



An Audit Report on

**The Health and Human Services
Commission's System of Contract
Operation and Reporting**

February 2019

Report No. 19-028



An Audit Report on

The Health and Human Services Commission's System of Contract Operation and Reporting

SAO Report No. 19-028
February 2019

Overall Conclusion

The Health and Human Services Commission (Commission) did not ensure that information in its new contract management system was complete and accurate.

Completeness and Accuracy of SCOR Data

The Commission's System of Contract Operation and Reporting (SCOR) (1) contained errors and unsupported information and (2) did not have all necessary contract information. Those data accuracy and completeness issues occurred because the Commission did not:

- Implement adequate controls in its financial system, the Centralized Accounting Payroll/Personnel System (CAPPS), to ensure the accuracy and completeness of new contracts transferred into SCOR.
- Ensure that contract documentation was consistently uploaded into SCOR.
- Ensure that information related to contracts migrated from previous systems was complete and accurate.

Background

The Health and Human Services Commission (Commission) developed and implemented the System of Contract Operation and Reporting (SCOR) to provide one system of record for management, reporting, and compliance for all health and human services contracts.

SCOR replaced the HHS Contract Administration and Tracking System (HCATS). The Commission began using SCOR in September 2017.

SCOR includes (1) new contract information that is initiated in CAPPS, its financial management system, and then transferred to SCOR and (2) contracts that were migrated from previous Commission systems.

The Commission received a baseline version of CAPPS from the Office of the Comptroller of Public Accounts and applied Commission-specific customizations, including preferred controls.

Source: The Commission.

Quality Assurance Process

The Commission implemented a quality assurance process to improve the accuracy and completeness of contract information in SCOR after it had been entered or migrated, and the Commission identified and updated records related to contract information it reported to the Legislative Budget Board to help ensure the accuracy of that reporting. However, due to the volume and complexity of the Commission's contracts, that process alone is not sufficient to ensure that all contract data in SCOR is complete and accurate.

In addition, the Commission established an adequate change management process for changes it made to its SCOR system. However, it should strengthen its user access controls related to CAPPS and SCOR.

This audit was conducted in accordance with Texas Government Code, Section 321.0132.

For more information regarding this report, please contact Audrey O'Neill, Audit Manager, or Lisa Collier, First Assistant State Auditor, at (512) 936-9500.

Commission Contracts Exceeding \$100 Million

Pursuant to Texas Government Code requirements, the State Auditor's Office compiled a list of each Commission contract with a total value exceeding \$100 million, as well as all contracts for managed care services. As of November 12, 2018, the Commission had a total of 92 contracts valued at more than \$100 million. Those 92 contracts had expenditures totaling \$119 billion¹.

Table 1 presents a summary of the findings in this report and the related issue ratings. (See Appendix 2 for more information about the issue rating classifications and descriptions.)

Table 1

Summary of Chapters/Subchapters and Related Issue Ratings		
Chapter/ Subchapter	Title	Issue Rating ^a
1-A	The Commission Does Not Have Effective Processes to Ensure That New Contract Information Entered in SCOR Is Complete and Accurate	Priority
1-B	The Commission Did Not Ensure That Information for Migrated Contracts Was Complete and Accurate	High
1-C	The Commission Established a Quality Assurance Process to Correct Errors in SCOR; However, That Process Should Be Improved	Medium
2	The Commission Had Processes in Place for Change Management; However, It Should Strengthen Its User Access Controls	Medium
3	The Commission Had 92 Contracts for More Than \$100 Million in Value and With Expenditures Totaling \$119 Billion	Not Rated

^a A subchapter is rated **Priority** if the issues identified present risks or effects that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern and reduce risks to the audited entity.

A subchapter is rated **High** if the issues identified present risks or effects that if not addressed could substantially affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern and reduce risks to the audited entity.

A subchapter is rated **Medium** if the issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

A subchapter is rated **Low** if the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

Auditors communicated other, less significant issues separately in writing to Commission management.

¹ Based on contract expenditures the Commission reported in SCOR.

Summary of Management's Response

At the end of certain chapters in this report, auditors made recommendations to address the issues identified during this audit. The Commission agreed with the recommendations in this report.

Audit Objectives and Scope

The objectives of this audit were to:

- Determine whether the Commission has processes and related controls to help ensure that information in SCOR is accurate, complete, and reliable.
- Identify and analyze Commission contracts exceeding \$100 million in total value, including all contracts with managed care organizations, to meet the requirements specified in Texas Government Code, Section 321.013(k).

For the first objective, the scope of this audit covered all Commission and Department of State Health Services contracts and purchase orders that were active in SCOR during fiscal years 2018 and 2019 (as of November 2018).

For the second objective, the scope of this audit covered all Commission contracts greater than \$100 million that were active during fiscal years 2018 and 2019 (as of November 2018).

Contents

Detailed Results

Chapter 1	
The Commission Does Not Have Sufficient Processes to Ensure the Completeness and Accuracy of Data in SCOR.....	1
Chapter 2	
The Commission Had Processes in Place for Change Management; However, It Should Strengthen Its User Access Controls	12
Chapter 3	
The Commission Had 92 Contracts for More Than \$100 Million in Value and With Expenditures Totaling \$119 Billion	13

Appendices

Appendix 1	
Objectives, Scope, and Methodology	18
Appendix 2	
Issue Rating Classifications and Descriptions.....	21
Appendix 3	
Related State Auditor’s Office Work	22

Detailed Results

Chapter 1

The Commission Does Not Have Sufficient Processes to Ensure the Completeness and Accuracy of Data in SCOR

The contract information in the Health and Human Services Commission’s (Commission) System of Contract Operation and Reporting (SCOR) was not complete and accurate. The Commission implemented SCOR in September 2017 as its new contract management system.

