

ACF's FY 1997

Audited Financial

Statements





A MESSAGE FROM THE ASSISTANT SECRETARY FOR CHILDREN AND FAMILIES

I am pleased to present the Administration for Children and Families' (ACF) Audited Financial Statements for FY 1997, the second year ACF has prepared this annual document. ACF is the lead agency in the Department of Health and Human Services for programs serving America's children, youth and families. Our programs are at the heart of the Federal effort to strengthen families and give all children a decent chance to succeed.

Fiscal Year 1997 was a year of success, collaboration and challenge. I'm proud to cite a few examples of our special achievements, though they certainly do not represent all of our successes--nor do they, on their face, describe the levels of effort by both ACF employees and our partners whose hard work ultimately caused these results.

- The welfare caseload declined by 4.3 million recipients--from 14.1 million in January 1993 to 9.8 million in September 1997--a drop of 31 percent since President Clinton took office. This is the largest welfare caseload decline in history and represents the lowest percentage of the population on welfare since 1970.
- \$13 billion was collected in child support for FY 1997, and services were provided to over 19 million cases. In addition, over a million paternities were established and acknowledged, and almost five million absent parents were located.
- In February, the Child Care Bureau received Vice President Gore's Hammer Award for exemplary customer service in providing new child care funds to States under the welfare reform law in just 39 days. The unprecedented accomplishment of the Child Care Bureau ensured that States received funds and guidance timely to provide child care for families moving and staying in work. Later, in October, President Clinton also hosted the first ever White House Conference on Child Care to focus the nation's attention on the importance of addressing the need for safe, affordable, quality child care.
- Under a new initiative, Head Start expansion funds are being used for the first time to build partnerships with child care providers to deliver full-day and full-year Head Start services. Such services, in turn, can help parents attain full-time work while their children stay in one place all day, rather than spending half a day in Head Start and moving to child care for the remainder of the day.

During FY 1997, ACF and its partners--State, local and Tribal governments and non-profit/private sector grantees--continued to "focus on results" as we collaborated to achieve success. The three FY 1996 goals--Economic Independence and Productivity of Families, Healthy Development of Children and Youth, and A Results-Oriented Organization--continued to frame our performance commitments as we entered FY 1997. They are the goals against which we reported our progress in the latest (spring 1997) edition of ACF's report card--*Achieving Success*. Likewise, information in *Achieving Success* is the basis for the performance measures data included in the Overview of the FY 1997 Audited Financial Statements package we are presenting.

However, during the second half of FY 1997, while developing the FY 1999 Annual Performance Plan (required by the Government Performance and Results Act of 1993 (GPRA) to accompany the FY 1999 Budget Submission), ACF moved from the three goal structure to a strategic four goal framework:

- *Increase Economic Independence and Productivity of Families*
- *Improve Healthy Development, Safety, and Well-Being of Children and Youth*
- *Increase the Health and Prosperity of Communities and Tribes*
- *Build a Results-Oriented Organization*

Though similar to the former three, these four goals align more closely to the Department's Strategic Plan, foster closer partnership collaborations, and will be the framework for ACF's future performance measures reporting. In addition, we established seven agency-wide priorities for welfare reform, child support, child care, infants and toddlers, Head Start, child welfare, and increasing our capacity to work with our partners as they administer their own programs and we collaborate to achieve the goals and objectives of the FY 1999 Annual Performance Plan. Various crosscutting program initiatives and stronger collaborative efforts are underway at the national, State and local community levels.

ACF has negotiated a number of results-oriented partnership agreements and targets with individual States. Over the past three years, ACF programs have been working intensively with their partners (e.g., Child Support, Head Start, Refugee Resettlement and Community Services) and have made substantial progress towards a measurable results framework with performance measures and outcomes for operating programs. Within the last year, ACF's Administration on Developmental Disabilities and child welfare programs have begun working with direct partners as well as advocacy groups and national educational/technical assistance organizations. Program-specific activity is underway in other areas (e.g., welfare reform and youth programs). A primary challenge is for partners to collaborate in crafting effective policies and programs that satisfy mutually agreed-upon objectives. The broad goals of these diverse jurisdictions and organizations are similar to those of ACF, but State and local programs often differ on specific targets and outcomes relevant to the particular needs of specific population groups and communities.

In addition to implementing GPRA, ACF confronted and still faces challenges on other fronts. For example, as a result of passage of the welfare reform legislation, States have been given increasing latitude in the administration of programs. The Temporary Assistance to Needy Families (TANF) legislation limits the duration of eligibility for public assistance, the percentage of the caseload who may be excluded from work requirements, and the conditions for teen parent assistance for which States may expect Federal support. The statute also allows States wide discretion in how services are designed to meet these and other provisions. Effective State decision-making requires timely and reliable information on the

consequences of alternative policy and program choices and the experiences of other States. The nation has an enormous stake in this new approach to public assistance.

ACF is committed to working with States to promote work, personal responsibility, and self-sufficiency in ways that will strengthen families. Specifically, we will develop reliable information on effective ways to do this, facilitate communication across States, identify best practices, promote peer technical assistance, and offer expert technical assistance. My staff have had extensive consultation with States and other customers/partners for the purpose of developing regulations on work participation standards, the high performance bonus incentive system, and the TANF data collection system. A concerted effort also is underway to find jobs for welfare recipients in HHS and to challenge other agencies and the private sector to hire welfare recipients. Partnerships are being forged with health care providers and others to develop job opportunities. Attention will also be given to removing barriers to work for welfare recipients who are victims of domestic violence, have developmental disabilities, or have serious personal or family problems that interfere with their ability to work. ACF will continue to promote expansion of child care services as a key element in its strategy for helping families achieve economic independence. Doing so will involve working with our partners to increase the supply of child care, to develop measures of child care quality, and to provide information to help parents make sound choices about child care.

In another important arena, President Clinton signed a directive in December 1996 setting a goal for the nation to at least double by the year 2002 the number of children adopted or permanently placed. ACF took on the challenge and on February 14, 1997 HHS presented the “Adoption 2002” action plan to help States set and meet urgent new adoption targets. I’m pleased to report that in November, the President signed into law the Adoption and Safe Families Act of 1997, enacting a key part of the plan by changing Federal law to require that children in foster care receive permanent placements within 12 months. As part of the President’s initiative, we also awarded 40 demonstration grants for programs aimed at increasing adoptions and reducing the number of children in foster care. ACF also awarded child welfare waivers to six States to allow them to test innovative strategies to improve child welfare systems.

ACF is an organization committed to achieving its mission which is, simply stated: To lead the nation in improving the economic and social well-being of families, children, individuals and communities. To do so, we must be flexible and able to respond to ever changing needs and new priorities. Our accomplishments do not come easily, nor are they achieved in a vacuum. Our partners and stakeholders are important allies as we work to succeed in meeting commitments to our customers. Thank you for your interest in ACF programs, its customers and shared efforts with our partners/stakeholders.

/s/

Olivia A. Golden



A MESSAGE FROM THE CHIEF FINANCIAL OFFICER

As the new Chief Financial Officer of the Administration for Children and Families, I am pleased to have the opportunity to share with you ACF's FY 1997 Audited Financial Statements.

For FY 1997, as in the previous year, ACF received a "qualified" opinion from the auditors that "the Principal Financial Statements...present fairly, in all material respects, the financial position of...ACF..." *with the exception* of specific weaknesses identified with accounting services and systems. I am delighted that ACF itself had no findings that contributed to the qualified opinion. This supports the Assistant Secretary's FY 1997 statement of reasonable assurance to the Secretary that ACF is in compliance with the Federal Managers' Financial Integrity Act.

From a substantive, programmatic point of view, ACF *has* taken control. Responsible for leading the implementation of the critical new welfare reform law to overhaul the Nation's welfare program, in FY 1997 ACF obligated almost \$35 billion in grants to States, counties, cities, territories, tribal organizations, as well as public and private local agencies. Approximately \$17 billion of that was awarded to eligible grantees under the old Aid to Families with Dependent Children (AFDC) Act and the new Temporary Assistance to Needy Families (TANF) program. Thanks to the combined efforts of ACF, other Federal agencies, States, and the Executive Branch, we saw progress in the movement of families from welfare to work, and in creative partnerships and strategies to provide families the needed supports to continue the downward trend in the welfare rolls.

In FY 1997, ACF senior managers and their staffs also collaborated with HHS officials and OMB reviewers to develop the FY 1999 ACF Performance Plan that accompanied our FY 1999 budget submission. That planning process and document--required by the Government Performance and Results Act of 1994--was a unique learning experience where we began to merge performance measurement data with the budget process. The FY 1999 Plan describes significant progress made by many of ACF's programs in implementing comprehensive approaches to planning and performance measurement. This was not an easy task. We described in some detail both our progress and difficulties in confronting the three major technical challenges we identified last year--developing quantifiable performance goals, coordinating and consolidating critical individual program measures into crosscutting outcome measures linked to the strategic plan, and collecting data for many of our measures. We will continue to face similar challenges during future refinements of the Plan.

As we become more sophisticated in developing these plans, linking them to the budget process, and reporting results through this structure, such activities will help us move closer to understanding and eventually implementing managerial cost accounting. Managerial cost accounting (capturing both direct and indirect costs by program area) is a new requirement for Federal agency accounting beginning in FY 1998.

Based on this year's audit, I am concerned that accounting activities performed on ACF's behalf by the HHS accounting agency--the Program Support Center (PSC)--continue to negatively affect how the auditors opine on ACF. Auditors consider the entire ACF "entity" while conducting their audit, incorporating the PSC in all references to ACF management. This puts ACF in the position of being held accountable for PSC problems over which we have little control.

We have spent the last few years identifying problems and urging solutions so that ACF can feel more confident about oversight of ACF funds that are tracked and disbursed through the CORE accounting system. We have raised concerns to Department officials that improvements to PSC accounting activities must be made promptly. We will continue to work with HHS to help identify ways accounting services and systems can be improved, and will seek recourse through the Board of Directors of the Service and Supply Fund which governs PSC activities.

The new cost accounting requirement raises fresh concerns about our accounting capabilities. This new requirement may broaden the gap between the reality of PSC accounting capabilities and our auditor's expectations. Managerial cost accounting will also require major procedural and cultural changes in the internal ACF processes. We look forward to Departmental guidance and training that will help lead ACF and other operating divisions toward the accomplishment of this new requirement.

We commend the Department's success in becoming an official OMB pilot for the Accountability Report--a consolidation of many separate financial management reporting mechanisms. We hope that ACF will be able to move in that direction in the future and reduce much of the burden created by responding to separate reporting streams.

We are encouraged that the auditors have raised issues and identified important financial management weaknesses that may otherwise have languished without appropriate attention. We are committed to assisting in and supporting this valuable audit process.

/s/

Elizabeth M. James

Table of Contents

	Page #
1. A Message from the Assistant Secretary for Children and Families	i
2. A Message from the Chief Financial Officer	iv
3. Profile of the Agency.....	1
Organizational Chart.....	29
Supplemental Statement of Financial Position.....	32
Supplemental Statement of Operations.....	33
4. Independent Auditor’s Reports and Consolidated Financial Statements.....	34 ¹
Report on Consolidated Financial Statements.....	1
Report on Compliance with Laws and Regulations.....	4
Report on Internal Controls.....	6
Material Weaknesses.....	7
Reportable Conditions.....	17
Consolidated Statement of Financial Position.....	21
Consolidated Statement of Operations.....	22
Consolidated Statement of Changes in Net Position.....	23
Notes to Consolidated Financial Statements.....	24

Henceforth, pagination in the Auditor’s Report is reflected

Administration for Children and Families

The mission of the Administration for Children and Families (ACF) is to lead the nation in improving the economic and social well-being of families, children, individuals, and communities.

