



# Oneida County Department of Social Services

## Contract Monitoring and Payments

### Report of Examination

Period Covered:

January 1, 2014 – December 31, 2014

2015M-244



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

February 2016

Dear County Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government 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 Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of Oneida County, entitled Contract Monitoring and Payments. 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 audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller  
Division of Local Government  
and School Accountability*

# Introduction

## Background

Oneida County (County) serves 234,878 residents and is governed by a 23-member Board of Legislators (Board). The elected County Executive is the chief executive officer and is responsible for oversight of County operations. The elected County Comptroller is the chief fiscal officer and is responsible for auditing, examining and approving payments for all contracts and claims. The County provides a wide range of services to its residents, including public health and safety, employment assistance, medical assistance and temporary assistance to individuals and families. The Board adopted budgets of approximately \$376 million for the 2014 fiscal year and \$392 million for the 2015 fiscal year.

The County Department of Social Services (Department) is responsible for providing temporary assistance to eligible individuals and families with social service and financial needs to assist them with leading safe, healthy and independent lives. An appointed Commissioner oversees the Department with the assistance of the Deputy Commissioner. Within the Department, the Contract and Services Units, each headed by a Director, are responsible for monitoring service providers (agencies). For the 2014 fiscal year, the Board approved 18 Department preventive service contracts totaling \$7.1 million. The County Comptroller's Office is responsible for making payments to the agencies subsequent to the Department's review and approving the claims submitted by the agencies to the Contract Unit.

## Objective

The objective of our audit was to examine the internal controls over the Department's contracts with agencies. Our audit addressed the following related question:

- Did Department officials monitor the contracts with community-based agencies to ensure that services were provided and payments were made in accordance with contractual agreements?

## Scope and Methodology

We examined the County's controls over the Department's contractual agreements for the period January 1, 2014 through December 31, 2014.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional

judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

**Comments of  
County Officials and  
Corrective Action**

The results of our audit and recommendations have been discussed with County officials, and their comments, which appear in Appendix A, have been considered in preparing this report. County officials agreed with our recommendations and indicated they planned to initiate corrective action.

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. We encourage the Board to make this plan available for public review in the Clerk of the Board's office.

## Contract Monitoring and Payments

The Department provides and manages a wide range of social welfare programs. To accomplish its mission, the Department enters into agreements 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. Department officials are responsible for monitoring contractual agreements to ensure that services are provided in accordance with Board-approved agreements. Officials are also responsible for ensuring that vouchers are properly supported and contain sufficient documentation. In addition, the County Comptroller should ensure that the agencies provide adequate support for their vouchers prior to making payments.

The Department is required to include “performance or outcome based” provisions when preventive services are provided pursuant to New York State Social Services Law Section 409-a, beginning January 1, 2008, and thereafter.<sup>1</sup> Preventive services may be provided directly by the Department or through purchase of services, in accordance with regulations of OCFS.<sup>2</sup> Performance or outcome-based contracting methods generally are intended to help ensure that required quality levels are achieved. When appropriate, the achievement of the prescribed levels of performance or outcomes may be tied to consideration paid under a contract.

Department officials need to improve their monitoring of contracts with community-based agencies to ensure that services were provided and payments were made in accordance with contractual agreements. Department personnel did not follow up with agencies to ensure that all service and performance reports required by contract were provided by the agencies. In addition, Department managers did not implement procedures to review contractual performance measures to ensure performance outcomes were being met. Our review of 10 contracts totaling \$6.5 million showed that agencies did not submit any performance reports for seven contracts totaling \$2.5 million (70 percent of reviewed contracts). In addition, although all vouchers that we reviewed were signed by the Deputy Commissioner and audited and approved by staff in the County Comptroller’s Office, 29 payments totaling \$801,393 lacked supporting documentation.

<sup>1</sup> Laws of 2007, Chapter 57, Part H, Section 1, The Office of Children and Family Services (OCFS)

<sup>2</sup> Social Services Law Section 409-a(4)

Finally, contracts were not always renegotiated in a timely manner. As a result, County officials do not have adequate assurance they are receiving the agreed-upon services and may be overpaying for services or paying for services not received.

