



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

AUDIT SERVICES

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Dr. Johan Uvin
Acting Assistant Secretary
Office of Career, Technical, and Adult Education
U.S. Department of Education
400 Maryland Avenue, SW
Washington, DC 20202

Dear Dr. Uvin:

This final audit report, “The U.S. Department of Education’s Oversight of the Carl D. Perkins Career and Technical Education Improvement Act of 2006 Program,” presents the results of our audit. The purpose of this report is to provide the results of our assessment of the adequacy of selected aspects of the oversight of the Carl D. Perkins Career and Technical Education Improvement Act of 2006 (Perkins IV) program provided by the U.S. Department of Education (Department), Office of Career, Technical, and Adult Education (OCTAE). The objectives of our audit were to determine whether OCTAE developed and implemented control activities that provided reasonable assurance that

1. States submitted reliable Perkins IV program performance data to the Department and
2. States and subrecipients took corrective action when the Department or others identified unreliable Perkins IV program performance data or inadequate Perkins IV program performance results.¹

To answer our objectives, we evaluated the adequacy of the design of OCTAE’s control activities as of January 26, 2015. We then judgmentally selected 5 States from the universe of 55 States to evaluate the operating effectiveness of OCTAE’s control activities.² Because we did

¹ We use “States” to refer to the 57 grantees (50 States, the District of Columbia, Puerto Rico, Guam, Palau, American Samoa, Northern Mariana Islands, and the Virgin Islands) that received a Perkins IV program allocation for fiscal year 2014.

² Although American Samoa and the Northern Mariana Islands received Perkins IV program funds, OCTAE did not assign either outlying area a risk ranking in fiscal year 2014; therefore, we did not consider either outlying area as part of the universe when selecting our sample of five States (see “[Sampling Methodology](#)” in the “[Objectives, Scope, and Methodology](#)” section of this report).

not select the States as part of a statistical sample, our results might not be representative of the entire universe and, therefore, cannot be projected to the universe. For the first objective, we reviewed Perkins IV program performance data included in the five States' most recent consolidated annual reports. We also evaluated OCTAE's processes for ensuring that States submitted reliable performance data to the Department. For the second objective, we reviewed the corrective actions that OCTAE required the five States to implement (1) to resolve the findings reported in OCTAE's most recent monitoring reports, (2) to resolve the Perkins IV program findings reported in the five States' most recent single audits, and (3) for not meeting performance goals for at least 3 consecutive years. We also evaluated OCTAE's processes for ensuring that States took steps to address deficiencies noted in monitoring and audit reports and to improve performance.

For objective 1, we concluded that, as of January 26, 2015, OCTAE had developed and implemented control activities that provided reasonable assurance that States submitted reliable Perkins IV program performance data to the Department. We did not identify any significant areas for improvement but suggest that OCTAE consider requiring auditors conducting single audits to evaluate the adequacy of a State's system of internal control, including information systems controls, over data reporting. For objective 2, we concluded that, as of January 26, 2015, OCTAE had developed and implemented control activities that provided reasonable assurance that States and subrecipients took corrective action when the Department or others identified unreliable Perkins IV program performance data or inadequate Perkins IV program performance results. However, OCTAE could strengthen its control activities by ensuring that it adheres to Department policies and procedures for obtaining and retaining monitoring and oversight documentation.

In its comments on the draft of this report, OCTAE agreed with the results for objective 1 and agreed to consider the suggestion. OCTAE generally agreed with the results for objective 2 and the finding. However, OCTAE clarified that the documentation retention failure occurred as a result of the Department's transfer of computer files to a cloud-based server, not as a result of employee recordkeeping practices. OCTAE did not state whether it agreed with the recommendation but told us that it has recovered the missing files and placed them on its centralized drive. The full text of OCTAE's comments on the draft of this report is included as [Attachment 2](#).

We updated the finding to include OCTAE's clarification and revised the recommendation.

BACKGROUND

The Perkins IV program is the principal source of Federal funding for the improvement of secondary and postsecondary career and technical education programs. The program provides about \$1 billion annually to 50 States, American Samoa, the District of Columbia, Guam, the Northern Mariana Islands, Palau, Puerto Rico, and the Virgin Islands. Perkins IV requires the

Department to distribute funds to States through a formula based on each State's populations in certain age groups and per capita income. Perkins IV requires each State to distribute at least 85 percent of its program funds by formula to local educational agencies, vocational and technical schools, community colleges, and other public or private nonprofit institutions that offer career and technical education programs. Perkins IV does not allow States to spend more than 15 percent of their program funds on administrative and State leadership activities.

