

SUMMARY

A Review of the Family Independence Act 2002 – 2004

INTRODUCTION

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 this act and administered by the Department of Social Services (DSS). We reviewed the three outcome measures as required by S.C. Code §43-5-1285.

- Number of families and individuals no longer receiving welfare.
- Number of individuals who have completed education and training.
- Number of individuals finding employment.

We also followed up on our 2002 recommendations regarding:

- Monitoring of contracts.
- Increasing the stipend for FI recipients.
- Using the FI outcome measures.
- Amending state law concerning our review of the Family Independence Act.

September 2004



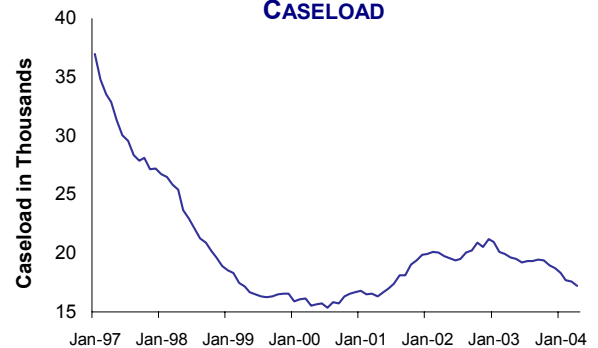
DECREASE IN WELFARE RECIPIENTS

Over a 24-month period (January 2002 through December 2003), the welfare rolls in South Carolina, and across the United States, went down. However, from August 2000 through January 2003, DSS experienced a 32% increase in welfare recipients. DSS staff believes this increase was primarily due to the downturn in the economy. In the first quarter of 2003, the rolls peaked at their highest level since September 1998, before beginning to decrease in the second quarter of 2003. According to DSS statistical reports, the family independence (FI) client rolls fell from 19,928 in January 2002 to 18,757 in December 2003 — a decrease of 5.9% over two calendar years (see chart).

According to DSS, there are several reasons why the FI caseload has decreased.

- Loss of the federal waiver (see below).
- Increase in client sanctions.
- Increase in state time limit closures.
- Increase in voluntary withdrawals.

CHANGES IN THE FAMILY INDEPENDENCE
CASELOAD



CLIENTS PARTICIPATING

In order to receive federal funds, known as Temporary Assistance for Needy Families (TANF), DSS must ensure that at least 50% of all FI families and 90% of two-parent FI families on welfare are participating in work or training activities an average of 30 hours per week. As of April 2004, DSS was meeting the participation rate for all FI families and the rate for two-parent FI families because of the caseload reduction credit.

DSS's federal TANF waiver has expired. This waiver allowed DSS to exclude certain groups when calculating the state's participation rate and broaden the list of activities which could be counted when determining the rate. The loss of the waiver could make it more difficult to meet federal participation rates and possibly result in a loss of federal funds.

South Carolina has been able to mitigate the effect of losing the waiver through the creation of the Specialized Training and Rehabilitation program (which serves disabled recipients), use of the caseload reduction credit to reduce the required participation rate, and the establishment of new programs to serve clients.

CLIENTS EMPLOYED

From January 2002 through December 2003, family independence recipients obtained 13,616 full-time and 6,802 part-time jobs. The majority of those jobs were in the service category (52%) followed by the clerical/sales category (27%). The average hourly wage was \$6.70, up 3% from our last review.

The welfare leavers study found that, while there were some positive findings, there is little evidence of welfare leavers moving in large numbers from low-skilled jobs to more skilled jobs or working more regular work hours.

FOLLOW-UP TO 2002 RECOMMENDATIONS

AUDITS BY THE LEGISLATIVE AUDIT COUNCIL CONFORM TO GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS AS SET FORTH BY THE COMPTROLLER GENERAL OF THE UNITED STATES.

FOR MORE INFORMATION

Our full report, including comments from DSS, and this document are published on the Internet at

www.state.sc.us/sclac

Copies can also be obtained by calling

(803) 253-7612

LEGISLATIVE AUDIT COUNCIL
1331 Elmwood Ave., Suite 315
Columbia, SC 29201

George L. Schroeder
Director

CONTRACTS

In 2002, we reviewed 21 contracts funded almost entirely with federal TANF funds to determine how efficiently DSS managed its contracts. We found that DSS was not monitoring contractor compliance, and many of the contracts did not specify measurable, performance-based results.

After our 2002 review, DSS staff conducted a review of all agency contracts and terminated 17 of the 21 contracts cited in our report. These contracts were valued at approximately \$15 million. Our 2002 review also recommended that DSS redirect \$5 million in TANF funds that had been committed to First Steps. According to DSS staff, the First Steps agreement has been terminated and the funds were redirected to an after-school program.

In May 2004, DSS developed a policy revising its contract procedures. The policy requires greater involvement from the procurement division and that monitoring plans be developed. However, as of August 2004, the policy had not yet been fully implemented.

INCREASING THE STIPEND

In our 2002 report, we recommended that DSS consider the feasibility of increasing the welfare stipend. According to DSS, it would cost \$7.3 million to raise the stipend amount by \$35 per month for a family of three to \$241 — the Southeastern average.

In order to receive the full amount of federal TANF funds, South Carolina is required to maintain a certain level of state spending on TANF. This is known as maintenance of effort (MOE). According to DSS, states may count toward their MOE funds spent on needy families by other state agencies to meet the purposes of the TANF law. According to these officials, some of the state dollars spent by the Department of Education for four-K services for needy families may qualify as TANF MOE. This would allow DSS to use some of its own state funds previously used to meet the MOE requirement in other areas of FI.

FI OUTCOME MEASURES

In our previous audit, we recommended that DSS:

- Determine baseline data for family independence outcome measures.
- Disseminate county assessments to program, policy, and oversight staff.
- Use county assessments for input into the FI budget.

According to DSS officials, DSS's planning and quality assurance staff now distributes monthly reports concerning these measures to county and state offices. In addition, an internal budget review process was established which requires counties and state office divisions to justify their budgets before a budget review team comprised of senior staff and select county directors.

LAC REVIEWS

In 2002, we also 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 five reviews of the Family Independence Act. 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.