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## A Combined Report on the Texas Commission on Alcohol and Drug Abuse June 1997

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# Key Points of Report

## A Combined Report on the Texas Commission on Alcohol and Drug Abuse

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June 1997

### Overall Conclusion

The Texas Commission on Alcohol and Drug Abuse (Commission) has made efforts to resolve and improve the conditions that were identified as gross fiscal mismanagement during a previous statewide audit and by the Joint Investigative Task Force's review of the Commission and its service providers. A number of issues (including equitable funding, management information systems, rate setting, performance measurement, and timely desk reviews of subrecipient audit reports) continue to remain outstanding, but are being addressed by the Commission.

### Key Facts, Findings, and Recommendations

- Monitoring the Commission's current efforts to make appropriate changes to its regional allocation formula will ensure that state and federal funding are allocated equitably. Allocation of resources based on factors that address equity of service access will provide the Commission with a balanced service system statewide.
- The Commission has addressed the issues identified by the Joint Investigative Task Force audit of the Commission and its service providers. Original questioned cost totaling \$49.7 million were reduced to approximately \$9 million. The State has received and/or will be receiving amounts totaling \$6.7 million from service providers as additional services or as cash payments. In our review, we did not note any specific violations of state or federal laws from the resolution process used by the Commission.
- Management and the new Board of Commissioners have begun to develop and implement processes to resolve most of the remaining issues left after the Conservatorship process was completed.
- Integration of automation systems within the Commission will significantly enhance accountability and provide management with controls necessary to safeguard state and federal funds.
- Compliance audits should include dollar and performance measure reconciliation, and should be timely. Increases in the number of compliance audits completed each year will enhance the Commission's oversight of contractors and provide the State with assurances that the services purchased are both efficient and effective.
- Performance measurement collection, accuracy, and verification processes can be improved.

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*This audit was conducted in accordance with Government Code, Section(s) 321.01 et seq.*

## Executive Summary

**T**he Texas Commission on Alcohol and Drug Abuse (Commission) has made efforts to resolve and improve the conditions that were identified as gross fiscal mismanagement during a previous statewide audit and by the Joint Investigative Task Force's review of the Commission and its providers. Work completed for the 1996 Statewide Audit indicated that "significant changes have occurred in senior management, and that actions have been taken which corrected the material weakness in the control environment" of the Commission (SAO Report No. 97-339).

The full impact of the changes developed and implemented by the Conservatorship Board, the current Board of Commissioners, and management cannot be assessed at this time. Participation in the resolution of issues identified in the Joint Investigative Task Force audits has been a factor which has delayed and limited the development and implementation of new policies and procedures. These new policies and procedures are intended to hold service providers more accountable and improve the Commission's processes for assessing accountability.

Issues left outstanding by the Conservatorship Board must be completely addressed. The Commission is working to resolve issues related to equitable funding, management information systems, rate setting performance measurement, and timely desk review of subrecipient audit reports.

### **Develop Processes to Help Ensure That Funds Are Equitably Allocated Across the State**

A number of issue areas remain outstanding or need further modification to enable the Commission to achieve the outcomes it is seeking. Processes can be modified to ensure

that state and federal funds are allocated equitably across the State.

The tables provided in Appendices 3 and 4 show the total number of individuals provided prevention/intervention and treatment services, as well as the total amount awarded to each region during fiscal year 1996. The number of persons estimated to want treatment far exceeds the level of treatment services that can be provided with the amount of funding available from the Commission and through the number of funded service providers. Overall, one of every nine individuals desiring treatment services was able to access such services during fiscal year 1996, while almost one-third of the States' youth population was provided prevention and intervention services during the same time period. See Appendix 2.

The Commission should be able to demonstrate that limited state and federal dollars are effectively and efficiently used to provide services that make a difference in the lives of Texans. Experience and full implementation of new policies and procedures, as well as modification of implemented systems and processes, will help to provide greater assurance to Legislators and other oversight authorities that the Commission is moving forward and working to meet state and Commission goals and objectives.

The peer review process is used to provide an independent assessment of a potential provider's application in response to a Commission Request for Proposal (RFP). While this process provides an objective assessment of the merits of provider applications, issues related to inter-rater reliability, significant scoring variations, and rating definitions raised concerns related to the review process.

## Executive Summary

### **Joint Investigative Task Force Issues Have Been Addressed by the Commission**

The Commission has addressed the Joint Investigative Task Force issues. In our review, we did not note any specific violations of state or federal laws from the resolution process used by the Commission. Our review of 26 selected Task Force audit files indicated that the resolution process was consistently applied. Total questioned costs were reduced from \$49 million to approximately \$9 million as a result of the resolution process used by the Commission. As of March 1997, approximately \$6.7 million of the revised questioned costs have been or will be recovered as additional services or cash payments.

### **Conservatorship Addresses the Issues of Gross Fiscal Mismanagement**

The Conservatorship Board appointed by the Governor has addressed the most significant issues which resulted in the assessment of gross fiscal mismanagement at the Commission. However, a number of issues related to rate setting, performance measures, management information systems, and complaint resolution were left outstanding for the new Commission and management to address:

- The Commission does not have a methodology for establishing and modifying rates paid to its providers of treatment services. Developing and implementing a structured methodology for evaluating rates paid to providers for treatment services will significantly enhance accountability and provide management with controls to safeguard state and federal funds. A structured

methodology will also provide assurances to state leaders that funds are being used effectively and efficiently.

- The Commission does not have an integrated and coordinated Management Information System. The development of automated systems has not been centrally controlled and coordinated. Management recognized the need to integrate the system and initiated the integration project in the second quarter of fiscal year 1997.
- Improvements can be made in the collection, storage and maintenance, and reporting of performance measures information to the Commission and to state oversight authorities. The accuracy of performance measure information submitted by providers to the Commission can be improved. This is necessary to ensure that services which are being provided in lieu of repayment of disallowed costs are properly accounted for.
- The Commission has recognized the need to improve its process for managing and handling complaints made against the providers and individuals funded or licensed by the Commission. These improvements include enhancing and approving the Investigation Division's draft policies and procedures, improving the Investigation Tracking and Performance Management Systems, addressing the continued professional development needs of the Investigation Division's staff members, and improving the timeliness of investigation reports.

