



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

SEP 25 2001

**MEMORANDUM**

**TO:** Carol D'Amico  
Assistant Secretary  
Office of Vocational and Adult Education

**FROM:** Lorraine Lewis *Lorraine Lewis*

**SUBJECT:** **FINAL AUDIT REPORT**  
*The Division of Vocational – Technical Education's*  
*Monitoring of Formula Grants*  
Control No. **ED-OIG/A04-B0010**

This **Final Audit Report** presents the results of our review of the Division of Vocational – Technical Education's Monitoring of Formula Grants. The objective of our audit was to determine if the Office of Vocational and Adult Education (OVAE), Division of Vocational – Technical Education (DVTE) was monitoring vocational education formula grants for compliance with appropriate laws and regulations.

A draft of this report was provided to OVAE for comments. In their response, OVAE concurred with the recommendations. We have summarized OVAE's response after the recommendation section of the report. A complete copy of the response is provided as an attachment to the report.

**AUDIT RESULTS**

In Fiscal Year (FY) 1999, new legislation was introduced for Perkins formula grants (Perkins III). At that time, the DVTE did not have a monitoring system in place and it was not conducting on-site monitoring visits. In FY2000, the DVTE developed a State monitoring system that focuses on compliance and other aspects such as educational reform and interagency cooperation in the delivery of vocational educational services. Under DVTE's monitoring system, on-site reviews are conducted by a five member team. The compliance aspects of the reviews include fiscal issues, administration, local applications, and special populations.

We followed up with the DVTE to ascertain the current status of its monitoring of formula grants. As of February 28, 2001, the DVTE had performed four on-site reviews and issued two reports. Additionally, the DVTE had scheduled six on-site reviews for the remainder of FY2001. The DVTE also plans to visit eight States in FY2002. The

DVTE has achieved staffing goals outlined in its FY2000 proposal and it has conducted the number of reviews planned for FY2000. The DVTE has also made progress toward completing the number of on-site reviews planned for FY 2001.

Currently, the DVTE has developed a draft monitoring instrument, which includes a checklist to monitor compliance items. However, the DVTE has not yet developed written procedures covering all aspects of its on-site reviews. To ensure continuity in its reviews, the DVTE should formalize its monitoring process by writing a procedures manual for its on-site reviews that includes all aspects of its monitoring process.

As part of our review, we surveyed the States' monitoring of sub-recipients of vocational education formula grants. The Education Department General Administrative Regulations (EDGAR), found in 34 CFR, §80, contain provisions requiring States to monitor sub-recipients to ensure compliance with applicable Federal requirements. As a result of our on-site visits to three States and the responses to questionnaires we sent to ten States, we concluded that State program officials are monitoring vocational education formula grant sub-recipients in accordance with applicable existing statutory and regulatory provisions. Currently, there are no specific laws or regulations that require a particular monitoring method or prescribe the frequency of monitoring activities. Therefore, we did not evaluate the monitoring methods used by the various States.

A DVTE official stated that the DVTE does look at a State to see if there is a process in place for sub-recipient monitoring, but it does not perform any in depth review of the State's sub-recipient monitoring. Therefore, the DVTE should, as part of its federal monitoring of the States, determine whether States' monitoring is sufficient to comply with provisions contained in EDGAR.

We encourage the DVTE to continue its current monitoring process in order to ensure adequate oversight of vocational education formula grants for compliance.

## **RECOMMENDATIONS**

We recommend that the Assistant Secretary of the Office of Vocational and Adult Education:

- 1 Formalize DVTE's new monitoring process by writing a procedures manual for its on-site reviews that includes all aspects of its monitoring process, and
2. Determine as a part of the monitoring process whether the States' monitoring of sub-recipients is sufficient to comply with EDGAR provisions.

## **AUDITEE'S RESPONSE**

The Office of Vocational and Adult Education concurs with the two recommendations, and agrees that they represent a means to strengthen the DVTE on-site monitoring process. In response to the first recommendation, DVTE has already taken steps to develop a procedures manual that outlines all aspects of the monitoring process. While various portions of a State's monitoring efforts are evaluated in DVTE's current monitoring process, a more formal analysis of a State's implementation of EDGAR's monitoring requirements can be easily included as part of the on-site monitoring initiative.

OVAE anticipates that the two recommendations will be integrated into the DVTE monitoring process with the advent of its monitoring visits scheduled for 2002.

## **BACKGROUND**

The Division of Vocational-Technical Education administers the Carl D. Perkins Vocational and Technical Education Act, which provides formula grants to state agencies to help provide vocational-technical education programs and services to youth and adults. In 1998, the Carl D. Perkins Vocational and Technical Education Act of 1998 (Perkins III) was signed into law. The central goals of this law are to improve student achievement and to prepare students for postsecondary education, further learning, and careers. Vocational Education formula grants received an appropriation of approximately \$1 billion dollars in FY2000.

