

City of Austin



**A Report to the
Austin City Council**

Mayor
Lee Leffingwell

Mayor Pro Tem
Sheryl Cole

Council Members
Chris Riley
Mike Martinez
Kathie Tovo
Laura Morrison
Bill Spelman

**Office of the
City Auditor**

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Kenneth J. Mory
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CIA, CGAP, CFE

AUDIT REPORT

Health and Human Services Department (HHSD) Contract Monitoring Follow-Up Audit

February 2014



REPORT SUMMARY

We found that HHSD management has implemented four of the five recommendations we selected for this follow-up. The remaining recommendation related to ensuring that contract monitoring is performed in accordance with applicable grant requirements and procedures for detecting and correcting double billing is partially implemented.

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GOVERNMENT AUDITING STANDARDS COMPLIANCE

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT TEAM

Hector Gonzales, CPA, CIA, Assistant City Auditor
Henry Katumwa, CGAP, CRMA, CICA, Auditor-in-Charge
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February 2014



Audit Report Highlights

Why We Did This Audit

This audit was conducted as part of the Office of the City Auditor's (OCA) FY 2014 Strategic Audit Plan.

What We Recommend

We did not issue any new recommendations for this audit.



For more information on this or any of our reports, email oca_auditor@austintexas.gov

HHSD CONTRACT MONITORING FOLLOW-UP AUDIT

Mayor and Council,

I am pleased to present this HHSD Contract Monitoring Follow-Up Audit.

BACKGROUND

This audit is a follow-up of three HHSD contract monitoring audits conducted between 2011 and 2012:

- Social Services Contract Monitoring Audit, issued in October 2011;
- HIV Grant Contract Monitoring Audit, issued in May 2012; and
- American Recovery and Reinvestment Act (ARRA) Grants Monitoring Audit, issued in August 2012.

A total of six recommendations were made to HHSD aimed at developing and implementing an effective contract monitoring system; implementing management system access controls; and ensuring timely renewals of contracts.

OBJECTIVE AND SCOPE

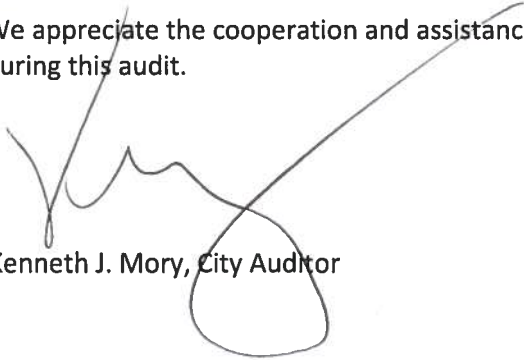
The objective of the audit was to confirm whether, and to what degree, HHSD management has implemented high-risk recommendations identified from prior audits.

The audit scope included five recommendations related to contract monitoring from the prior audits and actions taken by HHSD management from October 2011 to November 2013 to address the recommendations.

WHAT WE FOUND

We found that HHSD management has fully implemented four of the five recommendations we selected for this follow-up. The remaining recommendation related to ensuring that contract monitoring is performed in accordance with applicable grant requirements and procedures for detecting and correcting double billing is partially implemented.

We appreciate the cooperation and assistance we received from HHSD staff during this audit.



Kenneth J. Mory, City Auditor

BACKGROUND

The HHSD Contract Monitoring Follow-Up Audit was conducted as part of the Office of the City Auditor's (OCA) Fiscal Year (FY) 2014 Strategic Audit Plan, as presented to the City Council Audit and Finance Committee.

This audit is a follow-up of three HHSD contract monitoring audits conducted between 2011 and 2012:

- Social Services Contract Monitoring Audit, issued in October 2011;
- HIV Grant Contract Monitoring Audit, issued in May 2012; and
- American Recovery and Reinvestment Act (ARRA) Grants Monitoring Audit, issued in August 2012.

A total of six recommendations were made to HHSD management aimed at developing and implementing an effective contract monitoring system; implementing management system access controls; and ensuring timely renewals of contracts.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of the audit was to confirm whether, and to what degree, HHSD management has implemented high-risk recommendations identified from prior audits.

