

OFFICE OF INSPECTOR GENERAL

TEXAS HEALTH AND HUMAN SERVICES COMMISSION

AUDIT OF SELECTED NONCOMPETITIVE CONTRACTOR PROCUREMENTS OVER \$10 MILLION

*Early Childhood Intervention Program Contract
Between
Texas Department of Assistive and Rehabilitative
Services and
Easter Seals Rehabilitation Center*



February 21, 2017
IG Report No. IG-16-072



HHSC IG

TEXAS HEALTH AND HUMAN
SERVICES COMMISSION

INSPECTOR GENERAL

WHY THE IG CONDUCTED THIS AUDIT

The Texas Department of Assistive and Rehabilitative Services (DARS) administered the Early Childhood Intervention (ECI) program until DARS consolidated with HHSC on September 1, 2016.

The ECI program is designed to provide services for families with children, age three and younger, who have been diagnosed with disabilities and developmental delays.

Easter Seals Rehabilitation Center, Inc. (Easter Seals) provides ECI services to approximately 1,300 children each year in and around Bexar County, Texas. The value of the Easter Seals contract from 2013 through 2016 was \$18,651,121.

This audit is one in a series of performance audits on contracts from Health and Human Services (HHS) agencies. The audits evaluate whether (a) contract funds were used as intended and (b) contractor performance was in accordance with contract requirements. The contracts selected for review were noncompetitively awarded and had a contract value of \$10 million or greater.

WHAT THE IG RECOMMENDS

HHSC should require Easter Seals to implement corrective actions to ensure Easter Seals screens prospective employees in accordance with regulations and implements mileage reimbursement policies that follow best practices.

For more information, contact:
IG.AuditDivision@hhsc.state.tx.us

AUDIT OF SELECTED NONCOMPETITIVE CONTRACTOR PROCUREMENTS OVER \$10 MILLION

Easter Seals Rehabilitation Center, Inc.

WHAT THE IG FOUND

The IG Audit Division reviewed contract output and outcome measures to evaluate whether Easter Seals performed its obligations under the contract.

Easter Seals was not performing fingerprint-based criminal background checks on prospective employees who have had direct contact with children or families in accordance with regulations. Allowing direct client contact without fingerprint-based criminal background checks may place ECI clients and families at risk.

Easter Seals did not use the federally required E-verify system to verify its employees' eligibility to work in the United States during the audit period. Because it did not use E-Verify, Easter Seals could not be certain about whether the individuals it hires are legally authorized to work in the United States. Easter Seals management has since provided evidence that all employees were screened through E-Verify as of June 2016.

Easter Seals exceeded its annual budget for travel by approximately 11 percent for fiscal year 2016. Easter Seals' practice of reimbursing employees for mileage travelled between their residence and temporary duty point, without reducing the mileage for the distance from the employee's residence to headquarters, may have contributed to Easter Seals exceeding its budget. Easter Seals may have determined it was in its best interest to compensate employees for this travel, but the practice may be viewed as a waste of taxpayer funds and is not considered a good business practice. When mileage is paid as compensation, the Internal Revenue Service classifies it as taxable income. Easter Seals reimbursed employees for this mileage expense without reporting it to the Internal Revenue Service as taxable income.

HHSC ECI concurred with the IG Audit Division recommendations and will facilitate Easter Seals implementation of corrective action plans. Subsequent to the IG Audit Division fieldwork, ECI re-emphasized to all contractors the requirements associated with performance of fingerprint-based background checks for all persons having direct contact with clients or families and E-Verify for all employees.

LESSONS LEARNED

Successful administration of publicly funded grant programs requires grantees to make assumptions about reasonableness as it related to fund expenditures. Reasonable mileage accumulated on a personal vehicle used for business purposes should be reimbursed. When reasonableness is not defined, it is a good practice to research decisions made by oversight organizations about handling similar expenditures. In this situation, mileage equivalent to an individual's daily commute should be removed from mileage reimbursement calculations.

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INTRODUCTION

The Texas Health and Human Services Commission (HHSC) Inspector General (IG) Audit Division is conducting an audit of contracts from the Health and Human Services agencies. The contracts selected for review were noncompetitively awarded and had a contract value¹ of \$10 million or greater. Due to the diversity of the contracts involved, the IG Audit Division is issuing three separate reports.

