

208

CALIFORNIA WORK EXPERIENCE  
PROGRAM (CWEP)

MAY 1974

# Joint Legislative Audit Committee

GOVERNMENT CODE: SECTIONS 10500-10504

## California Legislature

ASSEMBLYMEN  
CHAIRMAN  
VINCENT THOMAS  
SIXTY-EIGHTH DISTRICT  
WILLIE L. BROWN, JR.  
EIGHTEENTH DISTRICT  
EUGENE A. CHAPPIE  
SIXTH DISTRICT  
MIKE CULLEN  
FORTY-FOURTH DISTRICT

VINCENT THOMAS  
CHAIRMAN

ROOM 4126, STATE CAPITOL  
SACRAMENTO, CALIFORNIA 95814  
(916) 445-7906

TONY BOLOBNOW, COORDINATOR  
(916) 445-7907

EVE OSTOJA, OFFICE MANAGER  
(916) 445-7908

SENATORS  
VICE CHAIRMAN  
RANDOLPH COLLIER  
FIRST DISTRICT  
CLARE BERRYHILL  
THIRD DISTRICT  
GEORGE DEUKMEJIAN  
THIRTY-SEVENTH DISTRICT  
GEORGE N. ZENOVICH  
SIXTEENTH DISTRICT

May 6, 1974

The Honorable President of the Senate  
The Honorable Speaker of the Assembly  
The Honorable Members of the Senate and the  
Assembly of the Legislature of California

Members:

Transmitted herewith is the Auditor General's report pertaining to the operation of the California Work Experience Program (CWEP).

CWEP, which is administered by the state's Employment Development Department (EDD), is to provide for the development of employability of Aid to Families with Dependent Children (AFDC) recipients through actual work experience and training. However, no wages are paid to CWEP participants since, during their work assignments and training, the recipients are still maintained on the welfare rolls.

An objective, subsequent to the CWEP work experience and training, is for the participants to be removed from the welfare rolls or to have the welfare grants reduced by obtaining paid employment. The stated goals of CWEP include a reduction of AFDC recipients on welfare and, therefore, a reduction in welfare costs. As of March 1974, CWEP was involved in 34 California counties with a total of 603 participants.

The Auditor General found that only 1,134 participants, or less than four percent of the program's expected first-year level of participation of 30,000 participants, were placed in CWEP in fiscal year 1972-73. Further, EDD lowered the expected level of participation for the second year by 82 percent and achieved less than 25 percent placement of this sharply reduced expected level of participation.

The Honorable Members of the  
Legislature of California  
May 6, 1974  
Page 2

In EDD's April 73 CWEP Evaluation Status Report, the report stated "...the volume of CWEP activity is not sufficient to cause significant impact on AFDC caseloads. The volume of data should increase as individual county problems are resolved and the program is more fully implemented." At that time, the ratio of monthly CWEP placements to total AFDC caseloads was one-half of one percent. In fact, this ratio in February 1974 was one-tenth of one percent and never exceeded six tenths of one percent between April 1973 and March 1974.

In March 1974, the number of CWEP participants reached its highest level at 603, which was almost three times as high as the February 1974 level. However, based on detailed field investigation work, the Auditor General has concluded that this sudden increased number of participants is of questionable significance. For example, in Alameda County, the number of CWEP participants in February 1974 was two and in March was 60. However, 48 of these participants were receiving their work experience and training out of EDD offices themselves and were not assigned to any outside employer.

Although CWEP was authorized as a demonstration project to test the hypothesis that a program providing job training and work experience for welfare recipients would reduce welfare costs, the program has not been implemented in a manner which would allow its effect on welfare costs to be determined. This results from inadequate experimental controls, inadequate reporting, and inaccurate and inadequate cost accounting. For example, in December 1973 and January and February 1974, Placer County had the highest number of participants of the 34 counties with a CWEP program. However, no EDD staff time was specifically charged to a CWEP identification category in EDD's time reports.

The Auditor General also reported that EDD has overstated, in its 1973 annual report, by at least 56 percent the number of individuals placed in the CWEP program. Further, EDD understated the costs in this report of state and local agencies for implementing CWEP. While EDD's annual report stated that CWEP had 1,540 participants, based on field investigation by the Auditor General's staff, the maximum number of participants was 1,005. On the basis of the Auditor General's projected

The Honorable Members of the  
Legislature of California  
May 6, 1974  
Page 3

sample, the number of participants could have been as low as 550. As one example of the understated costs, county welfare staff time devoted to CWEP fair-hearing activities was entirely excluded from EDD's 1973 annual report.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Vincent Thomas", with a long, sweeping underline.

VINCENT THOMAS, Chairman  
Joint Legislative Audit Committee

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	4
FINDINGS	
Although CWEP was Authorized as a Demonstration Project To Test the Hypothesis That a Program Providing Job Training and Work Experience for Welfare Recipients Would Reduce Welfare Costs, the Program Has Not Been Implemented in a Manner Which Would Allow its Effect On Welfare Costs to be Determined.	6
EDD Has Overstated by at Least 56 Percent the Number Of Individuals Placed in the CWEP Program and Understated the Costs to the State and Local Agencies For Implementing CWEP in its 1973 Annual Report.	11
The CWEP Program Achieved Less Than Four Percent of Its First Year Expected Level of Participation and Less Than 25 Percent of the Expected Level of Participation During the First Nine Months of the Second Year. Further, EDD Lowered the Expected Level of Participation for the Second Year by 82 Percent.	14
CHRONOLOGY OF CWEP IMPLEMENTATION	15
OTHER PERTINENT INFORMATION	24
APPENDIX	
Exhibit 1 - HEW Comments Regarding Second Year Continuation of CWEP, June 28, 1973.	27
Exhibit 2 - HEW Comments Regarding Second Year Continuation of CWEP, May 23, 1973.	29
Exhibit 3 - Methodology Used to Determine Actual CWEP Participation	30
Table 1 - Reported Monthly CWEP Participation by County	32
Table 2 - Number of Participants in CWEP by Length of Time in CWEP Assignments	33

INTRODUCTION

In response to a legislative request, we reviewed the operations of the California Community Work Experience Program (CWEP).

