



Lawrence F. Alwin, CPA
State Auditor

April 10, 2002

Members of the Legislative Audit Committee:

The Legislature and other oversight bodies can rely on the financial information generated from the internal accounting system of the Department of Mental Health and Retardation (Department). This assurance is based on our testing of the Department's financial system and processes in place as of August 2001. However, additional financial and client service information is reported to the Department by community centers (non-state entities). We found the information reported by the community centers to be inconsistent and unreliable. As a result, the Department does not know how community centers spent the funds provided or how many people they served. This unreliable information does not affect the overall amount of funding given to the community centers and is not part of the financial information reported to the Legislature and other oversight bodies. However, it does affect program administration and future budget projections by strategy. In fiscal year 2001, the community centers received more than \$475 million of the Department's \$1.7 billion appropriated budget.

Our review of expenditures revealed that the Department spent its appropriated funds in accordance with applicable laws and regulations. However, we were unable to confirm the alignment by strategies between expenditures and outcomes because of unreliable performance information and incomplete financial information. In August 2001, the State Auditor's Office reported that it was unable to certify any of the Department's performance measures without qualification (SAO Report No. 01-036).

This financial review was an extension of work conducted during fiscal year 2001 at the request of the Senate Finance and House Appropriations committees. We reviewed the Department's financial system and tested selected financial transactions that occurred between September 1, 1997, and August 31, 2001. The attachment to this letter contains additional detail on the results of our work.

The State Auditor's Office is currently performing a contract administration audit that includes a review of the contractual relationship between the Department and community centers. A report is scheduled for release in summer 2002.

We appreciate the Department's cooperation during this project. The Department generally agrees with our observations, and its responses are included in the attachment. If you have any questions, please contact Susan Riley, Audit Manager, at (512) 936-9500.

Sincerely,

Lawrence F. Alwin, CPA
State Auditor

khm/Attachment

cc: Chair and Members of the Texas Board of Mental Health and Mental Retardation
Ms. Karen F. Hale, Commissioner, Department of Mental Health
and Mental Retardation

A Financial Review of The Department of Mental Health and Mental Retardation

Objectives, Scope, and Methodology

The project objectives were to:

- Determine whether the Department's reporting processes enable it to provide legislative budget committees and board members with accurate and consistent financial information.
- Determine whether the Department is using appropriated funds in accordance with applicable laws and regulations.
- Determine the relationship between funds expended and outcome results.

To achieve these objectives, we reviewed financial reports, expenditures, revenues, transfers, lapses, and fund balances. The audit methodology consisted of collecting information; performing selected audit tests and other procedures, and analyzing and evaluating the results against established criteria.

We conducted fieldwork between May and October 2001 and tested transactions that occurred from fiscal year 1998 through August 31, 2001. This audit was conducted in accordance with generally accepted government auditing standards.

SAO Report No. 02-033

Section 1:

Do the Department's reporting processes enable it to provide legislative budget committees and Department management with accurate and consistent financial information?

The Department of Mental Health and Mental Retardation's (Department) internally generated financial information is reliable. This assurance is based on the review and testing of the financial system and processes in place as of August 2001. However, financial and client service information that community centers report to the Department through the Department's Client Assignment and Registration (CARE) system (see text box) is not reliable. The CARE financial information does not directly affect the Department's internal financial information system, except as discussed below in Section 1-A, but the Department uses this information, as well as the client service information, for ongoing program administration, planning, and budgeting. The problems with the client service information are also part of an overall issue of unreliable performance information (see Section 3). The Department has the ability to improve the information it receives from community centers. If the information from the community centers were reliable, it would provide better information for the Legislature and Department management on how funds were actually spent by the centers.

Community Centers and the CARE System

Community Mental Health and Mental Retardation centers (community centers) are political subdivisions of the State of Texas and locally governed components of the mental health and mental retardation service delivery system. The Department delegates to a community mental health and mental retardation center the responsibilities of a mental health authority that ensures the provision and continuity of services for individuals with mental illness. There are 42 community centers serving 247 counties. The community centers received more than \$475 million of the Department's \$1.7 billion budget in fiscal year 2001.

