AGENCY RESPONSE

Appendix 2

- Office of Financial Management
- Department of Social and Health Services
- Employment Security Department
- Department of Community, Trade and Economic Development
- State Board for Community and Technical Colleges
- Auditor's Comments

STATE OF WASHINGTON

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NOV 20 1998
JLARC

November 20, 1998

Tom Sykes, Legislative Auditor
Joint Legislative Audit and Review Committee
506 16th Avenue SE
MS: 40910
Olympia, WA 98501-2323

Subject: JLARC Preliminary Report on the WorkFirst Process Study

Dear Mr. Sykes:

We are writing in response to the JLARC preliminary report, the WorkFirst Process Study.

Changing the nature of welfare in Washington has been a large and complex undertaking -- the entire AFDC caseload was transferred to TANF during the past year, job search workshops have been created throughout the state, and new community and technical college programs were created. We welcome feedback from JLARC to assist us in improving the program. We have attached our responses to the seven JLARC recommendations to this letter.

We want to thank you for noting that we are following federal and state statutes in implementing this new welfare program, with its many changes to programs and system. Also, thank you for noting the challenges of a WorkFirst program that is continually evolving.

We are tracking the performance of WorkFirst with a number of measures indicated below. We are pleased with the success of the program.

- **Caseload:** The caseload dropped from 88,221 in July 1997, to 66,821 cases in September 1998.

- **Placement in unsubsidized jobs**: Placements increased from 1,826 in August 1997, to 4,329 in August 1998.

- **Percentage of adults on the caseload with earnings from work:** The percentage has increased from 14.4 percent in August 1997, to 27.4 percent in August 1998.

- **Average earnings for those on the caseloads:** Average earnings have increased from $456 in August 1997, to $560 in August 1998.

- **Number of clients returning to assistance:** The percentage of clients returning to assistance, after 6 months, decreased from 20 percent in March 1997, to 16 percent in March 1998.

We are starting the next phase of WorkFirst, which will focus on post-employment and wage progression services.

Thank you for your favorable consideration of the WorkFirst program.

Sincerely,

Dick Thompson, Director
Office of Financial Management

Lyle Quasim, Secretary
Department of Social and
Health Services

Carver Gayton, Commissioner
Employment Security Department

Tim Douglas, Director
Department of Community, Trade
and Economic Development

Earl Hale, Executive Director
State Board for Community and
Technical Colleges

Attachment

Response to JLARC
WorkFirst Process Study, Phase I

November 20, 1998

RECOMMENDATION	POSITION	COMMENTS
Recommendation 1: DSHS and ESD should conduct a cost-benefit analysis of non-collocated sites where it appears there may be a potential to improve client services	Partially concur	In general, we support the direction of this recommendation, namely there should be collocation of ESD and DSHS's WorkFirst activities where there is potential to improve services to clients. We agree that collocated services, or sites, should be in general more supportive of the client's needs, and, for the most part, this is occurring. However, as is correctly pointed out in the preliminary report of the JLARC Process Study, this is not the case everywhere. Where services or offices are not collocated, we propose to undertake a site-by-site management review. We will learn why collocation has not occurred, and, where appropriate, we will develop a plan to increase the collocation of services, or even bring about collocation of sites. We do not believe that cost-benefit analyses in this connection are the appropriate use of state resources. A careful management review of indicated sites will provide much the same information and may bring about the desired outcomes sooner.
Recommendation 2: DSHS and ESD should consider aligning their regions	Do not concur	We agree that the different regional structures of the agencies should not be an impediment to the success of WorkFirst clients or the WorkFirst program. The recommendation to change the agencies' boundaries, however, does not take into account several impacts that would occur. DSHS operates six regions, ESD has four, there are 32 separate community and technical colleges, CTED has no regions, and there are nine Service Delivery Areas through which the twelve Private Industry Councils operate. All of these organizations are central to the success of WorkFirst, and changing the boundaries of any one of them would impinge upon working relationships with all others. Within DSHS, for example,

