

A Follow-up Audit Report on

Contract Management at the Commission on Alcohol and Drug Abuse

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Contract Management at the Commission on Alcohol and Drug Abuse

Overall Conclusion

The Commission on Alcohol and Drug Abuse (Agency) has made significant improvement in contract management since the release of the December 2000 State Auditor's Office (SAO) report (*An Audit Report on Contract Management at the Commission on Alcohol and Drug Abuse*, SAO Report No. 01-012). We commend the Agency's actions to create a culture of accountability. One area still needing improvement is capacity management, which is a system for monitoring available beds and slots in Agency-funded treatment programs. The Agency is continuing to implement additional improvements for contractor selection. These improvements are scheduled to be completed in time for the fiscal year 2004 contracting cycle. The Agency's improved contract management processes provide increased assurance that state funds are appropriately spent to provide substance abuse treatment services.

The Agency has fully implemented the recommendations in 15 of the 17 issue areas identified in the December 2000 report. The status of all 17 issue areas was audited by the SAO, the Agency's Internal Audit department (Internal Audit), or KPMG, LLP. The SAO audited the implementation status of five issue areas. Internal Audit's work covered a majority of the issue areas from the prior SAO report. We reviewed Internal Audit's work and agree with its conclusions. KPMG, LLP, conducted the fiscal year 2001 federal statewide single audit. The results of the single audit were considered in determining the implementation status of the recommendations for the Agency's issues.

Background

To help fulfill its mission of ensuring that Texans have access to effective and efficient substance abuse services, the Agency contracts with local providers of prevention, intervention, and treatment services. For fiscal year 2002, the Agency made \$148.7 million (84 percent) of its budget available for provider contracts.

Source: *An Internal Audit Report of the FY 2002 Contracting Process*, February 2002, Report No. 2002-01.

"Contract management" refers to the business processes the Agency uses to ensure the State gets the services it pays for and that it pays fair prices. Contract management includes selecting providers, establishing contracts, paying and reimbursing providers, and monitoring providers.

Summary of Information Technology Work Performed

The Agency has adequate controls to safeguard information and to ensure that the information is accurate and complete in its Information Management System (commonly known as the SOURCE) as well as in its Behavioral Health Integrated Provider System (BHIPS). This conclusion is based on the following:

- The Agency has a comprehensive set of policies and procedures for computer security and has provided training to its staff on new password procedures.
- Access levels for both systems are assigned according to users' specific roles and job duties.



- The Agency uses software to detect network vulnerabilities.
- Edit checks in critical data fields are in place to ensure accuracy of information.
- Invalid log-in attempts are monitored daily.
- Backup procedures are adequate to ensure continued operations.
- Server events and failures are monitored through an event log. Also, database administrators are notified via e-mail of server events and failures.

The SOURCE database contains financial, demographic, and performance measurement information for the Agency's funded providers, as well as information regarding the Agency's financial and internal operations. The SOURCE application is used by Agency personnel to view, input, and update the database information.

BHIPS is a Web-based system for funded providers that supports a client-based service delivery system. BHIPS will eventually replace the Agency's TCADA Provider Network (TPN). The BHIPS rollout began June 11, 2001, and the Agency anticipates that system implementation will be completed by November 2002.

We did not look at any other automated systems at the Agency.

Detailed Results

Chapter 1

Overall, the Agency Has Improved Its Contract Management Process

The Commission on Alcohol and Drug Abuse (Agency) has fully implemented the recommendations in 15 of the 17 issue areas identified in the December 2000 State Auditor's Office (SAO) audit. The recommendations in the remaining two issue areas are partially implemented. The SAO audited six high-risk recommendations in five issue areas to determine implementation status. We coordinated our work with the Agency's Internal Audit department (Internal Audit), which had already verified the corrective action taken by management to resolve a majority of the prior issues. KPMG, LLP, conducted the fiscal year 2001 federal statewide single audit. We reviewed their work at the Agency and agree with their conclusions.

