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Florida Misspent JTPA Funds On Its Minority Teachers Education Program

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Florida Misused JTPA Funds in its FFMT Program
DRAFT

AUDIT REPORT

ACRONYMS

FFMT	-	Florida Fund for Minority Teachers, Inc.
JEP	-	Jobs and Education Partnership
JTPA	-	Job Training Partnership Act
MIS	-	Management Information System
OIG	-	Office of Inspector General
PELL	-	The Federal Pell Grant Program

EXECUTIVE SUMMARY

The Florida Legislature established the Florida Fund for Minority Teachers (FFMT) in 1996. The FFMT provides minority college students “scholarships” in exchange for their commitment to remain in Florida and teach after graduation. Students that accepted the inducements but did not remain in Florida and teach were required to repay, with interest, funds they had received.

The Office of Inspector General (OIG) examined the FFMT’s activities from September 9, 1996 through May 13, 1997. Florida spent nearly \$3 million of Job Training Partnership Act (JTPA), Title III funds on the program, during our audit period. JTPA Title III funds are available to assist “dislocated workers” who are unemployed and unlikely to return to their previous industries or occupations, and certain long-term unemployed individuals.

Our Concerns

The FFMT did not comply with the JTPA’s provisions or Federal regulations. We found:

- scholarships were provided to only certain ethnic and racial groups, in violation of Section 167 of the JTPA;
- requirements that students repay monies they had received, if teaching commitments were not satisfied, created a revolving fund prohibited by the JTPA;
- funds were provided students without determining whether they met JTPA Title III eligibility requirements; and
- students who received the scholarships were not dislocated workers JTPA funds were intended to serve.

We recommend the Assistant Secretary for Employment and Training recover \$2,957,400 the State of Florida has misspent on the FFMT program. Additionally, the Assistant Secretary should obtain the State’s assurance that all JTPA-funded programs comply with the Act and Federal regulations.

Florida's Response

In its response to our draft audit report, Florida affirmed the focus of the FFMT was to induce minorities into the teaching profession, and the State indicates it was pleased that the program did so. Florida believes that FFMT is not much different from other JTPA programs, in which a large proportion of the populations served are minorities. Florida denies that nonminorities were excluded from the program. Rather, the response suggests nonminorities may have been discouraged from participating by the program's processes.

The State also disagreed with OIG's finding that the FFMT was a revolving loan fund. Florida acknowledged its failure to determine JTPA eligibility of students during the first year of the FFMT program's operation. However, Florida believes the program is effective and that any violations of the JTPA that may have occurred are outweighed by the social benefits of the program. The full text of Florida's response is included as Exhibit 1 of this report.

OIG's Conclusion

Florida's response did not provide additional evidence we had not considered in preparing the draft audit report. The FFMT's objectives were inconsistent with JTPA, Title III requirements. Florida acknowledged the purpose of FFMT was not to serve dislocated workers and eligibility determinations were not completed on individuals who received FFMT scholarships to ensure they were entitled to JTPA-funded assistance. We disagree with Florida's comment that the FFMT did not exclude nonminority participants and continue to believe Florida has established a revolving loan fund with JTPA monies, in violation of the JTPA's provisions.

INTRODUCTION AND CRITERIA

OIG's Involvement

During the course of audit fieldwork related to another of Florida's JTPA programs, it came to our attention that the Florida Legislature had created programs and used grant monies for activities that may not have complied with the JTPA's provisions. The FFMT was among those programs with which we had concerns. As a consequence, we began audit work in 1999.

Purpose of the JTPA

The JTPA amendments of 1992 (Public Law 102-367) authorize the use of public funds for programs designed to help individuals enter the labor force. As discussed in Section 2 of the JTPA, funds are to provide:

. . . programs to prepare youth and adults facing serious barriers to employment for participation in the labor force by providing job training and other services that will result in increased employment and earnings, increased educational and occupational skills, and decreased welfare dependency, thereby improving the quality of the work force and enhancing the productivity and competitiveness of the Nation.

Assistance For Dislocated Workers

Title III of the JTPA established programs to assist eligible dislocated workers and certain long-term unemployed to reenter the workforce. Generally, an "eligible dislocated worker" is an individual who has been laid off, due to a plant closing, or received notice of an imminent layoff and is unlikely to return to the previous industry or occupation in the area in which he or she resides.

