

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**THE JOBS PROGRAM AND
PROPRIETARY SCHOOLS**



**Richard P. Kusserow
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EXECUTIVE SUMMARY

PURPOSE

To ascertain the experiences of States in their use of proprietary schools in the Job Opportunities and Basic Skills (JOBS) Training Program.

BACKGROUND

The Family Support Act of 1988 created the JOBS program which provides recipients of Aid to Families with Dependent Children (AFDC) with services to help them to become self-sufficient. These services may include training at public and proprietary postsecondary schools. Proprietary schools are postsecondary institutions, operated for profit, which usually provide short-term job training in a wide variety of occupational fields.

While Federal regulations do not prohibit the use of JOBS funds for tuition for postsecondary education, the Administration For Children And Families (ACF) is concerned about the cost and that the education is consistent with clients' abilities and labor market needs. Studies and newspaper accounts reveal that many proprietary schools have been using financial aid eligibility as the sole criterion for admission, often enrolling students who lack the skills to successfully complete their program of study and who eventually drop out.

SCOPE AND METHODOLOGY

The study focused on the 11 States which had at least one year of JOBS program experience by the end of FY 1990 and were entitled to \$10 million or more in JOBS funds for that year. The inspection team held structured interviews with officials responsible for the JOBS program in each of these States. In addition, the team asked respondents at the State level to identify localities which they believed to be high users of proprietary schools. The team then held structured interviews with 43 program managers in the 27 localities so identified.

FINDINGS

RESPONDENTS REPORT LIMITED USE OF PROPRIETARY SCHOOLS BUT DO NOT MAINTAIN SPECIFIC DATA ON THEM

- o State respondents' estimates indicate that approximately one-third of the 541 localities with JOBS programs in the 11 States use proprietary schools. Respondents identified 27 localities which they believe make high use of proprietary schools.

- o However, respondents in ten of the 27 localities (37 percent) report that they do not refer clients to proprietary schools. The remaining 17 localities report limited referral. All 27 report limited self-initiated attendance.
- o States and localities do not maintain data on use of proprietary schools.

LOCAL RESPONDENTS REPORT HAVING PROCEDURES AND CRITERIA TO ASSURE THE APPROPRIATE USE OF PROPRIETARY SCHOOLS

- o Sixteen of the 17 localities that refer clients to proprietary schools have performance-based contracts.
- o All localities say they monitor the attendance and progress of clients.
- o Twenty of the 27 localities have disapproved self-initiated enrollments when training is not appropriate.

STATE AND LOCAL RESPONDENTS HAVE VARIED VIEWS ABOUT PROPRIETARY SCHOOLS

- o Six of the 11 State respondents report their views of proprietary schools as mostly unfavorable or mixed. Further, about two-thirds of local respondents have mostly unfavorable or mixed views of proprietary schools.
- o However, most State (10) and about half of local respondents (19) see some advantages in using proprietary schools. Respondents most frequently mention greater flexibility, courses starting more times during the year, and quicker and better job placement.
- o Sixty-seven percent (29 of 43) of local respondents have concerns about the use of proprietary schools, most often about how they recruit clients. Sixty-three percent believe that these schools create either a large or moderate vulnerability for abuse.

RECOMMENDATION

The Administration For Children And Families should establish a mechanism to periodically assess utilization and outcomes of JOBS clients attending proprietary schools.

COMMENTS

Comments received from the ACF indicate that they are reasonably encouraged and reassured by our findings. A copy of their comments are attached as Appendix A.

We caution against an overly optimistic interpretation of our findings. Our survey of the 11 States with one year of program experience found that State and local respondents have varied views about proprietary schools, concerns about the use of proprietary schools, and believe that there is a vulnerability to abuse by these schools. While there are preliminary indications that local respondents are taking steps to ensure the appropriate use of proprietary schools, the ACF should continue to be cautious about the potential for abuse.

The ACF indicated that it will ask States during routine contacts whether they are experiencing any problems with proprietary schools, and, if so, will consider on-site monitoring of the use of proprietary schools as part of the JOBS field review process.

We accept this approach as the most practical option available at this time. However, we also realize that ACF's oversight will be made somewhat difficult since States and local JOBS programs report that they do not maintain data on the use of proprietary schools.

