Office of Inspector General

Texas Health and Human Services Commission

Stuart W. Bowen, Jr., Inspector General

Performance Audit Report
SafeHaven of Tarrant County

February 29, 2016

IG Report No. 14-56-R-03-17516702812-FV-01

CONTENTS

EXECUTIVE SUMMARY

The Health and Human Services Commission (HHSC), Inspector General (IG), Audit Division, has completed its performance audit on SafeHaven of Tarrant County (Provider).

Background

The Family Violence Program was enacted to promote access to locally based nonprofit services for victims of family violence in Texas. HHSC oversees the program and also contracts with centers or community-supported organizations to provide residential and nonresidential services to victims of family violence throughout the state.

The HHSC Family Violence Program (FV) contract number 529-13-0017-00035 for the year ending August 31, 2013 amounted to $1,060,915. The audit objectives were to determine whether the Provider's activities and costs charged to the FV program were allowable, and the program operates in compliance with relevant criteria.

The engagement covered the period September 1, 2012 through August 31, 2013 and other related periods. The audit included reconciling the costs reported to The Office of Community Services, the Family Violence Program, and the actual allowable costs incurred by SafeHaven of Tarrant County.

Results

The audit of SafeHaven of Tarrant County identified the following significant findings in association with the contract:

- Incorrectly Allocated Costs
- Unallowable Costs
- Prior and Subsequent Period Costs
- Salaries not Supported
- Inadequate Recordkeeping

Our audit revealed overpayments of $171,162.91 from claims billed to the HHSC FV program for the period September 1, 2012 through August 31, 2013.

DETAILED FINDINGS

Finding A: Incorrectly Allocated Costs

The Provider billed HHSC for shared costs that benefited multiple programs. The Provider's allocation plan could not be used for determining equitable cost allocations to all funding sources. The IG auditors used an allocation percentage based on the percentage of HHSC revenue to total revenue. This resulted in the Provider over-billing HHSC $155,955.87 for the following allocated shared costs:

- Non-payroll costs - $21,040.48
- Salaries and fringe benefits - $134,915.39

Criteria

OMB Circular A-122, Section D.4.b.

Recommendation:

The Provider should refund $155,955.87 to HHSC for incorrectly allocated shared costs. The Provider should develop procedures to ensure cost allocation rates are calculated and applied correctly, and amounts are billed in accordance with expenditures approved under the terms of the contract.

Management's Response:

- *Non-payroll costs- $21,040.48*

SafeHaven of Tarrant County disagrees with the finding for the following:

The costs incurred for the Family Violence Program (FVP) and included in the approved HHSC Family Violence Program budget were charged to the award according to and in accordance with the approved terms and conditions, up to and including the amounts required in the contracted and approved budget. HHSC requires that the FVP provider not only provide justifications for each incurred eligible cost, but also for all other costs that support the total Family Violence Program (FVP). The OMB Circular A-122 does not require that the HHSC budget or expenditures (or of other funding sources) that support each direct eligible cost be spread or allocated among the sources at a specified percentage, but that the method used must provide a measurable basis for the benefits to the program or award over the course of the program and/or award period.

The direct cost method utilized by the Agency meets the criteria noted in OMB Circular A-122, section D.4.b. as the eligible direct program cost charged to each funding source can be accurately measured and the benefits to the entire FVP and each funding sources defined. Direct costs are those that can be identified specifically with a particular final cost objective, i.e., a particular award, project, service, or other direct activity of an organization, A-122, B.1.

Costs that benefit more than one program, activity, etc. are allocated according to the Agency's allocation plan previously submitted.

Attached in Exhibit 1 is an analysis of expenditures supported by the HHSC award, and all other funding revenue sources, as compared to the total eligible direct and allocated costs for the entire Agency. The exhibit illustrates the support of each source of funding to each individual cost category for the overall FVP and entire Agency.

In addition, the funding sources and contracts used to support the FVP require detailed budgets in much the same fashion as HHSC, but unlike HHSC, place restrictions on the specific eligible cost categories they will fund. For example, one federal source of funds passed through local jurisdictions requests that their support be utilized for shelter operating costs, but not be used for salaries and benefits for direct service personnel. Because of these types of restrictions, an artificial flat calculated shared cost ratio cannot be applied to the individual invoice or eligible cost. Direct and allocated costs are shared among all the sources that allow the costs to be charged to their awards.

