

California State Auditor

B U R E A U O F S T A T E A U D I T S

Perkins Vocational Education Program:

*The State's Use of Funds to Administer
Other Programs Reduced Its Ability to Provide
Effective Administration and Leadership*



May 1999
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SUMMARY

Audit Highlights . . .

The federal government passed the Carl D. Perkins Vocational and Applied Technology Education (Perkins) Act amendments of 1990 to increase citizens' abilities to compete in today's technologically advanced global society. Our review found that:

- The California Department of Education (department) and the Chancellor's Office of the California Community Colleges (Chancellor's Office) used some Perkins funds to administer other federal and state programs that are similar to the Perkins program.*
- Since reorganizing in 1995, the department reduced the number of staff working on the program in its Secondary Education Division, resulting in a diminishment of services to school districts.*

As a result, the department and the Chancellor's Office have not maximized the effectiveness or availability of Perkins vocational education services at the local level.

RESULTS IN BRIEF

The federal government passed the Carl D. Perkins Vocational and Applied Technology Education (Perkins) Act amendments of 1990 to increase citizens' abilities to compete in today's technologically advanced global society. The funding the State receives increased over the past five years, amounting to \$119 million in fiscal year 1998-99. However, the California Department of Education (department) and the Chancellor's Office of the California Community Colleges (Chancellor's Office) used some Perkins funds to administer other federal and state programs that are similar to the Perkins program. At the same time, the department, since reorganizing its Perkins function in 1995, reduced the number of staff working on the Perkins program in its Secondary Education Division, which administers the majority of the program. As a result, it diminished services to school districts providing vocational education programs. Some of the school districts we surveyed, including the State's largest, raised concerns about the department's services under the Perkins Act. One district stated that it felt the department's reorganization left a leadership void. A recent task force on industrial and technology education also raised concerns, citing a lack of support from both the Legislature and the department as a cause for the deficiencies it noted.

The Chancellor's Office also spent Perkins funds on a state program. Since August 1997, when it created a separate unit to administer the Economic Development Program, the Chancellor's Office spent more than \$500,000 in Perkins funds to finance staff who administer the program. These funds could have been used by community colleges to provide additional Perkins vocational education services.

Federal guidelines do not appear to allow the State to use Perkins funds to administer other programs; therefore, it may have to repay the money. More importantly, the department and the Chancellor's Office have not maximized the effectiveness or availability of Perkins vocational education services at the local level. As a result, students who rely on Perkins funding to acquire vocational skills that will translate into careers in today's high technology society, may be inadequately prepared for the marketplace.

RECOMMENDATIONS

To ensure that the State meets federal requirements, the department and the Chancellor's Office should either discontinue using Perkins funds, including state matching funds, to administer other federal and state programs or obtain approval from the federal government to do so.

The department should ensure that it maximizes the use of Perkins funding to effectively administer and provide state leadership. It should also evaluate all areas in which its services to the Perkins program have diminished and ensure that it furnishes the appropriate level of service.

The department should reexamine its structure in light of the results of the statewide needs assessment to be conducted under the 1998 Perkins Act and ensure that it is organized in a way to fully address the State's needs.

AGENCY COMMENTS

The California Department of Education disagrees with the report's conclusions for several reasons and contends that the conclusions are inconsistent with the current direction of the federal vocational education program and its approved Vocational Education State Plan for using Perkins funding.

The Chancellor's Office of the California Community Colleges plans to investigate further its options to address our recommendation regarding its use of Perkins funding. ■

INTRODUCTION

BACKGROUND

In response to increasing global economic competition, the federal government passed the Carl D. Perkins Vocational and Applied Technology Education (Perkins) Act amendments of 1990. Its goal was to make the United States more competitive in the world's economy by developing the academic and occupational skills of all segments of the population. The Perkins Act sought to achieve these goals through concentrating resources on improving educational programs leading to academic and occupational skill competencies needed to work in a technologically advanced society. The State developed the Vocational Education State Plan (state plan) to meet Perkins Act requirements. The state plan focuses on merging academic and vocational education curriculum to reflect the needs of the workplace while remaining responsive to the needs of students from special populations.

In 1998, Congress passed the Carl D. Perkins Vocational and Technical Education Act of 1998, which replaces the prior Perkins Act. The State must meet the new requirements contained in this act beginning with fiscal year 1999-2000. The new Perkins Act strives to give states more administrative flexibility. However, it also institutes increased accountability standards to measure performance. One noticeable change is the requirement that the State pass more of its basic grant down to the local level for program services.

WHO ADMINISTERS THE STATE'S PERKINS PROGRAM?

The California State Board of Education is the agency responsible for the State's Perkins program, but it delegates the administration to the California Department of Education (department), which oversees secondary vocational education, and the Chancellor's Office of the California Community Colleges (Chancellor's Office), which administers the majority of public postsecondary vocational education.

In fiscal year 1997-98, approximately 1.6 million students participated in secondary education, with 831,000 course enrollments in vocational education programs. Additionally, regional occupation centers and programs at 72 locations throughout the State complement secondary vocational education courses. The department's Secondary Education Division has primary responsibility for administering vocational education programs, overseeing Perkins-funded activities in areas such as agriculture, industrial and technology, business, home economics, and health. However, the Secondary Education Division is also responsible for administering other projects not funded by Perkins, such as Advancement Via Individual Determination, which is a college preparatory program for underachieving, educationally disadvantaged secondary education students. The department distributes most of the Perkins funds to school districts that offer vocational education services. It retains a portion of the remaining funds for state-level administration, including monitoring program effectiveness and developing the state plan, and for leadership activities such as in-service training for vocational instructors and curriculum development.

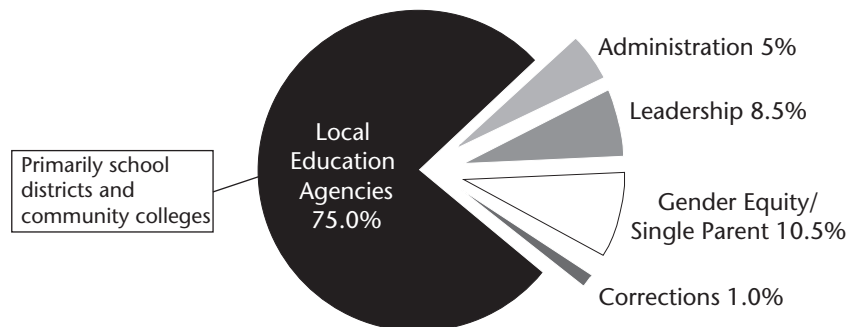
The Chancellor's Office oversees the public postsecondary use of Perkins funds. In fiscal year 1997-98, community colleges served over 1.4 million students, two-thirds of whom were enrolled in at least one vocational education course. The Vocational Education Unit in the Chancellor's Office's Educational Services and Economic Development Division has primary responsibility for administering vocational education programs in areas such as agriculture, business, health, home economics, public safety, and industrial and technology. Community colleges also offer occupational training in fields such as nursing, drafting, auto mechanics, engineering, criminal justice, manufacturing, paralegal, fire fighting, and welding. The Chancellor's Office distributes most of its Perkins funds to community college districts, retaining a relatively small portion for administrative activities such as monitoring, developing the state plan, and reviewing local applications and proposals. It also distributes most of its leadership funds to community college districts; therefore, activities such as professional development and curriculum development occur at that level.

WHO PROVIDES VOCATIONAL EDUCATION FUNDING?

The State's vocational education efforts are funded from both state and federal sources. The Perkins Act allocates the majority of its funds to states as basic grants for distribution to local education agencies. The remaining funds are awarded as technical preparation grants to implement programs that combine a minimum of two years of secondary education with a minimum of two years of postsecondary education, which results in two-year associate degrees or certificates. The Perkins Act splits the basic grants between state administration and leadership activities; local programs; programs for criminal offenders, single parents, displaced homemakers, and single pregnant women; and programs that promote gender equity in vocational education. Figure 1 displays the distribution of the Perkins basic grant.

FIGURE 1

The Majority of the Perkins Vocational Education Basic Grant Goes to Local Education Agencies

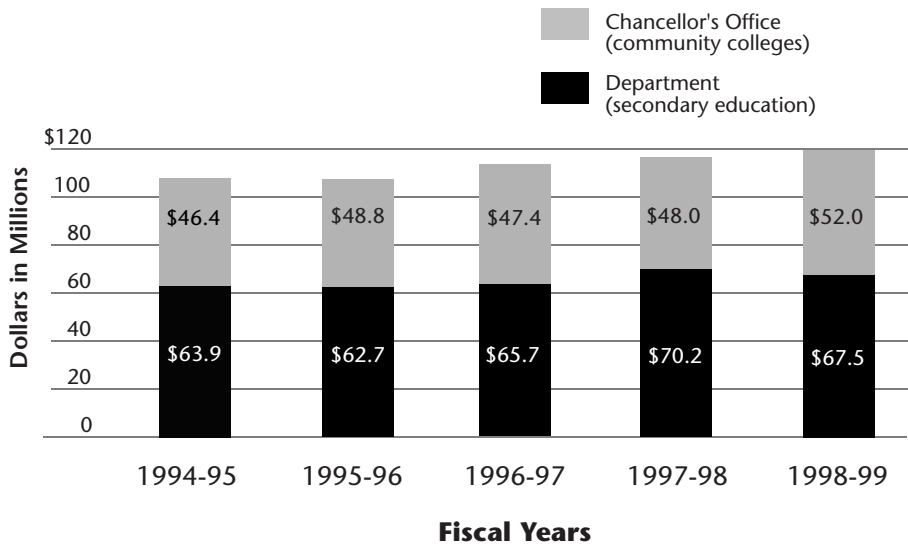


As discussed in the background section, the allocation of the State's basic grant will change. Under the 1998 Perkins Act, the State will no longer be mandated to reserve 10.5 percent of its basic grant for specific programs for single parents, displaced homemakers, single pregnant women, and gender equity. The new act will require it to spend an amount within a specific dollar range, which represents a much lower percentage of the grant, on any nontraditional employment programs. Also, the amounts available to local education agencies and for leadership will increase to 85 percent and 10 percent, respectively.