There are no statutory or regulatory provisions directing the Department to monitor State compliance with the Perkins III programs. However, the Department has an implicit obligation to ensure that recipients of funds under Elementary and Secondary Education programs comply with applicable statutory and regulatory requirements. This obligation is further supported by OMB Circular A-133, which requires Federal agencies to monitor non-Federal entities' use of Federal awards.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

The objective of our audit was to determine whether the DVTE was monitoring vocational education formula grant programs for compliance with appropriate laws and regulations. In order to determine this, we:

- researched and summarized laws and regulations applicable to DVTE formula grant monitoring,
- interviewed staff at the DVTE office to obtain a clear understanding of the type of monitoring performed and its current monitoring approach,

- obtained and reviewed DVTE's written monitoring proposal,
- conducted site visits to three States to interview State vocational education program officials and State audit officials to determine the level of monitoring for compliance regulations, and

conducted a survey via a questionnaire of ten randomly selected States. The questionnaire was sent to State program offices to identify the level of monitoring in the three program areas in our scope, which included State vocational education offices.

The original audit period was limited to fiscal year 2000. Additionally, we conducted a follow up interview with a DVTE official on February 26, 2001 to ascertain the current status of DVTE's monitoring. We are therefore reporting on the status of the DVTE's monitoring for FY2000 and FY2001. The scope of our audit included only formula grants authorized by Perkins III. We did not review Adult Education programs. We conducted an on-site visit to DVTE offices and held interviews with DVTE personnel in Washington, DC on March 28, 2000 and during the week of May 8, 2000. We conducted site visits to the States of Georgia, Tennessee, and South Carolina in July and August of 2000. Information from our survey questionnaire was collected during July and August 2000.

Our review was conducted in accordance with government auditing standards applicable to the scope of the review described above.

## **STATEMENT ON MANAGEMENT CONTROLS**

Our review was limited to the objective of the audit, which was to determine if the Department's program offices were monitoring vocational education formula grant programs for compliance with appropriate laws and regulations.

Since the DVTE was in the process of developing its monitoring system for vocational education formula grant programs, we decided not to perform any additional audit work. Therefore, we did not assess the DVTE's systems of management controls over its monitoring activities.

## **ADMINISTRATIVE MATTERS**

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

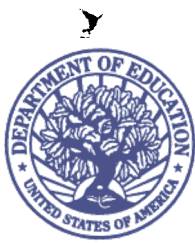
In accordance with the Freedom of Information Act ( 5 U.S.C. § 552), reports issued by the Office of Inspector General are available, if requested, to members of the press and general public to the extent information contained therein is not subject to the exemptions of the Act.

Copies of this audit report have been provided to the offices shown on the distribution list enclosed in the report.

Please provide the Supervisor, Post Audit Group, Office of the Chief Financial Officer and the Office of Inspector General, with quarterly status reports on promised corrective actions until all such actions have been completed or continued follow-up is unnecessary.

We appreciate the cooperation given us in this review. If you have any questions, please call Carol Lynch, Regional Inspector General for Audit, at (404) 562-6462. Please refer to the control number in all correspondence related to the report.

Attachment




## UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF VOCATIONAL AND ADULT EDUCATION

AUG 28 2001

**MEMORANDUM**

**TO:** Lorraine Lewis  
Inspector General

**FROM:** Robert D. Muller   
Deputy Assistant Secretary

**SUBJECT: DRAFT AUDIT REPORT**  
*The Division of Vocational-Technical Education's Monitoring of  
Formula Grants*  
Control No. **ED-OIG/A04-B0010**

This memorandum is a response to the draft audit report (Control No. ED-OIG/A04-B0010) issued by your office on July 23, 2001. This report presents the results of your review of the Division of Vocational and Technical Education's (DVTE's) monitoring effort of Federal Perkins funds flowing to State and local recipients. This audit not only reviewed DVTE's monitoring procedures, but also assessed the degree to which ten States implemented the monitoring requirements of section 34 CFR 80.40.

This draft report concludes with two recommendations to strengthen the DVTE monitoring process, namely

- Formalize DVTE's monitoring process by developing a procedures manual for on-site reviews that includes all aspects of the monitoring process, and
- Determine as part of the monitoring process whether State monitoring of subrecipients is sufficient to comply with the EDGAR provisions.

The Office of Vocational and Adult Education concurs with these two recommendations, and agrees that they represent a means to strengthen the DVTE on-site monitoring process.

In response to the first recommendation, DVTE has already taken steps to develop a procedures manual that outlines all aspects of the monitoring process. This manual is moving towards a final draft state.

While various portions of a State's monitoring efforts are evaluated in DVTE's current monitoring process, a more formal analysis of a State's implementation of EDGAR's

monitoring requirements can be easily included as part of the on-site monitoring initiative.

We anticipate that the two recommendations will be integrated into the DVTE monitoring process with the advent of our monitoring visits scheduled for FY 2002.

Should you have further question, please call Ron Castaldi, Director, Division of Vocational and Technical Education, at (202) 205-9444.

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Assistant Secretary  
Office of Vocational and Adult Education

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