

City Social Service Contracting Process



Objective

Does the City social service contracting process include adequate funding, meet stakeholders' expectations, and align with 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 five 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:

- Citywide social service procurement policy; and
- Funding strategy for 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: While the City has allocated sufficient funding to meet Council's 2016 funding policy goal for social service contracts, it has not funded some of the additional community needs for these services due to budget constraints and other competing City priorities.

- In the past five years, the City has increased funding for social service contracts from the general fund by approximately 41% (from \$27.1 million to \$38.3 million), and funding from grants by approximately 20% (from \$8.7 million to \$10.4 million).
- In fiscal year 2016, Council established a funding policy goal of \$12 million for social service contracts in addition to existing funding. According to City staff, Council met this funding policy goal in fiscal year 2020.
- During fiscal year 2019 budget process, commissions made 13 direct social service-related recommendations, which included \$4.4 million to finance unmet needs. While majority (62%) of these recommendations were fully or partially funded, \$1.3 million (30%) of the \$4.4 million commission-recommended funding was funded.

Finding 2: There are similarities and differences in the way the City of Austin provides 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

A direct comparison of social service funding is difficult due to structural and operational differences among cities.

- Grant funding is managed differently among peer cities.
- Peer cities utilize grant funding in different ways.
- From our comparison it appears that City of Austin relies more on the general fund to fund social services.

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What We Found, Continued

Finding 3: While the majority of stakeholders perceive that the City’s social service contracting process is adequately equitable and transparent, some stakeholders expressed concerns.

We surveyed a sample of 30 social service providers who have had social service contracts with the City within the last five 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"> • Legacy providers always receive the funding. • Large providers are more politically connected. • Once providers are in, they are not historically taken out regardless of how they perform. • Small service providers do not have access to information and feel there is no room for them.
Perceptions relating to transparency	<ul style="list-style-type: none"> • Stakeholders don’t know how funding decisions are made and how the City prioritizes their recommendations. • “You have to be inside to hear about who is being awarded the contract and what the process is.” • The City does not provide enough information as to how/why organizations receive or do not receive funding.
Challenges faced by service providers	<ul style="list-style-type: none"> • The application process is too complex and takes a long time. • Funding does not always cover the full cost of services.
Barriers specific to smaller service providers	<ul style="list-style-type: none"> • Small providers lack the administrative capacity to handle the City contract expectations. • Small providers find it difficult to meet the City’s insurance and reporting requirements. • While the City uses a cost-reimbursement methodology, smaller service providers are not able to cover their costs up-front.

SOURCE: OCA analysis of the service providers survey responses and interviews with commissioners, June 2019

Other Observations

Contract activities in five 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.