RECOMMENDATION	POSITION	COMMENTS
		WorkFirst is but one of many programs. Changing the regional boundaries for the WorkFirst program in DSHS, for example, would bring about confusion in the department in terms of its relationship with other programs such as Developmental Disabilities, Vocational Rehabilitation, and Children and Family Services. A solution to harmonizing the efforts of the partner agencies and community partners, despite the lack of consistency in their regional structures, was the organization around Local Planning Areas (LPAs), where appropriate, to acknowledge distinct communities, with their own community supports and labor markets. This arrangement allows for communication and coordination across agency lines without disruption of internal organizational structures.
Recommendation 3: WorkFirst clients should be permitted to obtain services from DSHS and ESD local offices closest to their homes	Partially concur	Currently, the system for assignment of WorkFirst is a zip code arrangement that, for the most part, results in county or sub-county service designations. For the most part, clients are served in the office nearest their homes. Discussions have been started and will continue between DSHS and ESD to determine if there are ways to serve clients in locations which would allow maximum access to the labor market.
Recommendation 4: The next phase of regional planning should focus on interagency and intra-agency coordination	Concur	Based on last summer's WorkFirst planning quality improvement process that involved local WorkFirst partner input and ideas at 22 focus groups, the second year of WorkFirst Regional Planning is now based on the local, as opposed to regional level. This newest planning phase allows local WorkFirst partners to plan for service delivery at the most effective level. The latest WorkFirst Local Planning guidelines not only encourage but require interagency and intra-agency cooperation and coordination. Partners such as tribal governments, Private Industry Councils and community-based organizations are encouraged to participate.

RECOMMENDATION	POSITION	COMMENTS
Recommendation 5: DSHS and ESD should collaborate on the development of a caseload staffing model	Partially concur	We agree that the development of a staffing model that accounts for various client characteristics such as time on assistance, work experience, education, job readiness, and labor market factors, is necessary. DSHS has begun a workload analysis that will assess the changes in the work of case managers and examine the time it takes workers to fulfill their duties and responsibilities. The first phase of the project is due to be completed by the end of January. After DSHS's staffing model is completed, ESD may undertake a similar analysis. Currently ESD's staff planning process takes account the characteristics of the target populations and the staff time needed to effectively provide services to clients. As they do future staff planning, ESD will continue to focus on these factors as well as their approach to meeting labor market needs.
Recommendation 6: DSHS should improve the competitive aspects of its WorkFirst contractor selection process to include blind scoring of bids	Partially concur	DSHS did not include blind scoring of proposals in its WorkFirst procurement because, as JLARC pointed out, EHB 3901 required that contracts be awarded based on certain factors, one of which is past performance of the contractor. Without knowing the name of the provider, it would be difficult to ascertain past performance; therefore, we chose not to blind score proposals. We will, however, consider JLARC's recommendation to incorporate blind scoring in future procurements.
Recommendation 7: Local offices should determine whether clients should purchase used items, when available and feasible	Partially concur	The expectation is that all WorkFirst participants dress according to the standards of a generic job interview. As a result, clothing is made available in several different ways if the participant does not have the appropriate attire. We offer information about local thrift stores or consignment shops. Consequently, clients are able to purchase more for the same dollar amount. Clients are also referred to community resource agencies, such as clothing banks, to request clothing assistance. In some instances, where clothing is not available to the client through the methods indicated above, a voucher may be issued for

RECOMMENDATION	POSITION	COMMENTS
		new clothing. On each voucher issued, it is clearly indicated that no additions or substitutions are permitted. Local stores are encouraged and have been very cooperative in notifying WorkFirst offices of clients who attempt to return items for cash. During State Fiscal Year 1998, ESD and DSHS spent a combined $5.8 million on all supportive services for WorkFirst clients which is substantially below the $23 million total mentioned in the draft report.

Corrections and Clarifications
To November 10, 1998
JLARC WorkFirst Process Study

- **Page x,** "...while ESD has had performance-based contracts in place for almost a year, DSHS plans to have them beginning in November 1998."

  Fact: DSHS had performance-based contracts in place in November 1997.

- **Page 1,** "The cost of the program is approximately $800 million per year..."

  Page 69, "TANF includes such things as General Assistance for the Unemployable (GAU), state Supplemental Security Income (SSI) payments..."

  Fact: The total cost for ESA for the year was a little over $800 million. TANF does not include the programs discussed in the quote above.

- **Page 3,** "6/30/98 Last day for former JOBS clients to participate in vocational/education programs."

  Clarification: After 6/30/98, former JOBS clients must be working 20 hours per week to participate in vocational/education programs.

