

**AUDIT GUIDE FOR REVIEW
OF
VOCATIONAL EDUCATION PROGRAMS
SECONDARY AND
POSTSECONDARY**

PREPARED BY THE ARIZONA DEPARTMENT OF EDUCATION

AUDIT UNIT

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OCTOBER 1982

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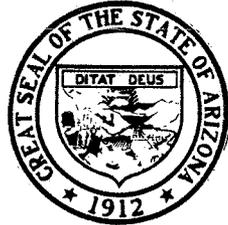
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**AUDIT GUIDE FOR REVIEW
OF
VOCATIONAL EDUCATION PROGRAMS**

INTRODUCTION

Vocational Education (VOC ED) in the State of Arizona represents a joint fiscal and administrative effort by the Federal and State governments along with local educational agencies (LEA) to provide guidance, counseling, instruction, training, and other services in the fulfillment of VOC ED objectives in the state.

Federal financial assistance is provided pursuant to the Vocational Education Act of 1963, including the 1968 amendments thereto, (the ACT); Federal administrative authority is vested with the U.S. Education Department (ED). Fiscal and administrative responsibility for the operation of the state's VOC ED program is designated, in Arizona Revised Statute (ARS) 15-782, to the Arizona State Board of Education. State Board policies and decisions are in turn applied to the state's VOC ED program via the Vocational Education Section of the Arizona State Department of Education (ADE). Comparable responsibilities at the LEA level (e.g., high school district, community college district) rest with the local agency's school board as with other educational responsibilities.

Vocational Education is to prepare individuals with competencies which provide for the transition from education to work, success with acquiring employment, advancement within an occupation, as well as adaptability to different occupational areas.

The five major goals for Vocational Education programs in Arizona are:

1. To provide for career development and/or employability skills for individuals who are: 1) entering the labor market, 2) reentering the labor market, 3) changing careers, or 4) upgrading occupational skills.
2. To provide services for improving the quality of Vocational Education programs in such areas as competency-based instruction, equal access, program flexibility and accountability, professional development, placement and follow-up.
3. To improve the linkage of Vocational Education with military/business/industry/private vocational technical schools and other organizations/funding sources delivering similar services.
4. To increase the responsiveness of Vocational Education to the economic development of Arizona.
5. To provide State administrative leadership and direction of Vocational Education in Arizona. FY'83-87 Five-Year State Plan.

The state receives federal funds under the ACT subject to the general and specific federal regulations (REGS) continued in Title 34 of the code of the federal regulations (CFR). The REGS in CFR 400 were specifically developed for implementation of the ACT and include both broad and detailed requirements in the application of funds allotted under the several parts of the ACT. Requirements of the Regs include, among others, the commitments of state and/or LEA funds where federal and non-federal funds participate in a VOC ED program.

Arizona has officially subscribed to the REGS by way of the 1983-87 Arizona State Plan for Vocational Education (ASP) approved by the State Board of Education and submitted to the USED for participation in the ACT. The ASP represents an agreement between the state and federal governments which, in addition to citing recognition and acceptance of the REGs, sets forth administrative, operational, and educational procedures and standards directed toward the achievement of compliance with the REGS. Thus, the State Board of VOC ED is the custodian and disbursing agent of federal and state apportioned funds available for assistance to complying VOC ED programs operated by LEA's, and it is therefore within the LEA's that the test of operational compliance is to be measured.

Federal grants under the ACT are apportioned to the state with identification of the part of the ACT to which the funds relate. This is significant because each part prescribes an intended purpose which may or may not allow the state flexibility or require exacting application of the grant. Listed below are the various parts of the act for which grants are received.

SUBPART

PURPOSE

- | | |
|---|---|
| 2 | Basic Grant for General VOC ED Purposes. |
| 3 | Program Improvement and Support Services. |
| 4 | Special Programs for the Disadvantaged. |
| 5 | Consumer and Homemaking Programs. |

PURPOSE AND SCOPE

The primary purpose of this guide is to 1) familiarize the auditors with the significant provisions of the VOC ED programs, 2) direct attention to areas of program and financial management that need improvement, and 3) provide audit procedures for determining the compliance of the programs in meeting the statutory requirements of the ACT.

The scope of this guide is not intended to be all inclusive. In determining the scope of review, the auditor should exercise professional judgment giving full consideration to 1) local conditions and new developments not covered in the guide, 2) the number and quality of recent audits, 3) the adequacy of program and fiscal internal controls, and 4) any other audit procedure considered necessary.

This guide is written in a manner which enables the Auditor to review all the Vocational Education funding categories.

The materials in this guide are based on information from CFR Title 34 part 400 as of July 1, 1981, for VOC ED Regs. All references in the guide will be made by the citation 34 CFR 400.XXX. Also used are the Education Division General Administrative Regulations or EDGAR which will be cited, 34 CFR 74.XXX, the February 1983 State Guidelines for preparing a Vocational Education Plan and the 1983-87 Five-Year Arizona State Plan (ASP) for Vocational Education.