However:

- The Commission lacks effective processes to ensure that the new contract information entered into CAPPs and then transferred into SCOR is complete and accurate (see Chapter 1-A).
- Contract information migrated from the Commission’s previous contracting systems was not consistently complete and accurate (see Chapter 1-B).

The Commission established a quality assurance process to help identify and correct data accuracy and completeness issues for the contract information in SCOR. The Commission uses information from SCOR to report its contracts to the Legislative Budget Board. The Commission’s quality assurance process consistently identified data errors in that information, and it updated those records in SCOR to help improve the accuracy and completeness of contract information that it is required to report to the Legislative Budget Board. However, reliance on the quality assurance process alone, which corrects errors after they occur, is not sufficient to ensure the accuracy and completeness of SCOR data.

New and Migrated Contracts

New contracts. The Commission initiates new contracts in its Centralized Accounting and Payroll/Personnel System (CAPPs). The contract data is then transferred into SCOR. Both CAPPs and SCOR launched in September 2017. (See Figure 1 on the next page for more information about how contracts move from CAPPs to SCOR.)

Migrated contracts. The Commission migrated contracts that were initiated in a previous system and became active prior to September 2017. Migrated contracts included contracts for the Commission, Department of State Health Services, and Department of Family and Protective Services. This audit included the Commission’s and Department of State Health Services’ contracts.

Source: The Commission.

Background

The Commission developed and implemented SCOR, a contract management database that established a single system of record for Commission contracts. The Commission uses SCOR for (1) contract monitoring and oversight and (2) contract reporting, including Legislative Budget Board reporting.

The Commission’s procurement process for contracts is initiated in its CAPPs system (see text box for more information about CAPPs). The key information related to each contract is sent to SCOR after the contract is designated in CAPPs as approved and executed. In addition, the Commission migrated existing contract data from previous systems to SCOR.

CAPPs

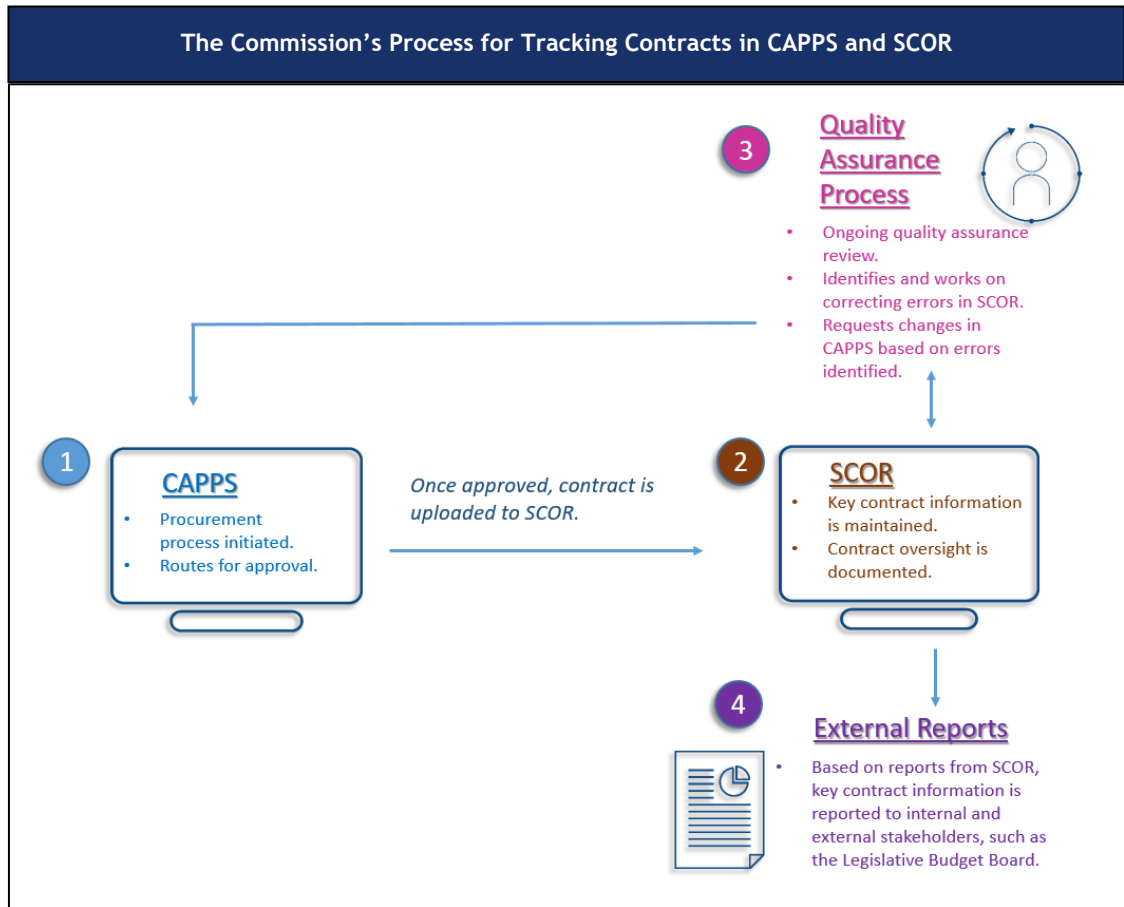
The Commission’s Centralized Accounting and Payroll/Personnel system (CAPPs) is its financial management system and includes certain procurement functions.

