



Audit of Human Social Services

December 2013

City of Tempe Internal Audit Office

City Auditor: Barbara Blue

**Internal Auditors: Keith Smith
Norma Hostetler**

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I. INTRODUCTION

Background

A comprehensive definition of Human Social Services developed through industry exploration and input from various sources follows:

Human Social Services are organized efforts to advance human wellbeing. Supportive services and meaningful opportunities are provided to meet needs in times of crisis, prevent risk behaviors, promote economic security and self-sufficiency, provide meaningful opportunities for personal and community growth, and promote social equity.

The City's existing structure to manage the delivery of Human Social Services is decentralized. Services are primarily delivered through various divisions within existing City departments and through key partner 501(c)(3) nonprofit agencies. The key players in the current system of service delivery are as follows:

1. City of Tempe Community Development Department
2. City of Tempe Community Services Department, Social Services Division
3. City of Tempe Diversity Office
4. City of Tempe Public Works Department, Transportation Division
5. Tempe Community Council (TCC)
6. Tempe Community Action Agency (TCAA)

II. AUDIT OBJECTIVE AND SCOPE

Objective

This audit was performed in response to a request from the City of Tempe Council. The overall objective of this audit was to identify opportunities for the City of Tempe to meet the various Human Social Services needs of the Tempe community more economically, efficiently, and effectively.

Scope

This audit focused on current operations, service delivery practices and structures, as well as financial transactions related to fiscal year 2012/13.

Methodology

During the course of this audit the following was performed:

- Interviews with management and staff throughout the City of Tempe, Tempe Community Council (TCC), and Tempe Community Action Agency (TCAA)
- Review of existing policies and procedures related to service delivery
- Survey of volunteers involved in the fiscal year 2012/13 Agency Review process
- Assessment of the Agency Review process administered by TCC
- Interviews and compilation of data related to Human Social Service delivery models of other Valley cities
- Analysis of the city's financial investment in Human Social Services
- Compilation of a comprehensive inventory of Human Social Service programs the City invests in
- Identification and assessment of current organizational structures and systems of service delivery

III. CONCLUSION

Many opportunities were identified where the implementation of additional or alternative processes and/or structures could serve to enhance the efficiency and effectiveness of the existing system of Human Social Service delivery in the City of Tempe.

The time, effort, assistance and cooperation granted the Internal Audit Office during the course of this audit by management and staff of various City Departments and Divisions, the Tempe Community Council and the Tempe Community Action Agency was exceptional and is much appreciated.

IV. DETAILED OBSERVATIONS

Detailed observations noted throughout the audit of Human Social Services are organized into the following sections:

- A. City of Tempe Investment in Human Social Services
- B. The City of Tempe and the TCC (Tempe Community Council)
- C. Opportunities for Comprehensive Service Enhancement
- D. The Agency Review Process

Organizational practices and service delivery methodologies were reviewed; strengths, limitations, and opportunities were identified. Enhanced or alternative structures and practices with potential to meet the Tempe community's Human Social Service needs more effectively and efficiently were explored.

A. City of Tempe Investment in Human Social Services

The City of Tempe supports a vast array of Human Social Services through the use of general funds, various grant funding, donations and contributions. These services are delivered through various City of Tempe Departments/Divisions and related 501(c)(3) nonprofit organizations. The City of Tempe's total investment in Human Social Services by source of funding is illustrated in the following table:

Program Delivery Administration	City of Tempe General Funds	City of Tempe In-Kind Services	City of Tempe Transit Tax	Various Grant Funds	Donations	Total
City of Tempe Community Development Department	\$99,445			\$10,125,898		\$10,225,343
City of Tempe Community Services Dept., Social Services Division	3,118,734			592,186	52,930	3,763,850
Tempe Community Council <i>(Includes Agency Review Funding)</i>	1,888,083	166,448		215,288	65,000	2,334,819
City of Tempe Diversity Office	391,106					391,106
TCAA		211,954				211,954
TCC/City of Tempe Public Works, Transportation Division			50,000			50,000
Total Investment	\$5,497,368	\$378,402	\$50,000	\$10,933,372	\$117,930	\$16,977,072

A detailed inventory of all services provided through the City of Tempe’s partial and/or full program funding and support is detailed in **Appendix I** of this report. A summary of the volume of programs targeted to various populations and/or categories of service follows:

Population/Category of Service	# of Programs
Crisis Prevention and Victims of Crime	8
Diversity	13
Disabilities	24
Domestic Violence	8
Housing and Homeless	18
Seniors	8
Families and Working Poor	18
Youth Development & At-Risk Youth	33
Total Programs	130

B. The City of Tempe & the TCC (Tempe Community Council)

This section of the report provides an overview of the City of Tempe’s investment in TCC and identifies opportunities to positively impact service delivery efficiency and effectiveness in meeting the Tempe community’s Human Social Service needs.

TCC incorporated and received its 501(c)(3) tax exemption status in 1976. TCC was formed “to give Tempeans a central place to discuss needs for human services and ways the needs could be met.” TCC has partnered with the City of Tempe to deliver Human Social Services for many years. Throughout the years, TCC has developed various initiatives and programs, engaged the spirit of volunteerism and advocacy, conducted the Agency Review process, and developed numerous partnerships towards meeting their stated Vision and Mission.

In addition to Agency Review (AR) grant funding (see Section D of this report), the City of Tempe funds a significant portion of TCC administrative operations each year with general funds. For fiscal year 2012/13, this funding totaled \$1,010,457. Included in this funding are eight (8) positions with associated benefits as well as some miscellaneous operating expenses. The following table illustrates:

Funded Expenditure	\$	%
Salaries for 8 positions	582,371	57.6%
Health, dental, disability and life insurance premiums	283,991	28.1%
Pensions	68,137	6.7%
Employment taxes	51,303	5.1%
Employee recognition	3,000	.3%
Total Salaries & Benefits	988,802	97.8%
Equipment maintenance & rental	9,894	1.0%
Liability insurance	5,225	.5%
Duplicating	1,960	.2%
Travel, dues, meetings	4,576	.5%
Total Overhead	21,655	2.2%
Total Funding	\$1,010,457	100.0%

In addition to the above direct funding, the City of Tempe provides in-kind services of \$166,448 (\$89,848 for technology and telephone, \$49,000 for office space, \$12,000 for utilities, and \$15,600 for cleaning and maintenance). The City also contributes annually to the Tempe Community Foundation (administered by TCC) from net profits generated by the Angels Baseball LP (Club); fiscal year 2012/13's contribution was \$78,397. An additional \$41,000 is provided to TCC for Special Projects (\$25,000 for the Financial Stability Initiative and \$16,000 for Diversity/Unity grants). In addition, TCC receives funding through the Agency Review process for their own programs (\$86,125 for Open Horizons and Shared Living). This brings the City's total general fund investment in TCC and the Tempe Community Foundation to \$1,382,427. This total investment supports the following operations and programs of TCC and the Tempe Community Foundation:

Program	\$	%
Core Programs	835,820	60.5%
Open Horizons	19,076	1.4%
Shared Living	133,476	9.5%
Commitment to Schools	188,208	13.7%
Special Projects	115,509	8.4%
Tempe Community Foundation	90,338	6.5%
Total General Fund Investment	\$1,382,427	100.0%

This funding approximates 54.9% of TCC's total funding sources. The next table illustrates the sources of funding for TCC for fiscal year 2012/13:

Funding Source	Core Programs	Open Horizons	Shared Living	Commitment 2 Schools	Special Projects	Foundation	Total Note	%
City of Tempe	835,820	19,076	133,476	188,208	115,509	90,338	1,382,427	54.9%
First Things First	-	-	-	554,287	-	-	554,287	22.0%
United Way	36,607	11,280	-	33,190	37,190	-	118,267	4.7%
Schools/Federal Grants	-	-	-	115,869	-	-	115,869	4.6%
Contributions/Donations	29,036	9,750	-	16,937	26,743	30,978	113,444	4.5%
Foundation & Corporate Support	-	5,000	-	42,509	27,500	29,000	104,009	4.1%
Magellan Grant	-	-	-	76,363	-	-	76,363	3.0%
Special Events/Fund Raising	37,406	-	-	-	-	-	37,406	1.5%
City of Phoenix	-	-	-	9,978	-	-	9,978	.4%
Investment Income	5,636	-	61	133	187	-	6,017	.2%
Total Funding	\$944,505	\$45,106	\$133,537	\$1,037,474	\$207,129	\$150,316	\$2,518,067	100.0%

Note: Total Funding differs from that reported on TCC's draft financial statements by \$23,288 as a result of timing variances

Activities and programs funded by category are detailed below:

Core Programs (COT provides 88.5% of total category funding)

General administrative and programing activities in this category include:

- Agency Review process and related activities
- Technical and management assistance to nonprofit agencies providing human services to Tempe residents
- MAG Human Service Committees
- Strategy development
- Resource on human service issues
- New program development
- Partnership development
- Create and promote philanthropic activities
- Promote and grow volunteer opportunities
- Honor Seniors

Open Horizons (COT provides 42.3% of total category funding)

Goals of this TCC program include; 1.) Helping teens who have had a child graduate high school, and 2.) Improve the ability of teen parents to care for their children. Through the Agency Review process, this program receives \$4,750 from City of Tempe general funds. In addition to these funds, the City provides an additional \$14,326 for administration of the program.

