

**REPORT OF THE
JOINT LEGISLATIVE AUDIT
AND REVIEW COMMISSION**

Operation and Performance of Virginia's Social Services System

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



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In Brief...

Operation and Performance of Virginia's Social Services System

The 2004 General Assembly directed JLARC staff to conduct a review of the operation and performance of Virginia's social services system. Funding for locally-administered programs was \$1.14 billion in FY 2005. Over the last five years, caseloads and funds for most locally-administered programs have increased. Virginia's performance compared to State targets and federal requirements is mixed.

During this review, JLARC staff found that Virginia's locally-administered system has a number of strengths, but that improvements are needed. For example, the current process to provide local administrative funds does not consider caseloads or the ability of local governments to provide funds. Statewide, departments face retirement challenges and some experience recruiting and retention difficulties. State-provided IT systems leave gaps in local needs, but several recent systems show signs of improvement amid planning for a large-scale IT investment that requires caution. Overall, the State narrowly interprets its statutory supervision and support responsibilities, which results in several weaknesses. Finally, the State has initiatives underway that may address some issues identified in this report. However, these should be coordinated with the JLARC staff recommendations by a commission or task force that creates a comprehensive improvement plan.

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Introduction

In Summary...

Virginia has a state-supervised, locally-administered social services system. The State Department of Social Services (DSS) provides supervision and management support to 120 local departments that administer the vast majority of the State's more than 50 social services programs. The State DSS includes approximately 1,600 staff. One-third of its employees provide this supervision and support to local departments. The remaining two-thirds of State DSS staff administer the Child Support Enforcement and Licensing programs. More than 8,000 staff at the local level administer the major benefit and service programs. FY 2005 funding for locally-administered programs was more than \$1.1 billion, about 56 percent of which came from federal funds. State general funds and local government funds comprised 27 and 15 percent, respectively.

House Joint Resolution 193, enacted by the 2004 General Assembly, directs JLARC staff to study the operation and performance of the Commonwealth's social services system. The mandate specifically directs JLARC to assess whether there are adequate resources to provide social services and the extent to which information technology systems contribute to improved performance and collaboration. A copy of the resolution is provided in Appendix A.

This study is not a review of any specific social services program, and excludes the State-administered Licensing and Child Support Enforcement programs. In the past, JLARC has conducted reviews of specific social services programs, including detailed reviews of Child Protective Services in 2004, Welfare Reform in October 2000, and the Child Support Enforcement program in November 2000.

HISTORY OF VIRGINIA'S SOCIAL SERVICES SYSTEM

Virginia has attempted to address the issue of public welfare since the mid-1600s, with the creation of a child welfare program and "workhouse" for the care and vocational education of poor children. Nearly three centuries later in 1908, the General Assembly created the State Board of Charities and Corrections. The Reorganization Act of 1922 gave this body more responsibility, renamed it the State Board of Public Welfare,

and established the position of Commissioner of Public Welfare. This act also created local welfare units consisting of a juvenile and domestic relations court, a board of interested citizens, and a full-time, trained social worker or superintendent of public welfare. As federal involvement and funding increased, the State began providing matching funds to reimburse a portion of local costs. Until the 1938 Virginia Public Assistance Act, the establishment of local departments of social services was optional. However, this act required every political jurisdiction in the Commonwealth to have local departments of welfare that would offer relatively uniform services. At this time, Virginia's current state-supervised, locally-administered system began to take shape.

The State's efforts to address social services issues continued to evolve through various landmark federal and State initiatives, such as the creation of the Department of Welfare and Institutions in 1948. Many of the responsibilities of the current social services system can be traced to federal legislation enacted in the 1960s to address poverty in the United States. The growing magnitude and complexity of programs being implemented in Virginia led to the creation of regional offices to assist localities. In 1982, the General Assembly renamed the Department of Welfare, which had split from the Department of Institutions in 1974, the Department of Social Services. Today, Virginia's social services system administers more than 50 programs aimed at providing benefits to those unable to support themselves, promoting self-sufficiency, enhancing child welfare and safety, improving family stability, and ensuring adult safety and welfare. The largest of these locally-administered programs are described in Chapter 2.