The California Welfare Reform Act of 1971 (Stats. 1971, Ch. 578) added Article 3.5, Sections 11325-11327, to the Welfare and Institutions Code to establish CWEP for Aid to Families with Dependent Children (AFDC) welfare recipients. It was the intent of the Legislature that this California state program operate as a demonstration program, to provide for the development of employability of AFDC recipients through actual work experience and training.

CWEP is a part of the overall "employables" system which was also introduced as a part of the Welfare Reform Act of 1971. The employables program is designed to identify welfare recipients deemed to be suitable for employment. Once a welfare recipient is so defined, he is placed under the overall jurisdiction of the Employment Development Department (EDD) where program services are aimed at getting him a job and removing him from welfare. An objective subsequent to the CWEP work experience and training is for the removal of the participant from the welfare rolls or having welfare grants reduced by his obtaining paid employment.

Registration for employment and job search activity was made a pre-condition to the establishment of eligibility for welfare payments. Therefore, in counties with an employables program, county welfare department staff were assigned to designated local offices of EDD to administer this portion of the

eligibility function. This staff, paid out of welfare department funds but under the administrative supervision of EDD, is referred to as "co-located" staff.

Persons classified as employable may be referred to mandatory training programs such as the nationwide Work Incentive Program (WIN); they may be required to engage in specific job search activities; or in the event that training programs such as WIN are operating at capacity, they may be required to participate in a CWEP work assignment and engage in job search activity. These assignments are conducted under a contract with a public agency or a nonprofit charitable organization which has signed a user-agency agreement approved by EDD. No wages are paid to CWEP participants for these assignments, since the participants still receive welfare payments. CWEP assignments are to be limited to projects which serve a useful public purpose such as health, education, social service, environmental protection, urban and rural development, recreation, and public safety. According to the Welfare and Institutions Code Section 11325, a CWEP activity shall not require a participant to work: (1) in excess of eight hours during any one calendar day, and (2) in excess of 80 hours during any calendar month.

The specific administrative goals of the CWEP project have been stated differently at different times during the project's life. The state's original application to HEW as approved on June 6, 1972, identified the following specific goals:

- The demonstration project would prove that such a program is administratively feasible and practical

- CWEP will reduce the extent of dependency on welfare
- CWEP will diminish the rate of new welfare applications, and
- CWEP will result in a reduction in overall welfare costs.

The regulations for implementing the Community Work Experience Program of the Employment Development Department state that "...the purpose of the CWEP program is to enhance the self-support capabilities of registrants in participating counties. This is accomplished by providing registrants with an opportunity to gain work experience in an actual job site and to learn new skills."

Our review was made during the months of January through April 1974. In connection with the review, we interviewed officials from the United States Department of Labor, the State Employment Development Department, the State Benefits Payments Department, several county welfare departments, and field offices of EDD in the counties of Alameda, Fresno, Monterey, Placer, San Francisco, San Joaquin, San Mateo, Santa Clara, and Santa Cruz. We reviewed a sample consisting of all active May 1973 CWEP case files in Fresno, Placer, and San Joaquin counties. These three counties accounted for 71 percent of the persons enrolled in CWEP statewide during May 1973 as reported by EDD.



BACKGROUND

The legislative authority to initiate a CWEP program in California was provided in the Welfare Reform Act of 1971, which became effective in October of that year. However, because the operation of the program also required waivers of certain federal regulations which were not received from the Department of Health, Education and Welfare until June 6, 1972, the program was not started until that date.

Ventura County became the first county to initiate the CWEP program in June 1972. In July 1972, Butte and Madera Counties were added to the program. Kern and Kings Counties initiated a CWEP program in September of 1972. From that point forward, the program was expanded gradually to additional counties until May of 1973 when a total of 15 counties had initiated the CWEP program. The total participation level in the program increased very gradually during this time.

In May of 1973, Judge Ferguson of the federal court in Los Angeles announced that he planned to rule against the state in its application to continue the operations of a CWEP program. However, no final decision has as of this date been issued in the case before Judge Ferguson "BRIAN vs. CWRO", and the ruling was never issued. The announcement of a pending ruling did not halt the operation of CWEP in those counties which had the program, but it did tend to slow down the addition of new counties until November of 1973.

Law suits which have challenged the concept of assigning county welfare employees to EDD offices have slowed the implementation of CWEP in Alameda, Contra Costa, and Orange Counties.

In its application for a continuation of federal waivers for a second year, the state indicated that it planned to extend the project to 35 counties in California but to sharply reduce the anticipated number of participants in the program. In November 1973, the state issued a directive mandating the extension of the program into 18 additional counties effective December 1, 1973. As of December 1973, the program had at least nominally been introduced into 17 of those 18 counties. Orange County, which was scheduled to start in December 1973, has to date not initiated a CWEP program. Statistics from the Employment Development Department indicate that there were 603 participants in the program in the 34 CWEP counties in the month of March 1974, the last month for which data is currently available.

For month-by-month participation figures as reported by EDD, refer to Table 1 in the Appendix.

