COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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J. TYLER McCAULEY
AUDITOR-CONTROLLER

October 16, 2002

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **DEPARTMENT OF PUBLIC SOCIAL SERVICES AND THE DEPARTMENT OF COMMUNITY AND SENIOR SERVICES CONTRACT MONITORING REVIEW**

On April 30, 2002, the Board of Supervisors instructed the Auditor-Controller to perform a comprehensive evaluation of the contract (program) monitoring processes at the Department of Public Social Services (DPSS) and the Department of Community and Senior Services (DCSS) and prepare recommendations for improving the processes to reduce the possibility of misuse of public funds by contractors.

To perform this evaluation, we met with managers and staff from DPSS, DCSS and other County entities, such as the Department of Health Services and Probation Department. We also reviewed documentation used by the departments' staff to monitor the contractors, including the Memorandums of Understanding and the monitoring instruments. Finally, we reviewed the experience level of the department's monitoring staff and the quality of their formal training.

Summary of Findings

The contract monitoring activities in both departments need to be improved to ensure that contracted services are actually provided and associated costs are valid. For example:

- Monitoring staff do not always review all key areas. For example, both departments' contract monitors (including the contracted Master Agreement accounting firms) do not interview program participants to verify the units of services that the contractors reported were actually provided. Monitoring staff also do not always reconcile the expenditures in each service provider's official

accounting records (usually the general ledger) to the expenditures claimed by the service provider, and the amount that the departments paid to the service provider.

- Monitoring staff do not always use monitoring instruments for consistent coverage and to document their work. Monitoring instruments are forms that list the actions and procedures contract and program staff are supposed to follow in evaluating a contractor's compliance. Monitoring instruments also provide guidance to staff and helps ensure consistency amongst monitors within the same program.

- Formal procedures are not always established that identify the appropriate frequency with which service providers are reviewed.

- Neither department has a formal training program for its contract monitors.

The departments should also work with the Department of Human Resources (DHR) to develop a countywide social services contract monitor classification series that would require comprehensive knowledge of program, fiscal, and contract requirements. Using a professional contract monitoring series would allow the departments to broaden the backgrounds of its monitoring staff and provide them with an expanded career path that would encourage remaining in this function and further enhancing the quality of the monitoring efforts. In addition, the use of professional contract monitors would improve the timeliness in which the significant dollar losses being experienced by contractor errors and/or misuse of program monies would be discovered. The quality of programs and their outcomes should also significantly increase.

In addition, my Department is reviewing the feasibility of strategically changing the County's approach to program monitoring to provide "expert" oversight over monitoring operations in social service departments. We anticipate reporting our findings in February 2003.

The details of our findings, along with recommendations for corrective action, are presented in the attached report.

Department Actions

DPSS and DCSS management and staff were cooperative during our review and actively participated in the review process. Both departments recognize the need for improvement and indicated their commitment to correct the problem areas noted. For example, DCSS has reported that they have recently taken action to strengthen their contract monitoring, such as creating a centralized monitoring unit for the Employment and Training Program and developing a schedule to monitor its contractors at least four times a year. In addition, DPSS has developed a standard monitoring instrument for monitoring staff to use. Over the last six months, both departments have also sent their contract managers and staff to the two-day contract training conducted by County Counsel, Internal Services Department, and the Auditor-Controller that includes a discussion on contract monitoring.

Attached are both departments' responses to our report. Please call me if you have any questions, or your staff may contact DeWitt Roberts at (213) 974-0301.

JTM:DR:DC

Attachments

c: David E. Janssen, Chief Administrative Officer
Robert Ryan, Director, Department of Community and Senior Services
Bryce Yokomizo, Director, Department of Public Social Services
Michael J. Henry, Department of Human Resources
Violet Varona-Lukens, Executive Officer
Public Information Office
Audit Committee

DEPARTMENT OF PUBLIC SOCIAL SERVICES AND DEPARTMENT OF COMMUNITY AND SENIOR SERVICES CONTRACT MONITORING REVIEW

COMMENTS AND RECOMMENDATIONS

Background

On April 30, 2002, the Board of Supervisors instructed the Auditor-Controller to perform a comprehensive evaluation of the contract (program) monitoring processes at the Department of Public Social Services (DPSS) and the Department of Community and Senior Services (DCSS). DPSS and DCSS contract with other County departments, public entities, and community-based organizations (CBOs) to provide a variety of services such as job training, homeless shelters, Welfare-to-Work case management, and after-school programs. Both departments also use accounting firms from the Auditor-Controller's Master Agreement to supplement their monitoring efforts.