- **Page 3,** "1/1/99 Ninety percent of all TANF families will have received WF orientation and be required to meet work and participation requirements."

  Clarification: By 1/1/99, ninety percent of all TANF families will be actively participating in WorkFirst.

- **Page 23,** Tribal Participation section

  Note: No mention was made of the recent federally-approved TANF plans with the Lower Elwha Tribe and Port Gamble S'Klallam Tribe.

- **Page 67,** "Additionally, when payment requests are submitted to the regions by contractors, (ESD) staff verify through administrative data that the client has achieved the milestone for which payment is being claimed. This is outcome based contracting and other than periodic oversight, further monitoring by JLARC is not necessary."

  Note: DSHS has a similar procedure for verifying payment requests submitted by vendors, however, this is not mentioned in the report.

- **Page 76,** "Some planned remedies on the horizon include the merging of ACES and JAS into one case management system, and the replacement of old computers so that everyone is in a Windows environment.

  Note: The ACES Case Management system which merges ACES and JAS is due to be operational in the fall of 1999.

Auditor's Comments on the Agency Response to the Preliminary Report of the WorkFirst Process Study-Phase I

The Department of Social and Health Services (DSHS), the Employment Security Department (ESD), the Department of Community, Trade and Economic Development (CTED) the State Board for Community and Technical Colleges (SBCTC), and the Office of Financial Management (OFM) responded to the preliminary Report on the WorkFirst Process Study. They concurred with one recommendation, partially concurred with five recommendations, and did not concur with one recommendation. Their generally favorable response to the qualitative evaluation of the first year of WorkFirst implementation demonstrates a further commitment to continually improving the delivery of client services throughout Washington State.

Auditor's Comments to Agency Response

Recommendation 1: The Department of Social and Health Services and the Employment Security Department should conduct a cost-benefit analysis of non-collocated sites where it appears there may be a potential to improve client services.

Agency Position: Partially concur.

Auditor's Comments: The agencies propose to undertake a site-by-site management review where services are not collocated. This will meet the intent of the recommendation, provided it weighs the benefits of collocation against costs.

Recommendation 2: The Department of Social and Health Services and the Employment Security Department should consider aligning their regions, given the key role WorkFirst has in their respective missions.

Agency Position: Do not concur.

Auditor's Comments: The latest WorkFirst Local Planning Guidelines are to be used by staff to update regional plans by July 1999. These guidelines recognize that incongruent regional boundaries have complicated local planning efforts and direct the establishment of local planning areas. If this process is effective, implementing the recommendation will not be necessary. JLARC will re-visit this issue during Phase II of the process study.

Recommendation 3: WorkFirst clients should be permitted to obtain services from the Department of Social and Health Services and the Employment Security Department local offices closest to their homes.

Agency Position: Partially concur.

Auditor's Comments: The assignment of clients to offices by zip code means that most clients are served by the office closest to their homes, but in some cases, clients are travelling twice the distance necessary in order to meet WorkFirst reporting requirements.

The agencies acknowledge that the zip code system is problematic in that it does not always result in clients being able to access the closest office. We encourage the agencies to find an alternative solution so that clients can maximize the amount of time searching for jobs.

Recommendation 4: The next phase of regional planning should focus on interagency and intra-agency coordination to achieve a more consistent level of services to clients.

Agency Position: Concur.

Auditor's Comments: None.

Recommendation 5: The Department of Social and Health Services and the Employment Security Department should collaborate on the development of a caseload staffing model that accounts for the differential complexity of characteristics, as well as risks of returning to assistance.

Agency Position: Partially concur.

Auditor's Comments: The agency response describes a workload study, rather than a caseload staffing model. The difference is that in addition to examining the changes in duties and time it takes workers to effectively provide services, a caseload staffing model will include a method for weighting the differential characteristics of cases and distributing the workforce in accordance with the distribution of the caseload.

Recommendation 6: The Department of Social and Health Services should improve the competitive aspects of its WorkFirst contractor selection process to include blind scoring of bids.

Agency Position: Partially concur.

Auditor's Comments: It is possible to evaluate past performance of contractors without necessarily revealing the name of the bidder. Information about previous work and legal disclosures could be included without mentioning the bidder's identity. Alternatively, blind scoring could occur up to the point of disclosing a bidder's past performance and any legal encumbrances.

