An Audit Report on

Management Controls at the Texas Department of Health

Office of the State Auditor
Lawrence F. Alwin, CPA

Key Points Of Report

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Overall Conclusion

Management controls are generally effective, but improvements are needed in contracting for services and performance management. Other control areas need enhancements. Weaknesses in communication and information were found throughout the management controls.

Key Facts and Findings

- Although the budget process has been improved, program managers need better information and communication to monitor operating budgets. The budget/accounting information systems do not readily provide adequate and timely information that managers need to plan, direct, monitor, and report on program activities. In fiscal year 1996, the Department will be responsible for an operating budget of approximately $6.5 billion. The Department is transferring the budget/accounting information systems from the mainframe to a client server environment which should provide more user-friendly systems.

- Issues reported in 1991 on the lack of coordination and integration of information systems have not been adequately addressed. The Department does not have a steering committee to assist in prioritizing information needs and allocating resources. The current environment allows duplicative work to be performed due to a lack of participative management, funding restrictions, and confidentiality issues.

- Current controls over contracting for client services are not adequate to ensure that accountability for contractor performance is maintained for services that are purchased rather than provided by the Department. The Department is in the process of developing new guidelines for managing contracted services. The Department reports payments of approximately $310 million for contracts initiated in fiscal year 1995, excluding Medicaid.

- The human resource policies and procedures are well-documented and generally comply with applicable statutes; however, communication of policies and procedures is, at times, incomplete or inconsistent, especially in the regions. Effective communication will become more critical as the Department continues to decentralize human resource management. The Department estimates that approximately $190 million will be spent in fiscal year 1996 on personnel costs.

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

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Executive Summary

The Texas Department of Health's management controls generally promote the agency's mission and goals. However, improvements are needed in contracting for services and performance management. Other control areas need enhancements. Weaknesses in communication and information were found throughout the control areas. Improving controls and becoming more efficient are critical to providing needed health and health-related services with fewer dollars. The Department's operating budget for fiscal year 1996 is approximately $6.5 billion. (See Appendix 2.3.)

Budget and Planning Processes Are Improved But Better Information and Communication Are Needed to Monitor Operating Budgets

The budget and fiscal information systems do not readily provide adequate and timely information that managers need to plan, direct, monitor, and report program activities. Consequently, program and regional staff have developed secondary information systems in order to adequately monitor and manage program activities. In a 1991 report, Andersen Consulting estimated the cost of these secondary information systems at approximately $700,000 annually. The primary deficiencies cited by staff at various levels are that the information is:

- difficult to access
- not available in customized formats
- not available in sufficient detail
- not timely

The Department is in the process of transferring the budget and fiscal systems from the mainframe computer to a client server environment. This type environment can provide more user-friendly systems with improved ad hoc reporting capability. The Department should include the reduction of secondary information systems as one of the primary objectives for the development of new systems. Also, the Department should ensure that user needs are adequately considered in the design of the new systems.

Coordination and Automation of Information Need Improvements

Information coordination and integration issues identified in 1991 by both Andersen Consulting and the State Auditor's Office have not been adequately addressed. The Department does not have a steering committee with representatives from all associateships to assist in prioritizing information needs and allocating resources. The current environment allows duplicative work to be performed due to a lack of participative management, funding restrictions, and confidentiality issues. Also, sharing information among bureaus is limited by the overall lack of a formal procedure for the coordination, communication, and management of information systems.

Efforts to Improve Controls for Contracted Client Services Should Continue

Based on a follow-up to State Auditor's Office report, *A Review of Contract Monitoring of Purchased Services* (SAO Report No. 95-007, October 1994), controls are not adequate to ensure that accountability for contractors' performance is maintained for client services that are purchased rather than provided by the Department. The State Auditor's Office recently completed a more in-depth review of the Department's controls for contract administration. *Contract Administration at Selected Health and Human Services Agencies*

- *Phase Three* (SAO Report No. 96-047, February 1996) makes specific recommendations for improvements in monitoring accounting controls.

The Department is developing new guidelines for contracting for client services. They report payments of approximately $310 million for contracts initiated in fiscal year 1995, excluding Medicaid. The Department should continue to develop and implement improved contracting guidelines.

Human Resource Management System Is Generally Sound But Needs Enhancements, Especially as Decentralization Continues

Human resource policies and procedures are well-documented and generally comply with applicable statutes. However, despite significant effort, communication of policies and procedures is, at times, incomplete, especially in the regions. Among specific problems are that:

- Policy communications and decisions are not always timely.
- Access to policies and procedures is not uniform.
- Communications are too hierarchical.
- Policy interpretation can vary.

Although the Department has a goal to develop a better means to get information to each employee, no specific action has been taken. Effective communication will become even more critical as the Department continues to decentralize human resource management. The Department estimates that approximately $190 million will be spent in fiscal year 1996 on personnel costs. The Department has approximately 6,800 positions budgeted.

Detailed Issues

These issues along with others are reported in detail in the next section of this report.

Scope and Objectives

The objective of this audit was to evaluate existing management control systems at the Texas Department of Health and to identify both strengths and opportunities for improvement.

The scope of the audit included consideration of the Department's policy, information, resource, and performance management control systems and key processes associated with them.

Summary Of Management's Responses

In general, TDH is in agreement with the findings and recommendations in the report. While the report makes several recommendations to enhance controls in TDH operations, it does not disclose any significant weaknesses and it recognizes that "controls provide reasonable assurance in almost all areas."

We welcome the helpful recommendations in 23 areas of operations. Because of TDH's commitment to the improvement of systems, controls, and processes through the application and implementation of Total Quality Management principles, many of the conditions described in the report had already been identified and were being addressed.

Budget and Planning Processes Are Improved But Better Information and Communication Are Needed to Monitor Operating Budgets

Controls over the budget and planning process provide reasonable assurance that the Department's available resources are appropriately allocated and monitored. The Department has made significant improvements to the budget and strategic planning processes. Effort should now be directed toward improving communication, providing more meaningful information, and evaluating programs and processes. The Department's operating budget for fiscal year 1996 is approximately $6.5 billion.

Section 1-A:
Managers Need More Timely and Detailed Information

The central budget and fiscal information system does not readily provide adequate and timely information that managers need to plan, direct, monitor, and report program activities. Consequently, program and regional staff have developed secondary information systems in order to adequately monitor and manage program activities. The primary deficiencies cited by staff at various levels are that the information is:

- difficult to access
- not available in customized formats
- not available in sufficient detail
- not timely

Program and regional staff have developed various types of information systems as a means of compensating for deficiencies in the central budget and fiscal information system. In a 1991 management study, Andersen Consulting estimated that secondary budget and fiscal systems cost approximately $700,000 annually.

Two specific examples where the budget and fiscal information system does not readily provide adequate and timely information are:

- The Department's Medicaid program, a $5 billion state/federal program, is an example where the central budget and fiscal information system does not provide expenditures sorted by activity code and method of financing. Method of financing accounts for the source of funding: state, federal, or other. This type of information is critical in requesting federal funds and preparing federal reports.

  Currently, three Department staff manually enter information from the central budget and fiscal system into a spreadsheet. The spreadsheet is used to account for expenditures by activity code and method of financing. Staff must then reconcile the spreadsheet information to the central system. The manual transfer of information increases the opportunity for error and omission in gathering and analyzing information. The process is also labor-intensive and time-consuming.

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- Another situation where information is inadequate and untimely involves encumbering and charging program budgets for expenditures referred to as "prorated categories" of expenditures. Prorated categories relate to operating expenditures for telephone, postage, printing, and office supplies. As of July 1995, these expenditures totaled about $4 million for the year.

The Budget Management Section allocates and encumbers an annual estimate of the prorated categories for each budget unit. Subsequently, the budgeted units are charged with actual expenditures as they are incurred. The following problems were cited:

- lack of timely notification and explanation for annual encumbrances
- lack of notification when actual charges were made to budget units
- no consistent schedule for actual charges
- access to spreadsheet with actual charges is not user friendly
- insufficient detail information in budget and fiscal reports

The Department is in the process of transferring budget and fiscal systems from the mainframe computer to a client server environment. This type environment can provide more user-friendly systems with improved ad hoc reporting capability.

Recommendations:

- In developing the network systems for budget and fiscal information, Department management should include the reduction of the need for secondary budget and fiscal information systems as one of the primary objectives for the development of the new systems.

  The Department should ensure that user needs are adequately considered in the design of the new systems. A task force approach is recommended to provide user input. The task force should be comprised of staff from the various divisions of the Department responsible for monitoring and reporting budget and fiscal activity.

- For the prorated categories of expenditures, the Department should consider developing a more user friendly spreadsheet application to provide details of the actual charges for telephone, postage, printing, and office supplies. Also, consider providing budget units with an electronic mail notification when the expenditures are charged against their budget.

Management's Response:

We agree that network-based budget and fiscal information systems should reduce the need for corresponding secondary systems. We also agree that user needs should be addressed. As we move from the mainframe-based to the network-based budget and

fiscal system, we will continue to include representatives from divisions throughout the Department who are responsible for monitoring and reporting budget and fiscal activity.

For prorated categories, we will establish the encumbrances on September 1 of each fiscal year. At the end of each quarter the Bureau of Support Services and Bureau of Automated Data Services will provide information on expenditures to the Fiscal Division. The Fiscal Division will then send electronic notification to the Divisions of the deductions that have occurred. These transfers and notifications will be made on a quarterly basis since the total cost for the prorated categories is less than 1/10 of 1% of the TDH budget. Over the years, there is only a minimal amount of change in the total charges to a budget. Therefore, if accurate encumbrances are made at the start of each fiscal year, then actual charges or timing of actual charges will become even more insignificant.

Section 1-B:
Continue to Evaluate and Improve the Budget Process

A Department budget task force did a commendable job of developing and documenting a process for preparing the budget in 1992. The Department should now focus on evaluating the current process for enhancement and refinement. This process of evaluation and refinement is needed in order to continue to improve communication and coordination between the Budget Management Section and other Department divisions.

