

PERFORMANCE AUDIT

JOBS FOR ARIZONA GRADUATES PROGRAM

Report to the Arizona Legislature
By the Auditor General
January 1988

88-1



AUDITOR GENERAL REPORT SUMMARY

January 1988

Report No. 88-1

The Office of the Auditor General has conducted a performance audit of the Jobs for Arizona Graduates program. This performance audit was conducted in response to Chapter 334, Subdivision 77, of the 1987 Session Laws, which directs the auditor general to prepare an evaluation of the Jobs for Arizona Graduates program with recommendations relating to the organization and management, program content, student selection criteria, program placement results, and cost effectiveness of the program.

The Jobs For Arizona Graduates (JAG) program was established in 1980 as a State affiliate of Jobs for America's Graduates, Inc. (JAMG). JAMG, the parent organization of JAG, was established in 1979 as a means to use research and demonstration activities as a national strategy to reduce youth unemployment. Arizona's program began in 1980 with 28 participating high schools and 1,448 students. In 1987-88, seven schools and 161 students participated in the program.

The JAG Program Is Not Successful In Placing High School Seniors In Jobs

The Legislature should consider terminating the JAG program because it does not appear successful in placing high school seniors in jobs. The Jobs for Arizona Graduates program attempts to target high school seniors defined as "at risk" and provide the students with necessary skills to get and maintain jobs. "At risk" students are those who do not already possess marketable skills, are enrolled in general academic programs, and have limited or no employment experience.

- Our analysis of 1985-86 JAG participants shows that the program has had limited success. Very few "at risk" students were placed in jobs. Only 11 percent (36) of the 328 students in our sample could be defined as "at risk" students, and only 17 of the "at risk" students were placed in jobs.
- Many of the jobs did not meet the program goals which suggest that all job placements should be full-time positions that pay more than minimum wage. Almost half of the students who received jobs were employed in part-time positions. An estimated 30 percent of all JAG 1985-86 graduates received minimum wages or less, and "at risk" students received lower average wages than the "not at risk" students.
- Previous employment appeared to be the most significant contributor to job placement. Most of the jobs found by the 1986 graduates appear to be the result of their own experience rather than any skills learned in the JAG program.

The Cost Of Placing Students Through The JAG Program Appears High

Although the cost effectiveness of JAG is difficult to measure, the cost of placing students through the program appears excessive. An analysis by our Office found that program costs per student are viewed in several different ways depending upon the definition of students benefiting from the

program. For example, based on the assumption that any student who enrolled in the program benefited to some degree, even those who dropped out of school or were not placed in jobs, the cost per student for the 1985-86 school year would be calculated at \$1,084. However, if job placement for "at risk" students is the only definition or criteria for program success, the cost per "at risk" student placement leaps to \$21,350 per student.

**COST OF 1985-86 JAG PROGRAM FOR
VARIOUS STUDENT GROUPS**

	<u>Number</u>	<u>Cost Per Student</u>
ALL STUDENTS	571	\$ 1,084
Placed	297	\$ 2,085
"AT RISK" STUDENTS		
Completing the Program	63	\$ 9,828
Placed	29	\$ 21,350

Source: Prepared by the Office of the Auditor General from analysis of 1985-86 JAG data.

**JAG Did Not Follow Legally Required Procedures
When Reimbursing NAU \$367,202 For
Its Services As Fiscal Agent**

Fragmented responsibility and the reliance on informal agreements led JAG to pay Northern Arizona University (NAU) \$367,202 for its services as fiscal agent without following legally required procedures. Since JAG was implemented in 1980, the Authority Board, Arizona Department of Education (ADE), and NAU each played a role in the program's operation. No one entity had complete program responsibility. Because of the fragmented responsibility for JAG's operation, a formal agreement was essential to clarify responsibilities. Further, a November 1987 Legislative Council opinion concluded that an intergovernmental agreement was needed between JAG and NAU to provide for a means of compensation. Because JAG and NAU had never developed such an agreement, no legal basis existed for JAG to pay NAU for its services.

The lack of interagency agreement also affects the ownership of program property. According to Legislative Council opinion, the informal written agreement between NAU and ADE does constitute a written contract. However, a formal intergovernmental agreement is needed to transfer property. In the absence of a valid agreement, NAU cannot retain ownership of JAG purchased furniture.

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January 29, 1988

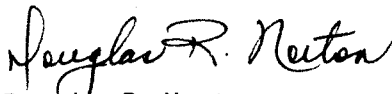
Members of the Arizona Legislature
The Honorable Evan Mecham, Governor
The Honorable C. Diane Bishop, Superintendent of Public Instruction
Dr. Eugene M. Hughes, President, Northern Arizona University

Transmitted herewith is a report of the Auditor General, a Performance Audit of the Jobs for Arizona Graduates (JAG) Program. This report is in response to Chapter 334, Subdivision 77 of 1987 Session Laws.

The report recommends that the Legislature terminate the JAG program because the program has not succeeded in placing high school seniors in jobs. The program placed very few "at risk" students in jobs and had limited success in securing full-time positions paying more than minimum wage. The cost of placing students through the JAG program also appears to be excessive. In addition, we found that the JAG program paid Northern Arizona University \$367,202 for its services as fiscal agent without following legally required procedures.

My staff and I will be pleased to discuss or clarify items in the report.

Respectfully submitted,



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Enclosure

SUMMARY

The Office of the Auditor General has conducted a performance audit of the Jobs for Arizona Graduates program. This performance audit was conducted in response to Chapter 334, Subdivision 77, of the 1987 Session Laws, which directs the auditor general to prepare an evaluation of the Jobs for Arizona Graduates program with recommendations relating to the organization and management, program content, student selection criteria, program placement results, and cost effectiveness of the program.

The Jobs For Arizona Graduates (JAG) program was established in 1980 as a State affiliate of Jobs for America's Graduates, Inc. (JAMG). JAMG, the parent organization of JAG, was established in 1979 as a means to use research and demonstration activities as a national strategy to reduce youth unemployment. Arizona's program began in 1980 with 28 participating high schools and 1,448 students. In 1987-88, seven schools and 161 students participated in the program.

The JAG Program Is Not Successful In Placing High School Seniors In Jobs (see pages 7 - 12)

The Legislature should consider terminating the JAG program because it does not appear successful in placing high school seniors in jobs. The Jobs for Arizona Graduates program attempts to target high school seniors defined as "at risk" and provide the students with necessary skills to get and maintain jobs. "At risk" students are those who do not already possess marketable skills, are enrolled in general academic programs, and have limited or no employment experience.

- Our analysis of 1985-86 JAG participants shows that the program has had limited success. Very few "at risk" students were placed in jobs. Only 11 percent (36) of the 328 students in our sample could be defined as "at risk" students, and only 17 of the "at risk" students were placed in jobs.
- Many of the jobs did not meet the program goals which suggest that all job placements should be full-time positions that pay more than minimum wage. Almost half of the students who received jobs were employed in part-time positions. An estimated 30 percent of all JAG 1985-86 graduates received minimum wages or less, and "at risk" students received lower average wages than the "not at risk" students.

- Previous employment appeared to be the most significant contributor to job placement. Most of the jobs found by the 1986 graduates appear to be the result of their own experience rather than any skills learned in the JAG program.

The Cost Of Placing Students Through The JAG Program Appears High (see pages 13- 15)

Although the cost effectiveness of JAG is difficult to measure, the cost of placing students through the program appears excessive. An analysis by our Office found that program costs per student are viewed in several different ways depending upon the definition of students benefiting from the program. For example, based on the assumption that any student who enrolled in the program benefited to some degree, even those who dropped out of school or were not placed in jobs, the cost per student for the 1985-86 school year would be calculated at \$1,084. However, if job placement for "at risk" students is the only definition or criteria for program success, the cost per "at risk" student placement leaps to \$21,350 per student.

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**JAG Did Not Follow Legally Required Procedures
When Reimbursing NAU \$367,202 For
Its Services As Fiscal Agent (see pages 17 - 20)**

Fragmented responsibility and the reliance on informal agreements led JAG to pay Northern Arizona University (NAU) \$367,202 for its services as fiscal agent without following legally required procedures. Since JAG was implemented in 1980, the Authority Board, Arizona Department of Education (ADE), and NAU each played a role in the program's operation. No one entity had complete program responsibility. Because of the fragmented responsibility for JAG's operation, a formal agreement was essential to clarify responsibilities. Further, a November 1987 Legislative Council opinion concluded that an intergovernmental agreement was needed between JAG and NAU to provide for a means of compensation. Because JAG and NAU had never developed such an agreement, no legal basis existed for JAG to pay NAU for its services.

The lack of interagency agreement also affects the ownership of program property. According to Legislative Council opinion, the informal written agreement between NAU and ADE does constitute a written contract. However, a formal intergovernmental agreement is needed to transfer property. In the absence of a valid agreement, NAU cannot retain ownership of JAG purchased furniture.

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INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted a performance audit of the Jobs for Arizona Graduates program. This performance audit was conducted in response to Chapter 334, Subdivision 77, of the 1987 Session Laws, which states "It is legislative intent that the auditor general prepare an evaluation of the Jobs for Arizona Graduates program to be submitted to the legislature by January 31, 1988, with recommendations relating to the organization and management, program content, student selection criteria, program placement results and cost effectiveness of the program."

National Affiliation

The Jobs for Arizona Graduates (JAG) program is affiliated at the national level with Jobs for America's Graduates, Inc. (JAMG). Jobs for America's Graduates was started in 1979 as a means to use research and demonstration activities as a national strategy to reduce youth unemployment. Each state program is reviewed annually by the national Jobs for America's Graduates for compliance with the JAMG Model for program and curriculum, the existence of a student career association, and the accurate maintenance of student job placement data. While the JAMG provides oversight at the national level and enforces program compliance, it provides no funding to states in the program.

