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State Auditor

April 15, 2002

An Audit Report on
**The Medical Transportation Program
At the Department of Health**

Members of the Legislative Audit Committee:

The Department of Health (Department) has not adequately managed its Medical Transportation Program contracts. This has resulted in clients receiving less than the contractually agreed-upon level of service. For example:

- Client survey results for three major contractors in two regions showed a rate of dissatisfied clients ranging from 16 percent to 35 percent during fiscal year 2001. In one case, the contractor provided only 64 percent of services on the authorized date and time.
- During the first few weeks of fiscal year 2002, two contractors did not transport some clients to their dialysis appointments.

Additionally, the Department has not consistently referred questionable contractor activities to appropriate investigative and legal authorities for fraud investigation. The only investigation of Medical Transportation Program contractors by the Health and Human Service Commission's Office of Investigations and Enforcement was underway during this audit. The investigation originated based on information the Commission received from another state agency.

Also, we estimate that if the Department had been successful in negotiating rates and/or service areas with bidders, the State could have reduced its costs by at least \$1.7 million in fiscal year 2002.

The Department should:

- Establish an effective system to assess contractor performance.
- Improve monitoring and enforcement procedures to reduce susceptibility to contractor fraud.
- More effectively use factors other than price in the contractor selection process.
- Fully use its authority to negotiate any and all aspects of bids to obtain the best value for the State.

The attachment to this letter contains additional details on the results of our audit. The Department generally agrees with our recommendations, and its responses are included in the attachment. We appreciate the courtesy and cooperation of the Department's management and staff during this audit.

This report is the first of two deliverables from our audit of contract management of various health and human service agencies. If you have any questions, please contact Joanna B. Peavy, Audit Manager, or Jon Nelson, Project Manager, at (512) 936-9500.

Sincerely,

Lawrence F. Alwin, CPA
State Auditor

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cc: Chair and members of the Texas Board of Health
Dr. Eduardo Sanchez, Commissioner, Department of Health
Mr. Don Gilbert, Commissioner, Health and Human Services Commission



Overall Conclusion

The Department of Health (Department) has not adequately managed its Medical Transportation Program contracts. This has resulted in clients receiving less than the contractually agreed-upon level of service. We found that the Department:

- Does not adequately assess contractor performance.
- Has not consistently referred questionable contractor activities to appropriate investigative and legal authorities for fraud investigation.
- Does not adequately ensure that the State receives the best value in its contractor selection process.

The Department made some improvements in its management of Medical Transportation Program contracts in response to a 1999 internal audit. However, weaknesses still exist that have affected services provided to Medicaid clients.

What is the Medical Transportation Program?

The Medical Transportation Program is a Medicaid program that provides non-emergency transportation for eligible Medicaid recipients to and from providers of Medicaid services. During fiscal year 2002, the Department contracted with 45 providers for approximately \$22.6 million in services. Individual contracts range from \$5,000 to \$8 million.

Section 1:

The Department Does Not Adequately Assess Contractor Performance

Our analysis of data captured by regional staff during contract monitoring identified numerous indications of contractors providing less than the contractually agreed-upon level of service. For example:

- Client survey results for three major contractors in two regions showed a rate of dissatisfied clients ranging from 16 percent to 35 percent during fiscal year 2001.

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- Client survey results for one of the three contractors mentioned above showed that the contractor provided only 64 percent of services on the authorized date and time during fiscal year 2001.
- Complaint logs for a new contractor that provided service in three regions showed that clients registered a large volume of complaints during the first few weeks of fiscal year 2002. Some complaints were because the contractor was not transporting clients to their dialysis appointments.

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The Department uses appropriate monitoring tools to capture data that could be used to assess contractor performance. The Department's monitoring tools include client surveys, on-site contractor visits, complaint resolution, and a claims reconciliation process. However, the Department's monitoring is focused primarily at the individual client or transaction level. The Department does not compile and analyze monitoring information to assess contractors' overall performance. Thus, the Department is unable to determine contractor compliance with performance measure requirements and is not consistent in its consideration of sanctions against contractors.