FINDINGS

ALTHOUGH CWEP WAS AUTHORIZED AS A DEMONSTRATION PROJECT TO TEST THE HYPOTHESIS THAT A PROGRAM PROVIDING JOB TRAINING AND WORK EXPERIENCE FOR WELFARE RECIPIENTS WOULD REDUCE WELFARE COSTS, THE PROGRAM HAS NOT BEEN IMPLEMENTED IN A MANNER WHICH WOULD ALLOW ITS EFFECT ON WELFARE COSTS TO BE DETERMINED

In order to initiate a CWEP program in California, it was necessary for the Legislature to amend the Welfare and Institutions Code and for the Department of Health, Education and Welfare to grant waivers under Section 1115 of the Social Security Act. The Legislature added Article 3.5, Sections 11325-11327, to the Welfare and Institutions Code to permit the establishment of a community work experience program for AFDC recipients. It is clear from this legislation that the Legislature intended that the CWEP program operate as a demonstration project.

Section 11325 of Article 3.5 of the Welfare and Institutions Code says in part that "...to the extent permitted by federal law, it is the intention of the Legislature that this article operate as a demonstration program." In Section 11327 of Article 3.5 of the Welfare and Institutions Code, the Legislature asks among other things for an annual report that would include "...the number of persons placed from this program into regular employment, and the cost to state and local agencies for implementing this demonstration program". (Emphasis added.) In addition, the purpose of Section 1115 of the Social Security Act under which waivers were granted by the Department of Health, Education and Welfare is to permit demonstration projects that would not otherwise be possible because of the conflict with federal law and regulation.

The four goals of the project stated in EDD's 1972 application for federal waiver (see page 2) can be effectively reduced to a test of the single hypothesis that CWEP is an administratively feasible means of reducing welfare costs.

The program's success in meeting EDD's stated goals cannot be determined because of the following:

- Inadequate experimental controls
- Inadequate reporting, and
- Inaccurate and inadequate cost accounting.

Inadequate Experimental Controls

Valid experimentation of this kind of a program depends on the monitoring of both an experimental group and a "control" group of subjects drawn from the same population.

The purpose of a control group is to ensure to the extent possible that the effects of the test program can be attributed to the program itself and not to other factors. The control group, which should have consisted of other welfare recipients seeking employment, is selected on the basis that it is "just like" the CWEP experimental group in all relevant ways except participation in CWEP.

The absence of an adequate control group for the CWEP demonstration prevents valid assessments of the program's success.

Inadequate Reporting of CWEP  
Enrollments and Terminations

CWEP enrollment and termination data accumulated by EDD is not adequate to either prove or disprove CWEP's success.

The EDD reporting system is based on forms generated in local offices whenever an individual is enrolled in CWEP and terminates again at the end of his assignment or the end of the month. These forms are sent to EDD's Sacramento office where they are keypunched and a computer report is generated showing:

- The number of such forms submitted
- The total number of hours worked in CWEP assignments that month, and
- The number of determinations that indicated an individual CWEP participant had failed to cooperate.

Thus, the CWEP reporting system shows for any given month approximately how many individuals were enrolled in the program at some time during that month. (A person leaving one CWEP job assignment during the month and starting another one would be counted twice. We have assumed that this would produce only a modest overstatement of the number of individuals in the program.) It also reports how many hours in total were worked in CWEP assignments that month. However, the EDD reporting system does not show how many individuals entered or left the CWEP program. Further, the reporting system does not provide any records relating to the individuals who subsequently obtained employment which could be attributed to CWEP participation. Further, the reporting system does not provide cumulative statistical data pertaining to enrollments and terminations.

Inaccurate and Inadequate  
Cost Accounting

It was not until the second year of operation that any cost reporting system was developed to account for EDD field office staff time devoted to the operations of the CWEP program.

In July 1973, a reporting system called Report 12 was introduced to collect information on staff hours devoted to the implementation of the CWEP program. However, this report does not reflect the number of hours actually spent in implementing the program. For example, EDD field managers report that their own staff do not systematically separate on their time reports the time devoted to CWEP from that time devoted to other services. Further, none of the time spent by co-located county welfare staff assigned to EDD offices on CWEP activities is accounted for by the Report 12 reporting system.

The time reported through Report 12 greatly underestimates the actual time and, therefore, the cost devoted to the implementation of the CWEP program. For example, Placer County has had more CWEP activity than any other county in the state and accounts for 20 percent of the statewide participation in the program since the inception of the program in June 1972. For the month of September 1973, Placer County had 50 percent of the state's activity yet no time was reported devoted to the implementation of the program during that month. In December 1973, and January and February 1974, Placer County had the highest number of participants of the 34 counties with a CWEP program; however, Report 12 showed no staff time being devoted to the implementation of the CWEP program.

The lack of adequate cost accounting was also pointed out by the regional staff of HEW in a report to HEW Headquarters. (For a full discussion of CWEP deficiencies as identified by HEW, see Exhibit 1 in the Appendix.) The item relative to cost accounting (#7 in Exhibit 1) says in part "...The proposed system to account for administrative costs is inadequate. There is no method to provide for cost allocation among the three self-support programs of WIN, Employables, and CWEP...Furthermore, the state should collect and identify the costs of co-located service staff in non-WIN counties, transportation, child care, and costs of income maintenance staff". Data for transportation and child care costs have since been collected.

EDD HAS OVERSTATED BY AT LEAST 56 PERCENT  
THE NUMBER OF INDIVIDUALS PLACED IN THE  
CWEP PROGRAM AND UNDERSTATED THE COSTS TO  
THE STATE AND LOCAL AGENCIES FOR IMPLEMENTING  
CWEP IN ITS 1973 ANNUAL REPORT

Welfare and Institutions Code Section 11327 requires an annual report to the Legislature on the status of CWEP. This section of the code reads as follows:

The Director of the Department of Human Resources Development shall report annually to the Legislature concerning the community work experience programs, including the number of persons placed in a community work experience program, the number of persons placed from this program into regular employment, and the costs to state and local agencies for implementing this demonstration program.