Management has recognized the need to establish and supplement processes for handling and resolving complaints directed at the Commission or its staff members. Currently, no historical data is

## Executive Summary

available to assess the significance of this issue.

### Results of Other Audits

The results of two other audits completed at the Commission are included in this report. The results of procedures performed at the Commission for the Performance Measures Certification Review and the 1996 Statewide Audit can be found in Sections 3-C and 4, respectively.

The 1996 Statewide Audit found that the material weakness in the control environment had been corrected. However, material noncompliance existed related to the timely review of subrecipient audit reports. Timely review will help the Commission assess high-risk subrecipients and appropriately allocate monitoring resources.

Four of the seven key performance measures tested were certified as accurate. Unavailable source documentation prevented certification of two measures.

### Summary of Management's Responses

*Based on the results of the 1996 statewide audit and the current audit, the Commission believes that the efforts made over the last 18 months have corrected the conditions of gross fiscal mismanagement. The Commission also concurs that experience and full implementation of new policies and procedures will help to provide greater assurance to Legislators and other oversight authorities that the Commission is moving forward.*

*The issues identified in this report are issues the Commission has been aware of as noted by the State Auditor in this report. These issues occurred over a period of years and cannot be corrected without careful study and consideration of all the factors. We are committed to developing solutions to these issues as the Commission moves forward in meeting its mission.*

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Section 1:

## **Develop Processes to Help Ensure Funds Are Equitably Allocated Across the State**

Improvements can be made to the processes for allocating state and federal funds equitably across the State and within each of the 11 health and human service regions. For fiscal year 1998, statewide allocations will consider population, need, and rurality as separate factors. Legislation approved for the next biennium defines the priority populations to which the Commission is to provide services. Article 4413 (502)(a)(10) requires the Health and Human Services Commission to review and comment on agency distribution of funds to ensure that need factors of client base, population, economy, and geography are considered. Through the Regional Advisory Consortiums (RAC) needs specific to the various areas of the State are assessed. The selection of providers, however, does not ensure the needs and services are properly matched in each region. The processes used to award contracts may result in the selection of providers that are not providing services to the most needy areas of the State or region.

It should be noted that many of the suggestions for improvement discussed in each section are under consideration by Commission staff in implementation for the fiscal year 1998 funding and contracting processes.

Section 1-A:

### **Modify the Factors Used to Allocate Resources Across the State**

For fiscal years 1996 and 1997, the allocation of resources among the 11 health and human services regions—as well as within the regions—may not be equitable:

- The Commission did not consider population as a separate criteria in the 1996-1997 fund allocation process. Management felt that “Need” (which is expressed as a percentage of the population desiring services) adequately addressed the issue of population. For fiscal year 1998, the Commission is including regional population size as a separate factor in the fund allocation process; the Commission has incorporated RAC recommendations that population, need, and rurality be factors in formulas for allocating state and federal dollars across the State.
- Needs and services may not be matched adequately as a result of the peer review process used to evaluate the merits of each application submitted by providers in response to a Commission Request for Proposal (RFP). The Commission contracts within a region with providers that receive the highest peer review scores. However, the selected service providers might not be located within a reasonable distance from the area where the majority of the need in a region is identified. Awarding contracts objectively to applicants receiving the highest peer review scores is a fair, competitive assessment; however, it may result in services not being available in the most needy areas of the State or of a region.

- The Commission will need to assess where services are most needed and its funding mandates to ensure that providers are selected and dollars are allocated in a manner that complies with state and federal laws and regulations, and meets the needs of Texans.

The prevention/intervention and treatment dollars are generally allocated in proportion to the percentage of youth and adult populations located within a region. However, there is some disparity in the allocation of funding when comparing the percentage of treatment dollars awarded to a region to the percentage of individuals desiring treatment services. For instance, Region 3 (Dallas) was awarded 20.3 percent of the treatment dollars. However, 26.7 percent of the State's adult population is located in this region and 24.8 percent of the State's population of indigent adults expressing a need and a desire for treatment is located in the region. On the other hand, Region 6 (Houston) was awarded 29.8 percent of treatment dollars, when its adult population accounts for 22.7 percent of the State's adult population and 22.5 percent of the State's population of indigent adults expressing a need and a desire for treatment.

Access to services is limited across the State. On average, only one in every nine (11.6 percent) of the people that want treatment services are able to obtain them. In Region 7 (Austin), 21.2 percent of the individuals wanting services were served. However, in Region 4 (Tyler), just 6.9 percent of those wanting services were served.

In addition, only 31 percent of the youth population was able to receive prevention/intervention services across the State during fiscal year 1996. In Region 8 (San Antonio), 17.9 percent of the youth received prevention/intervention services while 61.2 percent of the youth in Region 4 (Tyler) received the same type of services. These illustrations lead to a conclusion that formulas used to allocate dollars to a region may result in disparity of service access. The result is a service system where regional differences exist with regard to per capita service availability. Detailed information related to access to services and allocation of funds across the State can be found in Appendix 2.

Section 1-B:

### **Improve the Peer Review Process**

The peer review process is used to provide an independent assessment of a potential provider's application in response to a Commission Request for Proposal. While this process provides an objective assessment of the merits of provider applications, there are areas in the process that can be improved:

- Issues related to inter-rater reliability have raised concerns related to the process, which the Commission has begun to address. The Commission should follow-up to determine the reasons for significant scoring variations. Ratings and scores made by peer reviewers are sometimes inconsistent. One

peer reviewer may rate an issue highly; another peer reviewer may rank the same issue very low. Currently, the Commission does not resolve scoring discrepancies. For fiscal year 1998, the Commission is increasing the number of peer reviewers that score an application from three to five in an effort to partly address this issue. The high and low scores will be dropped. The remaining three scores will be averaged to determine the overall score for an application.

- The Commission should also ensure that the processes used to score and rank peer-reviewed applications is consistently applied. Rating definitions should also be provided and explained to the peer reviewers to help them in their assessment of provider applications. Once the applications are reviewed, Commission staff should ensure that processes are consistently applied when scoring and ranking applicants.

