An Audit Report on

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

February 2019
Report No. 19-028
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Overall Conclusion

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

Completeness and Accuracy of SCOR Data

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

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

Quality Assurance Process

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

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

Background

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


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

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

Source: The Commission.
Commission Contracts Exceeding $100 Million

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

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

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

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

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

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

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

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1 Based on contract expenditures the Commission reported in SCOR.
Summary of Management’s Response

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

Audit Objectives and Scope

The objectives of this audit were to:

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

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

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

Chapter 1
The Commission Does Not Have Sufficient Processes to Ensure the Completeness and Accuracy of Data in SCOR

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

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

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

New and Migrated Contracts

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

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

Source: The Commission.
Background

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

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

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

Figure 1

The Commission’s Process for Tracking Contracts in CAPPS and SCOR

1. **CAPPS**
   - Procurement process initiated.
   - Routes for approval.
   - Once approved, contract is uploaded to SCOR.

2. **SCOR**
   - Key contract information is maintained.
   - Contract oversight is documented.

3. **Quality Assurance Process**
   - Ongoing quality assurance review.
   - Identifies and works on correcting errors in SCOR.
   - Requests changes in CAPPS based on errors identified.

4. **External Reports**
   - Based on reports from SCOR, key contract information is reported to internal and external stakeholders, such as the Legislative Budget Board.

Source: Auditors created this figure based on information from the Commission.
Chapter 1-A

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

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

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

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

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

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

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

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

3 The Commission added those contracts to SCOR after it determined those contracts were missing.
• CAPPS allowed users to bypass certain required contract fields, including agency name and division. As a result, those fields could be inaccurate or blank in SCOR.

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

**Contract information in SCOR was not always accurate.**

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

• Ten (59 percent) contract records had at least one field in SCOR that was inaccurate when compared to supporting documentation. For those 10 contracts, auditors identified a total of 15 errors in fields related to contract begin or end dates, legal entity names, maximum contract amount, or number of contract renewals.

• Two (12 percent) records were not contracts and should not have been listed in SCOR as active contracts.

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

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

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

The Commission’s **SCOR Contract Manager Guide** requires contract managers to upload contract documentation and validate the accuracy of contract information in SCOR within 30 days of when a contract is transferred from CAPPS. In addition, the Commission implemented an alert in SCOR to notify contract managers of new contracts that are missing documentation. However, for 7 (58 percent) of 12 contract records tested, the contract manager did not upload the contract documentation to SCOR within 30 days as required.
Auditors performed further data analysis and determined that, as of November 2018, 489 (14 percent) of 3,518 new contract records that were at least 30 days old in SCOR did not have any supporting documentation uploaded into the system, including an electronic version of the contract.

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

**Recommendations**

The Commission should:

- Implement controls in CAPPS to help ensure the accuracy and completeness of contract information that is transferred to SCOR.

- Implement a requirement in CAPPS to associate payments with a contract or purchase order when appropriate.

- Improve its data entry process to help ensure that contract information in SCOR is accurate.

- Verify that its contract managers upload contract documents as required.

**Management’s Response**

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

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

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

- Implementation on September 1, 2019 the CAPPS/SCOR Phase II project that is designed to improve data integrity in SCOR by requiring program staff to enter correct and complete information into CAPPS during requisition generation;

- Implement additional controls and quality assurance processes for CAPPS data;
• Engage Procurement and Contracting Services (PCS), Accounting, and the HHSC IT CAPPs Financials support teams in identifying types of payments that do not require contracts or Purchase Orders (POs) to be referenced on payment vouchers and assess solutions to ensure payments reference the associated contract or PO when required; and

• Supplement the contract manager dashboard alert and the workload dashboard indicators by preparing and disseminating to executive level staff a routine report of contracts (new and migrated) that have not been uploaded into SCOR per policy.

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

**Implementation Date(s):**

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

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

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

**Responsible Individual/Individuals:**

Deputy Executive Commissioner of Procurement and Contracting Services
Chapter 1-B
The Commission Did Not Ensure That Information for Migrated Contracts Was Complete and Accurate

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

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

- Sixteen (67 percent) migrated contracts had at least 1 field containing information in SCOR that was not supported by contract documents. For those 16 contracts, auditors identified a total of 23 errors in certain fields tested.

