

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**

City Auditor
Kenneth J. Mory
CPA, CIA, CISA

Deputy City Auditor
Corrie E. Stokes
CIA, CGAP

AUDIT REPORT

HIV Grant Contract Monitoring Audit

May 2012



REPORT SUMMARY

The Health and Human Services Department's contract monitoring practices over HIV grant contracts do not provide assurance that services are delivered and funds are used in accordance with contractual agreements. We identified incidences of double billing, periods of time where HHSD operated without an enforceable contract, and non-compliance with grant requirements. In addition, data used by staff to make monitoring decisions are not always accurate and complete.

TABLE OF CONTENTS

BACKGROUND1

OBJECTIVES, SCOPE, AND METHODOLOGY.....1

AUDIT RESULTS.....2

Appendix A: Management Response6

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

Rachel Snell, Assistant City Auditor, CIA, CFE, CICA
Kathie Harrison, Auditor-in-Charge, CGAP, CFE, CICA
Patrick Johnson, Auditor, CICA
Naomi Marmell, Auditor, CGAP, CICA

Office of the City Auditor
Austin City Hall
phone: (512)974-2805
email: oca_auditor@austintexas.gov
website: <http://www.austintexas.gov/auditor>

Copies of our audit reports are available at <http://www.austintexas.gov/auditor/reports>



Printed on recycled paper
Alternate formats available upon request

May 2012



Audit Report Highlights

Why We Did This Audit

This audit was conducted as part of the Office of City Auditor's FY 2012 Strategic Audit Plan, as a result of contract monitoring deficiencies noted in a prior audit at HHSD.

What We Recommend

We recommend that HHSD conduct monitoring as required, execute grant contracts timely, and verify accuracy of information used to verify service delivery and payments.



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

HIV GRANT CONTRACT MONITORING AUDIT

Mayor and Council,

I am pleased to present this audit on HIV Grant Contract Monitoring at the City's Health and Human Services Department (HHSD).

BACKGROUND

The HHSD's HIV Resource Administration Unit monitors compliance with HIV grant contract terms and conditions. HHSD was responsible for eight active grant contracts (funded from both Federal and City revenues) from Fiscal Year 2009 through Fiscal Year 2011, which total approximately \$3.2 million. These grant funds are used to contract with vendors to provide services for HIV/AIDS medical-related care such as ambulatory/outpatient care, pharmaceutical assistance, mental health, substance abuse, housing, and hospice.

OBJECTIVE AND SCOPE

Our audit objectives were to determine whether HHSD HIV grant contracts are monitored for compliance with legal, regulatory, and contractual requirements, as well as to identify any control weaknesses with existing contract documents.

WHAT WE FOUND

Weaknesses in HHSD's HIV grant contract monitoring program included:

- lack of monitoring and inadequate management oversight,
- untimely contract renewals and operating without an enforceable contract, and
- incomplete and inaccurate information used for decision-making.

These weaknesses resulted in double billing and non-compliance with grant requirements.

We issued three recommendations to address weaknesses identified during the course of the audit.

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


Kenneth J. Mory, City Auditor

BACKGROUND

This project was included in the Fiscal Year (FY) 2012 Strategic Audit Plan as a result of contract monitoring weaknesses identified at the Health and Human Services Department (HHSD) in the Social Services Contract Monitoring Audit (AU11124) presented to Council's Audit and Finance Committee on October 2011.

The HIV Resource Administration Unit was responsible for monitoring eight HIV grant contracts between FY 2009 and FY 2011, totaling approximately \$3.2 million. We audited three of these eight grant contracts totaling \$1.4 million (44%). Contractors reviewed were Community Care-David Powell Health Center (David Powell), Austin-Travis County Integral Care (Integral Care), and AIDS Services of Austin. In addition to City funds, additional funding sources include U.S. Department of Health and Human Services Ryan White Parts A and C, and U.S. Department of Housing and Urban Development's Housing Opportunities for Persons with HIV/AIDS (HOPWA) Formula Program. These grant funds are used to contract with vendors to provide HIV/AIDS medical-related care such as ambulatory/outpatient care, pharmaceutical assistance, mental health, substance abuse treatment, housing, and hospice care.

The U.S. Department of Health and Human Services Health Resources and Services Administration requires the use of a quality management program that uses data and measurable outcomes for reporting. HHSD selected the ARIES computer system for tracking client data, service details, and agency and staff information. The Texas Department of State Health Services, in coordination with the Brazos Valley Council of Governments (BVCOG), manages all ARIES data, security, collection, validation, processing, and enforces reporting for the Central Texas Region.