FUNDING PROCEDURES

Formula Funding: 3.N Projects

The ADE, in considering the approval of LEA applications, gives priority to those applicants which--

- A) are located in economically depressed areas and areas with high rates of unemployment, and are unable to provide the resources necessary to meet the vocational education needs of those areas without federal assistance, and
- B) propose programs which are new to the area to be served and which are designed to meet new and emerging manpower needs and job opportunities in the area and, where relevant, in the state and nation; and

The ADE in determining the amount of funds available under this Act which shall be made available to those applicants approved for funding, base such distribution on economic, social and demographic factors relating to the need for vocational education among the various populations and the various areas of the state, except that--

- A) the State of Arizona will use as the two most important factors in determining this distribution (I) in the case of local education agencies, and relative financial ability of such agencies to provide the resources necessary to meet the need for vocational education in the areas they service and the relative number or concentration of low-income families or individuals within such agencies, and (II) in the case of other eligible recipients, the relative financial ability of such recipients to provide the resources necessary to initiate or maintain vocational education programs to meet the needs of their students and the relative number or concentration of students whom they serve whose education imposes higher than average costs, such as handicapped students, students from low-income families, and students from families in which English is not the dominant language; and
- B) the State of Arizona will not allocate such funds among eligible recipients within the state on the basis of per capita enrollment or through matching of local expenditures on a uniform percentage. (For further details regarding funding formulas, see pages 34 through 42 of the Five-Year Arizona State Plan.)

5 Year ASP

The LEA's submit applications to the ADE and the applications are reviewed to determine if the areas of emphasis agree with the goals of the State Plan and the particular area of the Act for which funds are being requested.

Discretionary: 4.N Projects

These projects are granted on a competitive award basis.

ISP (Invitation to Submit Proposal): 5.N. Projects

These projects are granted on a competitive award basis.

DEFINITIONS

The following definitions are from the Title 34 CFR:

5-Year Plan - A plan submitted from the State to the Commissioner and composed of the procedures for carrying out certain assurances of the general application, provisions for assessment of employment opportunities, goals to meet the employment needs, funding to meet employment needs and program needs, policy on eradicating sex discrimination and coordination with manpower training programs.

Sex Bias - Means behaviors resulting from the assumption that one sex is superior to the other.

Sex Discrimination - Means any action which limits or denies a person or a group of persons opportunities, privileges, roles, or rewards on the basis of their sex.

Sex Stereotyping - Means attributing behaviors, abilities, interests, values, and roles to a person or group of persons on the basis of their sex.

The following definitions were developed by the State Vocational Education Office:

Organized Vocational Education Program -

Means only vocational education instruction related to the occupation or occupations for which the students are in training or instruction necessary for students to benefit from such training, and the acquisition, maintenance, and repair of vocational education instructional supplies, teaching aids, and equipment.

Vocational Education Programs -

Means "organized vocational educational programs" which are directly related to the preparation of individuals for paid or unpaid employment, or for additional preparation (upgrading and retraining) for a career requiring other than a baccalaureate or advanced degree.

Vocational Instruction -

Means instruction which is designed upon its completion to prepare individuals for employment in a specific occupation or a cluster of closely related occupations in an occupational field, and which is especially and particularly suited to the needs of those engaged in or preparing to engage in such occupation or occupations.

Community - A geographic area of individuals with common interests and/or goals.

Region - A geographic area encompassing two or more LEA's which desire to coordinate and articulate efforts.

Racial Minorities
In Area

Being Served - A class or kind of people unified by common interests, habits, or characteristics who are a minority population in the area being served.

Ethnic Minorities
In Area

Being Served - A minority group which retains and displays common customs, language and social views.

Business - A commercial or industrial enterprise.

Industry - A business concern which produces a manufactured good or processes a product for resale.

Labor - An economic group comprising those who labor or work for wages . . . distinguished from entrepreneurs.

Health Occupations

Education - Health occupations preparation education is composed of skill based courses at the 10th, 11th and 12th grades which combine classroom instruction with supervised, on-the-job experiences leading to an entry level health care job. Teacher must be vocationally certified in health occupations.

Business

Education - Vocational Business and Office Preparation Education courses offered at the 10th, 11th, and 12th grades provide entry-level competencies emphasizing specialized Office Occupations, General Office Occupations, Bookkeeping/Accounting Occupations, Computer and Related Occupations.

Teachers must be vocationally certified in business and office education.

NOTE: First year typing courses may be included if structured as a full year class and if the Common Core Program Standards are satisfied.

Trade and
Industrial

Education - Vocational preparation courses are offered at the 10th, 11th, and 12th grades in two class period blocks to develop manipulative skills, safety judgements, trade ethics, leadership abilities, technical knowledge, and related occupational information for industrial, trade and technical occupations related to construction, communication, manufacturing, and transportation clusters. Teacher must be vocationally certified in trade and industry.

**Agricultural
Education -**

Vocational agriculture preparation level courses include those at the 9th and 12th grade which develop specialized skills in occupations within the field of agriculture and which meet state program standards. Teacher must be vocationally certified in agriculture.

**Marketing and
Distributive
Education -**

Vocational Marketing and Distributive Preparation Education provides instruction at the 10th, 11th, and 12th grades for entry or advanced levels within the field. Instruction focuses on marketing functions including selling, buying products for resale, purchasing raw materials for manufacturing, sales promotion, public relations and supportive activities including financing, marketing, research, material handling, and marketing management. Teachers must be vocationally certified in marketing and distributive education including cooperative education endorsement, when such endorsement is appropriate.