Profile of the Agency

The Administration for Children and Families, within the U.S. Department of Health and Human Services is responsible for Federal programs that address the needs of vulnerable children and families throughout our society, including Native Americans, individuals with developmental disabilities, refugees, and legalized aliens. Through its Federal leadership, ACF promotes:

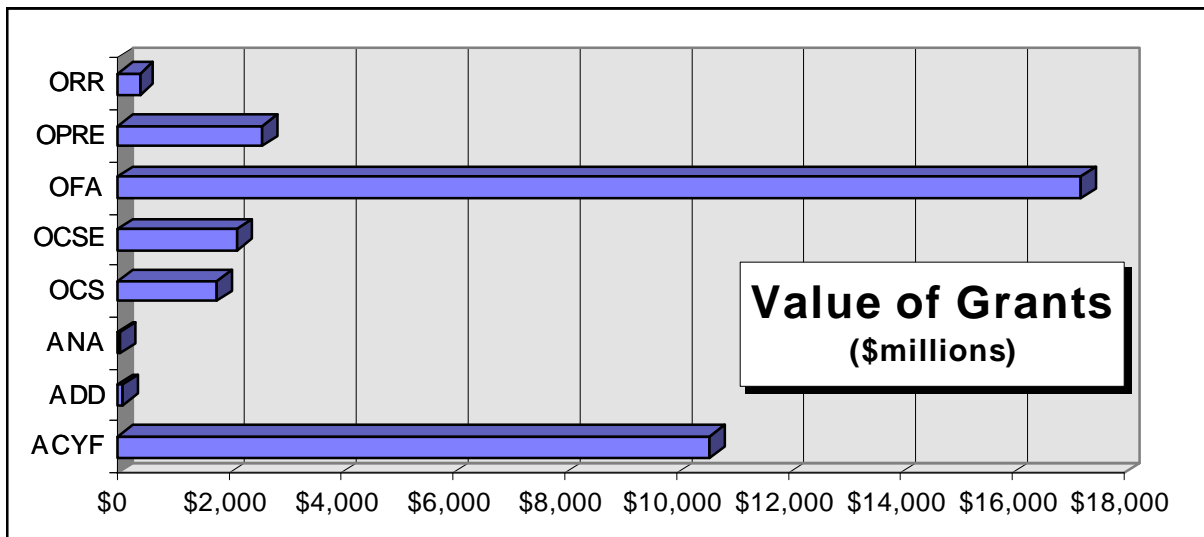
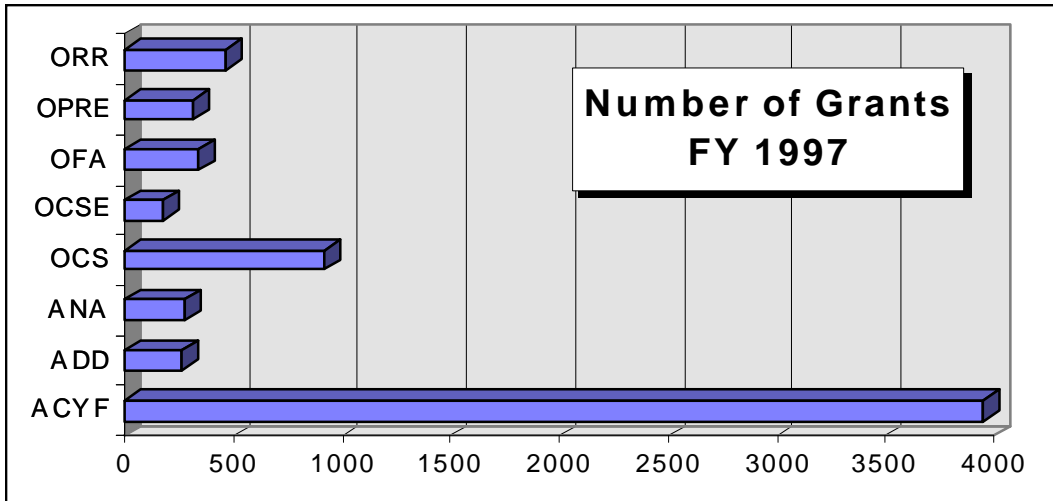
- families and individuals empowered to increase their own economic independence and productivity;
- strong, healthy, supportive communities that have a positive impact on the quality of life and the development of children;
- partnerships with individuals, front-line service providers, communities, American Indian tribes, Native communities, States and Congress that enable solutions which transcend traditional agency boundaries;
- services planned, reformed, and integrated to improve needed access; and,
- a strong commitment to working with people with developmental disabilities, refugees, and migrants to address their needs, strengths, and abilities.

In FY 1997, ACF was responsible for Federally administering and/or managing approximately 50 programs listed in the Catalog of Federal Domestic Assistance. These are classified in the Federal budget functionally as **OTHER INCOME SECURITY, SOCIAL SERVICES, TRAINING AND EMPLOYMENT**, and **CRIMINAL JUSTICE ASSISTANCE**.

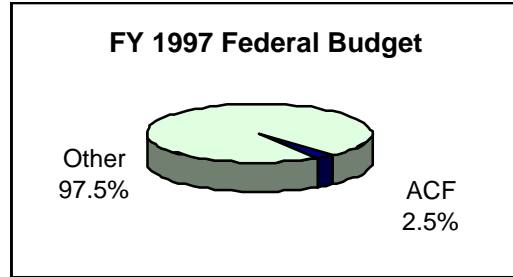
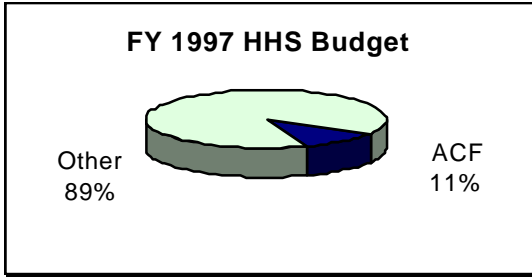
ACF staff administer and manage the grant programs in both the headquarters and regional offices. The headquarters offices are organized across distinct programmatic lines of authority with a supporting staff office structure (see list below for offices that manage grants). The ten regional offices operate in a five regional Hub structure--the Northeast, Southeast, Midwest, West-Central and Pacific-West--with Hub sites located in the five ACF regional offices that serve the largest caseloads (New York, Atlanta, Chicago, Dallas and San Francisco). The ACF Organization Chart is on page 29.

- Office of Child Support Enforcement (OCSE)
- Administration on Children, Youth and Families (ACYF)
- Office of Family Assistance (OFA)
- Administration for Developmental Disabilities (ADD)
- Office of Community Services (OCS)
- Administration for Native Americans (ANA)
- Office of Refugee Resettlement (ORR)
- Office of Planning, Research and Evaluation (OPRE)

ACF serves and otherwise assists clients diverse in culture, language and ethnicity from low income and/or otherwise vulnerable populations by awarding a variety of grants to States, territories, tribes, profit and not-for-profit organizations, and universities, etc. See charts below for a graphic comparison of the number of grants by office versus the value of grants managed by those same offices.

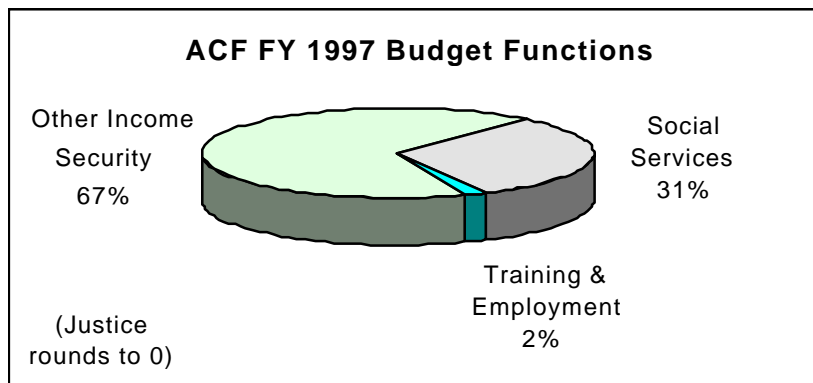


ACF appropriations for FY 1997 were \$40.7 billion, approximately \$7.4 billion more than for FY 1996. This represented 11 percent (%) of all HHS appropriations and more than 2.5 percent of all Federal appropriations (see charts that follow). Federal administrative costs were less than one-half percent of total ACF spending. The increase in appropriations for FY 1997 was largely due to increased funding for welfare reform.



The majority of ACF appropriations--almost \$27.1 billion (67%)--were for **OTHER INCOME SECURITY** (Aid to Families with Dependent Children (AFDC), Temporary Assistance to Needy Families (TANF), Child Support Enforcement (CSE), the Low Income Home Energy Program (LIHEAP), Refugee Assistance, and the Child Care and Development Fund (CCDF)). \$12.5 billion (31%) was appropriated for **SOCIAL SERVICES** (Head Start, Social Services and Community Services Block Grants (SSBG and CSBG, respectively), Foster Care and Adoption Assistance, etc. and all ACF administrative expenses). \$1.0 billion was appropriated for **TRAINING AND EMPLOYMENT** for the Job Opportunities and Basic Skills training program. ACF Children and Family Services appropriation language included a transfer of \$20 million from the Department of Justice (**CRIMINAL JUSTICE ASSISTANCE**).

The chart below reflects the spending by budget function.



The major ACF grant programs during FY 1997 fall roughly within the budget functions as follows:

OTHER INCOME SECURITY (Budget Code - 609)

Temporary Assistance for Needy Families (TANF)

On August 22, 1996 President Clinton signed into law "The Personal Responsibility and Work Opportunity Reconciliation Act of 1996" (PRWORA), a comprehensive bipartisan welfare reform plan that established the Temporary Assistance for Needy Families (TANF) program. This legislation has dramatically changed the nation's welfare system into one that requires work in exchange for time-limited assistance. The law contains strong work requirements, a performance bonus to reward States for moving welfare recipients into jobs, State maintenance of effort requirements, comprehensive child support enforcement, and supports families moving from welfare to work--including increased funding for child care and guaranteed medical coverage.

TANF--which replaces the former Aid to Families with Dependent Children (AFDC), Job Opportunities and Basic Skills Training (JOBS) and Emergency Assistance (EA) programs--gives States, Territories, and Federally recognized Indian Tribes and Alaska Native Regional Non-Profit Corporations (2) administering

TANF programs new flexibility in the design of welfare programs which promote work and responsibility and strengthen families.² In FY 1997, an estimated \$13.4 billion³ in Federal payments went to the States and Tribes, Alaska Native Regional Non-Profit Corporations, American Samoa, Guam, Puerto Rico, and the Virgin Islands for assistance to approximately four million families (approximately ten million individuals). States, Tribes and Territories establish the amount of need standard (the amount required by a particular size family in order to live) and assistance payment level. See additional discussion of TANF under “Welfare Reform” in the Accomplishments and Challenges sections of this report.

Child Support Enforcement (CSE)

The CSE program is a Federal/State partnership authorized by title IV-D of the Social Security Act. It promotes family self-sufficiency by securing regular and timely child support payments. State CSE programs locate parents, establish paternity, establish and enforce support orders, and collect payments.

In FY 1997, \$13 billion was collected in child support, and services were provided to over 19 million cases through the CSE program. In addition, over a million paternities orders were established and acknowledged (of which 349,356 were in-hospital paternities), over a million new support orders were established, and almost five million absent parents were located. The Federal government funds 66 percent of program costs and makes incentive payments based on program efficiency and effectiveness as well as collections realized. The Federal government also provides 90 percent matching for paternity testing and 80 or 90 percent matching for some statewide computer systems. Under the new welfare law of 1996, each State must operate a child support enforcement program that meets new Federal requirements in order to be eligible for TANF block grants. See additional discussion of CSE activities under “Child Support Initiatives” in the Accomplishments section of this report.

Refugee and Entrant Assistance

Refugee Assistance programs, authorized by the Refugee Act of 1980, and programs of assistance to Cuban and Haitian entrants, authorized under Title V of the Refugee Education Assistance Act of 1980, were established to assist refugees and Cuban/Haitian entrants to become employed, economically self-sufficient, and assimilated into society as soon as possible after their arrival in the U.S. Federal funds are provided to States and non-profit organizations, such as voluntary agencies, to help offset the costs of resettlement. Increasing refugee employment and reducing welfare dependency are major emphases.

For FY 1997, Congress provided net appropriations of \$425 million to provide grants for refugee assistance and services in the form of cash assistance, medical assistance, preventive health services, administrative costs, social services, and targeted assistance. In FY 1997, approximately 75,614 refugees, 832 Amerasians and 935 entrants were admitted to the U.S. These figures do not include Cuban parolees from Havana.

