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TO THE
ARIZONA LEGISLATURE

Performance Audit Division

Performance Audit

Department of Economic Security—
Service Integration Initiative

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STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

Debra K. Davenport
Auditor General

The **Auditor General** is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.

The Joint Legislative Audit Committee

Audit Staff

July 19, 2005

Members of the Arizona Legislature

The Honorable Janet Napolitano, Governor

Mr. David A. Berns, Director
Arizona Department of Economic Security

Transmitted herewith is a report of the Auditor General, A Performance Audit of the Department of Economic Security—Service Integration Initiative. This report is in response to a November 20, 2002, resolution of the Joint Legislative Audit Committee. The performance audit was conducted as part of the sunset review process prescribed in Arizona Revised Statutes §41-2951 et seq. I am also transmitting with this report a copy of the Report Highlights for this audit to provide a quick summary for your convenience.

As outlined in its response, the Department of Economic Security agrees with the finding and plans to implement all of the recommendations.

My staff and I will be pleased to discuss or clarify items in the report.

This report will be released to the public on July 20, 2005.

Sincerely,

Debbie Davenport
Auditor General

Enclosure

SUMMARY

The Office of the Auditor General has conducted a performance audit of the Arizona Department of Economic Security's (Department) service integration initiative pursuant to a November 20, 2002, resolution of the Joint Legislative Audit Committee. The service integration initiative is a major attempt to restructure the Department's service delivery approach. Its intent is to improve outcomes for families served and maximize services provided with the resources available.

This audit was conducted as part of the sunset review process prescribed in Arizona Revised Statutes §41-2951 et seq and is the fourth in a series of six reports on the Department of Economic Security. The three reports already issued have examined the Department's welfare programs (Auditor General Report No. 04-02), the unemployment insurance program (Auditor General Report No. 05-01), and information security (Auditor General Report No. 05-04). Subsequent reports will review the Division of Developmental Disabilities and analyze the Department based on the 12 statutory sunset factors.

In 2004, department management issued a new statement of the Department's vision, mission, and guiding principles in its strategic plan. Among the new principles were three that focused on improving the Department's level of integration: 1) effective integration of systems of care, 2) service coordination across systems, and 3) partnership with communities. The Department has six divisions that provide many different services to individuals and families with needs related to a wide range of factors such as aging, income, unemployment, and disability, and an additional three divisions providing administrative support. Historically, government agencies such as the Department that administer federal and state human services programs have administered services in a "siloed" manner. Although the Department has attempted some service integration pilots in the past, there has been little or no coordination between programs administered by different divisions. The current service integration initiative is designed to change this condition.

Service integration is not a new idea, but the federal government's 1996 Personal Responsibility and Work Opportunity Reconciliation Act, which is more commonly called welfare reform, re-energized the idea because the federal legislation led many

states to examine the links between their cash assistance and job training and placement programs. The Department's current efforts are comparable with current trends in other states. Some efforts are system-oriented, emphasizing organizational reform; others are service-oriented, emphasizing the development of systems and processes that will improve the client experience and lessen service fragmentation; and a third approach emphasizes bringing together different sectors such as education, mental health, and juvenile justice.

Department should take steps to ensure service integration efforts are sustainable (see pages 7 through 18)

The Department's first steps to implement its current service integration initiative appear to be in keeping with recommended practices drawn from studies of such efforts. Department management have expressed their commitment to service integration and taken steps to coordinate planning so they can communicate a consistent message to staff. Management has also participated in planning activities related to service integration that focused on nationally recognized programs, and started to look at system-oriented issues, such as funding mechanisms and information systems, that will support its service integration efforts. At the same time, the Department has also implemented several local service-oriented efforts that emphasize developing systems and processes that will improve the client experience and reduce service fragmentation. The Department's effort will eventually have to address a number of staffing-related issues such as hiring staff with the necessary qualifications and providing training. Finally, the Department is working to improve communication and collaboration with other governmental and nongovernmental organizations.

To help ensure it meets its service integration goals and can sustain integration into the future, the Department should learn from its own previous efforts, establish comprehensive outcome measures, and evaluate outcomes of its current initiative. Although some past efforts were evaluated, the Department has not systematically assessed lessons learned from previous integration efforts that did not continue past their pilot stage, such as a federally supported Community Services Integration Project (CSIP) that operated in Flagstaff the 1980s, and an Integrated Service Office (ISO) pilot project that operated in west Phoenix in the 1990s. The ISO pilot project was not evaluated after it ended, so no lessons learned or explanations for termination were documented.

In contrast to previous initiatives, the Department regards its current initiative as a change in the way it does business, not a pilot program, and it has developed

guiding principles that include evaluating services for outcomes. However, to help ensure its service integration efforts succeed and are sustainable in the future, the Department should identify and make plans to overcome the barriers to success encountered by past efforts. In addition, it should continue to share experiences and ideas from local office initiatives with other local offices, to facilitate their development of successful service integration initiatives, and identify measurable outcomes, assess the implications of relying on its current measures, and evaluate the success of its service integration efforts.

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INTRODUCTION & BACKGROUND

The Office of the Auditor General has conducted a performance audit of the Arizona Department of Economic Security's (Department) service integration initiative pursuant to a November 20, 2002, resolution of the Joint Legislative Audit Committee. The service integration initiative is a major attempt to restructure the Department's approach for delivering services. Its intent is to improve outcomes for families served and maximize services provided with the resources available.

This audit was conducted as part of the sunset review process prescribed in Arizona Revised Statutes §41-2951 et seq and is the fourth in a series of six reports on the Department of Economic Security. The three reports already issued have examined the Department's welfare programs (Auditor General Report No. 04-02), the unemployment insurance program (Auditor General Report No. 05-01), and information security (Auditor General Report No. 05-04). Subsequent reports will review the Division of Developmental Disabilities and analyze the Department based on the 12 statutory sunset factors.