Shared Living (COT provides 100% of total category funding)

Goals of this TCC program include: 1.) Provision of a home-like environment where low-income seniors can live independently and with dignity, and 2.) Create a shared living environment where seniors can have companionship and live without depression. They received full funding for fiscal year 2012/13 through the AR process totaling \$81,375. In addition, the City funded an additional \$52,101 in administrative support to this program. This program was sunset half way through the fiscal year in December 2012. TCC worked with the City to relocate residents and prepare the houses for sale.

Commitment to Schools (COT provides 18.1% of total category funding)

All Commitment to Schools (C2S) programs work to prepare children for success in school. C2S reduces the barriers that prevent children from taking advantage of their education. Programs include Family Resource Centers, A.C.E. Club (dropout prevention), Prevention Counselors, Thrive to Five Family Resource Centers, the Tempe Coalition (to prevent underage drinking and drug abuse) and other various services.

Special Projects (COT provides 55.8% of total category funding)

In addition to direct funding of programs (\$25,000 for the Financial Stability Initiative and \$16,000 for Diversity/Unity grants), the City provides an additional \$74,509 in administrative funding for special projects. Other programs include: the Cinderella Affair, T.E.A.M. (Tempe Emergency Alliance Ministry) H2O matching funds, Special Assistance, Mayor’s Disability Awards, and Volunteer Recognition.

Tempe Community Foundation (COT provides 60.1% of total category funding)

In addition to the contribution from net profits generated by the Angels Baseball LP (Club), the City provides \$11,941 in administrative funding.

1. A formal contractual agreement between the City of Tempe and TCC is needed to clearly articulate expectations, terms of funding, performance measures and evaluation methodologies.

Until recent action by City of Tempe management to develop a Memorandum of Understanding with TCC, a formal, comprehensive contractual agreement between the City of Tempe and TCC was never established. A formal agreement is foundational to clearly identify and assign responsibilities, terms of engagement, articulate goals and performance measures including evaluating the success of TCC in meeting Human Social Service needs of the Tempe community. Without adequate oversight and performance measurement, there is a risk that inefficient and ineffective processes and structural deficiencies could continue without intervention.

Recommendation

1.1 A formal comprehensive contractual agreement between the City of Tempe and TCC should be established that identifies: funding details, mutual responsibilities, and performance expectations and measures. Adherence to contractual terms and performance evaluation should be specifically assigned and effectively monitored by the City of Tempe.

2. Administrative funding provided by the City of Tempe exceeded TCC’s actual needs for fiscal year 2012/13.

Actual funds provided in quarterly instalment payments to TCC for salaries and benefits totaled \$988,802 for fiscal year 2012/13. The City’s budget for TCC is detailed by individual positions and associated variable benefit costs. The actual funds TCC expended during this fiscal year totaled \$893,603 resulting in a residual over funding of \$95,199. It appears that these funds may also contribute to the cumulative balance of TCC’s Net Assets (*See Observation #3*). The following table illustrates:

Funded Expenditure	City of Tempe Budget	TCC Actual	Over Funding
Salaries for 8 positions	582,371	608,742	(26,371)
Health, dental, disability and life insurance premiums	283,991	164,696	119,295
Pensions	68,137	77,266	(9,129)
Employment taxes	51,303	42,899	8,404
Employee recognition	3,000	-	3,000
Total Salaries & Benefits	988,802	893,603	95,199

Due to economies of scale realized by the City of Tempe to provide benefits for a large group, benefits paid for TCC funded positions exceed what the associated costs would be if these positions were actually City of Tempe employees. The following reflects estimated costs and potential savings if these positions were employed by the City of Tempe:

Funded Expenditure	TCC Actual	City of Tempe Employee	Potential Savings
Salaries for 8 positions	608,742	608,742	-
Health, dental, disability and life insurance premiums	164,696	80,000	84,696
Pensions	77,266	70,248	7,018
Employment taxes	42,899	46,569	(3,670)
Total Salaries & Benefits	893,603	805,559	88,044

A total combined savings of approximately \$183,243 could have been realized for fiscal year 2012/13 if the City had budgetary control over these positions and they were actually employees of the City (\$95,199 overfunded and \$88,044 of potential employment cost savings).

Recommendation

- 2.1** Any future funding for TCC management and staff should be closely monitored with directives regarding any salary savings and/or overestimates related to benefits. This should be detailed in any future contractual agreements between TCC and the City of Tempe. (*Consideration of incorporating TCC positions into the City of Tempe is reviewed in Observation #10.3*)
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3. TCC's net asset reserve retention policy was not established in collaboration with the City of Tempe.

Over the years, TCC has established a growing cumulative balance of surplus revenues over expenditures. For fiscal year 2012/13 operations, the estimated contribution to this balance was \$190,246; the June 30, 2013 cumulative balance totaled \$1,990,267. The following table provides a five-year history of TCC's Net Asset balance:

Fiscal Year	Net Contribution to Net Assets	Unrestricted Net Assets	Temporarily Restricted Net Assets	Net Assets Residual Balance
2009	116,008	1,256,403	243,666	1,500,069
2010	145,567	1,483,595	162,041	*1,645,636
2011	75,800	1,496,923	153,038	**1,649,961
2012	150,060	1,598,992	201,029	1,800,021
2013	190,246	1,816,654	173,613	1,990,267

* For the year ended June 30, 2010 Net Assets at the beginning of the year were restated and increased by \$165,135

**For the year ended June 30, 2011 Net Assets at the beginning of the year were restated and reduced by \$71,475

TCC's Executive Board approves a Designated Net Assets Report annually. For fiscal year 2012/13, the balance was comprised of a 6-month reserve (based on operating budget), investment in property, a TCC employee benefit fund, and miscellaneous unrestricted and temporarily restricted funds.

Building a reserve balance that is reasonable, is not an uncommon practice for nonprofit organizations and generally a good business practice. There is no single correct solution for all organizations and despite the importance of the issue there exists no agreed upon industry benchmark. Those nonprofits that are in most need of dollars typically do not have large reserves of available assets. A 501(c)(3) organization that appears to carry an excessive reserve

policy may not attract as many contributors. As a minimum, nonprofits should establish an Operating Reserve Ratio policy. An operating reserve ratio can be calculated in terms of a percentage (operating reserves divided by annual expenses) or number of months (operating reserves divided by average monthly expenses). A clearly established policy defines how its operating reserves are calculated and provides rationale.

TCC does not have a formal established policy regarding the most effective reserve balance that should be maintained developed in collaboration with its key partner, the City of Tempe.

Recommendation

- 3.1** An acceptable level of reserve fund balance should be based on measureable criteria. The City of Tempe and TCC should collaborate to develop an agreement as to reasonable levels and the point where reserves could potentially be utilized to reduce future funding or return to the City.

4. Opportunities to increase efficiencies in the administration of miscellaneous grants outside the Agency Review process were identified.

In addition to the Agency Review process administered by TCC (Section D), TCC also facilitates the administration and distribution of other miscellaneous grant funds. These grants include distributions from the Tempe Community Foundation, Diversity/Unity Grants, and Transit Grants.

A. Tempe Community Foundation (TCF)

The Tempe Community Foundation was founded in 1992 with the support of local leaders who wished to continue the tradition of Tempe philanthropy, and establish a centralized place for giving back to the community. Gifts to the TCF are held and managed as part of a permanent endowment. The fund is maintained in perpetuity; annual distributions from the fund approximate 5% of the fund balance and are subject to the Foundation's Spending Policy. In addition to fundraising efforts of the TCC, the City contributes annually to the TCF through shared net profits related to display panels of the Angels Baseball LP (The Club).

TCF is committed to four core guiding principles:

1. Growing endowment resources
2. Partnering with City of Tempe and Tempe community
3. Involving citizens in reviewing and determining community needs

4. Distributing proceeds with fairness and transparency to the most qualified organizations

Contractual Agreement

An existing lease between the City and The Club includes an agreement to share equally in the net profits generated by the display panels after The Club has recovered all of its construction and installation costs. There is no mention within this lease agreement that these net profits will be passed through to TCC for deposit to the TCF.

A staff summary report for the 8/14/08 Council meeting requested that the City of Tempe's portion of revenues from the Tempe Diablo Stadium display panels be allocated to TCC to build an endowment to support current and long-term human services in Tempe. Supporting documentation disclosed that TCC recommended the City's full portion of net profits be allocated annually to TCC and thereby transferred to the TCF. Minutes of the Council meeting disclosed that the stated allocation of funds was \$150,000, which approximated the City of Tempe's first year's contribution. There is no mention of these funds to continue to be distributed to TCC for the Foundation into perpetuity. To date, the City of Tempe has contributed \$387,258 towards the capital investment of the TCF through the display panel revenues. This represents 45% of the overall June 30, 2013 TCF fund balance of \$859,371.