Repatriation

The Repatriation Program assists U.S. citizens and dependents who are returned to the U.S. by the State Department. If an American citizen in a foreign country becomes ill, is without funds, or needs to be returned to the U.S. because of a threatening situation in a foreign country, necessary services and loans to these citizens are provided through this program. An Emergency Repatriation Plan is also established by HHS in coordination with other federal agencies, voluntary organizations, and States to implement large scale repatriation operations in the event of a national security emergency. In FY 1997, 258 citizens in 187 cases received assistance at a cost of about \$914 thousand (including both assistance and administrative costs).

Title 1 of Public Law 104-193 (PRWORA), amended Title IV-A of the Social Security Act by replacing the AFDC, JOBS and EA program with TANF during FY 1997 depending on when a State's, Tribe's or territory's TANF plan became effective, but no later than July 1, 1997. Grants are based on the Federal share of State expenditures for AFDC and JOBS expenditures for FYs 94 and 95 or the average of FYs 92-94 whichever is greatest. Grants incorporated an adjustment for States that had an Emergency Assistance plan amendment approved during FY 1994 or FY 1995. State amounts may be reduced for Tribal Family Assistance Grants.

Low Income Home Energy Assistance Program (LIHEAP)

With LIHEAP funds, the Federal government provides grants to States, territories, Indian tribes, and tribal organizations to assist low-income households in meeting the costs of home heating and cooling needs. States and tribes may make the payments directly to eligible households or to home energy suppliers who comply with legislative provisions. LIHEAP funds can also be used by grantees to help low-income households deal with energy-related crises or pay for repairs to make their homes more energy efficient.

In FY 1997, \$1.2 billion in grants (including \$215 million in contingency funds) was awarded to all 50 states, the District of Columbia, six territories, and 124 Indian tribes and tribal organizations. An estimated 5.5 million households received help with heating costs and winter crisis assistance in FY 1995, the most recent year for which this information is available.

Child Care and Development Fund (CCDF)

In FY 1997, the newly established Child Care and Development Fund (CCDF), which includes the Child Care Entitlement authorized by Welfare Reform and the Child Care and Development Block Grant, made available \$2.9 billion to States and approximately \$59 million to Tribes. This new program, authorized by the welfare reform law, assists low-income families and those transitioning off welfare to obtain child care so they can work or attend training/education. The award represents an increase in child care funding of \$568 million for States over FY 1996.

The major change for federally subsidized child care services under CCDF is the requirement for States to serve families through a single, integrated child care system. Four Federal child care programs are now combined. Three programs--AFDC/JOBS Child Care, Transitional Child Care, and At-Risk Child Care (formerly called Title IV-A child care)--were repealed, and all child care funding is now combined under the former Child Care and Development Block Grant (CCDBG) program. Subsidized child care services will be available to eligible parents through certificates or contracted programs. Parents may select any legally operating child care provider.

A minimum of four percent of CCDF funds must be used to improve the quality of child care and offer additional services to parents, such as resource and referral counseling regarding the selection of appropriate child care providers to meet their child's needs. To improve the health and safety of available child care, many States have provided training grants and loans to providers, improved monitoring, compensation projects, and other innovative programs. All States and tribes were required to submit comprehensive plans by July 1, 1997. In July 1997, President Clinton proposed new child care regulations, which include a new approach to help more children in child care receive the immunizations they need on time. For additional information, see the Accomplishments section of this report.

SOCIAL SERVICES (Budget Code - 506)

Head Start

The Head Start program provides comprehensive developmental, health, social and parent involvement services to low-income pre-school children and their families. It is based on the philosophy that a child benefits from a comprehensive, interdisciplinary program which fosters development and remedies problems through a broad range of services. Head Start involves the child's entire family and community.

Grants to conduct Head Start programs are awarded to local public or private, non-profit agencies. Grantees must provide 20% of the total cost of the program from non-Federal sources. Head Start programs operate in all 50 States, the District of Columbia, Puerto Rico, and the U.S. territories. At least 10 percent of the enrollment opportunities in each program must be made available to children with disabilities.

In FY 1997, the enrollment of approximately 794,000 pre-school children from low-income families in almost 1500 local Head Start programs was made possible by grants amounting to \$3.981 billion. Since its inception in 1965, more than 16.8 million children and families have received services. Head Start has provided children with educational, social, medical, dental, nutrition, and mental health services while their families have had the benefit of social services. An essential part of every Head Start program is the involvement of families in parent education and program planning and operation.

President Clinton's signing of the Head Start Act Amendments of 1994 also established the new Early Head Start program which expands the benefits of early childhood development to low income families with children under three and to pregnant women. Services include quality early education in and out of the home; home visits; parent education, including parent-child activities; comprehensive health services, including services to women before, during and after pregnancy; nutrition; and case management and peer support groups for parents. Projects must coordinate with local Head Start programs to ensure continuity of services for children and families. In FY 1997, Early Head Start funds were four percent of the total Head Start appropriation, or \$159.2 million. See further discussion of Head Start in the Accomplishments section of this report.

Foster Care, Adoption Assistance and Independent Living

For those children who cannot remain safely in their homes, foster care provides a stable environment that assures a child's safety and well-being while their parents attempt to resolve the problems that led to the out of home placement, or when the family cannot be reunified, until the child can be placed permanently with an adoptive family. Foster Care and Adoption Assistance programs provide Federal matching funds to States which directly administer the programs.

Children in foster care numbered more than 500,000 in 1996, up from 340,000 in 1988. Most of these children will return to their homes, but more than 100,000 cannot return safely. Many of these children are considered to have "special needs" because they are older, members of minority or sibling groups, or physically, mentally or emotionally disabled. They often need special assistance in finding adoptive homes. In FY 1997, over 100,000 children received adoption assistance, which is a subsidy to families who adopt special needs children. See the section on Challenges for additional information concerning adoption initiatives.

In FY 1997, approximately \$4.0 billion was awarded for Foster Care, Adoption Assistance and Independent Living. These programs are funded jointly by the Federal and State governments. Monthly payments to families and institutions vary from State to State. In 1997, benefits were paid on behalf of approximately 290,000 foster children per month and the average monthly number of children for whom adoption assistance payments were made was about 146,000. Over 85,000 (estimated) children participated in Independent Living programs.

Social Services Block Grant (SSBG)

In FY 1997, \$2.5 billion in Federal funds was provided to the States for social services under the annual Social Services Block Grant. States have responsibility for determining the services they will provide, the distribution method, and eligibility requirements. Each State's allocation from the total appropriation is based on its population.

States use the funds for social services to achieve economic self-sufficiency; to prevent or remedy neglect, abuse, or exploitation of children or adults; to avoid or reduce inappropriate institutionalization; and to provide appropriate referral for institutional care. States have great variation in their definition, design, programs, and range of services. The most frequently provided services are: child day care; home-based services which help individuals or families with household and personal care; protective services which prevent or remedy abuse, neglect, or exploitation of children or adults; special services for the physically, mentally, or emotionally disabled; and social support.

Child Welfare Services

Child Welfare Services help State public welfare agencies keep families together. Authorized under title IV-B1 of the Social Security Act, Child Welfare Services are available to children and their families without regard to income. State services include: preventive intervention aimed at keeping children within the home; services to develop alternative placements, such as foster care or adoption if children cannot remain at home; and reunification services so that children can return home if at all possible.

In FY 1997, \$292 million was appropriated for Child Welfare Services. Funds were distributed to States in the form of grants to establish, extend, and strengthen child welfare services. Each State received a base amount of \$70,000. Additional funds were distributed by a formula based on the State's population of children under age 21 and the complement of the average per capita income. The State share of expenditures is 25 percent.

HHS/ACF has other programs that address the welfare of children at risk. The Adoption Opportunities program eliminates barriers to adoption and helps to find permanent homes for children, particularly those with special needs who would benefit from adoption. The Abandoned Infants Assistance program provides grants to help identify ways to prevent the abandonment of children in hospitals and to identify and address the needs of infants and young children, particularly those with acquired immune deficiency syndrome (AIDS) and prenatal drug or alcohol exposure. In FY 1997, funding for Adoption Opportunities was \$13 million; for Abandoned Infants Assistance, it was \$12 million.

Family Preservation and Support

The 1993 amendments to the Social Security Act created the Family Preservation and Support Services program (title IV-B2). Family Preservation and Support Services grants focus on strengthening families, preventing abuse, and protecting children. These grants help State child welfare agencies and Indian Tribes operate preventive family preservation services and community-based family support services for families at risk or in crisis.

Family Support Services--often provided at the local level by community-based organizations--are voluntary, preventive activities to help families nurture their children. They include respite care for parents and caregivers, early development screening of children to identify their needs, tutoring, health education for youth, and a range of center-based activities. Family Preservation Services typically are activities that help families alleviate crises that might lead to out-of-home placements of children because of abuse, neglect, or parental inability to care for their children. Funding for Family Preservation and Family Support Services was \$240 million in FY 1997.

Runaway and Homeless Youth Programs

Enacted in 1974 under the Runaway Youth Act, and subsequently expanded to include homeless youth, this program was created in response to widespread concern about the alarming number of runaways who cross State lines and are exposed to exploitation. Today an estimated 500,000 to 1.5 million young people run away from or are forced out of their homes, and an estimated 200,000 are homeless.

Grants to public and private agencies provide short-term shelter, crisis intervention, and family reunification services to runaway and homeless youth and their families. In FY 1997, approximately \$43.7 million in Federal appropriations helped to fund more than 400 youth shelters (basic centers) that provided short-term emergency shelter, food, clothing, counseling, and other support services to approximately 80,000 young people age 11 to 18. Additionally, through the Transitional Living Program over 75 programs were funded with \$14.9 million to help homeless youth, ages 16 to 21 make a successful transition to self-sufficient living and avoid long-term dependency on social services. Among those youth who entered basic centers, 67 percent were reunited with their families.

Community Services Programs

Through Community Services programs, the Federal government provides annual funding to States, territories, Indian tribes and tribal organizations, universities, and other non-profit groups to assist low-income people in local communities. Community Services funds, including the Community Services Block Grant (CSBG) and the Low Income Home Energy Assistance Program (LIHEAP), are primarily used to meet employment, education, housing, income management, energy, health, and emergency needs of the poor.

In FY 1997, \$490 million was appropriated to award Community Services Block Grants to 56 States and territories and the Commonwealth of Puerto Rico. A total of \$3 million was awarded directly to 64 Indian tribes and tribal organizations. Most funds are allocated to approximately 1000 community action agencies or migrant or seasonal farmworker organizations. For FY 1997, among other Community Services programs, \$31 million was appropriated for the Urban and Rural Community Economic Development program; \$12 million for the National Youth Sports Program; and \$4 million for the Community Food and Nutrition program.

Developmental Disabilities

The Administration for Developmental Disabilities ensures that the programs authorized under the Developmental Disabilities Assistance and Bill of Rights Act assist States to plan for and assure that persons with developmental disabilities receive the services, other assistance and opportunities necessary to enable them to achieve their maximum potential through increased independence, productivity, inclusion, and integration into the community.

In FY 1997, grants amounting to approximately \$114.2 million supported: the development of coordinated systems of services through statewide plans; the establishment of protection and advocacy systems to assist individuals in exercising their human and legal rights; interdisciplinary training, technical assistance, and information/dissemination activities provided by agencies affiliated with a university; and projects which focus on the most pressing national issues affecting people with developmental disabilities and their families.

Native Americans

The Administration for Native Americans (ANA) promotes the goal of social and economic self-sufficiency and the enhancement of the institutions of self-governance for Indian tribes and organizations and other Native American communities. Under the Native American Programs Act of 1974 (NAPA), as amended, ANA is the only Federal program with a mandate to serve all Native Americans regardless of where they live or their tribal or group affiliation. Native Americans total over 2.2 million individuals. Tribes and organizations of American Indians, Native Hawaiians, Alaska Native Villages, and other Native American Pacific Islanders, including American Samoans, received approximately 250 competitive NAPA grants annually to encourage self-sufficiency.

