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Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **DEPARTMENT OF CHILDREN AND FAMILY SERVICES – FOLLOW-UP REVIEW OF THE CONTRACT MANAGEMENT SERVICES SECTION**

As requested by the Audit Committee, we have completed a follow-up review on the Department of Children and Family Services (DCFS or Department) efforts to implement the 27 recommendations in our August 27, 1998 Contract Management Services (CMS) report and the eight recommendations contained in our first follow-up report, issued March 15, 2001.

To perform this follow-up review, we interviewed DCFS managers and staff from County Counsel and the Auditor-Controller. We also reviewed documentation relevant to the Department's contracting activities and strategic planning.

Status of Recommendations

The Department has made limited progress in implementing the recommendations contained in our previous two audit reports. Only five (14%) of the 35 recommendations contained in our prior two audit reports have been fully implemented. Of the remaining recommendations, 16 (46%) have been partially implemented and no action has been taken on 14 (40%) recommendations. Attached is a listing and the implementation status of each recommendation.

Due to the limited progress made by the Department, many of the conditions noted in our two prior reviews continue to exist. CMS staff and their external contracting partners expressed frustration in getting the contracting process to operate efficiently and effectively, and indicated that the unit continues to operate on a crisis basis.

Following are the details of our follow-up review.

Executive Management and Strategic Planning

Executive Management Oversight

We had previously identified opportunities for improved effectiveness in several key areas of CMS' operations. We recommended that the Department's executive management provide stronger guidance and direction to CMS in an effort to improve the efficiency and effectiveness of the Department's contracting operations. We also recommended that management actively monitor the implementation of the recommendations.

Although we noted areas where executive management has attempted to improve its guidance and direction to CMS, at the time of our review, these changes had not been in place long enough to make a significant impact on the efficiency and effectiveness of DCFS' contracting operations. In March 2001, DCFS hired a new Finance & Administration Bureau Chief responsible for overseeing CMS operations. The Bureau Chief worked with CMS managers to strengthen monitoring of the contracting process by requiring weekly progress reports on ongoing contracting efforts. In addition, CMS management reemphasized to both program and contract staff their respective roles in the contracting process.

In November 2001, the Bureau Chief responsible for strengthening management controls over CMS resigned. Since the Bureau Chief's resignation, DCFS has been working with the Department of Human Resources (DHR) to fill the position. DCFS needs to continue working with DHR to fill this important position as soon as possible.

In our August 1998 audit report, we recommended that the Department's executive management actively monitor the implementation of the recommendations contained in our reports, but this has not been done. Executive management has not been provided with status reports to inform them on the progress the Department has made in implementing the recommendations. In our opinion, this has contributed to the low recommendation implementation rate.

Planning and Goal Setting

We reported in our previous reviews that CMS did not have a clear, consistent and focused mission. We recommended the Department develop a mission statement for CMS that identifies what activities the organization plans to pursue. Also, we recommended that the Department establish strategic goals and annual objectives to align CMS' operating practices with its mission and communicate these goals and objectives to all appropriate staff.

We noted that the Department has developed a mission statement for CMS and communicated the mission statement at several staff meetings, as well as posting it in various places around the section. However, the Department has not established sufficient strategic goals and annual objectives to motivate staff to make needed

operational changes as soon as possible. CMS established only one strategic goal that addresses the timely preparation of contracts for Board approval. The Department needs to establish additional goals that will concurrently address other operational responsibilities of CMS, such as contract monitoring, the solicitation process, staff training, etc., which will motivate staff and improve their operational focus towards accomplishing CMS' mission.

Performance Measures

We recommended that the Department develop performance measures for CMS staff that are directly linked to departmental priorities and are used to assess performance at the staff, section, and bureau levels. We also recommended the Department implement a monitoring system to effectively measure CMS' performance.

During our current review, we noted that the Department has identified potential performance measure criteria that involve evaluating the number of days to complete various aspects of the contract development process. However, the Department has not established desired outcomes to enable CMS management to measure actual staff performance. For example, although the Department reported that one performance criterion was "the number of days needed for the appeals period," the Department has not determined an acceptable "number of days."

In addition, we noted that similar to the strategic goals reported above, the potential performance measures developed by the Department do not evaluate all operational responsibilities of CMS, such as contract monitoring and staff training. Finally, the Department has not developed a monitoring system to measure CMS staff's actual performance with desired results.

The Department needs to establish desired outcomes for the proposed performance measures and develop additional performance measures that evaluate key aspects of CMS' operational performance. Also, the Department needs to develop a monitoring system that allows CMS management to effectively monitor its performance.

