

LINDA LINGLE
GOVERNOR



LILLIAN B. KOLLER, ESQ.
DIRECTOR

HENRY OLIVA
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

April 15, 2009

MEMORANDUM

TO: Honorable Marcus R. Oshiro, Chair
House Committee on Finance

FROM: Lillian B. Koller, Director

SUBJECT: H.C. R. 33, Proposed H.D. 1 – REQUESTING THE AUDITOR TO CONDUCT
AN AUDIT OF CONTRACTS EXECUTED BY THE DEPARTMENT OF
HUMAN SERVICES.
Hearing: Wednesday, April 14, 2009, 11:00 a.m.
Conference Room 308, State Capitol

PURPOSE: The purpose of this resolution is to request the Auditor to conduct a fiscal and management audit of contracts executed by the Department of Human Services.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) respectfully but opposes this resolution as proposed in H.D. 1.

Since the last fiscal year, DHS has issued 57 contracts under HRS, 103D and 644 contracts under HRS, 103. This resolution as written requests the Auditor to conduct fiscal and management audits of all the executed contracts. The audit of each of the over 700 contracts, that would encompass an inclusive review and validation of contract expenditures and services, is a very considerable task involving a substantial resource commitment for DHS (e.g., staff time to retrieve and compile fiscal and administrative documents for the performance period of each contract). This diversion of staff time will adversely impact the ability of our staff to deliver essential services to our most needy citizens. Also, to propose this extra burden on our staff at this time after a year-long hiring freeze and proposed lay-offs and position cuts is untenable and unconscionable.

The total costs to the State associated with the fiscal and management audit of over 700 contracts with a report of findings and recommendations by January 2010 will be prohibitive.

Regarding the references in the resolution questioning the propriety of the contracts awarded by DHS to Benton and Associates and NorthStar, LLC, DHS has already provided requested information on these contracts to the House Finance Committee and the Senate Ways and Means Committee. Information to the Legislature's House Finance Committee and the Senate Ways and Means Committee provided detailed information on the performance of the two companies under their contracts. See the attached letters.

These two contracts were cited as reasons of why an audit is needed of all DHS contracts. Paradoxically, these two contracts have performed very well for our clients and Hawaii's taxpayers.

Unfortunately, some staff and non-profit competitors have raised unfounded concerns leading to this resolution. Their contentions have been refuted in the attached letters from DHS.

For example, with respect to the funding for the Benton & Associates (B & A). B & A's contracts are funded two thirds by federal funds and one third by State funds.

B & A services have resulted in DHS receiving approximately \$21.5 million in additional Federal revenue to date. On this basis, each State dollar expended for the B & A contract has resulted in almost \$14 in additional Federal revenue, a 1,400% return on investment. In addition, B & A has also identified over \$94 million in "Excess MOE" expenditures resulting in the avoidance of \$30 million in TANF fiscal sanctions.

Combining the new Federal revenues, received to date, and the penalty cost avoidance, results in a return on investment of \$20 for every \$1 spent by DHS on the B & A contracts. That's a 2,000% return on investment to date.

Moreover, this is not a one-time infusion of Federal dollars. This increased funding will continue flowing into Hawaii long after the revenue maximization contracts has expired.

B & A consultants are former U.S. officials with an in-depth understanding of complicated and ever-changing Federal regulations. They are also in close contact with current officials in the nation's Capitol. These nationally renowned TANF experts have allowed us to understand and learn the most complex set of TANF rules and regulations regarding caseload reduction, data extraction and reporting, and revenue maximization. Such an outcome would not have been possible without the help of B & A.

Specifically, through Mack Storrs, Debbie Chassman, and Jo Anne Barnhart, B & A has provided very valuable services to DHS, particularly in our Benefit, Employment and Support Services Division (BESSD), affecting Temporary Assistance for Needy Families (TANF) program. Mr. Storrs, Ms. Chassman, and Ms. Barnhart are former U.S. Department of Health and Human Services officials with an in-depth understanding of complicated and ever-changing Federal TANF regulations. Mr. Storrs is the author of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Welfare Reform Law) and the Deficit Reduction Act of 2005; Ms. Chassman headed the Quality Assurance Office at the Federal level; and Ms. Barnhart is the former head of the Social Security Administration.