We have added information provided by ACF that clarifies their concerns and interests regarding proprietary schools, and have incorporated their suggestions and comments, for the most part.

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INTRODUCTION

PURPOSE

To ascertain the experiences of States in their use of proprietary schools in the Job Opportunities and Basic Skills (JOBS) Training Program.

BACKGROUND

The Family Support Act of 1988 created the JOBS program which provides recipients of Aid to Families with Dependent Children (AFDC) the opportunity to become self-sufficient. The purpose of JOBS is to assure that eligible individuals obtain services that will help them avoid long-term welfare dependence. These include education, job training, employment-related activities and support services, such as child care and transportation costs. The Act required State AFDC agencies to have a JOBS program in operation no later than October 1, 1990. Twenty-five of the 54 JOBS jurisdictions had at least one year of operational experience as of that date.

The State AFDC Agency is responsible for administering the JOBS program. States may contract with or enter into agreements with other organizations to operate parts of it. Many States use Job Training And Partnership Act (JTPA) organizations to assist them. These JTPA organizations contract with a variety of vocational and technical training schools to provide work skills training to economically disadvantaged individuals, including AFDC recipients.

The JOBS program must inform all AFDC applicants and clients, at the time of application or recertification, of the availability of educational opportunities and supportive services for which they are eligible, the grounds for exemption and the consequences for refusing or failing to participate. Sanctions may include deducting an individual's assistance amount from the family allotment for failing to participate in a required activity.

Prior to actual participation in JOBS program activities, JOBS program staff assess each recipient's employability, using methods such as interviews, testing, counselling and self-assessment. Next, an employability plan is prepared, in consultation with the AFDC client, which includes an employment goal and services to be provided to the client.

The JOBS program must provide clients with the opportunity to obtain job skills training, including vocational training, in areas appropriate to participants' employment goals. At State option, the program may include referral of participants to postsecondary education, including proprietary schools. These are postsecondary institutions, operated for profit, which usually provide short-term job training in a wide variety of occupational fields.

Recipients are sometimes already enrolled in training or education programs when they volunteer or are notified that they are required to participate in the JOBS program. If the agency approves such self-initiated training as being consistent with an appropriate employment goal, JOBS funds may be used for supportive services, but not for tuition. Other clients may conclude their successful or unsuccessful relationship with proprietary schools without any contact with the JOBS program.

While Federal regulations do not prohibit the use of JOBS funds for tuition and supportive services for postsecondary education, the Administration For Children And Families (ACF) is concerned about the potential cost and thus encourages States to use other resources available to JOBS participants to fund postsecondary education. Its reasons for this position are 1) that adequate resources are not available for participants who are educationally disadvantaged through lack of basic and high school education, and 2) that priority for scarce resources should be given to the large number of welfare recipients less able to support their families than to those ready to enter postsecondary education. The ACF supports postsecondary education when it is consistent both with a client's abilities and interests and with labor market needs.

Several concerns exist about proprietary schools and their potential for abuse. Department of Education studies show that students at proprietary schools account for an inordinate portion of the approximately \$2 billion dollars of defaults in 1990 in student financial aid. Prior to July 1991, proprietary schools often used their own tests to admit students without a high school or general equivalency diploma, thereby enabling them to qualify for financial aid. Studies and newspaper accounts also reveal that many proprietary schools are targeting AFDC recipients as potential postsecondary students and are aggressively pursuing them through the use of commission-paid recruiters. These welfare recipients are eligible for maximum Federal government student financial aid grants and loans. Some schools also have been using financial aid eligibility as the sole criterion for admission, often enrolling students who lack the skills to successfully complete their program of study and who eventually drop out.

SCOPE AND METHODOLOGY

The study focused on the 11 States which had at least one year of JOBS program experience by the end of FY 1990 and were entitled to \$10 million or more in JOBS funds for that year. Four are State-administered and seven are State-supervised, but locally-administered. These 11 States accounted for 86% (\$453 million) of the FY 1990 JOBS funds allocated to the 25 States with at least one year's JOBS experience. They are: California, Florida, Georgia, Maryland, Massachusetts, Michigan, Minnesota, New Jersey, Ohio, Pennsylvania, and Wisconsin. In nine of the 11 States, JOBS programs operate at the county level; in one State it operates at a larger than county level and in the other at both the county and multi-county level. Hereafter, both types of geographical sub-divisions will be referred to as localities and

respondents in them as local respondents. There are 541 localities with JOBS programs operating in the 11 States.

