



Health and Human Services Commission

Internal Audit Division

Internal Audit Annual Report

Fiscal Year 2014

October 2014

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EXECUTIVE SUMMARY

Purpose

The purpose of this report is to provide information about the benefits and effectiveness of the internal audit function at the Health and Human Services Commission (HHSC). The report details internal audit activity at HHSC during the fiscal year that ended on August 31, 2014, and communicates internal audit activities to be performed in the fiscal year ending August 31, 2015. The report fulfills the annual reporting requirements set out in the Texas Internal Auditing Act (*Texas Government Code*, Section 2102.009) in the format prescribed by the State Auditor's Office.

Background

The HHSC Internal Audit Division (Internal Audit) provides independent, objective assurance and consulting services designed to add value and improve operations. Internal Audit's responsibilities include coverage of both HHSC and the Health and Human Services (HHS) Enterprise¹. Audit coverage consists of assessments of programs, processes, and systems under the operational responsibility of HHSC and those programs, processes, and systems (a) under the oversight of HHSC deputy executive commissioners or (b) that involve two or more HHS agencies.

Fiscal Year 2015 HHSC Internal Audit Plan

The Fiscal Year 2015 HHSC Internal Audit Plan is based on a business risk assessment focused on identification and evaluation of risks related to each major activity in HHSC and the HHS Enterprise. Internal Audit received input from surveys and interviews of HHS Enterprise and HHSC executives and managers representing key operational and support functions.

Executives and managers provided input that included:

- Validation of the most significant processes, activities, and functions within each division or operational area.
- Identification of risks that have the highest potential to prevent achievement of objectives.
- Assessment of the effectiveness of the management control structure to mitigate identified risks.

¹ Each HHS agency has an internal auditing function that reports to its respective Commissioner. The Department of Aging and Disability Services (DADS), Department of Assistive and Rehabilitative Services (DARS), Department of Family and Protective Services (DFPS), and Department of State Health Services (DSHS) Internal Audit Departments are responsible for audit coverage of programs, processes, and systems within their respective agencies.

- Assessment of the effectiveness of services supporting operational areas, including functions such as human resources, information technology, contract development, and budgeting.
- Evaluation of the risk of fraud and awareness of fraud referral requirements and processes.

The projects planned as a result of the business risk assessment cover a wide array of risks and opportunities, and are intended to maximize limited internal audit resources and provide reasonable coverage of the business processes rated as high risk.

Internal audit activities include assurance and consultative services. The role of Internal Audit also includes advising management with respect to internal control and audit-related matters.

Contact Information

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SECTION I
COMPLIANCE WITH HOUSE BILL 16

COMPLIANCE WITH HOUSE BILL 16

Reference	Actions Taken
<p>Posting Materials to Agency Internet</p> <p>House Bill 16, 83rd Legislature, Regular Session, 2013, amended Chapter 2102, Government Code by adding Section 2102.015 to require each state agency to post the agency's approved Internal Audit Plan and Annual Report on the agency's Internet website, at the time and manner prescribed by the State Auditor's Office (SAO).</p> <p>The SAO, in its instructions for the Fiscal Year 2014 Annual Report, directed state agencies to post this information within 30 days of approval.</p> <p>House Bill 16 also requires state agencies to update the postings at the time and manner communicated by the SAO to include detailed summaries, if any, raised by the audit plan or annual report, consisting of:</p> <ul style="list-style-type: none"> • Weaknesses • Deficiencies • Wrongdoings • Other Concerns <p>Agencies are also to include a summary of actions taken to address the concerns, if any, raised by the audit plan or annual report.</p>	<p>HHSC will post the HHSC Internal Audit Plan for fiscal year 2015 and Annual Report for fiscal year 2014 within the Reports and Publications page of the HHSC public home page. The posting will be available within 30 days after October 28, 2015, the date the Internal Audit Plan was approved.</p> <p>HHSC included detailed summaries of the weaknesses, deficiencies, wrongdoings, or other concerns raised by the audit plan or annual report for Fiscal Year 2014 on the HHSC public internet home page. The details can be found in Section III of the Fiscal Year 2014 annual report.</p>

SECTION II

PLANNED WORK RELATED TO THE PROPORTIONALITY OF HIGHER EDUCATION BENEFITS

PLANNED WORK RELATED TO THE PROPORTIONALITY OF HIGHER EDUCATION BENEFITS

Internal Audit does not perform audits of higher education. Therefore, no work is planned related to the proportionality of higher education benefits.

SECTION III
INTERNAL AUDIT PLAN FOR FISCAL YEAR 2014



Health and Human Services Commission

Internal Audit Division

Internal Audit Plan

Fiscal Year 2014

October 10, 2013

David M. Griffith, CPA, CIA, CGFM
Internal Audit Director

Kyle L. Janek, M.D.
Executive Commissioner

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INTRODUCTION

The Texas Internal Auditing Act (*Texas Government Code*, Chapter 2102) and the *International Standards for the Professional Practice of Internal Auditing* issued by The Institute of Internal Auditors require internal auditors to prepare annual audit plans. The Texas Internal Auditing Act requires that a state agency's Internal Audit Director develop an annual audit plan for approval by the agency's governing board, or by the administrator of that agency if the agency has no governing board. In accordance with these requirements, this document provides the Internal Audit Plan for the Health and Human Services Commission (HHSC) for fiscal year 2014.

BACKGROUND

HHS Enterprise

The Health and Human Services (HHS) Enterprise consists of five agencies, including HHSC and four agencies under the oversight of HHSC. The four agencies are the Department of Aging and Disability Services (DADS), Department of Assistive and Rehabilitative Services (DARS), Department of Family and Protective Services (DFPS), and Department of State Health Services (DSHS).

HHSC

In addition to providing oversight of the HHS Enterprise, HHSC is responsible for operational programs including Medicaid, Children's Health Insurance Program (CHIP), Disaster Assistance, Temporary Assistance for Needy Families, Supplemental Nutrition Assistance Program, and the Medical Transportation Program. HHSC also supports HHS agencies through enterprise-wide services, such as procurement, human resources, and regional administration.

Internal Audit

The HHSC Internal Audit Division (Internal Audit) provides independent, objective assurance and consulting services designed to add value and improve operations. Internal Audit's responsibilities include coverage of both HHSC and the HHS Enterprise¹. Audit coverage consists of assessments of programs, processes, and systems under the operational responsibility of HHSC and those programs, processes, and systems (a) under the oversight of HHSC deputy executive commissioners or (b) that involve two or more HHS agencies.

As required by professional auditing standards², Internal Audit is organizationally independent, and operates free from interference in determining the scope of internal audits, performing work, and communicating results.

¹ Each HHS agency has an internal auditing function that reports to its respective Commissioner. DADS, DARS, DFPS, and DSHS Internal Audit Divisions are responsible for audit coverage of programs, processes, and systems within their respective agencies.

² Standard 1110, Organizational Independence, *International Standards for the Professional Practice of Internal Auditing*, issued by The Institute of Internal Auditors requires annual confirmation to its board of the organizational independence of the internal audit activity.

INTERNAL AUDIT ACCOUNTABILITY

Audit Charter

The Texas Internal Auditing Act requires agency internal auditors to follow professional auditing standards³. Those standards require that the governing board approve a formal, written audit charter, detailing the purpose, authority, and responsibility of the internal audit function. The Texas Internal Auditing Act indicates that when an agency does not have a governing board, the administrator of the state agency performs the roles related to the internal audit function otherwise carried out by the governing board. The Executive Commissioner approved the current HHSC Internal Audit Charter in March 2013.

Internal Audit Oversight Committee

HHSC established an Internal Audit Oversight Committee in fiscal year 2008 to provide guidance to the internal audit function. Membership has historically included the Executive Commissioner, the deputy executive commissioners, and the Chief of Staff. Membership was expanded in 2010 to include the HHSC Council Chair, in recognition of governance best practices which suggest that an internal audit committee is most effective when it includes some members that are independent of the organization. Membership was further expanded in 2012 to include the Chief Deputy Commissioner and in 2013 to include the Deputy Executive Commissioner for Procurement and Contracting.

The Internal Audit Oversight Committee holds quarterly meetings, during which topics such as the following are discussed: (a) significant audit results, (b) Internal Audit performance measure results, (c) progress toward completion of the annual audit plan, (d) proposed changes to the annual audit plan, and (e) the status of management's actions to address audit recommendations. The group increases accountability of both the internal audit function and management, which is responsible for timely resolution of operational issues identified during audits.

Independent Quality Assurance Review

In accordance with professional standards, Internal Audit is required to undergo an external quality assurance review at least once every three years. Internal Audit received a Quality Assurance Review in August 2013 by the independent CPA firm, Honkamp Krueger & Co., P.C. The firm rendered an unqualified opinion and reported the results to the Executive Commissioner.

³ Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States and International Standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors.

RISK ASSESSMENT METHODOLOGY

Internal Audit conducted an agency business risk assessment to develop the annual Internal Audit Plan. The risk assessment included three major components: (a) input from executives and management, (b) consideration of the current operating environment and management control structure, and (c) evaluation of issues identified during prior audits.

Internal Audit received input from 253 surveys and 16 interviews of HHS Enterprise and HHSC executives and managers representing key operational and support functions. The activities, business areas, and processes considered during the annual risk assessment are listed in the Appendix.

Executives and managers provided input that included:

- Validation of the most significant processes, activities, and functions within each division or operational area.
- Identification of risk factors that have the highest potential to prevent achievement of objectives.
- Assessment of the effectiveness of the management control structure to mitigate identified risks.
- Assessment of the effectiveness of services supporting operational areas, including functions such as human resources, information technology, contract development, regional administration, and budgeting.
- Evaluation of the risk of fraud and awareness of fraud referral requirements and processes.

Internal Audit combined the assessed risks with additional information obtained from prior internal and external audit reports and other data about business risks, to identify the higher risk processes (including processes that support the HHS Enterprise) within each activity and business area. These lists were presented to HHSC executives for review, and then combined into a comprehensive list of higher risk HHSC processes.

AUDIT PLAN

Internal Audit used the results of the agency business risk assessment to identify audit projects that address areas of highest risk. In selecting audit projects, Internal Audit also considered audit work planned or underway by other audit entities that might also address some of the highest risk areas, including the State Auditor's Office, Federal Office of Inspectors General, and the HHSC Office of Inspector General (OIG).

Although the Internal Audit Plan contains a wide range of audit projects, it does not provide coverage for all HHSC divisions, processes, or activities. While the Internal Audit Plan is not intended to cover every risk, it attempts to maximize limited internal audit resources and provide reasonable coverage of the business processes rated as high risk. HHSC management understands the limitations of audit coverage and the risks assumed by management in the areas not audited.

In recognition that operating environments and risks are subject to change, Internal Audit may adjust its Internal Audit Plan to address significant changes that occur throughout the year. In response to unanticipated changes in the operating environment, the performance of additional projects may be required. Consequently, some of the projects included in the plan may not be performed. Proposed modifications to the Internal Audit Plan will be communicated to the Executive Commissioner for approval.

AUDIT SERVICES

Audits provide an independent assessment of processes or activities based on evaluation of management controls, testing of transactions, and review of evidence. Internal Audit management determines the nature and scope of each audit.

To further evaluate risks noted during the annual risk assessment process, a project risk assessment will be conducted during each audit that is performed. The project risk assessment is designed to ensure that the final project scope and objectives are appropriately focused on the highest risks within the activity under review.

Internal Audit projects conclude with written reports that provide information to management detailing the results of the audit and offer suggestions and recommendations for improvement. The audit projects planned for fiscal year 2014, including projects begun in a previous fiscal year and planned to be completed in fiscal year 2014, are listed below with a brief description of each project.

Audit Projects

Texas Integrated Eligibility Redesign System (TIERS) Data Processing and Integrity

- Evaluate the effectiveness of TIERS general and application controls designed to ensure the (a) accuracy of eligibility determinations and (b) confidentiality, integrity, and availability of data.

Managed Transportation Organization Contract Monitoring

- Evaluate whether contract monitoring processes support the managed transportation delivery model and ensure contract outcomes are achieved.

Medicaid/CHIP Division Delivery System Reform Incentive Payment (DSRIP) Processes

- Assess the effectiveness of controls over the approval, funding, monitoring, and payment of DSRIP projects in ensuring:
 - Intended outcomes are achieved.
 - Compliance with federal and state guidelines.

Eligibility Operations – Data Integrity Unit Processes

- Determine whether Data Integrity Unit processes and controls ensure client information updates in TIERS are appropriate, accurate, and adequately supported.
- Evaluate processes and controls for:
 - Managing database update privileges in TIERS.
 - Logging and establishing accountability for client information updates.
 - Monitoring and validating database update activities.

Security Incident Reporting and Prevention

- Determine whether activities and technologies that support security incident reporting and prevention effectively and efficiently result in:
 - Timely detection and response to actual and potential security incidents.
 - Identification of root causes and implementation of corrective actions to minimize impact and prevent recurrence.
 - Submittal of security incident reports in accordance with laws and requirements.

Sole Source and Emergency Procurements

- Determine whether sole source and emergency procurements are appropriate, justified, and approved in accordance with state and agency guidelines.

HHS Enterprise Administrative Report and Tracking (HEART) System Access and Security

- Determine whether access and security controls adequately protect the confidentiality, availability, and integrity of information maintained in HEART.

Office of Community Services Subrecipient Monitoring

- Determine whether Office of Community Services monitoring activities effectively ensure subrecipients are providing program services and utilizing federal funds in accordance with grant requirements, laws, and regulations.

HHSC IT Oversight of Outsourced Services

- Assess whether HHSC IT contract monitoring effectively supports and promotes the achievement of outsourcing objectives.

