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An Audit Report on

The Workforce Commission's Temporary Assistance for Needy Families (TANF) Choices Program

October 2007

Report No. 08-002



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Overall Conclusion

The Workforce Commission (Commission) adequately monitors its Temporary Assistance for Needy Families (TANF) Choices program at the 28 local workforce development boards to identify noncompliance with program requirements. However, the Commission should improve its efforts to identify and correct the causes of noncompliance. These efforts should include sanctioning local workforce development boards for repeated noncompliance with Choices program requirements.

During on-site visits to six local workforce development boards, auditors identified several recurring Choices program noncompliance issues related to case management. Those issues were similar to noncompliance issues routinely cited in the Commission's monitoring reports. For example, one issue the Commission frequently cites when it monitors local workforce development boards is the entry of inaccurate or unsupported hours of Choices client participation into The Workforce Information System of Texas (TWIST). Auditors determined that local workforce development boards made data entry errors in the number of hours of client participation for 34 percent of case files tested. Entering these hours correctly is critical because this data affects a federal performance measure that drives federal TANF funding.

Improving its oversight of how local workforce development boards use Choices program funds also would enable the Commission to (1) better distinguish administrative expenditures from direct client service expenditures to ensure compliance with state and federal requirements and (2) provide more meaningful technical assistance to local workforce development boards that are not meeting performance expectations. This is especially important given the long-term decrease in the Choices program caseload and the fact that local workforce development boards are spending significantly more dollars per client served (see Figure 1 on the next page).

Background Information

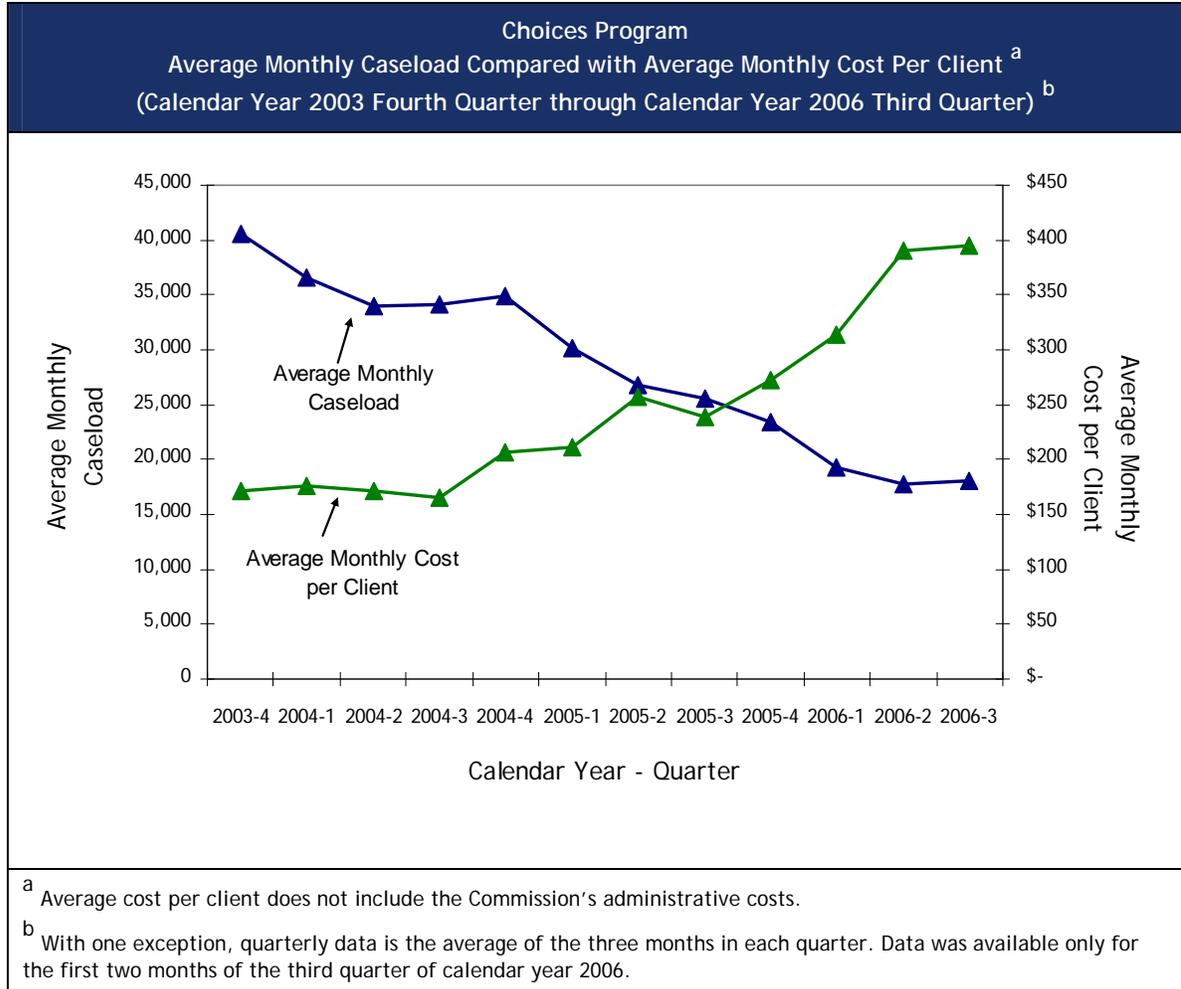
The goal of the Choices program is to end needy parents' dependence on government benefits by promoting job preparation and work.

To carry out the Choices program, the Commission contracts with 28 local workforce development boards across the state. The local workforce development boards then subcontract with providers that serve the program's clients.

The Legislature appropriated \$88.8 million (including \$82.4 million in federal funds) to the Choices program for fiscal year 2006. (Additional funds for child care are available to Choices program clients; those funds are appropriated separately.)

The average monthly statewide caseload for the Choices program in fiscal year 2006 was 20,200 clients.

Figure 1



Source: Unaudited data from the Workforce Commission.

With the increase in available funds per client, the Commission has an opportunity to work with the local workforce development boards to provide additional services and potentially improve the employment outcomes for Choices program clients. Average wages for Choices program clients who enter employment are still below the federal poverty level, and the Choices program recidivism rate is more than 60 percent. This indicates that the Commission could improve its efforts to achieve the Choices program's objective of ending needy parents' dependence on government benefits by promoting job preparation and work.

The Commission reported reliable results for three of four fiscal year 2006 Choices program performance measures audited (see text box for additional details). A performance measure result is considered reliable if it is certified or certified with qualification. Case file omissions and errors were the primary reasons that two measures were certified with qualification and another measure was determined to be inaccurate.

**Results of Choices Program
Performance Measure Testing
(Fiscal Year 2006)**

- Choices Average Monthly Cost per Customer Served: Certified
- Choices Participation Rate: Certified with Qualification
- Choices Employment Retention Rate: Certified with Qualification
- Choices Entered Employment Rate: Inaccurate

Key Points

The Commission should find and correct the causes of noncompliance with Choices program requirements.