**Vocational Home
Economics
Occupations -**

Vocational Home Economics Occupations Preparation courses at the 10th, 11th, and 12th grades consisting of instructional programs, services and activities for the occupation of homemaking including consumer education, food and nutrition, family living and parenthood education, child development and guidance, housing, and home management and clothing and textiles. Teachers must be vocationally certified in Consumer and Homemaking.

**Vocational Consumer
and Homemaking
Education -**

Vocational Consumer and Homemaking Education includes courses at 9th, 10th, 11th, and 12th grades consisting of instructional programs, services and activities for the occupation of homemaking including consumer education, food and nutrition, family living and parenthood education, child development and guidance, housing, and home management and clothing and textiles. Teachers must be vocationally certified in Consumer and Homemaking.

**Industrial Arts
Education -**

Industrial Arts Education provides courses at 9th through 12th grades for exploration, awareness, and pre-vocational skills and experiences related to industrial, trade, and technical occupations.

II. GENERAL REQUIREMENTS FOR VOCATIONAL EDUCATION PROGRAMS

OBJECTIVE:

To determine that the applicant has complied with and documented the general requirements for receiving Vocational Education federal funds.

REGS: All applications must be developed in consultation with representatives of educational and training resources available in the area to be served by the applicant.

34 CFR 400.141(f)(4)(A)

Date Auditor W/P

1. Determine from review of documentation of the consultation with educational and training resource representatives in the VOC ED area being served that their input has been included in the project. **NOTE:** Consultation usually will be accomplished by correspondence with private, technical or other schools with similar programs.

FINDINGS:

REGS: All applications must describe the vocational education needs of potential students in the area or community and how and to what extent the proposed program will meet such needs.

34 CFR 400.141(f)(4)(B)

Date Auditor W/P

2. Review the current Vocational Education Local Plan and any amendments and determine if it describes the needs of students and how and to what extent they will be met.

FINDINGS:

REGS: All applications must describe how findings of any evaluations of the applicant's previous programs have been used to develop the proposed program.

34 CFR 400.141(f)(4)(B)

State evaluations are to be used to assist LEA's in operating the best possible programs of vocational education and to improve the state programs of vocational education.

34 CFR 400.401

The State Board shall, during a five-year period, evaluate in quantitative terms the effectiveness of each formally organized program supported by federal funds.

34 CFR 400.402

Date Auditor W/P

3.
 - a) Review previous evaluations and determine if the findings were used to develop the proposed program and that the application describes how they have been used.
 - b) Determine if the local plan describes how the current program will be evaluated, i.e., how is the training meeting the needs of business and industry, and how will the competency level of students be evaluated?

FINDINGS:

REGS: All applications must describe how the activities proposed in the application relate to manpower programs conducted in the area by a prime sponsor under CETA, if any, to assure a coordination in meeting the education and training needs of the area.

34 CFR 400.141(f)(4)(C)

Date Auditor W/P

4. Review documentation to determine if there has been a coordination with local manpower councils in meeting the education and training needs of the area. Also, determine that the application describes how this was done. NOTE: The documentation referred to above must be other than the project application.

FINDINGS:

REGS: All applications must describe the relationship between vocational education programs proposed at the LEA with federal funds and other programs in the area which are supported by state or local funds.

34 CFR 400.141(f)(4)(D)

Date Auditor W/P

5. Review the Vocational Education Local Plan and determine if it describes the coordination efforts with programs supported by state or local funds in the area.

FINDINGS:

REGS: States are to develop and carry out Vocational Education programs so as to overcome sex discrimination and sex stereotyping and thereby furnish equal opportunities to both sexes.

34 CFR 400.2(a)(3)

Date Auditor W/P

6. Determine if the local plan addresses the overcoming of sex bias and stereotyping in the Vocational Education programs at the LEA.

FINDINGS:

Date Auditor W/P

7. For Discretionary funded (4.N and 5.N) projects, determine that the number of students being served and the occupational clusters are the same as indicated in the objectives section of the approved project.

FINDINGS:

CONCLUSION:

III. LOCAL ADVISORY COUNCILS (LAC)

OBJECTIVE:

Determine that a LAC has been established; that it is appropriate for the VOC ED area served by the project; that the members meet the representation requirements, and current job related needs were available in developing the project application.

REGS: (a) Each eligible recipient (that is, each local educational agency or postsecondary educational institution which receives Federal assistance under the Act) shall establish a local advisory council on vocational education.

34 CFR 400.111(a)

Date Auditor W/P

1. Determine that the LEA has established a LAC for vocational education by requesting a list of current members and their titles.

FINDINGS:

REGS: (b) The local advisory council may be established for:

- (1) Program areas;
- (2) Schools;
- (3) The community; or
- (4) The region in which the eligible recipient is located.

34 CFR 400.111(b)

(c) An eligible recipient may form a local advisory council composed of representatives from several craft committees, or representatives of several school councils, having the requisite representation in paragraph (c) of this section. (See REGS above Step 4)

34 CFR 400.111(e)

Date Auditor W/P

2. Determine that the LAC has been established for one of the above areas and indicate which area was chosen.

FINDINGS:

REGS: All applications must be developed in consultation with the local advisory council required to be established by the Act.