- One record (4 percent) listed as a contract was not a contract; therefore, it should not have been migrated to SCOR.

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

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

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

The Commission should:

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

Management’s Response

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

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

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

Implementation Date(s):

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

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

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

Responsible Individual/Individuals:

Deputy Executive Commissioner for Procurement and Contracting Services

IT Director, Administrative Applications
Chapter 1-C
The Commission Established a Quality Assurance Process to Correct Errors in SCOR; However, That Process Should Be Improved

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

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

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

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

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

5 The risk related to the issues discussed in Chapter 1-C is rated as Medium because they present risks or results that if not addressed could moderately affect the audited entity’s ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.
The Commission did not ensure that errors identified by other quality assurance reports were consistently reviewed and corrected.

The Commission also ran certain other types of reports to help it identify key fields in SCOR with missing or inaccurate data. The Commission’s process to update contract records in SCOR includes (1) SCOR team personnel correcting certain types of errors directly in SCOR and (2) requesting that other Commission personnel update records in CAPPS and SCOR\(^6\).

For two\(^7\) of those types of reports, the Commission’s quality assurance process identified 1,418 contract records in SCOR with blank or inaccurate values between June 2018 and September 2018. The Commission updated 1,182 (83 percent) records based on those reports. Of the remaining 236 records not yet updated, auditors selected 144 for testing. The Commission could not provide evidence that it had attempted to follow-up on 114 of those records (79 percent). As a result, the information in SCOR for those 114 contract records may not have been corrected.

**Recommendations**

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

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

**Management’s Response**

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

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

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

\(^7\) The two reports were (1) Division, Department, Section or Contract Manager Is Blank, and (2) End Date Null and Open-Ended Is No.
• Utilize the CAPPS and SCOR Phase II enhanced reporting capability, which will be functional on September 1, 2019, to develop additional reports to identify CAPPS and SCOR data entry errors;

• Strengthen tracking of COS requests for corrections and add an escalation process for unresponsiveness; and

• Prepare and disseminate to Executive-level staff trend reports of errors made by staff to engage executive level support with targeted education and training.

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

**Implementation Date(s):**

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

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

- CAPPS enhancements will be implemented September 1, 2019.

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

**Responsible Individual/Individuals:**

Deputy Executive Commissioner for Procurement and Contracting Services
Chapter 2
The Commission Had Processes in Place for Change Management; However, It Should Strengthen Its User Access Controls

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

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

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

Recommendation

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

Management’s Response

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

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

Implementation Date(s):

July 22, 2019

Responsible Individual/Individual:

Director, HHS Identity & Access Management

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8 The risk related to the issues discussed in Chapter 2 is rated as Medium because they present risks or results that if not addressed could moderately affect the audited entity’s ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.
Chapter 3

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

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

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

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

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

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

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9 Effective September 2017, the programs and services at the Department of Aging and Disability Services (DADS) were transferred to the Commission and DADS was abolished.
Table 2