## **Contract Monitoring**

Monitoring contract performance measures or targets is essential to ensure that services are provided in accordance with contractual agreements. Department officials must ensure that agencies adhere to contract requirements (i.e., providing agreed-upon reports and contacts) to ensure that the Department can adequately evaluate the services provided. Obtaining and reviewing periodic reports on performance target outcomes is essential to ensure services are provided in accordance with contractual agreements. Performance measures or targets are established for each agency in their respective contracts. Agencies are required to submit performance reports and to adhere to established periodic case contacts, depending on the individual contracts, that detail and validate their achievement or lack of achievement of performance measures. Department managers should ensure that a process is in place to obtain the required performance reports and that case contact is maintained. Department officials should also validate the accuracy of all information provided. In addition, employees responsible for monitoring contracts should be familiar with the specific requirements and have copies of the contracts they are monitoring.

The County uses a request for proposal (RFP) process to solicit, evaluate and select agencies when awarding the Department's professional services contracts. Agencies submit proposals that specify the services they will provide based on the RFP. The RFP's terms along with the County's standardized contract language set forth the contract's terms and conditions. All contracts require the County Executive's approval and contracts over \$50,000 require Board approval. The Department has case managers that oversee each contract and provide the day-to-day oversight of the agencies.

We reviewed 10 preventive service contracts<sup>3</sup> totaling \$6.5 million to determine whether the Department received the required performance reports and whether certain required case contacts were made. The Department did not receive the required performance reports for seven contracts totaling \$2.5 million. Although the Department obtained the required performance reports for the three remaining contracts, the Department had no formal review process to ensure the agencies met the required performance measures. The Service Director told us she

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<sup>3</sup> See Appendix B, Audit Methodology and Standards, for details on our contract selection process.



did not review the required measures with the agencies<sup>4</sup> that failed to submit the reports. In addition, the Service Director did not verify or follow up on whether the agencies that submitted the reports met the specific performance measures. The Service Director also told us she has quarterly meetings with each agency to discuss compliance with the contract requirements. However, without reviewing and validating the accuracy of performance measures, there is a risk that the County may be paying for services not performed.

We also found that five case managers<sup>5</sup> did not have copies of the contracts that they were responsible for monitoring. We evaluated certain similar aspects among the contracts to determine if the requirements were met. For example, contracts require that a Family Assessment Service Plan (FASP) review be conducted 30, 90 and 180 days after a case begins and require agencies to have regular face-to-face meetings with the individuals receiving services weekly, biweekly, monthly or quarterly to help ensure that families are making positive progress as a result of the services provided. We selected two cases from nine of the 10 contracts<sup>6</sup> reviewed and found the FASP reviews were completed within contract terms and regular ongoing meetings were being held between the agencies and individuals receiving services. However, we found a lack of documentation for specific contract aspects. For example:

- One contract, for which we reviewed two cases, requires the agency to meet weekly with the therapists involved in the cases. The case manager told us the agency contacts the therapist on a regular basis but could not provide documentation of the dates the meetings were held for the two cases reviewed.
- One contract, for which we reviewed two cases, requires the agency to follow up with the families three, six and 12 months after the services have been completed. We found no documentation that follow-up services were conducted.
- Two contracts, for which we reviewed four cases, require that within two business days of the referral date, the agency will notify the Department of the agency case worker assigned. The case manager responsible for these two contracts told us after the agency receives the referral, they notify her of the assigned case worker by email and she documents the name in her records. However, she did not retain the email correspondence and could not provide documentation that contact was made within two business days for the four cases that we reviewed.

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<sup>4</sup> One agency had two of the contracts.

<sup>5</sup> Nine case managers monitored the 10 contracts reviewed. One manager monitored two contracts with two agencies.

<sup>6</sup> One contract did not require the FASP review.



Without copies of the contracts, case managers do not have clear guidelines of the performance measures that the agencies should be meeting. Although the case managers told us the requirements were met, without actual documentation and review, Department managers do not have adequate assurance that agencies are meeting the stipulated contract requirements.

We also found County officials did not effectively monitor contract expiration dates to ensure that successor contracts were in place prior to the expiration of the previously existing contracts for similar work. Five of the 10 contracts reviewed totaling \$988,363 were approved 15 to 57 days after the contract effective dates. Although Board approval was made after the contract effective dates, the County did not make any contract payments to the agencies until after the Board approved the contracts. County officials told us they are aware that contracts are sometimes approved late and said they are working to streamline the process in order to get most contracts approved in a timely manner.

