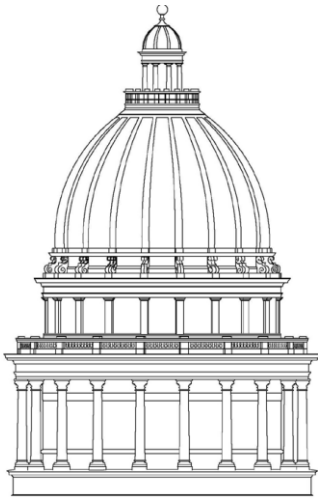
REPORT TO THE

UTAH LEGISLATURE

Number 2018-10



A Performance Audit of Utah's Temporary Assistance for Needy Families Program

October 15, 2018

Office of the
LEGISLATIVE AUDITOR GENERAL
State of Utah

STATE OF UTAH

Office of the Legislative Auditor General

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JOHN M. SCHAFF, CIA
AUDITOR GENERAL

October 15, 2018

TO: THE UTAH STATE LEGISLATURE

Transmitted herewith is our report, **A Performance Audit of Utah's Temporary Assistance for Needy Families Program** (Report #2018-10). A digest is found on the blue pages located at the front of the report. The objectives and scope of the audit are explained in the Introduction.

We will be happy to meet with appropriate legislative committees, individual legislators, and other state officials to discuss any item contained in the report in order to facilitate the implementation of the recommendations.

Sincerely,

John M. Schaff, CIA
Auditor General

JMS/lm

Digest of
A Performance Audit of Utah's
Temporary Assistance for Needy Families Program

Utah's Department of Workforce Services (DWS, or the department) administers Temporary Assistance for Needy Families (TANF). According to Utah's TANF website, the goal of TANF "is to provide families in need with a combination of financial assistance and work opportunities so that they can eventually become independent." DWS strives to achieve this goal by providing assistance and services to eligible families through its own services and through services provided by contractors.

TANF services must meet at least one of four statutory purposes: (1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives; (2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; (3) prevent and reduce the incidence of out of wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and (4) encourage the formation and maintenance of two parent families. All programs and services provided under TANF purposes 1 and 2 must serve only needy families, as defined by the state in a set of eligibility criteria. Purposes 3 and 4 do not require eligibility determination; however, programs are directed to target low-income, high-risk populations.

Chapter II
Case Management Needs
Enhanced Performance Metrics

DWS Invests Significantly in Case Management. DWS spends a third of its adjusted federal TANF award employing counselors to help families obtain self-sufficiency. Utah's spending on case management is more than double the national average. According to the Utah TANF state plan, DWS invests heavily in case management to meet its objective to "promote economic stability and self-sufficiency for all customers." It is generally recognized that spending on case management is important. Our concern is with DWS' inability to adequately document its effectiveness. Given the significant investment in case management, we recommend DWS develop and track—over the next two years—outcome metrics that demonstrate case management effectiveness. If effectiveness cannot be demonstrated during this period, we recommend that case management spending be reduced to free resources for other proven programs.

Positive Case Closures Do Not Demonstrate Case Management Effectiveness. DWS uses positive case closures as the primary metric for evaluating case management effectiveness. While this metric can help management evaluate the rate at which cases are

closed positively (i.e., due to increases in family income), the metric does not go far enough in measuring DWS' family self-sufficiency goal. We reviewed recidivism data, which indicated that positive case closures are not very meaningful in terms of demonstrating family self-sufficiency. The number of families returning to state assistance is nearly the same, regardless of a positive or a negative case closure. DWS can do more to evaluate the effectiveness of its case management program and better align its performance metrics with the department's goal by tracking post-employment gains in family self-sufficiency.

Other States Use More Meaningful Outcome Metrics. Increasingly, states are under pressure to measure the effectiveness of their TANF programs by measuring the outcomes for families served. While few states are currently tracking meaningful outcome metrics, some are tracking and reporting these metrics. This report recommends that Utah TANF programs strengthen outcome metrics. These metrics could include, but are not limited to, tracking and benchmarking specific goals/targets pertaining to family income levels, employment status, and growth in earnings.

DWS Needs to Study and Track More Meaningful Outcome Metrics. Fortunately, with its One-Stop system approach and wealth of employment data already collected, DWS is well positioned to track more meaningful outcome metrics. While positive case closures have been the primary metric for measuring case management success, monitoring whether families are attaining DWS' goal of self-sufficiency should be the new standard. We recommend that DWS track and study recidivism data to move toward this goal. Studying those who leave and subsequently return to state assistance provides important information about the barrier's families face in transition toward self-sufficiency.

Chapter III
TANF Program Contracts Need Enhanced Oversight

TANF Program Contracts Lack Essential Oversight Elements. DWS needs to improve how it monitors and oversees TANF contracts. We found essential elements necessary for oversight missing in many contracts. DWS contracts lack expected outcome metrics; thus, program effectiveness is unknown. Contracted outcome metrics should reflect TANF purposes; thus, TANF purposes and related outcome metric expectations should be stated in contracts. Additionally, the department does not keep a single, easily accessed repository (contract administration file) of documents related to contract duties and performance as recommended by the Utah Department of Administrative Services (DAS) in its Contract Administration and Monitoring Guide. We requested and reviewed monitoring documentation for a sample of 24 TANF contracts selected from 157 ongoing and one-time contracts administered by DWS. We looked at DWS' oversight of these programs and attempted to evaluate the programs' effectiveness. We found several concerns with how DWS monitors and oversees TANF contracts.

Process for Selecting TANF Program Contracts and Allocating Resources Is Questionable. While determining the programs funded by TANF, we reviewed DWS' process for selecting and funding TANF program contracts. DWS lacks formal policies and procedures for allocating resources to selected TANF programs. After we asked how DWS determines which programs to implement and how much funding to allocate, DWS staff developed a flow chart representing their process. We could not determine from this flow chart if DWS' core set of ongoing TANF programs is the most effective. We are also concerned that funding priorities are not based on reliable data on TANF recipient needs. In short, the process for selecting programs appears arbitrary. We recommend that DWS adopt a process for selecting programs that is guided by reliable data on outcomes, evolving TANF recipient needs, and demographics. DWS should prioritize TANF program contracts with proven efficacy.

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October 15, 2018

Audit Performed By:

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Chapter I
Introduction

Utah's Department of Workforce Services (DWS, or the department) administers Temporary Assistance for Needy Families (TANF). According to Utah's TANF website, the goal of TANF "is to provide families in need with a combination of financial assistance and work opportunities so that they may eventually become independent." DWS strives to achieve this goal by providing assistance and services to eligible families through its own services and through services provided by contractors. TANF services must meet at least one of four statutory purposes:

Utah's Department of Workforce Services administers Temporary Assistance for Needy Families.

1. Provide assistance to needy families so that children can be cared for in their own homes.
2. Reduce the dependency of needy parents by promoting job preparation, work, and marriage.
3. Prevent and reduce the incidence of out-of-wedlock pregnancies.
4. Encourage the formation and maintenance of two-parent families.

All programs and services provided under TANF purposes 1 and 2 must serve only needy families, as defined by the state in a set of eligibility criteria. Purposes 3 and 4 do not require eligibility determination; however, programs are directed to target low-income, high-risk populations.

TANF Funding Is Relatively Flexible But Must Meet Federal Requirements

In November 2017, the Office of Legislative Research and General Counsel (OLRGC) issued a formal legal opinion to the Legislative Management Committee on the extent to which the state can influence and direct the use of TANF funds. This document stated:

States have broad discretion to use TANF funds to meet at least one of four specified TANF objectives.

> Within specified guidelines and restrictions outlined in this opinion, states have broad discretion to use TANF funds to meet at least one of four specified TANF objectives.

Regarding the flexibility of TANF funds, we defer to OLRGC's formal legal opinion on the matter. In state fiscal year 2017, DWS

spent $98.2 million in state and federal TANF funding for a variety of purposes. TANF revenues and expenditures for this period are summarized in Appendix A. The following paragraphs provide a brief overview of TANF revenues and expenditures.

Most Funding for Needy Families Is Federal

The majority of TANF funding comes through federal block grants. Utah was awarded $75.4 million in federal TANF funds during state fiscal year 2017. Figure 1.1 shows that DWS opted to transfer 30 percent of this award, $22.6 million, to other programs, as allowed by federal regulations.

Figure 1.1 DWS Transferred 30 Percent of Its TANF Award. DWS transferred $22.6 million of $75.4 million in federal TANF funding to Child Care and Development Fund and Social Services Block Grant during state fiscal year 2017.

Source: Auditor summary of DWS financial data from state fiscal year 2017

The department transferred 20 percent of its award, $15.1 million, to the Child Care and Development Fund (CCDF) and 10 percent, $7.5 million, to the Social Services Block Grant (SSBG). The remaining federal funds are DWS' adjusted award.

States are required to contribute from their own funds for benefits and services to needy families with children.

To receive federal TANF funding, states are required to contribute from their own funds for benefits and services to needy families with children—this is known as the maintenance-of-effort (MOE) requirement. During state fiscal year 2017, Utah's MOE requirement totaled $24.7 million. DWS used $16.2 million from the general fund toward this requirement and the remaining $8.5 million came from counting expenditures by CCDF and third parties, as shown in Figure 1.2.