Methodology

Our evaluation included interviews with managers and staff from DPSS, DCSS and other County entities such as Department of Health Services and Probation Department. We also reviewed documentation used by the departments' staff to monitor the contractors, including the Memorandums of Understanding and the monitoring instruments. Together with DPSS and DCSS staff, we developed a comprehensive listing that identified 63 programs receiving approximately $662 million in funding, using 700 contractors, to provide direct program services (e.g., job training, after school tutoring, senior citizen services, etc.).

We selected a sample of 15 programs to verify the accuracy of information provided during our initial interviews and evaluate the effectiveness of the monitoring processes and tools used by the 96 staff that oversee the contracts. The sampled programs included a combined funding of $563 million and involved 564 service providers. In addition, as part of our review, we included the results of our evaluation of DCSS' monitoring efforts for one Employment and Training Program (ETP) contractor and one Domestic Violence Program (DVP) contractor. DCSS requested that our office conduct a financial review of these contractors.

Results of Review

The contract monitoring activities in both departments need to be improved to ensure that contractors are actually providing contracted services and associated costs are valid. For example:

- Monitoring staff do not always review all key areas or use monitoring instruments for consistent coverage and to document their work.

- Formal procedures are not always established that identify the appropriate frequency with which service providers are reviewed.

- Neither department has a formal training program for its contract monitors.

The departments should also work with the Department of Human Resources (DHR) to develop a countywide social services contract monitor classification series that would require comprehensive knowledge of program, fiscal, and contract requirements. Using a professional contract monitoring series would allow the departments to broaden the backgrounds of its monitoring staff and provide them with an expanded career path that would encourage remaining in this function and further enhancing the quality of the monitoring efforts. In addition, the use of professional contract monitors would improve the timeliness in which the significant dollar losses being experienced by contractor errors and/or misuse of program monies would be discovered. The quality of programs and their outcomes should also significantly increase.

In addition, my Department is reviewing the feasibility of strategically changing the County's approach to program monitoring to provide "expert" oversight over monitoring operations in social service departments. We anticipate reporting our findings in February 2003.

The details of our findings, along with recommendations for corrective action, are presented below.

Contract Monitoring

As part of our review, we evaluated the appropriateness of the degree and frequency of both departments' monitoring efforts for the 63 programs identified in our listing. In addition, we reviewed the specific monitoring procedures staff used to monitor the contractors for the 15 sampled programs and for the two programs that DCSS asked us to review.

In evaluating the degree of monitoring, we classified contract monitoring into three types: fiscal, service delivery and administrative. Fiscal monitoring involves reviewing an entity's financial records and internal controls to ensure they are in compliance with federal and State funding requirements and the terms of their County contracts. Fiscal monitoring also involves reviewing the contractors' invoices (used for requesting reimbursement) for appropriateness and comparing the amounts on the invoices to the contractors' accounting records. Service delivery monitoring involves reviewing the actual provision of services to ensure they comply with the service requirements specified in the County contract. Service delivery monitoring also may involve evaluating the effectiveness of the services provided. Administrative monitoring relates to compliance with non-programmatic requirements such as ensuring contracts are approved by the Board prior to the service providers beginning work and that the contractors comply with the standard terms and conditions of their County contracts.

Overall, we noted some degree of monitoring is conducted in each of the departments' programs. However, the monitoring efforts do not always include a review of all key areas, such as ensuring that services were actually provided and that associated costs are valid. As noted in Table 1 on the following page, the departments reported that fiscal monitoring is conducted for all contracted services and service delivery monitoring is conducted for 51 (81%) of the programs. The departments also reported that administrative monitoring is conducted for 28 (44%) of the programs. However, during our interviews with DPSS and DCSS managers and staff, we noted instances in which some managers and staff included administrative monitoring procedures as part of their fiscal monitoring which may explain why a significant number of DPSS and DCSS staff reported no administrative monitoring.

Table 1
Types of Monitoring

	Total Contracted Services	Fiscal	Admin (1)	Service Delivery
DPSS	32	32	13	20
DCSS	31	31	15	31
Total	63	63	28	51

(1) In some instances, the departments included administrative monitoring procedures as part of their fiscal monitoring. For our review, we categorized those instances as fiscal, which may explain why a significant number of DPSS and DCSS staff reported no administrative monitoring.

In instances in which monitoring is conducted, the frequency with which the departments' monitor their contractors is appropriate. However, we noted that for one DCSS program, the frequency with which service providers are reviewed is not consistent among the individual monitors. We recognize that in some instances service providers may require additional monitoring due to prior non-compliance findings. However, the inconsistency we noted was not based on the agencies having prior deficiencies. According to DCSS program managers, the monitoring schedules for some program service providers are not formally documented and left to the discretion of the individual monitors.