OBJECTIVES, SCOPE, AND METHODOLOGY

This performance audit of Health and Human Services HIV Grant Contract Monitoring was conducted as part of the Office of the City Auditor's FY 2012 Strategic Audit Plan, as presented to the City Council Audit and Finance Committee.

Objectives

Our audit objective was to determine whether HHSD HIV grant contracts are monitored for compliance with legal, regulatory, and contractual requirements as well as to identify any control weaknesses with existing contract documents.

Scope

The audit focused on HIV grant contracts in effect during FY 2009 through FY 2011.

Methodology

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

- Interviewed key HHSD and contractor personnel
- Conducted onsite visits at contractor facilities
- Analyzed contract documentation and data generated from automated systems and other manual systems used by HHSD and contractors
- Evaluated applicable laws and policies and procedures
- Selected a risk-based judgmental sample of contracts for document review and/or site visits

AUDIT RESULTS

HHSD's monitoring practices over HIV grant contracts do not always provide assurance that contracted services are delivered and funds are used in accordance with contract terms and conditions.

The HIV Resource Unit did not perform contract monitoring as required by Federal grant requirements and internal HHSD policy, resulting in a failure to identify instances of double billing. In some cases, support documentation used to verify delivery of services was not maintained. We also found that grant contracts are not always executed timely, causing some contractors to provide services in good faith and another to not provide services until a contract is signed. Lastly, we found that information used to verify payment information and service delivery is not always accurate or complete.

Finding 1: Prior HHSD leadership directed staff to not perform contract monitoring duties, hindering HHSD's ability to provide assurance that services were provided or grant funds were used in accordance with contract terms.

The monitoring standards for Ryan White grants state that grantees should perform annual site reviews, including reviews of charts, reports, and financial records, and ensure that Ryan White is the payer of last resort. According to the Housing Opportunities for Persons with HIV/AIDS (HOPWA) Oversight Guide, departments should conduct remote and on-site monitoring, including financial reviews, proof of eligibility, policies and procedures, and other support documentation for services. Contract documents for David Powell and Integral Care state that the contractors must not use funds provided under this contract to pay for services covered by third party payers before seeking reimbursement from the City. In addition, the AIDS Services of Austin contract states that the contractor must refund the City for any amounts overpaid. To ensure compliance with these contract terms, HHSD's informal procedures compare ARIES reports across several months to detect double billing.

We found that HHSD did not monitor contracts in 2009 or 2010, and performed limited monitoring during 2011. Although we found no incidences of double billing at AIDS Services of Austin, we identified \$31,561 in double billing at David Powell, and approximately \$3,264 in double billing at Integral Care, for 2010-2011 contract amounts. In addition, we found that prior HHSD management:¹

- Directed staff not to conduct monitoring in 2009 and 2010 due to other priorities.
- Formalized some monitoring policies and procedures, but informal procedures were not documented, standardized, or implemented uniformly.
- Provided some training, but not specific to contract monitoring. Further, staff provided their own informal training related to changes in Federal grant requirements.

While HHSD reported having procedures to detect double-billing, we found these procedures to be ineffective. Staff is unable to detect instances of double billing using these procedures, and billing is not traced to all pertinent databases, only the ARIES system. These procedures have been applied to David Powell, but are not performed for all HIV contractors, including Integral Care, which does

¹ In February 2011, the HHSD Director retired, and a new director started in August 2011.

not use the ARIES system to bill the City. There are no monitoring processes to verify contractors review for double billing, or ensure any double billing identified is credited back to the City. In addition, monitoring procedures do not include verification of background checks, and review of eligibility is performed inconsistently.

Overall, these weaknesses potentially jeopardize the City's ability to obtain additional HIV related Federal funding or keep current funding. Insufficient management oversight by prior HHSD leadership resulted in the department's failure to provide assurance that services were provided and funds were used in accordance with grant requirements or contract terms and conditions. Due to the complexity of the billing processes and the lack of monitoring, HHSD's ability to identify double billing and recoup amounts owed is limited.

Finding 2: HHSD does not always renew grant contracts timely, resulting in the City conducting business without an enforceable contract for more than 30% of the time, and contractors providing services in "good faith" or not at all.

According to the City's Law Department and HIV grant contract terms, contracts are not enforceable until they are signed by both parties. Contract terms state that the City:

- Shall have no obligation to pay for services delivered if the contractor fails to submit an invoice within 60 calendar days of the service delivery date
- Shall not be liable for costs incurred by the contractor prior to the effective date of the contract.