Recommendation:

The budget steering committee should hold regular meetings for the purpose of reviewing the budget process for improvement and making specific recommendations for improving the process. The task force might consider such items as the number and types of budget revisions requiring written requests or what revisions are needed to improve processes which are not effective.

Management's Response:

The Budget Steering Committee was convened for the specific purpose of designing a system to respond to the state budget reform initiative. We recognize the value of regular meetings for the purpose of improving the budget process, and have regular meetings with associate commissioners and bureau chiefs to address major budget and policy issues.

Section 1-C:
Strategic Planning Process Is Significantly Improved

Controls in the area of strategic planning provide reasonable assurance that the Department has identified what it should be doing and how it should be doing it. The Department has made significant improvements to the strategic planning process since a review in 1991 by the State Auditor's Office (SAO Report No. 91-056, February 1991). The process includes input from Department staff and from the public. The Board of Health is actively involved in setting priorities.

Management's Response:

We agree with the positive comments on the improvement in the strategic planning process. Continued effort will be made to expand the scope of the strategic plan to make it a more useful management tool for executive management as well as program managers while continuing to meet the requirements of the Governor's Office and Legislature. Also, a stronger linkage between the strategic plan and TDH policies and procedures will be a goal for the future.

Section 2: INFORMATION MANAGEMENT
Coordination and Automation of Information Need Improvements

Controls provide reasonable assurance that the information necessary to make decisions is available and organized in a manner that supports the Department's mission, goals, and objectives. However, improvements are needed to strengthen information management and the development of automated information systems. The Department is in the process of converting from a mainframe environment to a client server environment. The Department is implementing several significant automated information systems which should enhance service delivery. Two of these systems are:

* Integrated Client Encounter System (ICES) -- Automation support for the clinical activities which provide services to clients who are eligible for the programs administered by the Associateship of Family Health Services and the Associateship of Disease Prevention.
* Women, Infants, and Children's (WIC) system -- A food distribution and reporting system funded by the United States Department of Agriculture.

Section 2-A:
Strengthen Coordination and Oversight of Department-Wide Information Management

Information coordination and integration issues identified in 1991 by both Andersen Consulting and the State Auditor's Office have not been adequately addressed. Information system needs are prioritized within each individual associateship and submitted to the Automated Data Services division for further prioritization. The Department does not have a steering committee with representatives from all associateships to assist in prioritizing information needs and allocating resources. Some coordination of information resources is being attempted through the Data Leveraging Team, which includes executive management staff; however, the effort of this team has mainly been focused on providing external reports on health-related topics using readily available information at the Department. Also, team meetings have become less frequent.

This environment allows duplicative work to be performed due to a lack of participative management, funding restrictions, and confidentiality issues. Also, sharing information among bureaus is limited by the overall lack of a formal procedure for the coordination, communication, and management of information systems.

Recommendation:

• Executive management should demonstrate a commitment to promote the coordination of information resources.
• A Department-wide steering committee should be established to assist in coordinating, prioritizing, and monitoring the Department's information resources. This committee could be a variation or expansion of the current Data Leveraging Team. The committee should include representatives from each associateship. This group could work through some of the funding and confidentiality issues which have prevented the sharing of information and automation resources in the past.

Management's Response:

Current management demonstrated its commitment previously by elevating Information Resources Management to an Associate Commissioner level and placing all Automated Data Processing resources under that individual's organizational control. Additionally the Commissioner of Health will specifically express his automation priorities by issuing an annual Commissioner's Vision for Automation document to the Information Resources Manager.

The Information Resources Manager (IRM) will be charged with accomplishing the goals as expressed by the Commissioner of Health in his "Vision for Automation." To assure maximum progress is made in this regard, the IRM will prepare and present a formal report each quarter on the current status of meeting the Commissioner's vision

for automation. The IRM will establish a process to ensure the involvement of the Associate Commissioners in achieving the Commissioner's goals and automation objectives by sharing information and automation resources.

Section 2-B:
Utilization of Information Resources, Including the Executive Information System, Should Be Assessed to Determine System Needs

Management has not evaluated the current utilization of information resources to identify opportunities for improving operations. Each region is responsible for maintaining a local area network, and software is developed in each region, as needed, to maintain the network. This makes monitoring software development activities and forecasting utilization of resources difficult.

The Department maintains inventories of information resources, including hardware, software, equipment, and personnel. However, the Department does not perform structured assessments of how these resources are used and whether the technology supports the Department's strategic direction. With the exception of periodic meetings held for other purposes, the Department does not have a standardized method of identifying problems and opportunities for improvement in technology.

Training and automation support in the regions need enhancement in order to promote a productive workforce with adequate skills and computer equipment to get their jobs done effectively. More training is needed for software such as WordPerfect, Windows, and QuattroPro and specific applications used by the various divisions. Additional training and support is needed by regional network managers. Specifically, training and support are needed in areas of network connections and configurations, applications needing installation, and upgrades to current operating environments. The lack of training can lead to far greater hidden costs of staff time spent self-teaching the use of software or costs of underutilized computer resources.

The Executive Information System is an example of an underutilized resource which is not being kept up-to-date. This appears to be the result of the lack of automatic update by reporting divisions and a lack of priority by executive management. In some cases, the system may not be providing relevant and meaningful information. Executive Information Systems are designed to gather and report information created by other systems to analyze trends, to ease access to existing information, to reduce time finding and integrating information, to improve the analysis of organization performance, and to examine critical success factors.

Recommendations:

The utilization of the Department's information resources should be evaluated to identify opportunities for improving operations. This could be incorporated into the objectives for the steering committee and comments received through a help desk which documents problem areas.

- The Executive Information System should be given priority and evaluated to determine if changes are needed to make it a meaningful management tool. The system should be enhanced to allow for easier update and maintenance.

- With consideration for limited resources, enhance regional training and computer support. Training might be enhanced by providing more or improved documentation for installing, upgrading, and using software. The Department should look into coordinating training with other state agencies, colleges, and universities within region boundaries.

Management's Response:

This recommendation will be addressed in two ways: help desk service requests will be analyzed, documented and submitted to the IRM; and ADS Division Directors, responsible to each Associate Commissioner, will coordinate their activities in weekly software systems (operational and in design stage) review meetings with the IRM. Indications of need in systems improvement will be presented by the IRM to the Associate Commissioners at regularly scheduled meetings for resolution recommendations.

With respect to modifying the Executive Information System, the System has been evaluated, redesigned, and reaffirmed as a high priority. It is now the TDH Blue Chip Index. It provides weekly information to Department employees on how well the Department is progressing in achieving performance output and efficiencies for Appropriation Bill Strategies. A process is in place to update the information on a regular and routine basis. The TDH Blue Chip Index is presented to the entire Department on a designated day each week as each employee's computer is activated for use.

With respect to Regional training activities, such training has already been significantly expanded and enhanced. We currently offer training to Regions either on-site or in Austin dependent upon the number of employees needing the specific courses. A catalog of course offerings is provided to each region semi-annually. Regional network managers are encouraged to work at least one week in the Austin Office upon initial employment and to attend periodic update/refresher on-the-job instruction in Austin. It is more economically feasible for network personnel to be trained in the central facility where multiple resources are available. In addition, the Department of Information Resources offers training to state agencies based upon needs expressed by each agency annually. These courses may be offered at any site, within economic considerations. To assure Regional training needs are properly

addressed, the Department will solicit information from each Region annually. This information will be submitted to DIR for their consideration in developing courses to meet regional needs. Regional College and University offered training can best be determined by each region. The Department will encourage regions to contact these entities and avail themselves of courses which may be available.

Section 2-C:
Processes and Procedures for Developing Automated Systems Need Improvements

Processes and procedures for project management and quality assurance need improvement.

Project Management - Although the Department has established a project management process, a system development methodology which promotes user input and approval is not consistently used. The lack of user input is generally believed to contribute to projects being late and over budget because time must be spent on revisions and modifications.

A project management process is used by the general manager of a project, whereas a system development methodology is used by the technical staff in designing, developing, and maintaining the software. Although the Department adopted the STRADIS methodology for systems design, development, and maintenance processes, the methodology is not being used on all projects. Most of the programming staff have attended classes on the methodology and have begun to incorporate its steps into the projects in development. The methodology is currently being piloted on one project that is expected to be completed at the end of the year. After the pilot project is completed, the methodology will be evaluated to determine the extent to require it on all projects.

The Department's project management process appropriately includes five basic activities: planning, organizing, controlling, leading, and concluding. Of eight projects currently being developed, documentation and procedures appear to follow a consistent process except for the conversion of the budget and fiscal systems from the mainframe to a client server environment. Because of the rush to convert the mainframe budget and fiscal systems to a client server system, pre-planning and user involvement have been minimal. Also, the use of a system development methodology has been bypassed for the sake of speeding up the project. Bypassing these management controls may place this project into a high-risk category for being over budget and eventually not meeting user needs.

Quality Assurance - The Department has not established a quality assurance process for all data processing development activities. The current quality assurance team does not review all data processing activities. With limited staff, the quality assurance staff is only able to review a few of the applications being developed within the Bureau of Automated Data Services. Applications developed by program divisions of the

Department [e.g., Women, Infants, and Children (WIC) system and the Integrated Client Encounter System (ICES)] are not reviewed by the quality review group within the Automated Data Services division. The lack of consistency in performing quality assurance reviews presents a risk factor that the system will be over budget and perhaps not meet user needs.

Recommendation:

- A system development methodology which promotes user input and approval should be used on all projects. The methodology should be customized to meet the needs of each project so that there is reasonable assurance built into the development process that the system will be functional and meet users' needs. Although controls should not outweigh benefits to be gained from using them, there is a risk in not using adequate controls that the end product will not function as desired by the users and will be rejected.
- Training or a briefing should be provided to executive management on system development and system development methodology so that all levels of management have a common understanding of the processes.
- The current quality assurance function should be expanded to include reviews of all major applications in development. A Department-wide quality assurance function could increase acceptance of newly implemented systems and ensure that appropriate internal controls have been considered.

