

A Review of Management Controls at the Texas Health and Human Services Commission

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Key Points Of Report

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December 1995

Overall Conclusion

Although the Commissioner has undertaken a major reorganization to accomplish the work as directed in the mandates of the 74th Legislature and achieved improvements in organizational management, control weaknesses exist in key functional areas of the Commission. During this time of transition, attention should be given to enhancing controls in operational areas of fiscal management, grant and contract management, information system coordination, performance measure management, and human resource management.

Key Facts and Findings

- The Commission was established by H.B. 7, 72nd Legislature. The agency currently has an annual budget of over \$5 million and 79 full-time equivalent employees. In addition to its other responsibilities, the Commission also serves as the State Medicaid Office and oversees \$5.4 billion in federal Medicaid funds.
- During the period of this review, the Commission has modified its organizational structure, accomplished a reduction in force, established an Operations Division, and prepared a work plan to guide its activities during the current fiscal year.
- The Commission does not have adequate fiscal control over operations, grants, and contracts. Specific weaknesses exist in the forecasting and tracking of revenues, cost allocation methodology, monitoring and control of expenditures, and safeguarding and recording of fixed assets.
- The Commission has not had a formal system to gather feedback from health and human services user agencies regarding the effectiveness of its coordinated projects in achieving service delivery goals. Further, the Integrated Data Base Network pilot project is not fully implemented, and plans have not been developed for a post-implementation review.
- Controls have also been weak over policies and procedures, internal automation, compliance with Historically Underutilized Businesses guidelines, and the collection and utilization of performance measures. Also, improvements could be made in the management of the Commission's human resources.

Contact

Barbara S. Hankins, CPA, Audit Manager, (512) 479-4700



Office of the State Auditor

Lawrence F. Alwin, CPA

This management control audit was conducted in accordance with Government Code, § 321.0133.

Executive Summary

The Health and Human Services Commission Has Achieved Improvements in Organizational Management but Control Weaknesses Exist in Key Functional Areas

Since the appointment of a new Commissioner in March 1995, the Texas Health and Human Services Commission (Commission) has undertaken a major reorganization to accomplish the work directed in recent legislative mandates. This reorganization has included internal structural changes, a reduction in force, adoption of a work plan, and establishment of the Operations Division.

However, for the Commission to be most effective in carrying out its mandates during this time of transition, certain weaknesses must be corrected, and controls over all functional areas should be strengthened. Significant control weaknesses have been identified in the areas of fiscal management, grant and contract management, multi-agency information system coordination, operations management, performance measure management, and human resource management.

In August 1994, a review of progress made toward accomplishment of goals, as set forth in the Commission's enabling legislation (H.B. 7, 72nd Legislature), was undertaken by the State Auditor's Office at the request of the Senate Health and Human Services Committee. (A copy of this report can be obtained from the Senate Health and Human Services Committee's office.)

The Commission Does Not Have Adequate Controls over Fiscal Activities

Weaknesses in the forecasting and tracking of revenues, current cost allocation methodology, billing for federal reimbursement, and billing for some grants and contracts put 53 percent (or approximately \$2.775 million) of non-General Revenue sources of funds at risk. In addition, controls over accounting, purchasing, and fixed assets are weak or nonexistent.

Actual indirect costs are not tracked by the Commission through the use of a timekeeping or other system. Therefore, if audited by the Federal Government, costs may be subject to recoupment. If allocated costs are too low, the State is not maximizing its federal funding.

The Commission Has Not Provided Adequate Fiscal Monitoring of Grants and Contracts

The lack of a documented process for serving as fiscal agent for certain federal funds, lack of controls over fund expenditures, and lack of monitoring of contracts puts the Commission at risk if the entities with which it is working should experience fiscal control weakness. The Commission is currently the pass-through agency for approximately \$5.4 billion in federal Medicaid funds, \$3.1 million in private foundation grants, and \$100,000 in federal Headstart funds. Additionally, the Commission is the fiscal agent for \$40 million in federal funds for the Empowerment Zone in the Rio Grande Valley and for \$15 million for five Enterprise Communities in South Texas. The Empowerment Zone and Enterprise Community funds are part of the new

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federal funds available under the Title XX Social Services Programs.

Oversight and Control of Multi-Agency Information Systems Projects Could Be Improved

In its role as coordinator for health and human services information systems projects, the Commission has not provided optimal oversight and control. The Integrated Data Base Network pilot, for which the Commission has direct statutory responsibility, is not fully implemented, and the Commission has not sufficiently planned for review of the pilot project. Further, the Commission has not directly surveyed users involved with its coordinated information management activities and initiatives. The Commission has been directed, in both its enabling legislation and subsequent legislative mandates, to coordinate the implementation of certain information systems to improve the efficiency and effectiveness of all health and human services agencies.

Controls Have Been Weak over the Commission's Operations Activities

Weaknesses in establishment of policies and procedures, in the internal automation system, and in meeting state goals for purchasing from Historically Underutilized Businesses will need to be addressed. The Commission has recently established an Operations Division to oversee its business and financial activities. Access weaknesses in automated systems raise the risk of unauthorized access to Commission applications and data by exposing the Commission to possible damage, loss, or inappropriate disclosure of information.

Weaknesses Exist in the Collection and Utilization of Reliable Performance Measure Data

The Commission does not have controls over its performance measure system so that it yields accurate and reliable information for use by legislative decisionmakers and agency management. Calculations for the two measures reported for fiscal year 1995 are not reliable, and it cannot be determined if the measures are accurate. The Commission does not have sufficient documentation to support measure definitions nor does it have a methodology in place to capture measure information for fiscal years 1996-1997.

Improvements Could be Made in the Management of Human Resources

While a number of strengths were noted in the area of human resource management, improvements could be made in the areas of recruitment, selection, and performance appraisals.

Summary of Commission Response

The Health and Human Services Commission generally agrees with the findings and recommendations presented in this report. Letters from the Commissioner regarding the agency's actions are presented following the body of this report.

Summary of Audit Objective and Scope

The objective of this audit was to evaluate the existing management controls at the Health

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and Human Services Commission according to certain accountability criteria and to identify strengths and opportunities for improvement. Specifically, our audit addressed management controls over the areas of policy, information, resources, and performance measures. Work in each area was developed after conducting a risk assessment of relevant issues. Emphasis was placed on the structure of the Commission to address the tasks mandated by the 74th Legislature.

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The Health and Human Services Commission Has Achieved Improvements in Organizational Management but Control Weaknesses Exist in Key Functional Areas

The Health and Human Services Commission has achieved improvements in organizational management but control weaknesses exist in key functional areas. Since the appointment of a new Commissioner in March 1995, the Health and Human Services Commission (Commission) has undertaken a major reorganization to accomplish the work directed in recent legislative mandates. However, for the Commission to be most effective in carrying out those mandates during this time of transition, certain weaknesses must be corrected, and controls over all functional areas should be strengthened. Significant control weaknesses have been identified in the areas of fiscal management, grant and contract management, multi-agency information systems management, operations management, human resource management, and performance measure management.

In August 1994, a review of progress made toward accomplishment of goals, as set forth in the Commission's enabling legislation, H.B. 7, 72nd Legislature, was undertaken by the State Auditor's Office at the request of the Senate Health and Human Services Committee. (A copy of that report can be obtained from the Senate Health and Human Services Committee's office.)

Section 1:

The Commission Does Not Have Adequate Controls over Fiscal Activities

Weaknesses in forecasting and tracking revenues, the current cost allocation methodology, the billing for federal reimbursement, and billing for some grants and contracts put 53 percent (or approximately \$2.775 million) of non-General Revenue sources of funds at risk. In addition, controls over accounting, purchasing, and fixed assets are weak or nonexistent.

The Commission relies on five sources of funds for its method of financing the agency's budget of more than \$5 million. For the current biennium, state appropriated General Revenue represents only 47 percent of the total. Federal funds represent approximately 25 percent, appropriated receipts represent approximately 15 percent, and interagency contracts comprise approximately 13 percent of the total.

Section 1-A:

The Commission Does Not Adequately Forecast and Track Revenues

The Commission does not consistently forecast and track the source of funding against the receipt of funds for individual programs or projects. The Commission does not know if it is receiving all the revenue due to it or if the funds are being received in a timely manner. When funding streams are not properly monitored, revenue may be lost which might otherwise fund the goals and objectives of the agency. Because of the lack of adequate record keeping and monitoring, it cannot be determined how much revenue might have been unrecognized.

Although the Commission recorded all revenue in their accounting system after it was received and knew by inspection of their billing what revenues might be forthcoming, there was not a comprehensive picture or forecast of what revenues could be expected during what periods. In the absence of this control, delays in billing and ultimately delays in timely receipt of funds occurred.

Commission division directors have not been receiving the financial information they need, and some are having to keep duplicate financial records on their own. Throughout the agency, necessary financial information is not always available when it is needed. Budget to actual expenditure reports were not prepared for July and August 1995. This information could have been critical as the end of the fiscal year approached.

Without adequate and timely reporting of financial information, managers are unable to allocate resources and make appropriate spending decisions. Agency financial statements indicating the status of all anticipated revenues were not prepared monthly. Draft accounting policies state that financial statements are to be generated on a monthly basis.

Billing for reimbursement of expenditures of \$100,000 for the federal Headstart program did not occur until almost the end of the grant period in fiscal year 1995, although billing is allowable on a monthly basis. The delay in timely billing caused General Revenue funds to be drawn which could have been earning interest for the State. It is expected that Headstart grants will total \$1 million over the next five years, thus increasing the cost to the State if federal billing is not accomplished in a timely manner. Accounting for costs allowable under the Headstart grant has not been consistently monitored. Indirect costs were exceeding the allowable limit at one point, although according to Commission staff, a correction was made prior to the submission of the grant report.

Because the accounting for revenues did not adequately segregate funding sources, some federal and foundation funds were not drawn as early as possible. As a result, the Commission is temporarily borrowing from its General Revenue funds to cover these costs that could be reimbursed in a more timely manner. The Commission could be using these funds in other areas to further accomplish stated goals and objectives. If the accounting for revenues had been set up in such a way as to recognize anticipated funding sources, delays in billing for reimbursements would have been recognized more quickly.

Section 1-B:

The Commission's Cost Allocation Plan Is Not Structured to Maximize Federal Funding

The intent of the Commission's cost allocation plan is to recapture from federal funding the indirect costs associated with oversight of the 11 health and human services agencies. However, the Commission has not received any money from the Texas Department of Mental Health and Mental Retardation (TDMHMR) to cover indirect costs, although it was billed approximately \$371,930, or 46 percent, of the Commission's total indirect costs for the second quarter of fiscal year 1995. The Commission doesn't receive any reimbursement from the Commission for the Blind. Additionally, quarterly billings are not timely, and actual indirect costs are not tracked.

