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July 2016

Kathleen Rooney, County Manager
Members of the County Legislature
Schenectady County Legislature
620 State Street, 6th Floor
Schenectady, NY 12305

Report Number: S9-15-31

Dear Ms. Rooney and Members of the County Legislature:

The Office of the State Comptroller works to help county officials manage their resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support county operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard assets.

In accordance with these goals, we conducted an audit of six counties throughout New York State. The objective of our audit was to determine if counties are monitoring community-based agencies to ensure that services provided and payments made are in accordance with contractual agreements. We included Schenectady County (County) in this audit. Within the scope of this audit, we examined the procedures of the County and various contracts in place for the period January 1 through December 31, 2013. Following is a report of our audit of the County. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This report of examination letter contains our findings and recommendations specific to the County. We discussed the results of our audit and recommendations with County officials and considered their comments, which appear in Appendix B, in preparing this report. Except as specified in Appendix B, County officials generally agreed with our recommendations and indicated they have taken or plan to take corrective action. Appendix C includes our comments on issues raised in the County's response. At the completion of our audit of the six counties, we prepared a global report that summarizes the significant issues we identified at all the municipalities audited.

Summary of Findings

We found the County could do more to enhance its contract monitoring practices by developing and implementing written contract monitoring policies and procedures and using performance based contracts, when practicable.

To determine if the County was effectively monitoring its community-based agency service contracts, we sampled five Department of Social Services' (Department) contracts totaling \$743,333. We found that the managers monitored the contracts in accordance with management's contract monitoring expectations.

We also found that while each contract defined contracted services and compensation rates, two contracts, totaling \$324,128, did not contain performance measures. Such measures would help managers determine if the contractor is meeting the Department's performance expectations and can provide leverage during performance-related discussions with the contractor.

New York State Social Services Law (SSL) requires counties to use performance-based contracts, if practicable, when contracting for work activities. Although the County does not contract for work activities and officials said they historically did not use performance-based contracts, during the audit period, they began to develop and include performance measures in their contracts.

Background and Methodology

The County has a population of approximately 155,000 residents and is governed by a 15-member Board of Legislators (Board). The County Manager is the County's chief executive officer and is responsible for the oversight of County operations. The County's 2014 budget totaled \$299 million and included the Department budget of \$108 million. A Commissioner oversees the general management of the Department and enforcement of SSL.

The Department is responsible for providing temporary help to eligible individuals and families with financial and social service needs to assist them with leading safe, healthy and independent lives. The Department provides and manages a wide range of social welfare programs. To accomplish its mission, the Department enters into contracts with community-based agencies to provide services that enhance the ability of families to live together, enable individuals to remain in their homes, minimize the risk of abuse or neglect and provide for specialized care in residential settings when necessary. The Department has 38 service contracts totaling \$6.4 million.¹ Two managers monitor these contracts. While SSL requires the Department to use performance-based contracts when contracting for work activities, when practicable, the Department does not contract for work activities.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). Such standards require that we plan and conduct our audit to adequately assess those operations within our audit scope. Further, those standards require that we understand the management controls and those laws, rules and regulations that are relevant to the operations included in our scope. We believe that our audit provides a reasonable basis for the findings, conclusions and recommendations contained in this report. More information on such standards and the methodology used in performing this audit are included in Appendix D of this report.

¹ As of December 31, 2013

Audit Results

Contract Monitoring – Contract monitoring is essential to ensure that services provided are consistent with the contract terms. The two managers responsible for monitoring contracts should be familiar with and have copies of the contracts they monitor and should adhere to the Departments’ contract monitoring practices. Managers should hold each contractor accountable to the terms of their contract, such as providing agreed-upon reports and evaluating services provided. Managers should also ensure that information reported by the contractor meets the performance outcomes outlined in the contract. In addition, if a contractor self-reports contract performance data, the manager should verify the contractor’s information.

The Department’s contracts required contracted agencies to periodically provide reports. The reports should account for each performance measure defined in the contract. The Department’s management expects its managers to conduct regular meetings with contractors and other multi-disciplinary teams, verify information submitted by each contractor, maintain complete files with required documentation and to hold contractors accountable.