In 1980 Arizona became the second state to join Jobs for America's Graduates. Today there are 12 states in JAMG, with four having joined the program in the last 11 months. The organizational structure of the JAMG program in each state is unique, and depends largely on funding sources and scope of the program within the state. Of the eight states with the program longer than one year, six function as part of a private, non profit corporation, while only two are administered by the state departments of education.

The scope of the program within the state can also vary. For instance, in Missouri the program is concentrated in the St. Louis area, while in Massachusetts the program is everywhere outside the Boston area. In Delaware the program is statewide. The program in Arizona has operated primarily in the Phoenix and Tucson areas.

Funding sources also differ in each state, but most do rely heavily on Federal funding received through the Job Training Partnership Act (JTPA). JAG has relied on a variety of funding sources over the years, with the largest being a State appropriation. Contrary to other states, JTPA funding has never figured prominently in JAG's operations.

History of Jobs for Arizona Graduates

Jobs for Arizona Graduates began in 1980 with 18 school districts and 28 high schools participating in the program. In fiscal year 1982-83 the program increased to 21 districts and 35 schools with some districts operating more than one program. The total student enrollment was 1,448. The current fiscal year 1987-88 participation is seven schools with 161 students enrolled. Program funding followed a similar trend, and ranged from \$1.5 million available in fiscal year 1980-81 to the current fiscal year 1987-88 funding of \$350,808.

Prior to fiscal year 1986-87, an Authority Board, the Arizona Department of Education (ADE) and Northern Arizona University (NAU) all had roles in the administrative oversight for the program.⁽¹⁾ It was NAU's understanding that the Authority Board was the controlling body for the program. NAU reduced the Board's power to that of an advisory function when it took control of the program in July of 1986. However, on July 1, 1987, ADE was given sole responsibility for the program. Significant changes have occurred since that time. NAU's affiliation with JAG terminated when the program was transferred to ADE. Also, the role and power of the Authority Board has been diminished significantly to the point where it now serves only an advisory function.

In the early years of the program, school districts were not required to provide any funding support to maintain the program. All money for program operations was provided to participating schools. Sources for those funds were a Federal grant,

(1) See Finding III, page 19, for a description of the role of the Authority Board, the Department of Education and Northern Arizona University.

State appropriations and private donations. Also, job specialists⁽¹⁾ were JAG employees and were not required to have vocational education certification. ADE now requires a strong commitment to JAG by the school districts. Each school wishing to participate in fiscal year 1987-88 must make a \$25,000 (cash or in-kind) commitment to the program, and participating schools are also required to submit a grant application to ADE outlining whether this commitment will be cash or in-kind. Each school has a payment schedule established with ADE for receipt of this funding. The State appropriation money can only be used for job specialists' salaries and benefits. All other program expenses must be funded by the school. Also, the job specialists are now employees of the schools, and are required to have vocational education or academic certification.

Table 1 (page 4) shows funding and staffing levels for the last three fiscal years.

JAG Curriculum - The JAG program curriculum focuses on the skills necessary for students to be successful in the job market. The job specialist attempts to identify a student's interests and abilities and develop valuable job competencies. In addition, the curriculum is designed to teach skills necessary to obtain a job.

The curriculum, the pre-tests and the post-tests, are grouped into three sections.

- Career Development Competencies - Development of the student's awareness about "his/her own special aptitudes, abilities, interests, life goals and desired life styles." Also included is information about "the world of work, identifying those occupations which are consistent with his/her own goals.
- Job Attainment Competencies - "Those skills and abilities involved in successfully obtaining a job," such as constructing a resume, conducting a job search, arranging for and completing a job interview, and completing applications.
- Job Survival, Leadership, and Self-Development Competencies - Competencies required for job success (appearance, expectations, time management), for managing personal finances (budgeting, using credit), and for functioning effectively in team or group projects (team membership, peer relationships, organizational commitment).

(1) The job specialist works out of the high school and is responsible for student job placement and retention.

TABLE 1

JAG EXPENDITURES
 FISCAL YEARS 1985-86 THROUGH 1987-88
 (Unaudited)

	<u>Actual 1985-86</u>	<u>Actual 1986-87</u>	<u>Budgeted (b) 1987-88</u>
FTEs	20 (a)	19 (a)	2
Personal Services	\$512,731	\$558,443	
Other Operating	24,707	23,376	
Professional Services	10,337	14,988	
In-State Travel	6,921	3,320	
Out-of-State Travel	2,357	562	
Capital Outlay	1,647		
Indirect & Administrative Costs	60,439		
Lump Sum			350,808
	<u>\$619,139</u>	<u>\$600,689</u>	<u>\$350,808(c)</u>

(a) Includes two JAG Employees at NAU.

(b) Only two full-time positions are budgeted for Central Office staff, since all job specialists are now employees of the schools. The \$350,808 amount includes \$225,000 to be allocated to the school districts for job specialist salaries and \$125,808 is available for other operating costs. \$238,522 is available to the program from cash/in-kind matches provided by participating districts.

(c) The budget amount does not include the cash/in-kind match amount.

Source: Auditor General analysis of JAG program expenditures and 1987-88 JAG budget.

Students are tested before entering the JAG program and after completing each competency section. The differences between the pre-test and post-test scores are a measure of the gains achieved within the program.

Methodology

To evaluate JAG program content, program placement results, student selection criteria and program cost effectiveness, as required in Chapter 334 of the 1987 Session Laws, student data from the 1985-86 school year was used. ⁽¹⁾

In 1985-86 15 schools participated in the JAG program: Carl Hayden, South Mountain, and Deer Valley High Schools in Phoenix; Marcos de Niza in Tempe; Coronado High School in Scottsdale; Mesa High School; Chandler High School; Tolleson High School; Casa Grande High School; Coolidge High School; Santa Cruz Valley Union High School in Eloy; and Cholla, Palo Verde, Pueblo and Rincon High Schools in Tucson.

Data were collected from three sources. Grade point averages and attendance records were obtained from the high school permanent records. The JAG student files maintained at the high schools contained most of the detail needed for analysis. Data were also obtained from the JAG program files currently maintained at NAU.

Data collected from JAG student files included the hours of contact between the job specialist and each student, pre- and post-test scores, and information on vocational education classes, special skills, training, and previous employment. Additionally, information regarding contacts between the job specialist and student during the nine-month follow-up period ⁽²⁾ was available in the student's file.

(1) This 1985-86 student data was used because it is the latest year in which the program operated in its entirety.

(2) The job specialists are required to monitor the students job performance for nine months after placement.

Information regarding each student's availability for work and placement information was obtained from the JAG main files. Data were collected regarding student outcomes and placement for up to three jobs, with salaries, promotions, raises, etc., being noted. Demographic data were also available from the JAG files which included: sex, race, marital status, dependents, if any, handicapped status, citizenship, birth date.

Various types of statistical analyses were conducted on this data to provide us with information to address the program aspects specified in the Session Law.

Audit Scope

Our audit of the Jobs for Arizona Graduates program addressed the four statutorily mandated areas.

Finding I

- The program's effect on student job placement
- The effect of student selection criteria and program content on JAG participants

Finding II

- Overall cost effectiveness of Arizona's program

Finding III

- Evaluation of the organization and management of the program

This audit was conducted in accordance with generally accepted governmental auditing standards.

The Auditor General and staff express appreciation to the administrations of Northern Arizona University, the Arizona Department of Education, and the high schools involved for their cooperation and assistance during the course of our audit.

FINDING I

THE JOBS FOR ARIZONA GRADUATES PROGRAM IS NOT SUCCESSFUL IN PLACING HIGH SCHOOL SENIORS IN JOBS

The Jobs for Arizona Graduates program (JAG) does not appear successful in placing high school seniors in jobs. Although the program's goal is to secure full-time, permanent employment for those students who lack necessary skills, training, and experience, analysis of the 1985-86 data indicates that the placement rate for these targeted "at risk" students is very low. Many students who did obtain jobs found only part-time, low wage positions. In addition, analysis shows that the job placements that did occur were not attributable to the JAG program.

JAG's Goal Is To Secure Employment For "At Risk" Students

The goal of the JAG program is to secure full-time, permanent employment for those high school seniors who lack the necessary skills, training and experience to make a successful transition into the working world. Standards and program outlines established by Jobs for America's Graduates (JAMG), the national organization, do not specifically set forth criteria for the selection of students. The Program Operations Handbook (Volume 1, 1983) states, however, that "students selected for the program should be those seniors in the high school that are most likely to be unemployed following graduation." This same Handbook, revised in 1985, also states that "targeted students primarily include those students referred to as general education students and those most likely to lack the skills and/or motivation and preparation necessary to find and retain employment upon graduation." Throughout JAMG literature there is a consistent indication that students should be those high school seniors who:

- are enrolled in general academic programs (i.e., not taking vocational education classes);
- do not already possess employability skills;
- have limited or no employment experience.

In order to operationalize this definition, we chose individual 1985-86 student participants who had not taken vocational education classes, had no special employability skills, and had not been previously employed. For our analysis, student participants with these characteristics are defined as "at risk."

Placement Rate For "At Risk" Students Is Low

The JAG program in Arizona appears to place few "at risk" students in jobs. An analysis of sample data from the 1985-86 student files ⁽¹⁾ indicates that most of the students in the JAG program were not the types of students the program says it targets. They either had taken vocational education classes, had special employability skills, or had previously been employed and were, therefore, not at high risk of unemployment. Table 2 (page 9) shows that the number of students who actually were "at risk" is very low at each of the nine schools.

Only 36 (11 percent) of the students were actually "at risk" for unemployment as defined by JAMG. Even if those students whose risk status is unknown (26) are presumed to be "at risk," the total of "at risk" students increases only to 62 (19 percent). Most students (266, or 81 percent) are not the at risk students as defined by JAMG. Thus, the number of targeted students assisted by JAG was minimal since the majority of students during 1985-86 were not "at risk."