This report details the results of the audit of the contract awarded to Easter Seals Rehabilitation Center, Inc. (Easter Seals) for the Department of Assistive and Rehabilitative Services (DARS) Early Childhood Intervention (ECI) program. DARS awarded Easter Seals a noncompetitive contract in 2013 to support the mission of the ECI program and renewed it each year through 2016. The value of the contract from 2013 to 2016 was \$18,651,121. The Easter Seals contract was selected for review due to (a) the high dollar value of the contract and (b) the noncompetitive award of the contract. Unless otherwise described, any year referenced is the state fiscal year, which covers the period from September 1 through August 31.

Objective

The audit objective was to determine whether (a) contract funds were used as intended and (b) contractor performance was in accordance with contract requirements.

Background

The ECI program, which is state and federally funded under the Individuals with Disabilities Education Act,² is designed to provide services for families with children, age three and younger, who have been diagnosed with disabilities and developmental delays. Specifically, the ECI program helps families to coordinate with professionals to plan and provide appropriate services based on the needs of each child and family. ECI services include case management; developmental services; physical, occupational, and speech therapy; family education; counseling; screening; and assessments. Easter Seals provides services for approximately 1,300 children each year in and around Bexar County, Texas. DARS administered the ECI program until September 1, 2016 when DARS was consolidated with HHSC.

The IG Audit Division conducted this audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

¹ The contract value is the total maximum contract amount, or lifetime contract expenditure, from September 1, 2012 through August 31, 2016.

² United States Code, Title 20, Chapter 33, Subchapter I, §1400 (January 3, 2012).

RESULTS, ISSUES, AND RECOMMENDATIONS

Easter Seals is required to perform services in accordance with its ECI contract as defined by contract provisions, required deliverables, and defined output and outcome measures. The IG Audit Division reviewed the extent to which Easter Seals met the seven contract obligations discussed in this report. Results, issues, and recommendations, when applicable, are detailed in the following sections: service provider qualifications, employment practices, client eligibility, the Texas Kids Intervention Data System, individualized family service plans, the ECI Local Program Performance Report, and financial management.

SERVICE PROVIDER QUALIFICATIONS

Texas Administrative Code and the ECI contract requires Easter Seals to “ensure that all therapists providing Medicaid services for ECI children are enrolled correctly with the Texas Medicaid Program.”³ The ECI contract further requires, “If requested by DARS ECI, Contractor must submit to DARS ECI, in a format specified by DARS, the Texas Provider Identifier (TPI) and National Provider Identifier (NPI) number for each direct service staff.”⁴

The IG Audit Division reviewed personnel files for a haphazard sample⁵ of 15 therapists from the total of 25 therapists employed by Easter Seals for any period of time between September 2014 and March 2016, to evaluate whether the therapists had been enrolled with the Texas Medicaid Program in accordance with the Texas Medicaid Provider Procedures Manual.

The IG Audit Division obtained the TPI numbers from the personnel files of the 15 selected therapists and, using the Texas Medicaid and Healthcare Partnership website, determined whether the providers were enrolled as required.

Records indicated that all 15 therapists tested were correctly enrolled in the Medicaid program.

EMPLOYMENT PRACTICES

Easter Seals is required to (a) verify and document that licensed professionals hold a current license in good standing in their discipline and practice, (b) perform fingerprint-based

³ Texas Administrative Code, Title 40, Part 2, §108.310(b) (September 1, 2013); DARS Early Childhood Intervention Services Contract No. 5382001534, Section XIX General Provisions A (2015-2016).

⁴ DARS Early Childhood Intervention Services Contract No. 5382001534, Section XIX General Provisions A (2015-2016).

⁵ Haphazard sampling is a non-statistical technique used by auditors to simulate random sampling.

background checks of all persons working under the auspices of Easter Seals, and (c) use E-Verify to verify its employees' eligibility to work in the United States.

The IG Audit Division selected personnel files for a haphazard sample of 30 employees from the total of 156 individuals employed by Easter Seals for any period of time between September 2014 and March 2016, to evaluate whether documentation indicated (a) personnel were licensed to provide ECI services,⁶ (b) fingerprint-based background checks were performed,⁷ and (c) E-verify was used to determine eligibility⁸ to work in the United States.

All 30 personnel files included documentation indicating individuals were appropriately licensed to perform services.