With approval from the Federal Government, the Commission bills the agencies based on headcount of employees at each agency, but not all agencies obtain reimbursement from the Federal Government in an identical manner. Most notably, TDMHMR receives a relatively small amount from the Federal Government for indirect costs. The Commission for the Blind does not file a cost allocation plan with the Federal Government and receives no indirect cost reimbursement.

Quarterly billing for reimbursement through the Commission's cost allocation plan has not occurred for the third quarter (March 1, 1995, to May 31, 1995) or fourth quarter (June 1, 1995, to August 31, 1995) of fiscal year 1995. Cost allocation receipts represented \$225,951 in the second quarter of fiscal year 1995. According to agency staff, the delay in billing would shift non-General Revenue funds into the next fiscal year. Additionally, appropriated General Revenue for fiscal year 1996 is to be reduced from the fiscal year 1995 level; thus, additional funds from other sources will be needed.

Actual indirect costs are not adequately supported through the use of time and attendance records or other equivalent systems as required by Office of Management and Budget (OMB) Circular A-87. Additionally, work performed by employees not spending 100 percent of their time on approved projects is not captured and recorded as recoverable costs. If audited by the Federal Government, allocated costs may be subject to recoupment. If allocated costs are too low, the State is not maximizing its federal funding. Federal regulations require a recipient's accounting records to validate costs billed to federal monies. Any plan used to recoup money from other agencies should incorporate an understanding of the methodology used by other agencies to request reimbursement. Consideration of these methodologies should be the basis for development of a cost allocation plan which still maximizes the use of federal funds.

Section 1-C:

Expenditures Have Not Been Adequately Monitored and Controlled

Because the Commission does not have sufficient control over agency expenditures, it is being charged for some expenditures that are not part of the contract terms and paying for expenditures that do not have the proper approval. The Director of Finance

could initiate a requisition, create a voucher, and release the voucher for payment with no oversight. Financial reports are not being reviewed by a person independent of the preparation process. Without adequate oversight and appropriate segregation of duties, the risk of fraud or other improper acts is heightened. During the course of our audit work, no evidence of fraud was detected.

The previous director responsible for this oversight did not review the work performed by the Director of Finance although many tasks involved in purchasing and paying of invoices were assigned to a single individual. As a result, the Commission did not have adequate controls in place over the procedures for processing and reviewing purchase vouchers. Personnel in the Accounting Department could set up vendors to pay fraudulent invoices. Additionally, there have been no policies and procedures approved for the accounting and purchasing areas.

The Health and Human Services Commission's total expenditures for fiscal year 1994 were \$5,791,892. Although the Commission has some controls in place over purchasing and travel expenditures, the agency has spent \$1,771,186 for professional fees and services since fiscal year 1992 with limited review. For instance, the Commission paid a consultant \$360.52 for travel costs that were not part of the contract. Also, those costs were incurred prior to the effective date of the contract.

Of a sample test of 70 purchase vouchers, six vouchers tested did not have proper approval signatures. These vouchers included one voucher for \$24,421 for training expenses and another \$10,045 purchase voucher for fixed assets. A \$10,000 requisition order for a conference also did not contain the proper approval signatures. Supporting documentation for the conference invoice of \$11,978 was not available to verify the breakdown of \$5,350 for meal charges.

The Commission reimbursed an employee for textbooks that were used for a class. The textbook expense was an unallowable cost according to Commission policies. In addition, the payment was made before the class was completed, which is contrary to Commission policy. Three out of five long distance telephone calls tested from Commission telephone records appeared to be personal calls. The Commission did not have any records of reimbursement of the calls from employees.

The lack of a system for contract and expenditure administration and inappropriate assignment of staff responsibility for this area has contributed to these control weaknesses. A key missing control is appropriate segregation of duties so that a single individual cannot perform all of the steps of the purchasing and payment function.

Section 1-D:

Controls Are Weak over Fixed Assets

The Commission does not have adequate controls to ensure the accurate reporting and safeguarding of fixed assets. The fixed asset valuation performed by the Commission cannot be validated. Thus, the \$477,659 reported on the Commission's fiscal year 1994 Annual Financial Report may not be accurate because the beginning balance cannot be validated. Although an annual physical inventory is conducted at the local Commission

offices and custody records are maintained, no inventory checks are made at pilot program sites where 22 percent of the Commission's fixed assets are located.

Adequate controls must be in place to ensure that assets are safeguarded and accurately reported. Without established policies and procedures over fixed assets, it is impossible to track their existence or to accurately report their valuation.

Recommendations:

The Accounting Department should utilize the existing accounting system as well as supporting software applications to forecast and track all revenue by source. A comprehensive method, such as an accounts receivable module, should be developed that will track all funds to be received by the Commission. This should be monitored to ensure that the Commission is receiving all funds in a timely manner. Comprehensive agency financial reports and supporting detail should be generated monthly and reviewed for reasonableness and appropriateness of expenditures.

Through coordination with federal agencies, the Commission should review its cost allocation plan as well as the cost allocation plans for the other health and human services agencies and make revisions, as appropriate, to maximize the billing and receipt of federal funding. A time keeping system should be implemented to accurately track costs associated with administrative duties subject to cost allocation.

The Commission should establish a system to ensure that all reimbursement is accomplished in a timely manner. Accounting staff should coordinate with service delivery staff to properly monitor all grants and contracts for timely receipt of funds due to the Commission.

Management should ensure that proper oversight is established over the Director of Finance position to provide additional control over all financial activities supervised by the Accounting Department. The Commission should establish policies and procedures over all accounting functions. Management should give special attention to proper segregation of duties related to cash disbursements. All expenditures should be reviewed for appropriateness and proper approval.

The Commission should establish and implement controls over the recording and safeguarding of fixed assets. Commission staff should perform a complete physical inventory of all items owned by the Commission. Then it should reconcile the physical inventory total to existing records and the internal accounting system to determine the true fixed asset total for the annual financial statements.

Management's Response:

An Accounts Receivable module for the Accounting system was purchased in August. This system enhancement, along with the hiring of additional staff, will enable the Commission to track revenues and receivables more completely, and allow for more timely collections. In addition, there have been several meetings between the Accounting area and Service Integration staff to discuss all aspects, including receipt of funds, for each of the grants and contracts.

Some projections were performed throughout the year to enable the agency to monitor collected and projected collections of revenue. Any material changes resulted in a change to the internal operating budgets. Agency financial reports detailing expenditures and encumbrances were prepared and reviewed monthly for every month except July and August. These were the months that the Commission was involved in a massive reorganization. Departments that previously existed, no longer did, or were so changed that reports issued in the old format would have been of almost no use. Special reports were prepared during this time for use by the agency's top staff. With the reorganization completed, the accounting staff will again prepare the monthly financial reports in a format approved by the Commissioner. The reports for the grants and contracts will include revenue collections to date.

The Commission has developed plans for reviewing its cost allocation plan to determine if federal funds are being maximized. The Commission would like to note that the Federal Audit Coordinator at the SAO stated that the Commission may be maximizing federal revenues, but a review should be performed. The Commission will be reviewing the cost allocation plans of the other health and human services agencies to determine if they are submitting the proper reimbursement to the Commission, and give advice if there are changes that could be made to maximize collections for that agency. A more detailed timekeeping system which tracks employee time for Medicaid and all of the grants was implemented on September 1. All costs will continue to be tracked by the Commission's internal accounting system.

Present Commission management understands the importance of proper oversight of all financial activities. To achieve this, Commissioner McKinney effected a reorganization of the agency which segregated accounting functions and placed them in the Operations Department.

Policies and procedures for all accounting functions have been established. These policies and procedures will be incorporated into a written manual by spring. The Commission's accounting department has always maintained a proper segregation of duties related to cash disbursements, as well as in regard to cash transfers and cash receipts. With the hiring of additional staff in both the purchasing and accounting areas, additional time is being spent in the review of all expenditures.

The Commission's new management recognized the need for controls and safeguarding of fixed assets. A complete physical inventory of items owned by the Commission was completed on October 31, 1995, including reconciliation to the Commission records and accounting systems. The inventory included execution of an individual

responsibility form by each Commission employee. The Commission reorganized the business services division to include a property manager/safety coordinator.

Section 2:

The Commission Has Not Provided Adequate Fiscal Monitoring of Grants and Contracts

The lack of a documented process for serving as fiscal agent for certain federal funds, lack of controls over fund expenditures, and lack of monitoring of contracts puts the Commission at risk if the entities with which it is working should experience fiscal control weakness. The Commission is the pass-through agency for approximately \$5.4 billion in federal Medicaid funds, \$3.1 million in private foundation grants, and \$100,000 in federal Headstart funds. Additionally, the Commission is the fiscal agent for \$40 million in federal funds for the Empowerment Zone in the Rio Grande Valley and for \$15 million for five Enterprise Communities in South Texas. The Empowerment Zone and Enterprise Community funds are part of the new federal funds available under the Title XX Social Services Programs.

Section 2-A:

The Commission Has Not Formalized Procedures for Serving as Fiscal Agent for \$55 Million in Federal Funds

At the time of this review, the Commission had not developed a system or adopted formal policies and procedures for the oversight activities it is assuming as the fiscal agent for Empowerment Zone and Enterprise Community funds directed to the Rio Grande Valley area of South Texas. The Commission has increased risk and liability in the event that the non-profit entities that are the subrecipients or the private entities that are the vendors under this program do not have strong fiscal controls. According to Commission staff, the Commission could be subject to possible recoupment actions by the federal Department of Health and Human Services if funds are used to finance an activity not allowable under the statute.

Although the Commission has given detailed attention to the drafting of the contract with the Rio Grande Valley non-profit corporation which will administer the Empowerment Zone funds and is currently drafting contracts for the Enterprise Communities, the operational aspects of the oversight activities required of the Commission have not yet been addressed. The Commission's primary responsibilities in relation to these grants are to:

- Obligate the Empowerment Zone/Enterprise Community funds within two years.
- Draw the funds from the federal Payment Management System and pass them through to the Empowerment Zones and Enterprise Communities.
- Submit financial reports to the federal Department of Health and Human Services according to the terms and conditions of the grant.

No procedures had been developed by the Commission to do this, although some risk is controlled through the issuance of a fidelity and indemnification bond in the amount of

the outstanding funds distributed to the lead entity. Controls should be in place to ensure that accurate financial information is received from the Empowerment Zone/Enterprise Community so that the Commission's primary responsibility as the pass-through agency can be fulfilled.

