



AUDITOR GENERAL

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**OPERATIONAL AUDIT OF THE
FLORIDA WORKFORCE DEVELOPMENT EDUCATION
FUND APPROPRIATION
FOR THE FISCAL YEAR ENDING JUNE 30, 2001**

SUMMARY

We conducted an operational audit of the fiscal year 2000-2001 Workforce Development Education Fund appropriation, which is distributed to the school districts and community colleges to fund adult education programs. Our audit objectives were (1) to determine whether this appropriation, totaling \$719,731,433, was being administered in accordance with Chapter 239, Florida Statutes, and Section 2, Chapter 2000-166, Laws of Florida; and (2) to determine whether the source data provided by the school districts and community colleges for use in the funding formula for the 2000-2001 fiscal year appropriation were adequately documented and consistently applied.

The funding formula for the Workforce Development Education Fund is composed of the following three elements: (1) a base allocation; (2) a performance allocation; and (3) a continuing workforce education allocation. The base allocation provides the school district or community college 85 percent of its prior year base and performance allocations. The performance allocation provides funds based on points earned for student completions and student placements. The continuing workforce education allocation provides funds at 100 percent of the amount received in the prior year for continuing workforce education.

We found that the Department of Education, the school districts, and the community colleges have made a

concerted effort to implement the performance funding process for adult education. However, our audit disclosed aspects of the process that should be addressed. We noted that:

- ◆ *Student placements were underfunded and student completions were overfunded in the performance formula, contrary to Florida law.*
- ◆ *The timeframe available for obtaining student placement data was limited, which may tend to underreport student placement data.*
- ◆ *The cost data prescribed by Florida law was not incorporated into the funding formula.*
- ◆ *Improvement is needed in the consistency of and the documentation for the underlying student data reported by the school districts and community colleges.*
- ◆ *There is no standard formula for addressing the funding adjustments for the transfer of programs between educational entities.*
- ◆ *The penalties for incorrect reporting of student fee assessments and related student enrollment require clarification as the penalties are based on FTE enrollment which is no longer used in calculating adult education funding.*
- ◆ *The State's process for funding continuing workforce education was based on a lump-sum allocation that did not consider the number of students served or the types of courses offered.*

- ◆ *Based on the cost data reported by the school districts and community colleges, the State overfunded the continuing workforce education programs by over \$30 million in the 1998-99 fiscal year.*
- ◆ *There are apparent conflicts in the law regarding the extent to which local fees should support the continuing workforce education programs and the local educational entities need guidance for use in setting these fees.*
- ◆ *The adult education funding formula allocates current funds based strictly on prior year funding and performances and does not consider the current workload impact (e.g., number of students being served).*

BACKGROUND

In 1997, the Legislature revised the method of funding adult education and created the Workforce Development Education Fund pursuant to Section 239.115, Florida Statutes. This Section provides that a portion of the funding for adult education be based on performance measures beginning with the 1999-2000 fiscal year. Prior to this change, the State funded adult education primarily on full-time equivalent (FTE) student membership reported for the fiscal year funded. These adult education programs include both adult general education and adult vocational education.

Section 239.115, Florida Statutes, eliminated FTE student membership from the calculation of adult education funding. The law institutes a funding model for performances to be measured by student completions of courses or defined levels within a course and by the placement of students in jobs or in other qualifying educational programs. Additionally, the law established varying weights for the student completions and placements to target certain types of programs and student populations.

The funding formula for the Workforce Development Education Fund is composed of three elements as follows: (1) a base allocation; (2) a performance allocation; and (3) a continuing workforce education allocation. The table below shows the distribution of this appropriation for the 2000-2001 fiscal year in the three elements of the funding formula.

Base Allocation	\$546,869,692
Performance Allocation	111,607,761
Continuing Workforce Education	<u>61,253,980</u>
 Total Allocation	 <u>\$719,731,433</u>

AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY

The scope of our audit included an examination of the underlying data supporting the funding calculations for the 2000-2001 fiscal year Workforce Development Education Fund appropriation. Additionally, we reviewed procedures and tested transactions relative to the assessment and collection of student fees for Workforce Development Education courses at the school districts and community colleges.