Allowable uses of Title III funds include:

- C rapid response assistance, in instances of layoffs;
- C coordination, and integration of basic readjustment and support services;
- C retraining services to dislocated workers;
- C needs-related payments; and
- C coordination with the unemployment compensation system.

***Florida's Program
for Minority Teachers***

In 1996, the Florida Legislature appropriated \$3 million (\$2.8 million in earmarked scholarships and \$200,000 for administration) for a "Minority Teacher Education Scholarship" program.

The Legislature required \$3 million be deposited into the FFMT and used for scholarships and incentives. The appropriation was funded with JTPA Title III monies passed through the Florida Jobs and Education Partnership (JEP). As directed by the Florida Legislature, the JEP contracted with the FFMT, Inc., at the University of Florida, to provide scholarships for:

. . . dislocated military personnel, dislocated defense contractor employees and minority groups under-represented in the teaching workforce. . . .

From September 1996 through May 1997, the FFMT received about \$2.8 million from JEP for 737 scholarships. Scholarships were awarded to students at 9 State-supported and 18 independent colleges and universities throughout Florida. In addition, the FFMT received about \$169,000 in JTPA funds to administer the program.

Scholarships were provided to minority juniors, seniors and graduate students who agreed to teach in the State after their graduation. Students could receive \$2,000 per semester, up to a maximum of \$12,000 over 3 years, from the FFMT. However, students were required to sign promissory notes obligating them to full-time teaching commitments in the State of Florida.

The promissory notes bound students to teach a year in Florida's public schools for each \$4,000 they received. The promissory note was repayable in cash, plus interest, to the FFMT, if a recipient: (1) failed to maintain full-time student status during any academic term; (2) failed to meet academic program requirements necessary to obtain a teaching certification; or (3) failed to fulfill their teaching obligation in Florida after graduation.

OBJECTIVE, SCOPE AND METHODOLOGY

Objective

We reviewed JTPA-funded scholarships awarded to Florida college students who participated in the FFMT program. Our objective was to determine if JTPA funds were spent in accordance with applicable laws and regulations.

Scope

Our audit included FFMT program activities that occurred from September 9, 1996 through May 13, 1997.

Methodology

To obtain an understanding of the FFMT program's operation, we reviewed legislation and materials prepared by the State describing the program. We also interviewed JEP personnel and program administrators at the colleges and universities we visited to determine what procedures were in place for establishing participants' JTPA eligibility. We also analyzed selected data maintained by FFMT in its management information system (MIS).

Because FFMT told us scholarship recipients were not screened for JTPA eligibility, we randomly selected a discovery sample of 50 students from 8 colleges and universities. We determined if the scholarship recipients were dislocated workers, in accordance with JTPA Title III provisions. Our sample was chosen from among 737 recipients who attended the 27 colleges and universities that participated in the FFMT program during our audit period. (See Attachment A.) Our sample was designed to provide estimates at a confidence level of 90 percent.¹

School officials provided us with financial data indicating how much of each student scholarship was applied toward tuition and fees. JTPA expenditures for the FFMT program were obtained from JEP's payment history files. These history files were analyzed to determine the number of FFMT students and the amounts of JTPA funds paid to the FFMT for scholarships and administrative costs.

We did not evaluate JEP's, FFMT's, or individual school's internal controls over JTPA-funded payments. Our audit was made for the sole purpose of determining if JTPA requirements had been satisfied. We did not audit financial information or performance statistics reported for the program by the State.

¹None of the students in our sample satisfied JTPA Title III participation requirements. Our sample precision allows us to project that an upper limit of 737 and a lower limit of 620 students were not dislocated workers.

Our audit was conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States, and included such tests as we considered necessary to satisfy the objective of our audit. Our fieldwork began in January 1999 and continued intermittently through November 1999.

RESULTS OF AUDIT

\$2.9 MILLION IN JTPA FUNDS WERE IMPROPERLY SPENT BY THE FLORIDA FUND FOR MINORITY TEACHERS PROGRAM

The Florida Fund for Minority Teachers (FFMT) scholarship program, funded with JTPA Title III money, did not assist dislocated workers. Rather, grant funds provided minority college students with scholarships in exchange for their commitment to remain in Florida and teach following graduation.

The FFMT Program Improperly Excluded Nonminorities

Contrary to the JTPA's provisions, the FFMT provided assistance only to members of specific ethnic and racial groups. Students who were not members of a minority group were not served by the program.