The study team conducted preinspection telephone interviews with five States not in the study sample to refine data collection guides and visited a locality in one of these States.

The inspection was conducted in two phases. In the first phase, the team sent letters to the 11 State JOBS agencies informing them of discussion topics and plans to schedule telephone interviews. Discussion guides, containing closed and open-ended questions, were utilized to gather information on State JOBS policies, procedures, experiences, concerns and relationships with other agencies in planning and implementing the program. Within each of the 11 States, respondents responsible for the JOBS program at the State level identified localities they believed to be high users of proprietary schools.

In the second phase (local-level data collection), the inspection team held telephone interviews with JOBS program managers in the 27 localities, consisting of cities and counties of varying size, that were identified by State respondents as high users of proprietary schools. The team interviewed a total of 43 persons in the 27 localities. They provided information on local planning, implementation, expenditures, student outcomes, as well as views and concerns regarding proprietary schools in preparing students for work. This information was not independently verified by the team. In 12 of the 27 localities both the welfare and JTPA managers gave their views and concerns.

FINDINGS

STATE AND LOCAL RESPONDENTS REPORT LIMITED USE OF PROPRIETARY SCHOOLS BUT DO NOT MAINTAIN SPECIFIC DATA ON THEM

States identified few localities using proprietary schools

State respondents' estimates indicate that approximately one-third of the 541 localities with JOBS programs in the 11 States use proprietary schools. One State does not use proprietary schools although the State policy does not restrict their use. The States identified 27 localities which make high use of proprietary schools by referring clients for training and/or approving training for clients who had self-initiated enrollment in proprietary schools. The number of localities identified by States ranged from only one (in five States) to four (in three States).

However, respondents in ten of the 27 localities (37 percent) report that they do not refer clients to proprietary schools. The remaining 17 localities report limited referral of clients to proprietary schools. All 27 localities also report limited incidence of self-initiated attendance at proprietary schools.

States and localities do not maintain data on use of proprietary schools

Aggregate data on the number of clients referred, the number of self-initiated enrollments, training outcomes and program expenditures for clients attending proprietary schools are not maintained at the State or local level. Only one locality was able to provide precise data on the number of clients who attended proprietary schools.

LOCAL RESPONDENTS REPORT HAVING PROCEDURES AND CRITERIA TO ASSURE THE APPROPRIATE USE OF PROPRIETARY SCHOOLS.

Almost all localities use performance-based contracts to monitor proprietary schools

Sixteen of the 17 localities that refer clients to proprietary schools have performance-based contracts. Fifteen of these 16 localities work through experienced JTPA organizations. The JTPA organizations provide an open competitive process by requesting proposals from service providers and by reviewing the effectiveness of providers in delivering services based on demonstrated performance. Consideration is given to graduation and job placement rates, cost, quality of training, teacher qualifications, wages at placement and the stability of the provider. The JTPA then contracts with selected service providers for training. These contracts contain financial incentives for schools to assist clients in making progress, obtaining employment and retaining jobs. Typically, these contracts provide partial payment as each of five phases is completed: enrollment, mid-term, graduation, employment and job retention.

Localities say that basic safeguards are in place

Each of the 27 localities says it conducts client assessments and develops employability plans as required. Their case managers work with clients to establish a plan to develop occupational skills. In all 27 localities (whether or not they refer clients to proprietary schools), the case manager considers the client's skills and abilities, past employment history, education and occupational preference. Typically, before referring a participant to a proprietary school, the program takes into account the proprietary school's past history and reputation.

The criteria used in approving self-initiated attendance at proprietary schools appear to support their appropriate use. Localities frequently report that training has to be consistent with the demands of the local labor market and that clients must have the skills and ability necessary to complete the training. All of the localities with experience say that the criteria to approve self-initiated attendance at proprietary schools are the same as for not-for-profit vocational schools. When asked about how they decide the type of school, proprietary or not-for profit, to refer participants to, local respondents most frequently mentioned considering the accessibility of the school as well as the appropriateness of the course. One respondent, reflecting a common

view, commented, "We try to discourage people from taking out loans...We look to community colleges as our primary provider."

