



An Audit Report on

The Health and Human Services Commission's Family Violence Program

May 2018

Report No. 18-028



An Audit Report on

The Health and Human Services Commission's Family Violence Program

SAO Report No. 18-028
May 2018

Overall Conclusion

The Health and Human Services Commission's (Commission) Family Violence Program's (Program) contracting processes helped ensure that the contractors provided services and spent funds in accordance with applicable requirements. Specifically:

Contract execution. The Program executed and approved all 14 contracts tested in accordance with Texas Human Resources Code, Chapter 51, and Commission policies and procedures.

Contract expenditures. The Program made payments to contractors and appropriately identified overpayments in accordance with the terms of the contracts and applicable requirements. However, the Program should document its process for identifying and calculating overpayments.

Contract monitoring. The Program had processes to ensure that it sufficiently monitored Program contracts in fiscal year 2017; however, the Program should fully document those processes.

State plan. The Program coordinated with its administrative contractor to compile and publish the state plan required by Texas Human Resources Code, Section 51.0021.

In addition, the Program had controls in place to help ensure that it followed its contracting processes. For example, the Program developed spreadsheets to track contract payments, contract monitoring, and contract overpayments. Additionally, the Program developed checklists to help ensure that its employees follow its contracting processes.

Background Information

The Commission's Family Violence Program (Program) supports a network of domestic violence services through contracts with public and nonprofit organizations. The Program is responsible for allocating funds, developing rules and policies, monitoring adherence to state and federal policies, providing technical assistance to programs, and collecting and maintaining program data.

The Program receives funding from multiple sources, including federal and state (general revenue) funds. For fiscal year 2017, the **Program's** total appropriated funds were \$28,455,278, which included \$10,740,134 in state general revenue.

Family violence shelter and nonresidential centers. The Program provides emergency support and prevention services to help adult victims and their children escape the cycle of family violence. These include residential shelters, a 24-hour hotline, emergency medical services, counseling, emergency transportation, legal advocacy, educational arrangements and counseling for children, employment and job training services, community education, referrals to community services, and coordinated services with law enforcement. Nonresidential centers provide the same support services as the shelter centers, except they do not provide residential shelter. In fiscal year 2017, the Program had 82 active residential shelter and nonresidential center contracts.

Administrative contract. As required by Texas Human Resources Code, Chapter 51, the Program has an administrative contract with the Texas Council on Family Violence, a statewide family violence coalition. The Texas Council on Family Violence provides training and technical assistance to family violence service providers and the Program collaborates with the Texas Council on Family Violence on a variety of other projects including the state plan, *Access to Safety, Justice, and Opportunity: A Blueprint for Domestic Violence Interventions in Texas*; rule review; and funding allocations.

Source: The Program.

This audit was conducted in accordance with Texas Government Code, Sections 321.0131 and 321.0132.

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

However, the Program should strengthen some controls to help ensure continued compliance with its processes and contracting requirements. For example:

- Auditors identified areas in which the Program could strengthen its use of the spreadsheets and checklists.
- The Program maintained contract documentation in multiple locations, including in hard copy files, electronic files, or the assigned contract **manager's email**, which increases the risk of that required documentation being lost, misplaced, or inadvertently deleted.

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	The Program Had Processes in Place to Ensure That It Executed and Monitored Program Contracts in Accordance with Applicable Requirements; However, It Should Fully Document Those Processes	Low
2	The Program Had Controls to Help Ensure Compliance with Its Contracting Processes; However, Those Controls Should Be Strengthened to Ensure Continued Compliance	Medium

^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)/functions(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.

Summary of Management's Response

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

Audit Objective and Scope

The objective of this audit was to determine whether the **Commission's** Program has processes and controls to help ensure that services are provided and funds are spent in accordance with applicable requirements.

The audit scope included all family violence shelter and nonresidential center contracts and one Program contract for administrative services that were active for fiscal year 2017.

Contents

Detailed Results

Chapter 1

The Program Had Processes in Place to Ensure That It Executed and Monitored Program Contracts in Accordance with Applicable Requirements; However, It Should Fully Document Those Processes 1

Chapter 2

The Program Had Controls to Help Ensure Compliance with Its Contracting Processes; However, Those Controls Should Be Strengthened to Ensure Continued Compliance 6

Appendices

Appendix 1

Objective, Scope, and Methodology 11

Appendix 2

Issue Rating Classifications and Descriptions 14

Detailed Results

Chapter 1

The Program Had Processes in Place to Ensure That It Executed and Monitored Program Contracts in Accordance with Applicable Requirements; However, It Should Fully Document Those Processes

Chapter 1
Rating:
Low ¹

The **Health and Human Services Commission’s (Commission) Family Violence Program** (Program) executed and approved contracts in accordance with applicable requirements.

