

## **Human Services Council**

### **Draft - Comptroller Candidate Questionnaire 2009**

The not-for-profit human services sector and New York City (NYC) government have an important partnership in the delivery of social services to the City's most vulnerable citizens. Not-for-profits contract with the City to provide specialized, effective, and cost-efficient care in the communities they serve.

The intricacies of the City's contracting process are not that well-known. The Mayor, through the Mayor's Office of Contracts Services and the City agencies play the most direct role with providers as they administer the contracts. The City Comptroller, however, plays an integral part, along with the Mayor, in promulgating the City's procurement policy. The City Comptroller has two appointees on the City's five-member Procurement Policy Board, the entity that establishes the City's procurement rules. The City Comptroller also shares a statutory role in the VENDEX process. The City Comptroller's audit authority allows the Comptroller to ensure that City agencies are managing provider contracts to ensure that services are efficiently administered and properly allocated to the clients that are in most need. The following questionnaire seeks to inform the sector and the public about how, as City Comptroller, you will strengthen the partnership between the City and the not-for-profit provider community and support community-based organizations as they aim to provide high-quality care.

#### **Human Services Sector's Relationship with Government**

Human service procurements tend to have relatively long cycle times. It is common that concept reports, the issuance of RFPs, and contract registrations all occur in different years. Frequently, these contracts are required to begin as many as 8 to 10 months prior to receiving payment. In the meantime, not-for-profit human service providers must balance scarce resources so that they can continue to pay costs for staff salaries and program locations all while continuing to effectively serve the needs of their clients. Given the duration of the contracting process for not-for-profit human service providers, it is particularly critical for these providers to monitor the status of their pending contracts. The current comptroller has implemented a new database that we expect to be a helpful tool in monitoring contracts once they are submitted to the Comptroller's Office for registration. The process prior to registration is not managed by the City Comptroller, but as Comptroller, you can suggest promulgating rules that effect the reliable monitoring of contracts prior to registration? Is this a role you intend to play? If so, what specific changes would you recommend? If this is not a role you intend to play, what alternatives would you suggest to ensure that contracts are reliably monitored prior to registration?

This is a great step forward by Comptroller Thompson and I would certainly seek to build upon it. I would advocate better monitoring before registration and some of the changes I would recommend include overall changes to the Procurement Policy Board that I feel would greatly increase transparency and efficiency. For example:

Often, members of the Procurement Policy Board are also City employees. Additionally, they do not have fixed terms. This may lead to slow-moving changes and a resistance to make major, innovative moves. This comes down to a basic corporate governance issue—the legal framework for procurement should be changed to give the PPB more independence and to permit new, cost-effective procurement techniques. Just like any other private corporation, the PPB must be given utmost authority to serve as an independent body.

To ensure this body remains independent, I would retain the policy that PPB members are appointed by the Mayor and Comptroller, but require them to be private citizens with secure terms. Members who work for, and often serve at, the pleasure of the official who appoints them cannot remain independent of these elected officials. Too often, good procurement policy is defeated because of political entanglements. A board of five independent members with fixed terms would promote efficient procurement rules. The Mayor and the Comptroller should agree voluntarily to appoint an entirely independent board.

The City uses the Vendor Information Exchange System (VENDEX) database to help with decisions regarding a provider's responsibility. The database contains information from detailed VENDEX questionnaires, as well as other information about related entities, performance history, tax status, contract history, and business integrity issues. The information requested by the VENDEX questionnaires, however, is nearly the same as the information required by the new Federal Form 990. The information requested by the VENDEX questionnaires is also virtually identical to the State's on-line Vendor Responsibility Questionnaire. Compliance with VENDEX, especially for not-for-profits with limited resources, has become an unnecessary administrative burden that consumes valuable staff time that would be better applied to serving the complex needs of clients. To the extent that a not-for-profit provider has a current Form 990 accessible or already filed a State Vendor Responsibility Questionnaire, would you, as Comptroller, be willing to support a change to existing policy and/or the VENDEX statute exempting not-for-profit providers from the requirement to complete a VENDEX questionnaire? If not, what alternatives would you suggest to eliminate this duplicative and time-consuming burden?

The Comptroller has oversight over the procurement process by which nonprofits partner with the City. Bureaucratic measures often arise out of a need to safeguard against abuse and corruption. Unchecked however, this red tape can quickly grow to unwieldy proportions. Paradoxically, unnecessary red tape can lead to a convoluted and unclear process that may actually breed abuse and corruption.