Our objectives were (1) to determine whether the 2000-2001 fiscal year Workforce Development Education Fund appropriation was being administered in accordance with Chapter 239, Florida Statutes, and Section 2, Chapter 2000-166, Laws of Florida; and (2) to determine whether the source data provided by the school districts and community colleges for use in the funding formula for the appropriation were adequately documented and consistently applied.

We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our audit procedures included tests of source records and data; interviews with appropriate Department of Education, school district, and community college personnel; and analysis of the applicable laws and written guidelines relating to the program. Our audit work was conducted at the Department of Education, at 35 school districts, and at each of the 28 community colleges.

FINDINGS AND RECOMMENDATIONS

Base and Performance Allocations

Under the provisions of Section 239.115, Florida Statutes, the Workforce Development Education Fund formula provides for base funding of 85 percent of the prior year appropriation, excluding continuing workforce education funds. To this base appropriation for each school district and community college is then added the performance allocation based on each entity's student completions and job placements or placements in other qualifying educational programs.

Various divisions within the Department of Education are charged with administering the Workforce Development Education Fund appropriation. These responsibilities include: (1) developing and disseminating information to the school districts and community colleges to implement the system; (2) accumulating and maintaining various student information data bases; (3) developing information for the funding formula and the allocation of the moneys; and (4) administering the appropriations to the various school districts and community colleges.

The Department of Education has made extensive efforts to develop and implement a system to provide adult education funding based on the performance criteria prescribed by law. For the 2000-2001 appropriation, we found that the Department had properly calculated the 85-percent carry forward for the base allocation and had calculated the allocation of performance funds to the individual school districts and community colleges based on the performance points earned by each of the school districts and community colleges. We did, however, note the following exceptions and issues with regard to the implementation of the formula and the calculations made by the Department.

Student Placement Funding

Finding No. 1: The performance portion of the funding formula has two components (completions and placements) which are based on points earned. Completion points are earned when students demonstrate that they have mastered certain competency levels for the course in which they are enrolled. Placement points are earned when a student is placed in a job or continues his or her education. Performance funding for fiscal year 2000-2001 totaled \$111,607,761, with \$74,118,625 allocated based on completions and \$37,489,136 based on placements.

Section 239.115(7), Florida Statutes, provides that payments for student completions must not exceed 60 percent of the payment for student placements. Accordingly, in distributing the performance allocation of \$111,607,761, the formula should have provided for completions to account for no more than \$41,852,910 of the allocation. Contrary to this requirement, the allocation for completions totaled \$74,118,625, or approximately 198 percent of the allocation for placements.

It was not practical for us to determine the effect of the over allocation to completions on the individual school districts

or community colleges since there are various methods by which the formula may be adjusted to reallocate moneys between placements and completions. However, it would be expected that those entities with better placement experience than their counterparts would receive more funding under a formula that funds placements at a greater ratio.

Recommendation

The Department should restructure the formula to ensure that funding for student placements and completions is allocated as prescribed by law.

Department Response

“Section 239.115(7)(a) 2., F.S., reads in part: “Payments for completions must not exceed 60% of the payments for placement.” Because of the Legislature’s emphasis on placement, this ratio was built into the design of the formula with payments for the individual student reflecting a ratio of 60% for placement versus completion. This ratio is engrained within the funding formula by weighting the value of placements for each of the three levels of placements and program lengths typically associated with those placement levels.

“One of the primary difficulties in implementing the workforce development funding formula is that there are three different point values calculated for adult general education, vocational certificate, and college credit programs. With level funding, the value of each of these three points has changed each year, depending upon the productivity of the system – the more produced the lesser the point value. This feature has made the formula unpredictable and unstable. Implementing the recommendation under the auditor general’s interpretation of the 60% requirement would increase the number of floating points from 3 to 6, adding greatly to the complexity of the formula and to its instability.

“The Department believes that interpreting the 60% requirement on an individual student basis is well within the law and reflects the intent of the legislature.

“The Department of Education will consult with legislative staff to analyze any needed changes to current statute.”