During fiscal year 1998-99, the State received \$119 million in Perkins funds, of which \$108 million represented the basic grant. As Figure 2 indicates, the amount of federal funds the State receives under the Perkins Act increased over the last five years. The funds are split between the Chancellor’s Office and the department, which, in accordance with the state plan, receives a larger portion.

FIGURE 2

Perkins Funding Has Increased Over the Past Five Years



SCOPE AND METHODOLOGY

The Joint Legislative Audit Committee requested the Bureau of State Audits (bureau) to evaluate the State’s administration of its Perkins program for fiscal years 1996-97 and 1997-98. Specifically, we were requested to determine whether the State’s use of Perkins administrative funds was in accordance with federal regulations and the state plan. Additionally, we reviewed the State’s use of administrative funds for fiscal year 1998-99, through February 1999, to ensure that our audit considered recent activities. The Joint Legislative Audit Committee also requested that we examine the administrative services and costs covered by Perkins funding before and after the department reorganized in 1995.

Our audit focused on the two agencies' administration of Perkins funds. The scope of this audit did not include a review of the use of Perkins funds at the local level by school districts or community colleges.

To determine how Perkins funds are spent within the State, we reviewed the state plan and other relevant documents. We also interviewed staff at both the department and the Chancellor's Office.

To ascertain whether the agencies used administrative funds (including those used for leadership activities) appropriately, we reviewed the applicable federal laws and regulations and the state plan. We then examined the personal service costs of five employees at the department over the period we reviewed to determine if the State used Perkins funds in accordance with the state plan and federal requirements. We also interviewed selected employees to determine if they worked on Perkins activities.

For personal service costs at the Chancellor's Office, we relied on testing performed as part of the bureau's Single Audit for fiscal years 1996-97 and 1997-98. We found that the Chancellor's Office does not always adjust budgeted personal service costs charged to the Perkins program to reflect the actual time its employees spend on the program. Since the amounts were not significant, we did not include the results in this report, but the issue is included in our Single Audit report for those years. Additionally, as part of this audit, we examined the personal service costs of five employees that charged time to the Perkins program in each of fiscal years 1997-98 and 1998-99. We also interviewed these employees to determine if they worked on Perkins activities.

To determine if the agencies' process for awarding Perkins grants and contracts is reasonable, we interviewed staff from the department and the Chancellor's Office and obtained an understanding of their award processes. We then selected a sample of 44 grants and contracts, 22 from each agency, to determine if they followed their procedures, whether services described in the grants or contracts were allowable under federal requirements, and whether the agencies ensured that services were actually provided. The projects we reviewed furnished an array of leadership services, such as professional development to vocational educators and curriculum development for Perkins efforts, as well as other services. We found that both the

department and the Chancellor's Office have a reasonable process for awarding and overseeing grants and contracts. Additionally, we concluded that the services, as described in the grants and contracts, were allowable activities. We further discuss the process of the Chancellor's Office in Chapter 2.

To obtain an understanding of the purpose and desired results of its 1995 reorganization, we interviewed key staff at the department and reviewed related documents. To assess how the reorganization has affected the department's services, we interviewed staff who manage each of the vocational education areas. To determine local agencies' perceptions of state administration and leadership of Perkins funding, we surveyed staff from 10 secondary school districts and 10 community colleges, selecting a range of large, small, rural, and urban districts.

To clarify whether state use of Perkins funds falls within federal requirements, we sought the opinion of the federal Office of Vocational and Adult Education at the United States Department of Education. ■

CHAPTER 1

Since Reorganizing, the California Department of Education Changed Its Local Support Focus for the Perkins Program

CHAPTER SUMMARY

When the California Department of Education (department) reorganized its Curriculum and Instructional Leadership Branch (CIL Branch) in 1995, it changed the manner in which it provides leadership to school districts. As part of the reorganization, it cut back the number of staff assigned to administer Carl D. Perkins Vocational and Applied Technology Education (Perkins) Act of 1990 funding in its Secondary Education Division. This staff reduction reduced the department's ability to administer and lead the State's federally funded vocational education program. Although several industry sectors have been negatively impacted by reduced administration and leadership, the most dramatic impacts have been in the industrial and technology field, which includes many critical skills currently in demand.

According to the department, it reorganized its CIL Branch, which supports content and standards for instruction in kindergarten through grade 12, to be more responsive to the local school districts it serves. As a part of this reorganization, it eliminated the Career-Vocational Education Division, which administered its Perkins program, and combined vocational education and academic functions, locating both predominantly in what is now the Secondary Education Division. However, even though the amount of Perkins funds increased since the reorganization, staff assigned to administer programs funded by Perkins in the Secondary Education Division decreased. Instead, the department chose to use these funds to finance staff who work on other federal and state programs that are similar to the Perkins program. At the same time, the administrative responsibilities under the Perkins Act increased due to more stringent federal accountability standards. Although the department's use of these funds may benefit its administration of these other programs, it decreases the amount of funds available for Perkins vocational education services.

THE DEPARTMENT’S ORGANIZATIONAL CHANGES CREATED GAPS IN ADMINISTERING THE PERKINS PROGRAM

The department’s reorganization of its CIL Branch negatively affected leadership and administrative support for its Perkins program. Program managers say that services such as instructional standards maintenance, technical assistance, and support for vocational student organizations diminished, and three of the State’s large school districts expressed some dissatisfaction with the services they receive. With less than one-half of its former staff, the industrial and technology function cannot even continue to link industry representatives with vocational teachers to ensure students are learning the skills currently in demand.

The Reorganization Broadened the Focus of Some Industry-Specific Perkins-Funded Units

In 1995, as part of an effort to reorganize its CIL Branch, the department eliminated its Career-Vocational Education Division, which administered its Perkins program. The division had separate units for each of the major industry sectors on which the department focused its efforts—agriculture, business, health, home economics, and industrial and technology. The five units were staffed by consultants responsible for administering the Perkins program and providing such state leadership activities as professional development and curriculum development for school districts offering vocational education under the Perkins Act.

As part of its reorganization, the department eliminated the Career-Vocational Education Division.

Central to the reorganization effort was the department’s establishment of divisions within the CIL Branch that were reflective of the school districts they served—Elementary, Middle Grades, and High School. Each of the new divisions employed specialists who furnished support in such areas as curriculum development, as well as categorical programs such as migrant education. The department sought to have the divisions work in a coordinated effort, much like a principal and staff at a school site, to draft content and performance standards for all students in the State. It wanted to become more “user friendly”—more accessible to schools and their communities—and to integrate vocational with academic programs. The department believed that the integration of vocational programs with academic programs was in line with federal priorities. Further, it believed the integration would benefit the Perkins program because

students attending vocational courses would be forced to meet higher academic standards and, therefore, receive a better education.

The only industry-specific units remaining from the prior structure are required by state statute.