Auditors identified numerous instances of noncompliance at local workforce development boards that were similar to the noncompliance issues the Commission's monitors routinely cite:

- Caseworkers did not consistently verify client participation in the Choices program in 8 of 33 (24 percent) of the case files auditors tested.
- Eleven of 55 (20 percent) case files auditors tested did not contain an individualized family employment plan as required.
- In 13 of 30 (43 percent) penalty cases auditors tested, caseworkers did not promptly request that the Health and Human Services Commission penalize clients who did not participate in the Choices program for the minimum number of hours required.
- Twenty-one of 65 (32 percent) case files auditors tested did not contain complete information to support client eligibility for the Choices program.

However, the Commission does not sanction local workforce development boards for noncompliance with Choices program requirements.

The Commission should improve its oversight of local workforce development boards' Choices program expenditures.

In fiscal year 2006, local workforce development boards classified almost 75 percent of their total expenditures as "Other Work Activities/Expenses." This means that the Commission obtained very little information on how the local workforce development boards spent Choices funds to serve clients.

The Commission reviews administrative expenditures that the local workforce development boards *report* to ensure they do not exceed state and federal limits on administrative costs. However, the Commission does not provide adequate

guidance and monitoring to ensure that local workforce development boards accurately report all administrative costs.

The Commission should evaluate trends in Choices program outcomes across all local workforce development boards.

In fiscal year 2006, the average statewide cost of serving a Choices program client was \$323.36, which was more than twice the target cost of \$160.35.

While the average wages for clients who received Choices program services in 2003 have increased over time, as of fiscal year 2006, those individuals still earned only 95 percent of the federal poverty level for a two-person family. This means that they were still eligible for a number of government assistance programs.

In fiscal year 2006, more than 60 percent of current Choices program clients had previously received Choices services and exited the program within the last three years.

Summary of Management's Response

The Commission agrees with the recommendations in this report. Its responses to specific recommendations are presented in each chapter of the report, and its overall responses to this report are presented in Appendix 4.

Summary of Information Technology Review

Auditors assessed the information technology (IT) controls of TWIST. The assessment included user access and security controls at five local workforce development boards. Auditors also assessed automated controls in TWIST that ensure the integrity of data the Commission uses to calculate performance measurements for the Choices program.

TWIST has adequate controls to ensure user access and security of the system. TWIST also has automated controls to ensure the integrity of data within the system. These automated controls, however, do not compensate for errors in data entry of manually calculated information such as hours of client participation in the Choices program.

IT controls can be strengthened at the local workforce development boards to further ensure security and data integrity (see Chapter 3 for additional details).

Summary of Objectives, Scope, and Methodology

The audit objectives were to:

- Determine whether the Commission ensures that the Choices program's purpose of ending the dependence of needy parents on governmental benefits by promoting job preparation and work is achieved.
- Determine whether selected local workforce development boards have appropriate processes in place to ensure that the Choices program's purpose is achieved.

The scope of this audit covered fiscal year 2006 and 2007 Choices program case files and fiscal year 2006 performance measures. Auditors also reviewed local workforce development boards' expenditures, client services, and client wages for fiscal years 2003 through 2006.

The audit methodology included conducting interviews with staff at the Commission and local workforce development boards; reviewing Choices program documentation, case files, and requirements; testing case files against program requirements; determining the reliability of selected performance measures; analyzing local workforce development board expenditures; and analyzing trends in Choices program outcomes.

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Detailed Results

Chapter 1

The Commission Identifies Noncompliance with Choices Program Requirements, But It Should Strengthen Its Efforts to Find and Correct the Causes of Noncompliance

The Workforce Commission (Commission) identifies noncompliance with Temporary Assistance for Needy Families (TANF) Choices program requirements in case files at the 28 local workforce development boards with which it contracts to carry out the Choices program. However, the Commission does not work with the local workforce development boards to find and correct the causes of noncompliance. (See Appendix 2 for a list of the 28 local workforce development boards and information on the areas they serve, their caseloads, and their expenditures.)

Auditors identified several potential causes for continuing noncompliance with Choices program requirements: insufficient caseworker training, lack of formal evaluation procedures for caseworkers, and lack of Commission sanctions specifically related to noncompliance. It is important to note that the Commission does not impose sanctions on local workforce development boards for noncompliance with Choices program requirements.¹ The State Auditor's Office first reported this issue in 1999, but the Commission still has not imposed sanctions for noncompliance.²

Because the Commission does not find and correct the causes of noncompliance, auditors identified numerous instances of noncompliance that were similar to the problems that the Commission's monitors routinely cite. For example, local workforce development boards frequently enter incorrect client participation information into The Workforce Information System of Texas (TWIST), or the information they enter is not adequately supported in case files. The accuracy of client participation information is critical because it supports the federal performance measure that drives federal funding for TANF. The Commission's monitors regularly identify this problem, but because the Commission does not identify the causes, the problem persists.

¹ At the time of the audit, all sanctions imposed on local workforce development boards that were related to the Choices program were related only to participation rate performance, rather than noncompliance.

² In 1999, the State Auditor's Office reported that the Commission did not sanction local workforce development boards for compliance issues and, consequently, noncompliance persisted (see *An Audit Report on Welfare Reform Implementation at the Texas Workforce Commission*, State Auditor's Office Report No. 99-051, August 1999).

Caseworkers do not always verify and accurately record Choices client participation. Caseworkers at the local workforce development boards do not consistently verify that clients fulfill their obligations to participate in work or work-related activities (see text box for additional details).³

**Choices Program
Client Participation Requirements**

- Single parents are required to participate for 30 hours a week.
- Two-parent families are required to participate between 35 and 55 hours a week, depending on whether the Commission is providing them with child care.

Source: Title 40, Texas Administrative Code, Section 811.25.

Specifically, caseworkers did not consistently verify client participation in 8 of 33 (24 percent) case files tested.

Additionally, caseworkers made numerous data entry errors when entering clients' hours of participation into TWIST. In 12 of 32 (34 percent) case files tested, caseworkers made data entry errors for the number of hours that clients participated in Choices program activities such as job searches and job interviews. In these cases, the number of hours documented in the case files did not agree with the

number of hours recorded in TWIST. As discussed above, entering these hours correctly is critical because this data affects a measure that drives federal funding.

Caseworkers do not consistently develop plans for Choices clients' employment. Eleven of 55 (20 percent) case files tested did not contain an individualized family employment plan. Caseworkers are required⁴ to develop these plans for Choices program clients, and the plans must consider the clients' skills, experience, education, and barriers to employment. The plans list the services the clients will receive before and after employment that will help the clients reach their goals. Not preparing these plans makes it less likely that clients will have successful employment outcomes.

