

# Career and Professional Education (CAPE) Program Funding

Internal Audit Report  
March 31, 2021



Linda J. Lindsey, CPA, CGAP, School Board Internal Auditor  
Alpa H. Vyas, CIA, CRMA, Senior Internal Auditor

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## EXECUTIVE SUMMARY

### Why We Did This Audit

Our objectives were to determine whether the district managed its Career and Professional Education (CAPE) program's performance funding in accordance with Florida Statutes and determine appropriate internal controls and accountability of funds for each CAPE program.

This audit was included in the 2019-2020 Annual Audit Plan.

### Observations and Conclusion

Audit Results at a Glance			
	Risk/Impact Rating		
Results and Observations	Significant	Moderate	Minor
IA - Internal Audit M - Management	M - 1	I - 1 M - 2	-
O - Opportunity D - Deficiency	D - 1	O - 2 D - 1	-

We analyzed the last two and one-half fiscal years' financial information in SAP related to CAPE programs, and discussed with CTE and Office of Management and Budget (OMB) management. We also analyzed processes currently used to manage CAPE performance funding.

The district does not fully comply with statutory requirements related to CAPE program performance funding in schools that have multiple CAPE programs and has an opportunity to meet urgent program needs by advancing funding.

### Results and Recommendations

Inadequate internal controls over the use of CAPE performance funds caused the district's non-compliance. Missing from the current processes are:

- A fund accounting structure that records sources and uses of performance funds separately by the CAPE program that earned them
- Oversight and/or approval of the use of CAPE performance funds by district CTE management
- Clear, specific, and frequent communication to schools about how CAPE performance funds are to be used

Our recommendations are:

- Modify the accounting structure to track CAPE performance funding by program.
- CTE management approve expenditures from CAPE performance funds to help ensure compliance with statutes.
- Provide guidance to schools and staff regarding CAPE performance funds and their usage.
- Consider advancing performance funds to meet urgent needs.

We discussed this report with management and they have prepared their response, which follows.

**DEFINITIONS:**

**Risk / Impact Ratings**

Minor	Low risk with a financial impact of less than one percent and/or an isolated occurrence limited to local processes (low impact and low likelihood)
Moderate	Slight to moderate risk with a financial impact between one and five percent and/or a noticeable issue that may extend beyond local processes (low impact and high likelihood or high impact and low likelihood)
Significant	High risk with a financial impact greater than five percent and/or a significant issue that occurs in multiple processes (high impact and high likelihood)

*We used three risk/impact ratings:*

- *Minor*
- *Moderate*
- *Significant*

**Observations Categories**

Opportunity	A process that falls short of best practices or does not result in optimal productivity or use of resources
Deficiency	A shortcoming in controls or processes that reduces the likelihood of achieving goals related to operations, reporting and compliance

*We categorize observations as opportunities or deficiencies:*

**Criteria for Observations Sourced to Management**

- Internal audit was informed of the issue prior to starting detailed testing
- Management identified, evaluated, and communicated the issue to appropriate levels of the district
- Management has begun corrective action with clear, actionable plans and targeted completion dates

Three of the observations resulting from this audit were sourced to management.

*Management identified three areas of concern that we addressed in this audit.*

**BACKGROUND:**

Orange County Public Schools' Career and Technical Education (CTE) Department manages programs of instruction provided to middle and high school students pursuant to the Florida Career and Professional Education (CAPE) Act. One of the CAPE Act's primary purposes is providing rigorous and relevant career-themed courses that articulate to postsecondary-level coursework and lead to industry certification.

Industry certification, as defined in the CAPE Act statute, is a voluntary process through which students are assessed by an independent, third-party certifying entity using predetermined standards for knowledge, skills, and competencies, resulting in the award of a credential that is nationally recognized.

Forty-three different CAPE programs are available this school year at various district middle and high schools. These programs include, for example:

- |                           |                                  |
|---------------------------|----------------------------------|
| Information technology    | Healthcare                       |
| Agriculture and food      | Engineering                      |
| Accounting                | Business                         |
| Marketing                 | Transportation and logistics     |
| Human services            | Architecture & construction      |
| Early childhood education | Administrative office specialist |
| Hospitality & tourism     | Veterinary assisting             |
| Digital Art Imaging       | Journalism                       |
| Web development           | Natural resources                |
| Biomedical sciences       | Applied robotics                 |
| Allied health assisting   | and many more                    |

This audit was included in the 2020-2021 risk-based annual audit plan. CTE management conveyed their concerns regarding tracking and use of add-on FTE funding for CAPE programs during our initial meetings. This audit addresses accountability, compliance, tracking and recording of, and internal controls over CAPE program performance funding.