<table>
<thead>
<tr>
<th>Contractor Name</th>
<th>Contract Number</th>
<th>Contract Description</th>
<th>Total Contract Expenditures as of November 12, 2018</th>
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<td><strong>Medicaid, Children’s Health Insurance, Medical Transportation, and Administrative Programs Contracts, and Other Medical/Enrollment Services</strong></td>
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<td>1 Conduent State Healthcare LLC</td>
<td>529-14-0125-00004</td>
<td>Commission Medicaid/CHIP HMO Services</td>
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<td>2 Maximus Inc.</td>
<td>529-10-0005-00001</td>
<td>Managed Care Enrollment Broker Operations</td>
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<td>3 Maximus Inc.</td>
<td>529-14-0006-00001</td>
<td>Medicaid Eligibility Support Services</td>
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<td>Non-emergency Medical Transportation Program Services</td>
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<td>Non-emergency Medical Transportation Program Services</td>
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<td>Vaccines for the Children’s Health Insurance Program (CHIP)</td>
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<td>529-09-0133-00001</td>
<td>Commission Program and Administrative Services</td>
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<td>8 Office of the Attorney General</td>
<td>529-12-0086-00001</td>
<td>Commission Program and Administrative Services</td>
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<td>9 Department of State Health Services</td>
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<td>Children’s Health Insurance Program Vaccine Services</td>
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<td>10 Public Consulting Group Inc.</td>
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<td>Commission Data Broker Services</td>
<td>15,513,943</td>
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<td>Psychiatric Hospital Construction</td>
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<td><strong>Information Technology and Telecommunications Contracts</strong></td>
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<td>15 Accenture State Healthcare Services LLC</td>
<td>529-16-0007-00001</td>
<td>Commission Medicaid Managed Information System Drug Rebate Administration</td>
<td>$1,882,490,462</td>
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<td>17 Northrop Grumman Systems Corporation</td>
<td>529-12-0006-00001</td>
<td>TIERS Data Center Services</td>
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<td>18 Department of Information Resources</td>
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<td>State Data Center Services</td>
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<td>19 Deloitte Consulting LLP</td>
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<td>TIERS Software Development and Maintenance</td>
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<td>Contract Description</td>
<td>Total Contract Expenditures as of November 12, 2018</td>
</tr>
<tr>
<td>-----------------------------------------------------</td>
<td>-----------------</td>
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<td>--------------------------------------------------</td>
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<td>Department of Information Resources</td>
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<td>Department of Information Resources Shared Services</td>
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<tr>
<td><strong>Subtotal</strong></td>
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<td><strong>$ 2,503,931,854</strong></td>
</tr>
<tr>
<td><strong>Managed Care Contracts</strong></td>
<td></td>
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<td></td>
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<tr>
<td>21 Amerigroup Texas Inc.</td>
<td>529-12-0002-00019</td>
<td>Managed Care Services</td>
<td>$14,381,481,264</td>
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<td>22 United Healthcare Community Plan of Texas</td>
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<td>Managed Care Services</td>
<td>$10,293,763,328</td>
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<td>23 Bankers Reserve Life Insurance Company of Wisconsin</td>
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<td>24 Superior Health Plan</td>
<td>529-12-0002-00007</td>
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<td>$9,493,112,577</td>
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<tr>
<td>25 Molina Healthcare of Texas Inc.</td>
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<td>Managed Care Services</td>
<td>$8,503,759,163</td>
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<td>26 Texas Children’s Health Plan</td>
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<td>Managed Care Services</td>
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<tr>
<td>27 Dentaquest USA Insurance Company</td>
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<td>$4,895,710,289</td>
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<tr>
<td>28 MCNA Insurance Company</td>
<td>529-12-0003-00003</td>
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<td>29 Parkland Community Health Plan Inc.</td>
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<td>30 Driscoll Children’s Health Plan</td>
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<td>31 Molina Healthcare of Texas Inc.</td>
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<td>32 Superior Health Plan</td>
<td>529-13-0042-00003</td>
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<td>33 Amerigroup Insurance Company</td>
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<td>34 Community First Health Plans Inc.</td>
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<td>36 Cook Children’s Health Plan</td>
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<td>37 SHA LLC</td>
<td>529-12-0002-00001</td>
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<tr>
<td>38 Superior Health Plan</td>
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<tr>
<td>39 Healthspring Life and Health Insurance Company</td>
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<td>40 Amerigroup Texas Inc.</td>
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<td>41 Healthspring Life and Health Insurance Company</td>
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<td>42 Healthspring Life and Health Insurance Company</td>
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<td>$1,219,744,668</td>
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<tr>
<td>43 Superior Health Plan</td>
<td>529-15-0001-00001</td>
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<td>$1,145,332,846</td>
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<tr>
<td>44 El Paso First Health Plans Inc.</td>
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<td>45 Texas Children’s Health Plan</td>
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<tr>
<td>46 United Healthcare Insurance Company</td>
<td>529-13-0071-00010</td>
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## Summary of Health and Human Services Commission Contracts as of November 12, 2018