The Commission received a baseline version of CAPPs from the Office of the Comptroller of Public Accounts and applied Commission-specific customizations, including preferred controls.

Source: The Commission.

Figure 1 shows the Commission’s process for initiating and moving contracts from CAPPs to SCOR.

Figure 1



Source: Auditors created this figure based on information from the Commission.

The Commission Does Not Have Effective Processes to Ensure That New Contract Information Entered in SCOR Is Complete and Accurate

Chapter 1-A
Rating:
Priority ²

The Commission does not ensure that all new contract information entered into SCOR is complete and accurate. Specifically, the Commission did not establish adequate controls in its CAPPs system, and it did not consistently and accurately enter all contract information and documentation into SCOR. As a result, the new contract information in SCOR has blank fields and fields with information that is not supported by the contract documentation.

The Commission did not implement adequate controls in CAPPs to help ensure that contract information in SCOR is complete.

New contract information in SCOR was not always complete. Specifically, the Commission did not implement adequate controls in CAPPs to require that each payment be associated with a contract or purchase order prior to processing that payment. Not requiring that a payment be linked to its associated contract when necessary increases the risk that contract expenditure information in SCOR may be incomplete.

In addition, Commission staff must initiate the process to transfer contract information from CAPPs to SCOR by changing the contract status; however, CAPPs does not include a reminder or other control to help ensure that Commission staff change this status when appropriate. This increases the risk that contracts may be incorrectly excluded from SCOR. For example, in a one-time review that the Commission performed in September 2018, it identified more than 75 contracts in CAPPs that were missing from SCOR.³

Weaknesses in the Commission's version of CAPPs also resulted in incomplete records for some contracts in SCOR. (See text box on the previous page for more information on the Commission's CAPPs system.) Specifically, 984 (28 percent) of 3,518 new contracts in SCOR were missing information related to the procurement type, agency name, purchaser, or contract manager fields as of November 12, 2018. For example:

- CAPPs allowed purchasers to select former employees as contract managers. However, because SCOR did not recognize those individuals as valid contract managers, when those contract records were transferred from CAPPs to SCOR, the contract manager field was blank in SCOR.

² The risk related to the issues discussed in Chapter 1-A is rated as Priority because they present risks or results that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern and reduce risks to the audited entity.

³ The Commission added those contracts to SCOR after it determined those contracts were missing.

- CAPPs allowed users to bypass certain required contract fields, including agency name and division. As a result, those fields could be inaccurate or blank in SCOR.

Not having complete contract information in SCOR increases the risk that the Commission could make business decisions based on incomplete data or provide incomplete contract information to external parties.

Contract information in SCOR was not always accurate.

While the Commission ensured that information for one-time purchase orders was accurate and supported, new contract information in SCOR was not always accurate based on documentation provided. Specifically, only 5 (29 percent) of 17 active contracts tested were accurate and supported. For the remaining contracts:

- Ten (59 percent) contract records had at least one field in SCOR that was inaccurate when compared to supporting documentation. For those 10 contracts, auditors identified a total of 15 errors in fields related to contract begin or end dates, legal entity names, maximum contract amount, or number of contract renewals.
- Two (12 percent) records were not contracts and should not have been listed in SCOR as active contracts.

For all six purchase order records tested, the information in SCOR was accurate based on documentation provided.

The Commission uses SCOR data for internal and external reporting, including reports to the Legislative Budget Board. Inaccurate data in SCOR increases the risk that reports from SCOR could be unreliable.

The Commission did not ensure that contract managers uploaded contract documents to SCOR as required.

The Commission's *SCOR Contract Manager Guide* requires contract managers to upload contract documentation and validate the accuracy of contract information in SCOR within 30 days of when a contract is transferred from CAPPs. In addition, the Commission implemented an alert in SCOR to notify contract managers of new contracts that are missing documentation. However, for 7 (58 percent) of 12 contract records tested, the contract manager did not upload the contract documentation to SCOR within 30 days as required.

Auditors performed further data analysis and determined that, as of November 2018, 489 (14 percent) of 3,518 new contract records that were at least 30 days old in SCOR did not have any supporting documentation uploaded into the system, including an electronic version of the contract.

Having supporting documentation in SCOR is important because (1) SCOR is the system of record for the Commission's contracts and (2) the supporting documentation could help the Commission monitor its contracts and identify and correct data accuracy and completeness issues in SCOR.

Recommendations

The Commission should:

- Implement controls in CAPPs to help ensure the accuracy and completeness of contract information that is transferred to SCOR.
- Implement a requirement in CAPPs to associate payments with a contract or purchase order when appropriate.
- Improve its data entry process to help ensure that contract information in SCOR is accurate.
- Verify that its contract managers upload contract documents as required.

Management's Response

HHSC agrees with the finding and offers the following response to the recommendation.

The accuracy and completeness of the SCOR contract record is dependent upon CAPPs data entry, validation of SCOR data, and contract upload by the contract manager.

To help ensure the accuracy and completeness of contract information that is transferred from CAPPs into SCOR, the Commission will:

- *Implement on September 1, 2019 the CAPPs/SCOR Phase II project that is designed to improve data integrity in SCOR by requiring program staff to enter correct and complete information into CAPPs during requisition generation;*
- *Implement additional controls and quality assurance processes for CAPPs data;*

- *Engage Procurement and Contracting Services (PCS), Accounting, and the HHSC IT CAPPS Financials support teams in identifying types of payments that do not require contracts or Purchase Orders (POs) to be referenced on payment vouchers and assess solutions to ensure payments reference the associated contract or PO when required; and*
- *Supplement the contract manager dashboard alert and the workload dashboard indicators by preparing and disseminating to executive level staff a routine report of contracts (new and migrated) that have not been uploaded into SCOR per policy.*

HHS will implement recommendations identified by the Procurement and Contracting Improvement Plan (PCIP) workgroups dedicated to CAPPS and SCOR training, compliance monitoring and technology enhancements.

