



OFFICE OF INSPECTOR GENERAL

Thomas J. Dagley
Inspector General

MEMORANDUM

June 15, 2009

TO: Hon. Phil Andrews, President, County Council
Hon. Isiah Leggett, County Executive

FROM: Thomas J. Dagley
Inspector General

SUBJECT: Follow-up Report – Review of County Contracts with Centro Familia

In accordance with reporting requirements set forth in the County's Office of Inspector General law, the attached draft report is submitted to you in advance of releasing it no earlier than June 18, 2009.

Please do not hesitate to contact me at 240-777-8241.

Attachment
Re: #0037

cc: County Council Members
Steve Farber, Director, Council Staff
Timothy L. Firestine, Chief Administrative Officer





OFFICE OF INSPECTOR GENERAL

Thomas J. Dagley
Inspector General

MEMORANDUM

May 8, 2009

TO: Uma S. Ahluwalia, Director
Department of Health and Human Services

FROM: Thomas J. Dagley
Inspector General

SUBJECT: Review of County Contracts with the Institute for Family Development
(Centro Familia)

As a follow-up to my February 18, 2009 memorandum and consistent with County authority in the *General Conditions of Contract between County & Contractor*, the Office of Inspector General (OIG) examined accounting records and documentation provided by Centro Familia in support of invoices submitted to the Department of Health and Human Services (DHHS) for payment in fiscal years 2007 and 2008. In the memorandum, I reported that the lack of sufficient documentation to support selected expenses prevented the OIG from determining the validity and appropriateness of payments.

Our review has been conducted in response to allegations reported to the OIG regarding potential improper payments¹ and as part of ongoing test work designed to assess the effectiveness of internal controls² for Council-funded programs and activities, including contracts executed by the Office of Procurement. Our Centro Familia work was not designed to assess the quality of services provided to support DHHS program objectives.

Background

In January and February 2009, the OIG reported that DHHS failed to comply with its contract monitoring policies and requirements, resulting in the approval of approximately 70 Centro Familia invoices in fiscal years 2007 and 2008 and payments exceeding

¹ Improper payment means any payment by a Council-funded organization that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements.

² Internal controls, according to Government Auditing Standards, serve as a defense in safeguarding assets and in preventing and detecting errors; fraud; violations of law, regulations, and provisions of contracts and grant agreements; or abuse.



\$900,000 without verifying if the payments were valid and appropriate. In addition, we reported that the inability of Centro Familia to provide sufficient documentation for selected expenses reimbursed through these invoices prevented the OIG from determining that the payments were valid and appropriate. We reported that further action was needed.

In your February 13, 2009 response, you concurred with our findings and outlined a comprehensive DHHS plan to improve contract monitoring, including fiscal oversight. In March, we agreed that as the OIG worked with Centro Familia representatives to further examine accounting records and supporting documentation related to invoices paid in fiscal years 2007 and 2008, DHHS would assume responsibility for examining appropriate documentation for invoices paid in fiscal year 2009.

Objectives and Methodology

Consistent with the OIG mission to help ensure fiscal, legal and ethical accountability for Council-funded programs, we examined Centro Familia contracts, invoices, accounting records and supporting documentation in March and April 2009 to determine the validity and appropriateness of expenditures related to fiscal years 2007 and 2008 invoices. Our methodology included meetings with Centro Familia staff, interviews, tests of transactions selected from Centro Familia's general ledger, and inspection of documents provided by the contractor.

Conclusions

Our review work in March and April 2009 verified the conditions reported to you in February 2009 regarding the inability of Centro Familia to provide sufficient documentation to support selected expenses on monthly invoices for fiscal years 2007 and 2008 contracts with Montgomery County Government. We were unable to determine the validity and appropriateness of numerous payments Centro Familia made during this period to employees, consultants, and suppliers. Based on records provided by Centro Familia for our analysis, we found internal control deficiencies, misclassifications, discrepancies and/or errors for transactions involving employee loans, printing, information technology and travel.

As a result of our review work, we believe DHHS' contracts with Centro Familia for fiscal years 2007 and 2008 were susceptible to abuse. In this regard, I recommend discussion of the information obtained during our field work with you, Office of Procurement representatives, and others with contract oversight responsibilities to ensure an understanding of the internal control deficiencies identified and appropriate corrective action.

Centro Familia Board of Directors

In addition to reporting the results of our review work, I believe it is important to inform you that representatives of the Centro Familia Board of Directors (the "Board"),

including its Chairman, participated in various meetings and work sessions with the OIG during field work. The Board's good faith participation positively impacted the review process, and through its participation the Board learned that Centro Familia's records and supporting documentation were insufficient to permit the OIG to determine the appropriateness of certain tested transactions.

The Board has made a firm commitment to address all accounting and procurement deficiencies. The Board advised the OIG of the following actions taken prior to the review process: 1) it hired competent accounting personnel to accurately record and classify records; 2) it contracted with an experienced accounting firm to oversee the completion of filing tax returns and provide accounting advice; 3) it recruited experienced and knowledgeable Board members to provide oversight; and 4) it implemented a conflict of interest policy for management.

Please advise me in writing by May 29, 2009 of your assessment of our Conclusions, including whether DHHS' examination of supporting documentation for invoices paid in fiscal 2009 found similar or other conditions.

Upon receipt of the management response, I will forward the report and response to the Council and Executive. Thank you for your attention to this matter.