### **Voucher Processing**

Auditing vouchers should include a thorough and deliberate examination to determine whether invoices are legal obligations and proper charges against the County. In order for a voucher to be paid, it must have an original signature signed by the department head and backup documentation (payroll reports, mileage logs and/or invoices supporting other expenditures claimed) attached. Further, the original invoices submitted by the agencies should agree with the contract terms.

When providers respond to an RFP, they are required to provide the “Budget Summary Form” which documents the budget proposal and how the expenditures are broken down. Once a proposal is accepted and the contract is signed, the annual budget is the basis for payments for the monthly invoices the provider submits to the Department.

For contracts with an established itemized annual budget,<sup>7</sup> agencies are required to use the County’s prescribed “Monthly Financial Claim/Report” (claim report) which includes specific details of expenditures from the approved budget, cumulative expenditures as of the preceding month, current monthly expenditures, cumulative year-to-date expenditures and the allocation balance. An agency submits the voucher and claim form to the Contract Unit. The Contract Unit maintains a spreadsheet with the contract amount, monthly payments and unspent balance and ensures that the amount claimed does not exceed the unspent balance. The Contract Director initials the voucher, signifying a contract exists and the amount claimed is within the outstanding contract balance. The Accounting Department

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<sup>7</sup> For contracts that are based on a daily rate per client, the provider submits a listing of the clients served during a month with the voucher. The provider does not submit a monthly claim report.

reviews the voucher for mathematical accuracy and forwards the original voucher and backup to the Deputy Commissioner for signature. A clerk in the County Comptroller's Office audits<sup>8</sup> each voucher and forwards the vouchers to another clerk who generates the checks for payments to the agencies.

We found that vouchers did not always have adequate supporting documentation for the amounts claimed. Agencies generally submitted vouchers monthly for services provided. We reviewed 41 vouchers totaling \$2.1 million<sup>9</sup> (related to the 10 contracts reviewed) to determine if payments were made in accordance with contract provisions, contained the required approvals and had sufficient supporting documentation. Although all vouchers were approved by the Deputy Commissioner and the Comptroller's Office, 29 vouchers, or 71 percent of the vouchers reviewed, totaling \$801,393 did not have sufficient documentation to support the charges. We contacted these agencies to review the support for the charges and verified that the contract provisions allowed for the charges submitted. One agency overbilled the County by \$10,556 in three of the four months reviewed and underbilled the County in the fourth month by \$994, resulting in a net overbilling of \$9,562. When claims are not properly supported with adequate backup documentation such as payroll reports, mileage logs or invoices supporting expenditures claimed, there is a risk that payments may not be made in accordance with the contract terms.

## Recommendations

County and Department officials should:

1. Require that agencies submit all reports required by their contract and retain documentation of the contract requirements.
2. Implement formal procedures to monitor whether agencies are meeting contractual performance measures.
3. Ensure all personnel monitoring the contracts have copies of the contracts they are monitoring.
4. Actively monitor contract expiration dates so there is sufficient time to renegotiate the contracts in advance of the contracts' expiration.
5. Ensure adequate backup documentation is attached to the vouchers to support the payments being made prior to approving vouchers for payment.
6. Recover the net overpayment of \$9,562.

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<sup>8</sup> The Deputy Comptroller for Administrative Services told us they review each voucher to ensure a contract exists for the services and is mathematically accurate and to ensure the dollar amount on the voucher does not exceed the amount on the monthly claim report.

<sup>9</sup> See Appendix B for our methodology.

## **APPENDIX A**

### **RESPONSE FROM COUNTY OFFICIALS**

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



ONEIDA COUNTY  
OFFICE OF THE COUNTY EXECUTIVE

ANTHONY J. PICENTE, JR.  
County Executive  
ce@ocgov.net

February 5, 2016

Office of New York State Comptroller  
RM. 409  
333 E. Washington St.  
Syracuse, NY 13202  
Attn: [REDACTED]

Response to Recommendation to Draft Audit:

Recommendations:

1. Require that agencies submit all reports required by their contract and retain documentation of the contract requirements.

Statistical information and reports have always been available. Contractors submit information directly to Services and into [REDACTED] which is the [REDACTED]. This information is then accessed and monitored by Department staff. We have changed our procedures and have developed a tracking system effective January 11, 2016 based on the Comptroller's recommendations where information will continue to be maintained in the [REDACTED] system however in addition the required statistical information will be held in the Contract Administration Office.

