



Division of Child Safety and Family Services

Janice K. Brewer
Governor

Charles Flanagan
Director

March 13, 2014

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

Re: Auditor General Transportation Services Audit Response

Dear Ms. Davenport:

The Division of Child Safety and Family Services (Division) and the Arizona Department of Economic Security (Department) appreciate the opportunity to provide this response to the Auditor General's report on Transportation Services.

The Department values the collaborative effort of the Auditor General's staff throughout this audit. In general, the information presented is constructive in helping the Division of Child Safety and Family Services develop stronger contract terms and internal controls related to transportation services. The report notes the Department has established performance measures for contracted transportation services. The Department agrees that collecting data for the performance measures and holding contractors accountable is needed to adequately manage transportation services.

Currently, there are over 15,000 children in out of home care in Arizona. The Division workforce must be able to access high quality transportation services in a timely manner in order to meet the needs of the children and families it serves. Transportation is a critical service that helps improve outcomes for children and families.

The auditors identified two areas where the Department could improve transportation services. The Department has addressed the auditors' recommendations below:

RECOMMENDATIONS – CHAPTER 1

1. In conjunction with its plan to develop new transportation contracts, the Department should develop and implement a performance measurement system to better manage and evaluate the provided transportation services. Specifically, the Department should:

- a. Review its existing performance measures and assess whether additional measures could be useful for managing and evaluating its transportation services, including overseeing the contracted providers. Selected measures should reflect key management goals and objectives for these services. In addition, the measures should be meaningful, valid, customer-focused, comprehensive, balanced, credible, cost-effective, simple, and comparable. The Department should solicit input from stakeholders, such as providers, in developing these performance measures, as appropriate.
 - b. Clearly define selected measures with regard to what is being measured and what data will be used for the measure. If contractors will be required to provide this data, those requirements should be included in the transportation contracts. The contractors should also include guidelines for reporting the data, such as developing and requiring the use of templates, electronic submission of data, or other standardized reporting methods.
 - c. Develop and implement policies and procedures for using performance measurement data to evaluate the transportation services and consider actions, such as policy or operational changes, for improved performance.
2. As part of developing a performance measurement system for its transportation services, the Department should ensure that the measurement system provides the necessary data to evaluate the appropriateness and cost effectiveness of contracting for these services.

Response:

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

Comment:

As noted by the Auditor General, the Division currently maintains performance measures for contracted transportation providers. The Division will continue to evaluate all performance measures prior to issuing any future contract solicitations for transportation services. Prior to this audit, the Division began engaging stakeholders to gather information for other service solicitations. The Division has contacted with other states to begin assessing current performance measures. The Division will continue to seek input from stakeholders, as allowed by procurement rules and regulations, to ensure that all methods used to collect data result in the fair treatment of present and future contractors.

Currently, auditors review contractors' for compliance with contracted performance measures. For the most recently issued audit, Department's auditors determined the contracted providers exceeded the required measures that are currently in the contract. The Division will improve the management of contracted transportation services by implementing a system that will include holding the Division and contractors accountable for quality and timely delivery of services. The system will include collecting

performance measurement data, analyzing the data collected, validating the accuracy of the data, and taking corrective actions when needed. In addition, the Division will develop policies and procedures for on-going desk reviews of performance measurement data.

The Division recognizes transported clients face varied circumstances that may negatively impact some of the required performance measures. As a result, the Division must ensure that exceptions are considered when necessary to ensure all of our clients receive the essential services to help facilitate reunification or permanency.

RECOMMENDATIONS - CHAPTER 2

The Department should develop and implement formal written policies and procedures to ensure consistency across the different payment units. These policies and procedures should:

- a. Address the Department's current procedures and controls;
- b. Require prepayment reviews and verification of invoiced services, such as ensuring that transportation dates and invoice calculations are accurate; trip distances are supported by mileage logs or mapping software; and services charged were actually requested by case managers and provided to department clients. If verifying all invoiced services prior to payment is not feasible, the Department should require department staff to conduct some level of prepayment review until additional staff resources and/or technology allows the Department to implement a more comprehensive prepayment review process; and
- c. Require some level of supervisory review prior to payment, using a random risk-based approach, to help ensure compliance with policies and procedures and detect processing errors. The Department should then expand its supervisory review of payments as resources allow.

Response:

The finding of the Auditor General is agreed to and a different method of dealing with the finding will be implemented.

Comment:

The Division strongly agrees with the need to have adequate internal controls to help ensure public funds are properly expended. As recommended, the Division will develop and implement formal written policies and procedures to ensure consistency across different payment units.

As noted by the auditors, the Division currently maintains the following internal controls when processing payments:

- The Division's Children's Information Library and Data Source (CHILDS) system is used to process payments. CHILDS includes system edits to ensure the

contractor has an active contract, the accurate rate was billed, and the service was contracted in the billed region. CHILDS suspends payment of claims that appear duplicated which then requires a second review before payment is processed. Contractors can only bill up to a maximum 'allowable' for miles entered into CHILDS.

- While the extent of reviews varies amongst payment processors, invoices are reviewed prior to payment. The reviews include verifying contract numbers, invoice totals, and in some instances, summing miles listed in contractors' reports to ensure the totals agree to invoiced amounts.
- As noted in the first bullet, CHILDS suspends payments that appear duplicated. A second review of high risk payments is required prior to releasing the payment.

Instead of conducting a detailed pre-payment review and increasing the number of supervisory reviews with every billing line and document, the Division will reallocate audit resources to increase the number of post-payment reviews of transportation services. The Division is committed to creating an agency focused on its core mission of child safety. The Division will revisit the recommendation to add additional staff for the processing of payments after addressing the need for additional staff whose purpose is to protect the children of Arizona. Furthermore, this recommendation will be revisited only after the Division's audits indicate that an issue has been identified.

The auditors did not identify overpayments. The Department's audit team identified overpayments that were 1.7 and 0.3 percent of the amount paid to the respective contractors. A risk-based audit methodology is used to determine the contractors to be audited. The risk factors used when developing a risk-based audit plan include the fiscal impact of the contracted service, likelihood of overpayments and complexity of the service. This recommended audit methodology resulted in a limited selection of transportation audits. However, the Division will reallocate existing audit resources to increase the number of transportation audits.

Thank you again for the opportunity to respond. We value the time, effort, and diligence of the Auditor General's staff in producing this report.

Sincerely,

Charles Flanagan
Director