Scope

The audit scope included five recommendations related to contract monitoring from prior audits and actions taken by HHSD management from October 2011 to November 2013 to address the recommendations.

Methodology

To accomplish our audit objectives, we performed the following steps:

- selected five high-risk recommendations related to contract monitoring for testing;
- conducted interviews with HHSD and Law Department staff;
- obtained, reviewed, and analyzed applicable supporting documentation/information from HHSD management and staff relating to the implementation of the recommendations;
- performed testing to verify HHSD management's asserted changes in the Community TechKnowledge (CTK) system relating to system access, security, and data reliability; and
- evaluated risks related to fraud, waste, and abuse and information technology relevant to the audit objective.

AUDIT RESULTS

The three HHSD contract monitoring audits included six recommendations aimed at developing and implementing a comprehensive contract monitoring system; implementing management system access controls; and ensuring timely renewals of contracts. HHSD management concurred with all the six recommendations. HHSD management reported to the Controller's Office in 2012 and 2013 that it had implemented all the recommendations.

We selected five recommendations related to contract monitoring to review, and confirmed that four of the recommendations were implemented, while the remaining recommendation is partially implemented. Exhibit 1 shows a summary of the recommendations reviewed. See appendix B for the original recommendation wording.

EXHIBIT 1
Recommendations Implemented or Underway From Prior HHSD Audits

Audit	Original Recommendation	HHSD Reported Status	Verified Status
HIV Grant Contract Monitoring Audit, issued in May 2012	<ul style="list-style-type: none"> ▪ Ensure that contract monitoring is performed in accordance with applicable grant requirements ▪ Implement procedures to detect and correct double billing 	Implemented	Partially Implemented
HIV Grant Contract Monitoring Audit, issued in May 2012	<ul style="list-style-type: none"> ▪ Develop policies and procedures for reviewing accuracy of data in systems ▪ Segregate duties for entering and reviewing contractor data 	Implemented	Implemented
Social Services Contract Monitoring Audit, issued in October 2011	Create a complete contract monitoring system	Implemented	Implemented
Social Services Contract Monitoring Audit, issued in October 2011	Ensure that parameters regarding management system access, security, and data reliability comply with industry best practice	Implemented	Implemented
ARRA Grants Monitoring Audit, issued in August 2012	Determine if self-reporting to the granting Federal Agency, the auditor's exceptions related to the ARRA-funded Homeless Prevention and Rapid Re-Housing Program (HPRP) and Community Services Block Grant (CSBG) programs is required	Implemented	Implemented

SOURCE: OCA Analysis of Original Recommendations, January 2014

Finding 1: The HHSD has implemented four of the five recommendations that we reviewed from the original audits.

Based on our work, we determined that HHSD management developed and implemented department-wide contract monitoring policies and procedures. The adopted policies and procedures were communicated to HHSD contract compliance staff and the contractors/agencies through formal trainings.

In addition, HHSD management conducted an analysis of its organizational structure, which resulted in the creation of a new Contract Compliance Unit (CCU). The main responsibility for the unit is to ensure that contract monitoring is performed in accordance with grant requirements. The unit has one of its staff dedicated solely to monitor Human Immunodeficiency Virus (HIV) contracts.

Further, HHSD management implemented some Aids Regional Information and Evaluation System (ARIES) data quality procedures, which include the process for reviewing and entering contractor data in the system. In addition, management updated the relevant system data entry policies and procedures to ensure that duties for entering and reviewing data in the system are segregated.

Finally, HHSD management obtained an opinion from City of Austin Law Department regarding whether HHSD must self-report the findings of noncompliance noted in the August 2012 American Recovery and Reinvestment Act Grants Monitoring Audit to HUD. The finding was related to the ARRA-funded HPRP program. Based on a letter from the City Law Department staff, it was determined that self-reporting findings of noncompliance was not required.