Re: #07-12

Cc: Tim Firestine, Chief Administrative Officer
Kathleen Boucher, Assistant Chief Administrative Officer



OFFICES OF THE COUNTY EXECUTIVE

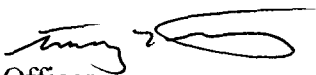
Isiah Leggett
County Executive

Timothy L. Firestine
Chief Administrative Officer

MEMORANDUM

June 12, 2009

TO: Thomas J. Dagley
Inspector General

FROM: Timothy L. Firestine 
Chief Administrative Officer

SUBJECT: Institute for Family Development d/b/a Centro Familia

Thank you for the opportunity to respond to the May 8, 2009 follow-up report prepared by the Office of Inspector General (OIG) regarding OIG's examination of accounting records and other documentation provided by the Institute for Family Development d/b/a Centro Familia.

For many years, the Department of Health and Human Services (DHHS) has had a strong, program-based contract monitoring system and both DHHS and its vendors have been primarily focused on the programmatic aspects of the contracts and assuring that high quality services were provided to the County's customers and clients. In response to your initial January 21, 2009 report about Centro Familia, DHHS Director Uma Ahluwalia acknowledged in a memorandum dated February 13, 2009 that there are significant challenges associated with the DHHS contract monitoring process and that DHHS has not always required its vendors to submit detailed monthly back-up documentation to support contract payments. DHHS fully recognizes that contract payments require greater scrutiny to assure fiduciary responsibility and is working diligently to address issues in this area.

In light of the deficiencies identified in your January 21, 2009 report, DHHS committed to developing a contract monitoring improvement plan. On April 29, 2009, DHHS submitted to me a comprehensive strategic plan for improving its contract monitoring process (Attachment 1). I approved that strategic plan on May 5, 2009. DHHS is implementing the corrective actions detailed in its strategic plan and, as part of its activities, conducted contract monitor training on the contract payment process in March 2009 with additional training scheduled in June 2009. Additionally, training sessions for DHHS vendors on requirements for contract support documentation have been scheduled for July 2009. DHHS expects to complete revisions to the DHHS Contract Monitoring Guidelines in August 2009.

With regard to the specific issues you have raised about Centro Familia, both the January 21, 2009 and May 8, 2009 OIG reports lack specific details about the transactions that OIG investigated. This has made it difficult for both DHHS and Centro Familia to respond to the matters noted in the reports. DHHS is appreciative of your response to the concerns raised regarding the non-specificity in the reports and your subsequent meetings with DHHS staff to review details relating to your findings. While DHHS has not had the benefit of full access to your work products and detailed findings, the issues you raise with regard to third party transactions, especially those related to transactions occurring outside the country, lack of internal controls, the high dollar value of information technology-related activities over a two-year period, conflicts of interest, and potential erroneous billings are compelling.

The President of Centro Familia's Board of Directors, David Anderson, was also provided with an opportunity to review a number of the transactions that caused you concern. In a June 2, 2009 letter to Director Ahluwalia, Mr. Anderson states that "...Centro Familia's management team, supported by the Board and by the highly regarded accounting firm of Grossberg LLP, our CPA of record, has for the past several years worked to strengthen its financial controls, and its accounting and documentation processes, and is committed to continuing to improve. In fact, the Board has just approved new policies that will enhance internal control procedures and further strengthen its oversight of Centro Familia's finances and operations, including conflict of interest issues." However, Mr. Anderson does not provide specific details with regard to how internal controls have been strengthened; focusing instead on the programmatic quality of Centro Familia's work. (See Attachment 2 for Centro Familia's full response.)

DHHS staff have been reviewing documentation relating to FY2009 contract payments. In a letter dated March 10, 2009, DHHS requested FY2009 documentation to support Centro Familia's invoices for the period of service from July 2008 through February 2009 for contracts 7644320013-AA and 8644320016-AA and 6644330019-AA. As of June 1, DHHS had received supporting documentation only for January and February of 2009.

DHHS believes there have been overpayments in several invoice categories. However, not having the supporting documentation for the period of service from July through December 2008 has significantly hampered DHHS' ability to gain a comprehensive understanding of the extent and magnitude of the overall FY2009 billing and organizational issues. In turn, this has impacted DHHS' ability to bring to closure issues relating to the remaining FY2009 payments as well as FY2010 budgets, including determining the appropriate indirect rate for FY2010. So that these matters can be resolved, DHHS, in a letter dated June 3, 2009, requested that Centro Familia provide all supporting documentation for the services provided from July through December 2008 no later than close of business on **Wednesday, June 10, 2009**. Centro Familia subsequently requested an extension of that deadline until today. DHHS has not yet received any additional documentation from Centro Familia and will evaluate appropriate action next week.

Additionally, in the letter dated June 3, 2009, DHHS requested that Centro Familia provide information relating to conflict of interest policies, employee loans, third-party transactions, and noncontract use of space and staff. Pending receipt and review of this documentation, DHHS disallowed a number of charges on the February 2009 invoices.

DHHS also reviewed the January 2009 invoice support documentation received on April 6, 2009 and additional information on January fringe benefits received on May 27, 2009. The January invoices need to be reconciled against the supporting documentation submitted by Centro Familia. A preliminary analysis indicates there will be issues similar to those noted in the analysis of the February invoices. DHHS received electronic copies of the March 2009 invoices and supporting documentation for the three (3) contracts on June 1 but has not yet reviewed those materials.

