

OFFICE OF THE CITY CONTROLLER



**HOUSTON DEPARTMENT OF
HEALTH AND HUMAN SERVICES FACILITIES**

**LIMITED REVIEW
PERFORMANCE AUDIT**

Ronald C. Green, City Controller

Courtney E. Smith, City Auditor



OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

RONALD C. GREEN

October 29, 2014

The Honorable Annise D. Parker, Mayor and Honorable Council Members

SUBJECT: REPORT #2015-02
DEPARTMENT OF HEALTH AND HUMAN SERVICES (HDHHS), – PERFORMANCE REVIEW

Dear Mayor Parker and Council Members:

The Office of the City Controller's Audit Division has completed a limited Performance Review of the Houston Department of Health and Human Services. After conducting our initial research based on ordinances, policies, operating procedures, and interviews with key personnel to gain an understanding of the functions performed by HDHHS, we refined the audit objectives to consider the processes and internal controls related to:

1. Determining community need for public health services;
2. Leasing and/or renting of City facilities to 3rd parties;
3. Verifying eligibility of dental program clients.

We concluded that the:

- HDHHS utilized appropriate measures to identify services.;
- External organizations and/or agencies assist in the delivery of cost effective services to Houston communities.; and
- Internal controls to ensure dental client eligibility were effectively designed.

In performing our work, we noted the following issues:

- HDHHS does not have formal policies or procedures/step to address the closure of Health Center operations and ensure all assets and records are properly safeguarded and transferred from the facility upon closure; (*See Finding #1*) and
- There were inadequate and/or ineffective internal controls over leasing and/or renting facilities to 3rd parties (*See Finding #2*).

We appreciate the time and efforts extended to the Audit Division during the course of the project by HDHHS management and staff.

Respectfully submitted,

Ronald C. Green
City Controller

cc: Steven Williams, Director, Department of Health and Human Services
City Council Members
Benjamin Hernandez, Deputy Assistant Director, Department of Health and Human Services
Chris Brown, Chief Deputy City Controller
Christopher Newport, Chief of Staff, Mayor's Office
Kelly Dowe, Chief Business Officer, Mayor's Office
Harry Hayes, Chief Operating Officer, Mayor's Office
Courtney Smith, City Auditor

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EXECUTIVE SUMMARY

INTRODUCTION

The Office of the City Controller's Audit Division has completed a limited Performance Audit of the Houston Department of Health and Human Services (HDHHS). The audit considered the effectiveness of internal controls related to selected business processes within HDHHS Multi Service Centers and Health Centers. The audit was included in the City Controller's fiscal year (FY) 2014 Audit Plan and was a result of our Enterprise Risk Assessment process.

AUDIT METHODOLOGY

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards and in conformance with the International Standards for the Professional Practice of Internal Auditing. 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.

AUDIT SCOPE AND OBJECTIVES

The scope of our work consisted of operations and resulting transactions occurring in calendar years 2011, 2012 and 2013. Our original objectives were broadly defined to encompass many aspects of HDHHS' operations, such as revenue recognition and recording, cash handling, expenses, inventory, and federal or state grants. After conducting our initial research on ordinances, policies, operating procedures, and interviews with key personnel to gain an understanding of the functions performed by HDHHS, we refined the audit objectives to consider the processes and internal controls related to:

1. Determining community need for public health services,
2. Leasing and/or renting of City facilities to 3rd parties, and
3. Verifying eligibility of dental program clients.

The scope of our work did not constitute an evaluation of the overall internal control structure of HDHHS. Management is responsible for establishing and maintaining a system of internal controls to ensure that City assets are safeguarded; financial activity is accurately reported and reliable; and management and employees are in compliance with laws, regulations, and policies and procedures. The objectives are to provide management with reasonable, but not absolute assurance that the controls are in place and effective.