Department vision, mission, and guiding principles

In 2004, department management issued a new statement of the Department's vision, mission, and guiding principles in its strategic plan (see text box on page 2). To achieve its vision of safe and secure children and families, the Department identified: 1) effective integration of systems of care, 2) service coordination across systems, and 3) partnership with communities, among several other guiding principles. These ideas accord with service integration literature, which states that a program needs a clear mission with specific goals to integrate services successfully. The Department had already begun moving forward with actions designed to implement a new service delivery system that would incorporate these three principles before it officially adopted its new statement. Specifically, it started to implement service delivery changes in one of its Tucson field offices in December 2003, which are still under way. According to research literature, service integration is an ongoing process, which department officials also believe.

Vision

Every child, adult and family in the State of Arizona will be safe and economically secure.

Mission

The Arizona Department of Economic Security promotes the safety, well-being, and self-sufficiency of children, adults and families.

Guiding Principles

Systems of Care must:

- Be customer- and family-driven
- **Be effectively integrated**
- Protect the rights of families and individuals
- Allow smooth transition between programs
- Build community capacity to service families and individuals
- Emphasize prevention and early intervention
- Respect customers, partners and fellow employees

Services must:

- Be evaluated for outcomes
- **Be coordinated across systems**
- Be personalized to meet the needs of families and individuals
- Be accessible, accountable and comprehensive
- Be culturally and linguistically appropriate and respectful
- Be strength-based and delivered in the least intrusive manner

Leaders must:

- Value our employees
- Lead by example
- **Partner with communities**
- Be inclusive in decision-making
- Ensure staff are trained and supported to do their jobs

Source: Arizona Department of Economic Security, Strategic Plan for State Fiscal Years 2006-2010. (emphasis added)

Department structure and service delivery

The Department has six divisions that provide many different services to children, adults, and families with needs related to a wide range of factors such as aging, income, unemployment, and disability:

- **Aging and Community Services**—administers a variety of programs that serve at-risk and older adults, victims of domestic violence, refugees, the homeless, and the hungry. The program also provides temporary financial assistance in emergencies.

- **Benefits and Medical Eligibility**—provides welfare services such as food stamps and cash assistance. It oversees the State's Temporary Assistance for Needy Families (TANF) program, and determines eligibility for medical assistance and disability services.

- **Child Support Enforcement**—enforces child support obligations and medical support through various administrative and judicial means, including locating absent parents and establishing paternity.

- **Children, Youth and Families**—manages Child Protective Services (CPS), which receives, screens, and investigates reports of alleged child abuse and neglect. It also provides centralized administrative support services for adoption programs.

- **Developmental Disabilities**—administers and manages the various programs, services, and supports for Arizona residents who have been diagnosed with autism, cerebral palsy, epilepsy, or mental retardation and who meet certain eligibility requirements.

- **Employment and Rehabilitation Services**—administers a variety of work-related programs that provide counseling, education, training, rehabilitation, job placement, and recruiting. It certifies small family childcare homes and provides childcare assistance to eligible families. Finally, it collects unemployment taxes from employers and pays unemployment insurance benefits to eligible individuals.

Historically, government agencies such as the Department that administer federal and state human services programs have administered services in a "siloed" manner. The Department has nearly 250 office locations throughout the State. In many Arizona cities, the divisions have offices that are geographically separated from each other, so that persons who need multiple services must visit several offices. For example, in Prescott and Prescott Valley, there are nine different programs working out of nine separate locations. Although changes are underway in some field offices

where divisions are co-located, historically there has been little or no coordination between programs administered by different divisions. As a result, with the exception of some past pilot programs, there has been little opportunity to take a more holistic approach to learning a client's particular needs and assessing how best to meet those needs through the many programs and resources that are available.

In addition to its divisions that provide services to the public, the Department has two divisions—the Division of Technology Services and the Division of Business and Finance—that provide administrative support to the Department. Finally, the Department has a Division of Employee Services and Support with responsibilities for a variety of functions including employee training, special investigations, group home licensing, and administrative hearings for individuals wishing to appeal department decisions.

Service integration

Service integration—
According to the Department, service integration is a service delivery model that helps programs meet families' needs through a more holistic, inclusive, and strengths-based approach, focusing on both coordination of department programs and on strengthening relationships with community partners.

Although no widely accepted definition of service integration exists, the idea of integrating services has been recommended for many years. In the early 1970s, in response to the proliferation of overlapping and conflicting federal programs that were developed in the 1960s, policy-makers at both the federal and state levels began to implement reforms to reduce program fragmentation at the federal, state, and local levels. In the spirit of these early national endeavors, the Arizona Legislature established the Department of Economic Security in 1972. It consolidated six major public assistance and employment programs into one state agency with the expectation that this organizational structure would reduce duplication of administrative efforts, services, and expenditures. Reorganizing systems to improve operational efficiencies does not guarantee a more coordinated, integrated manner of delivering services.[1] Arizona is no exception to this research finding. Even though it has attempted some service integration pilots in the past, and made organizational changes during its more than 30 years of existence, department officials nonetheless still characterize the state of its current service delivery system as "siloed."

The Department's current service integration initiative follows a national trend. Collaborative efforts, such as service integration, have again come to enjoy broad acceptance in political and professional circles for addressing a variety of problems in the human services system. Service integration is not a new trend, but Congress re-energized the idea in 1996 when it passed the Personal Responsibility and Work Opportunity Reconciliation Act, which is more commonly called Welfare Reform. The Act provided funding through Temporary Assistance for Needy Families (TANF) block grants that gave states more flexibility, and required nearly all recipients to participate in work activities. The increased flexibility led many states to examine the links between their cash assistance and job training and placement programs through the

[1]   Pindux, Nancy, Robin Koralek, Karin Martinson, and John Trutko. *Coordination and Integration of Welfare and Workforce Development Systems*. Washington, D.C.: U.S. Dept. of Health and Human Services, March 2000.