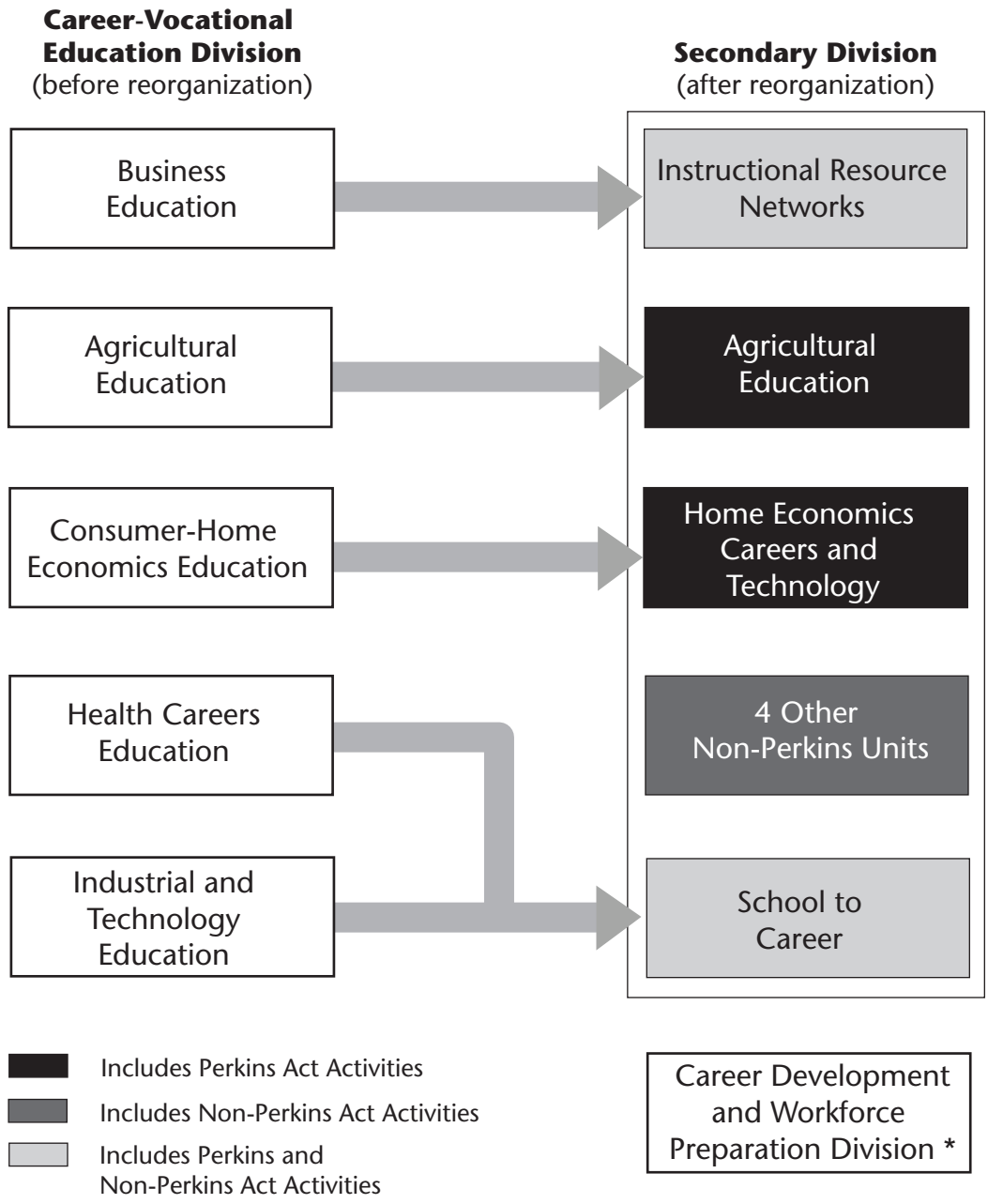
In creating these new divisions, the department eliminated the Career-Vocational Education Division and integrated its vocational education specialists initially into several divisions within the CIL Branch, placing the majority in the High School Division. Recently, it merged the Middle Grades and High School divisions to form the Secondary Education Division, where most of its Perkins-funded activities take place.

Within this division, the department has eight program units, four of which administer the majority of the Perkins program. Consistent with its desire to integrate vocational and academic education efforts, the department eliminated three of the units from its Career-Vocational Education Division dedicated to particular industry sectors. As indicated in Figure 3, the only units that remain from the prior organization are the Agricultural Education and the Home Economics Careers and Technology (formerly Consumer-Home Economics Education). These units remain because state statutes require them. Most of the other Perkins efforts for specific industries are now combined with state and other federal programs in the Instructional Resource Networks and School to Career units.

In 1996, in response to requests from industry advocates, the department established a separate unit to administer the State's regional occupation centers and programs (ROCPs). ROCPs offer vocational services independent of the secondary schools, although they often serve similar populations. This unit, along with Perkins Act-funded programs targeting single parents, displaced homemakers, and gender equity, operates from the Career Development and Workforce Preparation Division within the Specialized Programs Branch. Along with this transfer of responsibilities, the department transferred Perkins funding for nine professional positions, including managerial and vacant positions, from the CIL Branch.

FIGURE 3

The Department's Reorganization Broadened the Focus for Some of Its Perkins Act Units

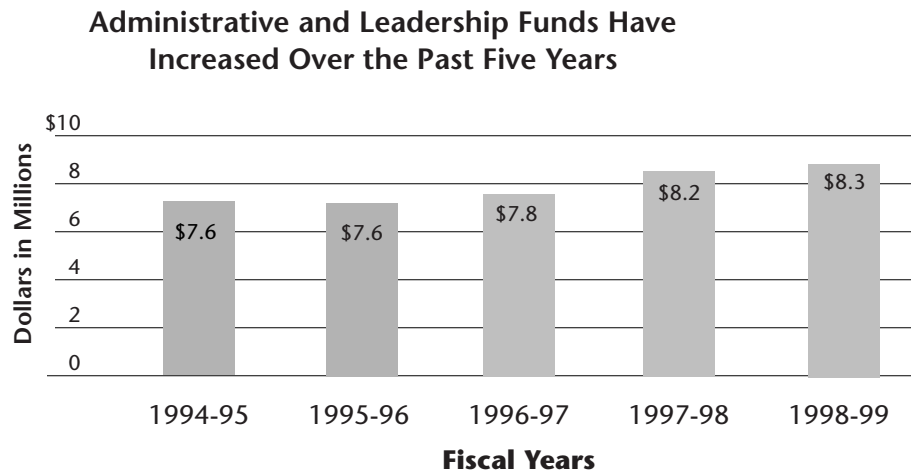


* In 1996, the department moved the regional occupation centers and programs function, which was dispersed throughout the Perkins units, and the gender equity function to its Career Development and Workforce Preparation Division.

The Department Decreased the Number of Staff Working on the Perkins Program

The number of staff in the Secondary Education Division dedicated to Perkins activities decreased despite an increase in the amount of federal funds available to the department for administering and providing leadership in this area. Figure 4 illustrates the increase in the amount of Perkins funds available to the department over the past five years.

FIGURE 4



Note: Figure 4 includes the amount of federal administrative funds the department did not receive annually because it lacked the full amount of state matching funds. If these amounts were considered, the funds available to the department would have similarly increased over the five years from \$7.2 million to \$7.8 million.

Administrative requirements for the Perkins program have also increased. Specifically, the Perkins Act passed in 1990 instituted new performance measurements that required the State to develop a statewide system of core measures and standards of performance for secondary and postsecondary vocational education. The core measures hold school districts more accountable for outcomes resulting from their use of Perkins funds and evaluate all vocational programs annually using measurable, objective criteria. The State developed a new state plan beginning in fiscal year 1994-95 to address the increased accountability requirements in the Perkins Act. According to the department, the increase in accountability also increased staff workload. For example, staff now must spend a greater portion of their time ensuring that local education agencies are in compliance with the Perkins Act.

However, during this same time period, the State decreased staffing to Perkins activities. As the following Table indicates, full-time equivalent professional staff in the Secondary Education Division dedicated to the Perkins program decreased across all subject areas.

TABLE

Program Staff in the Secondary Education Division for the Perkins Program Decreased

	Agriculture	Business	Health	Industrial and Technology	Home Economics
Before reorganization	8	6	3	8	5
Current organization	6	4.5	1.5	3	3
Difference	-2 (25%)	-1.5 (25%)	-1.5 (50%)	-5 (63%)	-2 (40%)

Note: Figures include full-time equivalent professional staff, excluding managers. Some professional staff only work part-time on Perkins activities, spending the remainder of their time on other programs. We excluded positions that were not filled due to lack of funding. Current industrial and technology staffing includes one person employed in a different division who works full-time on Perkins projects but excludes staff in another division who periodically assist with Perkins projects.

Three of the staff who previously worked on the Perkins program are now assigned to the ROCP Unit. As discussed previously, in 1996 the department established a separate unit in another division to administer the State’s ROCPs. However, this unit focuses on vocational education in ROCPs rather than in school districts, which receive the largest amount of Perkins funds. To the extent that we could determine, most of the remaining staff now work on other federal and state programs that are similar to the Perkins program.

Perkins Staff Reductions Diminished Administrative and Leadership Services to Industry Sectors

Because it chose to retain most of its Perkins Act leadership funds at the state level, school districts must rely on the department for administration and leadership activities such as monitoring local programs, establishing instructional standards, and providing professional development to vocational instructors. School districts need these activities to ensure that they adequately and effectively furnish vocational training. However, Perkins staff reductions weakened administrative and leadership support services at the department level.

Although services to all industry sectors were negatively affected by staff reductions, industrial and technology was the hardest hit.

Although services to all industry sectors were negatively affected by staff reductions, industrial and technology was the hardest hit. As indicated in the Table, three full-time equivalent staff in the Secondary Education Division currently service industrial and technology, whereas eight serviced this sector before the reorganization. Because of these significant cuts, the department is no longer able to provide essential administrative and leadership activities to local industrial and technology programs. According to department staff, it is no longer able to link vocational educators with industry representatives to ensure that emerging technologies and industry practices are reflected in curriculum. Without this linkage, the instruction being provided to vocational education students may be obsolete by the time they can use it. Additionally, the department has not maintained current instructional standards for industrial and technology vocational education, which ensure adequate instruction.