In reviewing the monitoring procedures used by staff to monitor the contractors for the 15 sampled programs, we noted:

- For nine DPSS programs and four DCSS program, contract monitors (or contracted Master Agreement accounting firms) do not interview program participants to confirm they received the services reported by the contractors. Recently, two DCSS service providers were found to have over-billed the County by billing for services that were not provided.

- For six DPSS programs and four DCSS programs that are cost reimbursed, none of the contract monitoring staff (or contracted Master Agreement accounting firms) reconcile the expenditures in each service provider's official expenditure records (usually the general ledger) to the expenditures claimed by the service providers, and the amount that the departments paid to the service providers.

For the ETP and DVP contractors that DCSS asked us to review we noted that similar monitoring problems occurred. Specifically, we noted:

- DCSS does not verify the validity of the information reported on documents prepared by the contractors that support the ETP and DVP service providers' expenditures and service delivery. For example, DCSS monitors do not interview program participants to verify the units of services that the contractors reported were actually provided.

- DCSS does not reconcile the expenditures in each service provider's official accounting records (usually the general ledger) to the expenditures claimed by the service provider, and the amount that DCSS paid to the service provider.

- DCSS does not ensure that ETP service providers' staff assigned to work on County contracts are qualified to perform services, or that these workers actually exist.

- DCSS did not adjust the funding for a DVP contractor whose actual performance level was significantly below the contract commitments, as allowed by the County contract. We noted the DVP contractor achieved only 52% of its CalWORKs contract commitment (service delivery), but received 100% of its annual funding of $300,000.

DPSS and DCSS management need to ensure that their monitoring efforts include a review of all key areas, including procedures that ensure program services are actually provided and associated costs are valid. Also, DCSS management needs to ensure that each program has a monitoring plan so that the frequency with which service providers are monitored is consistent among the programs monitored.

Recommendations

1. **DPSS and DCSS management ensure that their monitoring efforts include a review of all key areas, including procedures that ensure program services are actually provided and associated costs are valid.**

2. **DCSS management needs to ensure that each program has a monitoring plan so that the frequency in which service providers are monitored is consistent among the programs monitored.**

Monitoring Instruments

Monitoring instruments are forms that list the actions and procedures contract and program staff are supposed to follow in evaluating a contractor's compliance with federal and State requirements and the provisions of the County contract. Monitoring instruments provide guidance to staff and helps ensure consistency amongst monitors within the same program. Also, completed monitoring instruments can be used to document the departments' monitoring efforts.

For all five of the DCSS programs that we reviewed, staff used a monitoring instrument. However, for 7 of 10 of DPSS programs, staff used a formal monitoring instrument. In addition, for the programs where monitoring instruments are used, 40% (3 of 7) of DPSS' programs and 80% (4 of 5) of DCSS' programs, the monitoring instruments reviewed did not address all key areas or the questions/monitoring steps listed on the instrument needed to be rephrased to better document the contractors' degrees of compliance. For example, one monitoring instrument completed by a monitor indicated that written policies/procedures for providing service to clients exist and that client records are maintained, yet no comments were made as to of the adequacy of the procedures or content of the records.

DPSS and DCSS management need to develop monitoring instruments for each program that include a review of all key areas. In addition, the instruments should identify specific questions that need to be answered more fully to evaluate and document the degree of compliance.

Recommendation

3. DPSS and DCSS management develop monitoring instruments for each program that include reviewing key areas and are structured to require the contract monitors to sufficiently document the service providers' compliance with the terms of the County contract.

Monitoring Agreements with Other Public Entities

For some programs, DPSS contracts with other public entities (e.g., Department of Mental Health, Los Angeles County Office of Education, Community Development Commission, etc.) to provide direct program services. The other entities may provide the program services themselves or sub-contract with community based organizations (CBOs) to provide the services. The primary responsibility for monitoring (including the CBOs) is delegated to the entities. However, DPSS is ultimately responsible for ensuring that services are actually provided and associated costs are valid.

We reviewed six programs where DPSS has an agreement (either a Memorandum of Understanding (MOU) or a contract) with other public entities to provide program services to evaluate DPSS' monitoring efforts and program oversight. Our review noted the following:

- Three of the six agreements require DPSS to supplement the monitoring efforts of the public entities. However, in all three instances, DPSS did not effectively follow the monitoring requirements of the agreements. For example, at the time of our test work in May 2002, DPSS staff stated they monitored direct service contractors for the After School Enrichment Program, as required by the contracts with the Los Angeles County Department of Education (LACOE) and Los Angeles Unified School District. However, the monitoring staff could not provide us a listing of the contractors they recently reviewed or what areas were covered or noted areas of non-compliance.

