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October 31, 2014

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 an initial 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 newly formed Arizona Department of Child Safety has assumed responsibility for implementing these recommendations. As the attached grid indicates:

- 1 has been implemented;
- 5 are in the process of being implemented; and
- 1 has not been implemented.

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

Sincerely,

Dale Chapman, Director
Performance Audit Division

DC:ss
Attachment

cc: Charles Flanagan, Director
Arizona Department of Child Safety

Clarence H. Carter, 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 Initial Follow-Up Report

Recommendation

Status/Additional Explanation

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

- | | |
|---|---|
| <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>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>Implemented at 12 months</p> |
| <p>b. Select only those performance measures that are critical to and reflective of the goals of the contracts.</p> | <p>Implementation in Process
The Department is in the process of developing and selecting performance measures that are critical to and reflective of the contract goals, clearly defined, and realistic.</p> |
| <p>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>Implementation in Process
See the explanation for Recommendation 1b.</p> |
| <p>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.</p> | <p>Implementation in Process
See the explanation for Recommendation 1b.</p> |
| <p>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.</p> | <p>Implementation in Process
The Department has drafted policies and procedures for monitoring contracts, including the procedures for collecting, analyzing, and sharing information on contract deliverables, which may include performance measures, data, and reports. Because the contract has not been finalized, auditors cannot yet assess whether the monitoring practices are specified in the contract.</p> |

Recommendation

Status/Additional Explanation

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.

Implementation in Process

The Department reported that it has held several internal discussions to construct an appropriate payment structure that will incentivize the achievement of agency goals. It is also reviewing potential sanctions that it can impose to discourage poor performance. Because the contract has not been finalized, auditors cannot yet assess the implementation of this recommendation.

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.

Not implemented

The Department indicated that it contacted and reviewed information from many states; however, the Department was not able to provide documentation of these efforts or indicate which states were contacted.