

Department of Administration for Human Services

LOB #128:

CONTRACTS AND PROCUREMENT

Purpose

The Contracts and Procurement Management (CPM) division provides the following interrelated core functions in support of human services departments and programs:

- Establishes and administers contracts and agreements
- Monitors contractor performance/contract compliance
- Reviews financial controls to determine financial stability of contractor organizations
- Procures goods and services
- Ensures goods and services are received and contractors paid accurately and timely

In FY 2015, CPM processed approximately 5,000 encumbrance documents, monitored and processed receipt of goods and services, and processed approximately 23,000 receiving transactions per year. The staff manage solicitations, renewals and rebidding of over 1,100 new and ongoing contracts, including 585 delegated solicitations and awards across human services. Staff provided enhanced monitoring for approximately 200 contracts in FY 2015, and CPM staff expect that number to increase to approximately 350 contracts yearly in FY 2016. This estimated increase in contracts monitored is due to a streamlined monitoring schedule established to further ensure that human services contractors are providing goods and services in compliance with contractual terms and conditions. In addition, CPM staff performs approximately 90 financial reviews of human services nonprofit contractors each year.

Description

The DAHS CPM division staff of 32 merit status employees provide the following discrete but related core functions in support of the County's human services programs and departments: procurement of goods and services, contract development and management, and contractor performance monitoring.

Procurement

- Determine specifications, tasks, deliverables, outcomes, and other requirements (e.g., specialized staff qualifications, licensure, criminal background checks) in consultation with program staff.
- Determine appropriate solicitation and contracting mechanisms in compliance with federal, State, and local laws and regulations (i.e., sole source, purchase of service, inter-jurisdictional).
- Review and ensure accuracy of the approximately 1,800 requests received from program staff to purchase goods and services.
- Perform eVA (state procurement system) Quick Quotes for purchases under \$100,000.
- Determine method of procurement and implement the selected process (i.e., procurement card, FOCUS purchase order).

Contract Development

- Manage renewal and rebidding of over 1,100 ongoing contracts and coordinate solicitations across human services, to maximize opportunities for shared efforts across departments
- Negotiate agreements with selected vendors, ensuring fiscal responsibility and operational efficiency

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- Draft approximately 150 solicitations and contracts per year, ensuring that all legal and programmatic requirements are incorporated
- Collaborate with Department of Purchasing and Supply Management (DPSM) for solicitations and contracts issued /awarded through DPSM
- Manage the Selection Advisory Committee process to ensure that vendor review and recommendation of contract awards are conducted in accordance with procurement laws and regulations and achieve the maximum efficiency in use of County resources on behalf of the community
- Establish nearly 600 delegated contracts incorporating all required terms and conditions in compliance with applicable laws and regulations, including negotiation of contract terms and modifications, and acquiring contract agreement and associated documentation

Contract Monitoring and Compliance

- Provide enhanced monitoring to ensure that contractors are providing goods and services in compliance with the terms and conditions of their contracts
- Provide yearly financial reviews of nonprofit contractors receiving funding of \$100,000 or more to ensure financial stability of the organization
- Provide timely technical assistance to ensure nonprofit contractors are in compliance and in good standing with County requirements in accordance with financial and program standards
- Maintain contact with program staff to validate that program related contract requirements are being met
- Ensure appropriate actions are taken when noncompliance issues occur
- Coordinate and attend contractor meetings and site visits
- Document compliance monitoring activities in the CPM-maintained contract database and files
- Complete requested change orders
- Assist program and FM staff in managing timely and appropriate use of grant funds

Benefits

The work performed by the DAHS CPM division benefits the human services system and the residents of Fairfax County by providing efficient, effective professional services to human services departments and programs, and by establishing and sustaining contractual partnerships with a large number of local and national nonprofit organizations.