34 CFR 400.141(f)(4)(A)

Date Auditor W/P

3. Review minutes of the prior year's local advisory council meetings to determine if they were consulted in the development of the current program(s).

FINDINGS:

REGS: (c) The local advisory council shall be composed of representatives of the general public including at least a representative of:

- (1) Business;
- (2) Industry; and
- (3) Labor.

34 CFR 400.111(c)

Date Auditor W/P

- 4. a) Determine that the LAC includes representatives from Business, Industry and Labor. (NOTE: One member may represent more than one area.)
- b) For the nonoccupational area of Consumer and Homemaking, the council shall consist of at least one representative from Business, Industry or Labor and three persons from the community representing the unpaid occupation of Consumer and Homemaking.

FINDINGS:

REGS: (d) Each eligible recipient shall establish a local advisory council which has an appropriate representation of both sexes and an appropriate representation of the racial and ethnic minorities found in the program areas, schools, community, or region which the local advisory council serves.

34 CFR 400.111(d)

Date Auditor W/P

- 5. Determine that the members of the LAC represent both sexes and the racial and ethnic minorities in the area being served.

FINDINGS:

REGS: (a) The local advisory council shall advise the eligible recipient on:

- (1) Current job needs; and
- (2) The relevance of programs (courses) being offered by the local educational agency or postsecondary educational agency in meeting current job needs.

34 CFR 400.112(a)

Date Auditor W/P

- 6. Review the current year's LAC minutes or other documents and determine if the LEA was advised of the 1) current job needs, and 2) relevance of programs being offered by LEA in meeting the current job needs.

FINDINGS:

CONCLUSION:

IV. PROJECT PARTICIPANTS

OBJECTIVE:

To determine that the project participants include students preparing to enter an occupation upon completion of the training or those desiring to upgrade their occupational skills in order to advance in employment.

For Consumer and Homemaking Regular and/or Depressed Projects: To determine that the project participants include students preparing to enter an unpaid occupation upon completion of the training (education) or those desiring to upgrade their occupational skills in order to advance in employment.

For Industrial Arts Programs: To determine that the project participants include students developing an understanding about all aspects of Industry, Industrial Technology, and making informed and meaningful occupational choices.

REGS: Vocational instruction may be provided to either:

- (1) Those preparing to enter an occupation upon the completion of the instruction; (Secondary and Postsecondary) or
- (2) Those who have already entered an occupation but desire to upgrade or update their occupational skills and knowledge in order to achieve stability or advancement in employment. (Postsecondary)

34 CFR 400.512(c)

Date Auditor W/P

1. Obtain a listing of the students (VEDS forms) receiving services from federally assisted programs and perform the following:
 - a) For formula funded (3.N) projects, determine that the occupational clusters provided by the LEA are the same as the "Areas of Emphasis" indicated in the project.
 - b) Determine that all enrollment is reported using the established VEDS system.

FINDINGS:

ADDENDUM TO
A-102 Audit Guide, Page 111
and Vocational Education
Audit Guide, Page 18

Date Auditor W/P

2. Select at random a sample of student names in the 11th and 12th grades from the VEDS forms obtained in step 1. This sample is to be used for the remainder of the steps in this section.

METHOD OF SELECTION:

Date Auditor W/P

3. Verify that the program code has been accurately assigned to each student selected in step 2 by reviewing the student's prior sequence of courses from the permanent record files. Compare the courses taken in prior years with the description of the assigned program code. Note any inconsistencies.

(NOTE: The program code descriptions may be found in the Vocational Education Data System Handbook on file at the district.)

FINDINGS:

Date Author W/P

2. Select at random a sample of student names from the list obtained in step 1. This sample is to be used in steps 3 through 10 of this section.

METHOD OF SELECTION:

Date Auditor W/P

3. For the students preparing for a paid or unpaid (as appropriate) occupation, review their files and determine that their plan to enter an occupation upon completion of the instruction agrees with the current course of vocational training.

FINDINGS:

Date Auditor W/P

- 4. For postsecondary students or those who have already entered an occupation, determine that they are upgrading or updating their occupational skills and knowledge in order to achieve stability or advancement in employment or to move to a different goal.

FINDINGS:

Date Auditor W/P

- 5. For the handicapped students selected in step 2, obtain the students' IEPs. Indicate the handicapped category. Also, indicate if the VOC ED services provided are listed on the IEPs.

METHOD OF SELECTION:

SCOPE:

Number of Handicapped Students Selected _____
 Total Number of Handicapped Project Participants _____
 Sample Percentage _____

FINDINGS:

Number of Students Without IEP _____
 Number of Students with no Mention of VOC ED Services in the IEP _____

ADDITIONAL FINDINGS:

DEFINITION:

DISADVANTAGED means: (a) Persons (other than handicapped persons) who: (1) Have academic or economic disadvantages; and (2) Require special services, assistance, or programs in order to enable them to succeed in vocational education programs; (b) **ACADEMIC DISADVANTAGE**, for the purposes of this definition of **DISADVANTAGED**, means that a person: (1) Lacks reading and writing skills; (2) Lacks mathematical skills; or (3) Performs below grade level; (c) **ECONOMIC DISADVANTAGE**, for the purpose of this definition of **DISADVANTAGED**, means: (1) Family income is at or below national poverty levels; (2) Participant or parent(s) or guardian of the participant is unemployed; (3) Participant or parent of participant is recipient of public assistance; or (4) Participant is institutionalized or under State guardianship.

