

AUDIT REPORT



CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF MANAGEMENT AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on the Oversight of the WeCARE Program Contractors by the Human Resources Administration

MG08-083A

June 30, 2008



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341

WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the Comptroller's responsibilities contained in Chapter 5, § 93, of the New York City Charter, my office has audited the Human Resources Administration (HRA) to determine whether HRA adequately monitors WeCARE contractors to ensure that they are complying with key provisions of their contracts.

HRA is responsible for helping individuals and families achieve and sustain their maximum degree of self-sufficiency through a broad range of programs and services, including cash assistance, food stamps, job-search, training, and employment services at 31 Job Centers. The WeCARE program was designed to offer specialized services and individual support to clients with disabilities; it provides services based on each individual's unique circumstances, special needs, and preferences. Audits such as this provide a means of ensuring that City agencies properly monitor contractors to help ensure that they provide the services outlined in their contracts.

The results of our audit, which are presented in this report, have been discussed with HRA officials, and their comments were considered in the preparation of this report. Their complete written response is attached to this report.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please e-mail my audit bureau at audit@comptroller.nyc.gov or telephone my office at 212-669-3747.

Very truly yours,

A handwritten signature in black ink, appearing to read "William C. Thompson, Jr.", written over a horizontal line.

William C. Thompson, Jr.
WCT/ec

Report: MG08-083A
Filed: June 30, 2008

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***The City of New York
Office of the Comptroller
Bureau of Management Audit***

**Audit Report on the Oversight of the
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AUDIT REPORT IN BRIEF

The Human Resources Administration (HRA) is responsible for helping individuals and families achieve and sustain their maximum degree of self-sufficiency. In Fiscal Year 2005, HRA developed an initiative intended to expand services and improve the employability of clients with health and/or mental health barriers to employment. The Wellness, Comprehensive Assessment, Rehabilitation, and Employment (WeCARE) program was designed to offer specialized services and individual support to clients with disabilities.

WeCARE services are provided by two outside contractors: Federation Employment and Guidance Service (FEGS) and Arbor Education and Training (Arbor). HRA budgeted approximately \$201,465,000 for the WeCARE contracts to serve more than 45,000 clients annually over the initial three-year contract term. The budget specifies that two-thirds of the contract amount is for milestone completion and one-third for expense. HRA paid the WeCARE contractors a total of \$65.8 million for services provided to clients during Fiscal Year 2007.

We conducted this audit to determine whether HRA adequately monitors WeCARE program contractors to ensure that they are complying with key provisions of their contracts.

Audit Findings and Conclusions

HRA's monitoring of its WeCARE contractors has a number of weaknesses. Customized Assistance Services (CAS), the HRA division with the responsibility to oversee and monitor the WeCARE program, does employ useful oversight techniques, such as biweekly visits to contractors' sites to view the program's operations and address outstanding issues, monthly meetings with contractors, requiring contractors to submit monthly reports of milestone completion and deliverables, and the stationing of Senior WeCARE Specialists at contractors' sites to act as liaisons between the contractors and HRA.

However, HRA has not established a formal program monitoring and evaluation process with regard to verification of contractor-submitted data, thereby increasing the risk that HRA will not be aware of contractors' noncompliance with provisions of their contracts. HRA's monitoring of key financial components of the WeCARE contracts likewise had deficiencies; it lacked sufficient payment reviews of several contract milestones and performed inadequate payment review of two major milestones. Additionally, HRA needs to increase its efforts with regard to identifying and recouping duplicate or erroneous payments and verifying monthly contractor expense-reimbursement requests. If HRA were to correct these weaknesses, it would be better able to ensure that contractors are paid for services actually provided to WeCARE clients and that City funds are properly disbursed and protected.

Audit Recommendations

To address these issues we make 14 recommendations, including that HRA should:

- Ensure that standard operating procedures are formulated and updated to accurately reflect specific requirements for various activities performed by CAS in monitoring the WeCARE contracts.
- Create a central repository to record and maintain activities concerning the contracts.
- Establish a formal process for performing verifications of contractor-submitted data on a regular basis to better ensure that data entered in NYCWAY by contractors is accurate.
- Ensure that responsibility for milestone prepayment reviews is clearly defined.
- Perform periodic reviews of supporting documentation for expenses claimed by vendors to better ensure that the expenses are legitimate.

Agency Response

In its response, HRA generally agreed with 12 of the 14 audit recommendations.

INTRODUCTION

Background

HRA is responsible for helping individuals and families achieve and sustain their maximum degree of self-sufficiency. To attain this objective, HRA administers a broad range of programs and services, including cash assistance, food stamps, job-search, training, and employment services at 31 Job Centers.

In Fiscal Year 2005, HRA developed an initiative intended to expand services and improve the employability of clients with health and/or mental health barriers to employment. The WeCARE program was designed to offer specialized services and individual support to clients with disabilities; it provides services based on each individual's unique circumstances, special needs, and preferences. HRA's CAS division has the responsibility of overseeing and monitoring the WeCARE program. CAS has four program areas that work with other departments within HRA, other City agencies, and non-government service providers to create new programs and to update and refine existing services. In addition, HRA's Fiscal Operations conducts quality control of payment requests and issues payments to the WeCARE contractors.

WeCARE services are provided by two outside contractors: FECS and Arbor. CAS is responsible for administering and managing the contracts, including setting payment guidelines, evaluating contractor performance, and ensuring that all payments are properly supported.

Persons seeking cash assistance benefits must apply for them at an HRA Job Center. HRA develops an individual Employment Plan for each applicant. Those applicants who maintain that they are unable to work due to a medical and/or mental health condition are referred to the WeCARE program and assessed for program eligibility. HRA enters information for clients eligible for WeCARE in the HRA computer system, New York City Works, Accountability and You (NYCWAY), prior to referring clients to one of the two WeCARE contractors.

After referral to WeCARE, each client receives an initial Biopsychosocial Assessment (BPS I) conducted by the contractor. The BPS I has several components: a psychosocial assessment; a comprehensive medical evaluation; specialty medical evaluations, when necessary; and laboratory testing. The WeCARE contractor develops a Comprehensive Service Plan (CSP) that provides a range of services based on the five possible outcomes of the program, which are as follows:

- Employable with no Limitations: client should return to Job Center;
- Employable: client is employable and may require minimal accommodations;
- Vocational Rehabilitation: client is employable with limitations;
- Wellness Rehabilitation: client is temporarily unemployable; and
- Federal Disability: client is unemployable.

The CSP details the specific steps that need to be taken for the client to reach the highest possible level of functioning or self-sufficiency. Once a client completes a step in the program, a milestone (payment point) is achieved. The first milestone is completion of the BPS I. Milestones are measurable, defined by specific activities, and are to be completed within specific timeframes. Contractors enter various codes in NYCWAY related to the client's progress through the WeCARE program and update the NYCWAY data after each milestone is achieved. Contractors are paid for achievement of each milestone.

The two WeCARE contracts were registered on December 24, 2004, and ran through December 21, 2007. The FECS contract was renewed for an additional three-year term. The Arbor contract was granted an 18-month extension with an option to renew for an additional 18 months. HRA budgeted approximately \$201,465,000 for the WeCARE contracts to serve more than 45,000 clients annually over the initial three-year contract term. The budget specifies that two-thirds of the contract amount is for milestone completion and one-third for expense. HRA paid the WeCARE contractors a total of \$65.8 million for services provided to clients during Fiscal Year 2007—FECS received \$39.7 million, and Arbor received \$26.1 million.

Objective

The objective of this audit was to determine whether HRA adequately monitors WeCARE contractors to ensure that they are complying with key provisions of their contracts.

