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DEPARTMENT OF ECONOMIC SECURITY

*Your Partner For A Stronger Arizona*

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Janice K. Brewer  
Governor

Clarence H. Carter  
Director

OCT 09 2013

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

Dear Ms. Davenport:

The Arizona Department of Economic Security appreciates the opportunity to provide this response to the Auditor General's report on the Foster Care Home Recruitment and Retention Services (HRSS) Contract.

The Department appreciates the collaborative effort of the Auditor General's staff throughout this audit. In general, the information presented is constructive in helping the Department develop stronger performance-based contracts for services.

The report notes that the Department does not gather enough data to measure outcomes for children placed utilizing the HRSS contracts. The Department agrees that strengthening the collection of data surrounding the specific performance of individual contractors would be beneficial. However, it is important to note that significant data measuring specified outcomes for children currently occurs throughout the child welfare system.

In fact, the latest reports by the Administration for Children & Families, a division of the U.S. Department of Health & Human Services, demonstrate that the care provided to Arizona's foster children excels in several key areas.

Arizona ranks seventh best in the nation for the absence of abuse or maltreatment in foster care,<sup>1</sup> and twelfth in placement stability of children while in foster care.<sup>2</sup> The high marks Arizona has earned are a result of the foster home care licensing, training, and retention practices currently in

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<sup>1</sup> Child Maltreatment 2011

<sup>2</sup> Child Welfare Outcomes 2008–2011: Report to Congress

place. The Department looks forward to achieving even more for Arizona's children through enhancements to the Foster Care Home Recruitment and Retention Services Contract.

The auditors identified two areas for improvement which the Department should address in contracting for foster home recruitment related services. Specifically:

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:
  - 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.
  - b) Select only those performance measures that are critical to and reflective of the goals of the contracts.
  - 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.
  - 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.
  - 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.
  - 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.

Response:

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

Comment:

As noted by the Auditor General, prior to this audit the Department began engaging stakeholders to gather information to inform future HRSS solicitations. This process, including soliciting recommendations for outcomes, began in 2009, and continues. As an example, the Department currently conducts quarterly meetings, which are open to all HRSS contractors in every region the Department serves. These regularly held meetings provide contractors with a valuable opportunity to deliver feedback.

The Department will continue seeking opportunities for input, working in conjunction with our Office of Procurement to ensure our methods are appropriate, and fair to all interested parties. The Department appreciates that all references used in the construction of this audit have been made available by the Auditor General. The Department will utilize those references and evaluate the recommended contractor performance measures.

At the same time, the Department must recognize that children removed from their homes face varied circumstances. As a result, the Department must ensure contractor incentive systems are able to address a wide range of needs in order to obtain the best outcome for children with more unique circumstances. The Department will rigorously evaluate all options.

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.

Response:

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

Comment:

As noted by the Auditor General, prior to this report the Department began the research to revise and rebid its Foster Care Home Recruitment and Retention Services Contracts. The Department contacted several jurisdictions including, Kansas, Washington, and Philadelphia to solicit their experiences.

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We will continue to solicit input from other states and experts in the field to ensure that best practices are integrated within our contracts and costs are minimized.

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,

Clarence H. Carter  
Director