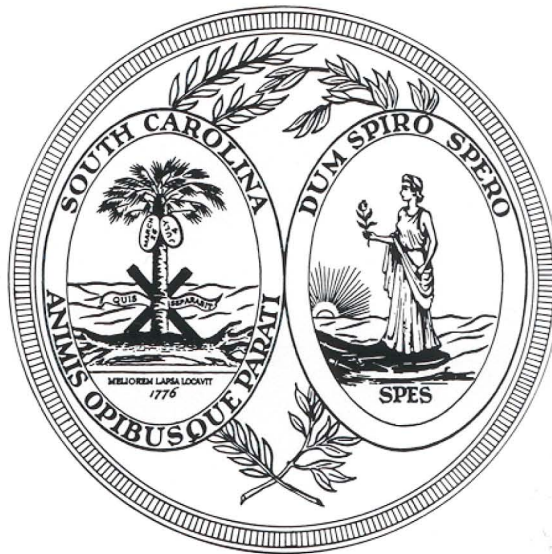




January 2007

# A REVIEW OF THE FAMILY INDEPENDENCE ACT 2004 – 2006



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## **A REVIEW OF THE FAMILY INDEPENDENCE ACT 2004 – 2006**

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# Synopsis

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The Family Independence Act (FIA) requires the Legislative Audit Council (LAC) to report every two years on the success and effectiveness of the policies and programs created under the act. Specifically, we are to review the three outcome measures required by S.C. Code §43-5-1285 — the number of families and individuals no longer receiving welfare, the number of individuals who have completed education and training, and the number of individuals finding employment. This is our sixth report about the family independence (FI) program and its management by the S.C. Department of Social Services (DSS). Our findings include the following:

- The number of welfare clients has decreased over the past two years. January 2004 had the highest number of cases for the months in the two-year audit study period. According to DSS statistical reports, the FI caseload fell from 18,343 in January 2004 to 17,575 in December 2005, a decrease of 4.2% over two calendar years.
- From January 1, 2004 through December 31, 2005, there were 16,333 FI cases closed due to earned income. DSS does not have information on the duration of employment of FI clients who obtain a job. However, DSS data shows that approximately 57% of clients who left the program between January and June 2004 due to employment were still employed one year after they left the FI program.
- In October 2003, DSS implemented the Participation and Tracking System (PATS) which is used to meet participation and data reporting requirements required under the federal Temporary Assistance to Needy Families (TANF) law. We reviewed a sample of client case files and concluded that the information in PATS was not sufficiently reliable to be used to report on clients' education and training, or on their employment.
- In a review of a sample of client files, we found that DSS has allowed clients to use activities such as raising their own children to count towards meeting work requirements. DSS has also not properly documented client work activities to ensure that clients are participating for the required number of hours.
- TANF was reauthorized by congress in February 2006. New provisions in the law will result in significant changes to DSS's family independence program. These changes include narrower definitions of work activities, an improved system for verifying clients' work activities, and changes to the caseload reduction credit. These changes will have a significant impact on South Carolina's ability to meet required work participation rates for clients. DSS estimates it could cost the state up to \$13.5 million in penalties if it does not meet the participation rates.

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**Synopsis**

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# Introduction

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## Audit Objectives

The Family Independence Act (FIA) requires the Legislative Audit Council to report every two years on the success and effectiveness of the policies and programs created under the act. This is our sixth report about the family independence program and the manner in which it has been implemented by the S.C. Department of Social Services.

Our objectives for this report are to:

- Identify the number of families and individuals no longer receiving welfare.
- Identify the number of individuals who have completed educational, employment, and training programs.
- Identify the number of individuals who have become employed and the duration of their employment.

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## Scope and Methodology

The period of this review was generally January 1, 2004, through December 31, 2005. We reviewed and evaluated the outcomes of the FIA, as specifically required by S.C. Code §43-5-1285.

Information used in this report was obtained from the following sources.

- Interviews with DSS staff.
- DSS outcome measure reports.
- Quarterly cost allocation reports sent to the federal government, as well as other DSS financial records.
- Examination of FI client files.

Most of the statistical information used for aggregate data on FI clients was obtained from reports generated by the client history and information profile (CHIP) system. The CHIP system is used to determine eligibility and issue benefits for food stamps and the family independence program.