Implementation Date(s):

CAPPS and SCOR training and Quality Assurance will continue with enhanced focus on issues identified in this report.

CAPPS Phase II enhancements will be implemented September 1, 2019.

Implementation of additional CAPPS controls and report development will be complete December 31, 2019.

Responsible Individual/Individuals:

Deputy Executive Commissioner of Procurement and Contracting Services

The Commission Did Not Ensure That Information for Migrated Contracts Was Complete and Accurate

Chapter 1-B
Rating:
High ⁴

While the Commission made a significant effort to standardize and format the contract data that was migrated from its previous contract management systems (see text box), those processes were not sufficient to identify and correct all errors in that information.

Specifically, only 7 (29 percent) of the 24 migrated contracts tested were accurate and supported. For the remaining contracts:

- Sixteen (67 percent) migrated contracts had at least 1 field containing information in SCOR that was not supported by contract documents. For those 16 contracts, auditors identified a total of 23 errors in certain fields tested.
- One record (4 percent) listed as a contract was not a contract; therefore, it should not have been migrated to SCOR.

Auditors performed data analysis and determined that the Commission did not always ensure that it uploaded contract documents for its migrated contracts. Specifically, 2,471 (14 percent) of the 18,264 migrated contracts in SCOR did not have any documents uploaded in SCOR, including the electronic version of the contract. While the Commission may not have supporting documentation for some of its older contracts, at least 728 (29 percent) of those contracts were executed after January 1, 2015, and should have at least some documentation. In addition, the alert in SCOR to notify contract managers of contracts that are missing documentation did not include migrated contracts.

Even though the migrated contracts existed prior to the implementation of SCOR, about half of them will continue through at least fiscal year 2020 or are open-ended; therefore, having accurate and complete information is important to help the Commission effectively monitor those contracts.

Data Migration

In the year preceding the implementation of CAPPS and SCOR, the Commission reviewed the contract information in various agency systems for consistency and moved this data into the Commission's former contracting system, the HHS Contracting and Tracking System. The contract data was then migrated into SCOR. In some cases, other contract information was manually uploaded into SCOR.

Source: The Commission.

⁴ The risk related to the issues discussed in Chapter 1-B is rated as High because they present risks or results that if not addressed could substantially affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern and reduce risks to the audited entity.

Recommendations

The Commission should:

- Enforce its requirement that contract managers review and update contract information for contracts migrated into SCOR, including uploading contract documents.
- Modify its alerts in SCOR to consistently include migrated contracts.

Management's Response

HHSC agrees with the finding and offers the following response to the recommendation.

To help ensure the accuracy and completeness of contract information for migrated contracts that are transferred into SCOR:

- *PCS Contract Oversight and Support (COS) will prepare and disseminate to executive-level staff a routine report of contracts (new and migrated) that have not been uploaded into SCOR in accordance with policy to engage executive level support for ensuring compliance by contract managers.*
- *The SCOR functional team and HHS IT will explore and implement options for alerts or other system requirements needed to notify contract managers of the requirement to upload migrated contracts into SCOR.*

Implementation Date(s):

The agency will continue to identify and upload missing contracts and documentation on an ad-hoc basis.

Criteria for new reports will be developed June 30, 2019.

Determination of additional options for alerts or systems requirements by December 31, 2019.

Responsible Individual/Individuals:

Deputy Executive Commissioner for Procurement and Contracting Services

IT Director, Administrative Applications

The Commission Established a Quality Assurance Process to Correct Errors in SCOR; However, That Process Should Be Improved

**Chapter 1-C
Rating:
Medium⁵**

The Commission implemented a quality assurance process to help ensure the accuracy and completeness of certain data in SCOR (see text box). The quality assurance process successfully identified and updated certain errors in SCOR information. The Commission uses that information to report its contracts to the Legislative Budget Board. However, the Commission did not always correct records with errors that the quality assurance process identified through other types of reports.

Reliance on the quality assurance process, which identifies errors after they occur, is not sufficient to ensure the accuracy and completeness of SCOR data caused by the issues discussed in Chapters 1-A and 1-B. As of November 12, 2018, the Commission had a total of 21,782 contracts listed in SCOR. In addition, the quality assurance process does not routinely identify contracts that may be missing from SCOR by comparing data in SCOR to other information systems (such as CAPPs).

The Commission's quality assurance process consistently identified errors and updated records for contract information it submitted to the Legislative Budget Board.

The Commission has prioritized improving the accuracy of contract information that the Commission submits to the Legislative Budget Board. Specifically, the Commission established a report to identify certain types of errors in SCOR, such as incorrect information related to the value of each contract. Auditors tested 13 reports that the Commission ran between April 2018 and September 2018 and verified that, as of November 2018, the Commission updated the contract records for 357 identified errors in those reports. That process helped the Commission to improve the accuracy and completeness of contract information that it is required to report to the Legislative Budget Board.

Quality Assurance Process

The quality assurance process is performed by the Commission's Contract Oversight and Support Division's SCOR team. The quality assurance process is conducted by (1) running reports from SCOR to identify blank fields or inaccurate data, and (2) updating CAPPs or SCOR to correct the errors identified.

Source: The Commission.