Section 1-A:

The Department Does Not Assess Available Performance Measures Data

The Request for Proposal (RFP) issued by the Department in 2001 for the Medical Transportation Program defined two performance measures with targets that can be used to assess contractor performance. These targets were:

- Ninety-nine (99) percent of transportation must be provided on the authorized date and time.
- Ninety-eight (98) percent of all complaints must be documented and responded to by the fifth workday after receipt.

While the Department captures relevant data for both of these performance measures, it does not compile and assess the data. Our review of fiscal year 2001 client survey

results for seven contractors in three regions indicated that the contractors provided from 64 to 100 percent of services on the authorized date and time. As shown in Table 1, two of the seven contractors met the target of 99 percent.

Table 1

Client Survey Results for Seven Contractors in Fiscal Year 2001		
Contractor	Percentage of Services Provided on Time	Percentage of Dissatisfied Clients
A	64.3%	25.7%
B	100.0%	0.0%
C	100.0%	0.0%
D	85.7%	0.0%
E	92.0%	0.0%
F	92.0%	16.0%
G	93.0%	35.0%

Source: Department of Health Medical Transportation Program

Data that the Department collects through its monitoring tools provides other useful information. For example, the client survey results show the level of client satisfaction with services and contain information on issues such as late service, missed appointments, and

complaints about drivers and vehicles. Our review of client survey results for the same seven contractors mentioned above indicated that four contractors had no indications of poor service, but the remaining three had client dissatisfaction rates ranging from 16 percent to 35 percent (see Table 1).

An effective performance monitoring and evaluation system is necessary to help ensure that the Department is achieving its objectives. Performance information must be used to manage operations and plan for the future. For example, it is critical to

consider a contractor's performance history when establishing and renewing contracts. Without such an assessment, the Department may perpetuate poor service delivery through a contractor that has poor survey results or numerous complaints.

Section 1-B:

The Department Does Not Consistently Review Contractors' Performance Histories When It Considers Imposing Sanctions

The Department's failure to compile and analyze data that would provide an overall assessment of contractors' performance can lead to inconsistencies in its imposition of sanctions. For example, in one region the Department imposed the most severe sanction on a new contractor by terminating the contract eight weeks after the award date of July 13, 2001, and only one week into the fiscal year 2002 contract period because of the contractor's inability to deliver required services. A large number of complaints involved this contractor's services, and the Department received reports of dialysis patients not getting to their appointments. However, in another region the Department did not impose any sanction on a new contractor that also had a large volume of complaints and did not provide services to some clients during the first few weeks of fiscal year 2002. In the first region, the Department validated enough complaints to know that 24 out of 187 clients did not receive services on a single day. However, there was no similar validation of complaints in the other region.

The Department has a process for resolving problems with contractors through sanctions. The process includes accelerated monitoring of the contractor. During fiscal years 2000 and 2001, the Department imposed accelerated monitoring (corrective action plans) on four contractors in two regions. Two of the Department's contract managers specified there was no limit to the number of times a contractor could be in and out of compliance with the terms of its contract. At the time of the audit, a contract manager in one region was working with a problem contractor that had been in and out of compliance for the past year. Despite the problems with this contractor, the Department renewed the contractor's contract for fiscal year 2002. It should be noted that in this region (and in most other regions), there are alternative service providers, as evidenced by the bids received by the Department.

Contractor performance history is information critical to decision making. It is as important to decisions regarding sanctions as it is to contract renewal, as mentioned in Section 1-A. The Department can perpetuate poor service delivery if contract performance history is not considered.

Recommendations:

The Department should:

- Establish an effective performance monitoring and evaluation system. The system should:
 - Be results-oriented and focus primarily on outcomes and outputs.