In summary, DHHS has identified a number of FY2009 issues that require follow-up. Those findings, taken in concert with the information made available through your office, causes us to have serious concern about the appropriateness and reasonableness of a number of transactions. At this time, it is unclear whether the corrective actions Centro Familia has taken will resolve the issues identified. However, DHHS cannot complete its analysis and make a final recommendation until it has received all documentation and had further discussions with Centro Familia. It is our hope that all matters can be satisfactorily resolved within 90 days and Centro Familia can continue providing important services to our community. However, failure to satisfactorily resolve the pending issues could lead to further disallowances and additional actions, including contract termination, if appropriate.

In the interim, DHHS is taking the following actions:

January 2009 invoices

- DHHS will review and reconcile the invoices and supporting documentation that was received. Payment for January 2009 invoices has already been made but any adjustments needed will be deducted from future payments per the March 16, 2009 agreement between DHHS and Centro Familia.

March, April, May, and June 2009 invoices

- DHHS will continue to review these invoices and make partial payment, as appropriate.

FY2010 Contract Renewal

- **Contract 7644320013-AA**
This contract was the result of a competitive solicitation and provides early childhood child care outreach services. There is no direct service impact and usage of this contract is low in the summer.

For FY10, this contract will be renewed through July 1-August 31, 2009 via a bilateral amendment which will stipulate that although the contract is being renewed, no services or funding is authorized until the County notifies the vendor that the issues have been resolved to the County's satisfaction. Further decisions on contract renewal will be made once DHHS completes its analysis.

○ **Contract 8644320016-AA**

This contract is the result of a noncompetitive award to provide training, business development and technical assistance to family child care providers with Limited English Proficiency. The award for FY10 is \$80,000. There is no direct service impact for this contract and usage of this contract is low in the summer.

For FY10, this contract will be renewed from July 1, 2009-August 31, 2009 via a bilateral amendment which will stipulate that although the contract is being renewed, no services or funding is authorized until the County notifies the vendor that the issues have been resolved to the County's satisfaction. Further decisions on contract renewal will be made once DHHS completes its analysis.

○ **Contract 6644330019-AA**

This contract is the result of a competitive solicitation and provides an educational program for up to 30 eligible three- and four- year olds. The program does not operate for a 3-week period during the summer. This program has a direct service impact.

For FY10, this contract will be renewed from July 1-August 31 so that summer program services can be provided. DHHS will continue to monitor invoices closely. Once pending issues are resolved, a decision will be made with regard to the contract status for the remainder of FY2010.

TF:st
Attachments

cc: Uma S. Ahluwalia, Director, DHHS
Kathleen Boucher, Assistant Chief Administrative Officer



RECEIVED
MAY 5 - 2009

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Isiah Leggett
County Executive

Uma S. Ahluwalia
Director

MEMORANDUM

April 29, 2009

TO: Timothy Firestine
Chief Administrative Officer

FROM: Uma Ahluwalia, Director *Uma*

SUBJECT: Department of Health and Human Services Strategic/Action Plan for Improving Contract Monitoring

Over the past 18 months, senior management in the Department of Health and Human Services (DHHS) have been engaged in ongoing dialogue with our vendors, DHHS staff, and the other County Departments involved in Procurement to understand the issues related to our contract monitoring process and to formulate more effective and comprehensive strategies to address the challenges and barriers to strengthening and improving our processes.

Given the volume and complexity of our contracts, there are significant challenges. However, they are challenges we are committed to addressing. This year we made substantial progress in understanding the core issues and developing and implementing various strategies to address these issues. However, a substantial amount of work remains.

We have developed a multifaceted set of strategies to guide our efforts with regard to reforming our contract monitoring processes over the next year. Our plan focuses on five (5) major areas:

- Change management and restructuring DHHS monitoring practices by reducing the number of monitors and increasing the involvement of the DHHS fiscal and compliance teams;
- Enhancing communication between DHHS staff and our vendors and partners;
- Providing training for both DHHS staff and vendors - This includes developing a standard training plan for contract monitors, supervisors, and managers and conducting, in collaboration with the Department of Finance, Office of the county attorney (OCA) and, Department of General Services

Office of the Director

Timothy Firestine
April 29, 2009
Page 2

- Developing better tools, including revising the DHHS Monitoring Guidelines to strengthen the fiscal component of the monitoring plan; and,
- Continuing discussions with OCA, Department of Finance, DGS, Office of Procurement and the Office of Management and Budget (OMB) on streamlining the contracting process. This will become increasingly important as the County's Enterprise Wide Project (ERP) moves forward and business processes are adapted to the new system.

Attachment (1) provides our detailed contract monitoring strategic/action plan for the next 12 months. At the end of this time, we anticipate that our restructuring efforts will be complete and substantial in-roads will have been made towards providing training, resources, and tools to our monitors and vendors. Attachment (2) provides a summary of the timeline for the major efforts.

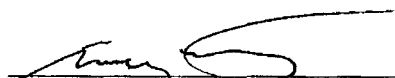
We look forward to increased interaction with our County partners as we work towards changing, in fundamental ways, our approach to contracting monitoring while finding the right balance between continuing to provide high-quality services to our customers and clients, maintaining our very positive collaborative relationships with our vendors and partners, and exercising appropriate fiduciary responsibility for DHHS contracts.