Caseworkers often delay requesting penalties for Choices program clients who do not participate for the minimum number of hours. In 13 of 30 (43 percent) penalty cases tested, caseworkers did not promptly request that the Health and Human Services Commission penalize clients who did not participate in the Choices program for the minimum number of hours required. As a result, ineligible clients continued to receive Choices program services. For example, one client at a local workforce development board that auditors visited continued to receive cash benefits totaling \$1,233 for four months after the client stopped participating in required activities. In this instance, the caseworker was at least three months late in requesting that a penalty be imposed on the client.

Caseworkers do not consistently verify that clients are eligible for the Choices program. Twenty-one of 65 (32 percent) case files tested did not contain complete information to support client eligibility for the Choices program. Caseworkers are required to check client eligibility on a monthly basis and maintain

³ Title 40, Texas Administrative Code, Section 811.25, lists core and non-core activities in which Choices clients must engage to be considered "participating" and to maintain their benefits. Examples of these activities include job search, job readiness assistance, community service, subsidized and unsubsidized employment, vocational training, and on-the-job training.

⁴ Title 40, Texas Administrative Code, Section 811.23.

documentation of this eligibility verification in the case file. The 21 case files tested did not contain information to support that caseworkers consistently performed monthly verification of client eligibility. Without consistent verification of eligibility, caseworkers may authorize and provide services to ineligible clients.

Recommendations

The Commission should:

- Work with the local workforce development boards to find and correct the causes of noncompliance with Choices program requirements.
- Include local workforce development boards' records of program compliance in its decision-making process for imposing sanctions.
- Require the local workforce development boards at which it identifies noncompliance with Choices program requirements to provide additional training to caseworkers on program requirements.
- Require that local workforce development boards' subcontractors have formal evaluation processes for their caseworkers that consider the caseworkers' case management compliance record.

Management's Response

TWC's Contract Management Department has been reorganized and refocused to increase guidance to the Boards in finding and correcting problems.

TWC staff will include the Boards' records of program compliance in its decision-making process for imposing sanctions as recommended.

Texas' federal work verification plan was recently approved by the United States Department of Health and Human Services, Administration for Children and Families (ACF), and TWC staff will be preparing further specific guidance on procedures and practices to implement the plan's rigorous requirements. TWC staff will also be carefully monitoring the implementation of this plan at the Board and contractor levels to ensure that hours are reported accurately in TWIST and supported by acceptable documentation.

In response to TANF Reauthorization, TWC staff has been working with TWIST staff to automate verification and documentation fields in TWIST. Further automation controls are being devised to prevent participation hours from counting if verification and documentation has not been received.

Additional guidance will be provided to the Boards about acceptable forms of verification and documentation procedures for Choices work activities.

TWC placed all Boards not meeting the contracted performance measure for the Choices All Family Participation Rate measure on a Performance Improvement Plan (PIP). One of the strategies included in the PIP was a requirement that the Board submit a staff development plan to the Commission. The plans were required to include identifying training needs at all levels, implementing a plan for meeting the identified training needs, and provide comprehensive initial training to new staff and provide on-going, in-house training to inform front-line staff of policy and procedure changes. The PIPs also required the Boards to participate in agency sponsored Choices workshops and trainings. Additionally, TWC provided four Choices Regional Work Sessions across the state that was designed for new front-line staff as well as a refresher for tenured staff. The training presentation as well as all current guidance was provided to the participants on a CD for their on-going reference. Additionally, TWC staff has recently provided additional guidance to the Boards on new Choices requirements by issuing a TANF Reauthorization Webcast and coordinating several Choices related sessions at the recent Workforce Forums. Additional trainings are planned for the upcoming year, including Choices related sessions at the TWC Annual Conference in November 2007 and other regional trainings for front line staff.

The Commission Should Improve Its Oversight of Local Workforce Development Boards' Choices Program Expenditures and Trends in Choices Program Outcomes

The Commission has opportunities to improve its oversight of (1) local workforce development boards' Choices program expenditures and (2) trends in Choices program outcomes across all local workforce development boards. Regular reviews in each of these areas could provide the Commission with information it could use to enhance the technical assistance it provides to local workforce development boards and target Choices program funds in a manner that maximizes the use of those funds.

Chapter 2-A

The Commission Should Improve Its Oversight of Local Workforce Development Boards' Choices Program Expenditures

The Commission tracks summary-level Choices program expenditure information it receives from local workforce development boards. It uses this information to compare local workforce development boards' expenditures with budgeted expenditures and to track the amount of administrative expenditures the local workforce development boards report. Although the Commission uses the expenditure reports to ensure that local workforce development boards adhere to their budgets and do not exceed the 10 percent limit on *reported* administrative expenditures, the usefulness of this high-level expenditure information in monitoring the local workforce development boards is limited.

The Commission should obtain and analyze more detailed information regarding local workforce development boards' expenditures.

The Commission does not obtain expenditure information in sufficient detail to assist it in comparing specific types of direct client service expenditures across the 28 local workforce development boards. For example, in fiscal year 2006 almost 75 percent of the local workforce development boards' total expenditures were classified as "Other Work Activities/Expenses." This means that the Commission obtained very little information on how the local workforce development boards spent Choices funds to serve clients.

Without more detailed expenditure information, the Commission cannot relate specific local workforce development board efforts with the effect of those efforts on program outcomes. This is important because the Commission is responsible for providing technical assistance to the local workforce development boards on how they can improve their performance. If the Commission had better knowledge of how the local workforce development boards used their resources, it could provide more meaningful technical

assistance to help the local workforce development boards improve performance.

The Commission should improve its oversight of the types of expenditures that local workforce development boards classify as administrative expenditures.

The Commission limits the amount that local workforce development boards can spend on Choices program administrative expenditures to 10 percent of total expenditures,⁵ and the federal government limits administrative expenditures for all TANF funds to 15 percent of total expenditures.⁶ However, the Commission does not have a process to determine whether subcontractors of local workforce development boards have administrative expenditures that should be included in the local workforce development boards' total administrative expenditures.

For the local workforce development boards auditors reviewed, the Commission considered all fiscal year 2006 subcontractor expenditures to be direct client services expenditures. According to federal regulations⁷ and state guidance,⁸ the local workforce development boards should have reported some of these direct client services expenditures as administrative expenditures.

Providing additional guidance on accounting for and reporting administrative expenditures and improving its monitoring in this area would help the Commission to ensure that local workforce development boards comply with limits on administrative expenditures and, therefore, that direct program expenditures can be maximized.

The Commission should track and evaluate local workforce development boards' use of gift cards.

Title 40, Texas Administrative Code, Chapter 811, authorizes local workforce development boards to provide gift cards to Choices program clients so they can pay for "work-related expenses" such as clothing or other items needed for job searches and employment. Local workforce development boards also can provide gift cards as incentives to clients who have nonrecurrent, short-term needs to keep them participating in Choices work activities. The local

⁵ Title 40, Texas Administrative Code, Section 800.53(c), states that no more than 10 percent of Choices funds expended as part of a workforce area's allocation shall be used for administrative costs, as defined by the appropriate federal regulations and Commission policy.