Scope and Methodology

The scope of this audit was Fiscal Years 2007 and 2008, through December 31, 2007. To gain an understanding of the internal controls established for monitoring the WeCARE program, we interviewed key CAS, Finance, and Information Technology officials and conducted walk-throughs of WeCARE operations to identify HRA monitoring practices. In addition, we interviewed representatives from FECS and Arbor.

To gain an understanding of the relevant policies and procedures governing the WeCARE program, we reviewed the contracts awarded and familiarized ourselves with their major terms and provisions. We also reviewed and used as audit criteria the following HRA documents:

- WeCARE Vendor Guidelines;
- Protocol for Reviews of WeCARE Program Components Conducted by CAS Staff;
- The Fiscal Operations Contract Handbook;
- HRA contracts with Arbor and FECS for the WeCARE program; and
- The City Charter, Chapter 4, §4-01, "Evaluation and Documentation of Vendor Performance."

We performed a limited data-reliability test of NYCWAY, Payment and Claiming (PaCs)¹ and the WeCARE Viewer.² The contractors enter various codes in NYCWAY related to the client's progress through the WeCARE program and scan supporting documentation using the WeCARE Viewer; payment requests and reports are generated by PaCs. To determine whether the data was accurately entered and appropriately supported, we randomly selected 30 BPS I summary reports for clients obtained from the contractors' computer systems and traced the data through to NYCWAY and the WeCARE Viewer. In addition, we randomly selected payment reports for 30 clients from PaCs and compared the data to the information contained in NYCWAY and the WeCARE Viewer to determine whether key data was consistent and accurately reflected in all systems.

To determine whether CAS adequately monitored WeCARE contractors to ensure that they provide quality services to the WeCARE clients, we reviewed copies of the CAS program component reviews (site-visit forms), quality improvement plans, and correspondence sent to the contractors regarding contract performance. We also determined whether CAS followed up in areas that needed improvement based on the results of the program component reviews.

To determine whether CAS and Fiscal Operations developed proper monitoring procedures for milestone payments and to establish the nature and extent of the review for each of the milestones, we interviewed representatives of the Division of Employment Placement and Verification, Bureau of Accounting, Accounts Payable, and Payment and Claims, various other units within Fiscal Operations.

To determine whether the achievement of client milestones³ was supported by appropriate documentation, we obtained from HRA copies of the City's Financial Management System payment vouchers for September 2007 along with the corresponding supporting PaCs Pay Reports, which listed 6,819 milestone payments. We randomly selected a sample of 60 payments (covering 60 clients) and reviewed the contractor files to ascertain whether the clients had indeed achieved the milestones submitted for payment.

In addition, we judgmentally selected 13 clients from the December 2007 monthly exception report, which listed clients for whom the contractor received BPS I or BPS II milestone payments and whose imaged documents did not appear in the WeCARE Viewer. To determine whether the contractors had supporting documentation for these client milestone payments in their files, we visited the contractor sites and reviewed supporting documentation there.

To determine whether the contractors' monthly contract expense claims were valid and appropriately supported, we obtained the contract expenditure reports submitted to HRA for the

¹ HRA's Payment and Claiming system is used to process payments to WeCARE contractors for the services they provide to clients.

² A Web-based system that allows HRA users to view imaged contractor documents.

³ Milestones are earned after the completion of (1) BPS I, Phase One; (2) BPS II, Phase Two; (3) Wellness Plan; (4) Diagnostic Vocational Evaluation; (5) 30-Day Job Retention; (6) 90-Day Job Retention; (7) 180-Day Job Retention; (8) 12-Week Work Activity; and (9) Federal Disability.

six-month period January through June 2007 and reviewed the supporting documentation submitted with the expense payment reimbursement request.

We reviewed two reports that raised issues for potential follow-up during the current audit. One report, “Failure to Comply: The Disconnect Between Design and Implementation in HRA’s WeCARE Program,” was issued in March 2007 by the advocacy group Community Voices Heard; and the other was an internal report issued at HRA’s request by Arbor’s parent company Rescare in August 2007.

We attended two monthly meetings, one for each contractor, to familiarize ourselves with the interaction and exchange of information between key HRA personnel responsible for contract oversight and upper level contractor representatives.

We determined whether the WeCARE contracts were registered with the Comptroller’s Office in accordance with the City Charter, Chapter 13, §3-328; and whether an annual performance evaluation for the WeCARE contractors was performed in accordance with Procurement Policy Board rules, Chapter 4, § 4-01.

The results of the above tests, while not projectable to their respective populations, provided a reasonable basis to determine whether HRA established sufficient procedures and internal controls to effectively oversee the WeCARE contracts.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of the records and other audit procedures considered necessary. This audit was performed in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

Discussion of Audit Results

The matters covered in this report were discussed with HRA officials during and at the conclusion of this audit. A preliminary draft report was sent to HRA officials on May 2, 2008, and discussed at an exit conference held on May 23, 2008. On June 10, 2008, we submitted a draft report to HRA officials with a request for comments. We received a written response from HRA on June 24, 2008. In its response HRA stated: “We would like to thank the Comptroller’s staff for bringing to our attention areas in which we may improve our operations.”

HRA officials generally agreed with 12 of the 14 audit recommendations and disagreed with two that addressed prepayment reviews for milestones and periodic reviews of supporting documentation for expenses claimed by vendors.

The full text of HRA’s response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

HRA's monitoring of its WeCARE contractors has a number of weaknesses. CAS, the HRA division with the responsibility to oversee and monitor the WeCARE program, does employ useful oversight techniques, such as biweekly visits to contractors' sites to view the program's operations and address outstanding issues, monthly meetings with contractors, requiring contractors to submit monthly reports of milestone completion and deliverables, and the stationing of Senior WeCARE Specialists at contractors' sites to act as liaisons between the contractors and HRA.

However, HRA has not established a formal program monitoring and evaluation process with regard to verification of contractor-submitted data, thereby increasing the risk that HRA would not be aware of contractors' noncompliance with provisions of their contracts. HRA's monitoring of key financial components of the WeCARE contracts likewise had deficiencies; it lacked sufficient payment reviews of several contract milestones and performed inadequate payment review of two major milestones. Additionally, HRA needs to increase its efforts with regard to identifying and recouping duplicate or erroneous payments and verifying monthly contractor expense-reimbursement requests. If HRA were to correct these weaknesses, it would be better able to ensure that contractors are paid for services actually provided to WeCARE clients and that City funds are properly disbursed and protected.

The CAS WeCARE Monitoring System Needs Improvement

CAS lacks comprehensive written procedures for its monitoring of WeCARE contractors to ensure that they comply with the key components of the contract. CAS uses a wide variety of techniques to monitor the contractors; however, without written procedures that specify responsibility and accountability, effective monitoring is diminished. Additionally, there is no central repository that maintains a record of activities that would enable CAS officials easy access to pertinent information for monitoring of the WeCARE contracts and contractors.

Written Monitoring Procedures Are Inadequate

Initially, CAS was unable to provide us written procedures that detailed its approach to monitoring WeCARE contracts and evaluating contractor performance. Therefore, we conducted extensive interviews with CAS division officials to determine the responsibilities assigned to each area. During the course of the audit, in response to our inquiries, CAS drafted a written procedure for contract oversight, "Protocol for Reviews of WeCARE Program Components Conducted by CAS Staff," dated November 30, 2007, and provided it to us. However, the protocol did not reflect the activities involved in CAS's daily operations in overseeing the contracts. For example, it did not spell out the role of the out-stationed worker who remains at each of the contractor sites and acts as a liaison between HRA and the contractor. While the job description for the out-stationed workers enumerates oversight responsibilities to ensure that client data is entered accurately in NYCWAY by the contractors, the monitoring procedures omit this critical function, and in our interviews with these workers, they admitted

that they do not regularly verify the data that contractors enter in NYCWAY. In addition, CAS staff visit contractors' sites to review client data and verify the information reported in NYCWAY. However, the protocol omits this function also. There is no formal process for conducting these reviews, and officials acknowledge that they are conducted on an ad hoc basis. Finally, WeCARE Deputy Directors perform biweekly site visits to conduct component reviews and obtain corrective action plans from the contractors and ensure that the corrective action plans are implemented. However, the protocol does not include any structured plan for corrective action in its procedures.