Because the number of "at risk" students enrolled in the JAG program is low, these students' placements are also very low. Table 3 (page 10) illustrates that only 17 "at risk" students were placed, compared to the 156 "not at risk" students who found jobs. Overall, "at risk" students who were placed account for only 5 percent of the entire sample of 328 students.

This low success rate contrasts sharply with the rate for Arizona reported by the national JAMG program. JAMG reported in 1986 that 63 percent of its Arizona students found jobs and that 90 percent found jobs or experienced a "positive outcome." ⁽²⁾

(1) Sample data are based on nine schools where complete student files were available. The available data for all 15 schools participating in the JAG program during 1985-86 were also examined as part of the analysis, and no substantial differences were found between schools with complete student data and those with only partial data. Therefore, this sample appears to be highly representative of the entire 1985-86 student population.

(2) Positive outcomes include students finding jobs at the end of the JAG program and students who decide to enter college, post-secondary training or the military.

TABLE 2
 ARIZONA JAG STUDENTS
 WHO WERE "NOT AT RISK" AND "AT RISK"
 FOR UNEMPLOYMENT

<u>High School</u>	<u>Total Students Enrolled in JAG</u>	<u>"Not At Risk" Students</u>	<u>"At Risk" Students</u>	<u>Unknown</u>
Casa Grande	47	36	6	5
Chandler	44	34	9	1
Coolidge	9	8	1	-
Coronado	55	47	2	6
Deer Valley	35	31	4	-
Marcos de Niza	35	25	2	8
Pueblo	37	28	4	5
Santa Cruz Valley	24	21	3	-
Tolleson	<u>42</u>	<u>36</u>	<u>5</u>	<u>1</u>
Totals	<u>328</u>	<u>266</u>	<u>36</u>	<u>26</u>
Percentages	100%	81%	11%	8%

Note: These are sample schools only. See footnote (1) page 8, for description of sample data.

Source: Prepared by Office of the Auditor General from analysis of 1985-86 JAG data.

TABLE 3
RESULTS OF "AT RISK,"
"NOT AT RISK," AND UNKNOWN STUDENT PLACEMENTS

<u>High School</u>	<u>Total Placements</u>	<u>"Not At Risk" Placements</u>	<u>"At Risk" Placements</u>	<u>Unknown Placements</u>
Casa Grande	25	21	1	3
Chandler	24	20	4	-
Coolidge	3	3	-	-
Coronado	30	28	1	1
Deer Valley	21	18	3	-
Marcos de Niza	22	21	1	-
Pueblo	11	9	2	-
Santa Cruz Valley	17	15	2	-
Tolleson	<u>24</u>	<u>21</u>	<u>3</u>	<u>-</u>
Totals	<u>177</u>	<u>156</u>	<u>17</u>	<u>4</u>

Note: These are sample schools only. See footnote (1), page 8, for description of sample data.

Source: Prepared by Office of the Auditor General from analysis of 1985-86 JAG data.

However, these figures overstate the program's success in two ways. First, JAMG is unaware that a large proportion of Arizona students are not "at risk." Second, JAMG bases its percentages on the number of students "available for placement."⁽¹⁾ During 1985-86 approximately 31 percent of the total student enrollment was not available for placement, and most of these unavailable students had dropped out of school during the year. Thus, the nationally reported placement rate for JAG students appears much higher than its actual accomplishment.

Many Jobs Were Part-time, Low Wage Positions

Many of the jobs filled by 1985-86 JAG graduates do not meet the program's goal. According to JAG literature, placements are supposed to be full-time positions that pay more than minimum wage and provide an opportunity for advancement. However, our analysis shows that almost half of the total placements (47 percent) were in part-time positions.

An analysis of the hourly wages received by the 1985-86 JAG graduates indicated that many of these jobs were low paying positions. An estimated 30 percent of the graduates earned the minimum wage of \$3.35 per hour or less. The data also indicated that the "at risk" students received lower average wages (\$3.93 per hour) than did "not at risk" students (\$4.09 per hour). These results differ from JAG's report, issued in March 1987, that its 1986 graduates earned an average wage of \$4.23 an hour for a 40-hour week.

Job Placements Not Attributable To JAG Program

Although some 1985-86 JAG students found jobs, those jobs do not appear to be a result of the JAG program. Analysis of the 1985-86 data indicates that the curriculum⁽²⁾ does not enhance the employability skills of "at risk" students, and has no significant relationship to job placement. Previous employment appears to be the only significant contributor to job placement.

(1) Students unavailable for placement are those who dropped out of school, did not graduate, are pregnant and not seeking employment, are recuperating from a serious illness or injury, or are imprisoned.

(2) See pages 4 and 5 for JAMG's description of the curriculum.

Analysis of the 1985-86 JAG student data revealed that the curriculum fails to enhance the employability skills of "at risk" students. The differences between pre- and post-test scores in the three curriculum areas - Career Development, Job Attainment and Job Survival - were assessed separately for "at risk" and for "not at risk" students.⁽¹⁾ While students "not at risk" significantly improved their scores in all three areas, "at risk" students showed no improvement in any area. Thus, the "at risk" students did not significantly increase their knowledge of employment skills.

In addition, our analysis found that the curriculum does not provide knowledge that facilitates job placement. The student data showed no significant relationship between higher post-test scores and job placement. On the contrary, those students who were placed in jobs had statistically significant lower post-test scores than did students who were not placed in jobs.⁽²⁾

Only one variable, previous employment, appeared to contribute significantly to JAG graduates' success in finding employment.⁽³⁾ Most of the jobs found by the 1986 graduates appear to be the result of their own experience rather than any skills learned in the JAG program.

Not only is the JAG program ineffective, the strong lack of effect raises strong doubts as to whether the program can be made effective. In essence, a new program with a different target group and a different curriculum would be needed.

RECOMMENDATION

The Legislature should consider terminating the Jobs for Arizona Graduates program because it does not appear to contribute to increased employment opportunities for "at risk" students.

(1) Career Development -- $t = 6.40$, $p < .001$

Job Attainment -- $t = 3.36$, $p < .001$

Job Survival -- $t = 3.93$, $p < .001$

(2) $t = 2.90$, $p < .01$

(3) Chi-square = 5.30, $p < .05$, Kendall's $\tau_b = .15$, $p < .01$

FINDING II

THE COST OF PLACING STUDENTS THROUGH THE JOBS FOR ARIZONA GRADUATES PROGRAM APPEARS HIGH

Although the cost effectiveness of the Jobs for Arizona's Graduates (JAG) program is difficult to measure with any certainty, the cost of placing students through JAG appears high. Analysis of placement costs for the "at risk" students shows that the cost per placement for the 1985-86 school year may be excessive. Other programs appear to train and place students at less cost than JAG.

Placement Costs For "At Risk" Students May Be Excessive

The cost of placing "at risk" students may be excessive. An analysis by our Office found that in 1985-86 the "at risk" students represented about 11 percent of the population we sampled, and their placement rate was approximately 5 percent.⁽¹⁾ When these percentages are applied to the entire JAG student population, we calculate about 63 "at risk" students in the total population of 571, and about 29 "at risk" placements. (See footnote 2, page 8 for explanation.)

The cost of serving these "at risk" students during the 1985-86 year appears high. Total costs for the JAG program were \$619,139. Table 4 shows that the program costs per student can be viewed in several different ways depending upon the definition of students benefiting from the program. For example, if any student who enrolled in the program benefited to some degree, even those who dropped out of school or were not placed in jobs, the cost per student for the 1985-86 school year is \$1,084. However, if job placement for "at risk" students is the only program success, the cost per "at risk" student placement leaps to \$21,350 per student.⁽²⁾

(1) See pages 7 to 13 of Finding I.

(2) Jobs for America's Graduates (JAMG) estimates that nationally average costs range from "less than \$700 per participant" to "less than \$1,400 per placement."

TABLE 4
COST OF 1985-86 JAG PROGRAM
FOR VARIOUS STUDENT GROUPS

	<u>Number</u>	<u>Cost Per Student</u>
ALL STUDENTS	571	\$ 1,084
Placed	297	\$ 2,085
"AT RISK" STUDENTS		
Completing the Program	63	\$ 9,828
Placed	29	\$ 21,350

Source: Prepared by the Office of the Auditor General from analysis of 1985-86 JAG data.

According to JAMG, if the number of students per job specialist drops below 35, the result will be "unacceptable costs per placement." In Arizona, during the 1985-86 school year, five of the 15 participating schools had student enrollments of 35 or fewer, and two other schools had enrollments of only 37 students.

Other Programs
Cost Less

Review of other programs suggests that JAG costs are high. Although, we could identify no programs in Arizona that are directly comparable to JAG, two other programs - the Mesa Youth Placement Service and Arizona vocational education programs - do provide some basis for comparison.

An accurate assessment of the cost effectiveness of JAG requires comparing its costs to those of similar programs. However, no programs in Arizona could be identified that encompassed both essential elements of JAG: classroom instruction and job placement. Two programs that each provide one of these elements (classroom instruction and job placement) were identified and their costs estimated for a comparison with JAG.

Mesa Youth Placement Service - The Mesa Youth Placement Service (MYPS) costs about \$151 per student placement. MYPS is a job placement service funded by the Mesa High School District, City of Mesa, Mezona Foundation and Department of Economic Security. It places students aged 12 to 19 in full or part-time, permanent or temporary positions, and provides career counseling as well as skills workshops. The job placement function of MYPS can provide somewhat of a comparison to the job placement element in JAG. MYPS has an estimated 1,620 placements per year and its 1987 expenditures were approximately \$245,000, which results in cost per placement at \$151 per student. JAG's cost per placement for all students is \$2,083 (see Table 4 page 14).

