



THOMAS P. DiNAPOLI
COMPTROLLER

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
110 STATE STREET
ALBANY, NEW YORK 12236

GABRIEL F. DEYO
DEPUTY COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037 Fax: (518) 486-6479

July 2016

Martha Sauerbrey, Chairwoman
Members of the County Legislature
Tioga County Legislature
56 Main Street
Owego, New York 13827

Report Number: S9-15-28

Dear Ms. Sauerbrey and Members of the County Legislature:

The Office of the State Comptroller works to help county officials manage their resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support county operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard assets.

In accordance with these goals, we conducted an audit of six counties throughout New York State. The objective of our audit was to determine if counties are monitoring community-based agencies to ensure that services provided and payments made are in accordance with contractual agreements. We included Tioga County (County) in this audit. Within the scope of this audit, we examined the procedures of the County and various contracts in place for the period January 1 through December 31, 2013. Following is a report of our audit of the County. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This report of examination letter contains our findings and recommendations specific to the County. We discussed the results of our audit and recommendations with County officials and considered their comments, which appear in Appendix B, in preparing this report. Except as specified in Appendix B, County officials generally agreed with our recommendations and indicated they have taken or plan to take corrective action. Appendix C includes our comment on an issue raised in the County's response. At the completion of our audit of the six counties, we prepared a global report that summarizes the significant issues we identified at all the municipalities audited.

Summary of Findings

We found the County could do more to ensure each community-based agency service contractor¹ provides services in accordance with the contract terms.

To determine if the County was effectively monitoring its community-based agency service contracts, we sampled five contracts totaling \$368,339. We found a contract monitor (Monitor) did not always comply with the Department of Social Services' (Department) contract monitoring expectations. Also, Monitors relied on the contractors' integrity to self-report their contractual performance and did not confirm that billed services were provided or reported performance levels were accurate before payments were made. When staff do not effectively monitor contracts, there is less assurance that the Department is receiving the contracted services or programs are operating as intended.

In addition, three contracts reviewed did not contain performance measures. Of the two that did, one contractor did not provide the Department with contractually required reports that detail if they were meeting the contracted performance measures. We found no evidence that the Monitor followed up with the contractor to obtain the missing information or used the reports to monitor the contractor's performance. The \$13,889 domestic violence contract also lacked clear language that details the services the vendor was contracted to provide.

We also found that although the New York State Social Services Law (SSL) requires counties to use performance-based contracts when contracting for work activities, if practicable, the County does not use them. Officials said performance-based contracts are not practicable because the County has a small labor-ready population and a limited number of service providers and it is challenging to find service providers willing to accept a performance-based contract.

Background and Methodology

The County has a population of approximately 51,000 residents and is governed by a nine-member Board of Legislators (Board). The Board elects a chairperson who is responsible for oversight of County operations. The County's 2014 budget totaled \$81.8 million and included the Department's budget of \$20.7 million. A Commissioner oversees the general management of the Department and enforcement of SSL.

The Department is responsible for providing temporary help to eligible individuals and families with financial and social service needs to assist them with leading safe, healthy and independent lives. The Department provides and manages a wide range of social welfare programs. To accomplish its mission, the Department enters into contracts with community-based agencies to provide services that enhance the ability of families to live together, enable individuals to remain in their homes, minimize the risk of abuse or neglect and provide for specialized care in residential settings when necessary. SSL requires the Department, when contracting for work activities, to use performance-based contracts, when practicable. The Department has 24 service contracts totaling \$882,096.² Three Monitors oversee these contracts.

¹ Contractor that generally provides services to a client of the County's Department of Social Services

² As of December 31, 2013

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). Such standards require that we plan and conduct our audit to adequately assess those operations within our audit scope. Further, those standards require that we understand the management controls and those laws, rules and regulations that are relevant to the operations included in our scope. We believe that our audit provides a reasonable basis for the findings, conclusions and recommendations contained in this report. More information on such standards and the methodology used in performing this audit are included in Appendix D of this report.

Audit Results

Contract Monitoring – Contract monitoring is essential to ensure that services provided are consistent with the contract terms. The Monitors responsible for overseeing contracts should be familiar with and have copies of the contracts they monitor and should adhere to the Department's contract monitoring expectations. Monitors should hold each contractor accountable to the terms of their contract, such as providing agreed-upon reports and evaluating services provided. Monitors should also ensure that information reported by the contractor is accurate and the contractor is meeting the performance expectations outlined in the contract.