A task force established by the state superintendent of public instruction also concluded that serious deficiencies exist in industrial and technology education at the secondary level. The task force found that California industries are in critical need of young people who have been exposed to technology and tools to help develop new products, improve productivity, and build the State's economy. It reported severe shortages of qualified applicants to fill available jobs, critically declining vocational education programs, and few teachers being prepared for the future. Furthermore, the report, issued in spring 1999, cites lack of support and oversight from both the Legislature and the department as a cause.

According to the task force, deteriorating vocational education in the industrial and technology sector contributes to severe shortages of qualified applicants to fill available jobs in California industry. For example, the National Association of Manufacturing identified a growing trend of individuals applying for jobs for which they do not have the appropriate skills and education. Industrial and technology education programs are designed to teach the academic skills identified by the National Association of Manufacturing as missing by applicants today, yet it is these very programs that reduced staff are unable to adequately support.

Other industry sectors, even those that still have a unit dedicated to them, were also negatively affected by the reduction in dedicated staff. According to managers

Staff reductions in the Agricultural Education Unit resulted in the closure of one regional office and only partial staffing of another, thus diminishing its presence in the field.

administering Perkins-funded activities, the department is unable to sustain the same level of service to industry sectors since the reorganization. Managers indicate that services have diminished for technical assistance and support for vocational student organizations. For example, staff reductions in the Agricultural Education Unit resulted in the closure of one regional office and only partial staffing of another. These changes hinder the level of service the unit can offer and diminishes its presence in the field. In another example, the Home Economics Careers and Technology Unit has not been able to maintain the same level of service to the districts since the reorganization. Specifically, the manager of the unit stated that it has a longer response time for requests for program certifications, technical assistance, and professional development because of the reductions in staff.

Certain school districts we contacted also raised concerns about the department’s services funded by the Perkins Act. To determine satisfaction of department customers—the school districts—we surveyed 10 districts throughout the State. We included in the survey districts from large, small, rural, and urban areas. Three of the 5 larger districts, including the State’s largest—Los Angeles Unified—expressed some dissatisfaction with the department’s service. For example, one district felt that the department’s reorganization left a leadership void. Other comments indicated that the department decreased technical assistance, professional development, and curriculum development. One of the districts indicated that because of the department’s diminished services, its vocational education teachers are not adequately trained, and industry standards are no longer brought into vocational education. Another district pointed out that it is hard to muster local support for vocational education when the State does not support it.

Each of the 5 smaller districts we surveyed expressed overall satisfaction with the department’s services. However, some of the smaller districts explained that the department limits its support to them to technical assistance and provides minimal professional and curriculum development, and they do not feel the lessening of department support because it has always been limited.

Although some of the districts we spoke to voiced concerns about the department’s vocational education services, one positive comment was consistently made. We asked 5 of the

10 districts specifically about their ROCPs. Four of the 5 expressed satisfaction with the department's administration and leadership over these programs. However, the ROCP director for the fifth district was new to the position and had no knowledge of the department's administrative role. As discussed previously, the department has a separate unit that focuses on ROCPs.

WHILE DECREASING PERKINS STAFF, THE DEPARTMENT USED PERKINS FUNDS TO ADMINISTER OTHER PROGRAMS

In an attempt to integrate academic and vocational programs, the department has shifted its emphasis, in part, from the Perkins program to other federal and state programs.

With increased administrative and leadership funds available to it, the department could have maintained, or even increased, the number of Perkins staff it employed before the reorganization. But in an attempt to integrate academic and vocational programs, it shifted its emphasis, in part, from the Perkins program to other federal and state programs. Now the department uses Perkins funds to pay staff who work partly on these other programs, a practice that reduces staffing levels and negatively impacts the Perkins program.

Department Employees Charged Time They Used to Administer Other Programs to Perkins Funding

We reviewed administrative expenses related to time charged to Perkins funding by five department employees. We included charges to the Perkins federal funds as well as to the state funds used to meet federal matching requirements. Four of the five employees charged almost 100 percent of their time to Perkins funding for the 1997-98 fiscal year, and all five charged almost 100 percent of their time for the 1998-99 fiscal year through February 1999 to Perkins funding. Two of the employees also charged their time to Perkins funding for all or part of fiscal year 1996-97. These employees charged their time over these fiscal years to Perkins funding despite at the time also working on other federal and state programs.

For example, the director of the Secondary Education Division charged all of his time over the last three fiscal years to Perkins funding while overseeing staff who worked on other federal and state programs. For fiscal year 1998-99, the department estimated the director would be responsible for 73 full-time staff, 30 of whom were to be assigned to such programs as School to Career, Improving America's Schools Act, and California Partnership Academies. In another example, an educational

consultant who spends about half his time working on monitoring state-funded projects charged all of his time to Perkins funding from August 1998 through February 1999.

We also found other instances where the department used Perkins funds to pay staff working on other federal and state programs. For example, the ROCP Unit charges nearly all of its administration to Perkins funding, even though it receives almost \$250 million in state funds for projects at the local level, which is significantly more than the \$17 million it receives from the Perkins Act for local projects. The department does not track its expenditures in a manner that allows us to identify exactly how much the ROCP Unit charged to Perkins funding. However, the division in which the unit is located charged nearly \$1.7 million in administrative costs since fiscal year 1996-97 to the Perkins program. Because most of the division's Perkins-funded staff work on ROCPs, we conclude that the amount charged to Perkins funding to administer what are primarily state-funded projects is substantial.

The department may achieve some positive results by spending Perkins funds in this manner, but it gains these results at the expense of the specific goals for which Congress passed the Perkins Act. Furthermore, if the department has money left over from administering the Perkins program, those funds can be sent to school districts to increase local services. Federal cost guidelines require the department to allocate its costs to all programs that benefit from its services "in accordance with relative benefits received." This indicates to us that program administration should be funded in the same manner as the program activities being administered. Because the administered activities are funded by other federal and state sources, the administrative costs do not appear to be allowable charges to Perkins funding.

If the federal government determines the department used Perkins funds for inappropriate purposes, it could be forced to repay the funds.

We attempted to clarify with the federal government whether the department's use of Perkins funds on other federal and state programs is appropriate. However, a federal representative stated that it could not respond to our inquiry, and that the determination as to whether the department uses Perkins funding for allowable purposes would be more appropriately part of the audit resolution process that follows up on reported instances of noncompliance with federal requirements.

However, the representative did comment that the department's use of Perkins funds, as we described it, merited our reporting the issue. If the federal government determines the department

used Perkins funds for inappropriate purposes, it could be forced to repay the funds. Whether deemed appropriate or not by the federal government, however, such use decreases funds for achieving Perkins Act objectives.

The Department Fails to Track Time Spent on Specific Programs

Although the department has a system that allows it to track the time spent on specific programs, it does not use the system appropriately. Rather, it usually preprints time sheets for individual employees indicating the programs to be charged, and employees do not change their time sheets to reflect the actual time they worked on different programs. Because the department does not require its employees to track the actual time they spend on different programs, we were unable to identify the total amount of time staff spent on other federal and state programs but charged to Perkins funding. However, for the five employees whose time sheets we reviewed, the department charged over \$750,000 to Perkins funding, including state matching funds, from fiscal years 1996-97 through 1998-99, despite the fact that the employees spent a significant amount of their time on other programs.

The department uses Perkins funding to administer its California Partnership Academies because the State provides no administrative funds.

The department contends that because most of these programs, including Perkins, School to Career, and Improving America's Schools Act, are similar and have several elements in common, such as the integration of academic and vocational content, work place learning experience, industry standards, and curriculum development, its actions are appropriate. According to the department, if staff work on one of these common elements, it cannot readily determine which program should pay for the time; therefore, it believes it can appropriately charge the time to any of the programs that benefit from the work.

The department also contends that it is sometimes forced to use Perkins funds to administer state-funded programs because the State does not always furnish administrative funds. For example, the State allots no administrative funds for its California Partnership Academies, even though in fiscal year 1997-98 the department allocated over \$10 million in state funds to 154 academies. According to the department, it sought state administrative funds from the Department of Finance, but its requests were denied. The program prepares students for careers or postsecondary education by integrating academic course work

with work-based learning. Because it believes the program shares similar activities and goals with the Perkins Act, the department uses Perkins funding to administer the academies.

But distinctions do exist between the various programs. For example, when Congress enacted the School to Work Opportunities Act of 1994, establishing the School to Work project, it did so to meet current unmet needs. Called School to Career in California, this effort is broader than the Perkins program, focusing on coordinating the states' education delivery systems to better prepare students for good careers and advanced education and training. To accomplish this, states must coordinate the activities of many state and federal education and training programs, one of which is the Perkins program. If the School to Work activities were the same as the Perkins program, Congress would logically supplement the Perkins funding rather than create a new project.

Furthermore, although these other programs and activities may provide worthwhile services, the extent to which the benefits offset the negative effect resulting from not using these funds for traditional Perkins program activities is unclear. Although the department contends that it assesses the success of Perkins funding through data collected from the districts, it acknowledges that its current data collection system needs improvement. As a result, it is currently developing a new data collection and assessment system that it believes will allow it to better determine the success of its Perkins activities.