Background Checks Were Not Performed To Standards

Texas Administrative Code requires Easter Seals to perform a fingerprint-based criminal background check on any employee, volunteer, or other person who will be working under the auspices of the contractor before the person has direct contact with children or families. Easter Seals' Operating Policies and Procedures Manual mirrors the Texas Administrative Code requirements, but Easter Seals did not adhere to the policy during the audit period in regard to prospective employees.

Additionally, because ECI services are required to be performed in natural environments that may include daycare centers, Easter Seals staff or prospective employees are required to receive a fingerprint-based criminal background check before entering a child care facility licensed by the Texas Department of Family and Protective Services (DFPS).⁹

Easter Seals performed fingerprint-based criminal background checks for employees specifically responsible for direct contact with children or families. However, Easter Seals has followed a practice of including prospective employees on client visits without subjecting them to the fingerprint-based criminal background checks. Allowing prospective employees to have direct client contact with ECI clients and to enter child care facilities licensed by DFPS without receiving fingerprint-based criminal background checks may place ECI clients and families at risk.

E-Verify Was Not Performed

Both federal law and the ECI contract required employers to use E-Verify, an online system, to check prospective employees' employment eligibility. Because it did not use E-Verify,

⁶ DARS Early Childhood Intervention Services Contract No. 5382001534, Section XIX General Provisions D (2015-2016).

⁷ Texas Administrative Code, Title 40, Part 2, Subchapter C, §108.310(a) (September 1, 2013).

⁸ United States Code, Title 8, Chapter 12, Subchapter II, Part VIII, §1324(a) (January 3, 2012).

Easter Seals did not confirm whether employees or subcontractors were legally authorized to work in the United States.

Easter Seals did not verify its employees' eligibility to work in the United States during the audit period. Easter Seals management acknowledged E-Verify was not part of the employee hiring process. Easter Seals management subsequently verified employee eligibility and provided evidence that all employees had been screened through the E-Verify system as of June 2016.

Recommendation 1

HHSC, through its contract oversight responsibility, should require Easter Seals to improve or change its employee screening practices by developing and implementing policies and procedures to ensure fingerprint-based criminal background checks are performed for all individuals working under the auspices of Easter Seals, including prospective employees, before any direct contact with ECI clients or their families is allowed.

Recommendation 2

HHSC should monitor Easter Seals compliance with E-verify requirements for confirming employment eligibility.

HHSC Management Response

HHSC has required all ECI contractors to complete a fingerprint-based criminal background check on any employee, volunteer, or other person who will be working under the auspices of the contractor before the person has direct contact with children or families since September 1, 2013. HHSC included E-Verify requirements in the ECI contracts beginning September 1, 2015. HHSC tests compliance with these requirements in its monitoring and oversight practices.

In a comprehensive monitoring review conducted the week of October 31, 2016 through November 4, 2016, ECI staff validated, on the selected sample, that Easter Seals Rehabilitation Center did conduct fingerprint-based checks on employees, volunteers, or other individuals working under its auspices before that person had direct contact with children or families. The ECI staff selected its sample of personnel records from the time period beginning September 1, 2015, and ending August 31, 2016. The IG's audit covered the period from September 2014 to March 2016.

Additionally, Easter Seals had, by the time ECI staff conducted the comprehensive monitoring review, implemented the contract requirement to perform E-Verify on its employees.

To ensure all HHSC ECI contractors are aware of the requirements associated with fingerprint-based background checks and E-Verify, ECI management prepared and distributed an official communication on December 1, 2016, to re-emphasize those contract requirements.

Person Responsible for Implementation

Kimberly Lee, Manager, Performance and Oversight, Health and Human Services Early Childhood Intervention Program.

Implementation Date

December 1, 2016

Status

Completed

CLIENT ELIGIBILITY

Easter Seals is required, as instructed by the Texas Medicaid Provider Procedures Manual, to verify Medicaid eligibility before delivering services to an ECI client. Easter Seals accesses the Texas Medicaid and Healthcare Partnership system to verify Medicaid eligibility.

The IG Audit Division, based on its on-site observation of activities performed by Easter Seals staff and its review of documentation Easter Seals provided during the audit, confirmed that Easter Seals verified ECI client Medicaid eligibility as required.