⁶ Title 40, Code of Federal Regulations, Section 263.2, restricts states' administrative costs to 15 percent of the total amount of countable expenditures for the fiscal year.

⁷ Title 45, Code of Federal Regulations, Section 263.0 (b)(2), provides a list of administrative expenditure categories for the TANF program.

⁸ Texas Workforce Commission Letter WD-138-99, *Classifying Administrative Costs for Workforce Development Programs*.

workforce development boards have some discretion in using these gift cards. Wal-Mart gift cards are among the most common types of cards.⁹

The Commission does not track the circumstances under which local workforce development boards distribute gift cards. At least two local workforce development boards auditors visited routinely distributed gift cards as rewards for participation in the Choices program, without regard to clients' short-term or work-related needs. This practice does not comply with the Commission's Choices program guidebook.¹⁰ The Commission also does not track how much the local workforce development boards spend on gift cards, and it could not provide any information regarding whether the distribution of gift cards helps to improve program outcomes. Consequently, the value of the Commission's technical assistance to the local workforce development boards in this area is limited.¹¹

To improve the technical assistance it provides to the local workforce development boards, the Commission should obtain a better understanding of the local workforce development boards' strategies in areas such as gift card distribution and the effect these strategies have on Choices program outcomes.

Recommendations

The Commission should:

- Require local workforce development boards to report monthly expenditures in greater detail and analyze this information to enhance the technical assistance it provides to local workforce development boards.
- Provide guidance and monitor to ensure that local workforce development boards (1) correctly identify and report their subcontractors' administrative expenditures and (2) include subcontractors' administrative expenditures in their total administrative expenditures.
- Obtain detailed information regarding local workforce development boards' strategies in areas such as gift card distribution and analyze the effect of these strategies on Choices program outcomes. The Commission also should routinely provide feedback on the effectiveness of different strategies to local workforce development boards.

⁹ One small local workforce development board auditors visited purchased \$75,000 in gift cards in fiscal year 2007: \$60,000 in Wal-mart gift cards and \$15,000 in gift cards for a local mall.

¹⁰ The Commission's guidebook (*Choices: A Comprehensive Guide*) provides "statewide policy and resources for operational guidance and oversight of services" to local workforce development boards. Section B-1000.12 of the guidebook limits incentives to "discrete crisis situations," which are nonrecurrent situations that are limited to four months in duration.

¹¹ Staff at two local workforce development boards informed auditors that they had discontinued the distribution of gift cards because they did not think they were having an effect on participation rates or other performance indicators.

Management's Response

We agree with the need for greater monthly expenditure detail being reported by the Boards. TWC staff has already been working on a Workforce Development (WD) Letter that will be issued to local workforce development boards to address various financial reporting changes for fiscal year 2008. Specifically, this WD letter will require a more detailed breakdown of the expenditures previously reported under "Other Work Activities/Expense" category for the TANF Choices program. The anticipated release of this WD Letter in September 2007 will require reporting changes for fiscal year 2008 contracts effective on October 1, 2007 or later.

We agree and will be clarifying guidance to the Boards on accounting for and reporting administrative expenditures. As mentioned in the previous response, TWC staff has already been working on a Workforce Development (WD) Letter that will be issued to the Boards in September 2007 to address various financial reporting changes for fiscal year 2008. This WD Letter will also include clarification on properly classifying and reporting administrative expenditures. Based on the guidance provided in the WD Letter, Subrecipient Monitoring will verify that board reported administrative expenditures include subcontractor administrative expenditures during on site monitoring reviews.

TWC staff has recommended to the Boards in several guidance documents and agency presentations that Boards evaluate the effectiveness of any incentives or strategies used to increase participation. Additionally TWC is facilitating training sessions where Boards can share their local best practices. A Best Practice Round-table is currently scheduled in October 2007 that will focus on those incentives or strategies used to increase participation and engage the exempt population. Additionally, TWC is making necessary automation changes in TWIST in order to track the use of incentives and will analyze and provide feedback to the Boards on the effectiveness of those incentives.

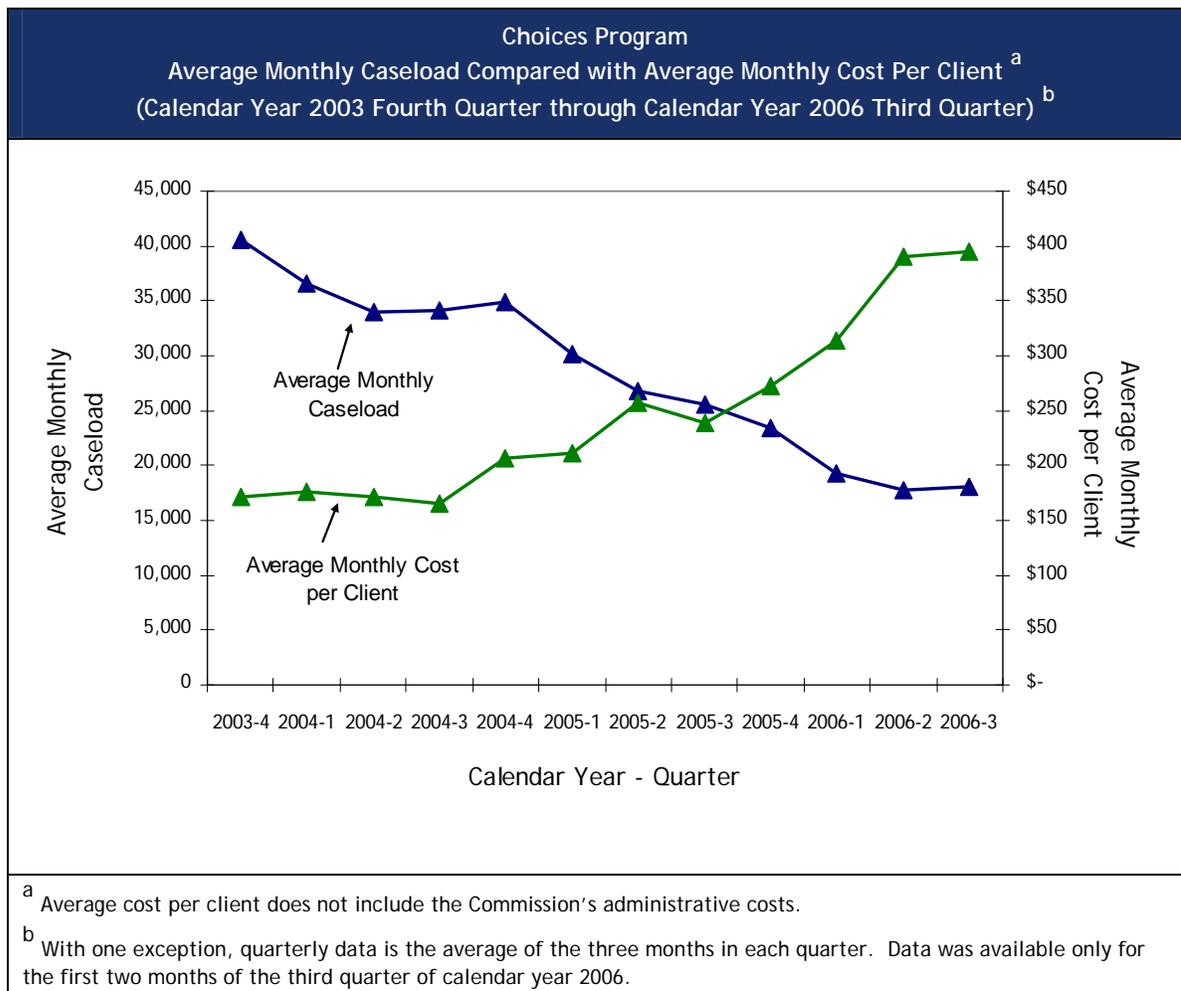
The Commission Should Analyze and Evaluate Trends in Choices Program Outcomes across All Local Workforce Development Boards

