

**Implementation and Impact
of the
Families First Act
February 1998**

Arthur A. Hayes, Jr., CPA
Director

Deborah V. Loveless, CPA
Assistant Director

Dena W. Winningham
Audit Manager

Beth Boone
Jeff Solomon
In-Charge Auditors

Mike Huffaker
Lisa A. Breen
Julie Maguire Vallejo
Staff Auditors

Jane Russ
Editor

February 4, 1998

The Honorable John S Wilder
Speaker of the Senate
The Honorable Jimmy Naifeh
Speaker of the House of Representatives
The Honorable John Ford, Chair
Senate Committee on General Welfare and Human Resources
The Honorable Kenneth N. (Pete) Springer, Chair
Senate Committee on Government Operations
The Honorable Mike Kernell, Chair
House Committee on Government Operations
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the performance audit on the Implementation and Impact of the Families First Act. This report is submitted pursuant to the requirements of Section 71-3-162, *Tennessee Code Annotated*.

Very truly yours,

W. R. Snodgrass
Comptroller of the Treasury

WRS/jr
97-077

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Performance Audit

Implementation and Impact of the Families First Act

February 1998

AUDIT OBJECTIVES

The objectives of this audit were to determine the status of implementation and impact of the Families First Act, the extent to which the Department of Human Services has complied with the act, and to make recommendations that might result in more efficient and effective management of the Families First Program.

FINDINGS

Management Information Systems Unable to Accurately Monitor and Report All Pertinent Information

The two management information systems the department uses to monitor the Families First Program do not provide all necessary information. The systems cannot provide accurate information on the number of people working at the end of the 18-month and 60-month time limits, the number of people sanctioned, the types of sanctions, and the recidivism rate (page 19).

Sanctions Against Those Who Do Not Comply With Program Requirements Not Monitored

The department does not have information on the number of Families First participants who are (1) not complying with work requirements, (2) not attending training and education classes, (3) not following immunization and health-check requirements, (4) not ensuring their children attend school, and (5) not cooperating with child support enforcement efforts (page 21).

Child Support Collections Lower Than Estimates

Fiscal year 1996-1997 child support collections were \$21 million, placing the state in jeopardy of not meeting federal maintenance-of-effort requirements. If states do not meet an 80 percent

maintenance of effort, they can lose part of their federal grant. The state did meet the 80 percent maintenance of effort requirement at September 1997, in spite of the shortfall in child support collections (page 25).

Improvement Need in Management Controls Over Child Care Support Services

There are weaknesses in the department’s procedures for reimbursing day-care providers, paying child care brokers, and ensuring conflicts of interest are disclosed (page 26).

OBSERVATIONS AND COMMENTS

The audit discusses the following issues that affect the operations of the Families First Program and the citizens of Tennessee: contract monitoring, the quality assurance system for ensuring proper case management, the number of licenses revoked for nonpayment of child support, weaknesses of the conciliation process, monitoring of unregulated child care providers, number of in-home visits by the Department of Health, payment rate for transportation services, and membership of the local Families First Councils and of the state Families First Council (page 9).

“Audit Highlights” is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 741-3697

Performance Audit Implementation and Impact of the Families First Act

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
Purpose and Authority for the Audit	1
Objectives of the Audit	1
Scope and Methodology of the Audit	1
Federal Welfare Reform: Personal Responsibility and Work Opportunity Reconciliation Act of 1996	2
State Waiver	2
Families First Act	3
Families First Organization	4
Evaluation Projects: The University of Tennessee and University of Memphis	6
CONCLUSION	8
OBSERVATIONS AND COMMENTS	9
Contract Monitoring	9
Quality Assurance	9
License Revocation	11
Conciliation Process	12
Monitoring Unregulated Child Care Providers	14
In-home Health Visits	15
Transportation Services	16
Families First Councils	17
Families First Advisory Council	17
FINDINGS AND RECOMMENDATIONS	19
1. The two management information systems cannot accurately monitor and report all information pertaining to the Families First Program	19
2. The department does not monitor sanctions against those who do not comply with program requirements	21
3. Child support collections were lower than estimates	25

TABLE OF CONTENTS (CONT.)

	<u>Page</u>
4. The department's management controls over child care support services need improvement	26
RECOMMENDATIONS	29
APPENDIX	30
Welfare Reform in Other States	30

Performance Audit Implementation and Impact of the Families First Act

INTRODUCTION

PURPOSE AND AUTHORITY FOR THE AUDIT

This performance audit of the Families First Act was conducted pursuant to *Tennessee Code Annotated*, Title 71, Chapter 3. Under Section 71-3-162, the Comptroller of the Treasury is to undertake a performance audit of the implementation and impact of the Families First Act and to report the findings and recommendations to the Senate General Welfare, Health, and Human Resources Committee, the House of Representatives Health and Human Resources Committee, and the Senate and House Government Operations Committee. The report is also to contain a comparative summary of the implementation and impact of welfare reform initiatives in other jurisdictions. The audit is intended to provide an assessment of the performance of the Families First Act one year after its enactment and to facilitate decision making by those with oversight and administrative authority.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to determine the status of implementation and impact of the Families First Act and the extent to which the Department of Human Services has efficiently and effectively complied with the act, and
2. to recommend possible courses of action for legislative or administrative action that could result in more efficient and/or effective management of the Families First Program.

SCOPE AND METHODOLOGY OF THE AUDIT

The Families First Program was reviewed from September 1996 through September 1997. This audit was conducted in accordance with generally accepted government auditing standards and included

1. review of applicable statutes, rules, and regulations;
2. analyses of the Department of Human Services' files, policies, procedures, and documents;

3. interviews with department central office and field staff, advocacy groups, department contractors, and nonprofit agencies; and
4. analysis of the implementation and impact of welfare reform programs in other states.

FEDERAL WELFARE REFORM: PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY RECONCILIATION ACT OF 1996

Tennessee's Families First Act is not an isolated case of welfare reform; the federal government began welfare reform with the passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. Tennessee's act was passed before the federal law. The federal law has far-reaching implications in a number of programs. It eliminates the open-ended federal entitlement program of Aid to Families with Dependent Children (AFDC) and creates a block grant for states to provide time-limited cash assistance to needy families (Temporary Assistance for Needy Families Block Grant). The act also makes far-reaching changes to child care, the Food Stamp Program, Supplemental Security Income for children, benefits for legal immigrants, and the Child Support Enforcement Program. The nation will save an estimated \$54.5 billion over the next six years according to an August 1996 report by the National Governor's Association, the National Conference of State Legislatures, and the American Public Welfare Association.

STATE WAIVER

Tennessee's responsibilities under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 were waived by the U.S. Department of Health and Human Services (HHS) under section 1115 of the Social Security Act on July 25, 1996. This waiver allowed Tennessee to implement its own welfare reform initiatives, which became effective September 1, 1996, and to continue those initiatives for 11 years.

HHS approved the following requirements Tennessee submitted for its waiver:

- Time-limited cash benefits
- Home health visits to monitor, protect, and ensure the well-being of children for those assistance groups whose benefit payments are terminated
- Work requirements for recipients
- Work requirement sanctions
- School attendance requirements
- Transitional child care
- Encouragement of marriage
- Personal Responsibility Plans

- Immunization and health-check requirements
- Cooperation with child care enforcement
- Benefit caps

FAMILIES FIRST ACT OF 1996

Families First is a time-limited, goal-oriented program that provides temporary cash assistance to needy families while these families move toward self-sufficiency. Families First is designed to strengthen families, improve the work force, and reduce poverty. The Families First Program has the following major points:

- Time-limited cash benefits
- Individual Personal Responsibility Plan
- Education and training leading to work
- Transitional benefits
- Enforced child support

Each participant is required to sign a two-part Personal Responsibility Plan—an agreement and a work plan. The agreement contains the mandatory portions of the program; the work plan is based on the participant’s needs and goals in light of that individual’s education level, work history, and skills.

For individuals who are working toward full-time employment and self-sufficiency, the Families First Program helps support them with cash benefits and other services. Cash benefits are available to individuals who are working or participating in activities that lead to work—education, training, or the search for full-time employment. However, there are time limits on this cash assistance. Most families can receive benefits for only 18 months at a time, with a five-year lifetime maximum. Exceptions based on disabilities or age are granted. In addition to cash benefits, Families First provides other support such as child care and transportation services. As participants progress through the program and go to work, they may receive transitional benefits, including child care assistance and TennCare coverage. Families may also receive food stamps and housing assistance, if eligible.

If individuals can work but refuse to do so, or if individuals renege on requirements of the Personal Responsibility Plan, their families will lose their cash benefits.

A wide variety of work activities, called work components, are available to help Families First participants reach self-sufficiency in the shortest time possible. The department has contracted with various community agencies which have valuable knowledge and experience in the fields of education, training, and employment to provide these work components. Programs

available to participants in each county have been selected by the local Department of Human Services administrative staff. Below are descriptions of some of the activities.