TEXAS KIDS INTERVENTION DATA SYSTEM

Easter Seals uses the Texas Kids Intervention Data System (TKIDS) to track delivery of services to clients and to bill DARS for the services it provides to ECI clients. One TKIDS data field is the number of direct services hours provided to clients each month. The ECI contract required a set number of hours of direct care service be provided to clients each month.⁹ The IG Audit Division reviewed client files for a haphazard sample of 30 clients from the total of 2,674 ECI clients who received services in March 2016, to evaluate whether information contained in TKIDS was accurate and entered by the 20th day of the month following delivery of service as defined in the contract.

Test results indicated that data entered in TKIDS was accurate and entered in accordance with the timeframes defined in the contract. Easter Seals met contract requirements for direct services hours per child per month.

INDIVIDUALIZED FAMILY SERVICE PLANS

⁹ DARS Early Childhood Intervention Services Contract No. 5382001534, Section II. Measurable Outputs and Outcomes (G), (2015-2016).

An Individualized Family Service Plan (IFSP) is required for a child entering the ECI program, and parental consent is required before any services can be provided to an ECI client. Twenty-seven of the sample of 30 client files, selected from the total of 2,674 ECI clients who received services in March 2016, demonstrated that:

- Children received mandatory assessments, evaluations, and initial meetings within a required 45-day timeframe.
- IFSPs were signed by the parent and an ECI staff member.
- Services outlined in IFSP were delivered within 28 days after receipt of the signed IFSP.
- Services outlined in IFSPs were received as required in approved home or community settings.

Three client files indicated “N/A” for the IFSP. The clients documented in these files were eligible for services and Easter Seals scheduled appointments for them. After the ECI clients missed three consecutive appointments, Easter Seals staff removed the clients from the program for lack of participation.

Easter Seals met contract requirements regarding IFSPs.

ECI LOCAL PROGRAM PERFORMANCE REPORT

The ECI contract required Easter Seals to meet minimum client satisfaction standards. Satisfaction is measured by client responses to a survey which indicate Easter Seals helped ECI client families to know their rights, effectively communicate their children’s needs, and help their children develop and learn. The survey is scored using 17 individual criteria and Easter Seals scores are compared to a statewide target and an average of statewide performance.

The IG Audit Division reviewed the ECI Local Program Performance Report published in February of 2016 which compiles the information obtained from the surveys completed by ECI client families.

The results of the report indicated that Easter Seals exceeded the average statewide performance and met or exceeded the statewide target on all 17 criteria.

FINANCIAL MANAGEMENT

The DARS ECI contract required Easter Seals to develop, implement, and maintain financial management and control systems that meet or exceed requirements as generally outlined by

Texas Government Code and Uniform Grant Management Standards (UGMS).¹⁰ These requirements address financial planning, budget development, and financial management systems. Financial management systems are required to ensure accurate, correct, and complete payroll, accounting, and financial reporting records. These requirements are mirrored by the Easter Seals Operating Policies and Procedures Manual.

The IG Audit Division observed an Easter Seals staff demonstration of general ledger accounting and coding systems and processes. Despite using a handwritten ledger rather than an automated accounting system, Easter Seals staff were able to show support for ECI contract billing. Additionally, DARS had approved Easter Seals' cost allocation plan for each year reviewed, and all cost categories in use were allowable per UGMS.

The majority of ECI services provided by Easter Seals are intervention services conducted in natural environments such as the client home or community-based settings. Fulfillment of such services requires Easter Seals staff to move throughout the service area, within and around Bexar County. Moving between Easter Seals headquarters and various duty points generates reimbursable business expenses for the employees conducting these services. Easter Seals bills these expenses to DARS.

The IG Audit Division reviewed supporting documentation for travel expenses and identified conflicts between (a) Easter Seals processes and (b) best practices and United States Internal Revenue Service (IRS) regulations.

Travel Reimbursement Practices Exceeded Budgetary Controls

Easter Seals, based on its ECI contract travel expenses through the first seven months of fiscal year 2016 would, if its travel spending continued at the same pace for the rest of the year, exceed its annual budget for travel by approximately 17 percent. Exceeding its approved budget for travel would not comply with the ECI contract requirement for maintaining financial management and control systems. Travel was the only billing expense category projected to exceed the approved budget amount during the fiscal year.

The IG Audit Division requested final actual travel expense for the ECI contract and learned Easter Seals expended \$442,647.89 for fiscal year 2016, approximately 11 percent over the budget of \$400,000. In July 2016, Easter Seals met the maximum contract amount and did not receive reimbursement from DARS for any expenses incurred in August 2016.

