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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

September 28, 2005

Mr. Robert J. Dennison
Chairman
New York State Division of Parole
97 Central Avenue
Albany, NY 12206

Re: Report 2005-F-24

Dear Mr. Dennison:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution; and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of the New York State Division of Parole (Division) to implement the recommendations contained in our audit report, *Administration of Contract C000612, Center for Employment Opportunities, Neighborhood Work Project Program* (Report 2003-R-5).

Background, Scope and Objective

The mission of the Division is to promote and enhance public safety and protection through the development and implementation of supervision and treatment plans for criminal offenders returning to the community. The Division makes inmate release determinations, establishes conditions for release, and supervises parolees when they are released. The Division contracts with various not-for-profit organizations, such as the Center for Employment Opportunities (Center), to provide training and support for inmates who are preparing for release. The Division's contract with the Center (C000612) states that the Center is to provide parolees in the Neighborhood Work Project (NWP) program with transitional vocational job training and temporary placement services at available training and work sites. According to Division and Center officials, the NWP program is designed to provide newly released parolees with a temporary source of income while helping them develop positive work skills and habits through on-the-job experience. Work sites for NWP participants are provided at various State and City agencies and public authority facilities in New York City.

Participants in the NWP program include parolees released from the Department of Correctional Services' Shock Incarceration Program (Shock), parolees released from the general prison population and other offenders participating in the New York City Rikers Island Employment Program. Shock parolees, generally non-violent first-time offenders who are considered good candidates for rehabilitation, are required to participate in the NWP program upon their release. Shock parolees released in New York City must report to the Center for program participation. When there are insufficient Shock parolees to fill all available program slots, the Center may fill

remaining slots with regular parolees. Division records show that 2,080 parolees participated in the NWP program during the period October 1, 2003 through July 31, 2005.

Contract C000612, which covers the period October 1, 2003 through September 30, 2005, states the Division is to reimburse the Center on the basis of actual and necessary NWP program expenses of no more than \$14.5 million for the contract term or \$6.25 million for the period October 1, 2003 through September 30, 2004 and \$8.25 million for the period October 1, 2004 through September 30, 2005 to cover parolee stipends and Center administrative costs. The NWP program is set up as an internal service fund on the State accounting system. The Center and the Division agree to use a charge-back process, by which the Division reimburses the Center for the costs of completed service projects. The Division then deposits (or credits) to the fund all the program-related revenues it receives from agencies and public authorities to offset NWP program expenditures. Contract terms provide for Division monitoring of the propriety and accuracy of the Center's claimed expenses by requiring the Center to submit cost reports, budget summaries and supporting records on a monthly basis.

Our initial audit report, which was issued on August 19, 2004, determined whether: the Center was reimbursed for only authorized and documented contract-related expenses; the Center provided the required contract services; and the Division provided effective oversight for contractor performance for the period October 1, 2001 through June 30, 2003. Our audit found that the Center did not bill all the NWP program costs it incurred or report all revenues it received. Also, we found that the Division did not identify specific measurement tools for program goals or deliverables in its contract with the Center, or monitor the contractor's performance sufficiently, to make sure the State's investment in this program produced acceptable results in terms of job placement for Division parolees. The objective of our follow-up, which was conducted in accordance with generally accepted government auditing standards, was to assess the extent of implementation as of September 20, 2005 of the six recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

Of the six audit recommendations included in our initial report, Division officials have implemented five recommendations and have partially implemented one recommendation.

Follow-up Observations

Recommendation 1

Ensure contractors submit all NWP program-related expenses and revenues to the Division to ensure a proper accounting of the cost of the NWP program.

Status - Implemented

Agency Action - In response to our audit, the Division instructed the Center to submit all NWP program-related expenses and revenues directly to the Division. However, pending the approval of two contract amendments, the Division was unable to pay the NWP vouchers submitted for the period October 2004 to May 2005. As a consequence, the Center retained the revenue it received to cover its operating costs. Upon approval of the contract and

payment of the vouchers, the Center submitted revenue checks to the Division on September 2, 2005.

Recommendation 2

Follow up on the \$707,139 (\$420,224 & \$286,915) in unreported Port Authority revenues. Considering the program-related effects of such expenses/revenues, and the newly increased legislative appropriation for this program, assess the viability/benefits of recovering this amount from the Center in accordance with the agreed upon charge-back process. Document and provide OSC, the rationale behind whatever decision is reached.

Status - Implemented

Agency Action - The Division concluded that the Center should not be required to “pay back” unreported Port Authority revenues. Because of the infusion of additional “third party” revenues, some contractors, with approval, exceeded their contract limits. In the Center’s case, the contract maximum had been detailed in budget appropriation language and consequently, the Division could not amend the contract. However, since the additional revenues were used exclusively for the contracted program, the Division believes that it would not be in its best interest to recover these revenues.

Recommendation 3

Require that local contract administrators oversee Center reporting practices and review Center vouchers before they are approved and paid by the Division.

Status - Implemented

Agency Action - The Center currently sends the original copy of each month’s NWP voucher directly to Parole’s Contract Manager in New York City. The Contract Manager must review and approve the voucher and forward it to Parole’s Deputy Director of Program Services (Director) who is also located in New York City. After the Director reviews and approves the voucher, it is submitted to Parole’s Central Office for processing and payment.

Recommendation 4

For any future similar contract awards, include provisions in the contract to address contractor program performance. Such provisions should include, but not be limited to, the following:

- *the program’s general, as well as, specific goals;*
- *a detail work plan for the program that includes elements such as work to be performed and the number of clients served; and*
- *contract deliverables, such as the numbers of positive and negative terminations; the number of contacts made with former participants; and job retention data for former participants.*

Status - Implemented

Agency Action - The amended NWP contract contains measurable goals and objectives to address contractor program performance. The goals and objectives, work plan, and deliverables are effective as of April 1, 2005. The pending NWP contract renewal has goals and objectives for the entire contract period (October 1, 2005 through September 30, 2007).

Recommendation 5

Develop a system to measure NWP program performance that includes measurable goals and objectives.

Status - Implemented

Agency Action - The amended NWP contract contains measurable goals and objectives. Performance measures include the total number of parolees placed at a NWP work site and a daily minimum of work crew slots to Parole. The Division requires the Center to submit detailed monthly activity reports. These reports are received both as hard copy and electronic file. The data is reviewed by the Contract Manager and the Division's Policy Analysis Unit to ensure that the Center is meeting its contractual goals and objectives.

Recommendation 6

Use performance indicator data to monitor the results of the NWP program. Analyze the cost effectiveness of the NWP program, as operated by the Center, in placing parolees in jobs in their community.

Status - Partially Implemented

Agency Action - The Division has begun to use performance indicator data to monitor the results of the NWP program. The Division has indicated that they have not collected sufficient data to determine the cost effectiveness of the NWP program.

Major contributors to this report were Frank Patone and Christine Chu.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We also thank the management and staff of the Division of Parole for the courtesies and cooperation extended to our auditors during this process.

Very truly yours,

William P. Challice
Audit Director

cc: Robert Barnes, Division of the Budget