Arizona vocational education programs - Arizona's vocational education programs cost less than \$293 per student.⁽¹⁾ Vocational education, like JAG, provides classroom instruction. Vocational education in Arizona is taught in high schools, community colleges, and other private sector secondary schools. Funding for vocational education is provided by State appropriations and Federal grants as well as by local school districts. The cost per student of Arizona's vocational education programs was computed by adding the 1986 funding from all three sources, for a total State expenditure of more than \$65 million. In school year 1986-87, an estimated 128,100 students were enrolled in public secondary schools and another estimated 97,000 in colleges. There is no estimation, however, of the number of students enrolled in private secondary schools and in other educational institutions. Thus, the \$293 estimated cost per student in the program is a high figure, but is still less than half of JAG's cost of \$1,083 per participant (see Table 4).

RECOMMENDATION

If the Legislature decides to continue funding student job placement programs, which specifically target at-risk students, consideration should be given to developing and funding less costly programs. Existing programs such as the Mesa Youth Placement Service should be studied as a possible alternative to JAG.

(1) The amounts used to calculate this cost were obtained from the Arizona Department of Education.

FINDING III

JAG DID NOT FOLLOW LEGALLY REQUIRED PROCEDURES WHEN REIMBURSING NORTHERN ARIZONA UNIVERSITY \$367,202 FOR ITS SERVICES AS FISCAL AGENT

Fragmented responsibility and reliance on informal agreements led Jobs for Arizona Graduates (JAG) to pay Northern Arizona University (NAU) \$367,202 for its services as fiscal agent without following legally required procedures. Oversight of the program operations has always been fragmented, with several entities in partial control. Informal agreements governed these relationships, which resulted in NAU not following legally required procedures to receive reimbursement for its role as program fiscal agent. However, current program organization centralizes oversight and has increased the level of management control.

Responsibility Is Fragmented

Since JAG was implemented in 1980, there have been three entities responsible for parts of its operation. No one entity had complete program responsibility.

- **Authority Board** - The JAG Authority Board was established by Laws 1981, Chapter 196. It was mandated by statute to "establish a program for curriculum development, identification, screening, selection and training of Arizona high school graduates for jobs in this state." This statute expired effective June 30, 1982, and no continuing statute was ever developed. The Authority Board maintained the ultimate decision-making responsibility for the program (despite no continuing statutory authority) until program responsibility was transferred to NAU in 1986.
- **Department of Education** - The Arizona Department of Education (ADE) was given a line-item appropriation by the Legislature to provide vocational education assistance through JAG from fiscal year 1982-83 through 1985-86. Program responsibility was transferred to ADE during this period since the Authority Board had legally expired. During this period, ADE's responsibilities were more than merely acting as a conduit for the distribution of money. This responsibility concluded on May 5, 1986, when the Legislature transferred both the 1986-87 fiscal year appropriation and 20 full-time equivalent positions for JAG from ADE to NAU.
- **Northern Arizona University** - Northern Arizona University served as fiscal agent for the program from July 1, 1980 to June 30, 1986, and had full program responsibility from May 1986 to June 1987. According to NAU personnel, its duties as fiscal agent were to provide financial record keeping and personnel administrative services. NAU administrative staff saw their role as that of the "banker" for the program, though this role was never defined by a formal agreement. In June 1987, the Legislature chose not to fund the program at NAU, and transferred it to ADE. ADE elected to serve as its own fiscal agent.

JAG Program Officials Failed To Follow Legally Required Procedures

The fragmented responsibility for JAG's operation increased the need for clear, formal agreements among the various agencies. However, this did not occur. For example, an intergovernmental agreement was needed between JAG and NAU to define fiscal agent duties and means of compensation, yet one was never developed. As a result, more than \$367,000 in indirect and administrative cost reimbursement was paid to NAU in an unauthorized manner for fulfilling the fiscal agent role. Similarly, a valid agreement was also needed, but not developed, governing disposition of JAG property.

Intergovernmental agreement needed - Lacking an agreement for payment has resulted in more than \$367,000 of unauthorized payments to NAU. However, because both ADE and NAU appear to be satisfied with the services, further legal action does not appear warranted.

NAU operated as program fiscal agent through an informal, unwritten agreement with JAG and ADE. The indirect cost charges made by NAU to compensate for costs incurred as fiscal agent were paid from the ADE line-item appropriation for the JAG program. NAU charged the JAG program a yearly fee of approximately 5 percent of the total program budget. This amount was intended to cover the "intangible" administrative costs. The exact amount of this fee was determined through the budget process and approved by the authority board. According to the NAU accountant, the amount of 5 percent was consistent from year to year, since JAG was a continuing grant program. During NAU's tenure as fiscal agent it charged JAG more than \$367,000.

According to a November 1987 Legislative Council opinion, an intergovernmental agreement was necessary for NAU to be reimbursed for its fiscal agent duties. The opinion states:

"From the inception of the authority board to May 5, 1986, the indirect costs have been part of an agreement between one state entity, NAU and another, first the authority board then DOE. Interagency agreements are governed by title 11 chapter 7, article 3, Arizona Revised Statutes. The agreements which gave rise to the indirect cost charges qualify as interagency agreements and they must meet the requirements of A.R.S. section §11-952.

"The interagency agreement provisions apply to public agencies which include departments, agencies and boards of this state. A.R.S. section 11-951. DOE is a department of this state and the authority board and the board of regents, the governing board of NAU, are boards of this state. All three qualify as public agencies."

The opinion further states:

"Because the powers of the three agencies encompassed the duties of JAG, the agreements involved the exercise of common powers and were interagency agreements subject to A.R.S. section §11-952.

"Interagency agreements must be in writing and specify the duration and purpose of the agreement, the manner of financing the project, the methods used to accomplish the goals of the project and any other necessary matters. The agreement must be submitted to the attorney general for the agency and be filed with the secretary of state or the county recorder depending on the scope of the agreement. A.R.S. §11-952."

"The agreements concerning NAU's role as fiscal agent for JAG were not in writing, were not submitted to the attorney general, the attorney for the advisory board, and DOE, and were not filed with the secretary of state. Because these requirements were not met no monies, including the indirect costs, could be paid under the contracts. A.R.S. section §11-952, subsection J." (Emphasis added)

In the absence of an agreement NAU and ADE did not follow legally required procedures for NAU to receive compensation for its fiscal agent duties. Technically, both NAU and ADE could be held liable for repayment of the funds involved for this statutory violation. However, according to the Attorney General's Office, because both ADE and NAU agreed on the services provided and the actual cost incurred, no cause appears to exist for legal action in this matter.

Agreement needed to govern transfer of JAG property – The lack of interagency agreements also affects ownership of program property. In the absence of a valid agreement, NAU cannot retain ownership of JAG purchased furniture.

NAU is claiming ownership of all JAG furniture based on an informal agreement with ADE. This agreement states that any furniture or property purchased on vocational education grants and the Jobs for Arizona Graduates grant has its title vested in the Department of Education for the first three years the project is in existence. If the project lasts more than three years, the title to the property will be relinquished to the university. The JAG program has been in existence for eight years. Therefore, NAU is claiming ownership of all JAG furniture.

According to a November 1987 Legislative Council opinion, the informal agreement between NAU and ADE does constitute a written contract. However, the opinion concludes that:

" the agreements between NAU and DOE and JAG are subject to the requirements of A.R.S. section §11-952. This section allows agencies to dispose of property pursuant to an interagency agreement, . . .The contract was not approved by the attorney general or filed with the secretary of state, however, so it is not a valid interagency agreement under A.R.S. Section §11-952."

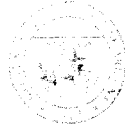
**Current Organization Under
ADE Improves Control**

The responsibility for JAG was returned to ADE effective July 1, 1987, which has streamlined program oversight. ADE is now the only entity responsible for JAG operations. NAU no longer serves as fiscal agent for the program and the Authority Board now serves only in an advisory capacity. Thus, the fragmented responsibility which contributed to the problems described in this Finding has been eliminated.

RECOMMENDATIONS

1. Intergovernmental agreements should be used by JAG and ADE when required by law.
2. NAU should either return all JAG property to ADE, including furniture, or obtain a legal agreement for its proper disposition.

C. DIANE BISHOP
Superintendent



Arizona
Department of Education
1535 WEST JEFFERSON
PHOENIX, ARIZONA 85007
(602) 255-4361

January 28, 1988

Mr. Douglas R. Norton, Auditor General
State of Arizona
2700 North Central Avenue, Suite 700
Phoenix, AZ 85004

Dear Mr. Norton:

The revised final draft of the performance audit of the Jobs for Arizona Graduates Program has been received and reviewed by myself and appropriate staff members.

In my correspondence to you on January 15, 1988, I indicated the five areas which needed further clarification in the final report. During the exit interview with your staff, those items were discussed at length. Upon review of the final draft report, I note you addressed some of our concerns. However, further clarification is needed.

In just a few months, our Department has implemented an expanded initiative for JAG which, for the first time since the program's inception, includes a major financial (buy-in) commitment for local educational agencies. Professional staff development for Job Specialists, new curriculum thrusts, expanded partnerships with business and industry, and an improved student assessment system is now in place.

Recommendation — In Arizona, there are a growing number of students who need a school-to-work transition initiative and that initiative needs to incorporate the positive program thrusts of programs such as Jobs for Arizona Graduates, i.e., on-the-job training activities, business and industry linkages, instruction designed to meet the needs of "at-risk" students, a youth organization, and parents as key partners in the career selection process.

The Department's efforts need to be highlighted. A program which emphasizes school-to-work transition warrants a new time frame in order to demonstrate its viability.