Easter Seals maintained a business practice of reimbursing employees for commuting expenses between an employee's residence and the first temporary duty point without

¹⁰ DARS Early Childhood Intervention Services Contract No. 5382001534, Section XLI Standards for Program and Financial Management (A) (2015-2016).

determining whether this distance was farther than the commute between the office and first temporary duty point. This practice may have contributed to Easter Seals exceeding its annual budget for travel.

The United States Government Accountability Office (GAO) and the Texas Comptroller's Office have consistently required mileage from an employee's residence to the first temporary duty point of a day, and from the final temporary duty point of a day to the employee's residence, to be determined with consideration of the mileage from the employee's residence to the employee's primary duty location, as follows.

- Mileage to the first temporary duty location, if farther than the distance from the employee's residence to the employee's primary duty location, should be reduced by the distance from the residence to the primary duty location. For example, if the distance from the residence to the primary duty location is 10 miles, and the distance from the residence to the first temporary duty location is 15 miles, and the employee is to report at the beginning of the duty day at the first temporary location, then the employee would be reimbursed for 5 miles, the difference between the distance travelled to the first temporary duty location (15 miles), less the distance that would have been traveled to reach the primary duty location (10 miles).
- Mileage to the first temporary duty location, if the distance is less than the distance from the employee's residence to the employee's primary duty location, would not be reimbursed. For example, if the distance from the residence to the primary duty location is 10 miles, and the distance from the residence to the first temporary duty location is 5 miles, and the employee is to report at the beginning of the duty day at the first temporary location, then the employee would not be reimbursed for mileage.

The ECI contract does not address restrictions on travel reimbursement. Easter Seals may have determined it was in its best interest to compensate employees for this travel, but the practice may be viewed as a waste of taxpayer funds, funds that could have been used for other purposes, such as providing services to ECI clients, and is not considered a good business practice.

Easter Seals management confirmed this practice is used with multiple employees in the organization, although it was uncertain of the budgetary impact. By allowing employees to be reimbursed for mileage from their residence to their first temporary duty point and exceeding the annual travel budget, Easter Seals is not effectively implementing contractually required budgetary controls.

The IG Audit Division reviewed a haphazard sample of 6 out of 112 Easter Seals employee mileage reimbursements that occurred during January 2016 to determine the potential impact of Easter Seals' travel reimbursement practice, by calculating mileage using best practices and comparing it with the mileage paid to the six employees by Easter Seals and billed to the ECI contract. The six employees tested were overpaid a total of \$1,552.21. One of the six

employees was overpaid based on a comparison of the mileage claimed versus mileage calculated using Google Maps.

The IRS deems such commuting expenses connected to an employee's residence to be nondeductible, and requires that the reimbursements be reported as taxable income to the employee.¹¹ Easter Seals did not report amounts it reimbursed its employees for travel expenses, that exceeded amounts it would have paid using a method consistent with best practices, to the IRS as taxable income.

Recommendations 3.1 - 3.2

HHSC, through its contract oversight responsibility, should require Easter Seals to:

- 3.1 Follow best practices as determined by GAO and the Texas Comptroller's Office related to employee mileage reimbursement.
- 3.2 Calculate the mileage reimbursement overpayments paid to staff for fiscal years 2015 and 2016 and return the funds to HHSC.

Recommendation 4

HHSC should verify Easter Seals implements appropriate mileage reimbursement practices during its monitoring visits.

Recommendation 5

HHSC should revise current and future contracts with Easter Seals and other ECI contractors to include provisions that require contractors to use the best practices cited above when billing for employee mileage reimbursement.

HHSC Management Response

HHSC ECI agrees with the recommendations presented in [this section] of the Easter Seals Rehabilitation Center report and will address these recommendations. HHSC Contract Oversight and Support (COS) is responsible for onsite fiscal monitoring of ECI contractors. ECI staff will coordinate with HHSC COS staff to ensure that monitoring processes test the appropriateness of mileage calculations.

Additionally, HHSC ECI staff will work with HHSC Legal to include references to the Texas Comptroller's Office travel guide as the standard for mileage reimbursement practices for all ECI contracts. Finally, ECI staff will review Easter Seals' revised mileage reimbursement policies and processes to ensure they align with the Texas Comptroller's Office standard on mileage calculation and reimbursement and will follow-up on their recalculation of mileage reimbursements for 2015 and 2016 to ascertain if any mileage costs charged to the ECI program should be remitted back to HHSC.