- Be selective and focus on the most important indicators of performance.
- Be useful and provide information of value to the Department and decision-makers.
- Be accessible and provide periodic information about performance.
- Be reliable and provide accurate, consistent information over time.
- Compile and analyze data from its performance monitoring and evaluation system to assess the overall performance and track the performance history of each contractor. The Department should use this information when establishing and renewing contracts and considering the imposition of sanctions and corrective action plans.

Management's Response:

Section 1-A:

Management agrees with the SAO recommendations. Beginning with FY02, MTP improved oversight of contractor performance by 1) including performance measures in contractor procurement; 2) revising and strengthening the MTP contractor performance monitoring and evaluation system by expanding and standardizing the current system for statewide application; and 3) requiring weekly, instead of monthly, updates by the regions to the central office during the three-month contract transition period. (Note: The monitoring system is currently being finalized. Regional reports are now being provided on a monthly basis.)

Section 1-B:

MTP management agrees with the SAO recommendations that the performance monitoring and evaluation system should be used to document a contractor's overall performance and that the imposition of sanctions against a contractor should be consistent across the state. Contractor sanctions are imposed on a case-by-case basis, and TDH will strive toward a more consistent system. MTP considers the nature of the complaint and the severity of the particular noncompliance as part of the review process. The MTP contracts are administered at the local level and the MTP Regional Managers have some discretion in recommending the sanctions to be imposed.

In response to the SAO report, MTP developed a corrective action plan (CAP). As documented in the CAP, a contractor performance monitoring and evaluation system is being developed. The results of MTP monitoring of current contractors will be compiled and analyzed. Tracking of the submitted data and resultant analysis will also be accomplished. The information will be used to evaluate overall services provided by MTP contractors; used to determine needed policy changes; and for continuous quality improvement (CQI) purposes. Additionally, this data will be utilized in determining future extension(s) of current contracts, considered during future procurement awards, as well as during consideration of the imposition of

sanctions and corrective action plans. This is addressed in the CAP with a target date for completion of the enhanced contractor monitoring tools of August 31, 2002.

Section 2:

The Department Has Not Consistently Referred Questionable Contractor Activities to Appropriate Investigative and Legal Authorities for Fraud Investigation

The Department has not referred questionable activities involving Medical Transportation Program contractors to the Health and Human Services Commission's (Commission) Office of Investigations and Enforcement or to other legal authorities for fraud investigation. The Commission's Office of Investigations and Enforcement is responsible for investigating allegations or complaints of Medicaid fraud, abuse, or waste. The only investigation of Medical Transportation Program contractors by the Commission's Office of Investigations and Enforcement was underway during this audit and originated based on information the Commission received from another state agency. During our audit, we provided the Commission with information relevant to the investigation. Examples of questionable activities documented by Department regional office staff include:

- In one region, instances in which the Department recouped funds from one contractor indicated questionable activities. In 1999, the Department sought and recouped \$864 from a contractor and imposed a corrective action plan. The corrective action plan stated that the contractor's "current procedure allows for too much of an opportunity for acts of fraud to be committed." In 2001, the Department determined that the same contractor had billed for four months of service for a client who had not received services. The Department recouped \$1,512 from the contractor. While Medical Transportation Program management referred the activity to the Department's Office of Criminal Investigations in March 2001, it has not received any feedback. The Department still has a contract with this contractor.
- Regional office staff routinely review contractors' driver logs. However, the Department does not require contractors to maintain driver logs nor does it impose any other specific record-keeping requirements on contractors to verify that services were delivered. This leaves the Department susceptible to fraud. In one region, a contract manager identified 655 billings that driver logs did not support. The Department paid \$23,196 from September 1 to December 31, 2001, for those billings.

Recommendations:

The Department should:

- Refer all cases of potential or suspected fraud to appropriate investigative and legal authorities. At a minimum, the Department should obtain advice and

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feedback from the Department's Office of Criminal Investigations or the Health and Human Services Commission's Office of Investigations and Enforcement when it identifies questionable transactions and practices.

- Consider the imposition of specific record-keeping requirements on contractors to verify that services were delivered (for example, client signatures on driver logs).