Written procedures are especially important in regard to the annual performance evaluations that the Procurement Policy Board rules and the Administrative Code require agencies to complete. HRA did enter performance ratings in VENDEX⁴ for the contractors, as required; however, the protocol is silent regarding the criteria upon which to base the evaluations (e.g., monitoring reports, types of analyses), and CAS officials were unable to provide documentation supporting the ratings. While a CAS official stated that there is an ongoing relationship with the contractors and that CAS officials know how well a contractor is performing at any given time, the lack of specific criteria and evidence of a thorough review of the contractor's performance increases the risk that evaluations may not be performed objectively.

By not having written procedures to guide monitoring of the WeCARE contracts and to establish accountability, HRA is hindered in its efforts to improve the quality of a program that requires the attention of several departments within HRA.

Recommendations

HRA should:

1. Ensure that standard operating procedures are formulated and updated to accurately reflect specific requirements for various activities performed by CAS in monitoring the WeCARE contracts.

HRA Response: "HRA agrees with this recommendation and will review and strengthen existing policies and procedures to include all activities performed in monitoring the WeCARE contracts and to update those procedures as necessary."

2. Maintain supporting documentation for the annual performance evaluations of the WeCARE contractors.

⁴ The VENDEX database helps agencies make decisions regarding vendors and contractors. It stores information on all City contractor responsibility determinations, vendor VENDEX questionnaires, cautionary information provided by City agencies and law enforcement, contractor performance evaluations, and City liens and warrants.

HRA Response: “HRA already maintains supporting documentation therefore would of course agree with this recommendation. As a result of HRA’s evaluations of the WeCARE contractors, performance ratings were entered in VENDEX, as required by the procedures of the Procurement Policy Board (PPB) Rule section 4-01. In accordance with the PPB Rules and the Administrative Code, HRA’s performance evaluations for WeCARE conform to the requirements of the contract. . . .The monthly reports are maintained on file, were shared with the auditors, and are permanently available for review.”

Auditor Comment: HRA claims that it already maintains supporting documentation for the ratings on the annual performance evaluations; however, HRA officials were unable to provide us with documentation specifically supporting the ratings, even when we made another request after the exit conference. While the monthly reports are maintained on file and are available for review, these reports are generated by the contractors; therefore, we remain concerned that HRA is not using or adequately maintaining evidence of a thorough impartial review of the contractors’ performance.

Lack of Centralized Tracking System For Contract Monitoring

The WeCARE contracts are primarily monitored by four program areas within CAS that work in conjunction with the WeCARE contractors, with other key departments throughout HRA, and with other City agencies. CAS’s staff is in frequent contact with WeCARE contractors and is required to make telephone calls and send e-mails and written correspondence concerning matters that need to be addressed. WeCARE Operations department staff conducts regular visits to contractor sites to ensure compliance with contract terms. At the conclusion of these site visits, the results that are recorded on the site-visit form are summarized in an e-mail, and the form is then maintained in the staff member’s files. Staff members maintain files related to their activities regarding the contractors; however, the files are not readily accessible when needed by others who have similar responsibilities or by senior CAS officials. At any time, given the numerous departments, activities, and individuals involved in contract-monitoring, the gathering of information for an up-to-date status of WeCARE contractor compliance requires contacting several individuals and compiling the information—a time consuming process. At a minimum, if HRA had a central repository that tracks all monitoring activities, it would enable the retrieval of contract information in a more timely and efficient manner.

Recommendation

3. HRA should create a central repository to record and maintain activities concerning the contracts.

HRA Response: “HRA will evaluate the potential benefits of developing a central repository. Given the scope of programmatic oversight, a sophisticated indexing system would be necessary if a central repository were established.”

HRA Needs to Improve Its Verification of Contractor-Submitted Data

One of the most important tools for monitoring the WeCARE program and the WeCARE contractors is the monthly status meeting that CAS senior officials have with the WeCARE contractors. The contractors are required to produce a monthly status report as a basis for discussion at this meeting. CAS uses internal reports to determine whether the statistics in the contractor monthly reports submitted at the monthly meetings are accurate. While WeCARE contractors produce the monthly status reports from their systems, they also enter the data in NYCWAY that CAS in turn uses for its own internal reports. Accordingly, if NYCWAY contains (intentionally or otherwise) inaccurate data, the internal HRA reports produced from it will likewise be inaccurate.

As stated earlier, while CAS does perform some verification of the accuracy of the data the contractors enter into NYCWAY, this verification is limited and performed infrequently. CAS staff visit contractors to determine whether they follow HRA guidelines for particular milestones; the results of these visits are documented in site-visit reports. We reviewed the site-visit reports for the period June 2006 through October 2007 prepared by CAS staff and determined that certain components of 99 cases were reviewed during the period (for an average of almost six cases per month). However, these reviews are not performed at regular intervals, nor are they incorporated into a formal monitoring process. HRA stated that it selects a sample of cases from NYCWAY for which it reviews supporting documentation at the contractors' sites. However, although requested, HRA was unable to provide documentation related to the frequency of these reviews or lists of the samples selected. In fact, due to the lack of documentation, we were unable to ascertain the basis (i.e., the method of selection) upon which the 99 cases we reviewed were selected by CAS. As a result, we were unable to ascertain both the adequacy of these reviews and whether they provided HRA reasonable assurance that data reported by contractors in NYCWAY was adequately supported.

Further, it is not even clear who is responsible for conducting these reviews. During and after the exit conference, HRA officials told us that the Deputy Directors perform reviews of contractor submitted data during their site visits. Regarding these reviews, HRA submitted the following statement: "*The Deputy Directors do review on an ad-hoc basis contractor- submitted data.* The Deputy Directors have a variety of responsibilities including reviewing work lists and HRA weekly reports on an on-going basis, addressing issues that require clarification on an ad-hoc basis, tracking cases and providing technical assistance." (Emphasis added.) However, in another communication, CAS officials stated that staff of the Office of Rehabilitation Services and other CAS components, not the Deputy Directors, conduct ad-hoc independent reviews of contractor-submitted data.

While these reviews provide some assurance of the validity of the data, more is needed. CAS officials should establish a formal system for randomly selecting clients from NYCWAY and reviewing the source data maintained by the contractors, as well as for performing such reviews at regular intervals. In addition, CAS should incorporate actual interviews with the randomly-selected clients to obtain attestations from them that they received the services that

contractors report that they provided. Without stronger controls to verify the contractor data in NYCWAY, CAS is hindered in ensuring that its internal reports are accurate and that contractor performance is as presented at the monthly meetings.

HRA Response: “HRA appreciates the audit report’s recognition of its effort to verify data; however, it fails to mention the independent quality reviews conducted by NYCHSRO, which are based on statistically valid samples.”

Auditor Comment: We did not mention the reviews conducted by the New York County Health Services Review Organization (NYCHSRO) because they only addressed facility inspections, medical credentialing, and patient satisfaction questionnaires. NYCHSRO does not verify specific client information entered in NYCWAY. The tests we conducted were to determine whether HRA performs regular reviews to verify the accuracy of the data the contractors enter into NYCWAY; therefore, the NYCHSRO reviews were not significant to our test.