⁵ The risk related to the issues discussed in Chapter 1-C is rated as Medium because they present risks or results that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

The Commission did not ensure that errors identified by other quality assurance reports were consistently reviewed and corrected.

The Commission also ran certain other types of reports to help it identify key fields in SCOR with missing or inaccurate data. The Commission's process to update contract records in SCOR includes (1) SCOR team personnel correcting certain types of errors directly in SCOR and (2) requesting that other Commission personnel update records in CAPPs and SCOR⁶.

For two⁷ of those types of reports, the Commission's quality assurance process identified 1,418 contract records in SCOR with blank or inaccurate values between June 2018 and September 2018. The Commission updated 1,182 (83 percent) records based on those reports. Of the remaining 236 records not yet updated, auditors selected 144 for testing. The Commission could not provide evidence that it had attempted to follow-up on 114 of those records (79 percent). As a result, the information in SCOR for those 114 contract records may not have been corrected.

Recommendations

In addition to implementing controls in its CAPPs and SCOR systems and to enhance its quality assurance process, the Commission should:

- Evaluate whether additional types of reports are needed to help routinely identify and correct data accuracy and completeness issues in SCOR.
- Consistently follow-up on potential errors that it identifies through its analysis and make corrections based on that follow-up.

Management's Response

HHSC agrees with the finding and offers the following response to the recommendation.

PCS COS conducts rigorous quality assurance activities to establish the highest level of SCOR data integrity. To enhance the current protocol, PCS COS will:

⁶ The SCOR team does not have access to update records for all types of errors in SCOR. As a result, SCOR team members work with other personnel to update records in SCOR and CAPPs.

⁷ The two reports were (1) Division, Department, Section or Contract Manager Is Blank, and (2) End Date Null and Open-Ended Is No.

- *Utilize the CAPPs and SCOR Phase II enhanced reporting capability, which will be functional on September 1, 2019, to develop additional reports to identify CAPPs and SCOR data entry errors;*
- *Strengthen tracking of COS requests for corrections and add an escalation process for unresponsiveness; and*
- *Prepare and disseminate to Executive-level staff trend reports of errors made by staff to engage executive level support with targeted education and training.*

HHS will also implement recommendations identified by the Procurement and Contracting Improvement Plan (PCIP) workgroups dedicated to CAPPs and SCOR training, compliance monitoring and technology enhancements.

Implementation Date(s):

Strengthening of tracking requests and escalation process will be implemented March 31, 2019.

Development of criteria for new reports will be implemented by June 30, 2019

CAPPs enhancements will be implemented September 1, 2019.

Implementation of additional CAPPs controls and report development will be complete December 31, 2019.

Responsible Individual/Individuals:

Deputy Executive Commissioner for Procurement and Contracting Services

The Commission Had Processes in Place for Change Management; However, It Should Strengthen Its User Access Controls

**Chapter 2
Rating:
Medium⁸**

The Commission established an adequate change management process; however, it should strengthen its processes to limit access to its systems.

Change Management. The Commission established a change management process for changes to its SCOR system. Specifically, the Commission appropriately documented, authorized, and tested all 12 changes reviewed.

User Access. The Commission did not ensure that access to SCOR and CAPPs was restricted to only users who required that access to perform their assigned duties. Not ensuring that access to the Commission's key systems is appropriately limited increases the risk that data in those systems could be accessed or changed inappropriately. To minimize security risks, auditors communicated details about the user access weaknesses directly to the Commission's management in writing.

Recommendation

The Commission should ensure that access to its information systems is appropriately restricted.

Management's Response

HHSC agrees with the finding and offers the following response to the recommendations.

The HHSC IT team, working with the appropriate program teams, including PCS, will implement an enhanced user account recertification process.

Implementation Date(s):

July 22, 2019

Responsible Individual/Individual:

Director, HHS Identity & Access Management

⁸ The risk related to the issues discussed in Chapter 2 is rated as Medium because they present risks or results that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

The Commission Had 92 Contracts for More Than \$100 Million in Value and With Expenditures Totaling \$119 Billion

Texas Government Code, Section 321.013(k), requires that, in devising its audit plan, the State Auditor's Office shall consider performing audits of Commission contracts that exceed \$100 million in annual value, including contracts between the Commission and managed care organizations. Pursuant to that requirement, the State Auditor's Office compiled a list of each Commission contract with a total value exceeding \$100 million, as well as all contracts for managed care services.

Based on information that the Commission provided from SCOR, the State Auditor's Office identified 92 contracts with a total value exceeding \$100 million. (See Chapter 1 for information related to the accuracy and completeness of data in SCOR.) Those contracts included:

- Fourteen contracts related to various aspects of operating Medicaid, Children's Health Insurance, Medical Transportation, administrative, and other medical services programs.
- Six contracts related to information technology and telecommunications services.
- Forty-nine contracts for managed care services.
- Four interlocal contracts related to mental health services.
- Nineteen long-term care contracts transitioned from the Department of Aging and Disability Services⁹ to the Commission during fiscal year 2017.

According to the Commission, as of November 12, 2018, expenditures for those 92 contracts totaled approximately \$119 billion.

Table 2 on the next page lists each Commission contract with a total value exceeding \$100 million, as well as all contracts for managed care services. This information was reported by the Commission as of November 12, 2018, and was generated from SCOR.

⁹ Effective September 2017, the programs and services at the Department of Aging and Disability Services (DADS) were transferred to the Commission and DADS was abolished.