To determine if managers were monitoring the contractors in accordance with the Department’s direction, we reviewed five contracts valued at \$743,333. Figure 1 in Appendix A shows a breakdown of the contracts we examined and any performance measures included in each contract. For each contract, we determined if the contractor submitted all required progress reports; determined if the contractor met performance expectations; examined the Department’s documentation, when possible, to confirm services were provided; examined and recalculated the contractor’s payment vouchers to confirm they were prepared in accordance with the contract terms; and confirmed the Department reviewed and approved each voucher for payment.

We found four contracts required progress reports, but one contractor did not provide the reports. While the supervised visitation contractor did not provide all of its required reports, the manager overseeing this contract provided documentation to support her efforts to obtain the missing reports. The Department terminated the contract because the contractor was not meeting the Department’s expectations and would not provide the required reports.

We also found that while each contract defined contracted services and compensation rates, two contracts, totaling \$324,128, did not contain performance measures. Such measures would help managers determine if the contractor is meeting the Department’s performance expectations and can provide leverage during performance-related discussions with the contractor.

The Department does not have written policies and procedures to guide the managers in monitoring contracts. Department management orally conveyed the contract monitoring policies and procedures. Having policies and procedures that are not formalized leads to misunderstandings and inconsistent application of the policies and procedures. When managers do not effectively monitor contracts, there is less assurance that the Department is receiving the contracted services.

Performance Contracting – SSL required the use performance-based contracting, if practicable, when contracting for work activities.² Although not defined in the SSL, performance-based contracting generally includes a clear definition of a series of objectives and indicators by which

² Paid or unpaid activities that help improve an individual’s employability

to measure contractor performance, collection of data on the performance indicators and consequences for the contractor based on performance (e.g., agreed upon amounts of consideration for meeting or exceeding indicators or termination of the contract or reduced amounts, as set forth in the agreement, for not meeting or exceeding those indicators). Performance-based contracting methods are intended to ensure that required performance quality levels are achieved and that the consideration is related to the degree that services performed meet or exceed contract standards.

Performance-based contracts should:

- Describe the requirements in terms of results required rather than the methods of performance of the work;
- Use measurable performance standards;
- Specify procedures for reductions of fees or for reduction to the price of a fixed-price contract when services are not performed or do not meet contract requirements; and
- Include performance incentives where appropriate.

Since the Department does not contract for work activities, the Department is not required to use performance-based contracting. While we found the Department incorporated performance measures in the three of the five contracts we reviewed, none of the contracts contains incentives if the contractor meets or exceeds performance expectations and four do not contain penalties if the contractor fails to meet minimum contract performance. Officials told us if a contractor continuously failed to meet the minimum performance statements, they would terminate the contract or allow the contract to lapse and negotiate a new contract with another vendor.

Department officials also told us that, during the audit period, they began to incorporate performance measures into their contracts, and they are working with contractors to develop performance measures that will be included when contracts are renewed. Because the Department does not currently use performance-based contracting, it may be paying for services that are not effective.

Invoice Processing – Auditing invoices should be a thorough and deliberate examination to determine that the invoice is a legal obligation and proper charge against the County. Further, the original invoice submitted by the service provider should agree with contractual terms. The various required supporting documentation should also agree with amounts charged on the invoices.

To determine if payments are allowable according to the contract and that they are a proper charge against the County, a thorough review of invoices provided by the contractor is required. This review should verify that payment is allowed according to the terms of the contract and that the required supporting documentation supports and agrees to the amounts charged on the invoices. In addition, invoices should be submitted within timeframes established in the contract.

To determine the accuracy of invoices and associated payments, we reviewed 46 invoices totaling \$632,556 related to the same five contracts discussed previously. We found the contractors provided the required supporting documentation, payments were made in accordance with contract terms and the invoices were submitted within the contract timeframes.