Community centers receive funding from the Department and in return report information to the Department using the Department's Client Assignment and Registration system (CARE). The CARE system was developed in the 1980s and is the official client database used by all the Department's components, including community centers and state facilities. Because of the significant amount of funding community centers receive from the Department, we focused our work on their activity.

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Section 1-A:

The Department's Accounting System Does Not Accurately Reflect the Community Centers' Expenditures by Strategy

The Department's accounting system reflects the Department's initial disbursement to the community centers by allocating their funding to various General Appropriations Act strategies.

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This expenditure information is reported to the legislative budget committees and Department management and it represents what the Department paid out to the centers. However, it does not reflect what the community centers report on how they actually spent Department funds by strategy—the Department does not use community center CARE information to update its accounting system. According to agency reports, the Department disbursed more than \$475 million in funding to the community centers in fiscal year 2001. Seventy-six percent (\$365 million) of this funding was general revenue. The total amount of funding the Department provides to community centers is not in question.

Information contained in the State's systems (USAS and ABEST) and the Department's internal accounting system is not consistent with information reported by community centers on how the centers spent funds by strategy. This is because estimated amounts in the State's system and the Department's system are not updated to reflect actual amounts. The allocations by strategy in the General Appropriations Act serve as the legal authority for how funds are intended to be spent. While we recognize that agencies are given some flexibility to transfer funds between strategies, the Department is not making an effort to determine the actual expenditures by strategy so that it can know if it needs to transfer funds between strategies. In addition, the Department cannot be sure that funds are being spent for intended services. This is part of management's responsibility in monitoring these programs.

When we tried to determine the difference between the Department's original allocation by strategy and the community centers' actual expenditures by strategy, we found that the community centers were reporting funds from sources other than the Department in the CARE system. The Department does not reconcile the amounts reported by the community centers to identify errors or discrepancies.

Taking this into consideration, we looked at expenditures by strategy as a percentage of the whole to determine if there appeared to be significant variation. As illustrated in Table 1 on page 3, the Department's estimates of expenditures by strategy for fiscal year 2000 vary from the expenditures reported by the community centers by as much as 7.24 percent. The differences could result in as much as \$3.5 million in funding being allocated to the incorrect strategy. These differences could be caused by inclusion of different funding sources, community center reporting errors, errors in classifications, timing differences, and incorrect data entry. However, without a reconciliation process there is no way for the Department to have accurate information.

Section 4 of this report addresses the CARE system and provides recommendations that the Department should take to correct deficiencies.

When accurate financial information by strategy is available in the CARE system; it would be preferable for the Department to adjust its internal accounting information and appropriate statewide systems to reflect the actual use of funds by strategy. These adjustments would result in consistent information among statewide systems and the Department's system of record. They also would provide information more consistent with community center spending. The adjustments would help the Department ensure that funds are being spent for intended services.

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Table 1

The Department's expenditure allocations by strategy do not reconcile with community center reports of expenditure allocations by strategy.

Fiscal Year 2000 – General Revenue Expenditures				
Goal and Strategy	Allocation	Percentage of Goal Allocation Recorded in Department Accounting System	Percentage of Goal Allocation Spent and Reported by Community Centers	
Goal: Community Mental Health Services				
Assessment and Coordination	A.1.1	\$37,773,388	23.63%	20.02%
Training and Support	A.1.2	44,838,615	28.05%	26.69%
Treatment	A.1.3	59,218,430	37.04%	42.88%
Children's Mental Health Services	A.1.5	18,016,328	11.27%	10.40%
	Goal Total	\$159,846,761	100.00%	100.00%
Goal: Community Mental Retardation Services				
Assessment and Coordination	C.1.1	\$ 33,964,425	23.92%	25.03%
Vocational Services	C.1.2	43,642,384	30.74%	31.16%
Training Services	C.1.3	40,558,839	28.56%	34.29%
Non-Medicaid Residential	C.1.4.3	23,802,355	16.76%	9.52%
	Goal Total	\$141,968,003	100.00%	100.00%

Source: Department of Mental Health and Mental Retardation

Management's Response:

The Department agrees that it does not update its accounting system to reflect how the community MHMR centers actually spent Department funds by strategy. The Department's view was that the accounting system should reflect the strategies to which the expenses were booked when funds were provided to its contractors, in this case the community centers. As noted below, however, we are instituting processes to update the accounting system as recommended.