Jobs program.[1] (For additional information on Arizona's welfare reform activities, see Auditor General Report No. 04-02).

Since there is no widely accepted definition of service integration, this report follows the Department's approach, and defines "service integration" as a service delivery model that helps programs meet families' needs through a more holistic, inclusive and strengths-based approach, focusing on both coordination of department programs and on strengthening relationships with community partners. Although definitions vary, the research literature tends to characterize service integration efforts as system, service, or community-oriented. System-oriented efforts emphasize organizational reform, while service-oriented efforts stress developing systems and processes that will improve the client experience and lessen service fragmentation, and community-oriented efforts emphasize bringing together different sectors such as education, mental health, and juvenile justice. Field research completed by the Rockefeller Institute in 2002 found that the most comprehensive examples of service integration occurred in locations where both system and service strategies were implemented.[2] Some of the Department's activities could be characterized as system, service, or community-oriented activities.

Scope and methodology

This audit reviews the Department's efforts thus far in implementing its service integration initiative. Where information was available from experts or from studies of other, similar efforts, the audit compares the Department's approach with the recommendations from these sources. The audit also provides recommendations for helping to ensure that the Department can sustain its service integration initiative into the future.

Auditors used several methods to review the issues addressed in this audit. To develop the finding, auditors reviewed the Department's relevant statutes and rules. Auditors also reviewed annual reports (2001-2003), strategic plans (2004-2010), welfare reform reports (2003), a grant application to attend a National Governor's Association's (NGA) policy academy, and a 2004 final report to NGA. Auditors interviewed department management and staff, a former department executive, faculty in Arizona State University's College of Public Programs, a nationally recognized expert on service integration, and the Governor's policy advisor, who was involved with the NGA grant and the Governor's Efficiency Review. Auditors also reviewed various presentations by outside organizations, including:

- Maximus, a private firm that conducted an organizational review of the Department;

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[1]   Nagle, Ami. S*ervice Integration: An Overview of Efforts and Issues in the Field*. Grantmakers Income Security Taskforce, June 2003.

[2]   Ragan, Mark. *Building Better Human Service Systems: Integrating Services for Income-Support and Related Programs.* Albany, New York: The Nelson A. Rockefeller Institute of Government, June 2003.

- Merced County's (California) human services agency;

- The Annie E. Casey Foundation; and

- The Virginia G. Piper Charitable Trust

Finally, auditors reviewed case studies and evaluations regarding other service integration efforts and literature on the theory and practice of integrating services in human services agencies.

To develop the introduction and background section, auditors reviewed literature on the history of service integration, interviewed current and past department management and staff, and compiled unaudited information from state and federal laws and regulations, department reports, federal reports, and other information provided by the Department.

The information reported in both the introduction and the finding relies primarily on interview evidence and self-reported agency information. Throughout the audit, audit staff made a concerted effort to interview the executive, middle-management, and field office staff that the Department had identified as key contacts or participants in the service integration activities that this report discusses. However, documentary evidence was unavailable to corroborate much of the information that key department management and staff reported.

The audit was conducted in accordance with government auditing standards.

The Auditor General and staff express appreciation to the director of the Department of Economic Security and his staff for their cooperation and assistance throughout this audit.

FINDING 1

Department should take steps to ensure service integration efforts are sustainable

The Department's first steps at implementing its service integration initiative appear to be in keeping with recommended practices drawn from studies of such efforts, but as it continues to implement the initiative, the Department needs to identify measurable outcomes and evaluate the success of its service integration efforts. Positive steps under way include strong support from department management, communicating a consistent message to all staff, and planning efforts toward resolving potential problems with funding "silos." The Department has also implemented several local service-oriented efforts that emphasize developing systems and processes that will improve the client experience and alleviate service fragmentation. However, it still needs to ensure its efforts are sustainable, and it needs to establish, measure, and document outcomes to determine whether its efforts are achieving the stated goals.[1]

Management's initial efforts appear on track

So far, the Department's efforts appear to mirror efforts in other states and reflect an understanding of the key factors for success. The Department is addressing many issues raised in the literature that have been identified as potential barriers to success; for example, adequate vision, leadership, administrative support, and planning, but the agency is only at the very beginning stages in developing specific strategies to address these and other issues. Implementing large-scale service integration in an umbrella agency such as the Department requires clear support from senior management and central planning. Further, integrating services within such an agency requires building appropriate managerial or administrative connections. For example, administrative support, planning, funding, information-

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[1] The information reported in this finding relies primarily on interview evidence and self-reported agency information. To develop this finding, auditors interviewed key executive, middle-management, and field office staff that the Department had identified as important contacts or participants in its current service integration activities. However, documentary evidence was unavailable to corroborate much of the information that key department management and staff reported.

sharing strategies, and personnel are areas that require organizational initiative.[1] The Department has taken several steps toward these organizational initiatives. Executive staff and managers are working to ensure that all current and new employees are learning about service integration, and the Department has established teams to aid in overseeing and supporting service integration efforts. Some other aspects of administrative support, such as information systems and staffing, are still in very early stages of development, and more time will be needed before they can be assessed.