Perkins IV requires each State to annually report aggregated data on 13 core indicators of the performance of all students, disaggregated data on the performance of students in special population categories, and disaggregated data on the performance of students by gender, race, and ethnicity. The seven required core indicators of performance at the secondary level were (1) academic attainment in reading, language arts, and mathematics; (2) technical skill attainment; (3) secondary school completion; (4) student graduation rates; (5) secondary placement; (6) nontraditional participation; and (7) nontraditional completion. The six required core indicators of performance at the postsecondary level were (1) technical skill attainment; (2) credential, certificate, or degree completion; (3) student retention or transfer; (4) student placement; (5) nontraditional participation; and (6) nontraditional completion.

OCTAE was responsible for overseeing States' administration of the Perkins IV and Workforce Investment Act grant programs; providing assistance to States to improve program quality, implementation, and accountability; and establishing national initiatives to help States implement career and technical education programs. OCTAE required States receiving Perkins IV program funds to annually submit a consolidated annual report by December 31. The report had to include descriptions of performance and financial status, as well as the secondary and postsecondary core indicators of performance. States used the Department's Perkins Information Management System to submit their consolidated annual reports. OCTAE also required each State's Perkins IV director and financial officer to attest to the completeness and accuracy of the data reported in the consolidated annual report.

To fulfill its oversight responsibilities, OCTAE conducted onsite and virtual monitoring of States receiving Perkins IV program funds. OCTAE selected States to monitor using a risk assessment process that it developed in consultation with the Department's Risk Management Service. As part of the risk assessment process, OCTAE considered factors such as the last time that it conducted a monitoring visit and each State's current fiscal status, prior single audit findings, grant award conditions, and Perkins IV program performance data. To prepare for an onsite monitoring visit, OCTAE's monitoring team members reviewed the State's consolidated annual report. They also held a meeting to discuss any findings identified the last time OCTAE monitored the State, any single audit findings pertaining to the Perkins IV program, and any concerns OCTAE had with the State's program performance data. OCTAE recorded the results of its monitoring visits and noted any deficiencies in States' compliance with Perkins IV requirements. OCTAE then worked with States to correct the deficiencies.

AUDIT RESULTS

The objectives of our audit were to determine whether OCTAE developed and implemented control activities that provided reasonable assurance that

1. States submitted reliable Perkins IV program performance data to the Department and
2. States and subrecipients took corrective action when the Department or others identified unreliable Perkins IV program performance data or inadequate Perkins IV program performance results.

We evaluated OCTAE's control activities as of January 26, 2015.

In its comments on the draft of this report, OCTAE agreed with the results for objective 1 and agreed to consider our suggestion that it consider requiring auditors conducting single audits to evaluate the adequacy of a State's system of internal control, including information systems controls, over data reporting. OCTAE generally agreed with the results for objective 2 and the finding. However, OCTAE clarified that the documentation retention failure occurred as a result of the Department's transfer of computer files to a cloud-based server, not as a result of employee recordkeeping practices. OCTAE did not state whether it agreed with the recommendation but told us that it has recovered the missing files and placed them on its centralized drive. The full text of OCTAE's comments on the draft of this report is included as [Attachment 2](#). We did not include the documents that OCTAE provided with its comments on the draft of this report. However, we will provide the documents on request.

We updated the finding to include OCTAE's clarification and revised the recommendation.

Results for Objective 1: Perkins IV Program Performance Data Reporting

As of January 26, 2015, OCTAE had developed and implemented control activities that provided reasonable assurance that States submitted reliable Perkins IV program performance data to the Department. These control activities included (1) using computerized data input controls and validation techniques, (2) providing training to States, (3) analyzing the information in consolidated annual reports for possible inaccuracies, (4) conducting onsite or virtual monitoring of States, and (5) discussing any findings identified the last time OCTAE monitored the State and any single audit findings pertaining to Perkins IV. We did not identify any control activities that needed improvement.

To ensure that States reported complete and accurate Perkins IV program performance data in their consolidated annual reports, OCTAE used computerized data input controls and validation techniques. States submitted their consolidated annual reports through the Department's Perkins Information Management System. The system had pulldown menus, automatic computations, and edit checks. Although States submitted postsecondary performance data directly through the Perkins Information Management System, the secondary performance data shown in the States'

consolidated annual reports came from the Department's ED Facts Submission System. States entered secondary Perkins IV performance data into the ED Facts Submission System. The ED Facts Submission System ran edit checks to determine whether the data were (1) entered in the correct file format, (2) valid, and (3) reasonable. OCTAE could not upload the performance data into the consolidated annual report unless the ED Facts Submission System showed that the data were error-free. OCTAE required each State's Perkins IV director to provide the following attestation:

I certify to the best of my knowledge and belief that this report, consisting of narrative performance information, financial status reports (FSRs)*, and performance data, is accurate and complete. I understand that the U.S. Department of Education will use only the performance data that it receives by the December 31 submission deadline each year to determine whether my State has met at least 90 percent of its agreed upon State adjusted performance levels for each of the core indicators of performance under section 113 of Title I of [Perkins IV] or whether the State must submit a program improvement plan as required in section 123(a)(1) of Perkins IV. I further understand that the use of the Personal Identification Number (PIN) supplied to me by the Department to certify and submit the CAR is the same as certifying and signing the document with a hand-written signature.

***Note:** The FSRs contained in this report must be separately certified and signed by the State official authorized by State law to perform these functions on behalf of the State. This official may use a separate PIN supplied to the State by the Department to certify and submit the FSRs.

To help States understand the process for submitting their consolidated annual reports, OCTAE published instructions for preparing the consolidated annual report. The instructions covered topics such as submission deadlines, requests for extensions, amended performance data submissions, and forms required to be included in each State's consolidated annual report submission. OCTAE also annually hosted two training sessions on preparing the consolidated annual report. Further, it provided training on data collection, use, and quality. The training included information on how to use data to enhance student outcomes, processes to transform programs for underrepresented students, and strategies to analyze individual and composite subrecipient data.

To identify possible inaccuracies in the data that States reported in their consolidated annual reports, OCTAE first reviewed the information in the States' consolidated annual reports. If necessary, OCTAE asked States to clarify or correct data that appeared inaccurate. OCTAE also used analytical procedures, such as comparing a State's data from one reporting year to the next, to identify trends and significant changes. If OCTAE found anything questionable, it contacted the State for clarification or correction. For example, OCTAE found questionable elements in the 2012–2013 consolidated annual reports from each of the five States covered by our audit. OCTAE asked one State to describe how it served special populations during the program year. OCTAE asked another State to explain in greater detail how it used Perkins IV funds to develop or enhance data systems to collect and analyze data on secondary and postsecondary academic employment outcomes.

To evaluate the adequacy of the processes that States used to report performance data, OCTAE conducted onsite monitoring visits to States or virtually monitored the States. Whether monitoring was conducted onsite or virtually, OCTAE followed the steps in a monitoring visit form that it created. OCTAE designed the monitoring visit form to help reviewers gain an understanding of a State's processes for ensuring that the data subrecipients submitted to the State were reliable. For example, the monitoring visit form included questions about how States ensured that their subrecipients submitted reliable data and had examples of the types of evidence that States could provide to demonstrate that their subrecipients were providing reliable data. As part of the monitoring, OCTAE also sampled subrecipients and compared the subrecipients' data to the corresponding data in the State's and Department's reports. OCTAE employees used the monitoring visit form to document the results of their monitoring.

Finally, OCTAE considered the last time it monitored the State and whether the State had any single audit findings pertaining to the Perkins IV program. For the single audit, OCTAE ensured that the compliance supplement directed auditors to test a sample of cells on the State's consolidated annual report to ensure that the State had data that supported the numbers in the report. For the five States included as part of our audit, we did not identify any findings related to unreliable Perkins IV program performance data in either OCTAE's monitoring reports or in single audits reports. However, OCTAE might attain enhanced assurances that States' self-certified data are complete and accurate if it required auditors conducting single audits to evaluate not only a sample of cells on the consolidated annual report but also the adequacy of a State's system of internal control, including information systems controls, over data reporting.

Auditee Comments

OCTAE agreed with the results for objective 1 and agreed to consider our suggestion that it consider requiring auditors conducting single audits to evaluate the adequacy of a State's system of internal control, including information systems controls, over data reporting.

Results for Objective 2: Implementation of Corrective Actions

As of January 26, 2015, OCTAE had developed and implemented control activities that provided reasonable assurance that States and subrecipients took corrective actions when the Department or others identified unreliable Perkins IV program performance data or inadequate Perkins IV program performance results. OCTAE's control activities included (1) imposing more stringent reporting requirements on States that did not meet performance goals, (2) verifying that States implemented corrective actions for findings identified in single audit reports, and (3) verifying that States and subrecipients implemented corrective actions for findings identified in OCTAE's monitoring reports. However, we concluded that OCTAE could strengthen its control activities by ensuring that it adheres to Department policies and procedures for obtaining and retaining monitoring and oversight documentation.

