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General Accounting Office

Federal And State Initiatives Needed To Improve Productivity And Reduce Administrative Costs Of The Aid To Families With Dependent Children And Food Stamp Programs

Administrative costs in the Aid to Families with Dependent Children and Food Stamp programs have increased at a more rapid pace than benefit payments to recipients. In reviewing the operation of these programs by local welfare offices in eight states, GAO found opportunities for productivity improvements that could reduce administrative costs. If these improvements were made nationwide, millions of dollars could be saved each year. Taking advantage of the opportunities for change will require action both by the federal government and the states, which have joint responsibility for ensuring efficient administration of the programs. Among actions the federal government should take are:

--Establish a nationwide productivity measurement and reporting system.

--Establish a joint federal-state arrangement for identifying streamlined techniques for prompt and efficient processing of applications for AFDC and Food Stamp benefits.

--Develop uniform criteria for measuring income and assets.

--Set common time periods for processing applications and closing cases.

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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

ACCOUNTING AND FINANCIAL
MANAGEMENT DIVISION

B-214174

The Honorable John R. Block
The Secretary of Agriculture

The Honorable Margaret M. Heckler
The Secretary of Health and Human Services

This report discusses changes needed to encourage productivity improvement and reduce administrative costs in the AFDC and Food Stamp programs. The report addresses specific actions that can be taken by the Departments of Agriculture and Health and Human Services, and state and local governments to foster efficient operating practices. Among the principal federal actions needed are development of a productivity measurement and reporting system to assess state and local administrative performance, and standardization of the federal financial criteria for determining eligibility and processing time periods.

This report contains recommendations to both of you. As you know, 31 U.S.C. 720 requires the head of a federal agency to submit a written statement on actions taken on our recommendations. You should send the statement to the House Committee on Government Operations and the Senate Committee on Governmental Affairs within 60 days of the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made over 60 days after the date of the report.

We are sending copies of this report to the Director of the Office of Management and Budget, interested congressional committees and members, and the governors of states included in this review. We are also sending copies to your Inspectors General.

W. D. Campbell
Acting Director

GENERAL ACCOUNTING OFFICE REPORT

FEDERAL AND STATE INITIATIVES NEEDED TO IMPROVE PRODUCTIVITY AND REDUCE ADMINISTRATIVE COSTS OF THE AID TO FAMILIES WITH DEPENDENT CHILDREN AND FOOD STAMP PROGRAMS

D I G E S T

State and local welfare offices spent about $3 billion in 1982 to operate the Aid to Families with Dependent Children (AFDC) and Food Stamp programs with about 1/2 of these funds supplied by the federal government. Total benefit payments for the two programs were $22.79 billion. (See p. 1.) All three governmental levels are responsible for efficient administration of the programs.

GAO compared the processing of AFDC and Food Stamp applications at 15 welfare offices in 8 states. It found opportunities for improved productivity that could reduce costs and lower both the federal and state funding needed to support these offices, which managed nearly 600,000 of the 11.4 million AFDC and Food Stamp cases nationwide. Changes at the federal, state, and local levels are needed for the productivity achievements to be realized.

GAO believes it is valid to compare productivity of the various offices that process AFDC and Food Stamp applications because they perform some of the same basic services, including determination of applicants' eligibility and their benefit amounts, and periodic redetermination of each recipient's continued eligibility. Although programs differ somewhat from state to state, these differences can be identified and adjusted for in the productivity measures. In preparing the measures used to compare productivity, GAO made such adjustments by a method referred to as "output weighting." (See p. 36.)

POTENTIAL FOR PRODUCTIVITY IMPROVEMENT BY ADOPTING BEST PRACTICES PRESENTLY USED

Improved productivity results from processing more cases with the same resources or the same quantity with fewer resources while at least maintaining existing levels of timeliness and payment accuracy. Such an improvement seems possible, based on productivity measures at certain welfare offices and state levels. Using measures it developed that

Tear Sheet

GAO/AFMD-84-18
FEBRUARY 2, 1984

followed generally accepted methodology, GAO found that productivity rates of workers directly involved in processing AFDC and Food Stamp applications varied widely among the 15 welfare offices. The rates differed by almost 300 percent--from 5.8 to 16.8 hours per case--for AFDC and by about 600 percent--from 1.5 to 9.3 hours per case--for Food Stamps. (See p. 7.) The Department of Health and Human Services' (HHS) own efficiency measures (covering this period), which represent the average number of cases per income-maintenance employee for each state, indicate an even greater productivity variance among states in processing AFDC cases, from a low of 30 cases per worker to a high of 158 cases per worker.

The extent of potential productivity improvement depends on whether the variance results from processing practices that states can change or other factors.

In examining operations at the 15 offices, GAO found that the productivity variance among the offices resulted primarily from processing practices--procedures, automation, staffing, and management approaches--that states control, and thus can change to improve productivity. According to GAO, demographic factors, which HHS considers a key cause of productivity variances in AFDC, did not have a significant impact on these offices. However, GAO did not examine any offices in western states. HHS's measures indicate that a combination of low population density and low caseload volume, such as in the Dakotas, Montana, and Idaho, has a negative effect on productivity. (See p. 9.)

Besides demographics and processing practices, intended program differences also can create productivity variations by causing more or less processing work. For example, extra time is usually spent on cases where the claimant has income, and some states have more recipients with earned income. In preparing its measures, GAO adjusted for those program differences at the reviewed offices and states that could have a substantive impact on productivity. (See p. 9.) However, program differences exist in other states that were not present in the 8 states GAO reviewed. Adjustments for these would be needed in nationwide productivity measures.

Processing practices accounting for much of the productivity variance

GAO noted numerous processing differences that contributed to the productivity variations among the

the offices, such as forms, method of calculating income and asset values, filing arrangements, interviewing procedures, work scheduling, automation, and office layout. GAO's intent, however, was to identify the key factors that contributed most to the productivity variance, not to identify and quantify the effect of each different factor or processing practice. Those processing practices that, according to GAO, caused the most productivity variation were:

--Streamlined case-processing methods. The more productive offices (1) used consolidated AFDC and Food Stamp application forms, (2) processed AFDC and Food Stamp applications at the same time, and (3) had the same income-maintenance worker process AFDC and Food Stamp cases. (See p. 10.)

--Effective use of computers in processing. For example, Wisconsin, the most automated state GAO reviewed, estimated time savings over manual methods of from 38 to 66 percent depending on the function performed. (See p. 12.)

--High management expectations of performance and motivated employees. When these factors are low, productivity usually will be low, even at offices using automation and streamlined procedures. (See p. 14.)

--Verification of applicants' data, particularly their assets, income and family status, to prevent erroneous benefit payments. Additional verification efforts will decrease measured productivity. In 9 offices where GAO obtained estimates of the time spent on verification, from about 3 to 15 percent of the productivity variance could be attributed to it. Some offices that GAO reviewed performed verification tasks that others did not, such as searching for fathers, making home visits, and requiring more frequent reporting by applicants. (See p. 15.)

While additional verification reduces measured productivity, it also would be expected to reduce erroneous benefit payments. GAO could not verify this at the offices reviewed because the correct payment rates are not available for individual offices. It is important to mention, however, that one of the most productive offices also performed additional verification tasks. This indicates that offices efficient in other aspects of case processing may be able to spend extra time on verification and still have relatively high productivity.

An indication of the potential cost reduction from improved productivity is that if the lower

performing offices in GAO's sample raised their productivity to the average of the 15 offices, the administrative cost reductions might range up to 18 percent a year ($8 million of the $44 million spent in these 15 offices in fiscal year 1981). To achieve processing rates equal to the best performing office would, GAO believes, require automation, which would involve some initial added costs. (See p. 17.)

Productivity appears consistent with payment quality

High productivity appears consistent with the goals of prompt and correct payments--organizations doing well in one area seem to do well in the others. GAO found that offices with high productivity tended to have high timeliness standards. HHS studies on AFDC support this conclusion and also indicate a positive or no inverse correlation between productivity and payment accuracy. For the 50 states, the 13 states with the lowest productivity in fiscal year 1980 had the lowest average accuracy rate, and the most productive states compared favorably in payment accuracy with those in the midrange. While GAO does not yet consider this conclusive because of data limitations, the evidence suggests that lower performing offices can improve their productivity up to a point without sacrificing quality. HHS has reached a similar conclusion. (See p. 16.)

FEDERAL REQUIREMENTS HINDER STATE AND LOCAL CASE-PROCESSING PRODUCTIVITY

Efficient processing of AFDC and Food Stamp claims is sometimes impeded by federal laws and regulations. GAO in this review examined the impact of inconsistent federal criteria for determining an applicant's income and assets, and different federal time periods for processing AFDC and Food Stamp cases. These requirements have an identifiable effect on productivity. GAO estimates the requirements add up to $6 million in administrative costs annually just at the offices reviewed. (See p. 31.)

Federal laws and regulations establish different criteria for determining an applicant's income and assets for the AFDC and Food Stamp programs. Consequently, an applicant who is eligible for both programs in effect is treated as two persons in regard to income and assets. Actual income and assets are adjusted by different deductions, exclusions, and additions to arrive at computed income and asset amounts for the two programs, which

usually results in different final totals. Besides duplicated effort and additional error potential, making separate calculations is confusing to the applicants and the case workers. GAO and others have previously recommended greater uniformity of income and asset criteria. Some changes have been made, but much remains to be accomplished. (See p. 27.)

Federal laws and regulations also set different maximum times for processing AFDC and Food Stamp applications. More time is allowed for AFDC cases because of their greater complexity, which contributes to inefficiency where applicants are eligible for both programs. Because AFDC benefits are considered income in computing Food Stamp benefits, AFDC cases should be processed first. But some welfare offices process Food Stamp cases first to meet federal timeliness requirements. This means Food Stamp benefits must be redetermined after the AFDC applications are processed. This duplication of effort could be avoided if the same time schedule were applied to both programs. GAO believes that with efficient processing practices AFDC cases can be processed in the shorter 30-day period provided for Food Stamps; offices in 5 of the 8 states were doing so. (See p. 30.)

Federal laws and regulations also set different notice requirements for terminating benefits. Closing a case requires one notice for AFDC and two for Food Stamps. Again, additional processing action is needed. It would seem equitable either for one or two notices to be required for both programs. (See p. 30.)

FEDERAL AGENCIES SHOULD EMPHASIZE PRODUCTIVITY MUCH AS THEY HAVE EMPHASIZED REDUCING PAYMENT ERRORS

Over the years, the federal government has emphasized reduction of benefit payment errors and has encouraged state and local governments to do the same. Consistent with this emphasis, HHS and the Department of Agriculture have installed a nationwide system to report payment-error rates. Financial sanctions are authorized if state rates are too high. Since the establishment of this system, states have reduced their payment errors in AFDC where states share the cost of benefit payments.

Agriculture and HHS have acted to promote efficiency, but they have not established a nationwide system for tracking or improving productivity. HHS, however, has AFDC performance measures, "administrative costs per case" and "cases per worker", which it is developing further. Both are

efficiency measures but less refined than the productivity measures GAO prepared and believes should be developed for both AFDC and Food Stamps. GAO believes that nationwide productivity and administrative cost-per-case measures for the two programs will effectively promote increased productivity and cost reduction, just as the error-rate measures have helped promote a reduction in AFDC benefit overpayments. (See p. 18.)

Besides developing and publishing productivity measures, Agriculture and HHS should take other actions to emphasize efficiency along with error-rate reduction. For example, they could (1) jointly establish a mechanism to identify the best processing practices, including changes in federal laws and regulations, to facilitate prompt, accurate, and efficient processing for both programs (see p. 21) and (2) formulate uniform federal criteria for determining income, assets and processing deadlines and propose legislation as necessary for congressional action (see pp. 21 and 30). Agriculture and HHS, currently, have a joint project to eliminate administrative differences between the programs and thus enhance states' abilities to integrate their administrative processes for AFDC, Food Stamp, and Medicaid programs. It may be appropriate for the joint project group to take on these responsibilities.

RECOMMENDATIONS TO THE SECRETARIES OF HEALTH AND HUMAN SERVICES AND AGRICULTURE

GAO recommends that the secretaries cooperate with each other and work with the Congress to remove inconsistent federal requirements on state and local governments administering the AFDC and Food Stamp programs and place greater emphasis on administrative efficiency by

--establishing a nationwide productivity measurement and reporting system for the AFDC and Food Stamp programs,

--establishing a joint mechanism for identifying the best operating practices, including changes in federal laws and regulations, that will facilitate prompt, accurate, and efficient processing for both programs,

--formulating uniform federal financial requirements for measuring income and assets and common time periods for processing applications and closing out cases, and proposing legislative change as necessary for congressional action.

AGENCY COMMENTS

Comments on a draft of this report were received from HHS, Agriculture, and each state reviewed except Virginia. (See apps. VII-XV.) GAO invited comments from the eight states it reviewed.

With regard to GAO's recommendation for encouraging efficient operating practices, Agriculture and HHS stated in essence that their Departments were already doing what they believed was needed and each noted its current efforts in this area. Also, Agriculture stated its long-standing position that the greatest efficiencies can be made by states tailoring procedures to accommodate their individual needs. Notwithstanding the two Departments' efforts, GAO believes they can do more of importance, particularly joint participation to identify improvement opportunities requiring their action as well as state action. (See p. 22.)

Agriculture did not respond to GAO's recommendation that a nationwide productivity measurement and reporting system be developed. HHS opposed the development of a productivity measurement system, favoring instead its cost-per-case and cases-per-worker measures. HHS also questioned the comparability of productivity data for all states and the validity and availability of data for preparing the type of measures GAO recommended. (See p. 23.)

GAO did not intend to imply that HHS should abandon its measures. On the contrary, GAO believes HHS should continue both measures and that Agriculture should develop comparable and compatible measures for the Food Stamp program. GAO recommends HHS improve the usefulness of its measures by further refinement--to adjust for differences in programs among states and the types of cases among offices.

Regarding the validity and availability of output data, GAO does not consider this a significant problem because most of the data needed is already available and there are various means for verifying it. Regarding comparability, GAO is convinced from its review that productivity comparisons among states and offices within states are appropriate. HHS has acknowledged as much in making comparisons and correlations using its more rudimentary measures.

Three states commented specifically on productivity measures. Maryland stated that productivity measures were an essential management tool. Louisiana pointed out that it uses productivity measures for all local offices. California was opposed to

Tear Sheet

establishing national productivity measures, but stated it already has a system that uses productivity standards to control administrative costs. (See p. 23.)

Five states commenting specifically agreed with GAO's recommendation for standardization of financial requirements and processing time periods. HHS also agreed that it and Agriculture should undertake cooperative efforts to find ways to make the programs more uniform. (See p. 33.)

Agriculture, however, did not explicitly agree to work with HHS. Instead, it cited examples of program consolidation actions it had taken on its own or in cooperation with HHS and others. Notwithstanding Agriculture's efforts, work is still required to standardize requirements between the programs and GAO hopes Agriculture agrees on the need for changes. (See p. 33.)