Using Perkins funds to support other programs means that the department is not maximizing these funds to achieve the goals established under the Perkins Act.

Using Perkins funds to support other programs means that the department is not maximizing these funds to achieve the goals established under the Perkins Act at the state and local level. Its use of Perkins funding to pay for administration of other programs indicates that the department believes it spends sufficient money now to properly administer the Perkins program. However, if this is so, it could send the funding it does not use on administration to the school districts to increase services at the local level. The department did not do this. Further, our review of its administration of the Perkins program leads us to conclude that the department does not dedicate sufficient resources at the state level to successfully administer the program.

RECOMMENDATIONS

To ensure that the State is meeting all the mandates of the Perkins Act and is consistent with federal cost guidelines, the department should either discontinue using its Perkins funds, including state matching funds, to administer other federal and state programs, or obtain approval from the federal government to do so.

The department should ensure that it maximizes the use of Perkins funding to effectively administer and provide state leadership. It should also evaluate all areas in which its services to the Perkins program have diminished and ensure that it provides the appropriate level of service.

The department should reexamine its structure in light of the results of the statewide needs assessment to be conducted under the 1998 Perkins Act and ensure that it is organized in a way to fully address the State's needs. ■

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CHAPTER 2

Although the Chancellor’s Office Awards Most of Its Perkins Funds to Community Colleges, It Uses Some to Administer the State’s Economic Development Program

CHAPTER SUMMARY

Although the Chancellor’s Office of the California Community Colleges (Chancellor’s Office) reasonably awards Perkins funds to the State’s community college districts, it uses some of these funds to administer the State’s Economic Development Program. Since August 1997, the Chancellor’s Office used over \$500,000 in Perkins funds to administer this program, which seeks to attract, retain, and expand business within the State. As a result, the Chancellor’s Office decreased the funds available to community colleges for Perkins program services. Compared to the California Department of Education (department), however, the Chancellor’s Office employs fewer staff to administer its Perkins funds and sends a greater percentage of those funds to local community college districts.

THE CHANCELLOR’S OFFICE DISTRIBUTES MOST OF ITS FUNDS TO COMMUNITY COLLEGES

The Chancellor’s Office chose to administer the postsecondary portion of the State’s Perkins funds in a different manner than the department administers the secondary portion. As we discuss in Chapter 1, the department employs specialists in four different units to administer and lead statewide programs in each of five broad industry sectors. In contrast, the Chancellor’s Office employs four vocational specialists who administer Perkins funding within defined regions of the State for all industry sectors. Rather than employing a large staff to provide leadership services such as curriculum development, professional development, and technical assistance, the Chancellor’s Office delegates many of these activities to the regional level, awarding most of its leadership funds to

community college districts and 10 regional community college consortia. The consortia, led by directors funded by the Chancellor's Office, administer the Perkins program at the local level and furnish services that meet the identified needs of their member community colleges. The role of the Chancellor's Office is to establish policies for spending Perkins funds, monitor its grants and contracts mainly through progress reports, and act as state postsecondary liaison to the federal government.

Although we did not review the services provided at the local level, we did examine selected grants and contracts the Chancellor's Office awarded to community college districts and regional consortia and determined that they were for activities allowed under federal requirements and the state plan. Specifically, we reviewed 22 grants and contracts the Chancellor's Office awarded from fiscal years 1996-97 through 1998-99. They covered an array of leadership services, such as professional development to vocational educators and curriculum development of Perkins efforts, as well as other services. We also reviewed the process the Chancellor's Office uses to award and renew grants and contracts and found it reasonable. Finally, we surveyed 10 community college districts and found that they are generally satisfied with the way the Chancellor's Office administers the Perkins program.

THE CHANCELLOR'S OFFICE USES SOME OF ITS PERKINS FUNDS TO ADMINISTER THE STATE ECONOMIC DEVELOPMENT PROGRAM

From August 1997 to February 1999, the Chancellor's Office used over \$500,000 in Perkins funds to pay for staff to administer the State's Economic Development Program. By doing so, it decreased the amount of money available to community colleges to fund services under the Perkins program.

The Chancellor's Office used over \$500,000 in Perkins funds since August 1997 to pay for staff to administer the State's Economic Development Program.

The Chancellor's Office is responsible for administering the State's Economic Development Program through its community colleges. However, even though the program disburses state funds to districts, the Chancellor's Office uses federal Perkins funds to pay for its staff that administer the program. Although its Economic Development Program staff perform some Perkins activities, most of their time is devoted to the state program. When the Legislature first established the program in 1991, it provided administrative funds to the Chancellor's Office.

However, starting in fiscal year 1993-94, the Legislature stopped allotting administrative funds. The Chancellor's Office chose to use Perkins funds to fill this void.

During fiscal year 1997-98, the Chancellor's Office received over \$29 million in state funds to distribute to community colleges for the program and no money for administration. In August 1997, it established a separate unit to administer the program, using over \$500,000 in Perkins funds by February 1999 to pay for staff.

The Legislature reestablished some administrative funding for the program, and in fiscal year 1998-99 allotted over \$140,000 to the Chancellor's Office for this purpose. As of February 1999, the Chancellor's Office planned to spend \$43,000 of this on staff costs. However, as of that date, it had spent only a small amount of the state allocation and continues to fund administration of the Economic Development Program primarily with Perkins money.

Although the two programs are similar in some respects, the Perkins program focuses on preparing individuals for the workforce while the Economic Development Program focuses more on the needs of business.

Although the Economic Development Program is similar in some respects to the Perkins program, there are distinctions between the two. Both deliver workforce development and training and include leadership and technical assistance. However, the focus of the Economic Development Program differs somewhat in that it focuses more on the needs of business. Its mission is to advance California's economic growth and global competitiveness through education and services focusing on continuous workforce improvement, technology deployment, and business development. The program is designed to meet state workforce needs to attract, retain, and expand businesses.

The Perkins program does not have a similar focus on business. Rather, the program focuses on assisting the workforce, seeking to develop the academic and occupational skills so state residents are better able to obtain higher-wage employment. Although both of these programs increase employment, their differing focuses may result in different types of services. Furthermore, when the Legislature establishes a program, it does so to meet a current unmet need. If the Economic Development Program shared the same goals and objectives as the Perkins program, the Legislature logically would have just supplemented existing Perkins activities. It

established the Economic Development Program to address a need that was not being met by the Perkins program, or any other program at the time.

The Chancellor’s Office contends that because both programs result in workforce development, it can use Perkins funds to administer the State’s Economic Development Program. However, similar to our discussion in Chapter 1, federal cost guidelines require the Chancellor’s Office, like the department, to allocate its costs to all programs that benefit from its services “in accordance with relative benefits received.” This indicates to us that program administration should be funded in the same manner as the program activities being administered. Because the activities administered in the Economic Development Program are paid from state funds, the administrative costs do not appear to be allowable charges to Perkins funding.

We attempted to clarify with the federal government whether the Chancellor’s Office’s use of Perkins funds for the Economic Development Program is appropriate. However, a federal representative stated that it could not respond to our inquiry, and that the determination as to whether the Chancellor’s Office uses Perkins funds for allowable purposes would be more appropriately part of the audit resolution process that follows up on reported instances of noncompliance with federal requirements. However, the representative did comment that the Chancellor’s Office’s use of the Perkins funds, as we described it, merited our reporting the issue. If the federal government determines the Chancellor’s Office used Perkins funds for inappropriate purposes, it could be forced to repay the funds. Whether deemed appropriate or not by the federal government, however, such use decreases funds for achieving Perkins Act objectives.

If the federal government determines the Chancellor’s Office used Perkins funds for inappropriate purposes, it could be forced to repay the funds.

RECOMMENDATION

To maximize the effectiveness of its Perkins funding, the Chancellor’s Office should either discontinue using this money to administer the State’s Economic Development Program or obtain prior approval from the federal government to support state programs in this manner.

We conducted this review under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,



KURT R. SJOBERG
State Auditor

Date: May 21, 1999

Staff: Karen L. McKenna, CPA, Audit Principal
David E. Biggs, CPA
Art Martinez, CPA
Edward Eldridge

Agency's response provided as text only:

May 14, 1999

California Department of Education
721 Capitol Mall
Sacramento, CA 95814

Kurt R. Sjoberg
California State Auditor
555 Capitol Mall, Suite 300
Sacramento, CA 95814

Audit No. 98124

Dear Mr. Sjoberg:

The California Department of Education (CDE) appreciates the opportunity to respond to your draft audit report, entitled "Perkins Vocational Education Program: The State's Use of Funds to Administer Other Programs Reduced Its Ability to Provide Effective Administration and Leadership." As I discuss in this letter, the conclusions of the draft report are unsupportable on at least the following five bases: (1) they are inconsistent with the current direction of the federal vocational education program; (2) they fault the integration of vocational education within the broader workforce investment arena; (3) they are inconsistent with our approved Carl D. Perkins Vocational and Applied Technology Act (Perkins) State Plan; (4) they frustrate the underlying purpose of the CDE's 1995 reorganization; and (5) they are based on insufficient evidence.