- *Salaries and fringe benefits- $134,915.39*

SafeHaven of Tarrant County disagrees with the finding for the following:

The positions funded under the FVP and included in the approved HHSC Family Violence Program budget were charged to the award according to and in accordance with the approved terms and conditions, up to and including the amounts required in the contracted and approved budget. HHSC requires that the FVP provider not only provide justifications for each funded position, but also for all other positions that support the total Family Violence Program {FVP). The OMB Circular A-122 does not require that the HHSC budget or expenditures (or of other funding sources) that support each eligible cost be allocated or spread among the sources of funds at a specified percentage, but that the method used must provide a measurable basis for the benefits to the program or award over the program and/or award period. The Agency provided time and activity distribution reports that detailed the eligible activities by each employee for which they were compensated, and the amounts charged to each source of funds.

The direct cost method utilized meets the criteria noted in OMB Circular A-122, section D.4.b. as the eligible direct cost charged to each funding source can be accurately measured and the benefits to the entire FVP and each funding sources defined. Attached in Exhibit 1 is an analysis of expenditures supported by the HHSC award, and all other funding revenue sources, as compared to the total eligible direct and allocated costs for the entire Agency. The exhibit illustrates the support of each source of funding to each individual cost category for the overall FVP and entire Agency.

In addition, the funding sources and contracts used to support the FVP require detailed budgets in much the same fashion as HHSC, but unlike HHSC, place restrictions on the specific eligible costs categories they will fund. For example, one federal source of funds requires that their support not be utilized for shelter operating costs, but be used for salaries and benefits for direct *service personnel alone. Because of these types of restrictions, an artificial flat calculated shared cost ratio cannot be applied to the individual payroll or eligible cost.*

IG Response:

The IG auditors noted various instances whereby the provider billed 100% for positions that benefited different programs.

- Ten clinical counselors were included on the budget at 14%; however, two positions were billed at 100%.
- Three cook positions were budgeted at 49%; however, the provider billed one FTE at 100% and another FTE at 50%.
- Two administrative assistant positions were budgeted at 56%; however, the provider billed one FTE at 100% and another at 13%.

The time and activity distribution reports confirmed that the Provider billed for various positions at 100%, and did not allocate the cost using a base which accurately measures the benefits provided to each award or other activity. Exhibit 1 submitted by the Provider does not clearly define the allocation method selected as stated in the Cost Allocation Plan. The Provider did not submit adequate supporting documentation. This finding remains unchanged and the Provider should refund HHSC $155,955.87 for incorrectly allocated costs.

Finding B: Unallowable Costs

The Provider billed HHSC for unallowable costs in the amount of $8,809.33, which were not approved by HHSC during the contract budgeting process. Specifically, the following unallowable costs were billed to the HHSC:

- Employee retirement - $7,289.15
- Bilingual differential - $930.50
- Service award - $589.68

Criteria:

OMB Circular A-122, Attachment B.1.6

Recommendation:

The Provider should refund $8,809.33 for unallowable costs billed to HHSC. The Provider should establish policies and procedures to ensure compliance with the terms and conditions stipulated in the contract, along with other pertinent rules and regulations.

Management's Response:

SafeHaven of Tarrant County disagrees with the finding for Employment retirement for the following:

The employee retirement costs are the matching funds for the 403{b) retirement deductions for eligible employees performing eligible activities, and charged to all funding sources using the percentage of payroll charged to the same. The costs were distributed to particular awards and other activities in a manner consistent with the pattern of benefits accruing to the employees whose salaries and wages are chargeable to such awards and other activities. These costs are eligible under A-122, Attachment B.8.g.2.

SafeHaven of Tarrant County disagrees with the finding for Bilingual differential of $930.50.

The bi-lingual differential compensation is part of the Agency compensation plan to ensure multicultural access to services. It is part of the compensation for eligible employees performing eligible activities, and charged to all funding sources using the percentage of payroll charged to the same. The costs were distributed to particular awards and other activities in a manner consistent with the pattern of benefits accruing to the employees whose salaries and wages are chargeable to such awards and other activities. The compensation to individual employees is reasonable for the services rendered and conforms to the established policy of the organization consistently applied to both Federal and non-Federal activities. These costs are eligible as referenced under A-122, Attachment B.8.b. (1).