- **Fresh Start**—A four-week course which includes information on survival skills, life skills, and job readiness training. This course is assigned to individuals with little or no work history, low functioning skills, low self-esteem, and a need for job-readiness training.
- **Adult Basic Education**—A program providing basic skills development in reading, math, English, and life skills focused on preparation for employment. This program includes GED preparation and testing. This activity is available for those who test at or below an 8.9 grade level. The program is optional for those working 20 hours per week and functioning at or above a 9.0 grade level.
- **Job Search, Job Club, Job Development**—An initial eight-week assignment (that may be repeated at a later date) on how to look for a job, including actual job search and job development in a supportive group atmosphere. This activity is mandatory for all participants who must look for paid work.

Other activities qualify as work components such as job skills training, vocational education, on-the-job training, post-secondary education, and community service programs.

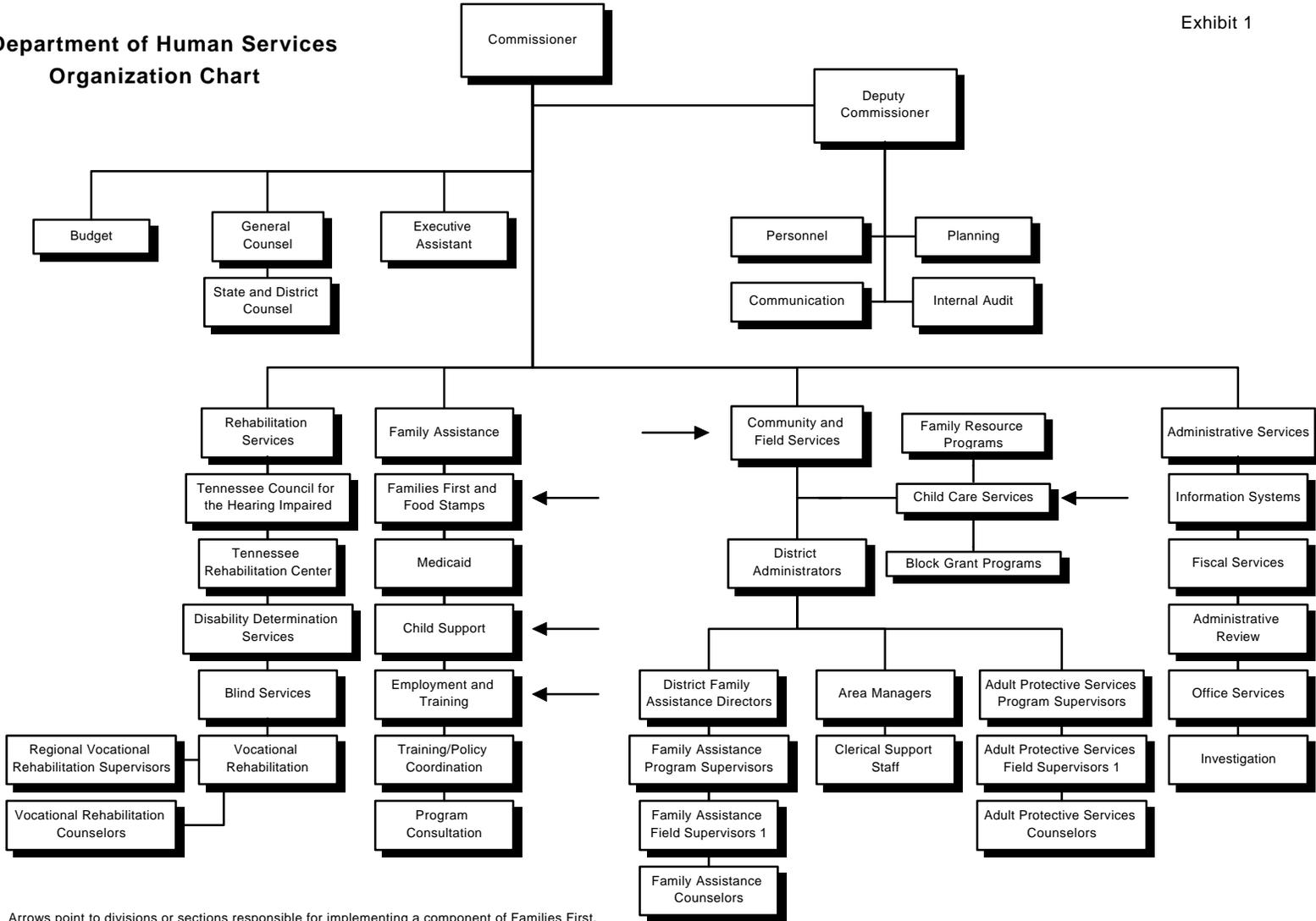
FAMILIES FIRST ORGANIZATION

When the Department of Human Services implemented Families First, the various program components were incorporated into the already existing organizational structure. The table below illustrates how the department spread responsibilities among its divisions. Exhibit 1 is an organization chart of the department.

Families First Program Component	Responsibility Falls Under:
Child Care	Child Care Services/Employment and Training
Transportation	Employment and Training
Education and Training	Employment and Training
Child Support Collections	Office of Child Support
Contract Monitoring	Employment and Training
Information System Development	Information Systems
Families First Policies/Rules	Families First and Food Stamps
Case Management	Community and Field Services

**Department of Human Services
Organization Chart**

Exhibit 1



Note: Arrows point to divisions or sections responsible for implementing a component of Families First.

The Employment and Training section is responsible for developing and maintaining services for customers that participate in mandatory employment, education, and job training activities.

The Child Support staff locate noncustodial parents and establish paternity for children. Additionally, they establish financial and medical support orders for children and enforce court-ordered support.

The Families First and Food Stamps staff are responsible for the development and maintenance of rules and policies used to administer both the Families First and Food Stamp programs.

The Community and Field Services division is responsible for providing a wide range of community social services through contracts with local service providers. Case management falls under the purview of this division. Child care services staff within this division are involved with assisting child care providers and brokers in improving their services, providing information about affordable and quality care for children, and overseeing the child care licensing and registration program.

The Information Systems section is responsible for the modification of ACCENT (Automated Client and Eligibility Network System) and the implementation of TCSES (Tennessee Child Support Enforcement System) to provide computer support for the various welfare reform initiatives. This section provides technical support to assist the field office staff with the transition into this new technology through the ACCENT Help Desk.

EVALUATION PROJECTS: THE UNIVERSITY OF TENNESSEE AND UNIVERSITY OF MEMPHIS

Section 3.2 of the Families First Waiver states that a selected evaluation contractor is required to develop an evaluation plan for the Families First Program. Two contractors were selected to perform the evaluations: the Office of Research and Public Service, College of Social Work, University of Tennessee, Knoxville; and the Bureau of Business and Economic Research Center for Manpower Studies, University of Memphis. In compliance with the federal waiver, the University of Tennessee and the University of Memphis submitted the "Detailed Evaluation Plan for the Families First Demonstration Program" in November 1996. The first interim reports of these evaluations are not due until September 1999.

The University of Tennessee is conducting a process evaluation of the program to describe its overall implementation. The evaluation will document how the program was planned at the state and local level as well as how Families First was actually implemented. The evaluation will also describe the participants and the key features of service delivery. As of September 1997, the University of Tennessee had submitted the following reports outlining the findings from site visits and survey work:

- “Families First Process and Implementation Evaluation, Number 1, Fall 1996–Winter 1997” surveyed Families First staff and administrators. The report indicates that staff and administrators are working to develop and refine policies and procedures, train staff, and clarify roles and responsibilities. The initial survey reports that customers, staff, and community members view Families First as an opportunity to break the cycle of welfare and move people to self-sufficiency. There are reports of resource shortages, however, in child care, transportation, training, and job opportunities. Staffing resources have been stretched to cover the additional responsibilities of Families First, and staff report that they do not have the time to do all they believe they should do to assist participants.
- “Families First Process and Implementation Evaluation, Number 2, Spring 1997” compares the organizational climate in offices responsible for carrying out the relevant programs before and after the implementation of Families First. The general conclusion of this evaluation is that the organizational climate remained substantially more favorable at rural offices than urban offices after the introduction of the Families First Program. It also reports that job satisfaction differs by job— case managers are the least satisfied.
- “Families First Team-Learning Site Evaluation, Number 1, Fall 1996” looks at the effectiveness of small teams in delivering Family Assistance services, which in the past had been delivered by individual case managers. The impact of teams has been that supervisors now receive fewer questions and problems from teams than from individual case managers, there is a positive impact on employee job satisfaction, and participants receive a higher quality of service.

The University of Tennessee also surveyed the participants’ satisfaction with Families First services at four learning sites. Those participants who responded to the survey were generally satisfied with their relationship with case managers and with the services they received from Department of Human Services (DHS) service teams.

- “Families First Opinion, Information, and Training Needs Survey, Number 1, Fall 1996” surveyed selected DHS personnel including case managers, supervisors, contractors, support staff, program supervisors, and area managers on their opinions about the training offered in preparation for Families First. Those individuals surveyed indicated that they would like additional information on Families First policies and procedures and believed additional training would be beneficial.
- “Families First Implementation Issues and Action Plans, Number 1, Winter 1997” lists (1) issues requiring immediate attention, (2) issues requiring discussion and action planning, and (3) work-in-progress or resolved issues. Issues identified as requiring the department’s immediate attention are determining the best way to communicate policy clarification and updates to the staff, refining and simplifying the Personal Responsibility Planning Process, and clarifying contractors’ roles and responsibilities.

