

Secretary of State Audit Report

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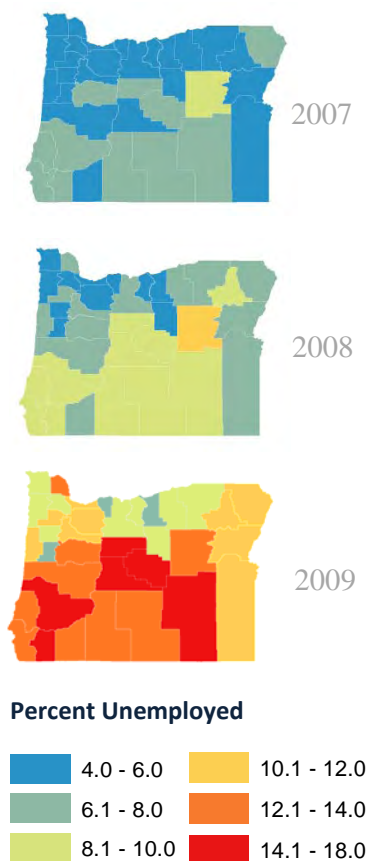


Note: Page 26 was revised in August 2014. The report was originally released in April 2014.
The revised information shows as a strikethrough.

Temporary Assistance for Needy Families: High Expectations, Stronger Partnerships, and Better Data Could Help More Parents Find Work

Summary

Figure 1: Unemployment Rate by County, 2007-2009



Source: Bureau of Labor Statistics

Oregon's Temporary Assistance for Needy Families (TANF) program sends monthly cash payments to thousands of the poorest families in the state. In return, TANF requires clients to find work or participate in activities to help them become more self-sufficient.

After the recession hit in 2008, Oregon, like other states, had to decide how to respond to growing demand for aid. With federal TANF contributions fixed, the state could restrict new applicants to conserve dwindling state money. Or it could leave the doors open and see cases and state spending rise.

Oregon, more than any other state, chose the latter approach. Growth in Oregon's TANF program, commonly known as welfare, led the nation from 2007 to 2013. Caseloads swelled, hitting up to 200 families per case manager.

That approach sent aid to far more families in deep poverty, typically single mothers with young children. At last count, Oregon provided benefits to a higher proportion of poor families than 41 other states, giving more parents a leg up to stabilize their homes.

To help cover aid for more families, however, the 2011 Legislature slashed money for services designed to help parents move toward work and self-sufficiency. Subsidized child care dropped. Three-quarters of the program's contractors were cut, including those who helped clients address addictions and mental health problems. Case managers found themselves with roughly twice as many clients to work with, and fewer tools to help them.

Despite the cuts and increased workload, we saw impressive success stories in our review, with case managers, contractors, and community partners helping impoverished parents find employment, at times after overcoming severe health or addiction problems.

We also found little to no progress in moving many clients toward self-sufficiency, a trend that increased after the 2011 reductions.

We saw lost years in case records, with clients asked to do nothing. Clients were often not held accountable for missed appointments or not participating in program activities. There were gaps, months or years long, with no significant contact between case managers and clients. Oregon clients spend relatively few hours in self-sufficiency activities. In our test month of June 2013, two thirds of clients recorded no activity at all.

In general, the TANF program did not measure individual client progress. Case plans, intended as clients' detailed "road map to self-sufficiency," were reduced to a few words, if prepared at all. Five-year time limits, designed to build urgency into the system, had little to no effect. Because of state exemptions, in the 17 years since Congress passed welfare reform, no clients on TANF solely in Oregon have had their benefits reduced because of time limits.

The Department of Human Services (DHS), which runs the TANF program, is in a tough spot. The improved economy is gradually reducing TANF cases, but not fast enough to get back to pre-recession levels for many years. Absent more effective action to move more clients into jobs, the dollars dedicated to basic benefits will remain relatively high.

DHS is making improvements, among them converting eligibility worker positions in its budget to hire 162 more case managers.

We identified other steps DHS management could take – and the Legislature could consider – to put Oregon's TANF program on more solid ground.

In general, we recommend that DHS significantly raise expectations of clients, build stronger partnerships with Coordinated Care Organizations and other groups to improve client services, and use available data to better assist clients, track their progress, and evaluate the performance of program initiatives.

The Legislature can help by revisiting decisions made during the recession, giving case managers more flexibility in managing uncooperative clients, reducing the sudden drop in benefits when TANF clients find work, and adding small-scale incentives that encourage clients to make progress.

Agency Response

The agency response is attached at the end of the report.

Appendices

Attached at the end of the report are a list of promising practices and full-page maps.

Background

How TANF works

TANF serves extremely poor families, 96% earning no income at all. Parents or guardians with at least one child under 18 receive cash— on average, \$450 a month for a single parent with two children. The payment is designed to help stabilize struggling families and promote the long-term success of children. The state also provides client services, such as child care subsidies and job training.

In exchange, the clients, mostly single mothers, are typically required to work, look for jobs, or participate in training or medical treatment designed to move them toward work and “self-sufficiency.” Since Congress passed welfare reform in 1996, a primary emphasis has been on helping TANF participants find a job. Clients are limited to 60 months on TANF, though exceptions are allowed.

The amount of Oregon’s cash payment to individual families has risen little in the past 15 years. In 1997, the maximum payment for a family of three was \$503, and would have needed to rise to \$730 by 2013 to keep pace with inflation. Instead, it rose \$3, to \$506 a month.

Other parts of the safety net partially fill the gap. Almost all the state’s TANF recipients have medical expenses covered by Medicaid and receive assistance from the Supplemental Nutrition Assistance Program (SNAP), commonly known as food stamps. About one in six TANF families live in subsidized housing. Some receive Women, Infant, and Children food assistance, utility subsidies, and support from community groups such as food pantries or homeless shelters.

About one in three Oregonians receive some form of public assistance, such as TANF, SNAP, and Medicaid, according to the most current figures. In 2013, TANF covered roughly one in 40 Oregonians.

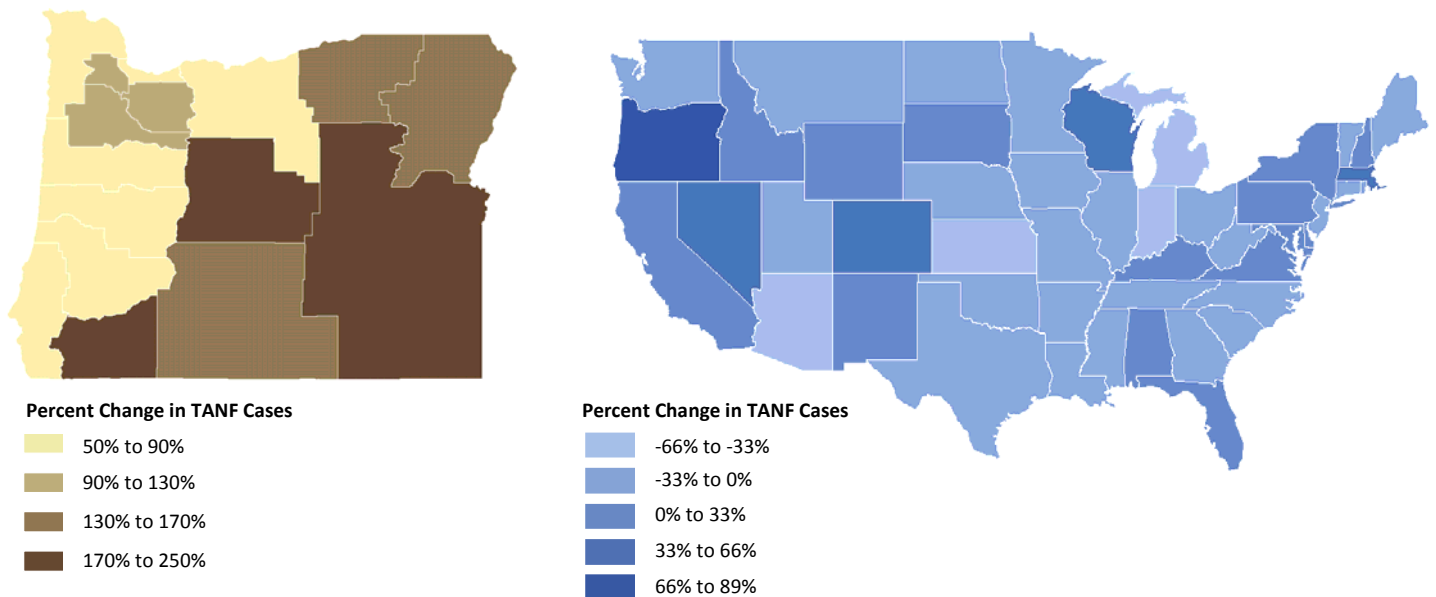
The federal government sends DHS a fixed block grant of \$167 million a year to help fund the program. To get the federal money, the state has to contribute at least \$92 million annually. For the 2013-15 biennium, the total TANF budget is about \$500 million.

The recession’s toll

The recession’s effects varied widely across Oregon. Oregon State University’s economic impact helped keep unemployment and cash assistance growth lower in Benton County, for example. Jackson and Deschutes counties, devastated by the housing bubble and financial crisis, had the largest TANF case growth in the state, see figure 2.

Cases surged overall in Oregon, with the state's case growth since 2007 leading the nation by a wide margin.

Figure 2: State and National TANF Case Growth, 2007-2013



Sources: DHS and U.S. Department of Health and Human Services

Nationwide, the number of TANF cases grew less than 3% in the last six years as other states, including Washington, tightened eligibility requirements and enforced stricter time limits. In Oregon, the number of single parent families in the TANF program almost doubled from 2007 to 2013, and the number of two-parent families increased fivefold.

Oregon focused on providing a safety net to a larger population in need. At last count, its program covered about a third of the families below the poverty level, one of the highest coverage rates in the nation. In June 2013, more than 95,000 Oregonians from 35,000 families received TANF.

But helping more families before and after the recession has also come at a cost.

Oregon cut services, increased workloads to allow more payments

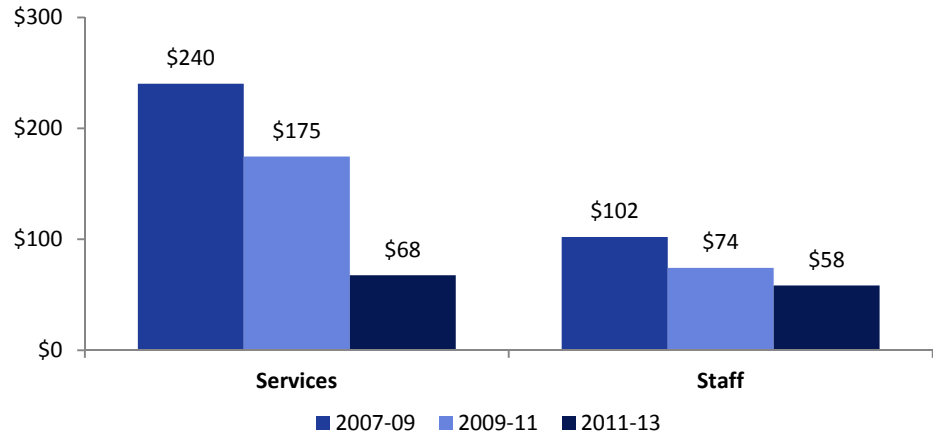
Unlike other federal programs, federal support of TANF is capped. When needs increase, states that want to provide more families with a steady level of cash assistance can add state funding, increase workloads or decrease services for clients.

Oregon did all three.

To cover a larger volume of cash payments, Oregon's general fund expenditures on TANF rose from \$166 million in 2007-09 to \$254 million in 2013-15, a 53% increase. With case growth, however, the total monthly spending per family dropped from about \$800 to less than \$600.

The Legislature cut state funding for client services by half in 2011 and kept staffing flat amid rapid case growth. As shown in Figure 3, per family spending for staff and services dropped sharply after 2007-09.

Figure 3: Average Monthly Expenditures per TANF Family



Source: Auditor Analysis of DHS Data

Oregon's approach allowed cash payments to grow as state tax revenues fell. But it roughly doubled the workload for case managers. The number of families per employee grew to around 200 in some branches around the state. At that level, we estimate, TANF case managers have less than 40 minutes a month to work with each family and handle eligibility reviews.

Figure 4: JOBS Services Cut in 2011

Currently Available

- Job Search
- Work Experience
- Subsidized Employment (limited)
- High School Diploma or GED (limited)

No Longer Available

- Adult Basic Education
- English as a Second Language
- Life Skills
- JOBS Skills Training
- Community Services Program
- Vocational Training
- On the Job Training
- Employment Retention
- Parents as Scholars
- Program Entry/Holistic Orientation
- Child Related Activities
- Domestic Violence
- Drug and Alcohol
- Mental Health
- Learning Disability Assessment
- Short-Term Medical Issues
- Rehabilitative Services

DHS plans to hire 162 new case managers by June, bringing the total to about 400. The additional workers came after the Legislature allowed DHS to convert eligibility positions into new case managers. Assuming DHS can manage the eligibility workload with fewer eligibility staff, the conversion should eventually increase the time case managers spend with clients.

Service cuts remain. Figure 4 highlights the services cut in 2011 in the Job Opportunity and Basic Skills (JOBS) program, DHS's menu of activities for TANF clients. After the reductions, Oregon chose to focus on its "near job ready" clients, limiting services primarily to job search and unpaid work experience. Only 20% of clients have access to the limited job training services.

The cuts eliminated money for better client assessments, holistic services for clients and other reforms included in House Bill 2469, which the Legislature passed in 2007.

Subsidies for child care and transportation dropped. Opportunities to pursue post-secondary education were eliminated for new clients. Three quarters of the program's contractors were let go, including contractors who coordinated mental health and drug and alcohol treatment for clients.

By 2012, Oregon spent more than the national average on cash payments and less on services. In that year, just 3% of Oregon's TANF spending went

toward child care assistance, compared to 13% nationally. Oregon's education spending for TANF clients also ranked low.

Sub-par performance results

The reductions hit a program with a history of sub-par results on several federal performance measures. Oregon has ranked relatively low since 2006 for TANF recipients entering jobs and retaining them.

In 2010, the most recent year of comparative data, Oregon ranked 39th among the states in job entry and 36th in retention, but had a relatively high ranking of 17th in earnings gain after TANF clients got jobs. About 23% of clients landed new jobs that year, 2 percentage points below the national average.

Oregon ranked lowest in the nation for TANF clients participating in work or "work-related activities," roughly 8% in the last federal comparison in 2010. Reported participation has risen dramatically since 2011, nearing 50%, because the state is now using TANF funds to pay a \$10 "Job Participation Incentive" to about 16,000 working adults on food stamps who meet federal work requirements. The small monthly stipends should allow the state to avoid tens of millions in federal penalties for participation below 50%. But the underlying participation rate for TANF recipients receiving the standard monthly payment remains in single digits.

Federal rules require the state to contribute an additional \$6 million in funding per year due to low work participation. The state has also moved two-parent families, which have a higher required participation rate, to state funding to avoid federal penalties for low participation. That shift costs the state \$36 million a year.

Other states have higher work participation numbers in part because they keep more working people on TANF. Oregon cuts off payments when a single parent with two children earns just \$617 a month, or about \$7,400 a year. That threshold is lower than most states, including California (\$1,387) and Washington (\$954). The early cut off leaves few workers in Oregon's TANF program, lowering the work participation rate among its clients.

The proportion of Oregon TANF clients landing jobs is also relatively low nationally, federal comparisons indicate. The federal measures have flaws, such as devaluing education and health treatment. However, the general trend indicates Oregon lags on employment of TANF recipients.

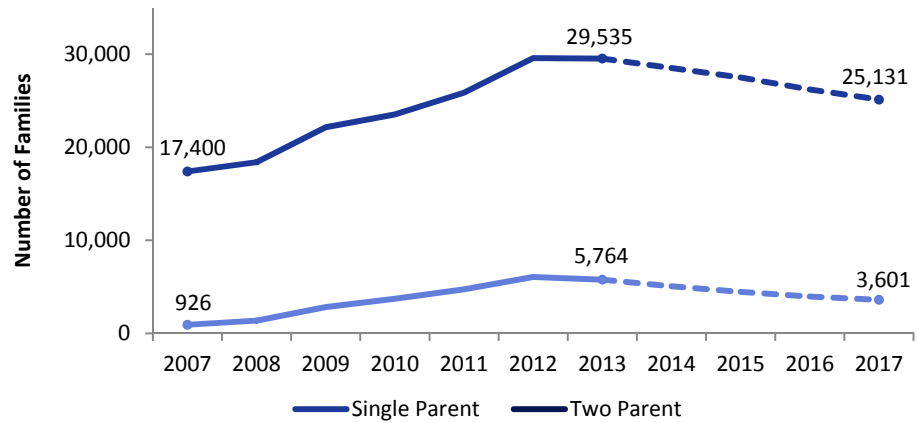
A lingering impact

With the state's economy gradually improving, DHS predicts TANF cases will decline a few percent each year. As shown in Figure 5, that will still leave the number of cases well above 2007 levels for years to come.

Many clients do leave the TANF program. DHS told us that more than 15,000 adults left TANF during 2012. Many of those who left were still

working the following year, though average earnings remained close to the federal poverty level. Nearly as many adults entered the program during 2012, so the overall caseload did not decline.

