

OFFICE OF THE CITY CONTROLLER



**HOUSTON DEPARTMENT OF HEALTH AND HUMAN SERVICES
(HDHHS)
LIMITED REVIEW OF MONITORING PROCEDURES FOR YWCA
MEALS-ON-WHEELS CONTRACT**

**RONALD C. GREEN, CITY CONTROLLER
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REPORT NO. 2011-03



OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

RONALD C. GREEN

October 22, 2010

The Honorable Annise D. Parker, Mayor
City of Houston, Texas

SUBJECT: 2011-03 Houston Department of Health and Human Services (HDHHS) - Limited Review
of Monitoring Procedures for YWCA Meals-on-Wheels Contract

Dear Mayor Parker:

The Controller's Office Audit Division (Audit Division) has completed a limited review of the monitoring procedures performed by the Houston Department of Health and Human Services (HDHHS) joint grant agreement with Harris County Area Agency on Aging (HCAAA). The grant funds are to provide Meals on Wheels (MOW) using the Young Women's Christian Association of Houston (YWCA) as the vendor (Contract FC73291, passed as ordinance 09-0287). Based on our preliminary due-diligence, we outlined the following objectives:

- Determine whether HDHHS/HCAAA is reasonably monitoring its contract with YWCA for the Home Delivery Meals (HDM) program to ensure eligible participants are being provided with meals as prescribed by the grant agreement;
- Determine whether there is a contingency plan that ensures uninterrupted service of HDM to eligible participants in the event of failure of YWCA to be able to continue as a going concern*;
and
- Determine whether the City of Houston has liability in the event that drivers under agreement with YWCA did not get paid due to solvency and/or liquidity issues.

**Note: There were concerns reported in the external auditor's letter to management of YWCA related to their depleting cash position. It was noted that if the current trend continued, that they could be opined or considered as a 'going concern'.*

HDHHS/HCAAA have taken remediating steps by having sanctioned them accordingly and have also committed to a contingency plan to ensure continued provision of meal services to eligible recipients and noted no legal exposure to non-city employees.

We appreciate the cooperation and professionalism extended to our auditors by relevant personnel during the course of our limited review.

Respectfully submitted,

Ronald C. Green
City Controller

xc: City Council Members
Waynette Chan, Chief of Staff, Mayor's Office
Stephen Williams, Director, Houston Department of Health and Human Services



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INTRODUCTION

The Controller's Office Audit Division (Audit Division) has completed a limited review of the monitoring procedures performed by the Houston Department of Health and Human Services (HDHHS) joint grant agreement with Harris County Area Agency on Aging (HCAAA) to administer services under the Nutrition Program. One purpose of the grant funds is to provide Home Delivery Meals (HDM) (*commonly referred to as: Meals on Wheels (MOW)*) using the Young Women's Christian Association of Houston (YWCA) as the service provider (Contract FC73291 passed as ordinance 09-0287).

SCOPE AND OBJECTIVE

The review's objective was limited in scope to evaluating HCAAA's monitoring of the YWCA's performance under the Home Delivered Meals (HDM) component of the Nutrition Program. Based on recent events and our preliminary due-diligence, we developed the following objectives:

- Determine whether HDHHS/HCAAA is reasonably monitoring its contract with YWCA for the HDM component to ensure eligible participants are being provided with meals as prescribed by the grant agreement;
- Determine whether there is a contingency plan that ensures uninterrupted service of HDM to eligible participants in the event of failure of YWCA to be able to continue as a going concern; and
- Determine whether the City has liability in the event that drivers under agreement with YWCA did not get paid due to solvency and/or liquidity issues.

Our limited review was performed in accordance with Generally Accepted Government Auditing Standards and with Professional Standards as issued by the Institute of Internal Auditors.

PROCEDURES PERFORMED

In order to obtain sufficient and appropriate evidence that provides reasonable assurance in supporting our conclusions related to the objectives identified above we performed the following:

- Obtained and reviewed all relevant documentation and correspondence related to the contract (Contract/Vendor Agreement, Administrative Summary, Management Certified Financial Statements, Texas Department of Aging and Disability Services (DADS) Single Audit Opinion by external auditor, etc.);

- Perform interviews and inquiries of HDHHS and HCAAA management;
- Reviewed the monitoring procedures put in place by HDHHS regarding the YWCA contract for the HDM component of the MOW program; and
- Reviewed responses and conclusions of the monitoring report performed by HDHHS.