We did not perform tests on the validity and reliability of the data from CHIP. However, we reviewed the controls over this system and concluded they were sufficient. DSS staff perform quality control reviews for the food stamp program and also review FI case files and data reports. In addition, the federal government conducts re-reviews from the cases reviewed by quality control.

In October 2003, DSS implemented a new data system, PATS (participation and tracking system), which is primarily used to calculate the work participation rate. We reviewed a random, non-statistical sample of cases to determine the reliability of the information in PATS. Based on our review, we could not conclude that the information in the system was reliable and therefore did not rely on the information for our report (see p. 13).

This audit was conducted in accordance with generally accepted government auditing standards.

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## **Background: Welfare Reform**

In 1996, welfare reform dramatically changed the nation's welfare system into one that requires work in exchange for time-limited assistance. The new federal law created the Temporary Assistance for Needy Families (TANF) program, which replaced the former Aid to Families with Dependent Children (AFDC), ending the federal entitlement to assistance. TANF sets time limits on welfare benefits, requires able-bodied recipients to engage in work or training activities, and requires states to maintain a historical level of state spending known as maintenance of effort (MOE). With these changes to the law came new roles, responsibilities, and expectations, and the end of cash assistance as an entitlement.

States have been given flexibility to design their TANF programs in ways that promote work, responsibility, and self-sufficiency, as well as strengthen two-parent families. States may use TANF funding in any manner "reasonably calculated to accomplish the purposes of TANF." These purposes are:

- To provide assistance to needy families so that children can be cared for in their own homes.
- To reduce dependency by promoting job preparation, work, and marriage.
- To prevent out-of-wedlock pregnancies.
- To encourage the formation and maintenance of two-parent families.

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## South Carolina FI Program

Welfare reform began in South Carolina with the passage of the Family Independence Act (FIA) in June 1995, which was implemented in January 1996. Under the FIA, the S.C. Department of Social Services is required to:

...fundamentally change its economic services operation to emphasize employment and training with a minor welfare component. To that end, the department shall expand its employment and training program statewide....The agency shall assist welfare recipients to maximize their strengths and abilities to become gainfully employed. [S.C. Code §43-5-1115]

The FI program transformed South Carolina's welfare system into a transitional program that places a strong emphasis on participants engaging in socially-responsible behavior and becoming self-sufficient through employment and employment-related activities. Except as exemptions apply, the FIA limits cash benefits to no more than 24 months out of 120 months, and no more than 60 months (5 years) within a lifetime. Those determined to be "hardship cases" may be allowed to remain on welfare beyond those time limits. Welfare recipients must also meet participation and other eligibility requirements in order to receive assistance.

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## Requirements Placed on FI Recipients

In order to receive a welfare stipend, FI recipients in South Carolina must meet certain requirements.

- Recipients must have a net income (after all allowed deductions) at or below 50% of federal poverty guidelines.
- Parents are required to participate in education, training, and/or employment when their youngest child reaches age one.
- Minor recipients must live with their parents or guardians (some exemptions apply).
- Adult recipients must enter into an agreement with DSS which requires them to take certain steps to become more self-sufficient.
- Recipients must cooperate with DSS in trying to establish paternity and collect child support from absent parents.

A participant's failure to meet any of these requirements can result in disciplinary actions or "sanctions" by DSS, which eventually can lead to the loss of FI benefits.

Table 1.1 shows how income limits and stipend amounts go up for each additional countable person in the household. An individual who applies for assistance must first pass a gross income limit test to be considered. If the

individual passes this test, then the person may qualify for a 50% disregard which will reduce his or her actual earned income in half and place the person under the need standard income limit of 50% of poverty. The chart also lists the maximum stipend amount for which an individual or family can qualify based on household size. A family of three with zero income would receive a maximum stipend amount of \$240. However, this maximum amount will be reduced if the family has another source of income.

**Table 1.1: Need Standard and Benefit Table for Family Independence Effective October 2005**

NUMBER IN HOUSEHOLD*	MONTHLY GROSS INCOME LIMIT (185% OF NEED)	NEED STANDARD (50% OF POVERTY)	PAYMENT STANDARD (35.96% OF NEED WITH NO INCOME)
1	\$736	\$398	\$143
2	\$987	\$534	\$192
3	\$1,239	\$670	\$240
4	\$1,491	\$806	\$289
5	\$1,742	\$942	\$338
6	\$1,992	\$1,077	\$387
7	\$2,244	\$1,213	\$436
8	\$2,495	\$1,349	\$485

\* For family sizes over 8, \$135 is added for each extra person to the need standard.