Management's Response:

Management agrees with the audit recommendations. MTP fraud reporting procedures are outlined in TDH Executive Order XO-0111. XO-0111 reflects the requirements of Section 321.022 of the Government Code under which each agency subject to SAO audit is required to report cases to the SAO in which it is suspected that money received from the state has been lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred in relation to the operation of the department. TDH will review the policy to ensure it meets legal requirements and facilitates timely and appropriate submissions to investigative and legal authorities. MTP will submit a proposal for review of XO-0111 by June 1, 2002.

TDH will review MTP fraud reporting policies for adequacy and will ensure appropriate training on the subject for all MTP staff. Policy review and training is addressed in the CAP with a target completion date of August 31, 2002.

Management will also consider the imposition of specific contractor record-keeping requirements to verify and document that recipient services were delivered (for example, requiring recipient signatures on driver logs) as addressed in the MTP corrective action plan scheduled for completion by January 1, 2003.

Section 3:

The Department's Contractor Selection Process Does Not Adequately Ensure That the State Receives the Best Value

The Department did not consider factors other than price in its contractor selection process for fiscal year 2002. The Department's decision to consider only price when evaluating and selecting Medical Transportation Program contractors may have led to instances in which unprepared contractors failed to deliver services. During the first few weeks of the fiscal year, two contractors did not transport some clients to their dialysis appointments.

- In one region, the Department canceled a contract eight weeks after the award date of July 13, 2001, and only one week into the fiscal year 2002 contract period because of the contractor's inability to deliver required services.
- In another region, the Department received numerous complaints about a new contractor because the contractor did not have the required infrastructure in place at the beginning of the contract period. For example, the contractor did

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not have a scheduling and routing system that would allow it to provide timely services, nor did it have an adequate communication system to enable it to contact drivers while they were en route. This occurred in spite of “readiness testing” done by the Department to address the proposed communication system (along with other required elements of the contract).

These problems are partially attributed to the fact that the Department did not consider factors such as a bidder’s qualifications, past performance, or business work plan in the evaluation and selection of contractors for fiscal year 2002. In Section 1, we noted the Department’s inadequate assessment of contractor performance in its contract monitoring. Inadequate assessment can lead to inadequacies in the contractor selection process. Best-value purchasing requires consideration and a balancing of many factors (in addition to price) when selecting contractors.

The Department’s RFP defined six criteria for evaluation. Five criteria were devoted strictly to costs and represented 100 percent of the points a bidder could receive. A sixth criterion consisted of five “bonus points” for the following services or improvements offered beyond the RFP requirements:

- Quality control system
- Driver training program
- Vehicles under one year old
- Three years or more in business
- Communication system

However, bonus points had no impact on the contractors that were selected for fiscal year 2002.

Additionally, as noted in the following sections, the Department could have refined existing contract procurement procedures and conducted additional procedures to help ensure that the State receives the best value.

Section 3-A:

The Department Does Not Have Adequate Procedures for Determining Reasonable Payment Rates

The Department does not evaluate all means to determine the reasonableness of payment rates. Payment rates are determined by proposed bids and may not reflect market rates. The Department cannot be certain that proposed payment rates reflect market rates especially when it receives only one bid. A single bid does not provide comparison data that would allow the Department to determine the reasonableness of proposed rates. The Department requested bids for 108 areas in the State and received single bids for 49 (45.4 percent) of those areas. Some variation of payment rates is expected from region to region and between urban and rural areas. However, Table 2 on the next page shows the wide variation of payment rates on a statewide level for each trip category.