Administration of Contracting Function

Policies and Procedures Manual

We recommended that the Department develop a written policy and procedures manual for CMS that includes all phases in the contracting process. We also recommended that staff receive additional training in using the procedures contained in the manual and monitor its usage to improve the effectiveness of the contracting process.

The Department has not yet developed a policies and procedures manual for contracting. Management stated that the County is in the process of developing a unified policies and procedures manual that can be used by every contract section in

the County. As a result, the Department has indicated it will not develop a contracting manual, but will wait and use the Countywide manual when it becomes available.

The Countywide contract manual will provide the Department with the technical aspects of the County's contracting policies and procedures. However, the Department still needs to develop an internal contracting manual to guide CMS staff on contracting issues unique to the Department. In addition, the Department will also need to train CMS staff on the policies and procedures and monitor their compliance

Contractor Work Prior to Contract Execution Date

During our previous review, we noted several instances where program management had instructed some Family Preservation Program (FPP) contractors to begin work on their contracts prior to the Board of Supervisors approving the contracts. Board policy specifically prohibits this practice. Our current review disclosed that DCFS has corrected this problem.

We examined the contracting process for the current fiscal year's FPP contracts (effective date beginning July 1, 2001) to ensure the contractors had not started work prior to the Department receiving the appropriate approvals. We noted DCFS obtained Board approval for the funding allocations for the FPP contractors prior to their July 1st start date. Also, CMS management indicated that the Department appropriately received signed contracts from the FPP contractors prior to their beginning work for the current fiscal year.

We also contacted County Counsel staff to determine if they had experienced (since our prior reviews) instances in which CMS had allowed contractors to begin working on contracts prior to the contracts being signed. County Counsel staff indicated that they were not aware of any recent instances in which DCFS contractors started work prior to signing their County contracts.

Contract Development Process

We previously noted that CMS did not always effectively coordinate the Department's contracting efforts. We noted instances in which CMS staff and program staff did not inform each other of key contracting actions taken by each unit. Also, CMS staff did not seek the involvement of County Counsel and the Auditor-Controller early enough in the contracting process. This resulted in requests from CMS staff that required unrealistic turnaround times.

Since our prior reviews, CMS has taken several actions to improve in this area. To minimize delays due to contract revisions, County Counsel provided CMS staff with standard terms and conditions that are applicable to most of the Department's contracts. Also, CMS recently implemented the use of timelines for contract development that report estimated completion dates for each part in the contracting process. Timelines are developed through a collaborative effort of CMS contract

analysts and program managers. This allows both parties involved in the process to map out realistic dates as to when the contract will be completed and filed with the Board. In addition, the Department has communicated earlier with County Counsel and the Auditor-Controller on contracting issues.

Although the Department has made efforts to improve its contracting process, we noted some instances in which the Department continues to request assistance from County Counsel and Auditor-Controller staff with unrealistic turnaround times. For example, the Department recently submitted one Proposition A cost-benefit analysis to the Auditor-Controller for review and approval. County guidelines specify that the Auditor-Controller staff be given a minimum of two weeks advance notice to complete its review. However, CMS requested the review be completed in one day. In reviewing another Prop A cost-benefit analysis from the Department, the Auditor-Controller initially recommended some changes. After taking approximately two months to make the recommended changes, the Department resubmitted the analysis and requested the Auditor-Controller complete the review within one day.

County Counsel has also noted instances in which CMS staff submitted contracts for review with unrealistic completion dates. The contracts were incomplete (in some cases omitted standard terms and conditions) and required some revisions that could have been avoided had CMS staff submitted the contracts for County Counsel to review earlier in the contract development process. As a result, the required changes resulted in delaying the contract development process.

The Department needs to continue to ensure that a “Team Approach” to the contract development function is consistently employed. Also, the Department needs to continue to ensure that all contracting activities are planned and coordinated to allow sufficient time for CMS’ contracting collaborators to respond to specific contracting requests by the due dates.

Post Contracting Evaluations

We recommended that the Department conduct post-contracting evaluations at the conclusion of important contract development projects. Conducting post-contracting evaluations with contractors allows the Department the opportunity to obtain information from the contractors’ perspectives on problems with the contracting process. Allowing the contractors to complete these evaluations would provide DCFS with suggestions and/or ways to improve future contracting projects.

Standard County Terms and Conditions Language

Previously, we noted the Department’s contracts did not always contain the County’s standard terms and conditions language. As a result, County Counsel returned the contracts to CMS staff for appropriate revisions causing delays in the contract development process. In an effort to minimize the number of revisions, County Counsel

provided CMS with standard terms and conditions that are applicable to most of the Department's contracts.