The draft report spends thirty-three pages asserting that some administrative employees in our Secondary Education Division, who are paid with federal Perkins funds and State General Fund matching funds, have been assigned responsibilities that appear unrelated to vocational education. On the basis of this allegation, the draft audit report states at page 28 that "If the federal government determines the department used Perkins funds for inappropriate purposes, it could be forced to repay the funds. Whether deemed appropriate or not by the federal government, however, such use decreases funds for achieving Perkins Act objectives." The draft report indicates that the subject employees devoted effort to School-to-Work, Partnership Academies, and academic integration consistent with the Improving America's School Act (IASA). Accordingly, your auditors concluded that these initiatives are "distinct" from vocational education, thereby "diluting" the impact of the Perkins dollar. Let me correct that inaccurate characterization.

Vocational Education Reform

Vocational education joined the education reform movement in 1990 when Congress changed the statutory definition of "vocational education." The term had been defined

*California State Auditor's comments on this response begin on page R-11

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since 1917 as “technical skill training requiring other than a baccalaureate degree.” However, when Congress enacted Perkins II in 1990, Congress rewrote the definition to require the inclusion of rigorous academic proficiencies. Since 1990, a vocational program that lacks a strong academic component is out of compliance with federal law.

In 1994, IASA moved vocational education even further along its new academic direction by emphasizing the connections between academics and vocational education at the high school level. Following the federal lead, CDE reorganized the following year. Our new structure, which appears to be the focal point of your complaint, was designed to integrate vocational education into the Department’s Curriculum and Instructional Leadership Branch. The reorganization brought vocational education into a standards-based educational system for all students, and more significantly, our vocational and career assessments are now part of California’s statewide testing program. This new direction is fully articulated in our approved Perkins State Plan.

I assure you that California is not alone in implementing this change of direction for vocational education. Our restructuring efforts are a model for most of the other states and they have been undertaken in response to the changes in federal law. Moreover, the Secretary of Education, Richard Riley, has effectively used his position to advocate for these changes. The 1990 Perkins Act, the 1994 School-to-Work Opportunities Act (STWOA), Goals 2000, and IASA have provided the states the flexibility to reorganize their priorities to stress high student performance and the Secretary has continuously reminded the states of this new reality. As an example, the California Partnership Academy program expenditures are an acceptable match for Perkins funding, as is support for vocational student organizations. Indeed the very efforts the auditors criticize are part of our approved Perkins State Plan.

Expanding the Vocational Education Mission

In view of the confluence of permissive activities under Perkins and School-to-Work, the National School-to-Work Office began urging states in 1994 to use Perkins administrative funds to help administer STWOA. In this way, more STWOA dollars would be available for local School-to-Work partnerships. As a result, many states, including California placed STWOA administrative responsibilities under Perkins. The audit finding penalizes California for faithfully following the direction mandated by the federal officials. The auditors do not seem to have read our approved Perkins State Plan on file with the U.S. Department of Education.

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As to our Partnership Academies, CDE is at the cutting edge of federal research that demonstrates that the partnership academy model may be the most effective method to keep vocational education students in school. The Partnership Academies have dramatically reduced the dropout rate and have become one of the cornerstones of our vocational education delivery system. The report erroneously claims that the academies “dilute” the impact of vocational education. However, these inaccurate statements do not detract from our successes in this area; nor do they detract from the extraordinary support that major corporations, business and trade associations, and major education researchers have provided for our efforts in this regard.

Elimination of Vocation Education Specialists

You report that some of our school districts are unhappy with the 1995 reorganization because it shifted away from the traditional reliance on specialists, and moved in the direction of generalists. I urge you to look at what the federal vocational education office in Washington, DC has done during the same period. The federal office eliminated all of its specialists, as have most other states. This shift from specialists to generalists reflects the true direction of education reform.

I am not surprised, though, that some of those with whom you spoke preferred the “old vocational school” of specialists. Change is often difficult for local administrators to accept. Nonetheless, as the State Superintendent of Public Education, it is my duty to ensure that all students have access to a rigorous curriculum and educational programs that will ensure their future success in further educational endeavors and the work world.

We are witnessing revolutionary changes today in education. The focus is moving from artificial bureaucratic categories to dynamic flexible programs that respond to the changing needs of a population in flux. I have led efforts to change the focus and culture of CDE, to align with statewide standards and the academic program. The draft findings do not reflect either the changes in federal law, state law or educational theory that make our work in vocational education appropriate and vital.

Insufficient Evidence

To determine local agencies’ perceptions of state administration and leadership of Perkins funding, your audit staff surveyed ten (10) California secondary school districts; this is two percent of the school districts in California with secondary schools. From this small sample, your audit staff have concluded that school districts throughout California are not receiving the same leadership services they received prior to the CDE’s reorganization. The verbal comments of the five large

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local educational agencies you surveyed are simply not enough to draw this sweeping, statewide conclusion.

● The Deputy Superintendent for the CDE's Curriculum and Instructional Leadership Branch has met quarterly with the Los Angeles Unified School District collaborative team to identify issues hindering student achievement and contrary to your report (page 24), the topic of vocational education has not been discussed.

● Secondly, your audit staff have relied on testimonial evidence alone for some of their findings. My staff inform me that at least one consultant reports that his verbal statements were mischaracterized by your auditors. One or two misunderstood statements lead me to suspect the accuracy of the other testimonial evidence upon which your findings are based.

In closing, I respectfully request that you reconsider the content of the draft report in light of these concerns. The issuance of this report will have no positive benefit to the proper implementation of our Perkins program, and will divert our precious and scarce resources from our educational mission. A detailed response to each of your findings and recommendations is enclosed with supporting documentation.

● When I was in the Legislature, I often used your services. I have great respect for the important work of the State Auditor. As you know, it is important for your staff to avoid the temptation to allow pedagogical or policy polemics to enter into their judicious audit work. I feel that this draft report does not meet your office's traditional high standards. The audit's conclusions do not accurately portray the strong support I and my staff have received from the vocational education, business and industry communities.

If you have questions about the CDE's response to your draft audit report, please contact Peggy Peters, Audit Response Coordinator, at (916) 657-4440.

Sincerely,

(Signed by:)

Delaine Eastin
State Superintendent of Public Instruction

Enclosure

ENCLOSURE

Detailed Response to Audit Findings and Recommendations

Reorganization of the Curriculum and Instructional Leadership Branch Increased Services to Local Educational Agencies

The draft audit report, at page 15, concludes that the California Department of Education's (CDE) reorganization of the Curriculum and Instructional Leadership Branch (CIL) in 1995, "reduced the department's ability to administer and lead the State's federally funded vocational education program." This audit conclusion is unfounded.

First, the audit conclusion reflects an out-dated approach to vocational education; one that is 30 years old and in violation with state and federal law. The audit findings do not reflect either changes in law or in educational theory that make our work in this area appropriate and vital. Support from leading corporations and business associates would be jeopardized if we took the ill-considered recommendations suggested in the draft report.

Second, the draft report does not provide any quantifiable evidence that services have declined and is based only on testimonial evidence which is by nature subjective. We would argue that the reorganization has resulted in an increased number of services available to vocational education programs. Services to vocational education programs are now delivered in a more cost-effective manner, resulting in an increased number of local educational agencies and teachers having access to instructional materials and subject matter training coming out of the leadership and Tech Prep contracts. Moreover, the reorganization has moved the CDE into compliance with the federal Carl D. Perkins Vocational and Applied Technology Act (Perkins) directive to integrate vocational education with academics.

Over the past few months, CDE staff have spent considerable time explaining the administration and implementation of Perkins to the audit staff. We are disappointed that the report does not reflect the context of the national and state educational initiatives that have propelled the educational establishment to develop and reengineer public education, so that it is based on content and performance standards, assessment, and accountability to improve student achievement. The CIL reorganization in 1995, was undertaken to improve services to our clients as reported on page 15 of the draft report.

California has just recently passed a package of bills: Senate Bill 1X, Public Schools Accountability Act of 1999; Senate Bill 2X, High School Exit Examination; Assembly Bill 1X, California Peer Assistance and Review Program for Teachers; and Assembly

Bill 2X, Reading Programs. These bills will advance California further down the path of reform in standards, assessment and accountability.

Implementing a standards based model that measures student achievement and holds schools and teachers accountable, has resulted in a widespread educational systemic reform movement across the country. American public education is in the spotlight of change. It is redesigning and streamlining its infrastructure to focus on results. Thus, in 1995, to ensure that children are getting a good education and that tax dollars are being maximized, the CDE changed its method for delivery of services to its customers — California local educational agencies. The delivery system focuses on providing subject matter standards, in reading, writing, mathematics, science, and history and social science and assisting local educational agencies to re-train their teacher workforce to teach to these standards. Moreover, we have made a concerted effort to educate the general public on the merits of a standards driven educational system. In addition, CDE is in the process of developing 13 “Challenge” standards which include the five vocational education career areas, based on industry standards.