The Agency's improved culture of accountability has contributed to better contract management information. For example, the Agency:

- Developed a Statewide Service Delivery Plan (SSDP) report that was issued in February 2002. The Agency created five workgroups to address the following priorities identified in the SSDP:
 - ♦ Assess and prioritize needs to ensure optimal availability and accessibility of services within existing resources.
 - ♦ Develop an integrated, cost-effective system of care that increases the availability of and access to prevention, intervention, and treatment services and that connects consumers to the substance abuse services they need when they need them.
 - ♦ Develop a resource allocation methodology that ensures a stable environment/system of care.
 - ♦ Ensure optimum system performance by selecting and monitoring services for quality.
 - ♦ Define and establish operations for the Agency's role as state substance abuse authority.
- Started implementing its new on-line client management system, the Behavioral Health Integrated Provider System (BHIPS), in June 2001. The Agency indicates that all providers will have the capability to use BHIPS by November 2002. BHIPS allows providers and networks across the state to share valuable client data. It captures demographic, service, and clinical data about clients who are receiving substance abuse treatment. BHIPS tracks the services provided and consumer progress while also maintaining information needed to comply with state and federal reporting requirements.
- Enhanced the role of Internal Audit, which provides greater assurance of accountability. Since December 2000, Internal Audit has released eight audit

reports on key issue areas such as the contracting process, information technology, and payroll. Agency management has taken corrective action based on Internal Audit's reports.

The following table lists each recommendation from the prior audit, the status, the entity that followed up on the recommendation, and management's assertions for that recommendation as of April 2002.

Status of Recommendations From December 2000 SAO Audit Report			
Recommendation	Status	Reviewed by	Comments <i>(Agency self-reported status as of mid-April 2002 in italics.)</i>
Section 1-A: Continue to create an environment that supports controls.	Implemented	Internal Audit	See Chapter 1 introductory paragraph.
Section 1-B: Ensure information in Agency computer systems is accurate.	Implemented	Internal Audit	<i>In January 2001, the Information Technology Division tested the Service Management System (SMS). Results indicated that SMS was performing accurately and edit checks produced the expected results. In addition, an exception report (201 report) is generated monthly that compares client data against client billings. Exceptions are reviewed monthly and corrections/changes are made, as necessary.</i>
Section 1-C: Establish a standard reporting process to give decision makers needed information.	Implemented	Internal Audit	<i>The Query Report System (portal to the data warehouse) was created as a report portal on the intranet and is available to all TCADA [Agency] employees. Quality control procedures exist for IT generated reports, as well as reports generated by other divisions. QRS includes a comprehensive data dictionary. Crystal reports are self documenting through identification of database used to prepare reports. Two IT employees are assigned to QRS and two people in the Analysis & Reporting Division have report generation responsibilities using SAS Programming software.</i>
Section 2-A: Revise capacity management program for efficient use of substance abuse services.	Partially Implemented	SAO and Internal Audit	The SAO audited the implementation of the recommendation that the Agency "continue to work closely with communities to identify possible gaps in service and develop a strategy for filling them." The Agency implemented this recommendation. The SAO audited the implementation of the recommendation regarding the Agency's "review of the current method of matching available beds to individuals on waiting lists to maximize available resources." The Agency partially implemented this recommendation. See Chapter 2 for further details. <i>Internal Audit verified implementation status only for the recommendation to make funds available to transport poor and priority individuals to locations where services are available.</i>
Section 2-B: Continue efforts to select best contractors.	Implemented	Internal Audit	Internal Audit verified that the Agency resolved this recommendation. Additional issues regarding contractor selection can be found in <i>An Internal Audit Report of the FY 2002 Contracting Process</i> , February 2002, Report 2002-01.

Status of Recommendations From December 2000 SAO Audit Report

Recommendation	Status	Reviewed by	Comments <i>(Agency self-reported status as of mid-April 2002 in italics.)</i>
Section 3-A: Enforce rules on spending limits and prior approval.	Implemented	Internal Audit	<p><i>Internal Audit has verified that a system exists to refuse payment to providers when expenditures exceed limits, or do not have prior Agency approval. Management indicates that approved requests for remodeling and equipment expenditures are compared to actual costs to ensure limits are not exceeded. Internal Audit is in the process of verifying implementation of this recommendation.</i></p> <p>SAO Note: Internal Audit completed its verification in June 2002.</p>
Section 3-B: Enforce rules limiting contract amendments.	Implemented	Internal Audit	<p><i>Internal Audit verified that contract language was amended for FY 2001 and FY 2002 contracts. Notification to oversight agencies was considered accomplished in management's response that was included in the SAO December report. SAO is an oversight agency and monitors status findings.</i></p>
Section 3-C: Continue to strengthen contracts to increase provider accountability.	Implemented	Internal Audit	<p><i>Internal Audit verified that oversight is conducted to ensure providers comply with contractual requirements. In addition, Internal Audit verified that related-party transactions are addressed in contracts.</i></p>
Section 4-A: Review providers' budgets and expenditures for reasonableness.	Implemented	Internal Audit	<p><i>New contracts and contract renewals were tested during the FY 2002 internal audit of the contracting process, with no exceptions noted for this attribute.</i></p>
Section 4-B: Review providers' cost allocation plans and verify that providers use them properly.	Partially Implemented	Internal Audit	<p><i>Internal Audit verified that the agency reviewed cost allocation plans for FY 2001 and FY 2002. Internal Audit also verified that TCADA's fiscal compliance section performs audit procedures to determine if providers are following the plans. However, certain internal procedures regarding the cost allocation plan review process were not being followed at the time Internal Audit reviewed this status. Internal Audit plans to perform another review in FY 2003 to determine the extent of corrective action taken.</i></p>
Section 4-C: Continue efforts to simplify payments and validate rates.	Implemented	SAO	<p>The Agency used the Federal Validation Rate Study along with the finance workgroup's results as a basis for developing new rates. On July 2, 2002, the Agency's commissioners approved the proposed new rates for fiscal year 2003 contracts.</p>
Section 5-A: Verify accuracy of provider billing.	Implemented	SAO, Internal Audit, and KPMG, LLP	<p>Agency project officers analyze the billing and performance data quarterly to determine and investigate variations in billing. In addition, the Fiscal and Program Compliance areas assess providers according to risk and then review detailed information during their audits.</p> <p><i>Internal Audit has verified that providers are trained how to determine financial eligibility and how to properly document services rendered.</i></p>