Section 2-B:

The Commission Is Not in Compliance with Contract Requirements for Certain Grant Funds

The Commission has several weaknesses with regard to contract compliance for Casey Foundation funds. The Casey Foundation is a national organization which funds initiatives that have broad based policy implications. The Commission receives grant funds from the Casey Foundation and directs them to approved programs. The Commission has a staff member assigned to monitor this program. However, it appears that the monitoring has focused more on issues other than fiscal monitoring, resulting in some contractual controls and reporting being deficient.

Through the Casey Foundation, the Houston Area Urban League will receive \$3 million for projects for the grant period. A previous internal audit report points out that the payment schedule for the Houston Area Urban League is not tied to the expenses incurred by the Urban League in performing its contractual obligations. Thus, there is a risk that the Urban League could receive funds for which expenditures had not been incurred.

In addition, Casey II grant funds of \$100,000 are currently being expended for the Integrated Data Base Network pilot without a signed grant agreement and without an approved budget. Reports submitted to the Foundation are not consistent with contract requirements requiring expenditures to be matched to the budget.

Unapproved costs could be charged to a grant or paid as part of a contract's terms. Funds from some grants could be cut off and/or the Commission could be required to refund amounts improperly expended if it is not fully complying with the agreements. Therefore, grants and contracts should be regularly monitored for compliance with the terms of the agreements and budget requirements. Such monitoring is documented in the Commission's policy on Contract Management and should be followed.

Reports for the Headstart program did not identify the source of funds as federal or state. Thus, actual expenditures could not be compared to budgeted amounts except as individually reconciled by program managers. Reports for the Casey project did not provide total expenditures by funding source or match expenditures to funding source.

Section 2-C:

There Is Limited Oversight Regarding the Agreement for the Texas Department of Human Services to Act as the Operating Agency for Federal Medicaid Funds

The federal financial reports filed by the Texas Department of Human Services as the operating agency for state Medicaid funds have not been reviewed by the Commission, only signed and submitted. Further, the Commission does not conduct any fiscal oversight activities for the Medicaid program. This is not consistent with the language of the agreement, which explicitly states that federal funds management is “subject to the approval of the Commission” and that the Commission “oversee federal funds management.”

The agreement between the Commission and the Texas Department of Human Services covering the contract period from March 17, 1993, to August 31, 1995, directs the Texas Department of Human Services to serve as the operating agency for Medicaid funds for 15 programs and four waivers. As the pass-through agency for approximately \$5.4 billion in Medicaid funds, the agreement states that the Commission, serving as the State Medicaid Office, “is the central and final point of responsibility for the Medicaid program.” The Commission would be held responsible for any problems, errors, or discrepancies that occur when pass-through agencies are administering the programs.

Recommendations:

The Commission should develop and implement formal policies and procedures to document its role, responsibilities, and specific tasks for the oversight activities of the Empowerment Zones/Enterprise Communities in addition to any oversight expected from federal agencies.

Monitoring requirements as laid out in the Commission’s policy on Contract Management should be followed.

As the Commission is assuming responsibility for developing the prototype contracting system for use by all health and human services agencies, it should design and implement a comprehensive grants and contracts management system. This system should include formal policies and procedures that adequately address the entire process from contract design to contract and grant monitoring and should include specific responsibilities and duties of individuals who are part of the process. The Commission should designate a grants and contracts manager. This person should have a complete listing of grants and contracts and should be responsible for ensuring that all grants and contracts are monitored regularly to verify that billings and payments are consistent with the agreements and that performance under the grants and contracts has occurred.

All federal financial reports filed by Texas Department of Human Services, as the operating agency for the State’s Medicaid program, should be thoroughly reviewed, and other fiscal monitoring activities should be performed as provided for in the operating agreement.

Management's Response:

Policies and procedures have been developed for the EZ/EC.

Contracts:

Recognizing the need for an effective system to develop and manage contracts, the Commission included an internal audit of the Grant and Contract Management System in its fiscal year 1995 Internal Audit Plan.

The scope of audit work also included review and analysis of the contract and grant development processes, as well as the contract and grant management processes.

The internal audit found the Commission has an adequate system of accounting for grants and contracts but there are weaknesses in the accounting system.

Overall the audit work performed by the Internal Auditor indicated HHSC is in compliance with all significant grant and contract requirements. The only potential compliance problem identified during the audit involved the incorrect reporting on in-kind contributions for the federal Headstart grant. All of the auditor's recommendations have been implemented or will be implemented in fiscal year 1996.

Formal policies and procedures on contract and grant management are in draft form and will be finalized within 90 days.

The Commission is well into the design of a comprehensive system for grant and contract management. Meetings have taken place between accounting staff, legal staff, service integration staff, and experts in the area from other agencies. Each grant or contract manager will be responsible for managing their contract or grant, consistent with the Commission's policy on contract management. The Associate Commissioner for Service Integration, and her assistant will be providing oversight monitoring for all the grants and contracts, except for the EZ/EC.

We have designated an attorney on staff, with extensive contract management experience, to act as contract manager for the agency until a permanent contract manager with substantial audit experience is hired. We expect to fill the permanent position by January 1, 1996.

All reports and activities will continue to be conducted in accordance with the TDHS operating agreement.

Section 3:

Oversight and Control of Multi-Agency Information Systems Projects Could Be Improved

In its role as coordinator for health and human services information systems projects, the Commission has not provided optimal oversight and control. The Integrated Data Base Network (IDBN) pilot, for which the Commission has direct statutory

responsibility, is not fully implemented. The Commission has not sufficiently planned for review of the pilot project. Further, the Commission has not directly surveyed users involved with its coordinated information management activities and initiatives. The Commission has been directed, in both its enabling legislation and subsequent legislative mandates, to coordinate the implementation of certain information systems to improve the efficiency and effectiveness of all health and human services agencies. (See Appendix 6 for discussion of various multi-agency projects.)

Section 3-A:

The Integrated Data Base Network Pilot Project Is Not Fully Implemented

Field testing of the Integrated Data Base Network (IDBN) pilot is behind schedule. The system has been installed at only two of the three planned test sites. The pilot project was expected to be completed prior to August 31, 1995. Since no formal plan was made early in the project for a thorough evaluation of the impact of the pilot, information may not be adequate to make an informed decision regarding expansion of the system statewide.

IDBN is one component of a system of automated tools proposed to streamline service delivery. Other integrated service delivery tools include the Statewide Information and Referral System (SIRS) and the Texas Eligibility Screening System (TESS), which are not under the direct control of the Commission but which are intended to make client services more efficient and more effective. Another effort to coordinate information resources for health and human services agencies is the Health and Human Services Consolidated Network (Network).

The IDBN pilot project was developed by a contractor under the direction of the Commission and has been operating at two pilot sites since June 1995. Three pilot sites were originally planned with site testing to begin no later than May 8, 1995. However, the Commission did not have a backup plan when the physical facilities at one site were not available as expected. At another site, appropriate computer equipment to operate the system was not available. The contractor informed the Commission of several situations such as lack of key systems personnel and approval of client confidentiality release requirements which could delay implementation. However, these were not resolved within the time frame requested.

The delay in implementing IDBN and the lack of a third pilot site jeopardizes the funding for the project since the federal agency identified for support for IDBN has stated that its support for full implementation is dependent upon demonstration of its functionality and a positive cost/benefit ratio. Further, these weaknesses raise questions about the Commission's ability to manage the statewide implementation, if that is undertaken, as full implementation would involve multiple health and human service agency sites and expenditures of \$5.7 million for hardware and software costs alone.

Section 3-B:

Plans Are Not Developed for a Post-Implementation Review of the Integrated Data Base Network Pilot

The Commission does not have any formal plans for review of the IDBN pilot project. Although most of the deliverables have been accepted by Commission, there are no formal plans for a thorough evaluation of the impact of the pilot on service delivery.

Post-implementation reviews should be formally incorporated into the project time line and, by their nature, should be planned well in advance of the completion of the automation project. The review formally communicates to management what has been accomplished and, for IDBN, would help determine whether to pursue statewide implementation. The Commission must detail the additional functionality and cost/benefit, by program, to secure funds for IDBN's statewide implementation.

Staff turnover at the Commission may have contributed to a lack of attention to planning for IDBN's evaluation. IDBN information resource staff have been preoccupied with meeting performance deadlines for the automated system.

Section 3-C:

The Commission Has Not Had a Formal System to Gather Feedback and Clearly Communicate Results on Multi-Agency Projects

The Commission has not conducted a survey of user agencies nor formally sought their input as to the effectiveness of its coordinated projects in achieving service delivery goals. The Commission should provide a formal opportunity for its customers to comment about and suggest modifications to its activities. The Commission should then communicate these results to all users. This effort would provide valuable input and would allow customer satisfaction to be measured from one period to another. It would also demonstrate a willingness to hear feedback from the health and human services agencies who contribute to the funding of these projects and use the information to meet customer needs.

Without attention to coordination, automated systems developed by health and human services agencies will be less likely to minimize costs and maximize service delivery. If systems, such as those needed for Medicaid's move to managed care, are not properly managed and coordinated, there is higher risk of costly re-programming to those systems as well as the risk of client and provider dissatisfaction. Without proper coordination, the risk is increased that agencies developing information resource infrastructure will be focused on their own concerns and not appropriately incorporating compatibility with other user agencies. Client records would continue to be duplicated in isolated information systems.

The Commission's allocation of its information resource personnel has not reflected the relative importance of the Commission's multi-agency coordination responsibilities. Of the five Commission Information Resource Management positions, only one was devoted full time to multi-agency projects (IDBN project). Two positions were dedicated to Commission internal automation. The Information Resource Manager and

an administrative support position split their time between multi-agency coordination and internal Commission automation.

Recommendations:

If the Integrated Data Base Network (IDBN) project is extended, contingency plans should explicitly consider coordination with local governments and be developed so that installation of alternative sites could occur more quickly if a primary target site is delayed.

The Commission should immediately develop a plan to evaluate the IDBN pilot. The evaluation should provide an assessment of the automation design, development, and implementation of the project. An additional review should consider the impact of IDBN on integrated service delivery with consideration of costs and measurable effectiveness.

The Commission should increase its Information Resource Management personnel allocation for coordinating and managing multi-agency information resource initiatives. The Commission should devote the full-time attention of its Associate Commissioner for Information Resource Management to statewide coordination and planning efforts.

The Commission should require the Associate Commissioner for Information Resource Management to provide a periodic report summarizing the health and human services agencies' information resource status, including expenditures to date for information resources projects. The report should identify areas where additional high-level coordination efforts among user agencies may be necessary.

Management's Response:

Planning for the IDBN project did consider coordination with local government entities. We were able to replace the canceled site in Travis County with the Brownwood site.