Early steps indicate management support—The Department's initial activities and planning indicate top leadership is supportive of change. Lack of support from leadership can severely threaten the viability of integrated services.[2] In contrast, strong leaders who are willing to push for reform, persuade others to join the cause, and stick with it until the system changes may be the single most important factor affecting an integration effort's outcome.[3]

Department executives and other managers have expressed their commitment to service integration, and are taking steps to support and coordinate the initiative's goals, so they can communicate a consistent message and achieve the Department's vision (see text box). In addition, the Department's executives and managers have participated in several activities related to service integration that focused on nationally recognized programs. Working with the Governor's Office, the Department obtained a grant from the National Governors Association to attend two policy academies on cross-system innovation in April and September 2004. At these sessions, the representatives developed three specific goals for the Department to focus on immediately:

1) Reducing the number of children in foster care

2) Reducing the number of children in congregate care [4]

3) Reducing growth in the TANF caseload

These goals are consistent with the director's belief that human services programs are prevention programs. Before coming to Arizona, the director pioneered this idea in his work in El Paso County, Colorado, and Michigan.

[1] Gans, Sheldon P., and Gerald T. Horton. *Integration of Human Services: The State and Municipal Levels*. Praeger Publishers, 1975.; Polend, Nancy L. Making Service Integration a Reality. *Policy and Practice*, September 2002.

[2] Agranoff, Robert. Human Services Integration: Past and Present Challenges in Public Administration. *Public Administration Review,* Nov/Dec 1991; Gans, Sheldon P. and Gerald T. Horton. *Integration of Human Services: The State and Municipal Levels.* New York: Praeger Publishers, 1975.

[3] Ragen, Mark. *Building Better Human Service Systems: Integrating Services in Income-Support Related Programs.* Albany, New York: The Nelson A. Rockefeller Institute of Government, June 2003.

[4] Institutional care in facilities such as group homes, correctional institutions, shelters, and hospitals.

In the past, lack of clear support may have contributed to the termination of a previous department effort to achieve service integration. In 1985, Arizona participated in a federal pilot program designed to help families achieve self-sufficiency through better employment opportunities. The Community Services Integration Project (CSIP) ran in Flagstaff for nearly 2 years (1987-1989), and its evaluation concluded that the pilot project reduced duplication and gaps in services. However, the evaluation report also indicated that the project's key supporters, including the Department's director, were gone by the time the pilot program concluded. Once the pilot concluded, federal funding was not provided to expand the program. Without support, a new funding source was not identified.

Ways to deal with funding "silos" are being reviewed—Funding mechanisms, which are set up largely on a program-by-program basis, represent a potential source of problems for service integration efforts, and the Department is working on ways to monitor and address this matter. Much of the Department's funding comes from federal programs that support specialized activities and narrowly defined target populations. As a result, the Department—like its counterparts in other states—has developed specialized organizational structures and processes to implement the federal programs. These funding "silos" have constrained and hampered integration since the earliest efforts, because every program has different eligibility and reporting requirements.

Although the Department cannot change federal requirements, managers in its Division of Business and Finance (DBF) have expressed their intention to resolve funding-related problems as they arise. In addition, the Department has established an administrative support team for the service integration initiative. The team is developing a service integration tool kit (see text box) to serve as a resource for all field offices wanting to better integrate services. The tool kit is still in draft form, but the outline indicates that it will include cost allocation models for sharing costs.

Management's Support

- A service integration steering committee, which includes the director and his deputy directors and assistant directors, meets biweekly
- A designated employee has the sole responsibility of facilitating the service integration initiative
- A core service integration team will oversee the service integration efforts and report to the steering committee
- An administrative support team performs trouble-shooting to help local programs with barriers to integration

Efforts To Communicate a Clear, Consistent Message to Staff

- Disseminate information and obtain feedback on proposed service integration strategies and methodologies at regularly scheduled events
- Developed a video presentation to show to every current and new employee
- Published a wallet-size tri-fold for its staff, which states its vision, mission, and guiding principles

Service Integration Tool Kit—The tool kit will provide local offices with a structured, but not prescribed, starting point for their service integration efforts. It will consist of a resource guide and a workbook. The guide will include items such as a phone list of important contacts, sample floor plans, and facilities checklists. It will also include information on overcoming administrative barriers, cost allocation, and involving the community. The workbook will offer ideas on how to proceed and best practices to consider in undertaking an integration effort.

These steps appear consistent with federal efforts to provide a somewhat greater degree of funding flexibility. The U.S. government recognizes the limitations created by its funding requirements and has taken some steps to give states more flexibility, such as providing some funding in the form of block grants and allowing states to apply for waivers from some requirements.[1] In addition, one federal funding source—the TANF Block Grant—actually encourages service integration. Under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (welfare reform), Congress set requirements for cash assistance recipients to participate in work activities. Implementing this requirement requires coordination, if not integration, between cash assistance, Jobs, and childcare programs.

Preliminary work under way to address substantial information-sharing issues—The Department's efforts regarding information-sharing are in the early stages, but so far they reflect an awareness of this area's importance. Agencies have recognized the importance of information sharing since the earliest efforts to integrate services.[2] However, issues of confidentiality, development costs, and program fragmentation often limit the amount of shared information. For example, a study by the Rockefeller Institute of Government reports that by 1998, the Nebraska Department of Health and Human Services spent over $58 million on an integrated information system, and California's and Texas' human services agencies have each spent over $250 million developing their systems.[3,4] In addition to the high costs, these systems can take years to implement. For example, Nebraska required more than 7 years to develop its new shared-information system, Texas projects it will need 7 years, and California projects it will require approximately 10 years for its project.

The Department is taking steps to improve its information systems' ability to support service integration. The Department's current information systems are based upon 1970s and 1980s mainframe technology. Much of the Department's human services information is collected and stored multiple times on the mainframe computer because each program's information system operates independently. These systems create an inflexible environment that does not easily meet the Department's future needs. The Department has identified a long-term goal to replace its mainframe technology with a Web-based system that includes integrated

> The Department's current information systems are based upon 1970s and 1980s mainframe technology.