*The Florida Career and Professional Education (CAPE) Act provides that school districts may offer career-themed courses that articulate to postsecondary-level coursework and lead to industry certification.*

*Forty-three different CAPE programs are available this school year at various district middle and high schools.*

*CTE management noted concerns about tracking and use of CAPE performance funding.*

**OBJECTIVES, SCOPE AND METHODOLOGY:**

**Objectives**

Our objectives were to determine whether the district managed its Career and Professional Education (CAPE) program's performance funding in accordance with Florida Statutes and determine appropriate internal controls and accountability of funds for each CAPE program.

**Scope**

We analyzed the last two and one-half fiscal years' (2019, 2020, and 2021) of CAPE program performance funding and financial accounting processes in SAP.

**Methodology**

Out audit methodology included:

- Reviewing applicable laws and regulations such as Sections 1003.491 Florida Career and Profession Education Act, 1003.492 Industry-Certified Career Education Programs, and, 1011.62 (1)(o)(2), F.S., regarding performance funds for CAPE programs and their usage;
- Reviewing FDOE Technical Assistance Paper – Florida Career and Professional Education (CAPE) Act;
- Discussions with CTE and Office of Management and Budget (OMB) management;
- Analysis of last two and one half of fiscal years' CAPE program, program management, and recording processes in SAP;
- Reviewing general ledgers activities for CAPE program expenses, and evaluating compliance with applicable statutes and rules; and,
- Evaluating District guidance/communication to schools.

We conducted our audit in accordance with the *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors and included such procedures as deemed necessary to provide reasonable assurance regarding the audit objective. Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a

*We evaluated management of the CAPE programs as compared to statutory requirements.*

*We analyzed the last two and one-half fiscal years' of CAPE program performance funds.*

*We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing.*

systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

We are required to note any material deficiencies in accordance with Florida Statutes, School Board Policy and sound business practices. We also offer suggestions to improve controls or operational efficiency and effectiveness.

**RESULTS AND RECOMMENDATIONS:**

**Overall Conclusion:**

From our analysis of the last two and one half fiscal years' financial records in SAP related to CAPE performance funding, and discussions with CTE and OMB management, we have concluded that the district is not in compliance with the Section 1011.62 (1)(o)(2), F.S. regarding use of performance funds due to inadequate internal controls.

**Analysis:**

Controls over the use of CAPE performance funds are inadequate. Missing from the current processes are:

- A fund accounting structure that records sources and uses of performance funds separately by the CAPE program that earned them as required by Florida Statutes and FDOE rules *Significant*
- Oversight and/or approval of the use of CAPE performance funds by district CTE management *Moderate*
- Clear, specific, and frequent communication to schools about how CAPE performance funds are to be used *Moderate*

**Criteria:**

Section 1011.62 (1)(o)(2) F.S. provides that districts can earn additional funds for their CAPE programs through "add-on FTE" based on successful completion of the courses and issuance of industry certifications. This add-on FTE funding is commonly referred to as performance funding. Districts must allocate at least 80 percent of performance funds earned to the CAPE program that generated the funds. Performance funding is for program expansion and may not be used to supplant funds provided for the basic operation of the program.

*The district is not complying with statutes regarding use of performance funds for CAPE programs due to inadequate internal controls.*

*Section 1011.62 (1)(o)(2), F.S., establishes additional FTE fund for CAPE programs.*

*Performance funding may not be used to supplant operating funds.*

The previous year's industry certification data determines performance funding, resulting in a one-year lag between the year in which the industry certifications are earned and when the performance funding is disbursed to districts.

**Current Circumstances:**

**Urgent Need for Program Upgrades: *Moderate***

CTE management informed us of an urgent need for CAPE program upgrades to deal with unmet technology requirements. Certification testing has been impaired due to platform issues that cause the system to crash.

We learned from our audit that the district allocates performance funding to schools one fiscal year after it receives it from the state. In other words, there is a two-year lag from when industry certifications are earned and when performance funding is allocated to schools. This presents a one-time opportunity to access funds for urgent needs.

The district could choose to advance the performance funding by eliminating all or a portion of the additional one-year lag. This would move the allocation to a one-year lag and the process would work in that manner in future years. The advanced funds would not necessarily need to be the entire amount of performance funding. The district could decide to advance less than 100% of the performance funding, according to its budget criteria.

**Combined Allocation of CAPE Program Performance Funds:**

The district records allocated performance funds in a lump sum for each school rather than separating the funds according to which CAPE program earned them.

The table below shows a recap of CAPE performance funds allocated to schools for the last two and one half fiscal years.