The Program executed and approved all 14 contracts tested in accordance with Texas Human Resources Code, Chapter 51, and Commission policies and procedures (see text box for information about the Program’s contract award process). Those 14 contracts included 12 family violence shelter contracts, 1 family violence nonresidential center contract, and 1 administrative contract. For the contracts that were tested:

- The contractors submitted a contract application on forms prescribed by the Commission, as required by Texas Human Resources Code, Section 51.004.
- The Program obtained the required documentation from the contractors prior to execution of the contract.
- The Program ensured that the contracts were approved in accordance with Commission policies and procedures.

For the 13 family violence shelter and nonresidential center contracts tested, the Program ensured that the funding it awarded complied with the requirements in Texas Human Resources Code, Section 51.0003, which requires the Commission to establish a declining funding scale (see text box).

Program Contract Award Process

The Program awards family violence shelter and nonresidential center contracts based on applications submitted in response to an open enrollment, noncompetitive procurement process. The contracts do not require certain processes, such as a solicitation for bids.

To be eligible, a contractor must meet the requirements included in the open enrollment announcement, which includes meeting the criteria in Texas Human Resources Code, Section 51.004. The Program awards the contracts based on the availability of federal and state funds.

Source: The Commission.

Declining Funding Scale

Texas Human Resources Code, Section 51.003, states that Program contracts shall not provide for more than 75 percent of the cost of a family violence center program. In addition, the Commission must develop and follow a declining scale of state financial support for family violence centers, declining over a six-year period from the initiation of each individual contract, with no more than 50 percent of a family violence center program’s funding to be provided by the State after the sixth year.

¹ The risk related to the issues discussed in Chapter 1 is rated as Low because the audit identified strengths that support the audited entity’s ability to administer the program(s)/functions(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.

The Program made payments to the contractors and appropriately identified overpayments in accordance with the terms of the contract and applicable requirements. However, the Program should document its process for identifying and calculating overpayments.

Purchase orders. For all 14 contracts tested, the Program developed the purchase orders accurately and based on the executed contract amounts.

Payments to contractors. For 81 of 83 Program contracts tested² that were active during fiscal year 2017, the payments to the contractor did not exceed the executed contract amounts. For two contracts, because the Program erroneously allocated a payment, the total payments exceeded the executed contract amounts by less than two percent.

Expense reports. For the 14 contracts tested, the contractors submitted the required expense reports and all of the expenses that the contractors submitted were allowable based on the contract. Family violence shelter and nonresidential center contractors are required to submit quarterly expense reports; the administrative contractor is required to submit monthly expense reports.

Fiscal year end closeout. At the end of fiscal year 2017, the Program appropriately closed out the 12 contracts tested that were renewed for fiscal year 2018³, as required by Commission policies and procedures. During the contract closeout process for those contracts, the Program ensured that the contractors submitted all required deliverables for the fiscal year and determined whether there were overpayments to the contractors as required (see text box for additional information about overpayments). However, the contract managers did not consistently use or maintain the closeout checklists (see Chapter 2).

Although the Program had a process to identify and calculate overpayments, it had not documented those processes. Not documenting processes could

Contractor Payments

Family violence shelter and nonresidential centers. Payments to family violence shelter and nonresidential center contractors are made based on an automatic advance payment schedule of 12 equal monthly payments.

Contract overpayment. For family violence shelter and nonresidential center contractors, an overpayment occurs when actual expenditures at the end of the contract, as reported in a contractor's quarterly expense reports, are less than the total amount of all advance payments. The contractor is required to submit a refund for the difference to the Commission.

Additionally, if any submitted expenses are determined to be unallowable, the contractor is required to replace unallowable expenses with eligible expenses or submit a refund to the Commission.

Administrative contract. Payments to the administrative contractor are based on expenditures the contractor submits in monthly expense reports. Those expenditures cannot exceed the executed contract amount. If any submitted expenses are determined to be unallowable, the contractor is required to replace unallowable expenses with eligible expenses or submit a refund to the Commission.

Source: The Program.

² The 83 contracts were the entire population of Program contracts to provide family violence services that received state funding during fiscal year 2017. Auditors did not test contracts that received only federal funding.

³ The family violence shelter and nonresidential center contracts are open enrollment contracts and generally have four 12-month renewal options.

result in staff not consistently or accurately identifying, calculating, or recovering overpayments made to contractors.

