

Audit Report

City Social Service Contracting Process

December 2019



The City of Austin spends millions of dollars on social service contracts to provide services to residents. Funding for these services has increased over time. In fiscal year 2016, Council established a funding policy goal of \$12 million for social service contracts in addition to existing funding. For fiscal year 2019, various City commissions identified social service community needs. While the City has allocated funding to meet Council's funding policy goal, it has not been able to fund some of the other identified needs due to budget constraints and other competing City priorities.

We identified similarities and differences in the way the City of Austin provides funding for social services compared to other cities.

In addition, while the majority of stakeholders perceive that the City's social service contracting process is adequately transparent and equitable, some stakeholders expressed concerns. Stakeholders mentioned some challenges such as length and complexity of the process, and burdensome requirements.

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Objective

Does the City's social service contracting process include adequate funding, meet stakeholders' expectations, and align with peer cities?

Background

The City's social service contracting process involves multiple stakeholders and activities.

Exhibit 1: The City's social service contracting process includes multiple activities that are performed by three main groups

Council	Commissions	Departments
<ul style="list-style-type: none">- set policy- authorize funding	<ul style="list-style-type: none">- identify community social service needs- advise Council on social service issues- recommend funding to Council	<ul style="list-style-type: none">- identify community social service needs- perform solicitations and award contracts- monitor contracts- raise issues related to social services to Council

SOURCE: OCA review of the City's social service contracting process, May 2019

The City's social services are focused on a variety of goals, such as economic opportunity and affordability, and a healthy life and sustainable environment for residents. Key target areas include basic needs, behavioral health, health equity, child and youth, community planning, HIV, homelessness, and workforce development.

The City of Austin has historically relied on the use of contracting, mainly with non-profit organizations (social service providers), to provide social services to the community. In fiscal year 2014, the City managed an extensive solicitation for a range of social services. Through this process, the City entered into six-year contracts with various social service providers. The City conducted the process as a competitive solicitation, but the decision about which contracts to fund was not based strictly on scores. Funding decisions were also based on other factors, such as how long the City previously worked with the applicant, the services the applicant provided, and a need for continuity of service provision to residents. City Council also approved additional funding for social services through the City's annual budgeting process.

Currently, the City has 132 social service contracts¹ worth approximately \$48.7 million. This includes \$38.3 million (79%) from the City's general fund and \$10.4 million (21%) of grant funding.

Management of the City's social service contracts is decentralized. There are five departments that manage social service contracts in the City. Austin Public Health manages most of these contracts as noted in the exhibit below.

Exhibit 2: There are five City departments involved in managing the City's \$48.7 million funding for social service contracts

	Number of Contracts	Allocated Amount
Austin Public Health	112	\$43.8 M
Austin Police Department	4	\$1.7 M
Downtown Austin Community Court	6	\$1.6 M
Neighborhood Housing and Community Development	6	\$1.2 M
Parks and Recreation Department	4	\$0.5 M
Total	132	\$48.7 M

SOURCE: OCA analysis of social service contracts' funding reports for City departments, May 2019

¹ Because the City does not have a definition of social services, we used the social service life continuum goals categories that were used during the City's 2014 social service solicitation process. These categories included Early Childhood, Youth Development, Adults and Family Stability, and Seniors/People with Disabilities.

What We Found

Summary

The City of Austin spends millions of dollars on social service contracts to provide services to residents. Funding for these services has increased over time. In fiscal year 2016, Council established a funding policy goal of \$12 million for social service contracts in addition to existing funding. For fiscal year 2019, various City commissions identified social service community needs. While the City has allocated sufficient funds to meet Council's funding policy goal, it has not been able to fund some of the other identified needs due to budget constraints and other competing City priorities. As a result, there is a gap between identified needs and allocated funding, which may prevent the City from achieving its goal of ensuring all people in the City have economic opportunities and enjoy a sustainable environment and a healthy life.

We compared how the City of Austin funds social services with three cities in Texas and found some similarities. However, we noted differences in the cities' level of reliance on their general fund for social services and in the way the cities manage or utilize grant funds.