B & A has helped us successfully seek Federal approval of our TANF State Plan amendments, the TANF Work Verification Plan, and the redesign of the Grant Diversion Program to be compliant with recent Federal regulations. These initiatives, requiring Federal regulatory expertise and delicate Federal negotiations, now enable DHS to avoid Federal penalties and maximize the use of Federal TANF funds on activities that qualify for TANF funding and to earn Excess TANF State Maintenance of Effort (MOE).

This Excess MOE enabled us to meet, for the first time, the TANF Contingency Fund requirement under the Federal Deficit Reduction Act of 2005 (DRA) to earn additional TANF Federal funds. We now qualify for \$20 million more in annual TANF Federal funds.

With respect to DHS' contract with NorthStar, LLC (NSU), the requested information was also already provided by DHS to the House Finance and Senate Ways and Means Committees. This information shows that NSU is fulfilling the terms of its contract by placing welfare clients in numerous white-collar jobs with the potential for wage progression. In fact, NSU's performance exceeds many long-standing contracts awarded by DHS. When compared with the latest performance data of Goodwill Industries and Insights To Success, for instance, NSU has a higher job placement rate and far greater success in placing clients in white-collar jobs.

NSU graduates on Oahu and the Big Island are escaping poverty and turning their lives around by becoming productive, taxpaying citizens who are gaining valuable on-the-job experience in rewarding fields. In addition, NSU graduates who leave welfare for employment produce significant cost savings for the State, given that a typical family of four on welfare receives more than \$46,000 annually in benefits.

So far, a total of 189 welfare clients have participated in NSU vocational training in Honolulu and Hilo, and 166 have graduated. Of the 110 graduates who accepted NSU's assistance in finding jobs, 63% have gained employment since the contract began. Moreover, the job placement rate is accelerating. During 2008, over 88% of the Honolulu graduates and 92% of the Hilo graduates found employment.

In closing, DHS committed to transparency, accountability and compliance with all Federal and State regulations. Normally we do not object to proposed audits; we welcome them and fully cooperate with them. However, in this instance, H.D. 1's proposed audit is overly broad and burdensome; it constitutes an untimely distraction of scarce State resources from the hard work of dealing with the economic crisis that is hugely impacting DHS, both our staff and our clients. Therefore, DHS must respectfully but strongly oppose this audit.

Thank you for this opportunity to testify on this resolution.

LINDA LINGLE
GOVERNOR



LILLIAN B. KOLLER
DIRECTOR
HENRY OLIVA
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

09:0192

March 17, 2009

The Honorable Marcus R. Oshiro
Chairman, House Committee on Finance
Hawaii State Capitol, Room 306
415 South Beretania Street
Honolulu, HI 96813

Dear Chair Oshiro:

In your March 16 memo, you inquired about a contract the Department of Human Services (DHS) awarded to NorthStar University, LLC (NSU), to help clients transition from welfare into the workplace.

Unfortunately, you have apparently been misinformed about the purpose of this contract and **incorrectly** assumed that it is intended to train welfare recipients to exclusively become "mortgage bankers."

In addition, as you know, concerns about NSU are contained in House Bill 200, House Draft 1, which also **incorrectly** states that the company "was initially contracted in 2006 to train and develop First-To-Work clients to ultimately become mortgage bankers."

Instead of limiting job options to "mortgage bankers," the goal of the NSU vocational training program is to place welfare clients in a wide range of jobs, commensurate with their abilities, in the mortgage banking, financial services, depository banking and other related fields.

Specifically, the most recent Supplemental Contract No. 2 to Contract No. DHS-07-BESSD-4143, under the Scope of Services, Attachment – S1, page 2, item #6, describes the potential job placement sites as follows:

"The placement sites shall be in the financial services industry, or related to the financial industry such as, but not limited to, accounting, insurance, medical billing, payroll services, tax preparation, administrative assistants in financial industry settings, etc."

The most important concept to keep in mind is that NSU graduates on Oahu and the Big Island are turning their lives around, achieving self-sufficiency and becoming productive, taxpaying citizens by gaining valuable on-the-job experience in rewarding fields.