The State Legislature indicated the FFMT would assist minorities and dislocated military or defense contractor personnel. Our review of FFMT data indicates all but 1 of the 737 scholarships were awarded to individuals who the FFMT's records identified as minorities. The exception was a student who was awarded a scholarship because he was displaced from the military. However, we found that the recipient was not eligible for Title III assistance, as he was retired from the military and did not satisfy the definition of a "displaced worker" contained in the JTPA Title III regulations.

In fact, the Minority Teachers Education Scholarship application directs applicants to identify themselves as a member of one of only four racial or ethnic groups. They included: (1) African Americans; (2) Hispanics; (3) Asians/Pacific Islanders; or (4) American Indians/Alaskan Natives.

Section 167(a)(2) of the JTPA provides that:

No individual shall be excluded from participation in, denied the benefits of, subjected to discrimination under, . . . in connection with any such program because of race, color, religion, sex, national origin. . . .

In addition, Section 141(a) of the JTPA indicates efforts will be made:

. . . to provide equitable services among substantial segments of the eligible population.

JTPA Monies Should Not Have Been

The FFMT operates as a revolving loan fund which is an unallowable use of JTPA monies. Section 141(q) of the JTPA provides that:

No funds available under this Act shall be used for . . . investment in revolving loan funds. . . .

Recipients of FFMT scholarships must sign commitments to either teach in Florida for specified periods of time or repay the funds, plus interest. Money recovered from students is redeposited into the FFMT and awarded to additional recipients.

At the time of our audit, the FFMT had awarded at least 35 additional scholarships from monies repaid to the loan fund. Based upon FFMT requirements, substantial additional sums are due the Trust Fund and may be recovered. At least 485 of 737 students who received scholarships had either graduated from college or were progressing toward graduation. However, 252 of the 737 recipients had dropped from the program. Program data indicated at least 146 of the 252 students had not satisfied their commitments because they had failed to meet requirements for classification as full-time students, changed to a non-teaching major of study, or dropped out of college. These 146 students received about \$600,000 in JTPA-funded FFMT scholarships, all of which is due to the FFMT.

Students' Eligibility

Both Federal and State provisions required FFMT to determine students' eligibility for JTPA Title III assistance before serving them. However, eligibility determinations were not completed on students who received the FFMT scholarships.

The JTPA and its program regulations identify specific target groups that are to be served with the funds provided states. The JTPA, Section 4(37) defines a "participant" as:

. . . an individual who has been determined to be eligible to participate in and who is receiving services. . . .

Also, JTPA regulations at 20 CFR 627.235 require recipients ensure participants:

. . . meet the requirements . . . applicable to programs funded under the specific section or title of the Act under which the participant is enrolling.

In addition to Federal criteria, the agreement between JEP and FFMT required FFMT ensure:

All contract expenditures must conform to the federal Job Training Partnership Act (PL 102-367), regulations applying to JTPA Title III eligibility, and allowable services for dislocated workers.

We interviewed program administrators at the FFMT and at eight schools we visited and reviewed scholarship recipients' files to determine the procedures used to establish their eligibility for the JTPA Title III program. We found that JTPA eligibility determinations had not been completed on any of the scholarship recipients in our sample.

We also searched Florida's JTPA MIS, to determine if any of the 737 recipients of scholarships may have been determined eligible for JTPA through previous participation in other of Florida's JTPA programs. The MIS indicated only 18 of the 737 students (2 percent) had been determined eligible under any JTPA program. Further, only 2 of the 18 students on whom past determinations had been made, were found eligible for Title III assistance and none were identified as enrolled in the FFMT program.

**Recipients
Were Full-Time
Students, Not**

Recipients of the scholarships were full-time college students, not dislocated workers targeted by JTPA for assistance. Further, students who received JTPA-funded scholarships may not have been those most in need of help.

We randomly selected a sample of 50 students from among the 737 who had received FFMT scholarships. The students we sampled attended 8 of the 27 schools that participated in the FFMT program. We interviewed the 50 students to determine if they were dislocated workers.

As discussed in the “Introduction and Criteria” section of this report, Title III funds are provided to serve eligible dislocated workers. Dislocated workers are individuals who are unemployed, or about to become so, because of layoffs from industries or occupations, to which it is unlikely they will be able to return, in the areas where the workers reside.