Prescription Drug Rebate Program

- Review the effectiveness of HHSC monitoring and oversight of contractor administration of rebates.
- Determine the efficacy of business processes and management controls that support (a) calculation of rebates, including pricing and utilization adjustments, (b) billing of outstanding receivables, (c) dispute resolution, and (d) collection of rebates in accordance with federal and state requirements, contractual agreements, and sound business practices.

Carry-Forward Audits

Organizational Governance

- Evaluate the HHSC governance framework and associated processes designed to inform, direct, and monitor the activities of HHSC and the HHS Enterprise toward the achievement of organizational goals and objectives.

Social Services Contract Monitoring

- Evaluate whether Office of Social Services contract monitoring processes ensure contract outcomes are achieved.

Premium Payment Processes

- Evaluate the effectiveness of automated controls and related business processes designed to:
 - Support complete, accurate, and effective processing, approval, and validation of premium payments and adjustments.
 - Produce reliable and complete reports on (a) clients enrolled in each managed care plan, (b) clients served by each medical transportation provider, and (c) the type of services to which clients are entitled.
 - Protect the Premiums Payable System (PPS) and related applications, databases, and operating systems from unauthorized access.
 - Manage PPS system changes, including modifications and enhancements.

Claims Administrator Contract Monitoring

- Evaluate whether HHSC and DADS contract monitoring processes ensure claims administrator contract outcomes are achieved.

Identity and Access Management

- Assess the effectiveness of controls over (a) how internal and external information system users are granted an identity, (b) the protection of user identities, and (c) authentication and authorization, including granting and revocation of access to IT support personnel and individuals that use applications.
- Identify opportunities to improve identity and access management strategies, technology, and business processes designed to (a) strengthen compliance with federal and state data security and other requirements, (b) increase efficiencies, and (c) improve the end user experience through single sign-on strategies.

Eligibility Documentation

- Evaluate the effectiveness of processes designed to achieve compliance with federal and state requirements and HHSC policies for obtaining, verifying, and retaining support for eligibility determinations.

Requested Audits

Perform audit projects that are requested by HHS Enterprise or HHSC management and approved by the Executive Commissioner.

Follow Up Projects

Follow Up of Regional Administrative Services

- Determine whether actions implemented to address issues and risks reported in the prior Internal Audit report on Regional Administrative Services achieved the intended results.

Requested Follow Up Projects

Perform follow up projects that are requested by HHS Enterprise or HHSC management and approved by the Executive Commissioner.

CONSULTING SERVICES

Internal Audit performs consulting services intended to add value and improve governance, risk management, and control processes. Consulting services are advisory in nature and are generally performed at the specific request of management. The work performed is subject to Internal Audit's agreement with management regarding project scope and objectives and is based on Internal Audit's consideration of potential impairments to independence and objectivity. When performing consulting services Internal Audit maintains independence and objectivity and does not assume management responsibilities. Consulting services include:

- Performing management advisory projects which provide analyses and recommendations on a specific subject.
- Conducting assessments that address topics agreed upon with management.
- Providing expertise and independent analyses as management controls are designed, such as through (a) auditor facilitation of business risk assessments and controls analyses and (b) participation in committees and workgroups as a non-voting, advisory member.

Requested Management Advisory Projects

Perform management advisory projects that are requested by HHS Enterprise or HHSC management and approved by the Executive Commissioner.

Ongoing Committees and Workgroups

- HHS Enterprise Audit Council
- Contract Management Workgroup
- Recovery Audit Contractor Governance Committee
- CMS PERM Technical Advisory Group

EXTERNAL AUDIT COORDINATION

Internal Audit provides an external audit liaison service that includes coordinating and providing a single point of contact for audits of HHSC by external audit entities. Internal Audit also assists management in coordinating management responses for all HHSC external audits and some HHS external audits.

PERM AND MIG COORDINATION

Internal Audit serves as Texas' single point of contact with the Centers for Medicare and Medicaid Services (CMS) for payment error rate measurement (PERM) reviews and Medicaid Integrity Group (MIG) audits. These CMS initiatives are described below.

Payment Error Rate Measurement

PERM reviews focus on identifying improper payments in the Medicaid and CHIP programs, and include tests of Medicaid and CHIP eligibility and review of medical payments at the individual claim level. PERM reviews are conducted on a cyclical basis, resulting in a state being assessed once every three years. States are required to return to CMS the federal share of improper payments. In addition, states must develop corrective action plans to improve systems and processes that contributed to errors identified during PERM reviews.

Medicaid Integrity Group

MIG activities include (a) reviews of Medicaid provider actions, (b) audits of individual provider's claims, (c) identification of overpayments, and (d) education of providers and others about Medicaid integrity issues. Audits are performed of individual providers, with efforts focused on providers with potential aberrant billing practices. The audits are designed to identify instances of waste, abuse, or fraud. At the discretion of CMS, audits may incorporate statistical extrapolation to estimate total inappropriate Medicaid claim payments for a provider. CMS requires states to refund the federal share of provider overpayments identified, either at the claim level or using extrapolation.

REQUIRED PROJECTS

Statutes, auditing standards, and agency policies mandate the completion of certain projects. Required projects for fiscal year 2014 include:

- Annual HHSC Business Risk Assessment
- Annual Audit Plan
- Annual Internal Auditor's Report

APPENDIX

ACTIVITIES, BUSINESS AREAS, AND PROCESSES

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
Governance	<ul style="list-style-type: none"> • Chief Counsel <ul style="list-style-type: none"> ○ System Services ○ General Counsel ○ System Oversight • HHS Communications • Internal Audit 	<ul style="list-style-type: none"> • Appeals and Hearings <ul style="list-style-type: none"> ○ Fair Hearings ○ Administrative and Contested Cases ○ Employee Grievance • Federal Appeals • Regional Legal Services • HHSC Litigation and Hearings • Open Records Coordination • System Contract Legal Support • Human Resources and Civil Rights System Support • System Project Coordination • System Litigation • Agency Website Management • Communications <ul style="list-style-type: none"> ○ Media ○ Employees • Client Materials Review • Manage Outreach Campaigns for Children’s Medicaid, CHIP and SNAP • Audits and Consulting • External Audit Coordination

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
	<ul style="list-style-type: none"> • Office of Inspector General <ul style="list-style-type: none"> ○ Chief Counsel ○ Compliance ○ Enforcement ○ Operations 	<ul style="list-style-type: none"> • Overpayment Recoupment and Penalties • Administrative Litigation • Other Sanctions • OIG Administrative Actions • Legal Services for OIG • Audit Services <ul style="list-style-type: none"> ○ Cost Report Review ○ Subrecipient Finance Review ○ Contract Audits ○ Outpatient Hospital ○ Managed Care Organization • Compliance/Quality Review <ul style="list-style-type: none"> ○ WIC Vendor Monitoring ○ Utilization Review ○ Limited Program Management (Medicaid Recipients) • General Investigations • Medicaid Provider Integrity • Third Party Liabilities • Fraud Referrals and Case Management • Criminal Background Checks • Research, Analysis and Detection Case Development and Management • Performance Measures Data Compiler • Contract Management • Policy Analysis and Recommendations • Professional Training and Development • External Relations

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
	<ul style="list-style-type: none">○ Internal Affairs	<ul style="list-style-type: none">● Investigations<ul style="list-style-type: none">○ State Supported Living Centers○ Vital Statistics○ Programs○ State Hospitals

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
Chief of Staff	<ul style="list-style-type: none"> • Executive Office Administration • External Relations • Office of the Ombudsman • Special Projects 	<ul style="list-style-type: none"> • Administration • Communications <ul style="list-style-type: none"> ○ Federal Government ○ State Government ○ HHSC Council ○ Stakeholders • Complaints Management • Customer Support for Medicaid Clients • Agency and Enterprise-wide Complaint Reports • Sunset Review Coordination • HHS Agencies – Self-Evaluation Reports • Critical Projects Meeting

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
<p>Chief Deputy Commissioner</p>	<ul style="list-style-type: none"> • Administration and Communication Services • Medical Transportation Program • Medicaid/CHIP Division <ul style="list-style-type: none"> ○ Healthcare Transformation Waiver and Cost Containment ○ Medicaid Health Information Technology ○ Operations Coordination 	<ul style="list-style-type: none"> • External Relations • Internal Relations • Call Center Operations • Client Authorizations • Contract Monitoring <ul style="list-style-type: none"> ○ Full Risk Broker Services ○ Open Enrollment of Certain Provider Types ○ Claims Processing and Recoupment • Advance Funds • Service and Data Integrity • Automation Services • Implementation and Operations • Cost Containment • Electronic Health Records Incentives Program Administration • Health Information Exchange (HIE) Pilot • Medicaid Eligibility and Health Information Services (MEHIS) Contract Management • Encounter and Enrollment Data Management • Vendor Operations Oversight • Vendor Technology Coordination • Enrollment Broker Contract Management

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
	<ul style="list-style-type: none"> ○ Program Operations ○ Vendor Drug Program ○ Policy Development ● Frew Oversight ● Policy ● Veterans' Services ● Economic Analysis 	<ul style="list-style-type: none"> ● Claims Administrator Contract Compliance ● Financial Analysis ● Health Plan Management ● Contract Management ● 1115 Waiver Reporting (Managed Care) ● Quality Assurance ● Program Oversight ● Contract Management ● Rebate Administration ● MCO Pharmacy Benefit Oversight ● Policy Analysis and Development ● Rule Development ● State Plan and Federal Negotiations ● Waiver Development and Federal Negotiations ● Medical Benefits Policy Development ● Stakeholder Outreach ● Technical Assistance ● Policy and Program Analysis, Development, and Coordination ● Cross-division and Cross-agency Policy ● Special Projects ● Coordination of Veterans' Services ● Economic Analysis ● 1115 Waiver Implementation ● Uncompensated Care Pool Allocation ● Disproportionate Share Hospital Allocation

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
<p>Health Policy and Clinical Services</p>	<ul style="list-style-type: none"> • Texas Institute for Health Care Quality and Efficiency – Quality Unit • Healthcare Quality Analytics, Research and Coordination Support • Policy • Health Coordination and Consumer Services • Office of the Medical Director • Informal Dispute Resolution 	<ul style="list-style-type: none"> • Quality Management • Quality Policy Development, Coordination and Implementation • Contract and/or Grant Oversight • Interagency Quality Coordination • Policy Analysis, Development, and Coordination – DADS • Rule Development – DADS • Policy Analysis, Development, and Coordination – DSHS • Rule Development – DSHS • Office for Program Coordination for Children and Youth <ul style="list-style-type: none"> ○ Policy Analysis, Development, and Coordination ○ Program Management • Office of Acquired Brain Injury <ul style="list-style-type: none"> ○ Contract Management ○ Program Management ○ Policy Analysis and Development • Provider Communications • Informal Dispute Resolution Process • Independent Informal Dispute Resolution Process (federal process for nursing facilities only) • Informal Reconsideration

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
	<ul style="list-style-type: none">• Office of e-Health Coordination• Administrative Operations	<ul style="list-style-type: none">• Health IT Policy Analysis, Development, and Coordination• Contract Management• Administration

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
<p>Social Services</p>	<ul style="list-style-type: none"> • Business Operations and Support <ul style="list-style-type: none"> ○ Program Financial Management and Budget ○ Contract Management and Administration • Eligibility Operations <ul style="list-style-type: none"> ○ Eligibility Services – Field ○ Eligibility Services – Vendor ○ Eligibility Services – Support 	<ul style="list-style-type: none"> • Financial Management • Electronic Benefits Transfer (EBT) Issuance and Settlement Review and Reconciliation • Contract Monitoring • Procurement Support and Coordination • Official Contract Correspondence Process • Contract Maintenance • Contracts – Outstationed Workers Program • Oversight and Management of MEPD and Texas Works Eligibility Determinations • Coordination of Support Activities for Field Staff • Data Integrity • Community Partner Interviewer Project • Oversight and Management of Vendor Activities • Policy Implementation and Support • Quality Assurance State Office • Quality Assurance Field Services • Quality Control • Training Delivery and Curriculum Development • Data Management Reporting • Appeals and Requests for Reviews, Preparation and Management • State/Federal Reporting Liaison

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
	<ul style="list-style-type: none"> • Program Innovation • Community Access and Services <ul style="list-style-type: none"> ○ Community Access ○ Community Services • Policy Strategy, Analysis and Development 	<ul style="list-style-type: none"> • Business Process Analysis and Improvement • Information Technology Strategy and Development • Project Management • Change Management and Communications • Community Training • Community Outreach • Community Relationship Development • Statewide Network of Community Partners to Support Eligibility Determination Development and Support • Faith and Community-based Liaison • Office of Border Affairs • Management of Community Programs <ul style="list-style-type: none"> ○ Computers for Learning ○ Community Resource Coordinating Groups ○ Healthy Marriage • Management and Oversight of Community-Based Contracts <ul style="list-style-type: none"> ○ Alternatives to Abortion ○ Management of Community Contracts ○ Management of Community Contracts Supplemental Nutrition Assistance Program Education (SNAPed) • Policy Analysis, Development, and Coordination – Eligibility and Social Services

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
	<ul style="list-style-type: none">• Policy	<ul style="list-style-type: none">• Policy Analysis, Development, and Coordination – DFPS/DARS• Rule Review – DFPS/DARS• Rule Review – Eligibility and Social Services

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
<p>System Support Services</p>	<ul style="list-style-type: none"> • Business and Regional Services <ul style="list-style-type: none"> ○ Facility Management and Leasing ○ Facility Support Services ○ Emergency Services 	<ul style="list-style-type: none"> • Lease Management • Facility Management • Mail Services • Warehouse Services • Incident Management • Maintenance and Construction (State Hospitals and State Supported Living Centers) • Real Estate • Training and Development (State Hospitals and State Supported Living Centers) • Fleet Management • Computer Aided Facility Management • Supply Services (State Hospitals and State Supported Living Centers) • Nutrition and Food Services (State Hospitals and State Supported Living Centers) • Risk Management (State Hospitals and State Supported Living Centers) • Incident Management • Interstate Compact Coordinator (State Hospitals and State Supported Living Centers) • Enterprise Receiving • Coordination of Emergency Services <ul style="list-style-type: none"> ○ Ice and Water ○ Other Needs Assistance Program ○ Disaster Case Management ○ Repatriation Program