USA:kr

Attachments

Good work!

Approval Disapproval Call/See Me



Timothy L. Firestine
Chief Administrative Officer

5/5/2009

Date

Department of Health and Human Services Strategic/Action Plan for Improving Contract Monitoring

Since the fall of 2007 the Department of Health and Human Services (DHHS) senior management has engaged in ongoing dialogue with our vendors, DHHS staff, and the other County Departments involved in procurement to understand the multi-faceted nature of the issues relating to the contract monitoring process and to formulate more effective and comprehensive strategies to address the challenges and barriers to strengthening and improving our processes. The work drawn upon to identify barriers and devise strategies includes:

- In October of 2007, the Chief, Children, Youth and Families (CYF) held discussions with leadership and contract monitors in CYF. As a result of these discussions, CYF formed a work group to develop recommendations for improving contract monitoring in this service area. As part of their efforts, CYF surveyed a number of their contractors to gather information from a vendor perspective.
- During the spring of 2008, the Chief, DHHS Financial Operations prepared a barrier analysis/strategic plan to address a number of issues relating to the contracting process. This plan focused on a number of areas, including the complexity of the County's Procurement process, workload in the contract monitoring team (CMT), training and skills needed for the CMT and monitors, monitoring tools, and challenges associated with the community grant process. DHHS shared this analysis with the Department of General Services (DGS), Office of Procurement and began implementing the strategies identified in the analysis.
- The Office of Legislative Oversight released a report on DHHS Contract Execution and Monitoring Processes in September 2008. This was the result of a several month study and included detailed business process mapping.
- In the fall of 2008, the Chief, Behavioral Health and Crisis Services (BHCS) formed a Contract Monitoring Work Group (CMWG) to review procedures in BHCS and identify opportunities to increase administrative efficiency and the quality of monitoring and compliance with DHHS procedures and County Procurement Regulations.
- In December 2008, the DHHS Director convened a focus group composed of representatives from across the department to review the contract monitoring process and provide recommendations on increasing the efficiency and effectiveness of the monitoring process.

The issues, observations and recommendations across groups are consistent. The clearest theme is that there is great value in having the monitors program based. However, the overall monitoring function needs to be streamlined, integrated and include a collaborative team approach in which monitors, managers, and the Contracts Management, Fiscal and Compliance Teams all have significant roles. Additional training, tools, vendor education and senior management involvement are also important aspects of our overall plan.

Our contract monitors are program based and their primary focus has often been on overseeing the quality of the services provided to our customers and clients. Strengthening our fiscal and administrative oversight of contracts is essential to assuring comprehensive contract monitoring. In addition, many of our vendors are also our non-profit collaborators and partners. We need to work with them to assure they are fully educated on the County's Procurement regulations and procedures while respecting and preserving our collaborative relationship.

Given the volume and complexity of our contracts, there are significant challenges. However, they are challenges we are committed to addressing and we have made substantial progress over the last year in understanding the core issues and developing and implementing various strategies. For example:

- In June 2008 all DHHS contract monitors were mandated to take the County's Contract Administration Class every three years. To date over 60 monitors have completed the training. Additional training sessions will be scheduled for September 2009. We expect that by the time the fall training is completed, nearly 100% of DHHS contract monitors will have completed the required training.
- During the summer of 2008 an internal DHHS training program was developed. This training, initiated in September 2008, is required for all DHHS contract monitors. To date six sessions have been held. In March of 2009, DHHS provided training to over 120 contract monitors, supervisors, and managers on issues relating to support documentation for contract payments.
- During January-February 2009, DHHS worked collaboratively with the Department of General Services, Office of Procurement, the Department of Finance, Office of Risk Management and the Office of the County Attorney (CAO) to review and streamline processes associated with the non-competitive County Council grants. As a result of these discussions, we have agreed on a process to prioritize activities associated with summer programs, conduct an advance review of insurance requirements, and execute contracts which will allow a full twelve months of funding.
- In March 2009 DHHS instituted a Contract Monitoring Review Committee (CMRC) to conduct audits of at least one contract /service area each quarter. The first group of reviews will be initiated in the fourth quarter of FY09.
- In March 2009 DHHS initiated a 100% contract review to assure that DHHS is receiving appropriate back-up payment support documentation from our vendors. The file review will be completed by the end of April and DHHS will work with our vendors to provide guidance on County requirements. As additional resources become available, DHHS will further support program monitoring functions with the creation of a focused team of fiscal monitors. This team will conduct audits and build capacity both within DHHS and with our vendor partners to comply with contract requirements.

However, to fully accomplish our goals, DHHS must redefine our organizational culture and change, in fundamental ways, our approach to doing business. We must find the right balance

between continuing to provide high-quality services to our customers and clients; maintaining our very positive collaborative relationships with our vendors and partners; and exercising appropriate fiduciary responsibility for DHHS contracts.

We must continue to provide services to our customers and clients while putting in place a strategic plan and corresponding resources to address many of the structural, training, and process issues we have identified. We also need to maintain on-going business operations, including processing over 450 contract actions during the last quarter of FY2009 and completing 24 Requests For Proposals (RFPs) that require new contracts by July 1, 2009.

Additionally, we recognize that, given the current financial difficulties many of our vendors face and the uncertainties of the overall economic situation, if we stop contract payments pending the resolution of issues related to supporting documentation raised by the February 2009 Office of Inspector General (OIG) report, without giving vendors a reasonable time to come into compliance, our vendors may be unable to continue providing services. As our programs and services are often part of state or federal mandated programs, the negative consequences could be significant.

