



July 12, 2018

Ms. Carol Everett, Chief Executive Officer
The Heidi Group
109 S. Harris Street
Ste. 210
Round Rock, TX 78664

Dear Ms. Everett:

The Texas Health and Human Services Commission (HHSC), Fiscal Monitoring Unit has completed its fiscal monitoring review covering the period of September 1, 2017 through April 13, 2018. The scope of the review was expanded while on site, from the original test period of September 1, 2017 through November 30, 2017, to ensure compliance from the beginning of the review period, to the final date of field work.

HHSC maintains the right to expand the scope outside of the current period based on the results of this review, which may result in further questioned costs. The primary objective of this review was to determine if your agency was in compliance with the fiscal requirements of federal and state regulations, HHSC policies and procedures, and the contract provisions. This review was limited to fiscal compliance only and did not evaluate the overall program objectives. Concurrently, HHSC Office Women's Health and Education Services conducted a review of programmatic requirements and will be producing their report under a separate document.

The findings and recommendations are detailed in the enclosed Initial Report of Findings. A written management response with a corrective action plan must be submitted for each finding and will be included verbatim in the Final Report. The corrective action plan must include the steps planned by management to address the condition noted, the implementation date, and who is responsible for this implementation. Any additional documents or other requested information necessary to mitigate the finding should be included with your response, which must be received in our office no later than July 26, 2018. Any questioned costs not resolved by your response(s) will become disallowed costs and a refund will be required.

Carol Everett, Chief Executive Officer
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Please submit the responses to me by email to Jacob.welch@hhsc.state.tx.us or by mail at:

Jacob Welch, Senior Manager
Health and Human Services Commission
Fiscal Monitoring Unit, MC 1326
P.O. Box 149347
Austin, Texas 78714-9347.

Please contact me at (512) 776-3148 if you have questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jacob Welch".

Jacob Welch, JD, CTCM
Senior Manager, Fiscal Monitoring and Single Audit Unit Manager
Health and Human Services Commission

Enclosure



Fiscal Monitoring Unit
Fiscal Compliance Review Report
The Heidi Group

Objective:

To determine whether the amounts paid for the Attachments referenced below were in compliance with the terms of the contract, Health and Human Services Commission (HHSC) rules, and applicable state and federal regulations.

Attachments & Periods Reviewed:

Attachment ID	Program ID	FY18 Contract Term	Contract Amount	Review Period
529-16-0102-00053	FPP	9/1/17-8/31/18	\$2,040,000.00	9/1/17-4/13/18
529-16-0132-00006	HTW	9/1/17-8/31/18	\$1,154,672.00	9/1/17-4/13/18

Legend for Program Abbreviations:

- FPP - Family Planning Program
- HTW - Healthy Texas Women

Fieldwork Conducted: April 9 – 13, 2018

Scope and Methodology: The scope and methodology of this visit encompassed a review of supporting documentation and analysis of:

- Payroll
- Other Contract Expenditures
- Cost Allocation Plan(s)
- Subcontracts
- Equipment paid by the Contract
- Compliance with Rider 87
- General compliance with rules, regulations, contract provisions, and policies and procedures

We reviewed the agency’s accounting procedures relating to the contract (grant) to determine whether they were adequate to ensure accurate, current, and complete disclosure of the financial results of grant activities and were adequate to identify the source and application of contract (grant) funds. We also reviewed documentation and interviewed agency staff to determine whether the agency was

in compliance with applicable federal and state regulations; HHSC policies and procedures; and contract provisions. In some instances, we relied on the results of the independent audit to determine grant compliance with specific provisions. This review was limited to issues of financial compliance only. Programmatic compliance is the purview of the various HHSC programs and therefore no records concerning program compliance were examined.

Detailed Findings and Recommendations

Finding #1

Condition: Documentation that verifies the expenditure amount and appropriateness to the grant was not provided for costs charged to the Healthy Texas Women (HTW) grant and Family Planning Program (FPP). The unsupported expenditures were comprised of payments to subrecipient providers, and costs claimed as expenses of The Heidi Group.

Payments to subrecipient providers included predetermined fees of \$50 paid per number of HTW and FPP claims, and other amounts paid for subrecipient providers' personnel costs. Documentation was not provided to prove the costs existed for the majority of costs listed below, nor that the amount charged was appropriate for the benefit received by the program(s). These costs include the following:

- Subrecipient Personnel paid as part of the fee
- Other Subrecipient Personnel
- Subrecipient Consumable Supplies and other expenses paid as part of the fee
- Other Subrecipient Supplies
- Subrecipient Rent
- Subrecipient Insurance
- Subrecipient e-MDs annual maintenance renewal agreement

Additionally, costs claimed by The Heidi Group, while supported by documentation, were split evenly between the grants without consideration of the appropriate relative benefit to the grants. These costs include the following:

- Heidi Group Supplies
- Heidi Group Rent
- Heidi Group Insurance
- Heidi Group Travel
- Heidi Group Radio Advertising