I request this correspondence be included in the text of the published report. The following five major issues are highlighted:

1. "At-Risk" students
2. Program Costs
3. Curriculum
4. Part-Time Employment
5. Job Placement

1. **Definition of "At-Risk" Students** — The report should have focused on a broader set of criteria and references in defining the "at-risk" students that Jobs for Arizona Graduates (JAG) served 1985-1986. As stated on page one, Jobs for America's Graduates was started in 1979 as a means to use research and demonstration activities as a national strategy to reduce youth unemployment. As an arm of Jobs for America's Graduates, the mission for the Jobs for Arizona Graduates program has been to reduce youth unemployment in Arizona. The question then is: Who are the unemployed youth of Arizona? The resource used to answer this question is the report: Labor Market Information, Youth in Arizona, being published by the Arizona Department of Economic Security Research Administration in cooperation with Arizona Department of Education, Vocational Education Division, June 1986.

Minorities — "The minority unemployment problem is not only evident at the national level, but at the state level as well. Unemployment rates among minorities in Arizona are very high — black teenagers, 25 percent; native Americans, 26 percent; and Hispanics, 18 percent. This high unemployment rate is regarded as a consequence of financial difficulties and lack of educational competencies." (D.E.S., 1986)

High School Dropouts — "The group with the highest overall unemployment rate in Arizona among youth is by far the teenage-dropout group at 26 percent.

Furthermore, nearly 80 percent of the youths who were employed in Arizona during 1984 were high school graduates or had some college education. Since a higher level of education-attained has a positive effect on employment, the outlook for minorities from this perspective is not encouraging. In 1984, the highest dropout rate, 17.6 percent, was registered by Native American enrollees followed by Hispanics with 15 percent, and Blacks with 14.6 percent. In Arizona, dropout rates among minorities are several percentage points higher than the state overall rate. There is a direct

relationship between groups with high unemployment rates and those with high school dropout rates." (D.E.S., 1986)

Living in Poverty — "Living in poverty is an important factor affecting youth employability. The location of their residence and accessibility to a competitive education play major roles in the effective preparation of youth for entry into the labor market. Nearly 50,000 youths lived in poverty during 1985 in Arizona, but the proportions of minorities under the poverty level was much higher than their representative proportions in the population." (D.E.S., 1986)

Combination of Factors — "Youth is a heterogeneous group in our society and their high rate of unemployment cannot be attributed to a single factor, but to a combination of factors such as lack of communications skills, inappropriate attitudes and behaviors, lack of labor market information, early parenthood, being economically/educationally disadvantaged, or part of a minority group." (D.E.S., 1986)

Demographic Report of 1985-86 — Jobs for America's Graduates prepared a report entitled: Characteristics of Participants in Jobs for Arizona Graduates, Class of 1985-86. It was prepared by the Center for Labor Market Studies, Northeastern University, Boston, Massachusetts. This report was available to the audit staff.

The Demographic Statistics for the JAG 1985-86 Class Are as Follows: — Race/ethnic composition: 49 percent Hispanic, 7.9 percent American Indian, 7.9 percent Black for a total of 59.8 percent minority students served.

Proportion of JAG participants living in poor or near-poor families: 48.3 percent.
High school curriculum of JAG 1985-86 students: general academic, 84.3 percent
Junior year grade point average 1985-86 students: C to D and below, 84.8 percent.
Probation/suspension/expulsion status of junior year: 26.8 percent of JAG 1985-86 students.

Days absent during junior year: 6 to 21 or more days: 67.5 percent of JAG 1985-86 students.

Senior year employment and fall 1986 plans: work only, 30.7 percent;
Work plus school: 47.2 percent (JAG 1985-86 students)

The audit staff (page 7 — Report 88-1) refers to Jobs for America's Graduates literature regarding the target group of students to be served without considering

constant reference to demographics of Arizona JAG (1986 Annual Report, 1986 Jobs for America's Graduates, Accreditation Report, and Five Year Research Report). These reports were available to the audit staff.

The audit staff in choosing an "at-risk" student criteria did not include in their definition significant demographic factors as minority, poverty level, academic performance, absenteeism, and nowhere evaluated "a combination of 'at-risk' factors." For example, a JAG student who is Black with a D academic average and a high absentee rate is certainly "at-risk" of dropping out of school. It is clearly stated by the Department of Economic Security reports and statistics that a student who drops out of school is "at-risk" of employment. On page 11, in fact, the Auditor General report states that, "During 1985-86 approximately 31 percent of the total 1985-86 JAG student enrollment was not available for placement, and most of these unavailable students had dropped out of school during the year." It is very, very difficult to understand how the audit staff can state on page 8 of the report that using their criteria 11 percent of the 1985-86 JAG students were actually "at-risk" for unemployment. The report states (page 7): "In order to operationalize this definition of 'at-risk,' we chose individual 1985-86 student participants who had not taken vocational education classes, had no special employability skills, and had not been previously employed. For our analysis, students with these characteristics are defined as "at-risk." This limited definition of 'at-risk' accounts for the 11 percent figure and for the tremendous discrepancy between the Jobs for America's Graduates 1986 Accreditation Report and Report 88-1.

Jobs for Arizona Graduates (JAMG) — The evaluation team of Jobs for America's Graduates Accreditation team spent three days of interviewing (both in person and by telephone) and reviewing the Jobs for Arizona Graduates files and records while they were present in Arizona.

The evaluation team was able to talk to ten of the fourteen principals of the high school where the program operated. The report states that: "without exception the principals were very favorable to the JAG program."

A physical count was made of the placement files at the main office and no exceptions were found to indicate concern when the numbers were compared with the September and October, 1986, month-end reports. Additionally, the evaluation team

telephoned 28 program completers or graduates of the Jobs for Arizona Graduates program and the graduates were very favorable in their remarks.

The Arizona audit team conducted their review after the program was no longer functioning, after job specialists had been terminated, and after files were of little concern to the schools as they viewed the program as being terminated.

The JAMG 1986 accreditation report states: "Jobs for Arizona Graduates is operating in full compliance with the standards as set forth in the JAG school-to-work transition model. "The student selection process in Arizona appears to be in close accord with major features of the JAG model." The report then goes on to detail at length: the demographics of the students stressing academic achievement which was very low, stressing the composition of the minority group, stressing the poverty level of the students involved.

Concluding Remarks — Definition of "at-risk" — Using a narrow definition of "at-risk" for the report failed to reflect accurate cost per student ratios and diminished the impact the JAG program was having on "at-risk" students.

2. Program Cost Comparisons — The audit report compares JAG program costs (pages 14-15, Report 88-1) to the cost of operating Mesa Jobs for Youth and Vocational Education.

According to Jobs for America's Graduates Five-Year Research Report: "Findings over the five-year period, 1979-1984, are that the cost of one student placement (including nine months of follow-up) averages less than \$1,400 (half of the JTPA average). The correct comparison for JAG is JTPA program costs as JTPA serves youth of similar demographics; i.e., poverty level, minorities, etc. JAG program costs could well be compared to the cost of the ramifications of being unemployed; i.e., being institutionalized, suicide, substance abuse, or incarceration. JAG is an extremely wise use of dollars spent when making those comparisons. The audit team comparisons to Mesa Jobs for Youth program includes cost factor ratios based on "full- or part-time, permanent or temporary positions" (page 15 — Report 88-1). A question: How many of the "temporary" jobs were babysitting placements? Who follows up on student placements to see how many months the students stay on the job? Getting a temporary, part-time, or full-time job is one thing, but a youth staying on the job is another matter. Generally, an unsupervised (no school program) youth (16-19 years old) quits a job within three months.

Vocational education program completers are youth who have made a "career decision" and that makes the difference. According to the reams of literature on "career undecided youth," they are in fact the target population of JAG. In large measure the career undecided youth is the general academic track student, the low academic achiever, the poverty, minority youth combination. This could also be an answer to the discussion of program effectiveness and low pre- and posttest gains. If students are "career undecided," they are not motivated to learn curriculum content, to score high on tests, etc. Here, is where the JAG program could possibly be improved. It is the intent of the JAG Education Program Specialist with the Arizona Department of Education to conduct experimental research during the spring of 1988 with the present JAG students. They will be administered Osipow's Career Decision Scale and given a treatment to include the completion of a career pathing document to improve their ability to become career decided. This in turn will improve the number of program completers.

Concluding Remarks — Program Costs: The program cost comparisons used are incorrect due to unlike student populations and services.

3. **JAG Curriculum** — The description of the JAG curriculum (page 3, Report 88-1) is accurate. Vocational cooperative education and work experience programs in Arizona as well as other job placement programs have a similar list of curriculum competencies as JAG. Additionally, all the literature regarding "at-risk" youth details a similar course of study. If a new school-to-work transition program is started as the Auditor General suggests, dollars would once again be spent developing the same curriculum or one extremely similar and that would be a waste of dollars and time.

If the JAG curriculum is a competency based one as stated in the JAG curriculum guide, then other performance criteria need to be used to evaluate its effectiveness; i.e., completed application blanks, videotaped interviews, etc. Making a judgment on one paper and pencil test is just that, one indication of curriculum effectiveness. What needs to happen to improve the effectiveness of the JAG classroom instruction is to administer a learning styles inventory such as the DUNN and DUNN to determine a learning styles profile of JAG students.

Based upon that learning styles profile, the instructional style that is most effective for that learning styles profile needs to be implemented by JAG Job Specialists when delivering curriculum competencies.

All the literature on youth unemployment suggests that another problem for this group of youth is "feeling unconnected from society. They are lacking in feelings of potency, self-worth, connection with others, and a concern for the common good."* The Auditor General's report does not address the Career Association that is part of every JAG program. The Career Association activities are designed to connect the students to the larger society; i.e., adopting a needy family at Christmas time. Your audit staff could have identified this strength by interviewing former JAG graduates as the Jobs for America's Graduates accreditation team in writing their 1986 accreditation report.

