

Special Review

**Department of Human Services
Baltimore City Department of Social Services**

Allegation Related to Possible Violations of State Procurement Regulations and
Certain Payments Made to a Nonprofit Organization

July 2018



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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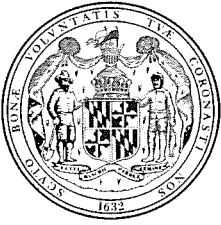
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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Thomas J. Barnickel III, CPA
Legislative Auditor

July 11, 2018

Senator Craig J. Zucker, Co-Chair, Joint Audit Committee
Delegate C. William Frick, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We conducted a review of an allegation received through our fraud, waste, and abuse hotline regarding the Department of Human Services (DHS) – Baltimore City Department of Social Services (BCDSS) and certain payments it made to a nonprofit organization. BCDSS had five agreements covering the period from July 2014 through June 2019 with the nonprofit organization. As of December 2017 payments under these agreements totaled approximately \$7 million.

Our review disclosed that a former BCDSS management employee directed the nonprofit organization to invoice, and authorized BCDSS to pay, \$500,000 for a cancelled project on which no work had been performed. The actions raise serious questions about the intended use of the funds. We brought this matter to the attention of DHS management personnel in November 2017 and DHS recovered the funds in December 2017.

Our review also disclosed that the former BCDSS management employee circumvented State procurement regulations by directing the nonprofit organization to contract with and pay an out-of-State vendor for work unrelated to its agreements with the nonprofit. As of December 2017, BCDSS had paid the nonprofit \$1.3 million for the vendor's charges under one of these agreements and a preceding agreement, and certain of these payments were questionable. For example, the vendor submitted six invoices to the nonprofit (ultimately paid by BCDSS) that included questionable purchases of electronic equipment (such as computer tablets) totaling approximately \$22,100. These purchases appeared to have been for the personal use of the former BCDSS management employee or were given by this employee to others as gifts.

Finally, our review of procedures and controls for two of the agreements with the nonprofit organization valued at \$9.6 million disclosed that BCDSS lacked sufficient procedures and accountability over the execution, use, and monitoring of the agreements. For example, BCDSS did not obtain sufficient supporting documentation for any of the payments totaling \$5.5 million related to these agreements.

DHS' response, on behalf of BCDSS, to our findings and recommendations is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during the course of this review by BCDSS.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'TJ Barnickel III', written in a cursive style.

Thomas J. Barnickel III, CPA
Legislative Auditor

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Scope, Objectives, and Methodology

We conducted a review of an allegation received through our fraud, waste, and abuse hotline regarding the Department of Human Services (DHS) – Baltimore City Department of Social Services (BCDSS). The allegation related to possible violations of State laws, regulations, and policies by a former BCDSS management employee and a nonprofit organization that received funds from BCDSS primarily to provide services to parents of children in foster care. The BCDSS management employee resigned prior to the start of our review.

The purpose of our review was to determine whether the allegation we received was valid and to determine if the related activities violated State laws, regulations, and policies. This review was performed in accordance with State Government Article, Section 2-1220 of the Annotated Code of Maryland.

BCDSS has had a longstanding relationship with the nonprofit organization dating back to at least 2009. BCDSS had five active agreements covering the period from July 1, 2014 through June 30, 2019, with the nonprofit organization with terms of one to five years and a combined value of approximately \$12.6 million, as reflected in Table 1. The agreements generally provided that the nonprofit organization was to provide services (such as, substance abuse treatment) to parents of children in foster care.

The scope of our review included the three agreements for which payments totaling approximately \$7 million had been made as of December 2017. This review included payments made by the nonprofit organization to an out-of-state vendor under one of these agreements. Because of the questionable nature of these payments, we expanded the scope of our review to include payments made to this out-of-state vendor under another agreement between BCDSS and the nonprofit, valued at \$8.3 million, which ended in June 2014. Payments to the out-of-state vendor totaled \$1.3 million under both agreements.