Contents

		Page
DIGEST		i
CHAPTER		
1	INTRODUCTION	1
	Differences and similarities in AFDC and Food Stamps program administration	3
	Objectives, scope, and methodology	4
2	STATE AND LOCAL MANAGEMENT IMPROVEMENTS CAN INCREASE PRODUCTIVITY AND REDUCE AFDC AND FOOD STAMP ADMINISTRATIVE COSTS	6
	Case-processing productivity rates vary widely among local welfare offices	7
	Differences in productivity rates can be attributed to many factors	7
	Processing practices that contribute to the productivity variance	10
	Potential cost savings from productivity improvement are substantial	17
	Federal government can be helpful in facilitating and encouraging administrative efficiency along with error reduction	18
	Conclusions	22
	Recommendations to the secretaries of health and human services and agriculture	22
	Agency comments and our evaluation	22
3	CONSISTENT FINANCIAL MEASUREMENT CRITERIA AND PROCESSING TIME PERIODS WOULD REDUCE COSTS AND ERRORS	26
	Differing AFDC and Food Stamp program requirements inhibit productivity improvements	26
	Uniform financial measurement criteria could improve productivity and reduce errors	26
	Having uniform processing time periods would increase efficiency	30
	Savings can be achieved with uniform federal AFDC and Food Stamp requirements	31
	Limited action has been taken to achieve greater uniformity of AFDC and Food Stamp requirements	31
	Conclusions	32

Recommendations to the secretaries of health and human services and agriculture 32
Agency comments and our evaluation 33

APPENDIX

I Locations visited 34

II Methodology used to develop AFDC and Food Stamp productivity measures 35

III Methodology used to project administrative cost savings 38

IV An approach for developing AFDC and Food Stamp productivity measures 40

V GAO reports relating to income and asset verification in selected programs 1975-83 42

VI Welfare system studies of the 1970's and 1980's 44

VII March 25, 1983, letter from the Department of Agriculture 45

VIII March 4, 1983, letter from the Department of Health and Human Services 48

IX April 13, 1983, letter from the California Department of Social Services 55

X March 3, 1983, letter from the Louisiana Department of Health and Human Resources 57

XI February 25, 1983, letter from the Maryland Department of Human Resources 59

XII February 25, 1983, letter from the North Carolina Department of Human Resources 63

XIII February 25, 1983, letter from West Virginia Department of Welfare 65

XIV March 4, 1983, letter from the Wisconsin Department of Health and Social Services 66

XV March 18, 1983, letter from the Kentucky Cabinet for Human Resources 68

ABBREVIATIONS

AFDC	Aid to Families with Dependent Children
GAO	General Accounting Office
HHS	Department of Health and Human Services
OMB	Office of Management and Budget

CHAPTER 1

INTRODUCTION

Each year federal, state, and local governments award billions of dollars in benefits to low-income individuals. Two of the largest income-maintenance programs are Aid to Families with Dependent Children (AFDC) and Food Stamps. During fiscal year 1982, these two programs paid a total of $22.79 billion in benefits to recipients. In addition, about $2.9 billion was spent by federal, state, and local governments to operate the programs, roughly 12.9 percent of total program costs. As the table on the following page shows, both program and administrative costs of the AFDC and Food Stamp programs have increased considerably in recent years.

Except for 1979 through 1981 in the Food Stamp program, administrative costs for the two programs have increased at a faster pace than program costs. The percentage decline of Food Stamp administrative to program costs probably results from the elimination of the Food Stamp purchase requirement in January 1979 which significantly increased caseloads and program costs. Evidence indicates that states did not add staff as quickly as the number of recipients increased.

Although the federal government and the states share administrative costs, principal responsibility for actual administration of the AFDC and Food Stamp programs rests with state and local governments. Productivity of these governments, therefore, should concern the federal government because AFDC and Food Stamp costs are directly affected. Productivity means more applications are processed with the same resources or the same number of applications with fewer resources while maintaining the same, or improving the level of timeliness and quality (fewer errors).

Findings in earlier reports[1] suggested that (1) wide variation exists among state and local governments in how efficiently they administer the same or similar federal assistance programs and (2) changes are needed in the structure of the federal assistance system to promote productivity improvement. This report specifically addresses actions needed by federal, state, and local governments to increase productivity and reduce administrative costs in the AFDC and Food Stamp programs. We selected these two income-maintenance programs for review because of their national scope, high cost, and potential for significant improvements in productivity leading to reductions in costs.

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[1] Federal Domestic Food Assistance Program--A Time For Assessment And Change: (CED-78-113, June 13, 1978); State and Local Government Productivity Improvement: What Is The Federal Role? (GGD-78-104, Dec. 6, 1978); and Millions Can Be Saved By Improving the Productivity of State and Local Governments Administering Federal Income Maintenance Assistance Programs (AFMD-81-51, June 5, 1981).

Aid To Families With Dependent Children

Year	Program costs	Administrative costs	Percent of administrative costs to program costs
	---------(millions)---------		
1973	$ 7,003	$ 575	8.2
1974	7,371	699	9.5
1975	8,412	1,033	12.3
1976	9,676	1,039	10.7
1977	10,388	1,153	11.1
1978	10,591	1,220	11.5
1979	10,868	1,311	12.1
1980	11,649	1,490	12.8
1981	12,459	1,559	12.5
1982	11,968	1,673	13.9

Food Stamps

Year	Program costs	Administrative costs[a]	Percent of administrative costs to program costs
	---------(millions)---------		
1973	$ 2,102	$ 50	2.4
1974	2,726	93	3.4
1975	4,386	271	6.2
1976	5,310	514	9.7
1977	5,077	580	11.4
1978	5,163	623	12.1
1979	6,474	676	10.4
1980	8,685	846	9.7
1981	10,633	1019	9.6
1982	10,210	1,110	10.9

[a]Food Stamp administrative costs for the years 1973 through 1975 were understated because some states simply did not report administrative costs. All states now report these costs.

DIFFERENCES AND SIMILARITIES IN AFDC AND FOOD STAMP PROGRAM ADMINISTRATION

AFDC and Food Stamps, which are income and food assistance programs with similar objectives, are administered by the states in cooperation with the Departments of Health and Human Services (HHS) and Agriculture. AFDC gives cash for the basic needs of indigent children and their families while the Food Stamp program provides coupons for food purchases to low-income individuals to meet their nutritional needs.

Not surprisingly, the two programs often serve the same people. AFDC, however, is a joint federal-state program in which benefit and administrative costs are shared. Food Stamp benefits, on the other hand, are paid by the federal government while the program is administered by the states, which share administrative costs.

Although the total administrative costs of the two programs are divided about equally between the federal government and the states, wide latitude is given to the states in program organization and operation. States can either administer the programs directly (known as state-administered programs) or delegate operations to the localities (known as state-supervised programs). States can fund the entire nonfederal share or require local governments to provide their share. Presently, 36 states directly administer the programs and 40 pay all the nonfederal share of administrative costs.

The states have different authority for setting the two programs' eligibility requirements. In the AFDC program, where benefit costs are shared, states are allowed some flexibility in establishing eligibility requirements and benefit levels; consequently, these vary among the states. For example, the same eligible family unit would receive different benefits in different states. In Mississippi, the maximum monthly AFDC benefit available for a one-parent family of three was $96 at the time of our on-site work. In California that family might have received as much as $506. In contrast, in the federally funded Food Stamp program, the federal government establishes nationwide eligibility criteria and benefit levels. Thus, regardless of where they live, persons with identical household and financial circumstances would receive the same benefits in food stamps.

Although program criteria differ, case processing for the two programs is virtually the same. In both programs an agency employee must make four basic decisions:

--initial eligibility,

--redetermination of eligibility at periodic intervals,

--changes that will affect the amount of benefit, such as an increase in the client's earnings, and

--changes that do not affect the amount of benefit, such as a new address or telephone number.

This process begins with an applicant's request for assistance and ends when that person does not reapply or is found ineligible. The states decide who performs these tasks and how much time is spent on them. Sometimes, one worker handles the case from the time of application until the applicant is determined to be ineligible or does not reapply. In other instances, one worker prepares the application, while others make the initial eligibility determination, redetermination, and appropriate changes to the case. These actions, however, would be carried out by all state and local offices for each applicant, regardless of whether the person applied for AFDC, food stamps, or both.

OBJECTIVES, SCOPE, AND METHODOLOGY

This review had two objectives. First, we wanted to determine productivity differences among state and local welfare offices processing AFDC and Food Stamp cases and find two reasons for the differences. Secondly, we wanted to (1) identify actions the federal government can take to encourage and help states improve their productivity and (2) reduce regulatory barriers that discourage state and local productivity improvement in administering the two programs. By productivity, we mean obtaining more and better output from a given level of resources or using fewer resources to obtain the same or additional output, while maintaining the same or an improved quality level.

We performed this review at the headquarters of HHS and Agriculture and at five regional offices for each Department. We also surveyed 15 local welfare offices in 8 states that administer the AFDC and Food Stamp programs. (This list of the agencies, states, and localities appears in app. I.) Our field review was conducted throughout calendar year 1981 according to generally accepted government auditing standards.

The 15 welfare offices were selected after considering the opinions of federal and state officials, background literature, and our earlier reports. We selected some of the states and localities because we believed they had high or low efficiency and the rest provided some geographic or demographic balance and variation in caseload size, complexity, and cost. Each locality represented a substantial percentage of that state's total AFDC and Food Stamp caseload. For example, in one state the selected locality represented about 64 percent of the state's combined caseload. In other states, while the percentage was lower, most selected localities had caseloads among the highest for that state. (These percentages are listed in app. I.)

Although we reviewed only 15 of roughly 4,000 local welfare offices, they represent approximately 7 percent of the AFDC and 4 percent of the Food Stamp caseload nationwide. These offices manage about 600,000 of the 11.4 million AFDC and Food Stamp cases. Because the number of offices in our review is small and

we selected them judgmentally, the results cannot be statistically projected to all welfare offices. We reviewed a limited number of offices because of the time required to compile, in a comparable form, the data needed to develop productivity measures. The offices collected input and output data but the data was not uniform.

To compare the productivity of the 15 local welfare offices, we had to develop our own measures from local agency records and discussions with responsible officials. The measures are based on the ratio of input, which is direct and indirect worker hours, to output, which means completed case actions. (A detailed discussion of our methodology appears in app. II).

To the extent possible, our productivity rates are consistent by office in their treatment of what we considered as input and output. Input, or staff time, was measured in hours instead of dollars to eliminate significant salary differences among offices ranging from $4.69 to $7.37 per hour. These differences, where they exist, are largely beyond the control of local management. Output was measured as the total number of case management actions completed--that is, initial determination, redeterminations, and changes completed. The output was weighted to account for the relative difficulty within each case management function. The resulting hours per weighted case is simply the result of dividing the computed output (total work units) by the computed input or hours used. (The methodology we used for projecting potential administrative costs savings through increased productivity is explained in detail in app. III.)

At each of the 15 offices, we analyzed the management practices and procedures followed in processing AFDC and Food Stamp cases to determine why productivity varied among the offices and to identify opportunities for productivity improvement. In the case of AFDC, we also examined the differences among states' program eligibility requirements to determine if the differences had an impact on productivity.

We reviewed federal policies, legislation, regulations, and guidelines for administering the AFDC and Food Stamp programs to find federal barriers to productivity improvement. We also discussed current productivity efforts and proposed changes in these programs with Agriculture, HHS, and Office of Management and Budget (OMB) officials.

CHAPTER 2

STATE AND LOCAL MANAGEMENT IMPROVEMENTS CAN INCREASE PRODUCTIVITY AND REDUCE AFDC AND FOOD STAMP ADMINISTRATIVE COSTS

Our comparison of the local welfare offices revealed wide productivity variations in processing AFDC and Food Stamp applications. Direct worker time varied by as much as 11 hours per case in AFDC and almost 8 hours per case in Food Stamps. Similar productivity variances also occurred in indirect time. HHS measures of cases per worker show even wider variations among the 50 states. Although the variances result from a number of factors, we found that among the offices we reviewed variances primarily resulted from processing practices that states control, and thus can change to improve productivity. Our measures were adjusted to eliminate variances due to major program differences and types of cases in the 15 states. The processing practices we found contributed most to the variance were:

--streamlined case processing procedures,

--effective use of computers,

--high management expectations and motivated staff, and

--actions taken and time spent verifying client eligibility, which means some offices did things others did not.

Offices with high productivity also tended to have high timeliness standards. HHS studies and our observations indicate that lower performing offices can improve their productivity without sacrificing quality.

Substantial dollar savings could result from productivity improvement. For instance, if the below-average offices raised their productivity to the average of the offices reviewed, the annual administrative cost savings would be about $8 million--18 percent of the $44 million spent in these 15 offices in fiscal year 1981. For offices to perform at the highest levels would, we believe, require automation. This would involve some initial higher costs, particularly for those states with limited computer systems.

Obviously, state and local offices can improve productivity on their own, and we hope they will. Nonetheless, Agriculture and HHS should emphasize efficiency, along with error reduction, by encouraging offices to adopt efficient processing procedures to help reduce errors and administrative costs, and establishing a cost per case and productivity measurement system to supplement the existing federal system of measuring the rate of payment errors.

CASE-PROCESSING PRODUCTIVITY RATES VARY WIDELY AMONG LOCAL WELFARE OFFICES

State and local government offices that administer the AFDC and Food Stamp programs must comply with various federal requirements affecting their processing efficiency. (This is discussed more in chapter 3.) These offices, however, deliver the same basic services, and they must perform the same basic processing functions. Accordingly, it is appropriate to compare productivity among the offices.

According to measures we compiled (which we adjusted to eliminate the effect of program and case differences as explained on p. 9), productivity differed significantly among the 15 offices. As the table below shows, processing rates for both direct and indirect workers varied widely.[1] Direct processing time per case ranged from 5.8 to 16.8 hours for AFDC--a variance of 11 hours, and from 1.5 to 9.3 hours for Food Stamps--a variance of nearly 8 hours. Indirect processing time ranged from 6.8 to 21.3 hours for AFDC--a difference of 14.5 hours, and from 1 to 7 hours for Food Stamps--a variance of 6 hours. HHS's own efficiency measures (covering this period), which represent the average number of cases per income-maintenance employee for each state, indicate an even greater productivity variance among states in processing AFDC cases, from a low of 30 cases per worker to a high of 158 cases per worker.

Our rates give approximations of each location's relative productivity, not precise measurements. For example, locations with productivity rates of 5.8 and 10.6 differ significantly but locations with rates of 7.1 and 7.3 may not be different. The productivity rates at these 15 offices are not necessarily representative of other offices within the state or of statewide productivity. In other studies, we have found wide productivity variations between offices within federal organizations and within states.

DIFFERENCES IN PRODUCTIVITY RATES CAN BE ATTRIBUTED TO MANY FACTORS

Many factors contribute to the wide productivity variations among state and local welfare offices in processing cases. The improvement potential depends on how much of the variance results from processing practices that states can change or to other factors. Our examination of operations at the 15 local offices did reveal that much of the variance resulted from processing practices states establish and thus can change to improve productivity.

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[1]Direct time refers to staff hours spent dealing directly with the applicant to determine and redetermine eligibility and maintain case files. Indirect time refers to staff hours spent performing administrative, clerical, supervisory, and management tasks related to case processing.

Site visited	Processing Time: AFDC Direct rate	AFDC Overhead rate	Food Stamps Direct rate	Food Stamps Overhead rate
	(hours per weighted case)			
Wisconsin:				
a.	5.8	13.0	2.3	2.2
b.	6.6	7.5	1.5	1.1
West Virginia:				
a.	7.1	12.7	4.9	6.0
b.	7.3	11.3	7.2	7.0
Louisiana:				
a.	8.3	8.4	5.1	6.3
b.	10.0	10.1	4.9	6.1
Maryland:				
a.	9.5	8.9	6.7	3.4
Virginia:				
a.	10.6	6.8	4.7	1.0
b.	12.4	7.8	8.9	6.1
c.	12.6	8.6	8.4	5.6
Kentucky:				
a.	11.8	13.5	4.4	3.8
North Carolina:				
a.	11.2	7.9	9.3	5.0
b.	15.0	13.3	5.2	4.3
c.	16.8	11.3	6.5	4.0
California:				
a.	13.4	21.3	2.8	4.5

We did not find that demographic factors, which are considered a key cause of AFDC productivity variances by HHS, had a significant impact at the 15 offices. However, we did not examine any offices in western states where demographics would cause the greatest negative impact on productivity. HHS's measures indicate that a combination of low population density and low caseload volume, such as in the Dakotas, Montana, and Idaho, has a negative productivity effect.