Figure 1.2 State Funds Covered 66 Percent of the MOE Requirement. The remaining MOE requirement was met by counting other third-party expenditures as well as double counting state CCDF funds expended, as allowed by federal regulation.

Source: Auditor summary of DWS financial data from state fiscal year 2017

While these counted expenditures reduce the state's general fund contribution, they also reduce funding available for TANF programs, as funds are not available for TANF spending. Hence, DWS' TANF budget after transfers and counted expenditures totaled $69.0 million, as shown in Figure 1.3:

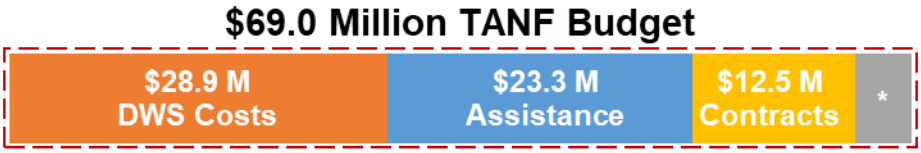
While counted expenditures reduce the state's general fund contribution, they also reduce programs funding as funds are not available for TANF spending.

Figure 1.3 DWS' Annual TANF Funding Totaled $69 Million. The bulk of funding for needy families comes from the federal government.

Source: Auditor summary of DWS state fiscal year 2017 financial data

DWS used $64.7 million (94 percent) of the available TANF funding toward three primary categories of spending, shown in Figure 1.4. The remaining $4.3 million (6 percent) in unspent federal TANF funds carried over into state fiscal year 2018.

Figure 1.4 DWS Spent $64.7 Million of Its Annual Budget. The department spent federal and state TANF funds in three main categories: DWS costs, Assistance, and Contracts. Remaining, unspent federal funds were carried over into state fiscal year 2018.



** DWS carried over $4.3 million in federal TANF funds into state fiscal year 2018.*
Source: Auditor summary of DWS state fiscal year 2017 financial data

Only $12.5 million was spent on ongoing contracts for TANF services through external providers.

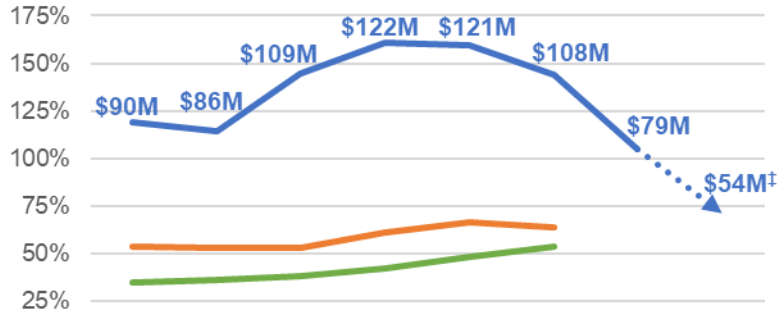
The department spent $28.9 million on internal costs including TANF case management, which is discussed in Chapter II. DWS spent $23.3 million on assistance, primarily on cash assistance through its Family Employment Program (FEP). An additional $12.5 million was spent on ongoing contracts for TANF programs to deliver needy family services through external providers. The performance of these programs is discussed in Chapter III. DWS also used $33.5 million in unspent federal TANF funds (carryover or reserve) toward one-time programs directed by the Legislature or the department. These combined expenditures ($64.7 million in budgeted funds and $33.5 million in carryover federal funds) total $98.2 million in state and federal TANF spending.

DWS Has Strengthened Financial Controls, A Carryover Balance Is Needed

New finance staff have significantly enhanced the financial controls over the TANF program, resulting in improved budget projections and better program oversight.

Over the last five years, new finance staff at DWS have significantly enhanced the financial controls over the TANF program, resulting in improved budget projections and better program oversight. These are important changes, because prior weak financial controls led to a considerable $122 million balance of unspent federal TANF funds. This serious oversight negatively impacted the program; DWS reduced TANF spending while accruing a significant federal carryover balance, and these unspent funds could have been used on programming and supports for eligible families. Figure 1.5 shows Utah's federal TANF carryover balance as a percentage of its annual federal TANF award.

Figure 1.5 State Carryover Balance as a Percentage of Annual Award. Utah has historically kept a significantly higher ratio of unspent federal TANF funds than other states.



Federal Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019‡
Utah	119%	115%	145%	161%	160%	144%	105%	71%
Regional* Average	54%	53%	53%	61%	67%	64%	§	§
National† Average	35%	36%	38%	42%	49%	54%	§	§

* Arizona, Colorado, Idaho, New Mexico, Nevada, Wyoming (excludes Utah)
† Includes Utah
‡ Through end of state fiscal year 2018 (30 June 2018) & Q3 of federal fiscal year 2018
§ Federal financial data not yet available

Source: Auditor analysis of federal and state financial data

As directed by the legislature, DWS is spending down the TANF carryover balance and projects it will be nearly depleted by 2020.

Utah's carryover balance of unspent federal TANF funds grew significantly from 2013 to 2015. When DWS began spending down these funds as directed by legislative intent language in 2014, the balance decreased. Utah's ratio of unspent funds still far exceeds the ratios of surrounding states and states across the nation. However, DWS is spending down these funds and projects they will be nearly depleted by the end of state fiscal year 2020, given existing authorized spending obligations. Our analysis of other states indicates that a carryover balance equal to roughly 50 percent of the annual award is consistent with national averages.

An Appropriate Carryover Amount Needs to Be Determined

The Legislature directed DWS to determine an appropriate carryover amount. While there is consensus across state government agencies about needing a carryover, a standard has not been formally set. The Governor's Office of Management and Budget (GOMB) worked with the Office of the Legislative Fiscal Analyst (LFA) to develop an informal scenario analysis regarding the amount of TANF carryover necessary to sustain operations under two different recession scenarios. Under the less extreme scenario, $30 million was estimated

While there is consensus across state government agencies about needing a carryover, a standard has not been formally set.

to be needed; under the more extreme scenario, the estimate was $55 million. This is the estimated difference between baseline TANF expenditures and recession expenditures in a year.

LFA recommends that DWS "determine a target amount for the TANF reserve that could reasonably cover DWS program operations in case of an economic recession." Given the approaching depletion of unspent federal TANF funds, DWS should formally determine an appropriate balance of carryover funds.

Financial Controls Have Improved

DWS has hired new finance staff, improved processes, developed new policies and management reports, and enhanced financial data accuracy.

We reviewed the department's current financial controls and found them much improved. Over the last five years, DWS has hired new finance staff, improved processes, developed new policies and management reports, and enhanced financial data accuracy. These actions have improved budget projections and enhanced financial oversight.

Audit Scope and Objectives

We were asked to review TANF funding flexibility as well as the effectiveness of Utah's TANF-funded programs.

We were asked to review TANF funding flexibility as well as the effectiveness of Utah's TANF-funded programs. The recent OLRGC opinion and the relevant funding issues discussed in this chapter addressed the first part of the request. The second part of the request is addressed in the remaining chapters:

- Chapter II reviews case management effectiveness.
- Chapter III reviews program effectiveness and contract oversight.

Chapter II
Case Management Needs Enhanced Performance Metrics

To serve Utah's poor families, the Department of Workforce Services (DWS, or the department) invests significantly in case management. In 2017, DWS spent $18.2 million, or 35 percent of Utah's adjusted Temporary Assistance for Needy Families (TANF) award, on case management. This appears to be a much larger portion than other states spend.

While case management is an essential component of Utah's workforce system, DWS struggled in demonstrating that the significant investment in case management results in improved outcomes for TANF families. This is because the primary metric used to evaluate case management effectiveness—positive case closures—does not track whether families are achieving the department's goal of self-sufficiency. Instead, positive case closure data tracks the rate at which cases are closed positively (i.e., due to increases in family income) or negatively. Performance metrics used in other states show it is possible to track more meaningful outcome metrics. To better evaluate case management effectiveness, we recommend DWS begin tracking post-case-closure outcomes. We also recommend studying recidivism data to improve outcomes for families.

DWS Invests Significantly in Case Management

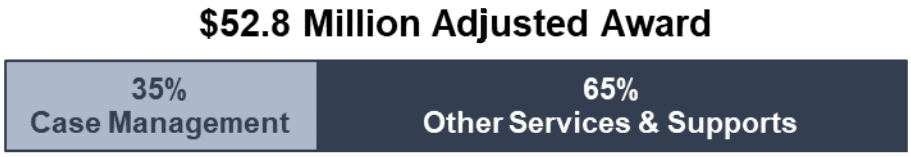
DWS spends a third of its federal adjusted TANF award employing counselors to help families obtain self-sufficiency. Utah's spending on case management is more than double the national average. According to the Utah TANF state plan, DWS invests heavily in case management to meet its objective to "promote economic stability and self-sufficiency for all customers." It is generally recognized that spending on case management is important. Our concern is with DWS' inability to adequately document its effectiveness. Given the significant investment in case management, we recommend DWS develop and track—over the next two years—outcome metrics that demonstrate case management effectiveness. If effectiveness cannot be demonstrated during this period, we

DWS spends a third of its adjusted federal TANF award on employment counselors to help families obtain self-sufficiency.

recommend that case management spending be reduced to free resources for other proven programs.