Based on the above noted procedures, we have provided a level of assurance related to the conclusions rendered by HDHHS and reported them as shown below.

CONCLUSIONS

- Based on our review, the HCAAA's current monitoring of the YWCA is reasonable. The Level One Sanction imposed on the YWCA by HCAAA was appropriate, given the number of violations such as excessive undelivered meals in 2010, incomplete intake files, and client status discrepancies. The recent increase in monitoring by HCAAA has helped improve the YWCA's operational performance;
- There is concern that if the YWCA's financial situation does not improve, there may be a negative impact on their future performance and the ability to continue as a going concern. In response to this concern HCAAA has begun the process of selecting a vendor that can quickly move into preparedness mode for service implementation should the YWCA not be able to fulfill the service requirements of the contract (See detail management responses); and
- Based on the interpretation and position provided by the Senior Assistant City Attorney for the Labor Division within the Legal Department, the City of Houston has no liability to the drivers who have signed agreements with YWCA to provide HDM services in the event of non-payment by the vendor.



Camille Jones, CPA, CIA
Auditor-in-charge



David Schroeder, CPA, CISA
City Auditor

BACKGROUND

The HCAAA, a division of the HDHHS, is responsible for distributing State grant monies to vendors that administer the MOW program. Once the monies are dispensed HCAAA is responsible for monitoring the vendors program and ensuring that it is in compliance with DADS, the Older Americans Act of 1965 (OAA), as amended, the HCAAA Direct Purchase of Services program and the Scope of Services in the Agreement with the HCAAA. The Nutrition program has multiple components; congregated meals, HDM (MOW), and demand transportation.

HCAAA has nine (9) vendors who administer the HDM/MOW program City wide. The YWCA is one of these nine vendors. As one of the sub-recipients of Title III of the OAA funds for Fiscal Year 2010, YWCA was reimbursed the second highest amount of grant money totaling about \$1.9 Million or approximately 25% of the total dollars where the City of Houston was the pass-through entity. Their current Agreement began on April 2, 2009 through September 30, 2009, and was automatically renewable; including three (3) additional one-year terms, provided there was sufficient funding available. On May 7, 2010, the YWCA's contract drivers walked-out alleging that the YWCA had not paid them. This walk-out resulted in senior clients missing meal deliveries for that day and in some cases for two or more days.

HCAAA had begun their annual review of the YWCA's MOW program on April 29, 2010 and after the walk-out, began more comprehensive monitoring. HCAAA has historically performed on-going procedures of MOW vendors throughout the year, which generally consisted of the following processes:

Quarterly - Random calls from a sample population of clients from all vendors to determine the service level being delivered;

Annually - Compliance Officer rides with a driver from each of the vendors on their meal delivery route talking to clients and distributing information on all services provided by HCAAA; and

Conduct Administrative and Fiscal Monitoring reviews that determine if the vendors are operating within the Agreement and State grant guidelines, and whether the funds awarded were adequately managed and related assets were safeguarded.

Due to the driver's walk-out at the YWCA, the HCAAA increased the frequency of the random calling process from quarterly to a weekly basis and began to require daily reports from the YWCA. The reports included information such as the number of meals delivered and those that were not. This process continued until September 20, 2010.

The interim FY2010 fiscal monitoring completed in May 2010 by HDHHS determined that if the YWCA continued to have a reduction in current assets at the same rate as indicated on their Statement of Financial Position for the past three years, the Senior Program could be in jeopardy as early as 2011. This concern was also expressed by the YWCA's external auditors who noted that if losses continue in FY2010, there is the possibility that the YWCA will have an issue of going concern. As a contingency, HCAAA has begun the process of selecting a vendor that at short notice can become operational to service a large number of clients in any geographical location in Harris County.