- For four of the six agreements, DPSS did not require the public entities to provide DPSS with information on the results of the entities' monitoring. For example, DPSS has a MOU with the Probation Department (Probation) to provide on-site, after school tutoring services to youth who are reading below the fourth grade (Operation Read). DPSS requires Probation to provide DPSS with monthly reports that identify services provided. However, DPSS does not require Probation to submit the results of its fiscal and administrative monitoring efforts nor to submit a contract monitoring plan.

DPSS management should ensure that the Department complies with the monitoring provisions of its MOUs and contracts with other public entities. DPSS management should also ensure that, in instances where the entities monitor the direct service providers, the MOUs and contracts with other public entities contain provisions that require the entities to submit the results of their monitoring efforts and provide a monitoring plan of the services providers to DPSS program management.

Recommendations

DPSS management:

4. Ensure that the Department complies with the monitoring provisions of its MOUs and contracts with other public entities.

5. In instances where other public entities monitor the direct service providers, ensure that the MOUs and contracts with other public entities contain provisions that require the entities to submit the results of their monitoring efforts and provide a monitoring plan of the services providers to DPSS program management.

Conducting Follow-up Reviews

Effective monitoring includes conducting follow-up reviews to evaluate contractors' progress in correcting areas of non-compliance. For the ETP and DVP, DCSS uses an outside accounting firm (Simpson) to conduct semi-annual reviews of the service providers' fiscal controls. Simpson reports the findings of their reviews to DCSS and

the service providers. DCSS is responsible to ensure the recommendations contained in the reports are implemented.

We noted that DCSS contractors are not effectively taking action to correct areas of non-compliance. For example, during Simpson's FY 2001-02 reviews of the DVP contractors, Simpson reported several contractors with non-compliance findings that were similar to the findings reported in the prior year's reviews. In addition, Simpson's 2000-01 reviews of the ETP contractors, which occurred in June/July 2001, included 53 recommendations, which DCSS staff were supposed to follow-up on to ensure the contractors were correcting the noted deficiencies. As of May 2002, only 25 recommendations had been implemented. DCSS indicated that the remaining 28 recommendations would be implemented by June 30, 2002.

DCSS management needs to set a time limit for monitors to follow up on non-compliance findings and ensure that monitoring staff increase their efforts to ensure contractors correct areas of non-compliance.

Recommendation

6. DCSS management set a time limit for its monitoring staff to follow up reported contractor non-compliances and ensure that monitoring staff increase their efforts to ensure contractors correct areas of non-compliance.

Staff Training

Neither department has a formal training program for its contract monitors. DPSS and DCSS program administrators indicated that the majority of staff training is done on-the-job.

We noted that DPSS and DCSS contract monitors have limited years of experience monitoring contracts. Approximately 70% (67 of 96) of the DPSS and DCSS staff used to monitor the sampled programs have less than five years of monitoring experience. Approximately 43% (41 of 96) have two years or less experience.

We also noted that most contract monitoring positions typically require experience and education in social work or degrees in social and behavioral sciences. In 67% (10 of 15) of the programs, we noted that staff possessed extensive program experience and knowledge, but minimal knowledge of fiscal and contract requirements. While social work is an important skill to have represented, other skills such as auditing, report writing, fiscal training, and human resources are equally important. Because their experience generally is in social programs, many contract monitoring staff tend to focus on service delivery and do not emphasize monitoring activities that are geared to validating billing claims and detecting misuse of funds or fraud.

With relatively little fiscal and administrative contract monitoring experience, a formal training program is critical for effective contract monitoring. A lack of a formal training program for contract monitors may have contributed to many of the conditions noted in this report. DPSS and DCSS should work with the Auditor-Controller to develop a formal contract monitoring training program.

The departments should also work with the DHR to develop a countywide social services contract monitor classification series that would require comprehensive knowledge of program, fiscal, and contract requirements. Using a professional contract monitoring series would allow the departments to broaden the backgrounds of its monitoring staff and provide them with an expanded career path that would encourage remaining in this function and further enhancing the quality of the monitoring efforts. Using more experienced monitoring staff, the significant dollar losses being experienced by contractor errors and/or misuse of program monies would be discovered more quickly and the quality of programs outcomes also significantly increasing.

