

# OVERVIEW

## *Audit of the Department of Human Services' Temporary Assistance for Needy Families Program*

Report No. 06-02, January 2006

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### Summary

This audit was conducted in response to House Concurrent Resolution No. 58 (HCR No. 58) of the 2005 legislative session, which resulted from concerns expressed by legislators and community members alike about the department's management of its TANF program. Stakeholders have been frustrated in attempts to obtain useful and timely information about the department's plans and achievements related to TANF, leading some to suspect the department has sought to actively circumvent legislative intent.

HCR No. 58 cited two specific uses of TANF funds that raised questions about the department's strategies and decisionmaking process. The first involves an agreement with the Office of the Lieutenant Governor for \$1 million to conduct a drug and alcohol prevention media campaign. The second involves a \$625,000 contract with the State Foundation on Culture and the Arts intended to cover the governor's cut of \$500,000 from the foundation's \$1.1 million appropriation.

We found that while the department's spending comports with federal guidelines for TANF that allow states flexibility to design programs to meet unique needs, it has not developed long-term plans, adequate performance measures, or a process for public involvement in setting policies and priorities. These deficiencies impair its accountability and the public's ability to scrutinize its actions. Consequently, the department's decisionmaking is guided by the availability of federal funding rather than a comprehensive plan and coherent strategies.

Documents identified by the department director as TANF plans included testimony to the Legislature, press releases, slide presentations announcing and explaining newly created programs, the agency's annual report to the Legislature, and its six-year program and financial plan. We found that this collection of documents does not constitute a plan and is incapable of providing a cohesive, forward-looking picture of the department's goals, reasons for its selected priorities, or intended results of its actions. Consequently, the Legislature and the public are left guessing about the department's priorities and their impact on poverty.

We also found that the department's contract files do not reflect consistent adherence to its established program development process and procurement best practices. Vaguely worded contractual agreements provide little indication of the nature of the services to be rendered. Further, the contracts lacked documentation demonstrating that the department followed a deliberate process seeking to ensure taxpayer resources were applied where they would have the greatest impact possible. An example of these poor contracting practices is the \$1.4 million contract for after school pregnancy prevention programs at nine charter schools, which among them enrolled 388 students in grades 7-12. The contract lacked



substantial rationale and accountability provisions and appears to have been engineered to continue an existing education program whose funding was expiring. Even the attorney general objected to the original proposed contract scope.

Overall, we found that the department's management practices for TANF lack the transparency and accountability that exists in other states and that the Legislature was justified in placing limits on the department's expansion of TANF fund expenditures. In researching other states, we found that although departments in some states adopted performance management principles on their own, in others, the state's legislature, like Hawai'i's, imposed accountability and oversight measures. In our report, we describe some of the accountability and oversight options that could be employed by Hawai'i's Legislature if the department continues to fall short in planning and accountability for its administration of TANF.

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## Recommendations and Response

We recommended that the department establish a strategic planning process to define and communicate the department's priorities, goals, and objectives, including relevant, quantified benchmarks, performance measures, and timeframes.

We also recommended that the department improve its contracts for services to ensure that they are extensions of strategic objectives, properly justified with clear links to documented objectives, quantified deliverables or outcomes, and incentives for contractor performance.

Finally, we recommended that the Legislature consider using its appropriation authority under federal law to guide the department's TANF spending unless adequate changes are made to its planning and accountability practices. Measures adopted by legislatures in other states may provide models for strengthening oversight over TANF spending.

The department responded to a draft of the report, citing specific sections it agreed with, some it disagreed with, some it felt contained errors. We carefully reviewed the department's objections and related passages in our report and found no need for corrections or clarifications.

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