To provide reasonable assurance that States took corrective actions when they did not meet Perkins IV program performance goals, OCTAE imposed more stringent reporting requirements. For example, if a State did not meet performance goals for more than 3 consecutive years, OCTAE required the State to submit quarterly progress reports. The quarterly progress reports included descriptions of the actions that the State planned to take to improve performance, the

timelines for completing the actions, the people responsible for implementing the corrective actions, and any completed actions. In 2014, OCTAE required four of the five States covered by our audit to submit quarterly progress reports because they did not meet their Perkins IV program performance goals for more than 3 consecutive years.

To provide reasonable assurance that States took corrective actions to adequately resolve Perkins IV program findings identified in single audits, OCTAE employed audit resolution specialists. OCTAE's audit resolution specialists contacted the States and tracked their corrective actions planned or taken, targeted and actual completion dates, and any other information that could affect the resolution of the single audit findings through the Department's Audit Accountability Resolution Tracking System. Once OCTAE confirmed that a State had taken steps sufficient to address the issues of a particular single audit finding, the Assistant Secretary for OCTAE issued a program determination letter to inform the State that the finding was resolved and closed.

To provide reasonable assurance that States and subrecipients took corrective action for Perkins IV program findings identified in OCTAE's monitoring reports, OCTAE monitored the implementation of States' and subrecipients' corrective actions for monitoring visit findings and worked with States to correct the deficiencies. OCTAE tracked the resolution of its monitoring visit findings by using a chart that included the finding, the OCTAE employee responsible for following up on the finding, the due date for the corrective action, and whether the finding was resolved. OCTAE provided more training and assistance to States that struggled to implement their corrective actions.

Although it developed and implemented control activities that provided reasonable assurance that States and subrecipients took corrective action when the Department or others identified unreliable Perkins IV program performance data or inadequate Perkins IV program performance results, OCTAE did not always retain documentation that was sufficient for us to verify that it fully implemented the control activities.

FINDING NO. 1 – OCTAE Did Not Retain All Required Documentation

OCTAE did not retain all required documentation pertaining to its monitoring of States' implementation of corrective actions for Perkins IV program findings that OCTAE identified in its monitoring reports issued on or before January 26, 2015. We reviewed the most recent monitoring reports that OCTAE issued, monitoring documentation that OCTAE retained, and States' corrective action plans for 5 (9 percent of the 55 States that received Perkins IV program funds) judgmentally selected States (see "[Sampling Methodology](#)" in the "[Objectives, Scope, and Methodology](#)" section of this report). We found that OCTAE sufficiently documented that three of the five States implemented all required corrective actions. For all three States, OCTAE issued letters to the States explaining that it accepted the States' corrective actions and considered the findings resolved. OCTAE did not provide us with sufficient documentation to determine whether the other two States implemented all required corrective actions.

For one of the two States, OCTAE did not provide us with a closeout letter stating that the State had implemented the required corrective actions and that OCTAE considered the findings resolved. In its monitoring report, OCTAE reported that the State's secondary local application

did not (1) identify the levels of performance for each of the core indicators of performance and (2) describe the process that the State would use to evaluate and continuously improve the performance of eligible subrecipients. To address the findings, OCTAE required the State to revise its local applications to include subrecipients' levels of performance and to ensure that subrecipients provided descriptions of how they would evaluate and continuously improve their performance. OCTAE did not provide us with any evidence showing that the State implemented both required corrective actions. However, when we visited this State and asked it for such evidence, the State was able to provide us with its response and supporting documentation sufficient to show that it implemented both corrective actions that OCTAE required.

For the other State, OCTAE provided us with its closeout letter and the State's response describing the steps that it had taken to address the deficiencies noted in OCTAE's monitoring report. In its monitoring report, OCTAE reported that the State did not require subrecipients to (1) submit an annual local report identifying gaps or disparities in performance between any category of students and all students and (2) provide an improvement plan with special consideration to performance gaps. To address the findings, OCTAE required the State to revise its annual local report and improvement plan templates to comply with the applicable sections of Perkins IV. However, OCTAE did not provide us with any evidence showing that it ensured the State took sufficient corrective actions to address the deficiencies noted in OCTAE's monitoring report. We did not ask this State to provide us with the supporting documentation showing the steps it had taken to correct the deficiencies because we contacted only the two States that we visited.³ Instead of us contacting this State, we are bringing this instance of insufficient documentation to OCTAE's attention so it can obtain evidence that the State took the required corrective actions and then retain that evidence or require the State to correct the deficiencies.