Student Placement Points

Finding No. 2: A portion of the performance based funding relates to students who complete Workforce Development Education programs and are subsequently placed in jobs. The funding formula awards points ranging from 2 to 10 based on the wage level of the job (low, medium or high) and whether the occupation is on the Occupational Forecasting Conference (now the Workforce Estimating Conference) list of jobs. For the 2000-2001 fiscal year appropriation, each point is worth \$86.17, \$129.90, or \$171.44 depending on whether it was earned under an Adult General Education, Vocational Certificate, or Associate of Science program, respectively.

In determining the placement points for the 2000-2001 fiscal year appropriation, the Department of Education used data on students completing programs during the 1997-98 school year. For these students, the Department reviewed the Florida Department of Labor's (FDL) quarterly wage data for the last quarter of 1998 and the first quarter of 1999 to determine the student's employment and total quarterly wages. The Department then compared the FDL total quarterly wages to established benchmark quarterly wages. These wage comparisons for the full quarter were used, in part, in determining whether the student was making a low, medium, or high wage and how many points to award.

This methodology may not reflect the true wage level for students employed less than a full quarter in the quarters reviewed. Our test disclosed 7 of 51 students with quarterly wages ranging from \$147 to \$931 which indicate that the students were employed for less than a full quarter. In these circumstances the information used is not reflective of the actual salary of these individuals.

We recognize that under the current system the Department has only a limited time period available from which to obtain the data in order to provide timely information for the State budget process. Given the significant emphasis on student placements in the performance model, however, it is important that the process provides meaningful data for assessing these student placements. It is not evident that this is the case under the current time frame with which the Department must work.

Recommendation

The Department should continue its efforts to obtain meaningful salary data. We also recommend that the

Department evaluate the funding emphasis placed on student placements if the data and time period available for evaluation is limited.

Department Response

"The Department uses a method of collecting placement information that is recognized nationally for its operation and comprehensiveness. The collection of this type of information depends upon three major factors related to timing. First, the collection process must be timed so that sufficient time has elapsed to allow the results of training to take effect. Second, the data collection process takes time to complete and compile results. Third, results must be available within a reasonable period to be useful for local managers in evaluating program performance.

"The Department believes that it is doing the correct thing with respect to the collection and the timing of the collection of placement data. The Department's collection process limits the burden of data collection on local educational agencies, employers, and students."

Cost Data

Finding No. 3: Section 239.115(4), Florida Statutes, requires that funding for all workforce development education programs be based on cost categories, performance output measures, and performance outcome measures. The cost categories must be calculated to identify high, medium, and low cost programs. The cost analysis used to calculate and assign a program of study to a cost category must include at least both direct and indirect instructional costs, consumable supplies, equipment, and standard program length.

We noted that the Department used only one of the required factors, program length, in the funding formula. The Department indicated that its database was not currently capturing costs in a manner that the costs could be used in the funding formula.

Section 239.115(9)(b), Florida Statutes, provides that programs that serve specific populations, such as economically disadvantaged, disabled, and limited English proficiency, be calculated at an enhanced value. We noted that the performance formula provided additional weighting (value) for these targeted groups. Information provided to us by the Department of Education indicated that in developing these enhanced values the Department obtained

input from various stakeholders and involved various Department and local educational entity personnel. It was not evident, however, from the information provided for our review, that the Department used cost data associated with serving targeted student populations in arriving at the enhanced weights for funding purposes.

Recommendation

We recommend that the Department continue its efforts to obtain useful cost data for the school districts and community colleges and develop uniform cost categories for similar programs offered in similar areas of the State. These program costs should be factored into the funding formula. Additionally, we recommend that the Department consider cost data in weighting the targeted student populations.

Department Response

“The Department concurs that the cost of programs should be included as a factor in determining the payment levels for program completions. However, it is not recommended that a system be implemented which would capture expenditures at the program level, as this would be impractical and cost prohibitive. Previously, the Division of Community Colleges and the Division of Workforce Development individually analyzed their program offerings and classified them into high, medium and low cost categories. Different methodologies were used by the two divisions.