The director's first annual report was submitted to the Legislature covering the operations of the program for the period June 6, 1972 through June 5, 1973. This report was either deficient or not responsive in each of the required items required by the legislation permitting CWEP to operate.

The first annual report inflated by at least 56 percent the number of individuals placed in CWEP by failing to discount the total number of individuals by the multiple counting of a single individual who participated in the program for more than one months. In our analysis of CWEP participation in the three counties which had the highest CWEP activity, the average individual participant tenure in the program was 5.6 months. The practice



of not differentiating between separate and distinct individuals in the monthly cumulative total of participants (which would more appropriately be called person-months) has been a continuing deficiency of the EDD reporting system and is discussed in Exhibit 3 in the Appendix.

The department's report to the Legislature covering the first year's operation stated on page 2 that 1,540 individuals had been placed in work activities. While the field work of the Office of the Auditor General did not restrict itself to the first year's operation, there was enough overlap in that field work to reach the following definitive conclusion as to the accuracy of that figure of 1,540 individual participants. In four of the first 16 CWEP counties, 535 individuals were counted two or more times in the reported figure to the Legislature of 1,540.

Therefore, assuming no duplication in the 12 counties not visited, and no duplication in the months not covered by the field work, the maximum number of separate distinct individuals involved in CWEP activities during the first 12 months was 1,005 rather than 1,540, representing at least a 56 percent overstatement of the number of individuals placed in CWEP.

If the experience of the 213 sample cases selected for the field work that was done for this report, which indicated an average tenure of 5.6 months, is coupled with an analysis of other EDD data, then the number of separate individuals participating in CWEP in the first year on the basis of our projected sample was closer to 550.

In summary, the department reported to the Legislature 1,540 individuals in the program; field work confirmed that the maximum number could have been 1,005 and on the basis of our analysis, the projected sample number could have been as low as 550.

The costs to state and local agencies to implement CWEP were understated in the EDD report to the Legislature. EDD had not developed a cost accounting system at the time the report was prepared and submitted to the Legislature. The report, instead, relied upon unreasonable estimates. In the process, certain cost factors were excluded entirely; for example, the time of county welfare department staff devoted to CWEP fair-hearing activities was ignored. As another example, the largest time factor is in hearings to determine if CWEP participants have violated regulations. The report to the Legislature estimated only the EDD staff time devoted to hearings which decided against the participant, ignoring those hearings where it was found that the participant had not violated regulations. In another instance, the report estimated that only one minute was required for EDD staff to communicate each time with user agencies to establish a CWEP work assignment. The report concluded that less than one man-year had been devoted by all state and local agencies in the first 12 months in the program's operation. As a result, in our judgment, the costs of CWEP to state and local agencies contained in EDD's annual report to the Legislature were significantly understated.

THE CWEP PROGRAM ACHIEVED LESS THAN FOUR PERCENT OF ITS FIRST YEAR EXPECTED LEVEL OF PARTICIPATION AND LESS THAN 25 PERCENT OF THE EXPECTED LEVEL OF PARTICIPATION DURING THE FIRST NINE MONTHS OF THE SECOND YEAR. FURTHER, EDD LOWERED THE EXPECTED LEVEL OF PARTICIPATION FOR THE SECOND YEAR BY 82 PERCENT

EDD originally planned for 58,776 CWEP participants. HEW approved an operational level of only 30,000 in the first year. However, we have found that a maximum of 1,134 separate and distinct individuals were placed in CWEP between July 1972 and June 1973. This represented 3.8 percent of the 30,000 planned number of participants in the first year. The state actually reported 1,827 individuals in the program during the first year. This figure has been discounted to 1,134 by removing 693 duplicated person counts found in our sample of four counties.

EDD's second year participant expectation was reduced to 5,500, or 82 percent less than the 30,000 participants planned for the first year. We similarly found that at the maximum, only 1,040 individuals have participated in CWEP in the first nine months of the second year, representing only 25 percent of the expected placements of 4,125 for this nine-month period.

Considerable additional evidence suggests the insignificant impact of the program. The following table summarizes the history of the implementation of CWEP. It includes comments on the program's progress, and uses an index developed by dividing the monthly CWEP placements by the total AFDC case-load (unemployed father and family group cases) in the operational CWEP counties, to measure the program's impact over the life of the program.

CHRONOLOGY OF CWEP IMPLEMENTATION

<u>Date</u>	<u>Number Of CWEP Counties</u>	<u>Prior Month CWEP Participants</u>	<u>Percent CWEP Participants Of AFDC Caseload</u>	<u>Comment</u>
April 1972	-	-	-	EDD plans for 58,776 first year CWEP participants in Application for Project Wavier sent to H.E.W. This represents 25% of the AFDC FG & U caseload in the 34 designated CWEP counties.
June 1972	-	-	-	HEW approves CWEP project but reduces maximum participation level to 30,000 for first year.
Nov. 1972	6	37	0.2	Sigurd I. Hansen, Director, HRD, reports "a high degree of success" in first four months of CWEP operation.
April 1973	12	210	0.5	EDD (formerly HRD) <u>CWEP Evaluation Status Report</u> says "(a)ttempts to correlate SDSW data with CWEP data by county reveals that the volume of CWEP activity is not sufficient to cause significant impact on AFDC caseloads. The volume of data should increase as individual county problems are resolved and the program is more fully implemented."
-----				
				HRD reports CWEP "... has already proved to be highly successful in the eleven counties where it is now in operation." Also reports the results are "so good that I am confident we'll see continued success in other counties when they participate."
May 1973	12	164	0.4	H.E.W. reports in <u>Review of the California Work Experience Program in Seven Counties</u> : "The experience of the project during the period June 1972 - February 1973, does not reflect achievement of the overall objective. Of a total of 689 participants to date, only 18 were placed in jobs directly relating to their participation in a CWEP activity."