Source: South Carolina TANF Block Grant State Plan – FFY 2006.

## Welfare Funding

Federal TANF funds are allocated to the states as block grants. In order to receive the full amount of federal funds allocated to the state, South Carolina is required to spend a certain amount of its own money on recipients. This is known as the state's maintenance of effort (MOE). In our 2004 audit, DSS was considering using some of the state dollars spent by the South Carolina Department of Education (SDE) towards its MOE requirement. This would allow DSS to use some of the money previously used for MOE in other areas of the TANF program.

Beginning on October 1, 2004, South Carolina was allowed to use expenditures by SDE on a pre-school program for children from families with incomes at or below 185% of the federal poverty level towards DSS's MOE funding. In FFY 2005, South Carolina used \$14,506,928 of SDE's pre-school program towards the MOE. Also, beginning on April 1, 2005, South Carolina was allowed to use expenditures by the SDE on college scholarships for low-income families with incomes at or below 200% of poverty as DSS MOE funding. In FFY 2005, South Carolina used \$17,003,536 of SDE's college scholarship program towards DSS's MOE dollars.

Table 1.2 shows TANF revenue and expenditures for FFY 2005. South Carolina qualified for additional federal funds from the federal contingency fund as a result of the “food stamp trigger”. The food stamp trigger is activated when there is a 10% increase in the number of food stamps clients in the most recent three-month period as compared to the comparable three-month period from 1995. South Carolina was also awarded a high performance bonus of \$4,998,391 for FFY 2005.

Since our previous audit in 2004, work activities/expenses funding decreased because several DSS contracts were eliminated or reduced. Most of these contracts were for after school programs, but DSS also eliminated contracts with the Department of Alcohol and Other Drug Abuse Services, Family Financial Literacy, and the Columbia Urban League. Overall, since 2004, the federal basic assistance funds decreased and the state basic assistance funds increased. “Other” category spending increased as a result of increases in foster care and child protective services and the funding of emergency shelters.

**Table 1.2: FFY 04-05 Temporary Assistance for Needy Families Revenue and Expenditures**

REVENUE	FEDERAL	STATE	TOTAL
Federal TANF Award	\$99,967,824		
High performance bonus	\$4,998,391		
Contingency Funds	<u>\$19,993,565</u>		
Total Revenue	\$124,959,780		
Transferred to SSBG	(\$9,996,782)		
Revised TANF Award	<u>\$114,962,998</u>		
<b>EXPENDITURES ON ASSISTANCE</b>			
Basic Assistance	\$46,605,291	\$44,172,462	\$90,777,753
Transportation and Other Support	<u>\$1,302,186</u>	<u>\$853,178</u>	<u>\$2,155,364</u>
Sub-Total	\$47,907,477	\$45,025,640	\$92,933,117
<b>EXPENDITURES ON NON-ASSISTANCE</b>			
Education and Training	\$11,264,663	\$7,149,711	\$18,414,374
Other Work Activities	\$4,337,327	\$2,153,052	\$6,490,379
Child Care	\$0	\$4,085,272	\$4,085,272
Transportation - Other	\$618,576	\$399,250	\$1,017,826
Prevention of Out-of-Wedlock Pregnancies	\$3,719,048	\$0	\$3,719,048
Administration	\$4,459,820	\$4,007,648	\$8,467,468
Information Systems	\$2,593,702	\$1,729,135	\$4,322,837
Other	<u>\$40,062,385</u>	<u>\$0</u>	<u>\$40,062,385</u>
Sub-Total	\$67,055,521	\$19,524,068	\$86,579,589
<b>TOTAL PROGRAM</b>	<u>\$114,962,998</u>	<u>\$64,549,708</u>	<u>\$179,512,706</u>

Source: DSS August 2006 ACF-196 Financial Report.

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## TANF Reauthorization

The federal Deficit Reduction Act of 2005 (Pub. L. No.109-171), which included provisions to reauthorize the Temporary Assistance to Needy Families (TANF) program, was signed into law in February 2006. New provisions in the law will result in significant changes to DSS's family independence (FI) program. These changes include:

**Definition of work activities** – The federal Department of Health and Human Services more narrowly defined the various work activities in which clients can participate. Certain types of activities, such as looking for a job or receiving drug or mental health treatment, will either be limited or no longer be counted as acceptable work activities. Also, all activities used to satisfy work requirements must be supervised.