Intended program differences also can cause productivity variations by creating more or less processing work. In preparing our measures we adjusted for program differences in the offices and states reviewed that could have a substantive impact on productivity.[2] These are:

--State AFDC program differences. Two states had Unemployed Parent programs and all had Foster Care programs. We excluded the caseload output data and related input staff time for these two programs in developing our measures.[3]

--State general relief programs. Various general relief and related programs are totally state funded. Where these programs were administered by the same persons that handled AFDC and Food Stamps, we excluded the caseload output and related input staff time in developing our measures. This was more often necessary in computing indirect rates than in computing direct rates.[3]

--Earned income cases. Generally, more time is used to process the cases of people with income. Some offices reported more income cases than others. We adjusted to this situation by weighting the earned-income cases, using the processing time listed in the work measurement system of the California welfare office that we reviewed.

In addition to these factors, states set different AFDC eligibility requirements, and these have some impact on processing time. However, the amount of work and staff time necessitated by these requirements appeared small. Therefore, we made no adjustments, and any variances are included in our measured results.

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[2]There are program differences in other states that were not present in the states we reviewed. These could be adjusted for nationwide measures using the approach noted in footnote 3.

[3]It would have been equally valid to have weighted the output for the programs to reflect the added processing time and included them in the measures. The net result would have been the same since this would have neutralized their impact on our measures.

PROCESSING PRACTICES THAT CONTRIBUTE TO THE PRODUCTIVITY VARIANCE

We observed numerous processing differences that contributed to the productivity variations among the offices, such as forms, filing arrangements, method of calculating income and asset values, interviewing procedures, work scheduling, automation, organizational structure and office layout. Our intent, however, was to identify those processing practices that contributed most to these variations, not to determine the effect of each different factor or practice. Those practices we observed contributing most to the variance were:

--streamlined case-processing procedures,

--effective use of computers in processing,

--high management performance expectations and motivated, dedicated employees, and

--actions taken and time spent verifying and determining applicant eligibility.

Because we did not fully analyze the work done by indirect staff, we cannot cite reasons for the productivity variances. We did observe some differences, though, among the offices in indirect staff time spent on quality control, such as verifications of client-supplied data.

Streamlining case processing can improve productivity and reduce administrative costs

Case-processing productivity rates are directly affected by the administrative procedures and methods used. If it is possible to streamline these procedures and methods, within mandated program requirements, improved productivity and cost savings can result at all three levels of government.

We found three methods presently available to state and local welfare offices to accomplish this streamlined case processing:

--Use consolidated AFDC and Food Stamp application forms.

--Apply the same time periods for processing AFDC and Food Stamp applications.

--Use the same income-maintenance worker to process joint AFDC and Food Stamp cases.

We believe that the use of any one of these techniques will increase productivity and reduce costs. However, use of all three--referred to as joint processing--appears to present to state and local offices the greatest potential for increased efficiency. Four of the surveyed offices in Wisconsin and West Virginia used joint processing. They had the best AFDC productivity rates for

direct workers--with averages of 6 and 7 hours per weighted case compared with an average of 15 hours for the 3 offices with the poorest rates.

Using consolidated application forms can eliminate duplication

The AFDC and Food Stamp programs require the same basic information for processing a client's application. Use of a consolidated application form can eliminate considerable duplication of effort by the income-maintenance worker, and thus increase productivity. These forms also eliminate possible errors by applicants who must fill out the same form twice. In addition, clients' time and frustration are reduced with the consolidated form. This form is also a first step to the joint processing of AFDC and Food Stamp cases. The House Committee on Government Operations has recommended that a single application form be used for AFDC, Food Stamps, and Medicaid.[4]

Seven of the 15 offices used a consolidated application form--sometimes, however, only to gather basic client information while relying on supplemental forms for recording specific AFDC and Food Stamp data. Not all offices with the consolidated form had joint processing. Only the welfare offices in Wisconsin and West Virginia used both a consolidated form and joint processing. As previously noted, these offices had the least hours per case.

Applying the same time period for initial application processing of AFDC and Food Stamp cases can reduce benefit recalculations

The processing of AFDC and Food Stamp applications within the same time periods can help to increase case-processing efficiency. Under federal regulations, AFDC benefits are treated as income to Food Stamp recipients. Therefore, persons who may be eligible for both programs should have their AFDC application processed first, or the two applications processed together, to reduce the number of recalculations of Food Stamp benefits.

Current federal regulations allow states up to 45 days to determine initial AFDC eligibility and a maximum of 30 days for regular Food Stamp cases. For special Food Stamp cases, only 5 days are allowed. Not surprisingly, many state and local welfare offices use the maximum time period and process Food Stamp applications first. Later, after completing the AFDC application, they must pull out the Food Stamp file, recalculate Food Stamp benefits to include AFDC benefits as income, and prepare and process the form to change the benefit payment. These reprocessing steps, which take at least one-fourth the time required to process the initial claim, would be eliminated if benefits were determined together.

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[4]House Report No. 96-285, June 18, 1979.

Seven of the 15 offices used the same 30-day period for initial decisions on AFDC and Food Stamps. They were in Wisconsin, West Virginia, Maryland, Kentucky, and California. Four of these offices had among the lowest direct AFDC processing rates, (an average of 6 and 7 hours per weighted cases), while the others were in the low to middle productivity range (rates ranged from 9.5 to 13 hours per weighted case).

Although adopting the same eligibility periods may not substantially increase productivity, we believe that doing so will lead to greater case-processing efficiency, particularly when used in conjunction with other streamlining techniques.

Using the same income-maintenance worker to process AFDC and Food Stamp cases can increase efficiency

Having the same income-maintenance worker process applications for combined AFDC and Food Stamp cases can increase case-processing productivity. For example, the need for notices between AFDC and Food Stamp workers is eliminated and separate interviews are avoided. More significantly, there is combined verification of client eligibility. In addition, joint processing can help to reduce errors by preventing applicants from providing different information for each program and eliminating loss or misinterpretation of data transferred between AFDC and Food Stamp workers.

Six of the offices we reviewed used the same workers for processing dual AFDC and Food Stamp cases. These offices, including the Wisconsin and West Virginia offices, had the fewest direct hours per case. In contrast, one North Carolina office, which had the highest AFDC and the upper midrange of Food Stamp direct hours per case (16.8 and 6.5 hours respectively), processed AFDC and Food Stamp cases in separate buildings. This type of physical separation only increases the already inefficient procedure of preparing and routing notices to separate workers as well as the potential for losing essential documents between the offices. It is also inconvenient to the client who must travel between the two offices.

We believe that having the same income-maintenance worker process both AFDC and Food Stamp cases is central to any substantive efforts to improve productivity. Without it, the full potential of other streamlining efforts cannot be realized.

Effective use of computers can increase productivity

We found effective computer use by state and local welfare offices is a key factor in making significant productivity improvements in processing AFDC and Food Stamp cases. All 15 offices had computer systems but only the welfare offices in Wisconsin and West Virginia were using computers as a direct case-processing aid to determine and redetermine applicant eligibility, and calculate benefit payments. In fact, those offices had the best direct AFDC

productivity rates. Despite their rather elaborate computer systems,[5] the other states primarily relied on computers for basic bookkeeping functions, such as preparing benefit checks and administrative reports. Some computers also were used to match data from other sources to verify client income reports and to check for multiple participation.[6]

Of the states reviewed, Wisconsin had the most sophisticated and effective computer system. It incorporates AFDC, Food Stamps, and medical assistance case file data in a single data base, determines and redetermines client eligibility, calculates benefit levels, generates checks, and provides federal, state and local officials with statistical and special reports.

This example illustrates its capabilities. When a client receives benefits from AFDC, Food Stamps, and medical assistance, the system has the data on file and sufficient software to redetermine eligibility for each program at the same time. If a client moves or has a change in income, the income-maintenance worker handles the revised data only once. Once the new data is entered into the computer, the system updates each program case. If the income changes, the system first adjusts the AFDC benefit payment and then the Food Stamp benefit amount. Since in most states AFDC recipients are automatically eligible for Medicaid, the Medicaid file would be updated, as necessary, after the AFDC file update.

In effect, the computer has helped to eliminate certain manual operations such as routing change information between Food Stamp and AFDC files, copying records to accommodate both files, and maintaining files that alert workers of the need to redetermine a

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[5]The federal government provides incentive funding for management information systems in the AFDC and Food Stamp programs, and most states have computers. In a prior survey of all 50 states and the District of Columbia (States' Capability To Prevent Or Detect Multiple Participation in the Food Stamp Program, CED-82-103, June 16, 1982), only 13 states reported no statewide computer system and 11 of those states were developing such systems.

[6]In the above cited survey, 37 states and the District reported they had statewide computer systems to administer the Food Stamp program, and 32 reported having the capability to test for multiple participation in the Food Stamp program by the head of a household. Having computers and testing for multiple participation (which is done after cases are processed) does not necessarily mean that computers are used in processing applications for eligibility. This is illustrated by the fact that three of the states in our survey--Kentucky, Louisiana, and Wisconsin--reported matching for multiple participation, yet only Wisconsin was using computers extensively as an aid in eligibility determination and case management.

recipient's eligibility. Wisconsin officials estimated the time saved by their computer system and consolidated application forms is about 38 percent for initial determinations, 42 percent for redetermination, and 66 percent for case management functions. As an indication of the hour savings, one local welfare office takes roughly 5 hours to determine initial AFDC eligibility, plus about 35 minutes to manually compute the benefit amount. In comparison, one Wisconsin office uses about 1.3 hours to determine AFDC, Food Stamps, and medical assistance eligibility plus about 1 hour to enter the data into the computer system. Similarly, the first office manually computes an AFDC redetermination in about 4.5 hours, while the Wisconsin office does it in about an hour.

Management expectations and motivated staff affect case-processing productivity

Although difficult to assess, management expectations and motivated staff seemed to significantly affect AFDC and Food Stamp case-processing productivity. Depending on their presence or absence, the factors enhanced or detracted from other state and local efforts to improve productivity. Besides management expectations, employee performance can be affected by such factors as training, turnover, good supervision and working conditions, salary, overstaffing, and low production standards. Our objective was limited to determining the factors affecting productivity variances. Where low management expectations and lack of motivation seemed present, we did not assess the underlying causes.

A measure of management expectations is the caseload each worker is expected to handle. This varied from state to state, although in some offices the levels were unofficial. For example, at the offices in Louisiana and North Carolina, managers expected case workers to handle many more cases per day than the California office managers did. In general, we found that offices which expect higher performance from their workers had higher productivity.

The importance of employee motivation to productivity is shown at two offices in Louisiana and two in Virginia, where the only logical explanation for the productivity levels achieved, given their procedures, was employee dedication. The Louisiana offices had the third-highest AFDC productivity rates, despite using few streamlined processing techniques and extensively verifying applicant eligibility. Their staff was reduced while the workload increased and employees worked extra hours to keep up. In Virginia, one office was more productive than the other two, using about 5 hours less per case, yet all three offices followed essentially the same procedures. We observed that employee morale at the two poorer performing offices was somewhat lower. At one office our opinion was confirmed by a recent local office study which highlighted several problems, principally a low level of employee morale.

Although we did not measure the impact of management expectations and staff motivation on our productivity rates, we believe, nonetheless, that without motivated management and staff, the

potential efficiencies and cost savings from other improvements, such as streamlined procedures and effective use of computers, cannot be fully realized.

Time spent verifying data supplied by clients and redetermining client eligibility affects case-processing productivity

Productivity rates of direct workers at the offices reviewed also were affected by the time spent verifying and redetermining eligibility. In these efforts, workers check the accuracy of the applicants' data, primarily their income, assets, and family and working status, in an effort to prevent or detect errors that can cause benefit overpayments or underpayments. These steps are important to case processing. Although they can increase the processing time, they can also add to the desired result of program expenditures by avoiding erroneous benefit payments.

Each office did some verification and redetermination. Some offices, however, did things others did not. Looking at actions that were relatively time consuming, we noted that seven offices, including two having among the highest productivity rates, performed two or more of the following: searching for fathers, making home visits, requiring monthly redetermination reporting, and double-checking a sample of eligibility determinations before they were finalized. Three offices did only one of these and five did none believing it was not worthwhile. However, the offices did not have evidence documenting their position.

We did not assess how productively the offices performed these activities, or how cost effective the techniques were.

As an indication of the time spent verifying eligibility, one office increased its staff by 17 percent to accommodate monthly reporting.[7] In 9 offices where we obtained information on verification time, we estimated that from 3 to 15 percent of the productivity variance could be attributed to data checking provided by applicants concerning their eligibility and benefit payments.

While these eligibility verification and redetermination efforts affect productivity, our data show it is possible to exert extensive effort and still have high productivity. What this means is that by being efficient in the other aspects of case processing, offices can spend extra time on verification and redetermination and still have relatively high productivity.

In verification what is important is the payoff from the techniques used. Payoff must be measured in terms of costs versus

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[7]Monthly redetermination reporting for AFDC was made a requirement in 1981. (Omnibus Budget Reconciliation Act of 1981--Public Law 97-35, Aug. 13, 1981). At the beginning of our review only semi-annual reporting was required. However, three of the offices we reviewed had instituted monthly reporting for selected categories of recipients. Monthly reporting for Food Stamps began in October 1983.

benefits in (1) erroneous payments stopped or recovered and (2) the deterrent value. As we pointed out in a 1979 report, the numerous verification techniques vary in cost and effectiveness.[8] Organizations, therefore, need to know the cost and dollar results for each technique employed, discontinuing or improving those methods in which the benefits do not exceed the cost. None of the offices we reviewed was monitoring the cost benefit of its verification efforts in this way. We believe this monitoring is needed because of the federal emphasis on reducing erroneous payments and the state and local concern that some verification efforts are not worthwhile.

Relationship of productivity to timeliness and errors seems positive or neutral

Productivity measures an organization's performance, as does timeliness and quality (errors). Using available data and prior work, we made the following observations on timeliness and payment accuracy.

Offices with high productivity rates also tended to have tight timeliness standards. The four offices in Wisconsin and Louisiana with the best and third-best AFDC productivity rates had a 30-day limit for processing AFDC cases; federal regulations allow 45 days. The two West Virginia offices with the second-highest AFDC productivity rates reported processing most AFDC applications in less than 30 days. In our earlier report, these states reported they processed regular Food Stamp cases in 15 days;[9] federal regulations allow 30 days. HHS reports on AFDC show no statistical difference in timeliness (percent of applications processed in 45-days--HHS's standard) between states with high, midrange, and low productivity. States processing over 100 cases per worker had about as good timeliness rates as states processing under 50 cases per worker.

Nor does it appear, as some claim, that productivity needs to be achieved at the expense of quality-payment errors. HHS studies and our work indicate that lower performing offices can improve their productivity without sacrificing quality. Conversely, there may be, and in theory will be, a point at which decreases in payment errors may only be achieved at the expense of productivity. This needs to be watched for and studied.