2. Implement formal procedures to monitor whether agencies are meeting contractual performance measures.

Quarterly meetings have always been held with the Services Director and the Contractors to review contract performance and goals. This information was then shared with supervisory staff through meetings however meeting notes were done and maintained informally by the Service Director. Based on the recommendations of the New York State Comptroller's Office formal procedures have been established effective January 11, 2016 which consist of outcome measures reported by the contractor at quarterly meetings along with the general discussion during these meetings with the Services Director will be typed and a copy forwarded to Contract Administration Office to be maintained in the Contractor file.

3. Ensure all personnel monitoring the contracts have copies of the contracts they are monitoring.

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Contracts have always been provided to the Division directors and available to Management staff. Per New York State Comptroller's Office recommendations, Division Directors have been notified by the Contract Administration office to ensure all management staff supervisors of contracted programs must have a copy of the contracts that they supervise effective January 11, 2016 .

4. Actively monitor contract expiration dates so there is sufficient time to renegotiate the contracts in advance of the contracts' expiration.

Presently renegotiation/renewal generally begins 4 months prior to the expiration of contracts. The Contract Administration office will look to begin the process 6 months prior to expiration in an effort to have contracts executed in a timely fashion. There are unavoidable instances and delays that can occur with the development of contract, legal review, contractor review and moving through the approval process. This will be done effective January 1, 2016.

5. Ensure adequate backup documentation is attached to the vouchers to support the payments being made prior to approving vouchers for payment.

The Contractor historically has provided back-up to vouchers utilizing a claim report with vouchers. The Department/Contract Administration office began requesting additional documentation at the recommendation of the New York State Auditor effective May 1, 2015. The contractor now must provide supporting documentation to support any expenses listed on the claim report monthly and/or voucher.

6. Recover the net overpayment of \$ 9,562.

The contractor was unable to provide adequate back-up for vouchers and claim report submitted to the department for four months that resulted in an overpayment of \$ 9,562. The Department/Contract Administration office recouped the \$9,562 from the August 2015 voucher; however the department is also performing a full audit of all remaining months for 2014 and 2015 to ensure there are not any further discrepancies. Should the contractor be unable to provide supporting documentation for the remaining months that are audited the Department will recover any unallowable expenses from the agency.

Sincerely,

Anthony J. McEnte Jr.  
Oneida County Executive

## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess whether the Department adequately monitored contracts with community-based agencies to ensure that services were provided and payments made were in accordance with contractual agreements. To accomplish the objective of this audit and obtain valid audit evidence, we performed the following procedures:

- We interviewed key officials to learn the process for contracting with community-based agencies and to gain an understanding of the components of a typical Department contract. In addition, we learned how agencies submit vouchers for services and how those vouchers were reviewed and paid. Further, we obtained an understanding of how the contractual agreements were monitored.
- We obtained the list of Department contracts. With the assistance of the Contract Unit Director, we focused on the contracts with services that were preventative in nature. We selected contracts that exceeded \$50,000 for review. We also eliminated interdepartment contracts, which resulted in a sample of 10 contracts for review.
- We reviewed the 10 contracts to determine the terms of the agreements. We obtained the dates that the Board approved contracts from the County Contract Administrator and verified that payments to contractors did not exceed contract amounts.
- We obtained and reviewed the performance reports submitted to the County by the service providers (when available) to evaluate whether contractual requirements were being met.
- For each contract, we selected two cases and discussed the cases with the case managers. We also reviewed documentation to support that contract monitoring was occurring. We used a random number generator to select two cases from the list of active cases in January 2014 for further review. We selected January because it was the first month in our audit period and, based on specific contract timing aspects, we would have a sufficient amount of documentation to review to ensure that contractual agreements were met.
- We judgmentally selected vouchers for payments disbursed in four months of our audit period. We selected January 2014 because it was the beginning of most of the contract periods reviewed and we wanted to assess whether contracts were approved timely. We selected July 2014 not expecting a greater chance of a specific result. We selected November 2014 and December 2014 because they were the last two months in our audit period and there would be an increased risk of overexpending Board-approved amounts in these months. We reviewed 41 vouchers paid under the 10 contracts in these months to determine if payments were made in accordance with the contracts and the Department's policies.
- For vouchers without adequate backup documentation, we contacted the agencies and reviewed backup documentation to ensure the vouchers submitted were in accordance with contract terms for the four months reviewed.

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.



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