



**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**STATE OF ARIZONA**  
OFFICE OF THE  
**AUDITOR GENERAL**

**MELANIE M. CHESNEY**  
DEPUTY AUDITOR GENERAL

April 7, 2016

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 a 24-month 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 special report released in March 2014 (Auditor General Report No. 14-101). 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 are in the process of being implemented; and
- 1 is not implemented.

Our Office will conduct a 30-month followup with the Arizona Department of Child Safety on the status of those recommendations that have not been fully implemented.

Sincerely,

Dale Chapman, Director  
Performance Audit Division

DC:ka  
Attachment

cc: Gregory McKay, Director  
Arizona Department of Child Safety

Timothy Jeffries, Director  
Arizona Department of Economic Security

**Arizona Department of Economic Security—  
Children Support Services—Transportation Services  
Auditor General Report No. 14-101  
24-Month 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.

**Implemented at 24 months**

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.

**Implemented at 24 months**

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's new transportation services contracts, which were awarded in November 2015, include various performance measures and monthly reporting requirements, as well as financial penalties for failure to meet performance targets. The Department is establishing a new contract-monitoring unit to monitor these and other contracts. This unit will be responsible for reviewing reported performance measure data and assigning penalties, as appropriate. However, the Department reported that although it has begun receiving performance measure data from contractors, as of March 2016, it was still in the process of staffing the unit and had not yet begun reviewing the reported information.

## Recommendation

## Status/Additional Explanation

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.

### Implementation in process

The performance measure data required by its new transportation services contracts will provide the Department with information that it could use in conjunction with other internal department data to evaluate the appropriateness and cost-effectiveness of contracting for these services. However, as stated previously, the Department has not yet begun reviewing the required performance measure data.

---

## 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;

### Implementation in process

Since the Department's creation, only one payment unit now processes invoices from transportation services providers. The Department has begun drafting new policies and procedures for processing invoices from providers under the new contract. Auditors observed staff perform improved prepayment review and verification procedures; however, not all of these procedures have been included in the draft policies and procedures. Further, the Department reported that it has not yet enhanced supervisory review procedures because of limited staff resources.

- 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

### Implementation in process

See explanation for Recommendation 1a.

- 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.

### Not implemented

See explanation for Recommendation 1a.