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[8] Welfare Payments Reduced: An Improved Method For Detecting Erroneous Welfare Payments, (GGD-78-107, Feb. 5, 1979).

[9] In a previous survey of processing time for Food Stamp application in the 50 States and the District of Columbia, 31 reported they processed regular Food Stamp cases within 15 days (Food Stamp Program Application Processing Time, CED-82-87, May 21, 1982). Five of these states were covered in this review--California, Kentucky, Louisiana, West Virginia, and Wisconsin.

After comparing its cost-per-case and cases-per-worker measures with state payment error rates, HHS stated in its October 1982 report, entitled State Performance in the Aid to Families with Dependent Children Program 1979-1980, that it found no consistent relationship between productivity and accuracy, except that the 13 states with the highest admininistrative cost per case had the lowest average accuracy rates. From this, HHS concluded that reducing adminstrative costs to a desired level would be compatible with the goal of improving accuracy, or low payment error rates.

In our opinion, the available data is not adequate to make any firm conclusions about the relationship between payment errors and productivity, but our review work indicates that the two can be compatible. We observed that some processing systems we reviewed were designed better than others from the standpoint of both improving productivity and minimizing the potential for employee error. Particularly, the procedures used in Wisconsin and West Virginia--which had high productivity--reduced the opportunities for processing errors.

POTENTIAL COST SAVINGS FROM PRODUCTIVITY IMPROVEMENT ARE SUBSTANTIAL

Assuming no increase in errors, the potential dollar savings from productivity improvement are substantial. As shown below, we computed savings for two levels of productivity: a low-level--the median rate achieved by the 15 offices reviewed; and a high level--the midpoint between this and the level achieved by the most productive office. Achievement of the low rate does not require automation and thus should be readily achievable. We did not attempt to quantify savings in indirect time because we did not analyze the reasons for variations in indirect productivity rates.

	Productivity level -(hours per case)-		Estimated savings ----(millions)---		
	AFDC	Food Stamps	AFDC	Food Stamps	Total
High-midpoint	8.0	3.5	$11.7	$2.7	$14.4
Low-median	10.0	5.0	7.0	1.3	8.3

The estimated cost savings are based on potential time savings at each productivity level for each office. The cost to which the savings are applied is about $44 million (in 1981 dollars). A more detailed explanation of our methodology for computing cost savings is contained in appendix III.

We believe effective computer use in case processing is essential to achieving the highest direct productivity rates. Some initial offsetting costs would result, which we did not estimate, for such things as training, and acquisition and development of computer systems.

FEDERAL GOVERNMENT CAN BE HELPFUL IN FACILITATING AND ENCOURAGING ADMINISTRATIVE EFFICIENCY ALONG WITH ERROR REDUCTION

State and local governments certainly can undertake independent management improvements to increase productivity, and we hope they will use the information in this report to do so. In comments on our draft report, several states said they had instituted some improvements. Nonetheless, the federal government can act to encourage state and local productivity improvement and administrative cost savings. Among the actions we consider important, are

--establishing a standard, nationwide system for measuring and reporting AFDC and Food Stamp program productivity, and

--encouraging use of processing procedures that increase productivity and help to reduce errors in AFDC and Food Stamps.

A standard, national system for measuring and reporting productivity is needed to emphasize efficiency

Public or private management must always be concerned with productivity (cost) and quality (errors). Agriculture and HHS have followed this rule with the AFDC and Food Stamp programs. However, in formulating laws and regulations and directing the programs, the Congress, HHS and Agriculture have primarily emphasized error reduction. Because of this emphasis, a federally mandated error measurement system was established and error rates are closely tracked. State payment error rates are published semiannually and sanctions have been authorized to force states to reduce their error rates. Since this system was established, states have reduced their payment errors in AFDC where states share the benefit payment costs.

Just as this nationwide system encourages efforts to reduce payment errors, we believe a national productivity measurement system is needed to promote increased productivity and reduced administrative costs. Productivity measures provide comparisons and

identify "good" and "poor" performers on efficiency and thus, we believe, are essential to productivity improvement efforts.[10]

We believe that establishment of the nationwide AFDC and Food Stamps productivity system, as a companion to the national error measurement system, will provide several benefits. Federal managers could track state efforts to increase productivity in much the same way they now use the uniform error-rate-reporting system. They also could use ratios to compare performance among states and reward highly efficient states. Moreover, the publication of individual state rates should prompt states to be concerned with their productivity, just as states with high error rates are worried about comparisons with other states. States with low productivity rates would be concerned with their productivity standing and strive to make improvements.

Top state and local management also should find nationwide productivity measures useful as a tool to compare the performance of local welfare offices within their state, and assess their relative efficiency to other states. These comparisons would identify the local offices and states using more efficient methods.

A nationwide productivity system also would respond to congressional recommendations. The House Committee on Government Operations in a 1979 report, Administration of the AFDC Program, recommended that HHS develop better tools to monitor administrative performance, judge reasonable costs, and provide incentives to improve adminstrative performance (House Report No. 96-285.) Properly applied productivity measures could satisfy all these needs.

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[10]Comparative measurement is an essential part of a productivity improvement program, but it is only one of several parts, including top management support, proper organization, adequate training, goal setting, investigation of process efficiencies, and employee participation.

Ratios and indexes, the two types of productivity measures, have somewhat differing uses. Both use the same data; only the computations differ. Productivity ratios are used in this review. They show the amount of input (usually labor hours) actually used to produce a common output. They are computed by dividing the input by the output. Ratios are useful for determining resource requirements and for comparing performance among organizations, i.e., states and local offices. Productivity indexes are the type prepared by the Bureau of Labor Statistics. They show the percentage ratio of output produced to the input expended (usually labor hours) during a current period in relation to a base year. Mathematically, the base year is converted to 100 and future years' performance is expressed as an increase or decrease from 100, such as 104 or 97. Indexes are useful for tracking performance over time.

HHS uses a performance measurement system with 11 measures, grouped by accuracy, timeliness, and efficiency to evaluate state performance. Its two efficiency measures--monthly administrative cost per case and cases per worker--could be developed into a national productivity system. These two measures are productivity-type input/output measures.

Administrative cost per case measures unit costs by using dollars as input rather than staff hours. We believe it is an indispensible management tool but has limitations in assessing processing efficiency. This is because efficiency variations are masked by the different state salary rates and the expenses with no direct relationship to efficiency, such as space costs.

The cases-per-worker ratio measures labor productivity. Its primary difference from our productivity measures is that it uses only one output--cases processed (which is also true for the cost-per-case measure). In this review, we used four outputs, which we weighted, to ensure greater comparability among the states. HHS has used its measures to make various comparative analyses and to suggest state cost-per-case performance goals.[11] According to officials, HHS hopes in the future to set firm goals.

Thus, our proposal for a nationwide productivity measurement system would extend logically HHS's performance measurement efforts. HHS and Agriculture need to develop together, for the AFDC and Food Stamp programs, compatible productivity and unit cost measures using weighted outputs. Ideally, costs should be separated between personnel and non-personnel; staff years should be divided as to direct, indirect, and allocated overhead.

A productivity measurement and reporting system would involve some expense to develop and operate, which the federal government would share. The added expense for AFDC should be small since states are already collecting and reporting much of the necessary input and output data as part of HHS's measurement system, and HHS already makes computations and analyses comparable to what would be required. For Food Stamps, the costs would be higher, although Agriculture already requires reporting of some needed data, such as cost and cases processed, and welfare offices collect considerable input and output data. Some offices collect more and some less than would be needed. Once the basic input and output data is collected, the productivity and unit cost rates require little effort to compile, particulary if done on a computer. We believe one or two people could do this at Agriculture. The major cost, we believe, would be in verifying the reported data's accuracy to ensure reliability of the measures. However, management at all levels is responsible for having adequate internal controls to ensure that data is properly collected and accurately reported.

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[11] Profiles of States Performance in the Aid to Families with Dependent Children Program, 1979-1980, October 1982, pp. 38-40.

Efficient processing procedures that help reduce errors should be emphasized

Measurement is an essential component of any productivity improvement effort. Measures, however, have limited value without parallel efforts to find and encourage opportunities that enhance productivity and also, where appropriate, to remove any legal and regulatory barriers impeding productivity. Agriculture and HHS have undertaken numerous actions, many of them jointly sponsored, aimed at improving efficiency. For example, federal incentive funding is available for automation. Practically, however, both the two federal agencies and the Congress have given less attention to productivity and administrative costs than to payment errors.[12] Largely, as a consequence of this federal emphasis, most states and local offices have also concentrated on quality control of payment-error rates.

The federal concern with erroneous payments is justified. As we said before, program benefit costs are nearly 10 times greater than administrative costs and the amount of erroneous payments, particularly overpayments, is substantial. Accordingly, emphasis should be given to a reduction in errors. In previous reports and congressional testimony, we have encouraged further action, including additional verification. (See app. V for a list of reports.) However, productivity and quality are not incompatible goals. Certain actions would reduce errors and increase productivity. These include the streamlined processing techniques discussed earlier, and standardization of AFDC and Food Stamp eligibility and processing requirements (discussed later in chapter 3). HHS and Agriculture should identify and aggressively promote the use of such procedures.

Among possible federal actions, we believe Agriculture and HHS should create a joint working arrangement, preferably with state representation. This group would find the best processing practices and point out any possible changes in federal laws and regulations to encourage prompt, accurate, and efficient processing performance for both programs. Because all three aspects of performance are important, one point should not be emphasized to the detriment of the others, as long has been the case for productivity. Among possible joint actions, the agencies could conduct field reviews to learn firsthand the reasons for productivity differences among states and the factors that enhance and impede productivity. They could particularly concentrate on identifying the opportunities for improvement that require federal action.

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[12] Analysis of Four States' Administration of the AFDC Program: Management Improving But More Needs to be Done, (HRD-82-20, Feb. 22, 1982) and Millions Can Be Saved by Improving the Productivity of State and Local Governments Administering Federal Income Maintenance Assistance Programs (AFMD-81-51, June 5, 1981).

CONCLUSIONS

By carrying out certain improvements in the management of the AFDC and Food Stamp programs, state and local governments can increase productivity and reduce administrative costs. Some states, in commenting on our draft report, reported they had increased productivity by instituting many of the management improvements we suggest. While the improvements we discussed in this chapter are by no means exhaustive, we found they are key factors within state and local control that affect direct case-processing productivity.

Although state and local governments can undertake the management approaches suggested in this chapter without any federal action, we believe the federal government should act to facilitate and encourage state and local productivity efforts. We believe the federal government has an obligation to do so as long as it continues to finance one or both programs.

RECOMMENDATIONS TO THE SECRETARIES OF HEALTH AND HUMAN SERVICES AND AGRICULTURE

We recommend that the secretaries place greater emphasis on administrative efficiency by:

--establishing a joint mechanism for identifying the best operating practices including changes in federal laws and regulations that will facilitate prompt, accurate, and efficient processing of AFDC and Food Stamp benefits and

--establishing a nationwide productivity measurement and reporting system for the AFDC and Food Stamp programs.

AGENCY COMMENTS AND OUR EVALUATION

Formal comments on a draft of this report were requested from HHS, Agriculture, and the eight states included in this review. Only Virginia did not reply to our request for comments. The responses are in appendixes VII-XV. We also met with HHS and Maryland officials to discuss their formal comments and have considered both their written and oral comments in the report.

Efficient processing procedures

In essence, Agriculture and HHS stated they are doing about what they consider necessary to encourage implementation of efficient processing and they cited actions they are taking. In addition, Agriculture stated that in the Department's general opinion more efficiency can be achieved when the governmental unit can shape procedures to accommodate its needs.

Notwithstanding the two agencies' efforts, we believe they can make more important changes, particularly joint participation to identify improvement efforts. For example, as stated in the report, they could visit state and local offices to learn firsthand the factors that impede and enhance processing productivity. They

should place special attention on identifying productivity opportunities requiring federal action, such as changes in federal laws and regulations, as we did in this study.

Without commenting directly on our recommendations, Kentucky, Louisiana, and North Carolina pointed out that since our on-site review they had implemented many of our recommended techniques or were in the process of doing so. Wisconsin hoped the federal agencies would encourage adoption of joint case processing and recognize that states using computers need adequate lead time to implement changes. We are encouraged by the states' responsiveness in making productivity improvements and the report gives credit to these states.

Productivity measurement system

Agriculture did not comment on the recommendation for developing a nationwide productivity measurement and reporting system. (In response to a recommendation now deleted, Agriculture expressed concern with the use of productivity standards to determine the federal share of administrative costs and said it would "pend" GAO's recommendation to this regard until more information was available. We deleted the recommendation from the draft report for consideration of an alternative means for financing administrative costs based on performance because alternative funding methods are no longer being actively considered by the Congress.)

HHS disagreed with our measurement approach, favoring instead the cost-per-case measurement system which it uses.

Three states commented specifically on productivity measures. Maryland stated they were an essential management tool. Louisiana pointed out that it was using productivity measures at its local offices. California opposed development of national measures but stated that it uses measures as part of its system to control administrative costs.

The substance of HHS's reservations to productivity measurement follows:

In the AFDC program, states have wide latitude in setting administrative procedures and great variations in procedures do exist among states, creating productivity differences. The adjustments GAO made to its measures do not account for these legitimate differences among states. The validity of GAO's measures is questionable because they do not address all output categories. Therefore, the measures cannot be used for interstate comparisons. There are problems related to (1) the validity and extent of available input and output data; additional data, at added cost, would be needed to develop a nationwide measurement system. It is questionable whether standardized output weights can be established, as GAO asserts, and relative weights would require considerably more updating than GAO suggests. Productivity is more than a federal concern and any measures should reflect all activities in an income-maintenance office. For this reason HHS developed an efficiency

performance measure that chose administrative cost per case. To impose a federal requirement to measure productivity only in federal programs would interfere with any current state productivity efforts.

In response, we did not intend to imply that HHS should abandon its measures. To the contrary, we believe HHS should continue to improve both measures and that it and Agriculture should together develop compatible measures for the AFDC and Food Stamp programs. What we are recommending is that HHS improve the usefulness of its measures by further refinement--to adjust for program differences among states and different types of cases among offices. Regarding the validity and availability of output data, we do not consider this a significant problem because most of the needed data is already available and there are various means for verifying it.

Regarding comparability, we are convinced from our review that it is appropriate to compare productivity among states and offices within states. HHS has acknowledged as much in making comparisons and correlations using its more rudimentary measures. Regarding workload weights, their development is technically straightforward; the technique we have used is accepted and commonly used. As for updating, it has been found for purposes of developing industry productivity measures (equivalent to nationwide measures for AFDC and Food Stamps) that revision of the weights is desirable about every 10 years.

We agree that productivity is more than a federal concern and believe the importance for all governmental levels is addressed throughout this report. We believe that a federal requirement to measure productivity would not interfere with any state productivity effort. In fact, state and local governments could build on to such measures to prepare measures for their local offices.

Overall comments by states

West Virginia and Wisconsin agreed with our findings and recommendations. California supported our recommendations except it opposed development of national productivity measures. (It also opposed the related recommendation that is now deleted.) North Carolina and Louisiana also concurred in general with the findings and recommendations, but along with Kentucky, pointed out that our report does not reflect their state's current advances in productivity through use of techniques discussed in the report and others. North Carolina also cited an impressive reduction in error rates. We are encouraged by these states' reported progress in improving productivity and have noted their statements in this report. A technical inaccuracy in appendix II of the draft report that was pointed out by Louisiana is corrected.