By analyzing trends in Choices program outcomes across all local workforce development boards, the Commission could enhance the technical assistance it provides to local workforce development boards and target Choices program funds in a manner that maximizes the use of those funds.

The average monthly cost per Choices program client served has increased significantly since 2003 because of decreasing caseloads.

As Figure 2 shows, the Commission, through its contracts with the local workforce development boards, spent significantly more per Choices program client in 2006 than it did in 2003 and 2004.

Figure 2



Source: Unaudited data from the Workforce Commission.

The average cost per Choices program client has increased because the Choices program caseload has decreased by more than 60 percent since the beginning of fiscal year 2004, while the funding the Commission allocates to the local workforce development boards has remained generally stable.

In fiscal year 2006, the average monthly cost of serving a Choices program client was \$323.36, which was more than twice the target cost of \$160.35. Moreover, there were significant differences in the cost per customer across the 28 local workforce development boards. In fiscal year 2006, 13 local workforce development boards spent an average of more than \$400 per month for a Choices program client. One local workforce development board spent more than \$800 per Choices program client per month. Given the additional funds available for serving Choices program clients, the Commission has an opportunity to provide more meaningful technical assistance to the local workforce development boards on strategies to improve employment outcomes for Choices program clients.

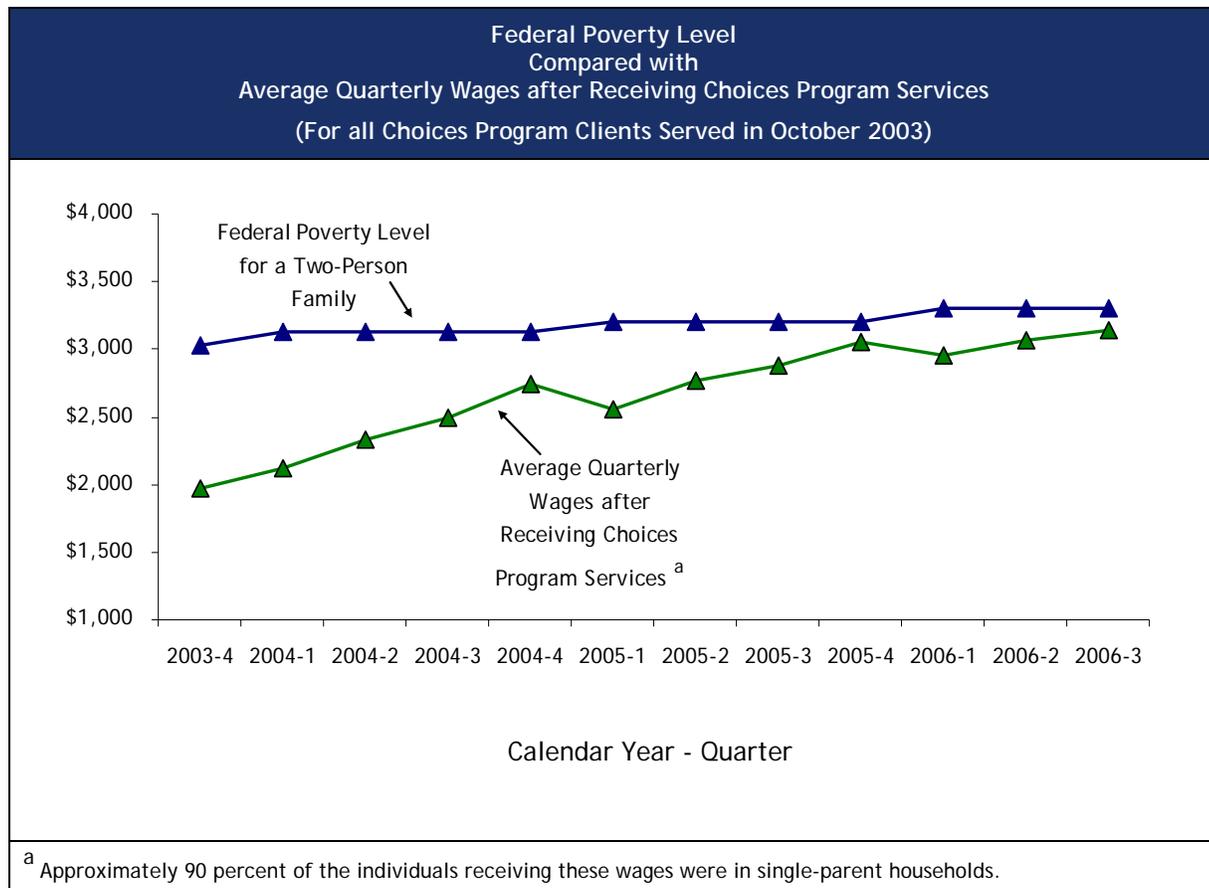
Wages for Choices program clients who enter employment are below the federal poverty level.

Figure 3 on the next page tracks the increases in the average wages¹² for all clients who received Choices services in October 2003. While the average wages for this group of clients increased over three years, by the end of fiscal year 2006, the average client in this group still earned only 95 percent of the federal poverty level for a two-person family.¹³ This means that employed former Choices program clients may still be eligible for a number of government assistance programs (see Appendix 3 for more information). This is particularly significant given that the objective of the Choices program is to end the dependence of needy parents on government benefits by promoting job preparation and work.

¹² Only clients with reported wages are included in the average.

¹³ The minimum family size for clients in the Choices program is two. More than 90 percent of clients are in single-parent households.

Figure 3



Source: Unaudited data from the Workforce Commission.

It also is important to note that many Choices program clients who are counted as successes because they entered employment may be underemployed or are employed for only a short time. For example, of 52 randomly sampled clients counted as entering employment for the purposes of fiscal year 2006 performance measures, 28 (54 percent) earned less than \$1,000 in the three months following the quarter in which they entered employment.

Choices program recidivism rates are high.