Recommendations

DPSS and DCSS management:

7. **Work with the Auditor-Controller to develop a formal contract monitoring training program.**

8. **Investigate, with the Department of Human Resources, the feasibility of developing a social services contract monitor series.**

County of Los Angeles
Department of Public Social Services

Bryce Yokomizo
Director

October 9, 2002

J. Tyler McCauley, Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, California 90012-2766

Dear Mr. McCauley:

RE: DEPARTMENT OF PUBLIC SOCIAL SERVICES AND THE DEPARTMENT OF COMMUNITY AND SENIOR SERVICES CONTRACT MONITORING REVIEW

Attached is my Department's Corrective Action response to the eight recommendations contained in the Auditor-Controller's final report on the Department of Public Social Services and the Department of Community and Senior Services contract monitoring review conducted from May through September 2002. Two of the six recommendations directed to DPSS are targeted for implementation by January 31, 2003. Two recommendations are targeted for implementation by February 28, 2003. The target date for implementation for the two remaining recommendations is to be determined in collaboration with the Department of Human Resources and the Auditor-Controller.

Very truly yours,

Bryce Yokomizo
Director

BY:wb

Attachment

12860 Crossroads Parkway South, City of Industry, California 91746 • Tel (562) 908-8400 • Fax (562) 908-0459

ATTACHMENT

DEPARTMENT OF PUBLIC SOCIAL SERVICES AND THE DEPARTMENT OF COMMUNITY AND SENIOR SERVICES CONTRACT MONITORING REVIEW

Recommendation 1:

DPSS and DCSS management ensure that their monitoring efforts include a review of all key areas, including procedures that ensure program services are actually provided and associated costs are valid.

DPSS Response:

We concur. DPSS will require contract managers to re-review monitoring plans to ensure that they address the three (3) aspects of monitoring, fiscal, service delivery, and administrative.

Target date: January 31, 2003.

Recommendation 2:

DCSS management needs to ensure that each program has a monitoring plan so that the frequency in which service providers are monitored is consistent among the programs monitored.

DPSS Response:

The response to Recommendation 2 is DCSS's responsibility.

Recommendation 3:

DPSS and DCSS management develop monitoring instruments for each program that include reviewing key areas and are structured to require the contract monitors to sufficiently document the service providers' compliance with the terms of the County contract.

DPSS Response:

We concur. DPSS will ensure that all contracts have monitoring instruments which include key areas and compliance requirements.

Financial Management Division of DPSS developed a fiscal monitoring guide with the assistance of the A-C, which provides guidance to the Fiscal Compliance staff. The fiscal monitoring guide helps ensure consistency when evaluating a contractor's compliance with federal and state requirements and provisions of the County contract and ensures that expenditures are reasonable and necessary in providing services.

Target date: January 31, 2003.

Recommendation 4:

DPSS management:

Ensure that the Department complies with the monitoring provisions of its MOUsand contracts with other public entities.

DPSS Response:

We concur. DPSS will establish controls that ensure the Department complies with monitoring provisions in MOU's and contracts.

Target date: February 28, 2003.

Recommendation 5:

DPSS management:

In instances where other public entities monitor the direct service providers, ensure that the MOUs and contracts with other public entities contain provisions that require the entities to submit the results of their monitoring efforts and provide a monitoring plan of the services providers to DPSS program management.

DPSS Response:

We concur. DPSS will require contract managers to review and amend MOU's and contracts to include provisions to ensure that the results of the monitoring efforts and monitoring plans of the service providers are submitted.
Target date: February 28, 2003.

Recommendation 6:

DCSS management set a time limit for its monitoring staff to follow up reported contractor non-compliances and ensure that monitoring staff increase their efforts to ensure contractors correct areas of non-compliance.

DPSS Response:

The response to Recommendation 6 is DCSS's responsibility.

Recommendation 7

DPSS and DCSS management:

Work with the Auditor-Controller to develop a formal contract monitoring training program.

DPSS Response:

We concur. DPSS recommends actual training be provided by the A-C. Consideration should be made to include DHR and training should be provided to all county contracting staff.

Target date: To be determined in collaboration with the Auditor-Controller.

Recommendation 8:

DPSS and DCSS management:

Investigate, with the Department of Human Resources, the feasibility of developing a social services contract monitor series.

DPSS Response:

We concur. DPSS is working with DHR on a classification study. DPSS suggests that the A-C be part of the classification study group to ensure any new classification is developed which reflects skills, abilities, and duties that the A-C deems necessary to meet County's monitoring obligations.

Target date: To be determined in collaboration with the Department of Human Resources.

ROBERT RYANS
Director

COMMUNITY AND SENIOR SERVICES
OF LOS ANGELES COUNTY

BOARD OF SUPERVISORS

GLORIA MOLINA
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DON KNABE
MICHAEL D. ANTONOVICH

October 15, 2002

To: J. Tyler McCauley
Auditor-Controller

From: Robert Ryans
Director

Subject: **DEPARTMENT OF COMMUNITY AND SENIOR SERVICES RESPONSE TO CONTRACT MONITORING REVIEW**

We acknowledge that improvements are needed in various aspects of our monitoring. Some improvements have already been made and others are being implemented.