[1] Parrott, Sharon, and Stacy Dean. *Aligning Policies and Procedures in Benefit Programs: an Overview of the Opportunities and Challenges Under Current Federal Laws and Regulations*. Center on Budget and Policy Priorities, January 2004.

[2] HEW Task Force, 1972 U.S. Dept. of Health, Education, and Welfare: Social and Rehabilitation Service. *Integration of Human Services in HEW: An Evaluation of Services Integration Projects (Volume 1)*. 1976.

[3] Ragan, Mark. *Service Integration Supported by Information Technology—the N-FOCUS System in Nebraska*. Albany, NY: The Rockefeller Institute of Government, April 2002.

[4] California's Health and Human Services Agency has spent the money on its Statewide Automated Welfare System (SAWS). Consortium IV, which includes San Bernardino, Stanislaus, Riverside, and Merced Counties, uses SAWS. Texas' Health and Human Services Commission spent its money on the Texas Integrated Eligibility Redesign System.

information. Meanwhile, it is working on two interim solutions: a decision support system and a central information file that will enable staff to obtain client information from multiple systems that still reside separately on the mainframe. However, department officials also report that they plan to move forward with their current service integration efforts despite lacking this technology.

Technology and IT systems offer both promise and difficulty with regard to service integration. For example, technology could support efforts to implement "one-worker" staff models that attempt to use one staff person to deliver services to clients who are involved in a variety of programs. According to several department staff, during the early 2000s, the Department discussed establishing one position to handle TANF, Jobs program, and Child Care Administration assessments as part of its ongoing welfare reform activities. However, department staff report that the idea was never implemented. One department official indicated that a lack of an adequate information system to support such a worker contributed to shelving the idea.

Although an integrated IT system might have helped the Department succeed in implementing a one-worker concept to handle assessments, such systems can take years to develop and require participation by all users in the design and development. They also are inherently difficult to build because of concerns over sharing sensitive information. Finally, other requirements that staff must consider include developing policies that address security and confidentiality across fragmented programs, assuming shared responsibility for system integrity, and developing a system that reflects client needs as well as organizational needs.

Information-Sharing Efforts

Proposed Web-based system to replace mainframe

- Initially focus on three areas: the Jobs Administration, the Child Care Administration, and welfare programs such as Temporary Assistance for Needy Families (TANF)
- Integrate and automate all of these programs' business functions, including intake, registration, eligibility determination, and case management
- Add other programs in phases
- Projected to cost nearly $76 million and take 5 years to implement

Decision Support System

- Enable staff to see data from multiple information systems
- An after-the-fact reporting system
- Will not integrate day-to-day processes such as intake and eligibility determination
- Project will be piloted by the Department starting in June or July 2005

Central Information File

- Enable staff to access limited information about individuals in all the Department's programs
- System will display possible matches and the employee will be able to decide if the matches are the same person
- Accessible to users of desktop computers as well as mainframe users. Phase one should be completed in October 2005.

Staffing will be particularly challenging—The Department's effort will eventually have to address a number of staffing-related issues, and thus far in the process, the Department has not yet begun to address these issues. Efforts to expand services, improve service quality, and minimize cost rely on appropriately using staff.[1] Hiring staff with the necessary qualifications, providing necessary training, and addressing issues such as salary differences between programs are all essential to success. For example, El Paso County, Colorado, found it needed to replace many staff who transferred to different jobs rather than learn the new skills and attitudes required by its new integrated service delivery model.[2]

The Department, like many other state agencies, has difficulty attracting and retaining qualified employees. According to the Department's Personnel Office, the Department experiences high turnover among eligibility interviewers and child protective services caseworkers. Several divisions also have a lot of vacancies, such as Child Support Enforcement and Developmental Disabilities. As it moves forward with service integration, the Department can choose from numerous staffing mechanisms, including joint use of staff, staff transfers, staff out-stationing, or co-location (see text box).[3] In addition, it can consider several other actions to enhance further integrated staffing including consolidating administrative personnel, setting minimum personnel standards at integrated field offices, and developing operating policies and training requirements at field offices. Staffing considerations will also need to include such other considerations as the amount of central staffing needed to support local efforts and the potential effect of staff turnover and caseloads on staffing models.

Department has taken steps to coordinate services and partner in the community

In addition to administrative support, the Department is also taking steps both internally and externally to help develop systems and processes that will improve the client experience and alleviate service fragmentation. Internally, the steps include giving local multi-service offices flexibility in deciding how best to serve their clients, as well as taking steps to provide support and direction from the department level.

[1] Gans, Sheldon P. and Gerald T. Horton. Integration of Human Services: The State and Municipal Levels. New York: Praeger Publishers, 1975; Nittoli, Janice. *The Unsolved Challenge of System Reform: The Quality of Frontline Human Services Workers.* Annie E. Casey Foundation, 2003; U.S. Dept. of Health, Education, and Welfare: Social and Rehabilitation Service. Integration of Human Services in HEW: An Evaluation of Services Integration Projects (Volume 1). Washington, D.C.: U.S. Dept. of Health, Education, and Welfare, 1976.

[2] Hutson, Rutledge Q. *A Vision for Eliminating Poverty and Family Violence: Transforming Child Welfare and TANF in El Paso County, Colorado.* Center for Law and Social Policy, January 2003.

[3] Gans, Sheldon P., and Gerald T. Horton. *Integration of Human Services: The State and Municipal Levels.* Praeger Publishers, 1975.

Externally, the Department is working to improve collaboration with other organizations that also provide services to clients—an important step, according to research conducted on other service integration efforts.