HRA Response: Regarding HRA’s failure to provide requested documentation related to case record reviews conducted by HRA staff, HRA stated: “The reports provided to the Comptroller included the dates of the reviews, lists of the cases reviewed, and a description of the review methodology.”

Auditor Comment: While HRA states that the reports they provided to us included the information requested, the documentation did not specify the frequency of these reviews or criteria for sample selection for sound independent data verification. Additionally, as mentioned in the report, there is no formal monitoring process for independent verification of contractor-submitted data.

HRA Response: Regarding the lack of clarity regarding responsibility for reviews, HRA stated: “Four CAS units, as the audit report acknowledges, are involved in oversight and monitoring of WeCARE. Reviews are conducted by the unit that has the relevant expertise and experience. Given the complexity of the WeCARE program model, some overlap is inevitable and appropriate. The audit report does not address the checks provided by HRA’s data systems that assure the validity of contractor submitted data. NYCWAY controls who can enter codes and the order in which codes can be entered. Should any NYCWAY user attempt to enter an unauthorized or out of sequence code NYCWAY prevents the code from posting.”

Auditor Comment: As we state in the report, CAS officials have not been clear about who is responsible for conducting these reviews. Additionally, it appears as if HRA believes that the tests of data reasonableness and data verification are interchangeable. They are not. The data checks that HRA refers to may address the assurance of data reasonableness entered into NYCWAY; for example, NYCWAY will not accept the code for the completion of a CSP unless the code for the completion of the BPS I has been entered. However, these data checks do not address the verification of this data; that is, they cannot confirm that the BPS I and the CSP

were in fact performed. Verification of data accuracy accomplished through a review of contractors' supporting documentation and interviews of selected clients is an important step and one we believe must be formally integrated into HRA's monitoring process.

Recommendation

4. HRA should establish a formal process for performing verifications of contractor-submitted data on a regular basis to better ensure that data entered in NYCWAY by contractors is accurate.

HRA Response: "HRA will explore the feasibility of developing automated approaches to verifying the integrity of contractor submitted data. HRA will explore the feasibility of developing automated approaches to verifying the integrity of contractor submitted data. Meaningful manual verification is not realistic given the volume and complexity of data.

Auditor Comment: While we are pleased to note that HRA officials will consider the implementation of our recommendation, we are concerned that automated approaches will not be sufficient to address our concerns. The heart of our recommendation is that HRA review the source client data maintained by the contractors and that HRA conduct client interviews to determine that they indeed received the services the contractors claim to have provided. Accordingly, we urge HRA to reconsider its response to this recommendation.

HRA Needs to Strengthen Its Controls Over Milestone Payment Requests

Milestone payments account for approximately two-thirds of the \$200 million awarded in the WeCARE contracts. When a client achieves a milestone, HRA pays the contractor after the contractor submits an electronic request for payment through NYCWAY. Fiscal Operations processes the payment request and issues the payment to the contractor. However, Fiscal Operations does not adequately review these payment requests, nor has it developed in collaboration with CAS adequate guidelines to ensure that contractors are paid only for those clients who meet the milestone requirements set forth in the contract.

Biopsychosocial Assessment Milestone

The BPS I assessment is the first milestone of the WeCARE program. It evaluates a client's health and ability to participate in work activities. At the conclusion of the BPS I assessment, the contractor is required to enter applicable codes into NYCWAY to show that the client has achieved the first milestone of the program and then applies for payment accordingly. Fiscal Operations then processes the request and issues the payment. However, Fiscal Operations does not review the actual back-up documentation that supports the payment request. In addition, no department has been assigned the responsibility to perform a prepayment review

of the contractors' requests for payment after the achievement of the BPS I and BPS II milestones.

In response to our inquiries, Fiscal Operations informed us in a memorandum dated February 6, 2008, "The HRA Office of Fiscal Operations conducts post-payment reviews to confirm that reports of Biopsychosocial Assessments have been submitted to HRA." A listing is generated each month that specifies the number of payments made to the two contractors for client achievement of the BPS I and BPS II milestones for the preceding month. The Bureau of Accounting searches the WeCARE Viewer to determine whether the required BPS summary documentation has been scanned in by the contractor to support the payment request. However, we found that the review is insufficient because the Bureau of Accounting checks only to see that the WeCARE Viewer contains documents; it does not review the actual image of the documents to determine whether they satisfy the BPS milestone-payment requirements. HRA should tighten its controls by instituting a prepayment review of the documentation supporting payment requests to strengthen its assurance that payments are made for milestones validly achieved.

Diagnostic Vocational Evaluation and Wellness/Rehabilitation Plan Milestones

The Diagnostic Vocational Evaluation (DVE) is a hands-on vocational assessment that is available for clients whose limitations are caused by medical and/or mental health conditions. The completed DVE summarizes the findings and forms the basis for the Individual Plan for Employment (IPE). The completed IPE serves as proof that the DVE milestone is completed and that the contractor is eligible for payment for satisfying the milestone-payment requirements.

The Wellness/Rehabilitation Plan (WP) is available for clients who are temporarily unemployable because of untreated or unstable medical and/or mental health conditions. The purpose of the plan is to stabilize or resolve those conditions that will enable the client to reach the highest level of health. The WeCARE program allows clients to be treated for 30, 60, or 90 days, depending on the medical condition to be treated; also, the program allows the contractor to extend the WP for an additional 30, 60, or 90 days if deemed necessary. Upon completion of this milestone the contractor applies for payment.

We asked representatives from Fiscal Operations whether a prepayment or post-payment review was performed before/after making the milestone payments and discovered that none was done. Again, we made numerous inquiries before we determined that no department or unit had been assigned the responsibility to undertake a review of the milestones and that HRA made payments without ensuring that the payments were appropriate. As previously cited, HRA should tighten its controls by instituting a review of the documentation supporting payment requests to strengthen its assurance that payments are made only for milestones validly achieved.

12-Week Work Activity Milestone

Clients found to be employable with limitations complete the Diagnostic Vocational Evaluation and Individualized Plan of Employment; then they enroll in approved work, training

or educational activities. Work activities are provided by the contractors and their sub-contractors; training and educational activities are provided by HRA-approved programs. The contractor updates NYCWAY with the appropriate code which remains the same while the client participates in the activities. In order to meet the 12-Week Work Activity payment requirements, the code must not be terminated for 84 days unless the termination is caused by the client's obtaining employment. If the client meets the standards, the milestone is made available in PaCs, and the contractor then attests that the client has met the milestone requirements.

Neither the contractors nor HRA independently verify that the 12-Week Work Activity milestone has been completed. In fact, when we conducted field visits to review supporting documentation for various milestone payments, the contractors were unable to provide supporting documentation without requesting it from their subcontractors, the Vocational Rehabilitation Services providers. The 12-Week Work Activity milestone is completely automated and leaves HRA vulnerable to false attestations that clients have successfully completed this milestone.

Social Security Disability Insurance Milestone

If the contractor determines that a client is unable to work because of a medical and/or mental health condition and is potentially eligible for social security disability benefits (SSDI), the contractor files an application with the Social Security Administration (SSA) on behalf of the client. Once the client is awarded SSDI benefits, the State updates NYCWAY. The contractor applies for the milestone payment and attests that the client was awarded SSDI and that no payment has been previously received for this milestone. During our audit, HRA had not instituted a formal review to determine whether contractors were making numerous payment requests for this milestone for the same client. As discussed later in this report, contractors received numerous duplicate payments for this milestone; this was revealed by the only review performed on this milestone in July 2007. Even though milestone payment is dependent on information that the client has been awarded SSDI that is communicated by the State database system to NYCWAY, HRA should implement prepayment controls to check whether the contractor is entitled to the payment.