Recommendation:

Monitoring its current efforts to make appropriate changes to its regional allocation formula will ensure that state and federal funding is allocated equitably. Allocation of resources based on factors that address equity of service access will provide the Commission with a balanced service system statewide.

Management's Response:

*The Commission concurs that it needs to continue making changes to the regional allocation formula. There are varying public opinions as to what constitutes equity and legislative direction is provided in the appropriation bill and Sunset bill. The audit report made equity comparisons based on population and need but there are other factors that are used in the formulas to affect regional allocations (such as rurality and poverty).*

*The report correctly notes that services fall far short of need in the state. Equity across 11 regions was a first step. Funds to ensure equity in meeting the service across all communities within each region is a challenge we will strive to meet.*

*Using our formulas we have identified several regions that are under-funded due to lack of available agencies who are capable and interested in providing needed services. In these regions we are actively recruiting and working with prospective providers providing assistance to develop capacity to provide the needed services. However, this process takes time, and a newly developed project may take over a year to become completely operational and fully utilized. A region with developmental projects will have a relatively low level of expenditures during the developmental period but expenditures will eventually increase as services reach full operating levels.*

## Joint Investigative Task Force Issues Have Been Addressed by the Commission

The Commission has addressed the Joint Investigative Task Force (Task Force) issues. In our review, we did not note any specific violations of state or federal laws from the resolution process used by the Commission. Our review of 26 selected Task Force audit files indicated that the resolution process was consistently applied. Total questioned costs were reduced from \$49 million to approximately \$9 million as a result of the resolution process used by the Commission. As of March 1997, recovery of approximately \$6.7 million of the revised questioned costs had occurred or was expected through additional services or cash payments.

The Commission has designated the Program Compliance Branch to perform audit procedures on issue areas related to program income and fixed assets during future audits of funded providers. However, there are currently no plans to perform further procedures on the program income and fixed assets dollars questioned for fiscal years 1993, 1994, and 1995. In addition, questioned cost categorized as “To Be Determined” by the contracted accounting firm will not be pursued. In our review, we noted that these questioned costs lacked adequate supporting documentation to allow for efficient follow-up. Several of the providers that had issues in each of these areas will not receive program compliance audits in the future because they are no longer funded by the Commission. The programs that are licensed by the Commission, but not receiving funding through the Commission, will only receive a licensure review as provided by law.

The Alternative Dispute Resolution (ADR) process allowed the Commission to work with the 169 audited providers to resolve a majority of the questioned costs during the period January 1996 through March 1997. The ADR process was instituted after an analysis by management indicated that it would take at least two years and over \$2 million dollars to resolve the Task Force’s questioned costs. Table 1 details the current status of resolution for the Task Force audits.

Table 1

Status: Resolution of Task Force Provider Audits	Number in Category
Task Force audit issues resolved: questioned costs reduced, cash payments or additional services provided	156
Referred to the Office of the Attorney General	7
Pending Third-Party Actions	6
<b>Total Task Force Audits</b>	<b>169</b>

Source: Texas Commission on Alcohol and Drug Abuse

The ADR process included the following steps:

- Providers were given 30 days to respond with documentation to Task Force findings and questioned costs.
- An accounting firm was contracted to review the supporting documentation submitted by providers and make recommendations on the disposition of questioned costs.

Table 2

Resolved Questioned Costs	
Task Force Audit Issue	Questioned Cost Amount Reduced
Supporting Documentation Provided to Eliminate Questioned Costs	\$24,751,592
The Commission has no authority over dollars questioned	\$5,318,950
Program Income	\$958,732
Retroactive Approval or Fixed Assets and Budget Adjustments	\$1,108,460
To Be Determined	\$4,805,311
Referred to the Office of the Attorney General	\$1,500,000

Source: Texas Commission on Alcohol and Drug Abuse

- Final determination of questioned costs was made by the Commission’s Deputy Director for Compliance.
- The provider could either pay the modified amount of questioned costs or request a hearing at the State Office of Administrative Hearings.

In determining questioned costs, Task Force audit teams applied a standard which may have overstated the magnitude of total questioned costs. If providers were unable to produce accounting records which supported expenditures, the Task Force identified the maximum amount recoverable to the State. In some instances, the nature and timing of the audits did not afford providers the opportunity to provide supporting documentation to resolve questioned costs. As a result, many dollars of questioned costs were easily resolved during the Alternative Dispute Resolution process when a provider submitted supporting documentation. (See Table 2.)

In other instances, the Commission made decisions to eliminate questioned costs based on insufficient evidence in Task Force working papers and/or

information received from federal granting agencies regarding interpretation of federal regulations. Examples of decisions made by the Commission related to Task-Force identified questioned cost are provided below. (See Table 2.):

- Amounts totaling \$5.3 million were identified for which the Commission had no authority. These dollars were related to Medicaid, other state agencies, (for example, the Texas Department of Mental Health and Mental Retardation) and other local government funding. Therefore, this amount was also eliminated from the total dollars questioned.
- All questioned costs related to program income, approximately \$1 million, were eliminated. Income from the United Way, local governments, or private donations was not considered program income in compliance with the federal definition of program income and based on information received from the Federal Granting Agency.
- Retroactive approval of fixed-asset purchases and budget adjustments reduced the total questioned by the Task Force by \$1.1 million. Staff granted approval of equipment and budget adjustments if the items were deemed reasonable and necessary for the program.
- The Commission determined that specific questioned costs categorized as “To Be Determined” will not receive follow-up. Documentation for the amounts questioned by the Task Force was inadequate to determine if the amounts

should have been classified as questioned. For 10 of the 26 files reviewed, the related questioned costs totaled \$4.0 million.

- Referrals to the Office of the Attorney General were made totaling \$1.5 million in disallowed costs for collection on behalf of the State. This amount is part of the remaining \$9 million of questioned costs.

