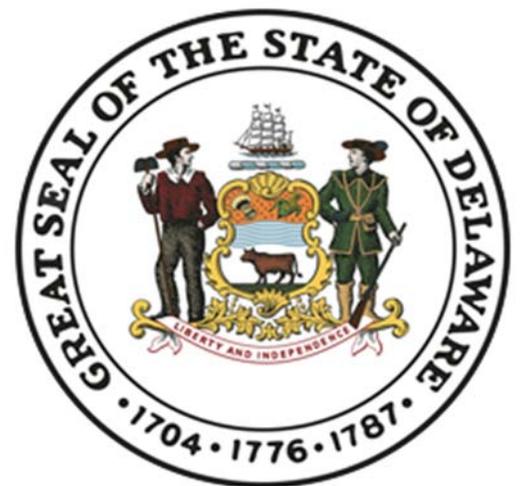


**State of Delaware
Office of Auditor of Accounts**

**Career and Technical Education
Fiscal Year 2018**

Performance Audit

R. Thomas Wagner, Jr., CFE, CGFM, CICA
Auditor of Accounts





STATE OF DELAWARE
OFFICE OF AUDITOR OF ACCOUNTS

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To the Delaware Department of Education:

The attached report provides the results of our performance audit of the Occupational-Vocational/Career and Technical Education (CTE) Program for the period July 1, 2017 through June 30, 2018.

My office is authorized, under 29 Del. C., c. 29, to perform post audits of all the financial transactions of all State agencies. In addition, 14 Del. C. § 1706 states, "At least 90% of the occupational-vocational unit Division II funds, with the exception of Division II-Energy funds, shall be allocated to each school that generates these funds and expended to support the State-approved occupational-vocational courses and programs at that school. ...Random audits shall be scheduled and conducted by the State Auditor. The Secretary of Education shall request an annual report from the State Auditor evidencing and audit schedule of 10% of the affected schools."

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 objectives.

This report can be accessed online through the Auditor of Accounts website at <http://www.auditor.delaware.gov>.

Sincerely,

R. Thomas Wagner, Jr., CFE, CGFM, CICA
Auditor of Accounts

October 31, 2018

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Abbreviations

CTE	Career and Technical Education
AOA	Auditor of Accounts
DOE	Department of Education
FSF	First State Financials
COSO	Committee of Sponsoring Organizations of the Treadway Commission
DOL	Department of Labor
STEM	Science, Technology, Engineering, and Mathematics

Performance Audit Overview

The United States Government Accountability Office develops and promulgates government auditing standards that provide a framework for performing high-quality audit work with competence, integrity, objectivity, and independence to provide accountability and to help improve government operations and services. These standards are referred to as generally accepted government auditing standards (GAGAS).

Performance audits are audits that provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our finding 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 objectives.

Audit Authority

AOA is authorized, under 29 Del. C., c. 29, to perform post audits of all the financial transactions of all State agencies. In addition, 14 Del. C. § 1706 states, “At least 90% of the occupational-vocational unit Division II funds, with the exception of Division II-Energy funds, shall be allocated to each school that generates these funds and expended to support the State-approved occupational-vocational courses and programs at that school. ... Random audits shall be scheduled and conducted by the State Auditor. The Secretary of Education shall request an annual report from the State Auditor evidencing an audit schedule of 10% of the affected schools.”

Background

The DOE is committed to serving every student and ensuring that all children are career and college ready. This expectation has shaped extensive school reform, including the alignment of academic and technical instruction within a comprehensive model of Career and Technical Education (CTE) that reflects the needs of Delaware’s economy and creates a systemic process for career preparation.

The DOE Teaching and Learning Branch has defined a model of career preparation that includes a state-led effort in CTE and the development of statewide CTE programs of study in demand-drive occupations. Each CTE program of study aligns academic and technical instruction to meet the expectations of employers and ensure that every child had the opportunity to continue their education and seek career success.

Federal funds that support CTE are allocated through the Carl D. Perkins Act of 2006 (Perkins) to the DOE. Funds are then allocated to local education agencies (school districts and charter schools) and post-secondary institutions based on the Delaware State Plan for CTE. State funds are earned by the local education agencies based on occupational-vocational units. 27,000 pupil minutes per week is the equivalent of one occupational-vocational unit for non-vocational school districts and charter schools. The three vocational-technical school districts earn one unit for each 30 students enrolled.