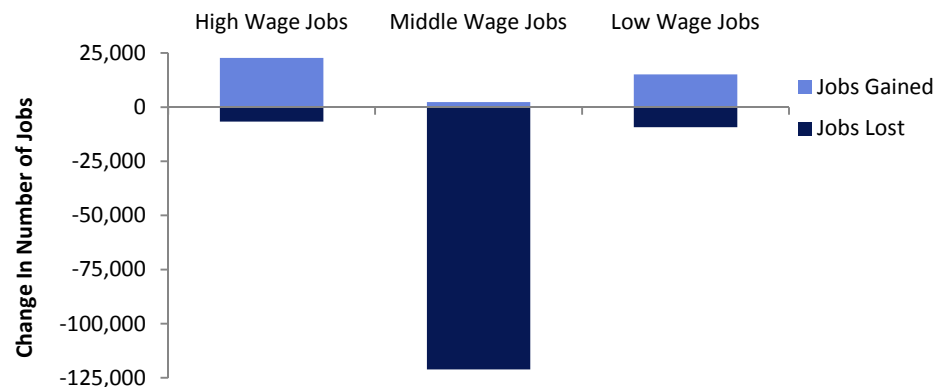
Figure 5: TANF Families, Historic Cases 2007-2013, DHS Forecast 2014-2017



Source: DHS

Low-wage jobs are growing, as Figure 6 shows, and TANF cases should continue to drop as the economy improves. However, middle-wage jobs lost considerable ground during the recession, requiring TANF clients to compete with former middle-income workers for low-wage jobs.

Figure 6: Job Polarization in Oregon, 2008-2012



Source: Bureau of Labor Statistics

Oregon's service cuts for clients with addictions or mental and physical health barriers to work have also made it harder to reduce cases. Those clients are already likely to stay in the program the longest, and are now being given little help to get off TANF.

Hiring more case managers should help address some problems. DHS has recently taken other steps to improve its TANF efforts, planning new pilot programs and surveying best practices across the state.

The agency is also cooperating with two broader executive branch efforts to address poverty: The Oregon Prosperity Initiative, which aims to reduce income inequality, and a redesign of Oregon's workforce training and employment support programs.

We estimate 2015-17 general fund expenditures for TANF will be \$36 million lower than in 2013-15, but still \$52 million more than before the recession. That is assuming no money is added to restore services cut since 2011.

DHS estimates that by 2017 about 50% more families will receive TANF than before the recession – unless the state can do more to move TANF families toward self-sufficiency.

Audit Results

The model program

Oregon's problems with its TANF program do not stem from low aspirations. In plans filed with the federal government and in instructions for case managers, the state spells out detailed practices that would clearly benefit clients, if completely implemented. Various best practices in other states also help show how a model program would work.

Under Oregon's protocol, TANF workers would thoroughly assess clients when they apply or re-apply for cash benefits. Based on that assessment, workers would create detailed case plans that incorporate client preferences, strengths, and challenges.

The plans would connect clients to activities with successful track records, and help build work-related skills, such as resume writing, General Equivalency Degree (GED) completion, skills training, job search, and work experience. Clients with addictions or mental or physical health problems would be connected to treatment and activities such as vocational rehabilitation.

To understand clients better, case managers could easily tap state data sources – medical, work and criminal histories, for example. They would also get a reliable snapshot of information from the program's computer system, including a client's record of cooperation with the TANF program and job and education history.

As cases progress, workers would consistently create high expectations for clients. Case managers would track clients' progress, with intensive check-ins periodically. They would keep close tabs, contacting clients at least once a month. Workers and supervisors could quickly see if clients were making appointments and meeting overall participation goals.

When clients found work or met other goals, they would be rewarded with incentives. If they missed activities without good cause, they would be quickly held accountable and encouraged to reconnect. Time limits on the cash payments would provide an overall backstop, helping motivate clients and case managers to take advantage of the services while they are available.

We found Oregon falls short in all these areas. Caseload growth and service cuts are playing a significant role. So are federal rules, antiquated computer systems, scattershot accountability, and limited coordination with partners.

To reach our conclusions, we spoke with workers and supervisors in eight self-sufficiency offices around the state, extensively analyzed data on TANF clients, and reviewed 81 cases in-depth. We also evaluated social science and economics research, examined promising practices in other states and

within Oregon, talked with client advocates, and met frequently with DHS management.

Importantly, we identified opportunities for improvement that would allow Oregon to better achieve its own ambitious standards for TANF, tapping the many workers who seemed eager to help their clients— among the poorest of the poor — make meaningful progress.

Client engagement is often minimal

Initial client assessments lack detail

When clients apply for TANF, Oregon’s case managers face two significant problems in gauging how prepared they are for work: an information deficit and a lack of in-depth assessment by trained professionals.

As we will detail later, case managers have limited access to crucial client data maintained by contractors and the state, in some cases by DHS itself. That includes key information held by employment contractors, criminal records, and medical data that could help determine whether clients have a “barrier” to work, typically addictions or mental and physical health problems.

Clients often re-apply for TANF, with years of history on and off the program as jobs come and go. Yet basic data about the clients in the TANF program’s computer system, including their education level, prior job history, health status, and history of participation in the program, is often either unreliable or difficult to extract from hundreds of individual client entries.

State statutes require “an in-depth assessment” for clients who may have barriers. In the past, case managers have relied largely on state contracts with licensed professionals to help evaluate clients. Addiction counselors screen for drug problems, for example.

DHS branches largely eliminated those contractors after the 2011 budget cuts, leaving the assessments to case managers. They have to determine whether clients are “job ready,” “near job ready” or “least job ready,” with clients facing the greatest barriers usually placed in the least ready category and offered limited services at best.

That approach requires case managers to make medical judgments they are often not confident in and to rely on client self-disclosures on sensitive subjects, including addiction, domestic violence and mental health problems.

The lack of detailed assessments up front leaves case managers with an information void. It increases the potential to miss significant client problems or steer clients toward inappropriate activities.

Case plans are often meager or not prepared at all

Oregon's statewide TANF plan describes case plans, signed by clients, as the client's primary agreement with DHS. They are, the plan says, "the road map for the client in their journey toward enhanced self-sufficiency." They represent the case manager and client's best thinking, are individualized and document where, when, how and by whom activities will be provided.

In practice, however, our review found two key problems:

- Two thirds of work eligible adults as of June 2013 did not have an active case plan;
- For those who did have plans, the goals were often reduced to a few boilerplate words and included few details.

In our case reviews, the goal sections typically ranged from "find employment" to "employment" to simply, "job" or "work." Client strengths and interests were rarely mentioned. There were often few details of specific activities, and no milestones listed for clients to reach.

During our visits, case managers noted they have little time to spend with clients. DHS officials said contractors, such as WorkSource Oregon, include specific goals once they meet with some "job ready" clients.

Case plans can make a difference. Evidence indicates that creating a case plan for each TANF participant soon after enrollment boosts participation in the program's activities. DHS data showed 93% of the clients who found work in June 2013 had case plans.

As envisioned by the state, the case plans are also a method to build relationships with clients and lay out expectations in detail, providing a tool to improve accountability. They do not appear to be widely used for either purpose now.

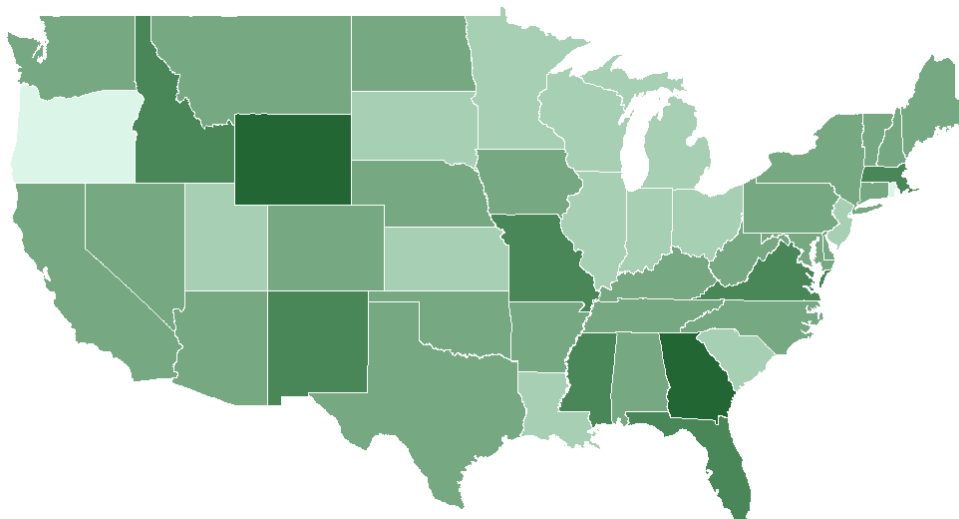
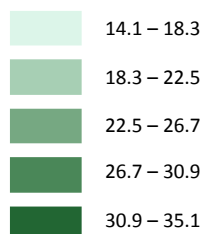
Little is asked of many clients

A basic premise of TANF is that recipients will participate in activities that help them become more self-sufficient in return for cash benefits, with the main emphasis on finding a job.

Federal data indicates Oregon records more clients than most other states in mental health care, family support, and addiction treatment. However, in June 2013, DHS recorded no activity at all for two-thirds of Oregon's more than 31,000 clients. And among clients with some activity, Oregon's hours of participation are quite low compared to other states. Average hours in activities for Oregon's participating work-eligible clients, at 14.1 hours a month, was lowest in the nation in 2010, before the 2011 cuts in services, as shown in Figure 7.

Figure 7: Average Hours of Reported Activity Per Work Eligible TANF Client, by state, 2010

Average Hours Reported



Source: U.S. Department of Health and Human Services

DHS says it only has enough resources now to allow about one in five eligible clients to participate in JOBS programs. Case managers told us they have also had to ration how many clients they ask to participate in JOBS activities because of reductions in child care and transportation subsidies. They will not require clients to do something, they said, if they lack the money for child care or transit.

Case Managers are not in contact with some clients for long periods

Oregon’s guidance for case managers calls for contacting clients once a month. In our case reviews, we found yearlong gaps and longer with no meaningful contact between case managers and clients.

Clients with children under six months, exempt from participation requirements, get little to no attention. The same is true for clients who take care of disabled children or relatives. The gaps were routine in our reviews of long-term clients and clients with health conditions that classified them as not job ready.

As noted on pages 4 and 5, between 2007 and 2013, the number of families receiving TANF nearly doubled and the number of case managers remained the same.

Gaps showed up prior to the 2011 cuts and the spike in case manager workload. In our relatively small sample of cases, they appeared far more frequently after the cuts.

In February 2013, for example, a work-eligible 23-year-old mother of a 7-year-old applied for TANF. She had no case plan, no request that she do any activities and no tracking of her case until she obtained a job in late summer.

In March 2011, a case manager noted she “spoke frankly” with a 29-year-old mother of one about “her tendency to promise me things and then to never follow through and ‘disappear.’” She told the client to get mental

health counseling within 30 days and report back with time logs of school attendance and counseling sessions. After that, however, there was no contact for 15 months, with no apparent follow through on the counseling.

In February 2011, a TANF case manager found a client's home below community standards and a registered sex offender living there. The next month, the mother of five said she was going to mental health counseling. Then, despite those problems, there was no TANF program contact, outside of routine annual recertification of benefits and a phone call from the client about benefits, until June 2013, more than two years later. At that point, the woman applied for domestic violence benefits for her and her family because "individuals they were living with (were) hitting children." DHS officials noted that child abuse hotline workers reviewed the case and decided not to investigate further.

Regular contact between case manager and clients helps motivate clients to participate in program activities, researchers note. Without it, a client's personal and family challenges that interfere with participation are more likely to go unaddressed, as is their progress toward employment goals.

Client progress is often not tracked

Related to the lack of contact, we saw large gaps in the tracking of clients' activities and progress in recent years.

Oregon's TANF plan notes that progress evaluation "allows DHS to maintain successful case plans and accurate benefit delivery for our clients." Keeping track of how clients are doing "is where the relationship between the client and DHS staff is developed" and helps clients "become accountable for their own progress."

In the bigger picture, DHS struggles to identify whether clients are proceeding toward self-sufficiency given the limitations of its computer systems. The agency tracks who found jobs. But clients who received significant agency assistance to do so are hard to identify. So are those who have been helped to overcome barriers to work.

Even with an activity as simple as a client pursuing a GED certificate, the system only has codes to note a client is in the program, not if they succeeded.

Clients with health problems have limited options

Activity levels are lower for clients with health challenges, often mental health problems. Oregon records 20% of its clients as having some type of disability, defined as a substantially limiting health problem, and 60% of those clients do not have an active case plan. Of those who do have an active plan, 80% have no activity reported.

Oregon's count of clients with disabilities is likely understated, DHS officials said. State of Washington research of Medicaid records indicates

55% of Washington's TANF clients needed mental health treatment over four years, for example. Oregon doesn't track Medicaid records for TANF clients, but its tally of clients with substantial mental health problems is 11%.

The 2011 service cuts reduced connections between the TANF program and doctors and other service providers who helped clients address health problems. Federal rules also do not count much of the activity for people with disabilities, limiting credit to 12 weeks a year for "rehabilitative services," for example. With the state focused on maximizing its federal participation numbers, the restrictions reduce the incentive for case managers to focus on disabled clients.

Oregon has a state-funded "pre-SSI" program that pays the TANF cash benefit for adults who appear likely to qualify for federal Social Security disability benefits. If clients are accepted in the federal program, the federal government reimburses the state for its payments, though the state continues to pay TANF benefits for the client's children.

Our case reviews found clients classified as disabled whose main strategy was applying to get into the state's pre-SSI program, often with little case manager check-in. The pre-SSI requirement was one hour a week, with application times stretching to six months or more. We also saw clients applying for pre-SSI multiple times, despite prior rejections.

DHS management told us that, given service cuts, there are few activities to offer disabled clients between looking for a job, if possible, and applying for pre-SSI, which has a low acceptance rate. In fiscal year 2013, the pre-SSI program decided on 1,248 applications. Only 208 clients, 17%, were offered the benefit.

We also found DHS tended to keep clients with disabilities out of JOBS activities altogether rather than have them do some work-related activities, such as unpaid work experience and community service, along with treatment. Federal standards give states no work participation credit for clients with less than 20 hours a week of work activity, which could contribute to this trend. The agency's rationing of services also contributed, DHS officials said.

Regardless, the lack of focus on work activities is problematic. In a 2012 review of research targeted at disabled public assistance recipients, federal researchers concluded that "combining work-focused strategies with treatment or services may be more promising than using either strategy alone, especially for people with disabilities and behavioral health problems."

In our review, we also saw that DHS disability analysts review the pre-SSI applications and receive far more information about clients, including detailed medical records, than case managers do.

The analysts often make recommendations for follow-up treatment, from starting mental health care to establishing a primary care physician to considering vocational rehabilitation programs. However, we found several instances in our case review where there was no follow up to the analysts' recommendations, though they were well documented in DHS's computer system.

Our analysis of clients on TANF found that those with disabilities stayed the longest in the program, at 41 months on average. Limiting assistance to overcome barriers and find jobs is likely to keep them on TANF longer.

Oregon's system lacks consistent accountability and incentives

Client accountability is sporadic

Oregon's TANF plan includes "personal responsibility and accountability for parents" among its objectives. And in our case reviews we saw examples of TANF case managers holding clients accountable for missing appointments, prompting them to resume attending activities, looking for work or, in some cases, finding jobs.

Clients with poor attendance were shifted to "re-engagement" meetings to determine why they were not complying with TANF requirements. If they continued not to comply, they had their TANF payments reduced.

However, we also saw frequent examples of missed appointments with no consequences for TANF recipients. At times, the case record indicated little to no progress in moving clients forward.

Oregon's guidelines say case managers should "follow up immediately on all no-shows," and remind the client "immediately" of their accountability for participation. Yet, in our limited review, we found several examples of entire "lost years," where clients did little but miss appointments and avoid accountability for 12 months or more while still receiving regular monthly payments.

In our review of long-term cases, for example, a 43-year-old mother began 2012 with no contact with case managers until April. From April to October, she attended one meeting required to continue her benefits, but otherwise rescheduled or missed meetings, despite reminder calls and two home visits from TANF workers. In October, she showed up for a re-engagement, saying she had a mental illness that prevented her from working. She was referred to the pre-SSI program to apply for Social Security disability, then no-showed for that appointment in December. Her pre-SSI application was turned down in 2013, as previous applications had been in 2009 and 2010. Outside her annual benefit recertification meetings she made one appointment in 2012.

Another client missed 15 of 16 sessions of a "quickstart" program from April 2011 to June 2011 after first going on TANF in January 2011. Her

reasons ranged from sick children to a flat tire to a dead car battery (twice), with no reason given several times. The pattern of missed meetings with no consequences persisted into 2013, though case managers assessed the 41-year-old mother of two as fit for work without barriers multiple times. As of September 2013, 2 ½ years after her entry to TANF, she was only at the second stage of DHS's four-stage sanctions process.

Another client, a father of two with a history of incarceration and alcohol problems, insisted on pursuing a disability application in late 2010 after he and his wife re-applied for TANF. His pre-SSI application was rejected, and he then missed 14 of 14 JOBS and re-engagement appointments from December 2010 to June 2012. After that, he had no activities scheduled, except for benefit recertification, until September 2013, when he was reported in alcohol and drug treatment after a DUI arrest.

DHS officials say clients should be scheduled for re-engagement if they miss meetings without good cause, then sanctioned if they do not cooperate with the re-engagement process. The growing caseload has hindered those efforts, they say, along with case manager confusion about re-engagement and sanctions.

In our reviews, we also found several examples of clients with extremely poor attendance contacting DHS branches for benefit recertifications or for other reasons without any reminder that they need to fulfill program requirements. Often, this was after case managers or DHS's family assistance workers had made unsuccessful attempts to contact the clients. One contributing factor could be DHS's computer system, which doesn't have a simple red flag that would signal a worker not on the case that the client needs a reminder.