Internal steps allow flexibility as well as providing support and direction—Internally, the Department has implemented several efforts to improve service coordination, client satisfaction, and self-sufficiency. One encourages field offices that house multiple programs to improve service coordination on their own, while others provide support to field offices and create new multi-disciplinary teams to target at-risk families. These efforts appear to be consistent with the Department's guiding principles, which state that systems of care must be customer- and family-friendly and effectively integrated, and that services should be coordinated across systems and personalized to meet the needs of families and individuals. Specifically:

- **Encouraging coordination in multi-service offices**—In 2003, the Department started to encourage several field offices that housed multiple department programs to take the initiative to improve service coordination within their offices.[1] Research literature supports service delivery decisions being made at the local level, closest to those who receive the services.[2] The literature identifies several different strategies for improving client satisfaction and service delivery. Two field offices with multiple programs—Tucson's Irvington office and Phoenix's South Mountain office—responded to executive management's directive to improve service delivery. Each office already had co-located programs, such as TANF (cash benefits) and Jobs (employment) programs, but neither office had good mechanisms in place to encourage integration and referrals. The Department did not mandate how these offices should improve service integration, but instead encouraged the offices to determine what would work best for them and the local community they served. The Department's new administrative support group was formed in part to assist the Irvington and South Mountain field offices with their efforts to improve service delivery by solving administrative problems.

  The Irvington office implemented its initial changes in December 2003; the South Mountain office in April 2004. Both offices started by integrating their TANF and Jobs programs. The Irvington office established a new "customer service representative" position to work with customers for all programs. This position is designed to assess a customer's needs and to direct them to the appropriate services.

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[1] The Department has several multi-service facilities around the State to encourage "one-stop" access to services. This is consistent with a series of case studies by the Rockefeller Institute, which reported that most sites they reviewed used one-stop centers. According to the Rockefeller report, managers in two Wisconsin counties mentioned as good examples of service integration stated that one-stop offices are critical to their efforts to provide comprehensive services.

[2] Waldfogel, Jane. *The New Wave of Service Integration.* Social Science Review, September 1997.

The South Mountain office followed Irvington's approach but made changes to meet its own needs. For example, South Mountain staff asked for a child support enforcement officer to be located on-site for more direct access by TANF applicants.[1] The South Mountain office is now implementing the second phase of its integration effort, which involves greater coordination between benefits programs and Child Protective Services.[2]

These integrated offices should continue to share experiences and ideas with other local offices to facilitate their development of successful service integration initiatives and identify measurable outcomes. Since the changes at Irvington and South Mountain, several other multiple-service offices in Tucson have also reorganized their offices. Others have also started looking at reorganizing their offices, including offices in Casa Grande, Yuma, Show Low, and an additional office in Tucson.

- **Forming multi-disciplinary "Family Connections Teams" to target at-risk families**—In addition to allowing innovation at co-located field offices, the Department has also started to form teams, known as Family Connections Teams, that will focus on families at risk of entering the child welfare system and who might benefit from intensive services. The teams are made up of staff from Child Protective Services, the Family Assistance Administration, and the Jobs program. The Department established two teams in January 2005, one in Phoenix and one in Tucson. The director hopes to have ten teams in place by the end of 2005. The Department assigned the teams to the Division of Aging and Community Services, although actual team members came from three other program divisions.[3]

Both teams have identified their own priority populations. Both teams decided to focus on Kinship Care families because these families, usually grandparents raising their grandchild, can be under a lot of stress and therefore at risk. Additionally, the Phoenix team has elected to focus on families involved in a dependency court and domestic violence shelters, while the Tucson team is starting a partnership with schools in specific zip codes. If the teams determine that a family might benefit from services, they will be authorized to make an immediate benefit determination, in contrast to the Department's normal 30- to 45-day approval process. Both teams adopted two goals in addition to the Department's three goals: 1) reduce recidivism and 2) increase the client's self-

Kinship Care—Kinship care involves the parenting of a child by a relative when the relative takes on the responsibility without court or child welfare agency involvement.

Recidivism—A tendency to slip back into a previous behavior pattern.

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[1] TANF clients who are custodial parents must cooperate with efforts to locate absent parents and establish and enforce child support orders.

[2] The office plans to have Child Protective Services (CPS) caseworkers provide the office's customer service representative with a list of all persons against whom an allegation of abuse or neglect has been made. The customer service representative will in turn notify CPS if any person on the list has other department connections. CPS investigators can then use this information when visiting the client. Historically, this information has not been shared.

[3] The Division of Children, Youth and Families (DCYF); the Division of Benefits and Medical Eligibility (DBME); and the Division of Employment and Rehabilitation Services (DERS).

sufficiency. The teams plan to use an evaluation instrument that has been independently tested for validity and reliability to test client self-sufficiency.

Department is collaborating with others—The Department is also working to improve collaboration with other organizations, a step that is consistent with research recommendations. The Department recognizes that solutions to Arizona's human services problem extend beyond the Department's boundaries. The Department's guiding principles state that systems to serve families and individuals must build community capacity, and that leaders must partner with communities. This recognition is in line with research, such as a 12-state review of service integration programs that identified a high level of cooperation and collaboration between government agencies and community organizations as a critical element for successful implementation.[1] The following are examples of the Department's efforts to work within the communities:

- **Seeking community input**—The Department seeks community input through several key community groups. One is the Economic Security Advisory Council, which was established by statute to enable community representatives to advise the Department. Others are Community Network Teams (CNTs), which were established by the Governor's 2003 Action Plan for Reform of Arizona's Child Protection System to help foster community involvement in improving the child welfare system in Arizona. State-wide, there are about 18 CNTs, which hold regular meetings to provide input to the Department on how the State and communities can better serve their customers by working together. Members include representatives from state agencies, community providers, families, educators, tribes, courts, victim advocates, faith-based and philanthropic organizations, and businesses. The Department has used these gatherings to describe service integration, the potential advantages for the people served, and progress on implementation, and to obtain feedback on how the Department might better integrate services within each community. For example, in July 2004, Pima County's CNT issued a report that included integrated service delivery recommendations.