Audit Objectives

The objectives established for the performance audit of CTE include:

Objective 1: Determine if school districts are in compliance with 14 Del. C. §1706 by allocating at least 90% of their occupational-vocational (CTE) funds to the school that generated those funds.

Objective 2: Evaluate the selected school's CTE expenditures to determine if the funds were appropriately used for the CTE program clusters.

Objective 3: Determine if the underlying internal control structure is designed to provide reasonable assurance of achieving the CTE program objectives.

Objective 4: Provide the selected schools with metrics to better align State funding and expenditures to CTE program objectives.

Scope

Eighty schools received CTE funding through DOE in Fiscal Year 2018. AOA selected DOE and the following schools for testing based on; 1) DOE is responsible for funding and oversight, 2) 10% of population (as required by 14 Del. C. § 1706), 3) all vocational-technical school districts, 4) limited to high schools, and 5) coverage of three schools in each county.

	School District	County	High School
1	Brandywine	New Castle	Concord
2	Caesar Rodney	Kent	Caesar Rodney
3	Indian River	Sussex	Sussex Central Senior
4	New Castle County Vocational-Technical	New Castle	Delcastle Technical
5	Milford	Kent	Milford Senior
6	Polytech	Kent	Polytech
7	Red Clay Consolidated	New Castle	John Dickinson
8	Sussex Technical	Sussex	Sussex Technical
9	Woodbridge	Sussex	Woodbridge

Scope Limitation

As a result of DOE not providing preliminary on-site CTE monitoring reports to AOA, we were not able to determine if the preliminary on-site monitoring reports were completed in compliance with DOE CTE Fiscal Accountability Policies and Procedures, August 2017 pg. 34, which states: "Following the on-site visit, the DOE CTE and STEM workgroup will collaborate with the eligible recipient staff to compile all data and complete the preliminary on-site monitoring report."

Audit Methodology and Results

Planning Methodology

AOA obtained an understanding of the CTE program by reviewing the following:

- Applicable sections of the Delaware Code and the Delaware Administration Code
- Delaware Department of Education CTE Fiscal and Accountability Policies and Procedures (August 2017)
- Approved DOE CTE programs
- Nationally recognized career clusters and pathways
- Selected schools CTE DOE profiles
- September 30th Enrollment & Unit Count Allotment Regulations and Guidelines
- State CTE Plan for FY18

Internal control and compliance testing samples selected were based on the sample guidance in the *AICPA Audit and Accounting Guide Government Auditing Standards and Single Audits*, Chapter 11.

Objective 1: Determine if school districts are in compliance with 14 Del. C. §1706 by allocating at least 90% of their occupational-vocational (CTE) funds to the school that generated those funds.

Methodology

Determined the indirect cost rate approved by the U.S Department of Education and recalculated CTE funding earned by school district, less approved indirect costs withheld by DOE, and verified that the school district transferred at least 90% of funds to the school within the district that earned the funds.

Results

The schools selected for testing are in compliance with 14 Del. C. §1706, All schools that generated the CTE funds were allocated greater than the required 90%. Please note, under 14 Del. C. §1706, Districts are allowed to keep up to 10% at the District level to fund CTE administrative or District-wide initiatives.

Objective 2: Evaluate the selected school's CTE expenditures to determine if the funds were appropriately used for the CTE program clusters.

Methodology

Selected a sample of CTE expenditures, using the AICPA sampling guidance noted above, and, based on review of supporting documentation, determined whether the expenditure was for the CTE program.

Results

The State CTE expenditures tested were expended to support the State approved CTE courses and programs at the School.

Objective 3: To determine if the underlying internal control structure is designed to provide reasonable assurance of achieving the CTE program objectives.

Internal Control

Internal control is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. Effective internal control activities include, but are not limited to, authorization, management review, reconciliation, safeguarding assets, segregation of duties, and verification.

Methodology

Interviewed Business Managers and CTE Program personnel and documented the CTE budget, funding, expenditure, and reporting processes. Identified key internal controls and completed a test of design and test of operating effectiveness, if applicable. Samples for tests of operating effectiveness based on the AICPA sample size guidance noted above.