Recommendations

HRA should ensure that:

5. Responsibility for milestone prepayment reviews is clearly defined.
6. Prepayment reviews are conducted for all the milestones before payment is made to the contractor.
7. A review of the BPS documents is performed as a part of any payment review.

HRA Response: "HRA contends that we currently perform the functions described in recommendations #5 and #7. Pertaining to recommendation #6, we perform 100%

post audit review of all BPS I and BPS II milestone payments. Should the vendor fail to submit appropriate documentation or to comply with our guidelines for these milestones we will recoup accordingly.”

Auditor Comment: HRA claims that it currently performs the functions described in recommendations #5 and #7. However, responsibility for prepayment reviews is not currently defined; in fact, prepayment reviews are conducted only for three of the nine milestones. Additionally, a review of the BPS documentation is not currently performed as a part of the BPS payment review. As mentioned in the report, our observations revealed that the Bureau of Accounting checks only to see that the WeCARE Viewer contains documents; it does not review the actual images of the documents to determine whether they satisfy the BPS milestone-payment requirements.

Finally, HRA’s statement that it performs 100 percent post audit review of BPS I and II does not guarantee that erroneous milestones payments will be recouped accordingly. As stated further in the report, HRA has not recouped \$324,094 for erroneous BPS milestone payments as of November 2007. Hence, we urge HRA to reconsider its response to these recommendations and increase efforts to tighten its controls by instituting prepayment reviews for all milestones so that there is greater assurance that payments are made for milestones validly achieved.

BPS I and BPS II Exceptions Are Not Resolved

After completing the post-payment review of BPS-milestone payments, an exception report is generated each month that identifies those payments lacking documentation of milestone completion by the client. The Bureau of Accounting performs two different manual searches of NYCWAY to determine whether documentation exists to support contractor payment for the client. First the Bureau of Accounting performs a search using the WeCARE Viewer, which is restricted to WeCARE clients, and then it conducts a search using the HRA Viewer,⁵ which accesses all HRA clients, to determine whether the client is known to HRA. The Bureau of Accounting then manually generates an exception report that specifies client WeCARE information and payments made to the contractor for the completed milestone. Additionally, the exception report identifies client information that is not in the WeCARE Viewer and clients whose information is not in the HRA Viewer. The Bureau of Accounting forwards the exception report to CAS for resolution. No attempt is made by CAS to ensure that the contractor supplies documentation that supports payment for the BPS milestone or to recoup erroneous milestone payments. The exception report is generated every month without CAS attempting to resolve the exceptions. As a result, the report merely gets larger with the passage of time. Table I below shows the BPS exceptions status as of November 2007.

⁵ The HRA Viewer allows access to all HRA client data, not just WeCARE client data.

Table I
Monthly Exception Report Summary

Fiscal Year	Not in WeCARE Viewer	Not in HRA Viewer	Total	Amount
2006	218	21	239	\$58,079
2007	429	35	464	\$111,073
2008	616	7	623	\$154,942
Grand Total	1,263	63	1,326	\$324,094

Our review of the exception list revealed that it contained:

Duplicate Payments

The lack of adequate BPS payment review has lead to instances in which contractors have been paid twice for the same milestone. A review of the exceptions list for Fiscal Year 2006 (July 2005 to June 2006) revealed that for those 239 clients listed, the contractor received duplicate payments for one client totaling \$396. (It is also likely that duplicate milestone payments were also made for clients who are not on the exception list.) To mitigate the risk of misuse of WeCARE funds, reduce the likelihood of duplicate payment requests, and prevent fraud, HRA should revise the procedures it follows in performing the payment review and should ensure appropriate supervisory review of the exceptions listing.

Misidentified Client

We obtained the BPS exception report generated in November 2007 for Fiscal Year 2007 (July 2006 to June 2007) and reviewed the files for 13 of the 35 clients highlighted in Table I whose BPS I and BPS II payment information lacked supporting documentation in the HRA system. We visited the contractors' sites to check whether they had BPS supporting documentation for the payments they had previously received for client achievement of the milestones. The contractors were able to provide supporting documentation from their own computer systems for 12 of the 13 clients. However, one contractor, FEGS, could not find one client in any of their computer systems. The contractor received a payment of \$175 for the achievement of a milestone for a client whose basic profile could not be found in HRA's system, nor could it be found in the contractor's own computer system.

During the exit conference, HRA officials supplied us with documentation, but it did not clearly identify this client. After further inquiries, HRA submitted the following statement: "There is no fictitious client. The client in question is [name omitted], who received a phase II psychiatric evaluation that the WeCARE vendor appropriately documented. The payment record for the phase II evaluation incorrectly identified the recipient of that assessment as [name omitted], who was never referred to WeCARE. The agency is researching the matter." While the amount the contractor received for this misidentified client is small, there remains a significant risk that contractors may submit milestone payments for clients who are not identified accurately in the system and that HRA would not detect the error. By not thoroughly reviewing

the supporting documentation for the BPS assessment-payment claims provided by WeCARE contractors, HRA did not ensure that these services were actually provided to clients before paying the contractors.

Recommendations

HRA should ensure that:

8. CAS resolves the items on the exception report that is forwarded to them.

HRA Response: “HRA agrees that a process ensuring that BPS I and BPS II exceptions are resolved is required. A procedure is in the process of being developed whereby CAS and the HRA Finance Office will reconcile and resolve documentation issues. The procedure will be in place in the near future.”

9. Payment reviews include a check for multiple payments made to contractors for the same milestone.

HRA Response: “HRA agrees with the recommendation. The business and payment rules programmed into PACS which govern WeCARE milestone payments to vendors are issued in accordance with the contract.”

10. Payment reviews ensure that clients appear in the respective systems and are active WeCARE participants before payments are made.

HRA Response: “PACS only enables milestone payments for clients with a record in NYCWAY. If a record is not in NYCWAY, the WeCARE vendor has no means of submitting the payment request to PACS. Depending on the milestone, this record may or may not be ‘active’” in WeCARE. . . . MIS will review PACS sweep processing in order to better reinforce this rule.”

Auditor Comment: HRA appears to agree with this recommendation; however, there is a need to recognize that a payment for a client that did not appear in NYCWAY was actually made, even when, according to HRA’s statement, PACS enables milestone payments only for those clients with a record in NYCWAY. Therefore, the risk still remains that contractors may submit milestone payments for clients who are not identified accurately in the system and that HRA would not detect the error.

Periodic Reviews to Uncover Duplicate Payments are Insufficient

PaCs Operations is responsible for performing WeCARE Sweeps⁶ (sweeps)—reviews of milestones that have been subject to rule changes and that warrant recoupment of or adjustments

⁶ A sweep is a process whereby HRA, using queries, examines the NYCWAY database to determine whether milestone requirements have been met.

to payments made to the contractors. Reviews of the NYCWAY database are also performed to uncover instances of duplicate billing. We examined reviews that HRA performed during Fiscal Year 2007 and found that none were performed to uncover instances of duplicate payments. Three sweeps were performed because of changes in the milestone payment requirements (e.g., rule change allowing payment to be made to contractor without the completed CSP being posted). On July 21, 2006, Payment and Claims performed a sweep of the BPS milestone payments to contractors that resulted in the contractors receiving an additional \$1.25 million. On January 16, 2007, it performed a sweep of the 12-Week Work Activity milestone that resulted in the contractors owing HRA \$845,000. A second sweep of the 12-Week Work Activity was performed on January 16, 2007, with the contractor due \$471,600.