“The weights for targeted populations were examined in the report of the Postsecondary Education Planning Commission’s report “workforce development funding issues,” December 2000. An Ordinary Least Squares Analysis was conducted related to the weights for targeted populations and found the weights to be appropriate.

“The Department will convene a joint work group to re-examine the findings related to cost and how to incorporate the cost of a program into the funding formula. Since the Department has already completed its recommendation for the 2001-2002 funding formula, the earliest that any change could be implemented would be the 2002-2003 formula which will be presented to the Legislature in March 2002.”

Student Completions, Targeted Student Populations, and Course Lengths

Finding No. 4: Information used by the Department to determine the performance allocations is based on underlying student data that is provided by the school districts and community colleges. Our audit of the Workforce Development Education Fund included tests of the source data submitted by the school districts and community colleges for the 1998-99 fiscal year since this data was used in determining the performance funding for the 2000-2001 appropriation. Our audit procedures were conducted at 35 of the school districts and at each of the 28 community colleges.

Our audit tests indicate that the Department needs to improve the reliability and consistency of the data submitted by the school districts and community colleges. Our audit tests disclosed a number of questioned practices and exceptions with regard to the data reported for student completions, targeted student populations, and course lengths. Additionally, we found that the current system provides data that is difficult to verify and allows varying interpretations in counting completions and in maintaining the underlying documentation for completions and targeted students. The following provides examples of the questioned items noted in our review.

Student Completions. Generally, we found that the school districts and community colleges made a concerted effort to implement systems to provide reliable data to the Department. However, our tests indicate that the extent to which the systems provide reliable and documented source data varies among the entities. The significant exceptions noted in our tests are as follows:

- ◆ For one community college, we noted that for 9 of 40 student files tested the college reported completions that occurred in the prior fiscal year, 1997-98. For another community college, we noted that for 6 of 40 student files tested the college reported completions that occurred in prior fiscal years, with one as far back as 1988. For still another community college for which we tested 44 student files, we noted 10 students for whom the completion points were not counted correctly, with 3 of these apparently underreported.
- ◆ We noted that at one school district completion points were underreported for 11 of the 60 student

files tested, and for another 12 students, the records did not clearly indicate the date the competencies were met. Accordingly, we were unable to determine whether the completion points were appropriately earned and recorded in the 1998-99 fiscal year. For another school district, the records did not indicate the date the completion point was reached for 4 of 40 student files tested. For another 3 students, the records indicated that the students had not completed all the required competencies for the reported completion points. For still another school district, 7 of 60 students were reported for completion points although district records show that these students withdrew prior to achieving the required competencies.

- ◆ In our tests of 40 student files at one school district, the district was unable to document the award of completion points for 8 of the students in our test. Upon follow-up with Department personnel, we determined that these exceptions relate to the manner in which the data is compiled and edited by the Department for literacy completion points. The Department uses data submitted by the various school districts and community colleges to compile the information for the student completions. Our review indicated that the changes made in the compilation process were not clearly communicated to the school districts and community colleges, and they were not provided specific instruction as to the source documentation that they were to maintain to support these changes.
- ◆ Our review also disclosed that guidance from the Department allowed the duplicate counting of an occupational completion point (OCP) if the competencies achieved applied to more than one program. That is, a single completion could be counted more than once. We also noted that the Department's guidance indicated that a community college could claim an OCP for a student who was enrolled in a course that was a part of an Associate of Arts degree program. The Associate of Arts (AA) programs are funded under the Community College Program Fund rather than the Workforce Development Education Fund. While our tests disclosed only a few instances of this duplicate counting, the authority and rationale for duplicate

counting of an OCP and the counting of AA course work as an OCP are not evident.

Targeted Student Populations. Section 239.115(9)(b), Florida Statutes, provides that programs that serve specific populations, such as economically disadvantaged, disabled, and limited English proficiency be calculated at an enhanced value, thereby providing for greater funding. Accordingly, it is important that the school districts and community colleges appropriately classify these targeted students in their records. The Department requires the school districts and community colleges to classify students who are disabled, of limited English proficiency, and/or receive financial aid; however, we noted that the documentation requirements in some instances for such classifications were minimal. For example, the classification as Limited English Proficiency required only a notation to the file by the instructor or a self-declaration by the student. Also, our tests disclosed instances in which the records provided for our review did not document even these limited requirements. For example, at one community college, documentation was not available for the classification of 5 of the 10 students in our tests that were identified as Limited English Proficiency (LEP). As another example, a school district did not document any of the 8 students in our test that were classified as LEP.