All students, if they are to succeed in the global economy of the twenty-first century must have access to the core curriculum, and this includes vocational education students. Hence, to integrate vocational education programs, provide increased opportunities for all students, and comply with the intent of Perkins and the goals of the federal State Plan, the CDE reorganized the CIL in August of 1995.

Two CDE Divisions Now Have Responsibility for Administering Perkins Program

On page 19, the draft report recognizes that in 1996, the CDE transferred nine professional positions and responsibility for Regional Occupation Centers and Programs (ROCPs) and programs targeting single parents, displaced homemakers and gender equity to the CDE’s Career Development and Workforce Preparation Division. However, Table 1, on page 21, misleads the reader because it does not recognize the nine positions relocated to the Career Development and Workforce Preparation Division. The CDE has not decreased the number of staff working on Perkins, rather the CDE has integrated the academic and vocational education responsibilities of CDE staff. Yes, since the reorganization, some staff conducting Perkins activities are no longer located in CIL; Perkins staff are now integrated into two divisions to enhance service to local educational agencies and the students of California.

Reorganization Increased Leadership and Administrative Support for Perkins

On pages 22-25 of the draft report, the auditors assert that there has been a reduction of leadership services to local educational agencies. We disagree that there has been a reduction in leadership services to local educational agencies. On the contrary, the Secondary Education Division has continued to allocate Perkins local assistance appropriations, which amount to 75% of the federal grant, in a timely manner.

In addition, the Secondary Education Division still administers the same number of leadership contracts in the various subject areas: business education, home economics, health careers, industrial and technology education, and agricultural education. Also, CDE still maintains the same number of contracts for Tech Prep in five subject areas, as well as, engineering. These contracts provide a valuable array of professional training, curriculum materials and leadership activities in each of the vocational education areas. On page 13 of the draft report, the auditors recognize that the services described in the contracts were allowable Perkins activities.

From 1997-98 to 1998-99, the level of funding for leadership contracts for professional training and curriculum materials in the five subject matter areas has gone from \$851,947 to \$1,503,860. This is a forty-seven (47) percent increase in an activity which provides direct services to local educational agencies.

The subject matter specific support previously offered by CDE staff, is now being provided through the Perkins leadership contracts with colleges and universities, county offices of education and other local education agencies. These contractors work closely with CDE staff to ensure that there is consistency in the statewide development of Perkins deliverables and services. Attachment 1 provides a list of the leadership, Tech Prep, and student vocational organization contracts for 1997-98 and 1998-99. ♦

Though positions in CIL specifically assigned to support vocational education subject matter programs have been reduced, this is also true for many other areas in the CDE. This has been a result of severe state budget reductions which we assume the State Auditor is aware of. Nonetheless, vocational education services to local educational agencies have not diminished, but have instead taken on a different focus. Services provided by state staff are dedicated to convening and facilitating groups of teachers, administrators, and business representatives aimed at designing education strategies for preparing all students for the information age, global economy of the next century. These strategies are integration between academic and vocational curricula, articulation across the education segments, multi-measure assessment, industry-based standards and performance-based accountability. ●

Also, in Attachment 2, we are providing a listing of all of the major professional development activities that Secondary Education Division staff have organized, attended and/or participated in for 1997-98 and 1998-99 as part of the CDE's leadership activities. Attachment 3 contains letters from five of our contractors explaining their leadership activities . ♦

In addition, the Deputy Superintendent for the CDE's Curriculum and Instructional Leadership Branch was surprised to see the remarks from the Los Angeles Unified School District (LAUSD) on page 24 of the draft report because the CDE has been working with LAUSD since February of 1998. The CDE invited LAUSD to participate in the District Collaborative Partnership initiative, which is a pilot ●

* We have not included attachments in the report; however, they are available for review at the California State Auditor's office.

program to improve student achievement. The Deputy Superintendent and CDE staff have met with LAUSD cabinet staff on four occasions to discuss key issues which may be hindering student achievement, and problems with vocational education leadership and guidance has never been mentioned.

Moreover, all of the vocational education areas have maintained their student organizations and increased the number of student members, such as the Future Farmers of America (FFA), Future Homemakers of America (FHA-HERO), Health Occupations Students of America (HOSA), Future Business Leaders of America (FBLA), DECA-A Marketing Association (DECA), and Vocational Industrial Clubs of America (Cal-VICA). Attachment 4 is a chart for 1995-96, 1996-97, and 1997-98 which shows an overall increase in participation from 59,766 students to 65,069 students; this is an aggregate increase of 5,303 (8.2% growth). This kind of increased student participation demonstrates that the CDE is working with and providing leadership to local educational agencies in positive ways.

Besides administering the leadership and Tech Prep contracts and advising the student vocational organizations (VSOs), the Secondary Education Division has spear-headed three major vocational education task forces and reports — the Agricultural Education Task Force, the Home Economics Careers and Technology Advisory Committee (Senate Bill 1454), the Industrial Technology Task Force, a Business Education Summit, and a Health Careers Symposium. The CDE has found the work of the task forces to be valuable. Leadership funds will be used in the coming fiscal year to establish a Business Task Force and a Health Careers Task Force that will build from the work of the Business Summit and Health Symposium, respectfully. Attachment 5 provides brief descriptions of these CDE efforts to offer vocational educators and business/industry representatives policy venues in which to share their ideas and recommendations to improve vocational education services to local educational agencies.

Over the past few years, the CDE has received letters of appreciation and recognition of our leadership and administrative support activities. Three of the CDE's support letters are included in Attachment 6.

Use of Perkins Funds Promotes Integration of Academic and Vocational Education

On page 26 of the draft audit, the auditors assert that “. . . in an attempt to integrate academic and vocational programs, it shifted its emphasis, in part, from the Perkins program to state and other federal Programs. Now the department uses Perkins funds to pay staff who work partly on these other programs, a practice that reduces staffing levels and negatively impacts the Perkins program.” We disagree with this audit conclusion.

Pursuant to federal law, the CDE may use Perkins funds to improve and expand those programs which have been identified in the approved California State Plan. One of the three major goals in the federal State Plan, calls for the “integration and

sequencing of academic and vocational education curriculum.” Major state and federal initiatives like Perkins, School-to-Career, and the Improving America’s Schools Act (IASA) have common elements such as integration of academic and vocational content, contextual learning, workplace learning, involvement of business and industry, authentic assessment, standards, professional development, curriculum development, and most importantly, collaboration and coordination with other federal and state programs. There are several state programs which include the elements of these major federal initiatives. For example, the California Partnership Academies promote career paths, integrated curriculum, workplace learning, business and industry involvement, and contextual learning.

In addition to the Partnership Academies, other state programs support the tenets of Perkins and are used as part of California’s maintenance of effort for the Perkins funds; such as the ROCPs, Agricultural Incentive Grants, and the Apprenticeship Program. The annual state maintenance of effort is over \$300 million. These are State General Funds used to continue California’s support of vocational education.

Many state and federal initiatives mandate collaboration and coordination of programs with common elements addressing similar outcomes; the federal intent being to target more dollars for the same objectives. This cannot be accomplished with a categorical approach which is vertical in delivery only. Contrary to what the audit report finds, if the CDE does not continue to use Perkins dollars to administer vocational education as we presently do, CDE would be out of compliance with Perkins and the federal State Plan.

Secondly, the draft report on pages 26-30, suggests that the CDE does not properly use its time accounting system when, in fact, the CDE instructs its employees to record their actual time worked on their time sheets by program and project. Specifically, on pages 26 and 27 of the draft report, the audit finds that the “CDE employees charged time they used to administer other programs to Perkins funding.” This statement is not correct. The director of the Secondary Education Division is funded fifty percent with Perkins administrative funds and fifty percent with State General Funds. The State General Funds are used for the director’s managerial and leadership activities of non-Perkins federal and state programs, all of which are appropriate as Perkins match activities because they implement Perkins requirements and the federal State Plan. The consultant identified on page 27 of your draft report who charged all of his time to Perkins from August 1998 through February 1999 incorrectly completed his time sheets. The consultant’s time sheets are being corrected to reflect the time the consultant actually spent on each vocational education program.

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COMMENTS

California State Auditor's Comments on the Response From the California Department of Education

To provide clarity and perspective, we are commenting on the California Department of Education's (department) response to our audit report. The numbers correspond to the numbers we have placed in the response.

- We stand by the conclusions in our report. Our specific comments regarding the department's concerns are presented in the following notes.
- Contrary to the department's statement, the point we make in the report is not that the employees work on programs that appear unrelated to the general field of vocational education. Our point is that the department uses Perkins funds to administer other federal and state programs that are similar to the Perkins program. However, as we state on page 20 of the report, distinctions do exist between the various programs and although these other programs may provide worthwhile services, the extent to which the benefits offset the negative effect resulting from not using these funds for traditional Perkins activities is unclear.
- We are not questioning the value of integrating vocational education with academics in the department's Curriculum and Instructional Leadership Branch. However, we are concerned with the reduction in staff assigned to administer programs funded by Perkins in the Secondary Education Division and the department's choice to use Perkins funds to finance staff who are working on other federal and state programs. Therefore, as we state in our recommendations to the department, it should either discontinue using the Perkins funds to administer other federal and state programs or obtain approval from the federal government to do so. Additionally, the department should evaluate all areas in which its services to the Perkins program have diminished and ensure that it provides the appropriate level of services.