In 1997, about \$34.9 million in Federal appropriations supported community-based development programs which strengthen tribal and community economic and social bases. Program goals include: enhancing local decisionmaking among community and tribal governments; developing economic activities that provide jobs leading to increased self-sufficiency; and promoting local access to and control and coordination of services that safeguard the health and well-being of Native Americans and that lead to self-supporting communities.

Domestic Violence Programs

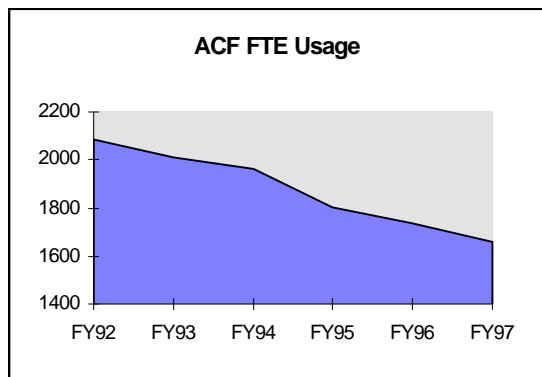
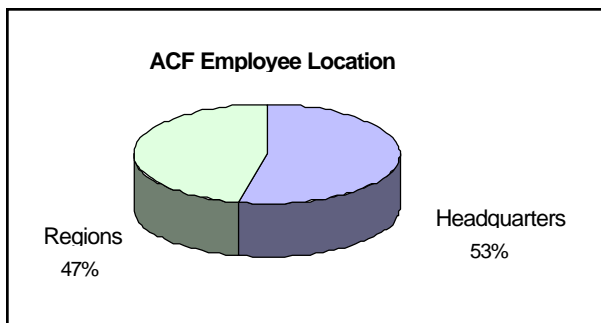
In FY 1997, a total of \$62 million in funds appropriated under the Children and Families Services appropriation was spent to develop and share successful methods of prevention, intervention, and treatment of domestic violence and its victims. Funds helped support programs and projects to prevent incidents of family violence, and provide immediate shelter and related assistance for the victims of family violence and

their dependents. Also, the Violent Crime Trust Fund financed an additional \$12 million for these activities (see **CRIMINAL JUSTICE ASSISTANCE**).

Federal Administration

In FY 1997, ACF obligated \$142.9 million against the \$143.1 million appropriated by Congress which supported usage of 1,657 FTE (full-time equivalents, as opposed to “on board staff”) and related expenses associated with administering over \$40.7 billion in Federal programs. In addition, ACF obligated \$10.9 million in reimbursements, primarily from Child Support Enforcement for technical assistance provided and operation of the Federal Parent Locator System. Total funds obligated for Federal Administrative activities were \$153.7 million.

At the end of FY 1997, ACF had 875 employees in its Washington, D.C. headquarters and 764 employees in the ten regional offices. This represented a 4.2 percent decrease from the number of staff during FY 1996. Of the 1,639 ACF employees on board on September 30, 1997, 1,615 were full-time permanent and 24 were part-time employees. The chart at left indicates the ACF FTE Usage for FYs 1992-1997.



ACF's efforts at de-layering and right-sizing have included an agency-wide initiative to increase the supervisor to staff ratio from an average of 1:4.64 in FY 1993 to an average of 1:9 by FY 1999. By the end of FY 1997, ACF was able to achieve an average supervisor-staff ratio of 1:7.05. This was achieved by redeploying personnel and restructuring certain management positions.

TRAINING AND EMPLOYMENT (Budget Code - 504)

Job Opportunities and Basic Skills (JOBS) training program See discussion under **Temporary Assistance for Needy Families (TANF)** on page 3.

CRIMINAL JUSTICE ASSISTANCE (Budget Code - 754)

Crime Victim Fund

In addition to the \$62 million in funds appropriated under the Children and Families Services appropriation for Family Violence programs, \$20 million of funds transferred from the Trust Fund were spent on shelter and services for battered women, and on the education and prevention of sexual abuse of runaway, homeless and street youth. These funds also supported the Domestic Violence Hotline which has received over 160,000 calls since it became operational on February 21, 1996. The vast majority of these calls are from individuals who have never before reached out for assistance. To support the tremendous response to this service, the hotline received \$1.2 million in funding for FY 1997.

Performance Goals/Measures

The FY 1997 (Spring) edition of **Achieving Success**⁴--ACF's "report card" on performance results--continued to report against the three broad goals documented in FY 1996:

GOAL 1: ECONOMIC INDEPENDENCE AND PRODUCTIVITY OF FAMILIES
Measurably improve the economic independence and productivity of families by reforming the welfare system and by stimulating the changes in attitude and behavior necessary to achieve results.

GOAL 2: HEALTHY DEVELOPMENT OF CHILDREN AND YOUTH
Increase the number of children, youth and families who have improved health, development and well-being and live in stable communities.

GOAL 3: A RESULTS-ORIENTED ORGANIZATION
Be a high-performing, customer focused organization that values its partners and empowers employees to achieve results.

ACF administers programs that promote the economic and social well-being of children, youth, and families, focusing particular attention on vulnerable populations including low income children, refugees, Native Americans, and the developmentally disabled. These programs derive from dozens of legislative authorities and a diversity of funding and governance arrangements. ACF provides Federal funding, and State, local, territories, Tribes, or community-based organizations or non-profit grantees deliver program services.

ACF and its partners are jointly responsible for the success of programs that support several HHS goals and provide primary program support for the HHS goal to improve the economic and social well-being of individuals, families, and communities in the United States. Working toward increasing the economic independence and productivity of families and improving the healthy development, safety and well-being of children, ACF and its partners have developed performance goals and measures that will track their success in increasing employment, independent living, affordable quality child care, parental responsibility, and improvements in the health status, and permanency of children and youth.

ACF also coordinates its programs with other HHS agencies, particularly those that provide medical and dental services and health insurance to low income families, including the Administration on Aging, the Health Care Financing Administration, Health Resources and Services Administration and the Substance Abuse and Mental Health Services Administration.

Other Federal agencies have related goals that complement and supplement ACF's goals, including the Departments of Labor (improving job readiness and employment among low income people), Housing and Urban Development (improving the quality and supply of inexpensive housing), Agriculture (assuring that the nutritional needs of low income people are met), Transportation (helping welfare recipients obtain affordable transportation to the workplace), Education (improving early education efforts and readiness to work skills), and Justice (supporting non-violence programs). ACF participants in a number of interagency workgroups that work to assure coordination among these programs.

ACF's programs are administered in a complex partnership environment in which varying Federal, State, local, and community-based funding sources and programs deliver services. While the broad goals of these jurisdictions and organizations are similar to ACF's, State and local programs often differ on specific

⁴ Note that the Spring edition of **Achieving Success** reported data available at that time for FY 1996-1997 targets. No later edition was issued during FY 1997.

targets and outcomes relevant to the particular needs of specific population groups and communities. In this decentralized environment, ACF's ability to achieve its goals and objectives depends on working effectively with State, local, and tribal governments and other stakeholders.

Recognizing this, ACF has engaged in extensive consultation with its partners and stakeholders to develop and gain their support for mutually agreed-upon performance goals and measures, while allowing for maximum flexibility at the local level. These discussions have included not only direct partners but also advocacy groups and national educational/technical assistance organizations. This effort to reach consensus on outcomes has prompted extensive discussion of strategic objectives, legislative requirements, and data sources and availability and has led to a fuller understanding of the expected program outcomes and the relationship of process and output measures to those outcomes.

In areas where results are quantifiable and where data are available or more easily obtained, such as for child support collections, ACF expects to report on results sooner. In other areas, where expected outcomes are qualitative or depend on the agreement of State and local agencies to provide data, considerable effort will be needed to achieve consensus on the appropriate outcomes and measures of success, and to design, develop, and implement appropriate systems for data collection.

Summary of Specific Program Activities

The status of individual program progress in developing performance measures and partnership agreements on these measures is described below. Examples of objectives and targets have been selected from **Achieving Success** and incorporated in the text to help illustrate the types of performance measures being developed for specific programs. Numbers in brackets represent targets as opposed to actuals. Note that in **Achieving Success** these programs may have targets under more than one goal and/or objective, and that these goals, objectives and targets may change based on new or different programs and/or priorities. Senior staff performance plans also have been developed to reflect ACF's goals, objectives, and program performance measures.

Temporary Assistance to Needy Families (TANF)

Economic independence and productivity of families is one of the strategic goals Congress wanted to achieve in creation of TANF. Beyond providing States with flexibility in program design and funding, Congress established work participation performance standards and created a High Performance Bonus (HPB) incentive system to facilitate the achievement of this goal. Under the new law, recipients must work after two years on assistance, with few exceptions. Twenty-five percent of all families in each state must be engaged in work activities or have left the rolls in fiscal year (FY) 1997, rising to 50 percent in FY 2002. Single parents must participate for at least 20 hours per week the first year, increasing to at least 30 hours per week by FY 2000. Two-parent families must work 35 hours per week by July 1, 1997.

OFA consulted with a wide variety of State welfare agencies and other interested parties to develop suggested outcomes and measurements for successful administration of TANF. Also, OFA has been working to implement the concepts and recommendations of the AFDC Quality Assurance (QA) Academy Report. To the extent possible, OFA will continue to coordinate efforts to: 1) integrate welfare-to-work performance measures with those of programs with common goals, such as Child Support Enforcement, child care and Department of Labor programs; 2) encourage other related programs to move toward a compatible outcome-based performance measurement system within the framework of the new welfare reform legislation.

Office of Child Support Enforcement (OCSE)

With the pilot phase of its GPRA project completed, OCSE continued building on its past success with State partners. Having achieved a consensus Strategic Plan with Outcome Measures, OCSE has been working with the States to implement the measures by developing standard definitions, revised reporting forms and instructions.

Based on recommendations developed by OCSE in consultation with States, Congress is considering bipartisan legislation that would establish a new performance-based incentive funding system. For further information, see the Accomplishments section of this report.

OCSE workgroups completed assessments to determine the kind of training and technical assistance needed by State and local child support agencies. In response to the assessments, the workgroups, the regional ACF offices, the National Training Center and the Technical Assistance Branch developed plans for implementing the training and technical assistance requested. In addition, OCSE developed a comprehensive document of assistance for the States. Many of those activities are underway or have been completed through conferences, retreats, meetings, publications, policy guidance, training, and on-site technical assistance.

GOAL 1 Objective: *PROMOTE PARENTAL RESPONSIBILITY.*

Target: Increase the amount of total child support collections to \$13.7 billion in FY 97.

1992	1993	1994	1995	1996	1997
\$8.0B	\$8.9B	\$9.9 B	\$10.8B	\$12.0B	[\$13.7B]

SOURCE: OCSE-34

Refugee Resettlement Program

FY 1997 represents the second year that the Office of Refugee Resettlement (ORR) has provided technical assistance and participated in negotiations with each State regarding goal-setting on the six employment and self-sufficiency ORR outcome measures based on the previous year's actual performance.

FY 1997 Annual Outcome Goal Plans for the 46 states and the District of Columbia participating in the State-administered program have been reviewed and approved. Quarterly progress toward achieving projected goals on the six ORR performance measures is tracked by State, and in the case of California, by county. ORR uses the revised quarterly performance report (QPR), which was implemented January 1, 1996, to track progress toward achieving goals and to provide technical assistance, as appropriate.

ORR extended performance measurement to Wilson/Fish alternative projects in FY 1996 by negotiating goal-setting with these grantees on the same six ORR outcome measures as part of their application to ORR for continued funding. Outcome goals will be negotiated on a project by project basis for newly approved projects and during the Wilson/Fish grant continuation process for existing projects.

Effective with the beginning of calendar year 1997, ORR also extended performance measurement to its second largest grant program, the Match Grant program. This program strives to achieve early self-

sufficiency for newly-arrived refugees by welfare avoidance. In FY 1996, appropriate performance measures for setting annual outcome goals for the Match Grant program were developed in consultation with the grantees.

ORR is now finalizing its Annual Report to Congress for FY 1996; this report will contain data on the performance of States participating in the State-administered program. These data will include each State's or county's annual outcome goals and actual performance on the six ORR outcome measures for FY 1996. The FY 1997 volume of ORR's Annual Report to Congress will contain more detailed information on the performance of Wilson/Fish alternative projects and the Match Grant program.

