
Because the contract allowed the Youth Harvest Foundation to count other organizations' clients as their own, contract monitoring staff stated that they could not determine how many clients the Youth Harvest Foundation directly served.

Performance measures

In addition to issues with supporting documentation, the performance measures in the Youth Resource Center contract do not allow APH to determine how many clients are directly served with City funds. This contract explicitly allows the Youth Harvest Foundation to count clients served by other agencies, and there is no requirement that the Youth Harvest Foundation distinguish between the number of clients they served and the number served by these other agencies. APH staff tasked with monitoring this contract stated they could not determine how many clients the Youth Harvest Foundation directly served. As a result, it is unclear how effectively the Youth Harvest Foundation is spending City money serving clients.

Finding 2

Even if the two contracts with the Youth Harvest Foundation had been developed to allow effective monitoring, Austin Public Health's monitoring process is ineffective.

Although there were issues with the terms of the Youth Harvest Foundation contracts as noted in Finding 1, APH did not effectively monitor these contracts. As detailed below, there were issues with how APH monitored Youth Harvest Foundation's financial and performance measures, as well as APH's general monitoring operations. As a result, APH could not obtain assurances that payments were appropriate.

Issues with monitoring financials

According to the primary APH staff member responsible for monitoring the Youth Harvest Foundation contracts, the Youth Harvest Foundation usually only submitted a profit-and-loss statement to support monthly requests for payment.³ These statements did not contain sufficient details to verify that the Youth Harvest Foundation actually incurred expenses for which it was requesting reimbursement, and APH staff did not request additional documentation.

As an example, the Youth Resource Center contract specified that the City would only pay 10% of the full-time wages of certain positions at the Youth Harvest Foundation.⁴ However, the profit-and-loss statements listed salary as a single line item, which meant APH employees could not verify adherence to this requirement. The manager for the workgroup approving payments stated that staff did not check whether this provision was followed for payment requests.

In another example, the same contract listed the specific positions that the City was funding and the Youth Harvest Foundation's Executive Director was not included in this list. During the three months of expenses reviewed, the Youth Harvest Foundation included about \$13,000 of the Executive Director's salary in the wages and salaries expense line item, which was approved for payment by APH. Although it was not listed in the program budget, another section of the contract states that compensation for a "director acting in an executive capacity" is an allowable expense.

³ As noted in Finding 1, they were not required to submit actual receipts, bank statements, or payroll records.

⁴ This provision was removed in later amendments to the contract.

It is unclear if this section supersedes the program budget.

Based on documentation provided by the Youth Harvest Foundation during the audit, it appeared that the City overpaid the Youth Harvest Foundation \$18,600 for wages and salaries during a three month period reviewed for this audit. After a subsequent review of additional Youth Harvest Foundation documentation, APH staff asserted that there was no overpayment. However, this review by APH resulted in the identification of several other issues with Youth Harvest Foundation's performance under the contracts.

Another potential issue included reimbursement for a gasoline purchase made outside of Travis County. The contract required that APH provide written approval prior to travel outside of Travis County and it was unclear if that occurred. Additionally, the Youth Harvest Foundation's commercial auto insurance policy coverage included a personal vehicle. It is unclear how often this vehicle was used to provide City services and whether APH reimbursed the Youth Harvest Foundation for the full cost of insuring this vehicle.⁵

Issues with monitoring performance

Although the Youth Harvest Foundation was required to submit performance information on a quarterly basis, APH staff stated that they only attempted to verify reported performance totals during the annual site visit. This means that APH paid the Youth Harvest Foundation for 12 months without attempting to verify reported performance.

Additionally, there were several issues with the process APH staff used to verify the Youth Harvest Foundation's reported performance. For example, APH staff reviewed only three client files related to the Youth Resource Center contract during the 2017 site visit. This represents less than 1% of the number of clients the Youth Harvest Foundation was expected to serve under that contract during the year. APH staff asserted that future reviews would involve a larger number of client files.

Another issue is that APH staff appeared to tell the Youth Harvest Foundation which client files would be reviewed prior to the visit. Although APH policy requires staff to notify contractors about the scope of the site visit, providing information about the specific files to be reviewed gives contractors the opportunity to conceal irregularities and modify documentation. During this audit, the Youth Harvest Foundation was unable to provide documentation to support the number of unduplicated clients served that they had previously reported to APH.

General monitoring operations

APH has two workgroups tasked with monitoring contracts. The Contract Management workgroup is responsible for the day-to-day monitoring of contracts. The Contract Compliance Unit is responsible for, among other

During the 2017 site visit, APH staff reviewed less than 1% of the number of clients the Youth Harvest Foundation was expected to serve.

The Youth Harvest Foundation was unable to provide complete documentation to support the number of unduplicated clients served that they previously reported.

⁵ The personal vehicle was not included on the policy during the time period reviewed during the audit.

things, monitoring contracts that APH deems as high risk. Each workgroup has a manual to guide its contract monitoring activities, which outline different monitoring “levels” for contracts. According to the Contract Management manual, which is currently undergoing revision, monitoring levels may be raised as a result of missed report deadlines or inaccurate reports, and specific actions are taken when a contract’s level is raised.⁶ At the highest level, Contract Management is supposed to refer the contract to the Contract Compliance Unit.

Information about the designated monitoring levels for the Youth Harvest Foundation contracts was inconsistent. The APH employee directly assigned to monitor the Youth Resource Center contract stated that it was at the highest level. This was confirmed in the contract management system. However, the Contract Management manager stated the contract was at the lowest monitoring level. Additionally, the Contract Management manager asserted that actions required to raise the monitoring level had not taken place.