Concluding Remarks — Curriculum: It is our opinion that the measure of the effectiveness of the JAG curriculum was too narrow.

4. **Part Time Jobs** — Many part-time jobs were combined with continued schooling. According to the Jobs for America's Graduates 1986 Accreditation Report, 15.3 percent of the 1985 JAG nongraduates were combining part-time work and schooling, 6.8 percent of the 1985 JAG nongraduates were just employed part-time. In many instances, part-time employment must be the case for JAG program participants. This particular group of students is the low academic achieving group and many are forced into fifth year schooling or GED preparation. When the JAG program completers do go on to further schooling, it is at the community college institution as opposed to a four-year college. This can be verified by reading JAG Job Specialists' JAG 8-9 reports.

The files that your staff used for their reporting have not been available to the present JAG Education Program Specialist to determine details regarding part-time employment for the 1985-1986 JAG graduates. However, the Jobs for America's Graduates Accreditation Team did survey 1985-86 JAG students as to their plans after high school and 47.2 percent of the students stated that they would be combining part-time work and part-time schooling.

Concluding Remarks — Part-time Jobs: It is our opinion that the characteristics of the student population served by JAG is the most prominent predictor of job placement, not the program operation.

*Wircenski, Jr. L.Ed. Handbook of Special Vocational Needs Education

Mr. Douglas R. Norton
January 28, 1988
Page 8

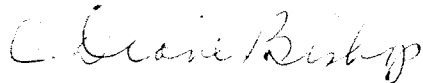
5. **Job Placements** — The mission of Jobs for Arizona Graduates as stated previously is to solve youth unemployment; i.e., get the JAG student a full-time job. Previous employment as stated in the Auditor General's Report 88-1 is a strong foundation for future employment. Students with low academic skills are less likely to be hired for jobs above minimum wage (D.E.S., 1986).

Concluding Remarks — Job Placements: We believe encouraging the JAG program completer to continue part-time schooling is a solution to higher future wages but may not see fruition for several years after a school-to-work program.

Recommendation — In Arizona, there are a growing number of students who need a school-to-work transition initiative and that initiative needs to incorporate the positive program thrusts of programs such as Jobs for Arizona Graduates, i.e., on-the-job training activities, business and industry linkages, instruction designed to meet the needs of "at-risk" students, a youth organization, and parents as key partners in the career selection process.

In closing, I wish to thank your staff for their efforts in carrying out the mandate of Chapter 334, Subdivision 77 of the 1987 Session Laws which directed you to evaluate the program and prepare recommendations.

Sincerely,



C. Diane Bishop
Superintendent of Public Instruction

nia170





OFFICE OF THE PRESIDENT

January 26, 1988

Mr. Douglas R. Norton
Auditor General
2700 North Central Avenue
Suite 700
Phoenix, AZ 85004

Dear Mr. Norton:

We received your performance audit of the Jobs for Arizona Graduates program on January 23, 1988. Since that time we have reviewed the final draft copy made available to us and we have developed responses by Northern Arizona University for and on behalf of the Arizona Board of Regents.

Our responses are attached to this letter.

Sincerely,

Eugene M. Hughes
President

EMH:pv

Enclosures

NORTHERN ARIZONA UNIVERSITY
RESPONSE TO
A PERFORMANCE AUDIT
OF
THE JOBS FOR ARIZONA GRADUATES PROGRAM

January 25, 1988

The responses are developed and referenced to each page of the report in relation to the final written draft on The Performance Audit of the Jobs for Arizona Graduates Program signed January 22, 1988 by Douglas Norton, Auditor General.

- 1.) Appendix list of tables and table 1, page 4 includes the word unaudited. The word unaudited is in conflict with the statement on page 6, second to the last sentence which states "this audit was conducted in accordance with generally accepted governmental auditing standards." As was discussed in the meeting on Wednesday, the word should be either: (A) removed, or (B) changed to read audited, or (C) left to read as unaudited but footnoted with an explanation as follows: The word unaudited is used because this project did not include a full audit as defined by the Auditor General Staff. This project was subject to audits and was included in each Annual Financial Report during the periods that this project was active. A limited audit was conducted by the Auditor General Staff recently to examine the accounts which included a review of vouchers and verification of some costs.
- 2.) Summary section, second paragraph from the end of that section, second sentence from the last the word compensation is incorrect. The correct word is reimbursement.
- 3.) First paragraph on page 17 and on page 18, first, second and third paragraph and any other area in the report where the word agreement is used, it should be proceeded by the word intergovernmental. The reader of this report should not be misled that we did not have an agreement. We did in fact have a written agreement. We did not

execute an intergovernmental agreement. Consequently, on page 17, the first paragraph and any other place in this report where the wording states "following legally required procedures" should be deleted and changed to read "did not execute an intergovernmental agreement".

- 4.) The last paragraph on page 17, second sentence from the last, needs to be deleted. This sentence states "NAU Administrative Staff saw their role as that of the "banker" for the program, though this role was never defined by a formal agreement." This sentence is in conflict with the sentence preceding and is incorrect. We were delegated and assumed the responsibility of fiscal agent. We did provide financial record keeping, personnel administrative services, the use of our purchasing department, property control department, accounts payable department, cashiers, computer service, payroll department, grant and contract administration, sponsored projects accounting department, NAU staff attendance at Authority Board meetings, and all other responsibilities for carrying out our fiscal requirements. Further discussion of the fiscal agent agreements are discussed in the next response identified as five.
- 5.) In paragraph 1, page 18, second sentence from the last, states as a result more than \$367,000 in indirect and administrative cost reimbursement was paid to NAU in an unauthorized manner for fulfilling the fiscal agent role. (A) This should be changed not only in paragraph 1, but 2 and 3 also to read during NAU's tenure as fiscal agent it charged \$367,202. (B) The word unauthorized used in paragraph 1 and 2 needs to be deleted and the first sentence in paragraph 3 needs to be changed to a written agreement and this project was conducted on a continuing basis in cooperation with ADE, NAU and Authority Board. The reason for deletion and change in wording can be supported by written agreements. Attached are the four written agreements which are identified as exhibits 1-4, for

the period July 1, 1980 to the ending date of June 30, 1986. Each one of these agreements have an authorized agent signature for NAU and Carolyn Warner for ADE as authorized signature for the statement that states: "Signature signifies that agreement and assurances are on file at the ADE and that the Applicant Agency agrees to all conditions stipulated in this Application and/or Amendments, thereto." In addition, we are providing further proof of NAU's agreement as fiscal agent, see attached copies of letters from Carolyn Warner dated July 1, 1980 (Exhibit 5) and May 19, 1982 (Exhibit 6). Attached is a copy from President Hughes dated July 19, 1980 acknowledging receipt of letter and accepting responsibility (Exhibit 7).

- 6.) In paragraph 3, page 18, first sentence, and throughout the report, delete "with JAG", that is the program title. In lieu of the word "JAG", use Authority Board.
- 7.) In paragraph 3, page 18, third sentence change the word "budget" to read "program expenditures". The 5% indirect cost was charged against actual not budget amounts.
- 8.) In paragraph 3, page 18, as we agreed in the meeting on Wednesday, the word "intangible" should be removed. We agreed that we had previously used this word incorrectly.
- 9.) Sentence 2, recommendation, page 20. NAU response will be as follows:
NAU does recognize the need for reviewing the need for an intergovernmental agreement to provide for the disposition of property.

In conclusion, we would like to thank the Auditor General and his staff for allowing us to present facts, changes and responses to inform the reader of this report the role of Northern Arizona University as fiscal agent for the Jobs for Arizona Graduates Program.

ATTACH TO APPLICATION

DUE DATE: AS NEEDED

1. Project Starting Date: July 1, 1980 to Ending Date: June 30, 1981
2. APPLICATION [X] AMENDMENT []
3. Program Fund Source STATE VOCATIONAL EDUCATION - NEW PROGRAM
(Examples: ESRA Title I; Consumer-Homemaking, Part F)
SUB-PART 2
4. Project Title Jobs For Arizons Graduates
5. Applicant Agency JOBS FOR ARIZONA GRADUATES NORTHERN ARIZONA UNIVERSITY
6. Project Director Dr. Robert Kerwood Telephone 523-4252
7. *Ernie H. Stuchlik* Date July 1, 1980
Signature-Authorized Agent
8. Dr. Robert V. Kerwood, Special Programs Director
Typed Name and Title

Signature signifies that agreement and assurances are on file at the ADE and that the Applicant Agency agrees to all conditions stipulated in this Application and/or Amendments, thereto.

STATE EDUCATION USE ONLY

9. Project Number 81-103-08-KX
10. Maintenance of Fiscal Effort
Second Preceding Year \$ _____
First Preceding Year \$ _____
11. TOTAL AMOUNT APPROVED \$ 4,000,000---maximum (subject to receipt of federal funds)
12. Signature: *Paul M. Johnson* Date of Signature 7-11-80
Program Authorized Agent
13. Signature: *[Signature]* Date of Signature 7-11-80
Business and Finance Authorized Agent
14. Signature: *Paul M. Johnson* Date of Signature 7-11-80
Superintendent (or Authorized Representative)

PROJECT APPLICATION/AMENDMENT
COVER SHEET

ATTACH TO APPLICATION

DUE DATE: AS NEEDED

1. Project Starting Date: July 1, 1980 to Ending Date: September 30, 1984
2. APPLICATION [] AMENDMENT [X]
3. Program Fund Source State Vocational Education
(Examples: ESEA Title I, Consumer Homemaking, Part F)
4. Project Title Jobs for Arizona Graduates
5. Applicant Agency Jobs for Arizona Graduates
6. Project Director Jane K. Schade Telephone (602) 255-1750
7. Frank Besnette Richard D. Packard Date July 11, 1983
Signature-Authorized Agent
8. Dr. Frank Besnette, Vice Pres. for Admin. & Finance, Northern Arizona Univ.
Typed Name and Title

Signature signifies that agreement and assurances are on file at the ADE and that the Applicant Agency agrees to all conditions stipulated in this Application and/or Amendments, thereto.