Course Lengths. The Department of Education has established standard course length hours, and these course lengths are one of the factors used in determining the amount of the performance funding dollars. However, student enrollment and attendance (FTE student membership), which impacts teacher workload, is no longer a factor used in the adult education funding formula. Accordingly, while the Department has established standard course lengths, there is no Statewide standard number of contact hours of instruction that must be provided to the individual student in order for that student to be counted for funding. For example, a student in a 450-hour course may have only 50 contact hours and still be counted for the 450-hour course if he or she is reported as achieving the competencies for the course.

Recommendation

Our review indicates that the complexity of the reporting process, the newness of the system, and the need for more uniform guidance contributed to the exceptions noted in the reporting of the student completion data. Accordingly, we

recommend that the Department, with assistance from school district and community college personnel, develop uniform guidance on how completions are to be determined, documented, and reported. This guidance should provide a clear timeframe for the reporting period and more uniform documentation requirements for all completions points for which credit is awarded. We further recommend that the guidance prohibit duplicate counting of completion points.

We also recommend that the Department, in consultation with the school districts and community colleges, develop uniform guidance as to the documentation and record requirements for student classifications that affect the funding categories.

We further recommend that consideration be given to factoring current student attendance (e.g., a minimum contact hour requirement) into the funding formula. Recognizing actual contact hours of service allows a method to adjust for current workload impact and helps to assure that some minimum level of service has been provided before a student completion may be counted.

Department Response

“The Department will continue to work with local educational agencies to ensure uniform guidance on reporting performances and targeted populations.

“Uniform guidance on how college credit completions are to be determined, documented and reported was accomplished at a workgroup meeting on January 24, 2001, at Tallahassee Community College. The workgroup was composed of Division of Community College personnel, and community college practitioners. This guidance was then formally communicated to all community colleges in DCC Memorandum No. 01-16.

“It is the position of the Division of Community Colleges that Associate in Arts students should be counted for workforce performance when they successfully complete technical courses comprising an occupational completion point. Currently, with the funding separate for AA, AS and other college credit students, there is no way to report for funding (FTE) the instruction that the AA student receives in technical programs. The only method the institution has for capturing any of these costs is through the performance payment.

“The duplicative counting of occupational completion points is resolved for the college credit programs with direction in DCC Memorandum No. 01-16, requiring that courses only be counted once.

“As an additional precaution, in the process of constructing the funding formula, the Department checks all reported completions to determine if they are “fundable.” This means that every reported completion is checked against prior-year formula content to assure that no completion will be paid that has been paid in an earlier formula.

“The Department concurs that there needs to be a more specific definition and accompanying documentation related to limited English proficient (LEP) students. A committee of practitioner’s will be asked to make recommendations to the Department.

“The Division of Community Colleges and Division of Workforce Development will convene a workgroup of practitioners to design quality assurance measures, which can be used by the institutions to improve the accuracy of their data.

“The report recommends attention to student attendance; however, this is contrary to the legislation that established the performance-based funding program where production, rather than process was paramount.

“In response to the criticism where an occupational completion point of 450 hours, was claimed based upon only 50 hours of instruction, it is recommended that the quality assurance workgroup include standards for documentation of experiential credit/competencies. In the absence of such documentation, the student would need to have attendance in an amount equal to some percentage (e.g. 75%) of the program length to claim program completion.

“With respect to the criticism for claiming student outcomes in prior years, this was a first year phenomena, wherein institutions claimed prior year performances that they otherwise would not have been paid for. The new guidance with respect to the college credit workforce programs (DCC Memorandum 01-16) restricts the reporting of student outcomes to those achieved during the reporting year.