The Department's contracts generally require contracted agencies to provide progress reports periodically. The reports should account for each performance measure defined in the contract. The Department expects its Monitors to communicate regularly with the contracting agency, be aware of and monitor contractual requirements, meet with the contracting agency and obtain necessary agency supporting documentation.

To determine if the Monitors oversee the contractors in accordance with the Department's verbal direction, we reviewed five contracts valued at \$368,339. Figure 1 in Appendix A shows a breakdown of the contracts we examined and, when defined, the contractor's performance measures. For each contract, we determined if the contractor submitted the required progress reports; determined if the contractor met performance measures; examined the Department's documentation, when possible, to confirm services were provided; examined and recalculated the contractor's payment vouchers to confirm they were prepared in accordance with the contract terms; and confirmed the Department reviewed and approved each voucher for payment.

We found four contracts required the contractor to provide progress reports, while one, the domestic violence contract, did not. Although the four contractors provided progress reports, a Monitor did not review one contractor's progress reports to determine if they met the Department's performance expectations. We reviewed this contractor's progress reports and found they were incomplete. The reports did not include information on two of the four performance measures detailed in the contract. Specifically, the contractor did not report if the public recipient's employment lasted up to 12 months and if the placement included at least seven hours per week of paid education and training experience. We found the Monitor also did not independently verify or obtain supporting documentation on the two measures detailed in the contractor's progress reports, and we found no evidence the Department followed up on the missing information or used the reports to monitor the contractor. Maintaining such evidence may help the County terminate a contractor who consistently underperforms.

We also found the Department's \$13,889 domestic violence contract did not define the services the community-based agency was to provide. This contract, along with two additional contracts

we reviewed, also lacked defined performance expectations. For example, the Department's computer training contract required the contractor to provide:

- computer training;
- computer training to assist in GED preparation;
- assistance in gaining employment; and
- training in enhanced resume preparation and interview techniques.

The contract did not require a percentage of public assistance recipients that received computer training to complete the training, to obtain a GED or to gain employment or detail other performance level expectations. Therefore, it is difficult to determine if the contractor provides quality services or if the assistance provided to public assistance recipients is helping them to find and retain employment.

While the Department does not have written policies and procedures to guide the Monitors in overseeing contracts, Department management orally conveyed the contract monitoring policies and procedures. However, having policies and procedures that management has not formalized can lead to misunderstandings and inconsistent application of the policies and procedures. When Monitors do not effectively monitor contracts, there is less assurance that the Department is receiving the contracted services or programs are operating as intended.

Performance Contracting – The Department is required by SSL to use performance-based contracting, if practicable, when contracting for work activities.³ Although not defined in the SSL, performance-based contracting generally includes a clear definition of a series of objectives and indicators by which to measure contractor performance, collection of data on the performance indicators and consequences for the contractor based on performance (e.g., agreed upon amounts of consideration for meeting or exceeding indicators, or termination of the contract or reduced amounts, as set forth in the agreement, for not meeting or exceeding those indicators). Performance-based contracting methods are intended to ensure that required performance quality levels are achieved and that the consideration is related to the degree that services performed meet or exceed contract standards.

Performance-based contracts should:

- Describe the requirements in terms of results required rather than the methods of performance of the work;
- Use measurable performance standards;
- Specify procedures for reductions of fees or for reduction to the price of a fixed-price contract when services are not performed or do not meet contract requirements; and
- Include performance incentives where appropriate.

The Department does not use performance-based contracting. While we found the Department incorporated performance measures in two of the contracts we reviewed, none of the contracts contains incentives if the contractor meets or exceeds performance expectations or penalties if the contractor fails to meet minimum contract performance. Officials said performance-based contracts are not practical because the County has a small labor-ready population and a limited

³ Paid or unpaid activities that help improve an individual's employability

number of service providers and it is challenging to find service providers willing to accept a performance-based contract.

For example, the County entered into a contract that requires several measurable performance standards, such as having at least 70 percent of youth enrolled in a therapy program to either be in school or working at the end of their treatment. However, the contract lacks reward and sanction provisions for good and poor performance, respectively. Officials told us if a contractor continuously failed to meet the minimum performance statements, they would terminate the contract or allow the contract to lapse and negotiate a new contract with another vendor.