PROCEDURES PERFORMED

In order to obtain sufficient evidence to achieve engagement objectives and support our conclusions, we performed the following:

- Reviewed relevant policies and procedures;
- Reviewed the processes in place to determine community need for various services,
- Interviewed key personnel in HDHHS and the General Services Department (GSD);
- Reviewed lease agreements at HDHHS properties,
- Tested lease revenue collections,
- Observed operational activity in a sample of Multi Service Centers (MSC),
- Reviewed the dental eligibility screening process, and
- Verified eligibility of dental clients.



BACKGROUND

The City of Houston Code of Ordinances mandates in Chapter 21 “There is created a health and human services department. The officers and employees of that department are charged with the duty of enforcing all laws and ordinances relating to health and such other duties as are now or may hereafter be placed upon them by the Mayor, City Council and by the ordinances and Charter of the city.” HDHHS provides traditional public health services and seeks to use innovative methods to meet the community’s present and future needs. HDHHS further states “Our mission is to work in partnership with the community to promote and protect the health and social well-being of all Houstonians.”

In order to fulfill their mission and mandate to provide services to eligible members of the community, HDHHS operates eleven Multi-Service Centers (MSCs), four health centers (HCs), five dental clinics located within a MSC or HC, and two adult and travel immunization clinics. HDHHS uses financial resources from the General Fund, grant funding and reimbursements from State and Federal programs such as Medicaid and Women, Infants and Children (WIC) to achieve the departmental mission and goals. The MSCs provide a facility where HDHHS and other organizations can provide social, community, and human services. Examples of services offered at the MSCs include primary care services, child care, social activities and meals for the aged, exercise classes, literacy development, personal computer labs, community gardens, and mental health counseling. The HCs are more focused on healthcare services such as dental clinics, immunizations, family planning, and tuberculosis testing.

To provide cost effective services to the community, some services are performed by external organizations and/or agencies who arrange to use facility space in MSCs or HCs. Typically, HDHHS uses one of three types of agreements for use of space in their facilities - Leases, Occupancy Agreements, and Charters. Leases are used if an organization anticipates they will need a larger amount of space for a longer period of time, generally five years, while Occupancy Agreements are for a shorter time period, typically one year, and a smaller space. Charters are used for space utilization on a part-time basis, such as one or two times a week for a few hours or even once a month. The General Services Department (GSD) determines the lease and Occupancy Agreement rates with HDHHS’ input based on the area where the MSC or HC is located. HDHHS then applies their Tiered Service Provider Model to offset a part of the rental fee based on the type of services provided. The lease rate could be offset by up to 100% with the renter/lessor only paying operating and maintenance (O&M) costs. GSD also determines the O&M costs. For the most part, lease payments were collected in the correct amounts in a timely manner. When they were not made according to the contract, GSD had ensured the lessor caught up and paid the correct amounts.

Leading up to FY 2012, HDHHS implemented an extensive reorganization and restructuring as part of an effort to enhance the City’s ability to provide public health services and meet community needs in a cost effective manner. In June of 2011, HDHHS was operating seven health centers (HC). The reorganization resulted in the consolidation of the majority of HDHHS’ clinical public health services into four HCs in FY2012. The four health centers currently operated by HDHHS are La Nueva Casa de Amigos Health Center, Northside Health Center, Sharpstown Health Services and Sunnyside Health Center.

In conjunction with the reorganization, HDHHS transferred management and operations, including facility operational costs, of three health centers (Lyons, Magnolia, and Riverside) to an agency which could provide low cost primary care services to the communities served by those centers. In each of the three facilities, there existed a Federally Qualified Health Center (FQHC). The FQHCs were Legacy Community Health Services, Inc. in Lyons, El Centro de Corazon in Magnolia, and Central Care Community Health Center in Riverside. In addition to divesting management of the three health centers, HDHHS also divested the Tri-Community Multi-Service Center.