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
	<ul style="list-style-type: none"> ○ Regional Administrative Services ○ Risk Management ● Civil Rights ● Leadership Development ● Contract Oversight and Staff Services ● Human Resources 	<ul style="list-style-type: none"> ● Asset Management ● Contract Management ● Mail Services ● Warehouse Services ● Fleet Management ● Facility Management ● Incident Management ● Facility Leasing Requests, Office Space Planning, and Moves ● Cost Pool Management ● Safety Program ● Emergency Management Program Coordination ● Workers' Compensation ● Discrimination Complaints (Employee and Client) ● Reasonable Accommodations ● Conflict Resolution ● Accessibility – Language Services and Electronic Information Resources ● Administrative Complaints ● Civil Rights Training ● Leadership Development Programs ● Contract Management ● Hiring/Separation ● Benefits Administration ● Salary Administration ● Performance Management ● Records Management ● Employee Relations ● Training and Organizational Development <ul style="list-style-type: none"> ○ Management and Staff Development ● Technical Assistance

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
	<ul style="list-style-type: none"> • Center for the Elimination of Disproportionality and Disparities • Operations and Program Support • Special Projects 	<ul style="list-style-type: none"> • Contract Management • Training • Asset Management • Records Management • Business Continuity and Emergency Preparedness • Administrative Contracts • Survey of Employee Engagement • Wellness Program • Operations Reviews • Business Process Analyses and Development • Interagency and Intraagency Project Management

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
<p>Procurement and Contracting Services</p>	<ul style="list-style-type: none"> • Contract and Administration • Historically Underutilized Business (HUB) Program Services • Procurement 	<ul style="list-style-type: none"> • Contract Oversight and Grant Processes Oversight • HHSAS and HCATS Support • Requisition Intake • Requisition Processing • HUB Program Services • Administrative Goods and Services Contracts (all agencies) • Client Services Contracts (HHSC and DADS) • Request for Proposals • Procurement Card • Office Supply • Strategic Sourcing

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
	<ul style="list-style-type: none"> • Technology • Information Security 	<ul style="list-style-type: none"> • Business Technology Solutions • System Modernization • Cross-Agency Strategy, Standards, and Coordination • Security and Privacy Policy and Compliance • Security Incident Prevention, Monitoring, and Response • Risk Management

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
<p>Financial Services</p>	<ul style="list-style-type: none"> • Office of the Deputy Executive Commissioner for Financial Services • HHS System Forecasting • Rate Analysis • Strategic Decision Support • Actuarial Analysis 	<ul style="list-style-type: none"> • Administration • Caseload and Cost Forecasts • Analytical Support for Actuarial/Rate Development • Informing Policy Changes through Forecast Scenarios • Reporting Budget Neutrality for 1115 Waiver • Analytical Support for Program Changes and Development • Cost Reporting • Acute Care Services Rate Determinations • Hospital Services Rate Determinations • Long-Term Services and Supports Rate Determinations • Processing of Supplemental Payments • Data Analysis <ul style="list-style-type: none"> ○ Strategic Planning ○ Internal/External Reporting ○ Program Evaluation ○ Fiscal Impact Estimation and Cost Model ○ Coordination and Development of Enterprise Data Warehouse • Managed Care Cost Analysis

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
	<ul style="list-style-type: none"> • HHS System Budget and Fiscal Policy • Chief Financial Officer <ul style="list-style-type: none"> ○ Budget Management Office ○ Fiscal Management Office 	<ul style="list-style-type: none"> • Consolidated Budget Development • State/Federal Reporting and Compliance Monitoring • Fiscal Policy Development • Cross-Agency Fiscal Management • Budget Development, Tracking, and Reporting • Financial Reporting • Payroll • Accounts Payable • Travel Reimbursement • Accounts Receivable

Fiscal Year 2014 Planned Projects

Reports Issued in Fiscal Year 2014

- Audit of Organizational Governance, Project Number 11-02-007, November 19, 2013
- Audit of Identity and Access Management, Project Number 13-02-004, April 7, 2014
- Audit of Social Services Contract Monitoring, Project Number 12-02-002, June 5, 2014

Projects to be Carried-Forward to Fiscal Year 2015

- Premiums Payment Processes, Project Number 13-02-001
- Claims Administrator Contract Monitoring, Project Number 13-02-002
- Eligibility Documentation, Project Number 13-02-003
- HHS Enterprise Administrative Report and Tracking (HEART) System Access and Security, Project Number 14-02-002
- Non-Routine Procurements and Purchases*, Project Number 14-01-004,
**Previously titled Sole Source and Emergency Procurements*
- Texas Integrated Eligibility Redesign System (TIERS) Data Processing and Integrity, Project Number 14-02-001
- Security Incident Management*, Project Number 14-02-003
**Previously titled Security Incident Reporting and Prevention*
- Follow Up of Regional Administrative Services, Project Number 14-02-006
- Medical Transportation Program Contract Monitoring of Transportation Services*, Project Number 14-02-008
**Previously titled Managed Transportation Organization Contract Monitoring*
- Medicaid/CHIP Delivery System Reform Incentive Payment (DSRIP) Processes, Project Number 14-02-009

Fiscal Year 2014 Internal Audit Plan Changes

No project changes were made to the Fiscal Year 2014 Audit Plan. The following projects were included in the Fiscal Year 2014 Audit Plan but were not initiated due to other resource requirements. The projects were considered for the Fiscal Year 2015 Audit Plan:

- Eligibility Operations - Data Integrity Unit Processes
- Office of Community Services Subrecipient Monitoring
- HHSC IT Oversight of Outsourced Services
- Prescription Drug Rebate Program

Risk Assessment Methodology and Results for Fiscal Year 2014

The risk assessment methodology is described on page 4 of the audit plan. In addition, detailed results of the risk assessment are presented in the risk footprint located on page III-33.

HHSC RISK FOOTPRINT

Activities	Business Areas											
	1	2	3	4	5	6	7	8	9	10	11	12
Chief Deputy Commissioner	Medicaid CHIP Division - Vendor Drug Program	Medical Transportation Program	Medicaid CHIP Division - Healthcare Transformation Waiver and Cost Containment	Medicaid CHIP Division - Operations Coordination	Medicaid CHIP Division - Program Operations	Medicaid CHIP Division - Policy Development	Economic Analysis	Policy	Administration and Communication Services	Frew Oversight	Medicaid CHIP Division - Medicaid Health Information Technology	Veterans' Services
Social Services	Eligibility Operations: Eligibility Services - Vendor	Eligibility Operations: Eligibility Services - Field	Business Operations and Support: Program Financial Management and Budget	Business Operations and Support: Contract Management and Administration	Policy Strategy, Analysis and Development	Eligibility Operations: Eligibility Services - Support	Program Innovation	Community Services	Community Access	Policy		
Information Technology	Information Security	Infrastructure and Operations	Applications	IT Customer Service	Office of the Chief Information Officer	IT Business Services	Technology					
Financial Services	Actuarial Analysis	HHS System Forecasting	Rate Analysis	CFO - Fiscal Management Office	CFO - Budget Management Office	HHS System Budget and Fiscal Policy	Strategic Decision Support					
System Support Services	Contract Oversight and Staff Services	Center for Elimination of Disproportionality and Disparities	Business and Regional Services - Facility Management and Leasing	Human Resources	Business and Regional Services - Emergency Services	Business and Regional Services - Regional Administrative Services	Business and Regional Services - Facility Support Services	Leadership Development	Business and Regional Services - Risk Management	Civil Rights	Operations and Program Support	Special Projects
Procurement & Contracting	Procurement	Contract and Administration	HUB Program Services									
Health Policy & Clinical Services	Health Coordination and Consumer Services	Office of e-Health Coordination	Texas Institute for Health Care Quality and Efficiency - Quality Unit	Office of the Medical Director	Healthcare Quality Analytics, Research and Coordination Support	Policy	Informal Dispute Resolution					
Governance	Chief Counsel - System Oversight	Office of Inspector General - Internal Affairs	Office of Inspector General - Enforcement	Office of Inspector General - Compliance	Chief Counsel - System Services	Chief Counsel - General Counsel	Office of Inspector General - Operations	Office of Inspector General - Chief Counsel	HHS Communications			
Chief of Staff	Special Projects	Office of the Ombudsman	Executive Administration	External Relations								

Key:
■ High risk - Audit work should be performed as resources are available, and management should perform ongoing oversight and monitoring to ensure supervisory and execution controls are working.
■ Medium risk - Management should perform periodic oversight to ensure that supervisory and execution controls are working.
■ Low risk - Management should perform review of supervisory and execution controls as needed.

Completed Audits and Summary of Results

Audit	Release Date	# Recommendations	# Implemented	# In Progress
Audit of Organizational Governance, Project Number 11-02-007	November 19, 2013	19	8	11
Audit of Identity and Access Management, Project Number 13-02-004	April 7, 2014	18	2	16
Audit of Social Services Contract Monitoring, Project Number 12-02-002	June 5, 2014	7	4	3
Totals		44	14	30

Audit Observations, Recommendations, and Current Status

Audit of Organizational Governance, Project Number 11-02-007, November 19, 2013		
Audit Objective:		
<ul style="list-style-type: none"> Evaluate the HHSC governance framework and associated processes designed to inform, direct, and monitor the activities of HHSC and the HHS Enterprise toward the achievement of organizational goals and objectives. 		
#	Observations and Recommendations	Current Status ¹
1. Develop and Implement Processes for Documenting HHSC Council Member Training		
1	<p>External Relations should develop and implement processes for documenting HHSC Council member training. The processes should include:</p> <ul style="list-style-type: none"> Obtaining and maintaining copies of training certificates provided to new HHSC Council members by the Office of Attorney General upon completion of the Open Meetings Act and Public Information Act training. For each HHSC Council member training External Relations coordinates, maintain in a readily accessible location: <ul style="list-style-type: none"> A record of the date the training was held. The names of HHSC Council members who complete the training. A copy of the training agenda. <p>As an additional record, External Relations may consider (a) issuing training completion certificates to individuals who complete HHSC Council member training and (b) maintaining HHSC copies of those certificates.</p>	Implemented
2. Strengthen Compliance with Texas Government Code, Section 531.0317		
2	To strengthen compliance with Texas Government Code, Section 531.0317, the Office of Social Services should include program eligibility criteria on the HHSC public website for the SNAP and TANF programs.	Implemented

¹ Definitions of implementation status as of August 31, 2014 are as follows:

- Implemented: Successful development and use of a process, system, or policy to implement the recommendation
- In Progress: Ongoing development of a process, system, or policy to address the recommendation
- Not Implemented: Lack of a formal process, system, or policy to address the recommendation

#	Observations and Recommendations	Current Status
3. Improve the Accessibility and Content of Intranet Links to Policies and Procedures		
3	HHSC System Support Services should establish on the HHSC Employee Intranet home page a clearly labeled link to HHSC policies and procedures that (a) includes every policy and procedure that is applicable broadly to HHSC employees and (b) provides a means to easily find a specific policy or procedure by topic.	Implemented
4. Strengthen the HHS Enterprise Extranet and HHSC Employee Intranet		
4	The HHSC Office of Communications can further strengthen the HHS Enterprise Extranet and HHSC Employee Intranet by: (a) Adding search function capabilities to the websites, (b) Establishing navigation standards and guidelines to increase consistency between web pages, and (c) Requiring periodic review of website content, including organizational charts, for completeness and accuracy.	In Progress
5. Develop a Process to Track and Monitor the Status of Directives Issued by the Executive Commissioner		
5	<p>HHSC should develop a process to track and monitor the status of directives issued by the Executive Commissioner. In establishing a tracking and monitoring process, HHSC should:</p> <ul style="list-style-type: none"> • Clearly define criteria and develop mechanisms for identifying which directives should be tracked. • Establish criteria to describe the appropriate level of management to approve status update submissions. • Require action plans and estimated target dates for implementation of directives to be developed and included in status updates. • Develop guidelines for the frequency of reporting on the status of implementation. • Establish and define a list of standardized status categories that characterize different stages of implementation, such as fully implemented, in progress, or behind schedule. • Require brief narrative descriptions of actions completed, in progress, or planned, including explanation of unexpected delays or barriers to completion. • Evaluate whether using an automated tool to assist in gathering and monitoring the required data is available and feasible. Adapting another similar tracking application currently available at HHSC may be an economical solution, such as the Legislative Tracking System or RSA Archer eGRC, software that can be used to manage governance, risk, and compliance across an enterprise. 	In Progress

#	Observations and Recommendations	Current Status
6. Revise HHS Circular C-033		
6	HHSC should revise HHS Circular C-033 to require that in-person briefings include an agenda item to update the Executive Commissioner on the status of all outstanding action items from previous meetings.	In Progress
7. Strengthen Compliance with Information Security Reporting and Executive Level Approval Requirements		
7	<p>The HHSC Information Security and Privacy Office should strengthen compliance with information security reporting and executive level approval requirements in Texas Administrative Code, Rule 202 by:</p> <ul style="list-style-type: none"> • Obtaining approval for the HHSC information security program from the Executive Commissioner or his designated representative. • Developing an annual security risk management plan to address data security risks identified as a result of risk assessments and other activities and obtaining approval for the plan from the Executive Commissioner or his designated representative. • Reporting at least annually on the status and effectiveness of information resources security controls to the Executive Commissioner or his designated representative. 	In Progress
8. Improve Ethics Training for Contracting and Procurement Personnel		
8	<p>HHSC should, while continuing the requirement for employees who perform contracting and procurement duties to complete HHS Ethics for Contracting and Procurement Personnel training every two years:</p> <ul style="list-style-type: none"> • Require all HHSC employees to complete, within 60 days of their employment start dates and every two years thereafter, either the existing training for contracting and procurement personnel or newly developed training for employees who do not perform contracting and procurement duties, and include this requirement in the new employee checklist. • Develop computer-based ethics training appropriate for employees who do not perform contracting and procurement duties. • Consider using the Centralized Accounting and Payroll Personnel System (CAPPS), the self-service Human Resources application used by HHSC, to facilitate and track completion of required ethics training. • Develop a formal process that periodically communicates HHSC ethical expectations to staff augmentation contractors. 	In Progress