The best way around this is a streamlined and accessible way to collect and process information, while simultaneously reducing burdensome administration. To carry this out, I would:

- Set clear guidelines as to what public financial and legal information is currently available and can be used for contracts with New York City (for example, Federal 990 forms or the New York State vendor system)
- Incorporate this information into the City's VENDEX questionnaire

Measuring client outcomes is essential to understanding the efficacy of service delivery. Not-for-profits regularly review the treatment plans and progress of their clients to learn best practices and ensure success for those struggling with very serious issues like homelessness, addiction, mental illness, unemployment, and child neglect. While the performance of service providers must be measured, sometimes the goals, such as reducing the length of stay, are not in the best interest of the client. Goals must also be risk adjusted for the clients served. As Comptroller, would you use your audit function to make sure City agencies are consulting the human services sector to ensure all performance measures and incentives are fair and appropriate? As Comptroller, would you use your audit function to examine City agency practices to make sure all performance measures and incentives promote the best outcomes for clients? As Comptroller, would you support rewarding better performing providers? For example, would you support a policy that allows for the automatic renewal of a contract for the best performing providers? (This way, at least a few providers would not have to go through the contract process again.)

I plan to transform the audit staff into the Division of Accountability and Results (D.A.R.), greatly enhancing its role with City agencies to act as a management consultancy to identify waste and work as a resource. A vital function would be to identify and reward productive nonprofit partnerships and repair those that are broken. As part of this, I would seek ways to streamline the contract renewal process for exemplary providers, but any change must maintain the proper level of transparency.

I would work closely with the nonprofits involved in this for the very reason that the best outcomes for clients in many situations are not readily bottom-line-driven, but can require more complex or nuanced measurements of success. By working

closely with the agencies and nonprofits, we can establish standards that both the agencies and nonprofits should meet. The D.A.R. could help set this up and then continue to evaluate performance based on these measures.

Retroactivity continues to cause cash flow and continuity of services problems for not-for-profit human service providers. A contract is considered "retroactive" when its start date occurs before the contract is registered by the Comptroller. To encourage the speedier processing of contracts, several years ago City procurement rules established standards and sanctions for late contract processing (PPB Rule 4-12). To date, the interest penalties associated with this rule have not been invoked. If elected, would you consider revising the applicable Procurement Policy Board rules to expand the circumstances to apply interest penalties? If so, under what circumstances would you propose expanding the application of interest and if not why?

The Comptroller should push to streamline the application and registration process and to enforce the timely and efficient registration of contracts. This would provide multiple effects, including encouragement for new contractors to take part in the bidding process and reduce the administrative costs involved in the process. I would suggest the following steps to accomplish this:

1. Centralize the registration of contracts: Lack of consolidation can lead to poor oversight of contract selection. In some cases, agencies are funded by multiple sources and, in cases where the State or Federal government are involved, contracts are then governed by more than just the City's guidelines. The City should require that all contract information for public work in the City of New York be kept in a centralized database.
2. Yes, I would enforce the timely registration of contracts: Procurement Policy Rules require City agencies to process contract payments efficiently to assure timely contract payments to supplies doing business with the City. When an agency fails to have the necessary approval and paperwork completed before the contractor begins work and before the contract is registered, a retroactive contract occurs. Retroactive contracts result in a hardship to contractors because payments cannot be made until the contracts have been registered by the Comptroller's Office. They also cost the City money because when payments are made after the required deadline, the suppliers are paid interest at a cost to the agency.

Late contract processing and late contract payments are distinct issues. PPB Rule 4-12 attempts to address late contract processing. Late contract payments are addressed by the City Charter and separate sections of the PPB rules. A City agency is obligated to pay interest to a contractor if its bill is not paid timely. The City measures its success at timely payment by reviewing the amount of interest each City agency is obligated to pay as a result of late-paid invoices. Each year, for at least ten years, the City has paid such interest mainly to non-human service providers. As Comptroller, would you consider using your audit function to examine why more interest payments are not made to human service providers for late-paid invoices?

Yes I would. I will make it a goal to reduce the reimbursement time for expenses incurred by nonprofits providing City services by at least 50%. On a broader level, I will advocate for more stringent examination of all contract payments to determine why there is this discrepancy for human services. I will establish better performance metrics to more efficiently and consistently reward quality providers and identify and alleviate the process delays that lead to late contract payments. The hope is to work with City agencies and employees as a resource – not an antagonistically – to promote a culture that rewards results over process. When City agencies and the non-profit organizations they work with are all partners in this, we can work toward a dramatic reduction in late contract payments.

For example, I would aim to reduce frequency of late payments by holding agencies accountable for timely payment—regularly publishing these statistics and associated interest on late payments to reduce this costly practice. It has been indicated that interest on late payments is paid with construction firms, but not in human service providers. I would advocate firmly for this to be extended to service providers.

## Funding Issues

Not-for-profits are generally a good public investment as they stretch scarce public dollars by combining them with philanthropic resources; the current economic climate however, has reduced the availability of private resources substantially. A recent survey of New York City not-for-profit human service executive directors found that 80 percent of respondents experienced a decrease in private funding sources over the last year and 65 percent have seen a reduction in public funding. At the same time most report that the number of people in need and the number of issues faced by each client are growing. During this time of great economic distress, what steps will you take, as Comptroller, to ensure the social services safety net remains intact and is able to meet increasing service demands?