Our item-by-item response is attached.

The following is being implemented:

- Our strategic plan, updated in July 2002, incorporates a standard monitoring program which includes both procedures and instruments that will be used by all of the Department's program contract monitors. Our staff has already discussed and made arrangements to submit this monitoring program to your office for review and comment prior to implementing it within our Department's programs.

- This monitoring program enables our monitors to review all the key areas of program, administrative and fiscal controls while incorporating a frequency schedule as well as regulations required by Federal and State funding sources and terms of County contracts. All of the Department's programs will be required to use this as a basis for modifying their instruments while incorporating program-specific requirements, as applicable, in order to ensure uniformity in all of our monitoring efforts.

- Additionally, CSS has already implemented procedures for reviewing and reconciling contractor billings and reimbursements with their official accounting records for several of our programs. These procedures are included in our standardized monitoring program and will be implemented Department-wide upon the A-C's review and approval.

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- We have also taken the initiative to establish a training program for contract monitors on reviewing and documenting contractor compliance in all key areas. The Department's training coordinator has solicited guidance from the Auditor-Controller and will continue to work with them in order to establish a formal training program to be provided to our contract monitors and contractors on a continual basis. In this regard, several classes have been conducted with future classes scheduled for our monitors. In June 2002, the A-C conducted a "Fraud Awareness" training session for 63 of our staff, line supervisors and low-level managers; in July 2002, the "Internal Controls, Fraud, Audits and Cost/Analysis/Contracting" training was conducted for 22 staff with additional classes scheduled for completion by the end of October 2002. Since July 2002, our training coordinator has been working with DHR to conduct 2-day contract monitoring training sessions.

- With regard to the recommendation pertaining to the development of a new series for the social services contract monitor, CSS does not deem it necessary because our current Community Services Analyst (CSA) series is adequate. Historically, the CSA has been allocated and used for staff who perform the Department's contract monitoring activities. However, CSS will explore the feasibility of revising the Class Specification with DHR to include monitoring activities. Additionally, ongoing training will be provided for all monitors, which will enable them to effectively handle their responsibilities.

Overall, CSS remains committed to serving the community by ensuring that the delivery of service provided is valid and that contractors comply with the provisions set forth to provide these services. We will continue to work with the Auditor Controller and the Department of Human Resources to meet the expectations prescribed in the monitoring report and also to develop, modify and implement new procedures as changes occur.

If you have any questions, please feel free to call me at (213) 738-2617.

/to

Attachments

Community and Senior Services
Contract Monitoring Review
Response to Recommendations

Recommendation 1

DPSS and DCSS management ensure that their monitoring efforts include a review of all key areas, including procedures that ensure program services are actually provided and associated costs are valid.

CSS Response

As part of the Department's strategic plan, CSS has developed a standardized monitoring program (completed in July 2002) that includes monitoring standards and instruments covering the key areas of program, administrative and fiscal controls. These key areas incorporate regulations required by federal and State funding sources and terms of County contracts. This instrument, which includes a desk review as well as general and program-specific components will be utilized by all of the Department's program monitors. This standardized instrument will be used to monitor all of the Department's service providers including those contracted through Memorandums of Understanding. To ensure that this instrument meets these guidelines, CSS will submit it to the Auditor-Controller for review and comment. Upon approval, CSS will distribute the instrument to all program monitoring staff for immediate implementation.

Moreover, the Department has since instituted policies and procedures that will allow contract monitors to review and validate program services provided as well as monthly billings since July 2002. These procedures require that monitors thoroughly review invoice amounts billed to CSS for which the contractors are reimbursed and reconcile such billings to the contractor's accounting records which includes the general ledger and other supporting documentation prior to the release of funds for that billing period. Training will be provided to instruct staff on the process of comparing the invoice to the general ledger. Additionally, the monitoring instrument will cover areas associated with the provision of service, which will be reviewed by the monitor. This measure will ensure that actual clients are receiving the services for which the contractor is billing the Department.

Target date for implementation: January 2003.

Recommendation 2

DCSS management needs to ensure that each program has a monitoring plan so that the frequency in which service providers are monitored is consistent among the programs' contract monitors.

CSS Response

CSS has developed a standardized monitoring program and has already instituted a policy, which address the frequency for which all monitors are to schedule reviews as of July 2002. The basic requirement of the program entails conducting at a minimum, two (2) monitoring site visits/reviews for each program/fiscal year, which is consistent with the frequency policy already established. Additional reviews will be conducted as needed or to perform follow-up visits resulting from prior findings. These follow-up visits will be conducted until all findings are resolved in accordance with federal and State funding source guidelines as well as County contract provisions. Individual program requirements will be maintained in accordance with guidelines established by the Department's monitoring program.