Each site's plan included physical co-location and a planning effort to implement a new service delivery methodology. The implementation of IDBN to support service delivery was only one of the components of the pilot project. Preparation of additional sites for purposes of contingency planning would have been expensive, and could not have been completed within the time frames required by the Governor's Office.

If the project is extended, a comprehensive implementation plan will be developed. This plan will include contingency planning for delays in site readiness. The scope for expansion of IDBN would be large enough that the preparation of multiple sites would be possible. In the pilot phase only three sites were able to access IDBN. It would have been difficult to obtain the cooperation of additional sites, knowing that they were unlikely to actually be able to implement IDBN. An expansion of IDBN would allow for preparation of a greater number of sites, with the understanding that each of these sites would ultimately be given access to IDBN.

As indicated in the Management Control Audit, staff turnover did play a major part in the lack of a post implementation review plan. In order to provide adequate feedback, the review must include service delivery staff input as well as information resources. Both divisions have had shortages of personnel at critical times during this project.

Early in the project, Commission staff worked with the IDBN Design Team to outline evaluation measures. The shortage of staff forced a prioritization of project responsibilities. The focus of the Information Resources staff was toward immediate project development issues.

Commission staff are currently preparing an evaluation plan. The plan for evaluation will be complete by the end of November, and will take into consideration concerns expressed in the State Auditors' report. The evaluation will be completed by January 15, 1996. The evaluation of IDBN is a priority for the Commission staff assigned to multi-agency projects.

Staffing for Information Resources was divided between internal automation and multi-agency project until the recent reorganization of the Commission. The reorganization moved internal automation support to the operations area. This move eliminates the Information Resource Manager's need to supervise internal automation responsibilities.

The Information Resources area has hired an additional Systems Analyst IV, devoted to multi-agency projects. Another Systems Analyst IV position is currently posted. That position will act as the agency's Information Architect and be responsible for coordinating the implementation, enforcement and ongoing update of the HHS information systems architecture. Finally, a Systems Analyst I position has been approved. This person will work with the two Systems Analyst IV's assigned to multi-agency projects.

The Commission has established working groups for the purpose of joint planning and information exchange among agencies. These ongoing groups have the same goal as periodic reporting, but use the mechanism of involving the agencies in project planning and coordination.

In addition to the work groups, the Commission has responsibility for approval of agency Biennial Operating Plans and the Information Resources Strategic Plans. The Biennial Operating Plan categories "Projects over Threshold" and "Growth and Expansion" will be examined, with a view toward promoting additional high-level coordination efforts among agencies. Project cost information provided in the Biennial Operating Plans will be considered.

Guidelines for the review of the Biennial Operating Plans are being developed by an interagency group. As with all interagency projects, it is the Commission's intention to involve agencies throughout the review process, rather than by providing a periodic report.

Effective September 1, 1995 internal Commission automation was transferred to the Associate Commissioner for Operations. Four full-time positions are now dedicated to Information Resource Management.

Section 4:

Controls Have Been Weak over the Commission's Operations Activities

Weaknesses in establishment of policies and procedures, in the internal automation system, and in meeting state goals for purchasing from Historically Underutilized Businesses are evident in Commission operations and will need to be addressed by the recently established Operations Division.

Section 4-A:

Policies and Procedures Have Not Been Adopted for All Key Functional Areas

Some key functional areas of the Commission have only draft policies. Some areas do not have documented procedures, and some areas which are required by statute to have policies do not have any. Specifically:

- Accounting, risk management, purchasing, fixed assets, and workers' compensation have only draft policies.
- The internal budgeting process does not have documented procedures.
- There is no Family Medical Leave Act policy, as required by federal legislation, nor an intra-agency career ladder, as required by the Commission's enabling legislation.
- The Commission does not have any written security policies or individual user policies to guide the management of information resources.

The agency has documented its compensation system, and each job is reviewed to determine its proper Fair Labor Standards Act status. The Commission has also documented its human resources policies and procedures. Employees are given a copy of these policies when hired. Employees must also acknowledge that they have received the Drug-Free Workplace and Ethics policies. The Commission is in compliance with the General Services Commission's purchasing rules and regulations according to a General Services Commission post-payment audit for fiscal year 1994.

According to agency staff, until recently, the process for approving policies and procedures was cumbersome and time-consuming. Lack of approved policies and procedures may cause inconsistent application of rules and processes. For key business functions which affect all areas of the organization, lack of approved policies and procedures can cause operational confusion. Lack of documented policies and procedures may cause some functions to go unattended when key personnel leave the

agency. Documented policies and procedures help to ensure consistency of operations and compliance with standard controls and provide guidance in the absence of key personnel.

Without written security policies and procedures for use of automated equipment, the Commission is at risk that unauthorized persons will have access to automated information, automated resources will be misused, and individual user violation of licensing agreements will become a liability to the agency.

Section 4-B:

The Commission's Automation System Has Internal Control Weaknesses

Lack of access controls over the Commission's internal computer network could allow unauthorized individuals access to agency files. Backup tapes are stored in the same location as the file server placing the Commission at risk of losing both original and backup files.

Network users are not required to periodically change their passwords and can have passwords shorter than five digits. Local area network (LAN) administrators have more supervisor-level accounts than is necessary, and the network security evaluation utility identified instances of potential excessive access to network files. Additionally, accounts for terminated employees are not removed from the network in a timely manner.

Access weaknesses raise the risk of unauthorized access to Commission applications and data. Unauthorized access to Commission computer systems and files exposes the agency to risks that important data will be damaged, lost, or inappropriately disclosed.

File backups should not be stored in the same location as the file server. If an incident such as a fire or flood damages the file server, that same incident may also damage the file backups. Lost or damaged data without a reliable backup could expose the Commission to relatively high expenses necessary to reproduce the lost data, or could expose the agency to the complete loss of data and programs.

Section 4-C:

The Commission Is Not in Compliance with Historically Underutilized Businesses Guidelines

Although according to the Commission it demonstrated a good faith effort toward meeting goals for procurement from Historically Underutilized Businesses (HUBs), the Commission has complied with General Services Commission tracking and reporting guidelines for the program.

During fiscal year 1994, the Commission awarded 17.63 percent of its purchases to HUB vendors. The State's goal for such purchases has been 30 percent. The lack of tracking of HUB purchases during the year may have prevented the Commission from adjusting its policies to increase its purchasing from HUB vendors.

The General Services Commission requires state agencies to track HUB expenditures on a monthly as well as a semi-annual basis. The Commission has not produced these tracking reports on a regular basis. Instead, they were produced on a bi-monthly schedule without the total HUB utilization percentages needed to enable the agency to make adjustments needed toward meeting state targets.

Recommendations:

Policies and procedures should be developed and communicated for the areas identified above. Those which are in draft form should be completed and approved.

Information Resource policies should be developed and distributed to cover password administration, employee adherence to software licensing agreements, physical security of automation resources, statement of appropriate use, computer virus protection, and employee acknowledgment of the policies.

The Commission should set up all network accounts to require appropriate password protocols and reduce the number of supervisor-level accounts. Non-supervisor-level user accounts should be established for use when supervisor-level access is not required. For example, the "help" account could be changed to non-supervisor-level. Information from the network security evaluation utility should be fully utilized. Accounts of terminated employees should be removed immediately from the local area network. The Commission should institute a monthly review of the network security evaluation utility report by the LAN administrator.

The Commission should arrange for secure off-site file backup storage, such as storage facilities at the Texas State Library.

Commission management should ensure that proper procedures are established so the Commission will be in compliance with HUB guidelines.

Management's Response:

Automation staff disabled the forced password change at the request of the user community. Effective October 1, 1995, password changes will be forced every 45 days. The password character length has been set to be between 4 to 8 characters. New passwords will be a minimum of 5 characters as recommended. Additionally, sensitive applications such as M.P., USAS, etc., require another password to access those applications.

Network security is very well maintained. The only staff who have had supervisor level accounts are those within the automation department who needed them to perform their functions. Since the Commission is in a Windows environment, it is not efficient to close Windows down, log in as Supervisor to the needed work, log out, log back in as yourself, load Windows again, and then continue.

Accounts are left active so that the staff in that department have access to the work files and the new employee has access to the files. The password for terminating employees is disabled immediately upon their departure. In special circumstances steps have been taken to immediately disable a terminated employee's account.

Network access requires a user account and password: there are no accounts which do not have password protection. All data is secure, and we will make every effort to maintain the integrity of Commission systems and data.

We are in the process of setting up offsite storage with the State Library.

The Commission follows GSC policies and regulations for Historically Underutilized Businesses (HUBs). Every delegated purchase is reviewed for award to a qualified HUB which is reflected in the high utilization of HUBs by the Commission (17.63 percent). This participation rate compares favorably with other state agencies and the overall HUB utilization rate by the state (15.89 percent). The commission produces internal tracking reports on a monthly basis and also reports to GSC as required. During fiscal year 1996, the Commission will continue its good faith efforts toward the state's goal of increasing purchases and contract awards to HUBs based on the results of the State of Texas Disparity Study.

Section 5:

Weaknesses Exist in the Collection and Utilization of Reliable Performance Measure Information

The Commission does not have controls over its performance measurement system so that it yields accurate and reliable information for use by legislative decisionmakers and agency management. Calculations for the two measures reported for fiscal year 1995 are not reliable, and it cannot be determined if the measures are accurate. The Commission does not have sufficient documentation to support measure definitions nor does it have a methodology in place to capture measure information for fiscal years 1996-1997.

Performance measures should be used by the Commission for tracking how well the agency is performing in key areas. Concern over the accuracy and reliability of measures has not been effectively stressed by senior management to those tracking the measures. The responsibility for developing, reporting, and tracking the measures is in the process of being consolidated, but there is still no system of controls over the data collection and verification process.

Section 5-A:

The Commission 's Performance Measure Definitions Are Not Effectively Documented

The Commission's measures reported for fiscal year 1995 did not have sufficient documentation included in the definitions to ensure that the information collected was accurate and reliable. Although the Legislative Budget Board has provided the Commission with a conceptual definition for each measure, the Commission has not documented the measure definition in sufficient detail to allow for independent recalculation. Additional definition components should include the following:

- source of the data
- method of data collection
- specific formulas for calculating the measures
- methodology for verifying the data
- limitations regarding the process and/or results
- whether the data is incremental or cumulative

Performance measures should be effectively defined, especially since these are the measures for which the Commission is accountable to the Legislative Budget Board.

Section 5-B:

Performance Measures Have Not Been Utilized by the Commission

There was little evidence of utilization of performance measures as a management tool to support the strategic planning process. It cannot be determined whether the external performance measure target was met, and no internal performance measurement program existed to report to executive management on what was accomplished by the Commission overall. Not all managers had an understanding of the external performance measure reporting system. Further, there was no system of internal indicators, nor could the Commission rely on externally reported data to assist in its planning process.