Our review consisted of tests, analyses, observations, and discussions with BCDSS personnel and others, as we deemed necessary, to achieve our objectives. The results of our review of the allegation are identified in Findings 1 and 2. Our review also identified issues with the execution, use, and monitoring of the agreements with the nonprofit organization, which are identified in Finding 3.

Table 1
BCDSS Agreements with Nonprofit

	Term	Total Value	Payments as of 12/1/17
1	7/1/14 - 6/30/19	\$ 8,000,000	\$5,207,936
2	7/1/14 - 6/30/17	\$ 1,571,367	\$1,306,996
3	6/15/16 - 5/14/17	\$ 500,000	\$500,000
4	5/1/17 - 4/30/18	\$ 1,500,000	\$0
5	5/1/17 - 4/30/18	\$ 1,000,000	\$0
Total		\$ 12,571,367	\$7,014,932

Source: BCDSS Records

Our review did not constitute an audit conducted in accordance with generally accepted government auditing standards. Our review was conducted during the period from October through December 2017.

The response from DHS, on behalf of BCDSS, to our findings and recommendations is included as an appendix to this report. As prescribed in State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise DHS regarding the results of our review of its response.

Background Information

Agency Responsibilities

The Department of Human Services (DHS) – Baltimore City Department of Social Services (BCDSS) is one of the State's 24 local departments of social services. BCDSS administers activities under policies promulgated by other units within DHS. These activities include administering public assistance programs, such as the Supplemental Nutrition Assistance Program (formally the food stamp program) and Temporary Cash Assistance, as well as services for adoption, foster care, and child protection. BCDSS also works with local organizations (including nonprofit organizations) to implement programs and provide support services to children and families in their communities, including education and training programs, transitional housing, and drug and alcohol rehabilitation programs.

According to the State's records, BCDSS operating expenditures totaled \$175.4 million for fiscal year 2017, of which \$134.2 million was for employee salaries and benefits and \$41.2 million was for its remaining operating expenditures. These expenditures exclude funds disbursed to BCDSS clients under public assistance programs.

Overview

The hotline allegation we received pertained to a former BCDSS management employee and a nonprofit organization. BCDSS had five agreements with the nonprofit that were executed by the former BCDSS management employee. The agreements had terms of one to five years for various periods from July 2014 through June 2019 with a combined value of \$12.6 million. According to State records, as of December 2017, BCDSS made payments totaling approximately \$7 million on three of these agreements; no payments had been made under the two other agreements valued at \$2.5 million.

As a result of our review, we identified certain questionable matters as described in the findings which follow. Consequently, we referred these matters to the Office of the Attorney General – Criminal Division, which subsequently referred the matter to the Office of the State Prosecutor. We also identified possible violations of State ethics law that may require referral to the State Ethics Commission, as well as poor grant administration procedures and controls that require corrective action by BCDSS.

BCDSS should consult with the Office of the State Prosecutor before taking any actions related to the findings contained in this report. A referral to the Criminal

Division or the Office of the State Prosecutor does not mean that a criminal act has actually occurred or that criminal charges will be filed.

Findings and Recommendations

Questionable Disbursement

Finding 1

A former Baltimore City Department of Social Services (BCDSS) management employee directed a nonprofit organization to invoice BCDSS \$500,000 for a cancelled project on which no work had been performed. This employee also subsequently authorized the related payment.

Analysis

A former Baltimore City Department of Social Services (BCDSS) management employee directed a nonprofit organization to invoice BCDSS \$500,000 for a cancelled project on which no work had been performed. This employee then authorized BCDSS to make the related payment to the nonprofit. The project related to a June 2016 one-year \$500,000 agreement with the nonprofit organization (agreement 3 in Table 1), funded equally by general and federal funds, to (1) renovate a former Baltimore City school that was to be acquired from Baltimore City for a foster care program, and (2) implement a plan to expand the services provided by this foster care program. The agreement provided that the nonprofit was to be reimbursed for expenses incurred, including \$290,000 for building renovations and equipment, \$165,000 for program implementation costs, and \$45,000 for administrative costs.