Some workers do spot problems nonetheless. In 2008, a 32-year-old disabled mother of one with a poor attendance record called her DHS office to get a bus pass. A worker, not the client's case manager, took the call. She checked the client's screen and talked with her about needing to comply with attendance requirements. Two days later, the client called her case manager to re-engage.

Time limits have little consequence for clients

Like the federal government, Oregon has a 5-year lifetime limit on receiving TANF payments, which are designed to be temporary. To date, however, Oregon has enforced time limits only on a few clients who moved from out of state, according to DHS, and the limits have played little to no role in case manager interaction with clients.

As much as any state, Oregon has chosen to deemphasize time limits, adopting waivers and exemptions that effectively created a separate "state clock" or timeline. Shortly before Congress passed welfare reform in 1996, Oregon obtained a waiver through July 2003, saying it would pursue aggressive re-engagement and sanctions for non-cooperating clients. Oregon counts no time clients spent on TANF during that period.

After 2003, DHS and Oregon's Legislature enacted various hardship exemptions that stopped the state clock for many clients. The broadest, an economic hardship exemption, came from July 2008 to April 2012, when DHS exempted all TANF clients from time limits because of the recession and the lack of jobs available.

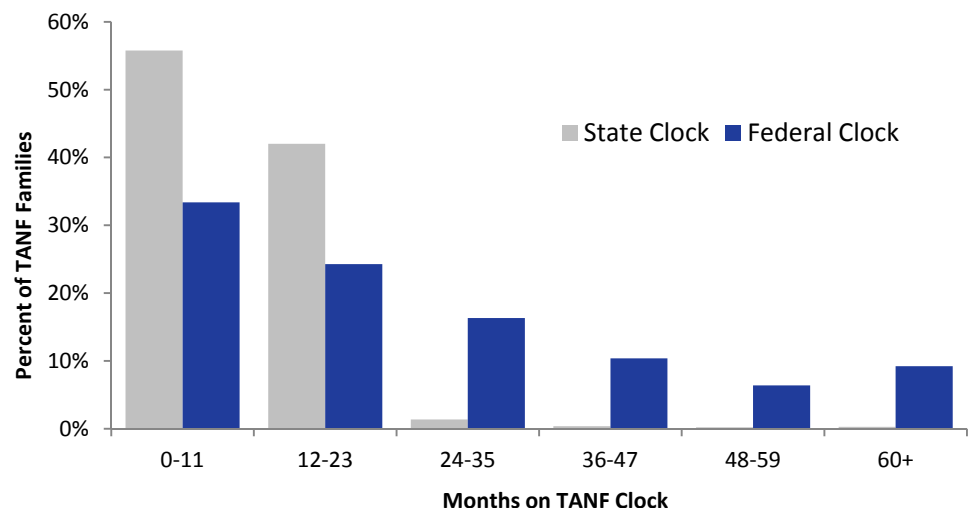
According to federal data, Oregon is one of nine states that did not close any cases because of time limits from 1997 through 2011. Since then, DHS says, few clients have lost the adult portion of their TANF grant because of time limits, and all have been clients who moved to Oregon from other states with stricter rules. Among clients on TANF as of February 2014, less than 100 had their benefits reduced because of time limits.

Opponents of strict time limit enforcement say long-term TANF clients typically have barriers that make it harder to find work, and note that studies show generally poor outcomes for families removed from TANF because of time limits. Supporters, including several case managers and supervisors we spoke with, said stricter enforcement would prompt more clients to participate in self-sufficiency activities before their benefits ran out. In our case reviews, we saw a couple instances of case managers mentioning time limits to prompt participation.

After the economic hardship exemption began, the mentions stopped. Some states, including Illinois, use time limits to help spur periodic intensive case reviews, at 24 months or 48 months, for example. Oregon has no such regular reviews, unless a client is called in for failing to participate in program activities. We saw long-term clients with no intensive check-in for years.

Not counting time spent on TANF up to 2003, Oregon clients have been on TANF an average of two years longer than counted by the state clock (see figure 8).

Figure 8: Federal and State TANF Clock Comparison



Source: Auditor Analysis of DHS data

As shown above, at most 10% of the state's clients have been on TANF for more than five years by the federal count. This is well below the federal maximum of 20% for clients who have state and federal hardship exemptions, such as being an abuse victim.

However, federal standards also do not allow clients without hardship exemptions to continue receiving federal dollars after five years. That rule and legislative policy decisions have prompted Oregon to shift about 2,000 clients with more than 60 months on the federal clock to state funding only, at an annual cost to the State General Fund of roughly \$12 million.

Maintaining the separate state clock also adds an administrative burden. The coding required to track state exemptions for each client is prone to errors that must be manually corrected at the central office level, DHS officials told us.

Oregon has considered shorter time limits. In 2011 and 2013, the governor proposed reducing Oregon's TANF time limit to 18 and 36 months, respectively, in an effort to balance the state budget. In both budget cycles, the Legislature did not adopt the governor's recommendation, keeping in place the 60-month limit.

Absent another exemption, the state is likely to begin enforcing the 60-month time limit in late 2015, when clients begin hitting the state clock limit.

Case managers told us time limit warnings have lost force, given previous false alarms. DHS has plans for intensive discussions with clients close to that threshold, but they have yet to be implemented in the field.

It is not clear whether enforcing time limits and cutting benefits will prompt clients to engage more in program activities before the reductions take effect. Oregon is one of only three states that allow clients to retain the portion of the TANF payment designated for children once time limits are reached, rather than ending the entire payment. For a single parent with two children, a \$500 monthly payment would be reduced by about \$150.

Holding clients accountable is cumbersome and time-consuming

Given Oregon's lack of emphasis on time limits, the state's re-engagement and sanctions process is crucial to ensure that clients participate in job-search activities, mental health visits, and other programs designed to move them toward self-sufficiency and work.

Yet, the process, triggered by missed client appointments, is lengthy, taking at least four months to enforce fully. It also takes up large chunks of case manager time on a limited set of clients when resources are already limited. Case managers we spoke with estimated it takes 20 work hours to disqualify one client.

In the early 2000s, DHS resolved advocate complaints about the sanctions process by agreeing to not reduce cash payments until the department has

assessed a client's potential barriers to participation, such as mental health needs or learning disabilities. The Legislature built those requirements into law, along with detailed steps for how case managers should sanction clients.

Today, clients who have missed meetings without good cause are supposed to be asked to attend a re-engagement meeting, where case managers discuss their lack of participation. If they continue to miss appointments, DHS evaluates the client for barriers that are hindering participation and asks child welfare workers if reducing the cash payment would hurt the children in the family.

If there are no barriers and the children are not at risk, clients go through a multistage disqualification process. In the first three stages, which take at least three months, the adult portion of the client's TANF grant is eliminated. In the fourth stage, DHS workers conduct a home visit to encourage the client to participate in re-engagement. They also send out warnings that the full grant is in jeopardy. If there is no response, the entire grant is removed for at least two months, when clients can re-apply for TANF.

Before the full grant is eliminated, a client can restore it by cooperating for two weeks, though they remain at the same disqualification level in case they start missing meetings again. If a client is removed from TANF, they do not have to demonstrate any level of cooperation before re-applying after two months and being deemed eligible to re-start the program.

Many case managers have concerns about the process. In a small survey of case managers in 2012, nearly half felt the re-engagement process, largely mandated by the Legislature, was not worth the time and effort.

The survey of 100 caseworkers drew 65 responses. A 2012 workgroup report that included results of the survey said case managers and field management "are frustrated and confused about the re-engagement process and whether it merits the investment of time." One case manager commented that "we spend way too much money and resources chasing clients and trying to make them accountable." Improvements would reduce case manager "feelings of futility" and "bring more accountability to clients," the report says.

The report suggests some in-house changes, including conducting screenings at intake or early in the process to identify barriers and determine who is able to participate in the JOBS program.

It also addressed potential legislative changes. Among them: reducing disqualification levels from four to two, making screening a requirement for eligibility and fully implementing time limits to address long-term noncompliance.

DHS has made strides toward making the process clearer. Central office reversals of branch office disqualifications have dropped since 2010, and

the number of clients entering the disqualification process has risen. Those trends may indicate that case managers are more comfortable with the process.

Yet, in our branch visits, we still found re-engagement to be a top source of frustration for case managers. The lengthy process can discourage busy case managers from following through on non-participating clients, some told us, or take time away from other clients.

In our case reviews, we observed that benefit holds – suspending payments until the client responds – could generate quick responses from clients. The holds are tied to a variety of TANF eligibility criteria, such as when a client doesn't cooperate in identifying a child's father.

One office experimented with using holds to prompt calls from non-cooperative clients, rather than starting the more involved and punitive disqualification process. The holds led to more client check-ins. Workers also conducted home visits for clients who didn't call to inquire about their benefits, finding in some cases that the clients had gotten jobs or moved out of state.

However, DHS officials interpreted state law as requiring a termination of the hold after 10 days, even if a client hadn't called in. That restriction limited the trial's effectiveness.

DHS managers at both the central and field levels believe they need approval from the Legislature to implement benefit holds more broadly and with fewer restrictions.

Oregon lacks incentives to find work and to participate in TANF programs

Oregon has one of the lowest income thresholds for eliminating a client's TANF grant— \$617 for a parent of two. That can be reached by working just 16 hours a week at Oregon's minimum wage of \$9.10 an hour.

In our case reviews, we found clients quickly losing their entire TANF payment after entering minimum-wage, part-time jobs. One client, a mother of a 4-month-old, lost her full payment by working two part-time jobs, as a hotel housekeeper and a coffee shop server.

Oregon used to make a post-TANF payment of \$150 a month to TANF clients who found work. The payment was designed to help them stay in jobs and lessen the "welfare cliff" effect, the steep and sudden drop in benefits after recipients found work. It dwindled and then ended in 2012 as caseload growth strained the system.

Quick removal of working clients from the TANF roles also hurts Oregon's federal participation rate. Federal comparisons indicate Oregon has among the lowest numbers of employed people on TANF of any state. That's important, because falling below 50% participation can bring federal penalties.

Since 2011, DHS has chosen to make up the gap by finding clients receiving food stamps who work enough hours to meet federal participation guidelines. The state's "Job Participation Incentive" (JPI) program adds \$10 a month to food stamp benefits. Because TANF funds cover the payments, the recipients are considered TANF clients, which substantially increases Oregon's TANF work participation rate.

Federal officials told us they are fine with Oregon's approach, which greatly reduces the risk of federal penalties for failing to meet federal participation benchmarks. It is relatively low cost, at roughly \$180,000 a month.

However, the small payment – about 2% of the typical TANF grant— does little to encourage TANF clients to find work. In fact, income limits for food stamps are much higher than for TANF, and JPI recipients are not required to have ever been on TANF.

The structure of the payments also raises a fairness issue. They only go to clients who have enough hours on the job, usually 20 to 30 a week, to be counted under federal work participation requirements. That stipulation means some needier clients who are working less – and making less money – don't get the stipend.

In one of our case reviews, we found a client working part time as a personal care attendant at an assisted living home. She had enough income to lose her entire TANF grant, but not enough hours to meet federal participation requirements and receive the JPI benefit.

In 2010, Oregon eliminated its incentive system for clients who consistently make JOBS appointments. Social science research suggests that small payments, frequently given, can boost participation in a population with challenges.

Some states, including Colorado and West Virginia, tie client incentives to meeting the work participation rate. Colorado also offers employment incentives that increase the longer the client stays on the job.

Identifying Top Performers

During our audit, we noted that DHS has trouble systematically identifying individual case managers and contract workers with the best records of helping TANF clients. That limits the agency's ability to share best practices.

At the same time, several case managers we spoke with lauded the high-energy, no-nonsense approach of Tabatha Bielemeier. She's an employment specialist with WorkSource Oregon, a TANF contractor, who works with case managers to help clients in the Salem area land jobs.

Almost eighty percent of her clients find work, a sterling record, her supervisor told us.

We visited Bielemeier while she worked with clients to help them find jobs. A low tolerance for excuses helps, Bielemeier told us: "If they push, I'm pretty good about pushing back." But she's encouraging and upbeat with clients, too.

"Your felony is really not that bad," she told a dejected mother of four with a felony drug conviction. The job search "is going to be more difficult," she told the client later. "It will get discouraging and you'll want to throw in the towel. But it will happen."

Some of Bielemeier's clients are very job ready – one client she saw during our visit listed 31 occupations. Some have poor work histories. Some have criminal backgrounds— researchers in Washington and Maryland found roughly one in 10 TANF clients in their states did.

At a client orientation, Bielemeier ran through a sample budget and detailed how the clients will make more working than they take home in TANF benefits. She stressed the importance of those extra dollars – they could pay for children's toys, she said, sports equipment, or finance a monthly pizza night.

She also warned that if clients did not participate, she would send a case manager to their home to check on them.



Tabatha Bielemeier at her Salem desk

As clients progress, Bielemeier searches Craigslist for jobs with mom-and-pop employers who might be more flexible than big companies. She gives resume advice, helps clients navigate the state's job database, and hands out practical tips. Covering tattoos before an interview is good, she says, and so is sending non-cheesy thank you notes afterward. She sets precise expectations with clients each week, and repeats them often.

Informational meetings put you "on the top of the stack" with recruiters, she told an unemployed welder and father of three. "That's the goal this week," she said. "Find five companies, call them, get an informational meeting." Over the course of the 15-minute appointment, she repeated what he had to do three times.

Bielemeier's method isn't a panacea. Clients move in and out of jobs, often minimum wage and part-time, and some return to TANF after losing jobs. Bielemeier, whose resume includes hiring for Goodwill along the Oregon coast, sees any work as a step forward.

In April 2013, she met with a 39-year-old client who was cooperative with case managers and job developers but resisted making three employer contacts a week, as Bielemeier insisted.

"She was not happy with me, and I told her that the program is to get them off of TANF and being self-sufficient," Bielemeier wrote in the state's electronic case log. She set a follow-up appointment for the next week.

That day, the client called. She had gotten a job.

Education opportunities are severely limited

Not surprisingly, studies suggest that higher education for welfare recipients increases wages and job opportunities. Bachelor's degrees and 2-year associate's degrees, particularly those focused on nursing, dental care and business, deliver wage premiums that can help clients break a persistent cycle of low-wage jobs.

High school graduates and GED holders also have lower unemployment and higher earnings in Oregon than high school dropouts without GEDs. A prior audit we completed found that Oregon's community colleges generally have room for more GED candidates.

Few of Oregon's TANF clients report pursuing education, however. As of June, only 2% of the state's clients were counted in GED programs, though 30% haven't graduated from high school. Distance learning over the Internet, which helps clients get around child care obstacles, is authorized on a limited basis in Oregon. And the number of clients counted in higher education is also minimal, 67 clients statewide.

Service cuts contribute to the low numbers. As TANF cases rose, Oregon eliminated new enrollment into a 2007 "Parents as Scholars" program that allowed clients to pursue 2- or 4-year degrees. The state stopped allowing pursuing GEDs as an activity for clients 20 and older and also cut GED support services, including subsidized child care, for those clients. It recently restored those services, but the number of adults pursuing GEDs as of September remained low, at most 274 out of 8,463 clients (3%) who haven't graduated from high school.

Federal rules dissuade states from allowing clients to pursue education. Participation guidelines count GED attendance as an activity, but clients age 20 and over also need 20 hours a week of direct work-related activity to be counted as participating. Higher education is allowed for just 12 months as a stand-alone activity, but many programs take two to four years.

Oregon's Parents as Scholars program ended up working poorly. Out of 549 applications approved, only 59 graduated with a degree. Yet some of the most dramatic success stories we saw in our case reviews revolved around education.

A mother of three found a job after taking courses in Clackamas Community College's hospitality program. Case managers let her pursue classes even though she wasn't meeting federal participation standards.

Another client was the victim of domestic violence and had her children taken away because of a methamphetamine addiction. By 2013, she had graduated from college under the Parents as Scholars program and was headed to graduate school.

Other states have tried different methods to allow clients to attend school, with Kentucky's Ready-to-Work program standing out. Clients there take college courses and can sign up for work-study positions for at least 20 hours a week which provides them with work experience and allows them to meet federal participation requirements. The work study also provides clients with income that doesn't reduce their TANF cash benefit.

Kentucky also stations coordinators for clients at the schools they attend, and officials there say that's key component to the program. Oregon's Parents as Scholars' program did not offer on-campus support.

A 2004 study by the Kentucky Legislative Research Commission found more Ready-to-Work participants employed compared to others who left TANF. Among former TANF clients employed for a year, they had the highest average annual wage by more than \$3,500.

Some distance learning initiatives have also shown positive results. In New Jersey, low-income single mothers increased their earnings by 14% after participating in a program that loaned them laptop computers with Internet access.

A Texas TANF Workforce Commission study found that students in a distance-learning program earned an average of \$1,118 per quarter more than TANF clients in other programs. They were also three times more likely to get jobs in the first quarter after they left the program.

Education is not the right approach for all families in the program, but for some it can break the cycle of generational poverty, Dr. Donna Beegle told us. She grew up poor and was on welfare herself 20 years ago. With the help of temporary housing assistance and a supportive case manager early on, she was able to get her GED certificate, associates, bachelors, and eventually her doctorate.

In the long run, education could save taxpayers money as well. Clients without a GED, for example, receive roughly \$3.8 million in monthly TANF benefits, in addition to various other social service supports. Many clients have barriers other than low education to finding work, but the savings associated with successfully educating and moving these clients off TANF remain potentially significant.