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The closure of the HCs was only one aspect of HDHHS's reorganization and restructuring efforts in FY 2011 and 2012. HDHHS also reduced their total workforce by approximately 70 employees. They also reduced total expenditures in FY 2011 and FY 2012 by approximately \$14.5M and \$2M, respectively. The reduction in expenditures for the three closed HCs in 2011 and 2012 were \$650,570 and \$2,229,519, respectively.

In order to identify areas where HDHHS could make the best use of the reduced workforce and operations in 2012 and forward, HDHHS worked with several Houston health organizations to develop their Houston Community Health Improvement Plan (CHIP). The CHIP identified health issues in the community, made recommendations for action to address those issues, and identified community partners to help in addressing the identified issues. HDHHS selected the Health of Houston Survey 2010¹ and the State of Health in Houston/Harris County 2012² to use as the foundational community health assessments for the CHIP.

Some of the partners contributing to the CHIP were:

- Air Alliance Houston
- Gateway to Care
- Harris County Healthcare Alliance
- Harris Health System (formerly Harris County Hospital District)
- Harris County Public Health and Environmental Services
- Network of Behavioral Health Providers
- Texas Oral Health Coalition - Houston Region
- The University of Texas Health Science Center at Houston - School of Public Health

The HDHHS 2013-2016 Strategic Plan was developed from the CHIP to prioritize and focus HDHHS' efforts. The Strategic Plan states their Vision is "Self-sufficient families and individuals in safe and healthy communities". HDHHS listed their goals as:

- Goal 1. Protect the Community from Disease
- Goal 2. Prepare for, Respond to and Recover from Disasters
- Goal 3. Increase Opportunities for Healthy Living
- Goal 4. Give Children a Healthy Start
- Goal 5. Align Services with National Mandates and Standards
- Goal 6. Demonstrate Organizational Excellence
- Goal 7. Reduce Health Disparities

¹ Health of Houston Survey. *HHS 2010 A First Look*. Houston, TX: Institute for Health Policy, TheUniversity of Texas School of Public Health, 2011

² The State of Health in Houston/Harris County 2012. Harris County Healthcare Alliance, Houston, Texas



CONCLUSIONS AND SIGNIFICANT ISSUES

We believe that we have obtained sufficient and appropriate evidence to adequately support the conclusions provided below as required by professional auditing standards. Each conclusion is aligned with the related Audit Objective for consistency and reference. For detailed findings, recommendations, management responses, comments and assessment of responses, see the “***DETAILED FINDINGS, RECOMMENDATIONS, MANAGEMENT RESPONSES, AND ASSESSMENT OF RESPONSES***” section of this report.

CONCLUSION 1 – (AUDIT OBJECTIVE #1)

Consider the processes and internal controls related to determining community need for public health services.

- Based on the results of the procedures performed, HDHHS has used appropriate measures to identify the services they should provide. However, we noted an area for improvement in the closure of health centers. (***see Finding #1***)

CONCLUSION 2 – (AUDIT OBJECTIVE #2)

Consider the processes and internal controls related to leasing and/or renting of City facilities to 3rd parties.

- Based on the results of the procedures performed, there were inadequate and/or ineffective internal controls over leasing and/or renting facilities to 3rd parties. Issues were noted in notification from HDHHS to GSD about changes in two leases. (***see Finding #2***)

CONCLUSION 3 – (AUDIT OBJECTIVE #3)

Consider the processes and internal controls related to verifying eligibility of dental program clients.

- Based on the results of the procedures performed, there were adequate and/or effective internal controls over ensuring dental clients were eligible for the services provided. We did note an insignificant number of ineligible clients and made a recommendation. (***see Finding #3***)

ACKNOWLEDGEMENT AND SIGNATURES

The Audit Team would like to thank HDHHS management for their cooperation, time and efforts throughout the course of the engagement.



Marda H. Waters, CPA
Lead Auditor



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City Auditor



DETAILED FINDINGS, RECOMMENDATIONS, MANAGEMENT RESPONSES AND ASSESSMENTS OF RESPONSES

**FINDING #1 - HEALTH CENTERS CLOSURE POLICIES
RISK RATING (IMPACT AND MAGNITUDE) = MEDIUM**

BACKGROUND:

As part of the restructuring in 2011, HDHHS transferred the clinical operations of several Health Centers (HCs) to other organizations and stopped using City personnel to provide those services at those locations. This saved the City both personnel and operating expense.

FINDING:

HDHHS has a policy regarding the temporary reassignment of personnel when a HC closes due to facility problems. However, no formal policies or formal procedures/steps exist to close HC operations and ensure all assets and records are properly safeguarded and transferred from the facility upon closure.

RECOMMENDATION:

We recommend that HDHHS develop a policy or standard operating procedure for HC closures that specifies how to handle the reassignment or disposal of the furniture, equipment, inventory, supplies and records in the HC being closed.

HEALTH AND HUMAN SERVICES DEPARTMENT RESPONSE:

During Health Center closures, HDHHS followed the department's Capital Assets Control Policy regarding the redistribution, reassignment and/or disposal of the furniture, equipment, and inventory of medical and office supplies. The current policy is being updated and revised to include office and medical supplies (See Attached). Due to the retirement of the warehouse facility manager at that time, a comprehensive listing of the redistribution of equipment/supplies was not available. Patient records were relocated based on a detailed transition plan developed specifically for that health center. The relocation of the patient's record was based on 1) the relocation of the services that were provided and 2) the request of the patient. For instance, if all Tuberculosis Services were being located to certain health center, then all Tuberculosis records were moved to that health center. If the patient was receiving a service that was available at other health centers, then the patient could request that their records be forwarded to a specific health center.

RESPONSIBLE PARTY:

Algia Hickenbotham/Darren Asher

ESTIMATED DATE OF COMPLETION:

Revised policy pending signatures (10/10/2014)

ASSESSMENT OF RESPONSE:

The Audit Division agrees with HDHHS' commitment to update policies and procedures to address reassignment or disposal of medical and office supplies when a HC is closed.



**FINDING #2 – NOTIFICATION TO GSD IF A LESSEE OPERATES OUTSIDE THE LEASE TERMS
RISK RATING (IMPACT AND MAGNITUDE) = MEDIUM**

BACKGROUND:

The City owns properties throughout the City for use in HDHHS operations. These include Multi Service Centers (MSC), Health Centers (HC) and locations where HDHHS formerly operated a HC. Several tenants who operate health clinics lease space in some of those properties. The leases are negotiated and administered by the Real Estate Division in the General Services Department (GSD) with input from HDHHS. GSD receives and accounts for the lease payments. According to GSD, the lessee is responsible for notifying GSD when they operate outside the lease terms.

For our review we judgmentally selected 4 facilities – Lyons, Magnolia, Sunnyside, and West End. We obtained a listing from HDHHS of lease agreements related to those 4 facilities that were active during calendar years 2011, 2012 and 2013. After verifying that we had identified all leases in those facilities, we reviewed the lease agreements and the collection of the lease payments recorded in SAP. There was one active lease agreement at each location during our review period.

FINDING:

In two instances, the tenant moved in to the facility before the lease term started without prior notice to GSD. This resulted in the recalculation of the first lease payments and additional discussion with the tenant. One tenant moved out of the leased space prior to the lease expiration without notice to GSD.

RECOMMENDATION:

HDHHS has Area Administration or site personnel located in their properties who are able to observe when a lessee changes its occupancy. We recommend that HDHHS specifically address procedures to notify/confirm tenant changes with GSD to ensure GSD is aware of tenant changes as soon as possible.

HEALTH AND HUMAN SERVICES DEPARTMENT RESPONSE:

Human Services' response regarding MSCs only:
Designated Human Services staff meets with individual leasing partners on a quarterly basis and meet with agencies collaboratively monthly. These opportunities should be used to communicate with agencies to determine upcoming plans that may include termination of lease. Training of staff will occur to ensure these measures are taken.

All Potential and new facility tenants will receive partnership packet that will include requirements when leasing space; including notification of lease termination 30 days



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prior to move out. All lease termination will be forwarded to HDHHS Contracts within 1 business day of notification. HDHHS Contracts will inform GSD of termination.

There is an existing termination letter; however, policy did not address it specifically. Policy will be edited to include: Inform HDHHS 30 days prior of vacating space utilizing the space termination letter.

Taken from Policy (with #5 edit added)

Agency Requirement

All agencies should:

1. Follow requirements as described in the Occupancy or Charter Agreement
2. Attend quarterly meeting with City of Houston Management.
3. Report to the City of Houston on a monthly basis the agency's utilization numbers and outcomes.
4. Send in Lease Payment timely
5. Inform HDHHS 30 days prior of vacating space utilizing the space termination letter.

There is a current Short term lease (90 day) in place to address those individuals who need to move in prior to Occupancy Agreement process is finalized. There should be no one utilizing space unless they have:

- Signed Occupancy Agreement
- Short Term Lease
- Charter Agreement
- Scope Only – City Sponsored Organization
- City of Houston Program/Services

ESTIMATED TIME OF COMPLETION: December 31, 2014

1. Policy updates
2. Training of staff
3. Informing existing agencies of termination letter and its usage.

ASSESSMENT OF RESPONSE:

The Audit Division agrees with HDHHS' commitment to enhance staff training and update policies and procedures to address tenant compliance with space utilization requirements.



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FINDING #3 – DENTAL ELIGIBILITY DOCUMENTATION MISSING
RISK RATING (IMPACT AND MAGNITUDE = LOW)

BACKGROUND:

The HDHHS Bureau of Oral Health (BOH) provides dental services for certain groups of citizens as determined by the program that will provide the funding for the service. For example, the Federal Women, Infants, and Children (WIC) Early Entry into Dental Care program provides dental assessment and preventive treatments to children up to five years of age whose family earns up to 185% of the Federal Poverty Level. Program eligibility is determined by WIC personnel prior to the dental visit and is evidenced by the WIC parent or guardian's having a WIC Shopping List. The shopping list identifies the service period and the food items for which the family qualifies and serves to prove program eligibility.

For our review, we judgmentally selected 5 dental locations, obtained the clients serviced at those locations in calendar years 2011, 2012, and 2013, and chose a random sample of clients for each location. We then reviewed the eligibility documentation for all visits of the sample clients during the review period.

FINDING:

Appropriate eligibility documentation was not presented or retained for five visits out of 105 total visits sampled at one location and for two visits out of ten total visits sampled at another location. The overall sample error rate was 2.5%.

RECOMMENDATION:

DHHS should ensure that all staff are aware of and follow the eligibility verification and documentation procedures and maintain the eligibility documentation in the chart per HDHHS policy.

HEALTH AND HUMAN SERVICES DEPARTMENT RESPONSE:

1. Bureau of Oral Health Policy and Procedure #22, "Medicaid (Title XIX) and Children's Health Insurance Plan Dental Programs", was updated to further clarify verification of eligibility and benefits.
2. The BOH supervisory dentists were notified of the changes in the Policy and Procedure #22, with instruction to review the updated policy with their respective staff and to complete an accompanying acknowledgment form.
3. Additionally, the BOH supervisory dentists were notified of the changes in the chart audit tool and instructions:
 10. Medicaid/CHIP eligibility/benefits verified and recorded in Progress Notes?
Y - Medicaid/CHIP eligibility/benefits verified and recorded in Progress Notes.
N - Medicaid/CHIP eligibility/benefits not verified and recorded in Progress Notes.

ASSESSMENT OF RESPONSE:

The HDHHS response adequately addresses the issue.