¹¹ Internal Revenue Service Publication 463—Travel, Entertainment, Gift, and Car Expenses (2015).

Person Responsible for Implementation

Travis Duke, Associate Director, Health and Human Services Early Childhood Intervention Program

Implementation Dates

- *Changes to monitoring processes - February 15, 2017*
- *Changes to ECI contracts - June 1, 2017*
- *Mileage reimbursement determinations - February 15, 2017*

Status

In Progress

CONCLUSION

The IG Audit Division completed an audit of the ECI contract with Easter Seals. The audit included an evaluation of the performance of the Easter Seals ECI program to determine whether contract funds were used as intended and key contract performance requirements were met between September 2014 and March 2016. The audit included site visits at the Easter Seals office in San Antonio, Texas, in March and May 2016.

HHSC and Easter Seals share accountability for ensuring that state funds are used effectively to administer the ECI program. To ensure accountability, the IG Audit Division reviewed Easter Seals' performance of the following contract requirements:

- Service provider qualifications
- Employment eligibility
- Client eligibility verification
- Data entry accuracy and timeliness
- Timely service
- Statewide performance targets
- Financial management

Based on the results of its audit, the IG Audit Division determined that:

- Fingerprint-based criminal background checks for prospective employees were not performed during the audit period.
- E-Verify was not used to confirm that Easter Seals employees were legally eligible to work in the United States.
- Employee mileage reimbursement practices did not align with sound business practices.

The IG Audit Division offered recommendations to HHSC which, if implemented, will:

- Ensure that all required persons acting under the auspices of Easter Seals are appropriately screened prior to having direct contact with ECI clients and families.
- Enhance assurance that Easter Seals personnel are authorized for employment in the United States.
- Ensure that Easter Seals complies with sound business practices related to employee mileage reimbursement.

- Ensure that contract provisions for Easter Seals and other ECI contractors include guidance for mileage reimbursement consistent with GAO and Texas Comptroller's Office best practices.

The IG Audit Division thanks management and staff at DARS and Easter Seals for their cooperation and assistance during this audit.

Appendix A: Objective, Scope, and Methodology

Objective

The objective of this audit was to determine whether (a) contract funds were used as intended and (b) contractor performance was in accordance with contract requirements.

Scope

The scope of the performance audit of Easter Seals included the period from September 2014 through March 2016, and review of relevant activities and controls in place during fieldwork in March and May 2016.

Methodology

To accomplish its objectives, the IG Audit Division collected information for this audit through interviews with responsible management at Easter Seals and through requests for information from Easter Seals. The IG Audit Division conducted a risk assessment of key requirements to evaluate the relative probability and impact of risks to the ECI program. After considering Easter Seals' processes, controls, and responses to requests, the IG Audit Division focused its resources on the following areas:

- Methodology of financial management system and cost allocation.
- Budget-to-actual financial performance to identify outliers for further review.
- Appropriateness of process and support for employee mileage reimbursements.
- Employee qualifications, credentialing, and criminal background checks.
- Client and provider Medicaid enrollment and eligibility.
- Timeliness of service delivery.
- Compliance with required services delivery settings and minimum number of monthly service hours.
- Timeliness of evaluations, assessments, and initial meetings in relation to signature IFSP dates.
- Annual performance target reporting.

The IG Audit Division issued an engagement letter to Easter Seals on March 15, 2016 providing information about the audit, and conducted fieldwork at Easter Seals' office in San Antonio, Texas from March 21, 2016 through March 23, 2016 and on May 23, 2016. While on-site, the IG Audit Division interviewed responsible personnel; reviewed and assessed relevant documentation and processes; evaluated policies and practices relevant to the ECI program; and reviewed relevant ECI program activities, including those related to personnel management, client services, and reporting.

While at the Easter Seals facility, the IG Audit Division reviewed and copied documentation and records related to the ECI program. No original records were removed from the Easter Seals premises. Easter Seals subsequently sent additional documents to the IG Audit Division that were requested during the audit.