The Program had processes to ensure that it sufficiently monitored Program contracts in fiscal year 2017; however, the Program should fully document those processes.

The Program had processes in place to help ensure that it sufficiently monitored its Program contracts for fiscal year 2017 in compliance with the *State of Texas Contract Management Guide* and Commission and Program policies and procedures. However, while the Program had documented procedures for its risk assessment and monitoring plan processes, it had not documented the development and use of its monitoring tools. Specifically:

- **Risk assessment.** The Program completed its risk assessment for fiscal year 2017 as required.
- **Monitoring plan.** The Program completed its monitoring plan in compliance with applicable requirements and by August 31, as required by Commission policy. The plan included monitoring coverage based on its risk assessment for the Program contracts. Additionally, the Program's division director reviewed and approved the monitoring plan as required by Program policies and procedures. The division director or the program manager also reviewed and approved changes to the monitoring plan that occurred during the fiscal year (see Chapter 2 for additional information about the Program's documented monitoring procedures).
- **Monitoring tools.** The Program developed on-site monitoring tools that the Program's contract managers used for on-site monitoring reviews of their family violence shelters and nonresidential centers. Those tools were sufficient for contract managers to verify whether contractors complied with the terms of the contract and the requirements in Title 1, Texas Administrative Code, Chapter 379, and Texas Human Resources Code, Section 51.005. In addition, the Program asserted that it had a process in place to determine which requirements were most significant and to include those requirements in the monitoring tools used for on-site monitoring of contracts for fiscal year 2017. However, the Program did not document its methodology for determining which requirements were the most significant and would be included in the monitoring tools. Not having a documented methodology could lead to insufficient monitoring of Program contracts.

- **On-site monitoring reviews.** The Program completed on-site monitoring reviews at selected family violence shelters, nonresidential centers, and the administrative contractor based on the risk assessment and monitoring plan it developed for fiscal year 2017. For the four contracts tested, the on-site monitoring reviews completed for fiscal year 2017 were sufficient to verify whether the contractors complied with the terms of the contract and other applicable requirements.

The State Plan

Access to Safety, Justice, and Opportunity: A Blueprint for Domestic Violence Interventions in Texas is the state plan that originated with a 2001 mandate by the Texas Legislature directing the Commission to develop and maintain a plan for delivering family violence services. The state plan serves as the family violence funding map for the Program.

Additionally, the plan serves as the core guidance document for determining and assessing underserved areas or populations, as well as identifying and outlining any unmet needs for survivors of family violence.

Source: Texas Council on Family Violence.

The **Program’s administrative contractor compiled and** documented the state plan in accordance with state requirements.

The Program coordinated with its administrative contractor, the Texas Council on Family Violence, to compile and publish the state plan required by Texas Human Resources Code, Section 51.0021. The Program uses that state plan when allocating funding to contractors for delivering family violence services (see text box for more information about the state plan).

Recommendations

The Program should:

- Document its processes for identifying and calculating overpayments and its methodology for determining the significant requirements to be included for contract monitoring.
- Ensure that payments to contractors are allocated to the correct contracts and, when an error occurs, make the appropriate corrections as needed.

Management’s Response

The Health and Human Services Commission (HHSC) Family Violence Program (FVP) agrees with the recommendations and offers the following response.

The Family Violence Program will enhance existing written procedures to further document its process of identifying and calculating overpayments. Additionally, HHSC FVP will work closely with internal HHSC departments including Financial Services and Procurement and Contracting Services to ensure accuracy with accounts payable and purchase orders. FVP will document steps taken with other HHSC departments to identify and resolve inaccuracies with overpayments.

Internal controls will be strengthened with increased collaboration with FVP and HHSC internal partners to assure that payments to contractors are calculated and distributed accurately and do not exceed contract amount.

Implementation Date:

Fiscal year 2019

Responsible Person: *The Family Violence Program Manager will address the program's responsibilities and will work closely with HHSC internal departments to ensure accuracy*

The Program Had Controls to Help Ensure Compliance with Its Contracting Processes; However, Those Controls Should Be Strengthened to Ensure Continued Compliance

Chapter 2
Rating:
Medium ⁴

The Program had controls in place to help ensure that it followed its contracting processes. For example, the Program used a template for its family violence shelter and nonresidential center contracts. In addition, the Program developed spreadsheets to track the following:

- **Contracts.** The Program tracked all contractors that provided family violence services for each fiscal year and used this information to help ensure that the allocation of state and federal funds and the total purchase order amount were appropriate.
- **Payments.** The Program tracked payments to contractors and the progress of contractors' spending levels to help ensure that the contractor was on track to spend all funds awarded for the fiscal year on family violence services.
- **Monitoring.** The Program tracked the progress of its monitoring reviews, including important dates and deliverables, such as the due date for the final monitoring report and corrective action plan. It also tracked any follow up needed to address incomplete or unacceptable documentation the contractor provided.
- **Overpayments.** The Program tracked the receipt from contractors of refunds due to the Program that were identified during the contract closeout process.