In terms of specific accomplishments under the contract, 166 welfare clients have graduated from NSU so far, and 13 are currently in training. NSU is reporting an 88 percent job

()
AN EQUAL OPPORTUNITY AGENCY

The Honorable Marcus Oshiro
Chair, House Committee on Finance
March 17, 2009
Page 2

placement rate for graduates of the Honolulu training program and a 92 percent job placement rate for the Hilo graduates.

These men and women are now working in positions such as:

- Loan officers
- Mortgage specialists
- Mortgage broker liaisons
- Real estate appraisers
- Bank tellers
- Marketing assistants
- Human resources assistants
- Finance assistants
- Administrative assistants
- Clerical assistants and
- Intake specialists.

These positions are with a wide variety of financial institutions, including:

- American Savings Bank
- Bank of Hawaii
- First Hawaiian Bank
- Hawaii USA Federal Credit Union
- NorthStar Alliance
- Territorial Savings and
- West Oahu Federal Credit Union.

Among the graduates is Suzette Chai, a former welfare recipient and domestic violence victim. Ms. Chai, a single mother with five children, was part of NSU's first graduating class. She completed a mortgage banking trainee program and eventually became a certified real estate appraiser – a highly skilled job that typically earns \$50,000 to \$60,000 a year.

To learn more about this NSU success story, I encourage you to view a KHON-TV feature story about Ms. Chai at: www.khon2.com/news/education/6879217.html.

Also, enclosed is a Hawaii Tribune-Herald story published on April 25, 2008, focusing on 14 women and one man as they celebrated their graduation from NSU in Hilo.

You might also want to view our DHS website home page at www.hawaii.gov/dhs. Click on the SEE Hawaii Work video box that highlights, among other SEE participants, NorthStar trainees who have since graduated.

The NSU program, as specified in the contract, was created to help these clients "attain the goal of securing and retaining long-term employment" by providing industry-specific training, and, more importantly, by providing a comprehensive "best business practices" educational program that teaches clients "how to manage everyday life challenges."

The Honorable Marcus Oshiro
Chair, House Committee on Finance
March 17, 2009
Page 3

The contract also states, in the program overview, that "NSU will develop and secure various employment sites in the mortgage banking, financial services and depository banking field, and place eligible participants that have successfully completed NSU's formal training program into these sites in subsidized employment positions for a minimum of forty (40) hours per week. The ultimate goal is to then transition the program participants into unsubsidized employment and empower them to get off of our state's welfare program. NSU's mission is to promote long-term financial self-sufficiency."

In closing, please keep in mind that the NSU contract, which expires in June 2009, was awarded in a fair and competitive bidding process. When DHS evaluates companies for our next welfare-to-work vocational training contract, we will carefully analyze the job market – as we always do – to determine which industries show the most growth potential during this rapidly changing global economy. We will seek to partner with companies that have the expertise to train and develop the potential of our welfare clients in those industries.

Sincerely,



Lillian B. Koller
Director

Attachments



MOVING FROM WELFARE TO WORK



By Manolo Morales

A single mom with five kids is finding out that there's a way to get out of welfare. It's an old fashioned recipe of perseverance and dedication, mixed in with education.

These are the latest graduates of Northstar University, which has joined the state's welfare-to-work program. And its greatest success story is Suzette Chai, who was in the first graduating class less than three years ago. In that time, she went from welfare mom to a certified residential appraiser, who typically make \$50 - \$60-thousand a year.

"I know first hand that it is possible. Success is out there, you just need to get out there and get it," said Chai.

Northstar's Aces Mortgage Banking Trainee Program helps students who are getting financial assistance from the state. Chai advanced her career after graduating, by studying hard enough to pass the licensing exam. What's even harder to get is the two years of experience needed working under someone who's already certified. But her employer saw something in her.

"I felt that she was willing to make the commitment and I felt that she has the perseverance to stick it out and the ability to learn," said Chai's employer, George Brogan.

Chai recalls it wasn't that long ago when she struggled to make ends meet, with little hope to make things better.

"There's nothing you can look at to bring your morale up or anything, especially not having a college degree or anything like that," said Chai.