Gained an understanding of the process that DOE uses to approve CTE courses and pathways that are offered at school districts and charter schools throughout the State. Determined that the approved courses align with Department of Labor (DOL) market projections, as required by 14 Del. Admin. C. Sec. 525.2.9. Verified school had CTE Advisory Committees, made up of community leaders, workforce leaders, and teachers.

Using the AICPA sampling guidance noted above, reviewed supporting documentation for a sample of CTE expenditures and determined whether the expenditure was for the CTE program. In addition, selected a sample of CTE students and determined the student was enrolled in an approved CTE pathway and courses as required for the current grade year, and requirements of cooperative education program were met, if applicable. Selected a sample of CTE teachers and determined the teacher was appropriately certified.

Results

Internal control deficiencies were noted for Polytech High School, Sussex Technical High School, Sussex Central High School, and Woodbridge High School. The deficiencies are related to the following:

- Noncompliance with policies and procedures requiring the completion and authorization of internal purchase request forms, invoices, and received items.
- Missing documentation to support quarterly visits to cooperative education student's places of employment
- Missing documentation related to authorized cooperative education students training agreements and work permit.

Refer to Findings #CTE 2018-01 through #CTE 2018-05 in the *Schedule of Findings, Recommendations, and Management Responses* for detail of the internal control deficiencies identified, related recommendation and management responses.

Objective 4: Provide the selected schools with metrics to better align State funding and expenditures to CTE program objectives.

Perkins Core Performance Indicators

The Carl D. Perkins Act of 2006 sets forth six core performance indicators in eight categories to be measured by each local education agency receiving funds. These performance indicators are as follows:

1. Academic Attainment
 - a. Reading/Language Arts – percentage of 12th grade CTE concentrators who took the 10th/11th standardized reading and mathematics assessments and scored at performance level 3 or higher on the reading assessment.
 - b. Mathematics - percentage of 12th grade CTE concentrators who took the 10th/11th standardized reading and mathematics assessments and scored at performance level 3 or higher on the mathematics assessment.
2. Technical Skill Attainment – percentage of 12th grade CTE concentrators who left secondary education and completed a CTE program and obtained a program-aligned certification or advanced standing opportunity.
3. Secondary School Completion – percentage of 12th grade CTE concentrators that were eligible to complete a CTE pathway at the beginning of the year and graduated by the end of the year.
4. Student Graduation Rate – percentage of 12th grade CTE concentrators who were included as graduated that left secondary education by the end of the year.
5. Secondary Placement – percentage of CTE concentrators that graduated and were placed in post-secondary education, employment or the military in the last quarter of the calendar year in which they graduated.
6. Nontraditional
 - a. Participation - % of under-represented gender CTE participants who are enrolled in any course in a CTE pathway that leads to employment in nontraditional fields*
 - b. Completion - % of under-represented 12th grade CTE concentrators who completed a CTE pathway that leads to employment in nontraditional fields*

*a non-traditional occupation is one in which males or females comprise less than 25% of the workforce

Methodology

Obtained and reviewed for selected school districts performance targets and results for each Perkins core indicator for fiscal year 2017 (fiscal year 2018 not yet available) for the school districts selected.

Obtained and reviewed fiscal year 2017 Perkins allocations from DOE to determine the amount of federal CTE funding allocated to each School District.

Obtained and reviewed the CTE Unit Count by School Spreadsheet for FY18 developed by DOE. The spreadsheet details CTE minutes and units earned by career pathway by school. AOA compared this spreadsheet to the State funding recorded at school.

Results

School District	Total CTE Federal and State Funding	LEA Perkins Performance Indicators Data w/ 90% or Higher Attainment
Brandywine	\$ 455,762	4 of 8
Caesar Rodney	366,761	5 of 8
Indian River	538,365	3 of 8
Milford	204,094	5 of 8
New Castle County Vocational Technical	1,250,665	3 of 8
Red Clay	769,496	7 of 8
Polytech	317,923	5 of 8
Sussex Technical	335,675	6 of 8
Woodbridge	136,713	3 of 8

The majority of school districts do not allocate CTE funding or expenditures to career pathways. Refer to Finding #CTE 2018-06 in the *Schedule of Findings, Recommendations, and Management Responses* for detail of finding, related recommendation and management response.