**Caseload reduction credit** – States are required to meet certain participation rate requirements in order to receive TANF funds. States are required to have 50% of all families and 90% of two-parent families participate in work or other activities for a certain number of hours per week. However, these percentages can be reduced by the caseload reduction credit. Prior to reauthorization, the credit was determined by taking the percentage difference between the average 1995 caseload and the current caseload. As of October 1, 2006, the caseload reduction credit will be based on the percentage difference between the average caseload in 2005 and the current caseload. Since there was a dramatic decrease in caseloads between 1995 and 2005 (see Chart 2.2), this change will effectively eliminate the caseload reduction credit in South Carolina.

**Families in separate state programs will be counted in the work participation rate** – Prior to reauthorization, South Carolina could exclude certain individuals from the calculation of the state's participation rate by placing them in a separate state program (SSP). South Carolina's SSP exempted the disabled and those caring for disabled family members from inclusion in the rate. However, under reauthorization, these individuals will no longer be excluded.

**Verification of work activities** – As of September 30, 2006, DSS must have in place a work verification plan in which the agency sets forth how it will verify whether an activity in which a client is participating can be counted as work activity, how the clients' hours will be counted and verified, and how the agency's internal control procedures will result in accurate and consistent participation information. States face penalties for not developing an approved work verification plan.

An analysis done by the National Conference of State Legislatures (NCSL) predicted that, under reauthorization, only five states will meet the participation rate. The NCSL analysis showed South Carolina's TANF participation rate in FFY 2004 was 30%. Thus, the state would need to raise its participation rate by 20 percentage points in order to meet the federally-mandated rate. If it does not meet the rate, DSS estimates it could cost the state up to \$13.5 million in penalties.

In response to reauthorization, DSS is making changes to its TANF program. DSS has developed a work verification plan to help ensure that clients' work activities meet the federal definition and that the hours clients participate in these activities each week are well documented. See page 13 for a discussion of DSS's previous system for assigning clients to work activities and verifying their participation.

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**Chapter 1**  
**Introduction**

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# Data About FI Recipients

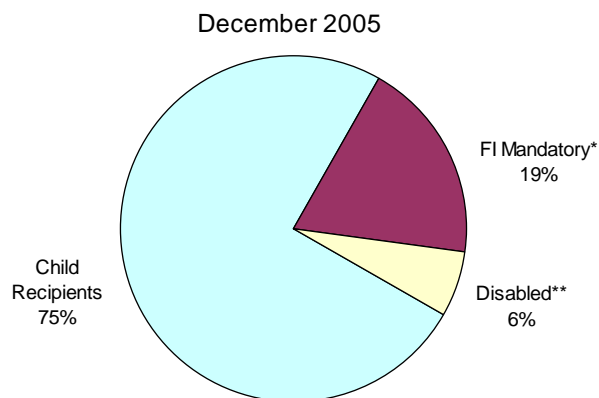
In this chapter, we provide information on the status of the family independence program including the three measures required by the Family Independence Act.

- The number of families and individuals no longer receiving welfare.
- The number of individuals who have completed educational, employment, and training programs.
- The number of individuals who have become employed and the duration of their employment.

## Families and Individuals on Welfare

As of December 2005, there were 43,416 individuals in the family independence program in South Carolina. Of this number, 2,789 adults were categorized as disabled (or caring for a disabled family member) and 8,341 were categorized as mandatory, meaning that the recipient is required to participate in a work, educational, or training program. Seventy-five percent of family independence (FI) recipients were children (see Chart 2.1), and 44% of the family independence cases were composed of child-only cases, meaning that the adult caretaker was not counted in the benefit group.

Chart 2.1: Family Independence Recipients



\* Mandatory clients are counted in TANF participation rates by being required to participate in a work, educational, or training program.