Raising five kids on her own, Chai's not exactly living the life of luxury. But her life now is a far cry from the days when she struggled to pay the rent.

"Now I can pay the rent and buy extras, just extras like going to the movies or small gifts here and there and that's a good feeling."

Chai recognizes that hers is not a typical welfare mom story. But she urges others to take that big step and get into some type of welfare to work program.

"There's a whole lot of opportunity for them to get into a position like myself. So I would encourage anybody to go through that."

LINDA LINGLE
GOVERNOR



LILLIAN B. KOLLER
DIRECTOR
HENRY OLIVA
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

09.0192

March 30, 2009

The Honorable Donna Mercado Kim
Senate Ways and Means Committee
Hawaii State Capitol, Room 210
415 South Beretania Street
Honolulu, HI 96813

Dear Senator Kim:

In your March 19 memo, you requested additional details concerning a vocational training contract the Department of Human Services (DHS) awarded to NorthStar University, LLC (NSU), to help clients transition from welfare into the workplace. This letter contains the latest performance data for that contract, which was awarded in a competitive bidding process and will expire in June 2009.

You will see from the data that NSU is fulfilling the terms of its contract by placing welfare clients in numerous white-collar jobs with the potential for wage progression. In fact, NSU's performance exceeds many long-standing contracts awarded by DHS. When compared with the latest performance data of Goodwill Industries and Insights To Success, for instance, NSU has a higher job placement rate and far greater success in placing clients in white-collar jobs

In addition, there is no factual basis to the assumption that you and House Finance Committee Chair Marcus Oshiro have made that NSU graduates were supposed to become "mortgage bankers." This assumption incorrectly focuses on a particular job instead of focusing, as called for in the NSU contract, on the numerous jobs available within the industries of mortgage banking, financial services, depository banking and other related fields.

As I emphasized in my March 17 letter to Representative Oshiro, the most important concept to keep in mind is that these NSU graduates on Oahu and the Big Island are escaping poverty and turning their lives around by becoming productive, taxpaying citizens who are gaining valuable on-the-job experience in rewarding fields.

In addition, NSU graduates who leave welfare for employment produce significant cost savings for the State, given that a typical family of four on welfare receives more than \$46,000 annually in benefits.

For privacy reasons, DHS is not at liberty to release the names of our First-to-Work (FTW) clients who graduated from NSU. In addition, information DHS obtains regarding the job retention/employment status of clients after they leave FTW is incomplete due to the difficulties of tracking their progress. This is a chronic challenge for Temporary Assistance for Needy Families programs nationwide.

To date, our focus has been on collecting and reporting data required by the federal government under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 and the Deficit Reduction Act of 2005.

Currently, DHS is developing a procurement to collect job retention data on FTW clients who exit the welfare rolls. This procurement will also include quality assurance monitoring of our vendors who provide employment, training and work support services, such as job readiness, job development, job placement and barrier reduction services.

So far, a total of 189 welfare clients have participated in NSU vocational training in Honolulu and Hilo, and 166 have graduated. Of the 110 graduates who accepted NSU's assistance in finding jobs, 63 percent have gained employment since the contract began. Moreover, the job placement rate is accelerating. During 2008, over 88 percent of the Honolulu graduates and 92 percent of the Hilo graduates found employment.

Initial job placement categories for NSU graduates from 2007 to present include:

- Administrative assistant
- Administrative supervisor
- Architect assistant
- Banking administrative assistant
- Bank teller
- Bookkeeper
- Call center operator
- Certified nurse's assistant
- Data entry clerk
- Hospitality industry worker
- Human resources assistant
- Insurance company clerk
- Intake specialist
- Junior administrative assistant
- Mortgage broker liaison assistant
- Mortgage loan processor
- Nurse's assistant
- Office clerk
- Project manager
- Receptionist and
- Sales associate.