Recidivism rates also are an indicator of how the Choices program is meeting its objective of ending the dependence of needy parents on government benefits by promoting job preparation and work. In fiscal year 2006, more

than 60 percent of Choices program clients had previously received Choices services and exited the program within the last three years.¹⁴

Even those clients counted as entering and retaining employment for the purposes of the 2006 performance measures often re-enter the program shortly after a “successful” employment outcome. About one-third of sampled clients who were counted as retaining employment in 2006 re-entered the Choices program by May 2007.

Choices program clients often find employment in retail and food service.

According to the Commission, top employers of Choices program clients include fast-food restaurants, retail stores, staffing services, and home health care providers. Table 1 shows the top 10 employers of Choices program clients for the fourth quarter of calendar year 2006.

Table 1

Top Ten Employers of TANF Choices Program Clients In the Fourth Quarter of Calendar Year 2006	
Employer	Number of Choices Clients Employed
Wal-Mart	407
Target	163
Whataburger	149
Dollar General	112
Spherion Atlantic Workforce	103
Jack in the Box	100
Express Temporary Services	95
HEB Grocery	94
Kelly Services	89
Girling Health Care	82
Total	1,394

Source: Unaudited data from the Workforce Commission.

¹⁴ For the purposes of this report, a recidivist client is a client who (1) is currently receiving Choices program services and (2) who previously exited the Choices program at least two months prior to the current month and no more than three years prior to the current month. Therefore, this is a three-year recidivism rate.

Recommendations

The Commission should:

- Regularly analyze and evaluate statewide trends in Choices program outcomes across all local workforce development boards.
- Use the results of its analysis of trends in statewide Choices program outcomes to enhance the technical assistance it provides to local workforce development boards and target Choices program funds in a manner that maximizes the use of those funds.

Management's Response

Through the improvements made by the recent reorganization of the Contract Management Department, improvements in tracking within TWIST, and increased focus on sharing of best practices among Boards, TWC is addressing and will continue to monitor and analyze statewide trends in Choices program outcomes. The results of this monitoring and analysis will provide opportunities for continual improvement in technical assistance provided to the Boards.

The Commission Reported Reliable Results for Three of Four Choices Program Performance Measures Audited

As Table 2 shows, the Commission reported reliable results for three of four fiscal year 2006 Choices program performance measures audited. A performance measure result is considered reliable if it is certified or certified with qualification. Agencies report results for their performance measures to the Legislative Budget Board's (LBB) budget and evaluation system, which is called the Automated Budget and Evaluation System of Texas, or ABEST.

Table 2

Choices Performance Measures for Fiscal Year 2006			
Objective or Strategy, Classification, and Performance Measure	LBB Performance Target	Results Reported in ABEST	Certification Results
A, Outcome, Choices Participation Rate	47.32%	57.17%	Certified with Qualification
A, Efficiency, Choices Average Monthly Cost per Customer Served	\$160.35	\$323.36	Certified
A.4.1, Output, Choices Entered Employment Rate	74.00%	81.61%	Inaccurate
A.1.1, Output, Choices Employment Retention Rate	58.00%	74.48%	Certified with Qualification
<p>A measure is Certified if reported performance is within +/-5 percent of actual performance and if controls appear adequate to ensure accuracy for collecting and reporting performance data.</p> <p>A measure is Certified With Qualification if reported performance is within +/-5 percent of actual performance but controls over data collection and reporting are not adequate to ensure continued accuracy.</p> <p>A measure is Inaccurate when reported performance is not within +/-5 percent of actual performance or there are more than two errors in the sample tested.</p> <p>Factors Prevent Certification when actual performance cannot be determined because of insufficient documentation and inadequate controls or when there is deviation from the measure definition and the auditor cannot determine the correct result.</p>			

Choices Participation Rate

This reported performance measure—57.17 percent—was certified with qualification. Auditors identified errors in 10 percent of sampled items, but the errors did not result in inaccurate reporting. However, this performance measure was certified with qualification because the local workforce development boards do not adequately control access to information systems used for reporting this performance measure. For example, six employees at two local workforce development boards auditors visited had the highest administrative security level for TWIST. This level of access allows users to change or delete information for clients at all local workforce development boards. Other access control issues at the local workforce development boards

included not removing access rights for terminated employees and routine use of generic user accounts for temporary workers.

Choices Average Monthly Cost per Customer Served

This reported performance measure—\$323.36— was certified. While no errors were identified, the performance target of \$160.35 was not met.

Choices Entered Employment Rate

This reported performance measure—81.61 percent—was inaccurate. Auditors identified sampled clients with no wage information whose employment was not adequately verified by local workforce development boards and their subcontractors.

Choices Employment Retention Rate

This reported performance measure—74.48 percent—was certified with qualification. The error rate was less than 2 percent. However, the denominator for this measure is calculated in a manner similar to the numerator for the performance measure that was inaccurate (Choices Entered Employment Rate).

Recommendations

The Commission should:

- Require additional monitoring and verification when local workforce development boards' subcontractors count clients who have no wage information as having entered employment.
- Work with the local workforce development boards to ensure that users have the appropriate level of access to TWIST to perform their duties.
- Require local workforce development boards to routinely review TWIST user accounts to remove user accounts for individuals who no longer require access.
- Require local workforce development boards to set up unique user accounts for all TWIST users.

Management's Response

TWC's Regulatory Integrity Division will focus additional monitoring and verification efforts where Boards' subcontractors count clients who have no wage information as having entered employment.

TWC requires all users of any of its information systems, including TWIST, to sign security agreements. TWC has also released guidance to the Boards that strictly prohibits the use of generic user accounts. Subrecipient monitors will heighten their efforts in ensuring that the Boards and the contractors are in compliance with our security requirements.

Appendices

Appendix 1

Objectives, Scope, and Methodology

Objectives

The audit objectives were to:

- Determine whether the Workforce Commission (Commission) ensures that the Temporary Assistance for Needy Families (TANF) Choices program's purpose of ending the dependence of needy parents on governmental benefits by promoting job preparation and work is achieved.
- Determine whether selected local workforce development boards have appropriate processes in place to ensure that the TANF Choices program's purpose is achieved.

Scope

The scope of this audit covered fiscal year 2006 and 2007 Choices program case files and fiscal year 2006 performance measures. Auditors also reviewed local workforce development boards' expenditures, client services, and client wages for fiscal years 2003 through 2006.

Methodology

The audit methodology included conducting interviews with staff at the Commission and local workforce development boards; reviewing Choices program documentation, case files, and requirements; testing case files against program requirements; determining the reliability of selected performance measures; analyzing local workforce development board expenditures; and analyzing trends in Choices program outcomes.

Information collected and reviewed included the following:

- Commission monitoring policies and procedures.
- Commission contract management policies and procedures.
- Selected local workforce development board and subcontractor policies and procedures for Choices case management.
- Information on the Commission's sanctions of local workforce development boards.