The following outlines some general priorities I would institute to aid the nonprofit sector in both reducing expenses and finding funding.

### Reducing Expenses

- **Exemptions.** The Comptroller's office would provide clear and comprehensive guidelines for nonprofits to take advantage of their tax breaks. This includes an awareness of Unrelated Business Income Tax, which can affect some nonprofits.
- **Capital Plan Advice.** Rising construction costs can seem unpredictable and the resulting budget overruns wreak havoc. As Comptroller, I have at my disposal information and analytical tools regarding all facets of construction and development. I will offer technical assistance for nonprofits planning projects and help them accurately forecast construction costs—identifying ways to cut costs and avoid common budget pitfalls—and design a realistic budget they can adhere to.
  - Significant focus will go toward Green Building and energy efficiency practices that can provide long-term savings.

### Support Revenue Generation

- Many nonprofits rely on government grants. The Comptroller can supply a comprehensive guide of available grants at all levels of government – providing a resource for grant-seeking orgs.
  - Partner with private foundations and nonprofits that provide similar services to create a centralized database for NYC nonprofits.
  - I would secure federal funds to support energy efficiency and conservation programs, like retro-fitting existing buildings.
- Innovative nonprofits find revenue through fees for service or products – taking care not to compromise tax-exempt status or mission integrity. My audit staff could help identify these potential streams of revenue to offset administrative expenses for these nonprofits.

Having access to credit is critical to the day to day operation of many not-for-profits given late payments on government contracts and limited or no financial reserves. As a major borrower, the City has substantial leverage with the banking industry. As Comptroller, will you consider leveraging this borrowing power and this relationship to encourage banks to help not-for-profits obtain access to credit? Would you also support the incentivizing of lending to not-for-profits through your role in the City's Community Reinvestment Process and as a member of the Banking Commission by including loans to not-for-profits among the criteria used to evaluate banks?

Credit access is indeed a priority for so many organizations. I will take full advantage of the associations, experience, and interaction with the banking community to work together to identify ways we can support the nonprofit community with loan programs and credit services as appropriate. This must be a collaborative effort utilizing the full input of all stakeholders, especially during the current economic uncertainty.

Responsible service delivery starts with an annual assessment of a service plan and the costs associated with it to ensure availability and continuity in the programs clients depend on. Over the last few years this continuity has been threatened as rapidly rising administrative costs eat away at the funds available for service provision. The new MTA payroll tax and sharp increases in health insurance premiums are good examples of the types of uncontrollable overhead expenses not-for-profit providers struggle with. To ensure the continuation of the high quality services needed to produce positive outcomes for clients, the City must begin to adjust payment rates to match the real cost of providing services and allow for the application of a higher percentage of payments toward administrative expenses. As Comptroller, will you support and promote policies that allow for the payment of an adequate and fair administrative rate to not-for-profit agencies under contract with the City to provide social services to needy New Yorkers? If so, how would you accomplish this?

I will continue propose the Division of Accountability and Results to serve in capacities like this. This group of professionals should be able to identify the cost savings of working with nonprofit organizations to supply certain functions and therefore substantially advocate for fair payment. A more holistic view of the services the nonprofits provide in cooperation with the City agencies should allow for a better understanding of the overall financial health of the City's operations.

In contrast to an item by item view of contracts where such fair payments are resisted and viewed as extra or unnecessary costs, I would strive to view the operations of the agency and nonprofit providers as a whole in order to eliminate wasteful spending. Effective nonprofits should see an appropriate match in fair payment to alleviate rising costs where prudent. Just as with the internal agency audits, wasteful practices should be eliminated and effective programs rewarded accordingly.

Community based social service programs not only constitute a much less expensive approach to service provision compared to institutionalized care settings, but often produce better outcomes for clients. In addition, these programs act as economic engines in local communities where they provide jobs and purchase goods and services. The list of ways community based programs contribute to the economic well-being of our communities is long and includes: helping people become employed, thereby reducing public assistance costs and increasing tax receipts;

supporting people's efforts to live independently, thereby reducing public health care costs and limiting needless burdens on an already overwhelmed health care system; educating and training individuals, thereby assisting in the formation of a skilled workforce to ensure future economic stability and growth; providing after-school services to youth, thereby contributing to reductions in juvenile crime, teen pregnancy, and detention costs; and delivering effective and safe family support services, thereby reducing out-of-home child welfare costs, and limiting the occurrence of abuse and/or neglect. As Comptroller, would you commit to an audit that compares the financial and qualitative benefits of community based services over institutionalized care? If such an audit reveals that under appropriate circumstances, there are significant benefits to be achieved from community based human service programs, what will you do as Comptroller to encourage City agencies to use such community based service programs over institutionalized care?

