the Governor  
State Capitol Building  
Santa Fe, New Mexico 87503

#### Action Official

Ms. Patricia W. McNeil  
Assistant Secretary, Office of Vocational and Adult Education (OVAE)  
Mary E. Switzer Building, 330 C Street, SW  
Room 4090  
Washington, D.C. 20202

#### Other ED Offices

Mr. Steven Y. Winnick, Deputy General Counsel, Office of General Counsel  
Ms. Chris Kulick, Special Assistant, OVAE  
Mr. David Frank, Public Affairs Office

#### Other

Ms. Irene Lynn, Acting Director, National School-to-Work Office  
Mr. Ed Tomchick, Department of Labor, Employment and Training Administration  
Mr. Gary Beggan, Assistant Regional Inspector General for Audit, DOL/OIG

#### Office of Inspector General

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Assistant Inspector General for Operations, Eastern Area	1
Area Managers	1 each

## **OIG AUDIT TEAM**

### **Audit Staff:**

Jim Okura, CPA  
Lisa Robinson

Bill Allen, CPA

### **Advisory and Assistance Staff:**

Neil Nelson, Ph.D.