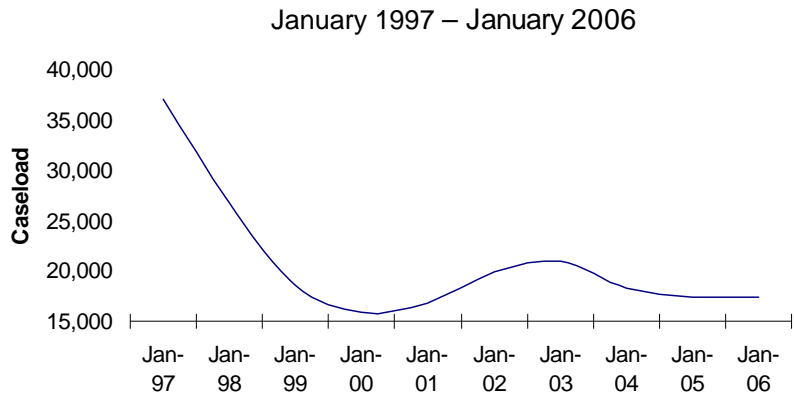
\*\* Includes disabled clients and persons caring for a disabled family member.

Source: DSS statistical reports.

## Number of Welfare Recipients

Over a 24-month period (January 2004 through December 2005), the welfare caseloads in South Carolina have decreased. January 2004 had the highest number of cases for the months in the two-year audit period. According to DSS statistical reports, the FI caseload fell from 18,343 in January 2004 to 17,575 in December 2005 (see Chart 2.2), a decrease of 4.2% over two calendar years. The average FI caseload, or households receiving FI, has dropped 1.97% from 2004 to 2005. The FI caseload in December 2005 was 52% less than it was in January 1997 with most of the caseload decrease occurring in 1997 and 1998.

**Chart 2.2: Changes in the Family Independence Caseload**

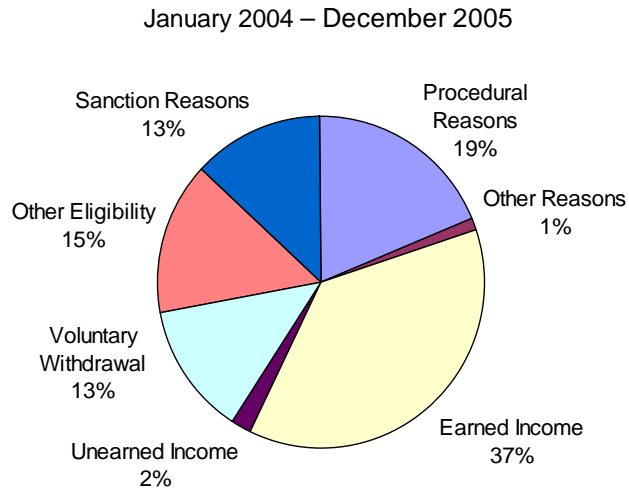


Source: DSS statistical reports.

## People Leaving Welfare

From January 1, 2004, through December 31, 2005, 44,448 welfare cases were closed. The most frequently cited reason for case closure was earned income (see Chart 2.3). DSS statistics show that the number of cases closed in 2004 and 2005 has decreased from previous years. The number of overall cases has also decreased, however. The reasons that the 2004 and 2005 cases were closed remained consistent from previous years studied.

Chart 2.3: Reasons for Family Independence Case Closures



Source: DSS statistical reports.

## Recipients Participating in Education and Training

DSS does not have information on the number of FI clients who complete education and training programs. In addition, DSS's system used to track client participation is not reliable.

In order to receive a welfare stipend, certain adult FI clients are required to participate in work, training, or other activity that can lead to employment. As of December 2005, 19% of DSS's caseload consisted of clients who were required to participate in work or another activity.

DSS must meet certain participation rates set forth by the federal government in order to avoid financial penalties. At least 50% of "all families" (those with at least one adult client) and 90% of "two-parent" families must participate in work, training, or other activity. Generally, clients must participate an average of 30 hours per week to be counted in the all families rate and 35 hours per week to be counted in the two-parent rate.

The types of activities that qualify towards participation include:

- Full- or part-time work.
- Work experience (work activities done in return for the welfare stipend if sufficient private sector employment is not available).
- On-the-job training.
- Community service.
- Child care services to allow another individual to participate in community service.
- Job readiness (helping recipients learn general workplace expectations, behavior, and attitudes needed to successfully compete in the job market).
- Vocational education.

The hours spent in job readiness and vocational education activities can be counted in full, but only for a limited time. For job readiness, the limit is 6 weeks per year, and for vocational education the limit is 12 months in a lifetime.

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## Clients Completing Training or Education

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S.C. Code §43-5-1285 requires the LAC to report on the number of individuals who have completed education and training. However, according to a DSS official, information on the number of clients completing training and education is not available from DSS's data system.