Recommendation

- 4.1 A formal comprehensive contractual agreement between the City of Tempe and TCC should clearly reflect the intent of the use of the display panel revenue to support the TCF that also includes the intended duration of these or any other contributions.

Grant Funding Process

For fiscal year 2012/13, \$20,400 was available from the TCF for grant distribution. The process to award these funds starts with TCC sending out a notice and a Request For Qualifications (RFQ) to all agencies that applied for Agency Review (AR) funding as they had already been vetted and submitted their compliance documentation. The TCC Enhancement Committee (a subcommittee of the TCC Board) reviews the applications, scores them, and discusses funding recommendation for the TCF Board. The TCC Board, then convened as the TCF Board, discusses and accepts the recommendations.

Out of the nineteen proposals with requests totaling \$268,753 TCC received, two agencies were awarded grants totaling the available \$20,400. A separate evaluation form with five (5) questions is used to score the applications. The maximum score possible is twenty-five (25) points. The proposals were reviewed by seven (7) individuals. The highest two scores were only 15.21 and 14.5 respectively (which may suggest a disconnected criteria). Despite the

recorded scores, the 4th and 10th place applicants were awarded the grants. A clearly defined evaluation process over these grants is not in place; nor is there a contractual agreement between TCC and the awarded agencies specific to these grants.

This process is conducted outside of the Agency Review process, but essentially, they are the same players involved in this main process. Offering these grants outside of the main AR process creates more administrative oversight and management than is warranted. There is an artificial differential placed between the AR and TCF grant distribution processes. This, combined with a weak infrastructure of the process and awards that are not clearly defensible, presents administrative inefficiencies and a poor use of resources to facilitate the grant award process.

Recommendation

- 4.2** The TCF grant funding process could be combined with the main Agency Review process to realize efficiencies. Any specific required TCF criteria could be included in the selection process. Defensible decisions must be made to support the distribution of these funds in accordance with clear guidelines and contractual agreements so that both parties understand their relative responsibilities and expectations.

B. Diversity/Unity Grants

Diversity/Unity grants are for pilot and continuing programs in the Tempe Union High School District (TUHSD) that promote civility, courtesy, and respect for diversity. TCC and the City of Tempe Human Relations Commission (HRC) have partnered in this program for many years. Annually, the City of Tempe provides general funding of \$16,000 towards this initiative. These funds, in the entire budgeted amount, are disbursed directly to TCC throughout the fiscal year.

A Request For Proposal (RFP) that includes guidelines for grants is sent out to high schools in the TUHSD. These guidelines clearly limit individual grants to \$4,000 or less. For fiscal year 2012/13, TCC received only two applications; both were awarded grants. Although the City of Tempe funded \$16,000 to TCC, only \$12,000 was actually granted. TCC retained the residual funding of \$4,000. There is no agreement with the City and TCC as to the disposition of portions of the annual \$16,000 contribution that are not granted. TCC proposes to use these funds to establish a partnership to build capacity among other schools (those that did not submit a proposal) in order to develop an ongoing diversity program.

One of the applicants received \$4,000 (the maximum) and the other applicant received \$8,000 (double the maximum). The \$8,000 grant is not in compliance with policies and procedures established and communicated to applicants through the annual RFP distribution

process. It is possible that others may have applied if they knew there was potential to receive more than the stipulated maximum of \$4,000.

The limited volume of applications coming in may be indicative of: a perception of a low need for these types of programs, a perception that the limited amount of funding is not sufficient to make a measurable impact, and/or insufficient staffing and resources to support programming. There is no mechanism in place to evaluate the effectiveness of this program towards cultivating civility, courtesy, and respect for diversity in the Tempe Community.

Recommendations

- 4.3** The foundational purpose of this program and its effectiveness towards meeting its purpose should be evaluated. A collective, collaborative effort that engages relevant stakeholders could serve to identify opportunities and provide creative approaches that promote civility, courtesy, and respect for diversity. Consideration could also be made to assess needs for these services through a community-wide needs assessment and fund through the Agency Review process.
 - 4.4** If the current program is maintained under its current structure, funds could be held by the City until such time as grants are actually awarded to the successful applicants. They should be utilized as intended in accordance with established policies and procedures.
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C. Transit Grants

The Transit Grant Program was created in 2006 in direct response to concerns and recommendations made by the Tempe Community Council's 2004 Task Force on Disability Issues. The program's purpose is to strengthen and diversify the public transportation services available to meet the differing situational needs of Tempe's elderly and disabled residents. Allocation of regional Proposition 400 funds for ADA related dial-a-ride expenses has made local transit sales tax funds available for this grant program.

Each year, \$50,000 of grant assistance is available from the City of Tempe's Transit Fund to eligible providers of transportation services for Tempe's elderly and disabled residents.

Grant Award Process

TCC administers the grant award process. A grant announcement is sent to the same distribution list used for the Agency Review process and is made up of contacts previously/currently funded, referrals from the City, and those who have come into contact with TCC for grant opportunities throughout the years.

TCC works with the City's Transit Division (Transit) to secure three to five volunteers with extensive background in transit issues to process and evaluate the applications. There were three applicants for fiscal year 2012/13; two were awarded grants. A three-person panel reviewed and scored the two applications. TCC compiled the final scores that determined the funding recommendation and shared the results with Transit. Transit then obtained Council approval to award the funds.

The effectiveness of the administration of this program has suffered due to the lack of clearly defined lines of responsibility between the City of Tempe and TCC. For fiscal year 2012/13, the process was not initiated until close to the end of the fiscal year. Grant proposals were due back to TCC June 4, 2013, almost the end of the funding year. The awarded grants were not distributed until July 2013. It is unclear as to who is responsible for initiating the funding process.

Once the grants have been awarded, TCC's understanding is that they are responsible to obtain a final year-end report from the funded agencies and forward it to Transit representatives for their review. Transit advised that their understanding was that TCC monitored the program and forwarded information to the City. It appears that an effective monitoring process of awarded applicants has not been established. When responsibilities are not clearly defined as to who is supposed to perform what tasks, there is a risk that the tasks will not be performed.

Recommendation

- 4.5** Responsibilities for this process should be clearly defined. The process should be initiated with sufficient time for agencies to receive and expend funds during the year that they were intended for. In addition, formal performance monitoring measures should be developed and used to evaluate the performance of granted agencies.

<p>5. Direct funding of Community Action Program (CAP) services should be considered.</p>
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The Tempe Community Action Agency (TCAA) provides services for low-income families and elderly in the Tempe and Scottsdale service areas. TCAA is the designated CAP provider for the City of Tempe and provides resources for the communities families in crisis, offering a variety of services designed to assist families in meeting their immediate basic needs and helping them move towards self-reliance. TCAA also provides a Senior Action Program offered to older adults and persons with disabilities in the community to help them maintain their independence.

TCAA, in the capacity of the City’s designated CAP, receives funding through the Agency Review process in the amount of \$317,520. Sources of this total funding are detailed in the following table:

Fund	Community Action	Senior Action	Total
General Funds	\$145,920	\$93,785	\$239,705
CDBG	60,000		60,000
H20 (City Water Bill Donations)		8,908	8,908
H20 (TCC Match)		8,907	8,907
Total	\$205,920	\$111,600	\$317,520

In addition to the above funding, TCAA receives in-kind services from the City of Tempe valued at \$211,954. TCAA’s IHelp program is also funded by the City through the Agency Review process for \$10,957. This brings the total investment in TCAA to \$540,431.

The total CAP related funding represents 30.8% of total Agency Review dollars distributed by TCC. As part of this funding includes CDBG federal grant funds, City representatives perform annual evaluations of their performance in accordance with HUD guidelines. Other than this evaluation process, TCAA submits quarterly reports to TCC. *(Recommendations to improve TCC’s current evaluation process were reported through the Agency Review Section of the report - see Section D).*

Despite years of funding the CAP program, it has always been funded through the Agency Review competitive process for distributing limited available funds. Essentially, as long as the City is committed to fund CAP, these funds are not really available for funding to other agencies.

Administrative time to process applications through the competitive Agency Review process when there is little doubt that CAP funding will be granted is an inefficient utilization of administrative resources for both the TCC and the TCAA.

Recommendations

- 5.1** If the City of Tempe is committed to fund CAP services, it would be more efficient to fund CAP directly and enter into a related collaborative contractual agreement with the CAP provider. This would remove them from the administrative process of Agency Review, and actual funds available for other agencies would be more transparent and realistic. Administrative time related to processing of applications, panel reviews and interviews, compilations of scores, etc. could be eliminated from the TCC Agency Review process for CAP funding.

