

AUDIT OF
CONTRACTED HUMAN SERVICES
July 2018



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EXECUTIVE SUMMARY

As part of the Annual Audit Plan, the Clerk of Circuit Court and County Comptroller's *Internal Audit Department and Office of the Inspector General* conducted an independent audit of Contracted Human Services. The purpose of the audit was to assess whether contract eligibility for agencies participating in the program was maintained and properly monitored and to ensure that payment requests comply with the stipulations within the contract.

The audit found that the process by which requests for payment are approved by Health and Human Services does not consistently ensure that the requests are properly calculated and that supporting documentation is sufficient and properly supports the request. Additionally, it was observed that improvements could be made when determining an agency's payment rate as it relates to the total award amount.

Weaknesses in the payment approval process could result in overpayments, payments for services not in compliance with the contract, or payments for programs that are not meeting the needs of Sarasota County residents. Contracts written with inconsistent award amounts, rates, and supporting exhibits have the potential to lead to confusion of staff in the calculation of payments or result in the deliberate misrepresentation of services provided by the agencies.



BACKGROUND AND OBJECTIVES

The Clerk of the Circuit Court and County Comptroller's *Internal Audit Department and Office of the Inspector General* has completed an audit of Contracted Human Services. The audit was planned and conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*. 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 objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The purpose of the audit was to review compliance with the eligibility requirements within the Contracted Human Services contract as well as the reimbursement payment requirements.

Background

Sarasota County Health and Human Services' mission is to facilitate partnerships, set priorities, leverage community resources, establish coordinating structures and secure funding sources to create integrated human services delivery systems that meet the needs of the citizens. One of these programs, Contracted Human Services, provides funding to nonprofit entities providing services that are critical and strategically effective to the well-being of the community.

Each year Health and Human Services accepts applications from various nonprofit agencies. These agencies undergo a review process to determine the merits of each organization. The Contracted Human Services advisory council recommends allocations of the funding to subsidize services that are: identified as being most essential or valuable to the well-being of the community and prioritized as being most critical or strategically effective to the welfare of the community.

Each agency submits an application for review with Contracted Human Services and must meet certain minimum standards of eligibility such as:

- Be recognized by the Internal Revenue Service as a 501(c)3;
- Have a substantial local presence and programming in Sarasota County;
- Be able to demonstrate and document community programming and activities for the prior calendar year;
- Have independently audited financial statements;

- Maintain an administrative and fundraising rate of less than 30% of total revenue; and,
- Demonstrate that the organization has generated at least \$50,000 in support and revenue from all sources during the most recently completed fiscal year.

If an agency is accepted as part of the Contracted Human Services program, they sign a contract with the county that outlines the rate of funding, the total amount that will be funded, and which programs will be eligible for the funding. In order to receive reimbursement funding, each agency is required to submit invoices to the county containing the amount requested and the relevant supporting documentation. The payment requests must be submitted on either a monthly or quarterly basis (agency preference).

In addition to the above, as an ongoing review process, each agency must also submit quarterly performance reports. The reports must document and outline the effectiveness of the program being funded.

For fiscal year 2017, a total of \$9,205,006 was budgeted to be reimbursed for Contracted Human Services provided by 59 nonprofit agencies.

Objectives, Scope and Methodology

The objective of this audit was to determine if the Health and Human Services Department's internal controls related to Contracted Human Services are operating effectively to ensure compliance with the contracts executed for fiscal year 2017.

To meet the objective of the audit, the procedures performed included, but were not limited to, the following:

- Obtained a general understanding of the process by which agencies apply for funding.
- Selected a random sample of 26 of the 59 (\$6,745,090 of \$9,205,006) agencies for testing. For agencies funded monthly, three most recent months were tested. For those funded quarterly, the most recent quarter was reviewed.
- Reviewed the contract eligibility requirements for the selected sample to ensure that all agencies are in compliance with the following provisions:
 - The entity must be registered as a nonprofit with the State of Florida;
 - Financial statements and revenues are submitted each reporting period;
 - Program performance reports are submitted quarterly;
 - Appropriate insurance is maintained;
 - Prior and current year external audits were performed and are on file;
 - The County is receiving documentation of new funding sources by the agencies.
- Reviewed payment requests for the selected sample to ensure that the requests were in compliance with the contract and properly supported.



OPPORTUNITIES FOR IMPROVEMENT AND MANAGEMENT RESPONSES

The audit disclosed certain policies, procedures, and/or practices that could be improved. The audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. As a result of the audit, observations and recommendations identified below are related to *Standards*:

- (Standard 2130.A1) Adequacy and effectiveness of controls, particularly compliance with policies and procedures and the reliability and integrity of financial and operational information.

