

DANE COUNTY POS CONTRACT PROCESS ASSESSMENT

DEPARTMENT RESPONSE

#	Type	Issue	Finding	Recommendation	Department Response
1	People	<p>Program Managers require competencies in finance and contract management in order to make effective business decisions about the effectiveness of the operations of the POS.</p>	<p>Currently, Program Managers do not consistently have the requisite tools to effectively carry out fiscal responsibilities and make business decisions for the programs they manage. This is an area that the county has self-identified for improvement. Program Managers also serve as Contract Managers for third party providers within their program area and are well versed in the competencies of providing and delivering services to defined populations. Often the Program Managers have a substantial background in service provision; this is one of the reasons they are seen as a viable resource for managing these programs. However, this is not currently supplemented with formal training, or expectations on how to manage the contracts under their responsibility.</p> <p>Core responsibilities of Program Managers are: ensuring programs are run effectively, negotiating contracts, setting acceptable units of service for agencies, establishing and monitoring performance metrics, and setting contractor rates. In order for staff to be effective in this role, they need training in financial management, purchasing and contract management as well as service delivery.</p>	<p>Implement a formal training program for Program Managers that is focused on financial management tools to help POS agencies become more sustainable. This program consists of two separate training models: One for the core contract management competencies and one for the County's standard purchasing process.</p>	<p>1. Training began in May of 2013. Four trainings were held in 2013 and one was held in 2014. Those trainings included Internal Contract Management 101 and RFP tracking.</p> <p>FMS staff have identified sufficient topics to conduct quarterly trainings in 2014 and 2015.</p> <p>The Department agrees that consistency and training on County's standard purchasing process is needed.</p>
2	People	<p>Clear roles and responsibilities have not been communicated and/or well-defined for DCDHS staff involved in the contracting process.</p>	<p>2a. DCDHS prides itself on having staff that have significant and strong competencies in the delivery of human service programs. Staff believes that this allows them to better understand the work being completed by the POS agency and their intended outcomes. We agree that this is a clear strength of the program. However, one item that was noted as part of the review of job duties is that contract management has not been communicated as a prime component of the Program Manager's job function. Program Managers do not devote a significant</p>	<p>2a-1 Formalize contract management as a core component of job duties for Program Managers.</p> <p>2a-2 Establish the Budgets, Contracts</p>	<p>2a-1 The Departments agrees that emphasizing contract management as a core component of Program Manager's workload may be needed. This was done in 2013 and 2014 trainings. The Department will continue this effort.</p>

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			<p>portion of their duties to contract management activities, i.e., contract monitoring, reviewing reports and POS agency relationship management. Ensuring the effectiveness of the contractual arrangement is paramount for both parties; it serves as the document that governs the relationship between the two.</p> <p>2b. Contract management roles are performed by multiple staff in DCDHS without clear lines of accountability. No one unit is accountable for managing the overall contract administration process and overseeing vendor performance. This leads to a lack of staff accountability in the process and creates a situation where some vendors are unclear about where to seek contract assistance.</p> <p>The Fiscal Services Unit and Budget, Contracts and Operations Unit are responsible for reviewing program budgets, personnel schedules and administrative percentages. However, Program Managers are responsible for reviewing program outcomes and vendor performance. Because contract management functions are handled in separate silos, no one unit has a global view for each vendor's performance.</p>	<p>and Operations Unit as an oversight unit that focuses on internal audit and compliance.</p> <p>2b. Streamline the contract compliance and monitoring process.</p>	<p>2a-2 The Department agrees that we could work on better delineation and documentation to make roles clearer to the public. The expectation has been clearly articulated in the 2013 trainings. However, there is no one size fits all approach. Some managers have staff and contracts to support and provide oversight, other have contracts only. The size and dollar amount managed varies from one contract/program manager to another for a legitimate reason</p> <p>2b. It has been a long standing practice for the Department's program/contract managers to be the contact person and liaison for all issues surrounding POS contracting including contract assistance. Streamlining the contract compliance and monitoring process will require additional staff and could have unintended consequences. Program management would be disaggregated from contract management.</p>