PL 94-482

STATE GUIDELINE: Objectives addressing disadvantaged priorities should provide a method for documentation of how students' disadvantage(s) are identified.

Date Auditor W/P

6. a) For disadvantaged students selected in step 2, determine the method or system used to identify the disadvantaged students. If the procedure is written, obtain a copy and summarize below.
- b) Trace to the documentation that indicates the student meets the federal criteria as stated in the above definition. Also, indicate the type of documentation reviewed.

FINDINGS:

STATE GUIDELINE:

LEA's using vocational education formula monies to support Cooperative Education Programs or Special Programs for the Disadvantaged must have documentation on file showing they have met the specified requirements for students in nonprofit private schools. These requirements are as follows:

1. Provision has been made for the participation of students enrolled in nonprofit private schools in the area to be served whose educational needs are of the type which the program or projects involved is to meet to the extent consistent with the number of such students; and
2. Effective policies and procedures have been adopted which assure that federal funds made available under this subpart to accommodate students in nonprofit schools will not be commingled with State or local funds.

Date Auditor W/P

____ _____ _____

7. a) For cooperative education programs or Special Programs for the Disadvantaged, determine that the LEA can document annually that it has met the requirements in 1 and 2 of the above guideline.

FINDINGS:

REGS: Training may be provided to persons serving or preparing to serve in vocational education programs, including teachers, administrators, supervisors, and vocational guidance and counseling personnel.

34 CFR 400.773

Date Auditor W/P

8. For personnel training (4.6) projects, determine that the recipients meet the requirements in the above Reg. NOTE: A new sample of participants may be required for this step as the participants should be Vocational Education Personnel.

FINDINGS:

REGS: A state shall use funds under its basic grant in accordance with its approved five-year State plan and annual program plan to provide vocational education programs for the following special groups:

- a) Persons who had been homemakers but who now, because of dissolution of marriage, must seek employment;
- b) Persons who are single heads of households and who lack adequate job skills;
- c) Persons who are currently homemakers and part-time workers but who wish to secure a full-time job; and

- d) Women who are now in jobs which have been traditionally considered jobs for females and who wish to seek employment in job areas which have not been traditionally considered job areas for females, and men who are now in jobs which have been traditionally considered jobs for males and who wish to seek employment in job areas which have not been traditionally considered as job areas for males.

34 CFR 400.621

Date Auditor W/P

- 9. For displaced homemakers (4.1) projects, determine that the participants meet one of the four above criteria and that the LEA has adequate documentation to support this determination.

FINDINGS:

CONCLUSION:

V. MAINTENANCE OF EFFORT

OBJECTIVE

Determine that the LEA has not decreased its expenditures for vocational education by comparing the previous fiscal year's expenditures to the second previous fiscal year's expenditures.

REGS: A local educational agency shall maintain its fiscal effort on either a per student basis or on an aggregate basis for vocational education compared with the amount expended in the previous fiscal year.

34 CFR 400.325

NOTE TO AUDITORS: All VOC ED projects at the auditee must be considered when performing steps under this section. The ADE accounting section will provide assistance in this area. The computations regarding maintenance of effort will be included in the audit packet. Also, all matching requirements are accomplished at the state level and the local districts and agencies have no control over state matching funds. Therefore, no audit work is required for matching at the local level.

Date Auditor W/P

1. Compute or obtain a listing of the local expenditures for vocational education on a per student or aggregate basis for the previous fiscal year and compare this to the second preceding fiscal year to determine that there has not been a decrease. (VOC ED usually requests costs on the aggregate basis so this may be the most efficient method.) Determine that local expenditures reported are reasonable from review of supporting document action. **NOTE:** If supporting worksheets are not available, testing should be performed only to the extent of the total reported local expenditures.

FINDINGS:

REGS: Any reduction in fiscal effort for any fiscal year by more than five percent will disqualify the LEA from receiving Federal funds unless the LEA is able to demonstrate to the satisfaction of the State the following:

- (a) In the preceding fiscal year, the reduction was occasioned by unusual circumstances that could not have been fully anticipated or reasonably compensated for by the LEA. Unusual circumstances may include unforeseen decreases in revenues due to the decline of the tax base;
- (b) In the second preceding fiscal year, contributions of large sums of monies from outside sources were made; or
- (c) In the second preceding fiscal year, large amounts of funds were expended for long-term purposes such as construction and acquisition of school facilities or the acquisition of capital equipment.

34 CFR 400.324 & 400.327

<u>Date</u>	<u>Auditor</u>	<u>W/P</u>
_____	_____	_____

- 2. If the decrease is more than 5%, determine if 1) in the first preceding fiscal year unusual circumstances caused the reduction such as a decrease in tax base, 2) in the second preceding fiscal year there were large contributions of monies, or 3) large expenditures in second preceding fiscal year were for long term purposes as construction of facilities or acquisition of equipment.

FINDINGS:

REGS: A state shall not make payment under this Act to a local educational agency unless the State finds that the combined fiscal effort of the State and local educational agency on a per student basis or on an aggregate basis of the local educational agency and the State, was not less than the combined fiscal effort in the second preceding fiscal year.