Twenty-five of the 27 localities say they routinely monitor the attendance and progress of JOBS clients at proprietary schools; one locality does not consistently monitor and one has no experience. All but two of the 26 localities with experience conduct face-to-face assessments with clients on their training progress; the remaining two assess progress by telephone.

Most localities report disapproving self-initiated enrollments

Twenty of the 27 localities have disapproved some self-initiated enrollments when training is not appropriate. Of the seven remaining: one has no experience with self-initiated enrollments; one has approved only four clients since the start of JOBS; one states, "all self-initiated clients are doing well"; two feel that since the client has taken initiative and obtained grants or loans the program should support them; and two have approved all training based on the availability of employment opportunities.

STATE AND LOCAL RESPONDENTS HAVE VARIED VIEWS ABOUT PROPRIETARY SCHOOLS

Proprietary schools viewed less favorably than not-for-profit schools

Six of the 11 State respondents report their views of proprietary schools as mostly unfavorable (4 States) or mixed (2 States). Four States' views are mostly favorable, and one, which doesn't use proprietary schools, has no opinion. Further, of the 40 local respondents (three did not respond), 63 percent have mostly unfavorable (33%) or mixed (30%) views of proprietary schools.

In contrast, respondents had an overwhelmingly positive view of not-for-profit schools. When asked about their views of not-for-profit schools, ten of 11 State respondents and 42 of 43 local respondents gave mostly favorable views.

However, most State (10) and just under half of local respondents (19) see some advantages in using proprietary schools. State respondents most frequently mention the greater flexibility afforded by proprietary schools. They start courses more times during the year, have shorter courses and smaller classes, and quicker and better job placement. Local respondents were most likely to cite training tailored to the client and/or the market as an advantage of using proprietary schools. They also frequently mentioned the flexibility noted by State respondents.

Concerns about proprietary schools persist, especially relating to self-initiated enrollments

Six States say they have had concerns about using proprietary schools, although only four report current concerns. Most of these concerns were about proprietary school recruitment practices.

Sixty-seven percent (29 of 43) of local respondents have concerns about the use of proprietary schools, most often about how they recruit clients, especially before they receive JOBS orientation. Other concerns mentioned frequently were loose admission practices, inability to retain students through remediation and other support services, high costs, and the poor quality of their training and/or placement services. Local welfare agency respondents were much more likely (73%) to express such concerns than JTPA respondents (54%).

Sixty-three percent of local respondents also believe that using proprietary schools creates either a large (33%) or moderate (30%) vulnerability for abuse, most prominently in the recruitment by proprietary schools of self-initiated clients. Some cited inadequate monitoring to weed out and keep out inferior schools. A few also mentioned the difficulty of steering clients away from inappropriate proprietary schools without lawsuits being brought by the schools.

RECOMMENDATION

States without significant experience should profit from the experienced States. These States and localities are somewhat wary about using proprietary schools and have taken action to prevent abuse. We believe continuing caution is warranted. As indicated, States and localities lack data on proprietary school use and client outcomes. Six localities have approved all clients who self-initiated enrollment at proprietary schools.

Therefore, we recommend:

The Administration For Children And Families should establish a mechanism to periodically assess utilization and outcomes of JOBS clients attending proprietary schools.

COMMENTS

Comments received from the ACF indicate that they are reasonably encouraged and reassured by our findings. A copy of their comments are attached as Appendix A.

We caution against an overly optimistic interpretation of our findings. Our survey of the 11 States with one year of program experience found that State and local respondents have varied views about proprietary schools, concerns about the use of proprietary schools, and believe that there is a vulnerability to abuse by these schools.

While there are preliminary indications that local respondents are taking steps to ensure the appropriate use of proprietary schools, the ACF should continue to be cautious about the potential for abuse.

The ACF indicated that it will ask States during routine contacts whether they are experiencing any problems with proprietary schools, and, if so, will consider on-site monitoring of the use of proprietary schools as part of the JOBS field review process.

We accept this approach as the most practical option available at this time. However, we also realize that ACF's oversight will be made somewhat difficult since States and local JOBS programs report that they do not maintain data on the use of proprietary schools.

We have added information provided by ACF that clarifies their concerns and interests regarding proprietary schools, and have incorporated their suggestions and comments, for the most part.

APPENDIX A

COMMENTS ON THE DRAFT REPORT