Schedule of Findings, Recommendations, and Management Responses

Finding Number: CTE 2018-01
School Name: Polytech High School

Criteria

The Polytech School District requires the Principal and Superintendent to approve internal purchase requests made by the teachers and requires the Financial Secretary to match up the internal purchase request to the invoice once the goods ordered are received. In addition, COSO – Integrated Framework, 2013 provides the framework for internal control and states, “An authorization affirms that a transaction is valid. An authorization typically takes the form of an approval by a higher level of management or of verification and determination if the transaction is valid.”

Condition

14 out of 25 vouchers tested required the school to have the internal purchase request approved by the Principal and Superintendent (the remaining 11 did not require an internal purchase request and therefore are not included in this finding), and to have the Financial Secretary match the invoice to the internal purchase request. Two of the 14 vouchers, totaling \$134, did not include the required internal purchase request.

Cause

The District Office processed the vouchers without the authorized internal purchase requests.

Effect

Unauthorized purchases may be processed by the District.

Recommendation

The District should not order goods or services until an authorized internal purchase request is received.

Management Response

Polytech School District internal procedures specify that purchase requests are to be completed on hardcopy forms with signature pre-approval of the budget unit manager. This audit finding references two purchases, totaling \$134 that were made at Lowe’s for products that were needed by our Auto Body Instructor. Since these purchase items were needed quickly, our instructor was given verbal approval to pick-up the items in lieu of delaying the purchase until written approval was provided. While written pre-approval for all orders is the standard practice, there are instances when we provide verbal approval to quickly secure small value items (for example, plumbing supplies to repair a leak, etc.)

Finding Number:
School Name:

CTE 2018-02
Polytech High School

Title 14 Delaware Administrative Code, Section 525.3.2 states, “In order to qualify for Career and Technical Education funding units the Career and Technical Education Program Teacher or Career Guidance Counselor shall be provided with a full class period, each day, for every fifteen (15) students enrolled in the Cooperative Education Work Experience Program in order to make at least quarterly visits to the student's place of employment to ensure coordination between the classroom and the on the job experience.” In addition, Section 525.3.3 states, “for each student, a training agreement that includes training objectives and is signed by a parent, guardian or relative caregiver, the employer, the student and a representative of the district or charter school. A State Work Permit for Minors in accordance with State Department of Labor regulations shall also be on file.”

Condition

Three of 25 students reviewed were enrolled in the cooperative education program. The following was noted for these three students:

- There was no documentation of quarterly visits to the three students’ place of employment
- There was no training agreement on file for one student
- The training agreement on file for one student only contained the signature of the employer
- A work permit was not on file for the one student that required a work permit

Cause

The counselor or teacher is not documenting work site visits for the cooperative education student, nor is consistent in maintaining training agreements or work permits, as required.

Effect

Polytech High School does not have documentation to support compliance with Title 14 Delaware Administrative Code, Section 525.3.2 or Section 515.3.3.

Recommendation

The teacher or counselor who make cooperative education work site visits document that the date, time, purpose, and outcome of the visit and maintain the documentation in the students’ CTE file as well as ensuring all required documentation is maintained in accordance with Title 14 Delaware Administrative Code, Section 525.3.2 or Section 515.3.3.

Management Response

We acknowledge that during a transitional time period that involved the retirement of the individual responsible for these functions and the new hire replacement being on extended leave, there was a temporary gap in full compliance. We are now fully staffed and our team has developed detailed procedures and manuals to ensure that full compliance is maintained moving forward.

Finding Number:
School Name:

CTE 2018-03
Sussex Technical High School

Criteria

The Sussex Technical School District requires the Director of Administrative Services to approve an internal purchase request after it is approved by the Sussex Technical High School Principal. In addition, COSO – Integrated Framework, 2013 provides the framework for internal control and states, “An authorization affirms that a transaction is valid. An authorization typically takes the form of an approval by a higher level of management or of verification and determination if the transaction is valid.”

Condition

The Director of Administrative Services does not approve internal purchase requests.

Cause

The District is not following its policy.

Effect

The duplicate authorization by the Director of Administrative Services is not being performed in accordance with the District’s Policy.

