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An Audit Report on the Maternal and Child Health Block Grant at the Texas Department of Health

January 25, 1999

Members of the Legislative Audit Committee:

Although the Texas Department of Health (Department) has made improvements in its management of the Maternal and Child Health Block Grant (MCH Block Grant) at the Texas Department of Health, concerns exist in several areas. The audit identified problems with the cash management policy which does not maximize federal dollars to reduce expenditures of state appropriated funds. Other areas of concern relate to monitoring contractors, measuring performance, and managing human resources. The audit results also indicate that health and human service agencies have improved interagency communication and collaboration in an effort to reduce duplication and identify gaps in services.

The federal funding received through the MCH Block Grant is a significant source of funding for the Maternal and Child Health Services and the Special Needs Children strategies at the Department. The Department has projected that it will serve 52,000 infants and children and 46,000 women through the Maternal and Child Health programs. The amount appropriated for both strategies for fiscal 1998 totals approximately \$88 million, which includes approximately \$30 million of federal funding received through the MCH Block Grant.

A brief summary of audit issues is presented below:

Maximize Federal Funding - The Department's cash management policies and procedures did not maximize the use of federal funds to reduce expenditures of state appropriated funds as required by a rider in the General Appropriations Act (75th Legislature), Article 9, Section 106, Federal Funds/Block Grants, 1(c). In fiscal year 1997, the Department reclassified \$9 million of expenditures from federal to state in order to spend all appropriated state funding and carry forward MCH Block Grant federal funding. The federal funds were spent the following year. Although the transfers were not in strict compliance with the rider, the Department's actions fully utilized all funding sources to maintain the level of services.

Contract Administration - The Department has significantly improved its contract administration but has not consistently carried out policies and procedures for monitoring contractors. The improvements include enhancing the contractor selection process, strengthening contract agreements with service providers, developing a policy manual for service providers, developing a training video on contractors' responsibilities, and developing policies and procedures for monitoring contractors.

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The Department has not consistently provided programmatic follow-up site visits according to agency policies. Programmatic follow-up reviews are delegated to the regional offices. A lack of central office authority over the follow-up process contributes to untimely follow-up reviews. By not consistently following policies and procedures, the State risks that MCH Block Grant contractors may not fulfill all contractual requirements.

Performance Measurement - The Department should improve procedures to ensure the accuracy of information included in the performance information database. Audit tests indicate that 5 out of 22 entries (23 percent) on contractor activity contained either inaccurate or incomplete information. Although the amounts in error are not significant, the number of errors noted raises concerns that current procedures are not sufficient to prevent and detect more significant errors.

Human Resources Management - The Department has developed and documented appropriate policies and procedures to manage human resources. However, audit tests indicate that inconsistencies in implementing the policies and procedures exist. Inconsistencies were found in communicating training plans and updating employee performance journals on a timely basis. These inconsistencies result in a risk to the Department in maintaining a skilled workforce.

Coordination of Services Among Agencies - Health and human services agencies have improved communication and collaboration in an effort to reduce duplication and identify gaps in services. These agencies have identified existing gaps and are networking and sharing information on processes.

We appreciate the Department's cooperation during the project. The Department generally agrees with the findings noted above. If you need additional information, please contact Pat Keith, MBA, CQA, at 479-4700.

Sincerely,



Lawrence F. Alwin, CPA
State Auditor

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Attachment

cc: Texas Department of Health
Board Members
Dr. William Archer, III,
Commissioner of Health

Objective, Scope, and Methodology

Our objectives were to determine if:

- Maternal and Child Health Block Grant funds were spent in compliance with agency strategies, federal grant requirements, and state laws.
- Significant gaps or duplications in services among programs and agencies exist.

The scope included:

- Management controls over cash, performance measurement, contract administration, and human resources
- Compliance with federal and state requirements

The methodology used consisted of:

- Gaining an understanding of management control policies and procedures
- Testing compliance with policies and procedures
- Testing compliance with state and federal requirements
- Reviewing efforts of health and human services agencies to identify and reduce gaps and duplications in maternal and child health services



Texas Department of Health

William R. Archer, III, M.D.
Commissioner of Health

Patti J. Patterson, M.D., M.P.H.
Executive Deputy Commissioner

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January 13, 1999

Lawrence F. Alwin, CPA, State Auditor
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Dear Mr. Alwin:

We are pleased that you have recognized the significant improvements we have made in the management of the MCH Block Grant. While we agree that we can continue to improve in some areas, we believe our cash management policy simply allowed the use of all funds appropriate for the purposes intended and that federal dollars have been maximized over the long term. Our comments on the issues in your report follow.

Maximize Federal Funding

The Department consulted with staff members of the Senate Finance Committee, Speaker's Office, Legislative Budget Board, Governor's Budget and Planning Office, and Health and Human Services Commission on this issue during Conference Committee deliberations. In the future, the Department will follow the same process to ensure adherence to legislative intent and the delivery of services to meet the medical needs of mothers, infants, children with special health care needs, and others impacted by these appropriation strategies.

Contract Administration, Performance Measurement, Human Resource Management

The Department has made significant improvements in all of these areas in recent years. Although the conditions noted in your report are not material in terms of overall program management, we welcome the opportunity to make appropriate improvements in internal controls aimed at reducing errors and inconsistencies like those reported.

We appreciate the opportunity to respond to your report. If you have any question or if we can be of assistance, please contact Frank E. Ditmore, Director, Internal Audit Division.

Sincerely,

William R. Archer, III, M.D.
Commissioner of Health

ATTACHMENT