Office of Management and Budget Circular A-123, "Management's Responsibility for Internal Control," December 21, 2004, states that management must establish and maintain internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. Management should continuously monitor and improve the effectiveness of internal control associated with their programs and ensure it has the appropriate level of documentation needed to support this assessment.

According to the Department's Administrative Communications Systems Directive OS: 1-108, "Guide for Managing State Administered Programs" (VIII)(D)(2), February 3, 2010, a formula grant should be closed out only if (1) the single audits for the grant period have been completed, all audit findings (including from Federal audits) have been resolved, corrective action plans are in place, and amounts due back have been paid or a payment plan has been agreed to; and (2) no issues that were identified in the program office's monitoring reports are outstanding.

According to the Department's Grant Bulletin 14-06, "Policy, Guidance, and Responsibilities for Principal Office Monitoring Frameworks for Formula Grant Programs," (VI)(H)(1), April 28, 2014, program offices should maintain documentation on a grantee's progress in

³ We visited only the two States that received the largest Perkins IV allocations of the five selected States and had different risk rankings (see "[Sampling Methodology](#)" in the "[Objectives, Scope, and Methodology](#)" section of this report).

meeting performance standards and compliance with grant requirements.⁴ At a minimum, the program office should maintain (1) monitoring reports, (2) corrective action plans, (3) communications with the grantee related to monitoring activities, (4) evidence of the actions taken by a grantee to resolve and close findings in monitoring reports, (5) technical assistance provided to help the grantee correct the findings of noncompliance identified in the monitoring report, and (6) documents supporting key internal controls in the monitoring process.

The disposition of documentation on a grantee's progress in meeting standards and compliance with grant requirements should adhere to ED Records Schedule No.: 254, December 19, 2011, "Grant Administration and Management Files." According to ED Records Schedule No.: 254 and Grant Bulletin 14-06, Enclosure 1, formula grant documentation should be "destroyed/deleted five years after closure of grant, completion of monitoring, audit resolution, or final judicial determination, or until the grant program has been reauthorized, whichever is later." In 2014, the National Archives and Records Administration and the Department revised their records schedules to increase the retention period for formula grant files to at least 10 years after final action is taken on the file.

According to OCTAE, the documentation retention failure occurred as a result of the Department's transfer of computer files to a cloud-based server, not as a result of employee recordkeeping practices. After commenting on the draft of this report, OCTAE informed us that the monitoring documentation that was not available at the time of our audit work had been recovered. OCTAE provided us with one State's revised local application, which showed that the State implemented both required corrective actions, but not a closeout letter stating that the State had implemented the required corrective actions and that OCTAE considered the findings resolved. Additionally, OCTAE provided the other State's revised improvement plan but not the State's revised annual local report. OCTAE provided us with computer screen shots showing the location of the recovered documentation on its centralized drive.

The goals of Perkins IV include an increased focus on the academic achievement of career and technical education students, strengthening the connections between secondary and postsecondary education, and improving State and local accountability. If OCTAE does not maintain all required monitoring and oversight documentation, it cannot be sure that States promptly address deficiencies noted in OCTAE's monitoring reports. OCTAE also increases the risk that States will not timely implement appropriate corrective actions or implement corrective actions at all, which puts States at risk of not accomplishing the goals of Perkins IV.

Recommendation

We recommend that the acting Assistant Secretary for OCTAE—

- 1.1 Ensure that it adheres to Department policies and procedures for obtaining and retaining monitoring and oversight documentation.

⁴ The Department issued Grant Bulletin 14-06 after OCTAE completed its monitoring reports on the two States.

Auditee Comments

OCTAE generally agreed with the results for objective 2 and the finding. However, OCTAE clarified that the documentation retention failure occurred as a result of the Department's transfer of computer files to a cloud-based server, not as a result of employee recordkeeping practices. OCTAE stated that it has since recovered the missing files and placed them on its centralized drive. OCTAE did not state whether it agreed with the recommendation.

OIG Response

We revised the finding and the recommendation. In the draft of this report, we stated that, according to OCTAE, when the Department migrated OCTAE's email and file systems to new systems, employees lost some of the required monitoring documentation that they stored on their government-furnished computers and had backed up on external drives. Based on OCTAE's comments on the draft of this report and additional documentation that OCTAE provided us, we are revising the final report. We now state that required monitoring documentation was misplaced during the Department's transfer of computer files to a cloud-based server, not as a result of employee recordkeeping practices. We also added that, after recovering the missing monitoring documentation, OCTAE provided us with one State's revised local application, which showed that the State implemented both required corrective actions, but not a closeout letter stating that the State had implemented the required corrective actions and that OCTAE considered the findings resolved. Additionally, OCTAE provided the other State's revised improvement plan but not the State's revised annual local report. OCTAE provided us with computer screen shots of the location of the recovered documentation on its centralized drive. Finally, we changed the recommendation to state that OCTAE, rather than the employees, should adhere to Department policies and procedures for obtaining and retaining monitoring and oversight documentation.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit were to determine whether the OCTAE developed and implemented control activities that provided reasonable assurance that

1. States submitted reliable Perkins IV program performance data to the Department and
2. States and subrecipients took corrective action when the Department or others identified unreliable Perkins IV program performance data or inadequate Perkins IV program performance results.