Section 3:

## Conservatorship Board Addresses the Issues of Gross Fiscal Mismanagement

The Conservatorship Board appointed by the Governor has addressed the most significant issues, which resulted in the assessment of gross fiscal mismanagement at the Commission. During the approximately 300 days of conservatorship, the following changes were made:

- The objectivity of the funding process was increased.
- Financial and program compliance monitoring were strengthened and improved.
- A compliance manual for providers was developed.
- The Commission was reorganized by function.
- A new management team was selected.

The Conservatorship Board's efficiency may have been impeded by the requirements of the Open Meetings Act. A meeting of two of the Conservators constituted a quorum, and the Open Meetings Act requires that a public meeting be announced when a quorum of a board's members come together. Members of the three-member Conservatorship Board were unable to discuss issues among themselves without holding a public hearing. The Conservators felt that inefficiencies resulted and that they were not allowed the opportunity to make quick changes in the organization.

The efficiency of the Conservatorship Board may have been improved had the conservatorship's period been longer, the Open Meeting Act requirements been waived, and the number of the conservators been greater than three.

On April 24, 1995, the Governor created the State Conservatorship Board to assume all management and operational powers of the Commission. The Conservatorship Board was replaced with new Board of Commissioners in February 1996. The transition from the Conservatorship Board to Commissioners was smooth and orderly.

A number of issues were left outstanding at the end of the conservatorship period for the new Commissioners and management to address. These issues included correcting deficiencies in processes related to rate setting, performance measures, management information systems, and complaint resolution.

The new Board of Commissioners and management have been able to address the outstanding issues.

Section 3-A:

### **Establish Rates and Rate-Setting Methodology for Treatment Services**

The Commission does not have a methodology for establishing and modifying rates paid to its providers of treatment services. The Commission has not performed a formal analysis of expenditures incurred by its providers; therefore, the Commission cannot be assured that it is getting the most effective and efficient services for the amounts currently being paid.

The Commission has recognized the need to develop processes that will allow it to develop and monitor the rates paid to providers of treatment services. The Commission has contracted with a consulting firm to develop a methodology for establishing and modifying the rates paid for treatment services. Management expects completion of this project in September 1997.

#### Recommendation:

Development and implementation of a structured methodology for evaluating rates paid to providers for treatment services will significantly enhance accountability and provide management with controls to safeguard state and federal funds. In addition, it will assure state leaders that funds are being used effectively and efficiently.

#### Management's Response:

*The Commission concurs with the recommendation. We will continue to support and monitor this project to completion.*

Section 3-B:

### **Continue Efforts to Improve Management Information Systems**

The Commission does not have an integrated and coordinated Management Information System. The development of automated systems has not been centrally controlled and coordinated. The existing 21 application systems are fragmented and inconsistent. This results in inconsistent data across divisions, duplicate and incompatible data input and storage, and increased error probability. Many of the applications have reached capacity and cannot accommodate future information requirements. Extensive manual intervention is required to respond to management and legislative information needs and requests, increasing the likelihood for error.

Commission management has recognized the need to integrate its automated systems, and an Integrated Management Information System project was initiated in the second

quarter of fiscal year 1997. The estimated time frame for project completion is three years. The goal of the project is to develop a central data repository and integrate all applications for Commission-wide data sharing. The estimated cost for the first three phases of the project, which include database development and implementation of the Grants and Contracts application, is \$1.1 million.

The Commission has received approval for amendment to its biennial operating plan for this project. However, only phase one of the project has been approved, pending receipt, evaluation, and approval of additional information requested by the Department of Information Resources. This project corresponds to the first Information Resource goal of the Commission: to develop and implement a centralized processing environment that maximizes the capability to share information.

Recommendation:

Integration of automation systems within the Commission will significantly enhance accountability and provide management with controls necessary to safeguard state and federal funds.

Management's Response:

*The Commission concurs with the recommendation. We have recognized the need for an integrated management information system and begun the process to completely integrate our systems.*

Section 3-C:

**Improvements in Processes and Controls Can Lead to Improving the Accuracy of Key Performance Measures**

Improvements can be made in the collection, storage and maintenance, and reporting of performance measures information to the Commission and to state oversight authorities. The Commission is working to improve processes, controls, and technical assistance given to providers to improve the accuracy of and support for the performance information provided to the Commission. Increasing the number of compliance reviews of providers will provide more substantial information to ensure the accuracy of performance measure information provided by providers.

The accuracy of performance measure information submitted by providers to the Commission can be improved. A limited number of provider compliance audits were completed during fiscal year 1997 as of April 15, 1997. Seven of these audits included procedures for verifying performance measures. Preliminary results for five of these audits included comments on incorrect performance measures information. The Commission has concentrated its audit efforts on the highest risk providers. It should be noted that during fiscal year 1996 the Compliance Division used the majority of its resources responding and resolving issues resulting from the Joint Investigative Task

Force provider audits. As a result, verification of performance measures was not completed during fiscal year 1996.

The Commission initiated the Program Implementation Department in August 1996 to provide technical assistance and monitor providers' achievement of program performance goals. A part of the technical assistance function is to assess whether sufficient supporting documentation exists for performance measures and whether management controls are in place to provide assurance that program performance goals will be achieved.

In addition to future management controls, the accuracy of performance information submitted by providers is necessary to ensure that services which are being provided in lieu of repayment of disallowed costs are properly accounted for.

A separate Performance Measures Certification report will be released August 1997. The results of the work performed, findings developed, and Management's Responses will be combined with the results of performance measure certification work completed at approximately 28 state agencies.

The performance measures developed for providers have been included in the contractual agreements with the prevention/intervention and treatment providers. The performance measures developed for the providers tie to the Commission's Strategic Plan.

The State Auditor's Office has performed a Performance Measure Certification review at the Commission covering fiscal year 1996. Four of the seven key performance measures were certified as accurate. The review also

indicated that source documentation was unavailable for calculating and testing two key measures identified for the Commission. This factor prevented certification of the following measures:

- Total Number of Grants and Contracts Awarded
- Percentage of Prevention and Treatment Programs in Compliance With Federal Mandates

Table 3

RESULTS OF PERFORMANCE MEASURES REVIEW				
Fiscal Year 1996				
Description	Classification	Results	Certification	Comments
Percent Reduction in Use of Alcohol, Drugs, and Inhalants	Outcome	.2%	Certified	
Percent of Adults Completing Treatment Programs	Output	62%	Certified With Qualification	Limited source documentation was available from reviews performed by the Commission's compliance monitoring group, which started January 1996. An insufficient number of reviews had been performed to date to ensure accuracy of reported numbers.