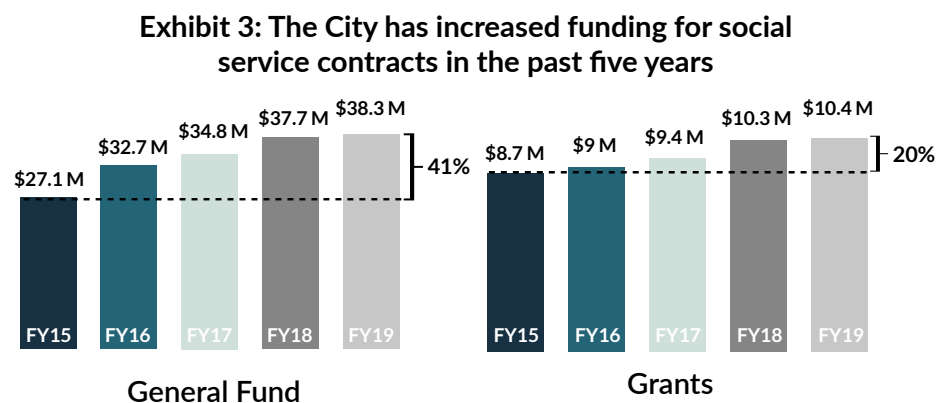
In addition, while the majority of stakeholders perceive that the City's social service contracting process is adequately transparent and equitable, some expressed concerns. Stakeholders mentioned some challenges such as length and complexity of the process, and burdensome requirements.

Finding 1

While the City has allocated sufficient funding to meet Council's 2016 funding policy goal for social service contracts, it has not funded some of the additional community needs for these services due to budget constraints and other competing City priorities.

The City Council has committed to increase funding for social services and annually authorizes funds to finance activities to meet identified community social service needs.

The City has significantly increased funding for social service contracts and has allocated funding to meet Council's 2016 funding policy goal for social service contracts. The City of Austin relies on the use of contracting to provide social services to the community. Over the past five years, the City's funding of social service contracts has increased. The largest funding increase has occurred in the contracts funded through the City's general fund. Exhibit 3 below shows the actual amount allocated in each year.



SOURCE: OCA analysis of social service contracts' funding reports for City departments, May 2019

In 2016, City Council established a funding policy goal of investing \$12 million in social service contracts within two to four years. According to City staff, Council met this funding policy goal in fiscal year 2020.

Also, Council established a budget policy to annually consider an increment to social service contracts and Austin Public Health budget to account for population growth and cost of living changes. Based on City staff, Council met this goal.

In addition, Council also set a goal to invest an additional \$10 million of funding for Austin Public Health to address some of their operational needs, and Council has added \$1.4 million since fiscal year 2016.

The City of Austin has not allocated enough funding to meet community social service needs identified by City commissions.² The City has assigned the responsibility of identifying community social service needs to several City commissions. These commissions are also responsible for making social service funding recommendations to Council. The recommendations are reviewed by both the City's Equity Office and Corporate Budget Office staff.

During the fiscal year 2019 budget process, City commissions made 13 direct social service-related recommendations to Council, which included \$4.4 million to finance unmet social service needs. While majority (62%) of these recommendations were fully or partially funded, a significant portion of the \$4.4 million funding was not funded.

Exhibit 4: 30% of the \$4.4 million commission-recommended total funding for social services was funded

Funded \$1.33 M (30%)	Unfunded \$3.04 M (70%)
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SOURCE: OCA analysis of funding reports for the departments, July 2019

Management indicated that during the fiscal year 2020 budget process they implemented a more robust process to review recommendations made by the boards and commissions. This process requires the responsible departments to perform a detailed review of the recommendations. The commissions made 32 direct social service-related recommendations to Council. The responsible departments asserted that 29 (90.6%) of the recommendations would be fully or partially funded from the departments' budgets. The departments indicated that 2 (6.3%) of the recommendations needed Council action and 1 (3.1%) of the recommendations could not be funded due to state prohibitions.

² Recommendations from the following commissions were reviewed during this audit: Asian American Quality of Life Advisory Commission; African American Resource Advisory Commission; Hispanic/Latino Quality of Life Resource Advisory Commission; Lesbian, Gay, Bisexual, Transgender, and Queer Quality of Life Advisory Commission; Commission on Seniors; Commission for Women; and Commission on Veteran Affairs.

Additionally, recent Texas Senate legislation may result in a future deficit in the City's general fund. This potential financial shortfall may lead to budget cuts, which could further affect the City's ability to meet its existing social service funding obligations and additional community social service needs.

Finding 2

There are similarities and differences in the way the City of Austin provides funding for social services compared to other cities.

We found similarities and differences in the way that the City of Austin provides funding for social services compared to other cities. None of the City had a clear definition of social services. Each city has at least one designated department chiefly responsible for providing social services, which are funded through a mix of general fund allocations and state and federal grants. It is possible that other departments provide limited additional social services, but we did not consider these other departments in our comparison.