DWS' investment in case management exceeds other states' investments. Case management consumes a significant portion of Utah's adjusted TANF award. The adjusted award is annual federal award funding that remains after allowable transfers. In state fiscal year 2017, DWS spent $18.2 million, or 35 percent of its $52.8 million adjusted TANF award, on case management as shown in Figure 2.1.

Figure 2.1 DWS Spends Significantly on Case Management. Since case management is a significant portion of TANF spending, there needs to be outcome metrics that demonstrate its effectiveness.



Source: Auditor summary of DWS financial data from state fiscal year 2017

We compared DWS' ratio of case management spending to national spending and concluded that Utah spends more than double the national average as a percentage of adjusted award.[1]

Significant case management spending should be justified by performance outcomes that demonstrate effectiveness.

According to national experts, Utah does better than many states in spending TANF funds on "core" activities that connect low-income families to work, such as case management. However, significant case management spending should be justified by performance outcomes that demonstrate effectiveness. After interviewing DWS management and reviewing available data, we found that the effectiveness of case management could not be documented. This is due to limitations with the primary metric used to track case management effectiveness, positive case closures.

[1] Case management is not a federal reporting category. Therefore, we looked at two categories (Additional Work Activities and Assessment/Service Provision) to capture case management spending across states.

Positive Case Closures Do Not Demonstrate Case Management Effectiveness

DWS uses positive case closures as the primary metric for evaluating case management effectiveness. While this metric can help management evaluate the rate at which cases are closed positively (i.e., due to increases in family income), the metric does not go far enough in measuring DWS' family self-sufficiency goal. We reviewed recidivism data, which indicated that positive case closures are not very meaningful in terms of demonstrating family self-sufficiency. The number of families returning to state assistance is nearly the same, regardless of a positive or a negative case closure. DWS can do more to evaluate the effectiveness of its case management program and better align its performance metrics with the department's goal by tracking post-employment gains in family self-sufficiency.

Current Performance Metric Does Not Go Far Enough to Measure Family Self-Sufficiency Goal

Positive case closure rate is the primary metric DWS uses to measure the effectiveness of both the case management program and individual employment counselors. This metric fails to measure DWS' achievement of its goal. According to DWS' state plan, the goal of the TANF program is to "remove families from a cycle of dependency on public assistance and [place them] into work." This metric simply tracks case closures and determines if the reason for closure was positive, negative, or neutral. A case is closed positively when a family gains enough earnings either through wages or unearned income, such as disability or child support, to no longer be eligible for TANF.

Positive case closure rates fail to measure DWS' goal of family self-sufficiency.

DWS has a target goal of closing 70 percent of cases positively. Historical data indicates that this target goal has been met and exceeded over the last three years. While this appears to be an indicator of success, DWS recidivism data suggests the gains are not lasting. According to the data, one-quarter of families return to state assistance within one year, one-third within three years, and based on our sample review, 60 percent within 10 years.

Modest income gains will result in a positive case closure, but the metric does not track whether families are achieving DWS' goal of removing families from a cycle of dependence on public assistance. Tracking this outcome would require post-closure data, which is not currently collected. We believe that employment counselors are

incentivized to close cases positively rather than help families make meaningful self-sufficiency gains.

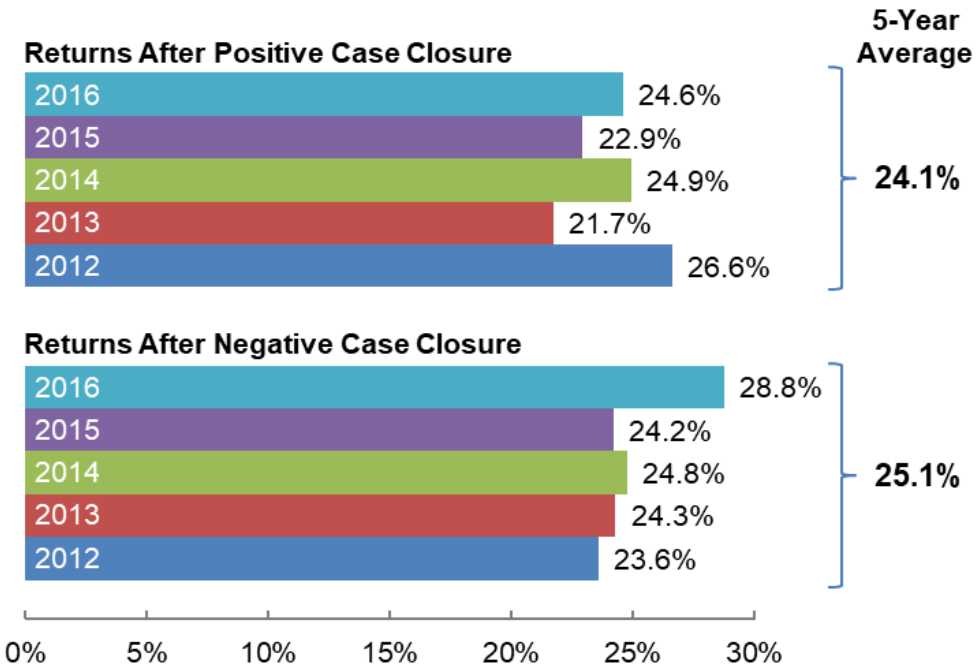
DWS management agrees that additional outcome metrics are needed.

Positive case closures are an important indicator for employment counselors. However, we have concerns with the validity of positive case closures as a performance metric, since families return to state assistance at about the same rate with positive closures as with negative closures. We discussed this concern with DWS management, who agreed that additional outcome metrics are needed.

Families Return to State Assistance at the Same Rate for Both Positive and Negative Closures

One-quarter of families return to state assistance within one year of leaving, regardless of whether their cases were closed positively or negatively. This suggests positive case closures are not predictive of positive outcomes for families. Between fiscal years 2012 and 2016, DWS closed 20,395 cases. Families in 6,916 of these cases (34 percent) re-enrolled in state assistance by the end of September 2017. Most returns occur within the first year of case closure, as shown in Figure 2.2.

Figure 2.2 Rate of Return Within 12 Months of Exiting TANF Program. Families are returning to state assistance at roughly the same rates, regardless of whether the case was closed positively or negatively.



Source: Department of Workforce Services recidivism data fiscal years 2013-2017
Note: 2017 data was not included to allow one year for families to return following a case closure.

One-quarter of families return to state assistance within one year of leaving, regardless of whether their cases were closed positively or negatively.

Figure 2.2 shows that while variable from year to year, roughly one-quarter of TANF families return to state assistance within one year of exiting. Whether a case was closed positively or negatively has little influence on this rate. This data suggests that positive case closures do not correlate with an increased likelihood that a family will remain off state assistance. Therefore, this metric may not be a good indicator of program success. Instead, outcome-based performance metrics are needed to evaluate case management effectiveness.

Other States Use More Meaningful Outcome Metrics

Increasingly, states are under pressure to measure the effectiveness of their TANF programs by measuring the outcomes for families served. While few states are currently tracking meaningful outcome metrics, some are tracking and reporting these metrics. Additionally, possible changes to federal law may require all states to improve their TANF performance metrics.

Other States Are Tracking Wage and Job Outcomes

We contacted surrounding western states to determine if they employed meaningful performance metrics to promote better TANF participant outcomes. We found that while comparisons across states are difficult due to wide variations in state TANF programs, a couple of western states are showing promising approaches:

- **Oregon** tracks, among its key performance metrics, the percentage of TANF participants who are employed at exit, the number who remain employed after six months and one year from exit, and the median wage data six months after exit.

Washington State tracks the percentage of participants who return to TANF cash assistance within a year of exit.

- **Washington State,** like Utah, tracks the percentage of families who leave public assistance due to increased income, earnings, or customer request. The target goal is 60 percent. The state also has a goal of increasing parent employment, and they track employment in the first, second, and third quarters following a participant's exit from employment programs. Finally, they track the percentage of participants who return to TANF cash assistance within a year of exit.

Looking beyond the western United States, we found several states throughout the country that track meaningful performance metrics:

- **Wisconsin** tracks the percentage of individuals participating in employment programs who started a job in the past 12 months. This metric is part of the state's "agency performance dashboard," and the target goal is 36 percent. The entire program is administered by private contractors who are paid in part by how well they perform on job entry and retention. They also have plans to address the issue of recidivism, beginning in 2020.

- **New York City,** like Wisconsin, has performance-based contracts. All employment services are contracted to private entities. Vendors are paid based on job employment and retention.

- **Minnesota** tracks, according to their training materials, "outcome measure that quantifies the original goals of the Minnesota Family Investment Program—to help participants

find and maintain employment, increase earnings and decrease use of cash assistance." This allows comparison of performance across counties and incentivizes a 2.5 percent bonus award to agencies that exceed expected performance expectations.

Most states do not track employment outcomes.

It is important to note that most states do not track employment outcomes and according to national experts, Utah is among the top-performing state TANF programs. We commend DWS for its achievements, but more can be done to improve outcomes for families.

As one expert we spoke with stated, "You want to be sure that you create an incentive to not just get over the finish line but also help families find employment, keep it, and improve over time." To further improve, we recommend DWS implement an enhanced performance measurement system that focuses on these critical outcomes.