The **Opportunities for Improvement** presented in this report may not be all-inclusive of areas where improvement may be needed. There were three *Opportunities for Improvement* identified as a result of the audit:

1. **Accuracy of the payment request calculation.**
2. **Sufficiency of the documentation submitted in support of the payment request's monetary reimbursement.**
3. **Sufficiency of the documentation to support that payment requests were for services provided exclusively to Sarasota County residents.**
4. **Contract Award Amounts**

1. Accuracy of the payment request calculation.

Observation

Agencies participating in the Contracted Human Services program are required to submit monthly or quarterly payment requests to the Health and Human Services Department. The rate of reimbursement and the services eligible for reimbursement are established in the executed contract between the agency and the County.

Of the 26 agencies tested, two agencies each signed a contract that provided payment based on a rate times the number of beds multiplied by the number of days in the month. Based off audit procedures performed, it was observed that one of the agencies was requesting payment based on 31 days for each month as opposed to the actual days. For instance, the month of February would have been calculated as having 31 days as opposed to only 28 and thus the payment for that month was erroneously calculated as being larger than the correct calculation. This was identified prior to the audit and the agency's July reimbursement was adjusted accordingly.

The other agency was dividing the total contract award amount by 12 (months in the year) and requesting that amount as reimbursement.

This resulted in the two agencies receiving excess payments for certain months (most notably would be February which only has 28 days).

Recommendations

To ensure compliance with contractual agreements, requested reimbursements should be reviewed for accuracy prior to approval by Health and Human Services staff in accordance with the contractual agreement.

Management Response

Sarasota County Human Services manages over \$9.7 million through service contracts with 37 agencies and 91 programs serving residents in need of critical services across eight human services systems. All requested reimbursements for these programmatic services are reviewed by a contract manager and supervisor for accuracy before submission to Clerk-Finance for payment, and this process will continue. Beginning with fiscal year 2018, payment request documentation was modified to allow for an additional review point. The specific contractual unit of service to be paid per program is now detailed on the payment request form to bring the contractual unit of service to the attention of the provider and contracted human service staff.

In response to the specific agencies noted above in the observation:

For the agency that requested payment for 31 days as opposed to actual days of the month, contracted human services staff discovered the issue prior to the audit during the annual monitoring of the agency's contract, and was corrected by the end of the contract year.

For the agency that had divided the total contract by 12 (payment for one month of service versus payment per days of the month), the reimbursements in fiscal year 2017 did not exceed the total contractual award amount. The correction to the billing and reimbursement methodology was made with the fiscal year 2018 contract, and the agency has been billing by the rate times the days of each month for services since October 1, 2017.

Contracted human services staff will continue to maintain the contractual rate on the payment request form. A contract staff member and a supervisor will review all requests for reimbursement for accuracy prior to submission.

2. Sufficient documentation submitted in support of the payment request's monetary reimbursement.

Observation

The contractual agreement requires that agencies submit supporting documentation along with their monthly/quarterly request for payment. In order to determine that the agencies are compliant with this provision, a total of 26 agencies were selected for testing. For the 18 agencies making monthly payment requests, the most recent three months were tested. For the 8 on a quarterly schedule, the most recent quarter was tested.

Of the 26 sampled agencies, it was determined that thirteen did not submit sufficient documentation for each month/quarter tested. The documentation submitted were summary reports with no additional detail. Summary reports should be accompanied by detail documentation (such as staff hours, visit information, or daily sign in sheets) that can be tied directly to the summaries.

It was observed that Health and Human Services performs annual performance reviews of awarded agencies. These reviews involve inspecting files and evaluating detailed documentation in support of previously submitted payment requests. Because the review is only conducted annually, it is possible that an agency could inappropriately receive funding and this would not be detected until the annual review.

Recommendation

To ensure compliance with the contractual provisions, Health and Human Services should require that all agencies submit sufficiently detailed supporting documentation with payment requests. Summary reports should be accompanied by the supporting detail and the detail should properly tie to the summary.

Management Response

Sarasota County Human Services manages over \$9.7 million through service contracts with 37 agencies and 91 programs serving residents in need of critical services across eight human services systems. Our staff has a high level of confidence that services are being delivered as required by our contracted vendors due to numerous activities our staff oversees within the human services systems. Beyond, the formal collection of documents, annual monitoring, and onsite visits to verify reports to backup documentation, we deploy Human Service Policy Coordination staff to monitor service delivery through facilitating regular stakeholders meetings, convening vendors and stakeholders to improve service delivery, tracking service utilization, and coordination of effective service delivery with the programs' other funders. Several of our vendors' records contain protected personal information, therefore when any questions have arisen regarding specific service delivery staff has been successful by

visiting the agency onsite within one business day to clarify any questions related to the provision of service delivery without placing the County at liability for the possession and retention of such records.

Supporting documentation that is routinely verified for sufficient evidence of services provided and is maintained in the contracted human services office includes, at a minimum, such information as HIPAA-compliant client identification for service accessed, date of service, county of residence, number of classes taught, days of attendance, number of meals served, number of counseling sessions provided, staff hours provided in contact with clients, number of shelter/mental health and substance abuse treatment beds utilized, and lists of assistive equipment for those with disabilities.