ORR will continue to collect, track and refine its performance data for the State-administered program. During FY 1997, ORR designed a database to collect, track and analyze performance data on the Wilson/Fish alternative projects and the Match Grant program.

GOAL 1 Objective: *PROMOTE EMPLOYMENT.*

Target: Increase the number of refugees entering employment from employment-related social services by 5% annually.

1992	1993	1994	1995	1996	1997
26,009	30,408	32,430	35,533	55,350	[58,118]
+9.8%	+16.9%	+6.6%	+9.6%	+55.8%	[+5%]

SOURCE: ORR-6

Developmental Disabilities

The Administration on Developmental Disabilities (ADD) and the Developmental Disabilities Program Network have jointly developed a document in response to GPRA that defines the mission, vision, and direction of ADD, State Developmental Disabilities Councils (DDCs), Protection and Advocacy Systems (P&As), University Affiliated Programs (UAPs), and Projects of National Significance (PNS). Although not without its problems, this was a collaborative process involving consumer, parent, grantee, and professional association representatives.

The "Roadmap to the Future" links program components and ADD to a shared mission and vision of the independence, productivity, and integration and inclusion of people with developmental disabilities and their families through its principles, goals, desired outcomes, and performance measures. It charts the direction of DDCs, P&As, UAPs, PNS, and ADD in addressing current and emerging issues and trends facing individuals with developmental disabilities and their families. To reflect changing trends and circumstances as well as to incorporate new goals and more useful performance measures that influence change, The Roadmap will be modified periodically. The Roadmap is expected to create a new impetus for individual and collaborative efforts on behalf of people with developmental disabilities.

ADD will use The Roadmap to identify areas for cross-program collaboration; develop strategies at the community, State and Federal levels; develop program-specific performance measures to gauge success; and report progress. The first year of ADD and DD Network experiences will be used to establish baseline data for developing targets.

GOAL 1 Objective: *PROMOTE EMPLOYMENT*

Target: Increase the number of individuals with developmental disabilities employed in integrated settings, e.g., competitive and supported employment, by 10% annually.

1993	1994	1995	1996	1997
79,551	88,646	97,737*	[106,828]**	[115,919]**
	+11%	+10%	[+9%]	[+9%]**

* Estimate based on best available data
**Estimated projection
NOTE: 1994-96 data has been revised since last edition.
SOURCE: State MR/DD Agency Survey of State Day and Employment Services

Child Care Bureau

Access to good, affordable child care is critical to the achievement of self-sufficiency by welfare clients through employment. Child care subsidies also help the working poor remain self-sufficient. Established in FY 1996 as a result of PRWORA, the Child Care Bureau worked with States and tribes to assist low income working families who need child care that is safe, healthy and affordable through block grants to States.

GOAL 1 Objective: *PROMOTE AFFORDABLE CHILD CARE.*

Target: Annually increase the number of children receiving subsidized child care.

1993	1994	1995	1996
1,390,000	1,411,000	1,445,000	[1,634,000]

NOTE: 1994 data revised from 1,446,000; 1995 total is underestimated since IV-A data from nine States were not reported; final 1996 data not yet available.
SOURCE: ACF-700, ACF-108, ACF-115

[NOTE: All years are based on state reports and as such are duplicative counts and may over estimate the number of children served on a consistent basis throughout the year.]

Head Start

Performance Measures are being established by the Head Start Bureau to determine the range of effects enrollment in Head Start has on both children and their families. This includes children's physical, social and cognitive development. Also to be assessed are parents' perceptions of their children's development and the progress that parents make in meeting their personal goals. These measures of children's progress and development will be used to improve the quality of service delivery in the Head Start program.

In the Spring of 1997, the Head Start Bureau piloted a data collection effort from 2400 families. Full implementation of the data collection began in the Fall of 1997 with 3,200 families at 160 Head Start centers. The data collection included interviews with staff and parents, classroom observations, direct child assessments and indirect child assessments by teachers and parents. In the Spring of 1998 another data collection will be completed which will include Head Start children who will be entering kindergarten and who will be tracked through their kindergarten year.

The project envisions the establishment of ongoing systems for the collection, analysis and reporting of information supporting the performance measures that have been identified for Head Start. While data sources are available for some areas of interest, other areas will require further developmental work before they can be assessed. This is particularly the case with the definition and assessment of measures dealing with child and family outcomes. Head Start intends to issue updated progress reports on the Performance Measures Initiative. Presently, the Bureau plans to update the first progress reports in late 1997 when the first stage of data collection, now underway, has been completed. Head Start will continue to develop tools to be used in classroom observations.

GOAL 2 Objective: *IMPROVE THE HEALTHY STATUS OF ALL CHILDREN.*

Target: Maintain at or above 92% (dental) and 95% (medical) the portion of Head Start children who receive dental and medical exams during the school year.

	92-93	93-94	94-95	95-96	96-97
Medical	93%	94%	95%	95%	[96%]
Dental	91%	91%	94%	93%	[95%]

SOURCE: HSPiR

Child Welfare

ACYF continues to develop a new results-oriented strategy for reviewing federally assisted child and family service programs. As part of its consultation strategy, ACYF staff held a series of focus groups which have provided valuable input that has been used to guide the work. The consultation with State Child Welfare representatives will continue throughout the development of the new strategy and the pilot reviews.

A State self-assessment and protocol for on-site reviews has been developed. In FY 1995 on-site reviews were piloted in Mississippi, Ohio, West Virginia, Washington, and Nevada; in FY 1996 pilot reviews were conducted in Illinois, South Carolina and Connecticut; and in FY 1997 reviews took place in New Hampshire and Utah. The purposes of these reviews are: (1) to test the concepts currently under consideration and to obtain needed feedback from States, regional offices and consumers of child and family services, and (2) to further refine the review process and the instruments that have been developed. In addition, draft regulations governing the new review procedures are being developed for publication in the Federal Register. The pilot testing in the States will be completed in early FY 1998.

The Children’s Bureau also has begun to implement recommendations from the “Adoption 2002” Initiative which responds to President Clinton’s December 14, 1996 directive to Secretary Shalala to double the number of children placed in adoption and guardianships from the public foster care system by the Year 2002. Regional Offices are working with States to establish the final “Adoption 2002” baseline and targets by April 1998. Data from the Department’s Adoption and Foster Care Analysis and Reporting System (AFCARS) will be the primary source of data. For additional information, see the Challenges section of this report.

GOAL 2 Objective *ENSURE SAFETY AND WELL-BEING OF CHILDREN AND YOUTH.*

Target: Double the number of adoptions for children from the public foster care system between 1997 and 2002.⁵

1996	1997	2002
20,000	[21,000]	[42,000]

SOURCE: Estimated from VCIS and AFCARS

Community Services Programs

CSBG

The Community Services Block Grant (CSBG) statute requires that States secure from eligible entities a community action plan which includes a description of outcome measures to be used to monitor success in promoting self-sufficiency, family stability and community revitalization. The CSBG Task Force on Monitoring and Assessment, established by OCS in 1994 to assist the Community Services Network in operating and managing its programs, has adopted the GPRA planning and performance measure model for establishing accountability. Results-Oriented Management and Accountability (ROMA) is a management practice that incorporates the use of outcomes or results into the administration, management, and operation of human services. It provides a framework of national goals at the family, community and agency levels for a flexible transition to an outcome orientation and an opportunity to create and use a variety of indicators for local community action agencies. ROMA encompasses: 1) a menu of outcome-oriented measures which leave maximum flexibility at the local level; 2) implementation tools for measuring incremental successes and assessing agency capacity such as scales and self-assessment matrices; 3) electronically-provided economic and demographic data mapping at the neighborhood level for conducting community needs assessment and planning; 4) training and technical assistance plans to ensure timely phasing of the total approach; 5) reporting compatible with local, State and Federal need for information.

Reporting processes also are being streamlined and tailored dependent upon "the need to know." The technical assistance and training which are being provided include measuring and publicizing results; surveying partners and customers; use of technology; and negotiating between State and local levels to resolve problems. Tools such as scales to measure incremental progress, survey methodology and consensual methods to resolve disputes are increasingly being used to enhance implementation of the GPRA process.

LIHEAP

In November 1995, OCS issued LIHEAP model performance goals and measures for grantees to use at their option for FY 1997. Since November 1995, OCS staff have been working with the National Energy Assistance Directors' Association (NEADA) in conducting pilot studies with several States interested in implementing one or more of the LIHEAP model performance goals and measures. In June 1997, OCS selected one of the three LIHEAP model performance goals for use under GPRA. OCS staff will work

⁵ These statistics reflect information developed prior to the Adoption 2002 Initiative and do not include the additional 7,000 guardianships incorporated in the more recent FY 1996 baseline figure of 27,000 adoptions/guardianships.

with NEADA over the next year in planning for the implementation of GPRA performance measures for LIHEAP.

GOAL 2 Objective: *BUILD HEALTHY SAFE AND SUPPORTIVE COMMUNITIES AND TRIBES*

Target: Maintain at 25% or higher the percent of LIHEAP recipient households that have young children under 6.

1995	1996	1997
27%*	26%	[25%]

* Revised

SOURCE: U.S. Census, Current Population Survey

Administration for Native Americans

Ongoing consultation with tribal and Native community leaders has resulted in performance measures which relate to broader ACF goals. Increasing capacity-building and infrastructure development for tribes and Native organizations, particularly through the development of codes, court systems, and the revision of existing tribal constitutions, is one of the new performance measures for ANA. This emphasis on capacity-building ties into the larger ACF goals to facilitate changes effected by welfare reform by working together with our partners in innovative ways. For both economic and social development, capacity-building and infrastructure development are key factors. In order to measure this goal, a baseline from existing data will be created.

The role of elders in all aspects of tribal and community life is essential; support of tribal elders and efforts to provide a voice for their concerns has been an important emphasis area for ANA. The ANA Commissioner's support for the Tribal Elders Initiative, which provides opportunities for meeting regularly with tribal elders, is an example of this commitment. ANA will measure the number of grants and other projects which include elder participation and establish a baseline for future performance measurement.

Reflecting governmentwide efforts to improve technological communications with our partners, ANA is committed to improving internal and external technological capabilities. An example of ANA efforts in this area is the creation of an ANA Web Page where partners can download application forms and other pertinent information. Improving technological capabilities is an important component in being responsive to ANA grantees and, in the long-term, should result in lower administrative costs for the Federal government and the grantees.

Provision of training and technical assistance services increased significantly from FY 1995 to FY 1996, largely due to the creation of a National Contract for urban Indian organizations and non-federally recognized tribes. The number of T/TA providers increased from four to five, and all contractors increased their actual number of site visits. In FY 1997 through FY 1999, ANA projects are to remain at a relatively constant level (+2% or -2%) and intend to measure both the individual attendance at T/TA workshops/sessions as well as the number of workshops/sessions held.

GOAL 2 Objective: *BUILD HEALTHY, SAFE AND SUPPORTIVE COMMUNITIES AND TRIBES.*

Target: Maintain or increase the provision of outreach services by training and technical assistance (T&TA) providers to the diverse Native American population, with particular emphasis on urban Native organizations, rural and non-Federally recognized Tribes.

1995	1996	1997	1998
441	1456*	1614	[]
[2% or -2%]			

* This large increase in individuals served resulted from creation in FY 96 of an additional area for provision of T&TA to urban Indian organizations and non-federally recognized tribes and groups. The number of contractors was increased from four to five, and all contractors increased the number of site visits.

SOURCE: ANA

ACF will continue to revise and refine its objectives and establish performance measures which contribute to the achievement of ACF's strategic cross-program goals. These broad goals will be the basis for collaborating with State agencies and local grantees on achieving economic and social outcomes. This focused approach will facilitate data collection and sharing across levels of government and between governments and private-sector organizations.

Making ACF a Results-Oriented Organization

GOAL 3 Objectives: *SATISFY CUSTOMERS AND PARTNERS.*

DEVELOP PARTNERSHIPS FOCUSED ON RESULTS.

STREAMLINE ACF ORGANIZATIONAL LAYERS.

Target: Increase the ACF-wide manager-to-staff ratio from 1:5 in FY 1993 to 1:7.5 by the end of FY 1997 and to 1:9 by FY 1999.