Department officials told us they have not implemented performance-based contracting because they believe it is not practicable. However, they could not provide written analysis to support this conclusion. Because the Department does not follow performance-based contracting, it may be paying for services that are not effective.

Invoice Processing – Auditing invoices should be a thorough and deliberate examination to determine that the invoice is a legal obligation and proper charge against the County. Further, the original invoice submitted by the service provider should agree with contractual terms. The various required supporting documentation should also agree with amounts charged on the invoices.

To determine if payments are allowable according to the contract and that they are a proper charge against the County, a thorough review of invoices provided by the contractor is required. This review should verify that payment is allowed according to the terms of the contract and that the required supporting documentation supports and agrees to the amounts charged on the invoices. In addition, these invoices should be submitted within timeframes established in the contract.

In four of the five contracts we reviewed, the contract administrators did not review 21 vouchers totaling \$340,970 before the Accounting Department paid the contractors because the Department does not require the Monitors to review invoices before contract payments are made.

To determine the accuracy of invoices and associated payments, we reviewed 33 invoices totaling \$363,588 related to the same five contracts discussed previously. We found the Department paid each contractor in accordance with contract terms and each contractor submitted the invoices within the contract timeframes.

Recommendations

Department officials should:

1. Document the specific services they expect to be provided in each contract.
2. Develop and implement written contract monitoring policies and procedures and ensure Monitors follow them.
3. Use performance-based contracting, when practicable. If the County does not use performance-based contracting techniques, consider adding contractual language to service contracts that detail recourse actions the County may take when performance measures are not met.

4. Require an invoice review performed by contract administrators prior to invoice payment.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The Board should make the CAP available for public review in the Clerk's office.

We thank County officials and staff for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo
Deputy Comptroller

APPENDIX A

SUPPLEMENTAL INFORMATION

Figure 1: Contracts Reviewed		
Description	Performance Measures	Value
Work experience for clients on Temporary Assistance for Needy Families (TANF) and others on public assistance.	<p>Employment opportunities provided shall last up to 12 months.</p> <p>Employment opportunities shall pay at least \$8 an hour.</p> <p>The employment opportunities shall provide up to 28 hours per week of paid employment.</p> <p>The placement shall include at least seven hours per week of paid education or training activities.</p>	\$95,634
Computer training	There are no defined performance expectations.	\$38,849
Multi-systemic therapy (MST) services	<p>At least 70% of youth will complete treatment.</p> <p>No more than 15% of youth will be discharged due to a lack of engagement.</p> <p>No more than 30% of youth will be placed or revoked during treatment.</p> <p>At least 70% of youths involved will experience no arrest during treatment.</p> <p>At least 70% of youth will be in school/working at the end of treatment.</p> <p>At least 60% of youth who have completed MST treatment will not be placed out of the home at six months from discharge date.</p> <p>At least 60% of youth who have completed MST treatment will not be placed out of the home at 12 months from discharge date.</p> <p>At least 80% of families who have completed MST treatment will experience no Child Protective Services (CPS) substantiated reports made during the course of treatment.</p> <p>At least 80% of families who have completed MST treatment will experience no CPS substantiated reports at the time of the six-month discharge, as reported by the Department.</p> <p>At least 80% of families who have completed MST treatment will experience no CPS substantiated reports at the time of the 12-month discharge, as reported by the Department.</p>	\$197,349
Drug and HIV testing	There are no defined performance expectations.	\$22,618
Enhanced domestic violence services	There are no defined performance expectations and no defined services.	\$13,889
Total		\$368,339

APPENDIX B

RESPONSE FROM COUNTY OFFICIALS

The County officials' response to this audit can be found on the following page.



FROM THE DESK OF
Martha Sauerbrey, Legislative Chair

Ronald E. Dougherty County Office Building – 56 Main Street – Owego, New York 13827
Telephone (607) 687-8240 - Fax (607) 687-8232 – Email: sauerbrey@co.tioga.ny.us - Website: www.tiogacountyny.com

December 30, 2015

Ann C. Singer, Chief Examiner
State Office Building, Suite 1702
44 Hawley Street
Binghamton, NY 13901-4417

Re: Report Number S9-15-28

Dear Ms. Singer:

Tioga County appreciates the opportunity to respond to the preliminary draft findings of the NYSOSC Audit S9-15-28. The audit "examined the procedures of the County and various contracts in place for the period January 1, 2103 through December 31, 2013."