RESULTS OF PERFORMANCE MEASURES REVIEW Fiscal Year 1996				
Description	Classification	Results	Certification	Comments
Percent of Youth Completing Treatment Programs	Output	47.7%	Certified With Qualification	Limited source documentation was available from reviews performed by the Commission's compliance monitoring group, which started January 1996. An insufficient number of reviews had been performed to date to ensure accuracy of reported numbers.
Number of Persons in Gambling Prevention Programs	Output	54,132	Not Applicable	Measure was not properly classified. The measure was reclassified as an Explanatory Measure.
Percent of Prevention/Treatment Programs in Compliance With Federal Mandates	Outcome	91.86%	Factors Prevented Certification	Source documentation was unavailable for calculation and testing.
Number of Treatment Facilities Inspected Each Year for Compliance.	Output	110	Certified	
Total Number of Grants and Contracts Awarded	Output	356	Factors Prevented Certification	Source documentation was unavailable for calculation and testing.

Recommendation:

Compliance audits of service providers should include dollar and performance measure reconciliation, and should be timely. Increases in the number of compliance audits will enhance Commission oversight of contractors and provide the State with assurances that the services purchased are both efficient and effective.

Management's Response:

*The Commission concurs that the number of compliance audits should be increased and that they be completed in a timely manner. The completion of Task Force Resolution should allow the audit function to perform seventy-five provider audits per fiscal year as required by the current draft of the General Appropriation Act. The Commission uses a risk assessment model in order to concentrate its resources in the most efficient manner.*

## **Continue Improvements to the Commission's Complaint Resolution Processes**

The Commission has recognized the need to improve its process for managing and handling complaints made against the providers and individuals it funds or licenses. In addition, management (with input from the State Auditor's Office) is developing policies and procedures for handling complaints directed at the Commission or its staff. It is imperative that the Commission have in place an effective and coordinated investigating and sanctioning process to help ensure the safety and security of citizens who are helped by Commission-licensed treatment providers or chemical dependency counselors. In addition, citizens must have assurances that the Commission and its staff are responsive to their needs and meet the Commission's duties and responsibilities as required by enabling statute.

### **Strengthen the processes and controls for handling consumer complaints.**

There are a number of areas that can be improved in the Commission's process for handling complaints made against treatment providers and individuals licensed by the Commission. These improvements primarily deal with how the Commission manages and uses information to improve the process, recognize program and staff training needs, support and document evidence for investigation decisions, and improve the services made available to at-risk individuals or those with alcohol and substance abuse problems:

- Enhance and approve the Investigation Division's (Division) draft policies and procedures. Current policies and procedures have not been formally approved by management. Improvements have been made to the definitions for determining complaints' priority levels and improving compliant resolution time frames. Other modifications that can be made may include improving consistency regarding methods for planning and performing investigations cases, establishing standards for evidence and supporting documentation for investigation conclusions, notifying the parties of a complaint of their rights and obligations, and following up deficiencies corrected as a result of an investigation.
- Improve the Investigation Tracking and Performance Management Systems to provide management with better information for decision making, and assess the effectiveness and efficiency of the Division. The Investigation Tracking System informs management of the age of each case and how they are prioritized. Status reports generated from this system also detail the total number of cases closed during the reporting period. The reports do not include the number of cases closed because they are non-jurisdictional (not related to Commission responsibilities), and whether they were referred to another entity. During fiscal year 1996, 118 of the 386 cases (30 percent) were closed because they were non-jurisdictional.

The Investigation Division does measure the amount of time it takes to resolve complaints and the percentage of resolved complaints resulting in disciplinary action. However, this information is not available by complaint category type.

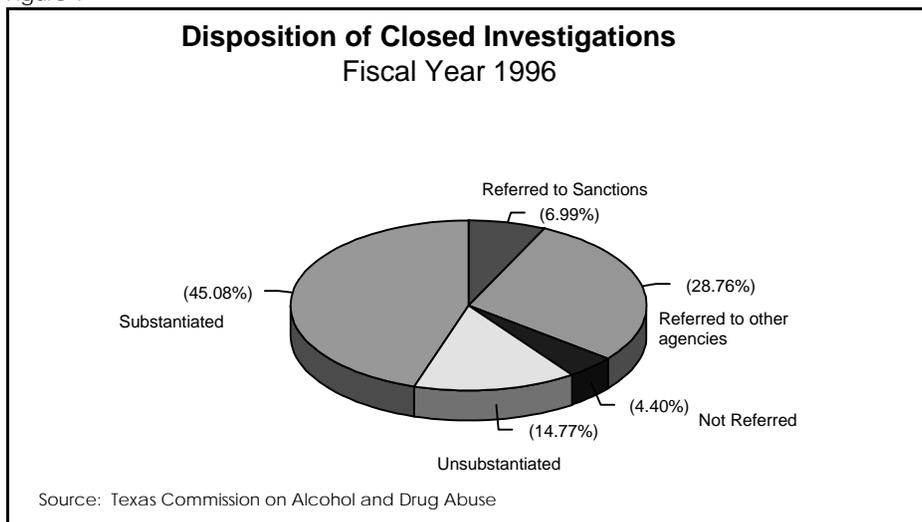
Information provided by complaint category type may provide management with data to assess the use of resources within the Investigation Division as well as recognizing training and compliance issues that warrant follow-up.

- Address the continued professional development needs of the Investigation Division’s staff members. Most of the staff members have received limited formal training since joining the Commission. Staff may not be updated on investigative methodologies and techniques that can improve divisional effectiveness. There is also the possibility that sufficient evidence may not be available to support the results of investigations or allow the enforcement of disciplinary actions.
- Improve the timeliness of Investigation Division reports. Reports for 3 of 15 (20 percent) files tested received approval from management in excess of two weeks after completion of the report. Late report approval could potentially result in late enforcement of sanctions against a service provider or licensed counselor.