Our interviews with the 50 students in our sample indicate they were not dislocated workers. Rather, they were full-time college students who told us their primary reason for attending college was to complete their post-high-school education, not gain **reentry** into the job market from which they had been displaced.

As might be expected of many college students, most students in our sample were young and indicated they lived on or near campus or with their parents. All were full-time students, as required by the program. While the students who received the scholarships ranged in age from 19 to 49 years, they averaged 26 years old. Forty of the students (80 percent) had entered college to continue their education after graduating from high school. The remaining 10 students (20 percent) were completing undergraduate work in another discipline or pursuing graduate degrees.

Some students were not working, some students had part-time jobs and others worked full-time. However, none considered themselves unemployed or underemployed. Fifteen students were working more than 30 hours per week at the time they received FFMT scholarships. Twenty-five students worked 15 to 30 hours per week. The remaining 10 students were not employed and were not seeking employment.

Nineteen of the students were dependent on others for financial support. They resided in college housing or with their parents. The remaining 31 students indicated they supported themselves.

In addition to not being dislocated workers, the data also suggest students who received assistance may not have satisfied the broader JTPA objective of serving those most in need of help. According to Section 141(a) of the JTPA:

(a) Each job training plan shall provide employment and training opportunities to those who can benefit from, and who are most in need of, such opportunities and shall make efforts to provide equitable services among substantial segments of the eligible population.

JTPA funds were not always used for the cost of education since financial need was not a basis for awarding scholarships. Apparently, the financial resources already available to a student were not a pertinent factor when awarding scholarships. As previously discussed, a commitment to teach in Florida was all it took to qualify for a \$2,000 per semester grant.

We found 29 of the 50 students (58 percent) received financial support from parents or other public and private grants, such as the Federal Pell Grant program (PELL), in addition to the FFMT scholarship. Generally, schools would first use PELL and private grants and other scholarships to pay students' tuition and fees. The schools would then use monies provided through the FFMT scholarships, if needed, to pay the remaining balances.

The schools customarily "refunded" to students the remaining balances that were not needed to pay tuition and fees, at the end of each semester. One-half of the students we sampled (25 of 50) received "refunds" totaling about \$65,000 (66 percent) of the \$98,000 awarded them by the FFMT. Some 20 percent of the students in our sample (10 of 50) were "refunded" the total amount of their FFMT scholarships, because the tuition and fees had been satisfied from other sources.

RECOMMENDATIONS

We recommend the Assistant Secretary for Employment and Training recover \$2,957,400 in JTPA funds Florida spent in violation of the Act. Additionally, the Assistant Secretary should take action to ensure all of Florida's JTPA programs conform with provisions of Section 167(b) and other requirements of the Act.

FLORIDA'S RESPONSE TO THE DRAFT REPORT

Florida's response, included in its entirety as Exhibit 1 of this report, does not contend those students who received scholarships were dislocated workers in need of assistance. Rather, the response

indicates “. . . it pleases us that a program designed to induce such [minority] students into the teaching profession did so.”

Florida believes the FFMT is not that much different from other traditional JTPA programs in which a substantial proportion of the participants are minorities. Florida indicated that while the program, “*may have discouraged those who were not minorities from applying*” the auditors did not provide evidence that some racial groups were excluded from participation. Florida asserts that OIG’s identification of one program participant who was white provides proof that “*a determined individual was not excluded [from the FFMT program].*” However, Florida does concede the process “. . . *may have discouraged those who were not minorities from applying [for the program]*” and that “. . . *the statistical imbalance revealed by these numbers [FFMT program statistics] indicates a need for special efforts to move toward equity in terms of the workforce system meeting the needs of all potential clients.*”

Florida also argues that although the “*mechanism employed by the service provider may have some appearance of such [a revolving fund],*” the FFMT was not a revolving fund, because participants were required to repay monies only if they did not remain in Florida and teach. According to the response, the provision was only a mechanism to insure “*taxpayer funds are used to serve the populations identified by policy makers.*”

Florida acknowledges it did not determine if the students served during the first year of the FFMT program’s operation met JTPA eligibility requirements and that “*some mistakes have been made, most of which have been addressed in all subsequent years.*” The response also indicates that the OIG staff began the audit exit conference “*admitting that this program was a great program,*” and that Florida believes the FFMT’s social merits outweigh violations of the JTPA that have occurred.

