

# City Social Service Contracting Process



## Objective

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

## Background

The City does not have a definition of social services. For the purpose of this audit we used the categories that were used in City's 2014 social service solicitation process. Currently the City has 132 social service contracts worth approximately \$48.7 million. Management of the City's social service contracts is decentralized among 5 departments, with Austin Public Health Department managing most of these contracts.

## Recommendations

The Director of Austin Public Health Department should work with the City Manager and other responsible departments to develop a:

- City social service procurement policy; and
- strategy for funding social services.

The City Manager should work with Council to determine whether the City's Anti-Lobbying Ordinance should apply to social services contracts.

## What We Found

**Finding 1:** The City of Austin has not funded social service needs at the level established by Council or funded the additional community needs for these services due to budget constraints and other City competing priorities.

- In the past 5 years, the City has increased funding for social service contracts from the General Fund by approximately 29% (from 27.1 million to 38.3 million), and funding from Grants by approximately 20% (from \$8.7 million to \$10.4 million).
- 4.2 million (35%) of the 2016 Council commitment to increase funding for social services contracts by \$12 million has not been funded.
- In fiscal year 2019, \$6.67 million (79%) of the \$8.4 million commission-recommended funding for social services was not funded.

**Finding 2:** There are similarities and differences in the way the City of Austin provide funding for social services compared to other Texas cities.

### Similarities

- All cities have designated department(s) that manage social services.
- All cities utilize a mix of funding sources.

### Differences

- It appears that City of Austin relies more on their General Fund to fund social services.
- Grant funding is received or managed differently among the cities.

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## What We Found, Continued

**Finding 3:** Some stakeholders perceive that the City's social service contracting process is not adequately equitable or transparent, citing challenges to participating in the City's social service contracting process.

We surveyed a sample of 30 social service providers who have had social service contracts with the City within the last 5 years and interviewed members of various City commissions. The majority of the service providers we surveyed perceive the City's social service contracting process to be adequately equitable and transparent. These providers appreciated the City's efforts to encourage diversity, equity, and transparency. However, some service providers, and members of various commissions identified concerns specific to the process.

**Exhibit 2: Social Service contractings process perceptions reported by stakeholders**

Area	Examples of the concerns noted by the stakeholders
Perceptions relating to equity	<ul style="list-style-type: none"> <li>• Legacy providers always receive the funding.</li> <li>• Large providers are more politically connected.</li> <li>• Once providers are in, they are not historically taken out regardless of how they perform.</li> <li>• Small service providers do not have access to information and feel there is no room for them.</li> </ul>
Perceptions relating to transparency	<ul style="list-style-type: none"> <li>• Stakeholders don't know how funding decisions are made and how the City prioritizes their recommendations.</li> <li>• "You have to be inside to hear about who is being awarded the contract and what the process is."</li> <li>• The City does not provide enough information as to how/why organizations receive or do not receive funding.</li> </ul>
Challenges faced by service providers	<ul style="list-style-type: none"> <li>• The application process is too complex and takes a long time.</li> <li>• Funding does not always cover the full cost of services.</li> </ul>
Barriers specific to smaller service providers	<ul style="list-style-type: none"> <li>• Small providers lack the administrative capacity to handle the City contract expectations.</li> <li>• Small providers find it difficult to meet the City's insurance and reporting requirements.</li> <li>• While the City uses a cost-reimbursement methodology, smaller service providers are not able to cover their costs up-front.</li> </ul>

SOURCE: OCA analysis of survey responses from and interviews with City of Austin stakeholders, July 2019

## Other Observations

Contract activities in 5 social service contracts managed by the Neighborhood Housing and Community Development Department are not well aligned with the department's mission. Management stated that they are in the process of reviewing the administration of these contracts to identify the most suitable department to manage the contracts.