Management's Response:

The Department has had success with the development and implementation of its major automation projects including:

> *Texas WIC Information Network (Texas WIN)*
> *Customer Assisted Tracking System (CATS)*
> *Immunization Tracking System*
> *Grants Contracts Development*
> *Health Facility Licensing Integrated System*
> *Bureau of Vital Statistics statewide automated submission of birth events*
> *Bureau of Vital Statistics on-line issuance of Birth Certificates*
> *Kidney Health Care automated drug/travel claims payment system*

In the future, each customer will participate in Joint Application Development (JAD) or similar planning sessions to identify the needs to be addressed. The results of these planning sessions will be documented in a systems design document which must be approved by the customer's associate commissioner prior to developing the system. Periodic progress reviews will be held with the customer to assure the system is being developed in accordance with the system design document and any changes desired will be expressed on a change order. Post implementation reviews will be conducted during pilot (if applicable) or during implementation with the customer to assure the

automation needs are being met. This control methodology will be evaluated to ensure it does not outweigh benefits.

Regarding executive management briefings, strategic reports for each project are currently being prepared by the ADS Division Directors and submitted to the appropriate Associate Commissioner, the Bureau Chief of ADS, the IRM, and the Deputy Commissioners for Program and Administration. When indicated by the Deputy Commissioners, a formal review of a system's progress is conducted with the Deputies on a scheduled basis with both ADS and program personnel.

In addition, the current status of all projects will be reported to the Commissioner at his quarterly meeting with the IRM to discuss the progress being accomplished in achieving the goals laid out in his Vision for Automation.

With respect to expanding the quality assurance functions, the Department concurs, but agrees that additional resources will be necessary to implement this recommendation.

A quality assurance function will be developed in ADS to assure all systems are designed and implemented according to approved standards. Responsibilities include: 1) Formulation of systems and programming standards, 2) Examination of systems design documentation to ensure compliance with standards and that new systems have incorporated adequate functions to facilitate effective control, 3) Review of program testing, system testing and parallel or pilot runs to ensure compliance with standards, 4) Review of data conversion procedures for compliance with standards, and 5) Review of systems and programming practices to ensure that they meet these standards.

These activities are applicable to all software development (internal ADS and non-ADS, and outsourced software). In addition to all software development, this area will assure that proper security provisions are in-place and that the Department is in compliance with rules and regulations promulgated by DIR, HHSC, Internal Audit, and State and Federal Auditors.

Section 3: PURCHASED SERVICES

Efforts to Improve Controls over Contracting for Client Services Should Continue

Based on a follow-up to a State Auditor's report, *A Review of Contract Monitoring of Purchased Services* (SAO Report No. 95-007, October 1994), controls are not adequate to ensure that accountability for contractor performance is maintained for client services that are purchased rather than provided by the Department. The audit report outlined weaknesses in contract monitoring at the Texas Department of Health and four other health and human services agencies. Specifically, the review found that:

- Compared to the other agencies, the Department adequately monitored accounting controls by performing extensive fiscal audits for contracts over $25,000. During fiscal year 1993, the efforts of the Grants Management Division recovered a total of $440,408 from contractors at a monitoring cost of $307,668. In addition, the Internal Audit Division, through the review of contractors' independent audit reports, recovered a total of $583,726 from contractors at a cost of $47,233. Thus, during fiscal year 1993, the Department recovered $1,024,134 from contractors at a cost of $354,901, resulting in a net recoupment of $669,233.

- Performance monitoring was not adequate because it focused on determining compliance with state and federal regulations, not on evaluating the result of the services provided. Monitoring contractors' performance is important in ensuring that Department funds are used to provide quality services at reasonable costs.

The State Auditor's Office recently completed a more in-depth review of the Department's controls for contract administration. *Contract Administration at Selected Health and Human Services Agencies - Phase Three* (SAO Report No. 96-047, February 1996) included audits of contractors' accounting records to assess the use of state funds, and the Department's contractor selection and contract budget determination. The report includes specific recommendations for improvements in monitoring accounting controls.

The Department is developing new guidelines for client services contracting for which they report payments of approximately $310 million of contracts initiated in fiscal year 1995, excluding Medicaid.

Recommendation:

The Department should continue its effort to improve accountability for purchased services by completing the implementation of the recommendations in the State Auditor's report, *A Review of Contract Monitoring of Purchased Services*. This process should include improving contracts by including clearly defined goals, outputs, and measurable results which directly relate to the program objectives and developing systems to capture, monitor, and evaluate information related to the outcome measures for each contractor. Limited monitoring resources should be allocated based on a risk assessment of all contractors. This would apply to monitoring both performance and financial controls of contractors.

Management's Response:

The cited report issued by the State Auditor's Office, A Review of Contract Monitoring of Purchased Services, contains a number of conclusions and recommendations dealing primarily with monitoring contractor performance. In comparing the agencies audited, this State Auditor's Report concluded that the Department was at the top of the spectrum with fiscal monitoring including "extensive financial monitoring of the majority of contractors."

However, we have continued efforts to improve contracting for client services. The Department's Contract Leverage Team recently released a preliminary report and a draft contracting guide intended to improve quality and accountability in the management of these contracts. The Health and Human Services Commission has a multi-agency task force on contract management seeking improvements in all aspects of contracting for client services. The Department is fully supporting and, in some areas, leading this interagency effort. Finally, the Department now includes performance measures in all contracts for client services.

Section 4: HUMAN RESOURCES

Human Resource Management System Is Generally Sound But Needs Enhancements, Especially as Decentralization Continues

Controls over the Texas Department of Health's human resource management system provide reasonable assurance that employees have the skills to do their job, know what their job is, are trained so that they can do their job effectively, are evaluated on their performance, and are appropriately compensated. A generally clear relationship also exists between the human resource management system and the Department's Strategic Plan. The Department has developed a new employee appraisal process which promotes communication and development. Enhancements in recruitment, performance appraisal, training, compensation, and staff relations activities could enhance the human resource management system and help ensure that both ongoing and future changes achieve the desired results. The Department estimates that approximately $190 million will be spent in fiscal year 1996 on personnel costs. The Department has approximately 6,800 positions budgeted.

Section 4-A:
Better Communication and Information Needed In Human Resource Administration

Policy communication and the human resource information system need improvement.

Policy Communication - Human resource policies and procedures are well-documented and generally comply with applicable statutes. The Department has a human resource user group to provide feedback on policies and procedures. However, despite significant effort, communication of policies and procedures is, at times, incomplete, especially in the regions. Specific problems include the following:

- Policy communications and related decisions are not always timely.
- Access to policies and procedures is not uniform.
- Communications are too hierarchical and often seen as one-way.
- Policy interpretation can vary.

The Department has a goal to develop a better means to get information to each employee. However, no specific action has been taken on this goal. As the Department continues to decentralize human resource management, effective communication becomes more critical to prevent inconsistency in implementing policies and procedures.

Information System - Ongoing decentralization and the lack of a position control information system fragment personnel administration and complicate tracking and analyzing personnel activity. A position control information system tracks each position from recruitment to termination and generates reports useful for management to monitor changes due to classification, internal transfer, merit increases, or promotions. The Department has problems tracking and reporting the timeliness of personnel actions.

Recommendation:

- To enhance policy and procedure communications, the Department should:
  - Reactivate the goal of developing a system for communicating to all staff.
  - Provide uniform access to documented policies and procedures.
  - Reduce variance in policy interpretation through closer supervision and training. Prepare and distribute a list of "most asked questions with answers."
  - Set and meet deadlines for resolution of policy questions.

- With consideration of priorities for automation resources, consider the need to develop an automated position control information system which tracks each position from recruitment to termination and generates reports on agency-wide human resources issues of interest. Include sufficient controls to ensure the security of access to and use of system data.

Management's Response:

TDH continues to allocate significant resources to insure quality communications to all staff. Specific examples are:

- *Creation of the Human Resources User Group (HRUG) which is composed of program Staff Services Officers and other program support staff for the purpose of policy and procedure review, development, and implementation.*
- *Regular meetings of all central office, regional, and hospital Human Resource Officers held for the purpose of policy and procedure review and development, and strategic and operational project implementation.*
- *Regular meetings of the Regional and Hospital Directors, Assistant Regional Directors for Administration and Assistant Directors for Hospital Administration which include presentations and discussion of human resource issues.*

- *Associate Commissioner meetings, with representation by the Associate Commissioner for Human Resources and Support which include discussion of human resource issues.*
- *Bureau Chief meetings, with representation by the Chief of the Bureau of Human Resources, which include discussion of human resources issues.*
- *The creation of CQI and Training coordinator functions within a number of programs who have responsibility for dissemination of information on quality, training initiatives and human resources issues.*

Each of the members of these groups disseminates information back to their staff. In conjunction with these groups, TDH employees are apprised of new policies through the TDH electronic bulletin board. A copy of the personnel manual is available to employees through their regional, hospital, or central office programs and it will be automated for easier access. New policies have also been communicated through "just in time" training sessions, focus groups (i.e., Merit policy and Performance Journal) and general sessions through the Pathways to Success Series (i.e., Grievance and Complaint policy). In addition, TDH is building an infrastructure for distance learning technology which will enhance communications. As suggested, the creation of a list of commonly asked questions and answers to be shared with the groups during the meetings is a recommendation that we will implement. Human resource issues are discussed and communicated with the groups listed above.

We agree a position control system would assist in analyzing personnel activity. A position control system has not be a high automation priority as TDH is anticipating the implementation of the Uniform Statewide Personnel/Payroll System (USPS) which includes a position control application. It was not feasible to embark on the analysis and costs associated with the creation of a Position Control System in light of USPS.