34 CFR 400.326.

Date Auditor W/P

3. Determine if payments were withheld from the LEA if the maintenance of effort requirement was not met.

FINDINGS:

CONCLUSION:

VI. CAPITAL OUTLAY

OBJECTIVE:

To ensure that property and equipment purchased with VOC ED funds is essential to the project, used primarily by VOC ED students, and that records comply with applicable property management standards.

Date Auditor W/P

1. Obtain requisition/purchase order/invoice(s) for all Vocational Education equipment purchased to determine that the equipment was purchased with the approval of the appropriate Vocational Education Administrator. This step should be done at the same time as PROJECT EXPENDITURES AND RECEIPTS.

FINDINGS:

Date Auditor W/P

2. Determine that all equipment purchased from project funds has been received or will arrive in sufficient time to make an impact on the current program.

FINDINGS:

REGS: Use of equipment.

Basic rule. Equipment which has not been transferred under Section 74.136 shall be used by the recipient in the project or program for which it was acquired as long as needed, whether or not the project or program continues to be supported by Federal funds. When no longer needed for the original project or program, the recipient shall use the equipment, if needed, in other projects or programs currently or previously sponsored by the Federal Government, in the following order of priority:

- (1) Projects or programs currently or previously sponsored by the same granting agency.
- (2) Projects or programs currently or previously sponsored by other Federal agencies.

Shared use. If equipment is being used less than full time in the project or program for which it was originally acquired, the recipient shall make it available for use in other projects or programs currently or previously sponsored by the Federal Government: Provided, Such other use will not interfere with the work on the original project or program. First preference for such other use shall be given to other programs sponsored by the same granting agency.

Use by other recipients. When the recipient can no longer use the equipment as required by paragraph (a) of this section, it may voluntarily make the equipment available for use on projects or programs currently or previously sponsored by the Federal Government which the recipient is supporting through subgrants or through nonfederal grants. If the recipient is a subgrantee, it may also voluntarily make the equipment available for use on projects or programs currently or previously sponsored by the Federal Government which are being conducted or supported by the grantee.

Other uses. Unless the granting agency provides otherwise, while equipment is being used as described in the preceding paragraphs of this section, it may also be used part time for other purposes. However, use as described in those paragraphs shall be given priority over other uses.

34 CFR 74.137

3. Obtain a listing of the last physical inventory of VOC ED equipment and ascertain the following:

Date Auditor W/P

- A. Is equipment being used for VOC ED students? If not, has it been loaned so as to not interfere with the VOC ED Program? Also, if loaned, review documentation of approval by ADE State Program Office.

FINDINGS:

Date Auditor W/P

- B. Is the equipment properly labeled as VOC ED equipment?

FINDINGS:

REGS: A physical inventory of equipment shall be taken and the results reconciled with the property records at least once every 2 years to verify the existence, current utilization, and continued need for the equipment. A statistical sampling basis is acceptable. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the differences.

34 CFR 74.140(b)

Date Auditor W/P

4. Has the physical inventory been reconciled to the property records within the last two years?

FINDINGS:

REGS: A control system shall be in effect to ensure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented.

34 CFR 74.140(c)

Date Auditor W/P

5. Determine if equipment has been lost, stolen, or damaged; if so, review documentation of investigation and determine if disposal procedures were followed.

FINDINGS:

Date Auditor W/P

- 6a. Inspect insurance policies for adequate coverage.

FINDINGS:

- b. If the auditee does not have insurance or if the insurance contains a deductible or co-insurance clause, obtain from the business office assurances that the district will be responsible for the deductible, co-insurance or the entire replacement value should the equipment become lost, stolen or damaged.

FINDINGS:

REGS: Disposition of equipment

When original or replacement equipment is no longer to be used in projects or programs currently or previously sponsored by the Federal Government, disposition of the equipment shall be made as follows:

- (a) Equipment with a unit acquisition cost of less than \$1,000 and equipment with no further use value. The equipment may be retained, sold, or otherwise disposed of, with no further obligation to the Federal Government.
- (b) All other equipment.
 - (1) The equipment may be retained or sold, and the Federal Government shall have a right to an amount calculated by multiplying the current market value or the proceeds from sale by the Federal share of the equipment (see Section 74.142). If part of the Federal share in the equipment came from an award under which the exemptions in Section 74.135 were applicable, the amount due shall be reduced pro rata. In any case, if the equipment is sold, \$100 or 10 percent of the total sales proceeds, whichever is greater, may be deducted and retained from the amount otherwise due for selling and handling expenses.
 - (2) If the grantee's project or program for which or under which the equipment was acquired is still receiving grant support from the same Federal program and if the granting agency approves, the net amount due may be used for allowable costs of that project or program. Otherwise, the net amount must be remitted to the granting agency by check.

34 CFR 74.139

Date Auditor W/P

- 7. If equipment has been disposed of, determine if proper disposition procedures have been followed.

FINDINGS:

REGS: Equipment management requirements.