Recommendations

Department officials should:

1. Develop and implement written contract monitoring policies and procedures and ensure managers follow them.
2. Use performance-based contracting, when practicable. If the County does not use performance-based contracting techniques, consider adding contractual language to service contracts that detail recourse actions the County may take when performance measures are not met.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The Board should make the CAP available for public review in the Clerk's office.

We thank County officials and staff for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo
Deputy Comptroller

APPENDIX A

SUPPLEMENTAL INFORMATION

Figure 1: Contracts Reviewed		
Description	Performance Measure(s)	Value
Childcare Provider Registration Services	<p>Process initial registrations within four months with a 95 percent success rate.</p> <p>Family day care license renewals will include a renewal inspection with a 95 percent success rate.</p> <p>Initiate complaint investigations within 60 days and make determinations with a 95 percent success rate.</p> <p>Conduct midpoint inspections of day care providers.</p> <p>Conduct safety assessments and submit to the Department with a 100 percent success rate.</p> <p>Inspections of 50 percent of family day care and school age child care centers will be done annually, and 90 percent of all required documentation will be completed.</p> <p>Ensure that onsite registration case and management reviews will be completed at a rate of 90 percent.</p> <p>Approve and register 100 percent of unit staffing plans.</p>	\$194,205
Medical Application Assistance	5,000 units of service over the course of the year.	\$100,000
Youth Family Therapy	There are no defined performance measures.	\$314,378
Supervised Visitation	<p>70 percent of families served will demonstrate successful achievement of at least two skills within three months of service delivery.</p> <p>80 percent of families served will demonstrate successful achievement of at least two skills, not previously achieved, within six months of service delivery.</p> <p>90 percent of families served will demonstrate successful achievement of at least two skills, not previously achieved, within one year of service delivery.</p>	\$125,000
Foster Care	There are no defined performance measures	\$9,750
Total		\$743,333

APPENDIX B

RESPONSE FROM COUNTY OFFICIALS

The County officials' response to this audit can be found on the following pages.

The County's response includes reference to a contract appendix. Because the response letter sufficiently explains the relevance of this document, the contract appendix is not included with their response.

COUNTY OF SCHENECTADY



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COUNTY MANAGER

OFFICE OF THE COUNTY MANAGER
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January 8, 2016

Ms. Ann C. Singer, Chief Examiner
New York State Office of the State Comptroller
State Office Building, Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417

Dear Ms. Singer:

This letter is in response to the New York State Comptroller's audit related to the monitoring of Department of Social Service (DSS) service contracts. We would first like to extend our appreciation to the audit staff for the professionalism afforded us during the audit process.

Response Summary

The Comptroller's multi-county audit defined the objective of the review to be an audit of DSS contracts against a NYS standard for employment contracts that requires use of performance-based contracts, if practicable. It is important to note that Schenectady County DSS did not have any employment contracts; however, the Comptroller's Office sampled five other contracts and audited them against the employment contract standard. We offer the following responses to the report:

See
Note 1
Page 12

First, we were pleased that the audit found that:

- *"Contractors provided the required supporting documentation, payments were made in accordance with contract terms and the invoices were submitted within the contract timeframe."*
- *"Managers monitored the contracts in accordance with the management's contract monitoring expectations."*
- *"The Department's management expects its managers to conduct regular meetings with contractors, verify information submitted by each contractor, maintain complete files with required documentation and to hold contractors accountable."*

We do not agree with the statement that three of the contracts valued at \$424,128 did not have performance standards. Four contracts totaling \$733,583 of the \$743,333 had specific performance standards designed to reflect the specific nature of the service as well as the scope and size of the contracts. All contracts had monitoring systems in place. In fact, DSS monitoring led to the termination of one of the audited contracts specifically due to non-performance. We agree that the one remaining contract totaling \$9,750 did not have performance standards as it was a contract for 52 respite bed days where payment was based on utilization only. Attachment A provides detail on performance standards and monitoring in each of the contracts reviewed.