HRA did not have adequate controls in place to ensure that milestone payments erroneously made to contractors were recouped. In fact, in May 2007, a contractor voluntarily notified HRA that it had been paid twice for client completion of milestones on several occasions. The contractor sent an electronic file to CAS containing names of 51 clients for whom it received duplicate milestone payments in the amount of \$15,990.

During the course of the audit, we requested that HRA provide evidence of reviews that it performed through December 2007 to uncover duplicate payments. HRA responded that in July 2007, (Fiscal Year 2008) Fiscal Operations performed a review to uncover duplicate payments for the SSDI milestone covering the period February 2005 through July 2007. As a result of the review, the contractors were required to return \$106,000 for duplicate SSDI payments they had received. After the exit conference, HRA provided evidence of another review performed in December 2007 to uncover duplicate payments for the BPS I milestone covering the period January 2006 through March 2007. As a result of this review, HRA identified \$413,000 in duplicate payments that contractors were required to return. Other than these two, no other reviews to uncover duplicate payments were conducted. If HRA does not perform more frequent payment reviews, it will most likely be unable to identify false attestations by the contractors and will not recoup duplicate payments.

Recommendation

11. HRA should establish periodic sweeps for all milestones to recover duplicate payments.

HRA Response: “HRA agrees with this recommendation and has established a quarterly review of PACS data to determine if duplicate payments have been processed due to system error. A Standard Query Language (SQL) program has been created that searches PACS for duplicate milestone payments and any other anomaly related to WeCARE payment rules. Vendors are advised, in writing, of planned recoupments. Accounts Payable executes and tracks all vendor recoupments. These corrective actions were implemented in April, 2008.”

Lack of Independent Review of Monthly Reimbursable Expenses

Contractors are required to submit monthly records of expenditures and requests for payment for services no later than 10 days after the end of each month. According to the Fiscal Operations Handbook, HRA has reduced the amount of expenditure detail that must be reported monthly by contractors; however, it is expected that the contractors' financial records are maintained in sufficient detail to document the basis of the reported expenses. We reviewed the expense reimbursement payment packages for the two contractors for January 2007 through June 2007 to determine how much was reimbursed for monthly expenses. For the period under review, the contractors were awarded \$4.205 million for Other Than Personal Service (OTPS) expenses. Our analysis disclosed that HRA receives limited documentation to support these expenditures. An HRA representative routinely approves the expense reimbursement requests; however, no periodic reviews of supporting documentation are performed to verify that the expenses claimed are actually incurred. By not performing periodic reviews to verify, at a minimum, the legitimacy of the monthly expenses, HRA is passing up an opportunity to reduce the risk that the contractors are submitting false claims for monthly reimbursable expenses.

Recommendation

12. HRA should perform periodic reviews of supporting documentation for expenses claimed by vendors to better ensure that the expenses are legitimate.

HRA Response: "HRA disagrees. . . .When requesting reimbursement for salaries/case management and OTPS costs the vendors are required to submit the following supporting documentation:

"...OTPS

Copy of invoice detailing purchase or expense

"All claims for expense reimbursement are initially forwarded to CAS for review and approval prior to payment. Accounts payable also performs a review to ensure the required documentation supports the reported expenses. HRA disagrees with the finding that this is a routine approval."

Auditor Comment: While HRA maintains that copies of invoices detailing purchase or expense are required to be submitted by vendors, we repeat that our review found that HRA receives limited documentation to support these expenditures. In addition, HRA states that Accounts Payable performs a review to ensure that the required documentation supports the reported expenses. However, during the conduct of our audit, officials from Accounts Payable stated that no review is performed in their unit since payment approvals are granted by CAS before invoices get to Accounts Payable. We remain concerned that no periodic reviews of supporting documentation are performed to verify that the expenses claimed have actually been incurred. Accordingly, we urge HRA to reconsider its response to this recommendation.

Follow-Up of Rescare Audit Findings and Recommendations

CAS had expressed concerns regarding the quality of Arbor's delivery of services in the WeCARE contract; as a result, CAS requested Rescare (Arbor's parent company) to perform a review of the Arbor WeCARE Program to independently assess the quality of services, with emphasis on client service delivery and contract compliance. Rescare performed an in-depth review from June 11 through June 14, 2007, that included an assessment of Arbor performance and service delivery as well as observations regarding the Arbor service environment, client flow, and certain business processes. A draft report was submitted to HRA on June 29, 2007, and a "set of findings" report identifying 14 recommendations was submitted to HRA on August 13, 2007.

Some of the recommendations mirror the issues found during our audit, such as: "Develop Standard Operating Procedures (SOP) regarding all business processes and organizational expectations. Insure that staff are trained in the SOP's, monitor for adherence to the SOP's, take corrective action for noncompliance with organizational SOP's. . . . Continue efforts to change software programs in order to better capture client information and facilitate more comprehensive service provision."

Arbor formulated a Quality Improvement Plan, finalized on October 15, 2007, specifying corrective actions necessary to implement Rescare's recommendations. As of January, 2008, CAS had followed up 10 of the 14 recommendations. However, CAS has yet to act on recommendations regarding developing formal communication of organizational changes, developing standard operating procedures, upgrading computer systems to better capture client information, and implementing ResCare Quality Way. Arbor's full and prompt implementation of the corrective actions set forth in the Quality Improvement Plan will ensure that delivery of services to clients will be enhanced.

Recommendation

13. CAS should continue to ensure that the Quality Improvement Plan is implemented in a timely manner.

HRA Response: "HRA agrees with this recommendation. It should be noted that CAS continues to meet monthly with Arbor to review their progress in implementing the Quality Improvement Plan. There has been substantial progress since January 2008."

Inadequate Follow-Up of Community Voices Heard Report Recommendations

Community Voices Heard (CVH), an advocacy group, issued a report in March 2007 titled "Failure to Comply: The Disconnect Between Design and Implementation in HRA's WeCARE Program." The report found that HRA invested a large sum of money and designed a

program that should have benefited cash assistance recipients with disabilities, but implementation problems stalled the process. As a result, clients did not receive the support and individual services they need. There were nine findings and six recommendations. While as an advocacy group, the source of this report may not be viewed as objective, HRA administrators gave it some merit and acted on some of the recommendations. Accordingly, on April 12, 2007, CAS sent a letter to the contractors requesting a plan of action to address six issues, which included the CVH recommendations that merited attention and additional areas that CAS determined should be addressed as well.

As of October 29, 2007, CAS had partially followed up with the two contractors in four of the six areas:

“The importance of review and consideration of all medical and related information submitted by participants during the bio-psychosocial assessment and subsequent phases of WeCARE; the need for a telephone hotline that is available to all participants during all phases of WeCARE; the importance of an established mechanism for obtaining participants’ views on program policies, practices and operations; and the importance of having staff that are knowledgeable about mental health problems and are equipped to assist participants with psychiatric conditions in meeting program requirements.”

CAS’s letter to the contractors highlights that the CVH report made some valid conclusions; however, by not ensuring that corrective actions are taken in a timely manner, CAS is compromising the improvement of the WeCARE program.

Recommendation

14. CAS should continue to ensure that contractors implement the corrective actions that the contractors formulated.

HRA Response: “We agree with the recommendation. However, the report indicated that there has been ‘inadequate follow-up of Community Voice Heard (CVH) report recommendations.’ It behooves us to clarify that although CVH’s findings were not statistically significant and could not be generalized to the overall program, HRA did, as the audit report acknowledges, find some of the recommendations worthwhile, and has followed up with the vendors on those recommendations in writing and at monthly meetings. In fact we began following-up, as the report also recognizes, six months after our initial request for a corrective action plan.”