Table 2

Summary of Health and Human Services Commission Contracts as of November 12, 2018				
Contractor Name		Contract Number	Contract Description	Total Contract Expenditures as of November 12, 2018 ^a
Medicaid, Children's Health Insurance, Medical Transportation, and Administrative Programs Contracts, and Other Medical/Enrollment Services				
1	Conduent State Healthcare LLC	529-14-0125-00004	Commission Medicaid/CHIP HMO Services	\$753,045,417
2	Maximus Inc.	529-10-0005-00001	Managed Care Enrollment Broker Operations	289,338,522
3	Maximus Inc.	529-14-0006-00001	Medicaid Eligibility Support Services	241,668,664
4	Logisticare Solutions LLC	529-11-0004-00002	Non-emergency Medical Transportation Program Services	219,069,826
5	Medical Transportation Management Inc.	529-11-0004-00001	Non-emergency Medical Transportation Program Services	204,445,683
6	Department of State Health Services ^b	529-11-0107-00001	Vaccines for the Children's Health Insurance Program (CHIP)	163,221,016
7	Department of State Health Services ^b	529-09-0133-00001	Commission Program and Administrative Services	154,932,453
8	Office of the Attorney General	529-12-0086-00001	Commission Program and Administrative Services	109,253,071
9	Department of State Health Services ^b	HHS000106800001	Children's Health Insurance Program Vaccine Services	20,772,698
10	Public Consulting Group Inc.	529-16-0011-00001	Commission Data Broker Services	15,513,943
11	Correct Care LLC	HHS000139000001	Texas Civil Commitment Office Center Construction	11,011,767
12	The University of Texas Health Science Center	HHS000158300001	Psychiatric Hospital Construction	6,000,000
13	Department of State Health Services ^b	HHS000106400001	Lab Screening Services	0
14	Department of State Health Services ^b	HHS000072400001	Children's Health Insurance Program Vaccine Services	0
Subtotal				\$ 2,188,273,060
Information Technology and Telecommunications Contracts				
15	Accenture State Healthcare Services LLC	529-16-0007-00001	Commission Medicaid Managed Information System Drug Rebate Administration	\$1,882,490,462
16	Deloitte Consulting LLP	529-08-0208-00001	Texas Integrated Eligibility Redesign System (TIERS) Maintenance and Support	300,435,291
17	Northrop Grumman Systems Corporation	529-12-0006-00001	TIERS Data Center Services	160,654,945
18	Department of Information Resources	529-13-0088-00001	State Data Center Services	158,923,978
19	Deloitte Consulting LLP	HHS000045800001	TIERS Software Development and Maintenance	1,427,178

Summary of Health and Human Services Commission Contracts as of November 12, 2018

Contractor Name		Contract Number	Contract Description	Total Contract Expenditures as of November 12, 2018 ^a
20	Department of Information Resources	DIR-SS-IAC0016	Department of Information Resources Shared Services	0
Subtotal				\$ 2,503,931,854
Managed Care Contracts				
21	Amerigroup Texas Inc.	529-12-0002-00019	Managed Care Services	\$14,381,481,264
22	United Healthcare Community Plan of Texas	529-12-0002-00009	Managed Care Services	10,293,763,328
23	Bankers Reserve Life Insurance Company of Wisconsin	529-12-0002-00006	Managed Care Services	9,975,484,325
24	Superior Health Plan	529-12-0002-00007	Managed Care Services	9,493,112,577
25	Molina Healthcare of Texas Inc.	529-12-0002-00008	Managed Care Services	8,503,759,163
26	Texas Children's Health Plan	529-12-0002-00014	Managed Care Services	6,191,130,074
27	Dentaquest USA Insurance Company	529-12-0003-00002	Managed Care Services	4,895,710,289
28	MCNA Insurance Company	529-12-0003-00003	Managed Care Services	3,740,176,113
29	Parkland Community Health Plan Inc.	529-12-0002-00004	Managed Care Services	3,592,062,921
30	Driscoll Children's Health Plan	529-12-0002-00010	Managed Care Services	2,854,773,334
31	Molina Healthcare of Texas Inc.	529-10-0020-00005	Managed Care Services	2,250,867,644
32	Superior Health Plan	529-13-0042-00003	Managed Care Services	2,188,303,925
33	Amerigroup Insurance Company	529-12-0002-00015	Managed Care Services	2,166,595,786
34	Community First Health Plans Inc.	529-12-0002-00020	Managed Care Services	2,033,207,068
35	United Healthcare Insurance Company	529-13-0042-00004	Managed Care Services	2,024,976,872
36	Cook Children's Health Plan	529-12-0002-00002	Managed Care Services	2,015,408,556
37	SHA LLC	529-12-0002-00001	Managed Care Services	1,962,651,422
38	Superior Health Plan	529-10-0020-00003	Managed Care Services	1,535,281,305
39	Healthspring Life and Health Insurance Company	529-10-0020-00006	Managed Care Services	1,493,263,224
40	Amerigroup Texas Inc.	529-10-0020-00002	Managed Care Services	1,362,316,859
41	Healthspring Life and Health Insurance Company	529-13-0042-00002	Managed Care Services	1,281,632,508
42	Healthspring Life and Health Insurance Company	529-12-0002-00012	Managed Care Services	1,219,744,668
43	Superior Health Plan	529-15-0001-00001	Managed Care Services	1,145,332,846
44	El Paso First Health Plans Inc.	529-12-0002-00013	Managed Care Services	1,141,746,256
45	Texas Children's Health Plan	529-13-0071-00009	Managed Care Services	1,126,012,768
46	United Healthcare Insurance Company	529-13-0071-00010	Managed Care Services	1,105,766,518

Summary of Health and Human Services Commission Contracts as of November 12, 2018