1993	1995	1996	1997	1998	1999
1:4.6	1:5.5	1:6.1	1:7.05	[1:8]	[1:9]

Source: HHS Personnel Data

NOTE: The interim target of 1:7.5 for 1997 was not met due to the large number of staff retiring at the end of the year.

ACF's Office of Program Support (which became part of the new Office of Administration effective January 2, 1998) has begun looking at ways to incorporate under Goal 3 select financial management goals documented in the FY 1997 Chief Financial Officers (CFO) Five Year Plan (1998-2002):

- Enhance ACF's efforts to develop a results-oriented environment for its own activities and the activities of its grantees in accordance with the requirements of GPRA;

-
- Distribute resources commensurate with programmatic priorities and strategic goals;
 - Support ACF program offices in implementing the TANF, child care, and Tribal provisions of PRWORA.
 - Ensure that ACF's financial systems both safeguard the financial resources entrusted to the Agency and facilitate oversight of ACF's programmatic and financial operations;
 - Successfully implement the Government Management and Reform Act (GMRA) by ensuring that ACF's audited financial statements provide fundamental accounting of the resources entrusted to us;
 - Integrate the myriad of oversight and control functions, such as CFO-related activities, budget planning, Federal Managers' Financial Integrity Act (FMFIA), and systems reviews;
 - Further strengthen ACF systems and processes to prevent the inadvertent overcommitment of allotments and allowances;
 - Ensure that ACF continues to have first class ADP capabilities and other technologies to improve productivity, dissemination of information, and customer services, and to reduce costs;
 - Provide ongoing leadership to streamline the process of announcing, awarding, and managing grants in ACF;
 - Streamline financial and administrative processes to reduce lead times and increase responsiveness while, at the same time, maintaining/enhancing internal controls;
 - Ensure that ACF grants are issued timely and accurately and improve guidance and technical assistance to grantees; and,
 - Strengthen financial management capabilities and skills within ACF.

An important example of a major management initiative undertaken to improve ACF's ability to administer and manage its grants and be more responsive to our customers is discussed in the Accomplishments section of this report under "New/Improved Technologies."

GPR

As part of the development of ACF's draft FY 1999 Performance Plan, ACF and ASMB jointly provided two day-long workshops on the GPR requirements and the OMB and HHS guidance. Forty ACF staff who were directly responsible for developing sections of the GPR plan attended from all parts of the Agency.

To more effectively achieve its mission, ACF deviated slightly from its **Achieving Success** three-goal structure while drafting the GPRA performance plan. The FY 1999 plan has ACF programs organized under three major strategic goals and the Agency's workforce and workplace initiatives under a fourth internal strategic goal:

Economic Independence and Productivity for Families

Healthy Development, Safety and Well-being of Children and Youth

Healthy Communities and Tribes

A Results-Oriented Organization

ACF's draft GPRA Plan now links directly to three HHS Strategic Plan goals:

Promote and support economic self-sufficiency and parental responsibility to assure the well-being, safety and stability of families;

Improve the quality of health care and human services; and

Assure access to health services through entitlement and health safety net programs.

In order to facilitate movement toward more outcome-based measures, ACF consolidated over 35 budget activities into thirteen key program areas supporting the first three strategic goals. Senior staff will continue to work toward refining a strategic planning process for ACF, incorporating the Assistant Secretary's seven agency-wide priorities and including linkage of the strategic plan with the budget process.

Major Initiatives and Accomplishments

Welfare Reform

Since the President signed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) on August 22, 1996, the Clinton Administration has taken numerous steps to ensure the success of the welfare reform law. ACF has provided assistance to States and communities in implementing the law; created partnerships with the business, religious and non-profit communities to hire and train welfare recipients; and delivered on the President's pledge to invest in moving people from welfare to work and fix provisions in the law that had nothing to do with welfare reform. As a result of the Clinton Administration's focused efforts this year--and throughout the last four years--***the welfare caseload declined by 4.3 million recipients, from 14.1 million in January 1993 to 9.8 million in September 1997--a drop of 31 percent--the largest welfare caseload decline in history!***

On July 1, 1997, the historic welfare law went into effect in *every* State, making work and responsibility the law of the land. ACF certified welfare plans for each State that require and reward work, impose time limits, and demand personal responsibility. Even before welfare reform, many States were well on their

way to changing their welfare programs to jobs programs. By waiving certain provisions in Federal statutes, the Clinton Administration allowed 43 States--more than all previous Administrations combined--to require work, provide time-limited assistance, make work pay, improve child support enforcement, and encourage parental responsibility. Following passage of PRWORA, a vast majority of States chose to continue or build on their welfare demonstration projects approved by the Clinton Administration.

To make welfare reform a success and help move a million people from welfare into the workforce by the year 2000, President Clinton enlisted the business community's leadership. So far, 800 companies, large and small, have accepted the President's challenge to forge a national effort to help move those on public assistance into jobs in the private sector. As the nation's largest employer, the Federal government is also doing its fair share to hire people from the welfare rolls. In March 1997, the President directed each head of a Federal Agency to develop a plan to hire and retain welfare recipients in jobs in the government. The chart below indicates how many former welfare recipients had been hired at selected Agencies as of September 22:

Agency	Commitment Through 2000	1997 Hires Reported Through September 22	Progress Toward Year 2000 Goal (%)
USDA	375	99	26%
Commerce	4,180	65	2
Defense	1,600	339	21
HHS	300	110	37
Justice	450	53	12
Labor	120	53	44
NASA	40	1	3
OPM	25	30	120
SSA	600	188	31
State	220	9	4
Treasury	405	50	12
VA	800	604	75

Source: Office of Personnel Management

Child Support Initiatives

President Clinton has made improving child support enforcement and increasing child support collections a top priority: "If every parent paid the child support that he or she owes legally today, we could move 800,000 women and children off welfare immediately." ACF announced a record \$13 billion in child support collections for FY 1997. Also, services were provided to over 19 million cases through the CSE program. In addition, over a million paternities were established and acknowledged (of which 349,356 were in-hospital paternities), over one million new support orders were established, and almost five million absent parents were located.

Under PRWORA, each State must operate a child support enforcement program that meets tough child support measures in order to be eligible for TANF block grants. They include: a National new hire reporting system; streamlined paternity establishment; uniform interstate child support laws; computerized State-wide collections; tough new penalties like expanded wage garnishment, revoking driver's and professional licenses; "Families First" policy; and access and visitation programs for noncustodial parents to encourage their involvement in their children's lives. On March 13, HHS/ACF submitted new recommendations to Congress designed to improve the child support enforcement system by linking Federal incentive payments to States to their performance in the following five key areas: establishment of paternities; establishment of child support orders, collections on current child support owed, collection on

previously or past due child support owed, and cost-effectiveness. The five categories were chosen by HHS/ACF to reflect real effectiveness in supporting children and helping families achieve self-sufficiency. On September 16, Secretary Shalala joined members of Congress to announce the introduction of bipartisan legislation drawn directly from the HHS/ACF recommendations.

Child support enforcement is a complex program that necessarily deals with very sensitive aspects of peoples lives--including but not limited to economics. OCSE has also been working hard to reach out to noncustodial parents who owe child support in an effort to involve them in the lives of their children, to draw them into the circle of the family. As Judge David Gray Ross, OCSE Deputy Director, emphasizes: "Child support is not just about money, but about love, support, responsibility, and belonging. Children are the future of America and all of us must do our part to preserve that future." OCSE has established within its organization outreach liaison specialists for tribal, military, international, interstate, law enforcement matters, and issues important to Hispanic children and families. Likewise, OCSE is involved closely with the Department of Justice in carrying out the Child Support Recovery Act which allows Federal prosecutors to take action against parents who willfully avoid supporting their children who live in another State.

OCSE is also facilitating collaborations with other ACF programs--such as Child Care, Head Start, Community Services and Family Assistance--to promote awareness of child support by encouraging them to consider the benefits of CSE services for their clients. OCSE and Child Care staff speak at each other's State program staff meetings and workshops to emphasize how child care and child support payments are critical for families transitioning from welfare to self-sufficiency; how CSE services can help children financially and emotionally; and how State staffs need to cooperate to assure that child support payment orders adequately provide for child care costs. OCSE and OCS entered an agreement to foster working partnerships in the States and local community CSE and Community Action Agencies to develop and implement innovative strategies to assist low income parents to fulfill their parental responsibilities. OCSE and OFA staff continue to promote closer collaboration between the CSE and TANF programs, and between similar staffs at State and local levels to increase the capacity of low income, noncustodial parents to make child support payments. OCSE and Head Start have launched a joint effort to ask local HS directors to inform every family in the program about CSE services; establish procedures for referring potentially eligible parents to the local CSE office for services; and to make referral arrangements for their clients. Also, State CSE officials have been asked to facilitate linkages between Head Start and local CSE offices. In this manner, ACF programs can function in a complementary role to each other and provide more help to families.

New/Improved Technologies

Integrated Grants Administration and Tracking System

During FY 1997, ACF continued to make advances in the design and implementation of its new, integrated Grants Administration Tracking and Evaluation System (GATES) for use throughout all headquarters and regional office components. In FY 1997, the discretionary pre-award and award funds control modules were installed, and several hundred users were trained on their use. Use of these modules is required in FY 1998. A Formula and Block Grant module was piloted in January 1997 and will be rolled out through the latter half of FY 1998. Budget planning, entitlement, and audit/debt collection modules will be developed over the next two to three years.

By the end of the year 2000, ACF will have one comprehensive cradle-to-grave grants system that will process grants from application through review, funding decision, award, report tracking, oversight of

fiscal and programmatic performance, performance measurement, audit, debt collection, disallowance, and grant closure. This system will provide verification of funds availability and electronic linkage to funds control, accounting and payment mechanisms.

State Systems

ACF's Office of Program Support (now part of the Office of Administration) has undertaken a number of actions associated with emphasizing to States the importance of making their human services systems and State systems Year 2000 Compliant: OPS has held forums at State systems users group conferences to discuss and share information; provided States with access to related information through the ACF Office of Information Systems Internet Home Page; and made Year 2000 Compliant a requirement for Federally funded State human service systems development projects. ACF will continue to seek ways to assist States in dealing with this issue as we deal with making our own internal systems Year 2000 Compliant.

"Net" Resources

Most of ACF's individual programs established or enhanced Internet Website Home Pages during FY 1997.

OCSE expanded its Home Page this past year resulting in increased access to basic CSE information by the public and CSE staff and better service to customers. Among the categories of CSE information now available to Web users is a "Facts" section which visitors can browse for basic information on profiles of State programs, as well as data on the CSE program nationally. A feature of the Home Page is OCSE's monthly newsletter, "Child Support Report." Also, users of this Home Page can now link directly to the 32 States that currently have their own Home Pages. Through this site, a foundation for a nationwide electronic child support network is evolving to help people access the CSE system more easily and effectively--and to help find those parents who are not paying the child support they owe.

Another comprehensive Home Page is available for ACYF. All major program bureaus are represented with program data and related linkages established for--Head Start, including linkage to the National Head Start Bulletin Board System; Children's Bureau, including linkages to the Child Abuse and Neglect and National Adoption Information Clearinghouses; Family and Youth Services Bureau, including program description and linkage to other related Websites in progress; and the Child Care Bureau, including linkage to other related sites (such as OCSE).

The ANA Home Page includes program and technical assistance information, as well as information on FY 1997 program announcements and expenditure reports. The ADD Home Page contains program descriptions, speeches and current program announcements; ADD is also testing an electronic data submission system for paperless transmission of program grantee documents (e.g., State plans, etc.) which--in the future--could provide ACF with a user-friendly mechanism for transmission of data via the Internet, Bulletin Boards and across the E-mail. The TANF Home Page includes program, legislative, policy and funding information, as well as linkages to related sites such as OCSE. OCS has done extensive work on its Division of Tribal Services Home Page which contains current Tribal statistics on TANF participation and other program information. In addition, the LIHEAP Home Page is well-developed, while a Home Pages is still in progress for the Social Services Block Grant program. The ORR Home Page contains program information and has additional linkages under construction. Another Website, available for the Office of State Systems, provides guidance documents, regulations, action transmittals, OMB Circulars, etc. concerning the development and maintenance of State data processing systems used to support ACF programs.