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3	People	More collaboration is needed between DCDHS and POS agencies.	<p>The generally positive relations DCDHS has with its POS agencies can be enhanced through more formal and regular communication with all vendors. During focus group sessions held with some of the agencies, it was noted that Program Managers are generally knowledgeable, accessible, responsive, and willing to collaboratively develop solutions. However, agencies participating in the survey and focus group sessions noted a number of areas for improvement including:</p> <ul style="list-style-type: none"> ➤ Better and timelier communication with provider agencies when there is a change in DCDHS program manager staffing or policies and procedures that impact participants; ➤ Greater coordination and communication between DCDHS units so POS agencies are given consistent information; ➤ Greater involvement in deciding the implications of the current economic situation. Agencies indicated that they would like to be a partner in helping meet financial goals and deciding cost structure; and, ➤ Greater coordination of training between DCDHS and provider agencies to create consistency and enhance DCDHS and POS agency staff interaction. 	<p>3a. Enhance existing positive relationships with POS agencies by formalizing two-way feedback opportunities and joint planning sessions with the department.</p> <p>3b. Review current DCDHS advisory committees to determine which committee would be most fitting to serve as a human services task force consisting of staff from POS Agencies, DCDHS and the County Board Supervisors to handle issues related to the contracting process, make recommendations for improvements to the process and discuss best practices.</p>	<p>3a. The Department agrees, as long as it is understood that final decisions are made by DCHDS which has statutory and fiscal oversight of the entire system and not just individual contracts.</p> <p>3b. The Department has a number of advisory committees. This function can be provided by one of the existing advisory committees.</p>

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4	Process	There are concerns regarding equity and risk in the POS contracting process.	<p>4a. Current policy dictates that once an administrative percentage has been set for an agency, that rate remains fixed, unless a lower administrative percentage is identified by a POS agency. POS agencies are not allowed to reset and increase their administrative overhead percentages when they submit a new proposal in response to a RFP every five years. Rather, POS agencies are required to maintain their administrative overhead percentage at the initial percentages set in previous contracts for the duration of the time they do business with DCDHS. For example, if a POS agency has a year where their administrative percentage is 7% but the previous year was 9%, the new rate is now set at 7% for the remainder of the contract. The converse (a higher percentage in a future year), is not allowed.</p> <p>Currently, DCDHS has a policy that administrative overhead cannot exceed 15%. During our focus groups, many agencies stated that their contracted administrative percentage was set well below the 15% cap. Agencies indicate that they have not been able to increase their administrative percentage for a number of years and which impacts the quality of services they provide because they cannot adequately invest in human resources, training, and information technology for their staff. Without proper infrastructure and training for their staff, POS agencies cannot maintain sustainable organizations.</p> <p>4b. POS agencies are not consistently held accountable to meet the medical assistance (MA) billing targets in their contracts. This is impacting the level of funding that can be allocated for various DCDHS programs. DCDHS does not have adequate funding to support its anticipated annual program costs based on the annual budget allocation. In order to supplement</p>	<p>4a. Establish clear procedures for how POS agencies can request modifications to their administrative percentages during their contract term.</p> <p>4b. Create a tiered system to maximize MA revenues</p>	<p>4a.The Department agrees. Clearer procedures can be established. Currently, POS agencies are allowed to reset and increase their administrative overhead percentages when they submit a new proposal in response to a RFP.</p> <p>Department is willing to make POS agencies aware that they are free to request an admin percentage increase at the time they submit their budget each year but they must provide justification above-and-beyond a simple “my costs have risen.” DCDHS however, is committed to not eroding services to consumers at the expense of higher admin costs.</p> <p>4b. The report appears to suggest a phased-in revenue sharing model. However, DCDHS manages the</p>

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			<p>program funding, eligible agencies whose contracts are able to generate revenues are given MA billing targets in their contracts. POS agencies noted that since they do not receive the benefit of providing additional MA billings, they are not incentivized to comply with this requirement.</p> <p>4c. Paying POS agencies in advance of services being provided is a risk to both DCDHS and POS agencies. Currently, 122 out of 268 agencies receive one-twelfth payments. POS agencies are given their first payment in December prior to initiating services. This practice was initiated years ago when many of the providers were start-up nonprofits and needed the upfront funding for initial capital investments in equipment, lease down payments, etc. However, in a survey of POS agencies, 91.3% stated that they have been a provider for greater than 5 years which signals that most agencies are running established organizations. The chart below depicts the number of years that survey respondents stated they have been doing business with DCDHS.</p> <p>Currently, the risk to DCDHS is that at times POS agencies have been paid in advance only to go out of business, leaving DCDHS without a means to recoup dollars paid for services that were not provided. Conversely, the POS agencies indicated during focus group sessions that the one-twelfth payment allows them to keep their doors open and run their agencies because the fees they are paid do not cover the total cost of services they provide. Without this monthly payment, many stated that they would not be able to remain in business; or, may consider not providing services on behalf of the County once their monthly caseload expectations have been met. Additionally, the</p>	<p>4c. Begin to transition POS agencies into contracts based on unit rates, and determine if there are some providers for which a one twelfth payment still makes sense due to the need for 24/7 service regardless of the units of service and/or the service requires high level of startup or resource investment prior to service.</p>	<p>system as a whole. Revenue earned in one contract helps reduce the GPR/levy need in others (which may not be able to earn revenue) thus enabling the Department to maximize its limited GPR/levy while meeting the needs of as many consumers as possible across the system.</p> <p>4c. The Department agrees.</p>