Section 4-B:
Enhancements Are Needed for Position Classification Review

Methods for the review of position classifications are basically sound. However, resource limitations restrict the number and scope of completed reviews. For example:

- Job analysis often omits interviews with incumbents and on-site task reviews. While this approach improves audit turnaround time, the information used is incomplete.
- Preparation of position job descriptions is generally done by program managers. Thus, the Department's Classification Office often does not review their consistency until after they are used to hire staff, assess performance, and set compensation.
- Although the Department recently began conducting internal classification compliance studies, no definite cycle for review of filled or vacant positions exists, and many years can elapse between reviews of a given series of positions. Also, only half of the Department's Classification Officer's workload is available for these reviews.

- Only one classification/compensation analyst position exists for an agency of over 6,000 staff.

As a result, the Department's classification review results may not be accurate because of incomplete or inconsistent information. While the Department's classification reviews resulted in reclassifying 27 percent of positions reviewed from February through April 1995, the State Auditor's Office classification compliance audits conducted during fiscal years 1994 and 1995 in three regions indicate that only six percent of positions reviewed are misclassified. Although the State Auditor's Office classification compliance audits are limited to three regions, the results may indicate that the Department's internal classification review results are overstated.

Recommendation:

- Since one person is responsible for reviewing the classification/compensation of positions, the Department should expand its classification resources with a combination of cross-training regional human resource officers, training the supervisors who prepare job descriptions, transferring and training additional staff, or adding a position. Such resource expansion is needed since the Department plans to analyze both compensation and staff retention, a process in which the Department's Classification Office should participate.
- Audits should include, at a minimum, a random sample of interviews with incumbents and supervisors and on-site observation. Regional human resource officers might do spot checks of classification and compensation consistency outside their home regions. The Department's Classification Office also needs a more defined role in the development and review of job descriptions. More training on job description preparation is also needed.
- The Department's Classification Office should expand the use of Job Task Checklists, plan the review of series of positions, and do more thorough workload analysis. A further enhancement would be the routine review of vacancies.

Management's Response:

As stated in the report, recent reviews by the State Auditor's Office indicate a high level of accuracy by the current TDH classification review process. Part of this structure has included annual selected compliance audits. We will take steps to schedule a review of positions on a cyclical basis through compliance audits.

TDH will consider reallocating staff to the classification office and expand regional HR officers responsibilities to include more classification related duties. Currently both central office and regional human resources offices review all position descriptions prior to posting of vacant positions.

Section 4-C:
Recruitment and Selection Process, Particularly with Decentralization, Needs Better Monitoring and Control

Decentralization of recruitment and selection allows programs and regions to accept, screen, and interview job applicants. While generally supported, numerous interviewees still find the process cumbersome or inconsistent. According to Department information, it takes 59 days to fill the average regional position, about 7 days longer than in the Department's Central Office. Other concerns are that:

- Job analysis occurs at three points: in the program which develops the job position description, in the regional or central human resources office which reviews job descriptions, and during classification audits. This design is inefficient and can cause variance in job descriptions, screening criteria, and hiring practices.
- Variance in the applicant screening process may result from varied backgrounds and job experience of the human resource staff doing the screenings.
- Interviewing is subject to variation due both to such decentralization and a lack of policy direction.
- Policies do not say when reference checks are optional or required.
- Lack of a policy on testing applicants increases risk of process variance and non-compliance with Equal Employment Opportunity Act and Americans with Disabilities Act guidelines.

Also, the Department is not tracking the cost of recruitment. Forty-one percent of the Bureau of Human Resources' staff cites recruitment among their primary duties, though recruitment support staff do not report to recruiters. While a draft recruitment plan includes a process assessment, no means yet exists to track overall costs. Thus, the Department cannot tell if recruitment dollars are well spent or prioritize effort under its proposed recruitment plan.

Recommendation:

To enhance monitoring and controlling recruitment and selection, the Department should:

- Train supervisors to establish consistent hiring criteria, utilizing matrices or other measurement tools.
- Coordinate job analysis and include the Department's Classification Office in the process.
- Consider requiring use of the Applicant Processing Checklists and other documents to standardize recruitment and selection administration.
- Develop a more specific policy on interviewing and consider if requiring five interviews for each position is efficient.
- Revise the Personnel Manual to specify when reference checks are needed.
- Continue work toward an agency-wide policy on applicant testing.

- Track the full cost of recruitment and selection to help prioritize and assess the impact of recruiting actions and put a cost on the increased workload which decentralization may create in the regions. Automation enhancements are needed to track recruitment effectiveness and expand access to posting status.
- Consider reactivating the goal of establishing recruiters in each region.
- Track, report, and compare applicant satisfaction by associateship. In this and all other survey efforts, make sure that sample sizes and response rates are large enough to ensure data validity and reliability.
- Review the authority and responsibility of recruitment support staff.

Management's Response:

The decentralization of recruitment and selection to the regions accomplished three primary objectives. The first objective was to speed the interview and selection process and to allow the region to prioritize the process along with other functions which are CORE program responsibilities. The current 59 day average to fill a position can be attributed to the fact that the calculation is based on the date a particular position became vacant and whether or not the filling of a particular position was a regional priority. The second objective is to increase the participation of managers/supervisors who possess program expertise in the selection of their staff. The third objective is to allow BHR to reallocate resources to enhance and further develop CORE HR functions which will include, but are not limited to job analysis (incorporating workload review and onsite interviews), supervisor/management development, Fair Labor Standards, and providing HR technical assistance.

TDH has two FTEs with recruitment as their primary function. Eleven percent of the Bureau of Human Resources staff have provided some recruitment activities for TDH (i.e writing, coordinating and placing job advertisements); however, these functions have been transferred to the two recruiters. TDH will consider including recruitment cost tracking in the recruitment plan. In addition, management has identified the need to review responsibility of recruitment support staff and has incorporated the recruiters as members of the CORE human resource services teams where administrative support will be provided. TDH does not find it necessary to allocate resources to establish recruiters in each region due to staffing reductions, specifically in shortage occupations, low turnover, and frequency of vacancies.

The recommendation for mandatory use of the current applicant checklist, mandated reference checks, and implementation of an applicant testing policy will be implemented. Management has previously recognized the need to expand current applicant satisfaction surveys and currently surveys applicants for all TDH postings and findings are reported by Associateship, Region, and Hospital.

Section 4-D:

More Attention Is Needed to the Planning, Cost, and Assessment of Training

Many audit survey respondents and interviewees noted an increase in training quality and quantity. Yet, processes used to plan, monitor costs of, and assess training are incomplete as indicated by the following:

- Training plans are largely absent.
- Program autonomy in training risks inconsistency in training quantity, quality, and cost-effectiveness. Training is skewed toward the Department's Central Office. Regional demand for training staff, computer training, and input into training decisions has not been met.
- Costs associated with training development, participation, or evaluation is not being tracked.
- Trainee satisfaction is assessed, but learning and learning use are not.

Strengthening the training program will help to promote a skilled workforce. While training is important, it is also important to monitor the cost of training and to provide cost-effective training.

Recommendation:

In order to address these problems, the Department should:

- Assess training needs and plan training at the program level using data from the new performance appraisal process.
- Establish a central point for monitoring and control of plan implementation. Plans should set priorities; establish and track time frames, status, and costs; and monitor alignment between training needed and training offered.
- Track all costs of internal and external training, and tie this process to the timekeeping, registration, and continuing education systems. Using currently inactive undesignated time codes may help. Compare the cost-effectiveness of internal and external courses.
- Enhance regional access to training. Examine training cycles to better allocate training resources.
- Evaluate learning and learning use where training costs are highest.

Management's Response:

TDH conducted an agency-wide training needs assessment two years ago. This needs assessment, conducted throughout the agency's central and regional offices, identified training in basic supervisory skills as that most needed by TDH staff. The training

function has only been fully staffed for a little more than a year. During the past six months, in addition to their training responsibilities trainers have been designing and writing new curriculum which will address the needs identified in the agency-wide assessment.

We agree that training needs and training plans which incorporate program level data associated with the new performance appraisal process would be beneficial. It will allow strategic department training plans to be better aligned with program and/or operational training needs.

We are addressing the need to track the costs of internal and external training through the REGISTRAR software program. This program will also serve to monitor alignment between training needs and training offered.

The Office of Organizational Development, established in June 1995, will serve as a central point for monitoring and control of training activities and plan implementation. As more training programs are written by in-house staff, we will be able to accurately compare the cost effectiveness of internal versus external courses.

The regions and hospitals may benefit from having a trainer on staff. However, with the current FTE cap and funding limitations, Regions and Hospitals would have to establish the creation of a trainer position as a staffing priority. Once priority was established, Regions and Hospitals would have to reclassify an existing position or create a new position which, under current policy, would require the deletion of an existing position.

The evaluation of trainees, learning and utilization of training is a is a high priority for the upcoming year.

Section 5: REVENUES, CASH RECEIPTS, AND ACCOUNTS RECEIVABLE

Revenue Identification and Collection Need Some Improvements

Controls over revenue provide reasonable assurance that all potential sources of revenues are identified and collected. However, the following areas need improvement.

Section 5-A:
Better Procedures for Collecting Medicaid Administrative Costs Are Needed

The Department has not started claiming Medicaid reimbursements for administrative case management activities (outreach and referral) pending federal approval of the cost allocation plan methodology submitted by the Health and Human Services Commission. Department appropriations for 1994 and 1995 were reduced by $3 million in anticipation of reimbursement for case management activities in the Chronically Ill and Disabled Children (CIDC) program.

Based on an agreement with the Federal Government, claiming the case management expenditures for fiscal years 1994 and 1995 depends on the Department having done appropriate time studies to account for these activities. Information provided during the audit indicates that the Department may not have adequate information on these activities to retroactively claim costs for fiscal years 1994 and 1995. Also, although the Department is expected to start filing claims for the quarter ended December 1995, the Medicaid Administrative Cost Claiming section of the Revenue and Fund Analysis division is unstaffed at this time. This section is budgeted for four full-time employees.

Recommendation:

The Department should take appropriate actions to claim Medicaid reimbursement for eligible case management activities. This includes completing appropriate time studies and, upon receiving approval for the cost allocation plan methodology, filling approved staff positions to work on this project.