Table 2

Comparison of Payment Rates for Fiscal Year 2002					
Range of Payment Rates	Trip Category				
	Basic One-Way Trip	Expanded Service Trip	Attendant Required on Trip	No-Shows	Special Needs Trip
Lowest Rate	\$ 6.50	\$ 8.50	\$ 0.00	\$ 0.00	\$ 6.50
Highest Rate	\$ 50.00	\$ 56.00	\$ 50.00	\$ 28.00	\$ 69.00

Source: Department of Health Medical Transportation Program

Section 3-B:

The Department Did Not Use Its Authority to Negotiate With Bidders

The Department did not attempt to negotiate with any of the bidders that responded to its Medical Transportation Program RFP. We estimated that, if the Department had been successful in negotiating rates and/or service areas with bidders, the State could have reduced its costs by at least \$1.7 million in fiscal year 2002. In particular, the Department could have attempted to negotiate rates and/or service areas in the 47 areas for which it received multiple bids. For example, in each of two regions, one bidder submitted a bid for the entire region and was awarded a contract for the entire region. However, the Department also received bids from other bidders for each individual area within those two regions; some of these other bidders had lower area rates than the winning bidder. (Each region has from 6 to 19 areas.) Yet the Department contracted for the higher rates submitted by the bidder that proposed serving the entire region. Through negotiation, the Department may have been able to obtain lower rates in certain areas within that region.

Negotiated purchasing methods are considered a primary means for achieving best value, and, therefore, they are frequently cited as a preferred purchasing method. The Department’s RFP allowed the Department to negotiate any and all aspects of a proposal if the Department determined it was in the best interest of the State and the Department. The RFP also allowed the Department to accept or reject, in part or in whole, any bid submitted.

Section 3-C:

The Department Did Not Obtain the Lowest Price for Fiscal Year 2002

While the Department focused on price when selecting Medical Transportation Program contractors for fiscal year 2002, it still did not secure the lowest price in one region. If the weights the Department used to score each bidder had been based on historical data, the Department could have secured lower cost contracts and saved \$577,491.

The Department did not have a sound basis for the weights it assigned to the five trip categories when it scored and selected contractors. (See Table 3.) In its RFP, the Department specified the assigned weights it would use to weight each trip category. These weights should have reflected, as closely as possible, the percentage of total trips that each category would represent. The Department calculated these weights by (1) obtaining estimates from regional staff for each trip category and (2) adjusting these estimates to provide greater incentives for bidders to provide expanded service trips.

However, neither the regional estimates nor the adjusted weights the Department actually assigned to each trip category corresponded to the actual percentage of trips each category represented in fiscal year 2001 (the previous year). In addition, our comparison of the percentage of trips each category represented in the first five months of fiscal year 2002 indicated that these percentages corresponded closely with the fiscal year 2001 percentages.

Table 3

Comparison of RFP Scoring Weights and Weights Based on Historical Data					
Scoring Weights	Trip Category				
	Basic One-Way Trip	Expanded Service Trip	Attendant Required on Trip	No-Shows	Special Needs Trip
Scoring weights from RFP that the Department used to score bidders for fiscal year 2002	50%	20%	15%	10%	5%
Scoring weights based on the actual percentage of trips each category represented during fiscal year 2001	48%	4%	16%	3%	29%

Source: Department of Health Medical Transportation Program

As Table 3 indicates, the most significant difference between the weights actually used and the weights based on historical data involved special needs trips. This difference could have had a significant effect on the total score a bidder received because the payment rates for special needs trips are generally higher than rates for all other types of trips. As noted earlier, the faulty weighting led the Department to award one contract to a bidder in one region that did not bid the lowest *total* cost in that region.

Section 3-D:

The Department's RFP Did Not Adequately Describe Certain Evaluation Factors

In 1999, the Department's internal auditor concluded that the evaluation process described in the RFP for the Medical Transportation Program did not have the specificity and detail needed to ensure objective and equitable contractor selection.

While the Department improved its evaluation process after the internal audit, our audit also identified evaluation factors that were not adequately defined in the RFP.

Special Needs Definition

The RFP did not specifically define the term “special needs,” which was one of the five trip categories on which bidders were scored and evaluated. Payments for special needs trips in fiscal year 2001 were approximately \$7.7 million (35 percent of total payments). In addition, as indicated in Table 2, payment rates for special needs trips are generally higher than rates for all other categories of trips.