Procedures for managing equipment (including replacement equipment) until transfer, replacement, or disposition takes place shall, as a minimum, meet the following requirements:

- (a) Property records shall be maintained accurately. For each item of equipment, the records shall include:
 - (1) A description of the equipment, including manufacturer's model number, if any.
 - (2) An identification number, such as the manufacturer's serial number.
 - (3) Identification of the grant under which the recipient acquired the equipment.
 - (4) The information needed to calculate the Federal share of the equipment. (See Section 74.142.)
 - (5) Acquisition date and unit acquisition cost.
 - (6) Location, use, and condition of the equipment and the date the information was reported.
 - (7) All pertinent information on the ultimate transfer, replacement, or disposition of the equipment

34 CFR 74.140 (a)

Date Auditor W/P

8. Determine that property records are maintained and provide for:
 - a. A description of the property.
 - b. Manufacturer's serial number or other identification number.
 - c. Acquisition date and cost.
 - d. Source of funding.
 - e. Percentage of federal funds used in the purchase of the property.
 - f. Location, use and condition of the property.
 - g. Ultimate disposition data including sales price or method used to determine current FMV if the grantee reimburses the grantor agency for its share.

FINDINGS:

CONCLUSION:

VII. PROJECT EXPENDITURES AND RECEIPTS

OBJECTIVE:

To determine that the district records provide adequate accountability of the receipts and expenditures and that they are properly classified in accordance with the Uniform System of Financial Records.

To determine that expenditures are documented and represent reasonable and actual charges for essential goods and services provided for the project.

To determine that the employees funded from the projects concentrate their efforts on VOC ED activities and participants.

To determine that the proper indirect cost rate has been applied to the project.

To estimate the expenditures from the audit date through the end of the project year and determine that they will not exceed the project budget.

Date Auditor W/P

____ _____ _____
____ _____ _____

1. Obtain expense ledgers or other record of budgeted versus actual expenditures from business office.
2. Set up a summaries for each fund by object code showing: Budget, Actual Expenditures to Date, Budget Balance, projected Expenditure, Total to Year End, Budget Balance and Deviation. Compute Budget Balance to date. Review any areas which might be potential problems and needing expanded audit work.

NOTE: For all funding categories being reviewed, prepare a separate schedule by fund and perform the subsequent steps in this section.

FINDINGS:

Date Auditor W/P

3. Obtain payroll records and verify the gross pay of all personnel paid from VOC ED by reference to contracts or time slips and approved rates. Agree percentage of contracts to the approved project. (For districts with an excess of 20 VOC ED employees steps 3, 4, 5 and 7 of this section may be performed on a sample basis. A representative sample would include 20% but not less than 20 employees.)

FINDINGS:

STATE GUIDELINE:

All instructional staff for federally funded vocational educational programs must be vocationally certified in the occupational area which is to be taught.

5 Year ASP

Date Auditor W/P

4. Review certification of staff for federally funded vocational education programs to determine that they are properly certified for the vocational instruction area in which they are teaching. NOTE: Refer to the "Vocational Education Enrollment Handbook" for a listing of certificates required in each occupational area or the program areas of Industrial Arts and Consumer and Homemaking.

FINDINGS:

Date Auditor W/P

5. Compute the estimated salary expense to year end by reference to contract or commitment balance per the payroll records. (The amount paid to date may include supplementary amounts over and above the contract.) Enter estimated salary expense on Summaries and compute the budget balance and deviation.

FINDINGS:

Date Auditor W/P

6. Interview instructional staff paid from VOC ED funds who deal directly with participants and determine that they are aware who the participants are and concentrate their efforts on VOC ED students. For other staff, determine that their efforts directly benefit the Vocational Education programs.

FINDINGS:

Date Auditor W/P

7. Obtain a ledger of employee benefits and determine if the appropriate amounts have been charged to the project budget.

FINDINGS:

Date Auditor W/P

8. Estimate employee benefits to the end of the project by applying the appropriate percentages to the salaries estimated in Step #5. Enter estimates on summaries and compute budget balance and deviation.

FINDINGS:

Date Auditor W/P

9. From the detail ledger of expenditures, for supplies, materials and capital outlay, select items for testing as considered necessary, including some items selected at random in addition to large dollar items. All capital outlay purchases should be selected.

Scope:

No. of Items

\$ Value

Total expenditures to date
Total selected items:
Percent selected:

(approx)

Date Auditor W/P

10. Obtain all available documentation for the selected items in Step #9 (requisitions, purchase order, vendor's invoice, etc.). Examine documentation, verify amount of expenditure, review product description and determine that it is to be used in the federally funded project. Note the approval of a program director or designee.

FINDINGS:

Date Auditor W/P

11. Note the quantity and type of items purchased to determine if appropriate for the occupational areas included in the VOC ED programs being conducted and the number of participants.

FINDINGS:

Date Auditor W/P

12. Interview VOC ED personnel to determine if they received the materials and observe that they are being used by only VOC ED participants.

FINDINGS:

Date Auditor W/P

13. From the detail ledger of other expenditures, select items for testing as considered necessary including some items selected at random in addition to large dollar items.

Scope:

No. of Items

\$ Value

Total expenditures to date
Total selected items:
Percent selected:

_____ (approx) _____

14. Obtain all available documentation for the selected items in Step #13 (requisitions, purchase orders, travel claims, vendor's invoice, etc.). Examine documentation, verify amount of expenditure, review service description and determine that it is approved in the project application. Note the approval of a program director or designee. Also, determine if they were appropriate for the VOC ED program being conducted.