We noted the Department does not always use the standard terms and conditions. provided to them by County Counsel. This requires County Counsel to add the standard terms and condition language to the contracts and further delays the contract preparation process. The Department needs to ensure that each contract submitted to County Counsel for review contains standard County contract language.

Contract Monitoring

In our prior reviews, we recommended the Department assess all contracts and ensure each program receives the appropriate level of contract monitoring. We also recommended that the Department assign the responsibility of contract monitoring to specific departmental staff. We had suggested that the Department develop an inventory of all contracts and rank them in accordance to their relative risk. In addition, we suggested that the information contained in the inventory list each contract's monitoring requirements and the party responsible for monitoring.

Currently, the Department only monitors contracts where problems were previously experienced. The Department also does not follow all the monitoring requirements for Proposition A contracts to ensure the contractors comply with the County contract provisions, the Living Wage Ordinance, and relevant State and federal labor and tax laws. For example, the Department indicated that contract monitors are not able to conduct site visits and interview the Living Wage contractors' staff. CMS management indicated that they do not have the staff necessary to implement our previous recommendations and to adequately monitor all of their contracts.

In order to comply with relevant County regulations/guidelines, and to establish proper departmental oversight over the use of taxpayer funds, DCFS needs to ensure that all contracts are appropriately monitored and that trained staff are assigned the responsibility of monitoring contracts.

CMS Reporting and Monitoring Systems

We recommended that the Department develop and implement enhancements to their Contract Management System to provide relevant and timely information. These enhancements include features to detect and alert staff when available funding is at risk of being exhausted and when funds are being expended too quickly in relationship to contract deliverables.

The Department has not yet implemented the recommended enhancements to its Contract Management System (system). In addition, we noted that the information that is maintained by the system is not always accurate. For example, the system automatically sends alert notices to contractors to inform them that their County contracts will expire soon. We noted that in some instances alert notices are sent even

if the contracts are not set to expire causing some confusion with the contractors. We also observed that CMS staff do not always submit information to update the system. As a result, the system is unable to provide accurate and up-to-date information that could assist the Department in its contract monitoring activities.

The Department needs to consider implementing the system enhancements recommended in our previous reviews. Also, the Department needs to ensure that information contained in the Contract Management System is accurate and complete.

CMS Staff Development/Utilization

In our previous reviews, we noted a need for the Department to provide training for CMS staff to improve their contract legal skills, provide more awareness on programmatic issues, and enhance computer skills. We recommended that the Department assess the training needs of CMS staff, and if necessary, contact County Counsel and Auditor-Controller for assistance in providing CMS staff with the appropriate training.

During our current review, we interviewed eight of the ten contract analysts (two analysts are on leave). The analysts indicated that they each self-assessed their skills and requested additional training based on those assessments. As a result, analysts have attended governmental contract training classes at UCLA and computer training classes at CompUSA. The analysts indicated that they now have an improved understanding of the financial and legal requirements associated with contract development.

However, the contract analysts indicated that they have not yet attended training classes involving programmatic issues. The Department indicated that, in general, contract analysts do not need to attend program training since contract analysts are not tied to programmatic issues. In some instances, it appears contracts can be more effectively administered if the contract analysts are familiar with programmatic issues.

As appropriate, the Department needs to ensure that contract staff are familiar with programmatic issues associated with their assigned contracts so that the contracts can be more effectively administered.

Personnel

Performance Evaluations

Previously, we noted the Department did not complete annual performance evaluations for all CMS staff, in accordance with County Code section 20.02, Performance Evaluation Ratings. Also, we noted CMS supervisors did not always write evaluations in a manner that provided enough information to assess the quality and quantity of work performed.

During our current review, we noted that five of the eight CMS staff that we interviewed had been with the Department between six months and one year, yet had not received a written performance evaluation. The three remaining CMS staff had all been with the Department for more than three years. None of these staff had received a written performance evaluation in the two years prior to our review. According to the Department, performance evaluations have not been completed due to time constraints and lack of staffing.

The Department needs to ensure that written performance evaluations are completed for all employees in accordance with the County Code. Also, management needs to instruct supervisory staff to include adequate comments on each section of the evaluation to give employees a clear assessment of strengths and weaknesses.

Contracting Experience

In our August 1998 report, we recommended that CMS develop a recruitment and training strategy to fill vacant, or newly created staff level positions within CMS and to ensure the continued development and mentoring of CMS staff. We also recommended that the Department request assistance from the County Department of Human Resources in developing new job specification for CMS staff.