As a point of clarification, the Department does base the amounts requested in its legislative appropriations request (LAR) on actual community center expenditures at the strategy level. When the LAR is developed, the Department conducts a thorough analysis of the expenditure data community centers report to the Department's Client Assignment and Registration System (CARE) to develop the amounts to be requested for each community center strategy. Basing the LAR on recent strategy level expenditures by the community centers has ensured that actual expenditures by the centers stay very close to the pattern in which the funds are appropriated and well within the allowable levels of transferability. The Department also uses community center expenditure data reported to CARE each year when it sets up the amounts allocated to community centers at the strategy level in its accounting system. As with

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the LAR, this use of the CARE expenditure data helps to ensure that community center actual expenditures for an upcoming year will be closely aligned with the way the Department's books will be reflecting those expenditures at the strategy level.

To address the concern that the Department does not update the accounting system for actual CARE data, beginning in FY 2003, the Department's internal accounting system and USAS will be updated on an annual basis. Following receipt of final year-end CARE data and community centers' audit reports in February/March of each year, an annual reconciliation will be performed to determine statewide expenditures by strategy. At year-end, summary level adjustments will be performed to align the Department's and the State's accounting systems with statewide expenditures in CARE. It should be noted that these adjustments will not be reflected in the year-end ABEST reconciliation due to the timing of the reconciliation which is typically performed in December. If ABEST can be 'reopened', the Department will update the information accordingly.

Community MHMR centers earn local funds and other miscellaneous funds that are not part of the Department's appropriation. This review will consider only funds appropriated to the Department. The CARE coding structure provides for the distinction between Department funds and other funds earned by the community center.

In addition the Department has already begun reviewing CARE expenditure data on a quarterly basis. However, other than in exceptional circumstances, year-end data is still more reliable as the basis for any adjustments or strategy transfers based on expenditure patterns. This is because considerable fluctuation in the community center expenditures by strategy occurs from one quarter to the next. Community MHMR centers have some latitude in how expenditures are funded and can adjust where general revenue is "funded" from quarter to quarter. If local funds or other revenues become available in a subsequent quarter, a center may elect to change how an expenditure had been funded in a prior quarter.

Staff Person(s) Responsible for Implementation: Director, Community Financial Services

Timeline: Ongoing

Section 1-B:

Community Centers Do Not Provide Complete and Accurate Information About the Number of Clients Served

Client service information that community centers provide to the Department is not complete and accurate. The CARE system does not track actual services provided; it tracks clients served. Following Department policy, community centers keep client files open for 90 days after a client receives a service. During the 90 days, the client is counted as receiving services once for each quarter that his or her file is open, regardless of how many services the client received. If the 90-day period spans two quarters, the client is counted twice, even if he or she only received services once. In

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addition, some community centers keep client files open beyond the 90-day period, which inaccurately increases their reported client caseload.

It appears that the incomplete and inaccurate client service information currently does not affect the Department's initial allocation of funds to community centers because budget allocations to community centers are primarily based on historical budgets in compliance with Rider 16 in the Department's section of the General Appropriations Act (page II-94, 77th Legislature). If the rider is modified or eliminated, the inaccurate data could skew the allocation of funds to individual community centers. Sufficient information was not available to determine what that effect would be.

However, the Department uses client service information to measure community center performance and for other purposes, such as daily program management. Incomplete and inaccurate information could affect decisions being made with this data.

The community centers report inaccurate information in part because the CARE system does not track actual services provided. Other problems were noted with the CARE system and the information it captures. Section 4 of this report addresses the CARE system and provides recommendations that the Department should take to correct deficiencies.

Management's Response:

The Department concurs with the general finding that the current method of reporting client data is less than adequate in providing complete and accurate information regarding the services provided by the community MHMR centers. The CARE system was originally developed in the 1980's as a system for tracking the continuity of care of individuals moving between state facilities and community based services. The primary purpose of CARE was to track enrollment in services as opposed to tracking the units of service actually provided. This continues to be the primary capability of CARE.