- We have reviewed the department's state plan and have not seen where the department has informed the federal government of its intentions to use Perkins funding for the administration of other federal and state programs such as School to Career, Improving America's Schools Act, and Partnership Academies.
- Although the department contends that the California Partnership Academies program expenditures are an acceptable match for Perkins funding, our review of the Perkins Act leads us to conclude that they are not. Thus, we believe, as stated in our report, that the department should clarify with the federal government its use of Perkins funds, including state matching funds.
- The department claims that it followed federal direction in using Perkins funds to help administer its School to Career activities. However, we find it curious that the department did not inform us of this during our various discussions with staff during the audit, nor has the department provided any evidence that it received such direction. Nevertheless, as we state on page 18 of the report, the department's use of Perkins funds does not appear to be consistent with federal cost guidelines that require the department to allocate its costs to all programs that benefit from its services "in accordance with the relative benefits received."
- Our report is not questioning the success or the usefulness of the Partnership Academies. Rather, we are concerned that the department is using Perkins funding for the entire administration of this state-funded program. The department has also had similar concerns about the appropriateness of its actions. In a budget change proposal in which the department requested from the Department of Finance state administrative funds for the Partnership Academies, the department stated that it was concerned with potential federal audit exceptions in its use of Perkins funds to administer the program.
- We would urge the department not to dismiss the school districts' responses so readily because the responses are indicative of expectations regarding delivery of services that the department is not meeting, and, while the sample was small, it did include the largest district in the State, representing nearly 12 percent of all students statewide. If the department does not believe the expectations are appropriate, it needs to clarify to the school districts the services it plans to provide. However, as we recommend in our report, we believe the department should evaluate all areas in which its services have diminished and ensure that it provides the appropriate level of service.

- We recognize that the educational environment is changing; however, the department needs to ensure that it complies with federal guidelines to finance its program and that it maximizes Perkins funding to achieve goals established under the Perkins Act.
- The department is incorrect. We did not base our conclusions that the staff reductions have diminished administrative and leadership services to the school districts solely on school district surveys. Rather, we based our conclusions primarily on work we performed at the department. However, the comments from certain school districts also indicate that services have diminished.
- The department has mischaracterized our report. Nowhere in our report do we discuss the content of meetings between the department's deputy superintendent and the Los Angeles Unified School District as the department's statement indicates. However, now that we have informed the department of the district's concerns with its services, we encourage the department to take action to address these concerns.
- In the absence of written documentation, interviews with knowledgeable department staff provided the best evidence available. In each of the instances in which we relied on interviews, we confirmed our understanding of the staff's comments. We believe our report accurately reflects these discussions.
- We stand behind our report. We based our conclusions on the facts and have remained unbiased throughout the audit.
- The department again is addressing the general field of vocational education rather than the Perkins program. As we address in Chapter 1 of our report, the department's services under the Perkins program have diminished.
- The department misses our point. The table on page 14 of our report focuses on the department's Secondary Education Division because that is the division that provides services to school districts, which receive the largest amount of Perkins funds. We did not include the positions transferred to the regional occupational centers and programs (ROCP) unit because, as we discuss on page 14, this unit focuses on vocational education in ROCPs rather than in school districts.

- The department disagrees that services to local education agencies have diminished and contends that instead the services have taken on a different focus. According to the department, contracts for leadership services provide subject matter specific support previously offered by department staff. However, we remain concerned that the department is not using Perkins funds solely on Perkins activities and instead uses some of the funds to administer other programs. Furthermore, as our review revealed, services under the Perkins program diminished and certain school districts indicate they have unmet needs.
- We accurately reported Los Angeles Unified School District's response. As discussed in Note 11, we encourage the department to take action to address these concerns now that it is aware of them.
- As we state in our recommendations to the department, to ensure that the State is meeting all the mandates of the Perkins Act and is consistent with federal cost guidelines, the department should either discontinue using its Perkins funds to administer other federal and state programs or obtain approval from the federal government to do so.
- Contrary to the department's assertion, our statement that the department's employees charged time they used to administer other programs to Perkins funding is correct. The department appears to be basing its disagreement on only one of the examples we discuss in the report. Similar to our discussion in Note 5, the department contends that it can use state funds spent on non-Perkins activities to fulfill its matching obligation for the Perkins program. However, our review of the Perkins Act leads us to conclude that it cannot. As stated previously, we believe this is an issue that the department should clarify with the federal government.

Agency's response to the report provided as text only:

California Community Colleges
1107 Ninth Street
Sacramento, CA 95814

May 13, 1999

Mr. Kurt R. Sjoberg
State Auditor
555 Capitol Mall, Suite 300
Sacramento, CA 95814

Dear Mr. Sjoberg,

Thank you for the opportunity to comment on issues raised by the Bureau's draft audit of the federal Perkins Vocational Education Program by the Vocational Education Unit of the State Chancellor's Office of the California Community Colleges.

GENERAL COMMENT

The audit confirms a very positive performance perspective of the Chancellor's Office procedures, including:

- That the Chancellor's Office "distributes most of the Perkins funds to community college districts, retaining a *relatively small portion for administrative activities*," **[Lines 13-15, Page 8, Audit Draft]** despite *significantly increased* state accountability overview responsibilities with *decreased* funding for state administration under the new federal law **[Lines 1-3, Page 7, Audit Draft.]**
- That, rather than retaining development and technical assistance funds at the state level, the Chancellor's Office "distributes most of its leadership (e.g., technical assistance and training) to community college districts, and therefore activities such as professional development and curriculum development occur at that level." **[Lines 16-18, Page 8, Audit Draft]** Further, "*rather than employing a large state staff to provide leadership services* such as curriculum development, professional development, and technical assistance, the Chancellor's Office delegates many of these activities to the [local and] regional level, awarding most of its leadership funds to community college districts and 10 regional community college consortia." **[Lines 8-12, page 16, Audit Draft]**
- That, based upon your rigorous audit test parameters, the Chancellor's Office has a *reasonable process* for awarding and overseeing grants and contracts" **[Lines 13-14, Page 13, Audit Draft] [Also, Lines 4-6, Page 17, Audit Draft.]**

*California State Auditor's comments on this response begin on page R-17

- That, based upon your rigorous audit test parameters, the State Auditor has concluded “that the services, as described in the grants and contracts, [are] *allowable activities*” under the federal law [Line 15, Page 13, Audit Draft] [Also, Lines 20-21, Page 16, Audit Draft.]
- That “ the Chancellor’s Office *employs fewer staff to administer* its Perkins funds and *sends a greater percentage* of those funds to local community college districts” than comparable entities. [Lines 11-14, Page 15, Audit Draft]
- That, based upon your survey of numerous community college districts, the colleges “are generally satisfied with the way the Chancellor’s Office administers the Perkins program.” [Lines 6-7, Page 17, Audit Draft]

AUDIT RECOMMENDATION

“The Chancellor’s Office should either discontinue using this money to administer the state economic development program or obtain prior approval from the federal government to support state programs in this manner.”

The Chancellor’s Office acknowledges your recommendation regarding the need to further maximize the effectiveness of Perkins funding.

However, the Chancellor’s Office would take this opportunity to correct the record relating to the \$140,000 in state funds allotted to the Economic Development Program and cited in error on Lines 8-13, Page 18 of the Audit Draft as unspent. The unit has expended those state funds to hire staff in that program area, as provided for in the 1998 Budget Act. As a result, the \$140,000 is currently fully encumbered.

Nevertheless, recognizing the invaluable independent review provide by the State Auditor, the Chancellor’s Office will investigate further its options in the pursuit of this recommendation.

Sincerely,

(Signed by:)

THOMAS J. NUSSBAUM
Chancellor

cc Ronn Farland
Glee Johnson
Patrick Lenz
Lynn Miller
Victoria Morrow
Vicki Warner
Barbara Whitney

COMMENTS

California State Auditor's Comments on the Response From the Chancellor's Office of the California Community Colleges

To provide clarity and perspective, we are commenting on the Chancellor's Office of the California Community Colleges's (Chancellor's Office) response to our audit report. The numbers correspond to the numbers we have placed in the response.

- The new federal law that the Chancellor's Office refers to as providing increased state accountability overview responsibilities and decreased funding for states is the 1998 Perkins Act that does not take effect until fiscal year 1999-2000. Our audit reviewed the State's use of Perkins funds in accordance with the Perkins Act that was enacted in 1990 and in effect during the period under audit.
- Our report is correct and discusses the amount of planned expenditures and actual monies spent as of February 1999, the date of the most recent accounting records at the time of our review of this matter. When we asked the Chancellor's Office about the basis for its statement that it had expended the state funds to hire staff, we were told that the new staff were not hired until May 1. Thus, it appears that even now, it has spent only a small amount of the state funds and continues to fund administration of the Economic Development Program primarily with Perkins money.