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STATEMENT OF

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Before the

Subcommittee on Oversight

Committee on Ways and Means

HSE04102

United States House of Representatives

on

GAO Report on

→ Comments on GAO Report on the
Administrative Efficiency of The

Aid To Families With Dependent Children Program

In Contra Costa County, California

(HRD-78-159] September 5, 1978)



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Testimony

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Mr. Chairman and Members of the Subcommittee, we are pleased to appear here today to discuss our September 5, 1978, report to the Secretary of Health, Education, and Welfare (HEW), a copy of which is attached to our statement, on the results of our study of Contra Costa County's Aid to Families with Dependent Children (AFDC) program and the implication of the report's recommendations for improving AFDC administration nationwide.

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The AFDC program is authorized by title IV-A of the Social Security Act, as amended. All States operate an AFDC program; the Federal Government pays 50 percent of the administrative cost and from 50 to 83 percent of the assistance payments. In fiscal year 1978 total assistance payments were about \$11 billion and total administrative costs were about \$1.3 billion. Since fiscal year 1973 administrative costs have more than doubled while the caseload has increased by about 12 percent.

The objective of our review was to assess the extent to which improvements could be realized in the administrative efficiency of the AFDC program at the operational level by applying systems analysis-work measurement techniques. Our work was conducted at offices of the county's Social Services Department, the agency responsible for administering

the AFDC program. We selected Contra Costa County because it is a large county, as defined by the cost control program of the California Department of Social Services, and caseload data for the first half of fiscal year 1977 indicated it was neither the most nor the least efficient of the 11 large counties in the State.

We also examined HEW's efforts to provide guidance and assistance to the States and the initiatives taken by California and San Diego County to control administrative costs.

By applying these techniques, we found that significant improvements could be realized in both the administrative efficiency of the program and the quality of service provided to AFDC clients in Contra Costa County. Furthermore, we believe similar improvements can be achieved in other jurisdictions as well as in other human care programs. HEW needs to require, as well as assist, the States to develop and use work measurement and systems analysis techniques to achieve these improvements and establish appropriate mechanisms for monitoring and evaluating States' performance.

EFFORTS TO
CONTROL COSTS

Several studies of AFDC administration had been made by HEW by the time of our field work in late 1977. Most dealt with the propriety of costs or addressed such issues as management practices which had been successfully implemented by various States. Little effort, however, had been made to evaluate the efficiency of specific operational methods or the reasonableness of particular employee workloads in terms of effective resource utilization. In fact, HEW had very little administrative performance data on the States to allow it to either monitor or evaluate their operations.

In response to concern over rising administrative costs, California established a program to control county AFDC and Food Stamp administrative costs by requiring counties to maintain specific caseloads per eligibility worker. These caseload levels were initially based upon the average caseload per eligibility worker function in each county in 1975 and the average caseload among those counties within a specific group: 11 large, 14 medium, and 33 small.

From the implementation of the cost control program in June 1975 to June 1978, AFDC eligibility worker productivity had increased. Specifically, the average monthly

productivity had increased about 19 percent for intake (application for aid) eligibility workers and about 13 percent for continuing (ongoing case maintenance) eligibility workers. During the same 3 year period, California reduced its quality control payment error rate for overpayments and payments to ineligible from 8.4 percent to 4.3 percent.

However, although cost control has increased AFDC worker productivity in terms of higher average caseloads, it has not resulted in all counties reaching their optimal level of administrative efficiency. As shown by the results of our study, caseload levels established as targets were based primarily on "historical" data, and are less than levels we believe can be achieved.

POTENTIAL FOR IMPROVED
ADMINISTRATIVE EFFICIENCY

~~The major activities of our assessment of administrative efficiency in Contra Costa County included~~ *need improvement*

- documenting and evaluating management's basis for determining staffing needs;
- documenting and analyzing the work processes and sub-processes of the intake and continuing functions;
- evaluating the justification for and impact of the intake system design;

- developing work standards for the intake and continuing functions;
- determining the optimal staffing levels based on those work standards; and
- designing and developing a computer simulation for a model intake system.