All three grant contracts reviewed during this audit were signed after the contract term start date. The lag time between the contract term start date and the date upon which the contract became enforceable ranged from:

- approximately two months to over six months at David Powell.
- two months to nearly six months at Integral Care.
- almost three months to over five months at AIDS Services of Austin.

At Integral Care, this delay prevented the contractor from billing the City at the higher rates for units of service as specified in the new contract. Although not required by contract terms, HHSD paid for services provided during the unenforceable contract period, even if invoices were submitted more than 60 calendar days from the date of service. For each grant contract, the City Council was asked to approve negotiation and execution of the contracts after the contract term start date.

In some cases, the sponsoring Federal agency provided a "Notice of Grant Award" to the City as late as 27 days after the contract term start date. In addition, HHSD staff stated that the current contract renewal process creates delays because it takes time to coordinate between HHSD, Law, Purchasing, City Council, and HIV contractors. Although they are responsible for contract content, staff stated that management has not provided any formal, contract-related training. The City's Law Department reported that it reviews boilerplate contract language and does not review other contract terms or conditions.

Overall, the City operated without an enforceable contract over 30% of the time, and the lack of a streamlined contract renewal process does not always permit City Council to review and approve grant contracts on a timely basis. During contract gaps, contractors either "front" the money (David

Powell) or “borrow” from other programs (Integral Care) in order to continue providing services, relying on a “good faith” arrangement that the City will pay for the services provided. AIDS Services of Austin used to provide services in “good faith,” but changed its policy to only provide a service when a contract is signed, resulting in some clients not receiving housing assistance during the time between negotiating an enforceable contract and when the contract is officially signed.

Finding 3: Data used by monitoring staff to verify payment information and service delivery is not always accurate or complete.

According to BVCOG ARIES System Criteria, subcontractors are required to ensure the correct entry and consistent updating of required client data and service elements into the ARIES system. According to the Federal Information System Controls Audit Manual (FISCAM), highly decentralized applications increase risk by adding complexity and increasing vulnerabilities as well as increase potential for undetected misstatements when systems require human involvement in processing electronic data. According to HHSD management, contractors are responsible for entering data into the ARIES system.

We found that each contractor utilizes multiple databases, in addition to the ARIES system, to manage client data. These databases are decentralized and complex in nature, requiring manual entry between systems. Although the data is entered into ARIES by contractor staff, one HHSD staff member sometimes enters data into the ARIES system on behalf of the contractors. This person is also responsible for analyzing the data entered. Data reliability testing between information systems revealed error rates of 1% for AIDS Services of Austin, 4% for Integral Care, and 10% for David Powell.

Due to the amount of human involvement required, the contractors reported that the processes used to verify the accuracy and completeness of data are complex and inefficient. Although systems at David Powell and AIDS Services of Austin interface with the ARIES system, there is no electronic interface between the ARIES system and Integral Care databases. At David Powell, staff reported that some client health records were not scanned properly and may not be in the system. In addition, HHSD does not have a process in place to ensure data entry duties are segregated and staff is not in a position to review their own work. As a result, the ability for HHSD staff to detect misstatements is hindered, and they are not always independent to monitor data entered into the ARIES system. Data used to verify service delivery or validate payment requested from the contractors is not always reliable.

Other Observations

David Powell utilizes a specialized database to manage prescriptions. According to staff, pharmacy personnel share system passwords in order to fill prescriptions quicker. The sharing of passwords and login information hinders David Powell’s ability to hold staff accountable for their individual work product, including false or fraudulent transactions.

RECOMMENDATIONS

The recommendations listed below are a result of our audit effort and subject to the limitation of our scope of work. We believe that these recommendations provide reasonable approaches to help resolve the issues identified. We also believe that operational management is in a unique position to best understand their operations and may be able to identify more efficient and effective approaches and we encourage them to do so when providing their response to our recommendations. As such, we strongly recommend the following:

1. The HHSD Director should ensure that:

- **contract monitoring is performed in accordance with applicable grant requirements.**
- **implement procedures to ensure that double billing is detected and corrected, and monitoring is performed to ensure compliance with key contract terms.**

MANAGEMENT RESPONSE: **Concur.** Refer to Appendix A for management response and action plan.

2. The HHSD Director should enhance its processes to ensure contract renewals are executed timely and prevent operating without an enforceable contract.

MANAGEMENT RESPONSE: **Concur.** Refer to Appendix A for management response and action plan.