Stronger partnerships could help move TANF recipients toward employment

We found DHS can strengthen partnerships to serve TANF clients who aren't being served now, including clients whose health or addiction problems are obstacles to working.

Improved partnerships would not plug all the holes in a program that has two-thirds of its clients reporting no activity. But they could make a significant difference for many clients.

Closer ties with partners, in and outside government, could also free up more time for case managers to better serve the remaining population.

Coordinated Care Organizations (CCOs)

CCOs are broad networks of health care providers, unique to Oregon, that cover mental and physical health care as well as addiction treatment. Launched statewide in 2012, CCOs aim to reduce costs and improve care and patient health by having providers work together. They're particularly focused on Medicaid clients.

The federal government is investing \$1.9 billion over five years to help CCOs work, a significant injection of extra resources. Almost all TANF clients qualify for Medicaid and most should be receiving care through CCOs.

In this capacity, CCOs are designed to provide some of the same services that were cut from the TANF program in 2011. Those services include professional assessments of clients and professional referrals to doctors and other providers in the CCO network for treatment.

However, officials with the Oregon Health Authority, which oversees CCOs, told us there is no formal coordination with the TANF program, though they're open to developing a partnership. DHS officials say they are beginning to build closer relationships with CCOs, though some CCOs place a higher priority on engaging with the TANF population than others.

If CCOs and the program can develop close ties, the opportunities are significant. In March 2013, OHA hired eight "innovator agents" to help lay the groundwork for ongoing connections to the CCOs. The agents could assist in developing relationships between TANF branches and CCOs that includes an assessment and referral system.

The agents can also help develop systems to follow through on treatment recommendations from disability analysts and to help case managers establish connections with medical providers.

Working relationships with providers could help case managers greatly, allowing them to better gauge client challenges and track their progression on treatment steps in case plans. It could also help ensure that clients submit timely notes from doctors detailing how much they can participate in work-related activities.

Oregon Vocational Rehabilitation Services (OVRs)

OVRs helps people with disabilities find and keep jobs that match their skills and interests. Like TANF, the program is part of the Department of Human Services.

The program already serves about 750 TANF clients a year. It has some capacity to serve more. But there is no formal referral or coordination between the two programs.

~~National comparisons indicate Oregon lags in providing vocational rehabilitation services to TANF clients. The state ranked 47th in the proportion of clients participating in vocational rehabilitation in 2010, the latest year of comparative data.~~

OVRs counselors have much smaller caseloads than their TANF counterparts. They have a wider range of options to help clients, such as tailored skills training, services to assist with daily living, and the ability to purchase hearing aids and computer software.

In general, OVRs assessments of client skills and abilities are also much more comprehensive than TANF assessments.

Community Colleges and Workforce Development (CCWD)

CCWD and TANF both help low-income people find work, though CCWD's client base is broader. We found there is no central agreement to identify and serve shared clients, though DHS officials told us some local branches have established ties.

CCWD administers grant funds and oversees administration of GED testing throughout the state. By partnering, the TANF program could help more of the 8,463 TANF clients without a high school diploma gain access to local GED programs.

Another program CCWD administers is Back to Work Oregon. This program includes rigorous on-the-job training and could serve TANF clients. The participating employers retain 80%-90% of trainees for regular jobs, paying up to \$12 an hour. CCWD officials said they want to serve low-income clients with barriers to work, and would be open to setting aside slots for TANF clients.

Sector-Based Employment Initiatives

Recent research shows the effectiveness of sector-based employment initiatives to help clients find higher wage careers in industries with high job growth or turnover. This could include medical and health care industries, leisure and hospitality, or other high-demand industries or occupations.

DHS does not have a statewide sector-based employment strategy in place for TANF clients, but we did find one strong example in southern Oregon. There, workforce and labor groups partner with DHS to target health care, E-Commerce, and advanced manufacturing.

A 6-week health care sequence, for example, includes instruction on medical terminology and skills such as caregiving and customer service. A separate clerical path focuses on key skills, from Word and Excel software to phone etiquette. Both programs, funded in part with federal dollars, have entry requirements to ensure clients have the skills to succeed.

DHS could also develop a partnership with the apprenticeship and training division of the Bureau of Labor and Industry. BOLI registers 5,000

apprenticeships a year, some in high-wage trades such as electrical and plumbing.

BOLI could help a limited number of TANF clients with the right skill set to register and apply for union apprenticeships. A partnership with TANF could bolster the apprenticeship division's goal to support equal work opportunities for women. Women fill about 6% of apprenticeships. About 70% of TANF clients are women.

Placing clients in apprenticeship programs would also help Oregon meet its federal work participation requirements.

Currently, DHS does not partner with BOLI at a statewide level, though there is coordination at some local branches, DHS officials told us. Our review found three states, including Montana, that place TANF clients in apprenticeships after identifying those who can meet apprenticeship requirements.

Community partners

Two Oregon DHS branches we visited have developed strong relationships with community partners, typically a low-cost way to help clients. That focus, however, isn't consistent around the state.

The Medford office holds a "TANF Marketplace" twice a month, allowing its TANF clients to connect, at their choice, with up to a dozen service providers, from credit counselors to job search navigators to child care resource specialists.

In Polk County, "service integration teams" based in the county's six school districts meet at least once a month. They draw in DHS and JOBS contractors, but also community partners such as school officials, child welfare managers, nonprofits, and officials from Polk County Human Services.

The teams can meet emergency needs for families, refer families to services, and help families already enrolled in services advance.

One example was a family that needed special eyewear so their child could attend day care, but could not afford the lenses. The groups were able to pool collective resources, get the family the glasses, and remove that barrier to getting the parent back to work.

In Amarillo, Texas, community partners have come together to give TANF clients access to GED preparation courses in their own children's schools.

University research

Nationwide, state TANF managers often work with university researchers to evaluate programs. We found universities helping state programs sort out which activities actually help clients get back to work, for example, and tracking former TANF clients to measure long-term results. University

researchers can also provide a neutral perspective, independent of the agency.

DHS provided five instances of university research conducted on Oregon's TANF program since 2002, but the research was not on-going. We found no examples of formal partnerships between the Oregon TANF program and state universities, like those that exist in Maryland and Illinois.

When we spoke with DHS officials about this, they pointed to funding limitations and to the difficulty of allowing researcher access to confidential client data. We identified other states that have addressed these challenges.

Oregon can improve client results by using data more effectively

TANF managers have the potential to tap ample information on clients to improve the program. This includes data that runs across state agencies, including health and employment records. There's also crucial data in DHS's own client tracking system.

DHS can use that information to manage program performance, gauge the results of new and ongoing initiatives, and help case managers better serve clients.

DHS has taken positive steps in using information, but we found substantial room for improvement. Beyond potentially saving money for the state, using data more effectively could make real differences in clients' lives.

Data sharing is inadequate

Oregon's TANF program relies largely on the clients themselves to disclose pertinent details of their case, including health problems and past medical treatment.

The State of Washington's human service agency, by contrast, uses state data to help manage TANF and improve services to clients. Washington has piloted a system that combines information from multiple state agencies, detailing a client's history with social service programs, employment, and medical treatment.

The system, scheduled to roll out statewide later this year, helps Washington evaluate which client interventions are most effective and track key statewide trends, such as the number of clients re-entering TANF after leaving for jobs.

At the field level, Washington's system also generates risk flags that highlight clients whose history indicates they could remain on TANF for a long time without specific interventions. That helps case managers in assessing clients and providing beneficial services, Washington officials said.

Medical records might show a client had mental health treatment in the past, for example, so the case manager can explore whether mental health is still a barrier to work.

Oregon's Department of Human Services has similar records dating back to 2000 for every client served. The agency also receives wage and employment data from the Oregon Employment Department and records from the Department of Corrections, among other sources.

To date, DHS has mainly used this rich data set to forecast caseload trends while developing the agency budget. The forecast office estimates the number of clients entering and exiting programs, and how clients transition from one government service program to another across the entire social safety net. This is exactly the information needed to identify the most effective client interventions, but its use for that purpose is minimal now. Officials with the Office of Business Intelligence, DHS's research arm, said they plan to do more program evaluation going forward.

DHS also isn't providing the data to case managers. At this point, Oregon has removed identifying client information from the centralized data warehouse, limiting its usefulness. During our audit, DHS officials raised concerns that releasing confidential information could violate privacy laws.

Washington has addressed those concerns in its program, however, and will be providing up to 700 TANF workers with detailed client histories, including medical provider visits, beginning later this year

DHS can more effectively monitor program performance

Trying new approaches and fine-tuning old ones is common with TANF programs, in Oregon and elsewhere. In recent years, for example, Oregon's Parents as Scholars program and the post-TANF payments program were eliminated. When we asked why the Parents as Scholars program performed poorly, the agency was not sure, even though it was set up as a reform under the Legislature's 2007 TANF reform bill.

Better evaluation of initiatives could promote investment in the most successful approaches, a benefit to clients and the state budget.

DHS's tracking of overall program performance is also limited. The agency does track job placements and work participation hours. Overall, however, we found little use of detailed client data to drive program strategies.

The agency's current system relies on some long-standing reports that some managers told us were of limited value. The reports often focus on single data points, such as clients by work activity, clients with disabilities or clients without a GED certificate. Combining that data — focusing on disabled clients who aren't participating in work activities, for example — would help the agency better spot trends and needed interventions.

In Portland, we talked with a DHS analyst who figured out how to extract information from two DHS systems to show both a client's education level

and a separate measure of his or her readiness to work. The report could be useful for designing case plans and monitoring client trends, but DHS wasn't running it statewide.

We found reports management regularly uses do not address some significant performance measures, such as prolonged open cases, high or low success rates for some case managers and success rates for different types of services.

To date, the TANF program has had difficulty tracking client progress over time— whether a client has advanced from health treatment to more work-related activities, for example. The system also doesn't detail client skill sets, which would be useful to match to available jobs.

DHS managers say they are trying to develop a way to gauge progress and that they plan to implement better evaluation of pilot programs in the future.

Improvement in these areas is important. Without meaningful reporting and review of client data, the program has little basis to improve client services and outcomes.

Case managers need better data to manage cases

The computer systems case managers use to track cases day-to-day are antiquated and cumbersome, making client management difficult.

We heard about this problem from many case managers and from their supervisors. One case manager, who previously worked in California, explained how California's systems outpaced Oregon's years ago.

Other states have computerized "dashboards" that allow case managers to quickly see how clients are doing on key performance measures, such as meeting participation standards and complying with case plans. For example, Utah's system shows case managers how many of their clients are meeting work participation requirements.

Instead of dashboards, Oregon case managers have to wade through individual entries entered into the case management system to get a complete picture of a client. These "narratives," entered for each contact a client has with a case manager or state contractor, can run well into the hundreds for long-term clients.

The system summarizes health problems clients have disclosed, job history and previous attendance in TANF activities for each client. But our case reviews found the summaries are often incomplete.

The information gap creates problems when clients switch to new case managers, as they often do, or when a client previously on TANF returns to the program.

For example, we contacted one case manager to discuss a client who had been receiving cash assistance for more than 20 years. Faced with

hundreds of narratives, the worker could not easily explain why the client had been receiving aid for so long. He also noted that TANF contractors held doctors notes and medical waivers for his clients, and he couldn't see them.

Similarly, client skills, likes, and interests might be captured by a DHS contractor, but the information is held in the contractor's computer files, which are not always accessible to the case manager.

Another example: When clients start on TANF, workers enter the client's highest grade level completed into the system. That important statistic is not regularly updated, however, and is widely considered unreliable. Other pieces of information, such as criminal history, may be filled out on a form, but the computer system does not have a place to capture the data.

All of these deficiencies make it more difficult for case managers to get caught up on clients and provide effective self-sufficiency plans. They also make it more difficult to draw information about clients out of the system for management purposes.

Issues involving federal regulations

Federal regulations limit credit for education

We found several drawbacks with Federal TANF regulations. The Government Accountability Office developed similar findings in 2013, noting that several aspects of the law did not seem to correspond with the central mission of reducing poverty.

Under current program participation rules, a state does not get any credit for a client who misses their weekly participation target, even if they miss it by an hour. Crediting partial participation could encourage states to work with disabled clients and others who are not able to meet the full target. Allowing partial credit would also provide a fuller picture of what clients are actually achieving.

Furthermore, additional activities such as substance abuse or mental health treatment could be added to the list of countable activities, if it can be tied to a family's success.

Oregon's "Indian Country" time limit exemptions may be too broad

Finally, Oregon has adopted a broad definition of time limit waivers in what federal law terms "Indian Country." Federal rules allow states to turn off the time limit clock for participating adults living in Indian Country when at least 50% of all adults in that region are not employed. The waiver is not limited to Native Americans but rather is based on residency of participants.

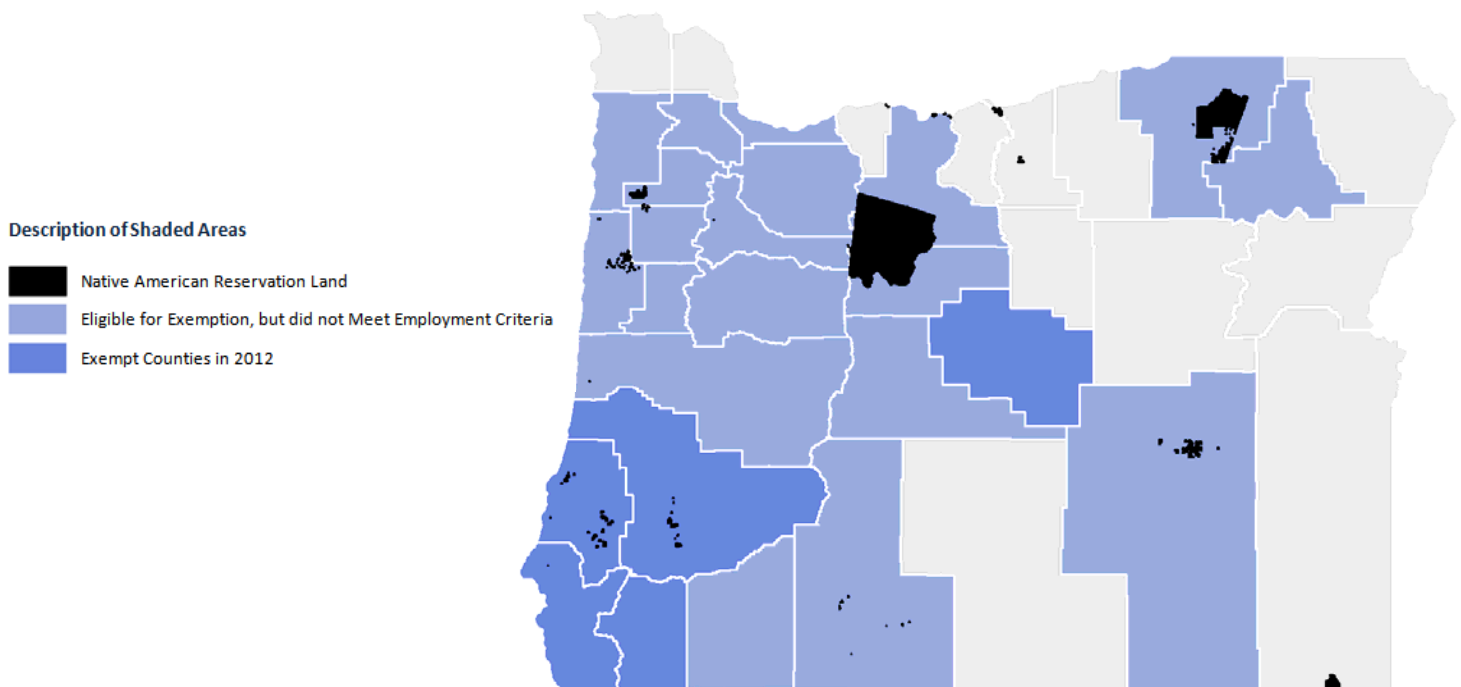
We believe other states have defined Indian Country to align better with federal regulations. For example, Washington limits the waiver to small geographic regions on or near Indian reservations.

Oregon has interpreted the federal rule so that any client living in a county defined as a Bureau of Indian Affairs “service area” is exempt from time limits, if the entire county has 50% of adults not employed, as shown in Figure 9. The exempted counties include some without reservations, such as Josephine County, and exclude some with reservation land, such as Malheur County.

Oregon partially followed federal guidance in consulting the Bureau of Indian Affairs. However, the same guidance also said the Department of Interior solicitor’s office is the appropriate source for a legal interpretation of Indian Country boundaries, not the Bureau, and Oregon has not yet consulted the solicitor’s office. A 1996 opinion from the office, the latest we could find on the matter, suggests narrower boundaries than Oregon has adopted.

In 2012, all families in Coos, Crook, Curry, Douglas, and Josephine counties were exempt. Harney and Jefferson counties have also been exempt in prior years. As a result, Oregon has no time limit for roughly 2,400 families, even though many of these families are not living on or near an Indian reservation.

Figure 9: Comparison of Native American Reservation Lands to DHS Implementation of “Indian Country” Exemption



Sources: U.S. Census Bureau, U.S. Department of Interior Bureau of Indian Affairs, DHS

In October 2013, we sought guidance from the U.S. Department of Health and Human Services on this issue. As of April 2014, we had not received a response.

