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December 15, 2016

The Honorable John Allen, Chair
Joint Legislative Audit Committee

The Honorable Judy Burges, Vice Chair
Joint Legislative Audit Committee

Dear Representative Allen and Senator Burges:

Our Office has recently completed a 30-month followup of the *Arizona Department of Economic Security—Children Support Services—Transportation Services* regarding the implementation status of the 7 audit recommendations (including sub-parts of the recommendations) presented in the special report released in March 2014 (Auditor General Report No. 14-101). Although the recommendations within this report were originally directed at the Arizona Department of Economic Security, the Arizona Department of Child Safety has assumed responsibility for implementing these recommendations. As the attached grid indicates:

- 5 have been implemented;
- 1 has not been implemented; and
- 1 is no longer applicable.

Unless otherwise directed by the Joint Legislative Audit Committee, this concludes our follow-up work on the Arizona Department of Child Safety's efforts to implement the recommendations from the March 2014 report.

Sincerely,

Dale Chapman, Director
Performance Audit Division

DC:ka
Attachment

cc: Gregory McKay, Director
Arizona Department of Child Safety

Henry Darwin, Interim Director
Arizona Department of Economic Security

**Arizona Department of Economic Security—
Children Support Services—Transportation Services
Auditor General Report No. 14-101
30-Month Follow-Up Report**

Recommendation

Status/Additional Explanation

Chapter 1: Department should use performance measurement to manage transportation services

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| <p>1. In conjunction with its plans 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:</p> <ul style="list-style-type: none">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 contracts 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. | <p>Although the Arizona Department of Child Safety (Department) implemented recommendations 1.a and 1.b at 24 months, it reported it no longer plans to use the performance measures its transportation services contracts require to evaluate transportation services. Instead, the Department plans to develop policies and procedures to evaluate contractors using vendor-performance reports. The Department reported that it will use these reports to document specific incidents, positive or negative, about department contractors; and that it is working to hire or re-assign staff who would perform this function. The Department anticipates implementing these policies and procedures by February 2017.</p> <p>Implemented at 24 months</p> <p>Implemented at 24 months</p> <p>Not Implemented
See explanation for recommendation 1.</p> |
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Recommendation

Status/Additional Explanation

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.

No longer applicable

The Department is no longer implementing a performance measurement system. However, the Department reported that it will use the performance information it will collect through the vendor-performance reports (see explanation for recommendation 1), coupled with its budget, to assess the appropriateness and cost-effectiveness of contracting for transportation services.

Chapter 2: Department should increase safeguards to reduce the risk of improper payments

1. The Department should develop and implement formal written payment 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;

Implemented at 30 months

- b. Require prepayment review 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 due to the Department's available staff resources and technology, the Department should require department staff to conduct some level of prepayment review until additional staff resources and/or technology allow the Department to implement a more comprehensive prepayment review process; and

Implemented at 30 months

- c. Require some level of supervisory review prior to payment, using a random or 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.

Implemented at 30 months