“Corrective Actions Already Taken

- *Uniform guidance on how college credit completions are to be determined, documented and reported was accomplished at a workgroup meeting on January 24, 2001, at Tallahassee Community College.*
- *The duplicative counting of occupational completion points is resolved for the college credit programs with direction in DCC Memorandum No. 01-16, requiring that courses only be counted once.*
- *As an additional precaution, in the process of constructing the funding formula, the Department checks all reported completions to determine if they are “fundable.” This means that every reported completion is checked against prior-year formula content to assure that no completion will be paid that has been in an earlier formula.*

“Planned Corrective Action

- *The Department will convene a workgroup of practitioners to design quality assurance measures, which can be used by the institutions to improve the accuracy of their data.*
- *The Department will continue to work with local educational agencies to ensure uniform guidance on reporting performances and targeted populations.*
- *A committee of practitioner's will be asked to make recommendations to the Department on documentation for students who are considered Limited English Proficient.”*

Transfer of Programs Between Entities

Finding No. 5: Because the current year’s allocation is based strictly on prior year funding and performance, problems can arise in determining how the performance dollars should be allocated when programs are transferred between local educational agencies. In our report No. 01-002, dated July 26, 2000, we noted that the transfer of criminal justice training programs from two school districts to two community colleges did not take into account the effect of the performance dollars on current allocations for the programs. Our calculations, applying the Workforce Development Education Fund formula, showed that the State provided less base and performance funding to the two colleges over a two-year period. These moneys

remained with the school districts although the school districts were no longer offering the criminal justice training programs. Under the funding model, the school districts can contend, however, that these moneys should remain with them since the performance dollars are awarded for prior performance rather than current activity.

In our report No. 01-002, we recommended that the Department address the provisions of law that relate to the transfer of programs between local educational agencies. We noted that the law does not clearly address the process for adjusting Workforce Development Education Fund moneys when programs are transferred between local educational entities. Although Section 236.081(7), Florida Statutes, makes provisions for adjusting funding when programs are transferred, these provisions address calculations based on FTE students which are no longer applicable to adult education programs. Accordingly, these provisions of law should be revised to address the change in the funding process.

Recommendation

We recommend that the Department develop a formula to provide for an equitable adjustment when programs are transferred between educational entities. We also recommend that changes be made to Section 236.081(7), Florida Statutes, that are consistent with the new adult education funding process.

Department Response

“Both the base funding (85%) and the 15% performance component need to be transferred to the receiving entity when responsibility is shifted from one institution to another. It is also recommended that legislation be enacted that holds the receiving institution harmless for a two-year period of time to insure that there is no loss of funding due to reduced production/recording on the transferring entity.

“The legislation governing the transfer of law enforcement academies in Leon and in St. Johns Counties included the phrase “consistent with Section 236.081(7), F.S.,” thereby allowing some latitude in defining the basis for funding (e.g. cost rather than FTE).

“The Department of Education will design a formula for the equitable transfer of programs funded by the Workforce Development Education Fund.”

Penalties

Finding No. 6: Sections 239.117(12) and (13), Florida Statutes, provides a penalty for a school district or community college that violates certain fee assessment and enrollment reporting requirements for students enrolled in programs funded from the Workforce Development Education Fund. The penalty is two (2) times the value of the full-time (FTE) student enrollments reported. Funding under the Workforce Development Education Fund, however, is not based on FTE student enrollment. Accordingly, Section 239.117, Florida Statutes, should be revised to clarify how the penalties are to be assessed since FTE student enrollment is not used in the funding formula for adult education.

Recommendation

If the penalty assessments are to remain, we recommend that the Department develop a uniform formula that can be used to make any necessary funding adjustments for penalty assessments.

Department Response

“The Department concurs with the recommendation that the statute is out of date and needs to be changed to be consistent with the new formula. The simplest approach might be to assign some multiple of the uncollected fee as the penalty.

“The Department will develop and propose legislation for the 2002 Legislature that modifies current statute related to fee and reporting penalties.”