Status of Recommendations From December 2000 SAO Audit Report			
Recommendation	Status	Reviewed by	Comments <i>(Agency self-reported status as of mid-April 2002 in italics.)</i>
Section 5-B: Ensure the new accounts receivable system has complete and accurate information.	Implemented	Internal Audit and SAO	<p><i>The November 2000 Business Plan indicates that development of the revenue subsystem for accounts receivable is complete. Recommendation states that oversight entities should be notified upon completion. Business Plans were distributed to various oversight entities, including HHSC, SAO, LBB, and GOB&P.</i></p> <p>The SAO conducted additional work and found that the Agency had implemented an accounts receivable system. Automated accounts receivable information is complete, timely, and accurate. The Agency now identifies and collects payments owed. The accounts receivable balance and related cash receipts are complete and accurate. The Agency has adequate policies and procedures for collecting money as well as a monthly reconciliation process of accounts receivable, which includes an aging report of receivables.</p>
Section 5-C: Monitor financial information to detect unusual or inappropriate activity.	Implemented	SAO, Internal Audit, and KPMG, LLP	<p>Agency project officers and contract performance managers monitor the budgets and spending of providers on a quarterly basis. Any significant variations are researched, and the provider is contacted.</p> <p><i>The Internal Audit Division is in the process of verifying that an automated process has been created to track budget transfers and enforce the cumulative 10 percent cap.</i></p> <p>SAO Note: Internal Audit determined in late April 2002 that this recommendation was implemented.</p>
Section 5-D: Continue to improve documentation in contract files and guidance to providers.	Implemented	Internal Audit	<p><i>Contract files are more organized, in accordance with planned procedures. Information is available to providers through TCADA Bulletins, guidance letters, Training & Technical Assistance (individual and group training); and a comprehensive website.</i></p>
Section 6-A: Review how performance measures are set, reported, and used.	Implemented	Internal Audit	<p><i>Internal Audit verified that management has implemented all recommendations documented in this section.</i></p>
Section 6-B: Analyze program outcomes to determine effectiveness.	Implemented	Internal Audit	<p><i>Internal Audit verified that management has implemented the recommendations documented in this section.</i></p>

The Agency Should Continue to Address Capacity Management Issues

While the Agency has taken steps to address the capacity management issues identified in the December 2000 SAO report, we identified additional issues. The Agency has not fully developed and documented its goals and procedures for capacity management. This has contributed to the Agency's not holding providers accountable when they report incomplete and inaccurate capacity information. Improvements that the Agency has implemented are summarized in Section 2-A of the preceding table.

Capacity Management

The capacity management program provides an automated system to monitor available beds and slots in Agency-funded treatment programs.

Source: TCADA fiscal year 2002 Federal Block Grant Application

Chapter 2-A

The Agency Has Not Clearly Defined Capacity Management Goals and Procedures

Although the Agency has some policies and procedures for capacity management, it has not defined clear goals for the capacity management program. The lack of clear goals has limited the Agency's ability to collect complete and accurate information for capacity management. Chapter 2.2 addresses the issue of incomplete and inaccurate data.