KEY RESPONSIBILITIES AND ORGANIZATIONS IN VIRGINIA'S STATE-SUPERVISED, LOCALLY-ADMINISTERED SOCIAL SERVICES SYSTEM

Title 63.2 of the *Code of Virginia* creates the legal framework for Virginia's social services. This framework was most recently revised and re-codified in October 2002 through the Virginia Welfare Law. The purpose of the law is to ensure that throughout the State, eligible people receive financial assistance and social services. State law requires that every city and county be served by a local department and board of social services; gives the State responsibility for supervising local administration of social service programs; and requires the State to directly administer programs that set standards and license children's agencies, facilities and homes, as well as day care centers for adults. The State is also responsible for administering the child support enforcement program.

Virginia is one of 13 states with a state-supervised, locally-administered social services system.

Exhibit 1 summarizes the components of Virginia's social services system. Virginia is one of 13 states with a state-

Exhibit 1

Major Components of Virginia's Social Services System

Source: JLARC analysis of the Code of Virginia and the Virginia Department of Social Services Local Board Member Handbook, 2003.

U.S. Department of Health and Human Services; U.S. Department of Agriculture

Federal

- Develops regulations based on federal statutes that states must interpret and implement.
- Distributes federal funding to states.
- Requires state reporting and conducts oversight to ensure compliance with statutes and regulations.

State Department of Social Services

State Board of Social Services

State

- Consists of nine members appointed by the Governor.
- Acts in an advisory capacity to the commissioner and when requested, investigates questions or problems and reports findings.
- Adopts regulations as necessary and establishes minimum education standards, training requirements, and personnel performance standards for State and local employees.

- Provides technical assistance, training, and administrative support to local departments of social services.
 - Monitors programs, policies, and operations of local departments.
 - Directly administers the Child Support Enforcement, Licensing, and Community Services Block Grant programs.
 - Develops regulations based on federal statutes and regulations, and the Code of Virginia.
 - Headed by a commissioner appointed by the Governor.
 - Serves as a liaison with federal agencies on social services programs receiving federal funding.
 - 1,600 staff, mostly in Richmond central office.
- Regional and District Offices**
- Five field offices and six regions provide guidance and technical support to local departments.
 - District offices administer the Child Support Enforcement and Licensing programs.

Local Boards of Social Services (120)

Local

- Functions are either administrative or advisory.
- Most are administrative boards that establish, review, and revise local policy; approve local funding; prepare and submit budgets to the State and local governments; and appoint local directors.

Local Departments of Social Services (120)

- Administer most of Virginia's social services programs (other than child support and licensing), including adoption, adult services, child care, child protective services, energy assistance, food stamps, foster care, Medicaid eligibility determination, and temporary assistance for needy families.
- Have the option to administer additional, non-mandated programs based on local need and available funding.
- Headed by a director appointed by the local board, who is responsible for overall program and policy implementation, human resources, financial management, and office space and equipment management.
- Vary greatly in size, ranging from less than ten to hundreds of staff.

supervised, locally-administered social services system. Consequently, a State Department of Social Services (DSS) oversees the operations of local departments of social services. The State DSS also includes a regional field office structure. Both DSS and each local department have a board of social services. Federal agencies and local governments also play a role in the supervision and funding for the system's programs.

State Department of Social Services

The State DSS—part of the Health and Human Resources Secretariat—is headed by the Commissioner of Social Services who is appointed by the Governor and subject to confirmation by the General Assembly. Some of the commissioner's primary responsibilities in State law include:

- Supervising the administration of social services;
- Assisting and cooperating with local authorities, including training and collection and publication of statistics;
- Establishing divisions and regional offices as necessary and appointing divisions heads; and
- Reimbursing on a monthly basis each locality for the State and federal share of program and administrative funding.

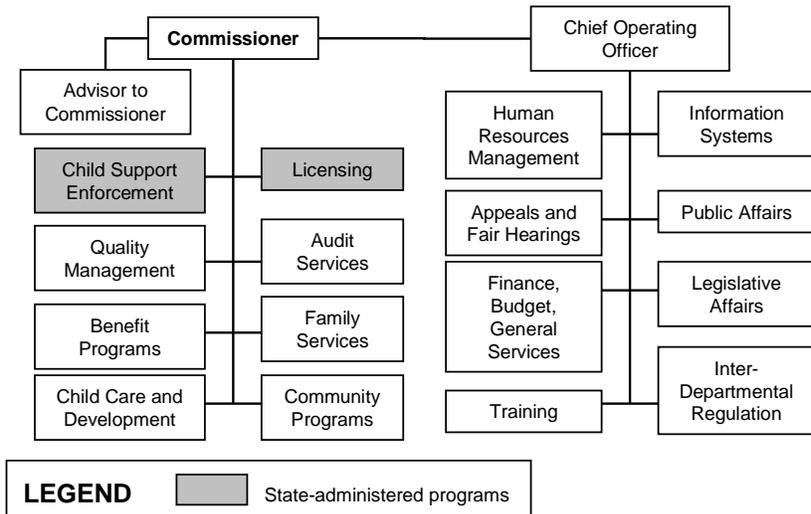
The State DSS divisions that supervise the key locally-administered programs are the Divisions of Benefit Programs, Family Services, and Child Care and Development. These divisions interpret federal policies, develop State policies, provide technical assistance to local departments, and monitor and evaluate agency operations. Other State DSS divisions provide financial, human resources, and information technology support to State DSS staff and local departments. Figure 1 shows each of the divisions on the State DSS organizational chart.