The long-term effect of not meeting external performance measure targets is that funding could be reduced or eliminated. A lack of internal performance measure management may cause resources to be inefficiently or ineffectively utilized because of employees' failure to receive feedback and direction. Future appropriations may well depend on the attainment of performance goals with state government's move toward performance-based budgeting.

Recommendations:

The Commission should formalize its performance measure tracking system. This should include effectively planning for changes to performance measure tracking during changes associated with a new biennium. Periodic reports should be provided to agency management.

Written documentation for each measure definition should be created with coordination from Legislative Budget Board staff to ensure that all information collected internally and externally is reliable.

The Commission should ensure that, within the new mission directive, each function at the Commission has clearly defined objectives, goals, and performance measures and that a system is developed to periodically monitor and report operational accomplishments to senior management and legislative leadership. Management should communicate to Commission staff how their work contributes to the accomplishment of agency goals.

Management's Response:

The Commission has taken appropriate steps to formalize its performance measurement system to include appropriate written documentation and quarterly reports to management.

Section 6:

Improvements Could Be Made in the Management of Human Resources

While a number of strengths were noted in the area of human resource management, improvements could be made in the areas of recruitment and selection, performance appraisals, and training and development.

Section 6-A:

The Human Resources Department Does Not Consistently Monitor the Entire Recruitment and Selection Process

The Commission has a standardized application process which uses the State of Texas application form. Equal Employment Opportunity data is appropriately handled. Job postings are sent to a variety of recruitment sources in order to reach a broad spectrum of applicants. However, the recruitment and selection process is not well documented or monitored.

The selection process was well documented in only 25 percent of the files tested. Only 50 percent of the files tested contained the interview questions. None of the files contained evidence of the amount of review performed by the Human Resources

Department. Presently, the Human Resources Director reviews interview questions only when requested by the hiring supervisors.

The Commission's potential liability is increased when the Human Resources Department is not able to guarantee that all candidates are asked the same, job-related questions and that appropriate selection criteria were used. The entire recruitment/selection process should be documented for the Commission to be able to justify hiring decisions. Management should be trained in the processes.

Section 6-B:

Documentation of Employee Performance is Inconsistent, and the Appraisal System is Not Being Monitored for Rating Accuracy and Consistency

The Commission has an employee appraisal system which is based on individual job descriptions. However, it is monitored by Human Resources personnel only for documentation of poor performance. Specific examples of poor performance are generally given while specific examples of good performance frequently are not. Therefore, support for pay actions may not be fully documented. There is not a process to ensure consistent handling of evaluations across the agency.

A review of employee performance evaluations indicated that only 50 percent of them contained examples of specific work performance. Use of specific examples of performance helps to provide an unbiased appraisal which can more easily be supported if challenged.

The appraisal system should be used as a management tool to provide performance feedback and proper documentation for personnel actions. To that end, all employee performance (positive and negative) should be documented in order to justify personnel actions and to ensure rating accuracy of the system. Inconsistent application of employee appraisals can lead to lowered employee morale.

Recommendations:

Interview questions should be reviewed by the Human Resources Department prior to all interviews. Documentation of the answers to these questions should be maintained in the job posting files. Selection criteria should be developed for each posting and documentation evident in the job files.

Employee appraisals should document both positive and negative examples of employee performance. Criteria for each rating should be developed so that there is equity across departmental lines. The Human Resources Department should monitor the performance appraisal system for trends and comparability in employee pay actions.

Management's Response:

On August 1, 1995, the Commission instituted a formal and objective selection process which includes:

- *written request to fill position which includes:*
 - *approval by division head*
 - *approval by Director of Finance - funding*
 - *approval by Human Resources officer - staff ceiling verification and appropriateness of screening and selection materials*
 - ▶ *Commissioner's approval for all vacancies at division head level*
 - ▶ *development of essential job functions **
 - ▶ *development of job description **
 - *classification **
 - ▶ *screening for minimum qualifications **
 - ▶ *selection criteria and interview questions **
 - *formal oral and, in some cases, written interview*
 - *review and approval of selection packet **

** functions performed or reviewed by Human Resources.*

Employee appraisals are under revision and a new process will be in place no later than August 31, 1996.

Letters from the Commissioner of Health and Human Services



TEXAS HEALTH AND HUMAN SERVICES COMMISSION

November 20, 1995

MICHAEL D. MCKINNEY, M. D.
COMMISSIONER

Mr. Lawrence F. Alwin, C.P.A.
State Auditor
P. O. Box 12067
Austin, TX 78701

Dear Mr. Alwin:

I have received the draft report of your office's review of management operations at the Texas Health and Human Services Commission (HHSC) and your request that we provide written responses to its recommendations.

One of my first actions after being appointed Commissioner of Human Services was to request the State Auditor to conduct a comprehensive review of HHSC's management operations. It was my commitment then, and continues to be now, to operate the Commission efficiently and within state guidelines. Your audit report will be helpful in focusing our efforts towards continued improvement.

Our responses to your recommendations are enclosed. I would like to note that HHSC staff had also identified some of the areas needing improvements and that many steps have been taken to improve our management and information systems. These improvements are noted in our responses.

My letter of June 26, 1995 requesting your office's assistance is enclosed for reference. I am requesting it be published as an appendix to your report.

Sincerely,

A handwritten signature in cursive script that reads "Michael D. McKinney".

Michael D. McKinney, M.D.

Enclosure

c: Bob Bullock, Lieutenant Governor
Pete Laney, Speaker of the Texas House

P.O. Box 13247 • Austin, Texas 78711 • 4807 Spicewood Springs Road, Bldg. 4-78759 • (512) 502-3200



TEXAS HEALTH AND HUMAN SERVICES COMMISSION

MICHAEL D. MCKINNEY, M. D.
COMMISSIONER

June 26, 1995

Mr. Larry Alwin
State Auditor's Office
206 E. 9th Street, Suite 1900
Austin, Texas 78701

Dear Mr. Alwin:

Tim Graves and I met with Katie George of your office on Thursday, June 22, 1995. This was a very informative and motivational meeting. After our interactions, I am convinced that we at HHSC can benefit immensely from a management audit at this time.

We are currently redefining the commission's goals and developing a workplan, to include contract management, as well as reorganizing into a structure appropriate to the mission and the plan. I would understand if you have some concern about the usefulness of a comprehensive audit in the midst of all this change.

I can assure you, however, that everything is not changing. There are some areas, like our information system and automation systems, in which a regular review and audit could certainly improve our efficiency. Of more interest to probably both HHSC and the State Auditor's staff is this unique opportunity to perform an assistance audit. We would welcome your input as to the appropriate organizational structure and the appropriate policies and operations required to successfully accomplish the prescribed workplan. This would offer us expert advice in our efforts and would offer you an opportunity for prospective influence with a wonderful opportunity for retrospective review of your prospective advice.

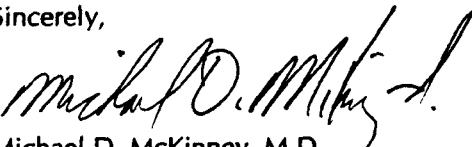
Please consider this a formal request for a comprehensive assistance audit as well as a traditional comprehensive audit of our information management system and our automation processes.

P.O. Box 13247 • Austin, Texas 78711 • 4807 Spicewood Springs Road, Bldg. 4-78759 • (512) 502-3200

Mr. Larry Alwin
June 26, 1995
Page 2

If you would like further information or if there is anything in which I can be of assistance, please let me know.

Sincerely,



Michael D. McKinney, M.D.

MDM:er

c: Bob Bullock, Lieutenant Governor
Pete Laney, Speaker Of the House
Barbara Hankins, State Auditor's Office

P.O. Box 13247 • Austin, Texas 78711 • 4807 Spicewood Springs Road, Bldg. 4-78759 • (512) 502-3200

Objective, Scope, and Methodology

Objective

Our audit objective was to evaluate the existing management control systems in place as of the period of our review, according to certain accountability criteria. Our evaluation was directed to determining if the processes, policies, and procedures of the Commission provide reasonable assurance that

- Goals are met.
- Assets are safeguarded and used efficiently.
- Reliable data is reported.
- Legislative mandates are achieved.

Scope

The scope of this audit included consideration of the following control areas:

- policy management
- information management
- resource management
- performance management

Work in each area was developed after conducting a risk assessment of relevant issues. Emphasis was placed on the structure of the Commission to address the tasks mandated by the 74th Legislature.

Methodology

During the course of this audit, we reviewed financial data, policies and procedures, internal audit reports and working papers, grant documentation and contracts, and other relevant documents. We sampled and tested certain accounting transactions, analyzed human resource activities against selected criteria, and evaluated private vendor performance for supporting documentation. We conducted numerous interviews with Commission staff.

Additionally, we provided assistance to the Commission, including the following:

- reviewed proposed organizational structure
- recommended establishment of separate Operations Division reporting directly to the Commissioner to enhance fiscal control
- recommended having the Associate Commissioner for Information Resource Management report directly to the Commissioner
- recommended that internal automation services be part of Operations Division
- traveled to the Rio Grande Valley at the request of the Enterprise Zone non-profit corporation to provide consulting related to management controls and

- assisted with review of contract language related to procurement and financial reporting
- provided demonstration of the CAFE financial information system to planning staff to assist them with consolidated budget coordination

Other Information

Fieldwork for this project was conducted from July 6, 1995, to September 15, 1995. The audit was conducted in accordance with applicable professional standards, including Generally Accepted Government Auditing Standards. The audit work was performed by the following members of the State Auditor's Office staff.

- Kathleen M. George (Project Manager)
- James W. Story, CISA, CIA
- Melinda J. Nay
- Lisa A. Walters, MPA
- Gary L. Leach, MBA
- Shelly Smith
- Barbara S. Hankins, CPA (Audit Manager)
- Deborah L. Kerr, Ph.D. (Director)

Background Information

The recent reorganization effort of the Commission has consisted of creating a flattened organizational structure, reassignment of functional areas, establishment of an operations management position and a reduction in force. Special attention has been given to statutory requirements related to the Medicaid program. (See Appendix 3 for the new organizational chart.)

The objective of the recent Commission reorganization was to bring agency staffing levels to within appropriated guidelines while changing the organizational structure to accommodate the new work plan developed from legislation passed during the 74th Legislature. (See Appendix 4 for list of relevant legislation.) Additionally, according to the Commissioner, it was anticipated that this reorganization would create a Commission that is responsive to legislative direction and adaptive to change.

