



# Sherry Matthews Group

## A Texas Health and Human Services Commission Special Supplemental Nutrition Program for Women, Infants and Children (WIC) Contractor

### Results in Brief

#### Why OIG Conducted This Audit

The Texas Health and Human Services (HHS) Office of Inspector General (OIG) Audit and Inspections Division (OIG Audit) conducted an audit of Sherry Matthews Group (SMG), a national marketing communications agency based in Austin, Texas. OIG initiated this audit to provide audit coverage of non-Medicaid contracts. As of October 2022, SMG had seven active contracts with HHS agencies.

During the audit scope, the Special Supplemental Nutrition Program for Woman, Infants and Children (WIC), which is administered by the Texas Health and Human Services Commission (HHSC), provided a \$5.2 million budget to SMG, and for work performed during the audit scope, SMG billed \$5.1 million to HHSC for expenses associated with the WIC contract.

#### Summary of Review

The audit objective was to determine whether SMG delivered and billed for selected services in compliance with applicable contract requirements.

The audit scope covered the period from July 1, 2021, through August 31, 2022.

#### Management Response

SMG agreed with the audit recommendations and indicated corrective actions would be implemented by May 2023.

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#### Conclusion

Sherry Matthews Group (SMG) substantially complied with selected contract requirements related to education, marketing, and outreach materials (materials) and selected reports for the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) administered by the Texas Health and Human Services Commission (HHSC). However, when billing HHSC for reimbursement of payroll expenses, SMG did not always submit accurate or supported invoices. Additionally, it did not comply with Historically Underutilized Business (HUB) subcontracting requirements for its subcontractors.

#### Key Results

SMG did not always ensure that it billed accurate and supported payroll expenses to HHSC for reimbursement. Specifically, for 113 payroll expenses tested, SMG billed HHSC for 17 payroll expenses that were inaccurate or unsupported. As a result, SMG was overpaid \$1,625.00, which it should repay to the state of Texas.

Additionally, for 11 of 113 payroll expenses tested, SMG billed HHSC for subcontractors, which should have been billed as third-party expenses and were also not in compliance with HUB subcontracting requirements because these subcontractors were not on the list of preapproved subcontractors in the HUB subcontracting plan SMG submitted to HHSC. As a result, testing was expanded to identify additional payroll expenses related to subcontractors for the complete audit period. The additional testing identified 36 payroll expenses for subcontractors that should have been billed as third-party expenses and were also not in compliance with HUB subcontracting requirements. SMG billed and HHSC paid \$185,560.00 for a total of 47 payroll expenses related to 11 subcontractors. The subcontractors did provide required creative services, and HHSC accepted the materials; however, SMG was not in compliance with HUB subcontracting requirements.

Further, two inaccurate payroll expenses were identified in the expanded testing. The two additional payroll expense errors identified in the expanded testing were corrected by SMG once identified by the auditors.

#### Recommendations

SMG should:

- Strengthen its processes and controls to ensure the payroll expenses it bills to HHSC are accurate and supported.
- Repay the state of Texas \$1,625.00 for the inaccurate or unsupported payroll expenses.
- Ensure it bills HHSC for subcontractors as third-party expenses.
- Develop a process to ensure it complies with HUB subcontracting requirements when using subcontractors.