Contractor Name		Contract Number	Contract Description	Total Contract Expenditures as of November 12, 2018 ^a
47	Superior Health Plan	529-13-0071-00008	Managed Care Services	1,065,560,462
48	Amerigroup Insurance Company	529-13-0042-00001	Managed Care Services	863,758,063
49	Amerigroup Insurance Company	529-13-0071-00002	Managed Care Services	831,031,532
50	Scott and White Pharmacy	529-12-0002-00011	Managed Care Services	803,408,133
51	Bankers Reserve Life Insurance Company of Wisconsin	529-08-0001-00001	Managed Care Services	731,056,552
52	Aetna Better Health of Texas Inc.	529-12-0002-00022	Managed Care Services	695,013,223
53	Community Health Choice Texas Inc.	529-12-0002-00024	Managed Care Services	614,527,190
54	Molina Healthcare of Texas Inc.	529-15-0058-00001	Managed Care Services	592,791,462
55	Amerigroup Insurance Company	529-15-0060-00001	Managed Care Services	516,354,626
56	Health Care Service Corporation, A Mutual Legal Reserve Company	529-12-0002-00017	Managed Care Services	504,917,396
57	Children's Medical Center Health Plan	529-13-0071-00003	Managed Care Services	504,284,886
58	Superior Health Plan	529-15-0061-00001	Managed Care Services	438,213,260
59	Cook Children's Health Plan	529-13-0071-00005	Managed Care Services	415,399,406
60	Seton Health Plan Inc.	529-12-0002-00005	Managed Care Services	373,029,413
61	Community First Health Plans Inc.	529-13-0071-00004	Managed Care Services	361,762,395
62	Driscoll Children's Health Plan	529-13-0071-00006	Managed Care Services	331,382,761
63	Health Care Service Corporation, A Mutual Legal Reserve Company	529-13-0071-00007	Managed Care Services	296,208,788
64	Sendero Health Plans Inc.	529-12-0002-00021	Managed Care Services	236,698,967
65	United Healthcare Community Plan of Texas	529-15-0059-00001	Managed Care Services	208,581,081
66	Molina Healthcare of Texas Inc.	529-08-0001-00002	Managed Care Services	160,130,904
67	Aetna Better Health of Texas Inc.	529-13-0071-00001	Managed Care Services	160,021,938
68	Christus Health Plan	529-12-0002-00018	Managed Care Services	135,967,205
69	Healthspring Life and Health Insurance Company	529-15-0057-00001	Managed Care Services	102,974,308
Subtotal				\$110,917,635,564
Interlocal Contracts				
70	The Harris Center for Mental Health and IDD	529-17-0038-00024	Commission Local Mental Health Authority	\$230,409,403
71	North Texas Behavioral Health Authority	529-17-0038-00038	Commission Local Mental Health Authority	113,918,090
72	MHMR of Tarrant County	529-17-0038-00025	Commission Local Mental Health Authority	92,991,465

Summary of Health and Human Services Commission Contracts as of November 12, 2018

Contractor Name		Contract Number	Contract Description	Total Contract Expenditures as of November 12, 2018 ^a
73	The Center for Health Care Services	529-17-0038-00009	Commission Local Mental Health Authority	81,040,457
Subtotal				\$ 518,359,415
Long-term Care Provider Contracts Transitioned from the Department of Aging and Disability Services				
74	Bienvivir Senior Health Services	000999817	Program of All-inclusive Care for the Elderly	\$379,074,708
75	Caregivers Home Health Texas Inc.	001012761	Consumer Directed Services (CDS) / Community Living Assistance and Support Services (CLASS)	251,391,090
76	Consumer Directed Services in Texas Inc.	001017414	CDS/CLASS	250,767,514
77	JHC Operations LLC	000071400	Primary Home Care (PHC) / Family Care (FC) / Community Attendant Services (CAS)	200,912,290
78	D&S Residential Services LP	001007352	Home and Community Based Services (HCS)	196,770,849
79	Texas Visiting Nurse Service LTD	000081100	PHC/FC/CAS	174,809,554
80	Texas Home Health of America LP	001002981	PHC/FC/CAS	160,273,941
81	Girling Health Care Inc.	001016243	PHC/FC/CAS	149,135,066
82	Berry Family Services Inc.	001007929	HCS	146,655,902
83	Texana Center	001007318	HCS	145,021,635
84	Legacy Home Health Agency Inc.	001003937	PHC/FC/CAS	131,749,182
85	Caring For You Home Health Inc.	000117700	PHC/FC/CAS	131,093,834
86	All The Little Things Count LC	001007409	HCS	130,595,206
87	In-Home Attendant Services LTD	001012963	CDS/CLASS	127,449,210
88	Girling Health Care Inc.	001016245	PHC/FC/CAS	122,857,947
89	Texas Home Health of America LP	001002979	PHC/FC/CAS	120,558,140
90	St. Giles Living Centers Inc.	001007212	HCS	106,611,127
91	Nexion Health at Truman Inc.	001013802	Nursing Facility Enrollment	102,841,401
92	Girling Health Care Inc.	001016241	PHC FC CAS	102,405,181
Subtotal				\$ 3,130,973,777
Total for all contracts				\$119,259,173,670

^a Auditors did not verify the accuracy of the reported expenditures.

^b These are interagency contracts between the Commission and the Department of State Health Services (Department) where the Department is the vendor.

Source: Based on contract information the Commission reported in SCOR.

Appendices

Appendix 1

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to:

- Determine whether the Health and Human Services Commission (Commission) has processes and related controls to help ensure that information in its System of Contract Operation and Reporting (SCOR) is accurate, complete, and reliable.
- Identify and analyze Commission contracts exceeding \$100 million in total value, including all contracts with managed care organizations, to meet the requirements specified in Texas Government Code, Section 321.013(k).