Maryland's response was mixed. While strongly endorsing the need for better coordination between the AFDC and Food Stamp programs and the development of productivity measures as a management tool, it criticized what it viewed as our failure to document the relationship between productivity and error reduction. Maryland

asserted that we acknowledged that "improving one takes its toll on the other," but did not test this hypothesis. Maryland also stated that data were available to assess the relationship between productivity and payment errors.

Maryland believes correctly that error-reduction efforts requiring added staff will reduce productivity. However, HHS's data show that some states have among the lower error rates while maintaining the highest productivity. It will be easier to study the relationship between productivity and errors when Agriculture and HHS adopt, as a companion to the nationwide payment-error measurement system, our recommendation to establish a nationwide AFDC and Food Stamp productivity measurement system.

Maryland raised a point on automation, noting that we underestimated the costs of such systems. We agree that automated systems entail considerable front-end expense, particularly for states with limited computer use, and have added a statement to that effect. However, federal incentive funding is available to states for developing AFDC and Food Stamp automated management-information systems thereby considerably reducing the initial automation expense. Finally, Maryland took issue with our discussion on employee performance and commitment to work and offered several other comments of a more technical nature. The discussion on employee performance is revised for clarity and other changes are incorporated where appropriate.

CHAPTER 3

CONSISTENT FINANCIAL MEASUREMENT CRITERIA AND PROCESSING TIME PERIODS WOULD REDUCE COSTS AND ERRORS

In past studies of federal food and cash assistance programs, we and others have recommended greater uniformity of basic eligibility criteria and procedures to assure more equitable treatment of beneficiaries, reduce client confusion, decrease the administrative burden, and eliminate payment errors. From our data, we estimate that for the AFDC and Food Stamp programs as much as $6 million annually in administrative costs might be saved at the offices we reviewed by having (1) uniform criteria for determining applicant income and assets and (2) similar time periods for processing and terminating cases.

In recent years, some effort has been made to have uniform eligibility requirements between the two programs, but standardized criteria for income and asset determination and processing time periods have yet to be accomplished. Because legislative changes are required, HHS and Agriculture should pursue standardization of requirements with the Congress.

DIFFERING AFDC AND FOOD STAMP PROGRAM REQUIREMENTS INHIBIT PRODUCTIVITY IMPROVEMENTS

Numerous studies on reform of federal welfare programs[1] have addressed the need to achieve greater efficiencies in the various welfare programs, including AFDC and Food Stamps, through standardization and simplification of federal eligibility requirements and procedures. The studies have pointed to the needlessly complex, conflicting, and inconsistent requirements as major factors contributing not only to inefficiency, but also to poor service and increased error rates. Our data in this review confirm much in these earlier studies.

We examined in this review the impact of inconsistent federal (1) criteria for determining an applicant's income and assets, and (2) time periods for initial processing and for terminating AFDC and Food Stamp cases because these requirements have an identifiable effect on productivity.

UNIFORM FINANCIAL MEASUREMENT CRITERIA COULD IMPROVE PRODUCTIVITY AND REDUCE ERRORS

Many applicants are eligible for both programs (in 1981 up to three of every four AFDC recipients were eligible for food stamps

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[1]By GAO, the Congressional Budget Office, the Commission on Federal Paperwork, the President's Reorganization Project, OMB-HEW Eligibility Simplification Project, and the Urban Institute, for example. (See app. VI.)

in some states). However, the AFDC and Food Stamp programs are governed by legislation and regulations containing separate and largely different basic eligibility criteria in both financial and nonfinancial areas. Nonfinancial criteria define the eligibility unit (family, household, or individual) and other conditions of eligibility such as age, disability, student status, and availability for work. The financial criteria (1) measure the applicant's income and assets (define what is to be considered income and any expense allowances), (2) set maximum income and asset eligibility levels, and (3) specify the benefit amount for varying income levels (states do the latter for AFDC). We limited our assessment to the financial criteria for measuring income and assets, for two reasons.

1) Prior studies had focused on and recommended uniformity of financial criteria.

2) Determining an applicant's income and assets consumes a large portion of case-processing time.

The AFDC and Food Stamp programs have different asset standards and exclusions, and different methods for determining asset values. Each also has different income standards, exclusions, and deductions, and differing accounting periods for measuring countable income. However, consistent accounting periods were prescribed in the 1981 budget reconciliation law (Public Law 97-35, Aug. 31, 1981) for implementation in October 1983.

The differing requirements result in various adverse consequences. Although a client must provide very similar financial information for the two programs, each program uses the information quite differently and makes separate determinations of income and assets. As a result, an applicant's computed income for the two programs will differ, and the value of their assets may also differ. In effect, an applicant is treated as two persons. A case from one state illustrates this: A single parent with two dependents who had monthly earnings of $400 and monthly child-care expenses of $40 had a computed net income of $209 under AFDC and $199 under Food Stamps. Moreover, the calculations to arrive at computed income figures are complicated, as can be seen from the following example.[2]

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[2]The example is taken from an actual case; various different methods of calculation are followed in various states for AFDC. We added child-care expenses because it is a common expense; thus certain derived income and expense factors for Food Stamps and the net countable income under both programs differ from the actual case.

Example - Income Calculation

	AFDC	Food Stamps
Earned Income - monthly[a]	$400.00	$430.00
Plus: Living expense support loan	40.00	b
Gross Income	440.00	430.00
Less:		
Work expense[c]	56.00	--
Earned income disregard	--	77.40[d]
Child care	40.00	e
Net Earned Income	344.00	352.60
Less:		
Earned income disregard	134.67[d]	--
Standard deduction	--	85.00
Shelter deduction	f	114.70[g]
Add: AFDC benefit amount		47.00[h]
Net Countable Income (rounded down)	$209.00	$199.00

[a]Earned income for Food Stamps is based on prospective budgeting, i.e., expected earnings in the next 4 1/3 weeks ($100 per week x 4.3 = $430.) Earned income for AFDC is based on retrospective budgeting, i.e., actual earnings in the prior month - $400.

[b]Not considered as income in Food Stamps.

[c]Work expense: AFDC - full-time $75, part-time $56; Food Stamps - included in the shelter deduction.

[d]Earned income disregard: For Food Stamps it is 18% of gross income. For AFDC it is $30 + 1/3 of net earned income less the $30 standard deduction=[$30 + 1/3 ($344 - $30)] = $134.67.

[e]Child-care expense for Food Stamps is considered in computing the shelter deduction (see footnote g).

[f]An amount for shelter, along with food, clothing, etc., is included in arriving at the standard of AFDC need, which is set by and varies by states. Net countable income is subtracted from the standard of need amount to arrive at the benefit payment.

[g]Food Stamp shelter deduction is computed as follows based on actual expenses reported by the applicant.

Rent	$155.00
Utilities	77.00
Child care	40.00
	272.00
Half income offset	-157.30
	$114.70

Income offset calculation:

Net earned income	$352.60
AFDC benefit	+47.00
	399.60
Standard deduction	-85.00
Income offset	$314.60

[1/2 $314.60 = $157.30]

[h]State need benefit level minus net countable income; $256-$209 = $47.

As can be seen, the difference in computed income is quite small (in some cases it would be less, in others more). Yet the computations are somewhat involved, which requires extra training and additional time to make separate computations, both of which add complexity, contribute to errors, and increase costs.

Administrative costs are increased in other ways. For example, because of differing requirements, some state welfare offices we reviewed used different workers for the two programs. This is inefficient because it duplicates processing work. Furthermore, a Food Stamp application might be processed as if no AFDC application was filed and vice versa. This would create a need for later redetermination steps because the AFDC benefit must be included as income in Food Stamp benefit calculations. Moreover, verification of applicant-supplied data may be done separately for AFDC and Food Stamp cases.

We recognize that changes in financial criteria could affect program participation and benefit amounts. Whether participation and benefit amounts for individuals would increase, decrease, or remain at present levels would depend on the criteria chosen, and the eligibility levels and related benefit amounts established.

Uniformity of criteria has previously been recommended

In our report, Federal Domestic Food Assistance Programs--A Time For Assessment and Change (CED-78-113, June 13, 1978), we urged the establishment of a single uniform definition of needy persons and uniform criteria to determine who has legitimate need and, thereby, is eligible for assistance. We stated that these criteria should include maximum income and resource levels, allowable exclusions and deductions, and uniform accounting periods for measuring income. Consistent with these conclusions, we recommended that Agriculture, HHS, and the Congress act to establish uniform criteria, including a study of the effects this would have on program participation, costs, and work incentives.

Other federal organizations have made similar recommendations. For example, establishment of a standard work expense deduction was recommended by the House Committee on Government Operations in its June 1979 report on AFDC program administration. In October 1980, OMB in its report, Eligibility Simplification Project, recommended standardized treatment of 14 income and asset elements between AFDC and Food Stamps, along with 5 other assistance programs. Examples of the elements were income-producing property, educational benefits, household goods and personal effects, vehicles, in-kind income, loans, and earned income.

States also have made proposals to simplify AFDC and Food Stamp administration. California has made several proposals over the years to establish common definitions for the family unit, income resources, budget periods, and procedures. In a 1974 report the state estimated that "...by consolidating Food Stamp regulations with AFDC rules, the taxpayers could save as much as

$31 million in California in administrative costs alone in one year." Wisconsin has made similar proposals. To simplify computer processing, it has tried on its own to establish some standard procedures, such as common closing dates and verification criteria, which have had limited success and have caused considerable concern among federal program managers.

In addition, some financial requirements between AFDC and Food Stamps have been standardized, which contributes to simplification, but a number of changes have also been made which further complicate processing and increase costs.

HAVING UNIFORM PROCESSING TIME PERIODS WOULD INCREASE EFFICIENCY

The federal government abets some unneccessary and duplicative processing actions by prescribing different time periods for processing AFDC and Food Stamp initial claims and for closing cases. This unwanted extra effort occurs in processing joint cases in which applicants are eligible for both programs.

Initial applications

Federal laws mandate that a Food Stamp application be processed within 30 days (5 days for expedited cases), while HHS regulations allow 45 days for processing an AFDC application. Because of the 15-day differential, some state and local offices will often process Food Stamp cases first to meet the 30-day deadline. The extra 15 days to process AFDC applications is apparently intended to compensate for the added complexity and difficulty of AFDC processing but it does not appear to be necessary. In chapter 2, we noted that offices in 5 of the 8 States used a 30-day time period for initial AFDC and Food Stamp determinations. Some state and local officials to whom we spoke, however, asserted that 30 days was not enough time to process an AFDC application because it requires more information and verification than Food Stamps.

Still, we believe the 30-day limit is reasonable for applicants and local welfare offices, although to achieve the limit, some offices may need to improve their processing system's productivity. Thus, allowance of a grace period for adherence to a 30-day time period may be warranted. It must be recognized, however, that some cases will take longer than 30 days to process.

Closing cases

Federal regulations also prescribe different notification requirements for closing out cases, with one notice required for AFDC and two notices for Food Stamps. Again, additional processing actions are generated without apparent benefit. We believe the same termination notice requirements should apply to both programs.

The situation in Louisiana illustrates the problems caused by different notice rules for closing cases. A client's AFDC and Food Stamp redeterminations fall on the same day. The client, however,

fails to come to the local welfare office for the redeterminations so a notice is sent out that the client must visit the office within 10 days or benefits from both programs will be terminated. If the client fails to appear by the 10th day, the AFDC case is closed, but the Food Stamp benefits continue because that client must be sent a second 10-day termination notice. If within that period the Food Stamp client contacts the office to keep the case active, an income-maintenance worker must redetermine the client's eligibility and recompute the benefit level. This is because the office already stopped APDC payments, reducing the client's total income. This cumbersome process could be repeated many times. If both programs had the same time periods for closing out cases, some of this "churning" could be reduced, saving paperwork and staff time.

SAVINGS CAN BE ACHIEVED WITH UNIFORM FEDERAL AFDC AND FOOD STAMP REQUIREMENTS

Potential savings from uniform criteria for measuring income and assets and common periods for processing initial claims and terminating cases would accrue in two ways. One, uniform processing time periods would reduce the workload by eliminating some dual processing. We do not have information to estimate how much the change would reduce the workload or what the savings would be. Two, uniform income and asset measurement criteria would eliminate dual calculation of income and assets in processing joint cases. The time saving, of course, would vary by office and also would only occur in processing cases where recipients are eligible for both programs.

We estimated the Food Stamp portion of a joint case could be processed in about two hours if only one calculation of assets and income was required. This is based on the data on processing times that we obtained from our own analysis and from state work measurement systems. Some offices might take a little longer, others a little less. Offices using essentially manual procedures would need 2 hours. Offices using computers along with joint processing should process joint cases in essentially the same time as AFDC cases, as we found in the Wisconsin offices.

Applying the 2-hour reduction to each office's joint caseload volume, we estimated potential savings (in addition to that computed in chapter 2) of up to $6 million at the 15 offices we reviewed. (See app. III for details.) While this saving may not seem large, it is important to keep in mind that having uniform financial criteria, processing time periods, and termination notice requirements would facilitate joint processing and computerization and would help reduce payment errors.

LIMITED ACTION HAS BEEN TAKEN TO ACHIEVE GREATER UNIFORMITY OF AFDC AND FOOD STAMP REQUIREMENTS

The Congress, HHS, and Agriculture have taken some action to simplify regulations and achieve more uniform eligibility

requirements. The 1981 budget reconciliation law established consistent accounting periods for measuring income between AFDC and Food Stamps, and gave states the flexibility to set up consistent verification procedures for the two programs. The law also requires consistent monthly reporting for both programs (as noted on p. 27). HHS and Agriculture have funded separately and jointly several demonstration projects directed at simplifying administrative procedures. As provided in the 1981 agriculture and food stamp law, AFDC, Food Stamp, and Medicaid officials have established a joint project to examine administrative program differences and eliminate some of them.

CONCLUSIONS

Administrative costs and payment errors for AFDC and Food Stamps are increased by using different financial critieria for measuring income and assets and different deadlines for processing initial applications and closing cases. Our estimated savings of up to $6 million annual administrative costs by using uniform financial measurement criteria at just the 15 offices indicates the potential savings.

The need for these and other changes has been recognized and recommended by prior studies, but only limited standardization has occurred. Given the large potential reduction in administrative costs and erroneous payments, we hope the agencies and the Congress will be persuaded to take positive action. Because legislation will be required, corrective action will have to be pursued by HHS and Agriculture with the Congress.

Given the necessity for collaboration, we believe that for the two programs Agriculture and HHS need to jointly develop uniform criteria for measuring income and assets and time periods for processing applications. The current joint effort by AFDC, Food Stamp, and Medicaid officials to eliminate administrative differences in the programs' rules and regulations to simplify eligibility requirements and procedures, appears to have an appropriate charter to undertake that work. Food Stamp and AFDC program directors from Agriculture and HHS need to decide if this group is appropriate, or another should be established. The group then should be specifically directed to develop uniform income and asset measurement criteria and processing time periods. It also should be told to show how uniform income and asset criteria can be achieved while minimizing any change in recipient eligibility and benefit levels.

RECOMMENDATIONS TO THE SECRETARIES OF HEALTH AND HUMAN SERVICES AND AGRICULTURE

We recommend that the secretaries cooperate with each other and the Congress to remove inconsistent requirements placed on state and local governments administering the AFDC and Food Stamp programs. This would be done by formulating uniform federal financial requirements for measuring income and assets, having equal time periods for processing initial applications and the same

notice requirements for closing out cases, revising their regulations, and proposing legislative changes as necessary for congressional action.