For reasons unknown to current BCDSS management, on September 14, 2016, the former BCDSS management employee withdrew BCDSS' application to obtain the school building, prior to any work being performed by the nonprofit organization. Nevertheless, we were informed by the nonprofit organization that the former BCDSS management employee directed it to invoice BCDSS for the entire \$500,000 in a lump sum. The BCDSS management employee approved the payment of the invoice on September 30, 2016 even though the nonprofit had not incurred any costs to warrant a payment or to justify the receipt of the funds.

The actions of the former BCDSS management employee raise serious questions regarding the intended use of the funds, since the agreed-upon services could not be performed without the acquisition of the school building. The nonprofit organization's management advised us that it was not informed that BCDSS had withdrawn its proposal to acquire the building until after the invoice had been paid, and that it retained the funds in its bank account while awaiting instructions from BCDSS on how the funds were to be expended.

The nonprofit organization was still in possession of the funds when we began our review in October 2017. Current BCDSS management personnel were aware of the funds and advised us that they intended to authorize the nonprofit to use the funds for other initiatives, allowing the nonprofit to retain these funds until they were used. We subsequently brought this matter to the attention of Department of Human Services (DHS) management personnel in November 2017 and DHS recovered the funds in December 2017.

Recommendation 1

We recommend that BCDSS discontinue making payments without ensuring that the related services have been provided.

Questionable Use of Agreements

Finding 2

A former BCDSS management employee circumvented State procurement regulations by directing a nonprofit organization to contract with and pay an out-of-state vendor for work unrelated to its agreements with the nonprofit. Associated payments to the vendor totaled \$1.3 million, some of which appeared questionable.

Analysis

A former BCDSS management employee circumvented State procurement regulations by directing the nonprofit organization to contract with and pay an out-of-state vendor for work unrelated to its agreements with the nonprofit organization. In addition, certain payments to the vendor appeared questionable. The services of the out-of-state vendor were obtained under two \$8 million agreements with the nonprofit organization for the period from July 2009 through June 2019 (agreement 1 in Table 1 and a similar preceding agreement). The agreements provided that the nonprofit was to provide services to parents (such as, substance abuse treatment) to help reduce the time that children were in foster care. As of December 2017, BCDSS had paid the nonprofit \$1.3 million for the out-of-state vendor's charges under these agreements.

Circumvention of State Procurement Regulations

The former BCDSS management employee directed the nonprofit organization to contract with and pay an out-of-state vendor under two agreements for unrelated work. The nonprofit entered into annual contracts with the vendor under these agreements as directed by the former BCDSS management employee. The owner and sole employee of this vendor was a previous coworker of the former BCDSS management employee.

The work performed by the out-of-state vendor was unrelated to the purpose of the two agreements. Both agreements generally provided that the nonprofit organization was to provide services to parents (such as, substance abuse treatment) to help reduce the time that children were in foster care. Management of the nonprofit advised us that the out-of-state vendor worked directly for the former BCDSS management employee who directed and monitored the vendor's work. Specifically, the majority of the amounts invoiced by the out-of-state vendor related to labor charges for generating certain reports and providing technical support directly to BCDSS. In addition, certain of these tasks were administrative in nature. For example, two of the vendor's invoices included charges totaling \$4,935 for work performed to analyze BCDSS position vacancies, and another invoice included charges for work performed to update BCDSS email and phone listings. The out-of-state vendor submitted its invoices to the nonprofit which paid the invoices without any review or direct knowledge of the work performed. The nonprofit then incorporated the out-of-state vendor's charges into the invoices it submitted to BCDSS for payment.

The former BCDSS management employee's control of the selection, work duties, and oversight of the vendor, and the fact that the work performed was unrelated to the agreements raise questions as to the propriety of using these agreements to obtain these services. Because the vendor's services were procured in this manner, BCDSS did not use a competitive procurement process, which is otherwise mandated by State Procurement Regulations for service procurements greater than \$25,000. Accordingly, assurance was lacking that these services were obtained at the most advantageous prices to the State.