FINDINGS:

STATE BOARD OF
EDUCATION RULE:

- 1) All school districts must obtain sealed competitive bids for all purchases of supplies, materials and equipment that have an estimated cost of \$5,000 per transaction.
- 2) School districts contracting for outside professional services which require a total payment of more than \$5,000 shall request bids for those services.

See Rule R7-2-701
(USFR III-H-7 thru III-H-12)

Date Auditor W/P

15. a) Review supplies and equipment purchases to determine if any transaction exceeded \$5,000. If so, determine if proper bidding procedures were followed as stated in the USFR.

FINDINGS:

Date Auditor W/P

15. b) Review outside services contracts and determine if the total to be paid exceeds \$5,000 in the fiscal year being audited. If so, determine if proper bidding procedures were followed as stated in the USFR.

FINDINGS:

Date Auditor W/P

16. Obtain from a reliable source an estimate of expenditures to the end of the projects. Enter estimates on summaries and compute budget balance and deviation. Suggested method for estimated expenditures to year end is to obtain the encumbrances from the expense ledgers. Ask project director or other appropriate person if any other expenditures are planned which have not yet been encumbered (purchase order issued). If amount appears unreasonable in view of project timelines, investigate and obtain documentation.

FINDINGS:

STATE GUIDELINES

A district is eligible to claim indirect costs if it has a State approved restricted indirect cost rate. The district applies the rate to actual expenditures less capital outlay of the project. For postsecondary projects, 8% is the maximum which can be claimed for indirect cost.

The SEA recommends that at the beginning of the project period 75% of allowable indirect costs be transferred to an indirect cost fund. As expenditures exceed 75% of the total budget, additional funds may be transferred to the indirect cost fund with a final adjustment at the end of the project period.

For the purposes of vocational education, indirect cost is defined as (a) costs incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. These costs are further defined as auxiliary functions necessary to sustain the direct effort involved in administering a grant program or an activity providing service to the grant program. These services may be centralized in the grantee department or in some other agency and include procurement, payroll, personnel functions, maintenance and operation of space, data processing, accounting, budgeting, auditing, mail and messenger service.

Date Auditor W/P

17. Confirm the indirect cost rate in the project with the SEA except for postsecondary schools that use 8%.

FINDINGS:

Date Auditor W/P

18. Determine the indirect cost rate has been properly applied to actual expenditures less capital outlay. (A district may transfer up to 75% of budgeted indirect costs to the indirect cost fund with adjustment to actual expenditures less capital outlay made at the end of the project period.)

FINDINGS:

Date Auditor W/P

19. Determine that the LEA has not directly charged to the project, expenditures which would appear to be indirect.

FINDINGS:

REGS: An integral part of vocational instruction does not include:

- 1) Lodging, feeding, conveying, or furnishing transportation to conventions or other forms of social assemblage;
- 2) Purchase of supplies, jackets, and other effects for students' personal ownership;
- 3) Cost of non-instructional activities such as athletic, social or recreational events;
- 4) Printing and disseminating non-instructional newsletters;
- 5) Purchase of awards for recognition of students, advisors, and other individuals; or
- 6) Payment of membership dues.

34 CFR 400.513(c)

Date Auditor W/P

20. Determine that federal fund expenditures had not been made for any of the above indicated costs for students or teachers.

FINDINGS:

Date Auditor W/P

21. For Disadvantaged and Handicapped projects, determine that the expenditures provide for separate specialized or modified vocational education programs for the disadvantaged or handicapped students and that only the services over and above those provided in regular vocational education programs were utilized in the projects.

FINDINGS:

Date Auditor W/P

22. For school districts that are required to transfer district funds to the VOC ED fund, as required in the Estimated Needs-Funds Payment Schedule, determine that the transfer has taken place by review of applicable documentation.

NOTE: If the transfer has not taken place, advise the district that it should be done immediately.

FINDINGS:

Date Auditor W/P

23. Obtain the revenue ledger from the LEA and list the monthly receipts as of the audit date. NOTE: The receipts for all VOC ED projects will be grouped by formula and discretionary.

24. Compare the above list to form ADE 40-004 Estimated Needs - Funds Payment Schedule.

FINDINGS:

Date Auditor W/P

25. Subtract the total amount expended to date of the audit, from the total of cash received to establish the current cash balance. Compare with the County School Office for all VOC ED projects.

FINDINGS:

CONCLUSION:

VIII. EXIT CONFERENCES

Date Auditor W/P
____ _____ _____

1. Arrange an exit conference with the officials of the auditee to discuss the results of the audit findings and proposed recommendations except when there are compelling reasons (fraud, embezzlement, theft, forgery) for not discussing specific items below the state agency level. Findings should include auditee's reaction to the audit findings and recommendations.

Persons Attending Exit Conference

FINDINGS:

Date Auditor W/P
____ _____ _____

2. Immediately upon returning to the ADE, contact the appropriate program personnel to discuss the audit results. For minor audit exceptions a formal exit conference with the program office is not required. The exceptions may be conveyed in a phone conversation. However, for audits with major findings the program office should have the opportunity for an exit conference.

Persons Attending Exit Conference

FINDINGS:

as/"Z"