The Department strongly agrees that there is a need to capture data on the amount, duration and scope of services provided. In the last appropriations process, the Department unsuccessfully requested funds for a project that would have built this capability into CARE. A similar request is under consideration for the next appropriation process and the Department will also explore the possibility of obtaining capital budget authority to commence such a project in FY 2003 if funding can be identified.

Staff Person(s) Responsible for Implementation: Deputy Commissioner, Finance and Administration

Timeline: September 1, 2003, contingent on the availability of funding

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Section 1-C:

With the Exception of Issues Reported in Previous Sections, the Department's Financial Information Is Reliable

While issues exist with the reliability of the financial and client service information obtained from community centers, the financial information the Department generates internally is reliable. Various aspects of the Department's operations support this conclusion.

The Department's financial processes and systems are designed to ensure that information is recorded accurately and consistently. The Department's internal accounting system is the primary source of reported financial information. The Department reports to the Uniform Statewide Accounting System (USAS). The Department maintains policies and procedures to ensure the integrity and security of information in these systems. Controls over the financial system and the reporting process are adequate to ensure the accuracy and reliability of financial reports provided to the Legislature and Department management.

Information in the Department's financial system is generally consistent with its Legislative Appropriations Request (LAR). The Department previously had difficulty estimating revenues leading to a multi-million dollar budgetary shortfall. The Department indicates that it has taken steps to address deficiencies in its process for estimating revenue. For the 77th legislative budget cycle, the Department met with the Legislative Budget Board and the Comptroller of Public Accounts to properly identify and classify revenue and revenue sources.

We noted one exception while comparing revenue recorded in USAS with revenue sources identified in the Department's LAR. The Department omitted medical assistance cost recovery revenue amounting to \$500,000 for the 77th legislative budget cycle. While the Department budgeted \$175,000 from this revenue source in its operating budget, it omitted the revenue from its LAR. Although the omitted amount is small compared to the total \$1.8 billion budgeted for fiscal year 2002, all revenue sources need to be identified for state budgetary purposes. This amount may be significant to the success of an individual program.

The Department also indicates that it has implemented additional verification processes to further reduce the risk of error in its upcoming LAR preparation process. Because our audit was completed prior to this budget cycle, we were not able to verify this assertion.

Fluctuations in financial data were reasonably explained. Department staff members were able to reasonably explain fluctuations in fund balances, revenues, expenditures, and transfers from fiscal year 1998 through the second quarter of fiscal year 2001. Supporting evidence validated their explanations.

The Department has sufficient controls in place to ensure that expenditure categories are coded correctly. Testing of Department disbursement vouchers did not reveal any exceptions. The Department has established processes that properly classify disbursements.

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The Department maintains general automation controls and is working to complete disaster recovery plans for all facilities. A review of Department staff members with access to USAS indicated that no single user has the ability to both create and release transactions for processing. This control ensures that two people are needed to create and post a transaction in USAS. We found similar controls in place for each of two periods reviewed: September 2000 and January 2002.

Additionally, the State Auditor's Office audited automation and general controls work at the Department in 1998 (*A Review of General Automated Controls at Selected State Agencies and Universities*, SAO Report No. 98-050, July 1998). The audit found that while controls were generally good, there was room for improvement in selected areas. Since that audit, the Department entered into an agreement with the West Texas Data Recovery and Operations Center for mainframe operations. Through contractual agreement, the center provides for necessary disaster recovery preparedness. The center reports and the Department confirms that successful disaster recovery tests have been performed. The Department is currently reviewing individual automation plans for Department facilities. These facilities (state schools, state hospitals, and state centers) are each required to ensure that plans are in place to address business contingencies. These plans would ensure that the individual facilities would be able to reestablish operations if disasters occurred at the facility level

Management's Response:

The Department appreciates the recognition that the financial information that the Department generates internally is reliable and that the information is recorded accurately and consistently. A failure to record one small revenue source (\$500,000) in the Legislative Appropriations Request (LAR) was noted. The Department will make additional efforts to ensure that all revenue sources are recorded in the LAR for fiscal years 2004 and 2005.