Proposed Federal Changes May Require States to Track Outcome Metrics

States may soon be forced to track more meaningful outcome metrics. Funding for TANF will expire September 30, 2018, potentially resulting in changes to how states track and monitor their TANF program performance.

If passed, proposed federal legislation will require states to adopt an "outcome-based performance accountability system."

In May 2018, the U.S. House Ways and Means Committee introduced draft legislation to reauthorize the TANF program.[2] The draft bill would reauthorize TANF for five years, through 2023. Among key changes is the proposed elimination of work participation rates in favor of an "outcome-based performance accountability system to assess the effectiveness of States in increasing employment, retention, and advancement among families." Similar requirements have already been adopted by another federal program, called the Workforce Innovation and Opportunity Act (WIOA).

[2] *The Jobs and Opportunity with Benefits and Services (JOBS) for Success Act*. H.R. 5861, 115th Cong., 2nd sess. (May 17, 2018). The bill renames TANF the JOBS Program.

While Utah tracks federally required work participation rates, caseload reduction credits[3] have effectively reduced the states' requirement to zero. As a result, Utah is in a better position than many other states to rapidly begin tracking more meaningful outcome metrics.

DWS Needs to Study and Track More Meaningful Outcome Metrics

Fortunately, with its One-Stop system approach and wealth of employment data already collected, DWS is well positioned to track more meaningful outcome metrics. While positive case closures have been the primary metric for measuring case management success, monitoring whether families are attaining DWS' goal of self-sufficiency should be the new standard. We recommend that DWS track and study recidivism data to move toward this goal. Studying those who leave and subsequently return to state assistance provides important information about the barrier's families face in transition IIA

DWS also needs to implement and track employment outcome metrics. Implementing these metrics will help to either validate DWS' heavy case management investment or show the need to reallocate resources to other programs. Finally, caseload size and complexity could be studied to identify ways to adjust caseloads that would make the program more efficient.

Recidivism Data Needs to Be Tracked and Studied to Improve Outcomes for Families

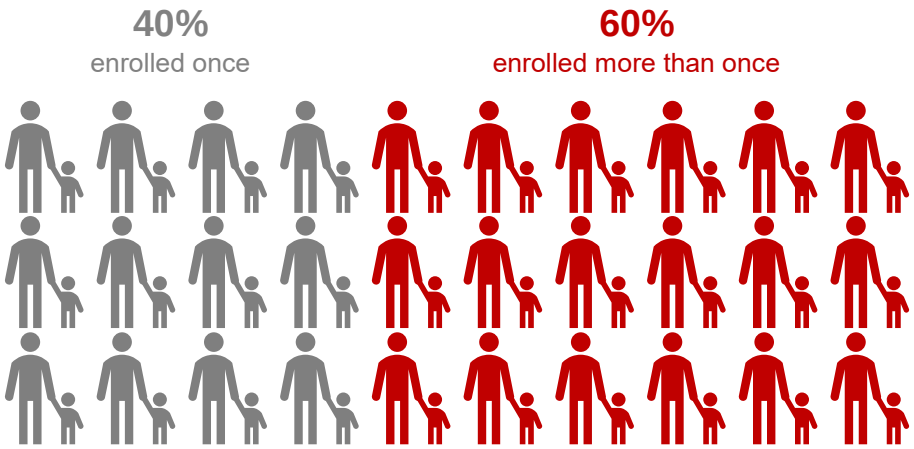
Most Utah families who return to state assistance do so multiple times.

We found that most families who return to state assistance do so multiple times. We reviewed a randomly selected sample of 30 cases from nearly 3,900 cases closed during state fiscal year 2017 and looked at how many times these families were enrolled in TANF case management during the prior decade. While were unable to review a representative sample due to the time constraints, this audit test revealed a need for a recidivism study.

[3] Caseload reduction credits allow states to reduce their work participation rate targets by a percentage point for every 1 percent of caseload decline since 2005, so states vary widely in their participation rate targets.

We found that 12 families (40 percent) were enrolled once, and the remaining 18 families (60 percent) were enrolled more than once, as shown in Figure 2.4.

Figure 2.4 TANF Family Enrollment Patterns for a Sample of 30 Cases over a 10-Year Period (2007 to 2017). Families enrolled one or more times cycle on and off state assistance, on average, four times over a decade.



Source: OLAG analysis of a sample from Department of Workforce Services recidivism data, fiscal years 2007-2017

Families enrolled one or more times cycle on and off state assistance, on average four times over a decade.

On average, families in our sample who were enrolled more than once (highlighted in red in Figure 2.4) were enrolled four times, with each enrollment lasting 6.5 months. The recidivism data runs counter to the department's stated goal, "to remove families from a cycle of dependency." Because a key goal of the TANF program is to promote sustained self-sufficiency by ending dependence on assistance, the recidivism rate is an important measure of a state's success in achieving this goal.

Recidivism data is available to DWS but has never been formally studied. This data is an important source of information for understanding why some families cycle on and off state assistance. Currently, DWS does not know the reasons some families cycle between public assistance and employment. DWS should track and analyze recidivism data to examine patterns of cycling and then determine appropriate target benchmarks and length of time to track recidivism as a performance measure. Once cycling patterns are identified, the right dosage and timing of services can be administered to high-risk families to promote better outcomes.

Recidivism data is an important source of information for understanding why some families cycle on and off state assistance.

Recidivism data could be used to "determine how to give families the right dose of services at the right time."

We contacted Oregon's TANF program deputy administrator and learned that families who leave, cycle, and stay are tracked. According to their Deputy Program Design Administrator, Oregon is using data analytics to pinpoint why people return to TANF assistance and uses this data to "determine how to give families the right dose of services at the right time." Washington State also studied recidivism and demonstrated that, for its population, those who stay on state assistance had lower earnings over time and were more likely to have more children.

DWS could similarly track and study recidivism data to identify why families leave, cycle, and stay. This could help target appropriate supports to families who are at risk of negative self-sufficiency outcomes. We credit DWS for making recent improvements to its case management philosophy and urge them to continue to emphasize the need to identify metrics that demonstrate self-sufficiency.

Employment Outcomes Should Be Tracked to Determine DWS' Success in Achieving Self-Sufficiency Goal

To help families obtain, keep, and improve employment, DWS should track employment outcomes.

Other states, as discussed previously, and WIOA standards demonstrate that employment outcomes can and should be measured. Specifically, DWS could track family employment outcomes, including new placements, ongoing employment, wages, wage gains, and employment retention. These metrics are important to help determine how successful the case management program has been in helping TANF families obtain, keep, and improve employment.

DWS already collects employment outcome data for its WIOA program. We were told that it is possible to collect similar data for TANF participants. In fact, at our request, DWS provided median wage data for families who exited cash assistance, using WIOA performance calculations. This indicates that DWS has the ability to track employment outcomes that help measure the goal of helping families attain self-sufficiency.

By tracking how effectively Utah's TANF program helps families achieve self-sufficiency, DWS can make critical changes and improvements to its case management system. We also found that minor changes to how DWS manages its caseloads are worthy of consideration.

Caseload Size and Complexity Could Be Studied for Enhanced Efficiencies

All families who apply for state TANF assistance and meet eligibility requirements are assigned a state-employed employment counselor. Large changes to the economy, such as the 2008 Great Recession, impact the availability of jobs and caseload numbers. An employment counselor's workload, which differs from his or her caseload, depends on the distribution of cases. DWS reports caseload size depends on the family served and their intensity of need, as well as the counselor's ability to meet the family's needs. Monthly meetings with supervisors and caseload reports determine the caseload distribution. Typically, caseload distribution is equal across employment counselors, but other factors, such as cases involving families with serious and multiple barriers to employment, can have an impact.

Due to an improved economy in recent years, caseload size has dropped and so has the number of employment counselors. While caseloads are manageable under the current low unemployment economy, existing caseload data could be leveraged to enhance case management efficiencies and reduce costs in more challenging economic conditions. For example, DWS data could be used to generate reports that help management assess workloads and employment counselors' performance, compare outcomes across offices located at different sites, and track participant outcomes. While management stated that they are using reports, we believe more can be done to operationalize these reports and pinpoint effective case management strategies.

Existing caseload data could be leveraged to enhance case management efficiencies.

One strategy is to designate specialists to deal with families possessing multiple barriers to employment (such as lack of education, physical health issues, mental health issues, or a criminal record). These specialists could have special training and expertise to deal with this challenging population, freeing other employment counselors to focus on easier cases and larger caseloads.

In conclusion, we recognize that case management is important and that DWS staff are dedicated to delivering desirable outcomes for TANF families. Changes in case management philosophy and ongoing enhancements to the TANF program demonstrate DWS' commitment to this goal. Ultimately, using existing data, DWS is well positioned to

DWS is well positioned to track more meaningful outcome metrics and demonstrate the value of its case management program.

track more meaningful outcome metrics and demonstrate the value of its case management program. If the program cannot be proven effective, then the case management program should be reallocated to other programs with demonstrated efficacy.

Recommendations

1. We recommend that the Department of Workforce Service track and study recidivism data to target appropriate supports to families and improve outcomes.