Questionable Contract Terms and Payment Structure and Lack of Deliverables

The contracts provided that the nonprofit would pay the out-of-state vendor up to \$125,000 per year for fiscal years 2010 through 2013. This included an hourly rate of \$75 and reimbursement for expenses (such as hotel and travel) up to \$15,000 per year. For fiscal years 2014 through 2017, the contract values were increased, at the direction of the former BCDSS management employee, to a maximum of \$175,000 per year, including an hourly rate to \$105 and an annual expense allowance of \$20,000.

There was no documentation to support either the initial rates paid to the vendor or the subsequent increase. In addition, there was no record of the specific tasks assigned to the out-of-state vendor and the anticipated level of effort (such as the number of hours needed for each task.)

Finally, current BCDSS management could not confirm or document the specific services or work products (for example, analysis of vacant positions) provided by

the out-of-state vendor to support the hours charged. While we were able to locate certain reports and correspondence indicating that some work was performed, BCDSS had no assurance that the amounts paid were commensurate with the services performed.

Questionable Purchases

During the period between March 2014 and January 2017, the out-of-state vendor submitted six invoices to the nonprofit (ultimately paid by BCDSS) that included questionable purchases of electronic equipment (such as computer tablets) totaling approximately \$22,100. Our review disclosed that the purchases appeared to have been for the personal use of the former BCDSS management employee or were given by this employee to others as gifts. Specifically, although the payments were approved by the contract monitor, we noted the following conditions:

- All the purchases were shipped to or picked up directly by the former BCDSS management employee. One purchase was shipped to the employee's home, four were shipped to the employee's work address, and one was picked up at the store.
- Three tablets were engraved with the former management employee's name, one was engraved with what appeared to be the initials of the former management employee's close relative, and 10 were engraved with the names of other BCDSS employees. We spoke with three current BCDSS management employees whose names were engraved on the tablets. Each employee individually advised us that the former BCDSS management employee provided the tablets to them and the other employees as gifts for their personal use.
- The purchases were not recorded on the equipment inventory listing maintained by the Department of Human Services on behalf of BCDSS.

Current BCDSS management personnel, certain of which were recipients of these tablets, advised us that they believed that the tablets were purchased with non-state funds. However, they could not provide any support for this assertion and, based on our review, the purchases were paid for with State funds. We were unable to determine the location of all of the electronic equipment.

Possible Ethics Violation

Legal counsel for the State Ethics Commission advised us that the former BCDSS management employee's influence over the nonprofit organization to contract with and pay the out-of-state vendor, as well as the subsequent receipt of the aforementioned electronic equipment, could potentially violate several conflict of interest provisions of State Ethics Laws. Any final decision related to violations of the State Ethics Laws would ultimately be determined by the State Ethics Commission.

Termination of Contract

The extent to which current BCDSS management was aware of the aforementioned conditions was unclear. Nevertheless, on October 25, 2017, BCDSS management directed the nonprofit to terminate its contract with the out-of-state vendor because the services could be obtained using existing BCDSS employees. The nonprofit organization terminated its contract with the out-of-state vendor effective December 31, 2017.

Recommendation 2

We recommend that BCDSS

- a. discontinue using existing agreements to procure unrelated services;**
- b. ensure goods and services are competitively procured in accordance with State Procurement Regulations;**
- c. document the specific tasks assigned under the contract and only pay invoices after ensuring agreed-upon goods and services were received;**
- d. after consultation with the Office of the State Prosecutor, refer this matter to the State Ethics Commission; and**
- e. locate the electronic equipment and review all payments to the vendor for propriety after consulting with the State Prosecutor and the Commission.**

Agreement Oversight

Finding 3

BCDSS lacked sufficient procedures over the execution, use, and monitoring of two agreements with the nonprofit organization.

