

August 4, 1997

Members of the Legislative Audit Committee:

In a review of the State's implementation of Federal Welfare Reform, we found that state agencies are generally planning and managing welfare reform changes as reasonably as can be expected in the absence of final federal regulations and interpretive guidance of the welfare reform legislation.

While the agencies have some form of planning efforts in place to help them individually meet the requirements of the federal legislation, a comprehensive statewide implementation plan does not exist. Without a comprehensive plan, we cannot be certain that:

- All critical areas of Federal Welfare Reform are being addressed
- Duplication of effort is being avoided
- Agency-specific welfare plans are in alignment with state and national welfare goals

Development and monitoring of a comprehensive plan by an oversight entity such as the Governor's Office would ensure interagency coordination across functional lines and alignment with state and national welfare goals.

In response to our draft report, the Texas Health and Human Services Commission has indicated that it can continue to play the lead role in coordinating the state effort in this area. Because of additional duties assigned the Health and Human Services Commission by the 75th Legislature, the Commission suggests that it project-manage a team staffed by the agencies to develop the plan. This is similar to the model being used to manage the integrated enrollment and rate setting projects.

Additionally, our work at the Texas Workforce Commission found that it needs to continue working towards the development of an agencywide welfare reform action plan that includes strategies for meeting work participation rates and transitioning work development and child care responsibilities to the Local Workforce Boards.

We also found that many of the problems previously identified in the *JOBS* program have been corrected or alleviated because of significant changes in the program by the Department of Human Services and the Texas Workforce Commission. We did, however, identify three areas within the *JOBS* program that the Texas Workforce Commission must address the need for:

- A working definition of "self-sufficiency"
- An analysis of established "self-sufficiency" target wages
- A formal mechanism for tracking recidivism beyond 90 days

Temporary Assistance for Needy Families

Much of the State's ability to successfully implement Federal Welfare Reform rests with the Department of Human Services' and the Texas Workforce Commission's administration of the *Temporary Assistance for Needy Families Block Grant* (TANF). The Department of Human Services is the fiscal agent for TANF and is responsible for ensuring that from the point of application for welfare benefits:

- Expectations regarding work and personal responsibility are clearly communicated to each applicant.
- Individuals are promptly referred to the Texas Workforce Commission.
- Penalties and sanctions for failure to comply are enforced.

The Texas Workforce Commission is responsible for developing strategies for meeting work participation rates and developing programs with proven success to help welfare recipients become self sufficient. Well-orchestrated and coordinated plans between these agencies are crucial to meeting the objectives of the TANF program.

We commend the Department of Human Services and the Texas Workforce Commission for their coordination of policy changes and program design. Their continued efforts in this area and coordination by a state oversight agency will greatly enhance the State's administration and design of the TANF program.

Welfare Reform

On August 22, 1996, the Federal Government passed the Personal Responsibility and Work Opportunity Reconciliation Act. The passage of this legislation provided the State with flexibility in designing and implementing programs that meet the specific needs of the State. With this flexibility also comes the responsibility of monitoring and overseeing the planning, management, and implementation of the public assistance programs that were formerly under the purview of the Federal Government. The State now has the primary responsibility of designing innovative programs aimed at transferring clients from public assistance to self sufficiency.

The legislation created the new *Temporary Assistance for Needy Families Block Grant* that combines the *Aid for Families with Dependent Children* and *JOBS* programs. It made significant changes in

the *Child Support Program*, expanded the *Child Care and Development Block Grant*, streamlined the *Social Services Block Grant*, and made legal permanent resident aliens ineligible for most welfare programs.

Project Scope

In an effort to assist state leaders in understanding these changes and the new flexibility and responsibilities granted the State under Federal Welfare Reform, the State Auditor's Office conducted a Federal Welfare Reform Implementation Project. This project was not an audit, but rather a review of the State's planning and managing of the implementation of Federal Welfare Reform.

The agencies directly impacted by this project included:

- Health and Human Services Commission
- Department of Human Services
- Department of Health
- Department of Protective and Regulatory Services
- Office of the Attorney General
- Texas Workforce Commission

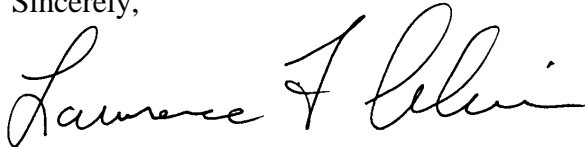
We assisted the Texas Workforce Commission in developing plans for implementing various aspects of the Federal Welfare Reform legislation. We also conducted a follow-up review of the *JOBS* program, which was transferred from the Department of Human Services to the Texas Workforce Commission in June 1996. The *JOBS* program, which has been significantly impacted by the Personal Responsibility and Work Opportunity Reconciliation Act and House Bill 1863, was originally reviewed by the State Auditor's Office in 1994.

We worked actively with the Temporary Assistance for Needy Families workgroup to share information on areas of concerns and potential solutions. We also shared our concerns and potential solutions with legislative staff during the session. This letter has been reviewed with agency management and their comments incorporated where possible. The State Auditor's Office will continue to monitor the implementation of federal welfare reform through the ongoing activities of our Health and Human Services functional team.

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Should you have questions regarding this project, please contact Kathie Schwerdtfeger or Bronté Jones at (512) 479-4700.

Sincerely,

A handwritten signature in cursive script that reads "Lawrence F. Alwin".

Lawrence F. Alwin, CPA
State Auditor

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cc: The Honorable George W. Bush, Governor, Office of the Governor
Ms. Catherine Melvin, CIA, Director of Internal Audit, Office of the Governor
Mr. Terry Trimble, Executive Director, Department of Human Services
Mr. Charles Lyon, CPA, Director of Internal Audit, Department of Human Services
The Honorable Dan Morales, Attorney General, Office of the Attorney General
Mr. Deepak Chawla, CPA, CIA, Director of Internal Audit, Office of the Attorney General
Mr. Michael Sheridan, Executive Director, Texas Workforce Commission
Mr. Frank Almaraz, CPA, CIA, Director of Internal Audit, Texas Workforce Commission
Michael McKinney, M.D., Executive Director, Health and Human Services Commission
Mr. Farrell Walker, CPA, Director of Internal Audit, Health and Human Services
Commission
Mr. James Hine, Executive Director, Department of Protective and Regulatory Services
Ms. Jeannie Henderson, CPA, Director of Internal Audit, Department of Protective and
Regulatory Services
Patti Patterson, M.D., Executive Director, Texas Department of Health
Mr. Frank Ditmore, CPA, Director of Internal Audit, Texas Department of Health