SafeHaven of Tarrant County disagrees with the finding for Service Award of $589.68.

The service award compensation is part of the Agency compensation plan to reward employees for time of service. It is part of the compensation for eligible employees performing eligible activities, and charged to all funding sources using the percentage of payroll charged to the same. The costs were distributed to particular awards and other activities in a manner consistent with the pattern of benefits accruing to the employees whose salaries and wages are chargeable to such awards and other activities. The compensation to individual employees is reasonable for the services rendered and conforms to the established policy of the organization consistently applied to both Federal and non-Federal activities. These costs are eligible as referenced under A-122, Attachment B.8.b. (1).

IG Response:

After reviewing the documentation submitted, the employee retirement, bilingual differential, and service awards although permitted by the OMB Circular A-122 were not budgeted or included in the HHSC contract. These costs appear on the budget as line items with no corresponding amounts and thus are not approved costs. The finding remains unchanged and the Provider should refund HHSC $8,809.33 for incorrectly including unallowable costs.

Finding C: Prior and Subsequent Period Costs

The Provider billed HHSC $4,999.19 for the following costs that were not incurred during the fiscal year 2013 contract funding period:

- The Provider billed HHSC for expenditures in fiscal year 2013 that were incurred in the prior contract period ending August 31, 2012, which resulted in questioned costs of $2,804.16. The expenditures included utilities, maintenance, and mileage.

- The Provider billed HHSC for $2,195.03 for costs that were incurred subsequent to the contract period ending August 31, 2013. This amount consists of salaries of $221.82 and non-payroll costs (e.g.food) of $1,973.21.

Criteria:

OMB Circular A-110 Subpart C Section 28.

Recommendation:

The Provider should refund HHSC $4,999.19 for the unallowable costs billed. The Provider should establish policies and procedures to ensure compliance with the terms and conditions stipulated in the contract, along with other pertinent rules and regulations.

Management's Response:

SafeHaven of Tarrant County agrees with the finding for the following award year 2012 costs billed in award year 2013:

- *HJ Air and Heating- $1,229.20*
- *Arlington Water- $235.75*
- *Fort Worth Water- $77.24*
- *Faith Parchman- $47.01*
- *Maria Fields- $183.02*
- *Gwen Bain - $150.00*

Corrective Action:

The Agency has implemented an improved review process for the costs charged to the awards, and performs a detailed analysis of costs incurred that may cross over contracted award program start and end dates. Eligible direct costs are attributable to multiple award periods are prorated by calendar day to ensure the costs are included in the correct period.

Expense reports and reimbursement requests for staff mileage is paid for the preceding month on the second payroll processing date of the subsequent month. This caused the expense to be included in error. The Agency has determined it will not charge any federal or state awards mileage incurred by employee's in the course of business.

SafeHaven of Tarrant County disagrees with the finding for the following cost:

- *TXU Electric - $881.94*

This invoice was removed from the HHSC award with adjusting journal entry JV00851 GL 7722 708.1.11 Electricity Adjust Utilities, HHSC 708 Doc# 3167297 4/30/2013 $2,204.86 JV00851

SafeHaven of Tarrant County agrees with the finding for the following award year 2014 costs billed in award year 2013:

- *Salaries- $221.82*
- *Food, Ben E Keith- $1,973.21*

Corrective Action:

The Agency has implemented an improved review process for the costs charged to the awards, and performs a detailed analysis of costs incurred that may cross over contracted award program start and end dates.

IG Response:

The auditor reviewed the general ledger entry submitted by the Provider. The general ledger does have an adjusting entry in the amount of $2,204.86, dated 4/30/13; however, there is no corresponding entry with the applicable account code for the adjustment included in the general ledger. The Provider recorded the expense in the prior contract year, and entered an adjusting entry six months later, in a new contract period. The Provider did not provide adequate supporting documentation for the entry. The finding remains unchanged and the Provider should refund HHSC $4,999.19 for prior and subsequent period costs.

Finding D: Salaries not Supported

The Provider billed HHSC $1,398.52 for salaries that were not supported by timesheets and other documentation.

Criteria:

OMB Circular A-122, Attachment A.2. b
Contract #529-13-0017-00035 Article 9.04 and 10.05

Recommendation:

The Provider should refund $1,398.52 to HHSC for the unsupported salaries. Documentation for salaries charged to HHSC should include employee pay rates and timesheet records to support the amounts billed.