Professional judgment was exercised in planning, executing, and reporting the results of this audit. The IG Audit Division used the following criteria to evaluate the information provided:

- Texas Administrative Code
- Texas Government Code
- DARS Early Childhood Intervention Services Contract No. 5382001534
- Uniform Grant Management Standards
- Immigration Reform and Control Act of 1986 (8 U.S.C. §1324(a) et. seq.)
- IRS Publication 463—Travel, Entertainment, Gift, and Car Expenses
- Government Accountability Office Comptroller General of the United States decisions
- Texas Comptroller’s Office travel rules

The IG Audit Division analyzed information and documentation collected to determine whether funds were used as intended and key contract requirements were met. The data was sufficiently reliable for the purposes of the audit. In order to make this determination, the IG Audit Division:

- Interviewed Easter Seals and DARS management and staff knowledgeable about the data.
- Reviewed existing information about the data and related ECI program information.
- Verified data against source documents.

The IG Audit Division conducted this audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the issues and conclusions based on our audit objectives. The IG Audit Division believes the evidence obtained provides a reasonable basis for our issues and conclusions based on our audit objectives.

Appendix B: Sampling Methodology

The IG Audit Division examined Easter Seals' use of DARS ECI contract funds and performance in accordance with contract requirements from September 2014 through March 2016. After an initial assessment of risk across key DARS ECI contract requirements, the IG Audit Division performed testing from the population of Easter Seals personnel, travel reimbursements, and client encounter data.

Easter Seals Personnel

The IG Audit Division reviewed a sample of Easter Seals personnel files to determine whether personnel were (a) appropriately licensed, (b) free from criminal convictions that would result in a bar from entering client facilities, (c) eligible for employment in the United States and (d) enrolled with the Texas Medicaid program. The sample included 30 personnel files for employees from the total population of 156 personnel employed during the scope of the audit for all testing criteria except for enrollment with the Texas Medicaid program. For criteria which involved only therapists, the sample included 15 of the 25 therapists identified.

Easter Seals Employee Mileage Reimbursements

The IG Audit Division reviewed a sample of Easter Seals employee mileage reimbursements to determine why Easter Seals actual expenses were exceeding budgeted amounts. The sample included six reimbursements that occurred during January 2016.

Easter Seals ECI Clients

The IG Audit Division reviewed a sample of files for Easter Seals ECI clients who received services during March 2016 to determine whether (a) information from client interactions was entered accurately and timely into TKIDS and (b) whether documentation indicated clients received the minimum required direct care service hours. Also, where applicable, the IG Audit Division reviewed IFSP documents for timeliness, service location, and completion of evaluations and assessments. The judgmental sample included files for 30 ECI clients from the total population of 2,674 clients served during March 2016.

Appendix C: Easter Seals Comments



Easter Seals

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November 29, 2016

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The management of the Easter Seals Rehabilitation Center has received the draft report from the HHSC Inspector General (IG) Audit Division titled, "Audit of Noncompetitive Contractor Procurements Over \$10 Million – Easter Seals Rehabilitation Center". Following the review of the draft report, the management of the Easter Seals Rehabilitation Center wishes to submit comment on the findings of the report, particularly with the section pertaining to fingerprint-based criminal background checks as described below.

Easter Seals management respectfully disagrees with the information presented in Section 2: Employment Practices found on page 4 of the draft document. The report states Easter Seals did not comply with required policy pertaining to the need to have completed fingerprint-based criminal background checks for employees or volunteers having direct contact with children and families in the program. The report states that the 30 employee records reviewed have only name based background checks. Easter Seals management requires all employees that will have direct contact with children and families to have a fingerprint-based criminal background records check on file prior to working with families in the ECI program. The fingerprint-based criminal background checks are performed locally through the Morpho Trust USA group and the results of the fingerprint-based records check are filed in personnel files for review and this system has been in place since the state rules were changed to require the fingerprint based criminal backgrounds checks for employees working with children and families.