<u>Date</u>	<u>Number Of CWEP Counties</u>	<u>Prior Month CWEP Participants</u>	<u>Percent CWEP Participants Of AFDC Caseload</u>	<u>Comment</u>
May 1973 (continued)				H.E.W. Assistant Administration of Research and Demonstrations recommend CWEP not be continued because "the negative factors outweigh the positives." (See Exhibit 2 in the Appendix.)
June 1973	15	330	0.6	EDD negotiates participation level of 5,500 recipients with HEW for second year of program. This is an 82% reduction from first-year goal.
Oct. 1973	16	92	0.2	Health & Welfare Agency reports: "We have indisputable evidence that these programs (CWEP and Employables) are paying off."
Dec. 1973	34	162	0.1	HRD and SDSW pledged in June 1973 that CWEP would be operational in all 35 designated CWEP counties by December 1, 1973. All but Orange County are reported by the state as having CWEP program. However, in December 10 counties reported no CWEP participants; 16 counties reported 1 to 5 participants.
Feb. 1974	34	183	0.1	EDD revises its regulations to state that "All field offices having CWEP responsibilities are to maintain an adequate level of placements in CWEP participants. For any one month, the minimum acceptable level of CWEP placements for a field office is one percent (1%) of its caseload on hand at (the end of) the prior month." (Caseload means welfare recipients registered as employable by EDD.)
If 2/74 placements had fulfilled the 1% quota	34	901	0.5	The 1% quota represents the same impact on welfare caseloads which was judged insignificant in the EDD <u>CWEP Evaluation Status Report</u> of April 5, 1973.

Office of the Auditor General

<u>Date</u>	<u>Number Of CWEP Counties</u>	<u>Prior Month CWEP Participants</u>	<u>Percent CWEP Participants Of AFDC Caseload</u>	<u>Comment</u>
March 1974	34	603 (March 1974)	Not Available	See page 21 for a discussion of the questionable significance of this growth in CWEP activity.
April 1974	N/A	N/A	N/A	EDD plans for an equivalent of 3,263 CWEP participants in the third year in the Application for Demonstration Project sent to H.E.W. This level represents 2% of the AFDC FG & U caseload in CWEP counties in February 1974.

In EDD's April 1973 CWEP Evaluation Status Report, the report stated "the volume of CWEP activity is not sufficient to cause significant impact on AFDC caseloads. The volume of data should increase as individual county problems are resolved and the program is more fully implemented". Our calculation of the impact at that time was one-half of one percent of the AFDC caseload participating in CWEP assignments. This index through February 1974 never exceeded six-tenths of one percent and in February 1974 was only one-tenth of one percent.

Continued Insignificant Activity

The first CWEP Evaluation Status Report prepared by EDD stated that CWEP activity through March 1973 was of insufficient magnitude to cause a significant reduction in AFDC caseloads. March CWEP placements represented one-half of one percent of March AFDC family group (FG) and unemployed parent (U) caseloads. Since then, CWEP activity as a percentage of caseloads has generally declined below this "insignificant" level, despite a tripling in the number of participating counties. Other indicators of the program's inability to reduce welfare dependency include comparisons of the unemployed parent caseload trends between counties with and without a CWEP program and comparisons between employables and CWEP participants within the same county.

The general trend of the AFDC caseload in CWEP as well as non-CWEP counties has been to decline gradually over the past several years. Using the AFDC-U caseload as a measuring tool, we find that the reported AFDC-U caseload in CWEP counties for the 12 months prior to the implementation of CWEP in June 1972 declined at a rate of 32 percent and only at a rate of 18 percent for the 12-month period after the implementation of CWEP. The decline in the

non-CWEP counties was 33 percent for the 12-month period prior to the implementation of CWEP in June 1972 and 24 percent for the 12 months after the implementation of CWEP. Therefore, the AFDC-U caseloads in counties without a CWEP program declined at an even faster rate than they did in those counties which had implemented CWEP.

#### CWEP and Employables Compared

In the absence of a proper control group to measure program effectiveness, our field work included a comparison of CWEP participants with non-CWEP, AFDC employables participants from the same counties. A sample was drawn from EDD files in the three CWEP counties which have had the largest CWEP activity statewide: Fresno, Placer, and San Joaquin. The object was to track case histories over an extended period of time to compare the extent of active welfare dependency after participation in CWEP and after participation in the employables program. Active May 1973 CWEP and employables case files were chosen because it was in that month that the largest statewide CWEP activity was recorded until March 1974. The three sample counties accounted for 71 percent of the May 1973 CWEP placements reported by EDD.

In each county, the case files of May 1973 CWEP participants were reviewed. In Placer County, a comparable number of active May 1973 employables case files as CWEP cases were randomly selected for comparison. In Fresno and San Joaquin Counties, all of the active May 1973 employables cases were analyzed. The results of the sample are shown on the following table.