The Program also developed checklists to help ensure that its employees followed its contracting processes. Specifically, the Program developed checklists for the following:

- **Contract execution.** The contractors were required to complete this checklist, which included the required forms, prior to a contract's execution. Additionally, Program contract managers used this checklist to verify that the contractor had submitted all required documentation prior to contract execution.
- **Secondary review of the monitoring file.** The team lead and Program manager used this checklist to verify that the monitoring review documentation

⁴ The risk related to the issues discussed in Chapter 2 is rated as Medium because 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.

was completed and maintained in accordance with Program monitoring procedures.

- **Contract closeout.** The Program's contract managers used this checklist to verify that they received all contract deliverables and refunds, if applicable, from the contractor prior to closing out the contract.

However, the Program should strengthen some controls to help ensure continued compliance with its process and contracting requirements.

Auditors identified areas in which the Program could strengthen its use of the spreadsheets and checklists discussed above. For example:

- The spreadsheet the Program used to track the progress of monitoring reviews included the wrong contract name and contract number for one contract. Additionally, the Program's contract managers did not consistently use that spreadsheet. As a result, for one of three contracts tested, the Program sent a monitoring review closeout letter to the contractor 50 days prior to the contractor submitting a corrective action plan. The Program's monitoring procedures require the monitoring review closeout letter to be sent after the contractor has submitted an acceptable corrective action plan.
- The spreadsheet used to track contracts and develop purchase orders included some inaccurate contract information, such as the total contract amount.
- For 3 of 13 family violence shelter and nonresidential center contracts tested, the contract manager did not sign and date the contract execution checklist to document that the review was completed. Additionally, the Program did not retain the completed checklist for one contract after that contract was terminated during fiscal year 2017.
- The Program did not consistently use or maintain the completed checklists for contract closeout.

Although auditors did not identify any significant instances of noncompliance, the Program should strengthen its use of the tools it has developed to help ensure continued compliance with its contracting processes and applicable requirements.

Additionally, auditors identified the following:

- **Commission checklist.** In addition to the contract execution checklist developed by the Program, the Program was required to complete the Commission's Procurement and Contracting Services checklist prior to contract execution. That checklist included the documentation required

for each type of contract.⁵ However, the Program's staff did not always correctly select the type of contract when completing the checklist. For all 14 contracts tested, the Program obtained the required documents prior to executing the contracts; however, completing the checklist incorrectly increases the risk of the Program executing a contract without all required documentation.

- **Monitoring procedures.** The Program had documented contract monitoring procedures, including guidance on completing the risk assessment, developing the monitoring plan, conducting on-site monitoring reviews, and reviewing expense reports. However, the Program implemented changes to those procedures and did not document the effective date of those changes. Not documenting the effective date increases the risk that contract managers may not be aware of changes to the procedures or when new or revised procedures should be used.
- **Contract documentation.** The Program maintained contract documentation in multiple locations, including in hard copy files, electronic files, or the assigned contract manager's email. While the Program was able to provide all of the significant contract documentation for all contracts tested, the Program obtained some of that documentation from former Program employees who had retained their emails. Maintaining documentation in a central repository would decrease the risk of that required documentation being lost, misplaced, or inadvertently deleted.
- **User access.** Auditors identified 29 users with inappropriate access to the Program's shared network folder where it maintains contract documentation. Inappropriate access increases the risk of unintentional or unauthorized modifications to data and disclosure of sensitive or confidential information.

⁵ For the Family Violence Program, new contracts are categorized as a "boilerplate new contract" and renewals and amendments are categorized as a "boilerplate contract amendment."

Recommendations

The Program should:

- Ensure that its spreadsheets and checklists are consistently used as designed and updated accurately. This could include:
 - ♦ Implementing a review process to verify the use and accuracy of the spreadsheets and checklists.
 - ♦ Documenting related procedures.
- Document the effective date for its written procedures, including changes to procedures.
- Maintain contract documentation in a secure and reliable manner. This could include establishing and using a central repository for contract deliverables and documentation.
- Conduct periodic access reviews to verify that access is appropriate to the shared network folder where it maintains contract documentation.