A comprehensive fiscal and program monitoring review of the Early Childhood Intervention (ECI) Program at Easter Seals was recently conducted as part of the usual HHSC ECI 4-year review process. This monitoring review was held the week of October 31, 2016-November 4, 2016. Two different reviewers looked at employee personnel records during the course of the visit. The fiscal monitor conducted a review of 12 personnel records and found no problems with compliance with fingerprint-based criminal background checks during her review of personnel files. The program monitor reviewed 54 personnel records specifically addressing the presence of fingerprint-based criminal background checks for providers of services to children and families across all

settings. These 54 personnel records reflected employees that have worked for the agency for many years and did not reflect only the records of new employees. There were no instances of non-compliance with the fingerprint-based criminal background checks. In addition there was no discussion during the OIG visits or in the preliminary exit visits conducted by both groups of a problem with not locating employee fingerprint-based criminal background checks

The management of the Easter Seals Rehabilitation Center respectfully requests being given an opportunity to resolve this finding. I believe that this could easily be accomplished by contacting Ms. Sandra Cavazos, Performance Manager with HHSC ECI to verify the results of her recent inspection of our personnel records. We are also more than willing to provide to the Inspector General or the Inspector General's designated representative copies of the fingerprint-based criminal records background checks on file for employees required to have direct contact with children and families in home and daycare environments upon your request. Copies of the fingerprint-based criminal records check proof could be scanned and emailed or delivered to Austin for review.

Management agrees that we had overlooked the contract requirement to provide the E-Verify documentation for employees. When this error was discussed with management at the conclusion of the initial OIG audit visit, a system to establish E-Verify documentation for new employees was established and personnel policies were changed to reflect this addition. Easter Seals management additionally worked with the U.S. Department of Homeland Security to receive consent to perform E-Verify checks for all employees at Easter Seals to include employees hired prior to the date the contract requirement was added. The E-Verify verification checks and documentation procedures remain in place and all new hires have the results of the E-Verify checks included in their personnel files.

Sincerely,



Linda Tapia
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Appendix D: Report Team and Report Distribution

Report Team

The IG staff members who contributed to this audit report include:

- Kacy J. VerColen, CPA, Audit Director
- Lisa Kanette Blomberg, CPA, CIGA, Audit Manager
- Marcus Horton, CIA, CFE, CRMA, CCSA, Audit Project Manager
- Edward Maldonado, CGAP, Audit Project Manager
- Amy Behrnes, CIA, CIPP, IT Audit Project Manager
- Aaron Christopher, Staff Auditor
- Grace Valentine, Staff Auditor
- Ousmane Diallo, Staff Auditor
- Louis Holley, Staff Auditor
- Lawrence Gambone, CPA, Quality Assurance Reviewer
- Scott Miller, Senior Audit Operations Analyst

Report Distribution

Health and Human Services

- Charles Smith, Executive Commissioner
- Cecile Erwin Young, Chief Deputy Executive Commissioner
- Kara Crawford, Chief of Staff
- Ron Pigott, Deputy Executive Commissioner for Procurement and Contracting Services
- Karen Hill, Director of Internal Audit
- Lesley French, Associate Commissioner for Health, Developmental and Independence Services
- Lindsay Rodgers, Deputy Associate Commissioner for Health, Developmental, and Independence Services
- Dana McGrath, Director for Early Childhood Intervention
- Hugh Addington, Director, Cross Division Coordination, Health, Developmental and Independence Services
- Rolland Niles, Project Manager for Medical and Social Services, Cross Division Coordination

- Kathy Smith, Audit and Budget Coordinator for Cross Division Coordination, Health, Developmental and Independence Services

Easter Seals

- Linda Tapia, Executive Director
- Lou Mangold, Deputy Executive Director

Appendix E: IG Mission and Contact Information

Inspector General Mission

The mission of the IG is to prevent, detect, and deter fraud, waste, and abuse through the audit, investigation, and inspection of federal and state taxpayer dollars used in the provision and delivery of health and human services in Texas. The senior leadership guiding the fulfillment of IG's mission and statutory responsibility includes:

- Stuart W. Bowen, Jr. Inspector General
- Sylvia Hernandez Kauffman Principal Deputy IG
- Christine Maldonado Chief of Staff and Deputy IG for Operations
- Olga Rodriguez Senior Advisor and
Director of Policy and Publications
- Roland Luna Deputy IG for Investigations
- David Griffith Deputy IG for Audit
- Quinton Arnold Deputy IG for Inspections
- Debbie Weems Deputy IG for Medical Services
- Alan Scantlen Deputy IG for Data and Technology
- Anita D'Souza Chief Counsel

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To Report Fraud, Waste, and Abuse in Texas HHS Programs

- Online: <https://oig.hhsc.texas.gov/report-fraud>
- Phone: 1-800-436-6184

To Contact the Inspector General

- Email: OIGCommunications@hhsc.state.tx.us
- Mail: Texas Health and Human Services Commission
Inspector General
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