We evaluated OCTAE's control activities as of January 26, 2015.

For the first objective, we reviewed Perkins IV program performance data included in the 2012–2013 consolidated annual reports submitted by five judgmentally selected States and the Perkins IV program performance data included in the 2013–2014 consolidated annual report for one of the five States (see “[Sampling Methodology](#)”).⁵ We also evaluated OCTAE’s process for ensuring that States submitted reliable Perkins IV program performance data to the Department. For the second objective, we reviewed the corrective actions that OCTAE required the five judgmentally selected States to implement (1) to resolve the findings reported in OCTAE’s most recent monitoring reports (issued on or before January 26, 2015), (2) to resolve the Perkins IV program findings reported in the five States’ 2012 and 2013 single audits, and (3) for not meeting Perkins IV program performance goals for at least 3 consecutive years. We also evaluated OCTAE’s process for ensuring that States (1) took steps to address deficiencies noted in OCTAE’s monitoring report and single audit reports and (2) took steps to improve performance when Perkins IV program performance goals were not met for more than 3 consecutive years.

To gain an understanding of the Perkins IV program and the requirements for performance data reporting, we reviewed program information posted on the Department’s Web site, the Carl D. Perkins Career and Technical Education Improvement Act of 2006, and Perkins IV program memoranda and nonregulatory guidance. To gain an understanding of how OCTAE managed Perkins IV program performance data reporting and State monitoring and the environment in which OCTAE operated, we reviewed OCTAE’s policies and procedures that were related to Perkins IV program performance data reporting and State monitoring. We also reviewed the 2012 and 2013 single audits for the five States covered by our audit to identify areas of potential internal control weaknesses related to our audit objectives.

As part of our audit, we visited Arizona and Minnesota but did not visit Arkansas, Vermont, or West Virginia. We visited Arizona and Minnesota because they received the largest Perkins IV program allocations of the five selected States and had different risk rankings (see “[Sampling Methodology](#)” in the “[Objectives, Scope, and Methodology](#)” section of this report). To gain an understanding of how Arizona and Minnesota administered the Perkins IV program and the environment in which they operated, we reviewed each State’s policies and procedures that were related to Perkins IV program performance data reporting and subrecipient monitoring.

Internal Control

We gained an understanding of the control activities over Perkins IV program performance data reporting that OCTAE developed and implemented. We interviewed OCTAE employees, reviewed OCTAE’s organizational chart, reviewed OCTAE’s guidance documents and training materials, and read OCTAE employees’ review notes on five States’ consolidated annual reports. For two of the five States (Arizona and Minnesota), we interviewed State officials; reviewed the States’ organizational charts, written policies and procedures, guidance, and training materials;

⁵ When we began the audit, OCTAE had not yet accepted and finalized the five selected States’ 2013–2014 consolidated annual reports. Therefore, we reviewed the five selected States’ 2012–2013 consolidated annual reports. When we began our work in one of the five selected States, the Department had accepted and finalized the State’s 2013–2014 consolidated annual report, so we also reviewed that State’s 2013–2014 consolidated annual report.

and compared the Perkins IV program performance data in the States' systems to their consolidated annual reports.

We also gained an understanding of OCTAE's control activities over States' and subrecipients' implementation of corrective actions to address Perkins IV program findings reported in OCTAE's monitoring reports. We also gained an understanding of OCTAE's control activities over State's implementation of corrective actions to address findings reported in single audits and for States not meeting Perkins IV program performance goals for more than 3 consecutive years. We interviewed OCTAE officials and reviewed monitoring procedures, schedules, and forms that OCTAE employees used to conduct and document the results of their monitoring. For the five States covered by our audit, we reviewed grant awards for the 2014 award year; OCTAE's most recent monitoring reports issued on or before January 26, 2015; States' corrective action plans; OCTAE's monitoring report closeout letters; and any other relevant monitoring documentation that OCTAE retained. For two (Arizona and Minnesota) of the five States, we interviewed State officials and reviewed the procedures, schedules, and forms that each State used to conduct and document their monitoring of subrecipients. For one State (Arizona), we confirmed that a sample of subrecipients took corrective actions for Perkins IV program findings. The most recent OCTAE monitoring report and single audit reports on the other State (Minnesota) did not contain findings related to our audit objectives; therefore, we did not select any Minnesota subrecipients.