Finding 2: Based on our work, we determined that one recommendation, related to ensuring that contract monitoring is performed in accordance with applicable grant requirements and procedures for detecting and correcting double billing, is partially implemented.

HHSD management reported to the Controller's Office that they had implemented the recommendation. However, during this audit we determined that the recommendation is partially implemented.

We found that HHSD management:

- implemented department-wide policies and procedures for contract monitoring,
- created a Contract Compliance Unit with the responsibility to ensure that contract monitoring is performed,
- identified an HHSD staff dedicated solely to monitor HIV contracts in compliance with grant requirements, and
- trained contract compliance personnel and contracts/service providers on the new HHSD contract monitoring policies and procedures.

However, based on our review, HHSD performed annual on-site visit reviews on only six of the eight contractors during the grant period from February 2012 through March 30, 2013. Ryan White HIV grants require grantees to perform annual on-site reviews for all contractors. HHSD management communicated their inability to perform all required annual on-site visit reviews to the grantor. Subsequently, HHSD management conducted the onsite monitoring reviews for the two remaining contractors during July 2013 and September 2013, respectively. For the current grant year, March

30, 2013 through February 28, 2014, HHSD was not required to perform the annual on-site reviews because they obtained a waiver from the annual on-site monitoring requirement from the grantor.

In addition, we found that whereas HHSD has developed a policy for detecting and correcting instances of double billing, at the time of this audit the policy, is still in draft form and HHSD management does not have an effective methodology to ensure that all transactions are tested for double billing. For example, HHSD staff's process used to identify double billing/duplicate records is used for only a subset of the transactions. Records for services that might have "legitimate" duplicates are not tested for double billing. Examples include records for services that fall under one or more of the following categories:

- Housing Opportunities for People With HIV/AIDS (HOPWA) program
- State Services Insurance program
- CARE-HIP program
- AIDS Pharmaceutical Assistance (local), both medical and non-medical case management services
- Transportation services
- Laboratory services
- Medications non-APA

MANAGEMENT RESPONSE



Austin/Travis County Health and Human Services Department



Office of Director
P.O. Box 1088
Austin, Texas 78767
(512) 972-5010

Memorandum

TO: Office of the City Auditor

FROM: Carlos Rivera, Director
Health and Human Services Department

DATE: January 29, 2014

SUBJECT: Health and Human Services response to the Contract Monitoring Follow-Up Audit

I have reviewed the City Auditor's Contract Monitoring Follow-Up Audit report and would like to respond.

The Health and Human Services Department (HHSD) has worked diligently to improve our contract monitoring system. In November 2011, we implemented a Contract Compliance Unit (CCU) and developed a Contract Compliance Manual. We ensured that all staff and subcontractors were trained on the new policies and procedures. Since that time, HHSD has updated the manual annually and conducted training with all Contract Management staff. In addition, the majority of HHSD Contract Managers and their Managers have completed the City of Austin's Contract Administration training. The Department has been acknowledged by the Purchasing office for their timely implementation of the Contract Management and Compliance policies and procedures.

In regard to the annual on-site visits for Ryan White HIV grants, the full-time employee dedicated to HIV grant monitoring began employment with the Department early in 2012. Due to the time needed for the new employee to become familiar with Health Resources and Services Administration (HRSA) monitoring standards, HHSD determined we would be unable to complete 100 percent monitoring during the 2012 grant year. In November of 2012, HHSD requested a waiver. The waiver was received April 10, 2013, to be effective March 1, 2013, per Ryan White administrators.

Since HHSD has a commitment to effective contract monitoring, a risk assessment of Ryan White contracts was conducted to ensure the highest risk contracts had the most rigorous monitoring. HHSD continues the practice of requiring contract managers to conduct administrative, financial, performance and technical assistance desk reviews on each contract to ensure some level of monitoring for all contracts. During the 2013 grant year, four on-site reviews have been conducted. HHSD is confident full monitoring of all contractors will be completed in subsequent years.