The Commission's current budget for the fiscal years 1996-1997 emphasizes three strategies around which the agency has developed an overall Commission work plan. (See Appendix 5.) These strategies address the State Medicaid Office - \$1,050,653; program coordination which will include coordination of health and human services agency budgets and strategic plans - \$1,544,133; and integrated service delivery - \$2,048,397. Resources are being allocated internally to address each of these three strategic areas as well as agency administration. Cost containment policies have been adopted by the Commissioner which would control salary expenditures, travel costs, and other operational costs.

The present administration understands the importance of environmental scanning as evidenced by the new organizational structure with an increased emphasis in this area. S.B. 1428, 74th Legislature, abolished the Legislative Health and Human Services Board. Prior to this session, the Board had only met three times since its inception in 1991. However, the Commissioner plans to keep legislative leadership regularly informed about the accomplishments of the Commission.

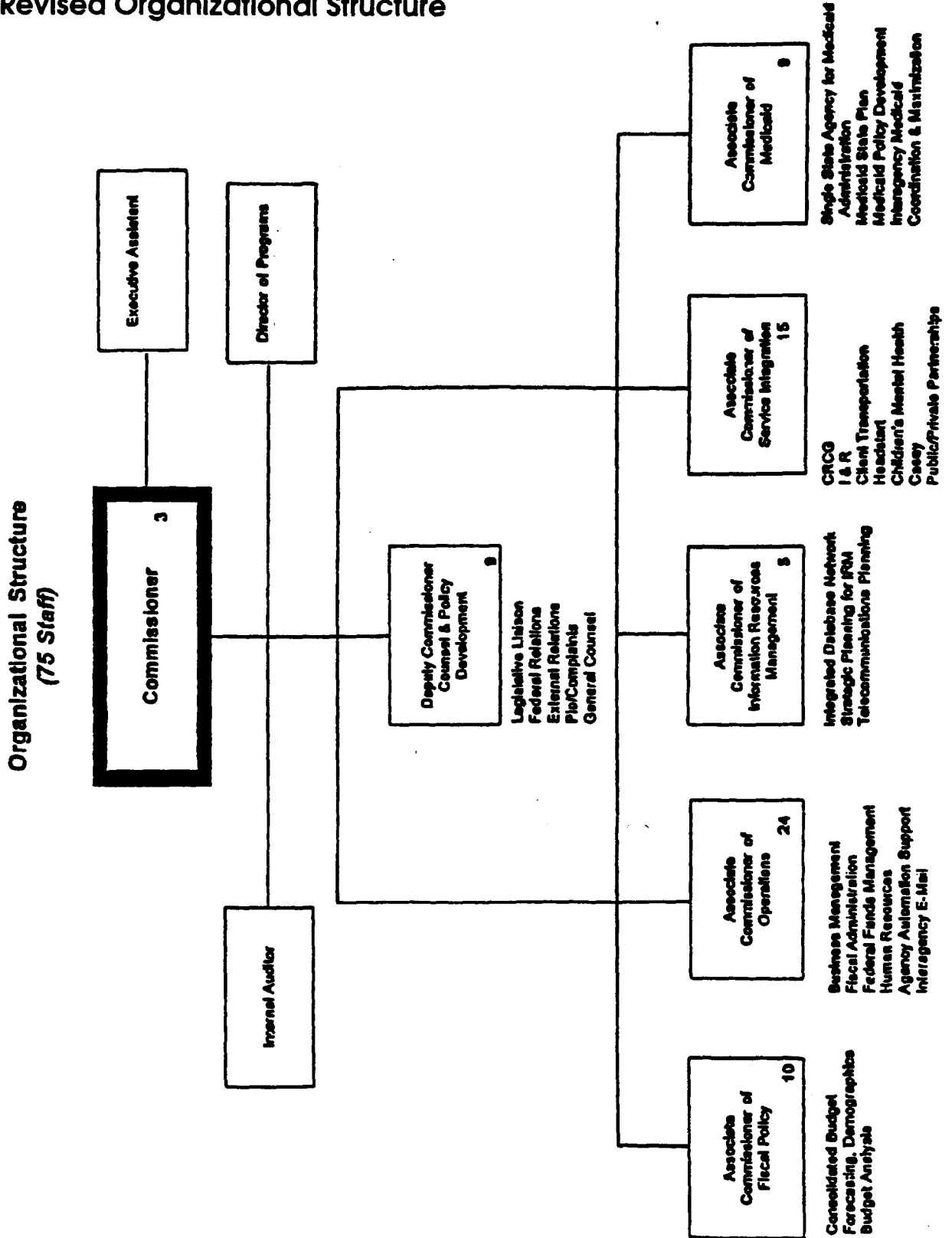
The Commission has taken steps to improve communication both internally and externally. Communication between the Commissioner and senior management has been very open and direct. The new flattened organizational structure and the open door policy of the Commissioner have contributed to better communication.

The Commission is clarifying its mission (see Appendix 2) to ensure an understanding of direction and focus by all stakeholders. The revised mission statement together with the specific focus of the agency's new work plan is a first step toward comprehensive strategic planning. Senior management is in agreement on what the business of the Commission should encompass. The focus will be on Medicaid, consolidated budgeting, integration and coordination of service delivery, and management training. The service delivery segment of the health and human services consolidated budget is an accomplishment that was requested by the 72nd Legislature and one that the Commission has been proactive in achieving.

Revised Commission Mission Statement

To achieve an affective and efficient health and human services system for Texas.

Revised Organizational Structure



List of Relevant Legislation from the 74th Legislature

LIST OF RELEVANT LEGISLATION FROM THE 74TH LEGISLATIVE SESSION				
Bill	New Role or Resources	Tasks	Due Date	Agency
Note: asterisked items also included in HB 1863		<ul style="list-style-type: none"> *Develop and implement routine mechanisms for receiving consumer input, for involving consumers in planning, delivery and evaluation of programs, and for communicating to the public on the actions taken in response to the input. Sec. 2, p.2 		HHS
	<ul style="list-style-type: none"> *Agencies may not submit LAR until HHSC reviews and comments. Sec. 3, p. 3 	<ul style="list-style-type: none"> *Review and comment on Agency LARs prior to submission to leg and gov. Sec. 3, p.3 		HHS
	<ul style="list-style-type: none"> *Agencies may not make fund transfers between strategies before HHSC reviews and comments. Sec. 4, p. 3-4 	<ul style="list-style-type: none"> *Review and comment on agency operating budgets, on fund transfers between strategies before agency makes transfer; HHSC issue quarterly report on projected expenditures by strategy as compared to operating budgets for all HHS agencies. Sec. 4, p. 3-4 	Quarterly reports	HHS
	<ul style="list-style-type: none"> *Agencies cannot submit automation plans to DIR until approved by HHSC. Sec. 4, p.4 	<ul style="list-style-type: none"> *Review for approval all HHS automation plans prior to their submission to DIR. Sec. 4, p.4. 		HHS

Information provided by the Health and Human Services Commission.

LIST OF RELEVANT LEGISLATION FROM THE 74TH LEGISLATIVE SESSION

Bill	New Role or Resources	Tasks	Due Date	Agency
	<ul style="list-style-type: none"> *HHSC to coordinate and approve caseload estimates. Sec. 4, p.4-5. 	<ul style="list-style-type: none"> *Coordinate and approve caseload estimates for HHS programs; adopt uniform guidelines, including allowances where exceptions are necessary; assemble single set of economic and demographic data and provide to agencies; seek advice from agencies and relevant offices; publish uniform report with quarterly updates, make it available to interested agencies, and submit to LBB with consolidated budget and to legislature. Sec. 4, p. 4-5. 	<p>Quarterly Reports</p> <p>And submit with consolidated budget</p>	HHS
		<ul style="list-style-type: none"> *Review and comment on HHS agency funding formulas (current law requires HHSC to develop the formulas) Sec. 5, p. 6-7. 		HHS
		<ul style="list-style-type: none"> *Expand integrated eligibility pilots to include Harris County Hospital District and UTMB-Galveston. Sec. 11, p. 11. 		HHS, Harris City, UTMB
	<ul style="list-style-type: none"> *HHSC must approve DHS standards that allow other entities to file information directly. Sec. 11, p. 11, I. 14-17. 	<ul style="list-style-type: none"> *Approve DHS standards to allow other entities to file information directly. Sec. 11, p. 11, I. 14-17. 		DHS

Information provided by the Health and Human Services Commission.

LIST OF RELEVANT LEGISLATION FROM THE 74TH LEGISLATIVE SESSION

Bill	New Role or Resources	Tasks	Due Date	Agency
	<ul style="list-style-type: none"> *HHS agencies shall cooperate with the commission in developing the integrated eligibility determination and service delivery system. Sec. 13, p. 14, I.3 - 5. 	<ul style="list-style-type: none"> *By Sept. 1, 1996, and subject to availability of funds, complete substantial implementation of plan for integrated eligibility determination and service delivery system, including implementation dates for all elements of plan. Achieve at least 1% in savings, to be used to further develop integrated system. Sec. 12, p. 12. 	09/01/96	HHS
		<ul style="list-style-type: none"> *Work with State council on Competitive Government regarding whether to competitively bid for functions of the system. HHSC may automate eligibility determination by contracting with private firm to process applications if determines that private contracting may be effective. Sec. 12, p. 13, I. 1-10 		HHS, Council on Comp. Gov.
		<ul style="list-style-type: none"> *By October 1, 1996, develop a plan to further consolidate administrative and service delivery functions, in addition to integrated eligibility and service delivery, in order to minimize duplication. Submit report on plan to gov, lt. gov. speaker, compt. And 75th leg. When it convenes. HHS agencies are to cooperate with HHSC in developing integrated and streamlines service delivery system. Sec. 12, p. 13, I 11-18 	10/01/96 (plan) 75th sess. (report)	HHS leadership

Information provided by the Health and Human Services Commission.