Staff Person(s) Responsible for Implementation: Chief Financial Officer

Timeline: TDMHMR LAR Preparation Process (May – August 2002)

Section 2:

Is the Department using appropriated funds in accordance with applicable laws and regulations?

The Department is generally using appropriated funds in accordance with applicable laws and regulations. Although the Department's accounting system is not updated with actual expenditure allocation information (see Section 1-A), expenditure transaction testing and other audit work indicated the funds were spent for allowable purposes.

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No improper use of funds was noted during testing of expenditure transactions. Targeted transaction testing, in which potentially erroneous transactions are identified and reviewed, did not reveal any significant exceptions. Several different methodologies were used to identify transactions for testing. Methodologies included trend analysis, vendor analysis, probability analysis, and identification of transactions with non-conforming characteristics. Expenditure transactions were tested to determine whether the expenditures were:

- Made in accordance with the Department's strategies and objectives.
- Paid to appropriate vendors.
- For reasonable amounts based on the type of transactions.
- Charged to the appropriate object code.
- Properly approved.
- Supported by adequate documentation.

Testing showed that the Department is spending appropriated funds for goods and services in accordance with applicable state laws and regulations.

The Department is in compliance with all significant riders. A review of General Appropriation Act riders specific to the Department found no exceptions.

The Department was given permission to vary from the funding structure of the General Appropriations Act. Part of our procedures to determine if funds were spent "in accordance with applicable laws and regulations" was to review whether funds were spent in accordance with the strategies set forth by the Legislature in the General Appropriations Act. Because of a multi-million dollar shortfall in fiscal years 2000 and 2001, the Department obtained approval from oversight agencies to transfer funds as needed between strategies to cover the shortfall.¹

We were not able to draw a conclusion about spending in accordance with the strategies because the Department did not have to adhere to these allocations.

Management's Response:

The Department appreciates the finding that there was no improper use of funds and that funds were expended in accordance with applicable state laws and regulations. The Department also appreciates the finding that the Department is in compliance with all riders.

Staff Person(s) Responsible for Implementation: Chief Financial Officer

Timeline: N/A

¹ The shortfall resulted from errors in the revenue estimation process during the preparation of the Department's LAR. The State Auditor's Office issued a report regarding the shortfall (*A Review of the Department of Mental Health and Mental Retardation's Fiscal Year 2000 Budget Shortfall*, SAO Report No. 00-002, October 1999).

Section 3:

Is there alignment between funds expended and outcomes?

Alignment between funds expended and outcomes cannot be determined because of unreliable data supporting performance outcome measures. In August 2001 the State Auditor's Office reported it was unable to certify any of the Department's performance measures without qualification (*An Audit Report on Performance Measures at 12 State Entities - Fiscal Year 2001*, SAO Report No. 01-036). At that time four measures were certified with qualifications, and 10 were inaccurate. Nine of the 10 inaccurate measures rely on the CARE system for data. The August 2001 report included recommendations to correct performance information deficiencies.

In addition, the inability to identify how community centers spent funds by strategy affected our ability to draw a conclusion about the alignment between expenditures and outcomes.

Management's Response:

Reference response included under Section 4-C.

Section 4:

How can the Department improve the community centers' information?

The Department should address the following issues to help ensure information provided by the community centers is reliable:

- The Department has not provided the community centers with adequately documented policies and procedures for entering data into the CARE system.
- The Department does not adequately control the community centers' access to the CARE system.
- The Department's current validation of community center information is limited.

These three issues lead to inconsistent and unreliable information in the CARE system. The CARE system is the official client database used by all entities providing services with Department funds. The Department uses CARE data for ongoing program administration, planning, and reporting.

The State Auditor's Office is currently performing a contract administration audit that includes a review of the contractual relationship between the Department and community centers. A report is scheduled for release in summer 2002.