Sample Results of Comparative Effectiveness  
CWEP and Employables

County	CWEP			Employables		
	Active CWEP Cases May 1973	Still on AFDC Feb. 1974		Active Employables Cases May 1973	Still on AFDC Feb. 1974	
	Number	Number	% of 5/73	Number	Number	% of 5/73
Fresno	26	7	27%	21	4	19%
Placer	76	26	34%	75	9	12%
San Joaquin	<u>111</u>	<u>66</u>	60%	<u>664</u>	<u>162</u>	24%
	<u>213</u>	<u>99</u>	47%	<u>760</u>	<u>175</u>	23%

The sample CWEP cases were twice as likely to still be active ten months after program participation as the employables cases. Some of this difference might be explained because in many CWEP counties, recipients are referred to CWEP as a last resort. In other words, CWEP participants are selected on the grounds that they are less "job ready" than are those persons assigned directly to the employables program or to WIN. However, there are strong indications that in the three counties we sampled, which accounted for 71 percent of May 1973 CWEP caseloads, CWEP is not used as a program of last resort. Placer County has the largest CWEP program but no WIN program and, therefore, tended to often refer a higher qualified person to CWEP. Also user agencies in all three counties tended to retain the same CWEP participants for long periods of time. For example, our study shows that 30 percent of CWEP participants in these counties were on CWEP assignments for six months or longer and almost ten percent for over one year (Table 2 of the Appendix). Placer County also had a CWEP participant who was working half-time on a county job to which he was also assigned half-time as a CWEP participant. In other words, he occupied a full-time position for which he was paid partially by salary and partially by welfare

grant. Another Placer County participant volunteered to work full-time in a water treatment plant in the hopes of qualifying for a civil service position. He took the civil service exam, placed second on the list of eligibles, but was not appointed. He continued working full-time at the CWEP assignment.

Sudden Increase in CWEP Activity  
Of Questionable Significance

Table 1 in the Appendix provides a month-by-month, county-by-county level of CWEP activity. It may be noted from that table that the March 1974 level of activity was listed as 603 CWEP participants. This is almost three times as high as the February 1974 level of activity and twice as high as the previous record level in May 1973. This jump in the level of activity is generally attributed by EDD managers to the revised EDD regulations which stated that "...all field offices having CWEP responsibilities are to maintain an adequate level of placements in CWEP assignments. For any one month, the minimum acceptable level of CWEP placements for a field office is one percent of its caseload on hand at (the end of) the prior month". Caseload in this instance means AFDC recipients registered as employable by EDD.

Because the level of activity increased substantially in Region Two, which is composed of Alameda, Contra Costa, Marin, San Francisco, San Mateo, and Santa Clara Counties, field visits by the Auditor General's staff were made to selected counties to investigate this increased program activity. The following chart indicates the apparent impact of the one percent quota on the Bay Area counties.

	CWEP Participants	
	February 1974	March 1974
Alameda	2	60
Contra Costa	-	1
Marin	2	17
San Francisco	-	28
San Mateo	3	13
Santa Clara	<u>3</u>	<u>46</u>
	<u>10</u>	<u>165</u>

Visits to the EDD field offices in Alameda, San Francisco, and Santa Clara Counties in April 1974 indicated that the increase in activity level is misleading.

In Alameda County, 49 of the 60 cases were reviewed. Of the 49 participants, 48 were working for EDD itself and none for other outside employers. Furthermore, 16 of the 48 cases reviewed indicated that the participant worked in CWEP two hours or less before leaving CWEP and moving into the WIN program.

In San Francisco County, all 28 March CWEP participants worked in EDD offices. In reviewing 43 of Santa Clara County's 46 March CWEP cases, we found that three participants were assigned to Goodwill, ten to EDD field offices, and 30 participated in adult education classes learning to read and write in English. Therefore, of the 134 persons attributed to the CWEP program in March 1974 in these three counties, 16 were assigned to CWEP for two hours only, 30 received educational training only, at least 73 were absorbed by the EDD offices becoming user agencies and four were assigned to outside user agencies other than EDD field offices, and 11 cases in Alameda County were not available for review. Managers of EDD offices in Alameda and San Francisco

Counties reported to us that there was little chance of expansion of the program outside of the EDD offices in these two counties. CWEP officials in Contra Costa County (which had one participant in April 1974) informed us that Contra Costa "...intended to meet its CWEP quota by running adult education classes the way Santa Clara is".

Therefore, in our judgment, the sudden increased number of participants is of questionable significance.

OTHER PERTINENT INFORMATION

CWEP HAS CAUSED DETERIORATION  
OF WIN STANDARDS

EDD has established minimum levels of WIN participation for each WIN county based on its AFDC caseload and prior WIN experience. Section 11325 of the Welfare and Institutions Code prohibits any welfare recipient from being placed in CWEP unless the WIN program is filled in that county:

"(8) A recipient shall not be placed in a community work experience program under this section unless all available positions within the geographic area served by a community work experience program have been filled under work incentive programs established pursuant to Chapter 3 (commencing with Section 5200) of Division 2 of the Unemployment Insurance Code or under any other job development program established pursuant to state law. To the extent feasible, work incentive program positions shall be administered to maximize utilization of that program prior to placement of recipients in community work experience programs."

According to EDD field managers in some CWEP counties, the implementation of CWEP has caused a deterioration of WIN participation standards. In an effort to keep the WIN program filled, WIN staff and dollars are expended on trainees whose employability is unlikely to increase substantially as a result of WIN participation.

In addition, the March 1974 EDD directive requiring one percent of registered employable welfare recipients in each CWEP county to be placed in CWEP further encourages a deterioration of WIN participation standards.

SMALL EFFECT OF CWEP ON COUNTY SERVICE COSTS

State Department of Social Welfare regulations require county welfare departments to pay for some CWEP service expenditures. Such expenditures include CWEP job-related transportation, child care, and workmen's compensation insurance coverage for participants in CWEP activities.

The small level of CWEP activity has placed only a small burden on county budgets for such expenditures. In addition, most counties do not place welfare recipients in CWEP if they require child care. Other counties do not place recipients who would have substantial reimbursable transportation costs to CWEP work sites. The cost of workmen's compensation is small.

ILLEGAL COSTS TO CWEP PARTICIPANTS

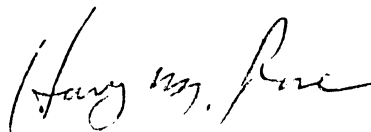
Section 11325 of the Welfare and Institutions Code provides that participation in CWEP shall not result in any cost to participants.