NYC
Human Resources
Administration
Department of
Social Services
Office of Constituent
Services and Policy
Improvement

June 24, 2008

Robert Doar
Commissioner

Jane Corbett
Executive Deputy
Commissioner

180 Water Street
New York, NY 10038

212 331 5500

Mr. John Graham
Deputy Comptroller
Audits, Accountancy & Contracts
The City of New York
Office of the Comptroller
Executive Offices
1 Centre Street
New York, New York 10007-2341

Dear Deputy Comptroller Graham:

We have reviewed the Comptroller's draft audit report on the Oversight of the WeCARE Program Contractors by the Human Resources Administration, and would like to raise several issues that were not made clear in the report. To begin with, a balanced review of the WeCARE program cannot be rendered without an acknowledgement of its achievements. As the report correctly indicates, the program began in Fiscal Year 2005 with a mandate to address the clinical issues of clients with health and/or mental health barriers to employment and to assist them in attaining self sufficiency. Since its inception, the performance of the two vendors with whom we have contracted to provide services to our clients, has improved in all measurable indicators, as follows:

- The number of job placements increased from 905 in the first contract year to 2,333 in the second and 2,953 in the third. There have been 504 job placements in the first two months of the fourth contract year.
- The number of federal disability awards increased from 277 in the first contract year to 2,173 in the second and 4,386 in the third. There have been 768 federal disability awards in the first two months of the fourth contract year.
- The number of Wellness Plan completions increased from 1,980 in the first contract year to 7,641 in the second and 9,165 in the third. There have been 2,357 Wellness Plan completions in the first two months of the fourth contract year.

These results have had a dramatic impact on the community the program serves, as well as the nation as a whole, as the program has been selected for study as a best practice by the United States Department of Health and Human Services, to be emulated by localities with similar issues. Results such as these could only have been achieved by diligent and effective monitoring, follow-up, and feed back by the staff charged with these responsibilities.

Another point of clarification has to do with the description of the Deputy Directors' responsibilities. The report suggests that they are limited to conducting component reviews and monitoring corrective action. In fact, the Deputy Directors perform numerous essential functions including but not limited to acting as the direct contacts between the vendors and HRA, supervising the Associate Job Opportunity Specialist (AJOS) workers who are out stationed at WeCARE sites, providing technical assistance, trouble shooting problems as they arise, as well as monitoring implementation of corrective actions.

Further, although the report does acknowledge that HRA employs useful oversight techniques, it nevertheless states that "HRA has not established a formal program monitoring and evaluation process with regard to verification of contractor-submitted data, thereby increasing the risk that HRA will not be aware of contractors' non-compliance with provisions of their contracts." It is our position that we have demonstrated to the auditors that there are multiple processes in place to assure that the contractors comply with the provisions of their contracts. The techniques include, but are not limited to:

- NYCWAY controls concerning who can enter codes, which codes are entered and the sequence in which codes are entered.
- CAS monitoring of work-lists, reviews of outcome reports generated by HRA, reports from WeCARE operations staff, and review and analysis of reports from the contractors,
- CAS periodically conducts quality assurance reviews of WeCARE's functional components, and
- The contract with the New York County Health Services Review Organization (NYCHSRO) to provide independent quality reviews of the services the WeCARE contractors provide.

Again, the extraordinary outcomes cited above could not have been achieved without the diligence of the monitoring staff.

Finally, the audit report indicates that the results of the audit tests described in the scope and methodology section "while not projectable to their respective populations, provided a reasonable basis to determine whether HRA established sufficient procedures and internal controls to effectively oversee the WeCARE contracts." We

strongly disagree with the logic of this statement. Rather, on its face, it appears internally inconsistent, as data that is not projectable cannot be the basis of a generalization.

Following are our specific responses to the audit's recommendations.

Auditors' Recommendation #1:

HRA should ensure that standard operating procedures are formulated and updated to accurately reflect specific requirements for various activities performed by CAS in monitoring the WeCARE contracts.

Agency's Response:

HRA agrees with this recommendation and will review and strengthen existing policies and procedures to include all activities performed in monitoring the WeCARE contracts and to update those procedures as necessary.

Auditors' Recommendation #2:

HRA should maintain supporting documentation for the annual performance evaluations of the WeCARE contractors.

Agency's Response:

HRA already maintains supporting documentation therefore would of course agree with this recommendation. As a result of HRA's evaluations of the WeCARE contractors, performance ratings were entered in VENDEX, as required by the procedures of the Procurement Policy Board (PPB) Rule section 4-01. In accordance with the PPB Rules and the Administrative Code, HRA's performance evaluations for WeCARE conform to the requirements of the contract. The contractors were evaluated on quality and timeliness of performance, and fiscal administration and accountability. Specific objectives and evaluation criteria were included as part of the contract. The agency developed qualitative and quantitative performance indicators, including outcome criteria. These outcomes were reflected in monthly reports, which included data measuring performance. There were also periodic site visits. These contracts are based on achievement of milestones, which are in essence the programmatic indicators that measure performance. The monthly reports are maintained on file, were shared with the auditors, and are permanently available for review.

As stated above, because of our vigorous monitoring activity, the program has demonstrated marked improvement each contract year.

Auditors' Recommendation #3:

HRA should create a central repository to record and maintain activities concerning the contracts.

Agency Response:

HRA will evaluate the potential benefits of developing a central repository. Given the scope of programmatic oversight, a sophisticated indexing system would be necessary if a central repository were established. However, it should be noted that monitoring and oversight documents are routinely distributed to relevant staff and managers. The volume of documentation that was promptly provided in response to requests from the Comptroller's staff demonstrates that documents are, in fact, readily accessible.

Auditors' Recommendation #4:

HRA should establish a formal process for performing verification of contractor submitted data on a regular basis to better ensure that data entered in NYCWAY by contractors is accurate.

Agency's Response:

HRA will explore the feasibility of developing automated approaches to verifying the integrity of contractor submitted data. Meaningful manual verification is not realistic given the volume and complexity of data. We do, however, take issue with some of the findings on which the recommendation is based as follows:

The audit report states [p. 9] that "CAS does perform some verification of the accuracy of the data the contractors enter into NYCWAY" and describes some reviews conducted by CAS staff.

Agency Comment: HRA appreciates the audit report's recognition of its effort to verify data; however, it fails to mention the independent quality reviews conducted by NYSCHRO, which are based on statistically valid samples.

The audit report [p. 9] claims that HRA failed to provide requested documentation related to case record reviews conducted by HRA staff.

Agency Comment: The reports provided to the Comptroller included the dates of the reviews, lists of the cases reviewed, and a description of the review methodology.

The audit report notes [p. 10] that various CAS components conduct reviews of contractor submitted data and indicates that there is a lack of clarity regarding responsibility for reviews.

Agency Comment: Four CAS units, as the audit report acknowledges, are involved in oversight and monitoring of WeCARE. Reviews are conducted by the unit that has the relevant expertise and experience. Given the complexity of the WeCARE program model, some overlap is inevitable and appropriate. The audit report does not address the checks provided by HRA's data systems that assure the validity of contractor submitted data. NYCWAY controls who can enter codes and the order in which codes can be entered. Should any NYCWAY

user attempt to enter an unauthorized or out of sequence code NYCWAY prevents the code from posting.

Auditors' Recommendation:

HRA should ensure that:

- #5: Responsibility for milestone prepayment reviews is clearly defined.
- #6: Prepayment reviews are conducted for all the milestones before payment is made to the contractor.
- #7: A review of the BPS documents is performed as a part of any payment review.