In October 2003, DSS implemented the Participation and Tracking System (PATS) to be used to meet TANF participation and data reporting requirements. According to a DSS official, however, reports that track individual clients over time have not been developed, and determining when education or training is "complete" is not part of the family independence process. According to the official, the ultimate purpose of education and training is to help the client obtain a self-sustaining job, and as a result, it may be necessary to adjust work activities, support services, vocational goals, etc., as necessary.

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## Recommendation

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1. The General Assembly should amend §43-5-1285 to require the Legislative Audit Council to report on the number of clients participating in educational, employment, and training programs.

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## Review of TANF Case Files

We reviewed a sample of FI case files and concluded that the information in the PATS system was not sufficiently reliable to be used to report on a client's education and training. We found examples of clients participating in activities that should not have been counted towards their work requirements and examples of cases which had insufficient documentation to support the clients' work activities.

As noted above, states are required to have a certain percentage of their clients participating in either work, training, or other activity. The federal government determines if South Carolina is meeting the participation requirements using a sample of cases. In October 2005, DSS used a sample of 252 cases to determine the state's participation rate. Of the 252 cases, 50 met the required number of hours to be counted in the participation rate. We reviewed 18 (36%) of these 50 cases to determine if case files accurately reflected the clients' activities and if the file contained sufficient evidence documenting the activities. We found problems in 8 (44%) of the 18 cases we reviewed.

For example, in two cases, DSS allowed clients to count providing child care to their own children as a community service activity. The files contained client agreement forms stating that the clients were to:

- Provide their children with nutritious meals.
- Take their children to doctors' appointments.
- Provide entertainment and educational activities.
- Obtain required immunizations.

DSS also allowed the clients to fill out and sign their own evaluation forms and grade themselves in areas such as attendance, punctuality, and willingness to work.

In another case, for a client who had reached the 12-month limit for vocational education, DSS reclassified the activity from vocational education to community service to meet participation requirements.

We also found cases where there was insufficient documentation to substantiate a client's participation. For example:

- A client was reported as participating in community service in October 2005, but there was no documentation in the file. After we requested documentation, DSS officials determined that the county staff had entered the information in error, and the client had not participated in any work activities in October 2005.

- A client was reported as attending technical college and doing work experience activities, but the only documentation in the file was a note by the caseworker.
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## Quality Control

During the period of our review, DSS did not have an adequate quality control process in place to ensure that clients' work activities were allowable and properly documented. The federal Department of Health and Human Services has promulgated new regulations which more strictly define the work activities that clients can perform in order to meet the participation requirements. In addition, the regulations require DSS to develop a work verification plan which will specify what documentation will be required to prove client participation in the activity. South Carolina's plan includes requiring county supervisors to review a specific number of cases each month. Also, DSS state office staff will examine the documentation in the paper case records used to calculate the state's participation rate and compare it to the data in PATS.

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## Conclusion

Ensuring that clients are performing appropriate work activities and that there is proper documentation of these activities is essential if DSS is to report an accurate participation rate. In addition, without appropriate controls over verification, it may be easier for clients to obtain benefits to which they are not entitled.

Changes in federal law, including the requirement that states develop work verification plans, should improve the reliability of DSS's data system and tighten documentation requirements. DSS faces substantial federal penalties if it cannot meet the participation rates. DSS will face additional penalties if its work verification plan does not obtain federal approval.

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## Recommendation

2. The Department of Social Services should ensure that its quality control process monitors clients and caseworkers to verify that clients perform appropriate work or other activities and that caseworkers properly document these activities.

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## Number of Individuals Employed and the Duration of Their Employment

From January 1, 2004 through December 31, 2005, there were 16,333 FI cases closed due to earned income. We attempted to determine the number of full-time and part-time jobs obtained by clients, the average number of hours worked per week, and the average hourly wage. However, this information comes from DSS's Participation and Tracking System (PATS) and, based on our review of TANF case files (see p. 13), we concluded that PATS was not sufficiently reliable to be used to report on client activities.

Although DSS does not have information on the duration of employment of FI clients who obtain jobs, according to data from DSS's CHIP system, approximately 57% of clients who left the program between January and June 2004 because they found employment were still employed one year after they left the FI program. In addition, DSS information shows that approximately 75% of these clients were still receiving food stamps one year after their case closures. DSS reports show that 1,508 households (2004) and 1,300 households (2005) whose cases had closed due to earned income returned to the FI rolls within one year.