#	Observations and Recommendations	Current Status
9. Formalize Policy for Completion of Acknowledgement of Duties and Responsibilities Form		
9	The Office of Procurement and Contracting Services should formalize the policy requiring employees involved in contracting and procurement to complete and sign the Acknowledgement of Duties and Responsibilities Form within 60 days of their employment date and annually, thereafter.	In Progress
10. Update New Hire/Rehire Employee and Manager Onboarding Checklists		
10	HHS Human Resources should update the New Hire/Rehire Employee Checklist and related Manager Onboarding Checklists to require new employees with contracting and procurement responsibilities to complete the Acknowledgement of Duties and Responsibilities Form.	Implemented
11. Update Formal Procedures to Reflect Existing Employee Form Tracking and Monitoring		
11	HHS Human Resources should update its formal procedures for tracking and monitoring receipt of required new employee forms to reflect the existing process and any subsequent process improvements.	Implemented
12. Develop Tracking Compliance Method for Conflict Disclosure and Acknowledgement of Duties and Responsibilities Forms		
12	<p>The Office of Procurement and Contracting Services, in collaboration with the Office of Chief Counsel, should:</p> <ul style="list-style-type: none"> • Develop an efficient method of tracking compliance with HHSC requirements that contracting and procurement personnel complete a Conflict Disclosure Form and an annual Acknowledgement of Duties and Responsibilities Form. • Report to appropriate management when further action is needed to achieve compliance. 	In Progress
13. Establish Processes to Evaluate the HHSC Ethical Environment		
13	HHSC should establish processes to periodically evaluate the HHSC ethical environment.	Implemented

#	Observations and Recommendations	Current Status
14. Improve Ethics Outreach, Tracking, Policy Updates, and Ethical Environment Reporting		
14	<p>The HHSC Chief Counsel should:</p> <ul style="list-style-type: none"> • Perform periodic outreach to HHSC employees, such as publishing articles in agency newsletters. • Track ethics inquiries to identify trends. • Establish a schedule (for example, every two years) for reviewing and, if necessary, updating the HHS Ethics Policy, considering results from the agency ethics survey, trends in ethics inquiries, and relevant statutory changes. • Report periodically to the Executive Commissioner about Chief Counsel's assessment of the agency's ethical environment and specific ethics-related concerns. 	In Progress
15. Incorporate HHS Circular C-027 in the New Employee Orientation Process		
15	<p>HHS Human Resources should make HHS Circular C-027 part of the new employee orientation process by including HHS Circular C-027 as one of the required items new employees must read or acknowledge receiving when hired in the Acknowledgment by New Employees Form.</p>	Implemented
16. Include in Vendor Contracts Provisions Related to Fraud, Waste, and Abuse		
16	<p>HHSC should add provisions to vendor contracts and the HHSC Uniform Contract Terms and Conditions that require vendors to notify their employees who perform contract services, for or on behalf of HHSC, of their responsibilities related to fraud, waste, and abuse in accordance with HHS Circular C-027.</p>	In Progress
17. Develop Criteria for Staff Required to Receive Annual Training		
17	<p>HHSC should develop criteria to identify staff who should receive annual training in accordance with Texas Government Code, Section 531.105, and provide annual training to identified staff.</p>	In Progress
18. Include in Medicaid/CHIP Contracts Provisions for Contractors to Follow Fraud, Waste, and Abuse Policies		
18	<p>The Medicaid/CHIP Division should include provisions in its contracts with the Claims Administrator and managed care organizations that require contractors to follow the fraud, waste, and abuse annual training mandate included in Texas Government Code, Section 531.105.</p>	In Progress

#	Observations and Recommendations	Current Status
19. Evaluate the Implementation of Structured Risk Management and Appointment of a Risk and Compliance Officer		
19	HHSC should consider: <ul style="list-style-type: none">• Implementing a more structured approach to risk management by performing assessments of key controls (also called key validation points) for major business processes. Once process controls are identified, management can monitor the effectiveness of controls through data driven performance measures and targets.• Appointing a Risk and Compliance Officer (executive sponsor) assigned to lead the effort to build a risk management infrastructure and provide consulting services to divisions. After initial implementation, the Risk and Compliance Officer's role could expand to include (a) monitoring of processes for assessing management controls and ensuring compliance is being achieved and (b) confirming reports on performance outcomes are available to executive management.	Implemented

Audit of Identity and Access Management, Project Number 13-02-004, April 7, 2014		
Audit Objectives:		
<ul style="list-style-type: none"> Assess the effectiveness of controls over (a) how internal and external information system users are granted an identity, (b) the protection of user identities, and (c) authentication and authorization, including granting and revocation of access to IT support personnel and individuals that use applications. Identify opportunities to improve identity and access management strategies, technology, and business processes designed to (a) strengthen compliance with federal and state data security and other requirements, (b) increase efficiencies, and (c) improve the end user experience through single sign-on strategies. 		
#	Observations and Recommendations	Current Status
1. Continue to Implement Standardized Identity and Access Management Processes and Tools		
1	HHSC IT should: <ul style="list-style-type: none"> Continue efforts to implement a centralized access request and authorization process to address the weaknesses, inefficiencies, and noncompliance with Enterprise Information Security Standards and Guidelines (EISSG) that currently exists. Continue efforts to implement other identity and access management related initiatives currently in progress. Explore opportunities to extend identity and access management related initiatives to the remainder of the HHS enterprise. 	In Progress

#	Observations and Recommendations	Current Status
2. Perform Periodic Reviews of Application Accounts to Validate that Access is Still Appropriate		
2	<p>HHSC IT should coordinate with application and business owners to:</p> <ul style="list-style-type: none"> • Review all user accounts for the applications tested to ensure access is appropriate for all current users, and disable or remove accounts that no longer require access. • Periodically review user accounts for the applications tested to ensure access remains appropriate. • Determine whether an exception to EISSG requirements for an annual review of LTS accounts is justified. If it is agreed that (a) business needs for LTS justify an exception and (b) the risk associated with performing less frequent reviews is acceptable, then HHSC IT should coordinate with application and business owners to document the exception in accordance with EISSG requirements. • Implement procedures, if feasible, to periodically review TIERS SSP self-registered user accounts to ensure access remains appropriate. If periodic reviews are not feasible due to technical or business process limitations and the risk associated with not performing the review is acceptable, then HHSC IT should coordinate with application and business owners to document the exception in accordance with EISSG requirements. 	In Progress
3. Strengthen Procedures for Access Authorization Documentation		
3	<p>HHSC IT should:</p> <ul style="list-style-type: none"> • Complete the project currently underway to scan the backlog of all hardcopy access authorization forms for TIERS, TIERS SSP, WTPY, LTS, CRS, WORx, MediMAR, and MBOW, continue to scan all hardcopy access request forms going forward to allow for form retrieval when needed, and develop and implement procedures for retaining the access authorization forms in a central repository where the forms can be readily accessed when needed. In addition, authorization forms should include all required signatures, dates, and approvals. • Coordinate with applicable business owners to review all TIERS, WTPY, LTS, CRS, WORx, MediMAR, and MBOW user accounts to ensure access is appropriate and commensurate with access authorized on access authorization forms or recorded in CACTS, including removal of unnecessary access and accounts for any terminated users. 	In Progress

#	Observations and Recommendations	Current Status
4. Implement Consistent Procedures for Documenting and Retaining Computer Use Agreements		
4a	<p>HHSC IT should complete the project currently underway to scan the backlog of all hardcopy access authorization forms and Agreements for users of TIERS, WTPY, LTS, CRS, WORx, MediMAR, and MBOW, and continue to scan all hardcopy access request forms and Agreements going forward to allow for form availability and retrieval when needed.</p> <p>In addition, HHSC IT should develop and implement procedures for ensuring an Agreement is obtained and logged prior to access being granted for, including the initial and subsequent Agreements signed by employees.</p>	In Progress
4b	<p>HHSC IT should coordinate with HHS Human Resources to evaluate whether more efficient processes could be implemented for obtaining and retaining signed Agreements from employees. The evaluation should include reconsidering current roles and responsibilities related to ownership and management of Agreements.</p>	In Progress
5. Improve Procedures for Identifying and Removing Accounts for Terminated Users		
5	<p>HHSC IT should, unless technical limitations preclude it, configure WTPY, CRS, WORx, and MediMAR account settings to align with EISSG, including automatically disabling inactive accounts as a means to detect and disable accounts possibly belonging to terminated users.</p> <p>In addition, HHSC IT should coordinate with applicable business areas to (a) verify current accounts and access rights are appropriate and remove accounts belonging to terminated users and (b) periodically review accounts and access rights going forward.</p>	In Progress

#	Observations and Recommendations	Current Status
6. Strengthen Procedures to Protect User Identity Information During Provisioning		
6a	HHSC IT should: <ul style="list-style-type: none"> • Configure SAS to no longer use an individual's social security number as the login ID. • Remove the password from CACTS notes for the user account tested in this audit, and remind provisioners not to include account passwords in CACTS notes. • Update the SAS authorization form to no longer include the data field that requires users' full social security number. • Implement procedures to provide users their SAS credentials directly, and not through the supervisor. 	In Progress
6b	HHSC IT should: <ul style="list-style-type: none"> • Implement procedures to align with EISSG requirements that user passwords (a) are encrypted during transmission and (b) are not provided to anyone other than the user. Procedures should include delivering temporary passwords securely to internal and external users. • Enhance current procedures for verifying employee and contractor identities prior to releasing user credentials. This could include providing user credentials to employees and contractors using a confirmed email rather than verbally over the phone. 	Implemented

#	Observations and Recommendations	Current Status
7. Strengthen Security Configurations and User Management for Identity and Access Management Applications		
7a	HHSC IT should, unless precluded by technology limitations: <ul style="list-style-type: none"> • Configure password standards and enforce concurrent session restrictions to meet EISSG requirements for the following IAM applications: HHS Enterprise Portal, TIERS IAM, SAS, and CACTS. • Configure application settings to enforce password expiration as required by EISSG for the following IAM applications: HHS Enterprise Portal, TIERS IAM, and SAS. 	In Progress
7b	HHSC IT should: <ul style="list-style-type: none"> • Develop, document, and implement procedures for requesting, approving, and documenting access requests and approvals for HHS Enterprise Portal and TIERS IAM administrator accounts. For the HHS Enterprise Portal, this may include implementing the access workflow process currently being utilized to provision other HHS Enterprise Portal user accounts. • Implement procedures to periodically review HHS Enterprise Portal administrator accounts to ensure access remains appropriate. • Complete the project currently underway to scan the backlog of all hardcopy access authorization forms and Agreements, continue to scan all hardcopy access request forms and Agreements going forward, and develop and implement procedures for retaining CACTS access authorization forms in a central repository to allow for form availability and retrieval when needed. • Update SAS access request and authorization procedures to better align with EISSG, such as: <ul style="list-style-type: none"> ○ Requiring users to sign an Agreement prior to obtaining access to SAS. ○ Developing and documenting provisioning procedures for SAS, including detailed processes related to requesting, approving, and documenting SAS access rights and roles. 	In Progress

#	Observations and Recommendations	Current Status
7c	<p>HHSC IT should:</p> <ul style="list-style-type: none"> • Unless precluded by technical limitations, configure the following applications to enforce EISSG requirements for disabling of privileged accounts that have not been accessed for more than 60 days and non-privileged accounts that have not been accessed for more than 90 days: <ul style="list-style-type: none"> ○ HHS Enterprise Portal ○ TIERS IAM ○ SAS ○ CACTS <p>If the application cannot enforce automated controls, periodic manual reviews of user accounts should be performed.</p> <ul style="list-style-type: none"> • Implement procedures to delete user accounts within 90 days after being suspended as required by EISSG for the following applications: <ul style="list-style-type: none"> ○ HHS Enterprise Portal ○ TIERS IAM <p>If there are user accounts that cannot be deleted after 90 days due to business requirements, an exception to this standard should be formally requested for those accounts.</p> <ul style="list-style-type: none"> • Review all TIERS IAM administrator accounts, including generic accounts, to determine whether access rights are necessary and appropriate, and modify or remove access accordingly. • Coordinate with applicable business areas to: <ul style="list-style-type: none"> ○ Review all CACTS user accounts to ensure access is appropriate, and implement procedures to periodically review all CACTS user accounts and promptly remove any accounts belonging to terminated employees and contractors. ○ Develop and implement procedures to periodically review SAS user accounts to ensure user accounts and access rights remain appropriate. 	In Progress