In accordance with federal regulations, state food stamp policy requires CWEP participants to report any reimbursement for CWEP-related costs as income. Such reimbursements include, for example, job-related transportation costs. The more income reported from all sources, the higher is the dollar cost of bonus food stamps to the recipient. For example, a family of four with a grant of \$300 would be required to pay \$83 for the purchase of \$142 of food stamps. If the recipient receives, for example, a \$50 reimbursement for job-related expenses, he is then required to pay an additional \$12 for the same amount of food stamps.

Implementation of this state food stamp policy varies among county welfare offices. Some county welfare departments consider CWEP reimbursements only as income in food stamp cost calculations while other counties count such reimbursements as both income and expense, neutralizing their impact on food stamp costs.

COMMENTS OF EDD

EDD declined to hold an exit conference since, they explained, one of their key employees was out of town and that we had provided them with only a day's notice. Therefore, they stated that this employee would not be able to attend the conference.



Harvey M. Rose  
Auditor General

May 6, 1974

Staff: John McConnell  
Jerry Hawes  
Gary Crews  
David Tacy

COPY

June 28, 1973

SRS-IX-CSA

VIA TELECOPIER

Comments - Memorandum of Agreement between Secretary, HWA, State of California, AND Administrator, SRS, re: Second Year Continuation of CWEP  
xx (Revised Draft 6/26/73)

To: Mr. Gates L. Plumb, Chief  
Demonstration Projects Branch, SRS  
DHEW, Washington, D.C.  
Attn. Penny Pendell

CSA/SRS Region IX has reviewed the above proposed "Memorandum of Agreement" and has the following comments:

1. Overall, the agreement does not assure any commitment from the State of California to implement the recommendations of the Regional Office review of CWEP. While the agreement speaks to the general issues raised by the RO and CO review, it does not include specific methods or procedures that would assure attainment of the project's objectives. Furthermore, the agreement does not include specific dates of accomplishment or guarantees of follow through where new procedures are proposed. The agreement reiterates earlier State commitments which were never met, or were met after the fact.
2. The State submitted child care plans one year after CWEP implementation; however, the submission of these plans does not assure that the plans will be carried out.
3. The bimonthly reports for the first year were submitted on June 1973. We should require a guarantee of timely submission during the second year. Furthermore, the bimonthly report should include a count of the number of participants leaving an assignment for a job directly relating to CWEP participation. An unduplicated count of persons referred to and participating in CWEP should be broken out, e.g. a count of new referrals and participants in CWEP in a given month as opposed to participants enrolled in a previous month.
4. The RO has not received a copy of the newly developed data collection system and we cannot comment on its adequacy for evaluation of project effectiveness.
5. The client evaluation forms (JSWE-30) are not required to be completed by the user agencies. We feel that the use of these forms should be required by the user contract. Furthermore, the material submitted by the State on June 12, 1973, indicates that the revised JSWE-30 is in clearance. There is no indication that this form or an alternate procedure has been implemented in the counties.



6. The agreement in question number 7 is contradictory. The State declares that CWEP is not a skills training program; however, plans to utilize skill level as a basis for assignment (item #4). We feel a more standardized method of assignment should be used which would give consideration to the nature and value of the work experience and the length of time of the assignment.
7. The proposed system to account for administrative costs is inadequate. There is no method to provide for cost allocation among the three self-support programs of WIN, Employables and CWEP. The State agrees only to a quarterly report of grant information. Coding functions of WIN and ES funded staff are not sufficient. This information should also be collected and reported quarterly. Furthermore, the State should collect and identify the costs of colocated service staff in non-WIN counties, transportation, child care, and costs of income maintenance staff.
8. With regard to WIN participation levels, the May 1973 figures suggest that one CWEP count is below the minimum and levels for 7 CWEP counties are not reported. There should be assurances that the State will review these levels on a monthly basis. Furthermore, Exhibit "E" of the June 12, 1973, material indicates that the State is placing non-Federally eligible AFDC recipients in CWEP which is counter to the guidelines.
9. With regard to question 10, there should be assurances that Social Services staff do not determine incapacities or exemptions as these functions are part of eligibility determination.
10. Assuming the new service regulations are passed as planned, we note that an additional use of 1115(b) will be necessary on January 1, 1974. This relates to Section 221.53 regarding Federal financial participation for costs of employment services for persons not participating in WIN.

Philip Schafer  
Regional Commissioner

CSA:JLEMasurier/IRoss/CRosen/LDinniman--bt 6/28/73

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

May 23, 1973

SRS IX-3

CWEP Continuation

Philip Schafer  
Regional Commissioner

Mr. Larry Plumb and Miss Pendell, of his staff called to state that they are in the process of developing a recommendation to Dr. Garrett that the project not be approved for continuation.

This decision, by Dr. Garrett, is based on the fact that the negative factors far outweigh the positives. The State's written request, our site visit reports and C.O. staff comments are such that approval should not be recommended.

There is full awareness that this decision, based on program integrity may be reversed.

Lucy H. Ellison  
Deputy Regional Commissioner  
for State Programs

cc: Hall - CSA  
Foster - APA  
Leibowitz - R&D

SRS/ORC/LHellison kp 5/23/73

FILE  
COPY

OFFICE	SURNAME	DATE	OFFICE	SURNAME	DATE	OFFICE	SURNAME	DATE
	L.H.	5/23						

METHODOLOGY USED TO DETERMINE  
ACTUAL CWEP PARTICIPATION

The state's original application to conduct the CWEP experiment to the United States Department of Health, Education and Welfare dated April 5, 1972 called for a level of participation on an annualized basis of 58,776 CWEP participants. This application also projected 15,750 man-years of CWEP participant activity. This translates into 189,000 first year man-months of activity. While the final approval from HEW given on June 6, 1972 authorized a participation rate on an annualized basis of only 30,000, it is important to consider the April 5, 1972 submittal to HEW because this is the only time in the history of the project where the state agency has clearly differentiated between individual participants and man-months of participation. In all subsequent applications for CWEP renewal activities and in all subsequent public utterances to the Legislature, to the press and to HEW in bimonthly activity reports, the distinction between individual participants and man-month of activity has been obscured. The projected participant level of 58,776 over the projected man-month figure of 189,000 indicates an anticipation at one time that an average CWEP recipient would spend an average of 3.2 months in CWEP activities.