AGENCY COMMENTS AND OUR EVALUATION

HHS and the states submitting comments supported the thrust of our recommendations. HHS agreed with the need for close cooperation between AFDC and Food Stamp officials to achieve greater program uniformity and noted several current or planned efforts to simplify AFDC and Food Stamp rules.

Agriculture, however, did not implicitly agree to work with HHS. Instead, it cited examples of program consolidation actions it had taken on its own or in cooperation with HHS and others. Notwithstanding Agriculture's efforts, work is still required to realize greater uniformity of requirements between the AFDC and Food Stamp programs, and we hope Agriculture will participate.

Five states commenting specifically agreed with GAO's recommendation for standardization of financial requirements and processing time periods. While Maryland concurred with the uniform criteria concept for AFDC and Food Stamps, it cautioned we should not include asset elements difficult to administer and evaluate because this could increase error rates and decrease productivity. The scope of our review was not sufficient to specify which individual asset and income criteria should be used. This will require study by Agriculture and HHS and concurrence by the Congress.

LOCATIONS VISITED

Headquarters

Department of Agriculture - Food and Nutrition Service, Washington, D.C.

Department of Health and Human Services - Office of Family Assistance, Washington, D.C.

Regional offices

Food and Nutrition Service, Agriculture--(regions) II, Robinsville, N.J.; III, Atlanta; IV, Chicago; V, Dallas; and VII, San Francisco.

Office of Family Assistance, HHS--(regions) III, Philadelphia; IV, Atlanta; V, Chicago; VII, Dallas; and IX, San Francisco.

State and local offices	Percentage of total state AFDC And Food Stamp caseload
California (Sacramento) One county office	38
Kentucky (Frankfurt) One county office	31
Louisiana (Baton Rouge) Two parish offices	35
Maryland (Baltimore) One county office	64
North Carolina (Raleigh) Three county offices	17
Virginia (Richmond) One county, two city offices	25
West Virginia (Charleston) One county, one city office	16
Wisconsin (Madison) Two county offices	8

METHODOLOGY USED TO DEVELOP AFDC AND FOOD STAMP PRODUCTIVITY MEASURES

Although some of the state and local welfare offices we visited had work measurement systems and a few even claimed to measure productivity, we found no available productivity measures that could be used to compare states.[1] Accordingly, we had to develop our own measures to use in making comparisons. We followed generally accepted methods and procedures in doing so.

To determine productivity rates for each office, we separately determined for AFDC and Food Stamps

--total staff hours available (input) for direct and indirect workers,

--total volume of work completed (output) identified as to earned or nonearned income cases, and broken down by function--initial determination, redeterminations, and changes to cases in payments and other areas, and

--level of difficulty weights for each output, and for earned income and nonearned income cases.

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[1]Although work measurement is considered productivity measures in the broadest sense, it actually differs from productivity measurement. Work measurement provides measures of performance for a specific office over a given period of time. The measures are used to compare the office against a "should take" standard which represents the time it takes to perform certain tasks under existing procedures. Should major changes occur in the procedures, the standard would need to be revised. In general, work measures cannot be used to compare one office against another because of variations among offices in procedures and processes. Productivity measurement, on the other hand, tracks performance in a current time period against a base period in terms of actual output produced and actual input consumed. Because common output measures can be developed and used for offices, productivity measures, unlike work measures, are a mechanism for comparing office performance. Moreover, productivity measures are much less sensitive to procedural changes at offices than work measures and, thus, requires less updating and are less expensive to maintain. A more detailed explanation of the mechanics and benefits of productivity measurement appears in appendix IV.

INPUT

We determined the input (staff hours) from agency records and discussions with responsible agency officials. At offices where the same worker performed intake and case-management functions for both the AFDC and Food Stamp programs and a breakout of the time between programs was not available, we allocated staff time (direct and total) based on workers' estimates of how long it takes to process AFDC and Food Stamp cases and the proportion of each program's volume to the total office workload. If staff also worked on other programs, we factored out that expended time before we made the allocation between AFDC and Food Stamps. Adjustments were made office by office for major structural differences between state programs.

We defined as direct workers those who dealt directly with the applicant to determine and redetermine eligibility and maintain case files. We defined as indirect workers those who performed administrative, clerical, and supervisory tasks related to case processing. Where indirect workers also performed direct work tasks, we allocated their time applying a combination of their estimated allocation, our observations, and work measurement data (where available and useful). We calculated staff hours by using a standard 2080 hours per year and adjusted for work schedules of less than 40 hours per week.

OUTPUT

We obtained the output (work volume) from agency records. Where necessary we estimated output volumes based on examining a sample of cases.

WEIGHTS

We established difficulty weights for the four output functions/components (i.e., initial eligibility determinations, redeterminations, payment changes, and nonpayment changes). Weights for the four output components were developed based on time estimates by individual workers at the first six offices reviewed. (A negligible difference in weights was produced when we subsequently added data from the other nine offices, so we did not change our weights or recompute productivity rates). In developing the weights, we were interested in the time relationship between output components--the relative difference in processing time required for each component--rather than the actual time. Although workers' time estimates for output components varied widely, the relative difference between the output components was generally small. We resolved any significant variance by observation and analysis, and the differences were averaged to arrive at the weights for each component. The relative-difficulty weights for earned and nonearned income cases were established from the California office work measurement system.

COMPUTATIONAL FORMULA

With this information we calculated the productivity of each office using the following equation:

$$\text{Hours (direct or total) per weighted case output} = \frac{\text{Hours (direct or total)}}{\text{Weighted case output}} = \frac{\text{Hours}}{x1(V1)+x2(V2)+x3(V3)+x4(V4)}$$

V1 = Volume of initial determinations.
V2 = Volume of redeterminations.
V3 = Volume of payment changes.
V4 = Volume of nonpayment changes.
and
x1 = Relative weight of initial determination.
x2 = Relative weight of redetermination.
x3 = Relative weight of a payment-related change.
x4 = Relative weight of a nonpayment-related change.

The relative weights we computed are as follows:

	X1	X2	X3	X4	=	Total
AFDC	.49	.36	.11	.04	=	1.00
FOOD STAMPS	.45	.34	.16	.05	=	1.00

Calculation of productivity for a hypothetical case is shown below.

Input hours		Volume	Relative weights for Food Stamps
Direct hours =	66,650	V1 = 14,234	x1 = .45
Total hours =	148,110	V2 = 17,193	x2 = .34
		V3 = 6,415	x3 = .16
		V4 = 9,623	x4 = .05

Direct hours per weighted case output

$$= \frac{\text{Direct hours}}{\text{Weighted case output}}$$

$$= \frac{\text{Direct hours}}{x1(V1)+x2(V2)+x3(V3)+x4(V4)}$$

$$= \frac{66{,}650}{.45(14{,}234)+.34(17{,}193)+.16(6{,}415)+.05(9{,}623)}$$

$$= \frac{66{,}650}{13{,}758.47}$$

$$= 4.84$$

Total hours per weighted case output

$$= \frac{\text{total hours}}{\text{Weighted case output}}$$

$$= \frac{148{,}110}{13{,}758.47}$$

$$= 10.77$$

METHODOLOGY USED TO PROJECT ADMINISTRATIVE COST SAVINGS

The potential direct savings in administrative costs through increased productivity that we project in Chapter 2 are based on time savings at each individual office for AFDC and Food Stamp weighted cases multiplied by the weighted AFDC or Food Stamp caseload, and then multiplied by the average hourly worker rate at each office. The time savings is the difference between the office's current hours per weighted case and our projected achievable hours per weighted case (discussed below). For example, projected AFDC savings at site B in Virginia for the midrange achievable rate of 8 hours per case would be as follows:

12.4	Hours per weighted case (actual)
-8.0	Hours per weighted case (GAO projected achievable midrange)
4.4	Hours per weighted case savings potential
x 7496.0	Number of AFDC weighted cases
32,982	Total hours potential savings
x $7.41	Average hourly worker rate
$244,396.62	Savings potential for AFDC

We made similar computations to determine savings at the low ranges of achievable AFDC case-processing rates. We estimated Food Stamp savings the same way. The savings for AFDC and Food Stamp per office were then summed at each low and middle range to produce combined savings at 2 levels for the 15 offices.

To determine potential cost savings, we established the following ranges of achievable hours per AFDC and Food Stamp weighted cases.

Range	AFDC	Food Stamp
	---------(hours)--------	
Mid	8.0	3.5
Low	10.0	5.0

The low ranges--10 hours for AFDC and 5.0 hours for Food Stamps--are based on an average of the existing productivity rates of the 15 offices reviewed. The midranges, as they suggest, are the median between the low and high rates. The highest rates are the average (rounded) of the productivity rates achieved by the two most efficient offices we reviewed.

While in theory all offices can equal the productivity rates of the most efficient offices, in practice these best productivity rates may not be achieved immediately because of the high degree of computerization at the efficient offices. All, however, can reach

the average or low range of productivity--seven offices already equal or better the low-range rates of 10 hours and 5 hours for AFDC and Food Stamps.

We did not attempt to compute indirect cost savings because we did not analyze the factors affecting overhead productivity.

The savings we computed in chapter 3 through standardization of certain AFDC and Food Stamp federal regulations are based on the percentage of Food Stamp cases where recipients also receive AFDC. In the offices we reviewed, this percentage of overlap ranged from 26 to 77 percent. We determined office-by-office savings by multiplying the number of joint AFDC and Food Stamp cases (weighted) by the time saved at each office (in having uniform financial criteria) by the average salary rates of workers at each office.

To preclude double counting savings in chapter 2, our calculation assumes (1) that the individual Food Stamp case for AFDC recipients will be merged into a single joint case containing both the AFDC and Food Stamp information, and (2) that, except for the eligibility determination step, the processing time for Food Stamps would be eliminated. We estimated 2 hours was required to make the nonfinancial eligibility determination and related processing actions. This estimate is based on information on processing times that we obtained from work measurement systems where available, and our own measures. We applied the time savings at each office using the productivity levels in chapter 2, as follows, to prevent double-counting savings in chapter 2.

Range	Food stamp used in ch.2	Hours used in ch.3	Eliminated	Potential savings
Midpoint	3.5	2.0	1.5	$3.0 million
Low	5.0	2.0	3.0	6.0 million

AN APPROACH FOR DEVELOPING AFDC AND FOOD STAMP PRODUCTIVITY MEASURES

Productivity can be expressed as a rate of production, rate of resource use, or output per unit of resource. It is a ratio of output to input which measures work produced in terms of labor hours, cost, or any other resource used. Use of productivity data provides three major benefits:

--The data from which ratios can be constructed are usually readily available or can be generated at minimum cost.

--The ratios can measure improved efficiency over time caused by changes in programs, work methods, or external factors.

--The ratios when expressed in common units and derived from consistent data between offices can compare productivity rates between offices.

Productivity rates, such as those we have computed for the AFDC and Food Stamp programs for the 15 selected offices (see app. II), can track the year-to-year performance of local offices and states, and the rates can compare performance among offices and states.

Having a nationwide productivity measurement system would involve some costs. There would be a continuing expense for gathering data on the work units considered as outputs and for the staff time. However, HHS already has a system in place and most welfare offices maintain data on processed applications, monthly average case volume, and cases with earnings. A one-time cost would be required to develop weights for each output, with periodic updating - perhaps in 10-year cycles. We would recommend that work sampling be used where data on staff-hour requirements for each output are not available.

The structure of input data should allow it to be measured at both the direct and total level. This will require federal managers to develop standard definitions of what direct input is so all reporting offices use a consistent method of generating the data.

The output data used in the measurement system should be based, as are the data in this report, on completed weighted actions. These weights should be developed by federal program managers from commonly defined workload data reported by the individual states.

Weights will be needed for the different outputs (e.g., initial determinations and cases under care). Different programs could be adjusted by eliminating their input staff hours; or where the input cannot be reliably determined, the cases could be weighted to neutralize their effect on AFDC and Food Stamp productivity. Weighting necessitates the development of initial weights based on

time-per-unit factors, but once set, the weights would need only periodic updating and would make the output data comparable regardless of the different mix of cases among offices.

The use of standardized methods of developing the output and input data will give data to federal program managers that can be used to compare individual states. In addition, states can use the system to measure the performance of individual local welfare offices.

GAO REPORTS RELATING TO INCOME AND ASSET VERIFICATION IN SELECTED PROGRAMS 1975-83

Report title or subject	Report number	Date issued
Observations on the Food Stamp Program	RED-75-342	2/28/75
Program Integrity in AFDC, Medicaid, SSI, Food Stamp, and VA Pensions	MWD-76-115	3/31/76
Differences in Five Aspects of AFDC, SSI, and Food Stamp	MWD-76-131	5/11/76
Review of Problems and Related Costs in the AFDC Program in Ohio	HRD-77-6	10/21/76
Ineffective Management of Welfare Cases Costing Millions	GGD-76-109	12/28/76
The Food Stamp Program--Overissued Benefits Not Recovered and Fraud Not Punished	CED-77-112	7/18/77
Legislation Needed to Improve Program for Reducing Erroneous Welfare Payments	HRD-76-164	8/01/77
Supplement to Comptroller General's Report to the Congress, "The Food Stamp Program--Over-issued Benefits Not Recovered and Fraud Not Punished"	CED-77-112A	8/31/77
HEW Needs to Help States Stop Payments to Ineligible Aid to Families with Dependent Children Recipients in a Timely Way	HRD-78-87	3/22/78
Problems Persist in the Puerto Rico Food Stamp Program, the Nation's Largest	CED-78-84	4/27/78
Need for Uniform and Comprehensive AFDC Overpayment Recoupment Policies	HRD-78-117	5/25/78
Federal Domestic Food Assistance Programs--A Time for Assessment and Change	CED-78-113	6/13/78
Results of Matching AFDC Rolls in New York to Check for Duplicate Payments	HRD-78-133	6/21/78

Welfare Payments Reduced: An Improved Method for Detecting Erroneous Welfare Payments	GGD-78-107	2/05/79
Proposed National Recipient System	HRD-79-88	5/29/79
Social Security Should Obtain and Use State Data to Verify Benefits for All Its Programs	HRD-80-4	10/16/79
Efforts to Control Fraud, Abuse and Mismanagement in Domestic Food Assistance Programs: Progress Made--More Needed	CED-80-33	5/6/80
Better Management Information Can Be Obtained from the Quality Control System Used in the Aid to Families with Dependent Children Program	HRD-80-80	7/18/80
Implementing GAO's Recommendations on the Social Security Administration's Programs Could Save Billions	HRD-81-37	12/31/80
Legislative and Administrative Changes to Improve Verification of Welfare Recipients Income and Assets Could Save Hundreds of Millions	HRD-82-89	1/14/82
Federal Efforts to Simplify the Aid to Families with Dependent Children, Medicaid, Food Stamp Program Requirements and Quality Control Procedures	HRD-82-72	5/18/82
States' Capability to Prevent or Detect Multiple Participation in the Food Stamp Program	CED-82-103	6/16/82
Need for Greater Efforts to Recover Costs of Food Stamps Obtained through Errors or Fraud	RCED-83-40	2/4/83

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DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

MAR 25 1983

Mr. J. Dexter Peach
Director
Resource, Community and Economic
Development Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Peach:

This is in response to the General Accounting Office draft report to the Congress entitled "Federal and State Initiatives are Needed to Improve Productivity and Reduce AFDC and Food Stamp Administrative Costs."

The following are the Departmental responses to each of the recommendations contained in the report.

1. Recommendation

GAO recommends that greater emphasis be placed on administrative efficiency by encouraging implementation of efficient processing procedures.