In response to questions from potential bidders, the Department amended the RFP with the following definition:

A client with special needs includes clients in a wheelchair, using a cane or for some reason or other are not able to board a vehicle without the assistance of a ramp or lift.

This definition was still broad enough to be interpreted in different ways. Additionally, Department management referred to a problem of consistency across regions in the definition of special needs when contractors submit claims to TEJAS, the Department’s automated claims system. (See Section 4 for a description of TEJAS.) In October 2001, the Department distributed the following clarification to regional office personnel:

A special needs client is one who requires special accommodation. This would only apply to clients in wheelchairs who cannot get into a regular vehicle such as a cab, car, or regular van. A vehicle with a lift is more costly than a regular vehicle.

Examples such as the following are NOT special needs:

- client with a cane
- client with a walker
- client with an attendant

However, the Department sent this notice only to Department regional office personnel; it did not send the notice to contractors, and it did not add the new definition as a formal addendum to contracts.

Communication System Definition

Another evaluation factor in the RFP that the Department did not clearly define was the term “communication system.” The RFP required bidders to have a communication system that enabled clients to call the contractor (at no cost to the client) and allowed the contractor to communicate with drivers en route to clients’ homes. The RFP also included a “bonus point” if the bidder had a communication system. However, the RFP did not specifically describe the basis for awarding this bonus point. Some bidders received a bonus point for having a communication system, but others did not. In fact, the Department awarded a bonus point to one new contractor, that it later learned did not have an adequate communication system (this

contractor, referred to at the beginning of Section 3, also did not have a scheduling and routing system in place). According to management, the Department awarded a bonus point to this contractor because the contractor had an enhanced or more elaborate communication system.

Section 3-E:

The Department Does Not Require Criminal Background Checks For Medical Transportation Program Drivers

The Department does not require the drivers for Medical Transportation Program contractors to undergo criminal background checks. While we did not identify any instances of abuse or mistreatment of clients, requiring criminal background checks is a good preventative measure. According to the RFP, a Medical Transportation Program contractor must:

- Employ drivers who meet federal, state, and local government qualifications for the safe operation of vehicles.
- Ensure that its drivers have not received citations for more than two moving violations for the past twelve months either on or off the job.

Texas Human, Protective, and Regulatory Services Code, Section 32.0322, allows the Department to obtain criminal history record information that relates to a provider under the medical assistance program or to a person applying for enrollment as a provider under the medical assistance program.

Recommendations:

The Department should:

- Use best-value factors, in addition to price, when it selects Medical Transportation Program contractors. For example, the Department should consider factors indicating the qualifications, quality, competency, or appropriateness of a bidder in delivering specified services. Other factors could include direct input from past, current, or prospective clients; results of on-site inspections; direct observations; visits by agency personnel; and the bidder's documented or audited business processes.
- Establish a method for determining the reasonableness of payment rates. For example, the Department could conduct periodic market surveys of other providers in the state or of other states' medical transportation programs.
- Fully use its authority to negotiate any and all aspects of bids, including the negotiation of rates and/or service areas, to obtain the best value for the State.
- Apply contractor selection weights to cost factors based on the percentage of total trips each trip category has historically represented.

- Include in its RFP the level of specificity and detail required to ensure objective and equitable contractor selection. The RFP should clearly and specifically define all evaluation factors, including services for special needs and communication systems.
- Consider requiring contractors to conduct criminal background checks for all drivers.

Management's Response:

Management's general response to Section 3 of the SAO audit report is that MTP management strived to meet the HHSC procurement objectives and standards as set out in the Texas Administrative Code.

Sections 3-A/C:

MTP will revise the weighting of points in future procurements to give greater emphasis to factors other than price.

The HHSC procurement objectives and best value factors authorize consideration of contract awards that meet the needs of the internal customers while minimizing administrative burdens, the extent to which the services meet the needs of the agency as well as the recipient, and consideration of other factors relevant to best value. MTP was successful in obtaining extended hours and Saturday coverage which we believe is a best value feature requested by recipients.