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			<p>agencies indicated that if DCDHS were to move to a reimbursement basis that they would stop servicing participants once they met their revenue targets because there is no incentive to do MA billing if they cannot benefit from performing the activity.</p>		
5	Process	<p>While the POS contracting process has been standardized, it is not consistently applied across DCDHS. This leads to the duplication of work and lack of clarity in the contracting process and risk to the county.</p>	<p>5a. DCDHS has worked to define a standard contracting process and has developed manuals to outline. When looking at how these are applied, our interviews indicate that they vary. The RFP evaluation criterion and procedures the evaluation committee uses to select agencies is not always consistent and can impact the credibility of the process. While DCDHS does have an Application Review Process Guideline that outlines how proposals should be evaluated, Program Managers do not evaluate vendor's technical and pricing proposals in the same manner. Some Program Managers score the technical and pricing proposals together, while other Program Managers score them separately.</p> <p>Additionally, some Program Managers score the pricing according to the guidelines established by the Dane County Purchasing Department and others do not. Standardizing the process will help provide clarity around the process and remove the perceived lack of fairness POS agencies have.</p> <p>Lastly, there is some concern that the purchasing process does not reflect the standards and rigor of the County Purchasing Department. Other governments have grappled with this decision as it involves the expertise of purchasing and the specialized knowledge of service delivery. In the end, we would advocate for a process that is housed within DCDHS with input</p>	<p>5a. Ensure execution of a standardized RFP evaluation and selection process</p>	<p>5a. The County's Purchasing Division has had input into the Department's process and has approved many of the documents or policies currently in place.</p> <p>The conflict of interest statement that was recently developed by the County's Purchasing Division identifies the Purchasing Manager as the person to respond to any questions concerning conflict of interest.</p> <p>Training on standardization was held in the first quarter of 2014 as part of the Department's continual program manager training.</p> <p>Staffing capacity could be added to employ a Purchasing Manager housed in the Department or the RFP process could be transitioned back to the Purchasing Division.</p>

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			<p>leading the evaluation committee meetings, determining contract award amounts/budgets, and drafting the program summary portion of the contract. Accountants draft the budget schedule and the Accounting Assistant and Clerk Typist IV staff within the Budgets, Contracts and Operations Unit route the contracts for signature and County Board approval.</p> <p>The concern with this model is that the contracting process is not led by a single process owner, there is duplication of work between Accountants and Program Managers, and staff only understands their specific role in the process. They do not have a global understanding of the procurement process and cannot make decisions about areas that are outside of their purview. See Appendix G – Current State RFP Solicitation and Award Process Flowchart.</p> <p>5d. Performance indicators are not clearly written and defined within all contracts. While DCDHS has partnered with the County Attorney within the last year to standardize and improve the terms and conditions within contracts as well as seek the advice from the Planning and Evaluation Unit to ensure meaningful performance measures are included in contracts, inconsistencies still exist that hinder establishing similar contract expectations for POS agencies that provide similar services. This makes measuring program effectiveness hard to evaluate. Without quantifiable performance indicators that agencies can report on, it is difficult to assess the overall program success and vendor performance. A review of a sampling of DCDHS contracts found the following examples of</p>	<p>and Operations Unit, while solicitation development and contract award are the responsibilities of the Program Managers.</p> <p>5d-1RFP solicitation and contract documents should clearly define performance indicators separately from the scope of services.</p> <p>5d-2 Performance Based Contracting (PBC) should be adopted by DCDHS for those services deemed appropriate.</p>	<p>solicitation works effectively. The RFP solicitation is led by Planning and Evaluation. Training for Program Managers has been conducted as recently as first quarter 2014. Segregation of duties within the Department is not only a resource allocation issue, but it allows for solicitation functions to be separate from compliance functions.</p> <p>5d-1 The Department agrees.</p> <p>5d-2 The Department is willing to pursue PBC. It should be noted that a serious discussion of IT infrastructure staffing for both the Department and</p>