Response

The Department does not disagree that more emphasis could be placed on administrative efficiency. However, it has always been the Department's general opinion that more efficiency can be realized when the individual administering body is able to tailor procedures to accommodate their needs, e.g., forms design, certification office procedures, manuals, etc.

To the extent that more emphasis should be given, the Department currently provides enhanced funding (75 percent vs 50 percent) for program computerization developmental costs. Through this increased reimbursement, the Department has hoped to encourage States to utilize and explore the most efficient means available. Other examples of initiatives that have been taken to facilitate State administrative improvements are the State Information Exchange Project, the State-to-State newsletter and the newly compiled catalogue of program improvement activities.

2. Recommendation

GAO recommends the use of productivity standards in determining the Federal share of administering costs.

Response

Application of such a procedure would represent a departure from the Food Stamp Act as it currently specifies 50 percent reimbursement for all administrative costs except computer developmental activities and fraud/prosecution costs which could be matched at 75 percent. In addition, unless a cost per case took into account the numerous adjustments, such as pay scales, regional differences, staffing levels, etc., as many States would be overpaid as would be underpaid. The effect of over and under payments on States may, we believe, create more problems without encouraging the productivity increases which we seek.

Our strategy, therefore, would be to pend this recommendation until such time as more detailed information could be developed. Minimally, well documented feasibility and cost benefit data would be necessary to support this or any other legislative change that the Department would propose to Congress.

3. Recommendation

GAO recommends that the Department forward copies of this report to States and the District of Columbia.

Response

The Department will act on this recommendation once the report is final.

4. Recommendation

GAO recommends that steps be taken to propose legislation and revise regulations to standardize Food Stamp and AFDC financial and non-financial requirements for determining eligibility and mesh time frames for processing applications and closing cases.

Response

The Department has been involved in some variation of program consolidation activities for a number of years. Examples of these efforts include research projects and studies, inter-agency task forces, and the establishment of procedures to routinely seek input on legislation and regulations that the two Departments have in common, e.g., monthly reporting and retrospective accounting, wage match and work registration. More timely, however, is the Department's Fiscal Year 1984 legislative proposals to (1) establish categorical eligibility for pure

AFDC households; (2) simplify food stamp benefit computations by issuing standard allotments, based on expected average benefit amounts; and (3) substitute the variable earned income deduction with a flat $75 deduction for full-time workers (prorated for part-time workers).

If you have any questions on our responses, please advise.

Mary C. Jarratt

MARY C. JARRATT
Assistant Secretary
for Food and Consumer Services

APPENDIX VIII

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

MAR - 4 1983

Mr. Philip A. Bernstein
Director, Human Resources
Division
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Bernstein:

The Secretary asked that I respond to your request for our comments on your draft of a proposed report "Federal and State Initiatives Are Needed to Improve Productivity and Reduce AFDC and Food Stamp Administrative Costs." The enclosed comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

We appreciate the opportunity to comment on this draft report before its publication.

Sincerely yours,

Richard P. Kusserow
Inspector General

Enclosure

COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES ON THE GAO DRAFT REPORT, "FEDERAL AND STATE INITIATIVES ARE NEEDED TO IMPROVE PRODUCTIVITY AND REDUCE AFDC AND FOOD STAMP ADMINISTRATIVE COSTS"

General

GAO asserts that because the basic services delivered by the State and local offices are the same, and the basic processing functions they must perform are the same and repetitive, it is appropriate to compare productivity among offices. We do not agree that this is necessarily the case for the AFDC program. AFDC is a program which permits wide latitude among and within States in the way they organize themselves to deliver assistance and the functions they perform in delivering the assistance. States vary greatly in terms of uniqueness of large urban agencies, demographic characteristics, computer sophistication, use of specialized units, educational/experience requirements for positions, literacy rate of client population, complexity of eligibility requirements, and so on. Such differences as the level of eligibility verification they carry out and the techniques they use to verify information provided by clients would have significant impact on productivity as measured by the GAO approach.

GAO adjusted its productivity measure only for the unemployed parent program, foster care, the State general relief programs and the presence of earned income. We do not agree that such adjustments adequately account for legitimate differences among States. We do not believe that interstate comparisons based on this approach would give a fair or accurate picture of State productivity performance. We would note that, contrary to GAO's premise, more steps and time may not be required in processing cases when clients are known to have earned income.

In developing our system of State performance measures in the AFDC program, we decided to measure efficiency using administrative cost per case rather than using an input-output measure such as the one proposed by GAO. This was done because we feel that productivity, while of vital importance, is more than a Federal concern. Productivity measurement should reflect all the activities in the income maintenance office--not just the Federal programs carried out in that office. To impose a Federal requirement to measure productivity only in Federal programs, could interfere with State productivity measurement underway and would produce biased results which could not be used for meaningful interstate comparisons. We have addressed the GAO concern about the impact of salary differences on costs by including worker salaries in our analysis of unit costs.

GAO RECOMMENDATIONS TO THE SECRETARIES OF HEALTH AND HUMAN SERVICES AND AGRICULTURE

GAO Recommendation

That the Secretaries place greater emphasis on administrative efficiency by

--encouraging implementation of efficient processing procedures that will help reduce both administrative costs and overpayment errors.

Department Comment

We think we do encourage implementation of efficient processing procedures. Below are some of the things we are doing.

--Our overall Performance Measurement initiative focuses State attention on issues of performance including individual employee performance, effective supervisory review and local agency monitoring.

--Where we identify State practices which facilitate good employee performance, we encourage sharing of this information among States through technology transfers, conferences and the Welfare Management Institute (WMI) newsletter.

--We are developing a contract to study the cost effectiveness of corrective actions. We will evaluate the relative cost effectiveness of correcting each type of error, why a particular corrective action is more effective in one location than another, and so forth.

--Monthly reporting, as mandated by the 1981 Omnibus Budget Reconciliation Act, is viewed as an orderly, business-like method for securing accurate, current information on each family and an efficient method of communication between the recipient and the public assistance agency. Experience in many States has proven that errors are prevented through regular reporting of circumstances and prompt follow-up of reported information. We have been providing in-depth technical assistance to States in both implementing and improving upon their monthly reporting systems.

--We have also provided in-depth technical assistance to States in developing their monthly reporting (MR) waivers. A monthly reporting waiver is granted, based on specified criteria, when a State can demonstrate that requiring certain types of cases to report monthly would not be cost beneficial. Since monthly reporting is considered an error reduction technique, States requesting MR waivers must also indicate what alternative management techniques will be used to ensure the eligibility and correctness of payment for those cases exempted from MR. Thirty-three States have been granted MR waivers. We are currently developing a contract to evaluate the cost-effectiveness of categories of cases to be covered by monthly reporting.

--We provide technical assistance to States on the use of error prone profiles (EPP). This statistical technique is used by States to identify cases with the greatest likelihood of errors in order to better target case reviews, corrective action, and limited resources.

--Recognizing that effective interviewing for eligibility determinations can control fraud and abuse and reduce errors in AFDC, we have begun a project to identify, catalogue and promote effective practices in the area of interview training.

--The law permits HHS to provide incentive funding at the 90% rate of Federal Financial Participation to States for the design, development, and implementation of automated systems to administer the AFDC program. We have published a general systems design entitled the Family Assistance Management Information System (FAMIS) which is to be used as a guideline by States in developing such systems.

These systems employ various automated techniques to reduce errors and prevent fraud and abuse. They will standardize the eligibility determination process throughout a State, automatically schedule redeterminations, verify income and resource statements made by clients, eliminate arithmetic errors in grant computation, and so on. Fourteen States already have approved systems, nine more have submitted requests for incentive funding which are under review, and twelve additional States are developing requests.

These are just a sample of actions being taken to encourage more efficient processing procedures in the AFDC program.

GAO Recommendation

That the Secretaries place greater emphasis on administrative efficiency by

--if the Government retains responsibility for the programs, developing a nationwide productivity measurement and reporting system that could be used to monitor State and local administrative performance and to judge the reasonableness of administrative costs, and potentially to finance administrative costs based on performance.

Department Comment

Before a nationwide productivity measurement and reporting system could be developed, we would require a major improvement and enhancement of the data now available, and a great deal of additional data not now available. Our current activities lay

the groundwork necessary to improve the data so that we can measure, analyze and improve productivity. These activities are:

--In October 1982, we issued our third report on AFDC performance, "Profile of State Performance in the AFDC Program, 1979-1980". We plan to issue the fourth Profile report in October 1983.

--We are preparing a technical guide for States on developing and using a performance assessment system. The guide will be issued in 1984.

--We are developing a contract to assess data used for performance indicators, including administrative cost per case, and to recommend data sources. Results of this contract should be available in 1984. If the results of this contract are favorable, we will develop a contract to design a uniform data system to be used by all localities nationwide.

While the GAO methodology used to develop a productivity measure has some useful features, we have some concerns about its validity and feasibility.

--The method relies on "worker estimates", "discussion with officials", and "observations." The subjective nature of such data would make a productivity measure difficult to analyze.

--Federal resources are not currently available to secure data required by the proposed methodology or to monitor and validate the massive new State and local data collection efforts which would be necessary. Implementation of such a system would have a significant budget impact on Federal, State and local governments.

--GAO asserts that data collection costs would be small because welfare offices already collect data on inputs (worker hours) and outputs (case actions completed). We do not agree that all necessary data collection systems are now in place. Welfare offices do not routinely collect information on interim changes, either payment or non-payment. Federal reporting requirements do secure data on volume of initial determinations. Volume of redeterminations can be estimated from Quality Control (QC) data, collected for a sample of cases based on the length of time since the most recent action. Welfare officials do not routinely collect the kind of data which would permit accurate weighing of outputs by difficulty. Moreover, additional State and local efforts would be needed to collect uniform data on inputs once these had been defined.

--We agree with GAO that the major Federal cost would be in verifying the accuracy of reported data. We would not be able to verify input or output measures through the current Quality Assurance program. Quality Control performs case reviews and

conducts verification of circumstances. The QC reviews are much more extensive than the work of the eligibility workers and could not be measured themselves as average inputs. A separate system to validate productivity measures would be required. Currently, the QC system requires 1,200 State staff and 160 Federal staff. We estimate that a system to verify the accuracy of State productivity data would require a similar resource commitment.

--The GAO methodology does not address all the output categories. Other categories which should be considered are: Hearings conducted, fraud actions pursued, quality assurance reviews, monthly reports processed, and discontinuances.

--The methodology recommends establishing relative weights for each output "once only" with "periodic updating", and suggests that the updates need not be very frequent. We do not agree that this is adequate. For example, Los Angeles County conducts work measurement studies every 18 months because of rapidly changing technology, program requirements and caseload characteristics.

--We do not agree with the GAO assertion that the relative difference between output components will be small when jurisdictions are compared, and hence that the Federal government can develop standardized output weights and make valid comparisons between States. For example, based on our analysis of available data on relative time spent on different processes we found the percent of worker time spent processing applications to be 29 percent in Minnesota, 42 percent in West Virginia and 66 percent in Michigan.

GAO Recommendation

That the Secretaries send copies of GAO's report to States and the District of Columbia.

Department Comment

We will, as we have in the past, distribute copies of the final GAO report to State welfare administrators upon receipt of copies from GAO.

GAO Recommendation

That the Secretaries work cooperatively with each other and the Congress to remove inconsistent requirements on State and local governments administering the AFDC and Food Stamp programs by proposing legislation and revising their regulations as necessary to standardize Federal (1) financial requirements for measuring income and assets and (2) time frames for processing applications and closing out cases.

Department Comment

We agree with the thrust of this recommendation. In view of the recent decision to not include these programs as part of the New Federalism initiatives, we agree that close cooperative efforts between Food Stamp/AFDC staff should be undertaken to review these areas, determine whether overriding programmatic reasons exist for the differences and make recommendations to the Secretaries of Agriculture and HHS regarding possible legislative and regulatory changes to bring the programs into greater uniformity.

We would also like to point out that several important simplifications of AFDC and Food Stamp rules have recently been adopted, or are currently proposed. These include:

1. A State option to use AFDC monthly retrospective accounting and monthly income reporting systems in the Food Stamp Program.

2. A State option to use AFDC rules on asset limits in determining food stamp eligibility for joint AFDC/Food Stamp recipients.

3. Closely coordinated program operating rules for the proposed Community Work Experience Program.

Other Matters

Several technical improvements in the report have been provided directly to GAO staff.

STATE OF CALIFORNIA—HEALTH AND WELFARE AGENCY

DEPARTMENT OF SOCIAL SERVICES
744 P Street, Sacramento, CA 95814
(916) 445-7046

April 13, 1983

Mr. W. D. Campbell, Acting Director
U.S. General Accounting Office
Accounting and Financial Management Division
441 G Street, Room 6001
Washington, DC 20548

Dear Mr. Campbell:

RESPONSE TO PROPOSED GAO REPORT: FEDERAL AND STATE INITIATIVES ARE NEEDED TO IMPROVE PRODUCTIVITY AND REDUCE AFDC AND FOOD STAMP ADMINISTRATIVE COSTS

The California State Department of Social Services (SDSS) has reviewed the above subject report. The Department's comments and positions reflect input received from the AFDC and Food Stamp Programs Management Branches. This letter indicates SDSS' position on each of the recommendations and offers general comments for incorporation into your report.

GAO Recommendations	SDSS Position
1. If the Federal Government is to retain oversight responsibility for the program, we recommend that the Congress consider, for both the AFDC and Food Stamp Programs, alternative administrative costs reimbursement mechanisms that tie funding to state performance. Options to consider include: (1) tying the sharing of administrative costs to actual productivity rates achieved by states, and (2) reimbursing states a flat amount per case based on the average nationwide cost, or a reasonable standard cost per case.	Oppose
2. The Secretaries should encourage implementation of efficient processing procedures that help reduce both administrative costs and overpayment errors.	Support
3. If the Federal Government retains responsibility for the AFDC and Food Stamp Programs, the Secretaries should develop a nationwide productivity measurement and system that could be used to monitor state and local administrative performance costs, and potentially to finance administrative costs based on performance.	Oppose

4. Congress should, in considering any administrative proposals for changing AFDC and Food Stamp Programs, establish consistent financial requirements for measuring assets and income, and common timeframes for processing applications and closing cases.	Support
5. The Secretaries should propose legislation and revise their regulations as necessary to standardize federal (1) financial requirement for measuring income and assets, and (2) timeframes for processing applications and closing out cases.	Support

General Comments

The SDSS agrees with and supports the concept of standardizing the AFDC and Food Stamp Programs to improve productivity and to reduce administrative costs. However, the SDSS strongly opposes the recommendation to base reimbursement levels on performance criteria.

California has had a system in place since FY 1975/76 to control AFDC and Non-assistance Food Stamp administrative costs. This system establishes productivity standards for counties to operate at while taking into consideration individual county needs without negatively impacting error rates. This effort has been and continues to be successful in controlling costs from which the Federal Government has shared in its effectiveness.

The SDSS will continue to have concern in the development of any allocation methodology, which does not take into consideration each state's unique program and administrative characteristics.

If you have questions about this response, please do not hesitate to contact Richard Haseltine, Chief, Audits Evaluation Section, at (916) 445-7046.

Sincerely,

for JAMES H. GOMEZ
Deputy Director
Administration

State of Louisiana
DEPARTMENT OF HEALTH AND HUMAN RESOURCES
P. O. BOX 3776
Baton Rouge, Louisiana 70821

DAVID C. TREEN
GOVERNOR

ROGER P. GUISSINGER
SECRETARY
504/342-6711

March 3, 1983

Mr. W. D. Campbell
Acting Director
Accounting and Financial
Management Division
United States General Accounting
Office
Washington, D.C. 20548

Dear Mr. Campbell:

Please refer to your letter of February 2, 1983, and the attached draft report entitled "Federal and State Initiatives Are Needed To Improve Productivity and Reduce AFDC and Food Stamp Administrative Costs" (GAO/AFMD-83-30).