#	Observations and Recommendations	Current Status
7d	<p>HHSC IT should:</p> <ul style="list-style-type: none"> • Review all TIERS IAM privileged accounts to ensure access is appropriate for all current users, and disable or remove accounts that no longer require access. In addition, HHSC IT should periodically review all TIERS IAM privileged accounts to ensure access remains appropriate. • Coordinate with applicable application and business owners to: <ul style="list-style-type: none"> ○ Review all SAS user accounts to ensure access is appropriate for all current users, and disable or remove accounts that no longer require access. ○ Periodically review SAS user accounts to ensure access remains appropriate. ○ Review all CACTS user accounts to ensure access is appropriate for all current users, and disable or remove accounts that no longer require access. ○ Periodically review CACTS user accounts to ensure access remains appropriate. • Coordinate with application and business owners for Enterprise IAM, TIERS IAM, SAS, and CACTS to: <ul style="list-style-type: none"> ○ Determine audit logging capabilities and reports, such as access reports, that can be generated. ○ Configure system settings to enable audit logging based on IT and business needs. ○ Develop, document, and implement procedures for performing periodic log reviews. 	Implemented
8. Update Policies and Procedures to be Aligned with HHS Enterprise Information Security Standards and Guidelines		
8	<p>HHSC IT should:</p> <ul style="list-style-type: none"> • Review and evaluate provisioning policies and procedures, and update them as needed to (a) reflect the current identity and access management environment, (b) be consistent with processes and procedures that are actually implemented, and (c) consistently address relevant requirements outlined in EISSG. • Document formal processes for requesting, approving, and documenting access to SAS. 	In Progress

#	Observations and Recommendations	Current Status
9. Configure Application Controls to Enforce Strong Passwords and Periodic Password Changes		
9	<p>HHSC IT should:</p> <ul style="list-style-type: none"> • Configure password settings for the following applications to align with EISSG: GPS, SPDIS, TIERS SSP, WTPY, LTS, CRS, WORx, MediMAR, and MBOW. • Configure application settings to enforce EISSG requirements to periodically change account passwords for the following applications: TIERS SSP (for privileged accounts), LTS, WTPY, MediMAR, and MBOW (for privileged accounts). • If any required settings cannot be implemented due to technology limitations and business needs justify an exception, then coordinate with application and business owners to document any exceptions in accordance with EISSG requirements. Documentation of exceptions should be prepared for each application and exceptions should only be documented for the specific configuration requirements that cannot be implemented. • Determine the system defect that allows some users to log into WTPY and LTS after their passwords have expired and, unless precluded by technology limitations, take action to correct the limitation or defect. 	In Progress
10. Perform Log Reviews to Identify Inappropriate or Unusual Activity		
10	<p>HHSC IT should coordinate with application and business owners for GPS, SPDIS, TIERS, WTPY, LTS, CRS, WORx, and MBOW to:</p> <ul style="list-style-type: none"> • Determine audit logging capabilities and reports, such as access reports, that can be generated. • Configure system settings to enable audit logging based on IT and business needs. • Develop, document, and implement procedures for performing periodic log reviews. <p>If audit logging to support review of system activities cannot be implemented due to technology limitations, and business needs justify an exception, then coordinate with application and business owners to document any exceptions in accordance with EISSG requirements. Documentation of exceptions should be prepared for each application and exceptions should only be documented for the specific configuration requirements that cannot be implemented.</p>	In Progress

#	Observations and Recommendations	Current Status
11. Improve Procedures to Identify and Disable Inactive Application Accounts		
11	<p>HHSC IT should:</p> <ul style="list-style-type: none"> • Unless technical limitations preclude it, configure the following applications to enforce EISSG requirements for disabling of privileged accounts that have not been accessed for more than 60 days and non-privileged accounts that have not been accessed for more than 90 days: TIERS SSP, WTPY, LTS, CRS, WORx, MediMAR, and MBOW. • For applications that cannot implement automated controls to enforce requirements for disabling privileged accounts, coordinate with application and business owners to establish, document, and implement alternative processes for identifying and disabling inactive accounts, such as periodic manual reviews of user accounts. • For the TIERS SSP application, implement procedures to delete user accounts 90 days after being disabled as required by EISSG. If there are user accounts that cannot be deleted 90 days after being disabled, and business needs justify an exception, then coordinate with application and business owners to document any exceptions in accordance with EISSG requirements. Documentation of exceptions should be prepared for each user account and exceptions should only be documented for specific user accounts that cannot be deleted after 90 days. 	In Progress
12. Implement Controls to Prevent Concurrent Sessions		
12	<p>HHSC IT should configure application settings to enforce limits on concurrent sessions as required by EISSG for the following IAM applications: TIERS SSP, WTPY, LTS, CRS, WORx, MediMAR, and MBOW.</p> <p>If concurrent session restrictions cannot be implemented due to technology limitations and business needs justify an exception, then coordinate with application and business owners to document any exceptions in accordance with EISSG requirements.</p>	In Progress
13. Mitigate Identity and Access Management Risks Identified in this Audit that Exist for Other HHSC Systems		
13	<p>HHSC IT should assess whether risks similar to those identified during this audit exist for other systems and, if it is determined that additional systems are at risk, take action to mitigate the risks.</p>	In Progress

Audit of Social Services Contract Monitoring, Project Number 12-02-002, June 5, 2014		
Audit Objective:		
<ul style="list-style-type: none"> Evaluate whether Office of Social Services contract monitoring processes ensure contract outcomes are achieved. 		
#	Observations and Recommendations	Current Status
1. Strengthen Contractor Performance Monitoring and Billing Practices		
1	<p>The Office of Social Services should:</p> <ul style="list-style-type: none"> Review contractor use of both quality assurance and quality control activities, and identify and implement contract changes designed to increase efficiency and realize contract savings. Support, when applicable, the use of formal approaches to address deficient contractor performance. Periodically procure independent audit services to review the accuracy of contractor reported information. Move toward requiring contractors to report actual performance against approved targets for key contract outcomes, and once contractor reported information is validated through the performance of independent audits, focus monitoring efforts on key outcomes rather than on detailed review of specific requirements and deliverables. 	Implemented
2. Strengthen Controls Over Contract Risk Assessments and Contractor Monitoring Activities		
2	<p>Contract Management should:</p> <ul style="list-style-type: none"> Perform periodic contract risk assessments. Develop and use monitoring plans to make decisions about the use of limited monitoring resources. Develop a template and guidance for Reviewers to develop and use detailed monitoring plans. Ensure the process for approving contractor reported performance results includes a complete understanding and rigorous review of how results are to be calculated and reported. Monitor contractor compliance with HHSC IT security requirements. Monitor and seek corrective action to minimize the most common vendor errors. Ensure processes are in place to enforce contract provisions that require contractor submission of deliverables. 	In Progress

#	Observations and Recommendations	Current Status
3. Develop a Method for Accurately Measuring and Reporting Contractor Document Processing Times		
3	Contract Management should require the document processing contractor to develop a method for accurately measuring and reporting document processing timeliness.	Implemented
4. Improve Eligibility Support Services Contractor Quality Assessment Sampling Methodology		
4	Contract Management should require the eligibility support services contractor to select quality assessment samples from complete populations.	Implemented
5. Develop a Method for Measuring and Reporting Timely Information in Data Broker		
5	Contract Management should require the data broker services contractor to: <ul style="list-style-type: none"> • Develop a method for measuring and reporting the timeliness and completeness of uploaded information. • Provide reports HHSC needs to adequately manage user access to the Data Broker system. 	Implemented
6. Improve Inefficient Eligibility Staff Processes		
6	The Office of Social Services should: <ul style="list-style-type: none"> • Improve HHSC eligibility staff processes that unintentionally result in higher than necessary contractor billings. • Examine the rate methodology for processing documents that do not require a task assignment and ensure a fair but reasonable rate is applied. • Ensure that rate changes are formalized in executed contract amendments. • Renegotiate lower processing fees for support of the piloted decision support system until the system is implemented statewide. • Determine the best approach to ensure financial audits of contractors using the retrospective cost settlement methodology are completed within 12 months following the end of each contract year. • Ensure all of the primary safeguards needed to apply a retrospective cost settlement are effective and timely, or use a different contract payment methodology to control costs. • Procure annual independent financial and performance audits of the eligibility support services contract. 	In Progress

#	Observations and Recommendations	Current Status
7. Develop Contractor Terms for Exceeding Positive Disparity Thresholds		
7	Contract Management, in coordination with Financial Management, should: <ul style="list-style-type: none">• Require contractors to decrease fixed and variable fees when positive disparity thresholds are exceeded.• Require the eligibility support services contractor to report allocated fixed fee rates and allowable costs for each contract component.	In Progress

SECTION IV
CONSULTING SERVICES AND NON-AUDIT SERVICES
COMPLETED

CONSULTING SERVICES AND NON-AUDIT SERVICES COMPLETED

No consulting services and non-audit services were completed during the Fiscal Year 2014 Audit Plan.

SECTION V
EXTERNAL QUALITY ASSURANCE REVIEW

**HHSC Internal Audit Division received an unqualified quality assurance review
from Honkamp Krueger & Co., P.C. on August 31, 2013.**



HONKAMP KRUEGER & CO, P.C.

CPAs & Business Consultants

Quality Assessment Review

For

Texas Health and Human Services

Commission

Internal Audit Division



Mr. David Griffith
Internal Audit Director
Texas Health and Human Services Commission
4900 North Lamar Boulevard
Austin, TX 78751

Dear David:

We have reviewed the system of quality control for the Texas Health and Human Services Commission (HHSC) Internal Audit Division (IAD) in effect from September 1, 2010 through August 31, 2013. A system of quality control encompasses IAD's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards*, *The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (IIA Standards)*, and the *Texas Internal Auditing Act*. The elements of quality control are described in *Government Auditing Standards* and *IIA Standards*. IAD is responsible for designing a system of quality control and complying with it to provide IAD with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and IAD's compliance therewith based on our review.

Our review was conducted in accordance with *Government Auditing Standards*, *IIA Standards*, and guidelines established by The IIA for conducting quality assessment reviews. During our review, we interviewed and surveyed HHSC leadership and IAD personnel and obtained an understanding of the nature of the IAD audit organization, and the design of the IAD's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the IAD's system of quality control. The engagements selected represented completed engagements from September 1, 2010 through July 11, 2013.

In performing our review, we obtained an understanding of the system of quality control for the IAD's audit organization. In addition, we tested compliance with the IAD's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the IAD's policies and procedures on selected engagements. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it. We believe that the procedures we performed provide a reasonable basis for our opinion.

There are inherent limitations in the effectiveness of any system of quality control, and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.



In our opinion, the system of quality control for the audit organization of HHSC in effect from September 1, 2010 through August 31, 2013, has been suitably designed and complied with to provide IAD reasonable assurance of performing and reporting in conformity with *Government Auditing Standards*, *The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (IIA Standards)*, *The IIA Code of Ethics* which is a part of The IIA "Professional Practices Framework", and the *Texas Internal Auditing Act* in all material respects. Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. IAD has received a quality assessment review rating of *pass*.

Respectfully,

A handwritten signature in black ink that reads "David M. Walsh III".

David M. Walsh III
Team Leader – Quality Assessment Services

Kent D. Sewright
Team Member – Quality Assessment Services

Randy M. Schmitt
Team Member – Quality Assessment Services

SECTION VI
INTERNAL AUDIT PLAN FOR FISCAL YEAR 2015



Health and Human Services Commission

Internal Audit Division

Internal Audit Plan

Fiscal Year 2015

October 28, 2014

Mary M. Braden, CPA
Acting Internal Audit Director

Kyle L. Janek, M.D.
Executive Commissioner

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INTRODUCTION

The Texas Internal Auditing Act (Texas Government Code, Chapter 2102) and the *International Standards for the Professional Practice of Internal Auditing* issued by The Institute of Internal Auditors require internal auditors to prepare annual audit plans. The Texas Internal Auditing Act requires that a state agency's Internal Audit Director develop an annual audit plan for approval by the agency's governing board, or by the administrator of that agency if the agency has no governing board. In accordance with these requirements, this document provides the Internal Audit Plan for the Health and Human Services Commission (HHSC) for fiscal year 2015.

BACKGROUND

HHS Enterprise

The Health and Human Services (HHS) Enterprise consists of five agencies, including HHSC and four agencies under the oversight of HHSC. The four agencies are the Department of Aging and Disability Services (DADS), Department of Assistive and Rehabilitative Services (DARS), Department of Family and Protective Services (DFPS), and Department of State Health Services (DSHS).

HHSC

In addition to providing oversight of the HHS Enterprise, HHSC is responsible for operational programs including Medicaid, Children's Health Insurance Program (CHIP), Disaster Assistance, Temporary Assistance for Needy Families, Supplemental Nutrition Assistance Program, and the Medical Transportation Program. HHSC also supports HHS agencies through enterprise-wide services, such as procurement, human resources, and regional administration.

Internal Audit

The HHSC Internal Audit Division (Internal Audit) provides independent, objective assurance and consulting services designed to add value and improve operations. Internal Audit's responsibilities include coverage of both HHSC and the HHS Enterprise¹. Audit coverage consists of assessments of programs, processes, and systems under the operational responsibility of HHSC and those programs, processes, and systems (a) under the oversight of HHSC deputy executive commissioners or (b) that involve two or more HHS agencies.

As required by professional auditing standards², Internal Audit is organizationally independent, and operates free from interference in determining the scope of internal audits, performing work, and communicating results.

¹ Each HHS agency has an internal auditing function that reports to its respective Commissioner. DADS, DARS, DFPS, and DSHS Internal Audit Divisions are responsible for audit coverage of programs, processes, and systems within their respective agencies.

² Standard 1110, Organizational Independence, *International Standards for the Professional Practice of Internal Auditing*, issued by The Institute of Internal Auditors requires annual confirmation to its board of the organizational independence of the internal audit activity.

INTERNAL AUDIT ACCOUNTABILITY

Audit Charter

The Texas Internal Auditing Act requires agency internal auditors to follow professional auditing standard³. Those standards require that the governing board approve a formal, written audit charter, detailing the purpose, authority, and responsibility of the internal audit function. The Texas Internal Auditing Act indicates that when an agency does not have a governing board, the administrator of the state agency performs the roles related to the internal audit function otherwise carried out by the governing board. The Executive Commissioner approved the current HHSC Internal Audit Charter in October 2014.