2. We recommend that the Department of Workforce Services track post-employment outcome metrics over the next two years to determine the effectiveness of its case management program.

3. We recommend that the Department of Workforce Services consider measuring and assigning caseload size based on the complexity of employment counselor assignments.

Chapter III
TANF Program Contracts Need Enhanced Oversight

Insufficient oversight of Temporary Assistance to Needy Families (TANF) programs by the Department of Workforce Services (DWS, or the department) hindered our ability to evaluate and compare the effectiveness of the programs. Expenditures for contracted TANF programs totaled nearly $46 million in state fiscal year 2017, $12.5 million on ongoing contracts and $33.5 million on one-time contracts. Some TANF contracts lack essential oversight elements, such as outcome metrics and TANF purposes. In addition, oversight of contracts is difficult and laborious because contract monitoring documentation is scattered among divisions and individual employees. Lastly, the department lacks a defensible process for selecting programs, and its process for allocating TANF resources is not guided by reliable data.

TANF Program Contracts Lack Essential Oversight Elements

DWS needs to improve how it monitors and oversees TANF contracts. We found essential elements necessary for oversight missing in many contracts. DWS contracts lack expected outcome metrics; thus, program effectiveness is unknown. Contracted outcome metrics should reflect TANF purposes; thus, TANF purposes and related outcome metric expectations should be stated in contracts. Additionally, the department does not keep a single, easily accessed repository (contract administration file) of documents related to contract duties and performance as recommended by the Utah Department of Administrative Services (DAS) in its *Contract Administration and Monitoring Guide*.

DWS administers 157 ongoing and one-time contracts for TANF programs.

We requested and reviewed monitoring documentation for a sample of 24 TANF contracts selected from 157 ongoing and one-time contracts administered by DWS. We looked at DWS' oversight of these programs and attempted to evaluate the programs' effectiveness. We found several concerns with how DWS monitors and oversees TANF contracts.

DWS Contracts Lack Outcome Metrics; Consequently, Program Effectiveness Is Unknown

A lack of outcome metrics for contracted TANF programs makes it difficult to assess the impact of programs.

DWS did not require outcome metrics for most of the TANF contracts we reviewed. Outcome metrics are essential for ensuring that programs are successful and meeting established targets. DWS must be able to evaluate and compare the outcomes of its TANF programs to ensure that funding is used as effectively as possible. During state fiscal year 2017, DWS spent $12.5 million (18 percent) of its TANF budget on ongoing programs and $33.5 million in carryover federal TANF funds on one-time programs. Due to a lack of outcome metric requirements in contracts for programs, it is difficult for us to evaluate program effectiveness. By implementing enhanced outcome metrics, DWS will have a better grasp of which programs are most effective and should prioritize funding to those programs that are most successful. We encourage DWS to focus on outcomes, when possible, rather than outputs.

Outputs are measures of activities or work performed such as number of people served, or number of courses taught. Outcome metrics measure the effectiveness or impact of programs. Both outputs and outcomes are performance measures. The American Society of Public Administration (ASPA) defines performance measurement as

> ***a method of measuring the progress of a public program or activity in achieving the results or outcomes that clients, customers, or stakeholders expect.***

We found concerns in all of the sampled contracts.

Performance measures, such as outcome metrics, are indicators of how well a contractor is achieving specific goals or objectives. Performance measures also show program strengths and weaknesses, so programs can be improved along the way. One or more of the following performance measurement concerns were present in all of the 24 contracts we reviewed for our sample:

- Many contracts lacked specific and measurable outcomes.
- Many providers failed to achieve contracted performance measure targets.
- DWS did not validate self-reported outcomes by contractors.
- Contractors' reports did not include outcome metrics.

In the following paragraphs, we will discuss these four primary concerns.

First, Many Contracts Lacked Specific and Measurable Outcomes. We found that fewer than half of the sampled contracts (10 of 24) had specific and measurable outcomes. Quarterly and annual reports for these contracts often lacked results for the outcomes or did not achieve contract expectations. It is concerning to find proposed measures that cannot be easily and directly tied to TANF purposes and goals.

For example, contracts for three of the nine teen afterschool programs we reviewed listed the following as expected outcomes:

- Increasing the overall quality of the grantee's afterschool program
- Expanding the professional development opportunities for afterschool professionals
- Improving relationships between youth and staff

These contracted outcomes are not specific, and it is unclear how they will be measured. Contracts for the other six afterschool programs we reviewed also lacked specific and measurable outcomes.

A 2017 DWS internal audit had similar findings and concluded that performance outcomes were not "clearly defined, measurable, obtained, or achieved" in several of the reviewed contracts. DWS must hold contractors accountable for contract performance requirements; moreover, it must ensure contractors achieve these requirements through effective contract monitoring and verification.

Outcome monitoring is an essential oversight element that helps ensure accountability and impact.

Second, Many Providers Failed to Achieve Contracted Performance Targets. For contracts with specific targets for outcomes and/or outputs, we found that contractors did not achieve expected results for 14 of 19 contracts (74 percent). Furthermore, it is unknown whether expected targets were achieved for one contract we reviewed, because DWS did not provide necessary documentation to make a determination.

In one three-year contract totaling $113,604, the teen afterschool program's annual funding was based on its expected average daily

attendance (ADA). The contract stated that funding could be reduced if the contractor reported a lower ADA. The contractor's midyear report to DWS stated that the program's ADA was about half of what was expected. However, DWS staff reported that the contract was not amended to reduce funding.

Monitoring documentation for a three-year contract with the Division of Child and Family Services (DCFS), totaling $985,421, stated that "the program is not meeting outcomes as listed in the agreement." DCFS' final annual report for this program showed a high number of negative closures and expressed concerns about the program's ability to achieve expected outcomes, stating that "the measurements outlined with this grant were not attainable." The report further stated that "since the grant will not be renewed . . . we do not anticipate any changes . . . ." It is concerning that DWS contract monitoring did not address these issues earlier in this three-year contract.

We were concerned that DWS did not address performance concerns earlier in a three-year contract.

Third, DWS Needs to Validate Reported Outcomes for Accuracy. We could not document for most contracts that DWS independently validated the accuracy of contractors' self-reported outcomes. This is concerning because we were unable to determine the dependability of reported data, which means DWS' executive team may use unreliable data in its resource allocation process. Performance measurement is critical to accountability for TANF funds. In the absence of validated performance outcomes, we—and arguably, DWS—cannot evaluate or compare the effectiveness of these programs.

TANF grantees propose outcome metrics as part of their grant applications, which DWS accepts and includes as part of the contracted scope of work. We found that the proposed outcome metrics for many contracts in our sample were for outputs yielding little insight into the performance, impact, or effectiveness of programs.

For example, one three-year contract totaling $1.2 million included several output expectations—such as providing 150 courses and/or serving 1,500 individuals annually—as contractor responsibilities. However, the contract had no specific outcome metrics. In the evaluation section, the contract simply stated that "[the contractor] will evaluate for relationship knowledge and skills."

The contractor's midyear report showed measures for (1) participant's self-reported satisfaction with instructors and courses, and (2) participants' self-reported improvements in relationship knowledge and skills. The report also included various outputs and activities, and testimonials from participants. Such data does not prove the effectiveness of the program in achieving its two contracted TANF purposes:

- Prevent and reduce the incidence of out-of-wedlock pregnancies (TANF purpose 3).
- Encourage the formation and maintenance of two-parent families (TANF purpose 4).

If the real intent of this program is to achieve these TANF purposes, then the contractor should measure and evaluate related outcomes. The midyear report should include how the program impacts metrics such as out-of-wedlock pregnancies or marriage rates. The program could also test participants for attainment of relationship skills proven to achieve the intended purposes.

DWS must ensure that contractors demonstrate the impact of TANF programs by reporting outcome metrics.

Another program's three-year contract, totaling $408,000, required as "Outcomes (expected results) and indicators (measurable data)" to:

- Create new pamphlets, intake forms and flyers, a Facebook page, and a new website in both English and Spanish.
- Develop a coalition of agencies and interested individuals who will assist in developing materials and workshops, and who will attend conferences.
- Update the facility to a more modern time.

Again, these are not performance outcomes because they do not measure the impact of the program, nor do they correlate with the stated TANF purpose for this contract: to encourage the formation and maintenance of two-parent families. As administrator of TANF programs, DWS is responsible for ensuring contractor performance.

According to ***Utah Code*** 63G-6a-103, DWS is responsible for "measuring or evaluating completed work and contractor

performance" for TANF program contracts. The DAS *Contract Administration and Monitoring Guide* states:

DWS is responsible for tracking contractor performance and promptly addressing problems or issues.

> Tracking the performance of the contractor is the principal function of proper contract monitoring and administration. The purpose is to ensure the contractor is performing all duties in accordance with the contract and for the agency to be aware of and address any problems or issues promptly.

The guide further states that tracking performance includes "verifying all performance measures and reports are completed in a satisfactory manner in accordance with the contract." Agencies must document contractors' performance, both satisfactory and unsatisfactory. DWS needs to ensure that it is getting the results it pays for with TANF funding. It must do so by monitoring contractor performance against contract requirements over time and by evaluating outcome metrics to determine the effectiveness of its TANF programs.