See
Note 2
Page 12

The report found that the daycare provider licensing and training contract was not a performance based contract; however we believe it is in fact a performance based contract. The report acknowledged that the contract did have performance measures but the report stated that “ the contract lacked reward or sanction provisions for good and poor performance.” This is not accurate. The attached contract appendix documents both the performance targets and the sanction should the performance target not be met: “2% of the quarterly contract amount will be withheld.”

Audit Recommendations

We believe that DSS had an effective contract monitoring system in place for the 2013 audit period. Additionally in 2014 and 2015 new monitoring processes were added prior to the commencement of this audit. However, the audit’s recommendations to strengthen contract language and to document (in the form of written procedures) monitoring processes are sound and will enhance our monitoring program. We have already taken steps to implement these recommendations.

Again, we would like to extend our appreciation to the audit team for the professionalism afforded us during the process.

Sincerely,

Kathleen Rooney
County Manager

CC: Honorable Anthony Jasenski, Chair, Schenectady County Legislature
Geoffrey Hall, Clerk to the County Legislature
Dennis Packard, Commissioner of Social Services
Julie McDonnell, County Auditor
Deborah M. Mancini, Commissioner of Finance

Attachment A

Daycare Provider Licensing and Training Service Contract

This contract was a performance based contract in which performance targets and sanction provisions were written in the contract. The report stated there were no rewards or sanctions; however, this is inaccurate. The contract's appendix (attached) included terms that stated if the performance target is not met, "2% of the quarterly contract amount will be withheld."

See
Note 3
Page 12

Mandated prevention of foster care services contract

For this contract 1) payment was only made for units of service rendered, 2) the contracted performance standards were rendered with detailed documentation, 3) the contractor achieved excellent outcomes, and 4) the department monitored this contract on multiple levels as described below.

This DSS contract provided intensive home-based family intervention services specifically designed to prevent the placement of a child/youth in foster care. By regulation this type of DSS contract may only be used in cases in which there is imminent risk of foster care placement. The clear outcome of the contract is to prevent foster care placements by working to assure a safe and healthy home. Use of a financial reward and/or penalty based on performance is not practical for this type of service; however the County Department of Social Services did set service standards and outcomes, and heavily monitored this contract to evaluate its effectiveness.

Monitoring occurs at the systems level by a DSS contract monitor and the Director of Children and Family Services. The outcome of this contract is to prevent the placement of children in foster care by assisting families to address at-risk behaviors and provide healthy and safe home environments. The provider is required to provide an annual aggregated summary of outcomes. For the 2013 period, the following outcomes were achieved and reported to DSS in the 2013 annual report:

See
Note 4
Page 12

- **95% (54/57) youth avoided out of home placement during the service provision period.**
- **93% (53/57) youth avoided the need for further Family Court involvement**
- **90% of the parents increased their involvement in school, mental health and other service providers.**

The contract is also monitored at the case level by the assigned DSS caseworker and his/her Supervisor to assure the necessary performance standards are being performed. A system is in place for DSS caseworker/supervisor to report issues of contract noncompliance at the case level up to the contract monitor and management level for more in-depth monitoring. The performance of these standards is documented in an electronic child welfare management system. The DSS caseworker monitors these performance standards and documentation of the standards which include but are not limited to:

- Coordinate, facilitate and document all family service plan review meetings for assigned open protective or preventive cases. These plans are developed/updated upon the following schedule: at 30 days, 90 days, 180 days and every 6 months thereafter.
- Develop and document the family service plan that outlines the family specific goals, objectives and tasks to meet the objectives outlined for that service period.

- Conduct and document a minimum required two face to face home/community based visits per week to work with the family to meet its outcomes.

Supervised Visitation for Child Welfare Cases

This contract included a set of performance outcome targets and minimum service provision standards. Ongoing and effective contract monitoring was in place and well documented. DSS monitoring of this contract followed the process outlined above for the prevention of foster care contract. This provider could not meet the minimum performance standards at the case level nor meet the outcomes established in the contract. As such the contract monitor and Director of Services increased the level of contract monitoring and communication with the provider. The provider was not able to meet the performance requirements and targets and as a result the contract was terminated during the 2013 contract period.