A recent audit by another governmental entity found that the Youth Harvest Foundation had overcharged them \$49,000. After that, the entity canceled their contract with the Youth Harvest Foundation.

APH’s contracts with the Youth Harvest Foundation require that the Youth Harvest Foundation provide copies of monitoring reports from other sources of funding. When submitting quarterly performance reports, the Youth Harvest Foundation is required to note if they have received any such reports.⁷ During the 2017 site visit, APH staff learned that the Youth Harvest Foundation had been audited by another government entity. This audit, which was finalized in September, found that the Youth Harvest Foundation had overcharged the entity \$49,000 and resulted in the entity canceling its contract with the Youth Harvest Foundation. Although the site visit occurred more than a month later in October, Youth Harvest Foundation staff indicated to APH that the report had not been finalized. APH staff did not appear to contact the other government entity after learning this information.

In January, the Youth Harvest Foundation submitted a quarterly performance report to APH. On this report, Youth Harvest Foundation staff indicated that they had not received a monitoring report from another entity. The APH employees who were present during the October site visit reviewed this report, but there is no indication that anyone at APH followed up on this response or attempted to obtain the audit report from the Youth Harvest Foundation.

⁶ In addition to notifying the Contract Compliance Unit when monitoring levels are increased, Contract Management staff must also prepare a Corrective Action Plan and require additional supporting documentation from the contractor.

⁷ APH has added an additional request for monitoring reports to the monthly payment request form that agencies complete.

Additional observation

Issues identified in this audit may not be unique to the Youth Harvest Foundation Contracts.

This report identified issues with general contract language and APH's policies and procedures for contract development and monitoring. As a result, these issues may also exist with other contracts developed and managed by APH. Although the recommendations in this report apply specifically to the Youth Harvest Foundation contracts, it may be in APH's best interest to evaluate how they apply to other existing and future contracts.

Recommendations and Management Response

1

The Director of APH should ensure that payments made under both Youth Harvest Foundation contracts were appropriate, and seek reimbursement for any payments made for unallowable or unjustified expenses claimed by the Youth Harvest Foundation.

Management Response: Agree

Proposed Implementation Plan: APH staff will review payments made to the Youth Harvest Foundation under both the Youth Resource Center and Conferences agreements to ensure expenses billed were justified and allowable. For any unjustified or unallowable expenses found, APH will seek reimbursement.

Proposed Implementation Date: October 1, 2018

2

The Director of APH should ensure more effective monitoring of the Youth Harvest Foundation contracts by:

- Requesting additional supporting documentation related to payment requests;
- Contacting other funders directly to obtain monitoring reports;
- Not informing the Youth Harvest Foundation in advance about the specific scope of on-site monitoring; and
- Ensuring staff responsible for monitoring the Youth Harvest Foundation contracts have an appropriate understanding of the purposes of their role.

Management Response: Agree

Proposed Implementation Plan: Current APH Contract Management and Contract Compliance Unit monitoring procedures do require grantees to submit supporting documentation on payment requests as deemed necessary, or on a sample basis; grantees acknowledge receipt of monitoring reports from external funders, and provide copies to Austin Public Health.

APH will modify the Department's current monitoring procedures to ensure:

- adequate supporting documentation is obtained from the Youth Harvest Foundation to determine if expenses billed to APH are justified and allowable,
- once a grantee acknowledges receipt of monitoring report from external funder, report will be obtained either voluntarily from the grantee, or directly from funder,
- limited notice of specific scope of future monitoring engagements.


Training and technical assistance will be provided to Contract Managers to ensure they have a clear understanding of the purposes of their roles.

Proposed Implementation Date: December 1, 2018

Management Response



MEMORANDUM

TO: Corrie Stokes, City Auditor
FROM: Stephanie Hayden, Director, Austin Public Health 
DATE: May 14, 2018
SUBJECT: APH Management Response to the report "Contract Audit: Youth Harvest Foundation"

Thank you for the opportunity to respond to your audit report au17118, *Contract Audit: Youth Harvest Foundation*. Recommendations for improvement within the report will be used to guide continuous improvement in Austin Public Health's (APH) Contract Management and Monitoring activities.

Management and monitoring of Social Services and other services agreements are high profile activities and key management controls in APH's stewardship of City of Austin taxpayer dollars. As such, APH is planning a comprehensive assessment of its current Contract Management and Monitoring functions' organization, roles and responsibilities.

As requested, APH managements' responses are attached. Your feedback is greatly appreciated.

Scope

The audit scope included two contracts between the City of Austin and the African American Youth Harvest Foundation.

Methodology

To complete this audit, we performed the following steps:

- interviewed APH staff members;
- analyzed APH policies and procedures;
- reviewed the City's contracts with the Youth Harvest Foundation;
- evaluated submissions from Youth Harvest Foundation related to work under their contracts;
- selected a judgmental sample of expenses claimed by the Youth Harvest Foundation between 10/01/2016 and 12/31/2016;
- requested and reviewed supporting documentation from the Youth Harvest Foundation related to performance under their contracts;
- researched contract monitoring and development practices and guidelines; and
- reviewed another governmental entity audit report of the Youth Harvest Foundation.

Audit Standards

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Office of the City Auditor was created by the Austin City Charter as an independent office reporting to City Council to help establish accountability and improve City services. We conduct performance audits to review aspects of a City service or program and provide recommendations for improvement.

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