- **Addressing statutory barriers to co-location**—The Department obtained legislation in the 2005 legislative session to increase its ability to co-locate with other nondepartment programs.[2] Prior to passage of this legislation, the Department lacked the authority to lease unoccupied space in department buildings to other entities. For example, the Department could not sublease space to other agencies or private providers who contract with the Department to provide services. Instead, the Department used co-location agreements and intergovernmental agency agreements for sharing facilities. According to a department report, the new law provides more flexibility to respond to changing circumstances.

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[1] Ragan, Mark. *Building Better Human Service Systems: Integrating Services for Income-Support and Related Programs.* Albany, New York: The Nelson A. Rockefeller Institute of Government, June 2003.

[2] Laws 2005, Chapter 224, 47th Legislature, First Regular Session.

- **Enhancing homeless outreach**—The Family Assistance Administration (FAA) and the Division of Child Support Enforcement (DCSE) are piloting a project at six homeless shelters. The initiative involves having an FAA caseworker go to the shelters to help homeless TANF applicants and recipients with tasks such as filling out department documents, completing paternity affidavits, and obtaining birth certificates. DCSE plans to cross-train the FAA caseworker so she can also assist its homeless clients. Eventually, the Department would like to train shelter staff to develop and complete a single employment plan that complies with both the Department's Jobs program requirements and the homeless shelter's requirements. Although homeless shelters already require their clients to have an employment plan, their plans are not approved by the Department. Developing one employment plan would eliminate the need for clients to manage two employment plans. In addition to these efforts, the Department is involved with other Maricopa County homeless population service providers, such as the Day Resource Center. This Center uses an integrated services model to target chronically homeless individuals. The model is based upon other models used across the country in cities such as Philadelphia. The Center will move to a new Human Services Campus that Maricopa County is constructing in downtown Phoenix, probably later this year.

Service integration efforts must be evaluated

To help ensure it meets its service integration goals and can sustain integration into the future, the Department should learn from its own previous efforts, establish comprehensive outcome measures, and evaluate outcomes of its current initiative. Previous service integration efforts were not always evaluated or continued past the pilot stage. The Department regards its current initiative as a change in the way it does business, not a pilot program, and it has developed guiding principles that include evaluating services for outcomes. However, it has not yet developed comprehensive measures for evaluating outcomes.

Department should learn lessons from past service integration efforts—The Department has attempted service integration in the past. For example, during the 1980s and 1990s, the Department piloted a Community Services Integration Project (CSIP) in Flagstaff and an Integrated Service Office pilot project in west Phoenix. In addition, Arizona's welfare reform program, EMPOWER (Employing and Moving People Off Welfare and Encouraging Responsibility), and the Arizona Works pilot program that privatized employment-related services for welfare recipients linked employment and childcare programs to cash assistance.

Department officials report that the current service integration initiative is not a pilot but a new standard, department-wide business practice. This new practice reflects the Department's new vision, mission, and guiding principles, which state, in part,

that systems of care must be effectively integrated and include partnership with communities. The guiding principles also state that services must be evaluated for outcomes. This principle is consistent with research confirming that evaluating the impact of service integration efforts is an important administrative responsibility because the results can help management respond to technical and logistical problems, make recommendations for program modifications, and assess how and whether to expand programs.[1]

Because evaluating outcomes is one of its guiding principles, the Department should examine past efforts to identify barriers that hampered or led to terminating the efforts, and apply any lessons learned to its current initiative. Although some past efforts were evaluated, the Department has not systematically assessed lessons learned from previous integration efforts. For example, the CSIP program evaluation, which was conducted by a contractor for the U.S. Department of Health and Human Services as part of a multi-state evaluation project, identified possible reasons for the pilot's end (see page 9). In contrast, the ISO pilot project was not evaluated after the program ended, so no lessons learned or explanations for termination were documented. The ISO project, which operated from 1994 through 1998, used assessment specialists with multi-program expertise and a single application form for eligibility assessment and case management duties for several programs.[2] Months after the ISO ceased, a department contractor evaluated the office and included observations on physical reorganization, interagency communication, and administration, but described an office without an assessment specialist and a single application process.

Department should evaluate outcomes—In addition to making sure it understands lessons learned from past efforts, the Department also needs to establish formal mechanisms to evaluate outcomes for its current service integration initiatives. Because a well-designed evaluation plan is such an important component of any service integration effort, the Department should ensure that it develops systematic evaluation activities to ensure that it can learn and apply lessons from its current efforts.

The Department has established three specific, measurable goals (see page 8). The Family Connections Teams have expanded upon these goals. In addition, the Department has identified a validated self-sufficiency assessment tool for measuring this team's client outcomes, and is considering using this tool with other clients.

Although the Department has identified a tool and indicators to evaluate client outcomes, as well as methods to evaluate its own system outcomes for some specific initiatives, these efforts must be expanded and continued. In addition, it

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[1]   Yessian, Mark R., Ph.D. *Learning from Experience: Integrating Human Services. Public Welfare*, Summer 1995.

[2]   Current department staff who worked on the project suggested that it ended mainly due to loss of momentum when original staff left to pursue other job opportunities and program costs. Former program staff said that program worked well for a while, but started to break down when original staff were promoted and replaced by new staff who did not have the same level of buy-in as the original staff.

needs to assess the implications of relying on its current measures. For example, one of its goals is reducing TANF rolls. Without individual level outcome measures such as improved family functioning, number of successfully completed cases, and average improvement in length and quality of employment at the organizational/system level—which is one of the Department's planned strategies for achieving a reduction in TANF caseload growth—the TANF reduction goal could result in unintended consequences for the populations the Department is trying to serve.

