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April 30, 2015

The Honorable Judy Burges, Chair
Joint Legislative Audit Committee

The Honorable John Allen, Vice Chair
Joint Legislative Audit Committee

Dear Senator Burges and Representative Allen:

Our Office has recently completed an initial 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 performance audit report released in March 2014 (Auditor General Report No. 14-101). Although the recommendations within this report were originally directed to the Arizona Department of Economic Security, the newly formed Arizona Department of Child Safety has assumed responsibility for implementing these recommendations. As the attached grid indicates:

- 2 are in the process of being implemented, and
- 5 have not been implemented.

Our Office will conduct an 18-month followup with the Arizona Department of Child Safety on the status of those recommendations that have not yet been fully implemented.

Sincerely,

Dale Chapman, Director
Performance Audit Division

DC:ss
Attachment

cc: Greg McKay, Director
Arizona Department of Child Safety

Arizona Department of Economic Security—Children Support Services—Transportation Services

Auditor General Report No. 14-101

Initial Follow-Up Report

Recommendation

Status/Additional Explanation

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

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:
 - 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.

Not implemented
The Department reported that it has drafted new transportation contracts with appropriate and clearly defined performance measures, including guidelines for reporting on the performance measures. However, because the Department did not provide documentation of its draft transportation contracts and associated performance measures, auditors could not evaluate the Department's progress on implementing these recommendations.
 - 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.

Not implemented
See the explanation for Recommendation 1a.
 - 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.

Implementation in process
The Department has developed a draft contract monitoring manual that includes instructions for analyzing performance measures and contractors' performance; however, the draft manual does not indicate how the performance data will be used to 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.

Not implemented
See the explanation for Recommendation 1a.

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;
 - 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
 - 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.

Implementation in process

The Department has developed draft procedures to address the processing of transportation payments, but has not yet finalized and implemented these procedures.

Not implemented

The Department reported that instead of conducting detailed pre-payment reviews and increasing the number of supervisory reviews, it is reallocating audit resources to increase the number of post-payment reviews of transportation services. However, the Department did not provide documentation indicating that it had expanded the post-payment review of transportation services.

Not implemented

See the explanation for recommendation 1b.