Based on the results of HCAAA's annual review and their additional monitoring the YWCA was required to complete a Corrective Action Plan (CAP) to address significant deficiencies by September 20, 2010. In addition, the YWCA was placed on Level One Sanction, in accordance with State grant guidelines, from June 21, 2010 thru September 20, 2010. During the sanction period the YWCA was required to submit weekly and bi-weekly reports accurately and completely, and implement all approved deliverables of the CAP. If these requirements were not met by September 20, 2010, the HCAAA would impose further and more advanced sanctions.

On September 24, 2010, HCAAA officially released the YWCA from their Level One sanction with stipulations. Some of the stipulations are as follows:

- The YWCA HDM site will be subject to on-going on-site monitoring;
- HCAAA will conduct monthly client assurance calls;
- The YWCA must continue to update client files for intake and assessment documentation;
- Monthly, for the next 90 days HCAAA will test client files to ensure compliance with DADS; and
- Monthly, for the next 90 days the YWCA must conduct and submit results from participant assurance calls.

FINDINGS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

I. FISCAL VIABILITY AND POTENTIAL GOING CONCERN OF SERVICE PROVIDER

BACKGROUND

Recipients of federal grants who are in the chain of providing resources and/or services are subject to compliance requirements, including an independent audit rendering an opinion on the fairness of the presentation of the financial statements. This process also considers the ability of the entity to continue operations with the current information available and any reasonable assumptions known at the time of the audit.

FINDING

YWCA has reported net operating losses of \$770,000 (2007); \$1.5 Million (2008); \$1.2 Million (2009) respectively and a net use of cash resources of \$2.3 Million for the last 2 fiscal years (from \$4.9 Million to \$2.6 Million). While the balance sheet shows liquidity, the recent financial trends as reflected by the audited Statement of Cash Flows reveals a concern of their ability to continue operating if the pattern of losses and rate of cash depletion persists.

RECOMMENDATION

HCAAA should have a contingency plan in place to ensure uninterrupted service of meal deliveries can be provided in the event of YWCA's inability to perform. One way this can be accomplished is by expanding contracted service options with other existing providers.

MANAGEMENT RESPONSE:

"HCAAA contract administration will work with strategic purchasing to solicit an approved home delivered meals vendor to be in preparedness mode for service implementation should a contractor/vendor not be able to fulfill the service requirements of the contract."

Planned Contingency Contractor Requirements:

- *Contractor must have capacity to become operational within 48-72 hours of notice.*
- *Contractor must have capacity to service any geographical locations within Harris County.*
- *Contractor must have capacity to provide meal service for a minimum 250 clients and a maximum of 2500 clients.*
- *Contractor must have capacity to remain operational for 30-90 days (may be asked to operate beyond 90 days).*
- *Contractor must have capacity to comply with all federal and state mandates related to the OAA Nutrition Program, all City rules and regulations related to contracting, and all terms and conditions of the HCAAA contract.*

Proposed implementation date is March-April 2011.”

II. HCAAA'S ANNUAL ADMINISTRATIVE MONITORING REVIEW

BACKGROUND

Per the Agreement, the YWCA is required to maintain communication and correspondence concerning clients' status; further, HCAAA expects the MOW contract drivers to notify the provider agency (YWCA), with supporting documentation, no later than one working day after the suspension.

FINDING

The HCAAA's weekly random calls revealed that one person had passed away in February 2010, the YWCA was notified but continued to deliver meals periodically. After further research HCAAA determined that the YWCA reported excess units (meals) for the deceased client and will be sanctioned for this violation. In addition, three people had been dropped from the HDM program without notice.

RECOMMENDATION

HCAAA should add steps to their annual monitoring to verify that active clients' status is accurate and could utilize the supporting documentation mentioned in the Background section of this Finding.

MANAGEMENT RESPONSE:

"A Technical Assistance Notice shall be forwarded to all nutrition contractors advising them to ensure that client status is monitored and updated as needed. This concern will also be addressed during the annual FY11 Provider Orientation Meeting related to updating client status in SAMS¹ as a requirement and providers will be asked to submit a plan of action detailing how their organization will ensure that information is updated in a timely and efficient manner. HCAAA will test contractor compliance during annual monitoring by conducting telephone assurance calls of the state required sample and documenting same in the annual monitoring report."

¹ NOTE: SAMS is the system used to track participant information.