Management's Response:

It should be noted that the Department has been the leader on this major initiative. However, Medicaid reimbursement for administrative case management has not yet been approved by the Health Care Financing Administration. When the Department receives federal approval, we will immediately fill the budgeted positions and claim costs for Medicaid administrative reimbursement.

Section 5-B:
Ensure Timely Deposit of Cash Receipts and Notification to Program Areas

The Department is not depositing all cash receipts received in the central mail room within three business days as required by § 404.001 of the Government Code. Missing and incomplete records made it difficult to estimate the amount of depository interest lost because of late deposits. Based on available records, in fiscal year 1995, the Department failed to earn at least $97,000 in depository interest.

Other problems noted in the central mail room cash receiving function include the following:

- Checks are not being restrictively endorsed until received in the Fiscal division.
- Unopened cash receipt envelopes are sent to the Laboratory, thereby avoiding cash receiving controls.
- Some mail room cash receipt logs are incomplete or missing.

In addition to failing to maximize interest earnings, cash receipt information is not always communicated to permit, license, and fee programs in order for the staff to carry out responsibilities in a timely manner. This delay is caused by inefficient control procedures in place in the mail room and the Fiscal division. For example, both the mail room and the Fiscal division list and total cash receipts items, but the results of these procedures are not reconciled by staff who are not involved in initial cash receiving functions. These procedures are taking valuable time but adding little value to the controls.

The Department uses a lock box cash receipt process extensively for fee collections. The Department reports a satisfactory turnaround time from postmark to deposit of fees and is trying to expand the use of the lock box cash receipt process through the State Treasury.

Recommendations:

The Department should provide bar coded remittance envelopes with unique post office box addresses for license or permit renewals. This will speed the identification of cash receipt mail.

- Consider putting a cash receiving function under the supervision of the Fiscal division in the locked room located in the mail room area. This would replace the mail room cash receiving functions of opening cash receipt mail and logging the receipts. All cash receipts which come in to the mail room should be directed to the fiscal cash receiving room, opened, restrictively endorsed, and processed for deposit. Cash receipts should no longer be forwarded to a program area for processing.
- The Department should continue the effort to expand the lock box cash receipt process to include all license, fee, and permit collections where feasible. This will reduce the mail room workload.

Management's Response:

Management had identified the remittance processing areas as an area that needed improvement prior to the beginning of the audit engagement. TDH appointed a process improvement team to look at ways to improve remittance processing. Based on their report, a workgroup is implementing a strategy that includes:
- *A separate Post Office box for remittances.*
- *Bar-coded remittance envelopes which identify the type of remittance.*
- *A cash receiving function under the supervision of the Fiscal Division, and*
- *Moving more remittance activity to scanable coupons processed through lock box functions at the State Treasury.*

Section 5-C:

More Central Fiscal Office Oversight Is Needed for Billing and Collecting License, Fee, and Permit Revenues

Currently, there is little oversight by the central fiscal office for billing, collections, and accounts receivable functions for license, fees, and permit programs. The individual programs maintain control procedures for billing, reconciling collections, and accounts receivable.

Program areas are responsible for recording, maintaining, collecting, and writing off uncollectible accounts receivable. For example, the Laboratory prepares billings, receives collections, and decides when to write off uncollectible accounts receivable without any approval or oversight from the Fiscal division. Although there appears to be adequate separation of responsibility within the program, there is inadequate oversight of these functions by the Fiscal division, and accounts receivable are not reported in the annual financial report.

Also, the central accounting system and the monthly fee report prepared by the Fiscal division do not provide timely and adequate information for the license, fee, and permit programs to carry out their responsibilities. This has promoted the need for secondary accounting information systems in order to have sufficient detail to manage the programs.

Without oversight, accounts receivable and collection policies may differ from program to program. Collection efforts could be weak without executive management's knowledge. As of July 27, 1995, the Laboratory reported $437,962 in accounts receivable. Of this amount, 18 percent, or $78,213, was reported by the Laboratory as over 90 days past due which may represent uncollectible accounts receivable.

Recommendation:

A system for central oversight of daily operations of billing and collections should be developed. A task force approach should be considered to study centralized billing and collections and to present recommendations in a report. This study should include consideration of an information system which would decrease the need for secondary accounting systems.

- Accounts receivable for all programs should be reviewed for collectibility and adjusted for uncollectibles.
- Accounts receivable balances for all programs should be reported in the Department's annual financial report.
- An annual fee summary report should be prepared using actual revenue and costs rather than projected figures. This would provide a better comparative report for management.

Currently, the Department assigns responsibility for fee billings to the departmental programs that generate the fees. Where cost effective, the Department will increase centralized oversight of fee billings. To lead this effort, the Department is developing a centralized billing system. Fee collections are already centralized. However, these too will be reviewed to strengthen oversight where appropriate.

The Department will report accounts receivable balances for all its programs beginning in the FY 1996 annual financial report.

We addressed the need to review revenue and expenditures for all fee programs by producing an annual fee study for projections and reporting fee expenditures in the Department's annual financial report. In addition, the department has scheduled review of Fee rates as required by HB-1 Rider 30 to ensure appropriate cost recovery. We will also prepare an annual fee summary report utilizing actual revenue and costs.

Section 6: CASH DISBURSEMENTS

Controls Over Cash Disbursements, Though Generally Sound, Need to Be Enhanced

Controls over cash disbursements provide reasonable assurance that cash is adequately controlled and protected. In addition, these controls provide reasonable assurance that, except for the costs of fee programs, expenditures are properly allocated. Controls over cash disbursements provide reasonable assurance that expenditures are:

- properly authorized
- for necessary goods and services actually received
- recorded on a timely basis, except for some indirect costs of fee funds
- reflect costs and obligations that are properly allocable to the fiscal year
- properly recognized, valued, classified, and described in the financial records and the annual financial report, except for some costs of fee funds

Cash disbursements procedures provide adequate segregation of duties with respect to requisition authorization, voucher and warrant preparation, warrant distribution, supervisory approval, recording/accounting, and reconciliation .

Even though controls over cash disbursements are adequate, improvements are needed.

AN AUDIT REPORT ON MANAGEMENT CONTROLS AT THE
TEXAS DEPARTMENT OF HEALTH

Section 6-A:
Paying More Vendors By Direct Deposit Will Save Money

In fiscal year 1995, the Vendor Drug Program incurred approximately $417,000 in interest payable to the Federal Government. This could have been reduced to approximately $82,000 if payments had been made by direct deposit. Direct deposit would also increase efficiency by reducing the paper handling related to processing and distributing warrants.

Currently, the Accounting Department processes and distributes 29,000 warrants per month. Approximately 30 percent of the warrants processed each month are Vendor Drug Program warrants. The Vendor Drug Program pays approximately 3,000 pharmacy claims each week: 2,000 by warrant and 1,000 by direct deposit. Also, the number of employees who process warrants has increased from four to seven in the last two years. This increase was in response to the increased volume of warrants due to the transfer of Medicaid programs and changes related to the implementation of Uniform Statewide Accounting System (USAS).

Using direct deposit for payments would significantly reduce the amount of interest payable to the Federal Government. The current system of paying by warrants causes the State to hold federal funds while the warrants are outstanding. The State must pay interest to the Federal Government for the period of time federal funds are held while the warrants are outstanding.

Because interest calculations are based in part on the period warrants are outstanding, the large number of Vendor Drug Program claims paid by warrant contributes significantly to the amount of interest expense attributable to the program. By using direct deposit, pharmacies would receive payments faster, and interest paid to the Federal Government would be significantly reduced.

Recommendation:

The Department should review all programs to determine the feasibility of making payments by direct deposit. Vendors should be encouraged or required to use direct deposit for routine recurring payments. The Department should consider establishing a policy that all Vendor Drug pharmacy claims be paid by direct deposit for routine recurring claims.

Management's Response:

We agree that vendors should be strongly encouraged to use direct deposit for routine recurring payments. We have considered but do not agree, however, with establishing a policy of requiring vendors to use direct deposit. Such a requirement could result in vendors having to incur additional costs relating to maintaining bank accounts which

could be seen as a method of preventing certain vendors from participating in the program. We believe that the more prudent approach is to work closely with the pharmacies in a non-mandatory manner.

While we agree that direct deposit should be used to the maximum extent feasible, it should be recognized that the interest payable to the federal government is offset with interest earned on the same federal funds in the hands of the State.

Section 6-B:
Costs of Fee Programs Should Be Properly Allocated

Currently, the Department does not allocate direct costs to fee programs based on time allocation data or other methodology which ensures fair and consistent allocation of costs to fee programs. A fee program is one where the Department provides a license, permit, or other service for a set fee. In fiscal year 1995, the Department reported $341 million in revenue for licenses, fees, and permits.

Instead of allocating costs based on time allocation data, administrative salaries and other costs which directly benefit multiple programs are generally charged to a single program. However, in some cases, administrative and support positions are reassigned to different budgets during the year to address the allocation of those costs. Nevertheless, costs as allocated may not properly reflect each program's fair share of direct administrative and support costs.

The legislative intent is for the Department to set fees to recover the cost of providing services to the extent feasible. Proper allocation of fee program costs is important because a number of the programs must meet statutory requirements regarding the percentage of costs that must be covered by the fees charged. Therefore, accurate cost information is critical in setting fee rates and in determining compliance with cost recovery requirements.

Improper allocation of direct expenditures also affects the allocation of indirect costs because indirect costs are allocated based on a percentage of direct expenditures. Programs which are overcharged for direct expenditures will bear a disproportionately higher share of indirect costs. Conversely, fee programs which are undercharged for their share of direct expenditures will also be undercharged for their share of indirect costs.

Recommendations:

Improve the cost accounting methodology and process for the fee programs. This should include using a consistent methodology which fairly allocates costs to all fee programs on a timely basis.

Management's Response:

We agree that the Department should have a specific documented method of cost accounting for fee programs. The Revenue and Fund Analysis Division will institute a cost accounting methodology for fee programs and will provide training to appropriate staff in programs to ensure consistent, equitable, and timely distribution of costs.