<table>
<thead>
<tr>
<th>Contractor Name</th>
<th>Contract Number</th>
<th>Contract Description</th>
<th>Total Contract Expenditures as of November 12, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Superior Health Plan</td>
<td>529-13-0071-00008</td>
<td>Managed Care Services</td>
<td>1,065,560,462</td>
</tr>
<tr>
<td>Amerigroup Insurance Company</td>
<td>529-13-0042-00001</td>
<td>Managed Care Services</td>
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<tr>
<td>Amerigroup Insurance Company</td>
<td>529-13-0071-00002</td>
<td>Managed Care Services</td>
<td>831,031,532</td>
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<tr>
<td>Scott and White Pharmacy</td>
<td>529-12-0002-00011</td>
<td>Managed Care Services</td>
<td>803,408,133</td>
</tr>
<tr>
<td>Bankers Reserve Life Insurance Company of Wisconsin</td>
<td>529-08-0001-00001</td>
<td>Managed Care Services</td>
<td>731,056,552</td>
</tr>
<tr>
<td>Aetna Better Health of Texas Inc.</td>
<td>529-12-0002-00002</td>
<td>Managed Care Services</td>
<td>695,013,223</td>
</tr>
<tr>
<td>Community Health Choice Texas Inc.</td>
<td>529-12-0002-00024</td>
<td>Managed Care Services</td>
<td>614,527,190</td>
</tr>
<tr>
<td>Molina Healthcare of Texas Inc.</td>
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<td>Managed Care Services</td>
<td>592,791,462</td>
</tr>
<tr>
<td>Amerigroup Insurance Company</td>
<td>529-15-0060-00001</td>
<td>Managed Care Services</td>
<td>516,354,626</td>
</tr>
<tr>
<td>Health Care Service Corporation, A Mutual Legal Reserve Company</td>
<td>529-12-0002-00017</td>
<td>Managed Care Services</td>
<td>504,917,396</td>
</tr>
<tr>
<td>Children’s Medical Center Health Plan</td>
<td>529-13-0071-00003</td>
<td>Managed Care Services</td>
<td>504,284,886</td>
</tr>
<tr>
<td>Superior Health Plan</td>
<td>529-15-0061-00001</td>
<td>Managed Care Services</td>
<td>438,213,260</td>
</tr>
<tr>
<td>Cook Children’s Health Plan</td>
<td>529-13-0071-00005</td>
<td>Managed Care Services</td>
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<tr>
<td>Seton Health Plan Inc.</td>
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<tr>
<td>Community First Health Plans Inc.</td>
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<tr>
<td>Driscoll Children’s Health Plan</td>
<td>529-13-0071-00006</td>
<td>Managed Care Services</td>
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<tr>
<td>Health Care Service Corporation, A Mutual Legal Reserve Company</td>
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<tr>
<td>Sendero Health Plans Inc.</td>
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<tr>
<td>United Healthcare Community Plan of Texas</td>
<td>529-15-0059-00001</td>
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<tr>
<td>Molina Healthcare of Texas Inc.</td>
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<tr>
<td>Aetna Better Health of Texas Inc.</td>
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<td>Managed Care Services</td>
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</tr>
<tr>
<td>Christus Health Plan</td>
<td>529-12-0002-00018</td>
<td>Managed Care Services</td>
<td>135,967,205</td>
</tr>
<tr>
<td>Healthspring Life and Health Insurance Company</td>
<td>529-15-0057-00001</td>
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<td><strong>Subtotal</strong></td>
<td><strong>$110,917,635,564</strong></td>
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### Interlocal Contracts

<table>
<thead>
<tr>
<th>Contractor Name</th>
<th>Contract Number</th>
<th>Contract Description</th>
<th>Total Contract Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Harris Center for Mental Health and IDD</td>
<td>529-17-0038-00024</td>
<td>Commission Local Mental Health Authority</td>
<td>$230,409,403</td>
</tr>
<tr>
<td>North Texas Behavioral Health Authority</td>
<td>529-17-0038-00038</td>
<td>Commission Local Mental Health Authority</td>
<td>113,918,090</td>
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<tr>
<td>MHRM of Tarrant County</td>
<td>529-17-0038-00025</td>
<td>Commission Local Mental Health Authority</td>
<td>92,991,465</td>
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</table>
### Summary of Health and Human Services Commission Contracts as of November 12, 2018