Target date for implementation: January 2003.

Recommendation 3

DPSS and DCSS management develop monitoring instruments for each program that include reviewing key areas and structured to require the contract monitors to sufficiently document the service providers' compliance with the terms of the County contract.

CSS Response

All program staff will use the Department's standardized monitoring instrument as a basis for conducting reviews. In addition to this document, the Department will review the program monitoring instruments and revise them to follow the general provisions of the Department's standard instrument while incorporating program-specific requirements. These instruments will allow for expanded comments and give better direction for monitors allowing them to better review and document contractor compliance in all key areas of federal and State funding sources and County contract requirements. CSS continues to work with the Auditor-Controller's office to ensure that these tools comply with all provisions necessary to effectively monitor all contractors.

Target date for implementation: January 2003.

Recommendations 4 and 5

DPSS management:

4. **Ensure that the Department complies with the monitoring provisions of its MOUs and contracts with other public entities.**

5. **In instances where other public entities monitor the direct service providers, ensure that the MOUs and contracts with other public entities contain provisions that require the entities to submit the results of their**

monitoring efforts and provide a monitoring plan of the services providers to DPSS program management.

CSS Response

This recommendation does not apply to our Department.

Recommendation 6

DCSS management set a time limit for its monitoring staff to follow up reported contractor non-compliances and ensure that monitoring staff increase their efforts to ensure contractors correct areas of non-compliance.

CSS Response

CSS has strengthened existing procedures to ensure that measures are taken to correct contractors who are not in compliance with mandated federal and State funding source requirements and their County contract provisions. CSS has developed, as part of the monitoring program, standardized policies and procedures relating to follow-up visits for non-compliant contractors. Contractors are required to correct findings within a 30-day timeframe and the monitor follows-up at that time to ensure that corrective actions are implemented. CSS management will re-iterate to monitoring staff the importance of maintaining follow-up visits until all findings are corrected, contractors are brought into compliance or sanctions are imposed against those contractors who do not comply. Some of those sanctions detailed in the standardized instrument include, but are not limited to: (1) probation action, (2) withholding of funds, (3) suspension of contract activity and (4) termination of contract. These measures will be implemented uniformly upon finalization of the monitoring program.

Target date for implementation: January 2003.

Recommendation 7

Work with the Auditor-Controller to develop a formal contract monitoring training program.

CSS Response

CSS has taken the initiative to establish a training program for contract monitors on reviewing and documenting contractor compliance in all key areas. As part of the Department's strategic plan, training has been identified as a key component to enhance and maintain Workforce Excellence (Goal 2). Included in the plan are mandatory core curricula that are being identified for individual functions within the Department (i.e. contract monitoring, supervision, secretarial duties, etc.).

Several classes have been scheduled and conducted for CSS staff. In June 2002, the A-C conducted a "Fraud Awareness" training session for 63 of our staff, line supervisors and low-level managers. In July 2002, the "Internal Controls, Fraud, Audits and Cost Analysis/Contracting" training was conducted for 22 staff members with additional classes scheduled for completion by the end of October 2002. Our training coordinator has submitted requests for 71 employees to receive DHR's "Orientation to Basic Principles of County Contracting" (two-day) course. Due to the Countywide demand, only 7 employees have been confirmed to attend and the remaining 64 are on the waiting list.

CSS recognizes the need to ensure uniformity in the monitoring efforts of all Department programs. As such, the Department's training coordinator met with the A-C to begin the development process of a formal contract training program. The training coordinator will work in conjunction with the A-C to tailor the training to the specific needs of the Department. Upon completion of the curricula, the A-C will administer the program.

Target date for implementation: January 2003.

Recommendation 8

Investigate, with the Department of Human Resources, the feasibility of developing a social services contract monitor series.

CSS Response

CSS does not deem it necessary to develop a new series for a social services contract monitor because our current Community Services Analyst series is adequate. Historically, the CSA has been allocated and used for staff who perform the Department's contract monitoring activities. However, CSS will explore the feasibility of revising the Class Specification with DHR to include monitoring activities. Additionally, ongoing training will be provided for all monitors, which will enable them to effectively handle their responsibilities.