Contractor reports should have outcome metrics to show program progress and impact.

Fourth, Quarterly and Annual Reports Should Contain Outcome Metrics. Many of the quarterly and annual reports for TANF programs in our sample lacked outcome metrics. They often had output metrics but they were missing information about outcomes, or the impact of those activities. Although important, activity reports do not ensure sufficient progress is being made by contractors. Activities do not prove progress toward achieving desired outcomes, because a program may have a lot of activity without making substantive progress.

Ultimately, we were unable to determine the effectiveness of TANF programs due to a lack of outcome metrics. Our sample review revealed that DWS devotes most of its efforts to compliance monitoring rather than performance monitoring. Evaluations based on outcomes are essential, because they hold contractors accountable for a set of outcome metrics and enable the effective use of limited resources.

Some TANF Program Contracts Do Not Specify TANF Purposes

In addition to finding contracts that did not have the necessary oversight elements, we found that TANF purposes were not explicitly

stated in 11 of the 24 contracts we reviewed. This is concerning because the TANF purposes should guide the outcome metrics for a contracted program. The TANF purposes should be the basic rationale for why the state would fund the program with TANF funds. Outcome metrics correlated to TANF purposes influence performance expectations for programs and ensure that the public is receiving acceptable benefits from the use of limited TANF resources. The 11 contracts included nine afterschool teen programs and two refugee programs. These programs are discussed in the following paragraphs.

No Teen Afterschool Program Contract Stated TANF Purposes. We reviewed the contracts for the nine afterschool programs for teens in our sample and found that none of the contracts mentioned a TANF purpose. The Director of DWS' Office of Child Care told us there are two TANF purposes for teen afterschool programs:

- Prevent and reduce the incidence of out-of-wedlock pregnancies (TANF purpose 3).
- Encourage the formation and maintenance of two-parent families (TANF purpose 4).

If these are the TANF purposes of the programs, then they should be stated in the contracts and measured. These purposes should guide the expected outcomes for these programs. For example, the U.S. Department of Health and Human Services (HHS) has identified seven outcome measures to determine the effectiveness of teen pregnancy prevention programs. One of these measures is program impact on teen pregnancy rates.

TANF contracts should include specific TANF purposes to aid determination of suitable performance measures.

Currently, the performance of TANF teen afterschool programs is measured on objectives unrelated to the TANF purposes. Many of the contracts list the following purposes:

- Improving the quality of afterschool programs
- Improved relationships between participants and staff
- Improved academic success

Some contracts mention enhancing "life skills," which is also not a TANF purpose. These objectives do not appear to reflect the TANF purposes described and, as stated, it is unclear why the programs should be funded.

To ensure accountability for and give adequate oversight over TANF contracts, DWS needs to improve its contracts and monitoring procedures. Each contract should include at least one TANF purpose and correlated outcome metric expectations.

Two Refugee Contracts Lacked Specific TANF Purposes. Two of the contracts were for English as a Second Language (ESL) services for refugees. These contracts included intent language that implied job preparation, and we assume the specific TANF purpose for these contracts was to "reduce the dependency of needy parents by promoting job preparation, work and marriage." However, this TANF purpose was not explicitly stated in the contracts. We are not suggesting that ESL courses for refugees are not important. Our point is that DWS should ensure that TANF contracts have a clearly stated TANF purpose.

DWS Needs to Centralize TANF Program Contract Documentation

DWS needs to improve its contract management system. Currently, it is laborious to even identify what contracts the department has. After selecting a sample of 24 contracts for evaluation, we requested monitoring and performance tracking documentation from DWS. We found that DWS does not store these documents in a centralized repository, which would allow for easy access and review. DWS administers TANF contracts within three different divisions, and each division manages contract documentation differently. This became clear as DWS struggled to deliver all the requested documentation for our case sample review. Coordinating efforts with multiple divisions made documentation difficult.

DWS' decentralized documentation for contract monitoring inhibits timely retrieval and increases risks.

We question whether DWS' executives and managers can effectively evaluate TANF-funded programs and allocate resources appropriately when contract monitoring and performance documentation are scattered among divisions and individual employees. This issue also creates inefficiencies and increases risks of loss or alterations.

The DAS *Contract Administration and Monitoring Guide* has a recommendation to "provide a single, easily accessed repository for those documents related to contract duties and performance." DWS' internal auditors suggested this recommendation was not being followed, stating in their 2017 report:

> Contract documents, including monitoring and payment support, were not organized and stored in a manner allowing for timely and accurate retrieval. Documents were stored in emails, shared drives, and Google docs, some only accessible to the individual contract owner. We also found that certain monitoring documentation may have been insufficient to satisfy external audit requirements.

The internal audit recommended that DWS organize and store contract documents in a manner that allows for prompt and accurate retrieval. Based on DWS' difficulty in providing requested documentation, this recommendation has yet to be fully addressed. A centralized database will also enhance executive management oversight, which is important for DWS in identifying and awarding funds to programs with proven efficacy.

A DWS internal audit recommended that DWS centralize contract monitoring documents.

Process for Selecting TANF Program Contracts And Allocating Resources Is Questionable

While determining the programs funded by TANF, we reviewed DWS' process for selecting and funding TANF programs. DWS lacks formal policies and procedures for allocating resources to selected TANF programs. After we asked how DWS determines which programs to implement and how much funding to allocate, DWS staff developed a flow chart representing their process. We could not determine from this flow chart if DWS' core set of ongoing TANF programs is the most effective use of TANF funding. We are also concerned that funding priorities are not based on reliable data about TANF recipient needs. In short, the process for selecting programs appears arbitrary. We recommend that DWS adopt a process for selecting programs that is guided by reliable data on outcomes, evolving TANF recipient needs, and demographics. DWS should prioritize program contracts with proven efficacy.

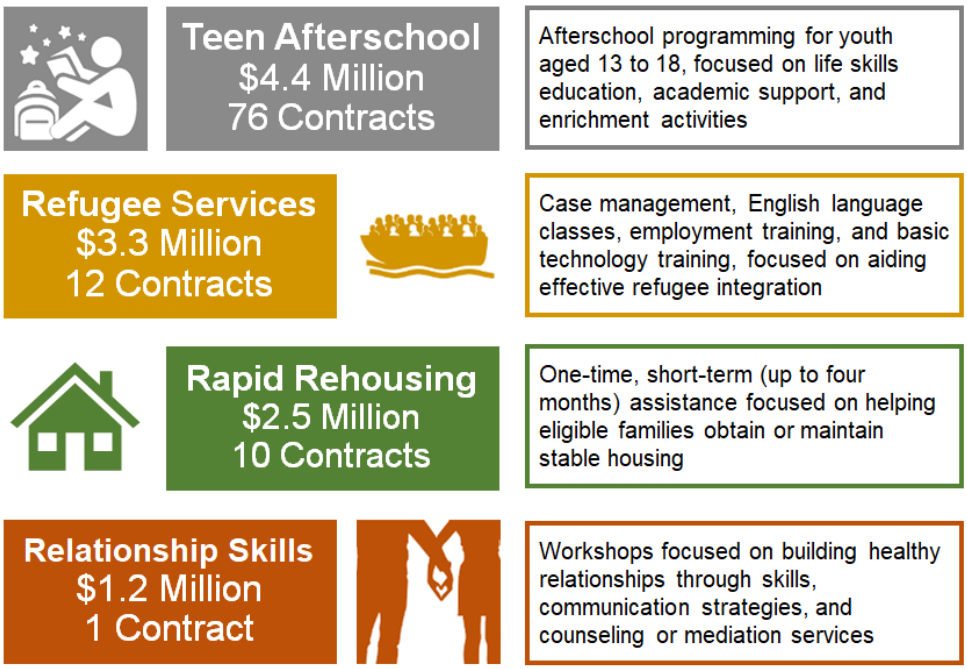
We could not determine if DWS' core set of ongoing programs is the most effective use of TANF funding.

Process for Selecting TANF Programs Is Not Defensible

Identifying DWS' core set of ongoing contracts for TANF programs was challenging because, after repeated attempts, DWS staff struggled to clearly identify programs that receive TANF funding. Further, the process for selecting TANF programs was not well documented. This core set of contracted TANF programs are

distinguished from other TANF programs in that they receive ongoing funding rather than temporary one-time funding. Initially, we struggled to identify this core set of ongoing programs because the budgeted programs did not match the programs reported in the TANF state plan. After discussions with program managers, we identified the following core set of ongoing TANF programs, as shown in Figure 3.1.

Figure 3.1 Ongoing TANF programs as Identified by Program Managers. Teen afterschool programs constitute the largest portion of TANF ongoing contract program expenditures, followed by refugee services, rapid rehousing, and relationship skills.