- 5.2 A comprehensive system to evaluate the performance of the CAP service provider should be developed and monitoring responsibility assigned within the City of Tempe.
-

6. An unmonitored informal agreement resulted in ineffective utilization of valuable resources.

TCC's cost center within the City's general ledger includes an annual \$60,000 direct payment to Boys and Girls Club to compensate them for maintaining the City's Westside Center. There is no formal contractual agreement related to this funding. A memo to Mayor and Council dated April 14, 2003 presented a plan for an enhanced partnership opportunity with the Boys and Girls Club with the intention that they would assume a greater role in the day to day operations at the Westside Center. Annually, \$60,000 has been transferred to The Boys and Girls Club since 2003.

This agreement was never formalized into a contract; nor has it been effectively monitored. Expectations have not been fulfilled. The City has recently undertaken measures to phase out this funding.

Recommendation

- 6.1 Informal agreements with no specific assignment for monitoring run the risk of payment for unnecessary or undelivered services. Any future collaborative efforts where funding is exchanged for services rendered should be through contractual terms with mutual agreements and consequences for non-delivery of services.
-

7. TCC's performance is not effectively monitored by the City of Tempe.

Although TCC does monitor their financial and mission performance through their own processes, the City has not developed performance measures to evaluate the significant investment in TCC.

Non-profit organizations devote significant effort to measuring performance that's often focused on financial metrics related to dollars raised from donors and budget achievement. Although these measures are important, measuring organizational success should also focus on achieving their mission, which is far more difficult to measure. Thus, it is important for non-profit organizations to measure performance related to both their financial efficiency and their

effectiveness in meeting organizational goals. To get to the heart of performance measurement, a nonprofit must ask whether they are really delivering their mission.

Mission Achievement

Developing performance measurement systems to evaluate success toward achieving missions allows organizations to have a more informed view of their performance and the impact they have on the communities they serve.

The more abstract the mission is, the more difficult it is to develop meaningful measures of outcome or mission impact. Successful performance measures typically have specific, actionable, and measurable goals to bridge the gap between a mission and short-term operating objectives. It is critically important to use performance measures as a way of linking and reinforcing mission, goals, strategies, and measures. Measuring mission depends on measurable goals.

A primary performance measurement tool that TCC utilizes is the Annual Strategic Plan developed by the TCC Board and complemented by staff. The Board monitors progress through various monthly and quarterly reports and measures accomplishments against goals identified in the plan. The following outlines TCC’s mission, vision, goals and objectives:

Vision

To nurture Tempe’s sense of community where children, seniors, families and individuals care for and about one another.

Mission Statement

Connect those in need with those who care. TCC does this by: convening community, conducting research, determining priorities, implementing effective programs and exemplifying prudent stewardship of resources.

Included in TCC’s Strategic Plan for fiscal year 2012/13 were the following goals towards delivering their mission:

Goal	Objective *
1. Coordinate services so clients move out of crisis, to stability and self-sufficiency	<ul style="list-style-type: none"> ▶ Supporting those in need ▶ Increase financial stability of Tempeans ▶ Ensure Tempe children and youth succeed ▶ Ensure Tempe seniors are supported
2. Increase engagement and support for Human Services	<ul style="list-style-type: none"> ▶ Practice effective governance ▶ Engage community ▶ Resources for today ▶ Resources for tomorrow

** Various action items are detailed under each objective.*

These goals and objectives were not established through a collaborative effort with the City of Tempe. As previously mentioned, there is no existing overall governing contractual agreement between the City of Tempe and TCC that identifies expectations, goals or objectives. The City has not established a mechanism to measure and evaluate TCC's performance to determine if the needs of the Tempe community are effectively met.

Financial Performance

Financial sustainability is critical for a nonprofit to achieve its mission. TCC, like many nonprofits categorizes their functional expenses as follows:

1. Direct programming
2. Management and general
3. Fundraising

The TCC Board, with staff input, develops and approves the annual budget. Monthly, the TCC Treasurer presents a Revenue and Expense statement identifying and explaining each line item and the relative amounts expended. The TCC Finance Committee has an array of goals and functions they perform over the year.

Management and General Expenses

Although top rated charities report spending 75% or more of their budgets on programming, some organizations legitimately may account differently for their activities; therefore, judging nonprofits by their ratio of administrative to program costs can be misleading. Determining whether expenses fall on the programming or administrative side is often more of an art than science. Office rent, for instance is normally reported as an administrative cost, but it can be legitimately divided among program areas. An executive director may apportion part of their salary to program expenditures, justified by the time spent dealing with specific programs.

For fiscal year 2012/13, TCC assessed their programming costs at 87.1%, Management and General at 11.5%, and Fundraising at 1.4% of their total expenses.

Fundraising

Fund-raising expenses are defined to include, "publicizing and conducting fund-raising campaigns; maintaining donor mailing lists; conducting special fund-raising events; preparing and distributing fund-raising manuals, instructions, and other materials; and conducting other activities involved with soliciting contributions from individuals, foundations, government agencies, and others." Fundraising takes the form of actual monies, volunteerism, and in-kind services.

One measure of the efficiency and effectiveness of a nonprofit is the fund-raising expense compared to related contributions. TCC' reported total fundraising costs for fiscal year 2012/13 was \$32,556. TCC reports the following grants, donations, and contributions were raised through their fundraising efforts as follows:

Category of Service	\$
Open Horizons	\$26,030
Tempe Community Foundation	49,978
Special Projects	89,836
TCC Core Programs	102,799
Commitment To Schools	831,742
Total	\$1,100,385

Based on the information provided by TCC, for every \$100 raised, it costs 34 cents. This is a very effective ratio. The objective of an institution's program should not be to spend as little as possible each year to raise money, but to maximize the net. This is not to say that an institution should pay no attention to how much is spent on fund raising. With creativity and smart planning, fund-raising can help to build community support. It appears that TCC has the capacity to expand fund-raising activities.

Recommendations

- 7.1** The City should work with TCC to establish measures to evaluate their performance. These measures should be evaluated annually. First, it is important is to look at TCC's Mission and Vision and determine if it correlates to the vision of the City with regard to meeting Human Social Service needs. Second, measures should clearly evaluate the effectiveness of their programs and determine if they meet their purpose and mission. Expectations of deliverables and a collaborative management structure is necessary. In addition, financial measures should be established and assessed.
- 7.2** More emphasis on fundraising with purpose by TCC could prove beneficial to facilitate the expansion of programming support and development of initiatives. A fundraising plan with specific goals can be beneficial and additional funding can serve to have a more significant impact on the needs of the Tempe community.
-

C. Opportunities for Comprehensive Service Delivery Enhancement

8. Comparison valley cities were surveyed as to their existing structures and investment in Human Social Services.

An analysis of comparison valley Cities was performed to determine what general structures and practices are utilized in the delivery of Human Social Services (**Appendix II**). Cities contacted included: Chandler, Gilbert, Glendale, Mesa, Phoenix, and Scottsdale. The majority of information obtained from these cities was based on information provided by relevant authorities. No attempt was made to audit or verify this information. Highlights of this comparison are detailed below:

- The City of Tempe is unique in that we are the only city that does not have a centralized Human Services Department or Division.
- The functions within the centralized departments vary from city to city; in most cities Housing and CDBG are included within the centralized department. Phoenix is the exception; due to the size of the community, Housing and CDBG form separate departments. It is also not uncommon for Neighborhood Services to also be included with Human Services.
- Some cities conduct a needs assessment through a strategic planning process, while others rely on the CDBG consolidated plan.
- For those cities that conduct an Agency Review process, it is conducted by the centralized city department/division. The City of Phoenix issues RFQs for assessed service needs and contracts directly with service providers.
- The City of Tempe invests significantly in Human Social Services. Per capita investment of General Funds for each city is detailed in the following table:

City	General Fund Investment	Per Capita Investment
Tempe	\$5,497,368	\$32.95
Scottsdale	5,275,451	23.60
Phoenix	18,710,000	**12.57
Chandler	1,442,751	5.87
Mesa	1,081,046	2.39
Glendale	551,000	2.37
Gilbert	361,000	1.63

*** City of Phoenix investment does not include general fund investment in Housing & CDBG as these functions are separate from Human Services Department. General funding towards these programs is not significant.*

9. Partnering with a 501(c)(3) nonprofit organization can provide significant benefits.

The nonprofit sector can become an indispensable partner of governments in providing services to individuals and communities. A significant benefit of a 501(c)(3) is the opportunity to leverage funding for some federal and state grants, as some of these funding sources require 501(c)(3) status. Fundraising is another big advantage and is essential to grow a Foundation and solicit corporate and other investments. Cities typically cannot fundraise as effectively as a nonprofit. In addition to the above mentioned benefits, nonprofits also provide the following benefits:

- Tax deductibility of donations to the organization
- Access to a wide range of funding sources including private grants and donations
- Limited liability for directors and officers for operations of the organization
- Perpetual existence

Recommendation

9.1 The City of Tempe should maintain a collaborative partnership with a 501(c)(3) nonprofit organization to optimize the impact on the Human Social Service needs of the community.