Internal Audit Oversight Committee

HHSC established an Internal Audit Oversight Committee in fiscal year 2008 to provide guidance to the internal audit function. Membership has historically included the Executive Commissioner, the deputy executive commissioners, and the Chief of Staff. Membership was expanded in 2010 to include the HHSC Council Chair, in recognition of governance best practices which suggest that an internal audit committee is most effective when it includes some members that are independent of the organization. Membership was further expanded in 2012 to include the Chief Deputy Commissioner, in 2013 to include the Deputy Executive Commissioner for Procurement and Contracting, and in 2014 to include the Director of HHS Risk and Compliance Management.

The Internal Audit Oversight Committee holds quarterly meetings, during which topics such as the following are discussed: (a) significant audit results, (b) Internal Audit performance measure results, (c) progress toward completion of the annual audit plan, (d) proposed changes to the annual audit plan, and (e) the status of management's actions to address audit recommendations. The group increases accountability of both the internal audit function and management, which is responsible for timely resolution of operational issues identified during audits.

Independent Quality Assurance Review

In accordance with professional standards, Internal Audit is required to undergo an external quality assurance review at least once every three years. Internal Audit received a Quality Assurance Review in August 2013 by the independent

³ Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States and International Standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors.

CPA firm, Honkamp Krueger & Co., P.C. The firm rendered an unqualified opinion and reported the results to the Executive Commissioner.

RISK ASSESSMENT METHODOLOGY

Internal Audit conducted an agency business risk assessment to develop the annual Internal Audit Plan. The risk assessment included three major components: (a) input from executives and management, (b) consideration of the current operating environment and management control structure, and (c) evaluation of issues identified during prior audits.

Internal Audit received input from 318 surveys and 16 interviews of HHS Enterprise and HHSC executives and managers representing key operational and support functions. The activities, business areas, and processes (See Appendix A) and the systems that are mission critical to HHSC operations (See Appendix B) were considered during the annual risk assessment.

Executives and managers provided input that included:

- Validation of the most significant processes, activities, and functions within each division or operational area.
- Identification of risk factors that have the highest potential to prevent achievement of objectives.
- Assessment of the effectiveness of the management control structure to mitigate identified risks.
- Assessment of the effectiveness of services supporting operational areas, including functions such as human resources, information technology, contract development, regional administration, and budgeting.
- Evaluation of the risk of fraud and awareness of fraud referral requirements and processes.

Internal Audit combined the assessed risks with additional information obtained from prior internal and external audit reports and other data about business risks, to identify the higher risk processes (including processes that support the HHS Enterprise) within each activity and business area. These lists were presented to HHSC executives for review, and then combined into a comprehensive list of higher risk HHSC processes.

AUDIT PLAN

Internal Audit used the results of the agency business risk assessment to identify audit projects that address areas of highest risk. In selecting audit projects, Internal Audit also considered audit work planned or underway by other audit entities that might also address some of the highest risk areas, including the State Auditor's Office, Federal Office of Inspectors General, and the HHSC Office of Inspector General (OIG).

Although the Internal Audit Plan contains a wide range of audit projects, it does not provide coverage for all HHSC divisions, processes, or activities. While the Internal Audit Plan is not intended to cover every risk, it attempts to maximize limited internal audit resources and provide reasonable coverage of the business processes rated as high risk. HHSC management understands the limitations of audit coverage and the risks assumed by management in the areas not audited.

In recognition that operating environments and risks are subject to change, Internal Audit may adjust its Internal Audit Plan to address significant changes that occur throughout the year. In response to unanticipated changes in the operating environment, the performance of additional projects may be required. Consequently, some of the projects included in the plan may not be performed. Proposed modifications to the Internal Audit Plan will be communicated to the Executive Commissioner for approval.

Audit Services

Audits provide an independent assessment of processes or activities based on evaluation of management controls, testing of transactions, and review of evidence. Internal Audit management determines the nature and scope of each audit.

To further evaluate risks noted during the annual risk assessment process, a project risk assessment will be conducted during each audit that is performed. The project risk assessment is designed to ensure that the final project scope and objectives are appropriately focused on the highest risks within the activity under review.

Internal Audit projects conclude with written reports that provide information to management detailing the results of the audit and offer suggestions and recommendations for improvement. The audit projects planned for fiscal year 2015, including projects begun in a previous fiscal year and planned to be completed in fiscal year 2015, are listed below with a brief description of each project.

Audit Projects

Managed Care Contract Management

- Evaluate whether contract monitoring processes ensure managed care contract outcomes are achieved.
- Assess the integrity and accuracy of encounter data to adequately support managed care results and decisions.

Rate Analysis Supplemental Payments

- Determine whether Rate Analysis processes and controls ensure supplemental payments are appropriately allocated and calculated in accordance with federal and state requirements.

HHS Enterprise Tracking of Complaints and Inquiries in HEART

- Evaluate the use of the HHS Enterprise Administrative Report and Tracking (HEART) System for tracking benefits-related complaints and inquiries related to HHS program areas.
- Determine the effectiveness of HEART in supporting HHS agency business areas in:
 - Providing complete and reliable information and management reporting of complaints and inquiries.
 - Ensuring complaints and inquiries are tracked and handled in accordance with federal, state, and agency requirements.

Oversight of Statewide Network of Community Partners

- Determine whether:
 - Logical security controls at community partner organizations effectively protect HHSC systems and client data from unauthorized access.
 - Memorandums of understanding with community partner organizations include adequate provisions and performance measures associated with protecting confidential HHSC client information.
- Evaluate whether Office of Social Services monitoring and oversight of the Community Partner Program is effective and provides assurance that desired program outcomes are achieved.

Medicaid/CHIP Enrollment Broker Contract Monitoring

- Evaluate whether Medicaid and CHIP Division contract monitoring processes ensure enrollment broker contract outcomes are achieved.

Eligibility Operations – Data Integrity Unit Processes

- Determine whether Data Integrity Unit processes and controls ensure client information updates in TIERS are appropriate, accurate, and adequately supported.
- Evaluate processes and controls for:
 - Managing database update privileges in TIERS.
 - Logging and establishing accountability for client information updates.
 - Monitoring and validating database update activities.

Office of Community Services Subrecipient Monitoring

- Determine whether Office of Community Services monitoring activities effectively ensure subrecipients are providing program services and utilizing federal funds in accordance with grant requirements, laws, and regulations.

Carry-Forward Audits*Premium Payment Processes*

- Evaluate the effectiveness of automated controls and related business processes designed to:
 - Support complete, accurate, and effective processing, approval, and validation of premium payments and adjustments.
 - Produce reliable and complete reports on (a) clients enrolled in each managed care plan, (b) clients served by each medical transportation provider, and (c) the type of services to which clients are entitled.
 - Protect the Premiums Payable System (PPS) and related applications, databases, and operating systems from unauthorized access.
 - Manage PPS system changes, including modifications and enhancements.

Claims Administrator Contract Monitoring

- Evaluate whether HHSC and DADS contract monitoring processes ensure claims administrator contract outcomes are achieved.

Eligibility Documentation

- Evaluate the effectiveness of processes designed to achieve compliance with federal and state requirements and HHSC policies for obtaining, verifying, and retaining support for eligibility determinations.

HHS Enterprise Administrative Report and Tracking (HEART) System Access and Security

- Determine whether access, security, and management controls adequately protect the confidentiality, availability, and integrity of information maintained in HEART.

Non-Routine Procurements and Purchases

- Determine whether sole source/proprietary and emergency procurements are appropriate, justified, and approved in accordance with guidance and requirements established by the state, HHS Procurement and Contracting Services, and HHS agencies.
- Determine whether after-the-fact purchases over \$5,000 are appropriate and met competitive procurement requirements.

Texas Integrated Eligibility Redesign System (TIERS) Data Processing and Integrity

- Determine whether system and process controls are adequate to reasonably ensure the accuracy of eligibility determinations and the calculation of benefits.
- Determine whether system and process controls are adequate to reasonably ensure the confidentiality, integrity, and availability of client eligibility data.

Security Incident Management

- Determine whether HHSC activities and technologies that support computer security incident management effectively and efficiently result in:
 - Timely detection and response to actual and potential security incidents.
 - Identification of root causes and implementation of corrective actions to minimize impact and prevent recurrence.
 - Submittal of security incident reports in accordance with laws and requirements.

Medical Transportation Program Contract Monitoring of Transportation Services

- Evaluate whether contract monitoring processes ensure contract outcomes related to medical transportation service delivery and accurate contractor payments are achieved.

Medicaid and CHIP Division Delivery System Reform Incentive Payment (DSRIP) Program

- Assess the effectiveness of controls over the approval, funding, monitoring, and payment of DSRIP projects in ensuring:
 - Intended outcomes are achieved.
 - Compliance with federal and state guidelines.

Requested Audits

Perform audit projects that are requested by HHS Enterprise or HHSC management and approved by the Executive Commissioner.

Follow Up Projects

Follow Up of HHS Enterprise Information Security

- Determine whether actions implemented to address issues and risks communicated in the prior Internal Audit report on HHS Enterprise Information Security, issued December 23, 2011, achieved the intended results.

Follow Up of Data Center Services Security Issues

- Determine whether actions implemented to address logical security issues and risks associated with the data center services contractor and communicated in prior Internal Audit reports achieved the intended results.

Carry-Forward Follow Up Projects

Follow Up of Regional Administrative Services

- Determine whether actions implemented to address issues and risks reported in the prior Internal Audit report on Regional Administrative Services, issued February 16, 2011, achieved the intended results.

Requested Follow Up Projects

Perform follow up projects that are requested by HHS Enterprise or HHSC management and approved by the Executive Commissioner.

Consulting Services

Internal Audit performs consulting services intended to add value and improve governance, risk management, and control processes. Consulting services are advisory in nature and are generally performed at the specific request of management. The work performed is subject to Internal Audit's agreement with

management regarding project scope and objectives and is based on Internal Audit's consideration of potential impairments to independence and objectivity. When performing consulting services Internal Audit maintains independence and objectivity and does not assume management responsibilities. Consulting services include:

- Performing management advisory projects which provide analyses and recommendations on a specific subject.
- Conducting assessments that address topics agreed upon with management.
- Providing expertise and independent analyses as management controls are designed, such as through (a) auditor facilitation of business risk assessments and controls analyses and (b) participation in committees and workgroups as a non-voting, advisory member.

Requested Management Advisory Projects

Perform management advisory projects that are requested by HHS Enterprise or HHSC management and approved by the Executive Commissioner.

Ongoing Committees and Workgroups

- HHS Enterprise Audit Council
- Contract Management Workgroup

Required Projects

Statutes, auditing standards, and agency policies mandate the completion of certain projects. Required projects for fiscal year 2015 include:

- Annual HHSC Business Risk Assessment
- Annual Audit Plan
- Annual Internal Audit Report

APPENDIX A

ACTIVITIES, BUSINESS AREAS, AND PROCESSES

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
<p>Governance</p>	<ul style="list-style-type: none"> • Chief Counsel <ul style="list-style-type: none"> ○ System Services ○ General Counsel ○ System Oversight ○ Administration • HHS Communications • Internal Audit 	<ul style="list-style-type: none"> • Appeals and Hearings (Fair Hearings, Administrative and Contested Cases, Employee Grievance) • Federal Appeals • Regional Legal Services • HHSC Litigation and Hearings • Open Records Coordination • System Contract Legal Support • Human Resources and Civil Rights System Support • System Project Coordination • System Litigation • Data Privacy and Security • Case Management and Performance Measurement • Agency Website Management • Communications <ul style="list-style-type: none"> ○ Media ○ Employees • Client Materials Review • Manage Outreach Campaigns for Children's Medicaid, CHIP, and SNAP • Audits and Consulting

ACTIVITIES, BUSINESS AREAS, AND PROCESSES

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
	<ul style="list-style-type: none"> • HHS Risk and Compliance Management • Policy • Office of Inspector General <ul style="list-style-type: none"> ○ Chief Counsel ○ Compliance 	<ul style="list-style-type: none"> • Privacy Office • Risk and Control Analysis • Data Analytics • External Audit Coordination • Policy Analysis, Development, and Coordination – DSHS • Rule Development – DSHS • Policy Analysis, Development, and Coordination – DFPS/DARS • Rule Review – DFPS/DARS • Overpayment Recoupment and Penalties • Administrative Litigation • Payment Holds, including Credible Allegation of Fraud (CAF) Holds • Exclusions/ Reinstatements • Other Sanctions • OIG Administrative Actions • Accounting for Overpayments • Legal Services for OIG • Audit Services <ul style="list-style-type: none"> ○ Cost Report Review ○ Subrecipient Finance Review ○ Contract Audits ○ Hospital Audit Unit ○ Managed Care Organization • Compliance/Quality Review <ul style="list-style-type: none"> ○ WIC Vendor Monitoring ○ Utilization Review ○ Lock-In Program (Medicaid Recipients)

ACTIVITIES, BUSINESS AREAS, AND PROCESSES

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
Chief of Staff	<ul style="list-style-type: none"> • Office of the Ombudsman • External Relations • Special Projects • Women's Health Program • Mental Health Services Coordination 	<ul style="list-style-type: none"> • Complaints Management • Customer Support for Medicaid Clients • Agency and Enterprise-wide Complaint Reports • Communications <ul style="list-style-type: none"> ○ Federal Government ○ State Government ○ HHSC Council ○ Stakeholders • Sunset Review Coordination • Critical Projects Meeting • Organize Women's Health Policies and Procedures Enterprise-Wide • Client Enrollment and Services Reports • Client Education and Outreach • Provider Education and Outreach • Mental Health Coordination - Cross-agency • Technical Assistance and Consulting • Policy Development • Mental Health Complaint Management