OIG’S CONCLUSION

Florida’s response to the draft report did not contain additional information that convinced us FFMT program costs are allowable JTPA expenditures or caused us to alter our recommendations.

Eligibility determinations were not made to ensure recipients of the scholarships were entitled to JTPA-funded assistance. Further, the response did not provide evidence that the individuals served were dislocated workers the JTPA intends to help. Therefore, the scholarships should not have been funded with JTPA monies.

The response indicates nonminorities were not excluded from participating in the program. The response discusses a white FFMT scholarship recipient who the State indicates is

“. . . proof that a determined [nonminority] individual was not excluded.” Rather, the State suggests the lack of nonminority participation may have resulted from a process that “discouraged” nonminorities from participating.

We do not believe the response adequately explains the lack of nonminority FFMT scholarship recipients. The individual described in Florida’s response is the only person not identified in the FFMT’s program records as a minority group member, during the period we audited. According to statistics included in Florida’s response, for the period we audited, 43 percent of the State’s total JTPA Title III participants were minority group members. Consequently, 57 percent of the Title III participants served in Florida were not minorities. Yet, the single FFMT scholarship received by a nonminority individual represents only .1 percent (1 of 737) of the total scholarships awarded during our audit period.

Regarding the establishment of a revolving fund, Florida indicated that the goal of the program was not to have students repaying their grants. Rather, according to the State, the repayment provision was intended to “*preserve the integrity of the system*” and ensure those who received funds were only “*those individuals targeted by the program and who fulfilled their obligations to Florida’s children.*”

We disagree. Those served by the FFMT were not dislocated workers. Thus, the repayment provisions do not protect the integrity of the program or serve those individuals the JTPA targets for assistance. Further, some students have been required to repay the funds and Florida has used the repayments for additional scholarships. Whether intended or unintentional, Florida has created a revolving fund with JTPA monies and in doing so, has violated Section 141(q) of the Act. Further, it is arguable whether, in the absence of fraud, bona fide JTPA participants could be required to repay Federally-funded training costs because they did not remain in Florida and teach.

Finally, the response does not present comments attributed to OIG staff, at the audit exit conference, in the context they were discussed. The FFMT operated outside of permissible JTPA parameters and its effectiveness cannot be evaluated against Title III objectives. As stated at the exit conference, regardless of how laudable the program’s intentions may have been or the State’s opinion of its effectiveness, the funds were not spent for allowable JTPA purposes.

ATTACHMENT A

**SCHEDULE OF FFMT
SCHOLARSHIPS AWARDED AND SAMPLED
AUDIT PERIOD: SEPTEMBER 9, 1996 THROUGH MAY 13, 1997**

<u>College or University</u>	<u>Number of Scholarships</u>	<u>Amount of Scholarships</u>	<u>Number Sampled</u>	<u>Amount Sampled</u>
State-Supported Colleges and Univs.				
Florida A & M	81	\$274,000	11	\$38,000
Florida Atlantic	32	128,000		
Florida International	86	334,000		
Florida State Univ.	54	214,000		
Univ. of Central Florida	31	124,000	5	20,000
Univ. of Florida	34	132,000		
Univ. of North Florida	7	28,000		
Univ. of South Florida	48	184,000		
Univ. of West Florida	29	106,000	5	20,000
Independent Colleges and Universities				
Barry University	63	228,000	10	34,000
Bethume-Cookman College	18	72,000	5	22,000
Clearwater Christian College	2	8,000		
Edward Water College	43	160,000		
Flagler College	3	12,000	2	8,000
Florida Institute of Technology	1	2,000		
Florida Memorial College	45	176,000		
Florida Southern College	6	22,000	2	8,000
Jacksonville University	20	70,000		
Nova Southeastern University	46	174,000	10	38,000
Palm Beach Atlantic College	4	14,000		
Rollins College	8	34,000		
St. Leo College	42	164,000		
St. Thomas University	15	54,000		
Southeastern College	10	40,000		
University of Miami	3	10,000		
University of Tampa	2	6,000		
Warner Southern College	4	18,000		
Total Scholarships	<u>737</u>	<u>\$2,788,000</u>	<u>50</u>	<u>\$188,000</u>
Administrative Charges		169,400		
Total FFMT Expenditures		<u>\$2,957,400</u>		

THE COMPLETE TEXT OF FLORIDA'S RESPONSE

Is Presented on Subsequent Pages