The Honorable Donna Mercado Kim
March 30, 2009
Page 3

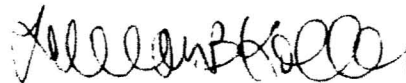
These initial job placements are with a wide range of companies and institutions, including:

- Aloha Lending
- American Savings Bank
- Arbor E&T
- Bank of Hawaii
- Care Connection
- Central Pacific Bank
- EK Fernandez
- First Hawaiian Bank
- Hawaii Dental Service
- Hawaii USA Federal Credit Union
- Hilo Veterans Center
- HMSA
- Integrity Title and Escrow
- Kaiser Permanente
- KSD Collections
- Leeward Community College
- MH Electric
- NorthStar Alliance
- Sea Life Park
- State of Hawaii
- Territorial Savings
- Tropical Rental Car
- Unidev and
- West Oahu Federal Credit Union.

Finally, as I pointed out to Representative Oshiro, when DHS evaluates companies in the near future for our next welfare-to-work vocational training contract, we will carefully analyze the job market – as we always do – to determine which industries show the most growth potential during this rapidly changing global economy.

We will seek to partner with companies that have the expertise to train and develop the potential of our welfare clients in those industries.

Sincerely,



Lillian B. Koller
Director

c: Representative Marcus Oshiro

Attachment

NorthStar University Job Placements: 2006 to Present

Client	Placement Date	Company	Position
1	12/26/2006	Found external employment	
2	1/15/2007	Insurance Company	Clerk
3	1/17/2007	Found external employment	
4	2/9/2007	Found external employment	
5	2/12/2007	Found external employment	
6	2/15/2007	NorthStar Alliance	Admin. Supervisor
7	2/16/2007	NorthStar Alliance	Junior Admin. Assistant
8	3/22/2007	Found external employment	
9	3/26/2007	Found external employment	
10	3/26/2007	Found external employment	
11	3/28/2007	Found external employment	
12	4/6/2007	NorthStar Alliance	Junior Admin. Assistant
13	5/18/2007	NorthStar Alliance	Loan Processor
14	7/6/2007	Integrity Title and Escrow	
15	7/6/2007	NorthStar Alliance	Junior Admin. Assistant
16	7/6/2007	NorthStar Alliance	Loan Processor
17	7/17/2007	EK Fernandez	Office Clerk
18	7/23/2007	NorthStar Alliance	Loan Processor
19	7/23/2007	Central Pacific Bank	Bank Teller
20	8/1/2007	Law Firm	Administrative Assistant
21	8/7/2007	HMSA	Data Entry Clerk
22	8/7/2007	Sea Life Park	Project Manager
23	8/13/2007	Central Pacific Bank	Bank Teller



24	8/17/2007	Found external employment	
25	8/24/2007	Tropical Rental Car	
26	9/14/2007	State of Hawaii	Clerk
27	10/1/2007	State of Hawaii	Clerk
28	10/10/2007	Found external employment	
29	11/9/2007	Hawaii Dental Service	
30	1/2/2008	Territorial Savings	Teller
31	1/29/2008	West Oahu FCU	Credit Union Teller
32	2/19/2008	American Savings Bank	Bank Teller
33	2/28/2008	Care Connection	Receptionist
34	3/3/2008	Bank of Hawaii	Bank Teller
35	3/5/2008	Leeward Community College	C.N.A. Program
36	3/20/2008	NorthStar Alliance	Administrative Assistant
37	3/28/2008	Hawaii USA FCU	Credit Union Teller
38	4/24/2008	Hospitality industry	
39	4/28/2008	Unidev	Architect Assistant
40	4/28/2008	NorthStar University	Administrative Assistant
41	4/29/2008	NorthStar Alliance	Administrative Assistant
42	5/8/2008	Bank of Hawaii Call Center	Call Center Rep.
43	5/8/2008	Bank of Hawaii Call Center	Call Center Rep.
44	6/26/2008	Aloha Lending	Loan Officer
45	6/27/2008	Hospitality industry	
46	8/4/2008	Hawaii USA FCU	Credit Union Teller
47	8/22/2008	Arbor E&T	Administrative Assistant
48	10/2/2008	Arbor E&T	Intake Specialist