Our review identified a minor deficiency in OCTAE's implementation of the control activities that it designed to provide reasonable assurance that States and subrecipients took corrective actions when the Department or others identified unreliable Perkins IV program performance data or inadequate Perkins IV program performance results. We found that OCTAE did not retain all required monitoring documentation pertaining to the implementation of corrective actions for Perkins IV program findings that it identified in its monitoring reports (see [Finding No. 1](#)).

Data Reliability

To achieve our objectives, we relied on data from the Department's Perkins Information Management System, Arizona's and Minnesota's reporting systems, and Arizona's accounting system. We assessed the reliability of these data by looking for duplicate entries, invalid identifiers, missing data, values outside a designated range, or values outside valid periods. We also reconciled the performance data in Arizona's and Minnesota's reporting systems to the corresponding performance data in the Department's Perkins Information Management System. Based on this assessment, we concluded that the data that the Department and two States provided were sufficiently reliable for our intended use.

Sampling Methodology

To achieve our audit objectives, we judgmentally selected five States (Arizona, Arkansas, Minnesota, Vermont, and West Virginia) that received Perkins IV program funds for fiscal year 2014. We also selected a nonstatistical sample of 10 subrecipients (in 1 State) that received Perkins IV program funds for fiscal year 2013.

Selection of States

We judgmentally selected 5 (9 percent) States from the universe of 55 States that received Perkins IV program funds and received a risk ranking from OCTAE for fiscal year 2014. OCTAE assigned risk rankings (“low,” “elevated,” or “significant”) to each of the 55 States. OCTAE based each State’s ranking on factors such as missed performance targets, lapsed funds, and the last time that OCTAE monitored the State. For fiscal year 2014, OCTAE assigned a “low” ranking to 40 States and an “elevated” ranking to 15 States.⁶ To select the States, we considered the fiscal year 2014 risk rankings that OCTAE assigned, the amount of Perkins IV program funds that each State received, and the percentage of each State’s population that was rural. According to OCTAE’s Program Administration Branch Chief, Division of Academic and Technical Education, rural States generally faced more challenges administering Perkins IV programs because their target populations are widely dispersed from education centers. Of the five States, we judgmentally selected two (Arizona and Minnesota) to visit. We selected Arizona and Minnesota because they received the largest allocations of the five States and had different risk rankings. Because we judgmentally selected the States, our sampling results might not be representative of the entire universe and, therefore, cannot be projected to the universe.

Selection of Subrecipients

To verify that Arizona and its subrecipients implemented corrective actions for Perkins IV program findings, we randomly selected a nonstatistical sample of 10 (9 percent) of the 109 subrecipients that received Perkins IV program funds for fiscal year 2013.⁷ Minnesota’s most recent monitoring and single audit reports did not contain findings related to our audit objectives; therefore, we did not select any Minnesota subrecipients.

We conducted this audit from November 2014 through October 2015 in Washington, D.C.; Phoenix, Arizona; Saint Paul and Roseville, Minnesota; and at our offices in Chicago, Illinois and Kansas City, Missouri.

We discussed the results of our audit with OCTAE officials on December 2, 2015; with Arizona officials on November 24, 2015; and with Minnesota officials on November 23, 2015. We provided OCTAE with a draft of this report on January 25, 2016.

We reviewed OCTAE’s comments on the draft of this report. We also verified the validity of OCTAE’s explanation for why required monitoring documentation was not available at the time of our audit work by obtaining and reviewing one State’s revised local application, the second State’s revised improvement plan, and computer screen shots showing the location of the recovered documentation on OCTAE’s centralized drive.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence that we obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁶ OCTAE did not assign a risk ranking to American Samoa or the Northern Mariana Islands in fiscal year 2014.

⁷ Because of the small sample size, our sampling results might not be representative of all Arizona subrecipients and, therefore, cannot be projected.

ADMINISTRATIVE MATTERS

Corrective actions proposed (resolution phase) and implemented (closure phase) by your office will be monitored and tracked through the Department's Audit Accountability and Resolution Tracking System. The Department's policy requires that you develop a final corrective action plan for our review in the automated system within 30 calendar days of the issuance of this report. The corrective action plan should set forth the specific action items, and targeted completion dates, necessary to implement final corrective actions on the findings and recommendations contained in this final audit report. An electronic copy of this report has been provided to your Audit Liaison Officer.