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			<p>performance indicators:</p> <ul style="list-style-type: none"> ➤ Children will show increased ability to express and identify their feelings and reduce self-blame ➤ Provider will participate as a member of this multi-agency project, in all TAP interdisciplinary meetings ➤ Provider’s policies and procedures will ensure coordination with and responsiveness to the criminal justice system ➤ Number of participants served in each program area ➤ Number of new participants ➤ Maximized number of service units ➤ Minimized jail recidivism 		<p>the POS agencies to track performance outcomes is warranted. Policy makers should be advised of political changes that may be needed if we base our contracting on performance data.</p>
6	Process	The contract term does not match the RFP solicitation term that services are requested for.	<p>Issuing contracts for a period of one year is not effective and results in non-value added activities being performed by DCDHS staff. Proposals in program areas are solicited every five years; however, contracts with POS agencies are awarded on an annual basis. Each year DCDHS is required to issue and execute a new contract with a contractor that has already gone through the RFP selection and award process. The rationale behind this practice is that DCDHS can only guarantee funding for programs for one year. In order to not obligate funds for future years, DCDHS chooses to issue contracts on an annual basis. This process is costly for staff time and resources because additional effort is needed to draft annual contracts and ensure they are properly executed by the County and the contractor. The practice of issuing annual contracts takes the focus away from other more important tasks, including contract monitoring and program evaluations.</p>	Award contracts for the full RFP term.	6. This may require County Board action. County budgets are adopted annually.

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			Based on feedback from POS agencies, only 12% of respondents felt that the base contract term should be for one year.		
7	Process	The timeline compression of the contract award process can create difficulties and misunderstandings in the management of contracts.	<p>POS agencies have limited time to review, negotiate and execute their contracts. Based on the “2014 Contract Process Schedule”, the target date to mail contracts to POS agencies was between November 1-5, 2013 and it was anticipated that the POS agencies would return the executed contracts by November 19, 2013 so that they could be approved by the Dane County Board of Supervisors by December 19, 2013. This timeline provided agencies with less than three weeks of review time. Many POS agencies indicated that the short timeframe they are given to review their contract does not provide adequate time for contract negotiation and that at times they agree to unrealistic contract requirements in order to meet the submission deadline. In addition, some agencies felt pressured to sign their contracts and did not feel that they had the option to negotiate key terms and conditions. Once the contracts are awarded, misunderstandings occur between the Program Managers and POS agencies because the agencies are being held accountable for requirements that they cannot meet, but agreed to. Additionally,</p> <p>DCDHS is under pressure to ensure that internal deadlines are met to place contracts on the board agenda in December for resolution and approval by the Board of Supervisors prior to January 1st.</p>	<p>7a. Extend the time POS agencies have to review and negotiate contracts</p> <p>7b. Utilize electronic workflow tools.</p>	<p>7a. The Department agrees. Currently, proposed boilerplate contract language is sent for provider review in late August or September for the following year’s contract. DCDHS will explore the possibility of formalizing timelines to tentatively negotiate specific program terms and conditions of contracts pending the adoption of the County budget.</p> <p>7b. The Department agrees. IT implications need to be considered.</p>

