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September 4, 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 a 24-month 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 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 yet applicable.

Our office will conduct a 36-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: Gregory McKay, Director  
Arizona Department of Child Safety

Timothy Jeffries, 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 24-Month Follow-Up Report

Recommendation	Status/Additional Explanation
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## Chapter 1: Department should improve its contracting process for foster home services

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.

**Implemented at 12 months**

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

**Implementation in process**

The Department has selected various performance measures for its new foster home recruitment-related contracts that are generally reflective of the contracts' goals, such as measures that incentivize contractors to increase the number of licensed foster parents. However, the Department indicated that it could improve on the performance measures included in its contracts by incorporating measures that more directly incentivize the placement of children in foster homes. Although the contracts became effective in July 2015, the Department reported that it may adjust the performance measures on a year-to-year basis in the future to better achieve the contracts' goals.

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.

**Implementation in process**

The Department has provided adequate definitions for the performance measures in its foster home recruitment-related contracts. However, the Department has not developed all of the reporting forms that are associated with the performance measures. For example, the Department has not yet developed a reporting form to assess whether a contractor has a sufficient number of staff to meet contract requirements, which is a performance measure that is included in the contracts.

## Recommendation

## Status/Additional Explanation

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.

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 yet applicable**

Auditors' review of the contracts indicate that the included performance measures focus on areas over which the contractors have control. However, as indicated in Recommendation 1b, the Department's foster home recruitment-related contracts became effective in July 2015 and the Department has not had an opportunity to assess how well the contract goals are being met.

### **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. However, these policies and procedures have not been finalized. In addition, although the Department has included some monitoring practices in the contracts, it has not established all of the necessary resources or mechanisms to monitor contractor performance. For example, the Department reported that it does not yet have adequate staff resources to sufficiently evaluate performance measurement data.

### **Implementation in process**

The Department's incentive structure for its foster home recruitment-related contracts include monetary sanctions for specific performance measures that are not met. However, as indicated in Recommendation 1b, measures that are more directly related to the placement of children in foster homes were not included in the foster home recruitment-related contracts.

### **Implemented at 24 months**