- Information on specific services provided to Choices clients from fiscal year 2003 through fiscal year 2006.
- Information on Choices clients' wages from fiscal year 2003 through fiscal year 2006.
- Performance measure definitions and methodologies from ABEST.
- Commission procedures for compiling performance measure data and calculating performance measures it reports in ABEST.
- Information on technical assistance the Commission provides to local workforce development boards.
- Strategic plans at selected local workforce development boards.

Procedures and tests conducted included the following:

- Interviewed Commission staff, local workforce development board staff, and subcontractor staff to gain an understanding of administration of the Choices program.
- Tested selected Choices program client case files for compliance with program requirements.
- Analyzed Choices program data in The Workforce Information System of Texas (TWIST).
- Analyzed data regarding workforce development board expenditures in the Commission's Cash Draw and Expenditure Reporting (CDER) system.
- Tested a sample of local workforce development board expenditures from fiscal year 2006 for compliance with program requirements.
- Verified the Commission's performance measure calculations for accuracy and consistency with the methodology agreed upon by the Commission and the Legislative Budget Board.
- Analyzed the flow of data to evaluate whether proper controls were in place.
- Tested a sample of source documents to verify the accuracy of reported performance.
- Performed a review of all information systems that supported the performance measure data.

Criteria used included the following:

- Title 40, Texas Administrative Code, Chapter 811.
- Title 40, Texas Administrative Code, Chapter 800.
- *Choices: A Comprehensive Guide*, Workforce Commission, December 2005.
- Title 40, Code of Federal Regulations, Section 263.2.
- Legislative Budget Board performance measure definitions and methodology in ABEST.

Project Information

Audit fieldwork was conducted from May 2007 through July 2007. This audit was conducted in accordance with generally accepted government auditing standards.

The following members of the State Auditor's staff performed the audit:

- Scott Boston, MPAff (Project Manager)
- Juan Sanchez, MPA, CGAP (Assistant Project Manager)
- Kelley Bellah
- Jennifer Lehman, MBA, CGAP
- Veda Bragg Mendoza, CIA, CGAP
- Sherry Sewell, CGAP
- John Swinton, CGFM, MPAff
- Jennifer Wiederhold, CGAP
- Marlen Randy Kraemer, MBA, CISA (Information Systems Audit Team)
- Dennis Ray Bushnell, CPA (Quality Control Reviewer)
- John Young, MPAff, CGAP (Audit Manager)

List of Local Workforce Development Boards and Their Fiscal Year 2006 Caseloads and Expenditures

Table 3 summarizes the 28 local workforce development boards' caseloads and expenditures in fiscal year 2006.

Table 3

Local Workforce Development Board Caseloads and Expenditures Fiscal Year 2006				
Local Workforce Development Board/ Location/ Workforce Development Area	Counties Served	Caseload in First Month of Fiscal Year 2006	Caseload in Last Month of Fiscal Year 2006	Total Expenditures in Fiscal Year 2006
Panhandle Workforce Development Board (doing business as Panhandle WorkSource) Amarillo, Texas Workforce Development Area 1	Armstrong, Briscoe, Carson, Castro, Childress, Collingsworth, Dallam, Deaf Smith, Donley, Gray, Hall, Hansford, Hartley, Hemphill, Hutchinson, Lipscomb, Moore, Ochiltree, Oldham, Parmer, Potter, Randall, Roberts, Sherman, Swisher, Wheeler	374	300	\$ 1,351,063.46
South Plains Workforce Development Board (doing business as WorkSource of the South Plains) Lubbock, Texas Workforce Development Area 2	Bailey, Cochran, Crosby, Dickens, Floyd, Hale, Hockley, King, Lamb, Lynn, Motley, Terry, Yoakum, Garza, Lubbock	573	348	1,786,928.13
North Texas Workforce Development Board, Inc. (doing business as Workforce Resource) Wichita Falls, Texas Workforce Development Area 3	Archer, Baylor, Clay, Cottle, Foard, Hardeman, Jack, Montague, Wichita, Wilbarger, Young	222	145	780,698.00
North Central Texas Workforce Development Board Arlington, Texas Workforce Development Area 4	Collin, Denton, Ellis, Erath, Hood, Hunt, Johnson, Kaufman, Navarro, Palo Pinto, Parker, Rockwall, Somervell, Wise	819	666	2,639,181.00
Tarrant County Workforce Development Board (doing business as Workforce Solutions for Tarrant County) Fort Worth, Texas Workforce Development Area 5	Tarrant	1,217	875	4,864,157.74
Dallas County Workforce Development Board (doing business as WorkSource for Dallas County) Dallas, Texas Workforce Development Area 6	Dallas	2,451	1,855	7,921,877.39
North East Texas Workforce Development Board Wake Village, Texas Workforce Development Area 7	Bowie, Cass, Delta, Franklin, Hopkins, Lamar, Morris, Red River, Titus	196	183	1,154,352.71

**Local Workforce Development Board Caseloads and Expenditures
Fiscal Year 2006**

Local Workforce Development Board/ Location/ Workforce Development Area	Counties Served	Caseload in First Month of Fiscal Year 2006	Caseload in Last Month of Fiscal Year 2006	Total Expenditures in Fiscal Year 2006
East Texas Workforce Development Board Kilgore, Texas Workforce Development Area 8	Anderson, Camp, Cherokee, Gregg, Harrison, Henderson, Marion, Panola, Rains, Rusk, Smith, Upshur, Van Zandt, Wood	505	337	2,274,038.00
West Central Texas Workforce Development Board Abilene, Texas Workforce Development Area 9	Brown, Callahan, Coleman, Comanche, Eastland, Fisher, Haskell, Jones, Kent, Knox, Mitchell, Nolan, Runnels, Scurry, Shackelford, Stephens, Stonewall, Taylor, Throckmorton	378	281	1,672,361.41
Upper Rio Grande Workforce Development Board El Paso, Texas Workforce Development Area 10	Brewster, Culberson, El Paso, Hudspeth, Jeff Davis, Presidio	1,003	823	4,446,126.68
Permian Basin Workforce Development Board Midland, Texas Workforce Development Area 11	Andrews, Borden, Crane, Dawson, Ector, Gaines, Glasscock, Howard, Loving, Martin, Midland, Pecos, Reeves, Terrell, Upton, Ward, Winkler	380	237	1,609,751.54
Concho Valley Workforce Development Board (doing business as Workforce Solutions of the Concho Valley) San Angelo, Texas Workforce Development Area 12	Coke, Concho, Crockett, Irion, Kimble, Mason, McCulloch, Menard, Reagan, Schleicher, Sterling, Sutton, Tom Green	128	81	531,508.02
Heart of Texas Workforce Development Board (doing business as Heart of Texas Workforce) Waco, Texas Workforce Development Area 13	Bosque, Falls, Freestone, Hill, Limestone, McLennan	517	278	1,977,545.22
WorkSource-Greater Austin Area Workforce Board Austin, Texas Workforce Development Area 14	Travis	759	696	2,954,006.41
Rural Capital Area Workforce Development Board, Inc. Round Rock, Texas Workforce Development Area 15	Bastrop, Blanco, Burnet, Caldwell, Fayette, Hays, Lee, Llano, Williamson	359	260	1,050,013.55
Brazos Valley Workforce Development Board (doing business as Workforce Solutions-Brazos valley) Bryan, Texas Workforce Development Area 16	Brazos, Burleson, Grimes, Leon, Madison, Robertson, Washington	169	187	942,123.34
Deep East Texas Workforce Development Board (doing business as Workforce Solutions Deep East Texas) Lufkin, Texas Workforce Development Area 17	Angelina, Houston, Jasper, Nacogdoches, Newton, Polk, Sabine, San Augustine, San Jacinto, Shelby, Trinity, Tyler	480	282	1,799,766.00