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8	Process	The same strategy is used to procure services, regardless of the type of service needed.	<p>8a. The RFP process is the same for all services regardless if there is sufficient competition in a particular area. For example, if there is an area that is not getting sufficient agency responses, DCDHS will continue to contract for that service in the same manner as it will for a service that has ample competition. The result of this practice is that if only one or two agencies respond to the solicitation then the same vendors are awarded a contract from previous years or the department spends time issuing a RFP for services that agencies are not interested in providing and do not respond to.</p> <p>8b. Over the last two years, 50% or more of the RFPs in the Adult Community Services and Children, Youth and Families Divisions that were released to the public only had one proposal submission. The current RFP process does not encourage competition and the submission of innovative programming ideas by vendors. Currently, all POS contracts are procured in the same manner which leads to instances where there is little or no competition in some service areas. The graph below provides details on the percent of RFPs where only one proposal was received. It should be noted that the Employment and Work Services Division has not issued any RFPs between FY2011 and FY2014.</p>	<p>8a. Prior to initiating the RFP process, perform a risk assessment to determine the most effective method to procure services.</p> <p>8b. Conduct vendor outreach to garner interest in RFP solicitations.</p>	<p>8a. This recommendation does not appear to be consistent with County purchasing procedures. The Department is willing to consult with the Purchasing Division on this issue.</p> <p>8b. The Department agrees.</p>
9	Process	9a. Currently, there does not appear to be a formalized process identified for determining fiscal priorities for program funding levels.	9a. Contract allocations for programs are not formally aligned with the department's strategy or highest community needs. Currently, DCDHS attempts to fund all of its programs every year, although there may not be adequate funding to cover the program costs. POS agencies feel that there is not transparency in the process for how program budgets are established. For example, there may be years when services need to be cut for	9a. Review the current DCDHS advisory committees and determine which committee would be best suited to serve as an advisory board of consumers and POS agencies to provide input on determining fiscal priorities and create a management plan that	9a. The Department's budget request typically reflects its priorities given the fiscal framework of the County. Consumers and POS agencies have numerous opportunities to give budgetary input throughout the year and at budget time through the

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			<p>budgetary reasons. An advisory board can assist the County Board and DCDHS with setting priorities and determining which services can be eliminated.</p> <p>9b. Funding levels for contracts have remained the same over the years. There has not been significant change in how contracts are funded. Therefore, agencies have not had a Cost of Living Adjustment (COLA) increase because DCDHS is trying to fund all of the requested services. This is not a sustainable model and several of the agencies have indicated that their operations are stretched beyond capacity.</p>	<p>outlines a plan of reduction when there is not sufficient funding for programs. Additionally, during this process a plan for reduction can be set to address funding gaps.</p> <p>9b. Contracts should be fully funded to cover core services and existing service levels.</p>	<p>Department's oversight and advisory committees.</p> <p>9b. Concerns regarding no COLA and setting program and funding priorities are County policy issues to be determined by policy makers.</p>
10	Technology	Existing systems are not efficiently utilized.	<p>10a. The reporting and payment process for vendors is primarily paper driven. The County does not currently have an automated and comprehensive contract management system which results in less than effective and efficient contract monitoring. Many of the providers indicated that they would prefer some sort of an electronic process.</p> <p>Based on information provided by DCDHS staff during our fieldwork, it is estimated that only 50 to 60 agencies are submitting electronic invoices that are entered directly into the system for the Children Come First Program. For the majority of the agencies that submit hardcopy invoices and reports, that information has to be rekeyed by DCDHS staff. This takes staff time away from more meaningful tasks related to contract monitoring and the process is subject to clerical error</p> <p>10b. The DCDHS is not using the full functionality of its current MUNIS financial system. Currently, purchase orders are not issued and contractor expenditures and revenues are tracked</p>	<p>10a. Allow POS agencies to submit electronic documents (i.e., reports and invoices).</p> <p>10b. Utilize the Purchasing and Contract Management modules within MUNIS.</p>	<p>10 a. The Department will explore and evaluate whether the existing systems will accommodate all of its needs, whether resources are available to support users and where efficiencies can be realized.</p> <p>10 b. It is the Department's understanding that some of the MUNIS capabilities described are not currently being utilized by any County</p>

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			<p>on individual Microsoft Excel spreadsheets. Tracking vendor payments on spreadsheets makes it difficult to analyze large amounts of data for multiple agencies at one time to understand historical trends and past practices. Currently, the following information is tracked in various shadow systems:</p> <ul style="list-style-type: none"> ➤ The status of payments being made; ➤ Administrative percentages and compliance requirements; ➤ Unit rates by program; ➤ Status of contract addendums; ➤ General notes from Program Accountants; and, ➤ Status of budgets and program schedules. <p>Much of the information that is tracked in the shadow systems are manually entered by staff, creating significant room for clerical error.</p>		<p>departments. Because of the complexities and multiple users in the DCDHS contracting process, we wouldn't recommend DCDHS be the pilot department. Department staff will consult with DOA staff to determine whether existing MUNIS applications can or be customized to efficiently meet DCDHS' needs.</p>