

EXECUTIVE DIGEST

WORK FIRST PROGRAM

INTRODUCTION

This report, issued in October 2002, contains the results of our performance audit* of the Work First Program, Michigan Department of Career Development (MDCD) and Family Independence Agency (FIA).

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness* and efficiency*.

BACKGROUND

The Program's primary goal* is to help FIA clients* who receive cash assistance through FIA's Family Independence Program (FIP) become self-sufficient* and thus eliminate their need for cash assistance. FIA is the source of nearly all types of referrals* for the Program, and MDCD is the primary Program administrator.

At the time of our audit, the Program required FIA to refer unemployed and under-employed, able-bodied FIP clients (participants*) to contracted service providers (contractors) of Michigan Works Agencies (MWAs), which help participants obtain employment.

* See glossary at end of report for definition.

If a client fails to participate in the Program, the FIA local office and the MWA contractor are required to take steps to resolve the nonparticipation. Resolution might result in the client receiving a deferral* from the Program or a reduction in FIP cash payments.

For the period October 1994 (the inception of the Program) through November 1999, FIA referred 827,682 FIP cases to contractors.

For fiscal year 1998-99, Program expenditures were approximately \$110 million. The Program uses the efforts of approximately 11,000 FIA employees, 22 MDCD employees, and the employees of 25 MWAs and their approximately 120 contractors.

**AUDIT OBJECTIVES,
CONCLUSIONS, AND
NOTEWORTHY
ACCOMPLISHMENTS**

Audit Objective: To assess the effectiveness of the Program in placing public assistance recipients into jobs and reducing their dependence on public assistance.

Conclusion: We concluded that the Program was effective in placing many public assistance recipients into jobs and reducing their dependence on public assistance. However, our assessment disclosed reportable conditions* related to the continuous quality improvement process*, difficult-to-serve participants, and best practices* (Findings 1 through 3).

Audit Objective: To assess the effectiveness and efficiency of MDCD in administering the Program.

Conclusion: We concluded that MDCD was generally effective in administering the Program. Also, MDCD, was somewhat effective in monitoring and managing the efficiency of MWAs. However, our assessment

* See glossary at end of report for definition.

disclosed reportable conditions related to MWA efficiency and conflict of interest disclosures (Findings 4 and 5). **In addition, based on MDCD's limited information regarding the efficiency of MWAs, we could not draw a conclusion on MDCD's efficiency in administering the Program.**

Noteworthy Accomplishments: On numerous occasions, Program administrators have proactively taken steps to modify the Program as they believed necessary. The administrators' proven willingness to revise policies and procedures, develop additional training programs, and enhance Program goals is an important attribute when operating relatively new, large, and complex programs.

Audit Objective: To assess the effectiveness of FIA in referring public assistance recipients to the Program and resolving nonparticipating cases.

Conclusion: We concluded that FIA was generally effective in referring public assistance recipients to the Program but often was not effective in resolving nonparticipating cases. We noted one material condition*:

- FIA should improve its controls to help ensure that FIA local office staff determine and document "good cause"* for clients who are terminated by MWAs for nonparticipation and could be subject to potential fiscal penalties (Finding 6).

**AUDIT SCOPE AND
METHODOLOGY**

Our audit scope was to examine selected Michigan Department of Career Development and Family Independence Agency records related to the Work First Program. The audit scope included the examination of

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case files and other records at four Michigan Works Agencies (City of Detroit, Lansing Tri-County, Saginaw-Midland-Bay, and Washtenaw County) and/or their contracted service providers and six Family Independence Agency local offices (Ingham, Midland, Washtenaw, Wayne County Grand River/Warren, Wayne County Maddelein, and Wayne County Oakman/Grand River). Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our audit procedures included an examination of Program records and activities from the inception of the Program in October 1994 through February 2000. Our audit methodology included gaining an understanding of the Program through a review of Program policies and procedures; analyses of the MDCCD management information system database; and interviews with MDCCD, FIA, and MWA employees and MWA contractors.

For our first objective, we tested Program case files at four MWAs and/or their contracted service providers to determine what Program resources were provided and what Program outcomes* were accomplished, and we determined the extent to which best practices within FIA local offices, MWAs, and MWA contractors were identified and shared. For our second objective, we analyzed approved MWA annual plans, including budgets, and activity reports to determine if MDCCD management evaluated MWA operations for efficiency. For our third objective, we tested case files for compliance with FIA policies regarding client referrals and resolution of nonparticipating cases.

* See glossary at end of report for definition.

AGENCY RESPONSES

Our audit report contains 6 findings and 6 corresponding recommendations. The agency preliminary responses indicated that MDCD and FIA generally agreed with the 5 recommendations and 1 recommendation, respectively, pertaining to their operations. Also, MDCD informed us that corrective actions have been implemented for all of its recommendations.