The current draft of the capacity management procedures is not detailed and has not been approved by the designated deputy director. Specifically, the procedures are not clearly written or detailed enough for a reasonable person to perform the tasks; they do not clearly define staff responsibilities and assignments; they are poorly organized and formatted; and they do not include provisions for producing management reports on a monthly basis to monitor the program's results. The current procedures do not provide the step-by-step directions needed to promote consistency in implementing policies. The lack of detailed procedures could result in inconsistent capacity information for management reporting and placement decisions.

Recommendations

The Agency should revise and strengthen its goals and procedures for capacity management by:

- Clearly defining and communicating the purpose and goals of capacity management.
- Addressing all necessary program components in detail.
- Defining the roles and responsibilities of staff members (such as the division manager, coordinator, and backup positions) involved in the administration of capacity management.
- Adding provisions for the monthly production of management reports, including who will produce the reports, what information will be included in the reports, who will receive/review the reports, and how the reports will be used.

- Establishing sanctions against noncompliant providers that more appropriately address the violations and that are less cumbersome to enforce (such as assessing a daily fine as opposed to assigning a withheld-payment status).
- Obtaining formal approval of the policies and procedures by the designated deputy director as required by Agency policy.

Management's Response

We agree with SAO's recommendations. The Agency was in the process of transitioning the Capacity Management Program to BHIPS during SAO's review. The recommendations provided are timely as we continue to improve this program.

TCADA will continue to review the Capacity Management system and revise policy and procedures to clarify and address the following issues:

- *Purpose and goals of the program to ensure all necessary components are addressed, including compliance with block grant requirements*
- *Roles and responsibilities for the staff (coordinator, backup staff and division manager)*
- *Development of monthly management reports that provide information necessary to monitor the program*
- *Sanctions for providers that do not comply with capacity management reporting requirements*
- *Approval by the Deputy of Programs*

Projected timeline for implementation: December 31, 2002

Responsible Party: Deputy, Programs

The Agency Does Not Adequately Ensure That Providers Report Complete and Accurate Capacity Management Information

The Agency does not adequately ensure that providers report accurate capacity management information daily as required by Title 40, Section 144.107(c) of the

Texas Administrative Code and Title 45, Sections 96.126(a) and (c) and 96.131(c) of the Code of Federal Regulations (see text box). Without accurate information, the Agency's capacity management coordinator cannot use BHIPS to assist providers in placing priority populations (intravenous-drug users and pregnant women) in available beds or slots. For example, testing of April 2002 capacity and waiting list information indicates that a majority of providers tested reported incomplete or inaccurate data. Some of the providers did not report for at least six consecutive days in April, and the Agency did not sanction them as directed by policy. The Capacity Management Program policy, Section 5.03.11, requires sanctioning of providers that do not report capacity management information for six consecutive days.

Relevant Regulations

Title 40, Section 144.107 (c) of the Texas Administrative Code requires that treatment programs report available capacity and waiting list information daily through the Agency's facility capacity management system and comply with procedures specified by the Agency.

Title 45, Section 96.126 of the Code of Federal Regulations, capacity of treatment for intravenous substance abusers, requires:

- That the State shall establish a capacity management program which ... enables any such program to readily report to the State when it reaches 90 percent of its capacity—and which ensures the maintenance of a continually updated record of all such reports and which makes excess capacity information available to such programs.
- That states “establish a waiting list management program which provides a systematic reporting of treatment demand.”

Title 45, Section 96.131(c) of the Code of Federal Regulations, treatment services for pregnant women, requires states to “maintain a continually updated system to identify treatment capacity for any pregnant women and will establish a mechanism for matching the women in need of such services with a treatment facility that has the capacity to treat the woman.”

We also noted that some providers reported the amount for funded capacity differently from day to day. During the course of the audit, we received varying explanations from different Agency staff for the daily reporting of Agency-funded beds and slots. Agency procedures for reporting available capacity, which were mailed out to providers on May 22, 2002, require providers to enter the number of “TCADA-funded beds and slots” and “current census” daily. Without clear definitions, providers may submit incorrect information that may affect the Agency's decisions regarding client placement and provider performance.

Recommendations

The Agency should:

- Sanction noncompliant providers in accordance with its policy.
- Ensure the completeness and accuracy of available capacity and waiting list data by reviewing them during the Program Compliance Division's on-site provider visits.
- Clarify the funded capacity terminology to eliminate confusion for providers and staff who monitor the capacity management system.
- Provide training as needed to educate staff regarding the monitoring of capacity.