Exhibit 5: Main peer city departments providing social services

City	Department chiefly responsible for providing social services
Austin	Austin Public Health
San Antonio	Human Services Department
Dallas	Office of Community Care & Office of Homeless Solutions
Houston	Houston Health Department, Human Services Division

SOURCE: OCA analysis of peer city social service budgets, June 2019

A direct comparison of social services funding is difficult due to structural and operational differences among cities. For example, San Antonio uses a regional approach to manage social services involving childcare. Grant funding in particular is managed differently among peer cities. Some cities' budgets include grants received and managed by the departments. However, in Austin, these grants are received or managed by community organizations. For example:

- The City of San Antonio's Human Services Department budget includes grant funding for the Head Start program. In Austin, the organization Child Inc. receives this grant funding.
- The City of Dallas' Office of Homeless Solutions budget includes the Housing & Urban Development Continuum of Care (CoC) grant. In Austin, the grant is received by various community organizations.

Austin Public Health management stated that they do not compete for such grants deliberately in order to accommodate resource capacity and to avoid competing for funding with organizations in the community.

In addition, peer cities utilize grant funding in different ways. For example, the City of Austin receives the Community Development Block Grant but does not use it for social services. However, San Antonio and Dallas use this grant for social services.

We compared Austin Public Health’s social services budget to peer cities’ main department budget in two different scenarios. In scenario one, we used the cities’ budgeted social service funding as is. In scenario two, we adjusted the cities’ budgets to exclude grants which, in Austin, are received by community organizations or are used for programs not considered to be social services. We also excluded unique general fund expenditures.

From our comparison, it appears that the City of Austin relies more on its general fund than other cities to provide social services.

Exhibit 6: Social services budget comparisons amongst peer cities

City	Department	General fund as a percentage of total department social service budget	
		Scenario 1 - No adjustments	Scenario 2 - Funding adjusted for structural and operational differences
Austin	Austin Public Health	79%	
San Antonio	Human Services Department	30%	87%
Dallas	Office of Community Care & Office of Homeless Solutions	33%	50%
Houston	Houston Health Department, Human Services Division	7%	7%

Note: Figures for Houston are for the Human Services Division of the Houston Health Department, fiscal year 2020 (July 1, 2019-June 30, 2020)
SOURCE: OCA analysis of peer city social service budgets, June 2019

Finding 3

While the majority of stakeholders perceive that the City’s social service contracting process is adequately equitable and transparent, some stakeholders expressed concerns.

The City of Austin is continually making changes to address social service contracting process issues. However, some social service providers still do not perceive that the process is working effectively.

We surveyed a sample of 30 social service providers who had social service contracts with the City within the last five years and interviewed members of various City commissions. The majority of the service providers we surveyed perceive the City’s social service contracting process to be adequately transparent and equitable. These providers appreciated the City’s efforts to encourage diversity, equity, and transparency. Overall, 73% of the providers perceived the City’s social service contracting process to be transparent, and 60% perceived the process to be equitable. However, some service providers and members of various City commissions identified concerns specific to the process.

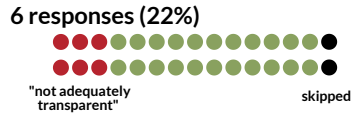
It is in the best interest of the City of Austin for its social service contracting process to be perceived as fair and equitable.

● represents general satisfaction ● represents some concern

Some social service providers and members of various City commissions perceive that the City’s social service contracting process is not adequately transparent.

Exhibit 7: Transparency concerns noted by stakeholders

Social service providers survey



Examples of transparency-related perceptions:

- “You have to be inside to hear about who is being awarded the contract and what the process is”
- “The City does not provide enough information as to how/why organizations receive or do not receive funding”

SOURCE: OCA analysis of the service provider survey responses and interviews with commissioners, June 2019

Commission members feedback

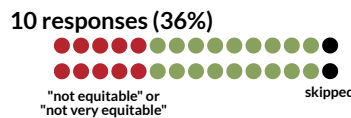
Examples of transparency-related perceptions by the Commissioners:

- stakeholders do not know how funding decisions are made and how the City prioritizes their recommendations
- commission members are not involved in decisions after the funding is approved and sometimes do not know if the funding is always applied as intended

Some social service providers and members of various City commissions perceive that the City’s social service contracting process is not equitable.