*There is a one-year lag between when certifications are earned and performance funding is disbursed to districts.*

*There is another one-year lag between when OCPs receives the performance funding and when it allocates it to the schools.*

*A one-time opportunity exists to provide an infusion of funds to meet urgent needs.*



## CAPE Program Funding Internal Audit Report

Fiscal Year	Number of Participating Schools	Allocated Performance Funding (80% of funds provided) (CTE)
2019	40	\$2,618,020
2020	55	\$4,788,457
2021	51	\$3,553,482

Source: CTE

### Tracking by CTE:

CTE management tracks CAPE performance funding earned and allocated by program for each school and transmits a summarized total by school to the Office of Management and Budget (OMB).

### Allocation of Funds to Schools:

OMB allocates CAPE performance funding to each school in a lump sum as provided by CTE without distinguishing between the CAPE programs that earned it.

### Expenditure of Funds by Schools:

Many schools have multiple CAPE programs and for those schools, it is not possible to distinguish which expenditures of the allocated performance funding relate to which programs.

### Approvals and Tracking by Schools:

As noted earlier in this report, the district offers 43 CAPE programs in the current school year in its middle and high schools. High schools have 3 to 13 programs and middle schools have 1 to 3 programs, although most (approximately 67%) middle schools have only one program.

Schools manage the use of CAPE program performance funding and those with multiple CAPE programs are not able to track expenditures of the performance funding by CAPE program within SAP. Other than ordinary budget and procurement approvals, no one monitors these expenditures for compliance with CAPE statutes. Purchase Orders (POs) and invoices do not include descriptions that indicate which program they benefit.

*The district allocated almost \$11 million of CAPE performance funding to schools over the past three years.*

*CTE management tracks CAPE performance funding by school and by program.*

*OMB enters performance funding in school budgets in a lump sum without attribution to the CAPE program(s) that earned it.*

*Entries in SAP do not identify the CAPE program for which they were paid.*

*Schools are unable to track use of performance funds because they receive a single budget amount that does not distinguish between CAPE programs.*

Our recommendations to address each of these deficiencies and to suggest an opportunity to address urgent needs follow.

**Recommendations:**

- 1) The accounting structure in SAP should record CAPE performance funding allocated and expended separately for each CAPE program. By so doing, schools and CTE management will be able to monitor and track these funds and the restrictions on their use.
  
- 2) Process requests for expenditure of CAPE program performance funds through the district's procurement workflow process (iBuy) to include review and approval of these requests by district CTE management. This step will help ensure the schools use the funds in accordance with statutory requirements and allow CTE to monitor CAPE program activities and compliance.
  
- 3) The district (CTE management and OMB) should provide frequent, detailed guidance to schools and staff about the requirements of Section 1011.62 (1)(o)(2), F.S. regarding the use of CAPE performance funds.
  
- 4) Consider advancing performance funds to meet urgent needs.

*Modify the accounting structure to track CAPE performance funding by program.*

*CTE management approve expenditures from CAPE performance funds to help ensure compliance with statutes.*

*Provide guidance to schools and staff regarding CAPE program fund and its usage.*

*Consider advancing performance funds to meet urgent needs.*

We wish to thank staff members of the Career and Technical Education Department and the Office of Management and Budget who cooperated and assisted in this audit.



<b>Department / School Name</b>	<b>Career and Technical Education</b>
<b>Administrator / Department Head</b>	<b>Melanie Stefanowicz</b>
<b>Cabinet Official / Area Superintendent</b>	<b>Melanie Stefanowicz</b>

<b>Audit Result / Recommendation</b>	<b>Management Response Acknowledgement/ Agreement of Condition</b>	<b>Responsible Person (Name &amp; Title) And Target Completion Date August 30, 2022</b>	<b>Management's Action Plan</b>
The accounting structure in SAP should record CAPE performance funding allocated and expended separately for each CAPE program. By so doing, schools and CTE management will be able to monitor and track these funds and the restrictions on their use.	Acknowledged	Melanie Stefanowicz with support of the finance department. July 1, 2021	Work with finance to develop accounting structure. The accounting strips or g/l will need to be updated by finance in SAP.
Process requests for expenditure of CAPE program performance funds through the district's procurement workflow process (iBuy) to include review and approval of these requests by district CTE management. This step will help ensure the schools use the funds in accordance with statutory requirements and allow CTE to monitor CAPE program activities and compliance.	Acknowledged	Melanie Stefanowicz with support of the finance and procurement departments. July 1, 2021 (process) / August 1, 2021 (training)	Work with finance and procurement to develop approval routing process in SAP. Provide school-based leaders with training on process.



The district (CTE management and OMB) should provide frequent, detailed guidance to schools and staff about the requirements of Section 1011.62 (1)(o)(2), F.S. regarding the use of CAPE performance funds.	Acknowledged	July 30, 2021 and ongoing	Provide ½ workshop providing technical assistance to school-based leaders, bookkeepers, and CTE teachers on funding parameters.
Consider advancing performance funds to meet urgent needs.	Acknowledged	Pending	Review feasibility of this consideration with the Deputy Superintendent for feedback.