Hardship exemptions granted without case-by-case review

As mentioned in the time limit section, DHS adopted an economic hardship exemption to time limits between 2008 and 2012. The intent was to allow families facing a difficult labor market more time to find work before losing TANF benefits after five years. Based on federal guidance, states must perform a case-by-case review to grant hardship extensions beyond 60 months for families if they receive federally funded benefits. However, we found no evidence that DHS conducted the required case-by-case reviews before granting extensions based on the economic hardship exemption. Several thousand families were granted up to four years of additional time on the TANF program as a result of this exemption.

Recommendations

We recommend the Department of Human Services:

Improve case management

- Use additional case managers to increase the amount of client contact and set an expectation that each client will progress toward self-sufficiency;
- Prioritize additional work supports as funds become available, particularly subsidized child care that allows more parents to participate in work activities;
- Develop procedures for self-sufficiency offices to better assess new and returning clients and connect clients to needed medical care;
- Create detailed case plans that include strengths and interests, progress milestones, and meaningful activities;
- Track progress, build time limits into case planning, and conduct intensive reviews at key intervals, such as 24 and 48 months;
- Work with case managers and supervisors to address their concerns about the sanctions process and ensure they consistently hold clients accountable;
- Increase discussion of client progress during recertifications and routine client contacts;
- Improve services to clients with barriers by including work-related activities in case plans when appropriate, monitoring progress made in treatment, and following through on disability analyst recommendations;
- Require some level of participation before fully sanctioned clients are allowed to reinstate their TANF benefits;
- Develop a process to identify top performing TANF workers and share best practices among case managers and regional offices.

Expand partnerships

- Build connections with Coordinated Care Organizations so clients can receive thorough assessments, referrals, and appropriate medical treatment;
- Increase collaboration with other organizations that provide crucial services to TANF clients, including GED instruction, rehabilitation, apprenticeships, community support and employment services;
- Work with university researchers to help assess program effectiveness, as other states have done.

Use data to drive improvements

- Assess which client interventions work best and direct limited resources to proven programs;
- Continue developing data capabilities to track client progress, assist case management and improve agencywide operations.

Ensure compliance with federal requirements

- Work with the federal government to determine if time-limit extensions for economic hardship were appropriate and if the Indian Country exemption is too broad.

We recommend that DHS management work with the Legislature and Governor to:

- Consider revisiting budget and program decisions made during the recession that decreased client services and increased the number of TANF clients, using improved data on program performance and client needs; ‘
- Study the costs and benefits of raising the income limit for TANF clients who find work;
- Consider allowing case managers more flexibility when re-engaging clients and administering sanctions;
- Consider authorizing extended benefit holds as an initial step when clients fail to participate, reducing the use of the cumbersome and punitive disqualification process;
- Explore alternatives to Oregon’s state clock policy that could be less administratively burdensome.
- Consider adding small-scale participation incentives.

We recommend that Congress and the Department of Health and Human Services consider modifying federal regulations to:

- Allow clients more time and credit for pursuing GED certificates and higher education while working or looking for work;
- Allow clients with barriers to employment to receive more participation credit for documented progress in activities, such as health care, addiction treatment and vocational rehabilitation, that help them address their barriers;
- Give credit for partial participation in work-related activities, such as unpaid work experience and community service, particularly for clients with documented barriers.

We recommend that federal auditors further review federal TANF regulations that limit participation credit for clients who pursue education, health care, addiction treatment and other activities that help them address their barriers to work.

Objectives, Scope and Methodology

The objective of this audit was to determine if opportunities exist to improve DHS TANF client self-sufficiency. We looked for opportunities to adopt leading practices and improve client outcomes through increased collaboration with other agencies and organizations. The impetus for this audit was Oregon DHS's failure to meet federal work participation rates, and potential penalties faced by the state for non-compliance. The audit also sought to determine promising practices across the nation and in Oregon's branch offices that Oregon's TANF program could replicate.

We reviewed applicable laws and regulations, program manuals, policies, and past legislation related to the TANF program. We visited or called numerous branch offices across the state, interviewing case workers, branch and district managers, and JOBS contractors. We reviewed the client intake and recertification process and observed meetings with clients. We interviewed advocates, workforce development employees, policy experts, TANF recipients and regional economists. The audit team spoke with other Oregon state agencies about their interactions with the TANF population. We also interviewed officials in other states and local jurisdictions to discuss best practices and results.

The audit team reviewed 81 cases in-depth. We judgmentally selected 12 of the TANF clients with the longest time in the program. We also focused on clients with disabilities, clients who have received a disqualification or sanction, clients who worked with OED Job Developer Tabatha Bielemeier, clients with zero hours of participation, clients who applied for the pre-SSI program, and clients with job placements. Within those populations, we randomly selected from six to 18 clients to review.

We reviewed federal comparative TANF data from the inception of welfare reform, in 1996, through fall 2013. We reviewed DHS statewide reports from June 2013 including clients with disabilities, clients by grade level and service level, and activity type by client.

Further, the audit team used several sources of spatial data to map client demographics, program trends and TANF policies by state. These primarily included:

- American Community Survey 2007-2011 5-Year Estimates
- DHS reports
- Welfare Rules Databook
- Bureau of Labor Statistics Unemployment data
- 2010 Census

We mapped data in detail, but often developed maps at the broader DHS District level in order to protect client confidentiality. We analyzed time limit data outside the GIS environment, then imported it into ArcGIS to display.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

About the Secretary of State Audits Division

The Oregon Constitution provides that the Secretary of State shall be, by virtue of her office, Auditor of Public Accounts. The Audits Division exists to carry out this duty. The division reports to the elected Secretary of State and is independent of the Executive, Legislative, and Judicial branches of Oregon government. The division audits all state officers, agencies, boards, and commissions and oversees audits and financial reporting for local governments.

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This report, a public record, is intended to promote the best possible management of public resources. Copies may be obtained from:

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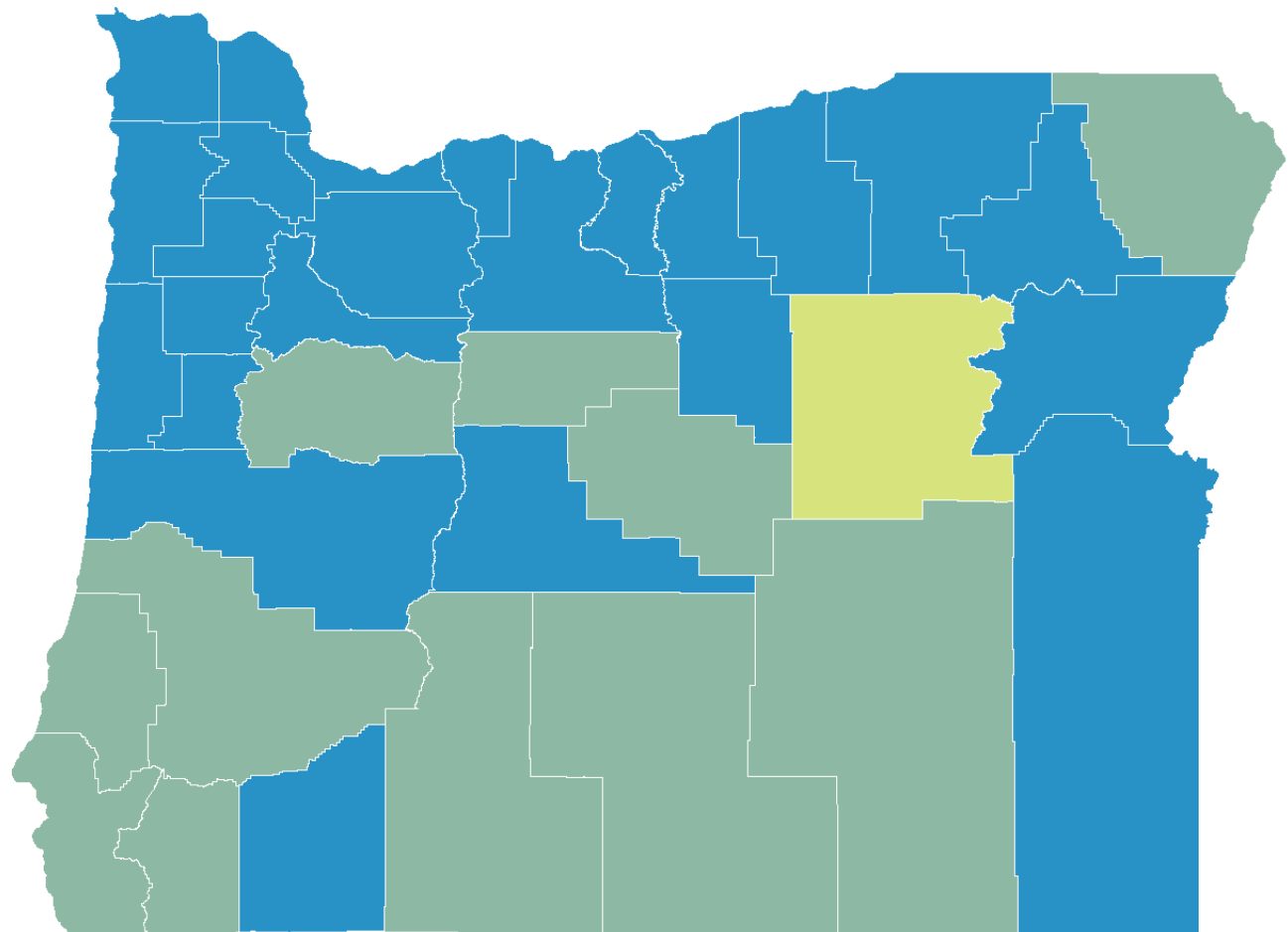
The courtesies and cooperation extended by officials and employees of the Department of Human Services and the Oregon Employment Department during the course of this audit were commendable and sincerely appreciated.

Appendix A: Promising Practices

Practice	Location Examples	Description
<i>Mentioned in Report:</i>		
Intensive Case Reviews Page 17	Illinois	Illinois conducts reviews after a client has spent 24, 36 and 48 months on TANF, using teams of case managers and other providers who have worked with the client.
Client Incentives Page 21	West Virginia; Colorado	Some states reward clients who participate in work-related activities with relatively small incentive payments. Others make payments that encourage clients to remain in jobs.
Work-study programs Page 24	Kentucky	Clients take college courses and can sign up for work-study positions. Work-study allows them to meet federal work participation requirements while attending school.
Distance Learning Page 24	New Jersey; Texas	Taking classes over the Internet can help parents with child care obstacles. In New Jersey and Texas, participants earned more after leaving the programs.
Back to Work Oregon Page 26	Oregon	This Community Colleges and Workforce Development program includes rigorous on-the-job training. Participating employers retain 80%-90% of trainees for regular jobs.
Apprenticeships Page 27	Montana	TANF clients can be difficult to place in apprenticeships, but Montana and other states identify clients who can meet the requirements and place them appropriately.
TANF Marketplace Page 27	Medford branch	Medford's TANF Marketplace brings clients together twice monthly with job-focused service providers. Other branches have taken a similar approach with health providers.
Service Integration Teams Page 27	Polk County, OR	Teams based in the county's six school districts meet at least once a month to discuss how to help clients, connecting DHS and JOBS contractors with community partners.
In-school GED Prep Page 27	Amarillo, TX	Community groups worked together to give TANF clients access to GED preparation courses in a convenient spot -- their own children's schools.
University Partnerships Page 28	Maryland; Illinois	The University of Maryland and the University of Chicago work with TANF programs in their states to analyze program data and report on trends and program effectiveness.
Data Sharing Page 28	Washington	Washington taps data from multiple state agencies, detailing client histories with social service programs, the court system, employment and medical treatment.
Computer Dashboards Page 30	Utah	Utah and other states have computerized dashboards that allow workers to quickly see key performance measures, such as how many clients are meeting participation requirements.
<i>Other Practices:</i>		
Vocational Training	Vermont	TANF and vocational rehabilitation partner in a "Reach Up" program. It provides disabled TANF clients with case managers, assessment, tailored employment activities and SSI facilitation.
Transitional Jobs	Utah	TANF program contracts with mental health agencies to provide jobs at community health centers for TANF clients with diagnosed mental health disabilities.
Home Visit Warnings	Los Angeles County	The county mails warnings to non-compliant clients that workers will visit their home if they miss meetings. County officials say the notices prompt most clients to show up.
Neighborhood Navigators	Traverse City, MI Amarillo, TX	The two cities pair poor residents with middle-class "navigators" who help them work through problems and connect to community resources.

Appendix B: Detailed Maps

Figure B-1: Unemployment Rate by County, 2007



Percent Unemployed

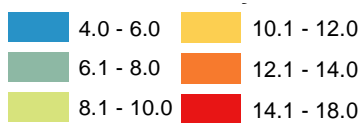
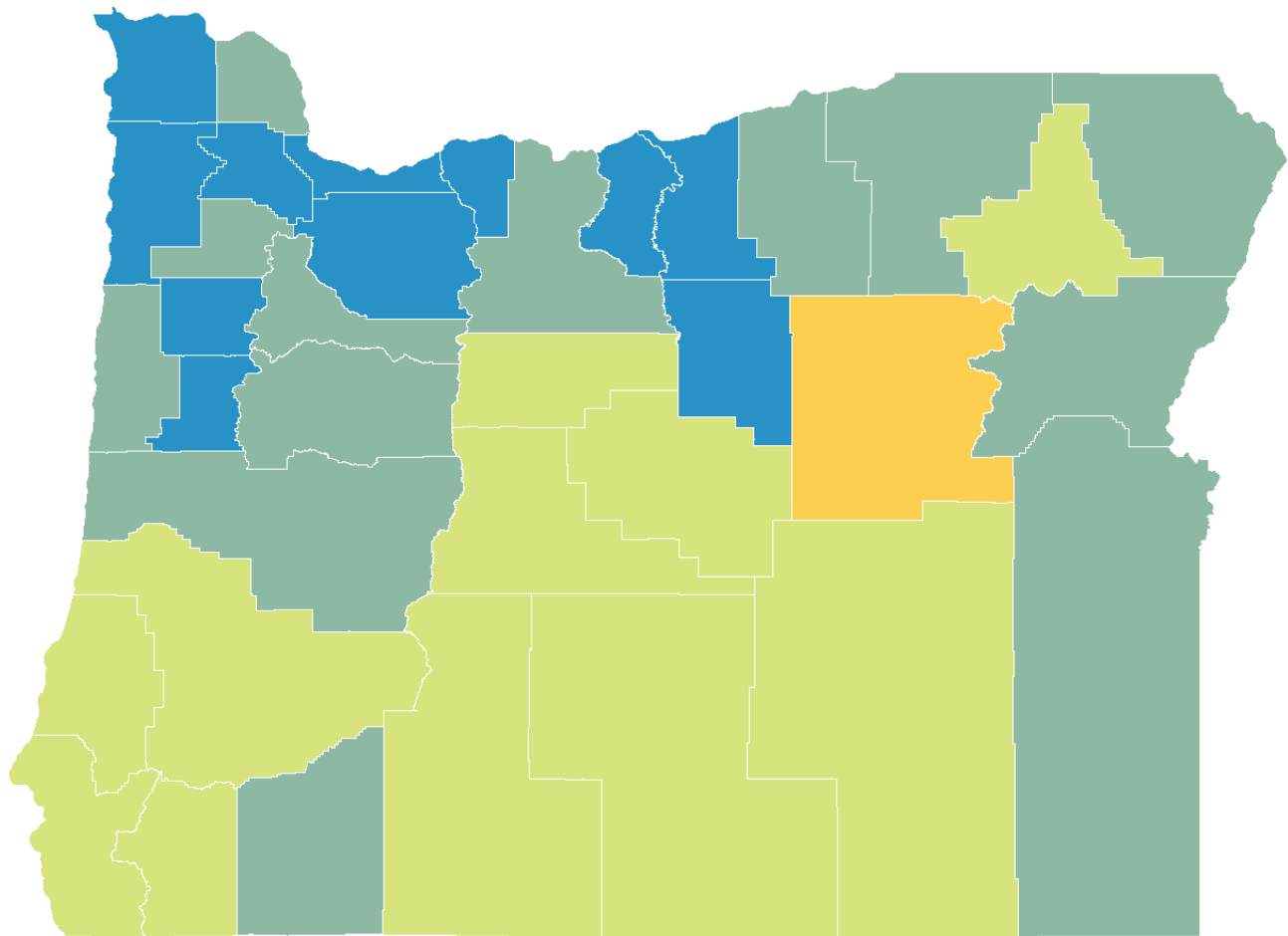