Continuing Workforce Education Allocation

State and Local Funding

Finding No. 7: Section 239.105(14), Florida Statutes, defines continuing workforce education programs as instruction that does not result in a vocational certificate, diploma, associate in applied science degree, or associate in science degree. The Statute provides that these programs are for (1) individuals who need training to retain a license or certification; (2) education for new or expanding businesses; (3) training to update specific skills or increase efficiency and productivity; or (4) individuals who are enhancing occupational skills to maintain current employment.

According to Department personnel, funding for continuing workforce education programs was calculated based on FTE student membership for the 1996-97 fiscal year (base year). Funding for subsequent fiscal years, including 2000-2001, has remained the same as the base year. The merits of providing a lump-sum amount each year without regard to the programs offered are not evident. For example, this methodology does not consider changes in the number and type of continuing workforce education courses offered, changes in the number of students served, or changes in the cost of operating the continuing workforce education programs at the local level. Our review of student attendance data reported to the Department for continuing workforce education (CWE) programs for the 1998-99 fiscal year disclosed significant disparities in funding at the local level when comparing the reported number of students served and the State funds provided. Some examples are shown in the following table:

	1998-99 Reported FTE	1998-99 CWE State Funding	1998-99 CWE Funding Per FTE
District School Board			
DeSoto	3.60	\$ 216,541	\$ 60,150
Sarasota	133.95	3,116,958	23,269
Manatee	62.21	1,194,669	19,203
Osceola	45.83	595,650	12,996
Miami-Dade	626.86	2,461,967	3,927
Polk	644.29	1,647,115	2,556
Washington	56.86	64,974	1,142
Community College			
Florida Keys	13.00	\$ 143,110	\$ 11,008
Florida CC at Jacksonville	514.10	4,972,374	9,672
Central Florida	168.00	1,145,374	6,817
Daytona Beach	189.40	610,305	3,222
Edison	125.70	0	0

We also noted that certain provisions of law relating to the funding of continuing workforce education were in apparent conflict. According to Section 239.115(6)(a), Florida Statutes, State funding for continuing workforce education courses shall equal 50 percent of the cost of instruction with other means, including student fees, making up the remaining 50 percent. Section 239.117(6)(b), Florida Statutes, however, provides that at least 50 percent of the expenditures for the continuing workforce education program provided by the school board or community college must be derived from fees. These Sections are inconsistent since Section 239.115(6)(a),

Florida Statutes, allows other sources of revenue to cover 50 percent of the non-State funded expenditures for continuing workforce education; whereas, Section 239.117(6)(b), Florida Statutes, specifically requires fees to cover 50 percent of the non-State funded expenditures for continuing workforce education.

Additionally, the law does not clearly define the expenditures to be included in establishing the fees and whether these expenditures should include both direct and indirect costs assigned to the programs. Further, the law is not clear as to the base year expenditures to be used for establishing the fee. The Department has not issued definitive guidance to the school districts and community colleges clearly setting forth the basis to be used in assessing these fees.

While there is an apparent conflict in the law with regard to the local sources of funds that may be used, the law indicates that the State will provide no more than 50 percent of the funding for continuing workforce education. Our review of the most recent cost data (1998-99 fiscal year) available at the time of our review disclosed that, contrary to law, State funding significantly exceeded 50 percent of the reported total costs of providing these courses. State funding for the continuing workforce education programs for the 1998-99 fiscal year totaled \$61,810,412 and reported expenditures totaled \$61,482,048. Based on reported expenditure data, the State fully funded the cost of these courses and exceeded the 50 percent threshold established by law by approximately \$30 million.

Recommendation

We recommend that the method of allocating continuing workforce education funds be revised to provide funding that is more closely associated with the current services provided. The appropriations to the school districts and community colleges should be based on factors such as the number and types of programs actually presented during the school year and the number of students served.

Further, if it is the intent of the Legislature to link the funding to local fees collected, then the law should be revised to clarify this requirement and address the apparent conflict in the law. If it is the intent of the State that continuing workforce education funding be tied to the amount of fees collected (e. g., 50 percent State/50 percent local fees) then we believe that the process for allocating the moneys could be more efficiently managed through a

matching system. Under a matching system, the Department would remit moneys to the school district and community colleges based on the amount of fees reported to the Department, subject to any caps placed on the funding by the State. A matching process would simplify the accounting and reporting of the programs for both the State and the local entities, and provide better assurance that the State's directive for local funding is met.