Section 7: POLICIES AND PROCEDURES

Processes Used to Develop, Communicate, Coordinate, and Revise Operational Policies and Procedures Need Further Refinement

Controls over operational or administrative policies and procedures provide reasonable assurance that Department staff have the managerial direction they need to conduct agency operations. However, improvements are needed in the processes used to develop, communicate, review, and revise such policies and procedures.

Section 7-A:

Policy Development Process Needs Better Coordination and Oversight

No single unit oversees development and review of operational policy and procedure. A Bureau of Health Data and Policy Analysis exists, but its primary function is the development and distribution of public health data and policy, not the coordination and oversight of operational policy or procedure. To some extent, senior management coordinates authority and responsibility for policies and procedures, but this part of the process is undocumented and not systematic. An informal process also exists under which policy potentially affecting multiple parts of the agency is put out for internal comment. However, no policy exists requiring such action, specifying when it should happen, or specifying to what organizational level requests for comment must go.

As a result, operational policy and procedure are developed throughout the Department, but overall coordination of this effort through a formal process, organizational unit, or cross-functional entity is lacking. Among the effects of these circumstances are that:

- Goals, objectives, and strategies for the policy and procedure development function are unclear.
- No formal process exists to determine policy needs and the relative priorities of policy development activity.
- Policies can be developed and implemented before senior management is aware of them, particularly if they do not affect multiple program areas.
- Changes can occur without broad input, assessment of staff support, or adequate justification for the policy.

- Mission statements on which policies are based can arise in any operational area, but the relationship of such missions to one another or to the Strategic Plan may not be fully assessed.
- The adequacy of policies and procedures can vary widely.
- Absence of policies and procedures encourages redundant training.
- Policies and procedures can go for years without review and appropriate revision.

Recommendation:

Establish or designate an organizational unit which has responsibility for coordinating operational policy. This unit would be responsible for documenting policy development procedures which would clarify by whom and how what types of policy and procedure are written, reviewed, documented, implemented, coordinated, monitored, and revised.

Management's Response:

Management believes that TDH's current methodology for the development, coordination and oversight of policy is effective. The establishment of a single organizational unit to develop and oversee all operational policy would be expensive and could delay policy development and implementation. Given the scarcity of resources and the legislative cap on FTEs, we do not feel it would be appropriate to implement the Auditor's recommendation at this time.

Section 7-B:
More Consistency in Communication of Policies and Procedures Is Needed

Information included in the automated Administrative Policies and Procedures Manual does not include the human resources policies and procedures. While policy communications within programs appear sound, communication of policies is not well coordinated across organizational lines. This may create an environment that promotes or allows inconsistency in policy interpretation and implementation. The following problems exist with access to and communication of policy and procedure:

- Access to electronic or hard copy versions of policies and procedures is not uniform, particularly in the regions, and hard copies of policy information are not always up-to-date. In some areas of the agency, the means to communicate policy information have yet to be developed.
- Policy communications are not always timely or complete or may lack adequate input, particularly from the regional perspective.
- Implementation status can be hard to assess.
- Policies are, at times, unclear in their wording or intent.

Recommendation:

- Add the human resources policies and procedures to the automated Administrative Policies and Procedures Manual.
- Maintain at least one current hard copy of the Administrative Policies and Procedures Manual in the Central Office and in each regional office. Notify staff of the location and include the notification in new employee orientation information packet.
- Enhance the automated system to include references for further information on specific policies. Consider developing a subject-based index and provide cross referencing to other relevant information either within the system or in other locations.

Management's Response:

Management had previously identified the need to automate the human resources policy manual and we have begun work on that process. We do not see the benefit to including it with the current automated Administrative Policy and Procedures Manual. The two manuals are developed and amended through different processes. In the past year, we have utilized a seven member committee of program, region, hospital and administrative staff to review each proposed or amended administrative policy for clarity and impact. We believe this process has greatly improved our policy and procedure development. The human resource policies are initially drafted by Human Resources staff, then reviewed by a user group which is comprised of program staff from throughout the agency. Regional human resource staff are also sent copies of draft policies. Final drafts are then reviewed by the Office of General Counsel and Office of Civil Rights.

We disagree that at least one current hard copy of the Administrative Policy and Procedures Manual should be maintained in the central office and in each regional office. TDH's intent in automating the manual was to assure availability of properly updated policies, provide quick and easy access to all TDH staff and save on paper. We believe in that philosophy and do not see the need to maintain hard copies of the manuals once they have been automated. If a hard copy of a specific policy is needed by an employee, it is available for printing from the current automated system. Each region will review their process for assuring notification to each employee of policy changes and assuring access to the automated manuals.

We concur in the recommendation to enhance the automated system to include a subject-based index and cross referencing.

Performance Management Needs Improvement to Provide Meaningful Information on Achievement of Goals

Controls are not providing reasonable assurance that progress toward objectives is routinely and accurately measured, that programs are evaluated to determine whether the program is appropriate to meet the needs of the people, and that the quality of the services delivered is evaluated.

Section 8-A:
Complete the Program Evaluation Portion of the Budget Process

The proposed program evaluation portion of the budget cycle has not been developed. In 1992, a budget process task force developed and recommended a plan and process for preparation of the annual budget and the biennial appropriations request which incorporates a connection to the strategic planning process. The process included a step for program evaluation. This section was to be completed at a later time. The Department has indicated that the program evaluation section will include performance measure information in quarterly reports on measures submitted to the Legislative Budget Board and the Governor's Office of Budget and Planning. Recently, improvements have been made to the quality of performance measure information being reported by the Department.

Although other components of the program evaluation section have not yet been defined, the Department has recognized the need to have a system in place to measure the effectiveness of programs. This includes setting program objectives, measuring the progress toward those objectives, and comparing actual achievement against what is intended. Without an adequate system to evaluate performance, management does not get feedback on the adequacy and effectiveness of current program operations so that improvements and corrections can be made.

Recommendation:

The Department should complete the program evaluation section of the budget process. Consideration should be given to how the program evaluation information will be used to make adjustments to programs and budgets.

Management's Response:

The Department has set goals and objectives for all strategies and has developed systems to accumulate quantitative data to measure performance against the objectives. We agree that the process of actually comparing goals to accomplishments needs to be strengthened and will move forward with that process.

Section 8-B:
Ensure That Internal Audit Reviews Major Systems

According to the Internal Audit Annual Report for fiscal year 1994, it appears that internal audit resources were used for more special projects than was anticipated in the plan. By redirecting a significant amount of internal audit hours to special projects, the Department risks not having sufficient review of major systems as required by the Texas Internal Auditing Act. This act requires periodic audits of the agency's major systems and controls, including:

- accounting systems and controls
- administrative systems and controls
- electronic data processing systems and controls

While special projects may provide management with information on specific problem areas, they may not provide information needed to evaluate problems or weaknesses in major systems.

Recommendation:

The Department should ensure that major systems are reviewed periodically and that internal audit special projects do not prevent the reviews of major systems.

Management's Response:

While we do not agree with the inference that special projects and major system audits are mutually exclusive, we will ensure that special projects do not detract from internal audit activities.

Section 9: ORGANIZATIONAL STRUCTURE
Enhancement to Organizational Structure Is Needed to Promote Communication

Controls provide reasonable assurance that management has structured the agency to promote communication and accomplishment of the strategic plans. The Department reorganized in October 1993. The new organizational structure reflects the Department's strategic initiatives. Agency management is decentralizing authority to shorten the chain of command and provide more direct access to decision-making. However, improvement is needed in communication among the associateships.

While communication appears to flow *within* an associateship, there is a lack of communication *across* associateships. This lack of communication can hinder information sharing and promote inconsistent interpretations and implementation of policies. In an attempt to improve communication and coordination of activities

among Department associateships, bureau chiefs have had meetings periodically to discuss their concerns. Also, the associate commissioners meet with the deputy commissioners periodically.

Recommendation:

The Department should continue efforts to improve communications among associateships. Regular meetings for associate commissioners and bureau chiefs should be continued. Consider including the chiefs of staff in this type of meeting since they are responsible for many day-to-day functions.

Management's Responses:

The Department will continue efforts to improve communications among associateships and will consider including chiefs of staff in meetings as appropriate.

Section 10: FIXED ASSETS
Controls Over Fixed Assets Should Be Strengthened

The Department's controls over fixed assets provide reasonable assurance that fixed assets are economically purchased and used and adequately protected against waste and abuse. Although the system provides reasonable control, there are some areas where management can make improvements.

Section 10-A:
Increased Monitoring of Furniture and Equipment Is Needed

Currently, there is little monitoring or physical inspection by property management because of time constraints. Also, in the past fiscal year, the internal auditors have not been performing spot inventories during their visits to field offices. At this time, the main control over personal property is the annual inventory where the custodian is required to sign worksheets to acknowledge that items are on hand.

The Department has fixed assets assigned throughout the State in field offices and on loan or at use in local governmental offices. The Department reported approximately $107 million at August 31, 1995, in land, buildings, furniture and equipment, motor vehicles, and library books. The audit work focused on furniture and equipment, the largest component of total fixed assets at approximately $72 million per Department records. Spot physical inventories by property management personnel and internal auditors would provide a higher level of assurance that employees are complying with property policies and procedures.

Recommendation:

Property management should consider coordinating with internal audit to conduct spot inventories as part of a planned audits in regions.

Management's Response:

Management will consider having property management coordinate with Internal Audit to conduct spot inventories as a part of planned audits in the Regions.

Section 10-B:
Put Inventory Tags on All Furniture and Equipment Before Distributing

Currently, inventory tags are not being attached to all furniture and equipment before placing into use. Of the 18 items physically observed, seven, or 39 percent, of the items tested did not have inventory tags that could be located. Some items are shipped directly to Department offices, and the tags are not being attached as the items arrive at field offices. Inventory tags are important because they identify the asset as property of the Department and are used in the annual inventory process.