Figure B-2: Unemployment Rate by County, 2008



Percent Unemployed

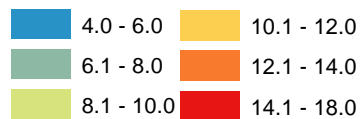
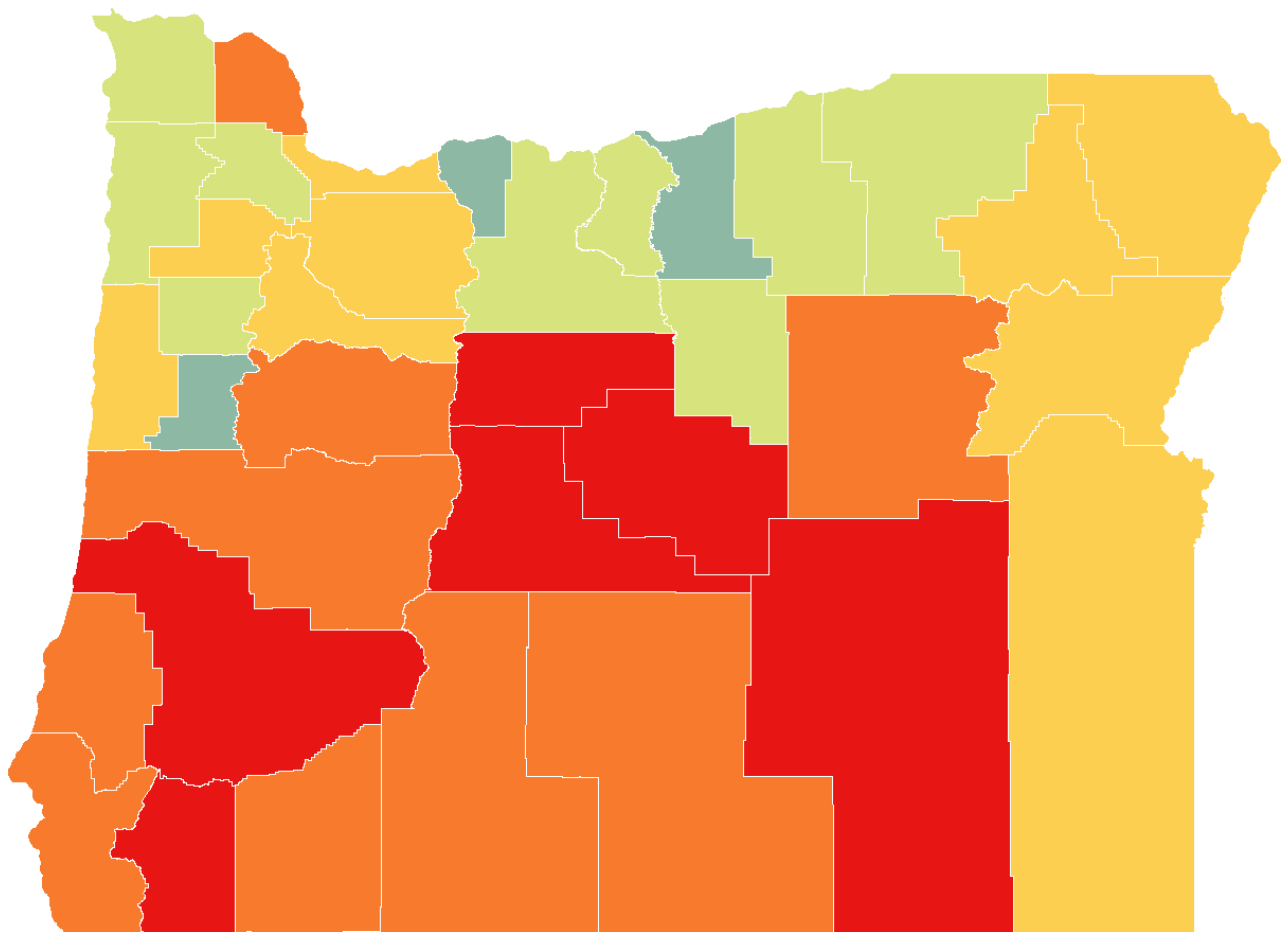


Figure B-3: Unemployment Rate by County, 2009



Percent Unemployed

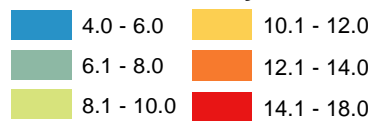
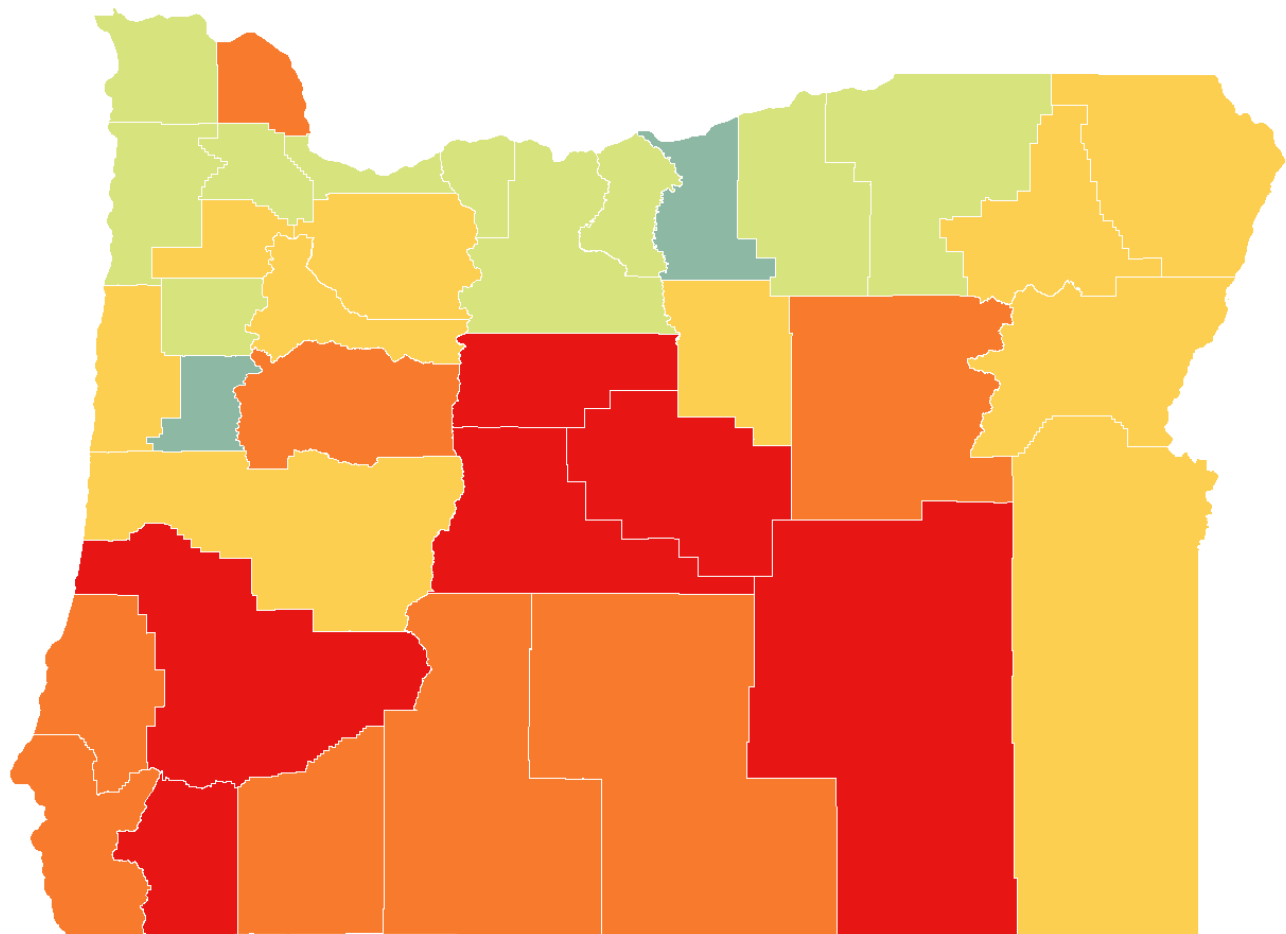


Figure B-4: Unemployment Rate by County, 2010



Percent Unemployed

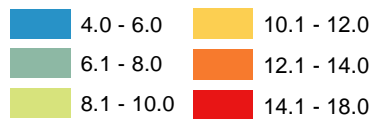
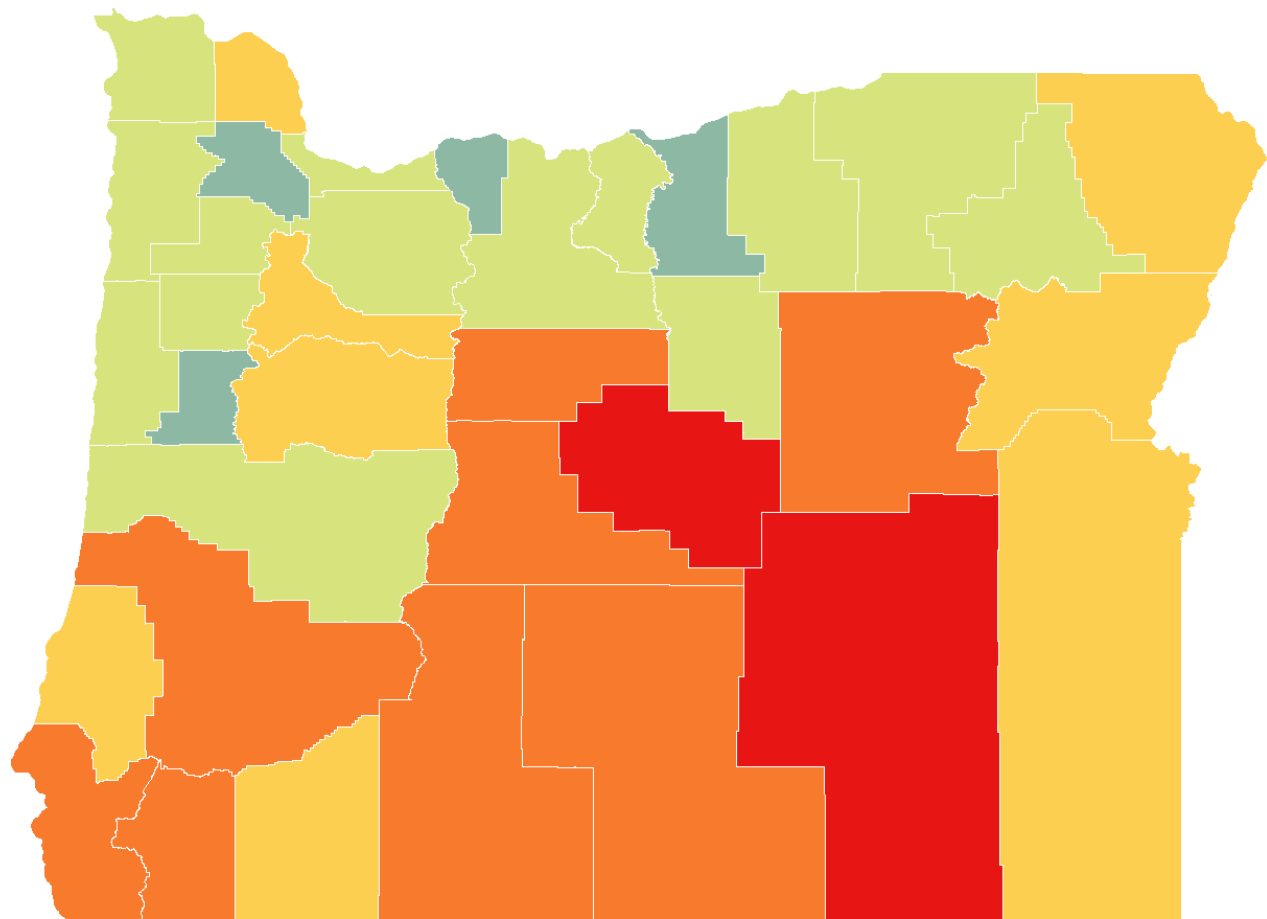


Figure B-5: Unemployment Rate by County, 2011



Percent Unemployed

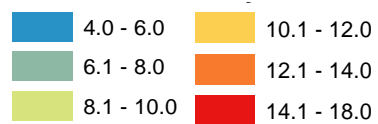


Figure B-6: Unemployment Rate by County, 2012

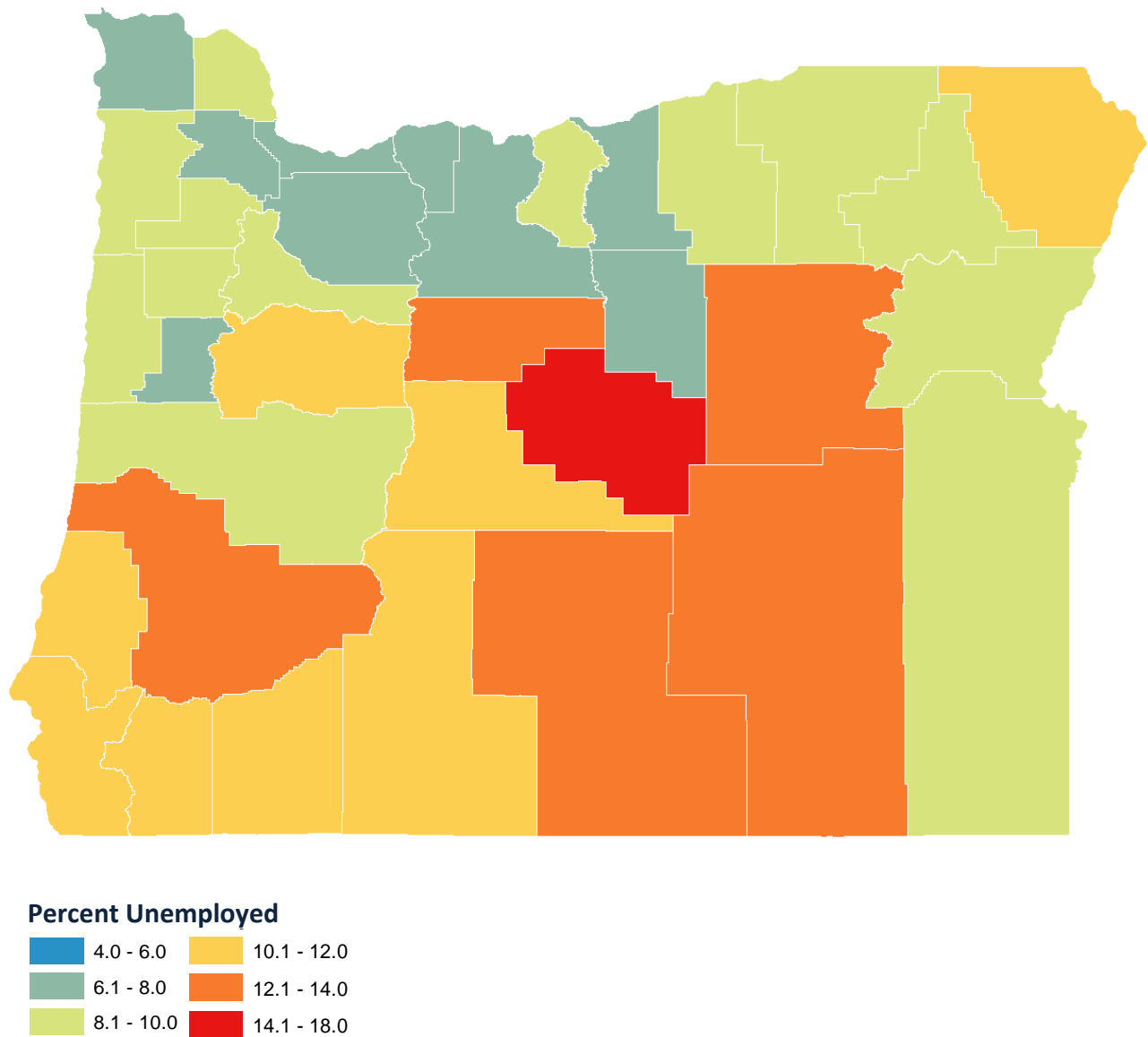
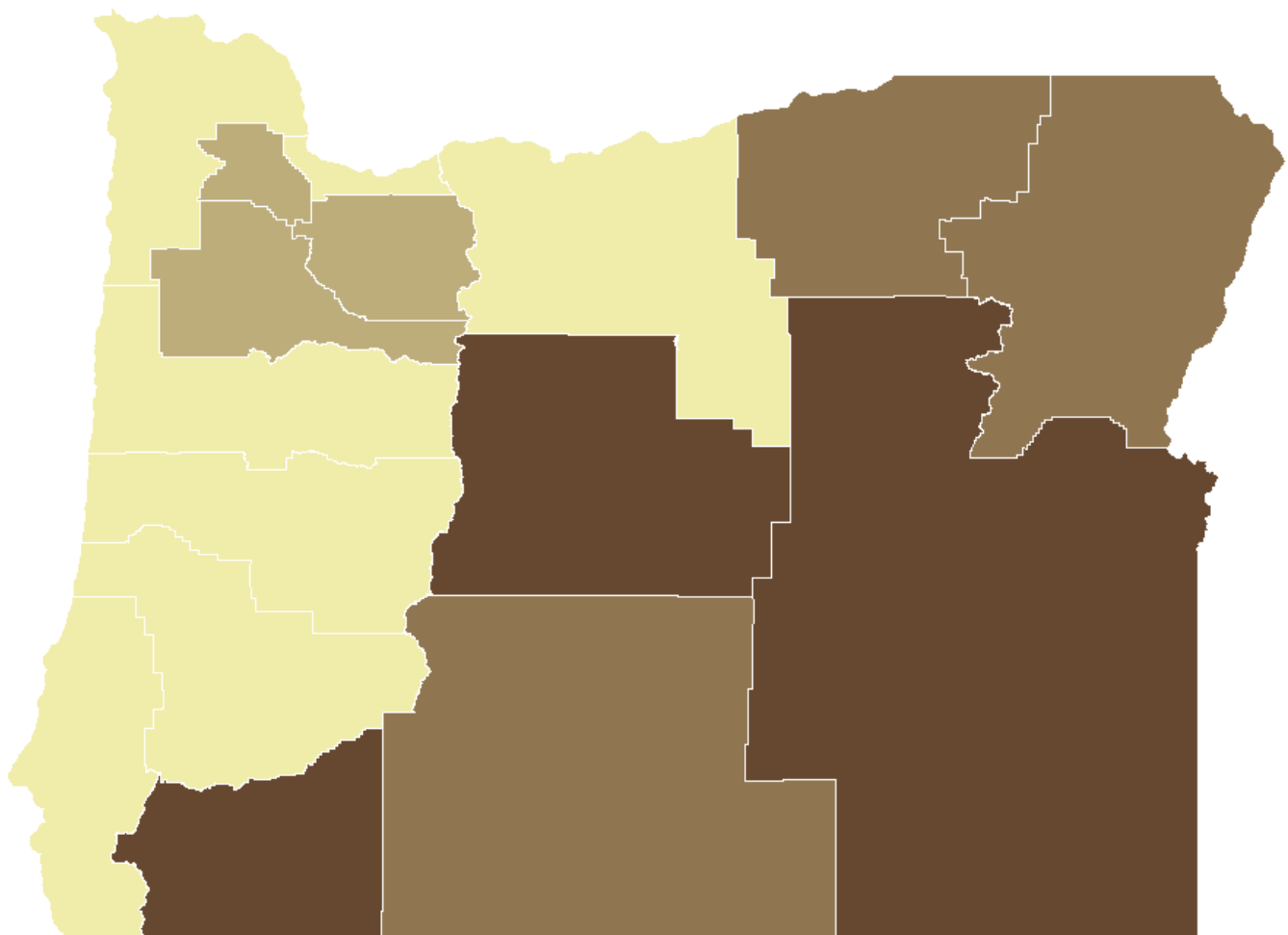