The University of Memphis is conducting an impact evaluation on how the Families First Program affected a participant's employment, earnings, and economic self-sufficiency. This evaluation will also look at the effect participation in Families First has on child abuse rates, child support payment levels, alterations in marital status, illegitimacy and birth rates, educational participation, and educational progress of dependent children. As of September 1997, the University of Memphis had submitted two status letters to update the progress of the impact evaluation.

University of Memphis conducted a follow-up survey examining recipients employed full-time or part-time to fulfill program requirements or individuals whose cases were closed because they had full-time employment. Surveyors contacted 205 respondents and gathered information about their employment and Families First experience. The sampling pool consisted of individuals who were employed as of the first week of March 1997. The report concluded that "the preliminary report on employment experiences appeared to be very positive. Thirteen weeks after leaving the program, 75% were working full-time (48%) or part-time (27%). Although this is only one week of survey data, for 75% of the sample population to still be employed after 90 days could be considered encouraging."

CONCLUSION

It appears that the changes brought about by the landmark legislation of 1996 have had an effect on reducing welfare dependency in Tennessee. Families First participation rates are only about two-thirds that of its AFDC predecessor. Obviously, Tennessee and other states believe that they can reduce their welfare caseloads through a combination of mandatory work requirements and time limits, with appropriate exemptions for the most vulnerable groups. The risks are great for the two-thirds of the AFDC population who are poor children. Still, it appears that the imposition of time limits, for whatever reason, has prodded both welfare recipients and administrators to strengthen many of the work-focused employment services that are designed to move welfare recipients toward self-sufficiency. However, it remains unclear if the job training programs in place in many states have significantly resulted in higher employment for low-skilled, poorly educated participants. Further, it will be some time before the full impact of Families First and other state programs like it can be assessed. Time-limited benefit initiatives have so altered the fundamental nature of AFDC that the effects of the program cannot be accurately predicted at this time.

OBSERVATIONS AND COMMENTS

The issues discussed below did not warrant findings but are included in this report because of their effect or potential effect on operations of the Families First Program and on the citizens of Tennessee.

Contract Monitoring

The majority of services available through the Families First Program are delivered not by DHS but through contracts with other agencies—public and nonprofit. The department contracts with the Department of Education, Department of Labor, and various nonprofit organizations. The Department of Education delivers adult basic education through approximately 148 subcontracts, a majority of these with local education agencies. Other services such as Fresh Start classes, adult basic education, job search/club, job training, transportation, case management, and data entry are delivered in large part by Department of Labor subcontractors, the 12 service delivery areas. Across the state, 14 nonprofit and public organizations called child care brokers assist and counsel Families First participants in locating, evaluating, and selecting day-care providers. The present system of contract monitoring focuses on compliance with record-keeping and procedural requirements rather than on outcomes and performance. Considering the amount of these contracts (\$51,260,461 in fiscal year 1997) and the number of contractors involved, a shift in focus to outcomes and performance seems appropriate.

Three state departments share contract monitoring responsibilities: the Department of Finance and Administration, Division of Resource Development and Support (RDS) monitors child care brokers; the Department of Human Services, Division of Employment and Training, monitors contracts with other state departments and their subcontractors; and the Department of Education (DOE) monitors agencies providing Adult Basic Education classes.

Effective contract monitoring should be part of the overall control system DHS establishes to ensure the Families First Program meets its objectives.

Quality Assurance

When DHS implemented the Families First Program, department staff shifted from functioning as eligibility counselors to being case managers. To monitor case management functions, the department conducted a quality assurance pilot project in two districts. The project consisted of 25 case readings and found several deficiencies. Departmental officials stated there is neither a written report that compiles the findings nor a corrective action plan to address the deficiencies. The department plans to implement the quality assurance program

statewide in November 1997. As of January 1998 the department planned to review all cases facing closure to ensure all options had been discussed.

Case managers are crucial to the success of Families First. They initiate the process of connecting recipients to the department's administrative structure and services. Department officials agree that case management can be improved. Other evidence points to the conclusion that the case management component of the Families First Program is not functioning as expressed in rules and policy. Local office staff stated that Personal Responsibility Plans are sometimes not developed in ways that address the participant's individual and specific needs. One stated that it is unrealistic to expect individualized treatment given the current caseloads.

Several advocacy groups which have face-to-face dealings with Families First participants had concerns about how well case management was working. The two most common concerns were that case managers develop Personal Responsibility Plans without input from the participant and that participants have difficulty contacting their case managers. Both of these concerns are important because effective case management requires interaction and open communication between the case manager and the Families First participant.

Another aspect of case management is levying sanctions against participants who do not comply with program requirements. The adequacy of sanctioning is discussed in Finding 2.

There are two sources of guidance that indicate how case management is supposed to work. Section 1240-1-47-.16 of the Rules of the Tennessee Department of Human Services states that the recipient and case manager are to consult about the terms of the Personal Responsibility Plan. Rules further require that Personal Responsibility Plans set forth activities necessary for the individual to attain employment and gain self-sufficiency, the recipient agree to cooperate with child support enforcement activities, the recipient ensure minor children in the assistance group attend school, and the recipient ensure children in the assistance group receive regular immunization and health checks.

The department's policy manual gives further guidance to case managers on specific issues such as developing Personal Responsibility Plans (PRPs) and working with the participant to avoid sanctions. The manual states, "It is extremely important that the case manager and the participant discuss the components in the PRP in detail to create a realistic, workable plan." This policy statement underscores the necessity for mutual interaction between the participant and the case manager in developing PRPs. The policy manual also states that case managers should make every effort to work with the Families First recipients in explaining requirements and options available to avoid sanctions. Conversations with the recipient outside of sit-down visits and interviews may be required.

Case management may not have been delivered in the manner expressed in rules and policy for several reasons. The department underwent what many term a major cultural change when the role of local office staff shifted from eligibility counselors to case managers. As in any organizational change, employees need time to adapt to new ways of doing business. Another complicating factor is the complexity surrounding individual cases. It is difficult to develop

written policies for every circumstance a recipient may present to a case manager. The department has delivered training to case managers and plans to deliver additional refresher courses. As case managers gain experience, they are more comfortable dealing with issues. The department should ensure that quality assurance reviews are conducted statewide and that the results are used by the department to improve the program.

Finally, caseloads may have an impact on the quality of case management. The number of cases handled affects the amount of time and attention that can be given to each one. Interviews with urban case managers suggested that caseloads are so high it may be impossible to give adequate attention to any single case.

The department does not know what an appropriate caseload should be. Departmental management realized prior to enactment of the Families First Act that there were not enough staff to handle the workload of the new program. Therefore, in fiscal year 1997, the department contracted for 614 additional staff at a cost of approximately \$12.8 million. The department has contracted for 491 additional staff in fiscal 1998 at an obligated cost of approximately \$10 million. Even though the number of Families First participants decreased between September 1996 and September 1997, that does not necessarily mean the workload has decreased. The remaining participants in the program are the ones with more serious challenges and presumably in more need of state assistance. The department plans to contract with the Center for Business and Economic Resources, the University of Tennessee, Knoxville, for a workload study.

License Revocation

The federal Personal Responsibility and Work Opportunity Act of 1996 requires states to have laws that withhold, suspend, or restrict the driver's, professional, occupational, and recreational licenses of individuals who owe overdue child support or fail, after notification, to comply with subpoenas or warrants. State law gives the department authority to deny, suspend, or revoke the licenses of individuals who have not complied with a court order of child support and have failed to pay. The State of Texas reported that 17,000 obligators came forward in the first four months of its program and paid over \$9,000,000 in child support.

License revocation authority in Tennessee is granted under *Tennessee Code Annotated*, Sections 36-5-701 through 36-5-713. However, the department has not suspended or revoked an appropriate number of driver's and occupational licenses of noncustodial parents (NCP) who are delinquent in child support payments. As of September 1997, the department had mailed out 14,577 license revocation warning notices. As a result, 147 driver's/commercial licenses and one business license had been revoked. The department reported that eight of the 148 licenses had been reinstated—two parents paid in-full and six parents entered into agreed orders or started income assignments. Although all types of Tennessee licenses are subject to revocation, departmental staff stated that so far only driver's and commercial driver's licenses have been targeted for revocation.

The department has not suspended or revoked any professional or recreational licenses of noncustodial parents who are delinquent in child support payments. The department was unable to provide any information about delinquent NCPs who have a professional license. The commissioner reported to the Fiscal Review Committee, on August 1, 1997, that the department had not revoked hunting or fishing licenses because they were very hard to track. Additionally, the revocation process will be slow since the department is still in the process of implementing the Tennessee Child Support Enforcement System (TCSES) and correcting data.

The purpose of the license revocation program is to impart to the noncustodial parent the seriousness of a child support obligation. The program is designed to encourage the noncustodial parent to pay support regularly and to address arrears by payment in full or through negotiated payment agreements. Revenues generated from increased child support payments were supposed to be used to partially fund Families First. The department, as of September 1997, faced serious budget shortfalls because the problems with the license revocation program had adversely affected revenues generated from child support collections. (See Finding 3.)