Recommendations

1. To help ensure its service integration efforts succeed and are sustainable in the future, the Department should:

    a. Identify and make plans to overcome the barriers to success encountered by past efforts.

    b. Continue to share experiences and ideas from local office initiatives with other local offices to facilitate their development of successful service integration initiatives.

    c. Identify measurable outcomes, assess the implications of relying on its current measures, and evaluate the success of its service integration efforts.

AGENCY RESPONSE

Janet Napolitano
Governor

David A. Berns
Director

Ms. Debra K. Davenport, CPA
Auditor General
Office of the Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Ms. Davenport:

The purpose of this letter is to forward the Arizona Department of Economic Security's written response to the preliminary draft report of the performance audit of the Department's Service Integration Initiative.

The Department is pleased with your recognition of our commitment and initial efforts to implement a new service delivery approach to improve outcomes for families served. We also appreciate the cooperation of your staff throughout the performance audit process.

If you have any questions regarding this response, please contact me at (602) 542-5678 or Susan Hallett, Service Integration Project Coordinator at (602) 542-6017.

Thank you for the opportunity to review the preliminary draft report.

Sincerely,

David A. Berns

Enclosures

ARIZONA DEPARTMENT OF ECONOMIC SECURITY
SUNSET REVIEW ON SERVICE INTEGRATION DRAFT REPORT
RESPONSE TO AUDITOR GENERAL RECOMMENDATIONS
JUNE 30, 2005

Finding 1: Department should take steps to ensure service integration efforts are sustainable.

The Department concurs with the finding.

Auditor General Recommendations:

a. Identify and make plans to overcome the barriers to success encountered by past efforts.

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

DES Response:

There is a strong core team made up of key individuals from all areas (representing both staff and management). They are responsible and accountable for identifying tasks and adhering to timelines. This core team was formed in response to prior experiences indicating there is a need for increased coordination and communication among divisions. The group is documenting checkpoints throughout the process to provide the opportunity to evaluate outcomes, along with identifying and communicating "lessons learned". The information will be utilized to implement any needed changes prior to moving to the next phase. Communication plans are in process that place emphasis on consistent and timely information being distributed to the Agency.

The Agency has placed a strong focus on ensuring that staff be an integral part of the process throughout this initiative. They are encouraged to utilize their knowledge and experience to contribute ideas for change. Focus groups have been, and will continue to be, utilized for development of new processes. An Intranet site is being implemented that will provide a mechanism for communicating to staff as well as soliciting ideas and feedback. In addition, the Department is identifying perceived barriers and developing solutions to further service integration initiatives.

b. Continue to share experiences and ideas from local office initiatives with other local offices to facilitate their development of successful service integration initiatives.

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

DES Response:

The Agency will continue to investigate and rely on what other States and Agencies have done successfully. We also rely on bringing in community representatives as part of the process of identifying needs or procedural changes that will ensure our clients needs are met most effectively.

As a new process is implemented in a local office, it is evaluated to determine if any changes or updates are needed. The results are used to communicate and improve the process prior to incorporating in other offices. An Intranet site is being implemented that will provide a mechanism for communicating to staff as well as soliciting ideas and feedback.

c. Identify measurable outcomes, assess the implications of relying on its current measures, and evaluate the success of its service integration efforts.

The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

DES Response:

A key element to the success of Service Integration is measuring whether the new process is working, along with developing new measures where needed. A team has been established to focus on Performance Management and implement appropriate measures. A consultant will also be utilized to help us ensure we are focused on the right things. The data obtained in the process will be analyzed and utilized to identify areas we need to modify or reevaluate, if necessary, as we progress through the service integration process. The measurements will also identify successes we can use as a communication tool and encouragement for Agency staff as we implement changes.

Performance Audit Division reports issued within the last 24 months

03-05 Department of Economic Security—Child Protective Services—Foster Care Placement Stability and Foster Parent Communication

03-06 Arizona Board of Appraisal

03-07 Arizona Board for Charter Schools

03-08 Arizona Department of Commerce

03-09 Department of Economic Security—Division of Children, Youth and Families Child Protective Services— Caseloads and Training

04-L1 Letter Report—Arizona Board of Medical Examiners

04-L2 Letter Report—Gila County Transportation Excise Tax

04-01 Arizona Tourism and Sports Authority

04-02 Department of Economic Security—Welfare Programs

04-03 Behavioral Health Services' HB2003 Funding for Adults with Serious Mental Illness

04-04 Department of Emergency and Military Affairs and State Emergency Council

04-05 Department of Environmental Quality—Water Quality Division

04-06 Department of Environmental Quality—Waste Programs Division

04-07 Department of Environmental Quality—Air Quality Division

04-08 Department of Environmental Quality—Sunset Factors

04-09 Arizona Department of Transportation, Motor Vehicle Division— State Revenue Collection Functions

04-10 Arizona Department of Transportation, Motor Vehicle Division—Information Security and E-government Services

04-11 Arizona Department of Transportation, Motor Vehicle Division—Sunset Factors

04-12 Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers

05-L1 Letter Report—Department of Health Services— Ultrasound Reviews

05-01 Department of Economic Security—Unemployment Insurance

05-02 Department of Administration— Financial Services Division

05-03 Government Information Technology Agency (GITA) & Information Technology Authorization Committee (ITAC)

05-04 Department of Economic Security—Information Security

Future Performance Audit Division reports

Department of Revenue—Business Reengineering/Integrated Tax System (BRITS)

Arizona State Retirement System