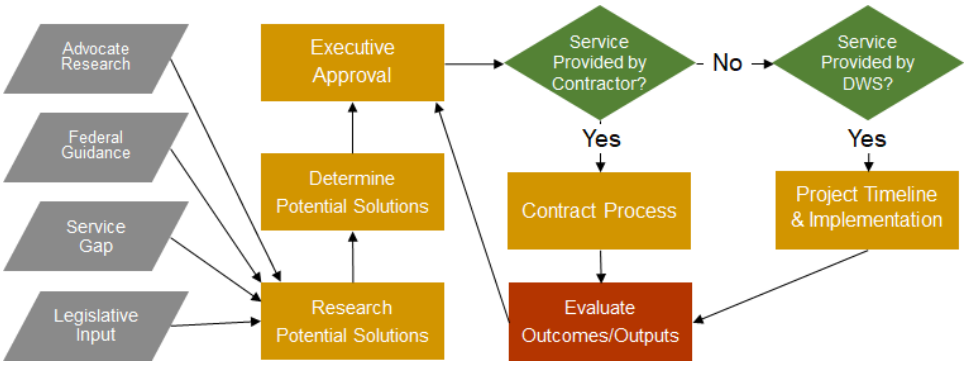


Source: Auditor summary of DWS state fiscal year 2017 expenditures
Note: The contract for relationship skills is the largest within the group of workforce development contracts totaling $2.3 million. This group also includes contracts for mental health services and career pathways.

DWS spent $12.5 million on ongoing contracts for TANF services in state fiscal year 2017.

When we asked management to tell us about their program selection process, we learned that their practices were not formally documented and that direction from both the federal guidelines and the Legislature helps determine which programs receive funding. During our audit, DWS formalized its process by developing a flow chart for determining TANF-funded programs, which is shown in Figure 3.2.

Figure 3.2 Decision-Making Process for TANF Programs. This is the process DWS uses in selecting and funding new TANF-funded programs and projects.



Source: Auditor summary of DWS service determination tree, which notes: "Some projects and awards may not follow this process exactly due to unique circumstances and formal documentation of every step may not have been created or retained as formal and informal discussion are held discussing alternatives."

Some TANF contracts receive funding despite little evidence of program impact.

In selecting new programs, DWS uses a variety of sources to identify new programs, researches potential programs to determine if they should be implemented, and then seeks executive approval before implementing the program and evaluating results. While we appreciate that DWS has formalized this process, we are concerned that some programs continue to be awarded funding despite limited evidence of program effectiveness.

For example, DWS' relationship skills contract offers relationship education courses in communities and schools across the state. While DWS reports this program is important for satisfying the two TANF purposes of reducing out-of-wedlock pregnancies and encouraging the formation of two-parent households, the reported outcomes did not show if these objectives were measured or met. Instead, the reported outcomes measured results from pre- and post-surveys on participant satisfaction with the education courses. While we recognize the difficulty in measuring program effectiveness, this and other TANF programs are funded at the exclusion of programs that may have demonstrated effectiveness.

Because of DWS' general weakness in identifying meaningful outcome metrics and ensuring contracts are delivering contracted results, the department may not be able to determine which programs are the most effective. Once DWS has strengthened contract oversight with an emphasis on outcomes, ongoing programs should be reviewed. Future ongoing program decisions should be made by carefully weighing the relative efficacy of existing TANF programs

against alternatives that hold promise for delivering desirable outcomes for TANF recipients.

Resource Allocation Process Is Not Guided by Reliable Data

DWS' resource allocation process needs to be guided by reliable data to ensure effective use of limited funds.

Currently, the allocation of resources to various TANF programs is based on federal proposals, the prior years' budgets, and executive management decisions. We were told that this process is a collaborative effort that occurs between division directors and executive management. Budgetary proposals and ideas are presented to the DWS executive director, who has the final say in determining the allocation of funding across programs.

Because TANF funds are limited and need to be used effectively, we asked for documentation showing that data helped drive DWS' TANF resource allocation decisions. DWS did not give us any data or documentation in response to this request; thus, we cannot confidently conclude that resource allocation is driven by reliable data. This conclusion is supported by evidence from our contract sample review showing that many TANF programs lack the outcome metrics needed to evaluate program effectiveness and aid decision-makers.

Moreover, externally reviewed studies on participants in two types of teen afterschool programs funded by TANF revealed the following:

Low participation rates for teen afterschool programs raise concerns about the programs' ability to impact participants.

- Sixty-nine percent of participants in the Teen Afterschool Prevention (TAP) programs attended for fewer than 30 days out of up to 167 days (18 percent) of possible attendance for the monitoring period.
- Thirty-six percent of participants in Afterschool Matched Partnership (AMP) programs attended for fewer than 30 days out of up to 210 days (14 percent) of possible attendance for the monitoring period.

This relatively low attendance suggests that, for the two types of teen programs studied, program participants did not receive enough afterschool programming to derive the intended benefit of "prevention education and skills building activities." Therefore, we question whether these TANF funds were optimally spent.

In contrast, spending on rapid rehousing programs is nearly half that of teen afterschool programs despite strong demand for housing assistance. We interviewed several people who stated that TANF families need more housing assistance. For instance, during our visit to one rapid rehousing program, we learned that the demand for housing assistance far exceeds available funding. This organization reported receiving 1,564 calls from families between October of 2017 and June of 2018. Of these families, only 375 were referred for housing assistance due to a lack of resources.

Demand for housing appears to be a major concern of TANF recipients and contractors.

We are not suggesting that teen afterschool programs are less valuable or less deserving of TANF funding than housing assistance. We question, however, whether current practices prioritize scarce TANF resources according to available data on evolving family demographics and need. We acknowledge the requirement for a variety of program types to achieve the four TANF purposes, evidence-based programs with histories of positive outcomes and data supporting need should guide TANF funding priorities. Therefore, we recommend DWS adopt a methodology for allocating TANF program resources according to proven effectiveness and evolving recipient family need.

Recommendations

1. We recommend that the Department of Workforce Services ensure that contracts for TANF-funded programs include specific TANF purposes.
2. We recommend that the Department of Workforce Services include outcome metric expectations in every contract for TANF-funded programs.
3. We recommend that the Department of Workforce Services ensure correlation between outcome expectations and contracted TANF purposes.
4. We recommend that the Department of Workforce Services document that contractor-reported outcome metrics have been validated for accuracy.
5. We recommend that the Department of Workforce Services store all contract information electronically in a centralized database.

6. We recommend that the Department of Workforce Services develop a defensible method for selecting and funding TANF programs and include this methodology in its strategic plan.
7. We recommend that the Department of Workforce Services use reliable data to guide its TANF resource allocation process.

Appendices

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Appendix A

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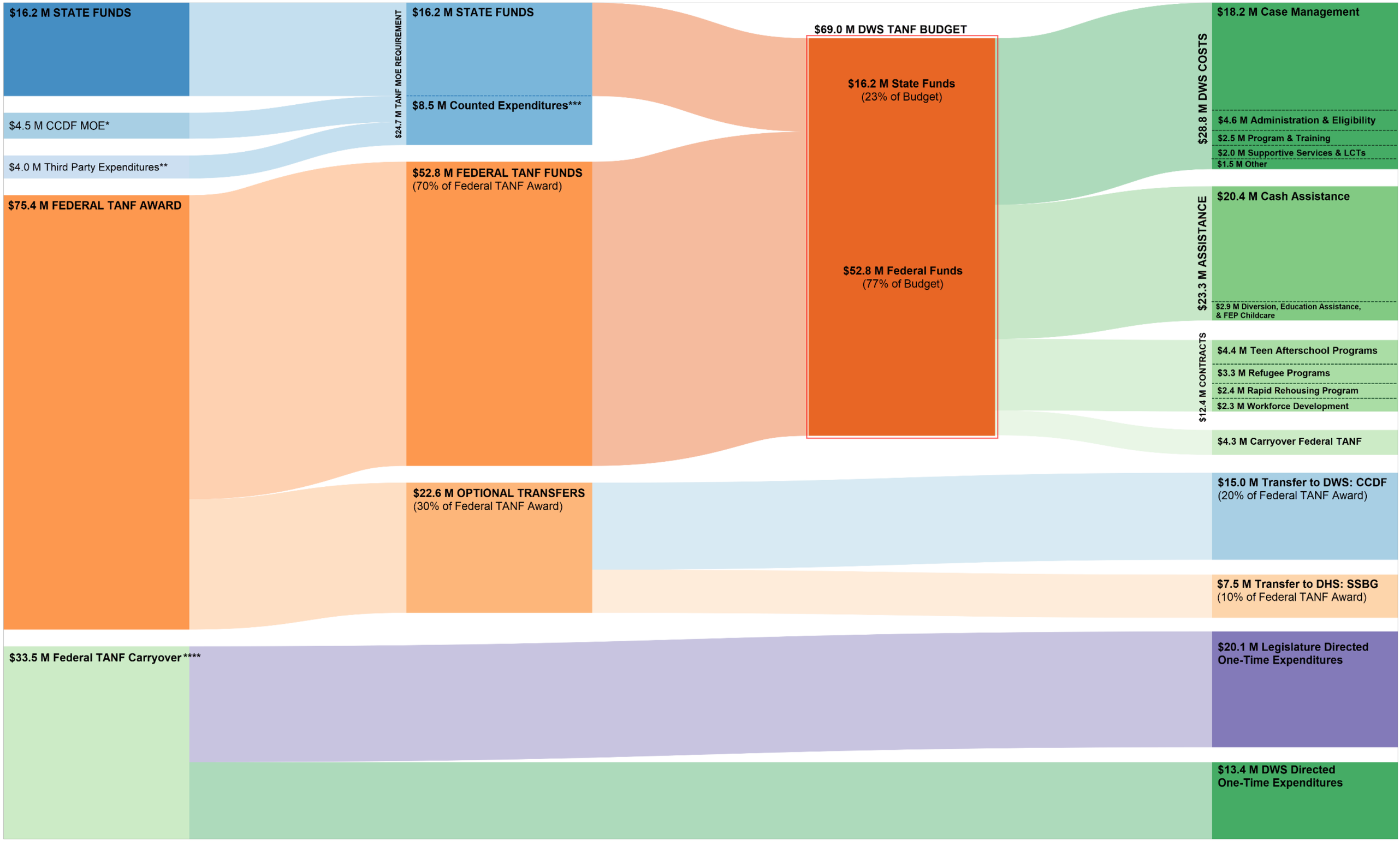
STATE FISCAL YEAR 2017 EXPENDITURES