10. There are opportunities to maximize effectiveness and efficiency in meeting the Human Social Service needs of the Tempe community through centralized governance and strong collaborative partnerships.

City of Tempe Decentralized Structure

The current structure of Human Social Service delivery in the City of Tempe is decentralized. Services and partnerships are administered mainly through the Community Services Department's Social Services Division, Community Development Department, Diversity Office, and nonprofit organizations including the TCC and the TCAA. A highly decentralized service delivery structure can contribute to unhealthy competition and a lack of co-operation and coordination. In addition, there is a risk of costly duplication of administrative efforts.

Centralized Structure

In today's uncertain economic climate, more families are relying on social programs – from food and housing programs to employment assistance. Yet in many communities, these social programs exist in isolation because of independent and disconnected systems and even

entrenched agency cultures and processes. Conflicting personalities and turf wars exist, which can contribute to a lack of sharing of resources and other problems. Throughout the industry there are problems with egos and territory issues. Agencies are always competing for the same funding dollars.

A lack of integration and collaboration can create obstacles for individuals and families seeking assistance. They are not always aware of all the programs they might be eligible for, or how and where to access them. In many cases, this can delay the path to self-sufficiency, which translates into unnecessary financial strain on already budget-strapped programs. Communication to the community regarding available services can become fragmented.

Leading human services organizations recognize that integrated human services delivery is essential. It is about simplifying and realigning service delivery so that it is cross-program, anticipates individual and family needs, and empowers independence faster. Success will mean taking advantage of the latest technologies and making process and organizational changes.

There is also industry focus on Collective Impact. To become effectively strategic, collaborative partnerships to deliver a collective impact is essential. The City has experienced success in this area with regards to the needs of the homeless. A Homeless Coalition was formed that meets monthly; it is chaired by the City of Tempe's Homeless Outreach representative. The Coalition is comprised of key stakeholders. They have goals and objectives. Before they operated in silos, but this coalition has attained a more effective outreach. It is client centered; not agency centered and serves to provide a local continuum of care. This process has resulted in a comprehensive local homeless strategic plan.

A centralized structure to meet the Human Social Service needs of the community can also contribute to cost efficiencies. It can create economies of scale as well as minimize duplication of efforts or procedures. In addition, centralized organizations tend to be able to respond more quickly and more effectively to changes in the community. Centralization can also increase efficiency with regard to data tracking, allowing the City to be more precise in the feedback it tracks, as it pertains to the effectiveness of various programs and changing needs of the community.

A centralized Human Social Services Department can be an effective mechanism to coordinate service needs of the City and non-profit organizations with service resources of faith-based communities, employers, business groups, service providers, and other stakeholders through effective collective coalitions. By coordinating efforts and by improving communication between all stakeholders involved in Human Social Service, what is already being accomplished in the community can be streamlined and optimized. More can be accomplished than otherwise possible working in silos. Working together is essential for successfully serving the community.

Recommendation

10.1 The City of Tempe should centralize the delivery of Human Social Services and establish a clearly defined vision, mission and purpose. A comprehensive strategic plan should also be developed to address the needs of the Tempe community without duplication and identify and fulfil gaps in service. The City could become the information service provider – a centralized one-stop information shop that can direct individuals, families, and organizations where and/or who to contact to apply for services. This would provide a centralized focus and a voice with visibility and accountability. A centralized structure could provide a governance umbrella and also facilitate strategic evaluation and reflection.

City of Tempe Mixed-Service Programs

The City's investment in Human Social Services includes Community Services' Kid Zone Enrichment Program and Multigenerational Centers. Kid Zone is primarily a community services program with elements of Social Services integrated within. Valley comparison cities typically do not include this type of program in their Human Social Services departments. In addition, multigenerational use facilities encompass elements of recreation as well as human social services.

The City's Human Social Service program inventory also includes various CDBG funded programs. There is ongoing debate as to how CDBG and Housing Voucher Services (Section 8) should be structured within the City of Tempe. The following summarizes different perspectives and opinions regarding the subject:

- ✦ CDBG belongs in Community Development as most of the money is spent on acquisitions; they should be separate.
- ✦ CDBG needs HUD monitoring in conjunction with Housing; they should be kept together.
- ✦ CDBG should be with Housing to realize administrative cost savings by sharing wages, supplies, sharing front desk, etc.; there is lost synergy when the two are separated.
- ✦ CDBG and Housing are separate specialized programs. Only if the manager understands both sides of the programming should they be over both; otherwise two (2) separate managers are needed. There is a lot of risk associated with Federal programs and these two complement each other. The knowledge should be together.

It is also not uncommon for Neighborhood Services to be included in a centralized Human Services Department.

Recommendation

10.2 Should the City establish a centralized Human Social Services Department, consideration should be given to maintaining Kid Zone and the multigenerational use facilities in the Community Services Department. A collaborative cross-department partnership effort to facilitate effective and efficient human social service programs within their structures is essential. Housing Services is truly a social service program and should be included with the centralized Human Services Department. Pros and cons of the placement of CDBG, including service delivery, administrative functions, and joint reporting requirements should be weighed and considered as to where it best fits in the organization. Neighborhood Services should also be assessed as to pros and cons of inclusion in a centralized Human Social Services department.

City of Tempe and TCC Partnership

As previously mentioned, partnering with a 501(c)(3) nonprofit organization can provide significant benefits for the City of Tempe, but the structure and relationship that the City has with TCC has resulted in some inefficiencies and ineffectiveness over the years. The following identifies opportunities to enhance the partnership between TCC and the City of Tempe:

- ✦ The City of Tempe currently funds eight (8) positions at the TCC and some administrative overhead. Transfer and inclusion of some degree of these positions to the City of Tempe could result in cost savings through more effective budgetary control of positions and reduced employee benefit costs available through the City. It could also eliminate the City's contribution to TCC's Net Asset surplus cumulative balance.
 - ✦ Cost savings in management and administration could be realized through effective distribution of administrative functions and responsibilities.
-

Recommendation

10.3 The City of Tempe and TCC should work together to rebrand TCC as the non-profit arm of the City. Different models should be explored that consider the transfer of TCC positions into the City and confirmed with regard to legalities in accordance with IRS rules pertaining to 501(c)(3) organizations.

Agency Review

A comprehensive review of TCC's Agency Review process to fund Human Social Services was performed (Section D). In addition to the recommended enhanced and/or alternate processes, the overall administration responsibilities should be revisited as to whether the process could be

administered more efficiently and effectively through a City centralized department or through TCC. A review of comparison cities identified that for those who administer an AR function, the process was administered by the city. There are also opportunities to make a more significant impact addressing the Human Social Service needs of the community through enhancement of the existing Agency Review model. Small grants for services may not be as effective as larger grants with more capacity to have a greater impact.

Recommendation

10.4 The Agency Review process should be reviewed as to pros and cons of administering the function within a centralized City department. The use of volunteers in the evaluation process could still be facilitated. Once the needs of the community are assessed, the most significant needs should be prioritized and related RFPs issued based on needs. The City could contract directly with providers and establish an effective monitoring process. Smaller agencies could be encouraged to unite to develop larger proposals with more impact to serve specific needs. The Agency Review process should be made public as the grants are funded through the use of public funds. This could also alleviate misinformation and miscommunication and provide greater transparency in the entire process.

D. The Agency Review Process

For over 28 years the Tempe Community Council (TCC) has administered Agency Review, a process to recommend funding for human social services on behalf of the City of Tempe. TCC mobilizes interested volunteers, who work and/or live in Tempe to become an integral part of the process.

For fiscal year 2012/13 funding, TCC worked with 66 volunteers who dedicated approximately 20 hours each over a four-month period to read and evaluate human social service proposals, interview applicant agencies and make funding recommendations to the TCC.

Agency review funds come from the City of Tempe General Funds, federally funded Community Development Block Grants (CDBG), and water utility customer donations through Tempe's Help to Others program (H20). For the fiscal year 2012/2013, the City of Tempe funded \$962,154 to human social service agencies through the Agency Review process administered by TCC. (City of Tempe General Funds - \$758,229, CDBG Grant Funds - \$138,925, and H20 donations - \$65,000). In addition, TCC contributed a 'match' of H20 contributions through their own philanthropic fund raising sources of \$67,879. Total funds available for the Agency Review process for this period was \$1,030,033. Thirty agencies were funded through the Agency Review process (including TCC) to assist in their delivery of 44 programs.

TCC utilizes a Valley of the Sun United Way system called e-Cimpact to facilitate the entire process. This is a system of integrated online modules developed specifically for organizations to support a complete community investment process. The system has the capacity to perform the following: collectively record all information fundamental to agencies, programs, citizen review volunteers, outcomes measurement, allocations, community impact tracking and data analysis.