The federal authorized level of 30,000 participants on an annualized basis would appear to allow for 96,000 man-months of activity (30,000 x 3.2). In fact, the only level of activity reported at the end of June 1973, the conclusion of the first 12 full months of program activity, indicated 1,827 participants. This was in fact man-months in the program. Actual achievement, then, in the first year would be measured by 1,827 over 96,000

or an achievement of 1.9 percent of the first year's goal for participation in the program. The state agency in its application to continue the CWEP experiment for the second year agreed with HEW to establish a goal of 5,500 participants in the second year. Again using the average of 3.2 man-months, this would call for the equivalent of 17,600 man-months of activity. Participant activity levels for the months of April, May and June 1974 are of course not available at this time. However, if the March 1974 level of activity which was twice as high as any previous month in the history of the project were attributed to each of the months of April, May and June 1974, the level of achievement relative to expectations could then be expressed as 3,559 over 17,600. In terms of participant activity, this amounts to an achievement of only 20 percent of the already substantially reduced anticipated program impact.

The state submitted to the United States Department of Health, Education and Welfare its application for a third year extension of the project in April of 1974. In that application for renewal the state avoided a discussion of the anticipated level of participant activity. However, it is clear from fiscal calculations that the anticipated level of activity for the fiscal year July 1974 through June 1975 has been further reduced. Fiscal projections were based on an average of 870 recipients in each of the 12 months in the fiscal year. This would call for 10,440 months of participant activity. Again using the average of 3.2 man-months per participant, one may then estimate that the state's expectation is that 3,263 individual participants will participate in the CWEP activities during the third year of the programs' operation.

REPORTED MONTHLY CTEP PARTICIPATION BY COUNTY

County	1972												1973												1974		
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.						
Ventura	68	14	7	11	17	30	28	22	4	-	6	7	4	2	2	1	6	8	6	6	3	1					
Butte	2	8	8	5	9	11	14	5	-	6	9	10	-	1	-	1	1	1	-	-	-	-					
Madra	12	12	14	12	12	13	17	13	11	11	11	9	2	7	3	1	7	7	6	6	3	3					
Kern	-	-	-	-	11	7	6	2	8	11	8	49	4	21	3	2	21	25	23	45	47	-					
Kings	2	9	2	9	14	10	29	24	60	41	23	4	-	-	-	-	-	-	-	-	-	-					
Piacer	-	-	-	-	14	41	46	22	33	23	75	72	45	46	46	17	60	33	46	47	61	-					
Fresno	-	-	-	-	-	6	39	43	36	21	25	18	19	14	7	2	9	1	1	1	1	64					
Lassen	-	-	-	-	-	-	2	7	2	1	1	2	-	5	-	3	-	3	16	5	7	-					
Modoc	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-					
San Joaquin	-	-	-	-	-	-	76	58	27	35	150	86	30	32	10	20	36	17	11	11	19	94					
Siskiyou	-	-	-	-	-	-	-	2	22	3	4	3	27	-	-	-	2	5	-	-	-	5					
Sutter	-	-	-	-	-	-	-	-	6	8	8	2	-	-	-	-	-	-	-	-	-	-					
Yuba	-	-	-	-	-	-	-	-	-	6	1	1	1	-	2	-	9	16	31	27	51	-					
Tulare	-	-	-	-	-	-	-	-	-	2	2	2	-	5	-	-	1	3	3	1	3	-					
Santa Cruz	-	-	-	-	-	-	-	-	-	2	16	5	5	5	5	4	2	-	1	11	32	-					
Yenterey	-	-	-	-	-	-	-	-	-	8	-	1	-	-	14	2	1	-	1	14	19	-					
Humboldt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15					
Sonoma	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	-	1					
Alameda	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3	6	2	2	60					
Contra Costa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-					
El Dorado	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	1	4	1	1					
Marin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13	2	17	-					
Merced	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Mendocino	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
San Mateo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	5	-	-	-					
Sacramento	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	3	13	-					
San Francisco	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	2	1	1	7	3					
San Luis Obispo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1	-	-	28					
Santa Barbara	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Santa Clara	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1	1	-	8					
Shasta	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	9	2	3	46	-					
Solano	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-					
Stanislaus	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	7	-	3	15	-					
Yolo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1	6	4	4	-					
State-wide	82	34	31	37	77	118	257	198	210	164	330	289	138	137	92	53	162	153	183	229	603	-					

Number of Participants in CWEP <sup>1/</sup>  
By Length of Time in CWEP Assignments

<u>Months in CWEP</u>	<u>Persons</u>
One	3
Two	23
Three	31
Four	31
Five	28
Six	26
Seven	18
Eight	13
Nine	2
Ten	6
Eleven	6
Twelve	7
Over Twelve	12
Unknown	<u>7</u>
Total	<u>213</u>

<sup>1/</sup> Based on a review of case records by staff of the Office of the Auditor General of all persons reported to be participating in CWEP assignments in Fresno, Placer and San Joaquin Counties in May 1973.

Note: 90 participants, or 30 percent of the total, were in the program for six months or longer. Nineteen participants, or 9.4 percent of the total were in the program twelve months or longer.