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OFFICE OF THE
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September 27, 2017

The Honorable Bob Worsley, Chair
Joint Legislative Audit Committee

The Honorable Anthony Kern, Vice Chair
Joint Legislative Audit Committee

Dear Senator Worsley and Representative Kern:

Our Office has recently completed a 42-month followup of the Arizona Department of Economic Security—Children Support Services—Foster Home Recruitment-Related Services Contracts regarding the implementation status of the seven report recommendations (including sub-parts of the recommendations) presented in the special report released in October 2013 (Auditor General Report No. CPS-1301). 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:

- 2 have been implemented;
- 4 have been partially implemented; and
- 1 is in the process of being implemented.

These statuses reflect the Department's efforts to implement auditors' recommendations for the foster home recruitment-related services contracts that became effective in July 2015, which the Department has extended through June 2018. Although the Department reported that it plans to more fully implement the recommendations the next time it issues a request for proposals, it does not intend to issue this request until at least June 2018. Additionally, Laws 2017, Ch. 311, §4, requires our Office to review the Department's practices for recruiting, licensing, using, and retaining foster parents in a report due by September 30, 2019. This review will provide auditors an opportunity to assess the new contracts at that time. Therefore, unless otherwise directed by the Joint Legislative

Senator Worsley and Representative Kern
September 27, 2017
Page -2-

Audit Committee, this concludes our follow-up work on the Department's efforts to implement the recommendations from the October 2013 performance audit report.

Sincerely,

Dale Chapman, Director
Performance Audit Division

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Attachment

cc: Gregory McKay, Director
Arizona Department of Child Safety

Michael Traylor, Director
Arizona Department of Economic Security

Arizona Department of Economic Security— Children Support Services—Foster Home Recruitment-Related Services Contracts Auditor General Report No. CPS-1301 42-Month Follow-Up Report

Recommendation

Status/Additional Explanation

Chapter 1: Department should improve its contracting process for foster home services

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| <p>1. The Department should engage in a collaborative planning process with relevant stakeholders, including contractors, to improve its performance-based contracting for its foster home recruitment-related services contracts. Through this process, the Department should:</p> <p style="margin-left: 20px;">a. Develop a process to work with all appropriate stakeholders to solicit, document, and consider input for the development of the new contracts. In addition, the Department should communicate to all the stakeholders how they can participate in the process.</p> <p style="margin-left: 20px;">b. Select only those performance measures that are critical to and reflective of the goals of the contracts.</p> <p style="margin-left: 20px;">c. Ensure that the performance measures it includes are clearly defined in the contracts, including definitions for key terms or requirements. As part of defining the measurement requirements, the Department should also include guidelines for reporting data, such as using templates or other standardized reporting forms.</p> | <p>The following statuses reflect the Department’s efforts to implement auditors’ recommendations for the foster home recruitment-related services contracts that became effective in July 2015. These contracts have been extended through June 2018.</p> <p>Implemented at 12 months</p> <p>Partially implemented at 42 months As reported in the 24-month followup, the Department included various performance measures in the contracts but indicated at the time that it could improve the performance measures by incorporating measures that more directly incentivize the placement of children in foster homes and that it might adjust the performance measures to better achieve the contracts’ goals. The Department reported that it has not further revised the performance measures but plans to incorporate improved performance measures the next time it issues a request for proposals (RFP) for foster home recruitment-related services.</p> <p>Partially implemented at 42 months As reported in the 24-month followup, the contracts implemented in July 2015 provide adequate definitions for the performance measures, but the Department had not developed all of the reporting forms associated with the performance measures. The Department reported that it has not made further progress in implementing this recommendation but will do so the next time it issues an RFP.</p> |
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Recommendation

Status/Additional Explanation

d. Set realistic performance measures for contractors by using data indicating how well the contract goals are currently being met and the contractors' ability to meet the identified goals, and include only those performance measures over which the contractors' have control.

Partially implemented at 42 months

As reported in the 24-month followup, the contracts implemented in July 2015 include performance measures that focus on areas over which the contractors have control, although the Department had not had an opportunity to assess how well these goals were being met. The Department reported that it has yet to use any performance measurement data to assess whether its performance measures are realistic (see the explanation for Recommendation 1e).

e. Develop formal policies and procedures for monitoring the contracts that specify roles and responsibilities for both department and contractor staff, including policies and procedures for collecting, analyzing, and sharing performance-measurement data in order to monitor contractor performance. The Department should also specify these monitoring practices in the contracts.

Implementation in process

The Department has created a new unit tasked with monitoring contract compliance. Although this unit has developed a template for policies and procedures, as of July 2017, it had not yet developed the actual policies and procedures. The Department reported that it will complete these policies and procedures in September 2017.

f. Modify its incentive structure to focus on specific measures where improved performance is needed or that are critical to agency goals in order to help ensure that contractors meet critical performance expectations. In addition, the Department should consider incentivizing performance measures independently rather than collectively and including sanctions as part of the incentive structure to discourage poor performance.

Partially implemented at 42 months

As reported in the 24-month followup, the Department's foster home recruitment-related services contracts include monetary sanctions for specific performance measures that are not met, but performance measures more directly related to the placement of children in foster homes were not included in the contracts. The Department reported that it was limited in its ability to incentivize performance because it does not track contractor performance data and because of limitations in its payment processing system and data integrity. Instead, the Department is paying contractors based on completing certain milestones. For example, a vendor might receive 25 percent of payment once they perform a specific task and another 25 percent once they perform another task. The Department reported that it plans to incorporate improved performance measures the next time it issues an RFP and will determine how best to incentivize performance in those contracts.

2. As part of the planning process, the Department should continue contacting other states about their experiences with developing performance-based contracts for foster care services, and should consider contacting experts or consultants for assistance, as appropriate.

Implemented at 24 months