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Section 4-A:

The Department Has Not Documented How Community Centers Should Enter CARE Data

The Department does not have documented policies and procedures for entering data into the CARE system. During the on-site visits to six community centers, we noted that they were not all capturing data the same way.

For example, many of the community centers keep client files open for 90 days after providing a service to a client. As long as client files remain open, clients are being counted as receiving services and, therefore, they are counted in client benchmarks. However, one of the community centers kept the client file open only in the month the client service was provided. Different processes between community centers results in inconsistent information from one community center to the next.

Also, community centers report financial information to the Department through the CARE system. Expenditure information is entered by General Appropriations Act strategy. However, we noted several community centers that indiscriminately allocated expenditures among strategies and, therefore, the reported amounts were incorrect.

The Department provides training to community center staff. However, it does not provide detailed policies and procedures to reinforce the training, specifically regarding financial data entry.

Management's Response:

The Department agrees that in past years it has not sufficiently documented how community MHMR centers should enter CARE financial data. However, in recognition of this situation and also in response to a major strategy restructuring beginning with FY 2002, all CARE financial reporting by the community centers was revamped. The financial report structure in CARE was changed to be consistent with the new appropriation structure and instructions for reporting were revised. Those instructions specifically address completion of the financial report and the allocation of types of services and expenditures among strategies. Therefore, community MHMR centers should become more precise in allocating expenditures among the strategies.

The revised CARE report and associated instructions were developed with the input of the Chief Financial Officers Association for Community Centers. Numerous meetings were held to ensure that the instructions in their final format would be useful and informative to the community MHMR centers. Formal training occurred on two different occasions and was attended by Chief Financial Officers and other appropriate staff. Refresher training will be provided as needed and Department staff are available for individual assistance to the community MHMR centers. The Department agrees that these efforts need to continue to ensure the accurate reporting of financial information into the CARE system.

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Staff Person(s) Responsible for Implementation: Director, Community Financial Services

Timeline: Ongoing

Section 4-B:

The Department Does Not Adequately Limit Community Center Access to CARE

Weak controls over community center employees' access to the CARE system further reduce the reliability of information. During a site visit to one community center, we noted that the employees were sharing a username and password.

The community centers, essentially private providers, are responsible for entering client service data and expenditure data into the CARE system. Inadequate controls over access to CARE data increase the risk that someone could make an inadvertent error or perpetrate malicious acts, and the Department would not have a clear method to determine who was responsible. While a direct causal relationship could not be made between errors noted during site visits and the sharing of a username and password, it could be one reason for some of the errors noted. In addition, during a review of ten community center employees' computer access documentation, the Department was unable to provide complete documentation for three individuals.

Management's Response:

All of the individuals who have been authorized by the Department to have access to the CARE system have each signed a security authorization form which sets out the instructions for access to that system. A similar process is used for access to the Health and Human Services Consolidated Network. The Department will continue to work with the Information Managers Consortium of the Texas Council of Community MHMR Centers to assure that community center employees are trained on the proper use of CARE, including the access to the system. The Department's Information Services Security unit is also developing a new application for annual reaffirmation of the security and privacy agreements, which should further strengthen the controls.

The policies and procedures developed and processes implemented by the community MHMR centers to ensure control over access to CARE will also be audited as part of the Local Authority Certification process, currently under development by the Department and scheduled to begin in FY 2003.

Staff Person(s) Responsible for Implementation: Director, Community Systems Management and Director, Information Services

Timeline: Ongoing, beginning September 1, 2002

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Section 4-C:

The Department's Validation of Community Center CARE Data Is Limited

The Department's validation of client data information (such as provided services) reported by community centers is limited. Our testing of the CARE information entered by six centers resulted in error rates as high as 18.2 percent (see Table 2).

Table 2

Community Center	Percentage of Error	
	4th Quarter 2000	2nd Quarter 2001
Texas Panhandle MHMR (Abilene)	8.5%	6.4%
Harris County MHMR Authority (Houston)	18.2%	0.0%
Andrews Center (Tyler)	6.4%	6.4%
Spindletop MHMR (Beaumont)	0.0%	0.0%
Betty Hardwick Center (Amarillo)	6.4%	6.4%
ACCESS (Jacksonville)	6.4%	2.1%

Source: On-site review of community center supporting documentation

These six community centers were all in the Department's self-monitoring pool, which means the Department considered them to have demonstrated a high level of data correctness. The centers were not able to provide explanations for the error rates.