1. Needs Assessment

A Social Service Needs Assessment is an analysis of social care needs of a community with recommendations for changes to meet these needs. It is a systematic process for determining and addressing needs, or "gaps" between current conditions and perceived needed conditions. It is also a productive and meaningful mechanism to engage the community on the strategic planning process. It can be an effective tool to clarify problems and identify appropriate interventions or solutions. Results from needs assessments can assist in the effective targeting of limited resources to the most critical needs in a community.

11. A more formal comprehensive needs assessment could facilitate a more effective allocation of agency funding.

TCC does not have a formal clearly defined comprehensive process in place to identify community needs and Council priorities and weave this information into the scoring, weighting, and award granting through the Agency Review process. A disconnect between needs and funding can result in a fragmented approach that has less impact on the community's more urgent needs. A more formal comprehensive needs assessment could facilitate a more effective allocation of social service agency funding.

TCC advised that the Maricopa County Health Department used to fund a needs assessment, but no longer does. TCC now relies on the following sources to have a pulse on the needs of the community:

- a) Regional work done by the Maricopa Association of Governments (MAG), which helps to set local priorities and make projections about the respective communities
- b) Valley of the Sun partner
- c) Funded agencies
- d) City of Tempe staff
- e) Census data
- f) Homeless Coalition
- g) Seminars and conferences
- h) TCC administered surveys
- i) City of Tempe Citizen Survey

Information obtained from all these sources is not formally compiled or translated into a focused approach for the Agency Review process. Information is considered throughout the process by volunteer panels and decision makers, but not factored into Agency Program evaluations through weighted scoring.

Recommendation

11.1 A more formal, focused needs assessment should be performed and developed into a quantitative assessment. This could facilitate more effective allocation of funds to the most essential needs or gaps within the community.

In addition to existing sources of information, the following should be included in the analysis:

- City of Tempe Council strategic priorities
- Surveys of existing service recipients through partner agencies regarding community strengths and challenges, types of services that they need, types of services that they use, and their existing satisfaction with services (See Observation #2)

A final needs assessment can then be utilized to allocate limited finite resources where there is the greatest need and/or to reconcile the excess of agency program requests for funding to finite resources available through a more objective process.

12. Opportunities are lost due to the nature of existing survey processes.

TCC administers an annual community survey to targeted groups including:

1. TCC Board Members
2. Police Department
3. Fire Department
4. Faith Community
5. Merchants – distributed at a Tempe Chamber Board Meeting

The survey is comprised of only two questions:

1. Please share your insight and rank the following human service categories which your organization/affiliation feels are the most critical in the Tempe community. (1-6 score)
2. Please rank the following human service categories which your organization/affiliation feels are most critical to fund in the Tempe community. (1-6 score)

TCC’s position is that although these questions are similar, they are distinct. The first one asks about community standing, the importance of a specific population within the community; the second asks about funding that population. An analysis of the results of the survey administered for the 2012/13 award year reveals that responses/scores for both questions were essentially the same with very small variances between Homeless, Domestic Violence, and Youth for the top three (3) ranked as most critical. See the following table:

Population	Question #1 Average Score	Rank (1 most critical)	Question #2 Average Score	Rank (1 most critical)
Domestic Violence	3.99	1	3.87	2
Homeless	3.82	2	3.78	3
Youth	3.77	3	3.88	1
Working Poor	3.49	4	3.39	4
Seniors	3.19	5	3.23	5
Disabilities	2.87	6	2.90	6

There is a lost opportunity to obtain valuable information through a comprehensive survey process to targeted individuals or populations within the community.



In addition, the results of this survey are somewhat at odds with information obtained through the City of Tempe 2011 Annual Citizen Survey. See highlights below:

Social/Human services most important to emphasize over the next year by percentage of respondents who selected the item as one of their top three choices follows:

- Homeless Outreach - 25%
- Youth Services - 25%
- Senior Services - 23%
- Disabilities - 18%

Citizens ranked the top 4 as Homeless and Youth (tied for first place) followed by services for Seniors and Disabilities. TCC’s Survey ranked the top 4 as Domestic Violence, Homeless, Youth, and Working Poor. Seniors and Disabilities were ranked last. These differences are not reconciled and may contribute to confusion as to what priorities/needs actually are.

Recommendation

12.1 A community survey that includes expansion of targeted populations to include social service recipients and agency partners with a more comprehensive set of questions seeking opinions regarding community strengths and challenges, types of services that are needed, types of services that are used, and satisfaction with existing services would better serve the Community Needs Assessment process.

2. Volunteer Panels

As part of the Agency Review process, each year a call for citizen involvement is sent out to the Tempe community for volunteers to engage in the human social services grant review process known as Agency Review. Getting the word out takes many forms including: word of mouth, Tempe Today, Water Bill inserts, Tempe 11, press releases, ASU, TCC website, and the TCC Board of Directors. The only requirements to volunteer are that you either work or live in Tempe and have an interest in service. The number of volunteers involved each year varies from 20 to over 60 participants. Volunteers are asked to attend a training session on the e-Clmpact system and an overview of human social services. Financial information is reviewed by a Financial Subcommittee. Volunteers are also required to formally declare any conflicts of interest they may have.

There are two main phases in the agency review process where volunteers participate. First is the agency application review and assessment stage, second is the agency applicant interview process. Every program that applies for funding is interviewed as part of the process. If an agency applies for funding for multiple programs, there is an interview for each program. (The scoring process is reviewed in Section 3 of this report.)

For the FY2012/13 Agency Review process there were a total of 66 volunteers involved. Sixty five (65) of which served on the application proposal evaluation panels (22 or 34% were TCC Board Members) and 62 served on applicant interview panels (21 or 34% were TCC Board Members). A total of 54 programs were assessed in the process (44 awarded funding; 10 that did not receive funding.)

13. Panel member inconsistencies were found between application review and interview panels.

The initial segment of the Agency Review process is to form panels to review applications for program funding. Panels are typically organized to review similar categories of service funding requests (i.e. Homeless, Youth, etc.). Once application review panels have been assigned, each volunteer panel member individually reads and scores the application and enters their score into the e-CImpact system. Volunteers typically interview the same agencies/programs that they have initially scored. Occasionally, a volunteer that has reviewed and scored has a conflict with the timing of interviews and is unable to attend, but this is not common. Internal Audit identified 6 instances where volunteers that reviewed and scored applications did not participate in interviews.

Of more concern is that Internal Audit identified 13 instances where volunteers that did not participate in the initial application review and scoring process did participate on the interview panels. Ten (10) of these thirteen (13) instances were TCC Board Members. TCC advised that the interview serves as an opportunity for applicants to offer clarifications and further the understanding of the reviewers. The interview also serves as a way for agencies that are less sophisticated in grant writing to tell their story. Inconsistencies may result by having different volunteers assess different segments of the overall agency review process.

Recommendation

13.1 Only persons already familiar with and having scored the initial application should be involved in the interview scoring process to ensure consistency in all aspects of the review process.

14. Three conflict of interest situations were identified.

Three separate instances were noted where individual volunteers participated in panels that reviewed and assessed agencies where a conflict of interest existed. They were as follows:

1. A TCC Board member volunteer participated in scoring applications and interview assessments for the awarded TCC program/Shared Living.
2. A TCC Board member volunteer participated in scoring applications and interview assessments for the awarded TCC program/Open Horizons.
3. A Volunteer participated in scoring applications and interview assessments for an awarded program where a conflict had previously been declared with the organization.

A solid conflict of interest policy serves to maintain objectivity, credibility, and transparency in the Agency Review process as well as to instill confidence and assurance of fairness and impartiality in the decision making process of awarding grants. These assurances disintegrate when conflicts exist.

Recommendation

14.1 Persons with conflicts should not be involved in any scoring or decision-making related to entities with which they have a conflict. Conflict of Interest situations can be prevented or circumvented with the assistance of strong, clearly communicated policies and procedures, including an effective internal control structure that prevents and detects potential or real situations.

15. Inclusion of industry expertise oversight on volunteer panels could enhance the overall process.

Volunteers are categorized into panels to review similar types of services/programs. Typically volunteers on each panel do not have experience or expertise in the category of service they are reviewing and many questions can arise. At times, TCC management and/or staff sit in and observe panel discussion and are available to answer questions they may have. Accessibility of field expertise on the volunteer panels, independent of the process and applicant organizations, would be helpful for clarification of questions and concerns as they arise through the discussion and debate process of each program application.

Recommendation

15.1 Individuals with specific industry field expertise should be recruited to observe and respond to panels for general clarification questions and other human social service population specific questions that arise. Assurances should be made as to the objectivity of the industry experts and that no actual or perceived conflicts of interest exist.