Procurement

CPM is experiencing a steady increase in the number of transactions required to be processed by procurement staff. As County human services program needs and requirements increase and evolve to meet the dynamic and changing needs of residents, procurement professional services are provided by CPM procurement analysts and includes the following benefits:

- Expertise in buying specialized human services goods and services
- Consistent and efficient practices and processes
- Accurate and appropriate use of existing County information systems
- Adherence to required local, state and federal procurement laws and regulations
- Collaborative analysis of human services departmental and program requirements to ensure efficient use of County resources

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Contract Development

CPM staff develop solicitations and contracts on behalf of the Human Services System departments and programs and includes the following benefits:

- CPM contract analysts are knowledgeable about the specialized services that human services departments and programs provide to County residents.
- Employment of best practices within the service-delivery systems.
- Staff are professionally trained in the fields of administration, procurement, and the delivery of human services.

Consolidation of the contract development services across the seven human services departments and programs offers benefits, such as:

- Reducing the overall number of staff providing this specialized work.
- Aligning these services to achieve better compliance with federal, state, and local contracting and procurement laws and regulations.
- Standardizing processes for improved efficiency.
- Better integration of similar services across the Human Services System.

Contract Monitoring and Compliance

The CPM contract monitoring program is in place to ensure that the objectives of human services contracts are accomplished and that contractors meet their obligations, which in the human services system typically includes achieving outcomes on behalf of the County. An effective contract monitoring system mitigates risk, which is in alignment with the Board of Supervisors' 2008 directive that human services contract monitoring activities be enhanced for nonprofits conducting business with Fairfax County human services departments. Since FY 2013, CPM has performed enhanced financial and compliance monitoring on approximately 600 contracts and it is anticipated that this number will grow to over 1,000 by the end of FY 2017.

The services provided by CPM directly impact all of the human services population areas. Consolidation and coordination of these administrative services improves efficiency as evidenced by the metrics provided. There continues to be a growing demand for human services, and with that growth, an ongoing development by CPM of new contractual partnerships with the private sector, nonprofit, and faith-based providers for service delivery.

Mandates

The DAHS CPM division is responsible for procurement of goods and services for direct use by a recipient of County-administered programs in accordance with Article 1, Section 3, D, of the Fairfax County Purchasing Resolution. Procurement, contract administration and monitoring functions and management of vendor services and performance monitoring and reporting are governed by:

Procurement Related Law

- Virginia Code § 63.2-100 for County administered public assistance programs
- Virginia Code § 37.2-100 for Community Services Board programs
- State Performance Contract Section 37.1-198 (c) (vi) details requirements for compliance with state requirements governing mental health, mental retardation and substance abuse services.
- Virginia Code § 2.2-5200 et seq. for At-Risk Youth and Families
- Virginia Code § 16.1-309.2 et seq. for the Virginia Juvenile Community Control Act
- Virginia Public Procurement Act

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- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal awards; OMB Circular A-133 governing individual grants and awards for the purpose of benefiting the general public in the areas of education, health, public safety, welfare, and public works

Program Compliance Law

- Social Security Act
- Older Americans Act
- Health Information Portability and Accountability Act
- Fair Housing and Americans with Disabilities Act (ADA) regulations (federal)

Trends and Challenges

Trends

- Increased interagency collaboration and integrated services resulting in more efficient contracting operations across the human services system. Two examples from FY 2015 are:
 - Combining homeless services offered through the Office to Prevent and End Homelessness into a single solicitation with five new contracts awarded. In prior years, five separate solicitations were developed which resulted in ten separate contracts. Homeless services also include case management, health care medical respite, and behavioral health care services; therefore, the Health Department, Department of Family Services, and Fairfax-Falls Church Community Services Board (CSB) participated in this solicitation process.
 - Exploring sustainable long-term solutions for integrated primary care and pharmacy services on behalf of the Health Department and the CSB. Both of these departments are participating in the process, seeking to integrate primary and behavioral health care services for uninsured and underinsured County residents and clients of the CSB. This effort also seeks to further integrate pharmacy services previously provided through two contracts into a consolidated service delivery model provided by one contractor.
- Efforts to contain contractor costs but maintain adequate, quality services. Standard contract language requires price adjustments at no more than the consumer price index, and requires submission of justification for price increases before an increase will be considered.
- Reducing the number of contracts by competitively soliciting services currently provided through individual purchase of services (IPOS) agreements through sourced contracts. Two examples are:
 - Services previously provided through individual purchase of service (IPOS) agreements (that are statutorily exempt from competition) on behalf of the CSB Infant and Toddler program are now provided through three competitively sourced contracts awarded in August 2015.
 - Similarly, individual contracts (IPOS) for vocational/day support services to mental health consumers will be provided under competitively sourced contracts, reducing the work associated with drafting, tracking, and monitoring approximately 50 individual contracts, thus improving efficiency, and ensuring more comprehensive monitoring of contractor performance.
- Emphasis on performance and financial monitoring of contracts and contractor services provided.
- Emphasis and increasing reliance on contracting with community partners to provide services.