In accordance with the Inspector General Act of 1978, as amended, the Office of Inspector General is required to report to Congress twice a year on the audits that remain unresolved after six months from the date of issuance.

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

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

We appreciate the cooperation given us during this review. If you have any questions, please contact me at 202-245-6949; Gary Whitman, Regional Inspector General for Audit, at 312-730-1658; or Jonathan Enslin, Assistant Regional Inspector General for Audit, at 312-730-1625.

Sincerely,

/s/

Patrick Howard
Assistant Inspector General for Audit

Attachments

ATTACHMENT 1

Acronyms, Abbreviations, and Short Forms Used in This Report

Department	U.S. Department of Education
OCTAE	Office of Career, Technical, and Adult Education
Perkins IV	Carl D. Perkins Career and Technical Education Improvement Act of 2006

Attachment 2: OCTAE's Comments on the Draft of This Report

OCTAE provided the following comments on the draft of this report on March 8, 2016. In addition, on March 16, 2016, and March 18, 2016, OCTAE provided one of the State's revised improvement plan, the other State's revised local application, and computer screen shots showing the location of the recovered documentation on its centralized drive. We will provide the documents on request.



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF CAREER, TECHNICAL, AND ADULT EDUCATION

Gary D. Whitman
Regional Inspector General for Audit
Office of Inspector General
U. S. Department of Education
Citigroup Center
500 West Madison Street, Suite 1414
Chicago, Illinois 60661

March 7, 2016

Dear Mr. Whitman:

Thank you for the opportunity to review and comment on the draft audit report, "The U. S. Department of Education's Oversight of the Carl D. Perkins Career and Technical Education Improvement Act of 2006 Program, ED-OIG/A05P0002," which provides the results of the Office of Inspector General's (OIG) audit of selected aspects of the Office of Career, Technical, and Adult Education's (OCTAE) control activities as of January 26, 2015. The specific purpose of the audit was to determine whether OCTAE developed and implemented control activities to provide reasonable assurance that:

1. States submit reliable Perkins IV program performance data to the Department; and
2. States and sub-recipients took corrective actions when the Department or others identified unreliable Perkins IV program performance data or inadequate Perkins IV program performance data.

Below is our response to your finding and recommendations.

Response to Objective 1

We were encouraged by your conclusion that, as of January 26, 2015, OCTAE had developed and implemented control activities to provide reasonable assurance that States submitted reliable Perkins IV program data. We were also encouraged that you did not identify any significant areas for improvement. At the same time, we will consider your suggestion to attain enhanced assurances that States' self-certified data are complete and accurate by requesting or encouraging auditors conducting single audits to evaluate not only a sample of cells on the Consolidated Annual Report (CAR), but also the adequacy of a State's system of internal controls, including information systems controls, over data reporting.

Response to Objective 2

We were encouraged by your conclusion that, as of January 26, 2015, OCTAE had developed and implemented control activities that provided reasonable assurance that States and subrecipients took corrective action when the Department or others identified unreliable Perkins IV program performance data or inadequate Perkins IV program performance results. We would like to clarify and update facts related to OIG's finding on Objective 2. The draft audit report provides on page 8 that "[a]lthough we could not confirm the reason for the loss of required documentation, OCTAE could have prevented the loss had it required all documentation relevant to monitoring visits to be stored on a centralized file server, not on individual employee's computers." Since the audit, we discovered that this file retention failure resulted from the transfer of files across the Department from a centralized K drive to a cloud-based server. During this file migration, some of OCTAE's Perkins files were misplaced. After further investigation, we were able to locate the missing files, which are now properly filed on OCTAE's centralized K drive. We would like to clarify that the loss of files was not due to their storage on an individual employee's hard drive, as indicated in the draft audit report, but rather due to the overall file migration. Accordingly, we request that the OIG revise or adjust its facts pursuant to this finding.

Thank you for your thoughtful and thorough review of our office's Perkins IV control activities. We greatly appreciate the opportunity to look critically at our processes and ensure that all employees adhere to Department policies and procedures for retaining monitoring and oversight documentation. We take seriously our fiduciary responsibility in safeguarding Federal funds and ensuring that States and discretionary grantees effectively comply with Federal laws and applicable Department regulations.

If you have further input or questions regarding this response to your draft report, please contact Edward R. Smith, Program Administration Branch Chief, at 202-245-7602 or edward.smith@ed.gov.

Sincerely,

Johan E. Uvin,
Deputy Assistant Secretary,
Delegated the Duties of the Assistant Secretary for
Career, Technical, and Adult Education