We found a relatively high rate of inefficiency in ¹⁶⁰⁻⁴⁰⁰⁰⁻¹ the county's administration of the AFDC program. There were two primary reasons for this:

- First, management lacked adequate information to determine reasonable workload and staffing standards for the intake and continuing functions. At the time of our review, the county did not have a formal work measurement program; instead, staffing needs were based solely on the caseload levels established by California's cost control program.

We evaluated these staffing standards by applying a variety of work measurement techniques. We found that the intake eligibility workers were capable of disposing of 46 actions a month compared to the cost control standard of about 23 actions per month. Our computed standard for continuing eligibility workers was an average caseload of about 162 cases

per month compared to the 108 case standard used by the county.

--Secondly, the organizational structure and intake scheduling systems fostered the underutilization of staff and adversely impacted the quality service to clients.

For example:

-An arbitrary daily interview quota in one office resulted in about 57 percent of the applicants during our sample month being turned away without being seen leaving eligibility workers with idle time;

-The failure to include in the interview schedule of a second office a factor to offset clients' not keeping scheduled appointments reduced the number of interviews the workers potentially could have held;

-The failure in the second office to make federally mandated referrals of applicants at first contact required an increased number of subsequent visits by the applicants prior to final disposition of their applications; and

-The county had separated continuing function activities into two specialized organizational units which caused "peaks and valleys" in the monthly workload.

We identified and discussed with county officials several potential system improvements to address these problems. These improvements, if adopted along with our proposed staffing standards, would result in a reduction of about 58 eligibility workers from total of 154 and a reduction of about 10 eligibility worker supervisors as well as improved improved quality of client service. Furthermore, we estimate that these staffing reductions could have cut total annual AFDC administrative expenditures in 1978 by almost \$1.14 million or about 18 per cent. Our percentage of estimated savings compares favorably with the results achieved by the San Diego County Office of Program Evaluation in a similar analysis of that county's AFDC program in 1976-77.

IMPROVEMENTS NEEDED IN
OTHER STATES

The need for improving the administrative efficiency of the AFDC program is not unique to Contra Costa County. We are currently conducting a major survey of the AFDC program in several States and local jurisdictions to identify issues warranting further review. One of the matters we are looking into is the criteria used by State and local agencies to determine caseload and

staffing standards. Although our effort is still ongoing, our preliminary observations are that the use of work measurement techniques to develop these standards has been limited and the methods for determining eligibility worker caseload levels are subjective for the most part.

For example, one State is using standards it negotiated with employee organizations in 1970. Their primary measure of productivity is the number of eligibility recertifications completed by caseworkers. We were told, however, that caseload standards based on work measurement are expected to be implemented in the near future. One local jurisdiction does not have a formal caseload standard. Instead, staffing needs are based on (1) applicant interviews being held within 5 days of a request for aid; (2) interviews with clients for changes in ongoing cases being completed in a timely manner; and (3) budget changes or case closings being completed within 2 days. In another State, program officials stated that caseload standards are essentially judgmental and ultimately are based solely on the funds appropriated by the State legislature.

We believe the subjective basis for establishing caseload standards may contribute to the wide difference in administrative cost per case that exists among the States.

For example, we noted that among selected States, the annual average cost per case varied by more than \$500 in fiscal year 1978. In New York the cost was \$656; in California, \$470; in Michigan, \$299; in Ohio, \$231; and in Mississippi, \$100. Although regional cost-of-living differences and economies of scale based on program size would probably account for some of the difference, we believe the efficiency of program operations may also have an effect.

We recognize that each State is allowed considerable latitude in establishing specific eligibility criteria, organizational design and operating procedures for its AFDC programs. Therefore, to mandate, nationwide, specific caseload standards or operating systems for administering AFDC income maintenance functions may not be feasible given the present Federal-State relationship. However, we believe that requiring the States to utilize certain management techniques for improving administrative efficiency, as recommended in our report, would result in a more efficiently administered program.

Mr. Chairman, that concludes our statement. We will be happy to answer any questions that you or the other Subcommittee members may have.