The Department's property management is implementing a bar code system to help identify and track personal property. Inventory tags will have a bar code and inventory number on them. Bar code readers will be used to take inventories of property. Information from the bar code readers will be fed into the Department's inventory system. The system will generate exception reports showing items not located and "extra" items by location. The bar code system should improve the efficiency and the effectiveness of the annual inventory process.

Recommendation:

Property management needs to emphasize the importance of attaching property tags before items are put into use. Spot inventories by property management and internal audit would remind staff of the importance of tagging items.

Management's Response:

Management does not believe in the Auditor's findings from a limited sample of 18 items is an accurate reflection of the Agency's inventory of over 30,000 fixed assets. However, the Property Management office will emphasize the requirement of attaching property tags by:
* *Developing CAST notice announcements, and*
* *Strengthening the language in TDH operating Procedure 1252.*

Additionally, it should be noted our current conversion process to a bar-coded inventory system will ensure all assets are appropriately tagged. We concur with the Auditor's conclusion that the bar code system will improve the efficiency and effectiveness of the annual inventory process.

Internal audit will undertake the recommended spot inventories in connection with any planned audits of property management systems.

Auditor's Follow-up Comment:

We did not make a statistical projection to the total population based on our sample of 18 items. Our conclusion concerning inventory tags not being attached to all furniture is based on a review of policies and procedures in addition to the observation of 18 items.

Section 11: INVENTORIES

Some Enhancement Is Needed For Pharmacy Inventory Control

The Department's controls over consumable and pharmacy inventories provide reasonable assurance that inventories are economically purchased and protected against waste and abuse. The Department should improve the reporting system for pharmacy inventory.

The pharmacy inventory data base does not provide management with accurate inventory counts as of a certain date for inventory held in the regions. This is because the regional clinics do not have access to the automated inventory data base and send in manual inventory updates. These updates are not all as of the same date. The lack of consistency in the information limits management's ability to monitor pharmaceutical inventories on a timely basis. The Department reported approximately $5 million in pharmaceutical inventories at August 31, 1994. This figure did not include inventories held in the regions. Although the Department has considered various systems to improve the accountability for pharmaceutical inventories, they have not implemented one.

Recommendations:

- With due consideration to priorities for automation resources, the Department should implement an automated system which provides more accountability for pharmaceutical inventories.
- Inventory held in the regions should be reported in the Department's annual financial reports.

Management's Response:

We have been searching for a new commercially available automated inventory system for the past year. A modern system is needed to replace the current mainframe application, which will allow electronic communication with the clinics operated by the eleven Public Health Regions and the 68 participating Local Health Departments. We have documented the complete existing Pharmacy work flow process and intend to submit a request for proposal (RFP) by April, 1996 to solicit bids from contractors to develop a new system.

The Division's intent is to implement a modern object-oriented client/server Pharmacy Inventory System which will link the Central Office Warehouse, Public Health Regional storage, Local Health Department clinics, local contractors, and private physicians' offices (EPSDT) using personal computers, telephone modems and the TDH wide area network to accurately report all Department pharmaceutical inventories.

Management's Response

Texas Department of Health

David R. Smith, M.D.
Commissioner

Carol S. Daniels
Deputy Commissioner for Programs

Roy L. Hogan
Deputy Commissioner for Administration

1100 West 49th Street
Austin, Texas 78756-3199
(512) 458-7111

January 12, 1996

Mr. Lawrence F. Alwin, CPA
State Auditor
P. O. Box 12067
Austin, Texas 78701

Dear Mr. Alwin:

On January 4, 1996 your office provided us a draft report entitled *An Audit Report on Management Controls at The Texas Department of Health* and requested that we review and provide written comments on the report.

First, I want to express my appreciation to you and your staff for the time and commitment to an audit of this scope. As you know, this is the first time TDH has experienced an audit of this nature by the State Auditor's Office. We have found your independent review to be both constructive and helpful in our continuing efforts to enhance the quality of management of TDH programs.

We would appreciate the inclusion of our specific comments in the report's Executive Summary as follows:

> In general, TDH is in agreement with the findings and recommendations in the report. While the report makes several recommendations to enhance controls in TDH operations, it does not disclose any significant weaknesses and it recognizes that "controls provide reasonable assurance" in almost all areas.

> We welcome the helpful recommendations in 23 areas of operations. Because of TDH's commitment to the improvement of systems, controls, and processes through the application and implementation of Total Quality Management principles, many of the conditions described in the report had already been identified and were being addressed.

Mr. Lawrence F. Alwin, CPA
Page 2
January 12, 1996

We have attached our comments on each section and subsection in the report. The comments are identified with the relevant report section to simplify inclusion at the conclusion of each section.

Let me express again the appreciation of myself, the Board, and staff for the professionalism reflected in this audit report. We appreciate the opportunity to submit these comments and look forward to receiving a copy of your final report. If I can be of any further assistance, please feel free to call upon me at 458-7375.

Sincerely,

David R. Smith M.D.
Commissioner of Health

Appendix 1:
Objective, Scope, and Methodology

Objective

The audit objective was to evaluate the existing management control systems at the Texas Department of Health and to identify both strengths and opportunities for improvement. Control systems were evaluated to determine whether they are providing reasonable assurance that Department objectives will be accomplished. Control systems in place as of September 1995 were evaluated.

Management controls are the processes, policies, and procedures used to carry out an organization's objectives. They should provide reasonable assurance that:

- Goals are met.
- Assets are safeguarded and efficiently used.
- Reliable data are reported.
- Compliance with laws and regulations occurs.

Evaluation of the management controls at the Texas Department of Health addressed the following questions:

- Do fiscal and budgeting controls provide reasonable assurance that resources are allocated and managed to promote operating efficiency and effectiveness and to align with legislative intent?
- Do information management controls provide reasonable assurance that appropriate information is available, timely, accurate, and protected?
- Do human resource management controls promote both compliance with laws and regulations and the efficient use of a significant resource of the Department?
- Does the Department's organizational structure group and assign authority and responsibility to promote an efficient operation?
- Does the performance management control system provide reasonable assurance that both progress toward objectives and the quality of products and services are routinely and accurately measured and that such information is used to improve performance?

Scope

The scope of this audit included consideration of the Department's overall management control systems: policy management, information management, resource management, and performance management.

Consideration of the Department's policy management system included a review of:

- processes used to create, monitor, and adjust Department plans
- documents for strategic, operating, and work plans

- Department Requests for Legislative Appropriations, General Appropriations, and Operating Budgets
- processes, controls, and reports used to plan, create, administer, control, monitor, report on, and adjust Department budgets
- relationships between the Department's Strategic Plan, budget, and accounting system
- processes used to develop, document, communicate, review, and revise policies and procedures
- compliance with legislation applicable to budget and human resource management processes
- processes used to determine and implement changes to the organizational structure

Consideration of the Department's information management system included a review of:

- processes used to develop, secure, access, process, manage, control, and distribute automated information
- processes used to identify and meet automated information needs
- the availability, timeliness, accuracy, management, and communication of information needed to support Department mission, goals, and objectives

Consideration of the Department's resource management system included a review of:

- adequacy, accuracy, and timeliness of information from the accounting system
- controls over USAS, cash disbursements, and expenditures
- controls over revenue identification and collection
- procedures for direct and indirect cost allocation to fee programs
- controls over accounts receivable for license, fee, and permit programs
- controls over pharmacy and consumables inventories
- processes, controls, and reports relating to recruiting, selecting, training, compensating, evaluating, and maintaining appropriate relations between employees
- processes and procedures for contracting for client services
- processes used to provide assurance that fixed assets are economically purchased and used and adequately protected against waste and abuse

Consideration of the Department's performance management system included a review of:

- processes and reports used to identify, track, and use performance measures
- processes used to evaluate programs and to ensure quality products and services

Methodology

The audit methodology consisted of first gaining an understanding of how each process or control system was supposed to work. Evidence was then gathered and procedures and tests were performed to determine if the control systems were operating as described. Finally, the results of this analysis were evaluated against established criteria to determine system adequacy and to identify opportunities for improvement.

An understanding of the control system was gained primarily through review of various Department documents, written questionnaires, and surveys and interviews with Department personnel. System testing was done by comparing described and actual processes. This was accomplished through document analysis, process and resource observation, flow charts, trend analysis, comparative analysis, frequency analysis, statistical tests, and interviews with staff.

The following criteria were used to evaluate the control systems:

- State and federal statutes, regulations, and rules
- General Accounting Office publication *Assessing Internal Controls in Performance Audits*
- General and specific criteria developed by the State Auditor's Office Inventory of Accountability Systems Project
- State Auditor's Office Project Manual System
- Department plans, policies, and procedures
- Other standards and criteria developed through secondary research sources both prior to and during audit fieldwork (see reference list in Appendix 3)

Other Information

Fieldwork was conducted from May 1995 through October 1995. The audit was conducted in accordance with applicable professional standards, including:

- Generally Accepted Government Auditing Standards
- Generally Accepted Auditing Standards

No significant instances of noncompliance with these standards occurred.

The audit work was performed by the following members of the State Auditor's staff:

- Leslie P. Ashton, CPA (Project Manager)
- T. Gwen Holmes, CPA
- Patricia E. Perry-Williams, CISA
- Bill R. Ramsey, MBA
- Beverly J. Schulke, CPA
- Bruce E. Truitt, MPA
- Dorothy J. Turner, CPA
- Paul H. Hagen, CPA (Audit Manager)
- Deborah L. Kerr, Ph.D. (Audit Director)

Background Information

Appendix 2.1:
Department Profile

Philosophy and Mission

The Department's philosophy is to "commit, through personal and organizational excellence, to be an agent of change dedicated to achieving a healthier Texas." The Department's mission is "to protect and promote the health of the people of this state." In keeping with this mission, each program or activity conducted by the Department will strive to obtain the most up-to-date information possible about public health conditions, to direct its human and financial resources toward the areas where improvements in public health are needed, and to make every effort to ensure that the people of Texas receive the vital information and services needed to maintain and improve the health of the public."