Analysis

BCDSS lacked sufficient procedures and accountability over two agreements. Our review of procedures and controls for two of the agreements with the nonprofit organization valued at \$9.6 million (agreements 1 and 2 in Table 1) disclosed the following conditions:

- BCDSS did not independently verify that funds paid under these agreements were consistent with the approved budgets. Our test of 22 disbursements totaling \$5.5 million related to these agreements (excluding disbursements to the out-of-state vendor commented upon in Finding 2) disclosed that BCDSS did not obtain sufficient supporting documentation for any of the payments. The agreements required the nonprofit to provide expenditure reports with each invoice indicating the total spent under each of the approved budget line items. However, BCDSS did not require the nonprofit to provide supporting documentation, including subcontractor billings, support for labor charges, and receipts for supply purchases, so that the expenditure reports could be verified by BCDSS. In all cases, the invoices had been approved by the contract monitor.

For example, on the June 2017 invoice for \$440,000, payments to subcontractors totaled approximately \$364,000. BCDSS did not obtain supporting documentation for any of these charges.

- BCDSS did not ensure that the nonprofit was providing the agreed-upon services consistent with the purposes of the agreements. For example, under one agreement, the nonprofit was to provide emergency support services to 75 families whose children were at risk for entering foster care. Under another agreement, the nonprofit was to provide substance abuse treatment and supportive housing to families whose children had been placed in foster care. BCDSS did not monitor receipt of activity reports (such as reports of the number of individuals served) required to be submitted by the nonprofit to substantiate that these services were being provided. Our test of the two agreements disclosed that none of the 87 activity reports required to be submitted through September 2017 were on file with BCDSS.
- BCDSS did not execute one of the agreements valued at approximately \$1.6 million until approximately nine months after the start of the agreement. Although the terms of the agreement began on July 1, 2014, the agreement was not formally executed by BCDSS until April 13, 2015. BCDSS subsequently approved a \$260,000 payment in May 2015, for work the nonprofit performed prior to execution of the agreement. The Department of Human Services' *Administrative Procedures Manual* requires fully approved and executed agreements prior to the commencement of services.
- BCDSS paid the nonprofit for work performed by employees who were not identified in one of the agreements. Our review of fiscal years 2016 and 2017 invoices under this agreement disclosed that the nonprofit paid labor charges, totaling \$52,500, for three individuals who were not included in the

agreement's approved budget. (Total payments during this timeframe under this agreement were \$1.3 million.) The agreement allowed for changes in personnel if the changes were approved by BCDSS; however, BCDSS could not provide any documentation that it approved the use of these employees to perform work related to the agreement.

Recommendation 3

We recommend that BCDSS

- a. obtain documentation to independently verify the propriety of all past and future payments to the nonprofit, and recover any improper payments identified;**
- b. ensure that contractually obligated services are provided and all required reports are submitted, including the missing reports noted above;**
- c. ensure that agreements are executed prior to the commencement of services; and**
- d. ensure that all personnel changes have been approved prior to payment for these related services.**

APPENDIX



Larry Hogan, Governor | Boyd K. Rutherford, Lt. Governor | Lourdes R. Padilla, Secretary

July 3, 2018

Mr. Thomas J. Barnickel III, CPA, Legislative Auditor
Office of Legislative Audits
Department of Legislative Services
300 West Preston Street, Room 1202
Baltimore, Maryland 21201

Dear Mr. Barnickel:

Please find attached the Department of Human Services and Baltimore City Department of Social Services (BCDSS) response to the Office of Legislative Audits' May 30, 2018, Special Review of BCDSS Draft Report. This response was transmitted electronically, and a paper copy will be provided to your office.

Sincerely,

A handwritten signature in black ink that reads "Lourdes R. Padilla". The signature is written in a cursive style with a large, stylized "L" and "P".