16. Fiscal Year 2012/13 volunteers were surveyed as to their experience with the Agency Review Process.

TCC occasionally surveys volunteer panels regarding their experience with the Agency Review process. For the period under review, TCC did not administer a survey. Internal Audit surveyed all volunteer participants for the FY2012/13 funding year to share their experience of the Agency review process. Participants had the option to remain anonymous. The following questions were asked:

1. What prompted you to volunteer for the Agency Review process?
2. Did you receive adequate training, guidance, and support to assist you in making informed decisions?
3. Was the applicant evaluation process comprehensive and effective?
4. Were your recommendations implemented?
5. Were any potential conflict of interest situations adequately identified and addressed?
6. Do you feel that the funding decisions will have a significant positive impact in the Tempe community?
7. What worked best in the Agency Review process?
8. What do you feel can be improved in the Agency Review Process?
9. Would you volunteer again?
10. Why or why not?
11. General Comments.

Of the 66 survey instruments sent, 29 or 44% were returned. Detailed commentary results of the survey are included in **Appendix III** at the end of this report.

The following provides an overview of statistics of the survey responses:

Question	Yes	%	No	%
Did you receive adequate training, guidance, and support to assist you in making informed decisions? *	28	100%	0	0%
Was the applicant evaluation process comprehensive and effective?	29	100%	0	0%
Were your recommendations implemented?	26	89.7%	3	10.3%
Were any potential conflict of interest situations adequately identified and addressed?	27	93.1%	2	6.9%
Do you feel that funding decisions will have a significant positive impact in the Tempe community?	29	100%	0	0%

* One survey participant did not respond

The following are highlights of the comments received:

General Overview

- ▶ Volunteers want to contribute and appear to care deeply about the social service needs of the community
- ▶ Volunteers appear to value the opportunity to learn about the needs of the community and serve their community through this process
- ▶ Volunteers feel Agency Review is a very important service and value their involvement in the process
- ▶ Volunteers generally commented that TCC management and staff are very dedicated and do a great job organizing the process
- ▶ The online proposal review process is very well received
- ▶ Discussion among panel members is highly valued, but there are some concerns regarding effectiveness depending upon panel leadership
- ▶ Volunteers on panels are genuinely committed to the process and its goals
- ▶ The process is comprehensive and effective
- ▶ The majority of volunteers would choose to serve again
- ▶ Volunteers feel their input makes a difference

What can be improved upon?

- ▶ The initial ranking survey seems overly subjective and unclear
- ▶ Recommendations are changed from the panel interview to the final meeting by TCC
- ▶ Comments made by TCC staff during panel interviews that aren't relevant could influence funding recommendations
- ▶ Deciding what type of funding should be prioritized can be improved upon
- ▶ More funds are needed to distribute
- ▶ It was questioned whether citizens who have no background in human social services can make better funding decisions than field professionals
- ▶ The process lacks a complete overview; more information is needed
- ▶ Confidentiality could be better communicated
- ▶ More agency visits are needed
- ▶ More volunteers are needed
- ▶ Panel moderator selection needs more consideration
- ▶ A zero-based and/or performance based budgeting approach is called for
- ▶ Scoring may not be consistent from one panel to another
- ▶ Keep the politics out of the process

Recommendation

- 16.1** Volunteer participants should be surveyed annually as a source of continuous improvement to the Agency Review process.
-

3. Awards

In fiscal year 2012/13, TCC changed the Agency Review process to identify a continuum of service to help human social services funding deliver greater strategic impact. This is a system that assists individuals, seniors, families and children that are facing crisis to move from the crisis experience to stability, and continue on to self-sufficiency without slipping back into crisis. TCC categorizes agencies by category of service as well as population served. These are identified as follows:

Category of Service	Populations Served
Moving out of Crisis	Homeless
Establishing Stability	Domestic Violence
Maintaining Self-Sufficiency	Senior Programs
	Youth Development
	Working Poor
	Programs for Those With Disabilities

For FY 2012/2013, the City of Tempe funded \$962,154 to human social service agencies through the agency review process administered by TCC. (City of Tempe General Funds - \$758,229, CDBG Grant Funds - \$138,925, and H2O donations - \$65,000). In addition, TCC obtained a contributed 'match' of H2O contributions through their own philanthropic fund raising sources of \$67,879. Total funds available for the Agency Review process for this period was \$1,030,033. Thirty agencies were funded through the Agency Review process (including TCC) to assist in their delivery of 44 programs. Funding was allocated as follows:

Funding by Category of Service FY2012/13

Category	\$	%
Moving Out of Crisis	371,883	36
Establishing Stability	297,995	29
Maintaining Self-Sufficiency	360,155	35
Total	\$1,030,033	100%

Funding by Population Served FY2012/13

Category	\$	%
Homeless	276,625	27
Working Poor	275,855	27
Senior Programs	219,805	21
Domestic Violence	136,282	13
Youth Development	99,775	10
Programs for those with Disabilities	21,855	2
Total	\$1,030,033	100%

Funding for FY2013/14 essentially mirrored the above allocations.

17. Not all valuable information that is available is effectively utilized in the agency funding decision process.

Typically, due to tight budgets and the number of applicants, TCC receives more requests for funding than available funds. The evaluation of each Agency Program application includes the following steps:

- Assurance that the application is complete and received prior to the stated deadline
- An assessment of the application or proposal for completeness including inclusion of a list of the agency’s current Board members, audited financial statements, any management letters, and their confirmation as a 501(c)(3) organization from the IRS.
- An evaluation of the proposal in accordance with an evaluation scoring instrument
- An interview with the applicant to facilitate clarification on the application and provide additional information regarding the Agency’s proposal.

Volunteer panels are assigned to review similar programs serving similar populations. Generally, an average of five (5) volunteers are on each panel. Each volunteer has a set of applications to read and review and score. Scores are entered into the e-CImpact system for each application. TCC staff then averages these scores for a total proposal score. The score sheet used is not weighted and is comprised of 9 questions worth up to 5 points each. They are as follows:

City of Tempe FY 12/13 Human Services Evaluation	MAX
1. The proposed program addresses a significant human service need in Tempe	5
2. The agency appears to effectively work with other agencies/partners to deliver human services in Tempe	5
3. The proposal makes a clear and compelling case which demonstrates that that program works within the existing network of human services.	5
4. The proposal’s listed outcomes are clearly stated and measurable.	5
5. The program appears to be financially sound by demonstrating broad financial support.	5
6. The agency includes, or plan to include, a Tempe representative on their Board of Directors	1 or 5
7. The proposed program is offered in an appropriate location.	5
8. The proposed program serves a significant number of Tempe clients respective to service.	5
9. The amount requested is reasonable for the impact projected in the proposal.	5
TOTAL	45

Interviews are then conducted for clarification on the applications and provision of additional information regarding the Agency's application. Interviews are scored on a grade level (A-F). An A will not affect the initial proposal score, but every subsequent grade (B-F) results in an additional 10% reduction of the proposal score. For example, if an agency's proposal score is 40 points, but they receive a B grade on their interview, their net score will be reduced 10% to 36 points. The interview panel arrives at a conglomerate score through consensus. Panel recommendations are then compiled. Recommended funding typically exceeds available resources.

Actual performance of prior years, as measured by TCC, is not formally incorporated into scoring of the current year's applications. Although TCC advised that review panels take everything into account when making funding recommendations including past performance, current performance, and what is projected for the coming year, past performance comprehensive measurements are not incorporated into the overall scoring for agencies.

At this point, a final meeting is held with representatives from each volunteer panel to form strategies to reconcile the excess of recommended funding to available resources. They debate, re-review applications, look at numbers, go over notes, re-read compliance documents, and as a community come together to 'make budget'. It is a vigorous process. There is also a risk of subjectivity involved in the final decisions made as there is no formal process to develop a score or weight for high-priority services through a needs assessment (See Observation #1). Funds may not be distributed to areas with the highest community need.

Recommendations

- 17.1** A comprehensive analysis of the performance of agencies funded in the prior year, including a detailed analysis of the extent to which all stated goals that were originally assessed and granted funds based upon were met, should be compiled and provided to interview panels for their review and assessment of current returning applicants.

 - 17.2** Funding decisions should be based on all information available. In the final review process of reconciling funding recommendations to available resources, there is an opportunity to make the final decisions more objective and defensible through a final weighted score based on critical needs of the community. Decisions should be transparent and based on quantitative measures where there are opportunities to do so.
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18. Programs are not all funded based on volunteer panel recommendations or merit.

For the FY2012/13 Agency Review year, TCC received funding requests totaling \$1,319,624. After volunteer panels scored proposals and graded interviews a total of \$1,148,324 was recommended to fund, including 9 new programs. This resulted in \$118,291 more funding recommendations than the actual funding available of \$1,030,033. In order to ‘reconcile’ to budget at the final Agency Review meeting, the following reductions were made to volunteer panels’ recommendations:

Reduction	\$
Reduced to prior year funding levels	\$83,748
New program funding recommendation (partial)	9,043
New programs not funded (5 programs)	30,500
Funding increased over panel recommendations	(5,000)
Total Reductions	\$118,291

Significant emphasis is placed on whether or not an agency was funded in prior years. TCC advised that if an agency/program has been funded in the past, it indicates to them that past reviewers saw it as valuable and worthy of Agency Review funding. Although past information is helpful in reviewing current applications, funding decisions should be based on current merits of proposed programs reviewed collectively.