<table>
<thead>
<tr>
<th>Contractor Name</th>
<th>Contract Number</th>
<th>Contract Description</th>
<th>Total Contract Expenditures as of November 12, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Center for Health Care Services</td>
<td>529-17-0038-00009</td>
<td>Commission Local Mental Health Authority</td>
<td>81,040,457</td>
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</tbody>
</table>

Subtotal: $518,359,415

#### Long-term Care Provider Contracts Transitioned from the Department of Aging and Disability Services

<table>
<thead>
<tr>
<th>Contractor Name</th>
<th>Contract Number</th>
<th>Contract Description</th>
<th>Total Contract Expenditures as of November 12, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bienvivir Senior Health Services</td>
<td>000999817</td>
<td>Program of All-inclusive Care for the Elderly</td>
<td>$379,074,708</td>
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<tr>
<td>Caregivers Home Health Texas Inc.</td>
<td>001012761</td>
<td>Consumer Directed Services (CDS) / Community Living Assistance and Support Services (CLASS)</td>
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<tr>
<td>Consumer Directed Services in Texas Inc.</td>
<td>001017414</td>
<td>CDS/CLASS</td>
<td>250,767,514</td>
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<tr>
<td>JHC Operations LLC</td>
<td>000071400</td>
<td>Primary Home Care (PHC) / Family Care (FC) / Community Attendant Services (CAS)</td>
<td>200,912,290</td>
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<tr>
<td>D&amp;S Residential Services LP</td>
<td>001007352</td>
<td>Home and Community Based Services (HCS)</td>
<td>196,770,849</td>
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<tr>
<td>Texas Visiting Nurse Service LTD</td>
<td>000081100</td>
<td>PHC/FC/CAS</td>
<td>174,809,554</td>
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<tr>
<td>Texas Home Health of America LP</td>
<td>001002981</td>
<td>PHC/FC/CAS</td>
<td>160,273,941</td>
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<tr>
<td>Girling Health Care Inc.</td>
<td>001016243</td>
<td>PHC/FC/CAS</td>
<td>149,135,066</td>
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<tr>
<td>Berry Family Services Inc.</td>
<td>001007929</td>
<td>HCS</td>
<td>146,655,902</td>
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<td>Texana Center</td>
<td>001007318</td>
<td>HCS</td>
<td>145,021,635</td>
</tr>
<tr>
<td>Legacy Home Health Agency Inc.</td>
<td>001003937</td>
<td>PHC/FC/CAS</td>
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<tr>
<td>Caring For You Home Health Inc.</td>
<td>00117700</td>
<td>PHC/FC/CAS</td>
<td>131,093,834</td>
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<tr>
<td>All The Little Things Count LC</td>
<td>001007409</td>
<td>HCS</td>
<td>130,595,206</td>
</tr>
<tr>
<td>In-Home Attendant Services LTD</td>
<td>001012963</td>
<td>CDS/CLASS</td>
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<tr>
<td>Girling Health Care Inc.</td>
<td>001016245</td>
<td>PHC/FC/CAS</td>
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<tr>
<td>Texas Home Health of America LP</td>
<td>001002979</td>
<td>PHC/FC/CAS</td>
<td>120,558,140</td>
</tr>
<tr>
<td>St. Giles Living Centers Inc.</td>
<td>001007212</td>
<td>HCS</td>
<td>106,611,127</td>
</tr>
<tr>
<td>Nexion Health at Truman Inc.</td>
<td>001013802</td>
<td>Nursing Facility Enrollment</td>
<td>102,841,401</td>
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<tr>
<td>Girling Health Care Inc.</td>
<td>001016241</td>
<td>PHC FC CAS</td>
<td>102,405,181</td>
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</tbody>
</table>

Subtotal: $3,130,973,777

Total for all contracts: $119,259,173,670

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

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

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

Appendix 1

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to:

- Determine whether the Health and Human Services Commission (Commission) has processes and related controls to help ensure that information in its System of Contract Operation and Reporting (SCOR) is accurate, complete, and reliable.