Management believes that the RFP and resultant awards did meet the HHSC procurement guidance, as demonstrated in obtaining extended operational hours and days that better meet the recipient(s) needs to access health care services. In an attempt to obtain additional proposers, this RFP was posted to the Texas MarketPlace website which resulted in not only non-traditional proposers but first time proposers thereby expanding the market to optimize the MTP provider base. Additional clarification regarding best value is incorporated into the CAP with a target completion date of January 15, 2003.

Historical claims experience was taken into consideration when establishing weighted values to be used during contractor selection. To enhance the procurement of additional services for our recipients, such as extended hours of service, it was felt that this could best be accomplished by giving additional weight to these desired outcomes. MTP will clearly separate best value weights and cost weights in future procurements. This is addressed in the CAP with a target date for completion of January 15, 2003. Market surveys will be conducted for future procurements.

Section 3-B:

Management believes that the use of its authority to negotiate in the procurement of goods and services is generally in the best interest of the State. The awards process utilized during the SFY 2002 procurement was not prospective or contingent in nature and therefore did not lend itself to an extended negotiation process prior to finalizing

the award. Making future awards prospective and contingent upon successful negotiation of rates and services as well as demonstration of the prospective contractors' readiness and capacity to fulfill the contract will be thoroughly reviewed by MTP from an operational perspective. This is addressed in the CAP with a target date for completion of January 15, 2003.

Section 3-D:

Management agrees with the SAO that the contract did not adequately define some of the terms used such as "special needs." Management will clarify terms for the current contracts by contract amendment and will incorporate the revised definitions into the MTP model RFP to be used in future procurements. Management has addressed clarification of terms in the CAP for completion by January 15, 2003.

Section 3-E:

MTP agrees with the SAO that the Medicaid program should require criminal background checks prior to entering into an agreement with any contractor or provider who has direct contact with Medicaid recipients. Management has addressed this issue in the CAP with a target date of March 1, 2003. (Note: State law does not mandate criminal background checks. Therefore, to obtain federal match for criminal background checks, §32.0322, Human Resources Code, would need to be amended to mandate criminal background checks for Medicaid providers.)

Section 4:

The Department Does Not Adequately Ensure Consistency in Its Monitoring Procedures

What is the TEJAS Electronic Claims System?

The Department implemented an electronic claims system called TEJAS in 1998. TEJAS is used to record and track claims for authorized medical transportation services. Based on our tests, we found that the claims data is generally accurate.

While it appears that controls are adequate to ensure the integrity of the data, we identified one weakness with claims adjustments entered at the regional offices. Regional supervisors do not review adjustments to determine their appropriateness. According to management, the redesigned system, which is scheduled for release in summer 2002, will require supervisory review of adjustments before payments are approved.

As discussed in Section 1, the Department's regional offices use appropriate monitoring tools. These monitoring tools include client surveys, on-site contractor visits, complaint resolution, and a financial reconciliation process built around the Department's electronic claims system, TEJAS (see text box). During the weeks leading up to fiscal year 2002, the Department conducted "readiness testing" to determine a contractor's readiness to provide services on September 1, 2001. However, there was a lack of consistency among regions with regard to the use of some of these monitoring procedures. In addition, we noted poor documentation of contract monitoring files during our visits to selected regional offices.

We noted that regional offices used different approaches for selecting samples when they conducted client surveys and on-site contractor visits. In addition, although the Department's RFP stated that contractors should have a

| process in place to handle complaints, regional office personnel did not consistently

assess the contractor's complaint process as a part of their on-site monitoring visits. To reduce these inconsistencies, the Department is developing a new procedure manual for on-site monitoring visits. It is also developing a new performance monitoring tool that regional office personnel will use.

Recommendations:

The Department should:

- Promptly complete and distribute the new procedure manual for on-site monitoring visits and the new performance monitoring tool to ensure consistency in monitoring.
- Ensure that regional offices maintain proper documentation of contract monitoring files.
- Ensure that regional office supervisors review claims adjustments entered to the TEJAS claims system to determine their appropriateness.