TCC advised that the remaining five (5) new programs were not funded *‘due to the budget landscape – new programs were not considered eligible for funding in the final meeting analysis’*. This is inconsistent with the actual funding of other new programs.

In addition, increasing funding for one agency’s program conflicts with the objective of reducing recommendations to reconcile to available resources.

Recommendation

18.1 Funding decisions should be based on current merits of proposed programs reviewed collectively. Final decisions should be based on established consistently applied criteria. The opportunity to bring objectivity into the process through results of a needs assessment and weighting of scores based on community needs should be pursued.

19. There is a need for greater transparency in the Agency evaluation process.

Information on evaluation criteria, scoring and ranking processes are not communicated to applicants. This information can add value to applicants' proposals and assist them in addressing what is required of them and what evaluators are looking for through the Agency Review process. This information can contribute to more successful results for applicants.

Recommendation

19.1 Information on evaluation criteria, scoring and ranking processes should be made available to applicants. The Agency Review process should be transparent with all decisions adequately supported and defensible.

20. Independent assessment of applicant appeals and complaints would enhance the process.

The existing appeals procedure for TCC is as follows:

Any agency that feels aggrieved with the RFP may appeal to the TCC Agency Review procurement entity, the Tempe Community Council Enhancement Committee. An appeal shall be made in writing and include the agency's name, address and phone number, identification of the contract being appealed, a detailed statement of the factual grounds of the appeal, including copies of all relevant documents, and the form of remedy requested. An appeal is to be on the agency letterhead and signed by the agency or its authorized representative. The TCC Enhancement Committee will issue a written decision no later than thirty (30) calendar days after an appeal has been filed. The decision shall contain an explanation of the basis of the remedy.

In order to instill confidence in the process of hearing appeals and complaints regarding decision making through the agency review process, there should be a degree of independence.

Recommendation

20.1 The existing appeals process could be enhanced by involvement of an independent resolution officer or board to assess appeals and complaints regarding Agency Review decisions. The funds that are granted are public funds and the process warrants due diligence. An effective appeals process that includes an independent review of the facts and decisions made can facilitate assurance of fair treatment in the process.

4. Agency Monitoring

Effective monitoring of grant recipients is an essential element of any successful grant program. It ensures that funded programs are operating effectively towards meeting or exceeding stated measurable goals, and that any deficiencies are detected and can be addressed in a timely manner. At one level, it provides assurance that all conditions attached to grants have been met, while at another it indicates how worthwhile individual grants have been.

An awarding entity should have a developed plan in place as to how it will monitor the funds it awards and the activities of the entities to which it awards those funds. Monitoring plans should be based on a risk assessment, as certain sub-recipients may require closer scrutiny.

Monitoring serves several purposes. First, monitoring is the primary means to ensure that funds are expended in a timely manner for the purpose that they were intended; ensuring that programs are carried out in accordance with applicable laws, rules, and regulations; and minimizing opportunities for fraud, waste, and mismanagement.

21. Not all grant recipient performance measures clearly indicate the extent that goals are achieved.

During the application process, each agency that applies for funding is required to name at least two (2) outcomes, and their indicators, by which the agency will measure the impact of each proposed service. Outcome measures should explain the benefits or changes for participants during or after program activities. Each quarter, recipient agencies are required to file a report that details progress towards meeting previously identified outcome statements and indicators. This is an effective process to ensure that agencies remain on task for goal fulfillment. A review of all funded agency reports for the FY2012/13 recipients identified that not all goals established by agencies appear to have measures/indicators that effectively correlate to successful program results and many goals were not met. A total of 120 performance measures or indicators were provided during the application process by agencies. A review of the final collective annual reports indicated the following:

Status of Goals/Indicators	#	%
Goals were met	34	28
Goals were not met	36	30
Unclear as to whether goals were met or not as indicators were not clearly quantified or there was a disconnect between initial measures and those actually reported	43	36
No report was received by Agency – cannot determine	7	6
Total	120	100%

There is no assurance that funds provided through the Agency Review Process are utilized to their maximum benefit and impact on populations served when goals/indicators are not measured effectively or are not met. Effective performance measures are essential to ensure maximum impact of agency funding.

Recommendations

- 21.1** Performance measures should be closely scrutinized at the initial stages of the application review process. Agencies should be required to clearly identify measurable performance indicators.
- 21.2** During the agency monitoring process, quarterly reports should be promptly assessed to ensure that what the agencies say will be measured will actually be measured. Ambiguous, unclear, or difficult to measure goals should be avoided and/or clarified long before the end of a funding period.
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22. Grant recipient performance is not consistently and effectively monitored.

TCC enters into a contractual agreement with each awarded agency. Included within each contract are identified reporting requirements:

Quarterly reports were due to TCC in the e-CImpact system for the FY2012/13 as follows:

1 st Quarter	October 31, 2012
2 nd Quarter	January 31, 2013
3 rd Quarter	April 30, 2013
4 th Quarter	July 31, 2013

Contractual language includes the following:

“Quarterly reports must be filed in a timely manner or the disbursement of funds will be delayed. TCC reserves the right to delay quarterly disbursements; if delayed, a three-week processing time could occur.”

These contractual requirements are not formally monitored or enforced. Reports are only printed annually and quarterly monitoring is not evidenced with documented status reports. An audit trail does not exist to verify that quarterly reports were received by the due dates.

Of the annual reports documented, three agencies filed null reports. One entity closed their operations due to relocations to a temporary space, but they retained a full year’s funding. A notation was made in their annual report that they obtained verbal confirmation from TCC in

July, 2013, a full 6 months after they made the move. TCC advised that Tempe families were accommodated at the agency's Chandler facility, so funds were still provided. As documentation is vague or non-existent, it is undeterminable whether or not TCC was advised earlier than July 2013.

TCC advised that throughout the year they communicate frequently with agencies on an informal basis. In the absence of systematic effective formal monitoring, there is limited opportunity for early intervention and assistance where needed to help agencies meet their goals. Agencies may end up not meeting their goals and funds may be distributed no real impact on the community's needs for service.

Recommendations

22.1 Quarterly reports should be effectively monitored in accordance with contractually required reporting dates. Status reports should be documented for all agencies along with any remedial action taken.

22.2 Contractual agreements should be enforced including repercussions for late and non-reporting of agency status.

23. Site monitoring is not effectively targeted.

TCC does not have a formal developed risk-based monitoring plan in place to effectively monitor the performance of funded agencies.

Agency site visits conducted by TCC are performed shortly after the upcoming year's grants are awarded. Approximately 10 agencies are visited each year. Visiting members are mainly comprised of Board Members, with additional community members and TCC staff members. TCC's stated purpose of the site visits follows:

Site visits provide the opportunity for Agency Review (AR) Volunteers to learn of the services which receive City of Tempe funds, and to gain additional knowledge of the organization that is not represented in the human services application.

The site visits currently performed by TCC are short in duration and do not involve a comprehensive checklist to ensure the program is effectively functioning. Program deficiencies that may be identified through routine physical site monitoring run the risk of not being detected for long period of time due to lack of oversight.

City staff responsible for administering the CDBG program grant sub-recipients have established formal annual site monitoring procedures for funded agencies. They utilize the Maricopa County

Consortium CDBG Public Service Compliance Monitoring Tool that incorporates Maricopa County and the Federal government requirements as a tracking mechanism for CDBGF sub-grant recipients. During the period under review, two suggestions for improvements were provided and one concern (with suggested corrective action) related to Non-Discrimination and Equal Access to Services was reported on two of the funded agencies.

Recommendations

- 23.1** Site visits currently conducted by TCC Board, community and staff member groups may be more effective if performed prior to awarding agency funding and used as a component in the overall scoring process.
- 23.2** Effectively targeted site monitoring throughout the year should be performed on a systematic basis and adequately documented to identify potential and existing issues that may interfere with effective program delivery. This can provide a proactive mechanism to offer assistance to agencies on a timely basis should the need arise. A checklist should be developed to facilitate productive site visits.

In addition, site monitoring plans should be based on a risk assessment, as certain recipients likely will require closer scrutiny in light of considerations such as:

- ✦ Size of the sub-recipient award.
 - ✦ Award size relative to the sub-recipient's total budget.
 - ✦ Award complexity, sensitivity of the work and/or extensiveness of the governing regulations.
 - ✦ Prior experience with the sub-recipient, e.g. a new sub-recipient, an inexperienced sub-recipient, a history of non-compliance, having new personnel, or having new or substantially changed systems.
 - ✦ Degree of external oversight by auditors or sponsoring agencies.
 - ✦ Sophistication of the sub-recipient's systems and administrative operations.
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