APPENDIX A

In regard to the procedures to detect and correct double billing, we completed a draft policy for detecting and correcting double billing. HHSD is currently reviewing the services units. We held a meeting with the Department's Internal Auditor to explore options for software to detect occurrences of double billing. We also received feedback from the subcontractors on the draft policy. At this time, we have decided to move from unit cost reimbursement to reimbursement contracts. Effective April 1, 2013, social services contracts are required to have back-up documentation with all payment requests. Ryan White contracts are also subject to this requirement. Since contract managers are required to conduct desk reviews, staff will be able to determine if agencies are non-compliant with contract terms and conditions. In addition, staff will conduct annual on-site visits that will review program, administrative and fiscal contract requirements. During the program review, staff will ensure agencies are providing services to unduplicated clients per contract requirements.

We would like to thank the City Auditor for their review, as HHSD continuously looks for ways to improve our processes.

If you have any questions or concerns please feel free to contact me at 512- 972-5010.

Sincerely,



Carlos Rivera, MPH, MBA, LCSW, FACHE
Director
Austin/Travis County Health and Human Services Department
P.O. Box 1088
Austin, Texas 78767

cc: Stephanie Y. Hayden, HHSD Assistant Director, Community Services Division
Kymberley Maddox, HHSD Chief Administrative Officer
Rosamaria Murillo, HHSD Assistant Director, Maternal Child and Adolescent Division
Greg Bolds, HHSD Manager, HIV Resources Administration Unit
Ron Hubbard, Acting HHSD Manager, Family Health Unit
Robert Kingham, HHSD Manager, Community Base Resources Unit
Laura Diaz, HHSD Internal Auditor

Reported and Verified Status of Original Recommendations

Audit	Original Recommendation	Reported Status	OCA Verified Status
<p>HIV Grant Contract Monitoring Audit – Rec # 1</p>	<p>The HHSD Director should:</p> <p>Ensure that contract monitoring is performed in accordance with applicable grant requirements.</p> <p>Implement procedures to ensure that double billing is detected and corrected, and monitoring is performed to ensure compliance with key contract terms.</p>	<p>Implemented</p>	<p>Partially Implemented</p>
<p>HIV Grant Contract Monitoring Audit – Rec # 2</p>	<p>The HHSD Director should enhance its processes to ensure contract renewals are executed timely and prevent operating without an enforceable contract.</p>	<p>Implemented</p>	<p>Did not test</p>
<p>HIV Grant Contract Monitoring Audit – Rec # 3</p>	<p>The HHSD Director should ensure that:</p> <p>Monitoring policies and procedures include methodologies for reviewing accuracy of data in systems used to document support for services delivered and submission of payments.</p> <p>Duties for entering and reviewing contractor data are appropriately segregated.</p>	<p>Implemented</p>	<p>Implemented</p>
<p>Social Services Contract Monitoring Audit – Rec # 1</p>	<p>The HHSD Director should create a complete contract monitoring system that includes the following components:</p> <ul style="list-style-type: none"> ▪ Contract monitoring policies and procedures that comply with best practices, are formally adopted, and communicated to staff; ▪ contract monitoring is performed and documented in accordance with HHSD policies, procedures, and best practices; ▪ Review of organizational structure, job duties, and personnel within the contract monitoring function, in order to determine whether changes are needed to ensure objectivity and independence in performing contract monitoring roles and responsibilities; ▪ A formal, documented training program specific to training needs that is provided to staff. 	<p>Implemented</p>	<p>Implemented</p>

APPENDIX B

Audit	Original Recommendation	Reported Status	OCA Verified Status
Social Services Contract Monitoring Audit – Rec # 2	The HHSD Director should consider consulting with Communication and Technology Management and should ensure that parameters regarding management system access, security, and data reliability comply with industry best practice.	Implemented	Implemented
ARRA Grants Monitoring Audit – Rec # 1	HHSD should work with the City of Austin Law Department to determine if self-reporting to the granting Federal Agency, the auditor’s exceptions related to the ARRA-funded HPRP and CSBG programs is required.	Implemented	Implemented

SOURCE: OCA Analysis of Original Recommendations, January 2014