Challenges

- Continuing to provide efficient, effective contract development, management, performance monitoring, and procurement services in a dynamic environment. DAHS is addressing this in a

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number of ways, including updating procedural manuals, knowledge transfer as part of succession planning, and new onboarding protocols.

- Restructuring of state and federal funding sources that will affect how CPM performs its work, e.g., Medicaid funding, new federal super-circular affecting grant funding.
- The current CPM contract tracking database is approximately 15 years old and utilizes a platform that is no longer supported by the software manufacturer. The CPM database is required so that all human services system contracts activities are tracked and documented, especially activities such as work plans, timelines for completing tasks, and contractor performance and compliance. Currently, one CPM contract analyst is responsible for systems administration of the database in addition to performing contract work. This position maintains the current system while also working on system requirements, testing, writing a user manual, and other tasks related to implementing a future new database.

Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
LOB #128: Contracts and Procurement			
FUNDING			
<u>Expenditures:</u>			
Compensation	\$2,333,337	\$2,327,371	\$2,681,694
Operating Expenses	23,367	27,241	16,200
Total Expenditures	\$2,356,704	\$2,354,612	\$2,697,894
General Fund Revenue	\$0	\$0	\$0
Net Cost/(Savings) to General Fund	\$2,356,704	\$2,354,612	\$2,697,894
POSITIONS			
Authorized Positions/Full-Time Equivalents (FTEs)			
<u>Positions:</u>			
Regular	32 / 32	32 / 32	32 / 32
Total Positions	32 / 32	32 / 32	32 / 32

Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Number of contracts monitored for financial and performance compliance	319	80	192	350	350
Number of active contracts managed	1,123	1,126	1,064	1,100	1,100
Percentage of new services contracts containing performance measures reflecting improved outcomes for the population served	92%	88%	92%	93%	93%
Number of procurement-related FOCUS transactions processed	63,546	70,162	77,096	79,936	82,784
Average number of transactions processed per staff	4,611	5,715	6,210	6,526	6,853

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Number of contracts monitored for financial and performance compliance

The objective of this core function is to perform enhanced contract monitoring to ensure that contractors are adequately financially stable and performing according to the terms of their contract with the County. CPM contract analysts monitor human services contracts for financial and performance compliance. Compliance review activities conducted include the following activities:

- Consultation with County program staff for input on contractor's performance under the terms of the contract
- Site visits and/or contractor meetings at the contractor's business location(s)
- Review of contract file to ensure that required documentation is being maintained appropriately
- Financial reviews, including review of contractors' annual audits and/or financial statements and other appropriate current financial information
- Contractor performance reviews in collaboration with department and program staff to ensure compliance with contract requirements and service needs

If noncompliance issues are detected during a contract review, CPM contract analysts perform remediation activities in collaboration with program staff and contractors, to include:

- Providing technical assistance to contractors to aid them in achieving more successful performance under the contract
- Ensuring contractors develop and implement a performance improvement plan
- Maintaining appropriate performance documentation in contract file
- Conferring with County corporate partners, as applicable

The degree of contract monitoring depends upon the complexity and criticality of services being delivered, current and historical performance, and contract value. Contract monitoring numbers fluctuate significantly every year due in large part to the biennial Consolidated Community Funding Pool (CCFP) cycle. Because the CCFP contracts (typically 100+) are awarded "en masse", the monitoring cycle reflects more monitoring every other year. In addition, the monitoring of the 80 contracts that occurred in FY 2014 was due to the release of the CCFP RFP in that year, resulting in a decrease in CCFP monitoring visits in that same year. Contract Analysts work in conjunction with human services department and program staff to evaluate performance, outcomes, and satisfaction. Program staff may participate in site visits as well.