The unsupported costs, according to each grant and by expense type, are:

	Subrecipient	The Heidi Group
HTW Subrecipient Consumable Supplies - \$3.25 of the \$50 fee per HTW claim	\$ 10,952.50	\$ -
HTW Subrecipient Mid-Level Providers Personnel - \$16.75 of the \$50 fee per HTW claim	\$ 56,447.50	\$ -
HTW Subrecipient Additional Medical Personnel - \$30.00 of the \$50 fee per HTW claim	\$ 101,100.00	\$ -
HTW Subrecipient Expenditures, as noted	\$ 25,094.47	\$ -
HTW Subrecipient Personnel - Other	\$ 263,238.26	\$ -
HTW The Heidi Group Expenditures as noted	\$ -	\$ 83,541.98
HTW total	\$ 456,832.73	\$ 83,541.98

FPP Subrecipient Expenditures - \$3.25 of the \$50 fee per FPP claim	\$ 2,808.00	\$ -
FPP Subrecipient Mid-Level Providers Personnel - \$16.75 of the \$50 fee per FPP claim	\$ 14,472.00	\$ -
FPP Subrecipient Additional Medical Personnel - \$30.00 of the \$50 fee per FPP claim	\$ 25,920.00	\$ -
FPP Subrecipient Expenditures (eMDs)	\$ 4,743.80	\$ -
FPP The Heidi Group Expenditures as noted	\$ -	\$ 81,032.55
FPP total	\$ 47,493.80	\$ 81,032.55

Criteria: Uniform Grant Management Standards, ATTACHMENT A, C. Basic Guidelines, states in part, "1. Factors affecting allowability of costs. To be allowable under Federal or state awards, costs must meet the following general criteria: j. Be adequately documented. Documentation required may include, but is not limited to, travel records, time sheets, invoices, contracts, mileage records, billing records, telephone bills and other documentation that verifies the expenditure amount and appropriateness to the grant."

Questioned Costs:

HTW: .	\$540,374.71
FPP:	<u>\$128,976.71</u>
Total:	\$669,351.42

Recommendation: To resolve the finding:

1. Submit a corrective action plan to implement or reinforce an existing policy and procedure to help ensure documentation is maintained that verifies the expenditure amount and appropriateness to the grant.

2. Provide documentation that verifies the expenditure amount and appropriateness to the grant for further consideration. Costs that are adequately documented, with support for the amount claimed benefiting the program(s), may mitigate the questioned costs.
 - a. For costs claimed for The Heidi Group, an allowable methodology to allocate the costs in accordance to the appropriate benefit received by each program may be sufficient to calculate the appropriate cost to each grant.
 - b. For costs paid to subrecipients, documentary support is necessary to support the existence of the cost, and that the amount paid is appropriate for the benefit received by the grant. Considerations for appropriateness include, but are not limited to, whether the costs are covered under the Fee For Service portion of the grant received by the subrecipients, the extent the claimed personnel worked on the grant(s), and the extent other reimbursed costs benefited the grant(s).
3. Offset a subsequent claim as a refund for any resulting overpayment. If an offset is not possible, a remittance may be required.

Management Response:

Responsible Party:

Implementation Date:

HHSC Reply:

Finding #2

Condition: The Heidi Group's payroll, including fringe, was charged to the Family Planning Program and Healthy Texas Women grants based on budgeted, predetermined percentages. Half the payroll was charged to FPP and the other half to HTW without, at least on a quarterly basis, comparing actual costs (based on relative benefits received) to the amounts charged.

Criteria: Uniform Grant Management Standards, Section II, Attachment B, 11. Compensation for personnel services, h. Support of salaries and wages, states in part, "(5) *Personnel activity reports or equivalent documentation must meet the following standards: (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal or state awards but may be used for interim accounting purposes, provided that:*

(i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
(ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal or state awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances."

Questioned Cost:

HTW: \$221,967.60
FPP: \$245,986.11

Total: \$468,001.12

Recommendation: To resolve the finding:

1. Submit a corrective action plan to implement or monitor an existing policy and procedure to help ensure that, in the future, all payroll costs are allocated appropriately to specific grants based on relative benefits received.
2. Provide an acceptable methodology for allocating payroll costs, including fringe. The questioned costs may be resolved in part after a comparison of actual benefiting payroll cost (based on an acceptable methodology) to the amounts charged.
3. Offset a subsequent claim as a refund for any resulting overpayment. If an offset is not possible, a remittance may be required.

Management Response:

Responsible Party:

Implementation Date:

HHSC Reply:

Finding #3

Condition: The following costs resulting from obligations outside of the funding period were charged to the current funding period. These costs were incurred prior to the start of the funding period date of September 1, 2017:

	<u>HTW</u>	<u>FPP</u>
Attorney Fees	\$2,423.05	\$9,900.00
ClearVue Network	\$95.00	\$95.00
Personnel Costs	\$2,892.36	\$4,922.06

Criteria: Uniform Grant Management Standards, Part III., Subpart C, .23, states in part, "(a)General. Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period".