- Identify and analyze Commission contracts exceeding $100 million in total value, including all contracts with managed care organizations, to meet the requirements specified in Texas Government Code, Section 321.013(k).

Scope

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

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

Methodology

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

Data Reliability and Completeness

Auditors reviewed the data from SCOR for validity and completeness by (1) reviewing data query language, (2) reviewing user access, (3) performing an analysis of the data, and (4) testing application controls. As discussed in this report, the data in SCOR was not always complete or accurate; however, it was the most complete information available, and auditors used it for the purposes of this audit.
Auditors also used vendor payment information in the Uniform Statewide Accounting System (USAS) and relied on prior State Auditor’s Office audit work. Auditors determined that the USAS data was sufficiently reliable for the purposes of this audit.

**Sampling Methodology**

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

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

**Information collected and reviewed** included the following:

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

**Procedures and tests conducted** included the following:

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

Criteria used included the following:
- The Commission’s SCOR Contract Manager Guide.
- Texas Government Code, Section 321.013(k).
- Title 1, Texas Administrative Code, Chapter 202.

**Project Information**

Audit fieldwork was conducted from August 2018 through January 2019. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following members of the State Auditor’s staff performed the audit:
- Serra Tamur, MPAff, CISA, CIA (Project Manager)
- Link Wilson (Assistant Project Manager)
- Shaun Alvis, JD.
- Cody Bogan
- Rachel Berryhill
- Rebecca Franklin, CISA, CFE, CGAP
- Mark Snyder
- Jessica Volkmann, CPA
- Mary Ann Wise, CPA, CFE (Quality Control Reviewer)
- Audrey O’Neill, CFE, CIA, CGAP (Audit Manager)
Appendix 2

**Issue Rating Classifications and Descriptions**

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

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

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

<table>
<thead>
<tr>
<th>Issue Rating</th>
<th>Description of Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Low</strong></td>
<td>The audit identified strengths that support the audited entity’s ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity’s ability to effectively administer the program(s)/function(s) audited.</td>
</tr>
<tr>
<td><strong>Medium</strong></td>
<td>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(s) and reduce risks to a more desirable level.</td>
</tr>
<tr>
<td><strong>High</strong></td>
<td>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(s) and reduce risks to the audited entity.</td>
</tr>
<tr>
<td><strong>Priority</strong></td>
<td>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(s) and reduce risks to the audited entity.</td>
</tr>
</tbody>
</table>
### Appendix 3

**Related State Auditor’s Office Work**

<table>
<thead>
<tr>
<th>Number</th>
<th>Product Name</th>
<th>Release Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>19-010</td>
<td>An Audit Report on Selected Contracts at the Health and Human Services Commission</td>
<td>November 2018</td>
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<tr>
<td>18-038</td>
<td>An Audit Report on Scoring and Evaluation of Selected Procurements at the Health and Human Services Commission</td>
<td>July 2018</td>
</tr>
<tr>
<td>18-006</td>
<td>An Audit Report on Health and Human Services Commission Contracts</td>
<td>December 2017</td>
</tr>
<tr>
<td>17-005</td>
<td>An Audit Report on Health and Human Services Commission Contracts</td>
<td>October 2016</td>
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</table>
Copies of this report have been distributed to the following:

**Legislative Audit Committee**
The Honorable Dan Patrick, Lieutenant Governor, Joint Chair
The Honorable Dennis Bonnen, Speaker of the House, Joint Chair
The Honorable Jane Nelson, Senate Finance Committee
The Honorable Robert Nichols, Member, Texas Senate
The Honorable John Zerwas, House Appropriations Committee
The Honorable Dustin Burrows, House Ways and Means Committee

**Office of the Governor**
The Honorable Greg Abbott, Governor

**Health and Human Services Commission**
Dr. Courtney N. Phillips, Executive Commissioner
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