STATE EDUCATION USE ONLY

9. Project Number 81-105-08-XX
10. Maintenance of Fiscal Effort
Second Preceding Year \$ _____
First Preceding Year \$ _____
11. TOTAL AMOUNT APPROVED \$ 4,947,707.11
12. Signature: [Signature] 5/25/83
Program Authorized Agent Date of Signature
13. Signature: [Signature] 5/25/83
Business Services Authorized Agent Date of Signature
14. Signature: [Signature] 5/26/83
Superintendent (or Authorized Representative) Date of Signature



PROJECT APPLICATION/AMENDMENT
COVER SHEET

ATTACH TO APPLICATION

DUE DATE: AS NEEDED

- 1. Project Starting Date: July 1, 1984 to Ending Date: June 30, 1985
- 2. APPLICATION [] AMENDMENT []
- 3. Program Fund Source State Vocational Education
(Examples: ECIA Chapter 1, Vocational Education)
- 4. Project Title Jobs for Arizona Graduates
- 5. Applicant Agency Jobs for Arizona Graduates
- 6. Project Director Dr. Jane K. Schada, Ph.D Telephone (602) 255-1750
- 7. Frank H. Besnet Date 11/20/84
Signature—Authorized Agent
- 8. Dr. Frank Besnette, Vice President for Admin. & Finance
Typed Name and Title Northern Arizona University

Signature signifies that agreement and assurances are on file at the ADE and that the Applicant Agency agrees to all conditions stipulated in this Application and/or Amendments, thereto.

STATE EDUCATION USE ONLY

- 9. Project Number 81-105-03-VT
- 10. Maintenance of Fiscal Effort
Second Preceding Year \$ _____
First Preceding Year \$ _____
- 11. TOTAL AMOUNT APPROVED \$ 5,197,707.11
- 12. Signature: [Signature] Date of Signature 11/9/1984
Program Authorized Agent. Budget is mathematically correct, and statement of assurances is on file.
- 13. Signature: [Signature] Date of Signature 11/9/84
Business and Finance Authorized Agent
- 14. Signature: [Signature] Date of Signature 11/9/84
Superintendent (or Authorized Representative)

11-19-84
SB

PROJECT APPLICATION/AMENDMENT
COVER SHEET

RECEIVED

DEC 13 1985

Exhibit 4

ATTACH TO APPLICATION

DUE DATE: AS NEEDED

1. Project Starting Date: July 1, 1985 to Ending Date: June 30, 1986

2. APPLICATION [] AMENDMENT [X]

3. Program Fund Source State Vocational Education
(Examples: ECIA Chapter 1, Vocational Education)

4. Project Title Jobs for Arizona Graduates

5. Applicant Agency Jobs for Arizona Graduates

6. Project Director Dr. Jane K. Schade, Ph.D. Telephone 255-1750

Charles W. Baldwin for Chas Baldwin Date 7-15-85

Signature—Authorized Agent
Charles W. Baldwin

8. Associate Vice President for Admin. & Finance

Typed Name and Title Northern Arizona University

Signature signifies that agreement and assurances are on file at the ADE and that the Applicant Agency agrees to all conditions stipulated in this Application and/or Amendments, thereto.

STATE EDUCATION USE ONLY

9. Project Number 81-105-08-XX

10. Maintenance of Fiscal Effort

Second Preceding Year \$ _____

First Preceding Year \$ _____

11. TOTAL AMOUNT APPROVED \$ 5,747,707.11

12. Signature: [Signature] 6/11/85
Date of Signature

Program authorized above, budget is mathematically correct, and states

13. Signature: [Signature] 6/17/85
Date of Signature

gent of assurances is on file. Business and Finance Authorized Agent

14. Signature: [Signature] 6/15/85
Date of Signature

Superintendent (or Authorized Representative)

CONTINGENT UPON RECEIPT OF
FEDERAL FUNDS

CAROLYN WARNER
SUPERINTENDENT



Exhibit 5

Arizona
Department of Education

1535 WEST JEFFERSON
PHOENIX, ARIZONA 85007
255-4361

July 1, 1980

Dr. Eugene M. Hughes
President
Northern Arizona University
Flagstaff, AZ 86001

Dear Dr. Hughes:

We appreciate your serving as the fiscal agent for the Jobs for Arizona Graduates program. I would request that Dr. Robert Kerwood of your staff be assigned as principal investigator.

The program has received initial positive reception and should prove helpful to Arizona.

I appreciate your help.

Sincerely,

A handwritten signature in cursive script that reads "Carolyn Warner".

Mrs. Ronald H. Warner
State Superintendent

vh

CAROLYN WARNER
SUPERINTENDENT



Arizona
Department of Education

1535 WEST JEFFERSON
PHOENIX, ARIZONA 85007
271-4361

May 19, 1982

Dr. Eugene M. Hughes, President
Northern Arizona University
Box 4092
Flagstaff, AZ 86011

Dear Dr. Hughes:

This is to inform you that the contract between the Arizona State Board of Education and the United States Department of Labor for the implementation of Jobs for Arizona Graduates program has been extended through September 30, 1982, with an additional appropriation of \$100,000.00.

I would like to request that Northern Arizona University continue acting in the role of fiscal agent for this program.

We are continuing to seek other sources of funding in the anticipation of continuing to operate the program at its present level. The cooperative arrangement with Northern Arizona University has been most helpful to Jobs for Arizona Graduates. I look forward to continuing that working relationship.

Sincerely,

Mrs. Ronald H. Warner

CW/mc

cc: Dr. Bob Kerwood

RECEIVED
NAU — VOC. ED.
DATE 5/21/82
INITIALS



Exhibit 7

Northern Arizona University · FLAGSTAFF, ARIZONA 86011

OFFICE OF THE PRESIDENT

July 19, 1980

Mrs. Carolyn Warner, Superintendent
Arizona Department of Education
1535 West Jefferson
Phoenix, Arizona 85007

Dear Mrs. Warner:

I would like to acknowledge receipt of your letter of July 1st, concerning the Jobs for Arizona Graduates program.

By means of this letter, I would like to indicate that I am assigning Dr. Robert Kerwood, Chairperson of the Department of Vocational and Industrial Education, as principal investigator for this particular program.

I was pleased to learn that the program has received initial positive reception and I do know that it will prove to be of benefit to the State of Arizona and its young people.

Sincerely yours,

Eugene M. Hughes
Eugene M. Hughes
President

EMH:ln

cc: ✓ Dr. Robert Kerwood
Dr. John Glenn

ARIZONA LEGISLATIVE COUNCIL

MEMO

November 4, 1987

TO: Douglas R. Norton, Auditor General
FROM: Arizona Legislative Council
RE: Request for Research and Statutory Interpretation (O-87-9)

This memo is sent in response to a request made on your behalf by William Thomson in a memo dated October 8, 1987.

FACT SITUATION:

The jobs for Arizona graduates program (JAG) was established in Arizona in 1980. During the first year of the program, the center for excellence in education at Northern Arizona University (NAU) administered the program with grant monies provided to the university by Arizona's department of education (DOE) and the U.S. department of labor. An informal agreement between NAU and DOE established that the university would only be responsible for certain administrative functions, primarily bookkeeping and personnel. JAG had its own officers who controlled the budget expenditures. NAU only monitored and tracked the program finances. In addition, JAG developed its own personnel policies.

Laws 1981, chapter 196 created an authority board to operate JAG. Administrative responsibility for the program was established in the authority board made up of prominent people from business, industry, government and education. The authority board hired an executive director and director of operations who were responsible for the day-to-day operations of the program and to implement the program throughout high schools in the state. These operations included hiring and training job specialists to teach the students at the participating high schools. In addition, the authority board retained NAU as fiscal agent for the program. NAU maintained this responsibility until fiscal year 1987-1988.

Laws 1986, chapter 286 transferred all monies appropriated to DOE for JAG and personnel from DOE to the center for education excellence (CEE) at NAU. Because of the transfer, NAU was fully responsible for oversight and operation of the JAG program. NAU had this responsibility for only one year. The program was transferred to DOE in fiscal year 1987-1988.

FACT SITUATION A:

In fiscal years 1981-1982 through 1986-1987, monies were allocated for indirect costs to reimburse NAU for those costs incurred while carrying out its role as fiscal agent. This amount was informally agreed on by NAU financial staff and the JAG controller and usually amounted to approximately five percent of the program's total operating costs. This amount was extracted from federal, state and privately donated revenue. No formal agreement established a specific indirect cost percentage or identified the specific NAU administrative costs to be reimbursed. According to NAU

officials, the five percent amount was used to cover the basic "intangible" administrative costs incurred by the school in providing fiscal oversight.

CEE, through agreement among NAU, DOE and the authority board, was designated to provide administrative (financial and personnel) support for the program. CEE in turn passed this responsibility on to the administrative staff of the Arizona center for vocational education (ACVE).

During fiscal years 1983-1984 through 1986-1987, ACVE charged JAG an additional amount in direct costs as its reimbursement for administrative costs incurred. This amount was intended to reimburse the salaries of one accountant and one half-time secretary used to oversee JAG operations. According to the auditor general's financial audit staff, personnel costs are usually not reflected as indirect costs in a program budget.

According to joint legislative budget committee (JLBC) staff, state programs usually do not charge indirect costs to line item appropriations unless the budget line item lists the indirect cost appropriation separately. The JAG program appears as a line-item appropriation in the DOE budget from fiscal years 1981-1982 through 1986-1987. Indirect costs are not specified separately in any of those years.