**Local Workforce Development Board Caseloads and Expenditures
Fiscal Year 2006**

Local Workforce Development Board/ Location/ Workforce Development Area	Counties Served	Caseload in First Month of Fiscal Year 2006	Caseload in Last Month of Fiscal Year 2006	Total Expenditures in Fiscal Year 2006
South East Texas Workforce Development Board Port Arthur, Texas Workforce Development Area 18	Hardin, Jefferson, Orange	332	224	1,441,731.89
Golden Crescent Workforce Development Board (doing business as Texas Workforce Solutions of the Golden Crescent) Victoria, Texas Workforce Development Area 19	Calhoun, DeWitt, Goliad, Gonzales, Jackson, Lavaca, Victoria	210	131	804,586.36
Alamo WorkSource San Antonio, Texas Workforce Development Area 20	Atascosa, Bandera, Bexar, Comal, Frio, Gillespie, Guadalupe, Karnes, Kendall, Kerr, Medina, Wilson	2,381	1,388	5,650,945.53
South Texas Workforce Development Board Laredo, Texas Workforce Development Area 21	Jim Hogg, Webb, Zapata	314	193	1,350,174.88
Coastal Bend Workforce Development Board (doing business as WorkSource of the Coastal Bend) Corpus Christi, Texas Workforce Development Area 22	Aransas, Bee, Brooks, Duval, Jim Wells, Kenedy, Kleberg, Live Oak, McMullen, Nueces, Refugio, San Patricio	798	748	3,336,900.90
Lower Rio Grande Workforce Development Board (doing business as WorkFORCE Solutions) Edinburg, Texas Workforce Development Area 23	Hidalgo, Starr, Willacy	1,756	1,321	5,720,452.40
Cameron Works, Inc. Brownsville, Texas Workforce Development Area 24	Cameron	672	501	2,670,241.00
Texoma Workforce Development Board (doing business as Workforce Texoma) Sherman, Texas Workforce Development Area 25	Cooke, Fannin, Grayson	52	34	428,452.63
Central Texas Workforce Development Board (doing business as Central Texas Workforce) Belton, Texas Workforce Development Area 26	Bell, Coryell, Hamilton, Lampasas, Milam, Mills, San Saba	417	367	1,304,237.04
Middle Rio Grande Workforce Development Board Uvalde, Texas Workforce Development Area 27	Dimmit, Edwards, Kinney, LaSalle, Maverick, Real, Uvalde, Val Verde, Zavala	304	199	1,158,362.22

Local Workforce Development Board Caseloads and Expenditures Fiscal Year 2006				
Local Workforce Development Board/ Location/ Workforce Development Area	Counties Served	Caseload in First Month of Fiscal Year 2006	Caseload in Last Month of Fiscal Year 2006	Total Expenditures in Fiscal Year 2006
Gulf Coast Workforce Development Board (doing business as The WorkSource) Houston, Texas Workforce Development Area 28	Austin, Brazoria, Chambers, Colorado, Fort Bend, Galveston, Harris, Liberty, Matagorda, Montgomery, Walker, Waller, Wharton	7,634	5,377	14,765,245.05
Totals		25,400	18,317	\$78,386,828.50

Source: Unaudited data from the Workforce Commission.

List of Selected Government Assistance Programs and Associated Income Eligibility Limits

Table 4 lists selected government assistance programs and the maximum percent of the federal poverty level required to be eligible for these programs.

Table 4

Maximum Percent of Federal Poverty Level to Be Eligible for Government Assistance Programs Fiscal Year 2006	
Program	Maximum Percent of Federal Poverty Level To Be Eligible
Women, Infants, and Children (WIC) Nutrition Program	185% of federal poverty level
Reduced Priced School Meals	185% of federal poverty level
Free School Meals	130% of federal poverty level
Food Stamps	130% of federal poverty level
Children's Health Insurance Program (CHIP)	200% of federal poverty level
Medicaid - Pregnant women	185% of federal poverty level
Medicaid - Newborns up to age 1	185% of federal poverty level
Medicaid - Children ages 1 to 5	133% of federal poverty level
Medicaid - Children ages 6 to 18	100% of federal poverty level

Sources: U.S. Department of Agriculture, Food and Nutrition Service; and *Texas Medicaid in Perspective*, Sixth Edition, Health and Human Services Commission, January 2007.

Management's Overall Response

TWC appreciates the SAO's recognition of activities that we are doing well. TWC and the 28 local workforce development boards (Boards) strive to provide services to all TANF/Choices clients. Although the ultimate goal of the TANF program is to end needy parents' dependence on government benefits, as many as half of the TANF clients are exempt from actively seeking employment. The Boards provide incentives that are designed to encourage the exempt population to participate in job readiness programs that will ultimately move them to self-sufficiency. It is important to note that since 1995 the services provided by TWC and the Boards have resulted in a decline of over 70% of adult cases receiving TANF and 50% of all cases.

Other State Auditor's Office Work

Other SAO Work		
Number	Product Name	Release Date
06-705	A Classification Compliance Review Report on the State's Employment Positions	May 2006
06-008	An Audit Report on the Unemployment Insurance Program at the Texas Workforce Commission	September 2005
03-006	An Audit Report on the Child Care Program at the Texas Workforce Commission	October 2002
01-022	An Audit Report on the Local Workforce Boards	March 2001
99-051	An Audit Report on Welfare Reform Implementation at the Texas Workforce Commission	August 1999

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The Honorable Tom Craddick, Speaker of the House, Joint Chair
The Honorable Steve Ogden, Senate Finance Committee
The Honorable Thomas “Tommy” Williams, Member, Texas Senate
The Honorable Warren Chisum, House Appropriations Committee
The Honorable Jim Keffer, House Ways and Means Committee

Office of the Governor

The Honorable Rick Perry, Governor

Members of the Workforce Commission

Ms. Diane D. Rath, Chair and Commissioner Representing the Public
Mr. Ronald G. Congleton, Commissioner Representing Labor
Mr. Ron Lehman, Commissioner Representing Employers

Workforce Commission

Mr. Larry Temple, Executive Director



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