The State DSS has direct responsibility for regulating adult and child care facilities and administering the Child Support Enforcement program. In total, the State DSS is authorized to employ approximately 1,600 staff. Slightly less than 1,000 of these staff work in the Division of Child Support Enforcement, accounting for almost two-thirds of total State DSS staffing.

State DSS Regional Offices and Teams. The State DSS also includes five regional offices in Virginia Beach, Warrenton, Roanoke, Henrico, and Abingdon. DSS staff located in these offices and in Richmond are organized into teams that provide program supervision, consultation, technical assistance, and training to the local departments. There are currently six regional teams: two Eastern teams, two Northern teams, and two Western teams. Each region covers between 19 and 21 local departments and includes staff that oversee

Figure 1
State Department of Social Services Organizational Chart

Source: State DSS, August 2005.



and consult with local staff in the major program areas and internal management and support. Staff that support each region are part of the State DSS Division of Quality Management, but have program responsibilities and are supervised by staff in program divisions in their areas of expertise.

Since 1967, Virginia has conducted more than 20 projects or studies to address regional structures and operations.

There have been numerous regional and field office structures during the system's history. In fact, since 1967 Virginia has conducted more than 20 projects or studies to address regional structures and operations. The most recent of these studies, the Local Team Pilot, resulted in the current structure. The Local Team Pilot was conducted between July 1 and September 30, 2004, and evaluated opportunities to improve services to local departments through a more centralized approach to answering policy questions, providing technical assistance, and expanding the available staff to respond to local issues. Implementation of the current regional structure was effective February 1, 2005.

State Board of Social Services

The State Board of Social Services was established by the General Assembly in 1974 and includes nine members appointed by the Governor. The board acts in an advisory capacity to the commissioner and, when requested, investigates questions or problems and reports findings and conclusions as appropriate. The board adopts regulations as necessary and establishes minimum education standards, professional training requirements, and personnel performance standards.

Local Departments of Social Services

Virginia currently has 120 local departments that are primarily responsible for the administration of most social services programs, excluding licensing and child support. The state-supervised, locally-administered nature of Virginia's system means that the vast majority of contact with individuals and families through social services programs occurs through these 120 local departments. Most of these local departments serve a single county or city; however, there are 12 consolidated local departments. These departments serve multiple cities and counties in close geographic proximity. For example, Henry County and the City of Martinsville are served by a single local department.

Each local department is headed by a director of social services who is appointed by the local board of social services and is considered the administrator of his or her local department. Some of a local director's responsibilities include:

- Overall program and policy implementation for the locality;
- Human resource planning, supervision, and evaluation of staff; and
- Financial planning and management of office space and equipment.

Local department organizational structures vary widely, depending upon the locality's size, governance structure, specific needs and community standards, and ability to fund social services. DSS classifies each local department based on the number of permanent, full-time positions. The classification scale and the number of local departments in each classification are shown in Table 1.

Table 1
Local Department Classification Levels

Source: Division of Human Resources Management, Virginia Department of Social Services, December 2004.

<u>Local Classification Level</u>	<u>Number of Permanent, Full-Time Positions</u>	<u>Number of Local Departments at this Level</u>
VI	361 or more	4
V	161–360	7
IV	81–160	11
III	21–80	62
II	11–20	30
I	Fewer than 11	6

Generally, local departments with higher classifications and larger numbers of staff are organized into divisions or offices around service or benefit programs. Agencies with lower classifications and a smaller number of staff generally require staff to work with multiple programs. Regardless of size, all 120 localities must administer the social services programs that are mandated in federal statute, regulation, or the *Code of Virginia*. These programs are described in Chapter 2. More information is provided about each local department throughout this report and in Appendix B.