We noted the Department has not yet developed a recruiting strategy to help in filling open positions. At the time of our review, CMS had four vacant contract analyst positions and two vacant supervisor positions. Also, we noted that the Department has not requested assistance from the Department of Human Resources to develop new job specifications for CMS staff.

The Department needs to implement the recommendations noted in our prior reviews to provide adequate staffing levels and improve the level of experience of its contracting staff.

Clerical Support Staff

We recommended that CMS evaluate the need for support staff and determine non-contracting duties that could be reassigned to them. This would likely result in a more efficient contract development process allowing contract analysts to focus on contract development issues.

We noted that the Department has reevaluated the need for support staff and increased the number of budgeted positions. However, three positions have remained vacant and, thus, contract analysts must still complete many non-contract tasks.

Acknowledgment

DCFS management and staff were very cooperative during our review and actively participated in the review process. The Department generally agrees with the findings

noted in our report. Management recognizes the need for improvement and indicated its commitment to correct the problem areas noted. The Department will submit a response to the Board within 30 days that will summarize the efforts by the Department to implement the prior audit recommendations and a timeline for completion.

If you have any questions regarding this report, please contact me or have your staff contact DeWitt Roberts at (213) 974-0301.

JTM:DR:DC

Attachments

c: David E. Janssen, Chief Administrative Officer
Violet Varona-Lukens, Executive Officer
Public Information Office
Audit Committee
Department of Children and Family Services
Anita M. Bock, Director
Armand Montiel, Manager of Government Relations
Theresa Wisda, Manager of Contract Administration
Genevra Gilden, Chief, Quality Assurance Division

Attachment 1

Department of Children and Family Services (DCFS)
Contract Management Services Follow-up II
Fiscal Year 2001-02

August 1998 Recommendations		
#	DESCRIPTION	IMPLEMENTED
1	Provide guidance to CMS in the contracting process.	YES
2	Monitor the implementation of the recommendations in the report.	NO
3	Develop a mission statement for CMS, including strategic vision and org plan.	Partial
4	Establish strategic goals and objectives to mirror mission statement.	Partial
5	Communicate mission, strategic goals, and annual objectives to all staff.	Partial
6	Develop performance measures to assess staff performance.	Partial
7	Implement a monitoring system to ensure CMS performance.	NO
8	Develop a written policies and procedures manual for the contracting process.	NO
9	Provide training to all staff for the use of procedures manual.	NO
10	Monitor use and effectiveness of policies and procedures manual.	NO
11	Ensure program managers comply with County contracting procedures.	Partial
12	Employ a 'team approach' to the contract development function.	Partial
13	Ensure contracting activities are well planned and coordinated.	Partial
14	Conduct post-contracting evaluations for all important projects.	NO
15	Ensure that each contract contains standard County Terms and Conditions language.	Partial
16	Ensure each contract receives the appropriate level of contract monitoring.	NO
17	Designate responsibility for the completion of contract monitoring reviews.	NO
18	Implement planned enhancements to Contract Management System.	NO
19	Assess training needs and request assistance in providing appropriate contract training.	YES

Department of Children and Family Services (DCFS)
Contract Management Services Follow-up II
Fiscal Year 2001-02

20	Include CMS contract analysts in programmatic training classes.	**NO**
21	Assess computer skills of contract analysts and provide training.	**YES**
22	Ensure that annual performance evaluations are completed for all staff.	**Partial**
23	Ensure performance evaluations provide sufficient information to identify areas for improvement.	**Partial**
24	Develop a recruitment and training strategy.	**Partial**
25	Request assistance form DHR in developing new job specifications for staff.	**Partial**
26	Evaluate contract analysts non-contracting duties and re-assign to support staff.	**Partial**
27	Reevaluate CMS's need for support staff.	**YES**

March 2001 Recommendations

#	***Description***	***IMPLEMENTED***
1	Identify reporting needs of parties involved in contracting process and develop a system to accommodate those needs.	**NO**
2	Ensure system described in #1 is maintained/updated regularly.	**NO**
3	Re-evaluate time frames for sending first, second and final alert notices.	**Partial**
4	Develop mechanism to ensure individuals are held accountable for completion of tasks related to contracts process.	**Partial**
5	Develop a contract plan (I.e. annual, 3-year and 5-year) that includes input from all parties involved in the contract process.	**Partial**
6	Implement the contract monitoring process procedures contained in Chapter 10 of the LWO training manual.	**NO**
7	Develop and implement procedures for maintaining contractor information on the ISD contract database.	**YES**
8	Maintain standard documents and forms, such as County terms and Conditions language, contracts and board letters.	**NO**