The improvements can impact the number of cases that are referred to the Sanctions Division for disciplinary action. During fiscal year 1996, 6.99 percent (27 of 386) of

cases were referred to the Sanctions Division for enforcement of disciplinary actions. (See Figure 1 for disposition of closed cases during fiscal year 1996.) It should be noted that the low percentage of investigation referred to the Sanctions Division may be impacted by the work being performed by the Joint Investigative Task Force and the reduction in the number of providers used by the Commission.

Figure 1



**Implement process to handle complaints against the Commission or its staff.** Management has recognized the need to establish and supplement its process for handling and resolving complaints directed at the Commission or its staff members. Currently, no historical data is available to assess the significance of this issue. Staff members have reported that approximately five complaints of this type are received each month in the Executive Director’s office. However, the number of complaints received by other departments at the Commission cannot be determined due to the lack of formal policies and procedures concerning this issue. At the request of the

Commission, the State Auditor will continue to work with management to develop a system for resolution of complaints against the Commission or its staff.

Section 4:

## 1996 Statewide Audit Identifies Instance of Material Noncompliance

The Commission is in compliance with most of the federal regulations related to the \$59.6 million of federal funds expended in fiscal year 1996 (SAO Report No. 97-339, March 1997). However, we noted that material noncompliance related to the timely review of subrecipient audit reports continues to exist. Timely reviews of subrecipient audit reports are an integral part of assessing high-risk subrecipients and the subsequent allocation of monitoring resources.

The findings and commission responses referred to in this report appear in *A Report on the 1996 Financial and Compliance Audit Results* (SAO Report No. 97-056, May 1997). This report contains the results of procedures completed at all agencies and universities visited by the State Auditor's Office during the statewide financial and compliance audit.

Significant changes have occurred in senior management, and actions have been taken which corrected the material weakness in the control environment. In addition, many of the other audit issues identified in the 1994 statewide audit have been resolved or are in the process of being resolved. At April 15, 1997, 90 percent of the outstanding subrecipient audit report desk reviews had been completed by the Commission.

Improvements are still needed to address the following issues related to the *Block Grant for Prevention and Treatment of Substance Abuse* (CFDA 93.959) program:

- Develop sufficient accounting procedures and fiscal controls to determine if the Commission is meeting required spending threshold amounts for certain types of services.
- Limit subrecipient cash advances to immediate cash needs to reduce the excess cash balances held by service providers.

Section 5:

## Continue the Resolution of Prior Audit Comments

Any prior year audit recommendations that have not been adequately addressed should be addressed by the Commission. While the Commission has made a good-faith effort to address issues and recommendations from previous audits and reviews, some recommendations have not completely been addressed. The status of the prior year audit recommendations are as follows:

- 33 percent, or 13 recommendations, have been implemented.
- 50 percent, or 20 recommendations, are in process.
- Three findings are repeat findings in subsequent years (see issues discussed at Section 4 which resulted from the 1996 statewide audit).

- Management disagreed with one finding and recommendation.
- Three findings and recommendations are no longer applicable.

While improvements have been made, there are still areas of high risk that remain unresolved. These unresolved issues can impact the Commission's ability to effectively administer state and federal programs including the *Block Grant for Prevention and Treatment Substance Abuse* program. The Commission should implement proper controls and procedures to ensure that the program objectives are met in an effective and efficient manner. Some of the more important unresolved issues are listed below:

- Issues still exist and improvements can be made regarding the provider funding process. Currently, it appears that the peer review process is less subjective. See Section 1-B for more details on this issue.
- The Commission has not fully implemented an independent process for funding services where they are most needed. Regional Area Consortia (RAC) were developed to address regional funding needs. Changes to the fiscal year 1998 contractors' selection process have been made to address this issue. See Section 1-A of this report for more on this issue.
- The Management Information System at the Commission is fragmented and does not provide accurate and reliable information. See Section 3-B for additional information.

Some of the more notable improvements made are noted below:

- Procedures were developed to ensure that counselors have no criminal backgrounds by performing a Department of Public Safety criminal check verification.
- The financial and compliance monitoring processes were improved. The Commission involvement in resolving Task Force issues as well as staffing issues has limited the number of audits to performed by the Compliance Division during fiscal year 1996 and the first half of fiscal year 1997.
- A provider risk assessment was implemented to determine which providers are considered high risk.
- The *Provider Compliance Guide* was developed which provides written documentation to the providers regarding information, policies, and procedures needed to meet their obligations.
- Audit resolution procedures were developed for findings identified in the financial field audits.
- A provider peer review process was implemented that allows for independent review of treatment programs and makes recommendations for improvement to the state system.

- Provider performance measures were developed that tie to the Commission's Strategic Plan. See Section 3-C for additional information.

Table 4

Summary of Prior Audit Findings And Recommendations Fiscal Years 1993 through 1997							
Recommendation Status	Statewide 1993	Statewide 1994	Management Control Audit 1993 <sup>A</sup>	Management Control Audit 1994 <sup>B</sup>	Task Force 1995	Sunset Advisory 1996	Total
Implemented		4	4		5		13
In Process		2	10	3		5	20
Finding Repeated	1	2					3
Management Disagrees			1				1
No Longer Applicable		1	2				3
<b>Number of Findings and Recommendations</b>	<b>1</b>	<b>9</b>	<b>17</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>40</b>

Source: State Auditor's Office

<sup>A</sup> SAO Report No. 94-001, September 1993

<sup>B</sup> SAO Report No. 95-007, October 1994

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## Objectives, Scope, and Methodology

### Objectives

The objectives of this project included performing follow-up procedures on prior audits, including the Sunset Review, to determine whether the Commission has implemented the recommendations. We assessed whether the funding process equitably allocates resources across the State. We determined the status of the issues identified by the Joint Legislative Investigative Task Force and assessed the process used by the Commission to resolve the Task Force's findings and questioned costs. The Conservatorship process and transition out of Conservatorship were assessed. We provided assistance to the Commission for the development of procedures to address complaints directed at the Commission and its staff.