3. The HHSD Director should ensure that:

- **monitoring policies and procedures include methodologies for reviewing accuracy of data in systems used to document support for services delivered and submission of payments.**
- **duties for entering and reviewing contractor data are appropriately segregated.**

MANAGEMENT RESPONSE: **Concur.** Refer to Appendix A for management response and action plan.

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: April 24, 2012

SUBJECT: Health and Human Services response to the HIV Grant Contract Monitoring Audit

I have reviewed the City Auditor's HIV Grant Contract Monitoring Audit and concur with the recommendations.

We concur with your first recommendation that we should ensure that contract monitoring is performed in accordance with applicable grant requirements. In addition, we will implement procedures to ensure that double billing is detected and corrected and monitoring is performed to ensure compliance with key contract terms. We have implemented a Department-wide policy and procedure for contract monitoring, including the creation of the Contract Compliance Unit (CCU) which has one full-time employee dedicated to HIV grant contract monitoring.

We concur with your second recommendation to enhance our processes to ensure contract renewals are executed timely and prevent operating without an enforceable contract. We will review our current contracting system to make necessary improvements to ensure contract renewals are executed timely.

We concur with your third recommendation to ensure that monitoring policies and procedures include methodologies for reviewing accuracy of data in systems used to document support for services delivered and submission of payments. In addition, we will ensure that duties for entering and reviewing contractor data are appropriately segregated. HHSD will use this process to improve our contract compliance policies, procedures and internal controls to ensure accuracy of data systems used to document support for services delivered.

Please contact me if you have questions at 972-5010.

ACTION PLAN

HIV Grant Contract Monitoring Audit

Recommendation	Concurrence and Proposed Strategies for Implementation	Status of Strategies	Proposed Implementation Date
<p>1. The HHSD Director should ensure that:</p> <ul style="list-style-type: none"> ▪ contract monitoring is performed in accordance with applicable grant requirements. ▪ implement procedures to ensure that double billing is detected and corrected, and monitoring is performed to ensure compliance with key contract terms. 	<p>CONCUR</p> <p>1. HHSD has implemented a department-wide policy and procedure for contract monitoring. Including the creation of Contract Compliance Unit (CCU) with the responsibility to ensure that contract monitoring is performed in accordance with grant requirements. CCU has one monitor dedicated solely to monitoring HIV contracts in compliance with grant requirements.</p> <p>2. Ensure that contract compliance personnel have been trained on the new contract monitoring policies and procedures.</p> <p>3. Ensure that contractors/service providers have been trained on the new contract monitoring policies and procedures.</p> <p>4. Complete all HIV contract monitoring, as required by the grant, via desk reviews and on site monitoring.</p> <p>5. HHSD will ensure contract monitoring procedures are in place to detect and correct instances of double billing.</p>	<p>1. Implemented</p> <p>2. Implemented</p> <p>3. Underway</p> <p>4. Underway</p> <p>5. Underway</p>	<p>1. February 1, 2012</p> <p>2. February 1, 2012</p> <p>3. April 30, 2012</p> <p>4. February 28, 2013</p> <p>5. June 1, 2012</p>

APPENDIX A

Recommendation	Concurrence and Proposed Strategies for Implementation	Status of Strategies	Proposed Implementation Date
<p>2. The HHSD Director should enhance its processes to ensure contract renewals are executed timely and prevent operating without an enforceable contract.</p>	<p>CONCUR</p> <p>1. HHSD will review our current contracting process with the Purchasing and Law Departments to determine where modifications can be made to ensure contract renewals are executed timely.</p> <p>2. HHSD will seek a policy change to expedite entering into contracts when a grant is the source of funding and funds are not received prior to the start date of service delivery.</p>	<p>1. Underway</p> <p>2. Underway</p>	<p>1. September 1, 2012</p> <p>2. September 1, 2012</p>
<p>3. The HHSD Director should ensure that:</p> <ul style="list-style-type: none"> ▪ monitoring policies and procedures include methodologies for reviewing accuracy of data in systems used to document support for services delivered and submission of payments. ▪ duties for entering and reviewing contractor data are appropriately segregated. 	<p>CONCUR</p> <p>1. HHSD will ensure contract monitoring desk and on-site review procedures include methods to review the accuracy of data entered into contractors' reporting and billing systems.</p> <p>2. HHSD will update HRAQ ARIES data entry policies and procedures to ensure that duties for entering and reviewing contractor data in the ARIES system are appropriately segregated.</p>	<p>1. Underway</p> <p>2. Underway</p>	<p>1. September 1, 2012</p> <p>2. July 1, 2012</p>