Management's Response

The Health and Human Services Commission (HHSC) Family Violence Program (FVP) agrees with the recommendations and offers the following response.

HHSC transformation resulted in changes for all programs, including HHSC FVP. HHSC FVP is responsible for the program contracts. However, contracting is a partnership with internal HHSC departments including Financial Services, Procurement and Contracting Services, and Legal. HHSC FVP will continue to work closely with internal partners to ensure accuracy with contract development and monitoring.

While the new contracting system SCOR serves as a centralized repository to maintain all finalized HHSC and Family Violence Program contract documents, the program will revise existing written procedures for managing contract monitoring documents.

Contract monitoring documentation will be reviewed to ensure they are valid, effective and consistently used. Existing written procedures will be revised or clarified to assist staff.

User Access to the shared drive will be reviewed periodically to ensure access is appropriately restricted.

Implementation Date:

Fiscal year 2019

Responsible Person: *The Family Violence Program Manager will address the program's responsibilities and will work closely with HHSC internal departments to ensure accuracy.*

Appendices

Appendix 1

Objective, Scope, and Methodology

Objective

The objective of this audit was to determine whether the Health and Human Services Commission's (Commission) Family Violence Program (Program) has processes and controls to help ensure that services are provided and funds are spent in accordance with applicable requirements.

Scope

The audit scope included all family violence shelter and nonresidential center contracts and one Program contract for administrative services that were active for fiscal year 2017.

Methodology

The audit methodology consisted of conducting interviews, collecting and reviewing contract documentation, performing tests and procedures against applicable criteria, and analyzing certain information.

Data Reliability and Completeness

Auditors used expenditure data from the Program's accounting systems—the Health and Human Services Administrative System (HHSAS) and the Centralized Accounting Payroll/Personnel System (CAPPS). To determine the reliability of the data, auditors (1) completed data analysis to determine population reasonableness and completeness, (2) reviewed data query language, (3) compared the data in HHSAS and CAPPS to data in the Uniform Statewide Accounting System, and (4) reviewed the information in key data fields for appropriateness, completeness, and accuracy. Auditors determined that data was reliable for the purposes of this audit.

Sampling Methodology

Auditors selected a risk-based sample of contracts active during fiscal year 2017. The sample was selected based on the total contract amount, the State-funded portion of the contract, contract complexity, potential contract overpayments, and Program on-site monitoring.

The sample items were not necessarily representative of the population; therefore, it would not be appropriate to project the test results to the population.

Information collected and reviewed included the following:

- Selected contracts and all supporting documentation, including required documentation submitted for contract execution, expense reports, and monitoring reports.
- Financial data from the Commission's financial accounting systems related to fiscal year 2017 expenditures.
- The Program's fiscal year 2017 risk assessment, fiscal year 2017 monitoring plan, and related supporting documentation.
- Commission and Program policies and procedures.

Procedures and tests conducted included the following:

- Conducted interviews with Commission and Program management and employees.
- Reviewed selected contracts and supporting documentation, including required documentation submitted for contract execution, expense reports the contractors submitted, and monitoring reviews completed for fiscal year 2017 to verify compliance with applicable requirements.
- Conducted data analysis for all fiscal year 2017 expenditures for all contracts with family violence shelters and nonresidential centers, and one contract for administrative services.
- Reviewed the Program's risk assessment and monitoring plan completed for fiscal year 2017 to determine whether it complied with applicable policies and procedures and appeared reasonable.
- Reviewed user access controls for the Program.

Criteria used included the following:

- Title 42, United States Code, Chapter 110.
- Title 1, Texas Administrative Code, Chapter 379.
- Texas Human Resources Code, Chapter 51.
- *State of Texas Contract Management Guide*, version 1.16.
- Program contracts.
- Commission policies and procedures.

- The Program's *Contract Monitoring Handbook*.

Project Information

Audit fieldwork was conducted from November 2017 through April 2018. 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:

- Tammie Wells, MBA, CIA, CFE (Project Manager)
- Rebecca Franklin, CISA, CGAP, CFE (Assistant Project Manager)
- Alana Montoro
- Michelle Rodriguez, CFE
- Mary Beth Schwing, CPA, CFE, CGMA
- Ann E. Karnes, CPA (Quality Control Reviewer)
- Cesar Saldivar, 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 2 provides a description of the issue ratings presented in this report.

Table 2

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)/functions(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.

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair

The Honorable Joe Straus III, 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 Dennis Bonnen, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Health and Human Services Commission

Mr. Charles Smith, 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.