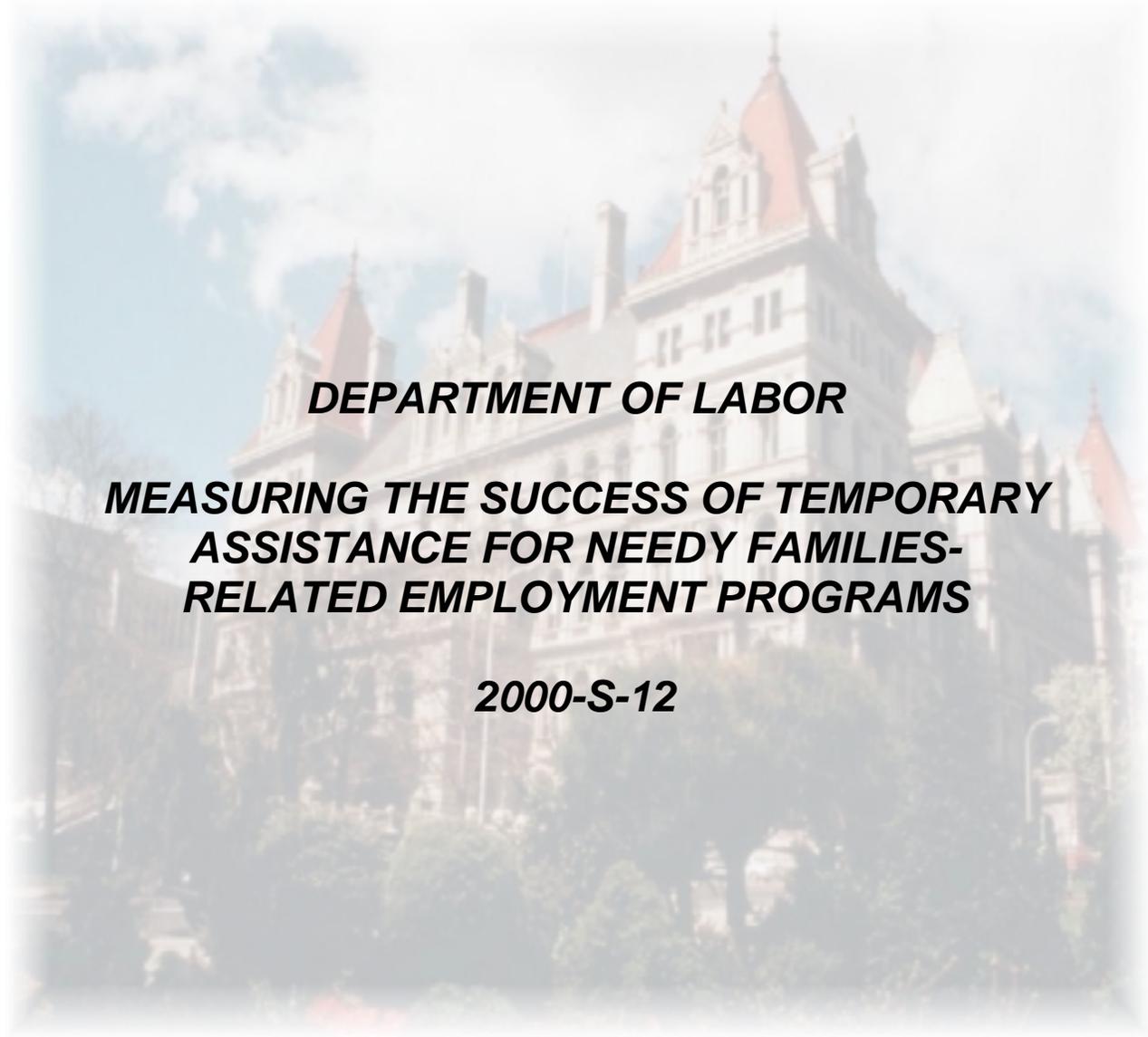


NEW YORK STATE OFFICE OF THE STATE COMPTROLLER

**H. Carl McCall
STATE COMPTROLLER**



DEPARTMENT OF LABOR

***MEASURING THE SUCCESS OF TEMPORARY
ASSISTANCE FOR NEEDY FAMILIES-
RELATED EMPLOYMENT PROGRAMS***

2000-S-12

**DIVISION OF MANAGEMENT AUDIT AND
STATE FINANCIAL SERVICES**

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Office of the State Comptroller

Alfred E. Smith State Office Building

13th Floor

Albany, NY 12236



H. Carl McCall
STATE COMPTROLLER

Report 2000-S-12

Ms. Linda Angello
Commissioner
Department of Labor
Building 12, State Office Campus
Albany, NY 12240

Dear Ms. Angello:

The following is our report concerning our review of the Department of Labor's performance measurement system for its employment programs.

This review was performed pursuant to the State Comptroller's authority, as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law. Major contributors to this report are listed in Appendix A.

*Office of the State Comptroller
Division of Management Audit
and State Financial Services*

August 10, 2001

Division of Management Audit and State Financial Services

A.E. SMITH STATE OFFICE BUILDING ♦ ALBANY, NEW YORK 12236
123 WILLIAM STREET ♦ NEW YORK, NEW YORK 10038

EXECUTIVE SUMMARY

DEPARTMENT OF LABOR

MEASURING THE SUCCESS OF TEMPORARY ASSISTANCE FOR NEEDY FAMILIES-RELATED EMPLOYMENT PROGRAMS

SCOPE OF REVIEW

The Personal Responsibility and Work Opportunity Reconciliation Act (Federal Act) of 1996 discontinued the open-ended Aid to Families with Dependent Children entitlement program, and replaced it with a block grant that provides time-limited assistance to needy families. The new block grant program, known as the Temporary Assistance for Needy Families (TANF), limits lifetime TANF benefits to 60 months per recipient. The Federal Act specifies the types of activities that may be counted as work participation. The Federal government has set employment “participation rates” for all of the states. A certain percentage of adults must be either working or in countable work preparation activities in order for the state to qualify for full TANF funding. New York State receives \$2.4 billion in total TANF grants annually.

The Federal Act gave states the flexibility in designing employment programs to increase the self-sufficiency of individuals receiving TANF. Similarly, New York has provided flexibility by creating a decentralized environment in which each local social services district, under the supervision of the Department of Labor (Department), can develop its own employment programs for its TANF constituency. In addition, the Department develops Welfare-To-Work Program Initiatives that the districts may participate in to supplement their own programs.

Our review addressed the following question concerning the Department’s employment programs for the period July 1, 1996 through September 15, 2000:

- Has the Department established a system that measures the overall success of the employment programs in meeting the self-sufficiency goals of welfare reform?

REVIEW OBSERVATIONS AND CONCLUSIONS

While the Department has procedures to monitor the success of welfare recipients in the short-term (within six months), it does not have adequate means to monitor the success of its employment programs over a longer term. Some of the other states we contacted track welfare recipients for more than one year. We believe the Department needs a system that allows it to determine if programs are successful in both finding and maintaining employment for welfare recipients beyond six months.

Performance measures have been recognized by all levels of government as an essential tool for agencies to determine their success in meeting their mandates. For the most part, the information systems that the Department maintains measure the aggregate success of the employment programs in meeting a job retention of six months or less. However, they do not adequately measure a major long-term goal of welfare reform: to move recipients off public assistance and help them become self-sufficient. While there are no requirements for the Department to establish a performance measurement system to monitor the long-term success of its employment programs, we believe the key to success of welfare reform—self sufficiency—is through long-term employment. (See pp. 5-6)

To determine what long-term performance indicators have been established nationwide to measure the outcomes of employment programs, we reviewed state government and performance measurement web sites on the Internet and contacted other states' welfare officials. In a judgmental sample of 20 states, we found that four states have developed performance measurement systems that measure long-term outcomes. In addition to tracking the length of employment beyond a six-month period, these performance measures generally track the amount of income earned by recipients leaving welfare. Tracking the income levels helps to determine whether the recipients are able to adequately support themselves. Furthermore, each of the four states holds itself accountable by providing its performance results to the public. We shared this approach to maintaining performance measurement data with Department officials for their consideration. We believe the Department could enhance its ability to determine whether welfare recipients are successfully achieving self-sufficiency by using similar long-term performance measures. (See pp. 7-10)

COMMENTS OF DEPARTMENT OFFICIALS

While Department officials responded that they believe the reduction in caseload proves that welfare recipients are keeping jobs long term, they generally agreed with our recommendation. The Department indicated that, in conjunction with the Office of Temporary and Disability Assistance (OTDA), it has undertaken several data collection initiatives with the intent of assessing long-term outcomes of employment programs. The Department's response did not

indicate any timeframe as to when the results of their assessment would be available.

The Department also indicated that its ongoing “leaver” study efforts with OTDA and the Nelson A. Rockefeller Institute of Government serves as a means to periodically inform the public of employment program outcomes. It should be noted that a report issued by our office in November 2000 (*Staff Analysis of New York State’s Welfare, Evaluation Report: After Welfare: A Study of Work and Benefit Use After Case Closings*) concluded that results of the State study was misleading and unreliable.

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Introduction

Background

The Federal government fundamentally altered the nature of welfare in August 1996 when it enacted the Personal Responsibility and Work Opportunity Reconciliation Act (Federal Act) of 1996. The Federal Act ended the individual entitlement to welfare benefits established by the Social Security Act of 1935, discontinued the open-ended Aid to Families with Dependent Children entitlement program, and replaced this program with a block grant which provides time-limited assistance to needy families. The new block grant program, known as the Temporary Assistance for Needy Families (TANF) Block Grant, limits lifetime TANF benefits to 60 months per recipient. The Federal Act specifies the types of activities that may be counted as work participation. The Federal government has set employment “participation rates” for all of the states. These rates mandate that under TANF, a certain percentage of adults must be either working or in countable work preparation activities in order for the state to qualify for full TANF funding. New York State receives \$2.4 billion in total TANF grants annually.

In August 1997, New York State enacted its own Welfare Reform Act (State Act). The State Act closely mirrors the Federal Act, but also provides for the Safety Net Assistance program (Safety Net). Safety Net fulfills a State constitutional requirement to care for the needy by providing State assistance to needy individuals in the following groups: able-bodied adults and childless couples; families who have exhausted their five-year TANF benefits; individuals who cannot work because of alcohol and substance abuse problems; and certain non-citizens. Under the State Act, the Department of Labor (Department), specifically the Department’s Welfare-To-Work Division (Division), is responsible for supervising the welfare employment programs necessary to implement welfare reform in the State. These responsibilities include policy development, technical assistance, contract awarding, monitoring and compliance, and reporting to the Federal government.

The Federal Act gave states the flexibility in designing employment programs to increase the self-sufficiency of individuals receiving TANF. Similarly, New York has provided flexibility by creating a decentralized environment in which each local district, under the supervision of the Department, has the ability to develop its own employment programs for its TANF constituency. In addition, the Department develops Welfare-To-Work Program Initiatives, known as Contract Initiatives and Allocation Initiatives, that the districts may participate in to supplement their own programs.

Contract Initiatives involve a contract between the Department and a provider for employment services to TANF clients. The provider is paid progressively higher amounts the longer a TANF recipient remains employed up to a six-month period. In fiscal year 1999-00, there were 87 contracts totaling \$20.7 million. Allocation Initiatives are based on a Memorandum of Understanding between the Department and other State agencies for the provision of services at local districts. The local districts receive funding based on their TANF caseload size. In fiscal year 1999-00, the three major allocation initiatives totaled \$122.1 million.

Review Scope, Objective and Methodology

We initially began this engagement as an audit. The objective of our audit was going to be to determine whether the Department has established a performance measurement system that measures the overall success of the employment programs in meeting the self-sufficiency goals of welfare reform. However, the Department did not have a comprehensive system in place to measure the long-term effectiveness of its employment programs as related to welfare reform.

The objective of our review was to assess the methods the Department uses to measure the short-term success of its employment programs and researched what long-term performance indicators other states have developed. Our review covered the period July 1, 1996 through September 15, 2000.

To accomplish this objective, we reviewed Federal and State Welfare Reform laws and examined Department policy and procedures. We interviewed Department officials and reviewed

the methods the Department uses to measure its performance and report its accomplishments. In addition, we reviewed the Federal Government Performance and Results Act of 1993, which requires Federal agencies to set long-term strategic goals, measure performance and report the degree to which goals were met. We also performed Internet searches and contacted state officials to determine which other states have established performance measurement systems.

Unlike an audit, a review does not include testing or verification of the information and records provided to us by the Department. In addition, our scope did not include a review of the methods used by the New York City Human Resources Administration (HRA) to measure the performance of HRA's public assistance programs. HRA is responsible for administering financial assistance programs and for placing public assistance recipients in work and work related activities in New York City. HRA's public assistance programs were reviewed in a separate audit report issued on August 21, 2000 entitled "New York City Human Resources Administration and Administration For Children's Services: A Status Report of Selected Aspects of the Implementation of Welfare Reform in New York City," Report 99-N-4. That report found that HRA needs additional performance measures relevant to the intended outcomes of welfare reform, such as measurements indicating the extent to which public assistance recipients become employed on a self-sufficient basis as a result of HRA's employment and training programs.

Response of Department Officials

A draft copy of this report was provided to Department officials for their review and comment. Their comments have been considered in preparing this report, and are included as Appendix B.

While Department officials responded that they believe the reduction in caseload proves that welfare recipients are keeping jobs long term, they generally agreed with our recommendation. The Department indicated that, in conjunction with the Office of Temporary and Disability Assistance (OTDA), it has undertaken several data collection initiatives with the intent of assessing long-term outcomes of employment programs. The Department's response did not indicate any timeframe as to when the results of this assessment would be available.

The Department also indicated that its ongoing “leaver” study efforts with OTDA and the Nelson A. Rockefeller Institute of Government serves as a means to periodically inform the public of employment program outcomes. It should be noted that a report issued by our office in November 2000 (*Staff Analysis of New York State’s Welfare, Evaluation Report: After Welfare: A Study of Work and Benefit Use After Case Closings*) concluded that results of the State study was misleading and unreliable.

Within 90 days after final release of this report, we request the Commissioner of the Department of Labor to report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendation contained herein and where recommendation was not implemented, the reasons therefor.

PERFORMANCE MEASUREMENT

Governmental agencies are accountable for the effective, efficient and economical use of publicly funded resources provided to accomplish their missions. To provide this accountability, agency management should determine and report measurable results of performance to the public, executive management and elected officials. Through such reporting, management and the public not only become aware of performance, but also of where improvements can be made.

Neither the Federal nor State Acts require the Department to establish a performance measurement system for its employment programs. However, such a system has been recognized as essential for government agencies to determine their success in meeting their mandates. For example, the Federal Government Performance and Results Act of 1993 requires Federal agencies to set long-term strategic goals, measure performance, and report the degree to which goals were met. The purpose of this Act is to improve Federal program effectiveness and public accountability by promoting a new focus on program results. In addition, in April 2000, the Governmental Accounting Standards Board (GASB) issued a statement in support of Service Efforts and Accomplishments (SEA) reporting by governmental entities. GASB has addressed SEA reporting in two Concepts Statements and a series of 12 research reports entitled "Service Efforts and Accomplishments Reporting: Its Time Has Come." The GASB reports found that the time has come for major experimentation in implementing SEA measurement and for reporting SEA indicators to elected officials and the public. Agencies should seek to identify and develop SEA indicators that will best report the results of operations for the program being considered, especially as they relate to accomplishing the goals and objectives established for that program. GASB also recommended that a comprehensive set of SEA indicators be included as part of an entity's annual report.

The Department maintains several indicators which track the placement of welfare recipients into employment programs. However, these indicators are used for monitoring the success

of welfare recipients in the short-term (within six months), after which the Department's ability to track the success of its employment programs diminishes. While there are no requirements for the Department to maintain such long-term measures, we believe the key to success of welfare reform—self-sufficiency—is through long-term employment. This report points out steps being taken by some other states that should be helpful in enhancing the Department's ability to monitor its employment programs over a longer term. With many recipients facing expiration of the 60 months of TANF eligibility in December 2001, we believe the Department needs a system that allows it to determine if programs are successful in both finding and maintaining employment for welfare recipients beyond six months.

Short-Term Measures

The TANF Fiscal Year-To-Date Activities Report contains data which the Department uses to reflect the overall accomplishments of the TANF and Safety Net Programs. The data includes the Federal Work Participation Rate reported by each district and a summary of the district welfare caseloads since January 1995. The Federal Work Participation Rate is a gross measure of the percentage of recipients in work or work-related activities, as listed in the Federal Act. As such, this rate serves as a measure to determine, on an overall basis, whether the population of recipients is currently employed or actively in the process of becoming employed. While these measures provide important gross data related to welfare reform, they are not precise measures which would indicate the overall success of individual welfare recipients.

In addition, the Department has incorporated performance measures into its Welfare-To-Work initiatives. Within the Allocation Initiatives, there are several State administered Welfare-To-Work Employment Programs. For these programs, a county job retention goal is established for performance measurement purposes. A local district may define job retention as an individual remaining employed for short-term periods such as 90, 120, 150, or 180 calendar days. It is important to note that payments to contractors for job retention increases the longer the retention periods. The Department monitors the programs in each local district to determine the funding level for future program periods. If the district achieves 85 percent or above of the job retention goal, no reduction is made for the

next program period. If goal achievement is less than 85 percent, the funding level is reduced proportionately.

Likewise, for the Contract Initiatives, a contractor is paid based on the achievement of performance milestones. Under the terms of these performance based contracts, each provider is assigned specific job retention goals and earns reimbursement only when TANF participants reach specific job retention points. These are short-term retention points, ranging up to 180 days.

These information systems measure the aggregate success of the employment programs in meeting a job retention of six months or less. However, they do not adequately measure what we believe to be the major long-term goal of welfare reform: to move recipients off public assistance and help them become self-sufficient.

Performance Indicators Used by Other States

To determine what long-term performance indicators have been established nationwide to measure the outcomes of employment programs, we reviewed state government and performance measurement web sites on the Internet and contacted other states' welfare officials. In a judgmental sample of 20 states, we found that four states have developed performance measurement systems that measure long-term outcomes. We provided detailed examples of these measures to Department officials for their consideration. The following are some brief highlights.

Washington State

Washington's "WorkFirst Program" established a number of performance indicators which measure their employment program goals against targets (outcomes). The indicators that measure success at meeting long-term outcomes are:

- Reduce the total TANF caseload to 53,500 by June 2000 (more than three years after welfare reform was enacted);
- Reduce the percentage of families who return to TANF after 12 months to 12 percent by June 2000;

- Increase to 60 percent, the percent of adults earning at least \$2,500 per quarter for four consecutive quarters after leaving welfare for work; and
- Increase to 50 percent, the percent of adults who increase their earnings by 10 percent within the first year.

These performance indicators are presented in Washington's WorkFirst Performance Report 2000, which is available on Washington's web site. Each performance indicator is graphed showing trends over recent years, with analyses showing whether or not the outcome was achieved.

Oregon

The Oregon Department of Human Services has developed four goals with 20 outcomes. The goal related to the success of employment programs is, "people are able to support themselves and their families." The outcome is, "decrease the number of people dependent on public assistance benefits." This outcome has multiple measures, with the following measures related to employment programs:

- I. Increase job placements as a percentage of TANF cases;
- II. Percentage of families who are employed and off welfare for a period of 18 months after TANF case closure - goal of 90 percent;
- III. Average hourly wage for full-time job placements - goal of \$7.57 an hour; and
- IV. Job retention percentage (percentage of recipients maintaining employment for 24 months after exiting program) - goal for short range in 1999 was 80 percent; long-range goal for 2001 is 100 percent.

The results of these measures can be found on Oregon's web site. Each measure is graphed showing Oregon's performance over several years.

North Carolina

The North Carolina Department of Health and Human Services has developed a 1999 Work First report card. This report card evaluates North Carolina's welfare reform program performance from 1997 to 1999. The report card's grades reflect on four goals that the state and its counties use to evaluate how well they are operating their Work First program. Two of their goals involve outcome measures:

V. Decrease welfare rolls by 30 percent in two years, and

VI. Break the cycle of welfare for at least 85 percent of families (that is, 85 percent of those who have left welfare for work since 1997, stay off welfare).

The report card reflects individual county and statewide grades and is available on North Carolina's web site. Those counties that do not come within 80 percent of the expected goals are required to develop a corrective action plan.

Iowa

The Iowa Department of Human Services includes performance outcomes in their 1999 Annual Report. Their economic assistance goal is, "Iowans are supported in their efforts to meet basic living needs and individually achieve their highest potential for self-sufficiency and community contribution." Two of the expected results (outcomes) are:

VII. Increase the average wage level for those leaving the Family Investment Program (FIP) to more than \$6.50 per hour, and

VIII. Increase the percentage of persons not returning to FIP for at least one year to more than 60.9 percent.

These outcomes are presented in graphs in Iowa's 1999 Annual Report reflecting the last five years to show their performance over time. The Department of Human Services' 1999 Annual Report is available on Iowa's web site.

Each of these previously-mentioned states include long-term performance measures in their efforts to monitor employment

program success. In addition to tracking the length of employment beyond a six-month period, these performance measures generally track the amount of income earned by recipients leaving welfare. Tracking the income levels helps to determine whether the recipients are able to adequately support themselves. Furthermore, each state holds itself accountable by providing its performance results to the public. We shared this approach to maintaining performance measurement data to Department officials for their consideration. We believe the Department could improve its ability to determine whether welfare recipients are successfully achieving self-sufficiency by using similar long-term performance measures.

The Department advised us that it has recently initiated a proposal to study with the Office of Temporary and Disability Assistance the underlying causes of long-term dependency. The results of these studies should help identify the programs needed to help recipients achieve self-sufficiency.

Recommendation

Develop and implement performance indicators that measure the long-term outcomes of employment programs. Periodically publish the results of these measures to inform the public of the extent to which the State's employment programs are meeting their long-term goals.

MAJOR CONTRIBUTORS TO THIS REPORT

William Challice

Richard Sturm

Brian Lotz

Michael Cantwell

Ken Ring

Kelly Downes

Jeff Dormund

Brandon Ogden

Lon Patterson

Shelley Taleporos

Anil Watts

Paul Bachman



**STATE OF NEW YORK
DEPARTMENT OF LABOR**

Governor W. Averell Harriman State Office Building Campus
Albany, New York 12240

George E. Pataki
Governor

Linda Angello
Commissioner of Labor

July 10, 2001

Mr. William P. Challice
Audit Director
Office of the State Comptroller
Division of Management Audit & State Financial Services
123 Williams Street, 21st Floor
New York, New York 10038

Dear Mr. Challice:

This letter is in response to your request for the Department of Labor's (Department) comments on the Office of the State Comptroller's draft audit report (2000-S-12) on the Department's performance measurement system for its employment programs.

This audit report contained one recommendation that states that the Department should develop and implement performance indicators that measure the long-term outcomes of employment programs. The recommendation further states that the Department should periodically publish the results of these measures to inform the public of the extent to which the State's employment programs are meeting their long-term goals.

Since the enactment of New York State's Welfare Reform Act (State Act), the Department has been working both independently and in collaboration with the Office of Temporary and Disability Assistance (OTDA) on a comprehensive evaluation of welfare reform, including the development of performance indicators designed to greatly enhance our understanding of long-term outcomes of employment programs. Key to such a system is identifying and establishing a quality data series on "leavers," (individuals and families that leave the welfare rolls) at regular intervals (e.g., 6-months, 1-year, 2-years, 5-years after leaving welfare).

The Department and OTDA have jointly undertaken several promising data collection initiatives for purposes of assessing employment outcomes and self-sufficiency. These steps reflect considerable progress, considering that only four states across the nation were identified as having established long-term performance indicators, and that many of the measures are not conclusive long-term indicators of self-sufficiency.

Telephone (518) 457-2746 nysdol@labor.state.ny.us Fax (518) 457-6908



Mr. William P. Challice
July 10, 2001

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Having stated the above, it needs to be noted that the report acknowledges that the Department has procedures to monitor the success of welfare recipients in the short-term. The report, however, continues to fail to acknowledge that in reality the Department continues to monitor, on an ongoing basis, all Temporary Assistance for Needy Families (TANF) recipients that are employed or otherwise participating for as long as the recipient remains eligible for TANF assistance. In addition, caseload reduction proves that recipients are keeping jobs long-term.

Finally, between the Department's ongoing "leaver" study efforts with OTDA and the Nelson A. Rockefeller Institute of Government, and the periodic information the Department prepares for the Legislative budget hearings, the Department does indeed periodically inform the public of employment program outcomes.

We would be happy to meet with you and your staff to discuss our response or to provide the auditors with additional information that relates to this audit. If you have any questions, please contact Karen C. Stackrow, Director of Internal Audit, at (518) 457-9016.

Sincerely,

A handwritten signature in cursive script, appearing to read "Linda Angello".

Linda Angello

cc: D. Wehner
M. Hines
K. Stackrow