Recommendation 7: To maximize use of public funds that are expended, local offices should determine whether clients should purchase used items, when available and feasible.

Agency Position: Partially concur.

Auditor's Comments: We did not observe consistency among local offices in their procedures for purchasing goods. Furthermore, the report clearly states the $23 million is a *potential* and not an *actual* expenditure. Agency comments indicate that $5.3 million is the actual expenditure for all WorkFirst support services for State Fiscal Year 1998. The agencies' comment could imply a misinterpretation of actual expenditures on the part of the JLARC staff, which is not the case.

Exhibit 6
WorkFirst Participant Flow Chart

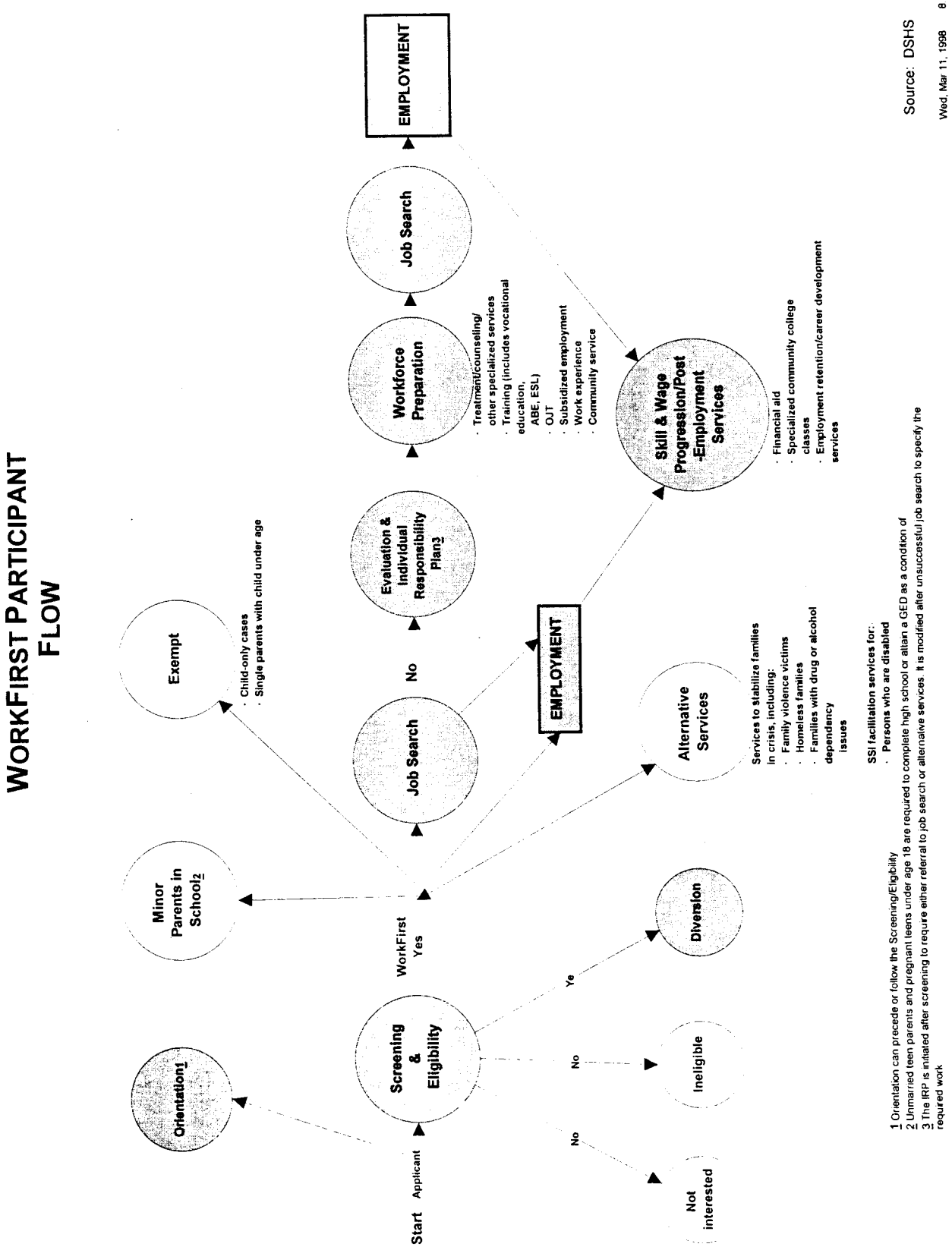
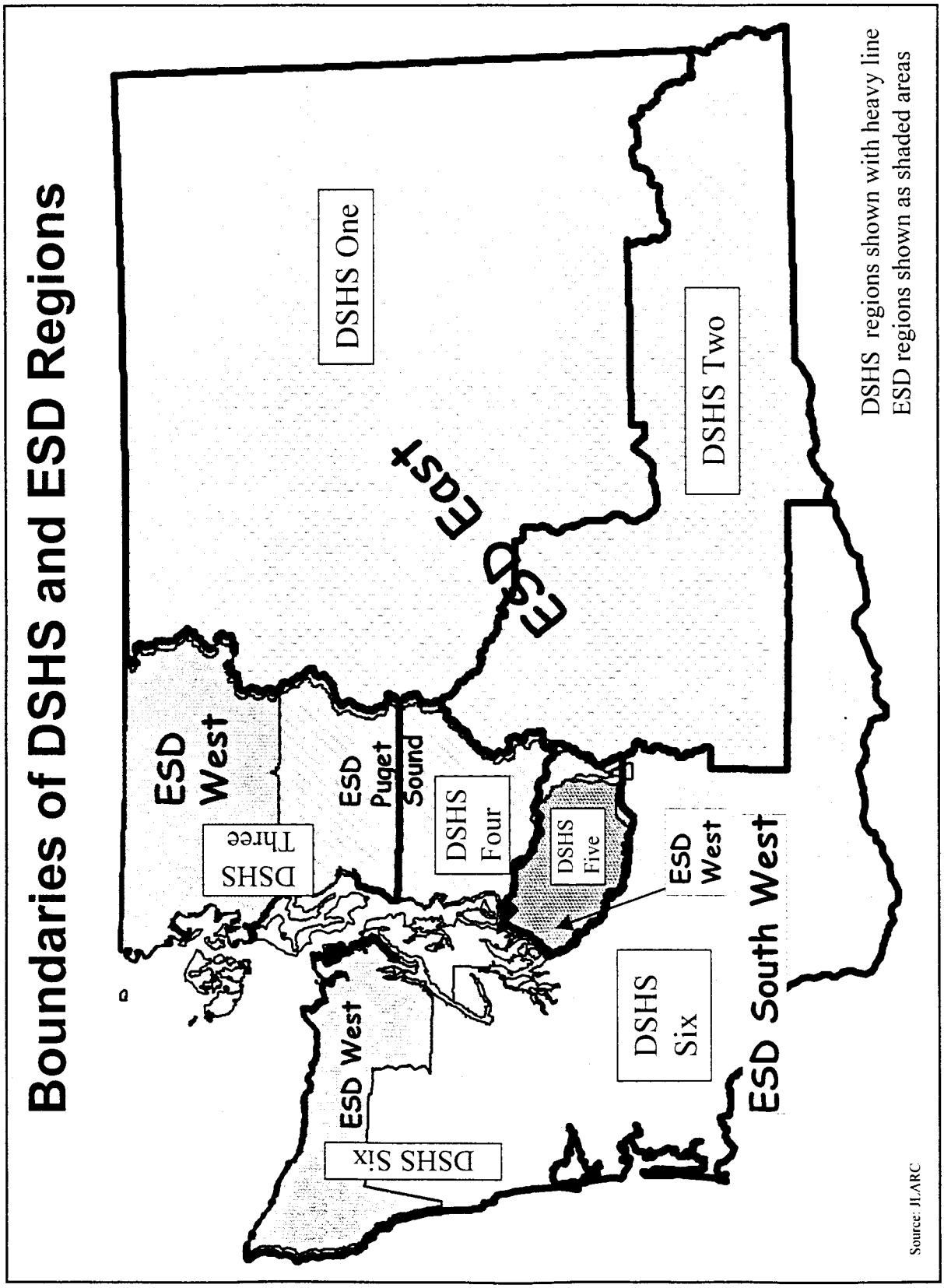


Exhibit 7

DSHS and ESD Regional Boundaries