Consistent with this, our strategic/action plan over the next six - twelve months will focus on five (5) major areas:

- Change management and restructuring DHHS monitoring practices by reducing the number of monitors and increasing the involvement of the DHHS fiscal and compliance teams;
- Enhancing communication between DHHS staff and our vendors and partners;
- Provide training for both DHHS staff and vendors. This includes developing a standard training plan for contract monitors, supervisors, and managers [March-August 2009] and conducting, in collaboration with the Department of Finance, OCA and, DGS, Office of Procurement, several 'brown-bag' training presentations on the County's Regulations, policies, and procedures for DHHS vendors [August/September 2009].
- Developing better tools, including revising the DHHS Monitoring Guidelines to strengthen the fiscal component of the monitoring plan [March- August 2009]; and,
- Continuing discussions with OCA, Department of Finance, DGS, Office of Procurement and the Office of Management and Budget (OMB) on streamlining the contracting process. This will become increasingly important as the County's Enterprise Wide Project (ERP) moves forward and business processes are adapted to the new system.

Additional details relating the barriers we have identified and the strategies to address the various aspects of the challenges associated with the DHHS contract monitoring process are contained below. *Italics* denote that work completed or in progress. *Brackets* indicate the target implementation dates for activities in progress or new activities.

Change Management/Restructuring

To assure effective monitoring DHHS must undergo a fundamental shift in the way we manage our contract monitoring activities. The value of program-based monitoring and positive, professional relationships with our vendors contributes directly to the high quality of services that we provide to our community's customers and clients. This strong, program-based approach provides a good foundation to build upon as the Department develops a collaborative project team based approach of contract monitoring that include senior management support and recognition of the challenges and opportunities that changing our organizational culture entails.

Barriers

- A 2006 publication entitled "Effectively Managing Professional Contracts: 12 Best Practices," delineates the advantages of government-contractor partnerships with regard to improved performance. However, one of the challenges associated with this approach is that managers must be aware of the "potential for abuse and conflicts of interest in the partnership."

Consistent with this, DHHS monitors have reported feeling caught in the middle when they have challenged vendors on contract related issues. Often, they do not feel supported by DHHS management and are concerned that vendors will utilize their County connections and networks to get around them or "get them in trouble."

- Some program based monitors do not have all the necessary skills and training, especially on the fiscal and compliance aspects of contract monitoring. This taken, in conjunction with the sense of political vulnerability noted above, has resulted in a lack of confidence on the part of DHHS monitors to address fiscal issues.
- There is inconsistent accountability of managers and supervisors of monitors for the contract monitoring process.
- There are a large number of monitors (~80-100) with disparate backgrounds and skills. This makes developing a standardized approach to training difficult.
- Alphabetical assignment of contracts in CMT does not provide for continuity of knowledge as contracts are assigned based on workload rather than on the requirement to build a sustainable and service area specific team.

Strategies

- *Provide strong organizational, supervisory, manager, and senior leadership support and guidance to DHHS contract monitors so that they feel comfortable asking for help, bringing contract-related issues forward, and have fiscally trained staff available to use as a resource. [On going since spring 2008]*
- Continue discussions with Service Areas regarding the most effective structure, including reducing the number of monitors by centralizing monitoring activities within the Service areas. [March-August 2009]
- Recognize that contract monitoring is an important part of DHHS' business activity. Review roles and responsibilities for all staff and managers, not just monitors and develop performance standards and measures. The Department will incorporate these measures in FY2010 performance plans. [June-August 2009]
- Develop a standardized training plan for monitors, supervisors, and managers. [FY2010]
- Review options in CMT for contract assignment with the goal of building strong continuity of knowledge, based on collaborative teams. [FY 2010]

Enhancing Communication

Vendors

Barriers

- The County's Procurement process is complex and many vendors are unfamiliar with the County's Procurement regulations and procedures.
- DHHS vendors may have multiple contracts with DHHS, often in different service areas and with several with different monitors. There are inconsistencies in the information that they receive from monitors with regard to contracting issues.

Strategies

- *Increased interaction on the part of contract monitors and other DHHS staff with the vendors. [Ongoing]*
 - Use of DHHS collaborative team approach for selected site visits, such as large dollar value contracts, monitors' requests for assistance, or contracts identified by management as needing increased oversight, so that vendors can interact with CMT and fiscal staff as well as their monitor. [FY2010]

- Vendor specific training sessions. [late summer 2009]
- Develop templates, forms, etc to standardize communications, to the degree possible. [FY2010]
- *For County Council grants, communicate the County's procurement process in a more effective way and establish reasonable vendor expectations with regard to the timeline from award to notice-to-proceed as well as documentation required to support contact invoice. A letter to vendors jointly signed by the Directors of DGS and DHHS will be sent in June, immediately after awards are posted.* [June 2009]
- Conduct contract orientation sessions with vendors to establish performance expectations, and convey performance outcomes, deliverables, and documentation requirements. Due to vendor staff turnover, provide periodic updates—even for established vendors. [2010 for new contracts; other orientations as resources allow or as designated]

DHHS

Barriers

- Processes are fragmented.
- There is a lack of communication between program-based contract monitors, program managers, the CMT, and the Fiscal and Compliance Teams.
- There is inadequate and fragmented technology for tracking contract related status and other types of data.
- There is a lack of standardized policies and procedures or central repository for storing documents so that different groups can easily access materials.
- There is ineffective communication between DHHS and other Departments.