* Child Care and Development Fund (CCDF) MOE expenditures counted toward meeting the TANF MOE requirement
** Federal regulations allow states to count certain third party expenditures toward meeting TANF MOE requirements
*** CCDF and Third Party Expenditures count toward meeting federal TANF MOE requirements, and reduce the state's burden; however, counted expenditures also reduce DWS' TANF budget
**** DWS spent $33.5 million (30 percent) of its $109.9 million carryover balance of unspent federal TANF funds

Agency Response

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State of Utah

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Department of Workforce Services

JON S. PIERPONT
Executive Director

CASEY R. CAMERON
Deputy Director

GREG PARAS
Deputy Director

October 5, 2018

Mr. John M. Schaff, CIA
Auditor General
Office of the Legislative Auditor General
Utah State Capitol Complex
Rebecca Lockhart House Building, Suite W315
P.O. Box 145315
Salt Lake City, UT 84114-5315

RE: Report No. 2018-10

Dear Mr. Schaff:

Thank you for the opportunity to respond to the audit entitled, "A Performance Audit of Utah's Temporary Assistance for Needy Families Program." We recognize the efforts of the auditors and appreciate the professional manner in which they conducted the audit. The department's response to each recommendation is as follows:

Chapter II Recommendations

1. **We recommend that the Department of Workforce Service track and study recidivism data to target appropriate supports to families and improve outcomes.**

The department agrees with the recommendation. The department has tracked recidivism data going back to 2012. Recidivism data has been used at a high level to inform and monitor improvements to outcomes. Due to the longitudinal nature of recidivism data, and the changes made to the case management model over the last two years, we believe improvement will be best analyzed as time elapses.

The department recognizes that TANF is a safety net program and life circumstances, outside of the customer's control, may change over time thereby creating different conditions than those that could have existed during a prior TANF enrollment. The department will continue to study the data to more comprehensively understand recidivism and test strategies that can support families resulting in improved outcomes.

Contact Person: Liz Carver, Director, Workforce Development Program and Training

2. **We recommend that the Department of Workforce Service track post-employment outcome metrics over the next two years to determine the effectiveness of its case management program.**

   The department agrees with this recommendation. The outcome metric of "Positive Case Closures" historically used by the department with a target goal of closing 70 percent of cases positively has helped the department achieve favorable results; however, the department appreciates the auditors' evaluation of this metric. The department will solidify and track additional outcome metrics to help measure effectiveness of its case management program. One strategy we believe shows promise is that which evaluates TANF customers through a lens of post-closure wage earnings and employment retention. This approach aligns with the Workforce Investment and Opportunity Act (WIOA) and similar concepts have begun to be discussed at the federal level relative to TANF reauthorization.

   Contact Person: Liz Carver, Director, Workforce Development Program and Training

3. **We recommend that the Department of Workforce Services consider measuring and assigning caseload size based on the complexity of employment counselor assignments.**

   The department agrees with this recommendation. The department will evaluate measuring and assigning caseloads to employment counselors based on size and complexity and will implement new practices as considered appropriate.

   Contact Person: Liz Carver, Director, Workforce Development Program and Training

Chapter III Recommendations

1. **We recommend that the Department of Workforce Services ensure that contracts for TANF funded programs include specific TANF purpose(s).**

   The department agrees with this recommendation. The department has examined TANF purposes for every TANF-funded contract. The department will ensure the TANF purpose(s) are clearly identified in each TANF-funded contract so this information is considered during the contract monitoring process.

   Contact Person: Liz Carver, Director, Workforce Development Program and Training

2. **We recommend that the Department of Workforce Services include outcome metric expectations in every contract for TANF funded programs.**

   The department agrees with this recommendation. In 2016, the Executive Director's Office directed the internal audit division to conduct an audit of TANF contracts housed within the Workforce Development Division (WDD). This scope was augmented to also include four additional divisions: Utah State Office of Rehabilitation (USOR), Refugee Services Office (RSO), Housing and Community Development (HCD), and Office of Child Care (OCC). The last of these reports was issued on January 16, 2018, and included recommendations such as:
   - Having specific measurable outcomes in each contract so that contract performance can be effectively evaluated and timely corrective action can be taken for underperforming contracts,
   - Validating contractor reported outcomes for accuracy (see Recommendation No. 4 below), and
   - Storing contracts and related monitoring documentation in a centralized location (see Recommendation No. 5 below).

In response to these internal audits, a group was organized to revise policies and procedures and develop training to ensure the items noted above as well as other recommendations were implemented. The policy revisions and training were completed during June 2018 and became effective July 1, 2018.

The Legislative auditors selected TANF contracts during their review that were active prior to and during the implementation of these corrective actions. The recommendations noted herein align with the department's expectations and implementation efforts. We will monitor our newly implemented contract processes to ensure alignment with the recommendations of this audit.

Contact Person: Liz Carver, Director, Workforce Development Program and Training

3. We recommend that the Department of Workforce Services ensures correlation between outcome expectations and contracted TANF purpose(s).

The department agrees with this recommendation. The department will adopt a formal procedure requiring contract owners to ensure that contract outcomes align with TANF purposes when developing the contract scope of work. The procedure will also require division directors or their designees to review the scope of work to ensure this information is included.

Contact Person: Liz Carver, Director, Workforce Development Program and Training

4. We recommend that the Department of Workforce Services document that contractor self-reported outcome metrics have been validated for accuracy.

The department agrees with this recommendation. In 2016, the Executive Director's Office directed the internal audit division to conduct an audit of TANF contracts housed within the Workforce Development Division (WDD). This scope was augmented to also include four additional divisions: Utah State Office of Rehabilitation (USOR), Refugee Services Office (RSO), Housing and Community Development (HCD), and Office of Child Care (OCC). The last of these reports was issued on January 16, 2018, and included recommendations such as:

- Having specific measurable outcomes in each contract so that contract performance can be effectively evaluated and timely corrective action can be taken for underperforming contracts,
- Validating contractor reported outcomes for accuracy, and
- Storing contracts and related monitoring documentation in a centralized location (see Recommendation No. 5 below).

In response to these audits, a group was organized to revise policies and procedures and develop training to ensure the items noted above as well as other recommendations were implemented. The policy revisions and training were completed during June 2018 and became effective July 1, 2018.

The Legislative auditors selected TANF contracts during their review that were active prior to and during the implementation of these corrective actions. The recommendations noted herein align with the department's expectations and implementation efforts. We will monitor our newly implemented contract processes to ensure alignment with the recommendations of this audit.

Contact Person: Liz Carver, Director, Workforce Development Program and Training

5. **We recommend that the Department of Workforce Services store all contract information electronically in a centralized database.**

   The department agrees with this recommendation. As noted in the response to Recommendation No. 2 (found in "Chapter III Recommendations" section), this issue has been identified by the department and corrective action is being taken. The department adopted a procedure effective July 1, 2018 requiring contract monitoring documentation to be stored in a centralized repository. All contracts and corresponding details are stored in a common protected drive following the same schema. This process will be used until the department migrates to the new state enterprise grant and contract management system referred to as "Utah Grants." It is anticipated that DWS will be one of the first cabinet level agencies to migrate to this new system.

   Contact Person: Liz Carver, Director, Workforce Development Program and Training

6. **We recommend that the Department of Workforce Services develop a defensible method for selecting and funding TANF programs and include this methodology in its strategic plan.**

   The department agrees with this recommendation. The department will use data from program outcomes, customer needs, federal guidance, legislative directives, and self-identified gaps in service to enhance prioritization of TANF funding opportunities.

   Contact Person: Liz Carver, Director, Workforce Development Program and Training

7. **We recommend that the Department of Workforce Services use reliable data to guide its TANF resource allocation process.**

   The department agrees with this recommendation. The department will continue to build upon its existing practices of selecting and funding TANF programs through analysis of customer needs, federal guidance, legislative directives, and self-identified gaps in service. We will enhance the methodologies with improved data analyses to support selection and funding determinations.

   Contact Person: Liz Carver, Director, Workforce Development Program and Training

The Department of Workforce Services is committed to continuous improvement and appreciates the efforts of the Office of the Legislative Auditor General in this process. If you have questions regarding this response, please do not hesitate to contact me. You may also contact Liz Carver, Director, Workforce Development Program and Training, at (801) 514-1017 or ecarver@utah.gov.

Sincerely,

Jon S. Pierpont
Executive Director