



REPORT HIGHLIGHTS
SPECIAL REPORT

**At least \$14.6 million in transportation services provided to
CPS clients in fiscal year 2013**

Our Conclusion

The Office of the Auditor General has completed a special report on the Arizona Department of Economic Security's (Department) provision of transportation services for children support services. In fiscal year 2013, the Department paid at least \$14.6 million for transportation services for child protective services (CPS) clients. However, the Department does not use performance measurement to manage and evaluate these services, including overseeing contracted transportation providers. The Department should develop and implement a performance measurement system to evaluate these services and ensure that this system provides the necessary data to evaluate the appropriateness and cost-effectiveness of contracting for these services. In addition, although the Department has implemented some procedures to help ensure proper payments to transportation providers for these services, additional steps would help address internal control deficiencies.

The Department provides transportation services to children and families (clients) in the CPS system throughout the State, using contracted transportation providers, department staff, and foster parents. Transportation services include transporting clients to and from family visits, medical/counseling appointments, school, daycare, or other required appointments. Although some of the Department's transportation costs for children support services are embedded within other department expenses, the Department paid providers at least \$14.6 million for transportation costs in fiscal year 2013, an increase of nearly \$6.7 million since fiscal year 2011. The increase corresponds to an increase of children in out-of-home care from 10,974 as of June 2011 to 14,494 as of June 2013.

We asked other western states about their rates for contracted transportation services for CPS clients. Four of the five states that responded reported that they did not contract for such services. These states reported that they provided transportation through state workers, volunteers, and/or foster parents.

**Department should use performance measurement to
manage transportation services**

Department does not use performance measurement to manage and evaluate transportation services—The Department's transportation contracts include performance expectations regarding the timeliness of pickups, acceptance of trip referrals, and driver no-shows. However, the Department does not require providers to report whether these expectations are met. In addition, although the Department collects some information through monthly activity reports, such as the number of trips per client, the number of cancellations by the provider, and the number of late pickups, department staff reported using this information for billing purposes only and not for contractor oversight.

Department should implement performance measurement system—An effective performance measurement system collects and assesses performance data against a performance standard. Our report lists examples of common performance measures used by the transit industry for demand-response transportation, although the usefulness of some of these measures to a contracting agency may vary. The specific measures used to evaluate the Department's program should be developed based on its program goals and objectives with input from relevant stakeholders.

Given the increasing costs of providing transportation services, the Department should develop and implement a performance measurement system in conjunction with revising and rebidding its transportation contracts, which expire in October 2014. Specifically, the Department should:

- Review its existing performance measures and assess whether additional measures could be useful for managing and evaluating its transportation services;
- Ensure that such performance measures are clearly defined with regard to what is being measured and the data that will be used for the measure;



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- Include performance data-reporting requirements and guidelines in its contracts;
- Implement policies and procedures for using performance data to evaluate the transportation services and consider actions for improved performance; and
- Ensure that the measurement system provides the necessary data to evaluate the appropriateness and cost-effectiveness of contracting for these services.

Recommendations

The Department should:

- Develop and implement a performance measurement system to better manage and evaluate its transportation services; and
- Ensure that the measurement system provides the necessary data to evaluate the appropriateness and cost-effectiveness of contracting for these services.

Department should increase safeguards to reduce the risk of improper payments

The Department has implemented some safeguards to help ensure proper payments for transportation services. These safeguards include:

- Segregating the authorization and approval of invoices from the processing of payments for invoiced services;
- Using an automated system to ensure that payments are for services and at rates specified in contracts and that invoices are not duplicated;
- A post-payment comparison of payment amounts to invoice amounts by a person not involved in processing; and
- A post-payment review process that verifies on a sample basis that billed services are supported.

However, the Department lacks some standard controls that would help ensure that provider payments are made only for valid services. Specifically:

- **Written policies and procedures**—Although the Department has some written instructions, department staff reported that it lacks written policies and procedures for processing transportation payments, which increases the risk of improper or inconsistent payment processing.
- **Prepayment review**—The *State of Arizona Accounting Manual* requires that invoices be reviewed and approved before payment. However, department staff do not adequately review invoiced services before they are paid such as verifying transportation dates, mileage, supporting mileage logs, and transportation requests. Our review of payment transactions showed that staff at one payment processing unit performed some of these types of verifications, while staff at another unit did not. Although the Department performs some post-payment reviews, which can help detect improper payments, these reviews do not prevent improper payments from occurring. In addition, only a few transportation providers are selected for post-payment review.
- **Supervisory review**—According to department staff, supervisors do not review and approve transportation payments unless the invoice appears to be a duplicate. However, supervisory review is a standard procedure that helps to ensure compliance with policies and procedures, detect errors, and further ensure payments are made only for valid services.

Recommendation

The Department should develop and implement formal written payment policies and procedures that address the Department's current procedures and that require some level of prepayment review and supervisory review based on the Department's available resources.