Only one of the six community centers was able to provide adequate documentation to support client data entered into the system. The inability of the centers to support the information they have entered into the CARE system raises concern as to the reliability of the information reported to the Department.

The Department's validation process consists of desk reviews of information that community centers report and verify themselves. Furthermore, the Department does not perform desk reviews in a timely manner. At the end of fiscal year 2001, the Department had begun to review information it had collected throughout the year. In addition, when the Department determines information to be in error through its desk review process, it does not correct the information in its information system. An August 2001 audit of performance measures also noted similar issues.

Management's Response:

The Department concurs with this finding in that when errors are found in client data through the desk review process, the data is not corrected within the information system. Currently, the Department does not have the resources to accomplish the additional testing necessary to adjust CARE data based on the findings of a data validation process and will be exploring options to address this issue.

Data validation activities are being conducted through desk reviews in a more timely manner. At the time this audit was conducted, the Department was transitioning from an onsite data validation process staffed by 17 regional staff, to a desk review process, staffed by fewer people on a part time basis from a central location.

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In regards to the reporting of numbers served in ABEST, the Department has maintained the data for each quarter without updating in order to maintain an audit trail. The community MHMR centers do open and close assignments in CARE after the quarterly reports are produced. In order to correct the performance numbers in ABEST, at the end of each quarter, all previous quarters in the fiscal year would need to be recalculated and updated. All computer programs for these reports would also need to be rewritten. The Department will consider the feasibility of this change for FY 2003.

Additionally, the Department's Internal Audit Division is conducting an internal audit of performance measures, including the CARE system, which will involve a statewide review of all community MHMR centers. The Department is investigating the possibility of enforcing penalties when instances of excessive error rates are determined. The Department is currently strengthening the policies and procedures in this area to ensure consistency in the process.

The Department now facilitates a workgroup with ample community MHMR center representation that affords them the opportunity to be involved in decision making around the data validation process and communicate needs for training and other support they may have. A quarterly teleconference is also scheduled to disseminate information about changes and solicit input.

Staff Person(s) Responsible for Implementation: Director, Program Statistics and Planning

Timeline: Ongoing

Recommendations:

The Department should:

- Review and update existing policies and procedures and develop and document needed detailed policies and procedures for the community centers to follow including, at a minimum:
 - Instructions for reporting service information to the Department with specific criteria that will ensure consistent client service information for community centers.
Management's Response: Refer to Section 1-B, Section 4-A.
 - Instructions for controlling usernames and passwords and limiting access to those individuals that have been authorized by the Department.
Management's Response: Refer to Section 4-B.
 - Instructions for entering financial information into the CARE system with specific criteria as to what information to include and how the information is to be allocated by strategy, as appropriate.
Management's Response: Refer to Section 4-A.

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- Establish processes to ensure the Department's policies and procedures are followed including, but not limited to, timely and methodological review and verification of information submitted to the Department.

Management's Response: Refer to Section 4-C.

- Ensure that information maintained is updated or corrected when more accurate information is available.

Management's Response: Refer to Section 1-A, Section 1-B, Section 4-A, and Section 4-C.

Management's Response:

TDMHMR generally concurs with the recommendations made by the State Auditor's Office in its financial review of the agency. The Department has made considerable efforts to strengthen its LAR preparation process to ensure that it expends funds appropriately. The Department places great importance on accurate preparation of the appropriations requests, appropriate expenditure of funds and generation of reliable financial data. We appreciate the acknowledgement that the Department's internally generated financial data is reliable, that we are in compliance with riders, and that expenditures are for appropriate purposes. As indicated in the management responses, the Department has recognized the need to strengthen the reliability of financial and performance data from community MHMR centers and has initiated improvement efforts in those areas. The audit will help us to further sharpen our efforts in those areas and we look forward to making the necessary improvements. Finally, we appreciate the highly professional and thorough work of the audit team.

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