ACTIVITIES, BUSINESS AREAS, AND PROCESSES

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
<p>Chief Deputy Commissioner</p>	<ul style="list-style-type: none"> • Medical Transportation Program • Medicaid/CHIP Division <ul style="list-style-type: none"> ○ Healthcare Transformation Waiver and Cost Containment ○ Medicaid Health Information Technology ○ Operations Coordination ○ Program Operations 	<ul style="list-style-type: none"> • Call Center Operations • Contract Monitoring <ul style="list-style-type: none"> ○ Managed Transportation Organizations ○ Open Enrollment of Certain Provider Types ○ Claims Processing and Recoupment • Advance Funds • Service and Data Integrity • Automation Services • Delivery System Reform Incentive Payment (DSRIP) Program Implementation and Operations • Cost Containment • Electronic Health Records Incentives Program Administration • Medicaid Eligibility and Health Information Services (MEHIS) Contract Management • Encounter and Enrollment Data Management • Vendor Operations Oversight • Vendor Technology Coordination • Enrollment Broker Contract Management • Claims Administrator Contract Compliance • Financial Analysis • Health Plan Management • Contract Management • 1115 Waiver Reporting (Managed Care) • Quality Assurance

ACTIVITIES, BUSINESS AREAS, AND PROCESSES

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
	<ul style="list-style-type: none"> ○ Vendor Drug Program ○ Office of Policy • Frew Oversight • Policy • Veterans' Services 	<ul style="list-style-type: none"> • Program Oversight • Contract Management • Rebate Administration • MCO Pharmacy Benefit Oversight • Policy Analysis, Development, and Implementation • Rule Development and Processing • State Plan Development and Federal Negotiations • Waiver Development and Federal Negotiations • Stakeholder Relations • MCD Records Management • Clinical Policy Development (includes Medical Benefits Policy and Office of the Medical Director) • Technical Assistance • Policy and Program Analysis, Development, and Coordination • Policy Analysis, Development, and Coordination – DADS • Rule Development – DADS • Coordination of Veterans' Services

ACTIVITIES, BUSINESS AREAS, AND PROCESSES

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
<p>Health Policy and Clinical Services</p>	<ul style="list-style-type: none"> • Texas Institute for Health Care Quality and Efficiency – Quality Unit • Healthcare Quality Analytics, Research, and Coordination Support • Health Coordination and Consumer Services • Informal Dispute Resolution • Office of e-Health Coordination 	<ul style="list-style-type: none"> • Quality Management • Quality Policy Development, Coordination and Implementation • Contract and Grant Oversight • Interagency Quality Coordination • Health Coordination and Consumer Services <ul style="list-style-type: none"> ○ Financial Management ○ Contract Management ○ Monitoring and Compliance ○ Policy Analysis, Development, and Coordination • Policy and Program Coordination <ul style="list-style-type: none"> ○ Contract Management ○ Policy Analysis, Development, and Coordination • Texas Home Visiting <ul style="list-style-type: none"> ○ Contract Management ○ Budget Management ○ Grant Management • Informal Dispute Resolution Process • Independent Informal Dispute Resolution Process (federal process for nursing facilities only) • Informal Reconsideration • Health IT Planning, Development, Coordination, and Policy Analysis • Contract Management

ACTIVITIES, BUSINESS AREAS, AND PROCESSES

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
	<ul style="list-style-type: none">• Office of Acquired Brain Injury	<ul style="list-style-type: none">• Contract Management• Program Management• Policy Analysis and Development

ACTIVITIES, BUSINESS AREAS, AND PROCESSES

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
<p>Social Services</p>	<ul style="list-style-type: none"> • Eligibility Operations <ul style="list-style-type: none"> ○ Eligibility Services – Field ○ Eligibility Services – Vendor ○ Eligibility Services – Support • Business Operations and Support <ul style="list-style-type: none"> ○ Contract Management and Administration 	<ul style="list-style-type: none"> • Management and Oversight of MEPD and Texas Works Eligibility Determinations • Coordination of Support Activities for Field Staff • Data Integrity • Community Partner Interviewer Project • Oversight and Management of Vendor Activities • Policy Implementation and Support • Quality Assurance State Office • Quality Assurance Field Services • Quality Control • Training Delivery and Curriculum Development • Data Management Reporting • Appeals and Requests for Reviews, Preparation, and Management • State/Federal Reporting Liaison • Contract Management <ul style="list-style-type: none"> ○ Contract Monitoring ○ Procurement Development Coordination ○ Contract Maintenance • Contract Administration – Official Contract Correspondence Process • Management and Oversight of Contracts – Outstationed Workers Program

ACTIVITIES, BUSINESS AREAS, AND PROCESSES

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
	<ul style="list-style-type: none"> ○ Business Operations and Financial Management • Community Access and Services <ul style="list-style-type: none"> ○ Community Access ○ Community Services • Policy Strategy, Analysis, and Development • Change Management and Communication 	<ul style="list-style-type: none"> • Financial Management • Electronic Benefits Transfer (EBT) Issuance and Settlement Review and Reconciliation • Community Training • Community Outreach (includes Outreach / Food Bank) • Community Relationship Development • Statewide Network of Community Partners to Support Eligibility Determination • Faith and Community-based Liaison • Healthy Marriage • Management of Community Programs <ul style="list-style-type: none"> ○ Computers for Learning ○ Community Resource Coordinating Groups • Management and Oversight of Community-Based Contracts <ul style="list-style-type: none"> ○ Alternatives to Abortion ○ Supplemental Nutrition Assistance Program Education (SNAPed) ○ Management of Other Community Contracts • Policy Analysis, Development, and Coordination – Eligibility and Social Services • Rule Review – Eligibility and Social Services • Change Management and Communication

ACTIVITIES, BUSINESS AREAS, AND PROCESSES

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
	<ul style="list-style-type: none"> • Program Innovation • Results Management Office 	<ul style="list-style-type: none"> • Business Process Analysis and Improvement • Information Technology Strategy and Development • External Relations and Audit Coordination • OSS Strategic Planning • Legislative Coordination • Project Management

ACTIVITIES, BUSINESS AREAS, AND PROCESSES

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
<p>System Support Services</p>	<ul style="list-style-type: none"> • Business and Regional Services <ul style="list-style-type: none"> ○ Facility Management and Leasing ○ Facility Support Services ○ Risk Management 	<ul style="list-style-type: none"> • Lease Management • Facility Management • Mail Services • Warehouse Services • Incident Management • Maintenance and Construction (State Hospitals and State Supported Living Centers) • Real Estate Management • Competency Training and Development (State Hospitals and State Supported Living Centers) • Enterprise Fleet Management • Computer Aided Facility Management (CAFM) • Supply Services (State Hospitals and State Supported Living Centers) • Nutrition and Food Services (State Hospitals and State Supported Living Centers) • Risk Management (State Hospitals and State Supported Living Centers) • Laundry and Environmental Services • Interstate Compact Coordinator (State Hospitals and State Supported Living Centers) • Enterprise Receiving • Safety Program • Emergency Management • Workers' Compensation • Risk Management

ACTIVITIES, BUSINESS AREAS, AND PROCESSES

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
	<ul style="list-style-type: none"> ○ Emergency Services ○ Regional Administrative Services ● Civil Rights ● Operations and Program Support ● Contract Oversight and Staff Services 	<ul style="list-style-type: none"> ● Coordination of Emergency Services <ul style="list-style-type: none"> ○ Ice and Water ○ Other Needs Assistance Program ○ Disaster Case Management ○ Repatriation Program ● Asset Management ● Contract Management ● Mail Services ● Warehouse Services ● Fleet Management ● Facility Management ● Incident Management ● Facility Leasing Requests, Office Space Planning, and Moves ● Cost Pool Management ● Discrimination Complaints (Employee and Client) ● Reasonable Accommodation Requests ● Conflict Resolution (Mediation, Facilitation) ● Accessibility – Language Services and Electronic Information Resources ● Administrative Complaints ● Civil Rights Training ● Asset Management ● Records Management ● Business Continuity and Emergency Preparedness ● Administrative Contracts ● HHSC Survey of Employee Engagement ● Wellness Program ● Contract Management

ACTIVITIES, BUSINESS AREAS, AND PROCESSES

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
	<ul style="list-style-type: none"> • Training, Organizational, and Leadership Development • Human Resources • Center for the Elimination of Disproportionality and Disparities • Special Projects 	<ul style="list-style-type: none"> • Leadership Development Programs • Management and Staff Development • Hiring/Separation • Benefits Administration • Salary Administration • Performance Management • Records Management • Employee Relations • Technical Assistance • Grant and Contract Management • Training / Presentations, Technical Assistance, and Consultative Services • Grant Application and Processing • Operations Reviews • Business Process Analyses and Development • Interagency and Intra-agency Project Management

ACTIVITIES, BUSINESS AREAS, AND PROCESSES

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
Procurement and Contracting Services	<ul style="list-style-type: none"> • Administration • Enterprise Historically Underutilized Business (HUB) Program Office • Procurement 	<ul style="list-style-type: none"> • HHSAS and HCATS Support • Requisition Intake • Requisition Processing • HUB Program Services • Administrative Goods and Services Contracts (all agencies) • Client Services Contracts (all agencies) • Requests-for-Proposals (RFP) • Procurement Card • Office Supply • Strategic Sourcing • Contract Oversight and Grant Processes Oversight

ACTIVITIES, BUSINESS AREAS, AND PROCESSES

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
<p>Financial Services</p>	<ul style="list-style-type: none"> • Forecasting • Rate Analysis • Actuarial Analysis • Chief Financial Officer <ul style="list-style-type: none"> ○ Budget Management Office ○ Fiscal Management Office 	<ul style="list-style-type: none"> • Caseload and Cost Forecasts • Analytical Support for Actuarial/Rate Development • Informing Policy Changes through Forecast Scenarios • Reporting Budget Neutrality for 1115 Waiver • Analytical Support for Program Changes and Development • Cost Reporting • Acute Care Services Rate Determinations • Hospital Services Rate Determinations • Long-Term Services and Supports Rate Determinations • Processing of Supplemental Payments • Managed Care Capitation Rating • Managed Transportation Rating • Legislative Actuarial Analysis Requests • Other Ad Hoc Actuarial Analysis Requests • Budget Development, Tracking, and Reporting • Financial Reporting • Accounts Payable • Travel Reimbursement • Accounts Receivable

ACTIVITIES, BUSINESS AREAS, AND PROCESSES

<i>Activities</i>	<i>Business Areas</i>	<i>Processes</i>
	<ul style="list-style-type: none"> • HHS System Budget and Fiscal Policy ○ Payroll • Strategic Decision Support 	<ul style="list-style-type: none"> • Consolidated Budget Development • State/Federal Reporting and Compliance Monitoring • Fiscal Policy Development • Federal Cost Allocation Plan Development and Maintenance • Major Contract Review and Advisory • Payroll, Time, Labor, and Leave • Data Analysis <ul style="list-style-type: none"> ○ Strategic Planning ○ Internal/External Reporting ○ Program Evaluation ○ Fiscal Impact Estimation and Cost Model • Coordination and Development of Enterprise Data Warehouse • Policy Development - Enterprise Data Governance

ACTIVITIES, BUSINESS AREAS, AND PROCESSES

APPENDIX B

MISSION CRITICAL SYSTEMS

Mission critical systems to HHSC operations.

- Medicaid Management Information System (MMIS)
- Texas Health Steps (THSteps) Medical and Dental Checkups
- Vendor Drug Systems including,
 - OS+
 - Drug Rebate Administrative Management System (DRAMS)
- Premiums Payable System (PPS)
- TexMedCentral
- MAXSTAR Enrollment Broker
- NorthSTAR Operational
- Medicare Buy-In and Part-A Payor
- Texas Medical Transportation System (TMTS)
- Texas Integrated Eligibility Redesign System (TIERS) including,
 - Beneficiary and Earnings Data Exchange (BENDEX)
 - Beneficiary Earnings Exchange Record (BEER)
 - Wired Third Party Query (WTPY)
 - Social Security Administration Online Query (SOLQ)
- Electronic Benefits Transfer (EBT)
- 2-1-1 Internet System
- Health and Human Services Administrative System (HHSAS) Financials including,
 - Accounts Receivable Tracking System (ARTS)
- Medicaid Fraud and Abuse Detection System (MFADS)
- Automated System for the Office of Inspector General (ASOIG)
- Centralized Accounting and Payroll/Personnel System (CAPPS)
- Disaster Assistance Payment Processing (DAPP)
- Computer Aided Facility Management (CAFM) and Capital Assets Planning System (CAPS)
- HHS Legislative Tracking System (LTS)
- HHS Enterprise Administrative Reporting and Tracking System (HEART)
- IT Systems at State Hospitals including,
 - WORx Drug Therapy Management System (WORx)
 - MiSys Healthcare Laboratory System/Sunquest (MiSys Lab)
 - Client Record System (CRS)
- HHS Contract Administration and Tracking System (HCATS)
- Medicaid Contract Administration and Tracking System (MCATS)
- Financial Systems Data Warehouse (INFO-FSDW)

Direct Hours Budgeted for Fiscal Year 2015

Fiscal Year 2015 Hours Budgeted for Remaining Work on Carry-Forward and Projects

<i>Projects</i>	<i>Estimated Hours</i>
• Premium Payment Processes	120
• Claims Administrator Contract Monitoring	290
• Eligibility Documentation	200
• HEART System Access and Security	300
• Non-Routine Procurements and Purchases	300
• TIERS Data Processing and Integrity	520
• Security Incident Management	1,130
• Follow Up of Regional Administrative Services	1,200
• MTP Contract Monitoring of Transportation Services	1,500
• Medicaid/CHIP Division DSRIP Program	3,000

Hours Budgeted for Projects to be Performed in Fiscal Year 2015

	<i>Estimated Total Project Hours</i>
• Managed Care Contract Management	3,000
• Rate Analysis Supplemental Payments	2,000
• HHS Enterprise Tracking of Complaints and Inquiries In HEART	1,800
• Eligibility Operations - Data Integrity Unit Processes	700
• Oversight of Statewide Network of Community Partners	1,700
• Medicaid/CHIP Enrollment Broker Contract Monitoring	1,200
• Office of Community Services Subrecipient Monitoring	2,000
• Follow Up of HHS Enterprise Information Security	2,000
• Follow Up of Data Center Services Security Issues	1,200

Processes and Activities with Risks Ranked as High Not Scheduled for Audit in Fiscal Year 2015

Although the Internal Audit Plan contains audit projects addressing the high risk processes and activities, it does not provide coverage for all HHSC divisions, processes, or activities. While the Internal Audit Plan is not intended to cover every risk, it attempts to provide reasonable coverage of the business processes rated as high risk and maximize limited internal audit resources. HHSC management understands the limitations of audit coverage and the risks assumed by management in the areas not audited. Some HHS Enterprise and HHSC processes and activities with risks ranked as high that are not scheduled for audit in fiscal year 2015 include:

- HHSC IT Oversight and Monitoring of Contracted Services
- Procurement Process Efficiency and Standardization
- IT Governance
- Health Coordination and Consumer Services Contract Monitoring
- Prescription Drug Rebate Program
- Eligibility Operations Oversight and Management of Vendor Activities
- Human Resources

HHSC management, through its oversight of these higher risk processes and activities, will help mitigate the risks not addressed through audit coverage. If the level of risk changes significantly during fiscal year 2015, audit resources could be redirected to address one or more of these processes and activities in lieu of other approved audit projects.