In the past, DSS has tracked former FI clients through a contracted study known as the welfare leavers study. However, this study is no longer conducted.

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## Programs to Help FI Clients Retain Jobs

In our 2004 report, we discussed three programs that were designed to help current and former FI clients.

- The Moving Up program offered assistance to former clients in the Pee Dee area to find jobs, pursue educational opportunities, and other services.
- The Individual Development Accounts program allowed former and current clients to save money for post-secondary education, the purchase of a home, or to start or expand a business.
- The Wheels to Work program refers participants for zero interest loans to purchase vehicles to use for transportation to and from work.

DSS has discontinued the Moving Up and Individual Development Accounts programs. However, the Wheels to Work program was expanded statewide beginning in September 2005. According to program officials there are currently over 100 clients enrolled in the program.

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## Status of Previous Recommendations

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In 2002, we concluded that DSS's reporting of its performance measures on an annual basis would result in the need for less frequent review of the FI outcomes by the Legislative Audit Council. Since 1996, the LAC has conducted six reviews of the Family Independence Act. During that time, the FI caseload has decreased dramatically. Restricting the Legislative Audit Council's review of DSS to just one program and requiring this review every two years may not be the most beneficial or cost-effective use of state resources. Expanding the number of programs which could be subject to audit could make DSS more accountable to the General Assembly and the public.

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## Recommendation

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3. The General Assembly should amend South Carolina Code §43-5-1285 to:
  - Eliminate the requirement that the Legislative Audit Council review the Family Independence Act every two years.
  - Require the Legislative Audit Council to review a Department of Social Services program every three to five years. The program would be determined by the General Assembly.

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## DSS Reporting on FI Program Outcomes

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In 2004 we recommended that the General Assembly amend the law to require that the Department of Social Services report on family independence outcomes every year to the Governor and the General Assembly. The law has not been amended. However, DSS has three program outcomes related to the FI program that are included in its annual accountability report. These are:

- Eligible families receive Family Independence services in a timely and effective manner.
- Families that are receiving FI services achieve a level of competence that is commensurate with their abilities while improving family functioning and self-reliance.
- Children in families receiving Family Independence do not become recipients as adults.

However, the measures DSS uses in the accountability report to show its progress in meeting these program outcomes do not accurately reflect DSS's progress. For example, in measuring the outcome related to providing services in a timely manner, DSS simply reports the total TANF caseload. It is not clear how this measure shows how well DSS is doing in meeting the program outcomes.



DSS also has a strategic plan which includes program outcomes and performance measures for the FI program. DSS's draft plan for FY 06-07 has the same outcomes for the FI program as those in the accountability report. However, the measures are different. For example, to measure the outcome of ensuring that FI families receive services in a timely manner, DSS has established an objective of approving over 97% of all applications in 30 days and ensuring that more than 95% of cases have family plans completed in 45 days. The strategic plan also includes a measure of how well DSS is meeting the federally mandated participation rates.

Including DSS's strategic plan outcomes and measures in the agency's accountability report would allow the General Assembly and the public greater insight into how well DSS is managing the FI program.

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## Recommendation

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4. The Department of Social Services should revise the program outcomes and performance measures for the family independence program to include meaningful performance measures in its annual accountability report.

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**Chapter 2**  
**Data About FI Recipients**

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# Appendix

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**Appendix**

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# DSS

## *Serving Children and Families*

WENDELL PRICE, ACTING STATE DIRECTOR

January 3, 2007

Mr. George L. Schroeder, Director  
SC Legislative Audit Council  
1331 Elmwood Ave., Suite 315  
Columbia, South Carolina 29201

Dear Mr. Schroeder:

Thank you so much for providing me the opportunity to review and comment on your audit entitled, *A Review of the Family Independence Act 2005-2006*. We hope to provide some insight and clarity on some issues that you raised in the audit, as well as responding to your three recommendations.

While there was a slight decline in caseloads during the period of your review, it is important to note that in the preceding period caseloads rose from 15,556 in April of 2000 to 21,234 in December of 2002, an increase of 27%. The agency is still dealing with the effects of that caseload spike. When caseloads go up, there is no corresponding increase in federal funding. This means that there was more demand for stipends as well as support services such as transportation and child care. Externally, when the economy is sluggish there are less work opportunities for our clients. Because of agency budget cuts and staff reductions in the state office there also has been diminished capacity to perform technical assistance and monitoring functions.