### Scope

The scope of this audit included a review of the processes the Commission uses to:

- Allocate funding to provide services across the State.
- Develop and implement systems and processes to meet legislative mandates.
- Handle complaints against licensed or funded service providers and chemical dependency counselors, as well as complaints directed against the Commission and its staff.
- Assess and report the performance of the Commission and its service providers.

This audit also includes assessing the steps taken by the Commission to resolve findings and recommendations found in reports issued by various organizations since fiscal year 1993.

### Methodology

Relevant reports and documentation developed by Commission staff, the Conservatorship Board, the Sunset Advisory Board, and the Joint Investigative Task Force were reviewed. Conventional audit procedures were applied to collect information, including interviews with management and staff of the Commission, the Board of Commissioners, and other external parties. Audit testing and analysis included review of policies, procedures, and controls; testing of performance statistics; and review of Task Force audit files, investigation files, service provider budgets, and performance measures. Our work will not necessarily reveal all internal control weaknesses.

Criteria used:

- State Auditor's Office Methodology Manual
- Other standard audit criteria established during fieldwork

Fieldwork was conducted from March 10, 1997, to April 9, 1997. The audit was conducted in accordance with applicable professional standards, including:

- Generally Accepted Government Auditing Standards
- Generally Accepted Auditing Standards

There were no instances of noncompliance with these standards.

The audit work was performed by the following members of the State Auditor's Office:

- Marshall McDade, Jr., CPA (Project Manager)
- Arthur Arispe
- Odilia Cruz, CPA
- Christina Hurr, CPA
- Paul Inameti, CPA
- Michelle Joseph, CPA
- Dana Jung
- Melinda Nay, CPA
- Angela Rodin, CISA
- Pam Spencer
- Tom Valentine (Audit Manager)
- Lawrence F. Alwin, CPA (State Auditor/Audit Director)

Appendix 2:

## Access to Services and Allocation of Funds Across the State - Fiscal Year 1996 Expenditures

Prevention Applies to Youth Only									
Region No.	Region	Youth Population <sup>A</sup>	Percentage of Texas' Youth Population in Region	Youth Provided Prevention	Youth Provided Prevention as Percentage of Youth Population <sup>B</sup>	Prevention Dollars Awarded <sup>A</sup>	Percentage of Prevention Dollars Allocated to Region	Prevention Dollars Awarded per Number Served <sup>C</sup>	Prevention Dollars Awarded per Total Youth Population <sup>D</sup>
1	Lubbock	73,141	4.17%	23,337	31.91%	\$ 1,402,018	4.60%	\$ 60.08	\$ 19.17
2	Abilene	45,985	2.62%	18,206	39.59%	839,370	2.75%	46.10	18.25
3	Dallas	430,779	24.55%	78,368	18.19%	7,750,257	25.42%	98.90	17.99
4	Tyler	84,274	4.80%	51,563	61.18%	1,156,216	3.79%	22.42	13.72
5	Beaumont	62,312	3.55%	27,254	43.74%	988,555	3.24%	36.27	15.86
6	Houston	403,513	22.99%	111,993	27.75%	6,821,873	22.38%	60.91	16.91
7	Austin	166,999	9.52%	62,171	37.23%	3,374,337	11.07%	54.28	20.21
8	San Antonio	185,791	10.59%	33,268	17.91%	3,144,076	10.31%	94.51	16.92
9	Midland	54,543	3.11%	19,001	34.84%	808,001	2.65%	42.52	14.81
10	El Paso	71,871	4.10%	39,160	54.49%	1,731,781	5.68%	44.22	24.10
11	Corpus Christi	175,613	10.01%	80,813	46.02%	2,471,867	8.11%	30.59	14.08
<b>Total</b>		<b>1,754,821</b>	<b>100.00%</b>	<b>545,134</b>	<b>31.06%</b>	<b>\$ 30,488,351</b>	<b>100.00%</b>		
<b>Average <sup>E</sup></b>								<b>\$ 55.93</b>	<b>\$ 17.37</b>

<sup>A</sup> Source: Texas Commission on Alcohol and Drug Abuse  
<sup>B</sup> Youths Provided Prevention ÷ Youth Population  
<sup>C</sup> Prevention Dollars Awarded ÷ Youths Provided Prevention  
<sup>D</sup> Prevention Dollars Awarded ÷ Youth Population  
<sup>E</sup> Averages are calculated using amounts from the Total row.

Treatment Applies to Youth and Adults								
Region No.	Region	Youth Population <sup>A</sup>	Percentage of Texas' Youth Population in Region	Adult Population <sup>A</sup>	Percentage of Texas' Total Adult Population in Region	Youth Provided Treatment <sup>A</sup>	Adults Provided Treatment <sup>A</sup>	Percentage of Youths in Region Provided Treatment <sup>B</sup>
1	Lubbock	73,141	4.17%	546,118	4.03%	137	1,053	0.19%
2	Abilene	45,985	2.62%	395,256	2.91%	100	1,048	0.22%
3	Dallas	430,779	24.55%	3,611,890	26.63%	470	3,500	0.11%
4	Tyler	84,274	4.80%	707,127	5.21%	93	853	0.11%
5	Beaumont	62,312	3.55%	505,893	3.73%	141	635	0.23%
6	Houston	403,513	22.99%	3,078,245	22.69%	287	5,229	0.07%
7	Austin	166,999	9.52%	1,382,201	10.19%	257	2,638	0.15%
8	San Antonio	185,791	10.59%	1,406,999	10.37%	57	1,308	0.03%
9	Midland	54,543	3.11%	386,979	2.85%	13	551	0.02%
10	El Paso	71,871	4.10%	492,871	3.63%	181	1,357	0.25%
11	Corpus Christi	175,613	10.01%	1,050,900	7.75%	399	1,730	0.23%
<b>Total</b>		<b>1,754,821</b>	<b>100.00%</b>	<b>13,564,479</b>	<b>100.00%</b>	<b>2,135</b>	<b>19,902</b>	
<b>Average<sup>G</sup></b>								<b>0.12%</b>

<sup>A</sup> Source: Texas Commission on Alcohol and Drug Abuse  
<sup>B</sup> Youths Provided Treatment ÷ Youth Population  
<sup>C</sup> Adults Provided Treatment ÷ Adult Population  
<sup>D</sup> Treatment Dollars Awarded ÷ (Youths Provided Treatment + Adults Provided Treatment)  
<sup>E</sup> Treatment Dollars Awarded ÷ Adult Population  
<sup>F</sup> (Youths Provided Treatment + Adults Provided Treatment) ÷ Number Wanting Treatment  
<sup>G</sup> Averages are calculated using amounts from the Total row.

Treatment Applies to Youth and Adults							
Percentage of Adults in Region Provided Treatment <sup>C</sup>	Treatment Dollars Awarded <sup>A</sup>	Treatment Dollars Awarded per Number Provided Treatment <sup>D</sup>	Percentage of Treatment Dollars Allocated to Region	Treatment Dollars Awarded per Total Adult Population <sup>E</sup>	Number of Individuals Wanting Treatment Services <sup>A</sup>	Percentage of Texas' Population Wanting Treatment Services by Region	Total Provided Treatment as a Percentage of Those Wanting Treatment <sup>F</sup>
0.19%	\$ 2,920,725	\$ 2,454	6.16%	\$ 5.35	7,108	3.74%	16.74%
0.27%	1,257,738	1,096	2.65%	3.18	5,494	2.89%	20.90%
0.10%	9,628,585	2,425	20.32%	2.67	47,143	24.78%	8.42%
0.12%	1,876,681	1,984	3.96%	2.65	13,643	7.17%	6.93%
0.13%	2,195,453	2,829	4.63%	4.34	4,478	2.35%	17.33%
0.17%	14,139,651	2,563	29.83%	4.59	42,871	22.53%	12.87%
0.19%	5,418,633	1,872	11.43%	3.92	13,650	7.17%	21.21%
0.09%	2,906,311	2,129	6.13%	2.07	17,450	9.17%	7.82%
0.14%	1,306,722	2,317	2.76%	3.38	8,084	4.25%	6.98%
0.28%	3,277,573	2,131	6.92%	6.65	9,019	4.74%	17.05%
0.16%	2,465,941	1,158	5.20%	2.35	21,331	11.21%	9.98%
	<b>\$ 47,394,013</b>		<b>100.00%</b>		<b>190,271</b>	<b>100.00%</b>	
<b>0.15%</b>		<b>\$ 2,151</b>		<b>\$ 3.49</b>			<b>11.58%</b>

Appendix 3:

## Total Services Provided and Amounts Awarded by Region for Fiscal Year 1996

Region		Youth Population	Adult Population	Type of Service Provided	Medically Indigent Wanting Treatment	Youths Served	Adults Served	Unduplicated Providers	Number of Awards	Funded Award Amounts
No.	Name									
1	Lubbock	73,141	546,118	Prevention	561	23,337	N/A*	6	8	\$ 1,402,018
				Treatment	7,108	137	1,053	4	11	\$ 2,920,725
2	Abilene	45,985	395,256	Prevention	318	18,206	N/A*	7	11	\$ 839,370
				Treatment	5,494	100	1,048	2	5	\$ 1,257,738
3	Dallas	430,779	3,611,890	Prevention	1,897	78,368	N/A*	22	32	\$ 7,750,257
				Treatment	47,143	470	3,500	32	42	\$ 9,628,585
4	Tyler	84,274	707,127	Prevention	585	51,563	N/A*	6	10	\$ 1,156,216
				Treatment	13,643	93	853	3	8	\$ 1,876,681
5	Beaumont	62,312	505,893	Prevention	456	27,254	N/A*	6	8	\$ 988,555
				Treatment	4,478	141	635	4	8	\$ 2,195,453
6	Houston	403,513	3,078,245	Prevention	2,346	111,993	N/A*	19	29	\$ 6,821,873
				Treatment	42,871	287	5,229	10	16	\$14,139,651
7	Austin	166,999	1,382,201	Prevention	1,003	62,171	N/A*	10	16	\$ 3,374,337
				Treatment	13,650	257	2,638	7	13	\$ 5,418,633
8	San Antonio	185,791	1,406,999	Prevention	1,788	33,268	N/A*	16	19	\$ 3,144,076
				Treatment	17,450	57	1,308	8	15	\$ 2,906,311
9	Midland	54,543	386,979	Prevention	438	19,001	N/A*	4	5	\$ 808,001
				Treatment	8,084	13	551	3	4	\$ 1,306,722
10	El Paso	71,871	492,871	Prevention	897	39,160	N/A*	3	8	\$ 1,731,781
				Treatment	9,019	181	1,357	5	12	\$ 3,277,573
11	Corpus Christi	175,613	1,050,900	Prevention	2,807	80,813	N/A*	10	17	\$ 2,471,867
				Treatment	21,331	399	1,730	10	17	\$ 2,465,941

Source: Texas Commission on Alcohol and Drug Abuse

\* The adult population is not provided prevention/intervention services.

Appendix 4:

## Adult and Youth Treatment Clients by Service Type and Health and Human Services Region\* for Fiscal Year 1996

Region	Adult Residential	Adult Detoxification	Adult Methadone	Adult and Youth Outpatient	Youth Residential	Total
1	419	370	240	183	83	1,295
2	451	336	0	955	0	1,742
3	1,162	454	644	2,904	152	5,316
4	339	285	0	1,101	7	1,732
5	366	119	0	369	44	898
6	2,032	990	427	3,610	310	7,369
7	1,065	987	332	1,473	143	4,000
8	504	176	643	963	46	2,332
9	354	149	0	191	11	705
10	383	228	121	1,394	24	2,150
11	345	260	787	1,265	7	2,664
<b>Totals</b>	<b>7,420</b>	<b>4,354</b>	<b>3,194</b>	<b>14,408</b>	<b>827</b>	<b>30,203</b>

Source: Texas Commission on Alcohol and Drug Abuse

\* Clients may be counted more than once if individual received multiple services.

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