Risk Assessment Methodology and Results for Fiscal Year 2015

The risk assessment methodology is described on page 5 of the audit plan. In addition, detailed results of the risk assessment are presented in the risk footprint located on page VI-35.

HHSC RISK FOOTPRINT

Activities	Business Areas											
	1	2	3	4	5	6	7	8	9	10	11	12
Chief Deputy Commissioner	Medicaid CHIP Division - Operations Coordination	Medicaid CHIP Division - Vendor Drug Program	Medical Transportation Program	Medicaid CHIP Division - Program Operations	Medicaid CHIP Division - Healthcare Transformation Waiver and Cost Containment	Medicaid CHIP Division - Office of Policy	Medicaid CHIP Division - Medicaid Health Information Technology	Frew Oversight	Policy	Veterans' Services		
Social Services	Eligibility Operations: Eligibility Services - Vendor	Eligibility Operations: Eligibility Services - Field	Community Access and Services	Business Operations and Support - Financial Management	Business Operations and Support - Contract Management	Policy Strategy, Analysis and Development	Eligibility Operations: Eligibility Services - Support	Program Innovation	Results Management Office	Change Management and Communication		
Information Technology	Data Center Services	Information Security	Enterprise and Customer Support Services	Applications	Technology	Office of the Chief Information Officer	IT Business Services					
Financial Services	Rate Analysis	CFO - Fiscal Management Office	Actuarial Analysis	Payroll	Forecasting	CFO - Budget Management Office	HHS System Budget and Fiscal Policy	Strategic Decision Support				
Procurement and Contracting Services	Procurement	Administration	HUB Program Services									
Governance	Chief Counsel - Administration	Chief Counsel - System Oversight	Office of Inspector General - Enforcement	Office of Inspector General - Internal Affairs	Office of Inspector General - Operations	Chief Counsel - General Counsel	Office of Inspector General - Compliance	Chief Counsel - System Services	Office of Inspector General - Chief Counsel	HHS Risk and Compliance Management	HHS Communications	Policy
Chief of Staff	Office of the Ombudsman	Special Projects	Women's Health Program	External Relations	Mental Health Services							
System Support Services	Human Resources	Business and Regional Services - Regional Administrative Services	Business and Regional Services - Facility Management and Leasing	Contract Oversight and Staff Services	Business and Regional Services - Emergency Services	Business and Regional Services - Risk Management	Center for Elimination of Disproportionality and Disparities	Training, Organizational, and Leadership Development	Civil Rights	Business and Regional Services - Facility Support Services	Operations and Program Support	Special Projects
Health Policy and Clinical Services	Health Coordination and Consumer Services	Texas Institute for Health Care Quality and Efficiency - Quality Unit	Office of e-Health Coordination	Office of Acquired Brain Injury	Healthcare Quality Analytics, Research and Coordination Support	Informal Dispute Resolution						

Key:

- High risk - Audit work should be performed as resources are available, and management should perform ongoing oversight and monitoring to ensure supervisory and execution controls are working.
- Medium risk - Management should perform periodic oversight to ensure that supervisory and execution controls are working.
- Low risk - Management should perform review of supervisory and execution controls as needed.

SECTION VII
EXTERNAL AUDIT SERVICES PROCURED IN FISCAL YEAR
2014

EXTERNAL AUDIT SERVICES PROCURED IN FISCAL YEAR 2014

Program	Audit Services Procured or Ongoing
<p>Contracted by: HHS Risk and Compliance Management Office</p>	<p>Vendor: Texas State Auditor's Office - Contract No. 529-14-0111-00001</p> <p>Scope: Onsite Audit - Selected foster care contractors in accordance with Senate Bill 6, 79th Regular Session, 2004, codified at Section 2155.1442, Texas Government Code</p> <p>Execution Date: April 1, 2014</p> <p>Termination Date: August 31, 2014</p> <p>Report Issue Date: August 31, 2014</p>
<p>Contracted by: Internal Audit</p>	<p>Vendor: Myers and Stauffer, LC - Contract No. 529-13-7777-00457</p> <p>Scope: Information Technology Audit - Identity and Access Management</p> <p>Execution Date: June 5, 2013</p> <p>Termination Date: April 4, 2014</p> <p>Report Issue Date: April 2, 2014</p>
<p>Contracted by: Internal Audit</p>	<p>Vendor: Myers and Stauffer, LC - Contract No. 529-14-7777-00490</p> <p>Scope: Information Technology Audit - TIERS Data Processing and Integrity</p> <p>Execution Date: May 27, 2014</p> <p>Termination Date: March 31, 2015</p> <p>Report Issue Date: No report to date</p>

Program	Audit Services Procured or Ongoing
<p>Contracted by:</p> <p>Hospital Rate Setting</p>	<p>Vendor: Myers and Stauffer L.C. - Contract No. 529-12-0015-00001</p> <p>Scope: Examination Engagement - Review all Disproportionate Share Hospital (DSH) payments and methodologies for fiscal years 2009 and 2010 per the federal DSH Rule published in the Federal Register on December 19, 2008.</p> <p>Execution Date: May 4, 2012</p> <p>Termination Date: February 28, 2015, as extended through a contract amendment</p> <p>Report Issue Date: Fiscal Year 2009 DSH program audit "Report on Disproportionate Share Hospital Verifications (With Independent Accountant's Report Thereon)" released December 7, 2012. The final report for Medicaid state plan rate year 2010 was delivered to SAO on December 31, 2013.</p>
<p>Contracted by:</p> <p>Medicaid/CHIP Division</p>	<p>Vendor: Myers and Stauffer, LC - Contract No. 529-13-0092-00001</p> <p>Scope: Financial Statement Review - The vendor will examine financial statements and underlying documentation, and issue a corresponding written opinion to HHSC that expresses a conclusion about the reliability of written assertions prepared by the third party.</p> <p>Execution Date: April 19, 2013</p> <p>Termination Date: April 30, 2016 as extended by Amendment One</p> <p>Report Issue Date: No reports to date</p>
<p>Contracted by:</p> <p>Medicaid/CHIP Division</p>	<p>Vendor: Davila Buschhorn and Associates, P.C. - Contract No. 529-10-0007-00001</p> <p>Scope: Retrospective Cost Settlement Audit - Pharmacy Claims/Pharmacy Rebate Administrator and subcontractors for fiscal year 2011</p> <p>Execution date: July 24, 2010</p> <p>Termination Date: July 30, 2016</p> <p>Report Issue Date: September 10, 2012</p>

Program	Audit Services Procured or Ongoing
<p>Contracted by: Medicaid/CHIP Division</p>	<p>Vendor: Davila, Buschhorn, and Associates, PC - Contract No. 529-09-0048-00002</p> <p>Scope: Financial Statement Review - Review underlying documentation, and issue a corresponding written opinion that expresses a conclusion about the reliability of the written assertions prepared by the third party.</p> <p>Execution date: September 2, 2009</p> <p>Termination Date: April 30, 2014, extended by amendment to July 30, 2016</p> <p>Report Issue Date: Health plan draft and final reports issued October 30, 2013; December 3, 2013; May 9, 2014; May 22, 2014; June 24, 2014; June 30, 2014; and July 16, 2014</p>
<p>Contracted by: Vendor Drug Program</p>	<p>Vendor: PHBV Partners, L.L.P. - Contract No. 529-12-0129-00001</p> <p>Scope: Statement on Standards for Attestation Engagements (SSAE) 16 Audit of the ACS Texas Vendor Drug Program Pharmacy Claims and Rebate Administration for the period of September 1, 2011 through August 31, 2012.</p> <p>Execution date: August 4, 2010</p> <p>Termination Date: Cessation of audit work on July 3, 2014 due to change in auditee contractor</p> <p>Report Issue Date: Closeout memo issued July 3, 2014</p>
<p>Contracted by: Medicaid/CHIP Division</p>	<p>Vendor: Health Management Systems, Inc. - Contract No. 529-13-0008-00001</p> <p>Scope: Recovery Audit Program in compliance with Section 6411 of the Patient Protection and Affordable Care Act</p> <p>Execution date: March 19, 2013</p> <p>Termination Date: March 18, 2016</p> <p>Report Issue Date: No reports to date</p>

Program	Audit Services Procured or Ongoing
<p>Contracted by: Medicaid/CHIP Division</p>	<p>Vendor: PHBV Partners, L.L.P. - Contract No. 529-12-0129-00001, now Myers and Stauffer - Contract No. 529-13-0099-00001 due to firm merges</p> <p>Scope: SSAE 16 Audit of ACS - TMHP (Claims Administrator) for the period of September 1, 2011 through August 31, 2012</p> <p>Execution date: August 4, 2010</p> <p>Termination Date: Cessation of audit work on July 3, 2014 due to change in auditee contractor</p> <p>Report Issue Date: Closeout memo issued July 3, 2014</p>
<p>Contracted by: Medicaid/CHIP Division</p>	<p>Vendor: PHBV Partners, L.L.P. - Contract No. 529-12-0129-00001, now Myers and Stauffer - Contract No. 529-13-0099-00001 due to firm merges</p> <p>Scope: Agreed-Upon Procedures Engagements - HIPAA Onsite Readiness Reviews (DentaQuest, Healthspring, and MCNA)</p> <p>Execution Date: July 19, 2012</p> <p>Termination Date: Cessation of audit work on July 3, 2014 due to change in auditee contractor</p> <p>Report Issue Dates: Preliminary observations on TMHP HIPAA compliance for 2014 issued July 3, 2014</p>
<p>Contracted by: Office of Social Services</p>	<p>Vendor: Myers and Stauffer LC - Contract No 529-13-7777</p> <p>Scope: SSAE 16 Type II Audit of the Electronic Benefit Transfer (EBT) System</p> <p>Execution Date: January 4, 2013</p> <p>Termination Date: November 30, 2015</p> <p>Report Issue Date: Final report for fiscal year 2013 issued October 31, 2013</p>

Program	Audit Services Procured or Ongoing
Contracted by: HHSC IT	Vendor: Horne LLP - Contract No. 52900-4-124230 Scope: TIERS contractor prospective price redetermination of fees and additional agreed-upon procedures Execution Date: April 10, 2014 Termination Date: June 30, 2014, extended to September 30, 2014 Report Issue Date: Prospective Price Redetermination Report issued June 20, 2014

SECTION VIII
REPORTING SUSPECTED FRAUD AND ABUSE

REPORTING SUSPECTED FRAUD AND ABUSE

Reference	Actions Taken
<p>Fraud Reporting</p> <p>The 2014-15 General Appropriations Act, Senate Bill 1, 83rd Legislature, Regular Session, 2013 (Article IX, Section 7.09), includes state agency fraud reporting requirements related to the following:</p> <ul style="list-style-type: none"> • Agency Internet website content • SAO fraud hotline information • SAO website link for fraud reporting • Agency policies • Fraud reporting to the SAO 	<p>The home page of the Health and Human Services (HHS) Enterprise Internet and the Health and the Human Services Commission (HHSC) Internet and Intranet provide information on how to report suspected fraud, waste, and abuse involving health and human services programs directly to the State Auditor's Office (SAO). The home pages include the SAO fraud hotline information and a link to the SAO website for fraud reporting.</p> <p>HHS Enterprise policy concerning fraud, waste, and abuse was established in HHS Circular C-027, HHS Enterprise Fraud, Waste, and Abuse Reporting, Responsibilities, and Coordination. The circular includes information on how to report suspected fraud involving state funds to the state auditor.</p>
<p>Coordination of Investigations</p> <p>Chapter 321, Texas Government Code, Section 321.022 requires each state agency to report fraud to the SAO and requires coordination of investigations between the SAO and certain entities, including state agencies.</p>	<p>Per HHS Circular C-027, all employees or contractors who suspect fraud, waste or abuse are required to immediately report the questionable activity to both the HHSC Office of Inspector General (OIG) and the SAO. The OIG is required to refer information to internal and external authorities that have jurisdiction, as appropriate (so that they may pursue independent investigations, audits, and reviews consistent with their authority).</p>