Exhibit 8: Equity issues noted by stakeholders

Social service providers survey



Examples of equity issues expressed:

- legacy social service providers always receive the funding
- no opportunity for new service providers
- certain larger vendors have an advantage over smaller, newer, and grassroots organizations because of their familiarity with the process

SOURCE: OCA analysis of the service provider survey responses and interviews with commissioners, June 2019

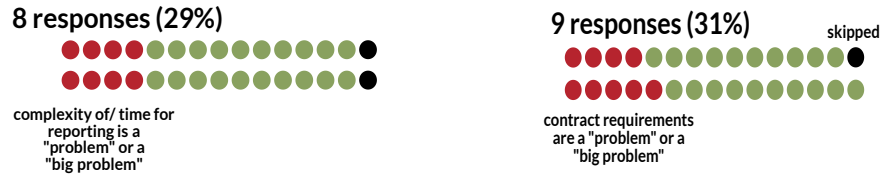
Commission members feedback

Examples of equity issues expressed:

- legacy contractors have an advantage over other potential contractors
- large organizations are more politically connected
- once organizations are in, they are not historically taken out regardless of how they perform
- small service providers do not have access to information and feel there is no room for them

Some service providers noted general challenges with the City’s social service contracting process. Some service providers said the application process is too complex and takes too long, funding does not always cover the full cost of services, and there are burdensome requirements.

Exhibit 9: Some service providers cited challenges with the City's social service contracting process



SOURCE: OCA analysis of the service provider survey responses, June 2019

Many stakeholders we contacted perceive that there are barriers that specifically impact the ability of smaller social service providers to access City social service funding. Stakeholders noted that there are barriers that make it difficult for smaller service providers to access the City's social service funding. The City uses a reimbursement method to pay service providers. However, smaller service providers are not always able to provide money up-front. Smaller social service providers also find it difficult to meet the City's insurance requirements and may lack the administrative capacity to handle contract expectations.

There are some issues that may be contributing to some stakeholders' perceptions of the City's social service contracting activities, specifically:

- some City regulations designed to ensure a fair and equitable contracting process are not applicable to social service contracts;
- the City does not have an explicit definition of "social services" and lacks a formal social service procurement policy; and
- while the City is continually making changes to address some social service contracting process issues, stakeholders may not be aware of these changes.

Not all City procurement regulations apply

Some City regulations designed to ensure a fair and equitable contracting process for City procurements are not applicable to social service contracts. The competitive bidding requirement typically associated with government contracts does not apply to social service contracts due to an exemption in state and federal rules.

The City's Anti-Lobbying Ordinance was designed to ensure that "each solicitation response is considered on the same basis as all others; and respondents have equal access to information regarding a solicitation and the same opportunity to present information regarding the solicitation for consideration by the City."

Also, the City's Anti-Lobbying Ordinance is not applicable to social service contracting unless invoked by the City Council. Six of the seven peer cities surveyed during this audit stated that anti-lobbying rules apply to procurement of social service contracts.³

There is no clear definition of "social services"

The City does not have an explicit definition of "social services" and lacks a formal social service procurement policy. None of the peer cities we surveyed had an explicit definition of social services. We found some differences in what constituted social services across the peer cities.

³ Peer cities reviewed were: San Antonio, Houston, Dallas, Ft. Worth, San Francisco, Denver, and Seattle.

For example, while the City of Austin does not consider low-income home repair services to be included in social services, Seattle and Houston do consider these as social services.

While individual departments have processes and procedures for social service contracting activities, the City of Austin does not have a formal social service procurement policy. Such a policy could clearly define social services, set the minimum requirements for accessing the City's social service funding, and ensure a consistent contracting process for all City social service contracts.

Changes to address concerns

The City is continually making changes to address issues with the social service contracting process. However, some stakeholders may not be aware of these changes. In the past, City Council occasionally selected which specific service providers received contracts, and this resulted in some contracts not going through the normal bidding process. Recently, this approach has changed. Now, City Council typically approves funding more generally by program, and City department staff are responsible for identifying the service providers.

In 2016, Austin Public Health implemented a capacity-building initiative in which the City issued a competitive social service solicitation for providers who were not already receiving social service funding from Austin Public Health.

Austin Public Health is implementing a new purchasing tool called a "Request for Grant Application" (RFGA). According to Austin Public Health management, this tool was developed with input from community organizations. RFGA contracts are still deliverable-based but lower the threshold for application requirements. For example, under the RFGA process, the applicant is not required to provide proof of an "unqualified and/or unmodified audit opinion for the last two most recent consecutive years" as part of the application package. The initiative also enables the providers to get payments for administrative deliverables such as costs for outreach plans up-front. The City's Equity Office has also developed a tool called a "mini-grant," which is similarly purposed with addressing the barriers faced by the small service-provider organizations that may wish to contract with the City.