49	5/9/2008	RadioShack	Sales Associate
50	5/8/2008	Bank of Hawaii Call Center	Bank Teller
51	5/12/2008	Big Island Honda	Administration
52	5/12/2008	Coffee Shop Kihei	Barista
53	5/29/2008	Wal-Mart	Receiving
54	6/11/2008	First Hawaiian Bank	Bank Teller
55	6/23/2008	Kama'aina Kids	Counselor
56	7/1/2008	Dr. Pea's Veterinary Clinic	Vet Technician
57	7/1/2008	East Hawaii Cultural Center	Greeter/Receptionist
58	7/14/2008	Hilo Airport Gift Shop	Bookkeeper
59	9/29/2008	HFS Credit Union	Customer Service Rep.
60	10/9/2008	Dr. Kunimura	Optometrist Technician
61	11/24/2008	Puna Kamali'i Florist	Job Coach
62	11/14/2008	HCEOC	Clerical Assistant
63	12/1/2008	Pizza Hut	Shift Manager
64	12/23/2008	Hilo Veterans Center	Nurse's Assistant
65	1/2/2009	Kaiser Permanente	Call Center Operator
66	2/3/2009	KSD Collections	Receptionist
67	3/2/2009	NorthStar Alliance	Broker Liaison Assistant
68	3/16/2009	NorthStar Alliance	Human Resources Asst.
69	3/16/2009	MH Electric	Bookkeeper

LINDA LINGLE
GOVERNOR



LILLIAN B. KOLLER, ESQ.
DIRECTOR


HENRY OLIVA
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

April 8, 2009

MEMORANDUM

TO: The Honorable Marcus R. Oshiro, Chair
House Committee on Finance

FROM: Lillian B. Koller, Director 
Department of Human Services

SUBJECT: Request for Information on Benton & Associates, LLC

We are providing the following information to you per an email request, dated April 1, 2009, from Mr. Michael Ng of your staff regarding the Department of Human Services (DHS) contracts for Benton & Associates, LLC (B & A) for FY2008 and FY 2009 to date.

The following is a summary of the services provided by B & A to DHS and other State agencies as well as the substantial return on investment to the State of Hawaii as a result of their services. Attached are the invoices from B & A and for which B & A has been fully paid for all billed services to date.

From February 1, 2006 to April 7, 2009, a total of \$4,972,981 has been paid in full to B & A. Of this amount, two-thirds or \$3,434,621 was funded by Federal funds and \$1,538,360 was State general funds.

B & A's services have resulted in DHS receiving approximately \$21.5 million in additional Federal revenue to date. On this basis, each State dollar expended for the B&A contract has resulted in almost \$14 in additional Federal revenue, a 1,400% return on investment. In addition, B&A has also identified over \$94 million in "Excess MOE" expenditures resulting in the avoidance of \$30 million in TANF fiscal sanctions.

The Honorable Marcus R. Oshiro, Chair
House Committee on Finance
April 8, 2009
Page 2

Combining the new Federal revenues, received to date, and the penalty cost avoidance, results in a return on investment of \$20 for every \$1 spent by DHS on the B & A contracts. That's a 2,000% return on investment to date.

Moreover, this is not a one-time infusion of Federal dollars. This increased funding will continue flowing into Hawaii long after the revenue maximization contracts has expired.

Therefore, we cannot agree with statements in the House Finance Committee report for H.B. 200 (HSCR 987) that our consulting contract with B & A to secure extra Federal funding for Hawaii is one of the "wasteful contacts" about which they are "quite concerned and alarmed."

The Committee report also stated that DHS employees are more knowledgeable about Federal laws than our consultants, and that the contract results are not satisfactory.

In fact, these consultants are former U.S. officials with an in-depth understanding of complicated and ever-changing Federal regulations. They are also in close contact with current officials in the nation's Capitol.

Specifically, through Mack Storrs, Debbie Chassman, and Jo Anne Barnhart, B & A has provided very valuable services to DHS, particularly in our Benefit, Employment and Support Services Division (BESSD), affecting Temporary Assistance for Needy Families (TANF) program. Mr. Storrs, Ms. Chassman, and Ms. Barnhart are former U.S. Department of Health and Human Services officials with an in-depth understanding of complicated and ever-changing Federal TANF regulations. Mr. Storrs is the author of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Welfare Reform Law) and the Deficit Reduction Act of 2005; Ms. Chassman headed the Quality Assurance Office at the Federal level; and Ms. Barnhart is the former head of the Social Security Administration.