Background

The Texas Department of Health operates with strategic principles for planning and budgeting: health care reform, volunteerism, Medicaid as a mechanism for social good, and emphasizing its role in community health. The Department has implemented a goal to improve access to health care services by increasing the range and scope of available Medicaid services and by providing a broad and flexible array of service providers for all geographic locales of Texas. This one goal encompasses $5.3 billion of the Department's $6.5 billion fiscal year 1996 budget. Other Department goals are to prevent disease and promote public health, assure quality health services, promote equitable access to health care, and coordinate the statewide public health system.

Organization

The policy-making body of the Department is a six-member Board of Health appointed by the Governor with the advice and consent of the Senate for overlapping six-year terms. A Commissioner of Health reports to this body and is the executive head of the agency. Three Deputy Commissioners report to the Commissioner of Health. Under a Deputy Commissioner for Programs are the following: a Bureau of State Health Data and Policy Analysis and five Associate Commissioners, one for each of Health Care Delivery, Disease Control and Prevention, Regional Administrative Services, Health Care Quality and Standards, and Environmental and Consumer Health. Under a Deputy Commissioner for Health Care Financing is the following: a Bureau of Purchased Health, a Bureau of Medical Appeals, a Bureau of Management Support, a Bureau of Managed Care, a Division of Kidney Health Care, and a Division of Vendor Drug. Under a Deputy Commissioner for Administration are the following: a Bureau of Financial Services and two Associate Commissioners, one for Information Resources and Management and the other for Human Resources and Support. These

Associate Commissionerships are further divided into various bureaus and divisions. The Department employs about 6,400 staff, roughly half of whom work outside Austin either in one of the agency's 11 Public Health Regions or at one of its two hospitals.

Appendix 2.2:
Organizational Chart

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Board of Health

Internal Audit

Commissioner

Office of General Counsel
Office of Civil Rights
Office of Intergovernmental Policy
Centers for Minority Health Initiatives &
Cultural Competency

Chief of Staff
Div. of Communication &
Special Health Initiatives
Office of the Board of Health

Deputy Commissioner for Programs

Bureau of State Health Data & Policy Analysis

Associate Commissioner for Health Care Delivery

Deputy Associate Commissioner

Bureau of Community Oriented Primary Care
Community Health Nursing

Bureau of Dental Health Services

Bureau of Nutrition Services
Financial Management Division
Local Agency & Vendor Management Division
Nutrition Education & Training Division

Bureau of Women & Children
Children's Health Division
Genetic Division
Women's Health Division
EPSDT Division
PRISM Division
Support Division

Associate Commissioner for Disease Control & Prevention

Immunization Division

Bureau of Chronic Disease Prevention & Control
Cancer Registry Division
Chronic Disease Prevention Division
Office of Smoking & Health
Texas Diabetes Council
Breast & Cervical Cancer Program

Bureau of Communicable Disease Control
Infectious Disease Epidemiology & Surveillance Division
Tuberculosis Elimination Division
Zoonosis Control Division

Bureau of Epidemiology
Injury Prevention & Control
Noncummunicable Disease Epidemiology & Toxicology
Texas Birth Defects Monitoring

Bureau of HIV/STD Prevention
HIV/STD Epidemiology Division
HIV/STD Health Resources Division
Pharmacy Division

Bureau of Laboratories
Chemical Service Division
Microbiological Division
Support Services Division

Office of Regional Administrative Services

Public Health Regions

Texas Center for Infectious Disease (San Antonio State Chest Hospital)

South Texas Hospital

Associate Commissioner for Health Care Quality & Standards

Health Facility Compliance Division
Health Facility Licensing Division
Professional Licensing & Certification Division

Bureau of Emergency Management
Emergency Medical Services Division
Medical Standards on Motor Vehicle Operation

Bureau of Vital Statistics
Statistical Services Division
Request Processing Division
Vital Registration Division

Associate Commissioner for Environmental & Consumer Health

Bureau of Food & Drug Safety
Meat Safety Assurance Division
Milk & Dairy Products Division
Seafood Safety Division
Manufactured Foods Division
Retail Foods Division
Drugs & Medical Devices Division

Bureau of Environmental Health
Occupational Health Division
General Sanitation Division
Product Safety Program

Bureau of Radiation Control
Licensing, Registration, & Standards Division
Compliance & Inspection Division

Office of Border Health

Deputy Commissioner for Health Care Financing

Deputy Associate Commissioner

Division of Kidney Health Care
Division of Vendor Drug

Bureau of Managed Care

Bureau of Management Support
Program Surveillance Division
Budget Division

Bureau of Medical Appeals
Medical Services Division

Bureau of Purchased Health
Policy & Operations Division
Statistics & Analysis Division

Bureau of Financial Services
Budget Management Section
Fiscal Division
Grants Management Division
Revenue & Fund Analysis Division

Deputy Commissioner for Administration

Associate Commissioner for Information Resources Management
Bureau of Automated Data Services
ICES/WIC Automation Project

Associate Commissioner for Human Resources & Support
Bureau of Human Resources
Personnel Division

Bureau of Support Services
General Services Division
Materials Acquisition & Management Div.
Reprographics & Library Services Div.

New Laboratory/ Office Bldg. Project

Department Operating Budget--Fiscal Year 1996

Figure 1

1996 Budgeted Revenues
Total = $6,541,818,140

Fees (1.57%)
General Revenue (34.60%)
Federal Funds (63.68%)
Interagency Contracts (0.15%)

Figure 2

FY 1996 Budgeted Expenditures by Goal
Total = $6,541,818,140

Coordinated Health System (0.63%)
Promote Equitable Access (7.15%)
Administration (0.62%)
Prevention and Promotion (9.97%)
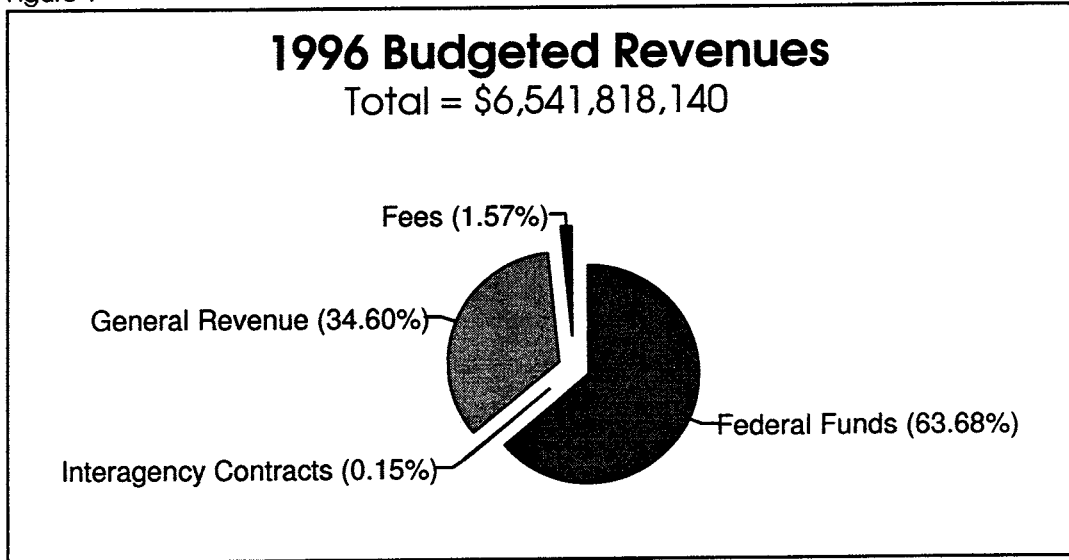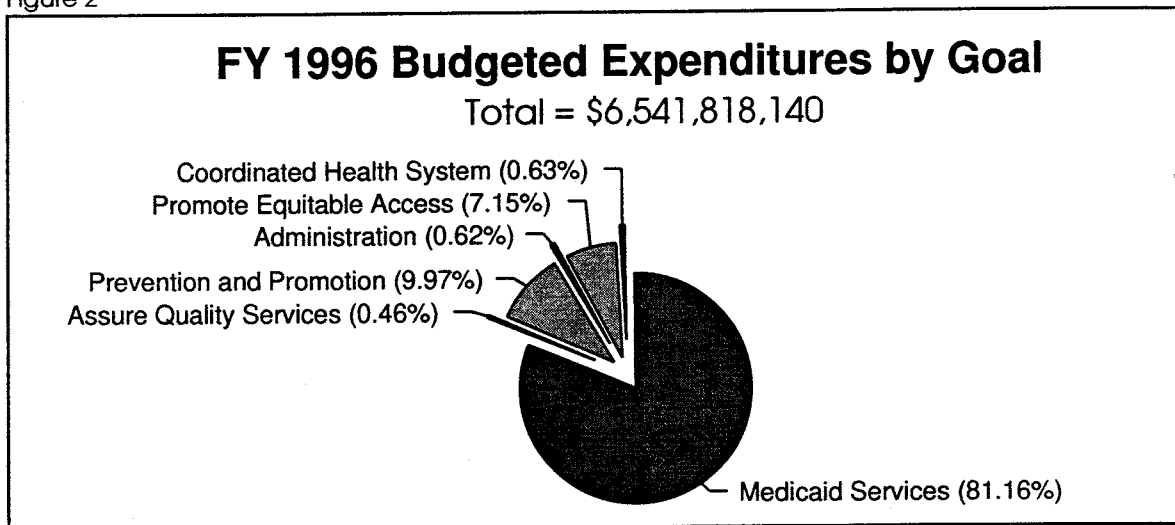Assure Quality Services (0.46%)
Medicaid Services (81.16%)

Appendix 3:

Reference List

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Representative Robert Junell, Chair, House Appropriations Committee
Representative Tom Craddick, Chair, House Ways and Means Committee

Governor of Texas

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Legislative Budget Board

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Texas Department of Health

Dr. David R. Smith, Commissioner