We have reviewed this report and find it extremely interesting and with very few inaccuracies as these relate to the study conducted in Louisiana. In general we are in agreement with the findings and recommendations.

We would like to point out one apparent inaccuracy in Appendix II, Page 40 of your draft material. Louisiana has had in place since 1977 productivity measures for all local Office of Family Security work loads. Our productivity rates include the input and output requirements you have recommended, although level of difficulty rates for each output are not standardized but vary with the amount of time required to accomplish each task.

Since your study was conducted, Louisiana has made progress in several of the areas you have mentioned in which efficiency measures should be taken. At the time of your review we were experimenting with the use of generic workers in six parishes of the state. Based on the positive results yielded by this pilot project, we have expanded the use of generic workers to 59 of the 63 parish offices. We hope to have all offices utilizing generic workers within the near future.

We have also developed and are currently utilizing a common application form for AFDC and Food Stamps. We hope to expand this for use in other assistance programs.

APPENDIX X

With regard to increased utilization of computer capabilities, we are in the process of receiving confirmation of federal approval for an Advanced Planning Document and Request for Bids in order to contract for the development of an integrated data processing system that will meet FAMIS requirements as defined by the Department of Health and Human Services.

We wholeheartedly agree with your recommendations to Congress and the Secretaries of the Departments of Health and Human Services and Agriculture that these work together and "remove inconsistent requirements on state and local governments administering the AFDC and Food Stamp programs." We agree that continued, changing and inconsistent requirements in these programs have been major contributing factors in decreasing efficiency and increasing administrative costs.

We appreciate the opportunity to respond to your draft report and support your efforts at increasing cost effectiveness in the administration of the AFDC and Food Stamp programs.

Sincerely,

Roger P. Guissinger
Secretary

RPG/JSG/ngt

DHR DEPARTMENT OF HUMAN RESOURCES
STATE OF MARYLAND 1100 NORTH EUTAW STREET BALTIMORE, MARYLAND 21201

OFFICE OF THE SECRETARY

TELEPHONE:
TTY: 383-6994

February 25, 1983

W. D. Campbell, Acting Director
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Campbell:

Thank you for the opportunity to review the GAO report entitled, "Federal and State Initiatives Are Needed To Improve Productivity and Reduce AFDC and Food Stamp Administration Costs." Maryland has five basic reactions to your report.

- We applaud Federal recognition of the administrative program and fiscal benefits to be obtained by better co-ordination of the AFDC and Food Stamps program. Most states have expounded the logic of this approach for some years, but states have been caught in a bureaucratic tug-of-war between HHS and FNS. If these programs can be better co-ordinated at the Federal level, it will indeed increase productivity and reduce costs, thus helping the clients, the administrators, and the taxpayers.

- We applaud the Federal initiative to consider productivity. The measurement of productivity is an essential management tool. Maryland already has a productivity measurement system similar to what you propose. We are currently in the process of hiring a contractor to update and improve our productivity measurement system. It would be helpful to have more Federal assistance with this process.

- We are gratified to see recognition by your agency of the fact that the changes mandated by the 1981 Omnibus Budget Reconciliation Act has been administratively complex and expensive to implement. Indeed, while program funds were reduced by eliminating eligibility for many poor people,

RUTH MASSINGA
Secretary

HARRY HUGHES
Governor

GERALDINE ARONIN
Deputy Secretary

these changes decreased productivity and increased the administrative cost per case. Unfortunately, many of the steps you cite as "standardizing criteria" (such as those relating to personal belongings and in-kind income) would in fact have the opposite effect of introducing new, highly complex and very punitive eligibility criteria which would only serve both to increase the technical error rate and decrease productivity.

- We are deeply concerned with major flaws in the conceptual design of your study. Although you acknowledge that productivity and error reduction are interrelated phenomena and that improving one takes its toll on the other, the study has not documented, nor made any attempt to document, the mathematical relationship between the two. The report is replete with sentences about productivity and error rate which begin, "We believe". Why were these "beliefs" not tested as hypotheses before being recommended to Congress as the basis for major changes in funding mechanisms?

  The failure of the report to document these relationships makes the report premature. Maryland recommends that no legislative or regulatory action proceed from this until the hypotheses stated have been adequately tested as found to be factually valid.

In addition to these general comments, we offer these specific comments and suggestions.

- On page 7, high productivity is attributed to three factors - streamlined case processing, effective use of computers, and high employee performance and commitment to work. The first two are discussed in the report, but the report does not address how GAO arrived at its conclusion about "commitment," let alone how this was measured.

- On page 7, the report states, "Data was not available to assess the relationship between productivity and payment errors." Data on payment errors certainly is available as we are constantly reminded here in Maryland. This single sentence sums up the most serious design-flaw in the study which calls into question both the validity and utility of all the recommendations of the report.

- Also on page 7, to say that automation would "involve some initial off-setting cost" is gross understatement. The report proposes to save a total of $8 million - about the cost of one computerized system.

- On page 8, in your chart on processing time, it would seem to us worth exploring that California and Virginia, which have high processing times, are much-vaunted as the low error rate states. This tends to lend credence to the hypothesis that low error rate and high productivity are at least somewhat inversely related.

- On page 15, the discussion on "commitment to productivity" is very thin. The cause of differential productivity may well be morale, but no attempt was made to measure it. Other possible logical explanations might include an emphasis on production rather than error rate, fewer earnings cases, less concern to answer client questions (which can eat up a lot of time).

- On page 17, the statement is made, "...Processing procedures used by offices with the highest processing rates should contribute to error reduction". What are these procedure? If this statement is correct, the GAO would provide a useful service by sharing these procedures.

- On page 18 you state that error rates are first and foremost a function of the ability and training of the employees. Maryland has found that 2/3 of our error rate is client, not agency error. We are moving to eliminate all error, but we have begun to reach a point of diminishing returns on agency error.

- On page 22, with the measurement system, perhaps the Feds would build on what is already available rather than designing another whole new untested system from scratch.

- On page 23, Maryland's primary concern with a national system would be the need to insure that data comparing states was really comparable.

- On page 23-25, the discussion about "incentives for productivity" overlooks the fact that it takes money to introduce systemic improvements, especially major equipment improvements such as computers. The bottom line is that the richer states would end up with more money, while the poorer states would have less money with which to make improvements.

- Page 26, the flat rate approach to reimbursement is the better of the two proposals. Most important to states, it is predictable - an essential for state and local budget projections.

- On page 29 you cite the many studies which have documented the needless complexity and cost of separate sets of regulations and eligibility criteria. We agree completely.

  Why not take your report to the next logical step and recommend that Food Stamps program be transferred to HHS so that both programs are administered by the same department? This would eliminate the need for expensive interdepartmental co-ordination.

- On pages 32-33, the basic concept of uniform criteria for AFDC and FS is very sound. Please do not undo the strength of this recommendation by including difficult to administer and evaluate asset elements such as educational benefits and household goods and personal effects.

- On page 35, the recommendations of the report would be much stronger if there had been included documentation of the effect of joint processing. Maryland supports the idea of joint processing, and it would be wonderful to have documented data on the potential benefits to be accrued from this.

- On page 36 - This whole GAO report would have been stronger if data from Vermont, South Carolina, and Michigan had been included.

- On page 40, the statement is made that none of the local welfare offices visited measures productivity. This is incorrect. At the time of the study, Maryland, including Baltimore City, did, indeed, measure productivity.

In conclusion, because we are involved with a major productivity measurement project ourselves, we recognize the many difficulties of trying to establish such measurements. We appreciate the opportunity to comment on the report.

If you would like to discuss any aspect of our comments in more detail, please feel free to contact my office or Ms. Grace Clark, Director of the Office of Program Support, Income Maintenance Administration, who is responsible for productivity measurement at IMA.

Sincerely,

Ruth Massinga

Ruth Massinga

RM:GC:e

cc: Ernestine Jones
Grace Clark
Nancy Wegman
Lee Allman
Frances Carroll
John Schwartz

STATE OF NORTH CAROLINA
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919/733-4534

February 28, 1983

Mr. W. D. Campbell
Acting Director USGAO
Washington, D. C. 20548

Dear Mr. Campbell,

Thank you for the opportunity to review and comment upon your draft report entitled "Federal And State Initiatives Are Needed To Improve Productivity And Reduce AFDC And Food Stamp Administrative Costs" (GAO/AFMD-83-30).

We support the general concept that consistent financial measurement criteria and processing time frames within the two programs would reduce costs and errors. At the same time, we must point out that the current reality is quite different from this concept. The regulations now being received in both programs are increasingly complex, frequent, and diverse, necessitating more specialized staff and continuous training, with concomitant decrease in production and increase in administrative costs. If the Federal government would enact legislation mandating that financial eligibility criteria be the same for both programs, the process could be greatly simplified. Even further simplification, productivity and accuracy could be obtained by regulations allowing automatic Food Stamp eligibility for AFDC recipients, with a simple table specifying Food Stamp allotments at a given AFDC payment. Given the finding in your study that in 1979, 75% of all AFDC recipients also received food stamps, this method's potential for increasing productivity and decreasing costs would appear quite high. The 75% figure is misleading, however, because it does not represent "pure" AFDC households, and the same household for food stamp purposes is usually a different budget unit entirely. Again, the diverse and complex Federal regulations governing both programs thwart efforts at simplification and are the major factor blocking States' options for efficiency and cost reduction.

We are also quite concerned about the current relevance of some of the findings cited in the study, given the advances already made by North Carolina. The time that the study took place is not clear, and is of vital importance. In the recent past, we have initiated most of the productivity standards set forth in your report, and have strongly recommended many of the suggestions, such as consolidation of all local offices. For example, we have instituted a unit management concept for both programs, through which we can test and monitor worker productivity and performance levels. We have also restructured the application process

by developing techniques to streamline the interview process, including a training package stressing probing techniques. We have promoted the use of video cassettes for training activities, in which the worker can actually walk through the initial interview to the completion of the case. In addition, we have accelerated automation of both programs, with an eventual goal of merger into one data base. Investigation of the potential for a consolidated application is also underway.

Because of the intense emphasis on the special corrective action measures and other initiatives described above, North Carolina has achieved a drastic decrease in error rate for both programs. A summary of this progress is shown below.

Food Stamps

Period	Error Rate
10/80-3/81	15.26%
4/81-9/81	14.32%
10/81-3/82	13.07%
4/82-9/82	11.48%

AFDC

10/80-3/81	6.21%
4/81-9/81	4.67%
10/81-3/82	3.72%
4/82-9/82	2.82%

We feel that North Carolina has achieved advances in productivity and accuracy, and that the study does not reflect our current status. Further improvement could be achieved, however, with Federally mandated uniformity of standards governing the AFDC and FS Programs.

Sincerely,

Sarah T. Morrow, M.D.

Sarah T. Morrow, M.D., M.P.H.

/cca

WEST VIRGINIA DEPARTMENT OF WELFARE
1900 Washington Street, East
Charleston, WV 25305 Telephone: (304) 348-2400

John D. Rockefeller IV
Governor

Leon H. Ginsberg, Ph.D.
Commissioner

February 25, 1983

Mr. W. D. Campbell, Acting Director
Accounting and Financial Management
Division
United States General Accounting
Office
Washington, D.C. 20548

Dear Mr. Campbell:

This will acknowledge receipt of your draft report entitled "Federal and State Initiatives Are Needed To Improve Productivity and Reduce AFDC and Food Stamp Administrative Costs".

We have reviewed the report and can offer no comments which we believe would improve upon it. Your staff has done an excellent job in this evaluation and hopefully your work will serve as a basis for improvements in the income maintenance programs.

We look forward to receiving a copy of the final report and if in the interim we may be of further service, please do not hesitate to contact us.

Sincerely,

Donald H. Roberts

Donald H. Roberts
Assistant Commissioner
Division of Economic Services

DHR:jks

State of Wisconsin \ DEPARTMENT OF HEALTH AND SOCIAL SERVICES

DIVISION OF COMMUNITY SERVICES
1 WEST WILSON STREET
P.O. BOX 7851
MADISON WISCONSIN 53707

March 4, 1983

Mr. W. D. Campbell, Acting Director
Accounting and Financial Management Division
U.S. General Accounting Office
Washington DC 20548

Dear Mr. Campbell:

Thank you for providing an opportunity to review and comment on your draft report "Federal and State Initiatives are Needed to Improve Productivity and Reduce AFDC and Food Stamp Administrative Costs" (GAO/AFMD-83-30).

The findings described in the draft report are compatible with Wisconsin's experience in attempting to streamline the administration of the AFDC, Food Stamp, and Medical Assistance Programs. We applaud your recommendations, especially those which encourage uniformity in policies and procedures at the Federal level in the AFDC and Food Stamp Programs.

Over the past few years, a number of studies have shown that Wisconsin's administrative cost per AFDC case is among the lowest in the nation. We believe this is a result of two primary elements of our system. First, we adopted a "combined case" concept nearly a decade ago. The "combined case" concept minimizes the many differences in policy and procedure requirements found between the AFDC and Food Stamp Programs. We are encouraged that recognition is being given to the value of this concept and are hopeful that, in the future, our efforts in this area will be increasingly encouraged by the Federal agencies.

Second, our "Computer Reporting Network (CRN)," has enabled us to increase greatly the productivity of our relatively small income maintenance staff over the past ten years. We hope that new information, such as is provided in your report, will cause both the Congress and the Federal agencies to keep in mind the benefits and the requirements of computerization as legislation and regulations are developed. One key requirement is for adequate lead time in implementing change. While we are able to convert our entire caseload overnight to reflect a change in policy, we need more than a few short weeks to design, program, and test new computer logic as thoroughly as good practice demands. Another key requirement is the need for a reasonable amount of stability within programs. Constant change is difficult for any system, but particularly difficult in a sophisticated computer system.

Once again, thank you for the opportunity to comment. We sincerely hope that the Departments of Health and Human Services and Agriculture will be receptive to your recommendations. We will certainly support you on this effort.

Sincerely,

Gerald A. Berge
Administrator
Division of Community Services
DEPARTMENT OF HEALTH AND SOCIAL SERVICES

CABINET FOR HUMAN RESOURCES
COMMONWEALTH OF KENTUCKY
FRANKFORT 40621

DEPARTMENT FOR SOCIAL INSURANCE

March 18, 1983

Mr. W.D. Campbell, Acting Director
U.S. General Accounting Office
Accounting & Financial Management Division
Washington, D.C. 20548

Dear Mr. Campbell:

In response to the report "Federal and State Initiatives are Needed to Improve Productivity and Reduce AFDC and Food Stamp Administrative Costs," the following comments are offered for your consideration.

Kentucky has utilized many of the techniques experienced in the report and I feel our program effectiveness and efficiency speaks to that fact. Much of the cost of program administration can be attributed to either inconsistency in Federal policies, directives or reporting.

It should be noted that attempting to alter state administrative funding based on a formula will negatively impact those states who are attempting to automate current operations. Kentucky has basic automated systems, but is not moving to the next generation of technology as you will note from the attachment.

In addition, Federal sanction policies will face states past the point of cost effectiveness to avoid the controversy of an imposed sanction.

Kentucky has implemented, to some degree, almost every element of your report.

Please advise if additional information is needed.

Sincerely,

John Cubine
Commissioner

JC/gws

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