In addition to the individual program Home Pages, ACF's Agency Home Page contains linkages to recent press releases as well as the full press release archive, staff office financial management and systems Home Pages, organizational information, and topics of interest. Users on the Internet access the individual program Home Pages and the Department's Home Page directly from the ACF Home Page. ACF Regional Offices continue to expand Internet communications with the States. In addition, an ACF Web Group, established in March 1997 by the Office of Public Affairs with representatives from all Headquarters and Regional Offices, has drafted ACF world wide web-based technologies policy and guidelines.

Child Care and Head Start Kudos

In February, the Child Care Bureau received Vice President Gore's Hammer Award for exemplary customer service in providing new child care funds to States under the welfare reform law in just 39 days. PRWORA provided increased Federal funding to States for child care--\$3.5 billion more over six years--and gives States the opportunity to undertake planning that can lead to improved coordination of child care services, increased accessibility, and better informed quality choices for parents. The law set a deadline of October 1, 1996 for States to receive the first of those child care funds. Guided by the HHS and ACF principles of providing efficient and effective customer service, the Child Care Bureau conducted extensive consultations with States, prepared and distributed informative and easy to complete guidance and application for States, and granted \$1.9 billion. "The unprecedented accomplishment of the Child Care Bureau insured that States received funds and guidance timely to provide child care for families moving and staying in work," praised Olivia Golden, Principal Deputy at the time, but now the Assistant Secretary for Children and Families.

The Child Care Bureau also has launched several initiatives to improve child care for low income families: the Healthy Child Care America Campaign to offer safer and healthier child care programs and better informed parents and providers; the national Child Care Information Center to disseminate information on child care resources to policy makers and the general public; and sharing promising best practices and trends from across the country. In addition, proposed child care regulations published in July 1997 mandate that all children receiving child care services funded by Child Care Development Funds be immunized according to standards set by the State health department or an equivalent agency for non-State grantees. Another feature of the proposed regulations--expected to be ready for final publication and implementation in the spring of 1998--is its requirement for child care agencies to coordinate care with public health, TANF, employment, and education agencies to expand child care opportunities and support efforts to enhance quality.

In November 1996, ACF published revised Head Start Program Performance Standards, developed with the consultation of thousands in the Head Start field, that improve on the program's existing quality standards. These revised, more user-friendly standards remove rigid and prescriptive requirements, integrate infant and toddlers into the Head Start program, and promote collaboration with other community programs. Also, on March 25, Secretary Shalala announced a new Head Start initiative to expand Head Start services for children while also helping parents on welfare move to work. Under the new initiative, Head Start expansion funds were made available for the first time to build partnerships with child care providers to deliver full-day and full-year Head Start services. Through the Head Start-Child Care partnerships, Head Start and child care agencies combine staff and funds to provide high quality services. Children stay in one place all day, rather than attending Head Start for half a day and then moving to child care for the remainder of the day.

Major Challenges

Welfare Reform

President Clinton addressed the National Governor's Association on July 28 citing specific successes and challenges of making welfare reform work: "After a year of this law, we know that welfare reform will work...But we know that we have a ways to go to make a culture of dependency a thing of the past." Under PRWORA, welfare recipients must work after two years on assistance, with few exceptions. Twenty-five percent of all families in each State must be engaged in work activities or have left the rolls in FY 1997, rising to 50 percent in FY 2002. He challenged the States to concentrate their continued efforts in four areas--jobs, child care, transportation and child support. ACF programs are either directly or indirectly critical to the success of three of these efforts.

Jobs

Almost every State today has more money under the welfare program than it would have if the old law was in place because TANF funds are tied to times when welfare rolls were at their highest, and they have dropped significantly over the past four years. Nearly all State welfare-to-work programs include the traditional elements of job search, training, education, community work experience, and placement in unsubsidized jobs. Now, 36 of the 50 States are using welfare checks to subsidize employment for a period of time, probably ensuring a much greater success rate in convincing private employers to be willing to take a chance and hire welfare recipients. While three million people have been moved off the welfare rolls, we recognize that the remaining adults, by and large, are the hardest to place in employment in the private sector. They will need the most training and support, may have a false start or two, and need private sector support to succeed. ACF will continue to work with States to encourage them all to follow the example of the 36 States. Similarly, President Clinton has expressed concern that some States may divert savings resulting from their declining welfare rolls to other things and away from welfare reform. We will take every opportunity to support the continued reinvestment of welfare savings into State welfare-to-work strategies.

Child Care

People with young children cannot be expected to move into the work force unless they know that their children are going to be well cared for, safe and secure in a nourishing environment while they are at work. "Quality child care is critical to the success of welfare reform and to our continuing effort to help America's working families," Secretary Donna E. Shalala, announced recently. "This Administration is committed to creating effective working relationships between the public and private sectors to meet that end." ACF will continue to encourage all States--as some have already done--to create seamless child care systems which provide subsidies for all workers below a certain income whether they were once on welfare or not. Likewise, our new technical assistance initiative will assist States in developing important partnerships with the private sector to improve and expand child care services.

Child Support Incentives and Systems

Child support is an essential part of welfare reform. It sends a message of responsibility to both parents and is a vital part of moving families toward work and self-sufficiency. Child support can act as a safety net to help ensure that single parent families don't need assistance. Once families have attained

independence, child support can keep them from falling back onto public assistance rolls. PRWORA included tough child support measures including two critical areas--development of a new incentive structure and State automated systems. We are pleased that Congress is considering the legislation that makes a fundamental shift from the old system to a new system that rewards States with incentive funds based on the State's performance in five essential areas of child support enforcement (see "Welfare Reform" section of Accomplishments). To reinforce the goal of achieving self-sufficiency, States would be rewarded for collection in all child support cases, but with a stronger emphasis on welfare and former welfare cases. ACF already has begun working with States on developing standard data definitions to improve child support performance reporting.

Statewide automated enforcement systems are the only means to provide both prompt and reliable processing of information. With a current national caseload of 20 million, we must move forward aggressively with new technologies if we are to keep up with the massive volume of information and transactions in every State. Even before welfare reform, the Family Support Act of 1988 required statewide automated systems in all States by October 1995, and that deadline was later extended to October 1997. Accordingly, by December 31, 1997 a State had to certify to ACF through its CSE State Plan that its system meets the Family Support Act requirements. Under current law we will notify any State without such a system in place that we intend to disapprove its State plan and notify the State of its appeal rights. The penalty for failure to meet the statutory deadline is cessation of all Federal child support enforcement funding including 66 percent of program operating costs. If a State is not operating a child support enforcement program under an approved State plan, its TANF funds will also be lost. ACF's goal is to maintain State accountability while working with States and providing the necessary assistance to ensure they have certified automated systems that will enable them to operate an effective child support enforcement program.

Adoption Initiatives

With substantial increases in child abuse and neglect in America, States are confronting a dramatic increase in foster care needs. The foster care caseload has grown from 340,000 cases in 1988 to 500,000 cases in 1996, an increase of 47 percent. On December 14, 1996, President Clinton announced a comprehensive initiative to reduce barriers to adoption and double the number of children adopted or permanently placed from 27,000 in 1996 to 54,000 in 2002. The initiative--"Adoption 2002"--recognizes that foster care is a temporary solution and not an appropriate place for children to grow up. To help States meet ambitious new adoption targets, the President's FY 1998 budget proposes a new adoption bonus for States and \$21 million for technical assistance, grants, innovative demonstrations, and a national public awareness campaign. ACF is working with State courts to improve the timeliness and quality of decision-making that leads to adoption. More timely decisions will ensure that children do not languish in foster care and can more quickly be placed in permanent, stable families. As ACF Assistant Secretary Olivia Golden testified on the Hill, "In partnership with the States, we will identify barriers to permanent placements, set individual State goals for each year, and reward successful performance and raise public awareness."

Interpretation of Financial Statements

For the FY 1997 audit, the financial statements for the Administration for Children and Families (ACF) are not presented alongside those for the previous year. This is the result of a methodological change which, for the FY 1997 transition year, eliminates comparability.

ACF is a grant-making organization that uses funds appropriated by the Congress to support authorized entitlement and discretionary programs. Grants are made available under ACF's programs to State, county, territory, city and tribal governments as well as public and private local agencies.

ACF's balance sheet reflects its grants-awarding nature. As of 9/30/97, its assets were almost totally fund balances with the Treasury (99.9%)--the equivalent of cash in the bank (most of which was committed to grantees). ACF's liabilities were almost entirely advances (92%)--cash outlays made to grantees or others to cover part or all of the recipients' anticipated expenses.

Remaining FY 1997 liabilities are minimal, resulting mainly from accounts payable (3%), accrued payroll (2%) and Worker's compensation and accrued annual leave (3%). ACF's net position is derived from unexpended appropriations (99%) and cumulative results of operations. Unexpended appropriations consist of undelivered orders (64%), which are obligated funds for services not yet received and unobligated funds (36%). Cumulative results of operations represent the agency's equity, that is, the net difference between its expenses and its financing sources, over the most recent five year period. Examples of funds contributing to the cumulative results of operations include lapsed funds and deobligations.

ACF pays almost all of its grants through the Department's Payment Management System (PMS). This system electronically transfers funding to grant recipients. ACF's use of PMS has been critical to insuring a strong performance record under the Cash Management Improvement Act (CMIA). This Act and its implementing regulations govern when funds are drawn down by States and is intended to insure that neither the Federal government nor States should benefit from use of the cash. Equally strong is the record of prompt payment for ACF vendors which are paid by the Department's Program Support Center (PSC).

ACF shares debt collection efforts with the PSC. ACF identifies debts needing collection, and for entitlement grants, does the actual collection as well. Some debts are collected up front, through a grant offset, before a new grant is awarded; others are collected via a check from the grantee long after the initial grant was paid, and often after undergoing a protracted appeals process. For discretionary grants, the PSC does the actual collection after ACF identifies outstanding debts; again, these debts are often subject to appeals. Finally, the PSC manages the accounting records for both discretionary and entitlement debts which are collected. These debt collection efforts have allowed a low level of accounts receivable to be maintained. Over the last three years, from FY 1995 to FY 1997, total accounts receivable (outstanding debts) have ranged from a low of \$400 million to a high of \$936 million. ACF reduced accounts receivable from \$612.9 million in FY 1996 to \$199.9 million at the end of FY 1997.

There are different types of collection efforts: collection of child support delinquencies through the Internal Revenue Service's tax offset program and the new Treasury Offset Program (TOP), pursuit of funds provided to repatriates under the Repatriation program, and collection of program and audit disallowances. In the future, as a result of welfare reform, ACF will be managing a new loan program to States for which the total amount loaned cannot exceed \$1.7 billion.

Implementation of the Debt Collection Improvement Act of 1996 began for HHS components in FY 1997. Under this Act, ACF began to forward to Treasury for offset (via the Program Support Center), debts delinquent for more than 180 days. Similarly, implementation of new accounting standards, under which costs will be captured by program area, is ongoing and due to be completed by the end of FY 1998.

Yet other changes have occurred. ACF now focuses on helping States by providing technical assistance before errors occur. In the past, ACF focused on conducting on-site reviews which tended to catch States

in errors. At the same time, ACF has been involved over the last several years with tying budgeted funds to the development and implementation of performance measures. This effort developed momentum in ACF in FY 1996, especially in the Child Support Enforcement and the Head Start programs. This progress is addressed separately in another section of this overview.

As with its balance sheet, ACF's revenues and expenditures are also straightforward. Over 99 percent of ACF's funding comes from Congressional appropriations; the balance is overwhelmingly derived from reimbursable activities. Similarly, being a grants-awarding agency, over 98 percent of ACF's expenditures are in the form of program grants. The remaining 2 percent are for Federal administrative expenditures to operate ACF and its programs. Over 75 percent of the expenditures for Federal administration went for salary and benefit costs for ACF personnel. These percentages have all stayed fairly stable over time.