Figure B-7: Percent Change in TANF Cases by DHS District, 2007-2013



Percent Increase in TANF Cases

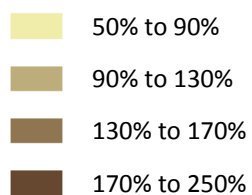


Figure B-8: Percent Change in TANF Cases, by state, 2007-2013

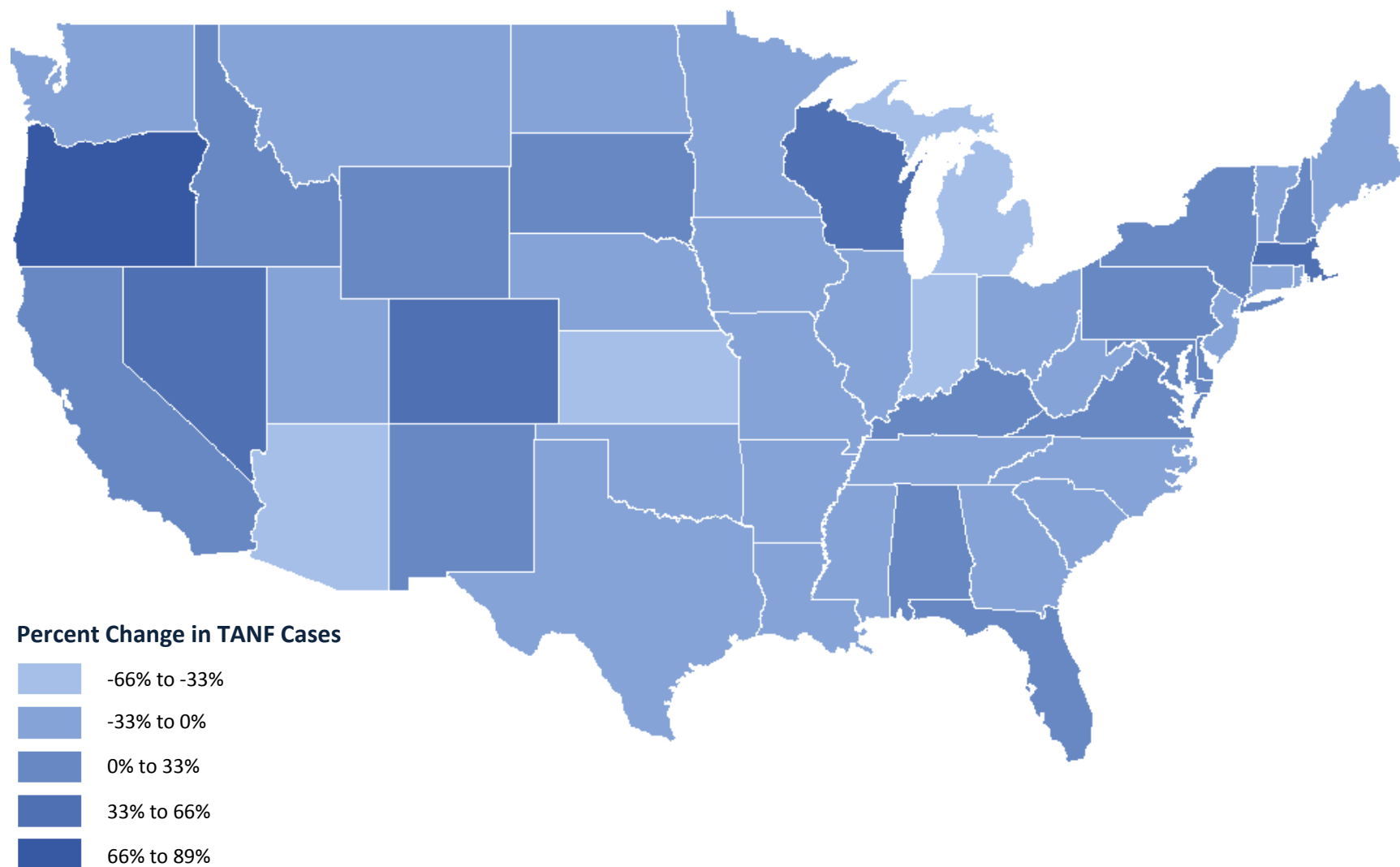


Figure B-9: Average Hours of Reported Activity Per Work Eligible TANF Client, by state, 2010

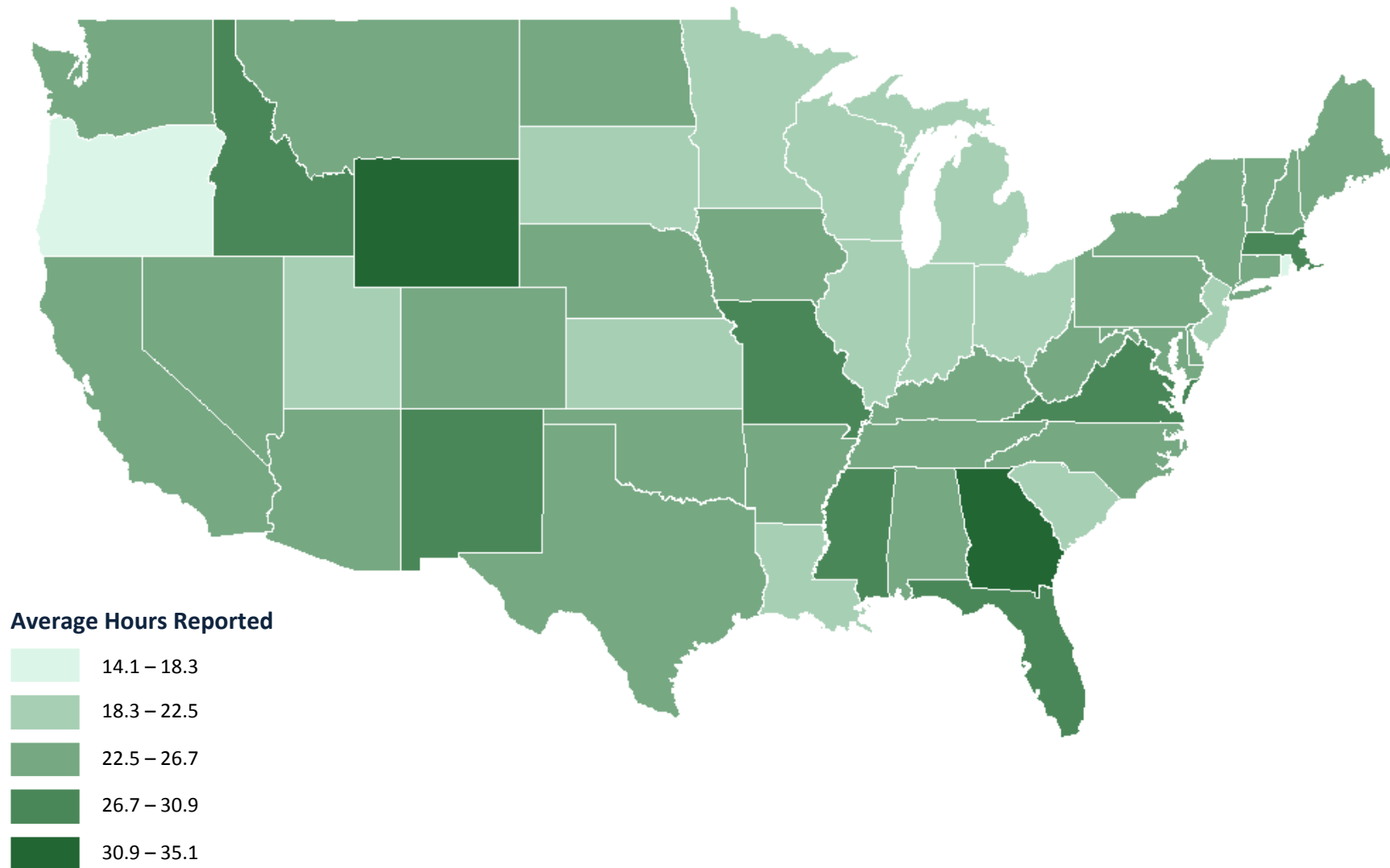
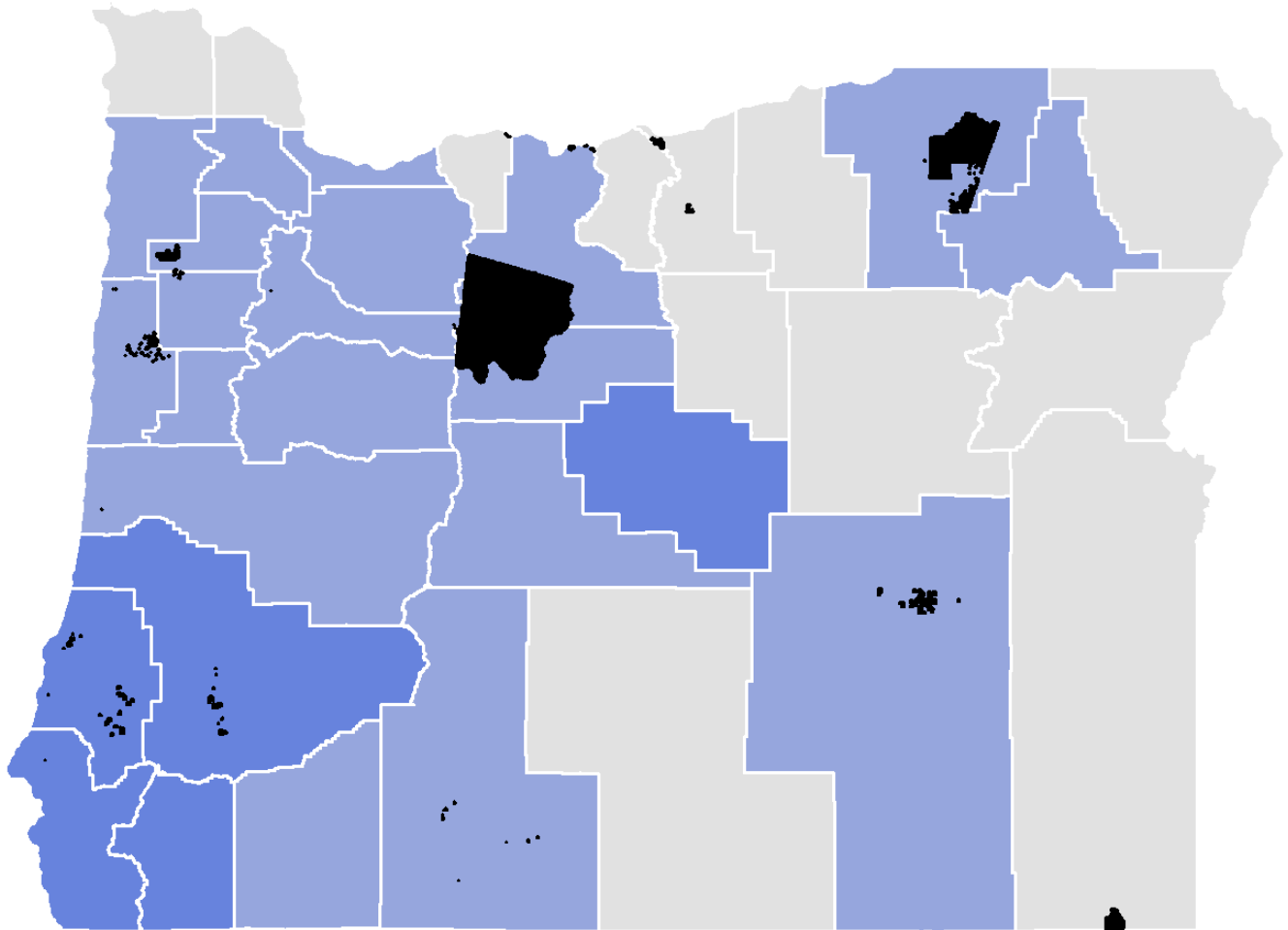


Figure B-10: Comparison of Native American Reservation Lands to DHS Implementation of “Indian Country” Exemption



Description of Shaded Areas




-  Native American Reservation Land
-  Eligible for Exemption, but did not Meet Employment Criteria
-  Exempt Counties in 2012

Figure B-11: Change in Child Poverty Rates, By State, 2006-2012

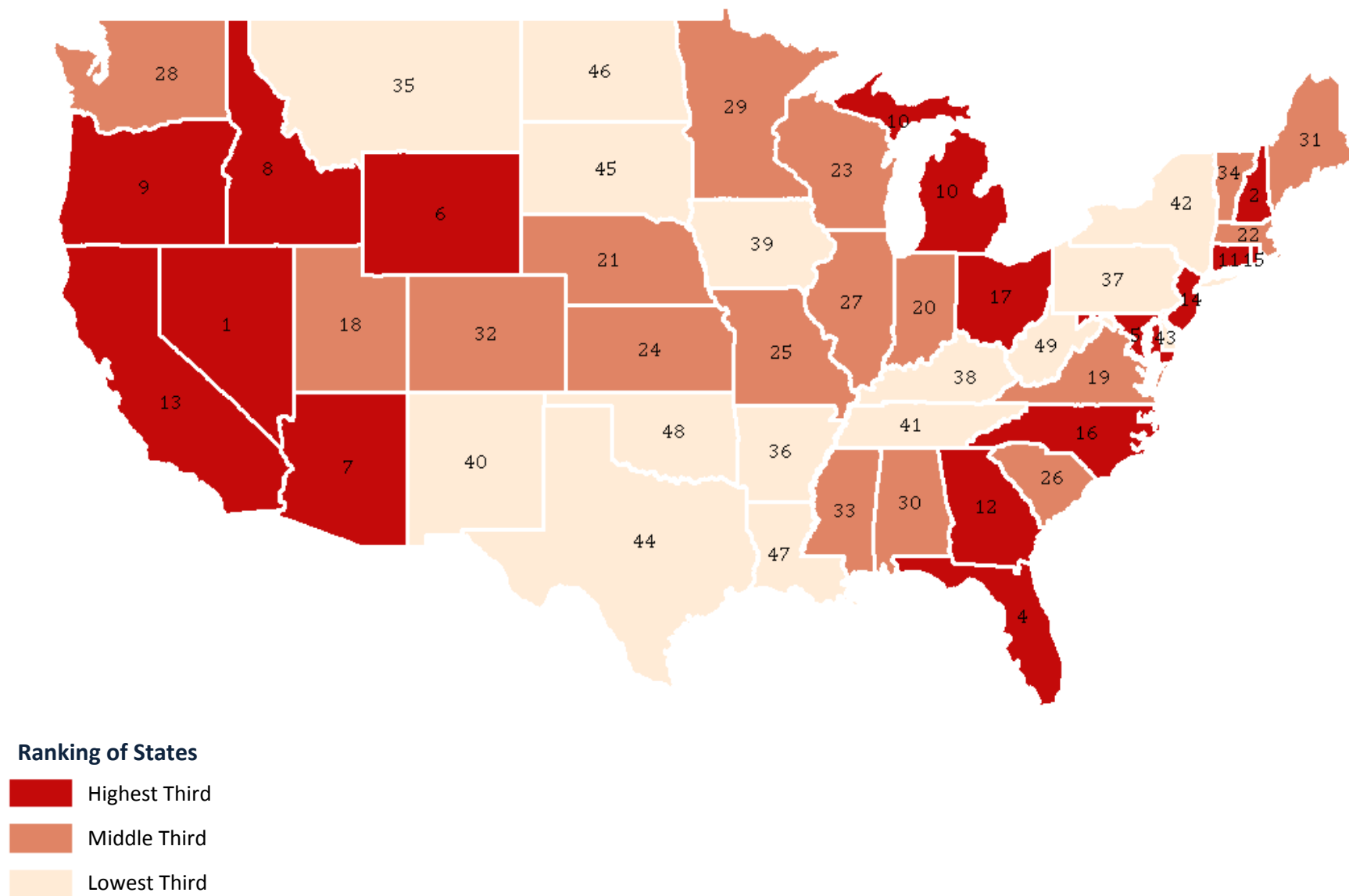


Figure B-12: Percent of Individuals below Federal Poverty Level (FPL), by State, 1999