LIST OF RELEVANT LEGISLATION FROM THE 74TH LEGISLATIVE SESSION				
Bill	New Role or Resources	Tasks	Due Date	Agency
		<ul style="list-style-type: none"> *By September 1, 1997, develop integrated approach to service delivery system that uses one-stop shopping, using state, local and private resources. Determine feasibility of using hospitals, schools, MHMR centers, clinics, malls and other locations. Section expires 9/1/97. Sec. 13, p. 13-14. 	09/01/97	HHS, TEA, private business
SB 10 Zaffirini/ Berlanga Medicaid Reform	<ul style="list-style-type: none"> HHSC may require Medicaid operating agency to adopt rules (p. 37,...16), may delegate duties to Medicaid operating agencies (p. 37, l. 22) and may contract with public or private entities as necessary. (P. 43, l. 4) 	<ul style="list-style-type: none"> Restructure Medicaid to use managed care and meet specified criteria. Seek federal waiver. System must include maximization of federal funding by matching other health care resources 9P. 2,I. 10) through matching funds agreements with contributing entities (p. 15,I. 10), single point of accountability for analyzing outcome quality (p. 4, I.3), analysis of and report to gov., lt. Gov, and speaker on value of alternative health providers (p. 4, I.6), HHSC oversight of rate setting (p. 4, I.6), HHSC oversight of rate setting (p, I.10), dental pilot project. (P. 9, I 10). 	08/31/95 (submit waiver, or by 08/15/95, certify to gov. that extension is needed. Gov. Can move deadline up to 09/30/95.	TDH, DHS, MHMR, locals, TDI, leadership

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LIST OF RELEVANT LEGISLATION FROM THE 74TH LEGISLATIVE SESSION

Bill	New Role or Resources	Tasks	Due Date	Agency
SB 602 Zaffirini/ Berlanga Medicaid computer database Eff. 9/1/95	<ul style="list-style-type: none"> Medicaid operating agency to assist HHSC in developing system. (P. 2, I. 1) 	<ul style="list-style-type: none"> HHSC and each Medicaid operating agency shall jointly develop a system to integrate state Medicaid databases for Medicaid data analysis and fraud detection. HHSC to coordinate these efforts with statewide data collection efforts (HB 1048). Must enable complete analysis of use of prescription Medications, including clients with prescriptions for more than 3 medications and medical effect of denial of Medicaid coverage for more than 3 meds. 		Medi- caid operat- ing agencies
HB 867 DHS/ auto NF reimburse- ment		<ul style="list-style-type: none"> Evaluate and determine deadlines for using DHS' automated nursing home reimbursement system for other Medicaid components, and work with HHS agencies to allocate costs. 	(DHS deadline for implement ing - 01/01/97)	Med. Operat ing agencies
		<ul style="list-style-type: none"> Develop with DIR automation standards that allow local HHS agencies to share pertinent data. Sec. 2, p. 3. 		DIR, HHS, locals

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LIST OF RELEVANT LEGISLATION FROM THE 74TH LEGISLATIVE SESSION				
Bill	New Role or Resources	Tasks	Due Date	Agency
<p>HB 1048 Max, Hirs, McD, Delisi, Berl/Patt</p> <p>Hlth care info council</p> <p>Eff. 9/1/95</p>		<ul style="list-style-type: none"> Commissioner serve as ex-officio non-voting member of Texas Health Care Information Council (also TDH and TDI Commissioner; voting members are reps of public appointed by Gov. Gov. Appoints chair.) Meet at least quarterly. Council to develop statewide health care data collection system (p. 8-10); make recs. And proposed leg. Re: consolidation of health data collection programs by 12/1/96 (Sec. 7); also to work with HHSC and Medicaid agencies to avoid duplication of expenditures for computers, staff or services re: Medicaid data (p. 9, I.19.) May employ staff or contract with TDH to employ staff. May make MOU with HHSC Medicaid to "share data and expertise, obtain data for the council, or to make data available to the council." (p. 11, I. 7). 	12/1/96 (Council's recs. And proposed leg.)	TDH, TDI, privates, DIR
<p>HB 1649 Raymond, Maxey/ Zaffirini</p> <p>Ch.care payments</p> <p>Eff. Imm.</p>		<ul style="list-style-type: none"> HHSC repl. preside over Work Group on Child-Care Electronic Data Processing to advise DHS in developing electronic data processing system to expedite child-care payments. HHSC appoint "technical experts with knowledge in electronic data processing." (Other members: DHS rep., Compt. Rep., CCMH contractor appointed by DHS, and technical experts appointed by HHSC.) Work group to meet at least once a month. Expires 9/1/96. 	<p>9/1/95 (designate reps.)</p> <p>3/1/96 (DHS develop system)</p>	HHS, Compt., privates appoint by HHSC & DHS

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LIST OF RELEVANT LEGISLATION FROM THE 74TH LEGISLATIVE SESSION

Bill	New Role or Resources	Tasks	Due Date	Agency
<p>HB 1968 Maxey, Naishtat/ Barrientos</p> <p>Comm.- based options</p> <p>Eff. Imm.</p>	<ul style="list-style-type: none"> • HHS agencies to provide information on community-based services to clients, according to HHSC rule. (P1, I. 7 etc.) • HHS agencies to report to HHSC on numbers of placements. (P 2, I 7) 	<ul style="list-style-type: none"> • By rule, require each HHS agency to provide to each client, prior to placement, information on appropriate community-based services, including those provided by other agencies or private providers. (P 1. I.7 etc.) • Receive annually, and as determined by HHSC rule, agency reports on numbers of community-based and residential care placements. (P. 2, I. 7) 		<p>HHS</p> <p>DHS</p>
<p>HB 2523 McDonald/ West, Royce</p> <p>Medicaid fraud prevention</p> <p>Eff. 9/1/95</p>		<p>HHSC, DHS, TDH, MHMR, and PRS are to provide the AG access to all documentary materials of people and Medicaid recipients to which agency has access to allow AG to investigate allegation or use in administrative or judicial proceeding. (Sec. 36.007, p.12, I. 11).</p> <p>May suspend or revoke provider agreement or permit, license, or certification regarding a person found liable for civil penalties due to Medicaid fraud. (Sec. 36.009, p. 13, I. 16)</p>		<p>Med. Operat- ing agencies AG</p>

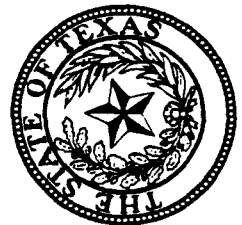
Information provided by the Health and Human Services Commission.

Agency Work Plan and Organization

AGENCY WORK PLAN AND ORGANIZATION

Michael D. McKinney, M.D.
Commissioner
September 1995

**Texas Health and Human
Services Commission**



AGENCY WORK PLAN AND ORGANIZATION

As required by House Bill 1863 and Senate Bill 1675, the Texas Health and Human Services Commission (HHSC) has prepared the enclosed work plan which details the Commission's activities for FY 1996. The work plan sets priorities for agency activities based on available resources. It is submitted to the Governor, the Lieutenant Governor, the Speaker of the House of Representatives, the Comptroller of Public Accounts and the Legislative Budget Board.

Agency activities are prioritized as high, medium and low. Within each priority level, activities are further categorized according to resource allocation, or the staff resources needed to complete each task. Activities under the heading of support functions include those tasks which are essential to the overall operation of the agency.

The enclosed table contains references to legislation relevant to the agency activities; legislation is from the 74th Regular Session of the Texas Legislature, unless otherwise indicated.



HHSC HIGH PRIORITIES

relations, including leadership briefings.

- ▶ Opinions:
 - Agency authority
 - State business practices
 - Administrative procedures
 - Open records, open meetings
- Rules and policies *SB 1675 sec. 7, SB 601, HB 997 (TDH), HB 1698, SB 169, SB 1296*
- ▶ Manage and produce agency reports (e.g. HAC report, Senate Finance HHS report, etc.)
- ▶ Develop and maintain cost allocation methodology.
- ▶ Review and process comptroller documents including purchase vouchers, interagency transaction vouchers, travel vouchers, journal vouchers, budget revisions, deposits, expenditure transfer vouchers, multi-payee vouchers, payroll vouchers, warrant cancellations.
- ▶ Quarterly ABEST-USAS reconciliation *IX 77*.
- ▶ Monitor fixed assets.
- ▶ Prepare financial reports (internal, state, federal) - various due dates *HB 1399, HB 2449, IX 76, IX 77, IX 79, IX 84, IX 111*.
- ▶ Manage internal and external accounting systems (maintenance & reconciliation between MIP & USAS).
- ▶ Prepare budget request (L-AR) - due 8/96.
- ▶ Track and review state legislation.

MEDIUM RESOURCE ALLOCATION

- ▶ Design and conduct program evaluations (e.g. TESS, SSDM, etc.).
- ▶ Oversee and manage EZ/EC project.
- ▶ Develop long-term care access plan; minimize duplication (*HB 2698*). Require each agency to provide clients info on alternative community placements *HB 1698, TDOA 7*.
- ▶ Develop and get approval for HHSC Workplan by 9/30/95 and 9/30/96 *SB 1675*.
- ▶ Review and comment on agency strategic plans - April, May/96 *SB 1675*.
- ▶ Receive and resolve complaints.
- ▶ Review and recommend changes to contract management by hhs agencies.

HIGH RESOURCE ALLOCATION

- ▶ Prepare guidelines for caseload forecasting, develop and approve hhs agencies' caseload forecasts; quarterly reports, and submit with consolidated budget (10/15/96) *SB 1675*.
 - ▶ Review and comment on LARs - June, July/96: Prepare consolidated budget (10/15/96) *SB 1675*.
 - ▶ Submit quarterly report on projected expenditures vs. budget for hhs agencies *SB 1675*.
 - ▶ Develop and implement plan for integrated eligibility determination by 9/1/96 *SB 1675*
 - Work with Council on Comp. Govt. to competitively bid or contract eligibility determ. *SB1675*
 - Analyze and recommend action on confidentiality project
 - Develop and implement IDBN
 - Enhance/implement SIRS
 - Enhance/implement TESS
 - Assist in development of workforce eligibility determination automated system. *HB 1863, Sec. 11.27*
 - ▶ Additional legislative assignments.
 - ▶ Develop and approve Medicaid policies, rules, and program directions- plan and direct the scope, content and priorities of the Medicaid program *MHMR 7, TRC 2*.
 - ▶ Oversee, monitor, and evaluate agencies' operations of the Medicaid program *SCR 56*.
 - ▶ Direct and oversee statewide Managed Care pilots; begin new ones by 8/31/95 *SB 10*.
 - ▶ Prepare, submit, and implement 1115 waiver for statewide managed care with a state-local partnership by 8/31/95 or seek extension until 9/30/95 by 8/15/95 *SB 10, SCR 55*.
 - ▶ Apply for waiver for integrated managed long-term-care pilot *SCR 55*.
 - ▶ Apply for waiver for integrated managed care pilots for mental health and substance abuse
 - ▶ 11/1/96-preliminary plan; 11/1/98-plan for statewide expansion *SCR 55*.
- SUPPORT FUNCTIONS**
- ▶ Manage legislative, consumer, press and provider

- ▶ Approve and report Medicaid and Interagency transfers *HHSC 10 and 11*.
 - ▶ Direct, manage and provide support to the Medical Care Advisory Committee.
 - ▶ Single point of contact with the Health Care Financing Administration (HCFA) and function as the sign-off and approval of all communications with HCFA.
 - ▶ Administer and supervise Medicaid State Plan.
 - ▶ Quarterly Medicaid billing.
- SUPPORT FUNCTIONS**
- ▶ Track, coordinate and counsel on litigation *IX 91*.
 - ▶ Prepare HHSC strategic plan - due 6/96.
 - ▶ Cost allocation billing.
 - ▶ Monitor funds availability and cash balance for agency (cash flow management).
 - ▶ Risk management.
 - ▶ Revenue billings and collections (other than Medicaid or earned federal funds).
 - ▶ Prepare/monitor internal budgets.
 - ▶ Encumber agency's planned expenditures.
 - ▶ Monitor grants and contracts *IX 83, 93*.
 - ▶ Manage Human Resources and payroll (with Budget, including employee incentive program) - various due dates *HB 2891, IX 107, 108, 109, 110*.
 - ▶ Coordinate in-house training, organizational development.
 - ▶ Prepare Fiscal Notes (Jan-May 97).
- LOW RESOURCE ALLOCATION**
- ▶ Research, analyze, and develop position papers, plans and recommendations for major initiatives and changes (Block grants).
 - ▶ Mediate interagency disputes *SB 1675*.
 - ▶ Oversee and monitor the Medicaid federal funds management function performed by TDHS staff.
- SUPPORT FUNCTIONS**
- ▶ Compile quarterly performance measures and produce quarterly report.
 - ▶ Conduct internal audits *IX 85*.
 - ▶ Implement HHSC Reorganization.