In response to a 2008 Board of Supervisors directive to enhance human services monitoring activities for nonprofits conducting business with Fairfax County human services departments, nonprofit contractors receiving more than \$100,000 in County funding in a 12-month period receive a higher level of monitoring in the form of a financial review. Financial reviews include examination of an organization's annual audit and management letter, review of the IRS 990, and a review of monthly financial information. Evidence of malfeasance, co-mingling of funds and other critical discrepancies may lead to further reviews by appropriate departments or corporate partners. As a result, future year estimates have been increased to reflect the increased monitoring.

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Number of active contracts managed

In FY 2014, CPM managed more than 1,100 active contracts valued at approximately \$150 million (includes both revenue and expenditure contracts). The Human Services System purchases services (expenditure contracts), as well as provides services to other entities for a fee (revenue contracts). Important to note is that more than 50 percent of contracts were with nonprofits, faith-based organizations, governments and universities, while the remainder of contracts were with for-profit companies and individuals.

CPM contract management activities include the following:

- Determining appropriate contracting mechanism based upon service needs and budget.
- Analyzing and recommending strategies to leverage similar service needs of multiple programs, (i.e., economic self-sufficiency employment programs, in order to utilize cross-system approaches to service delivery.) This results in a reduced need for duplicative administrative tasks to arrange for service provision, such as multiple requests for proposals and corresponding procurement support activities.
- Confirming funding availability with DAHS Financial Management staff on behalf of the human services departments and programs.
- Conducting research on potential contractors, best practices, industry standards, comprehensive services to be provided, outcome measures, etc.
- Defining requirements and preparing contract documents in conjunction with program staff and the Department of Purchasing and Supply Management.
- Negotiating and preparing contract amendments and renewals, as needed.

CPM staff completed approximately 150 contract awards in FY 2015. During the past few years, the number of contract amendments and renewals completed has fluctuated due to a number of factors, including the Consolidated Community Funding Pool two-year cycle of awards and Comprehensive Services Act three-year cycle of awards. Future year estimates of number of active contracts managed remain relatively flat.

Percentage of new services contracts containing performance measures reflecting improved outcomes for the population served

In FY 2014 and FY 2015, 88 percent and 92 percent, respectively, of human services contracts awarded, included “better-off” performance measures so that program staff may better gauge the effectiveness of the services in relation to intended and required outcomes. Most, but not all human services contracts lend themselves to “better-off” performance measurement. Some contracts, such as information technology and maintenance/custodial contracts have deliverables that are directly quantifiable. DAHS estimates 93 percent of human services contracts awarded will include “better-off” performance measures in the future.

Number of encumbrance, receiving, FOCUS marketplace, and procurement card documents/transactions processed

Procurement activities within CPM have increased as human services department submissions have increased, as have federal and state reporting requirements, which drives the need for more detailed delineation of ordering. In FY 2015, CPM staff processed and authorized more than 77,000 procurement-related FOCUS transactions, which include encumbrance documents, FOCUS marketplace orders, procurement card purchases, and receiving transactions. The use of County procurement cards is encouraged for low dollar and special program purchases, thus increasing the volume of transactions and subsequent reconciliations.

Average number of transactions processed per staff

CPM is experiencing a steady increase in the number of transactions required to be processed by procurement staff. In FY 2013, the average number of transactions processed per staff was 4,611. In FY 2015, that number was 6,210. CPM expects this trend to continue in response to reporting and other requirements for data measurement.