Scope

For the first objective, the scope of this audit covered all Commission and Department of State Health Services contracts and purchase orders that were active in SCOR during fiscal years 2018 and 2019 (as of November 2018).

For the second objective, the scope of this audit covered all Commission contracts greater than \$100 million that were active during fiscal years 2018 and 2019 (as of November 2018).

Methodology

The audit methodology included collecting information and documentation; interviewing Commission staff regarding the Commission's contracting system and related processes; testing documentation related to contracts; reviewing access to and controls for key information systems; and analyzing and evaluating the results of audit tests.

Data Reliability and Completeness

Auditors reviewed the data from SCOR for validity and completeness by (1) reviewing data query language, (2) reviewing user access, (3) performing an analysis of the data, and (4) testing application controls. As discussed in this report, the data in SCOR was not always complete or accurate; however, it was the most complete information available, and auditors used it for the purposes of this audit.

Auditors also used vendor payment information in the Uniform Statewide Accounting System (USAS) and relied on prior State Auditor's Office audit work. Auditors determined that the USAS data was sufficiently reliable for the purposes of this audit.

Sampling Methodology

Auditors selected risk-based samples of (1) new contracts and purchase orders in SCOR, (2) contracts created in prior Commission contracting systems that the Commission migrated to SCOR, and (3) certain errors that the Commission's quality assurance process identified. The sample items were generally not representative of the population and, therefore, it would not be appropriate to project those test results to the population.

Auditors selected nonstatistical samples of (1) vendors that received payments from the Commission during the audit scope but were not in SCOR, and (2) changes that the Commission made to SCOR primarily through random selection designed to be representative of the population. Test results may be projected to the populations, but the accuracy of the projections cannot be measured.

Information collected and reviewed included the following:

- Commission contract and purchase order data from SCOR.
- Contract supporting documentation.
- The Commission's *SCOR Contract Manager Guide*.
- Commission payment data from the Uniform Statewide Accounting System.
- Commission SCOR team quality assurance reports.

Procedures and tests conducted included the following:

- Interviewed Commission staff to identify the Commission's contracting system processes, including internal controls, and the information systems that support those processes.
- Tested a sample of new and migrated contracts to determine the accuracy and completeness of the contracting data in SCOR and compliance with Commission rules.
- Tested a sample of vendors to determine the completeness of the data in SCOR.
- Performed analysis on the population of contracts in SCOR.

- Tested user access to SCOR and certain screens in CAPPs.
- Tested certain application controls in SCOR.
- Tested changes to SCOR.

Criteria used included the following:

- The Commission's *SCOR Contract Manager Guide*.
- Texas Government Code, Section 321.013(k).
- Title 1, Texas Administrative Code, Chapter 202.

Project Information

Audit fieldwork was conducted from August 2018 through January 2019. 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.

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

- Serra Tamur, MPAff, CISA, CIA (Project Manager)
- Link Wilson (Assistant Project Manager)
- Shaun Alvis, JD.
- Cody Bogan
- Rachel Berryhill
- Rebecca Franklin, CISA, CFE, CGAP
- Mark Snyder
- Jessica Volkmann, CPA
- Mary Ann Wise, CPA, CFE (Quality Control Reviewer)
- Audrey O'Neill, CFE, CIA, CGAP (Audit Manager)

Issue Rating Classifications and Descriptions

Auditors used professional judgement and rated the audit findings identified in this report. Those issue ratings are summarized in the report chapters/sub-chapters. The issue ratings were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.

Table 3 provides a description of the issue ratings presented in this report.

Table 3

Summary of Issue Ratings	
Issue Rating	Description of Rating
Low	The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited <u>or</u> the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.
Medium	Issues identified present risks or effects that if not addressed could <u>moderately affect</u> the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.
High	Issues identified present risks or effects that if not addressed could <u>substantially affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.
Priority	Issues identified present risks or effects that if not addressed could <u>critically affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

Related State Auditor's Office Work

Related State Auditor's Office Work		
Number	Product Name	Release Date
19-010	An Audit Report on Selected Contracts at the Health and Human Services Commission	November 2018
18-038	An Audit Report on Scoring and Evaluation of Selected Procurements at the Health and Human Services Commission	July 2018
18-006	An Audit Report on Health and Human Services Commission Contracts	December 2017
17-005	An Audit Report on Health and Human Services Commission Contracts	October 2016

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair

The Honorable Dennis Bonnen, Speaker of the House, Joint Chair

The Honorable Jane Nelson, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable John Zerwas, House Appropriations Committee

The Honorable Dustin Burrows, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Health and Human Services Commission

Dr. Courtney N. Phillips, Executive Commissioner



This document is not copyrighted. Readers may make additional copies of this report as needed. In addition, most State Auditor's Office reports may be downloaded from our Web site: www.sao.texas.gov.

In compliance with the Americans with Disabilities Act, this document may also be requested in alternative formats. To do so, contact our report request line at (512) 936-9500 (Voice), (512) 936-9400 (FAX), 1-800-RELAY-TX (TDD), or visit the Robert E. Johnson Building, 1501 North Congress Avenue, Suite 4.224, Austin, Texas 78701.

The State Auditor's Office is an equal opportunity employer and does not discriminate on the basis of race, color, religion, sex, national origin, age, or disability in employment or in the provision of services, programs, or activities.

To report waste, fraud, or abuse in state government call the SAO Hotline: 1-800-TX-AUDIT.