Agency's Response:

HRA contends that we currently perform the functions described in recommendations #5 and #7. Pertaining to recommendation #6, we perform 100% post audit review of all BPS I and BPS II milestone payments. Should the vendor fail to submit appropriate documentation or to comply with our guidelines for these milestones we will recoup accordingly. Following is a description of our milestone review and payment process.

In accordance with HRA protocol WeCARE vendors are paid for the BPS I, BPS II, Wellness Rehabilitation Plan, Diagnostic Vocational Evaluation, and 12-Week Activity milestones based on their entering the appropriate action codes into NYCWAY. PACS initiates payment upon recognizing the action code in NYCWAY and a referral code. There is an elaborate array of electronic actions that must take place before the milestone is created in PACS, the first of which must be a referral to the vendor. Vendors are required to retain a copy of supporting documentation specific to the milestone for their records and future audit purposes. In addition, the Bureau of Accounting, on a regular basis, surveys the WeCARE viewer to ensure that documentation supporting BPS I and BPS II payment requests has been scanned in by the vendor. On a regular schedule, all exceptions are reviewed and researched until a resolution is attained.

The Social Security Disability milestone should be paid once in a participant's lifetime. Payment is only made after a file from the Social Security Administration (SSA) confirming the SSI or SSDI benefits award is transmitted to HRA. SSA transmits an SDX file containing SSI or SSDI award/denial data to NYCWAY on a weekly basis. HRA matches the file data with the NYCWAY cases using SDX data elements that have been mapped to SDX action codes in NYCWAY. For example, if the SDX file indicates that a client has been awarded benefits, NYCWAY post one of the SDX award action codes such as 302B. If the file indicates a denial, NYCWAY posts a denial code. Upon completion of this process, the vendor can submit the milestone for payment if appropriate. PACS then performs an electronic test to ensure no Social Security milestone payment has been previously issued to the WeCARE vendor for each case. As this electronic file is generated by a Federal agency, HRA considers this a pre-audit process.

When submitting a request for any milestone payment all vendors are required to electronically sign an attestation confirming the validity of the request:

“By logging onto the PACS system, you are expressly acknowledging that you have been notified of and that you accept the following terms and conditions of use:

- All information entered on this system must be accurate and in accordance with the terms of our contract with HRA, and must be separately maintained on file and made available for review by auditors**
- As to any Employment Participant, any request for payment for the same or similar services during the same time period must not have been previously paid or submitted for payment to any other agency.**
- Your use of PACS in violation of these terms and conditions will result in enforcement action by HRA, including, but not limited to, disciplinary and criminal proceedings.”**

Auditors’ Recommendation #8:

HRA should ensure that CAS resolves the items on the exception report that is forwarded to them.

Agency’s Response:

HRA agrees that a process ensuring that BPS I and BPS II exceptions are resolved is required. A procedure is in the process of being developed whereby CAS and the HRA Finance Office will reconcile and resolve documentation issues. The procedure will be in place in the near future.

The auditors did, however, indicate that CAS makes no attempt to ensure that the contractors supply documentation that supports milestone payments or to recoup erroneous milestone payments. Please note that CAS has been implementing an automated process that matches NYCWAY data against imaged documents.

Finally, it should be noted that all the images that the auditors were unable to locate are currently available in the HRA viewer.

Auditors’ Recommendation #9:

HRA should ensure that payment reviews include a check for multiple payments made to contractors for the same milestones.

Agency’s Response:

HRA agrees with the recommendation. The business and payment rules programmed into PACS which govern WeCARE milestone payments to vendors are issued in accordance with the contract. Different WeCARE milestones have different rules regarding how often the same vendor may submit a milestone for the same client. For example, the vendor may submit a completed biopsychosocial assessment milestone once per year, but may submit a completed medical specialty assessment three times per year. For every milestone submitted by the WeCARE vendor, PACS performs an

automated check to verify that the vendor has not exceeded the maximum number of milestone submissions per the business rules of the submitted milestone. In addition, HRA has established a regularly scheduled review of PACS payment data to determine if duplicate payments have been issued due to system glitches. When such glitches are identified, recoupment is initiated.

Auditors' Recommendation #10:

HRA should ensure that payment reviews ensure that clients appear in the respective systems and are active WeCARE participants before payments are made.

Agency's Response:

PACS only enables milestone payments for clients with a record in NYCWAY. If a record is not in NYCWAY, the WeCARE vendor has no means of submitting the payment request to PACS. Depending on the milestone, this record may or may not be "active" in WeCARE. For example, the WeCARE employment retention milestones may be awarded to participants who are no longer in WeCARE because their job enabled them to close their public assistance case. WeCARE payments should only be made on participants with WeCARE activity on their NYCWAY record. MIS will review PACS sweep processing in order to better reinforce this rule.

Auditors' Recommendation #11:

HRA should establish periodic sweeps for all milestones to recover duplicate payments.

Agency's Response:

HRA agrees with this recommendation and has established a quarterly review of PACS data to determine if duplicate payments have been processed due to system error. A Standard Query Language (SQL) program has been created that searches PACS for duplicate milestone payments and any other anomaly related to WeCARE payment rules. Vendors are advised, in writing, of planned recoupments. Accounts Payable executes and tracks all vendor recoupments. These corrective actions were implemented April, 2008.

Auditors' Recommendation #12:

HRA should perform periodic reviews of supporting documentation for expenses claimed by vendors to better ensure that expenses are legitimate.

Agency's Response:

HRA disagrees. Upon execution of The WeCARE contracts HRA created "Contract Expenditure Reports" unique to the approved budgets of each vendor. The WeCARE vendors received instructions, in writing, on how to submit expenditure reimbursement requests to HRA. When requesting reimbursement for salaries/case management and OTPS costs the vendors are required to submit the following supporting documentation:

Case Management Salaries

OTPS

Employee Name

Copy of invoice detailing purchase or expense

Title

Pay Period

Dollar Amount

All claims for expense reimbursement are initially forwarded to CAS for review and approval prior to payment. Accounts payable also performs a review to ensure the required documentation supports the reported expenses. HRA disagrees with the finding that this is a routine approval. In addition, independent audit reports attesting to the accuracy of contract expenditures are submitted to the agency on an annual basis. Comptroller's Directive #2 does not specify "field visits" to spot check contractor expenses an audit requirement.

Auditor's Recommendation #13:

CAS should continue to ensure that the [Arbor] Quality Improvement Plan is implemented in a timely manner.

Agency's Response:

HRA agrees with this recommendation. It should be noted that CAS continues to meet monthly with Arbor to review their progress in implementing the Quality Improvement Plan. There has been substantial progress since January 2008.

Auditor's Recommendation #14:

CAS should continue to ensure that the contractors implement the corrective actions that the contractors formulated.

Agency's Response:

We agree with the recommendation. However, the report indicated that there has been "inadequate follow-up of Community Voices Heard (CVH) report recommendations." It behooves us to clarify that although CVH's findings were not statistically significant and could not be generalized to the overall program, HRA did, as the audit report acknowledges, find some of the recommendations worthwhile, and has followed up with the vendors on those recommendations in writing and at monthly meetings. In fact we began following-up, as the report also recognizes, six months after our initial request for a corrective action plan.

It is the goal of HRA to provide services to our clients, who are among the most vulnerable of New York's citizens, in the most effective and efficient manner possible while adhering to all applicable policies, rules and directives. In that spirit, we would like to thank the Comptroller's staff for bringing to our attention areas in which we may improve our operations. We trust that the corrective actions detailed above demonstrate our commitment by addressing the concerns identified by the audit. Should you have any questions regarding this matter, please contact Hope Henderson, Director, Bureau of Audit Coordination, at (212) 331-4660.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jane Corbett", written in dark ink.

Jane Corbett

C: Commissioner R. Doar
R. Esnard
F. Lipton