Recommendation

The District should follow its policy and ensure goods and services are not ordered until the Director of Administrative Services approves the internal purchase request OR the District should amend its policy to one of the following; 1) only include the authorization of the principal, 2) include only the authorization of the Director of Administrative Services, or 3) include authorization of principal on all internal purchase requests and the authorization of the Director of Administrative Services on internal purchase requests over a certain threshold.

Management Response

Sussex Technical School District is following its policy to ensure that goods and services are not ordered until the Director of Administrative Services approves the purchase request. Additionally, the Director of Administrative Services approves internal purchase requests after the Sussex Technical High School Principal approves. Unfortunately, the audit samples pulled without the appropriate approvals reflect our situation at that time in which we lost three administrators and were in the process of identifying and placing interim approvers.

Finding Number:
School Name:

CTE 2018-04
Sussex Central High School

Criteria

The Indian River School District requires the Financial Secretary to complete a requisition form for each CTE purchase and the Assistant Principal’s approval on the requisition form prior to purchasing the items. In addition, COSO – Integrated Framework, 2013 provides the framework for internal control and states, “An authorization affirms that a transaction is valid. An authorization typically takes the form of an approval by a higher level of management or of verification and determination if the transaction is valid.”

Condition

The Assistant Principal does not authorize requisition forms.

Cause

The Financial Secretary does not complete a requisition form.

Effect

Unauthorized purchases may occur.

Recommendation

SCHS follow the IRSD policy for completing and authoring requisition forms.

Management Response

Sussex Central High School has created a new requisition form, to be completed by the financial secretary, which will detail the purchase and include the Assistant Principal’s signature for all purchases with CTE funds before the purchase occurs.

Finding Number:
School Name:

CTE 2018-05
Woodbridge High School (WHS)

Criteria

Title 14 Delaware Administrative Code, Section 525.3.2 states, “In order to qualify for Career and Technical Education funding units the Career and Technical Education Program Teacher or Career Guidance Counselor shall be provided with a full class period, each day, for every fifteen (15) students enrolled in the Cooperative Education Work Experience Program in order to make at least quarterly visits to the student's places of employment to ensure coordination between the classroom and the on the job experience.”

Condition

WHS does not have documentation of quarterly visits to the students’ place of employment for students in the cooperative education program.

Cause

The counselor or teacher is not documenting work site visits for the cooperative education students.

Effect

Woodbridge High School does not have documentation to support compliance with Title 14 Delaware Administrative Code, Section 525.3.2.

Recommendation

The teacher or counselor who make cooperative education work site visits document that the date, time, purpose, and outcome of the visit and maintain the documentation in the students’ CTE file.

Management Response

We agree with the finding and are working with the high school staff to develop a corrective action plan.

Finding Number:
Department Name:

CTE 2018-06
Department of Education

Criteria

COSO – Integrated Framework, 2013 provides the framework for internal control and states “Internal reporting to management and the board of directors includes information deemed necessary to manage the organization. It supports decision making and assessment of the entity's activities and performance.”

Condition

Seven of the nine schools reviewed did not allocate CTE funding to the CTE pathways and all nine schools did not allocate CTE expenditures to the CTE pathways.

Cause

Generally, CTE funding and expenditures are viewed as overall program revenues and expenditures and not pathway specific. DOE does not require school districts to allocate funding to the pathway level nor does it require school districts to track expenditures at the pathway level.

Effect

The school districts and DOE do not have financial information by career pathway to include in the analysis of the financial success, failure or relevance of career pathways provided at each school.

Recommendation

DOE should require school districts to utilize the DSC to track funding and expenditures by DOE career pathways provided at each school. The CTE Unit Count by School Spreadsheet allocates state CTE funding by the pathway at each school that generated the funding. The School District should utilize this spreadsheet to track CTE funding by pathway. Direct expenditures should be identified by pathway and indirect allocation rate should be determined for indirect CTE expenditures (i.e. school administration, facilities, utilities, etc.).

Management Response

There are currently no requirements in the Delaware Code for districts to spend or report spending in a manner that would directly correlate to specific pathway programs. Given that the General Assembly has not mandated that the funds be spent or reported in that manner, the Department lacks the authority to mandate the implementation of this recommendation.