B & A has also helped us successfully seek Federal approval of our TANF State Plan amendments, the TANF Work Verification Plan, and the redesign of the Grant Diversion Program to be compliant with recent Federal regulations. These initiatives, requiring Federal regulatory expertise and delicate Federal negotiations, now enable DHS to avoid Federal penalties and maximize the use of Federal TANF funds on activities that qualify for TANF funding and to earn Excess TANF State Maintenance of Effort (MOE). B & A created a new partnership with the Aloha United Way and many other non-profit organizations. Through this effort, Hawaii was credited an additional \$54 million in Excess MOE for 2008.

This Excess MOE enabled us to lower the work participation rate that we are required to meet under the Federal law. Failure to meet the work participation requirements could result in the loss of TANF funding or sanctions. Also this Excess MOE enabled us to meet, for the first time, the TANF Contingency Fund requirement under the Federal Deficit Reduction Act of 2005 (DRA) to earn additional TANF Federal funds. We now qualify for \$20 million more in annual TANF Federal funds.

These nationally renowned TANF experts have allowed us to understand and learn the most complex set of TANF rules and regulations regarding caseload reduction, data extraction and reporting, and revenue maximization. Such an outcome would not have been possible without the help of B & A.

Working with staff of DHS, B & A has also been able to achieve several significant revenue accomplishments.

- 1) Temporary Assistance for Needy Families (TANF) – Under their current contract, B & A has documented \$50 million in State, local, and private funding that qualified as “Maintenance of Effort” (MOE). This amount exceeded the \$44 million identified last year.

This amount has enabled Hawaii to draw down its full entitlement of TANF funding (\$99 million) without risking Federal fiscal sanctions of up to \$15 million.

- 2) Emergency Assistance for Foster Children (EAFC) – B & A is currently working with DHS staff and the University of Hawaii to review each foster child's eligibility for (EAFC) and Title IV-E of the Social Security Act. The State had the authority to claim EAFC until 1996, but let that authority lapse until resuscitated as a part of this B & A initiative.

We project that this effort will generate more than \$7 million in additional Federal funds during the current fiscal year and more than \$14 million additional each fiscal year in the future.

- 3) Hui Ho'omalū – B & A not only helped to develop the RFP for this coalition of community partners that recruits, trains, conducts the home studies, prepares the documentation for licensing, and delivers on-going support and training to the Department's foster/resource families, but B & A also provided staff support to the member agencies during the coalition's start-up phase. This initiative currently brings in excess of \$1.6 million dollars annually in Federal Title IV-E dollars.

- 4) Refinancing Purchase of Service (POS) Contracts – B & A is currently working with DHS staff to claim the maximum appropriate additional Federal funding for Voluntary Case Management (VCM) contracts under Title IV-E and TANF Purpose I.

B & A is about to begin reviewing other POS contracts (including Multi-Disciplinary Teams, Comprehensive Services, and Ohana Conferencing) in order to maximize Title IV-E and TANF funding.

We estimate that this review will free up approximately \$3 million a year in State and flexible Federal funding (including Social Services Block Grant – SSBG) for use to replace pure State funding for other purposes. The rigor of the B & A case review process is also intended to “audit-proof” the State’s existing claim for Title IV-E pre-placement prevention.

- 5) Partnership with the University of Hawaii – With the support of the DHS Director, B & A has forged several partnerships with the University of Hawaii, including the Thompson School of Social Work, Richardson School of Law, Burns School of Medicine, School of Nursing and Dental Hygiene, UH Hilo, and Maui Community College.

These partnerships have generated in excess of \$2.5 million in Federal funds a year at no additional cost to the State, DHS, or the University. Additional and expanded partnerships are in the pipeline.

The partnership with Maui Community College, in particular, has resulted in the development of a web-based Risk Assessment tool that is shared by the Department’s Child Welfare Services staff and the VCM providers that has resulted in almost a 50% reduction in the number of children taken into foster care, preserving families and saving the State millions in foster care and other costs.

- 6) Assistance to Other State Agencies – With the approval of the DHS Director, B & A is also providing assistance to two other State agencies: the Departments of Health and the Attorney General.

B & A’s past efforts for the Attorney General resulted in an additional \$300,000 in additional Title IV-E Federal funds per year. B & A is now looking to see if there are any additional revenue opportunities.