Additional Observation

Some of the social service contract management roles are not well aligned with the mission of the department.

Activities in five of the six social service contracts managed by one department, Neighborhood Housing and Community Development, are not well aligned with the mission of the department as shown in exhibit 10 below. Management stated that they are in the process of reviewing the administration of these contracts to identify the most suitable department to manage the contracts.

Exhibit 10: Contract activities in five social service contracts managed by Neighborhood Housing and Community Development are not well aligned with the department's mission

Neighborhood Housing and Community Development 

mission provide housing and community development services to benefit eligible residents so they can have access to livable neighborhoods and increase their opportunities for self-reliance



Teen Parent Childcare Program
Youth Services Program
Bridge Childcare Voucher Program
Early Head Start Childcare Program
Bill Payer Services (Senior Services)

SOURCE: OCA analysis of the Neighborhood Housing and Community Development social services report, May 2019

Recommendations and Management Response

1

To strengthen the City's social service contracting and procurement process, the Director of Austin Public Health should work with the City Manager and other responsible departments to develop a Citywide social service procurement policy. The policy should clearly set out the standards and processes for the City's social services contracting activities. At the minimum, the policy should include:

- a) clearly defining the term "social services" and indicating eligible and ineligible services;
- b) stating organizational and program requirements that service providers seeking to access the City social service funding should possess;
- c) explaining the social service solicitation process; and
- d) defining the responsibilities of involved parties and the contract award process.

Management Response: Agree

Proposed Implementation Plan: The Director of APH and staff will work with the City Manager, key City departments and other stakeholders to develop a policy that accomplishes the outlined objectives. The Department will use current processes as a framework and research best practices from peer cities. Policy will reflect strategies outlined in Strategic Direction 2023 to achieve increased levels of accountability; out-come-based results, and equitable distribution of City resources.

Proposed Implementation Date: 9/30/2020

2

To ensure the City has a clear plan for delivering social services now and in the future, the Director of Austin Public Health should work with the City Manager and other responsible parties to develop a funding strategy for social services. In developing the strategy, the approach should include, but not be limited to:

- a) prioritizing funding of community social services;
- b) examining all possible funding mechanisms;
- c) examining the funding processes of similar cities; and
- d) identifying possibilities for fostering coordination and partnerships.

Management Response: Agree

Proposed Implementation Plan: The Director and staff will work with the City Manager, City departments and key stakeholders to develop a strategy that builds on best practices of peer cities, and aligns broadly with the goals outlined in Strategic Direction 2023 and Imagine Austin. Imagine Austin is the City's long term plan that lays out a community vision for how the City can grow in a compact and connected way. Strategic Direction 2023 outlines a shared vision and six priority strategic outcomes that will guide the City of Austin over the next three to five years. The information gathered and outlined in the City's long term and short term plans will provide the framework for prioritization of funding and a basis for exploration of other possible funding mechanisms, resources, and opportunities for increased efficiency and collaboration amongst City departments and community partners.

Proposed Implementation Date: 9/30/2020

Recommendations and Management Response

3

In order to provide a fair and equitable social service contracting process for selection among potential vendors, the City Manager should work with Council to determine whether the City's Anti-Lobbying Ordinance should apply to social service contracts.

Management Response: Agree

Proposed Implementation Plan: The City Manager will work with the City Attorney, City Purchasing, and key City departments to make a recommendation to Council regarding the City's Anti-Lobbying Ordinance for social service contracts.

Proposed Implementation Date: 9/30/2020

Scope

The audit scope included the City's social service contracting activities relating to funding, procurement, and awarding of social service contracts.

Methodology

To complete this audit, we performed the following steps:

- interviewed key personnel in Austin Public Health, Downtown Austin Community Court, Neighborhood Housing and Community Development, Economic Development Department, Austin Police Department, Corporate Budget Office, and Parks and Recreation Department;
- interviewed members of related City Commissions;
- reviewed the City's social service contracting funding policies, processes, and procedures;
- surveyed a sample of fiscal year 2015-2019 social service providers on their experience and perceptions of the City's social service contracting process;
- surveyed a sample of peer cities regarding their budgeted social services funding in fiscal year 2019 and social service contracting process;
- evaluated internal controls related to the process for funding, procuring, and awarding social service contracts; and
- evaluated the risk of fraud, waste, and abuse with regard to the process for funding, procuring, and awarding social service contract.

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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