We also recommend that the Department provide uniform guidance to the school districts and community colleges for their use in setting the continuing workforce education fees.

Department Response

"We concur that there is a conflict in the law, however, the language with the requirement that "50% of the expenditures be derived from fees," is the most recent language and therefore takes precedence. The Department will continue to review Continuing Workforce Education to determine if an improvement to existing statute can be determined.

"In a different approach, the Postsecondary Education Planning Commission has recommended a uniform portion of funds (10% for each institution) that would be utilized for continuing workforce education and new program development.

"Guidance was provided to school districts and community colleges related to Continuing Workforce Education fees in a joint memorandum. The memorandum was Division of Community Colleges numbered memo 00-59 and the Division of Workforce Development numbered memo 00-17.

"There is no restriction on using workforce development funding in areas other than where they were originally assigned. Only when expenditures are classified as Continuing Workforce Education, does the 50% matching requirement pertain.

"The proposal to fund Continuing Workforce Education as a matching program would require additional statewide administrative cost and would not allow the flexibility to the institutions to utilize state money for start up costs and subsequent fees for operations.

"The Department will develop and propose legislation for the 2002 Legislature that modifies current statute related to continuing workforce education."

Overall Assessment of the Funding Model

Revisions to the Funding Formula

Finding No. 8: The funding model is designed to fund current programs based on past performance and provides no factors to consider current activity. For the 2000-2001 fiscal year, the school districts and community colleges were allocated 85 percent of their prior year appropriation without regard to the current levels of enrollment or the current programs offered. The performance dollars were based on student completions from the 1998-99 fiscal year and student placements for students served in the 1997-98 fiscal year. Accordingly, none of the elements in the 2000-2001 fiscal year Workforce Development Education Fund considered factors that may be currently impacting the school districts and community colleges.

Recommendation

Consideration should be given to addressing the following issues relating to the funding process. First, the allocation of 85 percent of the amount received in the prior year does not allow for timely reallocating moneys to meet changing needs and conditions or for timely addressing problems in prior year applications of the formula. Second, the exclusion of FTE student enrollment (a workload factor) from the formula precludes adjustments for the impact of changes in the workloads of the individual school district or community college. Third, the funding of continuing workforce education has remained at the same level for the past four years without consideration of the number of students served or the types of programs offered.

To address these issues we have made recommendations in this report relative to the use of current student contact hours to assess current workload. We have also made recommendations regarding the allocations for the continuing workforce education moneys. In December 2000, the Florida Postsecondary Education Planning Commission (PEPC) issued its report entitled *Workforce Development Funding Issues*. PEPC's report makes recommendations regarding the Workforce Development Education funding that should also be considered in addressing the issues raised in our audit report.

Department Response

"The workforce development funding formula is based upon program completions from the prior year and placements from two years hence. This approach is making use of the most recent and most current performance information available. To move to funding that reflects activities within the current year, would represent a reversion to enrollment and FTE, which the Legislature emphatically rejected in their design of this funding methodology.

"In summary, the Department has implemented the formula as directed by the Legislature each year. The Department has, to the best of our ability used the available data to bring a level of performance accountability to the workforce development system which does not exist, neither in other Florida agencies nor in other workforce development programs anywhere else in the country. The Department appreciates the constructive suggestions of the Auditor General and will move forward to make those refinements that we noted above.

"The Department of Education will consult with legislative staff to determine desired modifications to the existing statute."

AUDIT AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit of the fiscal year 2000-2001 Workforce Development Education Fund Appropriation.



William O. Monroe, CPA
Auditor General



To promote accountability in government and improvement in government operations, the Auditor General makes operational audits of selected programs, activities, and functions of State agencies. This operational audit was made in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Please address inquiries regarding this report to Charles D. Enfinger, CPA, Audit Manager, via e-mail at dannvenfinger@aud.state.fl.us or by phone at (850) 488-9221.

This report and audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.state.fl.us/audgen>); by telephone at (850) 487-9024; or by mail (G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450).