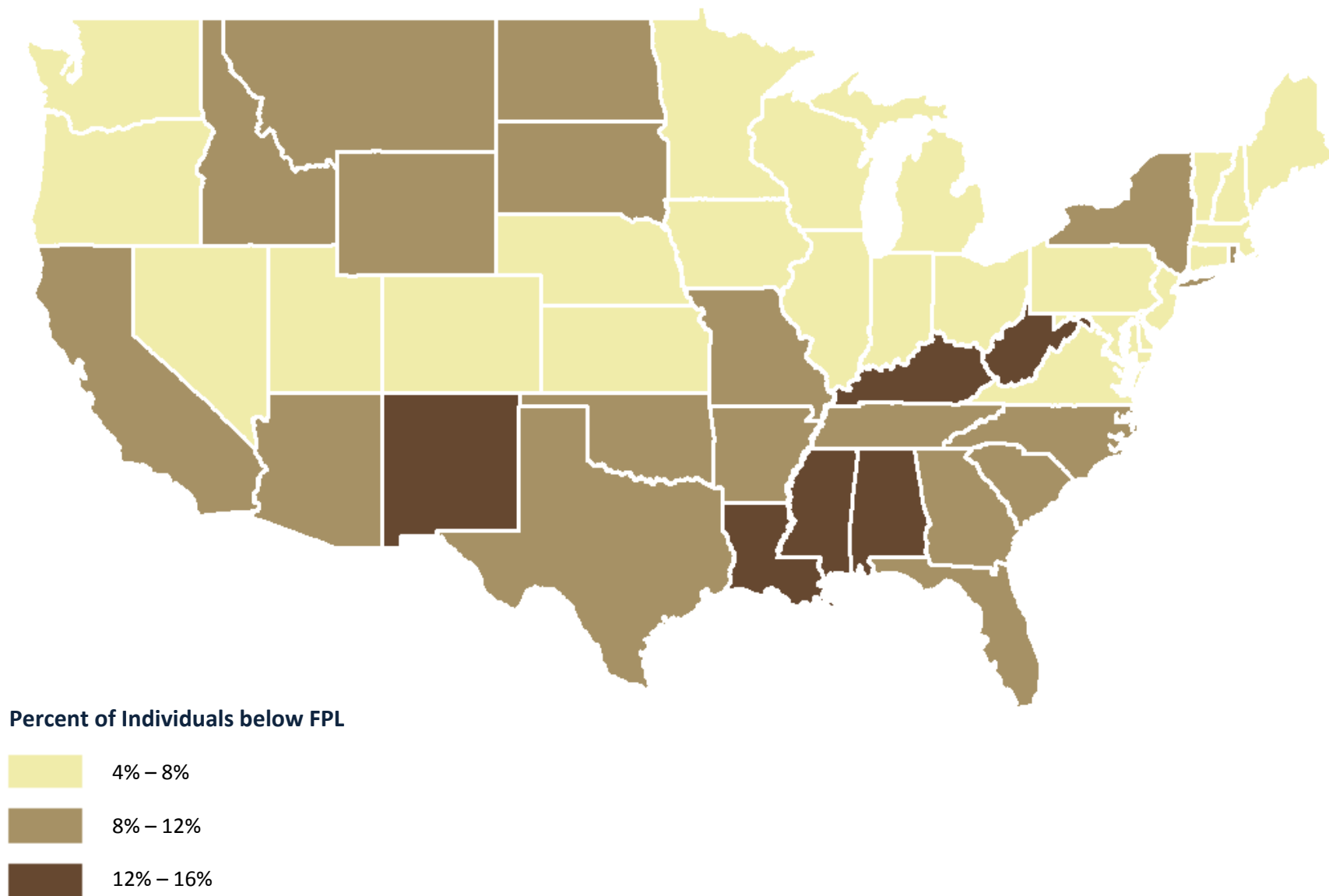
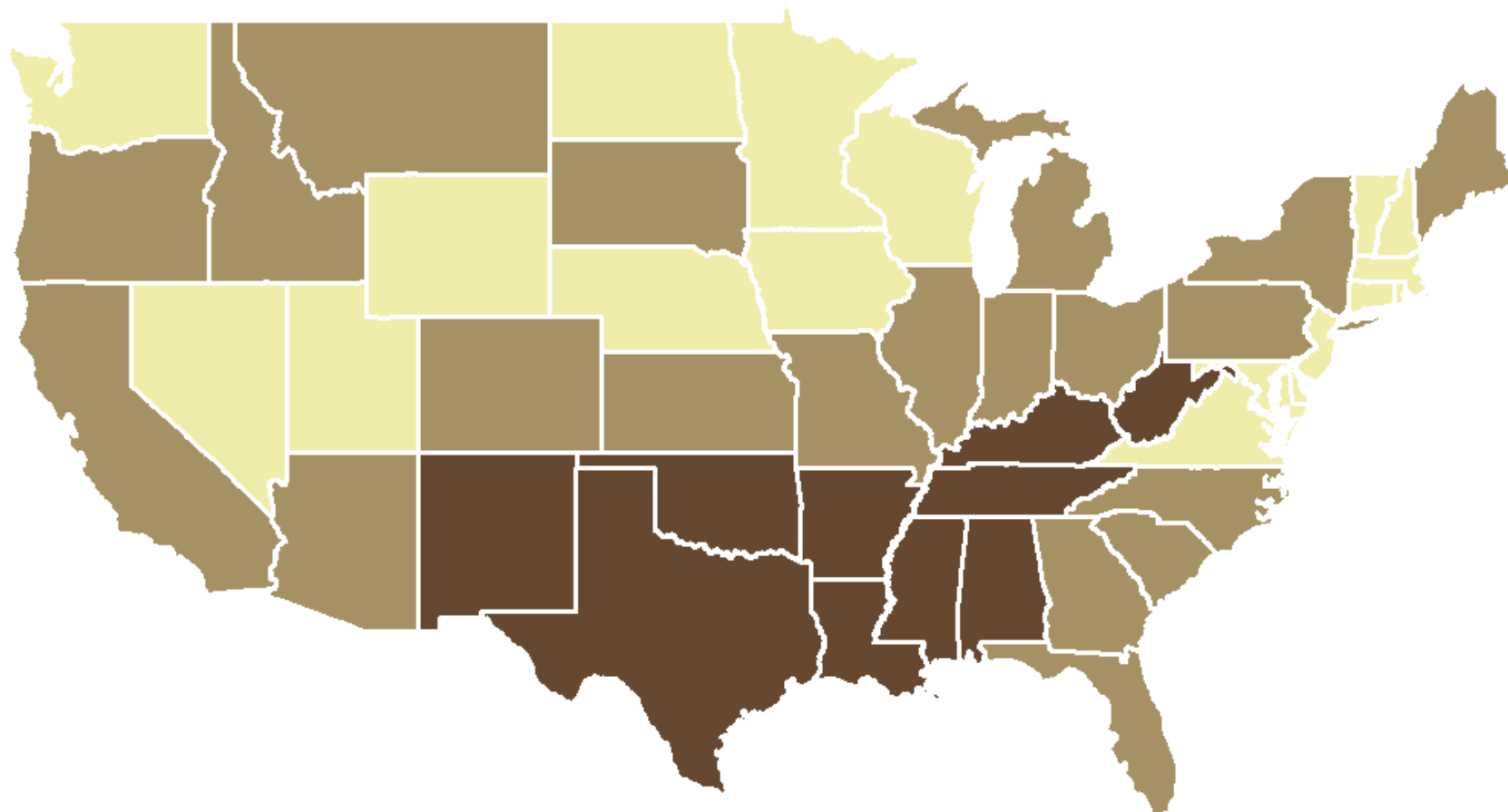


Figure B-13: Percent of Individuals below Federal Poverty Level (FPL), by State, 2006



Percent of Individuals below FPL

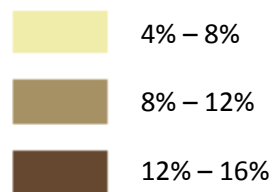
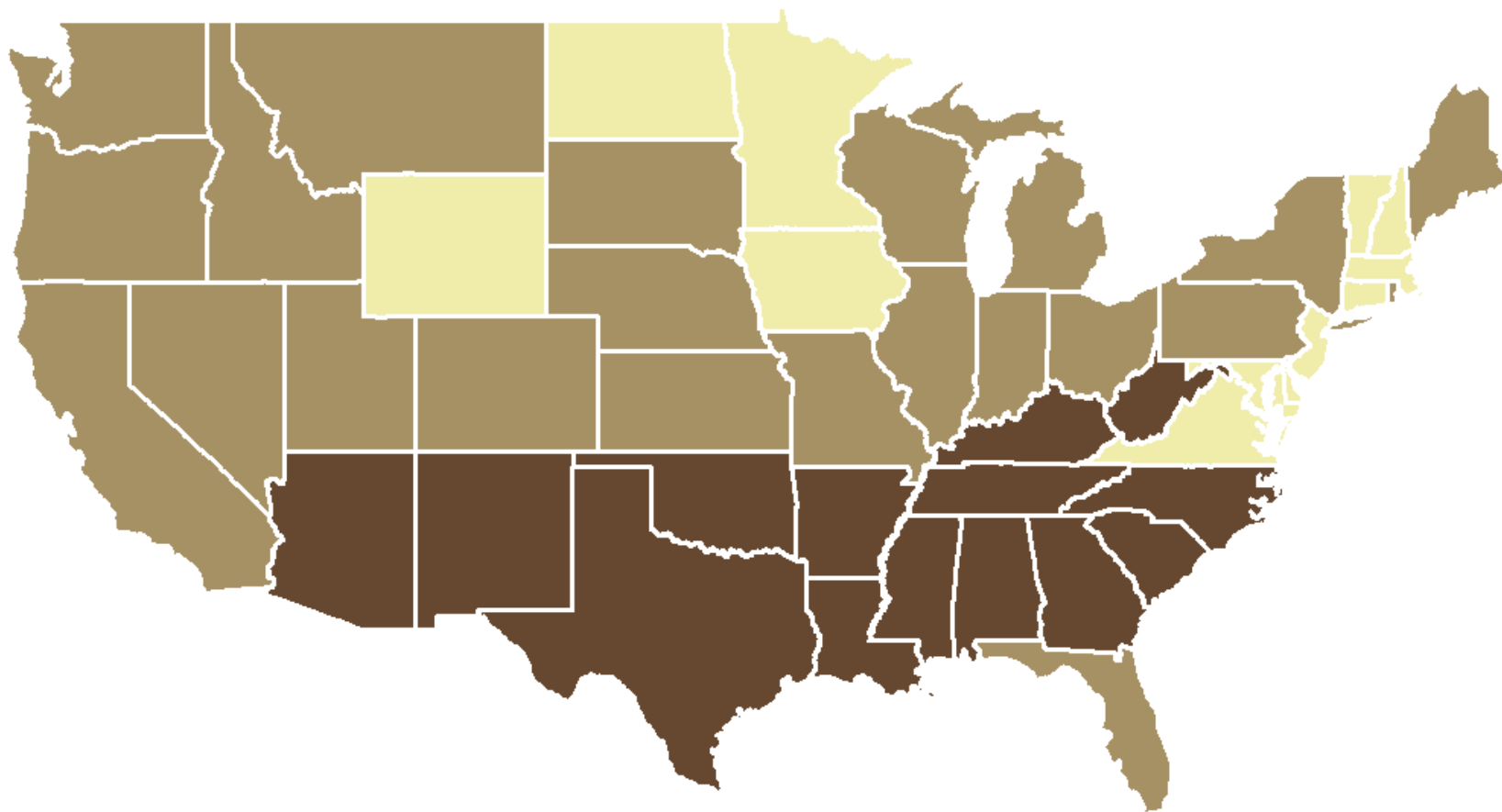
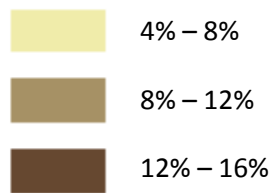


Figure B-14: Percent of Individuals Below Federal Poverty Level, by State, 2012



Percent of Individuals below FPL





Oregon

John A. Kitzhaber, MD, Governor

April 15, 2014

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Dear Mr. Blackmer:

The Secretary of State's Temporary Assistance for Needy Families (TANF) audit largely confirms weaknesses in program structure that the Department has been actively discussing with policy makers and stakeholders since the recession began in 2008. Third party validation by qualified auditors is always welcome and valuable.

We appreciate the accurate portrayal of the challenging economic circumstances in Oregon and the many consequences for the state TANF program as described in the audit report. Additionally, the agency agrees with the findings that improvements can and should be made in terms of employment outcomes and client engagement in the TANF program.

While the audit points out that Oregon's TANF program does not lack for vision or ambition, it is regrettable that it largely ignores the dual purpose of the program: Safe and stable families, as well as employed parents.

In 2007, through House Bill 2469, the Oregon Legislature codified and funded a comprehensive TANF program designed to achieve the dual purposes of the TANF program. Data shows that in the first year of implementing the HB 2469 model, the program was starting to achieve the expected results. Unfortunately, the recession forced even more families out of work and into the TANF program. It also forced difficult decisions about resources for the TANF program. Because jobs were in short supply for even the most qualified job-seekers, the Legislature chose to prioritize TANF's family stability side. It left the cash assistance side of the program in place as part of a safety net for children and drastically reduced employment supports and services for adults in the program.

The report recognizes that the TANF program during the audit period was not structured to prepare people for jobs that did not exist during the recession. Still, the audit spends considerable time on the issue of accountability, both with respect to DHS staff holding individuals accountable, and individuals on TANF taking responsibility to get back to work. That discussion perpetuates the traditional conversation about this program and the people it serves, rather than recognizing the structural challenge of the disincentives for work that are part of Oregon's safety-net.¹

Compounding those structural issues -- specific to poverty and the TANF program itself during the audit period -- were the overarching challenges for all job seekers during the recession. Those challenges are underscored by the fact that the Unemployment Insurance program

¹ A Path to Prosperity: Four strategies to reduce Oregon's poverty rate to 10% by 2020, pp 8-9, Prepared for the Oregon Business Plan by ECONorthwest, December 2013



(which, like TANF is also intended to be temporary) has been extended multiple times since the recession began (and, at the time of this audit report release, six years later, the U.S. Congress is considering another extension).

That being understood, the agency agrees that best practice involves engaging clients fully in case planning, supporting those plans with the appropriate services, and holding clients accountable for full participation in plans and services. The TANF program already has begun seeing improvements in these areas as the result of the Legislature supporting the redeployment of staff and a small expansion of the JOBS program budget for employment services in the 2013-15 Legislatively Adopted Budget (LAB).

Next Steps:

The Department takes the results of the TANF audit seriously, particularly in the spirit of improving outcomes for Oregon's children and families. Following is a summary of the audit recommendations DHS can implement under its current authority and within existing resources:

Improving Case Management

- Continue prioritizing additional work supports as funds become available, particularly subsidized childcare that allows more parents to participate in work activities. The prioritization process must take into account the need to balance employment training opportunities with the support services that enable clients to participate in them.
- Work with case managers and supervisors to address their concerns about the sanctions process and ensure they consistently hold clients accountable.
- Develop a process to identify top performing TANF workers and share best practices among case managers and regional offices.

Expanding Partnerships

- Continue building connections with Coordinated Care Organizations so clients can receive thorough assessments, referrals and appropriate medical treatment. Implementation planning must recognize that CCOs across the state are in different stages of development and that coordination with each CCO happens at the local level. The true capacity of the CCO system also must be taken into account.
- Continue increasing collaboration with other organizations that provide crucial services to TANF clients, including GED instruction, rehabilitation, apprenticeships, community support and employment services.

Using Data to Drive Improvements

- Continue assessing which client interventions work best and direct limited resources to promising programs.

April 15, 2014

- Continue developing data capabilities to track client progress, assist case management, and improve agency-wide operations as capacity and funding allows. Major information technology system improvements would require additional funding.

Although the audit recognizes that the agency is operating the current TANF program within legislatively established policy and budget parameters, many of the recommendations will require the Legislature to make additional policy and budget decisions surrounding the program.

Currently, Oregon's workforce redesign effort is one of the most promising policy initiatives for TANF client employment. The Governor's re-chartering of workforce boards through Executive Order 13-08 and the Legislature's adoption of SB 1566 (2014), are critical elements in addressing re-employment of TANF recipients. Without a stronger economy, including a workforce system focused on meeting businesses needs and moving people out of poverty and up the economic ladder, we cannot be successful in the long-term.

With those considerations in mind, and recognizing the need for policy and budget decisions at the state and/or federal levels in order to implement recommendations, the Department agrees to continue to engage in discussions with the appropriate organizations on all remaining recommendations, with the exception of the time limit exemption for economic hardship mentioned in the report. DHS believes it was in compliance based on the understanding of regulations at the time of implementation. In addition, the temporary exemptions for economic hardship are not current policy.


Conclusion:

DHS looks forward to partnering with the Governor and the Legislature to improve outcomes for children and families who are TANF recipients.

Ultimately, the best answer to the challenges identified in the audit is Oregon's economic recovery. Oregon's workforce redesign, along with the efforts of Governor Kitzhaber and the Legislature to comprehensively approach poverty through investments in education, health care, human services, economic development and job creation, are the best long-term opportunities to reduce the need for TANF.

We appreciate the opportunity to review and address recommendations in the audit report. We invite you to contact our Chief Audit Officer, Dave Lyda, with any questions about this response.

Sincerely,



Erinn Kelley-Siel
Director

EKS:dd

Gary Blackmer

April 15, 2014

cc: Jim Scherzinger, Chief Operating Officer, Oregon Department of Human Services
Liesl Wendt, Director, Self-Sufficiency Programs, Oregon Department of Human Services
Dave Lyda, Chief Audit Officer, Oregon Department of Human Services and Oregon Health Authority