To further strengthen documentation, for those agencies that have been submitting system-generated reports that have been exported to a spreadsheet, a system-generated report will be collected and maintained when possible, with client names redacted. For those agencies that lack a specific client/service delivery tracking software system, contracted human services staff will increase onsite visits and verify detail on location from the reports that have been submitted. Site visits for these programs will increase from annually to four times per year. For programs for which the unit rate is a staff hour, payroll records for the associated program staff will be collected and maintained.

3. Sufficient documentation to support that payment requests were for services provided exclusively to Sarasota County residents.

Observation

The contractual agreements stipulate that the services funded by the county must be provided exclusively to Sarasota County residents even if the program or organization provides services within a multi-county area.

In order to ascertain that Health and Human Services is properly monitoring this contractual requirement, a random sample of 26 of 59 awarded agencies was selected for review. Based on the procedures performed, it was detected that 18 agencies did not submit sufficient documentation with payment requests to show that the services were provided exclusively to Sarasota County residents.

Additionally, the audit detected that one agency was reimbursed a total of \$509.00 between January and March for services provided to Manatee County residents.

Recommendation

- The ensure compliance with contractual provisions, supporting documentation submitted with payment requests should include sufficient information about the recipient's county of residence.
- The overpayment of \$509.00 should be reviewed and appropriate action taken.

Management Response

On average, for the programs that Sarasota County funds, that amount of funding represents 14% of program budgets. Because agencies also have programs that may not be funded by Sarasota County, the funding represents only 5% of overall agency revenue. In an effort to ensure geographic and equitable program coverage, beginning in fiscal year 2018, aggregate demographic data began to be collected that includes such information as gender, family income, race, age, and zip code of residence. Through this reporting, 93.2% of clients served through these programs in the first quarter of fiscal year 2018 were Sarasota County residents. The annual application for human services funding includes a section which must be completed that details geographic areas served, in-County and out-of-County. The fiscal year 2018 applications indicated that 94.6% of clients served are Sarasota County residents annually. For some funded agencies, there are federal or state designations for the providers to serve Sarasota County residents specifically. 100% of the clients served in these programs must be Sarasota County residents.

Contracted human services staff verifies proof of residency of clients served at each monitoring visit in a sampling of client files. Documentation that staff reviews, can include copies of Florida driver licenses with Sarasota County address, State of Florida ID, lease/rental agreement, utilities bills, and referral from Sarasota County jail following a length of incarceration.

Due to the sensitive nature of many of the program services delivered, and HIPAA requirements for many programs, client zip code will only be collected and maintained in Sarasota County files in aggregate format.

In the future, contracted human services staff will continue to calculate the percentage of funding that Sarasota County contributes and review agency case files on site to ensure that the number of clients sampled align with the aggregate data submitted, and that the Sarasota County residency percentage is equal to or greater than the percentage of Sarasota County funding for the program.

Regarding the payment of \$509.00 for a Manatee County resident, which occurred in the second quarter of fiscal year 2017. This amount represented 0.26 units, and there was a clerical staff error in reviewing and submitting this payment. In quarter four of fiscal year 2017, three units were provided for Sarasota County residents, totaling \$6,000.00 which were not billed to Sarasota County. Due to the service provision for Sarasota County residents exceeding the funding expended, it will not be necessary to request repayment from the agency.

4. Contract Award Amounts

Observation

Of the 26 agencies tested, one agency signed a contract that provided payment with a rate of \$31.06 per unit of service, defined as one available bed per day. Exhibit A of the contract stipulates that the agency will maintain a total of 30 beds for active participants in the program for which the funding is provided. Monthly payment requests under the contract are calculated using the following formula:

$$\$31.06 \text{ (Rate)} \times 30 \text{ (Beds)} \times \text{Days in the month} = \text{Total to be funded}$$

Based on the stipulations of the contract and the formula above, the maximum amount that could be paid out would have been \$340,107.00; however, the total award amount stated in the contract is \$350,000. The agency was paid a total of \$349,999.89 in fiscal year 2017.

During the audit, the agency stated that they only maintain a total of 30 beds for the program.

Recommendations

Contracted Human Services should develop a procedure in order to ensure that the total amount awarded to the agencies is achievable based on the terms and reimbursement rates specified within the contract. The department should also consider requesting repayment from the agency for the overpayment.

Management Response

All contracts will be reviewed by three contracted human services staff prior to entering the multi-departmental process (Board of County Commissioners eGenda system) for execution to ensure that the total amount awarded to the agencies is correct and achievable. It appears that in this particular contract, there had been a scrivener's error in typing the rate. The rate of \$31.96 had been typed as \$31.06. The correct total amount was awarded and paid in fiscal year 2017, and no repayment is necessary from the agency. Contractual reimbursement rates for fiscal year 2018 were reviewed for achievability, and all are accurate.