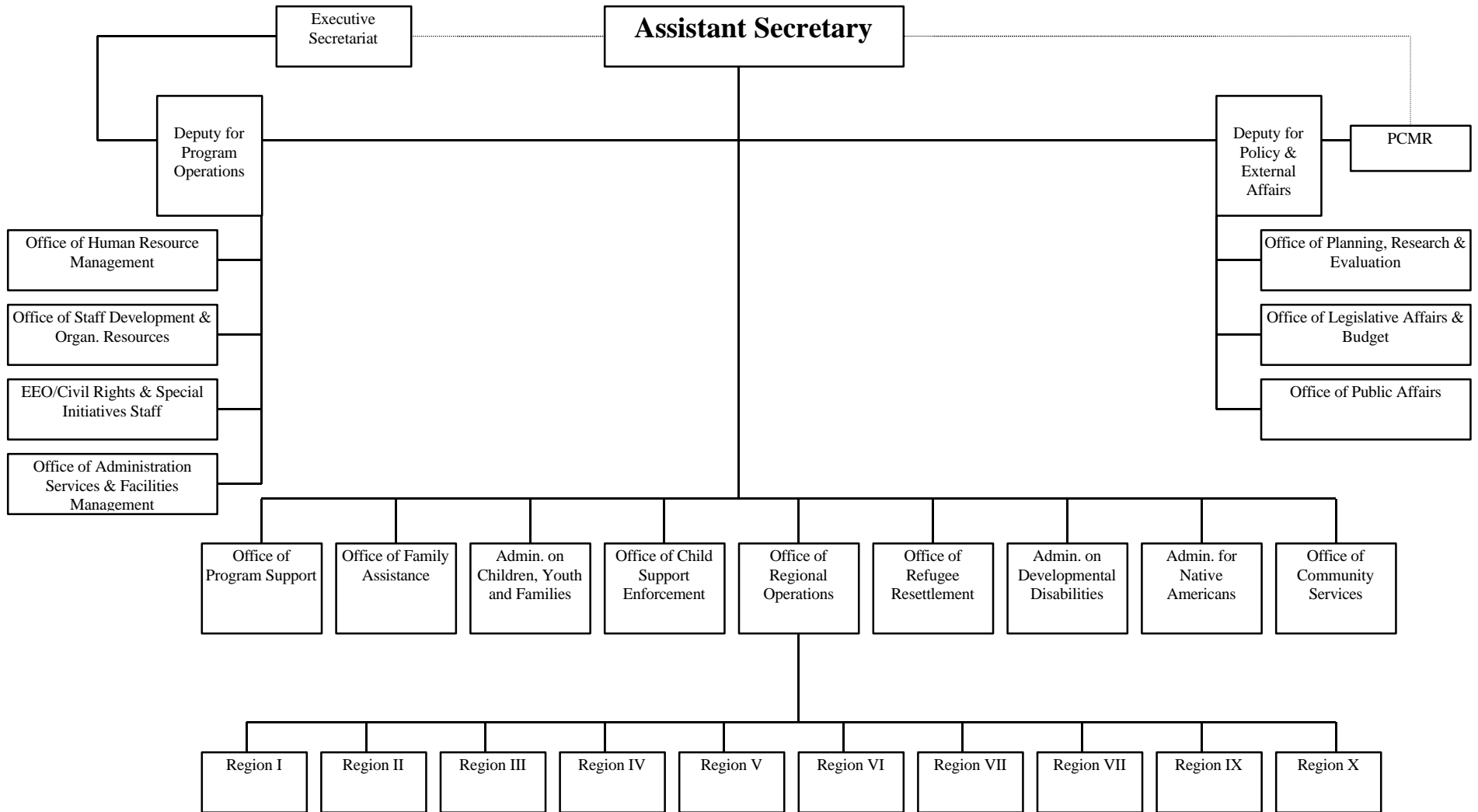
Despite fluctuations in individual programs, funding for the agency as a whole has gone up over time, albeit with larger increases in key discretionary programs like Head Start and Child Care. At the same time, the Congress continues to level fund many of ACF's remaining programs. Notwithstanding the passage of welfare reform in FY 1996, most of the growth in funding through FY 1997 continued to come in the entitlement programs. Funding for Federal administration peaked in FY 1995, and has declined in each subsequent year.

Limitations of the Financial Statements

- The financial statements have been prepared to report the financial position and results of operations of ACF, pursuant to the requirements of 31 U.S.C. 3515(b).
- While the statements have been prepared from the books and records of ACF and its accounting body--the Program Support Center--in accordance with the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

Administration for Children and Families



ACF Senior Staff (FY 1997)

Assistant Secretary	Vacant
Principal Deputy Assistant Secretary	Olivia Golden
Director, Executive Secretariat	Veronica Henderson
Deputy for Program Operations	Larry Love
Deputy for Policy and External Affairs	Vacant
Director, President's Committee on Mental Retardation	Gary Blumenthal
Director, Office of Program Planning, Research & Evaluation	Howard Rolston
Director, Office of Legislative Affairs & Budget	Madeline Mocko
Director, Office of Public Affairs	Michael Kharfen
/Director, Office of Human Resource	Sylvia Vela
Director, Office of Staff Development & Organizational Resources	Sandi Goines
Office of Admin. Services & Facilities Management	Robert Mott
Director, EEO/Civil Rights & Special Initiatives	Virginia Apodaca
Director, Office of Program Support	Norman Thompson
Director, Office of Family Assistance	Lavinia Limon
Acting Commissioner, Administration on Children, Youth and Families	James Harrell
Deputy Director, Office of Child Support Enforcement	David Ross
Director, Office of Regional Operations	Diann Dawson
Director, Office of Refugee Resettlement	Lavinia Limon
Commissioner, Administration on Developmental Disabilities	Robert Williams
Commissioner, Administrative for Native Americans	Gary Kimble
Director, Office of Community Services	Donald Sykes
Regional Administrator, Region I	Hugh Galligan
Regional Administrator, Region II	Marion Higgins
Regional Administrator, Region III	David Lett
Regional Administrator, Region IV	Stephen Golightly
Regional Administrator, Region V	Linda Carson
Regional Administrator, Region VI	Leon McCowan
Regional Administrator, Region VII	Linda Lewis
Regional Administrator, Region VIII	Barbara Turbo
Regional Administrator, Region IX	Sharon Fujii
Regional Administrator, Region X	Steve Henigson

**Supplemental Information
and
an Overview by Budget Function**

DEPARTMENT OF HEALTH AND HUMAN SERVICES
ADMINISTRATION FOR CHILDREN AND FAMILIES
SUPPLEMENTAL STATEMENT OF FINANCIAL POSITION
BY BUDGET FUNCTION
AS OF SEPTEMBER 30, 1997
(Dollars in Thousands)

ASSETS	TOTALS	TRAINING	SOCIAL	INCOME	CRIMINAL
		AND EMPLOYMENT			
Entity Assets:					
Intragovernmental Assets:					
Fund Balance With Treasury	\$ 22,584,876	\$ 1,735,459	\$ 7,309,031	\$ 13,510,935	\$ 29,451
Accounts Receivable	2,738	-	2,111	627	-
Governmental Assets:					
Accounts Receivable	2,143	-	1,090	-	1,053
Advances and Prepayments	134	-	129	5	-
Property and Equipment, Net	473	-	473	-	-
Total Assets	\$ 22,590,364	\$ 1,735,459	\$ 7,312,834	\$ 13,511,567	\$ 30,504
LIABILITIES					
Liabilities Covered by Budgetary Resources:					
Intragovernmental Liabilities:					
Accounts Payable	\$ 1,374	\$ -	\$ 1,338	\$ 36	\$ -
Advances	274,983	-	274,983	-	-
Governmental Liabilities:					
Accounts Payable	12,824	-	11,689	1,135	-
Accrued Payroll and Benefits	5,810	-	5,810	-	-
Advances	106,015	1,700	48,715	55,500	100
Total Liabilities Covered by Budgetary Resources:	\$ 401,006	\$ 1,700	\$ 342,535	\$ 56,671	\$ 100
Liabilities not Covered by Budgetary Resources:					
Governmental Liabilities:					
Workman's Compensation	\$ 3,166	\$ -	\$ 3,166	\$ -	\$ -
Accrued Leave Liability	10,755	-	10,755	-	-
Total Liabilities not Covered by Budgetary Resources:	\$ 13,921	\$ -	\$ 13,921	\$ -	\$ -
Total Liabilities	\$ 414,927	\$ 1,700	\$ 356,456	\$ 56,671	\$ 100
NET POSITION					
Unexpended Appropriations	\$ 21,863,521	\$ 1,562,525	\$ 6,844,048	\$ 13,422,254	\$ 34,694
Invested Capital	473	-	473	-	-
Cumulative Results of Operations	325,364	171,234	124,768	33,652	(4,290)
Future Funding Requirements	(13,921)	-	(13,921)	-	-
Transfer In-Out w/o Reimbursement	32-	-	1,010	(1,010)	-
Total Net Position	\$ 22,175,437	\$ 1,733,759	\$ 6,956,378	\$ 13,454,896	\$ 30,404
Total Liabilities and Net Position	\$ 22,590,364	\$ 1,735,459	\$ 7,312,834	\$ 13,511,567	\$ 30,504

DEPARTMENT OF HEALTH AND HUMAN SERVICES
ADMINISTRATION FOR CHILDREN AND FAMILIES
SUPPLEMENTAL STATEMENT OF OPERATIONS AND
CHANGES IN NET POSITION BY BUDGET FUNCTION
FOR THE PERIOD ENDED SEPTEMBER 30, 1997
(Dollars in Thousands)

	TOTALS	TRAINING AND EMPLOYMENT	SOCIAL SERVICES	INCOME SECURITY	CRIMINAL JUSTICE
REVENUES AND FINANCING SOURCES					
Appropriated Capital Used	\$ 31,227,649	\$ 136,000	\$ 11,385,555	\$ 19,665,676	\$ 40,418
Revenues from Sales of Goods and Services:					
To the Public	12,667	-	1,082	-	11,585
Intragovernmental	8,174	-	8,174	-	-
Other Revenues and Financing Sources	383	-	5	378	-
Imputed Financing Sources	13,044	-	13,044	-	-
Total Revenues and Financing Sources	\$ 31,261,917	\$ 136,000	\$ 11,407,860	\$ 19,666,054	\$ 52,003
EXPENSES					
Operating Expenses by Object Classification:					
Personal Services and Benefits	\$ 116,883	\$ -	\$ 116,883	\$ -	\$ -
Travel and Transportation	4,591	-	2,726	1,865	-
Rental, Communication and Utilities	16,230	-	15,000	1,230	-
Printing and Reproduction	539	-	459	80	-
Contractual Services	457,647	-	106,151	351,111	385
Supplies and Materials	586	-	533	53	-
Equipment not Capitalized	3,049	-	2,334	715	-
Grants, Subsidies and Contributions	30,628,519	136,000	11,142,208	19,310,311	40,000
Insurance Claims and Indemnities	119	-	119	-	-
Imputed Personnel Costs	13,044	-	13,044	-	-
Total Program/Operating Expenses	\$ 31,241,207	\$ 136,000	\$ 11,399,457	\$ 19,665,365	\$ 40,385
Depreciation	46	-	46	-	-
Bad Debt Expense	2,000	-	1,655	313	32
Total Expenses	\$ 31,243,253	\$ 136,000	\$ 11,401,158	\$ 19,665,678	\$ 40,417
Excess of Revenues and Financing Sources Over Total Expenses	\$ 18,664	\$ -	\$ 6,702	\$ 376	\$ 11,586
Net Position, Beginning Balance, as					
Previously Stated	\$ 20,739,093	\$ 1,708,456	\$ 8,670,331	\$ 10,337,503	\$ 22,803
Prior Period Adjustments	(7,287,704)	(212,043)	(2,537,287)	(4,537,564)	(810)
Net Position, Beginning Balance, Re-stated	\$ 13,451,389	\$ 1,496,413	\$ 6,133,044	\$ 5,799,939	\$ 21,993
Excess of Revenues and Financing Sources Over Total Expenses	18,664	-	6,702	376	11,586
Non-Operating Changes	8,705,384	237,346	816,632	7,654,581	(3,175)
Net Position, Ending Balance	\$ 22,175,437	\$ 1,733,759	\$ 6,956,378	\$ 13,454,896	\$ 30,404

**Independent Auditor's Report
and
Consolidated
Financial Statements**