Management's Response

- *TCADA will sanction providers in accordance with the revised policy and procedures.*
- *The Program Compliance Division will test providers for compliance with capacity management requirements during on-site visits to ensure reports are complete, accurate, and timely.*
- *Revisions to policy and procedures will include clarification of the term "funded capacity."*
- *Training will be provided to the Capacity Management Coordinator and the assigned back-up on the new policy and procedures. Procedures regarding the revised reporting system will be communicated to providers and staff before changes are implemented.*

Projected timeline for implementation: January 31, 2003

*Responsible Party: Deputy, Programs
Deputy, Licensing and Enforcement*

Chapter 2-C

The Agency Did Not Adequately Plan for the Transition of Automated Systems

The Agency did not adequately plan for the reporting of available capacity and waiting list information during the transition from the Agency's TCADA Provider Network (TPN) to BHIPS. This contributed to providers' being unable to report waiting list information from April 4, 2002, to May 15, 2002, as required by the federal block grant.

Examples of inadequate planning include the following:

- Providers were not formally notified of the transition until six weeks after it was originally scheduled to occur (April 4, 2002) and one week after the revised transition date of May 15, 2002. As a result, most providers continued to report in TPN. However, some providers reported in both TPN and BHIPS, creating a duplication of effort.
- The Agency did not inform the BHIPS developer that the BHIPS Available Capacity Detail screen would need to allow providers to report waiting list information by the production date of April 4, 2002. This led to incomplete waiting list information between April 4 and May 15, 2002, and caused the Agency to be noncompliant with Title 45 of the Code of Federal Regulations, Sections 96.126(c) and 96.131(c).

Recommendation

The Agency should ensure that providers are promptly informed of any new information or changes relevant to the capacity management program. This can be accomplished via e-mail messages or through the provider bulletin. If notification is

done via e-mail, the Agency should ensure that it has a complete and accurate list of provider e-mail addresses.

Management's Response

We agree. TCADA will provide advance notice of all changes made to the capacity management system, including instructions and a contact for questions. This information, and any other new information relevant to the capacity management program, will be provided through e-mails and the provider bulletins. As part of this process, steps will be taken to ensure complete and accurate provider e-mail addresses are maintained.

Projected timeline for implementation: January 31, 2003

Responsible Party: Deputy, Programs

Other Information

Objective, Scope, and Methodology

Objective

The objective of this audit was to determine whether the new systems put into place by the Commission on Alcohol and Drug Abuse (Agency) management have addressed contract management weaknesses identified by the December 2000 State Auditor's Office (SAO) audit. As part of this objective, we determined whether data in the Agency's Information Management System (otherwise known as the SOURCE) and the Behavioral Health Integrated Provider System (BHIPS) is complete, accurate, and secure from unauthorized access.

Scope

Our scope was focused on the prior recommendations made in *An Audit Report on Contract Management at the Commission on Alcohol and Drug Abuse*, SAO Report No. 01-012, December 2000. We conducted fieldwork from March 2002 through June 2002, and we tested fiscal year 2002 data. We coordinated our work with that of the Agency's Internal Audit department (Internal Audit) in order to avoid duplication of effort.

Methodology

Our methodology consisted of gathering information through interviews of the Agency's staff, reviews of policies and procedures, testing of controls and documentation, and reviews of the Agency's information technology. We assessed the risks associated with the recommendations from the December 2000 audit. We identified the six highest-risk recommendations that had not been followed up on by Internal Audit. An SAS 65 (Statement on Auditing Standards) review was conducted to ensure that we could rely on Internal Audit's work. Our results include both our work and the work completed by Internal Audit. We reviewed the working papers from KPMG, LLP, from the fiscal year 2001 federal single audit at the Agency.

Criteria used to conduct this audit included the following:

- Code of Federal Regulations, Title 45, Subtitle A, Part 96, Subpart L, Substance Abuse Prevention and Treatment Block Grant
- Texas Health and Safety Code, Sections 461.0143 and 461.0126
- Texas Administrative Code, Title 40, Section 144
- *Strategic Plan 2002–2007*, Texas Commission on Alcohol and Drug Abuse, June 2002
- *Statewide Service Delivery Plan*, Texas Commission on Alcohol and Drug Abuse, February 2002

- *Administration and Operations Manual*, Texas Commission on Alcohol and Drug Abuse, April 2002
- *Contract Performance Management Division Procedures Manual*, Texas Commission on Alcohol and Drug Abuse, September 2001
- *Funding, Contract Administration, and Compliance Manual*, Texas Commission on Alcohol and Drug Abuse, September 2001

This audit was conducted according to applicable professional standards, including generally accepted government auditing standards. There were no significant instances of noncompliance with these standards.

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