DEPARTMENT OF COMMUNITY AND SENIOR SERVICES
CONTRACT MONITORING REVIEW
RESPONSE TO AUDITOR-CONTROLLER (SUMMARY)

REC. NO.	AUDITOR-CONTROLLER RECOMMENDATION	CSS RESPONSE	PHASE I COMPLETED	PHASE II TARGET DATE
1	CSS management ensure that their monitoring efforts include a review of all key areas, including procedures that ensure program services are actually provided and associated costs are valid.	We have developed a standardized program (including instruments and procedures) covering key areas of program, administrative and fiscal controls as required by federal and State funding sources and County contract provisions.	07/2002	
		CSS management will review and approve the monitoring program prior to forwarding to A-C for its review and comments.	10/2002	
		A-C review, comments and approval.		12/2002
		CSS department-wide implementation of the standardized monitoring system.		01/2003
2	CSS management needs to ensure that each program has a monitoring plan so that the frequency in which service providers are monitored is consistent among the programs' contract monitors.	The Department has already instituted a policy consistent with the frequency established by the standardized monitoring program to include multiple fiscal and program site visits/reviews, which are conducted for each fiscal/program year.	07/2002	

REC. NO.	AUDITOR-CONTROLLER RECOMMENDATION	CSS RESPONSE	PHASE I COMPLETED	PHASE II TARGET DATE
2 (cont'd)		The standard monitoring program, completed in July 2002, requires a minimum of two site visits/reviews for each program/fiscal year. Additional reviews will be conducted as needed or to follow-up on prior findings until all areas of non-compliance are corrected. CSS will fully implement this standard monitoring frequency for all programs.		01/2003
3	CSS management develop monitoring instruments for each program that include reviewing key areas and structured to require the contract monitors to sufficiently document the service providers' compliance with the terms of the County contract.	The Department's standardized monitoring program will be used as the basis for reviewing and modifying CSS' program monitoring instruments.		01/2003
4	Ensure that the Department complies with the monitoring provisions of its MOUs and contracts with other public entities.	Not applicable to CSS.		
5	In instances where other public entities monitor the direct service providers, ensure that the MOUs and contracts with other public entities contain provisions that require the entities to submit the results of their monitoring efforts and provide a monitoring plan of the services providers to DPSS program management.			

REC. NO.	AUDITOR-CONTROLLER RECOMMENDATION	CSS RESPONSE	PHASE I COMPLETED	PHASE II TARGET DATE
6	DCSS management set a time limit for its monitoring staff to follow up reported contractor non-compliances and ensure that monitoring staff increase their efforts to ensure contractors correct areas of non-compliance.	We have strengthened our existing procedures to ensure that measures are taken to correct contractors who are not in compliance. Contractors are required to correct findings within a 30-day timeframe and the monitor follows-up at that time to ensure that corrective actions are implemented. Sanctions may be imposed which may include, but are not limited to: probationary action, withholding of funds, suspension of contract activity and termination of contract.	07/2002	
		These measures, as outlined in the standardized monitoring program, will be implemented uniformly upon finalization of the monitoring program.		01/2003
7	Work with the Auditor-Controller to develop a formal contract monitoring training program.	We have initiated a training program for contract staff to facilitate our monitoring efforts. The A-C provided fraud awareness training classes for 63 staff members (staff, line supervisors and low-level managers).	06/2002	
		The A-C also conducted "Internal Controls, Fraud, Audits & Cost Analysis/Contracting" training to 22 contracts management staff.	07/2002	

REC. NO.	AUDITOR-CONTROLLER RECOMMENDATION	CSS RESPONSE	PHASE I COMPLETED	PHASE II TARGET DATE
7 (cont'd)		CSS, with the assistance of A-C, requested DHR to conduct 2-day contract monitoring classes for 71 employees; to date 7 are confirmed and 64 are on the waiting list.	7/2002	
		Additional sessions of the "Internal Controls, Fraud, Audits & Cost Analysis/Contracting" classes are scheduled for staff involved in the Department's contracts management activities.	10/2002	
		To ensure uniformity in CSS' monitoring efforts, the Department's training coordinator met with the A-C to begin the development process of a formal contract training program. The training coordinator will work in conjunction with the A-C to tailor the training curricula to the specific needs of the Department. Upon completion of the curricula, the A-C will administer the program.	10/2002	01/2003

REC. NO.	AUDITOR-CONTROLLER RECOMMENDATION	CSS RESPONSE	PHASE I COMPLETED	PHASE II TARGET DATE
8	Investigate, with the Department of Human Resources, the feasibility of developing a social services contract monitor series.	Historically, the Community Services Analyst (CSA) series has been allocated and used for staff who perform the Department's contract monitoring activities. However, upon review of the Class Specification for CSA, CSS would like to explore with the Department of Human Resources the feasibility of revision to the Class Specification as appropriate to include contract monitoring activities rather than developing a new series.		