We do not dispute the findings of the audit with the exception of the following:

- In Appendix A of the report, the statement that "there are no defined performance expectations and no defined services" for the enhanced domestic violence services contract with A New Hope Center, Inc. The performance expectations are defined in Appendix B of that contract and the services delivered are defined within a monthly report from A New Hope Center, Inc., all of which were shared during the course of the audit.
- Also in Appendix A of the report, the statement that "there are no defined performance expectations and no defined services" for the computer training contract with Literacy Volunteers of Broome/Tioga County, Inc. Performance expectations are found in the program narrative within the contract and service outcomes are defined in quarterly performance reports from Literacy Volunteers of Broome/Tioga County, Inc.

See
Note 1
Page 10

See
Note 1
Page 10

We appreciate that the audit shows the Department of Social Services paid each contractor reviewed to be in accordance with contract terms and each contractor submitted the invoices within the contract time frames.

Tioga County appreciates the opportunity to strengthen its procedures for contract monitoring and increase its utilization of performance based contracting, when applicable. Upon receipt of the final report, we will prepare and submit the required Corrective Action Plan which will clearly outline our steps for accomplishing this.

Sincerely,

Martha Sauerbrey
Chair, Tioga County Legislature

APPENDIX C

OSC COMMENT ON THE COUNTY'S RESPONSE

Note 1

While the contracts for the domestic violence services with A New Hope Center (ANHC) and computer training services define the programs, they do not define performance expectations. Contracts should specifically define performance expectations as they serve as a foundation for communicating the County's expected results. For example, the ANHC contract includes a list of programs. One of the programs is noted as follows:

“The *Enhanced Non Residential Services* Project adds emphasis on self-sufficiency and life skills related to employment, housing, education and homelessness prevention. Well trained advocates at ANHC provide advocacy and support as well as ongoing guidance to apply for scholarships funding, child care support, job readiness, housing support (including special transitional housing advocacy) and other services to assist families to be independent.”

However, there is no performance expectation such as 100 percent of clients seeking childcare support will receive needed services within a specified timeframe.

Further, the performance reports lack sufficient detail for the County to determine how effective the contractors' programs are or if certain services were actually provided. For example, under education advocacy, the vendor noted it “Provided 2 clients with life enhancement skills training and advocacy” and “provided 1 client with skills training advocacy.” However, it does not indicate the outcome of the training. In fact, a reader cannot determine from the performance reports which services provided related to which program per the contract. For example, the contract could require that at least 95 percent of the clients who receive training complete the class. Of the clients that complete the class/training, at least 90 percent will demonstrate proficiencies in the area(s) trained.

APPENDIX D

AUDIT METHODOLOGY AND STANDARDS

To complete our objective, we interviewed County and Department officials and identified practices used to monitor Department contracts to determine whether the County is effectively monitoring these contracts. We performed procedures that include the following steps:

- We interviewed key officials to identify the Department's community-based agency service contract monitoring process and gained an understanding of the components of a typical Department contract, established how service providers invoiced the County for services and determined how those invoices were reviewed and payments were made. Further, we obtained an understanding of how the contractual agreements were monitored.
- We obtained a list of service-based contracts and verified that list to the Department's budget and accounting records. We judgmentally selected two employment-related contracts and three additional contracts. We considered the contract values and funding sources when selecting contracts to review.
- We obtained and reviewed the five contracts to determine the terms of the agreement.
- We obtained and reviewed the invoices for each contract that were paid between January 1 and December 31, 2013 to determine if payments were made in accordance with the contract and the Department's policy.
- We obtained and reviewed the performance reports submitted to the Department by the service providers to evaluate whether contractual requirements were met.
- We interviewed the Monitors to determine how each one monitors whether the service providers are complying with contractual obligations.
- We reviewed invoices to determine whether the Monitors were approving invoices for payment, the amount billed matched the amount paid by the Department and the supporting documentation substantiated the amount billed.
- We traced a sample of payments from the invoices to the general ledger.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.