Strategies

- *Strengthen the role of the Fiscal and Compliance Teams by better integrating them into the contract monitoring process, having them participate in site visits, and acting as a resource to monitors on fiscal or compliance related matters.* [April-August 2009]
- *Increase personal interaction and minimize the use of e-mail to resolve complex contracting issue requiring input by multiple groups or programs. Instead, conduct a half hour meeting with program, fiscal, contract management and budget, as necessary.* [On-going]
- *Monthly training sessions for contract monitors and other DHHS staff in an interactive forum* [On-going since September, 2008]

- *Ensure participation of CMT members in service area contract working groups. This participation will be expanded to include participation of the Fiscal and Compliance Teams.* [April-August 2009]
- *Quarterly Financial Operations Newsletter which includes important information and key events from contract management and fiscal teams.* [On-going; most recent edition March 2009]
- *Frequent interaction between the Office of Procurement, the OCA, the CMT leader and the Chief, Financial Operations.* [On-going]
- *DHHS provides on-going departmental level prioritization of solicitations and contract actions to facilitate workload management between the Office of Procurement and DHHS.* [On-going]
- *Periodic update meetings that include the Director of DGS, the DHHS Director, the DHHS Chief Operating Officer and other key DHHS and Office of Procurement staff.* [On-going]
- *Modify contract Access database to provide weekly summary of DHHS actions in process to the Office of Procurement and DHHS staff.* [Completed February 2009]
- *Process change orders and other complex contract actions that require multiple perspectives in "real-time" by having a team consisting of a Procurement representative, a CMT representative and a fiscal representative participate in weekly teleconferences.* [On-going]

TRAINING

Vendors

Barriers

- There is a lack of understanding of common business practices, including fiscal documentation, especially the non-profit vendors.
- There is a lack of resources, including infrastructure to support financial activities, such as accounting, accounts receivables, payroll detail and other fiscal related matters.
- Partnership with other County Departments

Strategies

- One of the consistent themes that has emerged is the need to provide more education and training for our vendors and partners on the County's contracting and payment requirements. In general, there appears to be a high level of comfort on the program-focused aspects of the

process. However, our vendors and partners often feel less knowledgeable about the County's different types of contracts, contract budgets, monitoring and reporting requirements and the documentation required by various types of contracts to support payments. To provide more information and guidance to our vendors and partners, DHHS is developing, in collaboration with the Department of Finance and the Office of Procurement several 'brown-bag' training presentations. These sessions will provide opportunities for on-going, interactive information exchange. [late summer 2009]

DHHS

Barriers

- Program based monitors, supervisors, and managers, as well as contract management and fiscal staff have very different levels of skills and experience with regard to contracting, budget management, and other fiscal activities.
- There is a lack of recognition that monitors, supervisors, and managers need training on non-program related aspects of contract monitoring.
- There is no standard training plan for contract monitors.
- There is a lack of resources.
- Need to access non-DHHS resources.

Strategies

- Conduct a needs assessment. [April-May 2009]
- Develop a standard training plan for contract monitors, supervisors, and managers and CMT staff. In addition to the items below, other training for monitors and CMT staff may include system training on ADPICS/FAMIS, basic project management, basic and intermediate excel, budget development, conflict resolution, and negotiation strategies. Many of these trainings are available through the Office of Human Resources (OHR); however, because of the large number of monitors and managers that require training, DHHS will work with OHR and other departments to provide DHHS specific training sessions as appropriate. [FY2010]
- *In June of 2008, DHHS instituted a policy that all new contract monitors must take the 5-day County Contract Administration Course. Additionally, monitors must retake this course every three years.*

The Department noted the limited offerings and capacity (three times per year and quickly filled) of the existing 5-day County contract administration course. DHHS worked with the OHR, the OCA, and the DGS to develop a two-day DHHS specific training. The first of these special sessions occurred on March 3-4, 2009. Feedback from DHHS staff taking the course was very positive.

By the end of April, approximately 75-80% of DHHS contract monitors will have completed this required training. The County has no additional classes scheduled at this time; however, due to the large number of contract monitors in DHHS, we are working with OHR, OCA, and DGS to schedule a another two day training class in August or September of 2009. We expect that by the fall of 2009, nearly 100% of our monitors will register for and/or complete the required training. We expect to continue working with OHR, OCA, and DGS to offer this training on a regular basis.

- *In addition to the County Contract Administration Course, in September 2008 DHHS began conducting mandatory training on a variety of contract related issues. We anticipate having 6-9 of these sessions throughout the year. The format is a combination of presentation by various subject matter experts followed by a period for questions and answers.*

The sessions are dynamic and interactive and have resulted in increased interaction between DHHS' CMT, the Fiscal Team, and the contract monitors. Our strategy is to build on this increased collaboration between these three groups and provide additional fiscal-related training to our monitors and contract managers in CMT by involving the accountants/auditors in the Fiscal Team in the training.