HHSC MEDIUM PRIORITIES

- HIGH RESOURCE ALLOCATION**
- ▶ Review and comment on operating budgets SB1675.
 - ▶ Implement refinancing strategies for children's MH.
 - ▶ Improve automation plans (June-August/95; review amendments as needed) SB 1675.
 - ▶ Develop neighborhood system of care & other reforms (Casey).
 - ▶ Analyze case management for consolidation; report due 3/96 (Sen HHS).
 - ▶ Develop the Coordinated Strategic Plan, and work with agency planners to coordinate individual agency plans. Begin 1/1/96—due 10/1/96 SB 1675, HB 869, IX 111.
 - ▶ Coordinate local collaboration on early childhood with Dept. of Commerce IX-150.
 - ▶ Structure HCS waiver services for ICF-MR Level 1 and TDH complete feasibility study by 5/1/96 SCR 58.

SUPPORT FUNCTIONS

- ▶ Coordinate public info.
 - ▶ Develop contracts.
- MEDIUM RESOURCE ALLOCATION**
- ▶ Produce and evaluate demographic estimates.
 - ▶ Coordinate IVA-EA funding increases HB 1863.
 - ▶ Review and comment on fund transfers (Intra-agency) HB 1863/SB 1675, HHSC 6.
 - ▶ May work with agencies to implement health care purchasing consortia SB 406.
 - ▶ Support HHSC statewide network.
 - ▶ Develop and assist local CRGs.
 - ▶ Restructure support services for hhs agencies II 14.
 - ▶ Review and approve hhs agency rules regarding abuse/neglect HB 1111.
 - ▶ Develop and implement routine methods for consumer input including public hearings SB 1675.
 - ▶ Design and implement coordinated transportation services - report 9/1/96 HB 1863, HB 2891, HB 1020.
 - ▶ Coordinate DHS child-care, TEA pre-K with Headstart efforts and report to Legislature by 12/1/96 HB 869 & HHSC 9.

- ▶ Conduct study and prepare plan for state-federal coordination - date set by State-Federal HB 1399.
- ▶ Develop and implement special initiatives and projects to maximize federal Medicaid funds (Administrative Claiming Project, Third Party Resources Project, LBB Federal Funds Analysis Recommendations, etc.) HB 997, TDH 25, MHMR 24a,b,d,e.
- ▶ Apply for waiver for MR consumer-focused pilot SCR 55.
- ▶ Monitor and analyze federal Congressional activities, HCFA activities, and activities of other states; function as liaison with Office of State-Federal Relations regarding Medicaid issues.
- ▶ Assist AG in Medicaid fraud prevention HB 2523.
- ▶ Develop system to integrate Medicaid database for fraud detection - HB 1863 - Section 8.03 - May institute 12/1/96. Examine cost-effective ways to address fraud and error rates in assistance programs SB 1675/HB1863, SB 602, HB 1863, HB 2523.
- ▶ Plan to pilot medical savings accounts; 12/1/95 plan; 1/1/97 implement or report why not; 1/15/99 report on effectiveness SB 604, SCR 60.
- ▶ Develop MOUs regarding coordination of multiagency services HB 1551-73rd, education issues.

SUPPORT FUNCTIONS

- ▶ Purchasing requisition.
 - ▶ Cash Reconciliation—monthly (Gov. Code 403.036).
 - ▶ Develop & maintain Policy & Procedures Manual.
 - ▶ Develop and submit biennial operating plan to DIR - 9/1/95 or earlier (Gov. Code 2054.100).
 - ▶ Standardize project management.
- LOW RESOURCE ALLOCATION**
- ▶ May review agency federal funding plans SB 1675.
 - ▶ Federal funds reporting prior to session IX 93.
 - ▶ Serve on EET taskforce HB 1863.
 - ▶ Facilitate improvements in services for children

- with severe disabilities; annual report to Sen HHS (1/96, 1/97 per HHSC).
- ▶ Support Texas Tots project.
- ▶ Assist AFDC clients in applying for fed programs HB 1863.
- ▶ Adopt supported work vision statement HB 1863.
- ▶ Develop process to assign other agency staff to HHSC projects SB 1675.
- ▶ Develop network of statewide I & R HUBs.
- ▶ Convene Headstart workgroup for training early childhood workers. 9/1/95 - Workgroup; 12/1/97 - report HB 1863.
- ▶ Develop and implement plan for integrated service delivery system: SB 1675
 - Develop plan to consolidate other admin. and service delivery functions by 10/1/96; report to leg b; 1/1/97 SB 1675/HB 1863
 - May request agencies to integrate/streamline; recommend specific actions SB 1675/HB 1863
 - Develop tools and processes to support streamlined service delivery model (SSDM)
 - Coordinate local service delivery & assist as requested HB 869
 - Facilitate implementation of SSDM in pilot sites
 - Develop integrated one-stop shopping using state, local, private resources by 9/1/97 SB 1675
- ▶ Approve hhs office space needs for service center approach; and report on co-location by 12/1/96 SB 1675/HB 1863, II 16.
- ▶ Coordinate and monitor the federal, state, and internal audits performed on the Medicaid program in any of the operating agencies.
- ▶ Maintain and monitor interagency agreements with operating agencies to operate the Medicaid program.
- ▶ Establish toll-free hot line SB 601.
- ▶ Pilot Telephone health care program with report by 2/1/97 SB 10.

SUPPORT FUNCTIONS

- ▶ Records Management.

HHSC LOW PRIORITIES

- committees/workgroups/taskforces *HB 2569, PRS 12.*
- ▶ Convene planning group of DHS, TEA, & TRC to improve workload coordination re: AFDC clients, and report to Legislature on progress by 1/15/97 *HB 1863.*
 - ▶ Review interstate contract on adoption and medical assistance *SB 169.*
 - ▶ Evaluate and determine deadlines for using DHS' NF reimb. sys. for other Medicaid components; DHS implement by 1/1/97 *HB 867.*
 - ▶ Prepare Reference Guide - biennial - Fall '95.
 - ▶ Commissioner ex-officio non-voting member of Tx. Health Care Information Council - Medicaid may be asked to help council; Council recs by 12/1/96 *HB 1048.*
 - ▶ Work with TDHCA to develop Coordinated Housing Plan.
 - ▶ Study feasibility of using Medicaid funds for Texas Health Ins. Risk Pool *SCR 60.*
- SUPPORT FUNCTIONS**
- ▶ Mail services.
 - ▶ Buy and maintain law library.
 - ▶ Prepare 1099's.
 - ▶ Transfer funds for workers comp claims (Rider 75) and unemployment claims (Rider 74).

- HIGH RESOURCE ALLOCATION**
- ▶ Evaluate regulation of services.
 - ▶ Approve automation standards to allow filing information directly *SB 1675-Sec 11.*
 - ▶ Review and comment on funding formulae *SB 1675.*
 - ▶ Develop cost accounting system for hhs agencies.
 - ▶ Expand pilots to HCHD, UTMB Galveston *SB 1675/HB 1863.*
 - ▶ Develop automation standards that allow local hhs agencies to share data (with DIR) *HB 869.*
- SUPPORT FUNCTIONS**
- ▶ Develop and submit Automation Strategic Plan to DIR.

MEDIUM RESOURCE ALLOCATION

- ▶ Coordinate residential care rate caps *II 17, HB 7-72d.*
 - ▶ Report on streamlined service delivery semi-annually (rules for agency reporting to their boards) *SB 1675.*
 - ▶ Study Provider reporting requirements imposed by hhs agencies; make recs by 9/1/96 *HHSC 8.*
 - ▶ Coordinate interagency legal matters.
 - ▶ Review and require amendment or withdrawal of proposed rules.
 - ▶ Coordinate with Workforce Agency.
 - ▶ Conduct targeted rules analysis.
 - ▶ Study establishing a health purchasing alliance to buy insurance coverage for children; 10/1/96 report *SB 793.*
- SUPPORT FUNCTIONS**
- ▶ Produce HHSC newsletter.
 - ▶ Provide internal hardware and software support.
 - ▶ Facilities Management.
 - ▶ Prepare speeches.

LOW RESOURCE ALLOCATION

- ▶ Prepare dictionary of service terms.
- ▶ Participate on various

Other Multi-Agency Information Systems Projects

The Integrated Data Base Network (IDBN) pilot project is one component of a system of automated tools proposed to streamline service delivery to make office visits by health and human services clients more efficient and more effective. The Commission had been required to create an integrated data base by the agency's enabling legislation. The IDBN pilot project was planned for installation at three sites.

Two other automated systems that are part of this streamlining effort are the Texas Eligibility Screening System (TESS) and the Statewide Information and Referral System (SIRS). TESS is used to screen individual clients for program eligibility. Systematic screening should help ensure that clients are referred to programs and services for which they are likely to be eligible. SIRS is an automated system which identifies service providers, by location, so that service workers can direct clients to the most appropriate source of assistance. TESS and SIRS were developed by health and human services agencies and not under the day-to-day management direction of the Commission.

The Health and Human Services Consolidated Network (Network) provides telecommunication services to the health and human services agencies. If an agency needs to connect remote offices to their headquarters via computer, they can contract with the Network operating agency (Texas Department of Health and Human Services) for appropriate communication lines. The agencies are also free to obtain communication services from private sector vendors. The Network currently provides some level of service to at least six state agencies, including one agency no longer under the health and human services umbrella.