I would propose the following to enhance the audit function to greatly improve the partnership the City agencies have with nonprofits and seek to provide information of nonprofits working with each City agency, listing the orgs and services they provide to fill in agency gaps. This could advocate for more cooperation of community based programs in that it would:

- Serve as visibility for work being done and encourage innovation and more non-profit programs to partner with the City to address vital challenges
- Provide a robust foundation with which to base crucial policy decisions:
  - Policy makers identify innovative nonprofit programs that could become a scaled government effort (supporting a well-regarded concept that non-profits develop ideas in the marketplace, and proven ones can be scaled up in the public sector)
  - Conversely –non-profits may be needed in certain instances to fill in agency gaps

The City, through its HHS-Connect initiative and the expansion of its 311 System, attempt to use technological advances to improve access to services and information sharing. As Comptroller, the Charter grants you the authority to audit the adoption and use of new technology and its economy and efficiency. As Comptroller, will you use this audit function to ensure that the City incorporates the perspective of the not-for-profit sector as these efforts and other such technological efforts are further developed and rolled out? As Comptroller, will you commit to using this audit function to ensure that not-for-profits are not burdened by efforts to incorporate them into HHS Connect, the expansion of 311, or such other technological efforts?

Technology can and should be used to reduce waste, improve transparency and increase efficiency. That being said, I would mandate that any adoption of technology is weighed heavily against the burdensome changes or administration it might represent. If the costs outweigh the benefits, as politically popular as proposing technological solutions might be, I would advocate restraint. However, if there were ways to work with City agencies and their nonprofits partners to adopt such technology to foster efficiency and transparency, I would certainly do so. This can be especially effective where such back-office processes can be shared among agencies and nonprofits. The Division of Accountability and Results will take on the task of assessing technology based policy very carefully and work with agencies and nonprofits to implement such measures if they are enacted by policy-makers.

## Human Service Staff Development

Workers in the not-for-profit social services field are serving fragile populations and work daily with individuals and families overwhelmed by feelings of defeat and abandonment. Building trust with clients takes time and a client's progress can quickly unravel with the change of a caseworker. Because those being served have often experienced a lifetime of instability, staff continuity in this field is critically important. Yet, staff turnover can be fairly high in the not-for-profit social services world. Most believe the lack of career ladders and inadequate pay combined with high caseloads are responsible for the recruitment and retention challenges of this sector. As Comptroller, what steps will you take to help the sector attract and keep a highly qualified workforce so that the fragile populations served benefit from continuity and receive high quality services?

- Comptroller can use Division of Accountability and Results to consult and improve business models and management practices among nonprofits to recruit and retain better talent in nonprofits (frustrating business practices can lead to high turnover in nonprofit world). There are collaborative possibilities in that many nonprofits serve different populations/needs but share very similar operational processes (like development/technology and data management, etc).
  - What might not be feasible directly through DAR, should be monitored or advocated through other agencies, like the Econ Dev Corp or Small Business Services.
- Advise board development regarding: fiduciary responsibilities, disclosing conflicts of interest, drawing up board charters and ensuring good governance

The gravity of the work performed by those in the not-for-profit social services field is profound. These workers are responsible for keeping victims of domestic violence safe, providing homebound seniors with daily meals, protecting children from abuse and neglect, finding permanent housing for homeless individuals and families, putting former substance abusers on a path to a new life, and teaching new mothers how to care for their babies. Despite the fact that this work is highly stressful and wrought with challenges, many find it personally rewarding. But because salaries are low and often go unadjusted, staff frequently leave for jobs in other sectors that pay more. It is clear that employers in this field want to reward their staff with regular raises, but struggle to provide salary enhancements because of their reliance on government contracts that are irregularly adjusted. Furthermore, when cost-of-living-adjustments (COLAs) to City contracts are provided, the ridged terms of their provision create obstacles that prevent the payment of an equitable base rate to similarly skilled and performing staff and prevents the distribution of raises to the not-for-profit's entire workforce. As Comptroller, will you support a policy that demands the regular provision of COLAs to this important workforce and remove obstacles that hinder not-for-profit entities from fairly distributing the COLA to their employees? Please explain.

Such policies must be negotiated carefully to balance the interests of the City employers and the crucial nonprofit workers, especially when agencies are facing such incredibly difficult financial environments. There are distinct areas where nonprofits fill voids not provided by City agencies. As mentioned previously in this survey, I would place a priority on assessing this "big picture" view of the services being provided, and use the Division of Accountability and Results to eliminate ineffective programs and reward those that perform. In this perspective, it will be easier for advocates of increased payment for providers to make their case that its not only fair, but essential in seeking the get the most value for taxpayer dollars.