Lourdes Padilla
Secretary



DHS AND BCDSS RESPONSE TO OLA REPORT ON BALTIMORE CITY DEPARTMENT OF SOCIAL SERVICES

The Department of Human Services (DHS) and Baltimore City Department of Social Services (BCDSS) takes audit findings very seriously. We seek to operate with the highest level of integrity and prudent fiscal management. Since receiving the preliminary discussion notes from the Office of Legislative Audits (OLA) and as recommended by OLA, DHS leadership has been in contact with the Office of the State Prosecutor (OSP), and based on recent conversations with the OSP, DHS is now prepared to move forward on the proposed actions in this response. Nevertheless, as the activities of OSP related to this matter are ongoing, the DHS and BCDSS response to the OLA findings and recommendations is preliminary.

At this time, we are not contesting any of the factual assertions or conclusions presented in the OLA review; however, our internal review of this matter is ongoing. Should the DHS/BCDSS internal review suggest a material issue with or need for clarification of the OLA finding, we will notify you and update our response.

FINDING 1

A former Baltimore City Department of Social Services (BCSS) management employee directed a nonprofit organization to invoice BCDSS \$500,000 for a cancelled project on which no work had been performed. This employee also subsequently authorized the related payment.

Recommendation 1

Baltimore City Department of Social Services [should] discontinue making payments without ensuring that related services have been provided.

Response to Recommendation:

We concur with this recommendation. We will ensure that payments will be made in accordance with the terms and conditions of the grant, contract, or agreement and that related services have been provided. As noted, the Department has already recovered the \$500,000 from the nonprofit.

BCDSS will conform to and comply with established and applicable federal and state laws, regulations, policies, and procedures regarding procurement, including those related to contract rates and invoicing.

BCDSS will review all of its significant (\$100,000 or greater) existing contracts and grant agreements to ensure that payments have been made based on confirmation of completion of services and receipt of deliverables. The review of



the nonprofit organization's contracts and grants will be completed by August 1, 2018, and the review of all other contracts and grants will be completed by October 1, 2018.

We are reviewing the business process regarding invoice review, approval, and payment to ensure appropriate controls are in place to prevent this situation from reoccurring in the future. We anticipate this review will be completed and, to the extent necessary, new processes established by September 1, 2018.

To make certain that staff appropriately discharge their duty to ensure that payments are not made until it is confirmed that the related services have been provided, all executive and management staff will received ethics training. This training for BCDSS executive leadership and key procurement and finance staff will be completed by August 1, 2018, with all BCDSS management staff receiving training by October 1, 2018; other units of DHS will receive training by the end of state fiscal year 2019.

Likewise, to re-enforce the importance of operational integrity and ethics, the job definitions (MS-22s) of the executive and management staff at BCDSS will be updated by August 1, 2018 to include this job duty:

“Conduct operations ethically; adhere to compliance requirements; provide discipline and structure that influences the staff awareness of and respect for operational controls.”

The job descriptions for executive and management staff at DHS central and in other jurisdictions will be updated on a rolling basis in conjunction with regular job performance reviews; all job descriptions will be updated by the end of December, 2018.



FINDING 2

A former BCDSS management employee circumvented State procurement regulations by directing a nonprofit to contract with and pay an out-of-state vendor for work unrelated to its agreements with the nonprofit.

Recommendation 2

Baltimore City Department of Social Services should:

a. Discontinue using existing agreements to procure unrelated services.

Response: We concur with this recommendation. BCDSS will conform to and comply with established and applicable federal and state laws, regulations, policies, and procedures regarding procurement, including those related to contract rates and invoicing. It is our understanding that the nonprofit has terminated the contractual relationship with the out-of-state vendor discussed in this finding.

BCDSS will review all other existing grants and similar agreements to ensure that there is no inappropriate subcontracting or other practices which circumvent the applicable state procurement procedures. This review of contracts should be completed by September 2018.

b. Ensure that goods and services are competitively procured in accordance with state procurement regulations.

Response: We concur with this recommendation. BCDSS will conform to and comply with established and applicable federal and state laws, regulations, policies, and procedures regarding procurement, including those related to contract rates and invoicing. In particular, BCDSS will ensure that grants, contracts, and similar agreements are appropriately focused with regards to the goods or services and that the scope of work and deliverables are clear and reflect the agreement's stated purpose.