Despite fluctuations in the caseloads and the economy, S.C. has consistently been successful in meeting federal participation rates. While we were concerned by the two cases cited in the audit where clients were noted for participating in work activities when they were not, we believe those cases represent specific problems and are not representative of the work being done statewide. Those instances have been addressed through management. In addition, we have developed procedures (which we will outline later in this response) to ensure that this does not happen again.

Page seven of the Audit states that according to an analysis by the National Conference of State Legislatures, SC's participation rate in FFY 2004 would have been 30% if the current Reauthorization laws had been in effect. It is important to note that this is one organization's estimate of how changes in the federal law will affect SC if SC made no changes to the TANF program. However, we certainly intend to adapt our program in response to the new requirements and make every effort to achieve successful participation. In addition, since welfare reform was implemented, we have exceeded federal participation rates each year, and intend to continue meeting TANF participation requirements.

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As the review notes, the TANF legislation was reauthorized in February of 2006. The new changes remove some of the flexibility previously granted to states in the original welfare reform legislation. The legislation places additional emphasis on participation rates and provides narrowed definitions of activities that states may count as a work activity. In addition, the legislation requires new documentation of all countable participation, and requires that DSS establish a process to verify participation. Failure to comply with these new requirements will result in a net loss of federal funds of \$13 million dollars.

To comply with these new requirements DSS has implemented new policies and procedures. Workers are required to review every case to ensure that the client is engaged in a work activity that meets the new federal definitions. Supervisors are required to review a percentage of each worker's cases and to check to see that there is documentation of the hours worked by the client and of the required daily supervision.

At the state office, expanded quality reviews will be conducted. DSS has requested four additional FTES in the upcoming budget to conduct these expanded reviews (in addition to 38 new county caseworker positions designed to help with caseloads). Every case selected to be included in the sample from which participation rates are established will be reviewed to ensure that the federal participation rate report is completely accurate. As required by Reauthorization, the agency has submitted a detailed work verification plan to the federal Administration for Children and Families.

The report notes that DSS is currently counting funds expended by the State Department of Education to meet the level of state spending required by the federal law. By making use of these funds we were able to free up some state dollars in the DSS budget all of which were used to accommodate a small cost of living adjustment to the TANF stipend which is paid to clients. This was the first increase in state TANF checks in seventeen years.

While it is true that some contracts have been eliminated, we have continued other contracts that we believe benefit our clients. We do currently contract with DAODAS and with the technical colleges. The need for contracts will vary with the needs of the clients and the required activities and are likely to change frequently.

Your report contains four recommendations that we would like to address. The first recommendation requests that the General Assembly amend the Legislative Audit Council's reporting requirements. The legislation would require the Legislative Audit Council to report the number of clients participation in education, employment, and training programs instead of the number of clients completing these programs. DSS will support legislative changes relative to reporting requirements of the Family Independence program.

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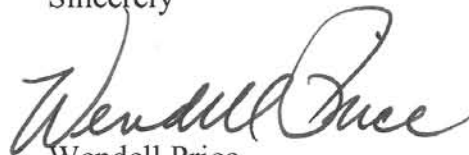
Recommendation two concerns the agency's monitoring of clients and caseworkers to ensure that appropriate activities are documented. As we explained, this recommendation has already been implemented through the agency's expanded quality control process and the work verification plan.

Recommendation three requires legislative action, and would remove the requirement for an audit of family independence every two years. DSS will support the General Assembly's desires regarding review of the agency.

Recommendation four states that DSS should revise the program outcomes and performance measures for the Family Independence program to include meaningful performance measures in its annual accountability report. We try to balance the amount of information provided in the accountability report with issues of readability. However, we are always reviewing our measures to ensure they are meaningful, and should the General Assembly legislatively eliminate the requirement for a biannual audit, we will be glad to include an expanded TANF report in our accountability report. In addition, any member may informally request information at any time.

Thank you for including this response as an appendix to your report. As always, we view the findings of your staff as a useful tool as we strive to improve our programs to better serve the low-income families of SC.

Sincerely

A handwritten signature in cursive script that reads "Wendell Price".

Wendell Price  
Acting State Director

WP:cbs

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