The auditor general's analysis of budget and financial records shows that this indirect cost reimbursement was not always exactly in compliance with the informally agreed on percentages. In some cases, these percentages were much greater. For example, during one fiscal year NAU charged an indirect cost of approximately twelve percent.

QUESTIONS PRESENTED:

1. Do Arizona statutes allow an agency to assess a program an indirect cost charge if no formal agreement has been made?
2. Do the statutes prescribe whether it is proper to extract indirect and administrative costs from a line-item appropriation if these costs are not specifically identified in the line-item?
3. May an agency extract indirect costs from privately donated revenue?

ANSWERS:

1. No.
2. See discussion.
3. Yes, if other requirements for payment of the indirect cost are met.

DISCUSSION:

A. 1. JAG has been under the jurisdiction of three entities. These changes affect the validity of any agreement for the payment of indirect charges. Laws 1981, chapter

196 placed the program under the authority of the authority board. The legislature also transferred to the authority board one million one hundred thousand dollars originally appropriated to DOE. This act expired on June 30, 1982, however.

For fiscal years 1982-1983 through 1985-1986 the legislature appropriated monies to DOE to provide vocational education assistance through JAG. During these years JAG was under the jurisdiction of DOE. This conclusion is supported by the fact that effective May 5, 1986 the legislature transferred both the 1986-1987 fiscal year appropriation and twenty full-time equivalent positions for JAG from DOE to NAU. Had the program been under NAU jurisdiction the transfer of personnel would not have been necessary.

From the inception of the authority board to May 5, 1986, the indirect costs have been part of an agreement between one state entity, NAU, and another, first the authority board then DOE. Interagency agreements are governed by title 11, chapter 7, article 3, Arizona Revised Statutes (A.R.S.). The agreements which gave rise to the indirect cost charges qualify as interagency agreements and they must meet the requirements of A.R.S. section 11-952.

The interagency agreement provisions apply to public agencies which include departments, agencies and boards of this state. A.R.S. section 11-951. DOE is a department of this state and the authority board and the board of regents, the governing board of NAU, are boards of this state. All three qualify as public agencies.

All agreements between agencies do not qualify as interagency agreements. The agreements must be for the exercise of a power common to both parties. 83 Op. Att'y. Gen. I 83-057 (1983). The authority board was empowered to establish a program for curriculum development, identification, screening, selection and training of Arizona high school graduates for jobs in this state. The authority board was also authorized to provide facilities and staff to carry out these duties and to enter into interagency agreements. Laws 1981, chapter 196, section 1. NAU, as a university in this state, may conduct research related to vocational and technical education. A.R.S. section 15-790.

DOE through the state board of education has a variety of duties regarding the development of vocational education programs. See A.R.S. section 15-203. In regard to JAG, DOE was not acting merely as a conduit for the distribution of money. JAG became a function of DOE after the demise of the authority board.

Because the powers of the three agencies encompassed the duties of JAG, the agreements involved the exercise of common powers and were interagency agreements subject to A.R.S. section 11-952.

Interagency agreements must be in writing and specify the duration and purpose of the agreement, the manner of financing the project, the methods used to accomplish the goals of the project and any other necessary matters. The agreement must be submitted to the attorney for the agency and be filed with the secretary of state or the county recorder depending on the scope of the agreement. A.R.S. section 11-952.

The agreements concerning NAU's role as fiscal agent for JAG were not in writing, were not submitted to the attorney general, the attorney for the advisory board and DOE, and were not filed with the secretary of state. Because these requirements were not met no monies, including the indirect costs, could be paid under the contracts. A.R.S. section 11-952, subsection J.

2. This question applies to the time when NAU had total control of JAG beginning May 5, 1986. The issue is whether the "intangible" administrative costs fall within the purposes of JAG.¹ It is not clear what these intangible costs involve so a definite answer cannot be given about the validity of the payment of these costs from the JAG appropriation.

Appropriated monies may only be spent for the purposes specified by the appropriation. Webb v. Frohmiller, 52 Ariz. 128, 79 P.2d 510 (1938). The appropriation to NAU for fiscal year 1986-1987 was to fund JAG. If the indirect costs are related to the development or implementation of JAG, the costs may be paid with the monies appropriated for the program.

3. Assuming that all other requirements are met for the payment of indirect costs, privately donated monies may be used to pay indirect costs if this use is consistent with the purposes for which the monies were given. A.R.S. sections 35-141, 35-142 and 35-149.

FACT SITUATION B:

Laws 1981, chapter 196, section 1 provides in part:

Staff shall be exempt from the provisions of title 41, chapter 4, articles 5 and 6, Arizona Revised Statutes, and shall serve at the pleasure of the board.

In May 1985 the authority board approved an employee incentive program for JAG employees to take effect in June, 1985. This incentive program consisted of cash awards in recognition of sustained performance above that of a fully competent employee, gifts in recognition of specific accomplishments which represent special contribution to the program and service awards to be presented to employees who complete significant periods of employment.

The executive director of JAG as well as the authority board implemented the incentive program to recognize superior effort by JAG employees. The plan also provided that all cash awards be paid out of privately donated monies.

¹ This question does not involve the issue of the transfer of appropriations within a budget unit. A.R.S. section 35-173 which deals with this issue specifically excludes universities from its provisions. A.R.S. section 35-173, subsection G.

However, this entire incentive program, particularly the granting of cash incentive awards, was viewed with skepticism by NAU administrators in ACVE who were responsible for administering the program. According to NAU, JAG officials and JLBC staff, although JAG was run by the authority board, it was understood by all involved parties that all personnel associated with JAG were employees of NAU. The incentive program was contrary to regular NAU employee personnel policy promulgated by the board of regents. For this reason approval was sought from NAU personnel staff and NAU legal counsel. In addition, pursuant to a board of regents policy, any change in the personnel code at one university required approval from the personnel managers at the other two universities (Arizona state university and the university of Arizona). Approval was never received from Arizona state university.

Approval for the program was eventually given in August, 1985 by NAU administration, based on the power vested in the authority board in Laws 1981, chapter 196 even though this chapter expired June 30, 1982.

In fiscal year 1985-1986, cash awards were granted to twelve JAG employees totaling \$4,350. According to NAU payroll records, these cash awards originated from the JAG private donations account and were distributed as part of the employee's regular NAU payroll check.

QUESTIONS PRESENTED:

1. Under the provisions of Laws 1981, chapter 196 could JAG employees be considered officially employees of NAU and covered by NAU and board of regents personnel policy? Under what circumstances?

2. Based on the power vested in the authority board in Laws 1981, chapter 196, did the authority board have the power to approve this program?

3. If so, did this power supersede the board of regents personnel policy?

4. Is the granting of cash incentive awards a violation of article IX, section 7, Constitution of Arizona, which disallows the state, county, city, town, municipality or other subdivision of the state to gift public monies?

ANSWERS:

1, 2 and 3. See discussion.

4. No, if the incentives are for future service and are implemented to achieve the agency's public purpose.

DISCUSSION:

B. 1, 2 and 3. Under Laws 1981, chapter 196, section 1, the authority board was empowered to hire staff for JAG. Staff members were specifically exempted from the state personnel system. During its year of existence the authority board was authorized to establish the compensation for its staff.

After the expiration of the authority board, JAG and its staff were transferred to DOE. Some people providing fiscal services may have been NAU employees, but, by 1986, twenty full-time equivalent positions were under DOE. It was not until May 5, 1986, with the enactment of Laws 1986, chapter 286, that these positions were transferred to NAU.

Since the authority board expired on June 30, 1982, it did not have the power to establish the employee incentive plan in 1985. Because the twenty full-time equivalent positions were not transferred to NAU until May 5, 1986, NAU did not have authority to implement the employee incentive plan for these positions until that time.

4. A state agency may not make a gift of public monies, even to a state employee. Article IX, section 7, Constitution of Arizona. But if a state agency provides an employee benefits in exchange for services provided, no gift arises. 81 Op. Att'y. Gen. I 81-079 (1981).

If the employee incentive program was applied to prior service provided by staff members this would be a gift because the incentive benefits would be in addition to already agreed on compensation. 83 Op. Att'y. Gen. I 83-065 (1983). Employee incentives may be included as part of the compensation package if they are implemented to achieve the agency's public purpose and are applied to service performed after the program goes into effect. 81 Op. Att'y. Gen. I 81-079 (1981), 79 Op. Att'y. Gen. I 79-121 (1979).

FACT SITUATION C:

NAU and JAG program officials claim that it is their understanding that NAU receives all JAG furniture and property if the program lasts more than three years. Officials based this assumption on an informal understanding that any furniture or property purchased on vocational education grants and the JAG grant has its title vested in DOE for the first three years the project is in existence. If the project lasts three or more years, the title of the property will be relinquished to the university. The JAG program has lasted more than three years, so NAU is claiming ownership according to this agreement.

A.R.S. section 11-952 allows the authority board to enter into contracts to prescribe the "permissible method or methods to be employed in accomplishing the partial or complete termination of the agreement and for disposing of property. . .". However, only a letter agreement defines ownership of the furniture and what methods should be followed to dispose of this property.

QUESTION PRESENTED:

1. In the absence of a contract as provided for in A.R.S. section 11-952 does NAU have proper claim to all JAG furniture and property?

ANSWER:

1. No.

DISCUSSION:

C. 1. As indicated in the answer to question A. 1., the agreements between NAU and DOE and JAG are subject to the requirements of A.R.S. section 11-952. This section allows agencies to dispose of property pursuant to an interagency agreement. The letter from Robert V. Kerwood to Dr. Jim Hartgraves dated December 17, 1980 does constitute a written contract. The contract was not approved by the attorney general or filed with the secretary of state, however, so it is not a valid interagency agreement under A.R.S. section 11-952. DOE and NAU may provide for the transfer of the property by meeting the requirements of A.R.S. section 11-952.

cc: William Thomson, Director
Performance Audit Division