Questioned Cost:

HTW:	\$ 5,410.41
FPP:	<u>\$14,917.06</u>
Total:	\$20,327.47

Recommendation: To resolve the finding:

1. Submit a corrective action plan to implement or monitor an existing policy and procedure to help ensure only costs resulting from obligations of the funding period are charged to the grant.
2. Remove the costs from the grant general ledger account.
3. Offset a subsequent claim as a refund for any resulting overpayment. If an offset is not possible, a remittance may be required.

Management Response:

Responsible Party:

Implementation Date:

HHSC Reply:

Finding #4

Condition: The following costs were charged to the grants. These costs were not necessary for the proper and efficient performance and administration of the grant.

	<u>HTW</u>	<u>FPP</u>
• Food and/or Meals	\$2,415.61	\$2,666.71
• Water	\$612.73	\$612.73
• Gift Cards	\$41.95	\$41.95
• Dillard's Women's Clothing	\$112.30	\$112.30
• Appliances	\$900.54	\$900.54
• Amazon Membership fees	\$49.50	\$49.50
• Sam's Business Membership fees	\$22.50	\$0.00
• Bed, Bath and Beyond	\$20.00	\$20.00

Criteria: Uniform Grant Management Standards, Attachment A., C. Basic Guidelines, states in part, "1. Factors affecting allowability of costs. To be allowable under Federal or state awards, costs must meet the following general criteria: a. Be necessary and reasonable for proper and efficient performance and administration of Federal or state awards."

Questioned Cost:

HTW: \$4,175.13
FPP: \$4,403.73
Total: \$8,578.86

Recommendation: To resolve the finding:

1. Submit a corrective action plan to implement or monitor an existing policy and procedure to help ensure only costs that are necessary for the proper and efficient performance and administration of the grant are charged to the grant.
2. Remove the costs from the grant general ledger account
3. Offset a subsequent claim as a refund for any resulting overpayment. If an offset is not possible, a remittance may be required.

Management Response:

Responsible Party:

Implementation Date:

HHSC Reply:

Finding #5

Condition: The amount of costs charged to the HTW grant for QuickBooks training related to order #305274 was not net of all applicable credits. Additionally, the subject cost was not charged to the grant in accordance with relative benefits received.

Credit to be removed:	\$250.00
Cost to be redistributed using appropriate allocation:	\$274.95

Criteria: Uniform Grant Management Standards, Attachment A, C. Basic Guidelines, states in part, "1. Factors affecting allowability of costs. To be allowable under Federal **or state** awards, costs must meet the following general criteria:...b. Be allocable to Federal **or state** awards under the provisions of this Circular.i. Be the net of all applicable credits." and "3. Allocable costs. a. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received."

Questioned Cost: HTW/Total: \$524.95

Recommendation: To resolve the finding:

1. Submit a corrective action plan to implement or monitor an existing policy and procedure to help ensure costs charged to grants are net of all applicable credits and charged in accordance with relative benefits received.
2. Allocate the subject QuickBooks training costs net of all applicable credits and in accordance with relative benefits received.
3. Adjust all relative general ledger accounts so that the general ledger reflects the correct account balances with the \$250 credit.
4. Offset a subsequent claim as a refund for any resulting overpayment. If an offset is not possible, a remittance may be required.

Management Response:

Responsible Party:

Implementation Date:

HHSC Reply:

Finding #6

Condition: Contracts or grant agreements with subrecipients did not exist that would advise the subrecipients of requirements imposed on them by state laws, regulations, and the provisions of the grant agreement. Additionally, no monitoring of the subrecipient was performed to ensure the subrecipients used the state award for authorized purposes in compliance with laws, regulations, and the provisions of the grant agreement.

Criteria: Uniform Grant Management Standards, Chapter IV, sec. .400, states in part, "*A pass-through entity shall perform the following for the state awards it makes:*

- (1) Identify state awards made by informing each subrecipient of the state program name and state program number (if a number is used), CFDA title and number (if used to identify the state program), other relevant identifier, award name and number, award year, and name of state agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the state award.*
- (2) Advise subrecipients of requirements imposed on them by state laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity. The requirements shall either be stated in the contracts or grant agreements, or be included by specific reference in the contracts or grant agreements.*
- (3) Monitor the activities of subrecipients as necessary to ensure that state awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved."*

Questioned Cost: None

Recommendation: To resolve the finding:

1. Enter into contracts with subrecipients informing the subrecipients of requirements imposed on them by state laws, regulations, and the provisions of the grant.
2. Submit a corrective action plan to implement a policy and procedure to ensure, in the future, subrecipient relationships are established through contracts as required by UGMS.
3. Submit a corrective action plan to implement a policy and procedure to ensure subgrant supported activities are monitored to assure compliance with laws, regulations, and the provisions of the grant agreement.

Management Response:

Responsible Party:

Implementation Date:

HHSC Reply: