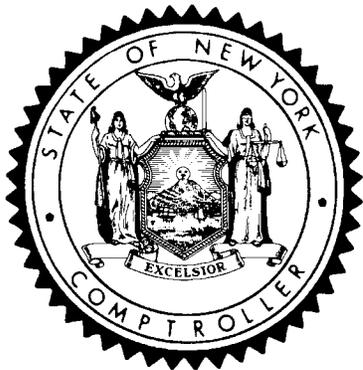


***State of New York***  
***Office of the State Comptroller***  
***Division of Management Audit***  
***and State Financial Services***

**DEPARTMENT OF LABOR**

**INFORMATION SYSTEMS FOR  
REPORTING WORK PARTICIPATION  
DATA**

**REPORT 99-S-9**



***H. Carl McCall***  
*Comptroller*



# State of New York Office of the State Comptroller

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## Division of Management Audit and State Financial Services

### Report 99-S-9

Mr. James J. McGowan  
Commissioner  
Department of Labor  
Building 12, State Office Campus  
Albany, NY 12240

Dear Mr. McGowan:

The following is our audit report concerning the adequacy of the Department of Labor's information systems for reporting work participation data related to welfare reform.

This audit 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 11, 2000

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# Executive Summary

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## Department of Labor Information Systems for Reporting Work Participation Data

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### Scope of Audit

The Federal Personal Responsibility and Work Opportunity Reconciliation Act (Federal Act) of 1996, altered the nature of welfare by replacing the former open-ended entitlement program with the time-limited Temporary Assistance for Needy Families (TANF) Block Grant program. The Federal Act requires TANF recipients to participate in a minimum number of hours of work or work-related activities to maintain their full benefits. The Federal Act also requires states to meet Federal goals for work participation rates to receive their full block grants. States must report their work participation data quarterly to the Federal government. If a state does not meet the goals for work participation, it may incur a monetary penalty of up to 5 percent of its annual TANF block grant (\$122 million for New York State).

The Department of Labor (Department) supervises local district administration of employment and training programs for public assistance recipients and collects work participation data. The State's 58 social services districts (districts) are responsible for placing recipients in work activities, and for maintaining work participation data. The Department maintains work participation data for recipients outside New York City on the Welfare Management Systems' Employment Subsystem (ESS). The New York City Human Resources Administration (HRA) administers employment and training programs for New York City recipients and maintains the related work activity data on its New York City Work, Accountability and You system. The Office of Temporary and Disability Assistance (Office) obtains work participation data for these recipients from the above systems and uses this data to report to the Federal government.

Our audit addressed the following questions about the Department's tracking and reporting of recipient work participation data for the period June 1, 1996 through January 31, 2000:

- ! Does the Department have adequate information systems to track and report work participation data?
  - ! Does the Department maintain accurate work participation data?
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## **Audit Observations and Conclusions**

We found that the Department needs to improve its information systems used to track and report work participation data to the Federal government. The ESS does not contain data on recipients' actual work hours, does not allow retroactive corrections of participation data, and does not provide aggregate data by individual. Further, the timeliness and accuracy of reports the Department sends districts to help them track participation data needs to be improved, and should be in a format districts can use. Until the new automated Welfare-to-Work Caseload Management System (WTWCMS), now in development, is in place, we recommend the Department improve the current report process to enable districts to better track work activities. The Department should also continually analyze district information needs and incorporate those needs in developing its new system. (See pp. 7-10)

The ESS currently captures scheduled work hours, which generally overstate recipients' actual work hours. In visits to four upstate districts, we compared ESS data to attendance records for a sample of 200 TANF recipients. Actual work hours for 105 recipients (53 percent) differed significantly from ESS work hours: in fact, these 105 recipients worked only 1,175 hours of the 10,283 hours they were scheduled to work. HRA systems similarly overstated the actual work hours of 36 (48 percent) of our sample of 75 New York City recipients. To improve the accuracy of work participation data and to comply with Federal reporting requirements, we recommend the Department refine its current reporting process to enable districts to manually compile and report actual work hours, and to adequately document recipients' participation in work-related activities. (See pp. 11-15)

The Department is responsible for developing policies for welfare employment programs, for providing districts with adequate system support and system training and for promoting districts' implementation of procedures designed to improve data reliability. However, during the first several years of welfare reform, the Department has devoted its limited resources to implementing welfare employment programs rather than monitoring the outcomes of these programs. Since New York State must meet Federal work participation goals and report accurately to the Federal government to avoid costly penalties, it is essential that the Department increase its monitoring of districts, including conducting periodic reviews of district case records, and train district personnel in using ESS. Therefore, the Department should continue its efforts to obtain additional staff to carry out the necessary monitoring. (See pp. 17-19)

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## **Comments of Department Officials**

In responding to this report, Department officials did not specifically agree or disagree with any of our recommendations. They indicated that our report identifies issues that the Department continues to address as they implement welfare reform. They also indicated that they have significant points of disagreement with the substance of the report.

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# Introduction

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## 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 it 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.

In August 1997, New York State passed 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 these groups: able-bodied adults and childless couples; families who have exhausted their five-year TANF benefits; persons who cannot work because of alcohol and substance abuse problems; and certain non-citizens. The Federal and State Acts require that TANF recipients participate in a minimum number of hours of work or work-related activities to maintain their full benefits.

The Federal Act specifies the types of activities that may be counted as work participation, including work experience, job search activities, vocational education and training, community service work and unsubsidized employment. The Federal Act requires that states meet Federal goals for work participation rates to receive their full block grant funds. If a state does not meet the goals for work participation rates, it may be subject to a monetary penalty ranging between 1 and 5 percent of a state's annual TANF block grant. By Federal fiscal year 2002, a state must be able to show that 50 percent of all TANF families, and 90 percent of two-parent families, are participating in work activities in order to receive its full TANF block grant. These rates can be reduced based on a caseload reduction credit calculated by comparing the prior fiscal year to the 1995 Federal fiscal year.

The New York State Department of Labor (Department) is responsible for supervising and monitoring local district administration of employment and training programs for public assistance recipients and is also responsible for collecting work participation information for TANF cases. The Department oversees the activities of the 58 social services districts (districts), including New York City, involved with placing and assisting recipients in work activities. The districts are directly responsible for assigning the training and employment of recipients and for maintaining work participation data. The

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New York City Human Resources Administration (HRA) administers employment and training programs and maintains work participation data for recipients who live in New York City. As of January 2000, there were over 726,000 TANF recipients in New York State.

Several computerized systems are used to maintain data related to public assistance and work participation. The State Office of Temporary and Disability Assistance (Office) maintains welfare eligibility and benefit information on its Welfare Management System (WMS). The WMS also includes data related to recipients' reported income from employment. The Department and local districts use the WMS Employment Subsystem (ESS) to track the work participation activities of individual recipients in districts outside New York City. The ESS was originally designed for the former Job Opportunity and Basic Skills (JOBS) program that predated the Federal and State Acts. HRA uses the New York City Work, Accountability and You (NYCWAY) computer system to track work participation data for New York City recipients, and the Training Tracking System (TTS) to maintain data about educational training work hours.

TANF requires that states report their work participation data to the Federal Department of Health and Human Services (HHS) in the Emergency TANF Data Report (Federal Report). States are required to track, on a monthly basis, the actual work participation hours for families receiving TANF assistance, and to report this data in the quarterly Federal Report. States may use scientifically acceptable sampling methods approved by HHS to meet these reporting requirements. In New York State, the Office selects the sample of recipients for the Federal Report from the WMS, and the Department uses data from case files, the WMS, ESS, NYCWAY and TTS systems to accumulate these recipients' work participation data for the Federal Report.

Since Welfare Reform requires states to make fundamental changes in their human service programs, states must also make major changes to the information systems that support them. The Federal Act's data collection and reporting requirements compel states to substantially expand the capacity of their current systems to handle entirely new groups of recipients for whom additional data is required; comprehensively reprogram their systems to allow for collection and storage of new elements; and modify data elements that have been revised under the new laws.

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## **Audit Scope, Objectives, and Methodology**

We audited the Department's tracking of TANF recipients' participation in work activities for the purpose of meeting the participation requirements of the Federal Act for the period June 1, 1996 through January 31, 2000. The objectives of our performance audit were to determine (1) whether the Department has adequate information systems to track and account for work participation data, and (2) whether Department's work participation data is accurate. To accomplish these objectives, we interviewed Department, HRA and Office officials, as well as officials from the Federal Department of Health and Human Services. We also reviewed Federal and State Welfare Reform laws; examined Department, HRA, and Office policy and procedures; and reviewed plans for information systems under development.

We also judgmentally selected, based on geographic location and size of caseloads, five local social services districts (Monroe, Nassau, Orange, Westchester, and New York City). We reviewed the work participation activities of a sample of 50 recipients at each of the first four districts to determine whether work participation data on the Department's information systems agreed with the actual hours documented on recipients' time and attendance records. In New York City, we reviewed work participation data for a sample of 75 recipients at HRA to determine whether work participation data on HRA's systems agreed with the actual hours documented on recipient time and attendance records, and whether HRA's methodology of reporting standard hours for Federal reporting purposes produces results that agree with documented actual hours. We did not audit the samples that comprised the Federal Reports.

We were subjected to numerous delays in performing our audit work at the Department. We began this audit in June 1998. Due to the lack of cooperation by Department officials, we had to suspend audit fieldwork in July 1998. Ensuing discussions with Department officials resulted in their agreement to cooperate with the audit and we restarted it in late February 1999. However, for a six-week period from early May through mid-June 1999, Department officials once again did not cooperate with the audit.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations which are included within our audit scope. Further, these standards require that we understand the Department's internal control structure and their compliance with those laws, rules and regulations that are relevant to the operations which are included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by Department management. We believe that our audit

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provides a reasonable basis for our findings, conclusions and recommendations.

We use a risk-based approach when selecting activities to be audited. This approach focuses our audit efforts on those operations that have been identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, finite audit resources are used to identify where and how improvements can be made. Thus, little audit effort is devoted to reviewing operations that may be relatively efficient or effective. As a result, our audit reports are prepared on an "exception basis." This report, therefore, highlights those areas needing improvement and does not address in detail activities that may be functioning properly.

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## **Response of Department Officials to Audit**

We provided draft copies of this report to Department officials for their review and comment. In responding to this report, Department officials did not specifically agree or disagree with any of our recommendations. They indicated that they have significant points of disagreement with the substance of the report. Their comments have been considered in preparing this report and are included as Appendix B. Appendix C contains State Comptroller's Notes, which address matters contained in the Department's response.

Department officials indicate that they are working to develop new information systems that will improve their ability to monitor work programs. They also point to the significant progress the State has made in meeting welfare reform requirements. For example, during the period July 1, 1997 through January 31, 2000, the State reported that the number of TANF recipients declined from over 1 million to about 726,000. The Department reported that during the 1998-99 State fiscal year, local districts reported that they placed about 83,000 adult TANF recipients into work or work-related activities.

Department officials also indicate that the remaining population of recipients is becoming more difficult to place in work activities. According to the Department, the welfare population now consists of long-term welfare recipients and recipients with serious barriers to employment. For these recipients, the Department believes that working a few hours per week is a positive step. However, the Federal work participation requirements are the same for all recipients. Therefore, meeting the Federal work participation requirements may become more difficult. Despite these difficulties, Department officials state that they continue to work on improving the program and trying to balance the need to meet Federal work participation requirements with moving recipients toward self-sufficiency.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Department of Labor shall

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report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein and where recommendations were not implemented, the reasons therefor.



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# Information Systems

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Managers at the Department, Office and districts need adequate information systems to gather the required data to report work participation data, monitor program performance and track participant outcomes. With accurate and timely data, managers can take necessary actions to help the State and districts avoid Federal sanctions for failure to meet work participation rates. District managers and caseworkers also need accurate and timely information to help identify recipients who are not meeting work participation requirements. This allows caseworkers to take necessary actions, such as identifying training needs or beginning the sanction process, to get recipients to participate in work activities and move toward self-sufficiency.

We found that the Department currently does not have adequate information systems that provide managers and districts with accurate, timely and useful data for monitoring and reporting on work participation. The Department is in the process of developing a new information system to address the information requirements of the Federal Act. However, this system is not projected to be completed until 2001, by which time districts are supposed to have placed 90 percent of two-parent TANF families in qualifying work activities. This percentage can be reduced based on the caseload reduction credit calculated by comparing the prior fiscal year caseload to the caseload at the end of the 1995 Federal fiscal year. As a result, districts have had to demonstrate compliance with work participation requirements since 1997 without adequate information systems to help them track, manage and report their efforts to place TANF recipients in qualifying work activities.

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## Employment Subsystem

The Department currently uses the WMS Employment Subsystem (ESS) to track individual recipients' work participation activities in districts outside New York City. We found ESS is not capable of providing the type of data needed by the Department and districts to meet Federal work participation reporting requirements. The ESS also does not provide district managers and caseworkers with the data they need to monitor individual recipients. Specifically, we found that ESS:

- ! accounts for only scheduled work activity hours - not participants' actual hours of attendance in scheduled activities;
- ! does not allow districts to make retroactive adjustments to account for recipients' actual time and attendance in work activities during a given month after that month has ended; and
- ! does not permit on-line queries or produce comprehensive information about individual recipients; therefore, district employees must

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manually compile and analyze work participation data that support work and work-related activities for individual recipients.

During the course of our audit, we visited four district offices (Monroe, Nassau, Orange and Westchester Counties) outside New York City. District managers provided considerable feedback about ESS weaknesses. Generally, they feel that ESS does not meet their need for management information, reports and real-time case information on TANF recipients who are assigned to employment activities. Furthermore, they believe any employment information system should be easier to use than ESS, and should be a management tool that provides both the State and the districts with the information needed to effectively monitor work participation among TANF recipients.

As far back as 1991, the Department of Social Services (Social Services), the Office's predecessor agency, planned to replace the ESS with a new system with expanded capabilities. However, according a former Social Services official, fiscal constraints prevented the development of this new system. In September 1993, Social Services committed to reengineering ESS, but little has been done over the last seven years to improve ESS tracking capabilities.

In responding to our preliminary findings, Department managers acknowledged the shortcomings of the ESS. Rather than concentrate on enhancements to the ESS, the Department stated that they have dedicated substantial resources to the development of the Welfare-to-Work Caseload Management System (WTWCMS). They believe that the system they are currently developing will eventually address most of the problems we identified with the ESS. Given the significance of this data, however, it is essential that the Department act to enhance the reliability of current work participation data until this new system is in place in 2001.

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## **Monthly Report**

The Department requires districts to record current work participation data on the ESS. Beginning in October 1997, the Department began to send the districts the Public Assistance Employment Programs Household Monthly Interim Report (Monthly Report) that contains summary work participation data (e.g., the total number of district recipients engaged in Community Service, Job Search, etc.) from the ESS for prior months. When the districts receive the draft version of the Monthly Report, they are supposed to review them to validate the information, make any necessary corrections, and return them to the Department. However, we found that the Department does not provide these reports to the districts in a timely manner, thereby reducing the usefulness of the reports. Department officials stated that they established this report as an interim measure to help districts identify inaccurate ESS data and allow districts to track work participation data, so

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they can identify and correct problems, thereby improving the accuracy of future ESS work participation data.

We believe managers can also use the Monthly Reports, if they are more timely and accurate, to evaluate their district's performance in relation to Federal welfare reform mandates. However, we found that district managers cannot rely on Monthly Reports to track work participation data because they are unable to retroactively adjust the data on the ESS.

Managers at the local districts we visited, also told us that timeliness and format problems further limit the Monthly Report's usefulness as a management tool for tracking work participation. They said the reports are usually received too late to be useful. For example, districts did not receive the November 1998 Monthly Report until July 1999. In addition, district managers told us that the way Monthly Report data is reported does not help them evaluate district work participation performance. The Monthly Report shows only a count of individuals participating in work activities; it does not show average hours of participation or the number of individuals meeting the minimum required participation hours. Managers also told us they could not understand how the Department arrived at the totals in the work activity categories on the Monthly Reports.

Department officials said they developed the Monthly Report process to assist the districts in identifying data deficiencies and to foster district ownership of the data. They believe the process has resulted in improved, more accurate reporting. Department officials also point out that the initial Monthly Report is based entirely on data that districts have entered on the ESS. Finally, Department officials stress that Monthly Report data is not used as the basis for calculating the State's work participation rate and is not submitted to HHS. However, the source of the Monthly Report data, the ESS, is the initial source used to complete the sample report of participation data, which is reported to the Federal HHS quarterly. Therefore, it is necessary that this data be maintained accurately.

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### **Recommendations**

1. Ensure that the new Welfare-to-Work Caseload Management System, currently under development, is capable of capturing and reporting actual work participation hours. In addition, incorporate any other district information needs relating to tracking work participation in any such development.
2. Until enhanced information systems are developed, take the necessary steps to provide districts with accurate and timely work participation data, presented in a useful format, so managers can track their respective work participation data.

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## **Work Participation Data**

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New York State's TANF Block Grant was \$2.44 billion for Federal fiscal year ended September 30, 1999. As noted earlier, failure to meet the Federal work participation goals, and report them accurately and timely to HHS in the Federal Report, can result in penalties as great as 5 percent of a state's annual block grant (\$122 million for New York State in 1999). Over a period of years, the penalty can accumulate to as much as 21 percent of the annual block grant (\$512 million for New York State). Therefore, it is essential that the Department accurately collect and report work participation data to the Federal government. In September 1997, HHS issued the Temporary Assistance for Needy Families Program Instruction which included procedures for completing the Federal Report. HHS procedures require that states report actual work participation hours when completing the Federal Report.

The Department is responsible for maintaining an information system that accurately captures and accounts for recipients' work participation activities. In order to accomplish this, the Department is developing WTWCMS. However, until this system is fully operational, the Department will continue to use the ESS. We found that the ESS, which tracks work hours for districts outside New York City, does not accurately account for recipients' work participation hours. The ESS reports recipients' scheduled work hours rather than actual work hours. Since scheduled hours reported by the districts we audited are generally higher than actual work hours, ESS often overstates recipients' work hours. The same situation exists with NYCWAY's record of work participation hours for New York City recipients.

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### **Accuracy of Employment Subsystem Work Hours**

Districts outside New York City are responsible for entering recipient work activity data on the ESS. The Department uses ESS scheduled work hours to determine whether recipients are participating in work hours that satisfy TANF requirements and to obtain the data used to prepare the Federal Report for HHS. The Department also uses data from WMS to monitor and report work participation for recipients involved in unsubsidized employment.

To determine whether ESS work hours agreed with recipients' actual time and attendance records, we compared ESS and actual work records for our sample of 200 randomly selected TANF recipients shown on Department reports (50 in each of the four counties we visited, each county for one sampled month of either March, April, September or October 1998). For each sample of 50 recipients, we selected 10 recipients who participated in one or more of these work activities:

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- ! Work Experience
  - ! Job Search
  - ! Vocational Education and Training
  - ! Community Service
  - ! Unsubsidized Employment

We found that actual work hours agreed with ESS scheduled work hours for 95 of the 200 recipients. However, actual work hours for the remaining 105 recipients (53 percent) differed from ESS scheduled work hours. Therefore, more than half the cases we examined did not comply with the TANF instruction that requires the reporting of actual work hours. The following chart summarizes these exceptions by district:

District	Number of Cases Sampled	Cases Not Meeting Reporting Requirement	Percent of Cases Not Meeting Reporting Requirement
Orange	50	22	44%
Monroe	50	27	54%
Westchester	50	28	56%
Nassau*	50	28	56%
<b>Total</b>	200	105	53%

\* Note: Nassau County did not have any recipients assigned to community service so we selected an additional 10 recipients who participated in Vocational Education and Training activities.

The 105 recipients whose actual work hours were incorrectly reported on ESS were scheduled to work a total of 10,283 hours for the month we reviewed. However, documentation shows that these recipients actually worked 1,175 hours, or 9,108 hours less than what was recorded on the ESS. For the majority of these exceptions (59 percent), the recipients did not participate in the activity recorded on the ESS; in other cases, the recipients worked fewer than the recorded number of hours or there was no attendance record to document the hours worked.

Department officials stated that some of these exceptions result from their informal policy of not requiring documentation of actual work hours for recipients involved in unsubsidized employment. They stated their primary concern is not to negatively impact a recipient's continued employment by

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requiring an employer to separately track and report recipient work hours. They believe this requirement may be perceived as burdensome by the employer. Therefore, the Department relies on budgeted earned income, as reported by the recipient, which is used in the recipient's benefit calculation, as evidence of acceptable work participation hours. However, the Federal standards require that actual work participation hours be documented.

We identified several reasons for these discrepancies, in addition to the ESS inadequacies identified in the prior section of this report. For example, 16 of the 27 exceptions we identified at Monroe County occurred because district employees did not make a reversing entry on the ESS to close out work activities that recipients had completed. Therefore, the ESS overstated the recipients' work hours because a work activity that had ended was still open on the system. District officials told us they did not know they had to make closing entries; they incorrectly assumed the system automatically closed old work activities when new activities were entered. Similarly, in Nassau County, 16 of 28 exceptions occurred because recipients were not participating in the activity recorded on the ESS.

Many of the errors in Westchester County data occurred because the district does not use the ESS to track work participation. Instead, the district relies on its own system to record and monitor work participation hours. Since Westchester district managers place little emphasis on ensuring that all work participation hours are correctly entered on the ESS, the Department has little assurance that these statistics are reliable or up to date.

Other ESS errors resulted from inconsistencies in accounting for recipient work hours in job search activities. The relevant Federal Instruction does not state how many work participation hours to credit for a job search contact. Therefore, each district sets its own criterion for this activity. District officials in Orange County developed an Employment Plan which states that one job search contact counts for one hour of work participation activity on the ESS. However, we found that Orange County's data entry to the ESS credited each of two recipients with 20 hours of work per week for job search activities. However, one of these recipients made only five contacts per week, and the other made 10 contacts per week. Other recipients in our sample received credit for 20 work hours for 20 job search contacts per week.

In response to our preliminary findings, Department officials noted that the Federal Report process is based on sample case data. The Department believes that the smaller sample size allows it to review cases more closely prior to submission to HHS. The Department believes its process for preparing the Federal Report, which includes a series of computer edits and other review measures, precludes such inaccuracies from being reported to

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HHS. We agree that the Department has a process for reviewing case records prior to submission to HHS and this review process may well identify egregious errors that need to be corrected. However, at the time of our audit, this process did not include a review of case records to determine whether actual work hours were accurately reported to HHS.

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## **Accuracy of NYCWAY Work Hours**

In New York City, HRA is responsible for entering recipient work activity data on the NYCWAY computer system. At the time of our audit, HRA maintained educational training work hours on the Training Tracking System (TTS). (HRA migrated work activity data on the TTS to NYCWAY in December 1999.) HRA developed these systems and operates them to maintain the official record for TANF recipients' work hours.

Each month, the Department sends HRA a list of the New York City recipients who are part of the Federal Report sample. During our audit period, HRA did not use actual work hour data from NYCWAY and TTS to prepare the Federal Report, even though the system allows it. Instead, HRA reported the recipients' current TANF work participation status (Work Experience, Community Service, etc.) and the Federal minimum required work hours for each recipient in the sample. For example, in 1999, single parents were required to be in a work activity for an average of 25 hours per week, so that number of hours was reported.

To determine whether work hours recorded on NYCWAY and TTS agreed with recipients' actual time and attendance records, we randomly sampled a total of 75 TANF recipients from the NYCWAY and TTS systems in April 1999. We then compared the systems' data to attendance records and source documentation in the recipients' case records. We included in our sample a specific number of cases from the following work activities:

- ! Work Experience (25 cases)
- ! Community Service (10 cases)
- ! Job Search (10 cases)
- ! Unsubsidized Employment (15 cases)
- ! Vocational Education Training (15 cases)

We found that the NYCWAY system overstates the actual work hours that New York City recipients completed, just as the ESS overstates actual work hours for recipients outside New York City. We found that 36 (48 percent) of the 75 recipients worked fewer than the number of hours reported on the NYCWAY and TTS systems. The reason for many of these exceptions was

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a lack of adequate documentation, such as time and attendance records, for the time these recipients worked. Without such records, HRA managers have no evidence that recipients actually worked during the period. HRA officials indicated that they do not require recipients in unsubsidized employment to submit evidence of actual work hours. Furthermore, they believe it would be unreasonable to request such information from employers due to the added administrative burden of tracking these hours. We believe it is important that such information be obtained in order to support the accuracy of the reported work hours.

We also found that HRA does not require Vocational Education Training providers to document recipients' participation in training classes by keeping a record of actual attendance days on an attendance roster. HRA receives monthly rosters from these providers which indicate either "satisfactory" or "unsatisfactory" overall attendance for each recipient. By indicating that the recipient had satisfactory attendance, the training provider attests that the recipient attended 75 percent or more of their scheduled hours. While this general attestation of a 75 percent attendance rate was acceptable under the prior JOBS Program, it is not acceptable under TANF rules, which require the reporting of actual work participation attendance hours.

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### **Recommendations**

3. Until the automated Welfare-to-Work Caseload Management System is operational, improve the existing process to enable districts to compile and report actual work participation hours in accordance with Federal requirements.
4. Instruct districts to schedule recipients for the number of job search contacts required by their respective Employment Plans.
5. Require that all districts obtain and maintain documentation of recipients' attendance at work and work-related activities.
6. Instruct HRA to require that providers report actual hours of participation for Vocational Education Training activities in New York City.

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# Management Oversight

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Under the State Welfare Reform Act, the Department is responsible for supervision of the welfare employment programs necessary to implement welfare reform in the State. Part of this responsibility includes ensuring adequate systems are in place to track whether recipients are meeting TANF work participation requirements. Other responsibilities include developing policies, providing technical assistance, implementing adequate system support and compliance, and reporting to HHS. We found the Department needs to improve its monitoring practices to help ensure the State maintains accurate data about TANF recipients' participation in work activities.

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## Oversight and Monitoring

The Department is required to collect and report specific data, according to Federal and State regulatory requirements. To have adequate assurance that the information it reports is reasonably accurate, the Department must be able to rely on the accuracy of the data maintained in recipients' case records at the districts and on the work participation data maintained on the ESS. However, we found that the Department has not effectively addressed the overall problem of unreliable data or districts' noncompliance with TANF requirements.

Since the inception of welfare reform, Department management has known that district ESS data may be unreliable. For example, an October 1997 memorandum from an Interagency Workgroup dedicated to welfare reform implementation indicates concern about the accuracy of ESS data, and discusses the need to hold districts accountable for the data they report. The memorandum further indicates that the Department is responsible for giving direction to the districts to help ensure work participation data is accurate. The Department has devoted limited resources to ensuring districts take the steps needed to document and collect data properly and report it accurately. Department managers told us they have concentrated their efforts on creating programs to meet the needs of each district, and to comply with the requirements of Federal and State legislation. They are, however, currently working to obtain additional staff to assist the districts.

Without conducting regular reviews of district case records, the Department cannot adequately assess whether district practices could impact compliance with TANF requirements or possibly result in the State being penalized for noncompliance. In March 1999, during our audit, the Department began to conduct case reviews to evaluate the accuracy of ESS data and to determine whether districts were complying with welfare reform requirements. According to the Department, these reviews identified error rates similar to what we found during our audit. Department managers indicated they would

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require noncompliant districts to develop corrective action plans. However, Department managers were still discussing what the format for such plans would be, what kinds of actions districts would be required to take and what the Department plans to do in the event of continued district noncompliance.

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## **Policy and Procedures**

The Department is responsible for guiding and supporting districts through policy development and implementing adequate control activities. Control activities are the policies and procedures intended to help ensure that management's directives are carried out. These policies and procedures should be communicated to management and other employees who are responsible for carrying out the organization's mission, in a form and within a time frame that helps them to carry out their responsibilities. We found that the Department needs to take additional steps to ensure districts understand and follow State policy and procedures for gathering and documenting recipients' actual work hours, and for using ESS data to derive work participation rates. Such actions will help improve ESS data reliability and help districts meet work participation mandates.

In March 1998, the Department issued the Employment Policy Manual to districts. While the Employment Policy Manual communicated various procedures relating to welfare reform implementation, it did not address the types of documentation districts need to support work participation hours reported on ESS. In June 1999, the Department gave districts additional guidelines stating that data entered on the ESS must be supported by documentation available in each recipient's case record or in easily accessible files. The guidelines do not specify how districts should document time and attendance for recipients participating in Unsubsidized Employment. A Department official said the unwritten policy is that pay stubs need not be obtained for each week if recent TANF recertifications have confirmed such recipients' employment status. However, confusion exists among the districts relating to what documentation they should maintain for recipients participating in Unsubsidized Employment.

Managers at the districts we visited also indicated they had not been trained to use the ESS since the implementation of welfare reform. Consequently, they are unsure how to use ESS data to track work participation. They feel more training is needed on how to properly record a variety of recipient circumstances on the ESS, such as a recipient's enrollment in more than one work activity, termination from an activity or classification pending a medical evaluation.

In responding to our preliminary findings, Department officials stated that districts should have been well aware of case record and ESS data entry requirements. They feel that good case documentation practices, such as maintaining attendance sheets and accurate ESS data, have been basic tenets

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and have been in place since employment programs resided at the former Department of Social Services and did not change with the transfer of programs to the Department. Therefore, they believe that it is unnecessary to continually restate aspects of policy and procedure that are intrinsic to all social services programs.

### **Recommendations**

7. Instruct districts in the use of the ESS and NYCWAY systems, including the correct way to record recipients' work circumstances, so districts can use these systems to track the results of their efforts to place recipients in qualifying work activities.
8. Reinforce to districts the need to reliably report and document recipients' actual work hours and guide them in implementing the control activities necessary to meet this goal. Make periodic site visits to assess the effectiveness of these control activities and to review district records to verify the accuracy of ESS work participation data.

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# Major Contributors to This Report

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**JAMES J. MCGOWAN**  
Commissioner of Labor

June 27, 2000

Mr. William P. Challice  
Audit Director  
Office of the State Comptroller  
Division of Management Audit & State Financial Services  
270 Broadway, 19<sup>th</sup> Floor  
New York, New York 10007

Dear Mr. Challice:

Thank you for providing the Department of Labor (Department) with the opportunity to review draft report 99-S-9, Information Systems for Reporting Work Participation Data. While the report identifies issues that the Department continues to address as we fully implement welfare reform, the Department has significant points of disagreement with the substance of the report.

The Comptroller is unduly criticizing the Department for its implementation of the most thorough welfare reform legislation in history. The Department's focus initially was to develop, implement and disseminate policy guidelines based on federal law. Because of a delay in the release of federal regulations, the Department had to begin implementation without the benefit of final federal rules. In fact, much of the period covered in the audit was prior to the publication of the federal regulations in April 1999. The U.S. Department of Health and Human Services did not release final data collection and reporting guidelines until late October 1999. The starting point of the audit, as defined in the Scope of Audit section (June 1, 1996), actually preceded the enactment of the federal welfare reform legislation (in August 1996) and also the enabling state legislation that was passed in August 1997 and took effect shortly thereafter. Considering these time frames, it is somewhat surprising that the Department would be subjected to an audit at all. It is the Department's belief that the true measure of welfare reform implementation is caseload reduction, which shows the transitioning of individuals from welfare to self-sufficiency. In this regard, New York State has been highly successful. The effort has been supported by the districts in requiring individuals to participate in a variety of work activities that facilitate the movement of individuals from dependency to the world of work.

Also, the Department believes that the connection between the report and the federal TANF sample report is inappropriate since the audit focus was not to validate the Department's sample data collection process.

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In addition to the above, the Department has the following comments with regard to specific sections of the draft report:

Scope of Audit:

- The Department, and not the Office of Temporary Disability Assistance, is responsible for obtaining work participation data for the federal TANF report. The collection of work participation data for the federal TANF report is not limited to the Employment Subsystem (ESS) or New York City Work Accountability & You (NYCWAY) automated systems. It also includes data from other automated systems as well as data from case folder reviews.

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Introduction/Background:

- It appears that the auditors did not have a clear understanding of the impact of fiscal penalties as evidenced by the omission of the Maintenance of Effort (MOE) effect. The potential fiscal penalty levied on a state for failing to attain the federal participation rates (which are adjusted downward based on a caseload reduction credit) is a 5% reduction in the TANF block grant for the subsequent year (increasing in 2% increments for consecutive years of failing to achieve required rates to a maximum of 21%) and an increase in the state's Maintenance of Effort (MOE) of 5% from 75% to 80%. The increase in MOE applies if the state fails to attain either the All Families or Two-Parent Families rate, or both. States failing to achieve only the Two-Parent Families rate are subject to a proportionate reduction in their block grant (proportionate to the Two-Parent Families caseload as a percentage of the total caseload) thereby reducing the potential 5% penalty.
- The federal act does not require TANF recipients to meet minimum number of hours of participation to maintain full benefits. Recipients must participate as required by the local department of social services, whether the participation would have met the participation requirements or not or face a pro-rated or greater reduction in family benefits, at the state's option.

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Introduction/Audit Scope, Objectives, and Methodology:

- The report states that judgment selection was utilized in the audit. This type of selection examines the risk-laden portion of programs rather than a thorough overview. As a result, the report barely mentions that operations that are "efficient or effective" were not reviewed.
- The Department does not agree with the way the "judgment" sample of case reviews were drawn since the distribution of cases in the sample bears little resemblance to the actual distribution of participants. Specifically, the

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auditors selected ten cases for each upstate district for each of the following work activities, as shown in the table below:

	OSC Sample in Work Activities per District	Percent in FFY '98 Work Activities (as Reported by ACF/HHS)
Work Experience	10	28
Job Search	10	5
Community Service	10	11
Vocational Education	10	11
Unsubsidized Employment	10	43

Sixty percent of the cases in the selected sample represent less than 30% of work activities as officially published by HHS/ACF. This, therefore, shows an obvious bias toward minor and less formal components of work activity programs (job search, community service and vocational education) where documentation is very difficult to gather. The audit report does not comment on the NYC cases in which there was unsubsidized employment. These cases with employment could have been verified based on a review of the NYC welfare budgeting system (ABEL). Also, the auditors failed to acknowledge that work experience activities in NYC were documented.

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Information Systems:

- In citing the history of the ESS, it should be noted that in fact two significant efforts were undertaken to replace it. In 1994, a local district design team was created to plan for the Client Action Record System (CARS). This effort was abandoned in favor of implementing a locally designed system, Pride-in-Work (PIW). The statewide version, Caseload Control System (CCS), was rejected by counties in 1995 due to its limited capacities and inability to support the variety of local operational needs.
- While the ESS does not have actual hours, the number of reported hours scheduled to participate is modifiable at any point in time. For those individuals not participating at the level of scheduled hours, additional status information can be data entered, demonstrating that the client is in the conciliation or sanction processes or that the activity has been terminated. Policy guidance has been provided to counties regarding appropriate system updates in those instances where attendance is less than scheduled.
- Cases that are in sanction status for not participating in the required number of hours would not be reported as participating. Cases in which the parent or

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caretaker relative adult is caring for a child under the age of 3 months (up to 12 months at district option) are exempt.

- While on-line queries are not available in the current environment, all districts can receive daily, weekly or monthly files from the employment subsystem, which can be used to generate local management reports. Several districts, beginning with Nassau County, are creating databases using the ESS daily file in conjunction with other WMS daily files and are generating management reports using a desktop ad hoc reporting tool. Increased capacity will be provided with the implementation of the Welfare-To-Work Caseload Management System (WTWCMS). Incorporated in its design as defined by the Local District Design Team are data elements that exceed those required for state and federal reporting purposes but are deemed necessary to meet local management needs. A desktop ad hoc reporting tool will also be available to provide easy access to the data.
- The Welfare-To-Work Caseload Management System (WTWCMS) is being designed to incorporate operational tools and management data for district use, as defined by the Local District Design Team. A general design document, which may not have been available at the time of this audit, is available for review; a preliminary prototype for four of the design's core functions is also available.
- The report fails to acknowledge the creation of the Interim Welfare Reform Tracking Database (IWRTS), which is an interagency project designed to perform time-limit tracking and provide integrated data for the federal sample as well as district-specific reports. Data from WMS (upstate and downstate), ESS, and NYCWAY will be available for reporting purposes. Many of the resources that would otherwise be dedicated to the development of WTWCMS are involved in the completion of IWRTS. It should be noted, however, that the IWRTS database is crucial to WTWCMS and therefore must be completed. The IWRTS production date has been extended to October 2000 as a result of delays due to the Y2K activities as well as the redesign efforts required to address the significant changes in data collection identified in the final instruction issued in October 1999. Monthly participation reports will be produced from IWRTS.

Information Systems/Monthly Report:

- The monthly manual report does include the number of individuals meeting the minimum required number of hours. System-generated reports, containing data as entered by local district staff, are sent to local districts as part of the monthly report package and include hours of participation in the last three activities engaged by an individual. The districts are then required to review the accuracy of the data and make the necessary corrections to both the report and the ESS when appropriate. The Department plans to continue to use this

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report until IWRTS has been tested and the reports are in production. The Department has considerably reduced the time lag in the production of the data, which facilitates timely review of the data by the district. As of now, the reports are current.

- The districts, and not the Department, are the source of their data on work participation. The manual report process allows districts to report actual hours of work participation. The Department's function is to facilitate this process by providing system-generated data that the districts are asked to modify based on their knowledge of their caseload should the system-generated data be inaccurate.

Work Participation Data/Accuracy of Employment Subsystem Work Hours:

- Presently, the ESS data in Westchester County is not used by the Department because of the data's unreliability. To assist Westchester County in maintaining accurate ESS data, an effort was undertaken to develop a PIW-to-ESS file transfer process to assist them in the ESS update process. Implementation of this process should be completed shortly.
- The report assumes that whatever is in the case folders, and not ESS, is the true state of matters. However, failure to post work activity outcomes in case folders does not mean that such activities did not take place. The Department does not believe the lack of case folder documentation is always a sign of non-participation. Clients, and not ESS or case folders, are the ultimate source of information in an audit when there are differences between two systems. The Department believes that independent verification with clients would have resolved many of these cases.
- In the audit, it appears that the auditors combined hours from activities that had ended but had not been terminated in ESS. Because of this inability to conduct a proper count of hours, the data showed cases with an unreasonable number of high hours of participation (far exceeding the federal requirements). These hour counts overstated the number of hours by combining closed and ongoing activities in a total that reflected both past and present. In the Department's review of TANF sample cases for the federal report, we would not have included activities where there was an indication that the work activity had been terminated and the individual was not, in fact, participating.
- It appears that no corresponding credit was given for activities documented in the case folder that were different from what was posted on the ESS. These other activities could have been the reason for some of the differences between scheduled and actual hours.

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- According to statewide policy, assignment of hours by the caseworker for job search activities is discretionary and the district assigns what it deems appropriate hours. However, we must point out that statewide, formally assigned job search accounts for only 5% of all activities. Clients are under a continuing obligation to look for paid employment even when job search is not formally assigned as an activity.
  - The Department continues to have unresolved issues with DHHS/ACF as to whether to count excused absences (such as illnesses, inclement weather, etc.) toward hours of participation.

As a final note, the Department would like to state that participation rate requirements are adjusted by a caseload reduction credit that has been steadily growing. These adjustments make it almost certain that the state will meet adjusted participation rate requirements, which are considerably lower than the unadjusted requirements of 50% or 90%.

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,

  
James J. McGowan  
Commissioner of Labor

cc: Deborah Winslow  
Phyllis Morris  
Karen C. Stackrow

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# State Comptroller's Notes

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1. The scope of this audit covered the period from June 1, 1996 through January 31, 2000. While the beginning of the scope period preceded the enactment of Federal and State Welfare Reform legislation, the earliest work participation data we reviewed was from March 1998, well after the Federal and State Welfare Reform legislation was enacted. While Department officials also state their belief that the true measure of welfare reform implementation is caseload reduction, the scope of this audit addressed the accuracy of work participation data collected by the Department, not its success in reducing welfare caseloads.
2. We did not audit work participation data for those welfare recipients that were included in the actual samples submitted to the Federal government. We audited data from the information systems that the Department uses to report work participation data to the Federal government. Our audit clearly shows that the data in these information systems is often inaccurate.
3. The Department's response takes a statement from the Executive Summary of the report out of context. The full discussion of the Federal work participation reporting process, including the various information systems from which data is collected, appears in the body of the report on page two.
4. The response states that the auditors did not have a clear understanding of the impact of fiscal penalties as evidenced by the omission of the Maintenance of Effort effect in the Background section of the report. The Department's statement is incorrect. The very same paragraph of the report acknowledges that penalties for failure to meet work participation rates can be reduced based on caseload reduction credits.
5. The Federal Act specifies the minimum number of work participation hours that recipients are expected to meet. The State Act contains provisions requiring that recipients work a minimum number of hours to maintain full benefits. We have revised the text of the report to clarify this issue.
6. We used a judgmental sample for our case reviews because we wanted to assess the accuracy of work participation data in the five main work activity categories. Our audit objectives did not include projecting the rate of work participation data errors over the entire population. If such a projection was the objective of our audit, then our sample would have included many more recipients involved in Unsubsidized Employment and Work Experience. In that case, the error rates we identified probably would have been higher since Districts often did not have supporting documentation for recipients in Unsubsidized Employment.
7. We did trace NYC Unsubsidized Employment cases to the NYC ABEL system. We included these cases in the exceptions we reported because the work hours claimed were not supported by time records. Also, the Department states that we failed to acknowledge that work experience activities in NYC were documented. This is incorrect. Work experience activities were not documented for 12 of the 25 NYC work experience cases that we reviewed. These cases were included in the 36 cases with errors that we identified on page 15 of the report.

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8. While this statement is accurate, it has no impact on our finding. ESS, which provides much of the Department's work participation data, accounts for scheduled rather than actual work hours. The results of our samples show that actual work hours are generally less than scheduled hours for the majority of recipients.
  9. While the monthly manual report that the Department provided to us during the audit includes the number of individuals engaged in each work activity, it does not include the number of individuals meeting the minimum required number of work participation hours.
  10. It is the Department's responsibility to ensure that districts adequately document work participation activities claimed by recipients. In response to one of our preliminary findings, Department officials stated: "The Department submits that local districts should have been well aware of case folder and Employment Subsystem data entry requirements. Good case documentation practices such as maintaining attendance sheets, ...consistent with case record documentation were not born with welfare reform." In referring to a letter sent to districts regarding case documentation, the Department stated that the "letter referred to in the report was issued as a result of Department record reviews that uncovered poor documentation practices in some districts. The letter emphasizes the link between accurate documentation and the federal participation requirement so districts understand how important it is to adhere to the practices and procedures that have long been their charge." The Department's comment in this response, that client verbal representations are the ultimate source of information when there are differences between the case folders and ESS, is inconsistent with their previous statements on this matter.
  11. In a few instances, the ESS reported that recipients were participating in multiple work activities. In those cases, we added the scheduled work hours because there are situations where recipients are legitimately involved in multiple work activities. Also, based on the information in the ESS, it is not clear which, if any, work activity had ended but was not terminated on ESS. Regardless, these cases are errors because district employees did not, as required by Department procedures, terminate work activities on ESS that the recipient was no longer participating in.
  12. While this could be true in some instances, the Department did not provide us with any documentation supporting this supposition.