The department should look at other states' license revocation programs to obtain ideas on effective computer tracking systems and license revocation programs that will generate more revenue. The department needs to ensure that it is meeting revenue projections that are supposed to be generated through the licensure revocation provision or lower projections to a reasonable level.

Conciliation Process

According to the department's policies and procedures, before an "assistance group" (family receiving assistance) is sanctioned, the case manager should attempt a conciliation conference with the adult who is in noncompliance. The purpose of the conciliation conference is to determine whether there is "good cause" for the participant's noncompliant action. The individual has 15 days to respond to the case manager's request. Failure to respond to the request for conciliation will result in a Notice of Adverse Action and case closure. See Exhibit 2 on the Families First Conciliation Process.

According to an official from the Department of Education, one of the problems with the department's conciliation process is that some of the Families First participants have figured out a way to frustrate the intended use of the system. For example, a case manager receives the information indicating that a participant is not complying with the work component specified in the Personal Responsibility Plan (e.g., repeatedly not showing up for an Adult Basic Education class), and initiates the conciliation process. Before the end of the 15-day deadline, the participant meets with the case manager and agrees to go back to class. The participant goes back to class for a week but then stops attending class. The conciliation process starts over again and can lead to a cycle that allows participants to manipulate the system.

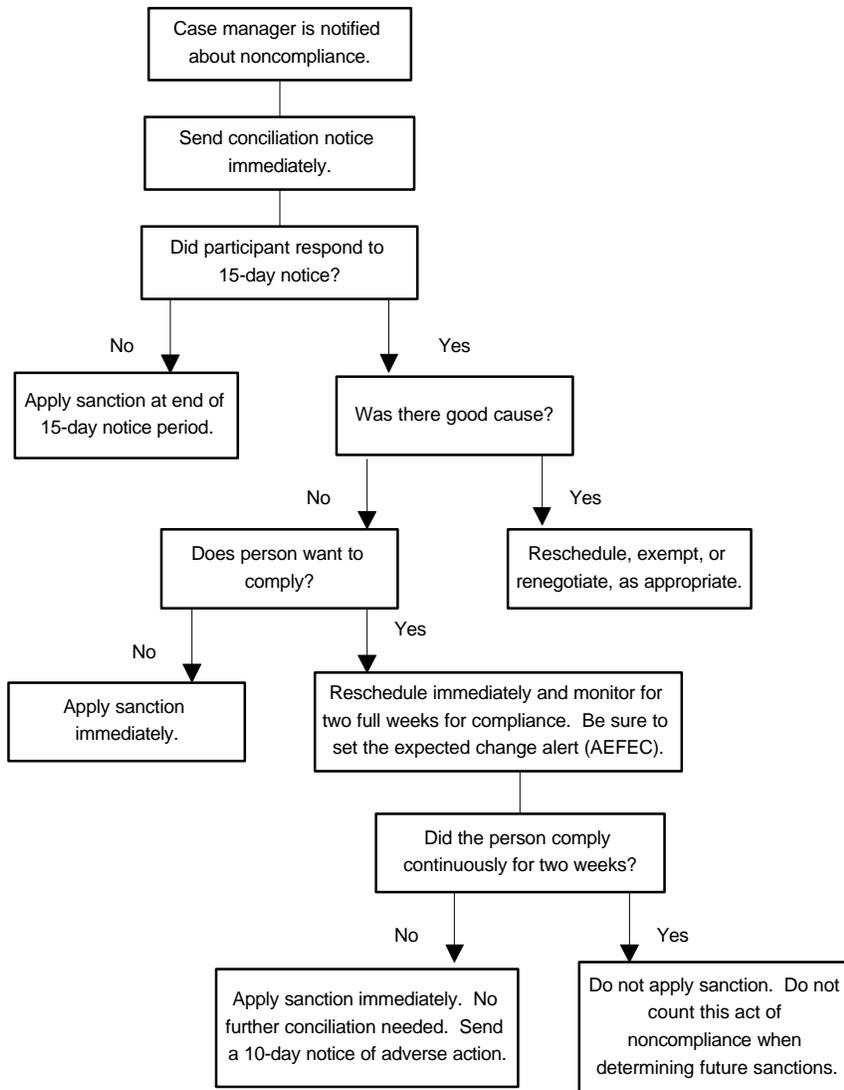
Exhibit 2

Families First Conciliation Process

Conciliation process applies to noncompliance with work component requirements
noncompliance with school attendance for unmarried, minor parents

Conciliation does not apply to voluntarily quitting a job without good cause
noncompliance with child support requirements
noncompliance with immunization and health checks
noncompliance with school attendance except for unmarried, minor parents

The purpose of conciliation is to establish the reason for noncompliance, if the person had good cause for noncompliance, if the person is exempt from the work component requirement, if the activity is appropriate, and if the person wants to comply.



Source: Department of Human Services.

Department officials expressed concern over how some participants can manipulate the system in their favor. Although limiting the number of times a participant can go through the conciliation process is an option, attention needs to be given to ensuring due process. The department needs to, through administrative rulemaking procedures, change the conciliation process in such a way that participants cannot manipulate the system in their favor while ensuring participants' temporary assistance is not taken away without due process. It should be noted that the department cannot change the conciliation process without a change in the law.

Monitoring Unregulated Child Care Providers

The department may not be ensuring unregulated child care providers meet minimum health and safety standards. The department provides child care for Families First participants while they are involved with jobs, training, and education programs. Families First participants can choose from two broad categories of child care—regulated and unregulated. Regulated child care is delivered by providers licensed and monitored by the department. Unregulated providers are not licensed by the department and thus do not have to meet the state's licensing requirements.

The department relies on child care brokers throughout the state to assist Families First participants in locating, evaluating, and selecting child care. Contracts between the department and child care brokers require the brokers to "evaluate the child care situation when unregulated care is chosen by the caretaker." Departmental policy elaborates on what constitutes evaluating unregulated care:

Broker agencies are required to follow certain procedures when unregulated care is chosen by the caretaker. These procedures include the following activities:

1. Evaluate the child care situation (using a checklist that determines basic health and safety conditions. Included on the form are questions related to fire prevention/safety, storage of toxic and flammable materials, electrical outlets, storage of guns and ammunition, proper garbage and waste storage, working toilets and running water, and other general cleanliness type issues.)
2. Complete an on-site visit to the home of the provider if information about the provider is questionable and the Broker Agency deems such activity necessary to assure the safety of the child.

Child care brokers' contracts are monitored by staff in the Contract Monitoring Section, Division of Resource Development and Support (RDS), Department of Finance and Administration. However, RDS monitoring does not include determining if brokers are evaluating

unregulated care. Interviews with several brokers indicate that they do not visit unregulated providers unless a complaint is voiced or a problem arises. Because child care is so important, the department should more strongly encourage child care brokers to oversee the quality of unregulated child care.

In-Home Health Visits

When a family's benefits have been terminated under the Families First Program, the Department of Health is supposed to assist in maintaining the well-being of the children by making in-home visits. The purpose of the in-home visits is two-fold: to provide a health check-up for the children and to determine the families' financial circumstances. However, the Department of Health has not made all in-home visits required by its agreement with DHS.

According to Section 71-3-154(d)(1)(B), *Tennessee Code Annotated*, the Department of Human Services is responsible for notifying the Department of Health of all families whose assistance has been terminated. The Department of Health is then to "take appropriate actions to monitor and protect the safety and well-being of the children within such family. Such departmental actions shall include, but not necessarily be limited to, one or more in-home visits with such children within thirty (30) days of the termination of such temporary assistance." The Department of Human Services notifies the Department of Health when a family's benefits have been terminated. The Department of Health then notifies the family that a county health department employee will be making a home visit. The health department professional attempts to arrange a home visit. If initial attempts are unsuccessful, the health professional continues to contact the family by telephone or mail.

Those making the home visits have home-visiting and family-assessment experience and/or training. They are to determine and report the source and amount of each family's total gross monthly income. (This information is necessary so that DHS can determine if the family is eligible for temporary emergency assistance.) The health professional is also required to determine

- the current living environment,
- the type of housing,
- the stability of the family arrangement,
- the adequacy of food availability,
- the status of immunizations and well-child examinations for children, and
- the need for subsequent in-home visits.

If a family's utilities have been cut off or an eviction notice has been served, the health professional is required to make an emergency notification to the county DHS office. Furthermore, any suspect parental behavior is immediately to be referred to the Department of Children's Services, Division of Child Protective Services. The health professional should

provide educational information and/or referrals for any observed needs or safety hazards in the home environment. Finally, participation in the Families First Program should be encouraged and the family notified of all available providers.

According to documents the Department of Health, Division of Maternal and Child Health supplied, not all home visits have been completed. From September 1, 1996, through July 31, 1997, only 2,419 (39.1%) of the 6,183 families referred to local health departments were visited. Staff attempted to visit an additional 2,397 (38.8%) families who were not at home at the time of their appointment or had moved and could not be located; 134 refused the home visit but agreed to be interviewed at the county health department or another site. No information is available on the remaining 1,367 referrals. As of April 30, 1997, 4,119 attempts had been made to notify families of the in-home visit. Department of Health staff could not provide more recent data on letters in lieu of face-to-face meetings nor could they offer assurance that all visits were being made within the 30-day time limit. Additionally, no statistics have been computed to show how many in-home visits resulted in re-applications for Families First benefits or emergency temporary assistance to families in danger of losing their shelter or utilities.

Transportation Services

To help support participants' efforts at becoming self-sufficient, DHS provides transportation services to ensure they get to education and training locations. However, the reimbursement rates DHS pays may not accurately represent providers' operating costs. DHS contracts with 14 transportation brokers to provide transportation services across the state. Several transportation options such as bus tokens, gas vouchers, travel reimbursements, and van pick-up services are available. The van pick-up service uses subsidized van pools contracted through the service delivery areas. Under this system, Families First clients and their children are picked up by vans and taken to various locations such as day care, training, and education locations. Van providers submit invoices to the transportation brokers for payment. Brokers in turn submit invoices to and are paid by DHS.

DHS established reimbursement rates; however, early in the program's implementation van pool providers claimed the state's reimbursement rate was too low to keep their businesses solvent. DHS officials stated that they did not know what an appropriate rate was because they did not have experience in these types of issues. DHS solicited consulting services from the Department of Finance and Administration (F&A).

The F&A study concluded that per-person reimbursement rates of \$4.22 per trip and \$.40 per mile (after the first stop) would offset providers' operating costs. However, the use of inappropriate operating cost information may have yielded inflated rates. The F&A consultants used costs from monthly invoices supplied by providers. These invoices included costs for administrative categories (i.e., staff travel, printing and duplication, and advertising) already paid for under grants administered by the Department of Transportation.

Several of those interviewed, including department staff and transportation brokers, stated that the reimbursement rate was too high. To ensure services are provided economically, the department should know what an appropriate reimbursement rate should be. A transportation committee was formed in September 1997 to address transportation issues, including reimbursement rates. A departmental official stated that a search was being conducted to locate a transportation expert to sit on the committee.

Families First Councils

Tennessee Code Annotated, Section 71-5-1201, establishes a Families First Council in each county to assist persons in the Families First Program, to provide business and industry with information regarding the program, and to seek feedback regarding operation of the program. The Commissioner of Human Services determines the number of council members in each county after considering the recipient and general populations and the potential job opportunities in a particular county.

In appointing council members, the commissioner is to ensure that at least 60% of the total membership is composed of persons actually engaged in business or industry. The commissioner is also required to include a community religious leader, a person actively engaged in advocacy for low-income families, a recipient of temporary assistance, and the Department of Human Services area manager for the area. The councils are required to meet monthly.

As of June 1997, forty-seven of the Families First Councils were not in compliance with one or more of the composition requirements expressed in state law.

- Thirty-three councils did not meet the requirement that at least 60% of council members be involved in business or industry.
- Two councils lacked clergy members.
- Seven councils lacked a community advocate.
- Ten councils lacked a temporary assistance recipient.

Department officials stated that the department strives to meet the membership requirements. However, because of the make-up of the population in some counties, meeting the composition requirements is difficult. Also, department officials thought the monthly meetings could be burdensome to some council members.

Families First Advisory Council

The Families First Advisory Council is charged with advising the Commissioner of Human Services on issues pertaining to the purpose, implementation, and evaluation of the Families First Program. The statutory requirements for the Families First Advisory Council are outlined in *Tennessee Code Annotated*, Section 71-3-157(c)(1). According to the statute, this

15-member council (11 appointed by the commissioner and four appointed by the Speakers of the House and Senate) is to include representatives from business and industry, local government, private nonprofit organizations, and Families First participants. Membership should reflect a diverse mixture with respect to gender and grand division of the state and should reflect the ethnic composition of the service population. Ex-officio members are to be selected from appropriate state departments that have responsibilities or programs related to the Families First Program.

Representatives from the Department of Employment Security, the Department of Labor, the Department of Health, and the Department of Education have been appointed as ex-officio members of the council. The commissioner may want to consider including a representative from the Department of Transportation on the council because transportation issues play a significant role in the success of the Families First Program.

FINDINGS AND RECOMMENDATIONS

1. The two management information systems cannot accurately monitor and report all information pertaining to the Families First Program

Finding

Because of programming delays, the two management information systems used to monitor Families First participants and report information on their progress cannot at this time meet management's needs. The Department of Human Services (DHS) is using its ACCENT system (Automated Client and Eligibility Network for Tennessee) and the Department of Labor's JTPA (Job Training Partnership Act) system to monitor and report on the progress of the Families First Program. ACCENT, the primary system used for case management, is intended to collect information for the Personal Responsibility Plans (PRPs), establish eligibility, set benefit amounts, provide management reports, and establish service provider referrals. The JTPA system is used to store information about a Families First participant's work activity status. However, since the two systems are not linked with an interface, management does not have adequate information to monitor the Families First Program.

According to department staff, lack of available resources contributed to the department's failure to have the computer system changes completed by the Families First implementation date of September 1996. The Department of Human Services recognized early the need for experienced programmers but had difficulty finding a sufficient number of qualified people to fill programmer positions. As of September 1997, the ACCENT system was still being modified to meet all the requirements of the Families First Program and federal reporting requirements.

Data collected and stored in the ACCENT and JTPA systems are supposed to allow DHS to determine if the Families First Program is accomplishing its goal of moving the participant from welfare to work. The systems, therefore, must be able to record, monitor, and generate reports such as the number of people working at the end of the 18-month and 60-month time limits, the number of people sanctioned, the types of sanctions, and the rate of recidivism.

ACCENT

Prior to the implementation of the Families First Program, ACCENT had been a paperless system. Department personnel stated that because the necessary system changes were not in place when the Families First Program was implemented, case managers had to revert to a paper system to record information about Families First participants. This information had to be kept on file until the information could be recorded on-line.

Although the screen to collect the information for the Personal Responsibility Plan had been added by the spring of 1997, the system was still not able to calculate the client's budget and sanction information. The target date to complete these system changes was December 1997; however, department personnel stated that the program to track outcome measures will not be added by that date and that it may take another year to build the ability to perform long-term studies into the system.

JTPA

The information collected on the JTPA system is used for federal, local management, and outcome reporting. All the necessary system changes were not in place until November 1996, although the Families First Program started in September 1996. This delay created a backlog in data entry which was compounded by keying errors during the initial months of the Families First implementation. A clean-up effort was launched in an attempt to correct the data.

Negative Effect of Delayed Modifications

- Manual recording of ACCENT information has caused a backlog in data entry. Much of the information initially captured on paper has not been entered in ACCENT because system changes had not been completed as of August 1997.
- The data entry backlog has hindered case managers' ability to accurately track the progress of some Families First participants because the most recent information about a participant may not be in the system.
- The ACCENT system is supposed to automatically calculate all budget and sanction information; however, this information is currently calculated off-line by the case manager and later entered into the system. Department staff estimate that the sanction and budget calculation formulas should be in place by November 1997.
- Department personnel stated that many of the problems with the Families First data are the result of errors in entering the data into the system. These errors could affect the accuracy of quarterly reports to the U.S. Department of Health and Human Services. These reports are used to demonstrate the state's compliance with the requirements set forth in the federal waiver.

Recommendation

The department should continue its efforts to modify the ACCENT and JTPA systems to meet the needs of the Families First Program.

Management's Comment

We concur that the modifications to the ACCENT and JTPA systems were not made prior to the September 1996 implementation date which created difficulty in administering the program and collecting data for analysis of outcomes. Because of the complexity and the large number, changes have been implemented on a staggered basis. The remaining changes have been prioritized as work proceeds. Major modifications to support time limits, PRP development, work tracking, budgeting, and sanctioning were implemented by the target date of December 1997. Work is in progress to support outcome measurement studies, with the University of Memphis currently providing assistance in this area. The department recently provided a data integrity training package to all supervisory and case management staff. The material focused on correct procedures for data entry of JTPA and ACCENT PRP data.

2. The department does not monitor sanctions against those who do not comply with program requirements

Finding

Department officials do not have information about how many participants are not in compliance with program requirements. The department could not provide the documentation showing the number of participants (1) who are not complying with work requirements, (2) who are not attending training and education classes, (3) who are not adhering to immunization and health-check requirements for their children, (4) who are not ensuring their children attend school, and (5) who are not cooperating with child support enforcement efforts. Also, the department was unable to provide the Division of State Audit with the number of participants sanctioned between September 1, 1996, and September 1, 1997. Without this type of management information, department officials are unable to determine if the sanctioning component of Families First Program is working or if sanctions are appropriately imposed.

The Division of State Audit interviewed case management specialists, advocacy group directors, adult basic education teachers, and various contractors and found that sanctions for not attending training and education classes were not always imposed. Based on these interviews, the number of people not showing up for the program's training classes is high. An official from the Department of Education said, "Until there are real consequences that matter to people, no progress will be made in getting people through adult basic education classes." At a teachers' training session (54 teachers from Memphis), there was consensus among the group that the erratic and poor attendance makes raising participants' literacy levels difficult. (The average literacy level of Families First participants is between fourth and seventh grade.)

Case management specialists, contract monitors, and contractors offered the following statistics:

- The no-show rate for orientation classes is about 60%.

- The no-show rate for the Fresh Start classes is between 40% and 80%.
- The no-show rate for Adult Basic Education is estimated at 50% to 60%.
- The drop-out rate for the Job Club program is about 50%.

One case management specialist said that “clients need to be held accountable for not showing up and there should not be so much looseness in interpreting policies.” Some of the contractors stated that participants were not always sanctioned as required.

Tennessee’s Waiver

The federal Personal Responsibility and Work Opportunity Act of 1996 requires states to reduce assistance to a family for any period an adult member of the family refuses to engage in work as required under the act’s block grant program. Under Tennessee’s waiver agreement with the U.S. Department of Health and Human Services, sanctions will be imposed if a participant fails, without good cause, to comply with the provisions of the Personal Responsibility Plan. Work requirements, school attendance, immunization and health checks, and cooperation with child support enforcement efforts are provisions in the PRP. Exhibit 3 below provides the conditions under which a participant can be sanctioned and the actions the department is supposed to take on the first and subsequent occurrences (*Families First Policies and Procedures Manual*, September 1, 1996).

Exhibit 3

Violations	First Occurrence	Subsequent Occurrences
Failure to comply with work/work-related component of PRP.	The AG remains ineligible until compliance.	The AG remains ineligible until the adult serves a three-month sanction or until compliance, whichever is longer.
Voluntary termination of employment.	The AG remains ineligible for three months.	The AG remains ineligible for three months.
Failure to cooperate with Child Support Services.	The AG remains ineligible until the caretaker agrees to cooperate.	The AG remains ineligible until the caretaker agrees to cooperate.
Failure of an unmarried minor parent to attend school.	The unmarried minor parents’ needs are removed from the AG.	The unmarried minor parents’ needs are removed from the AG.
Failure of the AG children to attend school (including married minor’s children).	A 20% reduction will be applied to the AG cash payment.	A 20% reduction will be applied to the AG cash payment.
Failure to have immunizations or health checks for minor children.	A 20% reduction will be applied to the AG cash payment.	A 20% reduction will be applied to the AG cash payment.

AG–Assistance Group; PRP–Personal Responsibility Plan

Tennessee Code Annotated, Section 71-3-154, states that unless otherwise exempt, refusal or failure to engage in full-time or part-time employment and other training or work preparation activities or to cooperate in the establishment of enforcement of child support without good cause shall result in denial of eligibility for, or termination of, temporary assistance for the entire family unit. Failure to comply with the immunization and school attendance components of the Personal Responsibility Plan shall result in a 20% reduction in the amount of temporary assistance.

U.S. General Accounting Office Findings (GAO)

Further support for the need to impose sanctions is found in two studies conducted by GAO in May 1997. Both studies suggest benefit termination provisions increase program effectiveness.

In May 1997, GAO published *Welfare Reform: Three States' Approaches Show Promise of Increasing Work Participation*. Three states were reviewed: Massachusetts, Michigan, and Utah. These states initiated policy changes designed to increase the proportion of welfare recipients participating in activities intended to move them toward self-sufficiency. These states used sanctions to enforce the participation requirements by first reducing benefit amounts for failure to participate in planned activities and, if the failure persists, terminating benefits entirely. The three states had a common strategy of strengthening sanctions for noncompliance as a tool to increase participation.

In May 1997, GAO published *Welfare Reform: States' Early Experiences with Benefit Termination*. The report found that through December 1996, 14 of the 33 states with benefit termination provisions had not terminated any family's benefits. One of the results discussed in the report is that, when applied, benefit termination provisions had improved program effectiveness by contributing to increases in work activity and job placements. In such cases, families were moving off welfare more quickly.

Causes Preventing Imposition of Sanctions in Tennessee

Several potential reasons have been offered as to why sanctions have apparently not been imposed as they should. Contractors do not submit tracking forms indicating participants' attendance and progress through education or training programs. If case managers do not receive this information from the contractors, they do not know whether participants are complying with their PRPs. One family assistance director stated that there is a problem with the computations and administration of sanctions because of delays caused from having to obtain the participant's tracking information from the contractors. According to this director, the department is trying to take some measures to improve the situation by having monthly contractor meetings and providing training for the contractors on the participant tracking forms.

One case management specialist stated that the contractors are supposed to be supplying case managers with information about how clients' progress. Some of the contractors are reluctant to admit clients are not showing up for classes because that suggests the contractor is not doing a good job of delivering the service.

Another contributing factor for the department's failure to impose sanctions is that the computer system is not fully functional. Case managers have to override the system to perform the sanction functions. DHS is in the process of completing the sanctions part of the ACCENT system and expects that the sanction screens will be functional by December 1997.

Effects of Not Sanctioning

Not imposing sanctions affects the noncompliant participant as well as those participants who are conscientiously trying to reap the rewards the Families First Program offers. One example of these effects can be seen in Fresh Start. Because of the number of enrollees who do not show up for the Fresh Start classes, other participants may wait up to two months for the classes. Instead of receiving sanctions, these no-shows are enrolled in the next series of classes. As a result, willing participants may be discouraged by the delay, and morale drops among those in the class when no-shows do not receive sanctions. Therefore, not imposing sanctions to encourage higher participation and attendance rates may have a negative impact. The sanctioning process can be used as an effective tool that will aid in accomplishing the department's goal of moving participants toward self-sufficiency.

Recommendation

The department should monitor Families First participants and impose appropriate sanctions. The department needs to obtain all necessary information from contractors on participants' lack of compliance with program requirements. The department also needs to complete computer system changes so that the ACCENT system will identify participants who are out of compliance and automatically calculate sanctions.

Management's Comment

We concur in part. The department has made the system changes to properly track work and child support sanctions and to calculate budgets associated with the sanctions. These changes were implemented in ACCENT in December 1997. The logic has not been completed to support immunizations and health checks, and school attendance.

The department has developed a report of work activity status changes. The report is compiled each week and provided to the case manager via INFOPAC, an on-line report application. The case manager uses the report to identify the most current status of the individual's work activity. A major focus of the data integrity training relates to the completion

of the PRP and the JTPA referral and tracking forms and the coordination of the status of the individual's activities between the two systems, therefore promoting better application of sanction policy.

3. Child support collections were lower than estimates

Finding

The Department of Human Services (DHS) estimated that child support collections would generate \$54,617,500 during fiscal year 1996-1997 and used this figure to calculate the base budget for temporary cash assistance. The department estimated that it would collect \$12,900,000 from the threat of license revocation; \$15,892,200 by contracting out collections to private collection agencies and implementing the Tennessee Child Support Enforcement System (TCSES); and \$25,825,300 from ongoing collection activities.

Expected Child Support Revenues

Threat of License Revocation	\$12,900,000
Private Collection Agencies/TCSES	15,892,200
Ongoing Collection Activities	<u>25,825,300</u>
Total	<u>\$54,617,500</u>

According to DHS budget and child support personnel, as of September 1997, the department had collected \$33,307,531 in child support collections. This figure is \$21,309,969 below projected revenue collection amounts.

Department personnel stated that because of the lower than projected revenue collections from child support, the state was in jeopardy of not meeting the maintenance of effort (MOE) requirement of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. According to the federal act, states must meet an 80% MOE to receive their full Temporary Assistance for Needy Families block grant allocation. The MOE level is based on a state's fiscal year 1994 spending on AFDC, JOBS, AFDC-related child care, and Emergency Assistance. A state's grant may be reduced one dollar for each dollar the state's spending falls below the MOE. The state had met the 80% MOE requirement as of September 30, 1997, in spite of the shortfall in child support collections.

Recommendation

The department should better estimate the revenues from child support collections. Management should examine the components of the 1996-97 estimate to determine the causes of the shortfall and make appropriate changes to ensure more accurate estimates in the future.

Management's Comment

We concur. The department has completed the implementation of the Tennessee Child Support Enforcement System (TCSES). With full implementation of the system, it is expected that the revenue projections will be more dependable.

4. **The department's management controls over child care support services need improvement**

Finding

The department has not adequately controlled three aspects of the child care delivery system: (1) the procedures used to reimburse day-care providers, (2) potential conflicts of interest among child care broker agencies, and (3) the fee structure for child care brokers.

Description of Child Care Support System

Families First clients are eligible to receive child care benefits while they fulfill their Personal Responsibility Plans. The department's case managers determine clients' eligibility and the number of hours of child care the department will reimburse and refer the clients to one of the 14 local child care broker agencies. Child care brokers assist Families First participants in locating and arranging for day care.

There are two general categories of child care: regulated and unregulated. Within the regulated category are family homes which keep one to four children, group homes which have between five to twelve children, and day care centers which are licensed to care for over twelve children. In most cases, unregulated care is provided by relatives or friends. Families First participants may choose which type of day care they want. As part of the contracts between DHS and the child care brokers, brokers are not to steer, direct, or influence a client's choice of which day care to use.

Reimbursements: Controls over provider reimbursement are weak. Providers submit time and attendance records to the department and the child care brokers receive copies. The department makes payment based solely on the information received from the provider. There are no verifications as to whether the provider delivered the services or not. With no system in place to verify day-care attendance, providers could charge the state for services they did not provide by simply submitting inaccurate attendance records. The Division of Municipal Audit, Department of Audit, found a day-care provider that appeared to have overreported the number of children attending day care. Department officials admit that the provider reimbursement system has few controls to prevent a provider from overcharging the state.

Department staff stated that the lack of control over the reimbursement process resulted from the rapid implementation of Families First. There was little time to develop a system and providers had to be paid.

Conflicts of Interest: The members of the governing board of the child care broker in Memphis appear to own a number of day-care centers served by the Memphis broker. One member is chairman of the board of directors for a day-care provider and has been accused of submitting fraudulent reimbursement claims to the department. Given the fact that there are only 14 child care brokers, large numbers of providers fall under the purview of the brokers. As such, the department should ensure the brokers' staff have no interest in the day-care providers the broker refers children to.

The department does have mechanisms in place to control conflicts of interest. During the Request for Proposal process, brokers are asked to explain how they will address conflicts of interest. The department has, on occasion, encouraged child care brokers to correct perceived conflicts of interest. Department staff stated that changes will be made to upcoming contracts with the child care brokers to address the conflict-of-interest issue.

Broker's Fee Structure: Child care broker fees are calculated as a percentage of the Families First child care costs in the broker's area. The higher the day-care costs are in an area, the higher the broker's fee. This issue becomes important when different provider rates are considered. As a general rule, day-care centers are the most expensive followed by group homes and then family homes. Therefore, the broker's fee depends more on the type of child care the participant chooses than on the services provided by the broker.

According to a department official, federal grants for funding day care became available in 1991. The intent of the program was to provide day-care options for low-income workers. The department wanted to encourage nonprofit agencies to administer the program by assisting this population in getting day care. As an incentive to participate in this program, a percentage-based fee structure was introduced. Six years later, the funding has increased and the program has expanded; however, the department has not reexamined the fee structure. Many of these nonprofit agencies are the child care brokers DHS uses in the Families First Program.

Child care reimbursement rates are scheduled to increase over the next five years. Since broker's fees are calculated as a percentage of child care costs, the department will be paying more in child care reimbursements and brokers' fees. Departmental officials recognize the weaknesses in a percentage-based fee structure and are searching for alternatives.

Recommendation

The department should strengthen management controls over child care support services. The department should ensure that adequate controls are in place in the reimbursement system to ensure accurate payments. Also, the department should conduct occasional on-site monitoring visits to child care providers to review time and attendance records. The department should

incorporate conflict of interest guidance in contracts with child care brokers. The broker's fee structure should be redesigned to prevent increases in payments to brokers without corresponding increases in services.

Management's Comment

We concur.

Reimbursements: We agree weaknesses in some controls existed in our "old" child care payment system. We contracted with 14 broker agencies to perform eligibility functions and related activities for children to receive child care services. The brokers were required to monitor provider billings and attendance cards. Under the "old" payment system, this monitoring was performed after payment had been made.

Our TCCMS system was implemented across the state in 1997. This system better supports the broker agencies in performing monitoring of attendance and other case management functions. The department's contract with the brokers states that the brokers are "responsible for monitoring provider billings and attendance records within ten (10) days of receipt and notifying the provider and the State immediately of questionable charges." The brokers are also responsible for investigating any unusual attendance problems and notifying the State so that adjustments can be made to the provider billings.

We feel like we have built as much control as we can into the new system and the broker contracts.

Conflicts of Interest: We agree with the suggestion that the department provide guidance to broker agencies concerning conflict of interest and develop a procedure for broker agencies to make disclosures when an appearance exists of conflict of interest.

Through the new broker contract which will be bid this Spring and put into place effective July 1, 1998, we will address this potential problem. We will also work closely with the Department of Finance and Administration, Resource Development and Support Division, which has responsibility for monitoring these contracts, to improve the review process over potential conflicts of interest.

Brokers' Fee Structure: The new contract for this service will establish a completely new basis for reimbursing the broker agencies which will more accurately reflect the cost of service. The contract also will be performance-based.

RECOMMENDATIONS

ADMINISTRATIVE

The Department of Human Services should address the following areas for more efficient and effective management of the Families First Program.

1. The department should continue its efforts to modify the ACCENT (Automated Client and Eligibility Network for Tennessee) and JTPA (Job Training Partnership Act) systems to meet the needs of the Families First Program.
2. The department should monitor Families First Program and impose appropriate sanctions. The department needs to obtain all necessary information from contractors on participants' lack of compliance with program requirements. The department also needs to complete computer system changes so that the ACCENT system will identify participants who are out of compliance and automatically calculate sanctions.
3. The department should better estimate the revenues from child support collections. Management should examine the components of the 1996-97 estimate to determine the causes of the shortfall and make appropriate changes to ensure more accurate estimates in the future.
4. The department should strengthen management controls over child care support services. The department should make sure that adequate controls are in place in the reimbursement system to ensure accurate payments. Also, the department should conduct occasional on-site monitoring visits to child care providers to review time and attendance records. The department should incorporate conflict of interest guidance in contracts with child care brokers. The broker's fee structure should be redesigned to prevent increases in payments to brokers without corresponding increases in services.

Appendix

Welfare Reform in Other States

INTRODUCTION

Section 71-3-162, *Tennessee Code Annotated*, requires our report to include a comparative summary of the implementation and impact of welfare initiatives in other states. During 1996, Congress and several state legislatures assumed the task of reforming a welfare system many believe fosters dependence and provides few incentives to overcome impediments to employment. Like many states, Tennessee obtained its waiver from the federal government to implement its own welfare reform program, known as Families First. Attempting to transform traditional AFDC into a work-focused program, Congress passed and President Clinton signed Public Law 104-193, The Personal Responsibility and Work Opportunity Reconciliation Act of 1996. This legislation removed the entitlement status of AFDC and replaced it with a block grant program to the states, known as Temporary Assistance for Needy Families (TANF), with administrative responsibility for the program falling to the states.

The Families First Program, like other welfare reform initiatives in various states, emphasizes two main features designed to alter the nature of public assistance: 1) mandatory participation in work-related activities, such as those outlined in the Family Support Act of 1988 and its centerpiece, the Job Opportunities and Basic Skills (JOBS) program and 2) time limits designed to decrease welfare recipients' dependence on public assistance. Among the common characteristics of the states' attempts to reform welfare are mandatory job search and placement assistance; basic skills and remedial education classes; support services, such as child care and transportation for those who might not otherwise participate; and health check-ups for those whose benefits have been terminated. All are geared toward moving recipients into jobs and off welfare within specified time limits, without adversely affecting the financial status of the families already receiving welfare. A total of 37 states have obtained waivers for their public assistance programs. According to the National Council of State Legislatures, 23 of the 37 states have implemented comprehensive, statewide reforms to their AFDC programs, while 14 have sought only modest changes. The main unanswered questions of welfare reform programs throughout the country are 1) whether the time limits imposed actually achieve the desired results and 2) whether the job services provided to welfare enrollees (through the JOBS program) hold any prospect of obtaining full-time employment, eventually leading to self-sufficiency.

MANDATORY JOB TRAINING

A major component of welfare reform, as envisioned by the Congress in the Personal Responsibility and Work Opportunity Act of 1996, has been its promise of reducing welfare dependency by moving recipients from welfare to work. Unfortunately, numerous welfare-to-work experiments undertaken since passage of the Family Support Act of 1988 (FSA) have

shown disappointing results. The principal feature of this legislation, known as the Job Opportunities and Basic Skills (JOBS) program, was designed to enroll an increasing proportion of adult AFDC recipients (most of whom are women) in the education, training, and employment-related activities necessary for them to obtain work. The states were granted considerable latitude in tailoring their programs to meet specific, localized needs. The states were also required to enroll an ever-increasing proportion of their AFDC client base in JOBS activities in order to continue receiving federal matching funds. However, according to reports submitted to Congress by the General Accounting Office (GAO), only about one-quarter of all those AFDC recipients eligible for the JOBS program were served in an average month in fiscal year 1993. Most important, 59% of all AFDC beneficiaries are exempted from participation in the JOBS program.

The Families First Program in Tennessee provides adult education for those who need continuing education, as well as remedial education for those who test below a fifth grade reading and math level. The program also includes life skills classes and up to twelve months of job training. Some employers are providing on-the-job training. Those who complete the jobs training course will be placed in a job; those who do not will be allowed to receive supplemental job training, provided there are ample work opportunities for that participants' skills.

GAO concluded that the most successful programs—those that consistently showed better employment and welfare-related outcomes for participants—combined a broad range of employment-related activities and support services with some form of participation mandate. These programs also maintained adequate funding to fully serve their clients as intended. The evaluators also found that in addition to the challenge of moving welfare recipients into self-supporting employment, even the most successful JOBS program had only modest effects; after three years, only one-quarter of participants in the Riverside County program were self-sufficient in being both employed and no longer receiving public assistance. These results were obtained from a program that emphasized participants' acceptance of any available job.

Further, the GAO found that the most successful welfare-to-work models—those with the largest and most consistent effects—offered participants an expanded mixture of education, training, and employment services; increased child care assistance; and mandated some form of client participation. Four programs using this same general approach—the Saturation Work Initiative Model (SWIM), the Massachusetts' Employment and Training (ET) program, and the Greater Avenues for Independence (GAIN) in California—were the only initiatives to record statistically significant effects for their clients. The GAO review of state experiences with the JOBS program strongly suggests that the most successful ones offered a broad range of employment-related services. In another report, GAO found that most AFDC training programs were not emphasizing job placement, despite evidence in a few programs that the ultimate goal of employment was more attainable for JOBS participants when program administrators forged strong links with community employers.

Programs in Riverside County, California; San Jose, California; New York City; Athens, Ohio; and five counties in West Virginia placed differing emphases on finding jobs for their clients. Programs ranged from finding any employment quickly to training clients to suit an

employer's needs and also included community work experience and work supplementation (paying a private for-profit firm to find jobs for some AFDC recipients). The evaluators also concluded that these programs were, by far, more the exception than the rule; most programs emphasize preparing welfare beneficiaries for employment, rather than actually finding jobs for them. Finally, the GAO auditors reported that the modest results of even the most successful programs imply that neither welfare caseloads nor welfare dependency will be reduced, even with increasing investments in employment and support services. After three years, approximately 40 percent of those who found employment remained on AFDC or, if off AFDC, continued to receive other forms of public aid, including Food Stamps, Medicaid, or federal housing assistance. Also, GAO warned that poor education and the limited availability of low-wage/low-skill jobs may work against the success of any of these programs.

TIME-LIMITED WELFARE

The Aid to Families with Dependent Children (AFDC) program originated in 1935, providing cash payments to poor children who have been deprived of the support of one of their parents because of unemployment, incapacity, absence, or death. Coverage was extended to their parents in 1950. However, the program never limited the amount of time families could receive benefits, as long as the family met the minimum eligibility requirements. Also, the program operated as an individual entitlement—meaning that every person who met the eligibility requirements automatically qualified. In fiscal year 1993, AFDC benefits supported 5 million families and more than 9.5 million children each month, at a cost of over \$25 billion in federal and state funds.

Each state is required to submit a plan in order to receive a TANF block grant. The federal law is specific as to what states must address in their plans, including how they choose to exercise various options. Prior to the enactment of the federal statutes, many states had already received waivers to implement initiatives such as time limits on assistance, work requirements within a specified period, extended transitional child care and Medicaid assistance for longer than twelve months, family caps, and diversion payments.

Presently, 31 states have some form of time limit on benefits for persons who collect public assistance payments, ranging from 18 months in Tennessee to 60 months in Wyoming, but most states allow welfare recipients to collect benefits for up to 24 months. Tennessee's time limit of 18 months is the shortest in the nation. However, Families First contains many exemptions, including those found in many states listed below, such as the "good cause" provision guaranteeing benefits to poor persons who can show that they are complying with the program's work requirement and child support plan. Most states' efforts to time-limit welfare payments fall into two broad categories: work-trigger models, in which a time limit triggers a work requirement, and some type of public or subsidized job is provided indefinitely to parents who cannot find employment; and benefit termination models, in which public support is ended after a certain amount of time has passed, regardless of whether or not the parent has found work. The main distinction between the two is that work-trigger models seek to preserve some elements of the permanent safety net quality of the original AFDC program, while benefit

termination models end the government's assurance of cash payments after a certain amount of time has passed. Participation in Families First does not affect a family's eligibility for food stamps or Medicaid.

Tennessee falls under the benefit termination model. After the 18-month period has passed, welfare recipients must remain off the rolls for at least three months, unless they have been granted an extension. The program also includes exemptions for the aged, the disabled, those caring for a dependent relative, and persons who reside in counties with high unemployment. Additionally, Tennessee's program, unlike many others around the country, has been implemented statewide. Families First also mandates home visits to ensure the health of children whose parents have been removed from the welfare rolls.

Among the state programs which attempt to change the traditional method of providing public assistance, several employ one or a combination of the models described above. Another component of Families First is its 60-month lifetime limit. All other states with time limits allow for 24 months of welfare receipt within any 60-month period. However, in Tennessee participants may receive benefits for a total of 60 months in their lifetime.

WELFARE REFORM IN OTHER STATES

Florida—The Family Transition Program terminates cash benefits after 24 months in a 60-month period for most recipients, with a 36-month limit in a 72-month period for specific disadvantaged groups. Persons over age 62, those who are disabled or incapacitated, or caring for a disabled relative are exempt. These time limits, however, may be suspended during prolonged periods of high unemployment. To meet the work requirement, the state will provide work for those unable to find a job. Furthermore, a child's eligibility for AFDC is extended and other forms of assistance, such as food stamps, are not automatically ended if the parent cannot find work. Florida's welfare reform initiative has been tested in only two small-to-medium sized counties, with plans to expand the program into six additional counties.

Vermont—Under the Welfare Restructuring Project, a 30-month time limit exists for single-parent families (15 months for two-parent families). Recipients are required to work, and the state provides community service jobs as necessary. However, the families continue to qualify for AFDC and may enroll in education programs in lieu of finding a job. Also, exemptions for the old and infirm are maintained, as is eligibility for food stamps for all ages.

Wisconsin—The Work Not Welfare program includes a cut-off for those on public assistance in a 24-month period out of any 48-month period. Again, certain categories of needy recipients are excluded from the work requirements. Extensions for benefits may be granted on a case-by-case basis. Children are protected by shelter payments if threatened with homelessness, as well as food, clothing, and medical care. The program does not preclude eligibility for certain non-cash benefits, such as food stamps, Supplemental Security Income (SSI), or the Women, Infants, and Children (WIC) program for those who qualify. The Work Not Welfare program has been tested in two medium-sized counties.

Michigan—The Family Independence Program has completely replaced AFDC in Michigan. Clients are required to participate for 20 hours a week in the Work First employment and training program. Exemptions are maintained for specified groups (elderly, care-giver, physical or mental disability). Locating employment is the primary objective, with opportunities for community service or training programs if employment is not secured in 60 days. Michigan's program also supplies child care and transportation. The Family Independence Plan maintains a high earnings disregard allowing recipients to keep \$200 a month in earnings without losing benefits. Other reforms include residence requirements for teen-age parents and mandatory treatment for alcohol and drug abusers.

Mississippi—The state has introduced its Work First Demonstration project, ending all assistance if a recipient fails to participate after 60 months. All participants must enroll in approved work activities no later than 24 months following their initial benefit check. The state's Department of Human Services agrees to provide support services such as child care and transportation; other components include sanctions for those persons who fail to meet work activity requirements.

Oregon—The state's federally funded JOBSPLUS program is mandatory for those who do not find work during the application process for benefits. If applicants fail to find jobs within a specified time, they are required to participate in the JOBS employment preparation program. If unable to find work, the applicants are placed in the JOBSPLUS program, in which the state converts federal and state welfare grants and food stamps into subsidized jobs, resulting in paychecks for the JOBS participants. After four months, employers either hire the welfare recipient or give them one paid day off per week to find a job. Approximately 75% of the employers hire their JOBSPLUS workers. Teenagers are required to stay at home in order to qualify and continue their education or participate in a GED program. All recipients with a history of substance abuse must enroll in treatment programs.

South Carolina—The Family Independence Act of 1995 requires the state Department of Social Services (DSS) to emphasize employment and training with a minor welfare component. The department must expand its employment training programs, requiring participation for all those seeking public assistance. Benefits are to last no more than 24 months out of any 120-month period, and no more than 60 months in a person's lifetime. The South Carolina Legislative Audit Council found that although the number of families receiving AFDC had declined 8% after one year of operation, the state's welfare reform initiative suffered from many shortcomings. Among other concerns, the evaluators discovered that 1) DSS had no comprehensive plan to establish a central evaluation unit that focuses on qualitative program management; 2) the department's management information system was inadequate, limiting its ability to determine whether the agency was complying with all program requirements and meeting program outcomes; 3) DSS had no manpower planning system to allocate resources and assign staff based on county and regional needs; 4) case managers reported that at least one-half of their program participants were in need of assessment and training prior to job placement; and 5) there was no organized tracking system in the state's 46 counties to provide the necessary information on welfare clients' progress through the system. Finally, the audit found, it was too early to attribute outcomes to and evaluate the success of the Family Independence program.

Maryland, Nebraska, and Virginia have also adopted changes incorporating many of these same principles. In Maryland, participants must start a work-related activity within 90 days; failure to meet the work requirement may result in the loss of benefits for some beneficiaries. In Nebraska, the state welfare program counts employment, job skill training, work experience, job search, and education toward its participation requirement; this feature most resembles the original JOBS program. Virginia has implemented a program allowing only work or community service for the first six months, with the option of educational services if a participant cannot find a job.