Management's Response:

Management agrees with the SAO recommendations. MTP management recognizes the need outlined in the recommendations. Enhanced performance monitoring instruments, instructions, and training will be completed and presented at the April 2002 MTP Program Managers' meeting. Implementation will begin upon completion of training and should be completed by the end of SFY 2002. This issue is addressed in the CAP with a target date for completion of August 31, 2002.

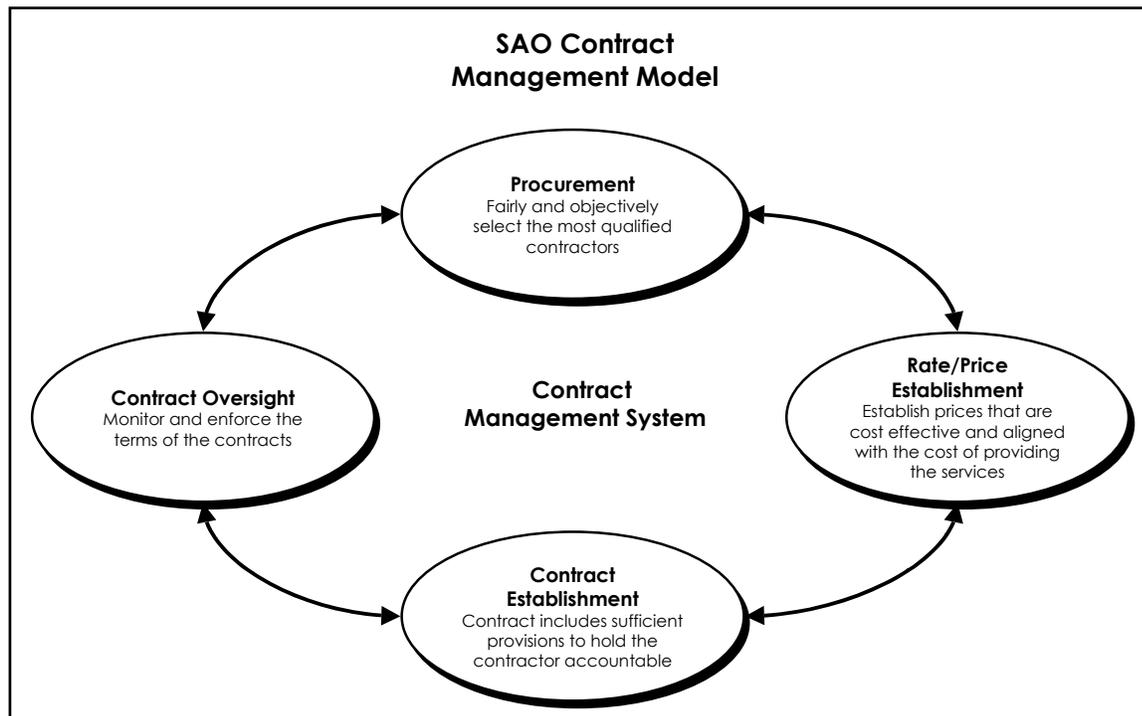
Summary of Objective, Scope, and Methodology

The objective of this audit was to determine if the procedures the Department uses to establish and monitor client service contracts provide reasonable assurance that:

- Contractors provide agreed-upon services at contractually specified prices.
- Contractors spend funds in accordance with state and federal requirements.

We used the following contract management model as a guide for this audit.

Figure 1



This audit was conducted as a part of an audit of contract management at various health and human service agencies. The scope of this report includes only the Department of Health's Medical Transportation Program. The scope of testing included transportation services for Medicaid clients, not advanced travel funds.

Audit procedures included reviewing applicable laws, policies, and procedures; observing operations at selected regional offices; analyzing data from the Department's electronic claims system; and testing selected contract files. Fieldwork took place from December 2001 through February 2002.

This audit was conducted in accordance with generally accepted government auditing standards