Financial Operations has presented the following topics to date:

- *The Contract Payment Process-September 2008*
- *Monitoring Roles and Responsibilities and Monitoring Tools-October 2008*
- *Claims-What They Are and How to Avoid Them-December 2008*
- *Cost and Pricing Strategies, including Indirect Costs-January 2009*
- *2010 Contract Renewals-March 2009*
- *Supporting Documentation for Contract Payments-March 2009*
- *Upcoming Topics include:*

May 2009—Year-End Training, including Contract Accruals, Encumbrances, and Liquidations

July 2009—Reviewing Financial Information, including Invoices and Backup Documentation

Fall sessions will be scheduled in July/August 2009

MONITORING TOOLS

Barriers

- There is a lack of resources. For the last several years, CMT has been understaffed. In FY2009, two senior contract managers retired as part of the 2008 Retirement Incentive Program. These positions were vacant for the first half of FY2009. A new position approved for FY2009 in CMT remained vacant the first seven months of the fiscal year due to budget related issues. The CMT scheduled interviews for the new position in March 2009. Service areas have also lost or been unable to fill positions. As DHHS monitors often fill multiple roles, including direct service provision, there are conflicting priorities.
- No integrative software or technology is available. The Department enhanced the DHHS JD Edwards (JDE) Financial System to provide a workflow solution for processing contract actions and in March of 2008, discontinued this module due to the lack of functionality in the Contract Action Worksheet (CAW) module and instability of the JDE system. Over the last nine (9) months, an Access database has been used to provide basic tracking information; however, many functions are still dependent on use of multiple excel spreadsheets and other manual systems. Data accuracy remains a concern as does the amount of time needed to update various databases and spreadsheets.

Strategies

- *Update and disseminate the DHHS Monitoring Guideline, including the Guidelines for Contractor Corrective Action and revise the monitoring forms to strengthen the fiscal component of the monitoring plan. [March-August 2009]*
- *Quarterly Financial Operations Newsletter for dissemination of policy and procedure updates. [On-going; next edition July 2009]*
- Create "library" of templates for various types of actions, solicitations, etc, by consolidating already available information and storing it in a central location such as the Financial Operations intranet. [FY2010]
- *Provide weekly listing of status of contract actions in CMT. This will supplement the weekly list of actions in Procurement provided weekly to monitors and others in DHHS and Procurement. [May 2009]*

COLLABORATIVE EFFORTS WITH THE DEPARTMENT OF FINANCE, OFFICE OF PROCUREMENT AND OCA

Barriers

- There are complex County Procurement Regulations, involving many departments and individuals.
- Many contracting issues require input from multiple departments to resolve problems and there is inadequate documentation of interdepartmental processes and procedures.
- There is no standard process or procedure for communicating changes to affected Departments.

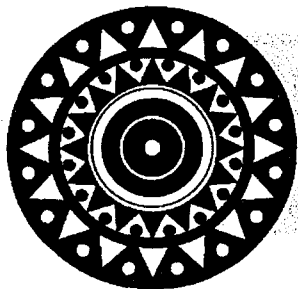
Strategies

- *Engage in collaborative discussions with representatives from all County Departments involved in the contracting process: the Office of Procurement, the Department of Finance, including Accounts Payable and Risk Management, and the OCA. This approach facilitates information exchange and ensures that all departments are aware of issues, assess the implications of the change on their operations and systems, and participate in issue resolution. This will become increasingly important as the County moves away from individual, stove-piped systems and procedures to an integrated enterprise wide system. [On-going]*

Attachment 2

SUMMARY OF MAJOR DHHS INITIATIVES TO IMPROVE CONTRACT MONITORING

ACTIVITY	TIMELINE	PROGRESS
Mandate Contract Monitor Training		
<ul style="list-style-type: none"> o County Contract Administration Class 	June 2008	By Fall 2009 close to 100% of monitors will have completed this training
<ul style="list-style-type: none"> o DHHS internal monitor training 	September 2008	As of March 2009, 6 sessions were completed, including training over 120 monitors, supervisors, and managers on contract support documentation; additional sessions planned over the next several months.
Streamline the non-competitive County Council grants process	FY09	Completed for FY10 awards
Institute DHHS Contract Monitoring Review Committee (CMRC)	4 th quarter 2009	First set of reviews during the 4 th quarter, 2009
Perform 100% contract review to assure DHHS is receiving appropriate back-up payment support from vendors	March-April 2009	In progress; completed by mid April
Conduct vendor education on county procurement requirements	Aug/Sept 2009	Planning will begin in May 2009
Develop standard training plan for monitors	March-August 2009	In progress
Develop tools for monitors, including revising DHHS monitoring guidelines	March-August 2009	In progress
Organizational change management and restructuring	Restructuring completed by end of FY2010	In progress
Increase participation of Financial Operations in the monitoring process	Ongoing; additional resources pending July 1	In progress
Increase communication between Financial Operations (fiscal, contracts management, and compliance) and contract monitors	Ongoing; additional resources pending July 1	In progress
Increase communication between DHHS and other County Departments	Ongoing	In progress



CENTRO FAMILIA

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June 2, 2009

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Americans for the Arts

Jennifer Villa
Parent La Escuelita de
Centro Familia

Pilar Torres
Executive Director

Uma S. Ahluwalia, Director
Department of Health and Human Services
Office of the Director
401 Hungerford Dr.
Rockville, MD 20850

Re: Response to Thomas J. Dagley, Inspector General
May 8, 2009 Memorandum

Dear Ms. Ahluwalia,

Pursuant to your request, I am responding on behalf of Centro Familia's Board to the May 8, 2009 memorandum of Mr. Thomas Dagley, Inspector General. We request that this letter be included in your response to the OIG's final report.