Local Boards of Social Services

Each local department has either an administrative or advisory board of social services. Most have local administrative boards. Responsibilities typically include establishing, reviewing, and revising local policy decisions; approving local funding levels; preparing and submitting budgets to local and State officials; appointing local directors; and facilitating numerous benefit program, child welfare, and adult protective services. Board members are appointed by the local government.

Local Governments

Each local government has funding and appointment responsibilities for their respective local department of social services. Local governments receive an annual budget request and budget reports from their respective local department, and based on those provide local government funding. Local governments also appoint members to the local board of social services.

Federal Oversight Agencies

Virginia's social services system is subject to federal statute, regulations, and oversight primarily by two federal agencies: the Food and Nutrition Service, U.S. Department of Agriculture (USDA) and the Administration for Children and Families, U.S. Department of Health and Human Services (HHS). Both of these agencies set the regulatory framework and provide varying percentages of funding matches for many programs, including the Food Stamp and Temporary Assistance for Needy Families (TANF) programs.

Other Entities in the Social Services System

Virginia's social services system interacts with a large network of other agencies and community organizations to deliver programs and services. Virginia has both statewide and local Community Action Agencies, which are non-profit, private, or

public organizations established under the Economic Opportunity Act of 1964. These organizations provide programs and services to low-income individuals and families to help them meet immediate needs or progress towards self-sufficiency. There are 26 local and three statewide Community Action Agencies.

Though not an entity established by statute, the Virginia League of Social Services Executives (VLSSE) is a key mechanism through which local directors convey their viewpoints and concerns to DSS, the Governor, and the General Assembly. The VLSSE is a membership organization of local directors and staff that work on behalf of these directors to identify major issues and lobby for changes in policy and increases in funding. The VLSSE partners with DSS on selected initiatives requiring outreach to all local departments. The VLSSE includes a number of committees that are assigned to specific issues, such as human resource management, and is headed by a president selected from one of the 120 local directors.

SOCIAL SERVICES SYSTEM MANAGEMENT AND RESOURCES

The social services system has numerous resources that it employs to deliver services. Three of the most important resources for the system are funding and financial management, human resource management, and information technology.