To enforce state procurement regulations regarding competition and agreements for specified services, executive and management staff will receive procurement training. This training will be completed for BCDSS by September 1, 2018, and for other jurisdictions by the end of the state fiscal year.



- c. Document the specific tasks assigned under the contract and only pay invoices after ensuring agreed-upon goods and services were received.**

Response: We concur with this recommendation. BCDSS will conform to and comply with established and applicable federal and state laws, regulations, policies, and procedures regarding procurement, including those related to contract rates and invoicing.

For all new contracts and grants issued, specific tasks or deliverables will be defined through contract or task order (consistent with the nature of the agreement), and prior to payment invoices will be reviewed against the established terms and deliverables to ensure that agreed upon goods and services were received.

- d. After consultation with the Office of the State Prosecutor, refer this matter to the State Ethics Commission.**

Response: We concur with this recommendation. We have been in in contact with the State Ethics Commission and will take appropriate actions based on their guidance.

- e. Locate the electronic equipment and review all payments to the vendor for propriety after consultation with the State Prosecutor and the Commission.**

Response: We concur with this recommendation. BCDSS has located the electronic equipment that is in the possession of current BCDSS employees. This equipment is now appropriately tagged and included in the state inventory, and in accordance with state and DHS policy this equipment will only be used for official state business.

BCDSS will work with the nonprofit organization to review all payments made to the out-of-state vendor under this and all other active grants between BCDSS and the nonprofit. This review will be completed by August 1, 2018.



FINDING 3

BCDSS lacked sufficient procedures over the execution, use, and monitoring of two agreements with the nonprofit organization.

Recommendation 3

- a. Obtain documentation to independently verify the propriety of past and future payments to the nonprofit and recover any improper payments identified.**

Response: We concur with this recommendation. BCDSS will review all of the payments made to the nonprofit under these agreements and the evidence submitted with invoices to determine whether adequate documentation was presented in accordance with the terms of the agreement and state policy to verify the expenditure reports. This review should be completed by August 1, 2018.

To the extent that the documentation was insufficient, BCDSS will make reasonable efforts to obtain the supporting documentation from the nonprofit. If any improper payments are identified, BCDSS will take appropriate steps to recover those funds. BCDSS will also ensure that appropriate supporting documentation is provided by the nonprofit prior to any future payments.

- b. Ensure that contractually obligated services are provided and all required reports are submitted, including the missing reports noted above.**

Response: We concur with this recommendation. BCDSS will actively monitor that intended services are being provided under these grant agreements and that the required activity reports are submitted by the nonprofit and reviewed and maintained on file by BCDSS.

Further BCDSS make all reasonable efforts to obtain the missing past activity reports from the nonprofit. Should this prove impractical, BCDSS will seek other evidence from the nonprofit to demonstrate that intended services were provided. The request for missing activity reports will be made by August 1, 2018.



c. Ensure that the agreements are executed prior to the commencement of services.

Response: BCDSS will conform to and comply with established and applicable federal and state laws, regulations, policies, and procedures regarding procurement, including those related to contract rates and invoicing. DHS will review (and if necessary, update) its Administrative Procedures Manual to ensure it is consistent with State procurement policy. This review should be completed by September 1, 2018.

BCDSS will establish an agency forecast for contracts and procurements, including timelines, to better manage the awarding to grants and provision of services. This forecast document should be completed by August 15, 2018.

d. Ensure that all personnel changes have been approved prior to payment for related services.

Response: We concur with this recommendation. Consistent with the terms of these agreements, BCDSS will require that any material personnel changes are approved by BCDSS prior to payment by BCDSS for related services. Likewise, for all new grants or contracts (or consistent with the terms of existing agreements, should such terms exist), BCDSS will require that any material changes related to personnel be formally approved prior to the payment of any invoice related to that personnel.