B & A is beginning work to secure Federal funding for Medicaid Administrative Activities (MAA) for Hawaii’s Healthy Start and Early Intervention programs. Although it is hard to estimate the additional funding that will result from this initiative, B & A’s target is \$4 million a year in additional Federal Medicaid funding.

()

The Honorable Marcus R. Oshiro, Chair
House Committee on Finance
April 8, 2009
Page 5

- 7) Stimulus Package – B & A is also working with the DHS Director and her senior staff to develop appropriate strategies to fully utilize the additional Federal funding available to the State under the recently enacted Federal stimulus package.

In all, we anticipate that B & A's efforts this year will generate more than an additional \$18.1 million in Federal funds, excluding revenues under TANF and the Federal Stimulus Package. The total cost of B & A's current contract is \$3.3 million. More than two-thirds of these costs are paid for by the Federal government.

With Hawaii facing its most severe financial crisis in our nearly 50 years of statehood, it is critical for public officials to make fair, informed and common-sense decisions as they work to balance the State budget.

Enclosures

- c: Honorable Donna Mercado Kim, Chair (without enclosures)
Senate Ways and Means Committee



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

AFSCME Local 152, AFL-CIO

RANDY PERREIRA
Executive Director
Tel: 808.543.0011
Fax: 808.528.0922

NORA A. NOMURA
Deputy Executive Director
Tel: 808.543.0003
Fax: 808.528.0922

DEREK M. MIZUNO
Deputy Executive Director
Tel: 808.543.0055
Fax: 808.523.6879

The Twenty-Fifth Legislature, State of Hawaii
House of Representatives
Committee on Finance

Testimony by
Hawaii Government Employees Association
April 15, 2009

H.C. R. 33 (Proposed H.D. 1) --
REQUESTING THE AUDITOR TO
CONDUCT AN AUDIT OF
CONTRACTS EXECUTED BY THE
DEPARTMENT OF HUMAN SERVICES

The Hawaii Government Employees Association supports the purpose and intent of H.C.R. 33 (Proposed H.D. 1), which calls for an audit of contracts executed by the Department of Human Services. We are aware of the contract with Benton and Associates, and employees within the Department question the need for the contracted services to develop an "Integrated Human Services System" at a cost of more than \$3 million. A review of the contract documents did not indicate measurable goals and objectives against which their performance could be adequately evaluated.

Another concern is the certificate of exemption from civil service. It is unclear what specific exemption from Chapter 76, HRS, the Department used to keep civil service personnel from performing the work contained in the contract. In the compensation and payment schedule of the contract, we found a social worker earning \$150 per hour for 210 days at a cost to the state of \$252,000. The contracted social worker received an additional \$77,000 for airfare, lodging and per diem for a total compensation of \$329,000. It is worth noting that this social worker along with the project manager and his wife made contributions worth in excess of \$2,000 to the Hawaii Republican Party from 2006-2008.

Therefore, we support the criteria outlined in H.C.R. 33 (Proposed H.D. 1) to ensure that the state is actually receiving tangible benefits from the contract. Several states are getting increasingly tough with contractors who deliver poor quality services. For example, they are: (1) terminating contracts; (2) creating standards of quality expectations for contracts; (3) requiring agencies to post information online regarding bidding processes, costs of contracts, amendments, wages paid and the number of jobs created under each contract; and (4) mandating a cost analysis of contracts over

Hawaii State House of Representatives, Committee on Finance
Testimony re: H.C.R. 33 (Proposed H.D. 1)
April 15, 2009
Page 2

\$25,000 to ascertain whether the same work could not be done as efficiently and effectively in house.

Considering the significant cost of the contract thus far, the Legislature must determine whether the contract is achieving its stated objectives in a cost effective manner. We believe there are millions of dollars of unnecessary contracts with private contractors, not only in the Department of Human Services, but also within other departments. This is unacceptable at any time, but especially during a serious recession. Consequently, a management audit of DHS contracts is definitely warranted.

Thank you for the opportunity to testify in support of H.C.R. 33 (Proposed H.D. 1).

Respectfully submitted,



Nora A. Nomura
Deputy Executive Director