Management's Response:

SafeHaven of Tarrant County agrees with the finding for the unsupported salaries.

- *Salaries- $1,398.52*

Corrective Action:

The Agency has implemented an improved review process for the costs charged to the awards. In this instance the time distribution report for the employee costs charged to the award could not be located, and were not maintained in the employee or award file in order to document the expense.

Finding E: Inaccurate Recordkeeping

The Provider submitted several versions of the general ledger and billing summaries. However, the IG auditors were unable to reconcile the general ledger to the HHSC billing records. Salaries exceeded budgeted amounts, and the Provider did not provide adequate documentation for the employee salary adjustments.

Criteria:

Texas Administrative Code (TAC), Chapter 379 Subchapter B
OMB Circular A-122, Attachment A.2. g
Contract #529-13-0017-00035 Article 9.04 and 10.05

Recommendation:
The Provider should maintain an accurate accounting system, and records that contain a general ledger and subsidiary ledger, as well as supporting documentation for all revenue and expenditures.

Management's Response:

SafeHaven of Tarrant County disagrees with the finding of Inaccurate Recordkeeping for the following:

The Agency provided the auditor during fieldwork internal work-papers for the required quarterly HHSC Financial Reports and Annual Report that it believed would assist in the review process, but in all instances noted the general ledger and subsequent documentation was based on the total contracted award period that corresponded to the Annual Financial report that was revised per HHSC request in January 2014. As eligible expenses were incurred after each quarterly report was required to be submitted, these costs were included in the subsequent report. Per guidance from HHSC, revised quarterly reports were not required. The general ledgers and supporting documentation provided to the auditors for the total contract period correspond to the HHSC award expenditures presented in the Annual Financial Report.

The payroll and associated benefit costs are entered on the Agency general ledger in summary form, with each entry representing the detail of costs incurred, and booked to the ledger using the account code (four digit), fund code (three digit), branch/location code (one digit), and department code (two digit). Adjusting journal entries are used to ensure only eligible costs is included in each award. The auditor commented they were unable to reconcile the source records to the general ledger. As illustrated in attached exhibit 2, the payroll costs incurred for each employee and charged to the HHSC award are shown, and the associated general ledger entry for each payroll are included for two months tested by the auditors. For example, payroll costs of $6,393.15 for the March 22, 2013 period for Fort Worth shelter staff are charged to 7001.708.1.10, and corresponds to general ledger entry JV00808 for $6,393.15 dated 3-22-13. This method of fund and departmental accounting for payroll and associated benefits on the general ledger is utilized for all employee compensation costs incurred by the Agency.

Each individual cost associated with the Agency FVP and HHSC award can be identified to the supporting source documents and associated adjusted entries on the general ledger. Costs shared among funding sources are documented and can be identified from the source document to the general ledger entry.

Per HHSC FVP guidance, individual budgeted expense line items are allowed nominal variances, but the major categories are required to remain within a variance to budget of 10% of the total category cost, up to a maximum of $5,000. The Annual Financial Report and corresponding general ledger revised in January 2014 meet these requirements. The annual report was reviewed and the fiscal close out letter received from HHSC on January 8, 2014.

The Agency was not made aware that the auditor could not secure adequate documentation for employee salary adjustments and payroll changes, and the information presented in the performance report dated November 16, 2015 differs from employee records on file with the Agency.

In summary, there are several items outlined above with which SafeHaven disagrees regarding the findings described in the final letter from the OIG. The OIG has not made SafeHaven aware of the deadlines, timelines, or processes surrounding an appeal through informal hearing. SafeHaven is interested in moving forward with all remedies available through the hearings process and we are requesting that information at this time.

IG Response:
The performance audit covered the costs charged to the program during the period from September 1, 2012 through August 31, 2013. Examples of the inaccurate recordkeeping noted by the IG auditors included:

- The HHSC contract Section 10.05 states "If a budget revision is less than 5% of contract amount or $5,000, the Provider has 30 days to report the revision to HHSC. If the revision is more than 5% of the contract amount or $5,000, the Provider must report the revision and gain HHSC approval prior to implementation". Adequate documentation for the approval from HHSC was not provided for adjustments to employees' salaries which resulted in salaries exceeding the budgeted amount. For instance, salaries for clinical counselors exceeded the budgeted amounts by $7,577.95, and the budgeted amount for kitchen manger-cooks was exceeded by $9,014.03.