Centro Familia's Board and management team was surprised and disappointed with Mr. Dagley's conclusions which do not fairly or accurately reflect the OIG's review of the validity of Centro Familia's payments to vendors. As you know, Centro Familia included an independent certified auditor in the review process. That auditor noted that the documentation Centro Familia supplied to the OIG, with very limited exception, sufficiently validated expenses for financial auditing purposes. That documentation included copies of invoices, cancelled checks and other documents supporting the appropriateness of all the payments questioned by the OIG for fiscal years 2007 and 2008.

It is particularly troubling that the OIG's report once again makes a vague and completely unsupported innuendo that Centro Familia has failed to account for \$900,000 in funding. Nothing could be further from the truth. Although we opened our records to the OIG for a full review, we discovered that the OIG was apparently primarily interested in items that had little or no relationship to the County contracts for which we were hired to perform. It is not disputed that over 75% of Centro Familia's

June 2, 2009

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expenses reimbursed by the County are used to pay salaries of our employees for the programs our non-profit organization delivers to the community. The OIG raised questions regarding non-contract areas of Centro Familia's management, including our necessary use of service vendors to maintain our computer network and printing of program brochures. The OIG specifically selected 32 such transactions for further review. The dollar value of those transactions totaled \$60,728.89. Centro Familia produced hundreds of pages of supporting documentation for these transactions to the OIG. Following review of that documentation, the OIG highlighted a mere three (3) transactions totaling \$15,830 of which only \$3,083 was paid for with County funds. Nevertheless, we provided yet additional documentation to further substantiate the validity of these transactions. It is absolutely incumbent that the OIG's report provide accurate information regarding the dollar amount of the transactions in question (less than ¼ of 1% of our entire budget). Moreover, the OIG's purported concerns over Centro Familia's documentation is in no way tantamount to any finding that Centro Familia misused County funds, and that should be stated expressly in any final report.

For the past eight (8) years, in partnership with the Montgomery County Department of Health and Human Services (DHHS), Centro Familia has provided early childhood education services to hundreds of low-income childcare providers, children and their parents. These services are recognized as innovative and of high quality. In fact, Centro Familia has received national recognition as a best practice model for serving Hispanic families. We have earned the trust of the residents of Montgomery County as an organization with high standards and integrity. Centro Familia has consistently met, and often exceeded, DHHS programmatic standards in its monitoring reviews. The members of Centro Familia's Board are proud to contribute our time and energies to support these programs, which generate critical employment, support small business development and offer early childhood education and child development training for many needy Montgomery County residents.

Centro Familia also has conducted itself as a diligent steward of taxpayer resources. In the course of our partnership with the County, we have followed all DHHS stated procedures regarding proper invoicing and contracting. In fact, over the years, Centro Familia submitted its invoices in a pre-approved format consistent with invoicing by many, if not the vast majority of DHHS contractors. We know this to be true because several of our Board members are involved in other non-profit organizations in Montgomery County.

Centro Familia's management team, supported by the Board and by the highly regarded accounting firm of Grossberg LLP, our CPA of record, has for the past several years worked to strengthen its financial controls, and its accounting and documentation processes, and is committed to continuing to improve. In fact, the Board has just approved new policies that will enhance internal control procedures and further

Uma S. Ahluwalia, Director

June 2, 2009

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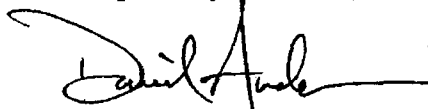
strengthen its oversight of Centro Familia's finances and operations, including conflict of interest issues.

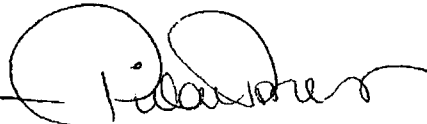
We are aware that the OIG has chosen to hold Centro Familia to a higher standard of accountability than has been applied to other DHHS contractors, and non-profits in general, including close scrutiny of expenses with *de minimus* dollar value and for which formal written bids and signed contracts would not routinely be called for. This, in one sense, gives the Board concern about why a nationally-recognized, minority-run, small non-profit serving Montgomery County's Latino community should be singled out, but the Board also is willing to let Centro Familia be a forerunner of new standards of administrative excellence, as long as the process which brings us to that point is fair, and that those standards are uniformly applied to organizations falling within the purview of DHHS.

Centro Familia maintains vigorously that it has fully complied with the DHHS contracts, and that no fraud, abuse or waste was committed. We stand ready to meet with you and the County Attorney to review supporting documentation should the OIG offer additional details on any specific concerns it may still have.

Centro Familia remains strong in its commitment to our mission. Through this difficult, time-consuming and expensive review process, the members of the Board have renewed a complete trust in the integrity of Centro Familia's management team, and in their professional expertise, compassion and dedication to the community we serve. We reaffirm our commitment to work with you and DHHS to implement any and all new accounting principles the department may elect to implement for all non-profits as a result of the OIG review. We are proud of our partnership with DHHS and remain committed to sharing our expertise, compassion and dedication to the residents of Montgomery County.

Respectfully submitted,


David H. Anderson
President, Board of Directors


Pilar Torres
Executive Director

cc: Grossberg Company
Stanley Reed, Esquire
Centro Familia Board of Directors