See
Note 5
Page 12

Medicaid Information and Assistance Contract

The Department contracted for Medicaid information and assistance services to handle inquiries and to provide guidance and assistance to individuals applying/recertifying for Medicaid. Part of the NYS Medicaid redesign plan included the reduction in the role of local DSS in Medicaid administration. As Schenectady County has worked to right size our DSS organization, this service was used to temporarily aid the public while avoiding unnecessary staffing costs. The contract had an established performance target: to handle 5,000 Medicaid inquiries and Medicaid application/ recertification assistance interactions per year. In 2013, the first year of the contract, the contractor achieved 86% of the performance target and by the second year of the contract, they had attained 90% of the performance target. This phase of the transition is complete and the service is no longer purchased.

See
Note 6
Page 12

Child Welfare Respite Bed Contracts

This contract in the amount of \$9,750 was for the purchase of respite services from a certified youth shelter. Respite in this contract provided the parent/caregiver with a short term overnight (1or 2 nights) child care services for adolescents used specifically to improve family stability, avoid a crisis or needed due to a family crisis. The contractor was paid a rate set per day per youth in the contract. Youth were referred by DSS and they had to be in existing open child welfare cases. In 2013, the County used 33 of the contracted 52 bed days and as such expended \$6,176 of the \$9,750 contract limit. The scope and size of this contract did not warrant performance based contracting.

APPENDIX C

OSC COMMENTS ON THE COUNTY'S RESPONSE

Note 1

The objective of our audit was to determine if counties are monitoring community-based agencies to ensure that services provided and payments made are in accordance with contractual agreements. The audit focused on the County's contract monitoring activities. Because SSL requires the County to use performance-based contracts when contracting for work activities, when practicable, we included these contracts in our audit sample. Since the County does not contract work activities, we did not include employment contracts in our audit work.

Note 2

See the County's Attachment A (pages 10-11) and our notes 3 through 6 in response.

Note 3

We amended our report to indicate that this contract included penalties for not meeting performance expectations.

Note 4

This contract does not include performance measures. According to the scope of service section of the contract, "The goal of the Schenectady County Intensive Prevention Program is to keep families intact who have been identified as being at risk of separation due to neglectful or abusive family dynamics, and/or youth involvement in the juvenile justice system." However, the scope of service in the contract does not include any specific outcomes. While the contractor reported the outcomes achieved, these measures were not detailed in the contract. For example, the contractor reported, "90% of the parents increased their involvement in school, mental health and other service providers." However, the contract does not identify this or other measures as an expected outcome. The County should identify the levels of performance it expects from contractors.

Note 5

We amended our report to reflect that the contract included performance measures.

Note 6

We agree and have amended the report accordingly.

APPENDIX D

AUDIT METHODOLOGY AND STANDARDS

To complete our objective, we interviewed County and Department officials and identified practices used to monitor Department contracts to determine whether the County is effectively monitoring these contracts. We performed procedures that include the following steps:

- We interviewed key officials to identify the Department's community-based agency service contract monitoring process and gained an understanding of the components of a typical Department contract, established how service providers invoiced the County for services and determined how those invoices were reviewed and payments were made. Further, we obtained an understanding of how the contractual agreements were monitored.
- We obtained a list of service-based contracts and verified that list to the Department's budget and accounting records. We judgmentally selected five contracts. We considered the contract values and funding sources when selecting contracts to review.
- We obtained and reviewed the five contracts to determine the terms of the agreement.
- We obtained and reviewed the invoices for each contract that were paid between January 1, 2013 and December 31, 2013 to determine if payments were made in accordance with the contract and the Department's policy.
- We obtained and reviewed the performance reports submitted to the Department by the service providers to evaluate whether contractual requirements were met.
- We interviewed the managers to determine how each one monitors whether the service providers are complying with contractual obligations.
- We reviewed invoices to determine whether the managers were approving invoices for payment, the amount billed matched the amount paid by the Department and the supporting documentation substantiated the amount billed.
- We traced a sample of payments from the invoices to the general ledger.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.