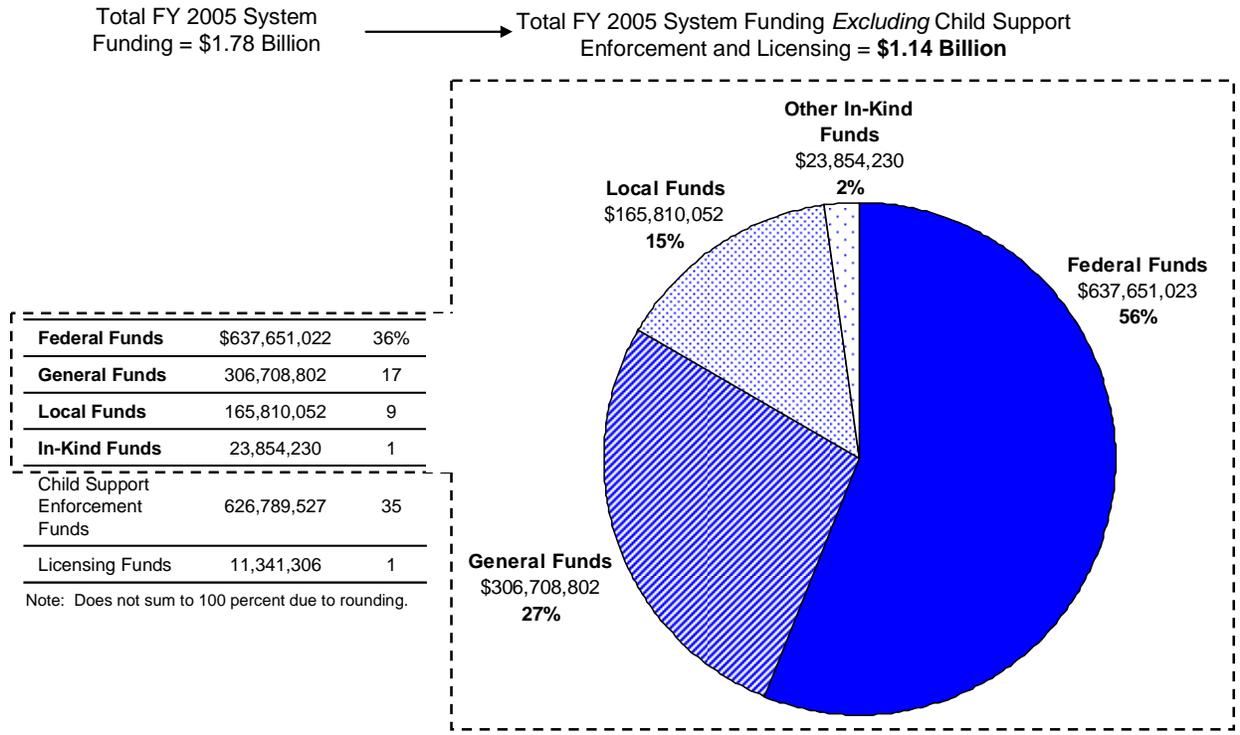
Funding and Financial Management

Funding for Virginia's social services system is complex. More than 50 programs are funded through more than 40 separate budget line items. The budget line items have varying funding sources, fund allocation methodologies, match rates, and have multiple reporting requirements. In addition, the federal, State, and local governments all operate on different fiscal years, which further complicates the budgeting and financial management processes.

In FY 2005, total social services funding for the State was approximately \$1.78 billion. As shown in Figure 2, funding for locally-administered social services programs comes primarily from three sources: federal funds, State general funds, and local funds. Total funding for these programs, excluding the State-administered Child Support Enforcement and Licensing programs, was \$1.14 billion. Federal funds comprised more than half of those funds, while State funding and local funding comprised 27 and 15 percent, respectively. Approximately two percent was in-kind transfer payments among governments for administrative costs incurred at local government agencies

Figure 2 FY 2005 Funding for Virginia's Social Services

Source: JLARC analysis of State DSS funding data.



other than social services, but conducted on behalf of the local department, such as helping to develop budgets and obtain reimbursement of funds.

The DSS budget is historically one of the largest among Virginia's agencies, ranking fifth in total operating appropriations in FY 2004 and accounting for 5.6 percent of total State appropriations. The DSS budget has historically seen large budget growth compared to other Virginia agencies, increasing \$654 million in total operating appropriations between FY 1995 and 2004. This represented a 78 percent increase, while the overall State operating budget increased 66 percent during the same time period. However, Child Support Enforcement appropriations accounted for \$403 million or 62 percent of the total increase during that time period. Funding trends for major social services programs is discussed in Chapter 2, while funding for the local administration of social services programs is discussed in Chapter 4.

Several organizations have financial management and budget responsibilities for social services at the federal, State, and local levels of government. At the federal level, the Departments of Health and Human Services and Agriculture provide

the majority of social services funds to the State through formula grants, block grants, and discretionary funds. Both of these federal agencies also periodically conduct financial audits to ensure that federal funds are being spent according to federal regulations.

At the State level, the DSS Division of Finance has responsibility for financial management and budget issues. This includes allocation of federal and State funds to local departments, reimbursement of local funds, and administration and reporting of federal grants. Of the \$1.14 billion in FY 2005 funding, more than \$760 million or nearly 70 percent was reimbursed to local governments for local department expenditures.

The State pays most of the financial benefits, such as food stamps and TANF, directly to recipients. It also reimburses local departments for the purchase of services for individuals and administrative costs incurred to determine and monitor ongoing eligibility for the benefit programs and conduct service programs, such as foster care. Most major programs are either completely or primarily funded with federal and State general funds.

Local departments are responsible for developing their local social services budgets and managing their federal, State, and local social services funds. The local government is responsible for approving the budget developed by the local department. Each year, after the State budget is approved, each local department is allocated State and federal funds through DSS. To receive these funds, localities must request reimbursement each month from DSS for costs incurred.

Human Resource Management

Virginia's locally-administered system includes more than 8,000 employees in the 120 local departments. Under the *Code of Virginia*, each department has the option to deviate from the State's human resource policies and instead use those of its local government. Local departments that follow all of the State's human resources policies are called non-deviating agencies. Local departments that use all or some of their local government's human resources policies are called deviating departments. There are three types of deviating local departments:

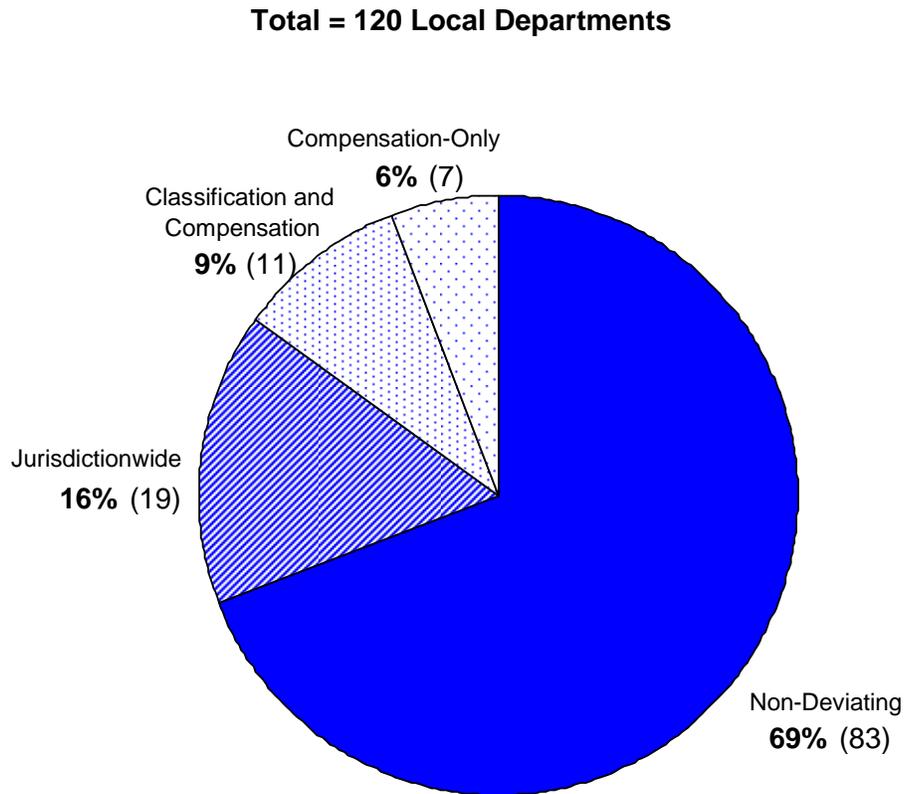
- Jurisdictionwide, which use all of the local government's human resource policies and systems;
- Classification and compensation, which use their local jurisdiction's classification and compensation system but the State's human resource policies for all other functions, such as handling complaints and grievances; and

- Compensation-only, which use the local jurisdiction's compensation system, but the State's human resource policies for all other functions.

Whether or not a local department deviates from State policies—and what specific policies they choose to deviate from—determines the extent to which the State DSS Division of Human Resource Management (DHRM) performs human resources functions for the local department. These functions include administration of employee benefits, human resource policy interpretation and consultation, and limited recruitment support. As shown in Figure 3, nearly 70 percent of the local departments do not deviate from the State's human resource policies and rely on DHRM for human resource support. The remaining departments, which tend to be the larger local departments, do deviate. Nine of the 11 class V and VI local departments are jurisdictionwide, while all but three of the non-deviating local departments are class I, II, or III.

Figure 3
Non-Deviating and Deviating Local Departments

Source: State DSS Division of Human Resource Management.



Information Technology Management

In the administration of Virginia's social services system, more than 60 automated systems are used to process and review client information, issue benefits, and manage cases. The DSS Division of Information Services maintains and supports these systems, and in certain instances provides interfaces and support to several private vendor systems independently purchased by some local departments. Because the majority of social services programs are locally-administered, staff in each of the 120 local departments are the primary users of most information technology (IT) systems.

State and Local Information Technology Resources and Responsibilities. The Division of Information Systems is responsible for the day-to-day operations and maintenance of the system's automated applications and their related hardware. The division oversees 80 servers and more than 12,000 computers located at the State and local levels. The DIS provides support to State DSS employees and help desk functions for major systems. The DSS pays for network connections and local operating system software. In FY 2005, DSS was appropriated more than \$27 million by the General Assembly for computer services.

There is considerable variation in the resources local departments have to support IT. For example, class VI departments (more than 361 employees) such as Fairfax County or Norfolk have dedicated IT divisions or rely on their local governments for IT support. However, most of the 36 class I and II departments (fewer than 21 employees) have only limited staff to devote to IT, and often these employees are administrative managers who also have financial and human resources management responsibilities. This variation in resources and expertise means that most of the smaller local departments rely heavily on the State for support, while larger departments generally prefer to rely on their own resources and expertise.

Program Requirements Generally Drive Systems. Various federal and State statutes and regulations set the requirements for each major IT system. For example, the Online Automated Services Information System (OASIS) was implemented in 1997 to meet federal requirements for an adoption and foster care analysis and reporting system. One of the primary system requirements for this program is that states must electronically submit case-level information about children in foster care to the federal Administration for Children and Families. Descriptions of the major systems that support each social services program will be provided in Chapter 2.