  Additionally, the Provider did not submit HHSC prior approval documentation for the following non - payroll costs

	HHSC Budget	Actual	Difference
Property Insurance	$5,050.00	$14,794.56	$9,744.56
Maintenance	30,000.00	50,881.89	20,881.89
	$35,050.00	$65,676.45	$30,626.45

- In the example given by the provider, only a portion of the staff was included. There were no adjusting entries found in the HHSC general ledger, for several months, to document when the payroll register did not agree to the general ledger for salaries. Specifically, it was noted during October 2012, the HHSC general ledger code for salaries totaled $48,962.85 and the HHSC payroll register totaled $53,313.25, resulting in a variance of $4,350.40.
- The IG Auditors informed the Provider's management of the irreconcilable financial records during the preliminary exit conference on August 15, 2014, and again on July 21, 2015 during the final exit conference.

Finding E remains unchanged as the Provider has not submitted sufficient documentation in response to this finding.

Appendices

APPENDIX A

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objectives of the audit were to determine whether the Provider's activities and costs charged to the HHSC program were allowable, and the program operated in compliance with the contract's relevant criteria contained in the *Texas Administrative Code* (TAC), and the *Office of Management and Budget (OMB) Circular A-122*, and applicable HHSC policies and procedures.

Scope

The performance audit covered the period from September 1, 2012 through August 31, 2013 and other related periods.

Methodology

The methodology employed during this performance audit included objectively reviewing and analyzing various forms of documentation, conducting interviews and observations, and other tests necessary to achieve the objectives of the audit. During the engagement, the IG auditors interviewed operational and administrative personnel, performed tests of accounting records, and reviewed documents, including but not limited to:

- Independent Audit Reports
- Contracts and related documentation
- Policies and Procedures to ensure compliance by the Provider with contract requirements
- Organizational Chart
- Board minutes
- Accounting records and invoices

The IG auditors conducted tests for the following compliance requirements:

- Activities allowed or disallowed
- Contract requirements
- Program requirements

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and recommendations, based on our audit objectives. We believe the evidence obtained provides a reasonable basis for the findings and recommendations.

During the engagement, the IG auditors did not review all internal controls. The internal control review was limited to the objectives described above.

Criteria Used

- Contractual requirements
- Texas Human Resources Code, Chapter 51, Section 51.0051(3)
- Texas Administrative Code (TAC), Chapter 379 Subchapter B
- Office of Management and Budget Circulars A-110, A-122
- Provider fiscal policies and procedures

Team Members

Kacy J. VerColen, CPA, Director of Audit, Compliance Division
Ann Gauntt, CPA, Manager, Subrecipient Financial Review Unit
Krystal Mosley, Lead Auditor, Subrecipient Financial Review Unit
Carolina Rodriquez, Auditor, Subrecipient Financial Review Unit
Mercedes Gariando, CIA, CGAP, CFE, CIGA, Auditor, Subrecipient Financial Review Unit
Karen L. Reed, CFE, CICA, CIGA, Auditor, Subrecipient Financial Review Unit

APPENDIX B

REPORT DISTRIBUTION

Health and Human Services Commission

Mr. Chris Traylor, Executive Commissioner
Texas Health and Human Services Commission
4900 North Lamar Blvd.
Mail Code BH-1000
Austin, Texas 78751

Ms. Nicole Guerrero, MBA, CIA, CGAP, Director of Internal Audit
Texas Health and Human Services Commission
4900 North Lamar Blvd.
Mail Code BH-1600
Austin, Texas 78751

Beth Zahn
Family and Community Services, HHSC-REF/FV
Texas Health and Human Services Commission
4900 North Lamar Blvd.
Mail Code 2010
Austin, Texas 78751

Laurie Shannon, Manager
Texas Health and Human Services Commission
Family Violence Management and Administration
909 W. 45th St.
Austin, Texas 78751

Anne, Dvorak, Senior Counsel for Audit
HHSC-IG, Chief Counsel Division
11501 Burnet Road
Austin, Texas 78758

Cheryl Fee, Case Manager
HHSC-IG Chief Counsel Division
11501 Burnet Road
Austin, Texas 78758