



# **Office of Inspector General**

**Texas Health and Human Services Commission**

**Stuart W. Bowen, Jr., Inspector General**

## **Performance Audit Report**

**Resource and Crisis Center of Galveston County**

**September 30, 2015**

**IG Report No. 14-36-R-06-17601210119-FV-01**

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## **Executive Summary**

The Health and Human Services Commission (HHSC), Inspector General (IG), Audit Division, has completed its performance audit of services provided by Resource and Crisis Center of Galveston County, (the Provider) under the Family Violence Program.

### **Background**

The Provider's contract with the HHSC, Family Violence Program for the year ending August 31, 2013 amounted to \$238,094.00. The contracted amount was for basic level residential and non-residential services as outlined in the contract. This audit reconciled the costs reported to The Office of Community Services, Family Violence Program, and the actual allowable costs incurred by the Resource and Crisis Center of Galveston County.

The scope of the audit covered contract number 529-13-0017-00056 for the period September 1, 2012 to August 31, 2013 and other related periods. The audit included follow-up on findings noted in a prior audit of this Provider. Those findings consisted of incorrectly allocated costs, prior period costs charged to the contract, and unallowable charges. That audit report dated September 8, 2010, identified total questioned costs in the amount of \$12,377.59.

### **Results**

The audit of Resource and Crisis Center of Galveston County identified the following significant findings resulting in overpayments:

- Unsupported Salaries (repeat finding)
- Incorrectly calculated fringe benefits costs
- Incorrectly allocated shared costs (repeat finding)
- Other unallowable charges (repeat finding)

Our audit revealed overpayments of \$2,000.26. This amount includes \$415.08 of unsupported payroll costs, \$647.28 in incorrectly calculated fringe benefits, incorrectly allocated shared costs of \$620.77, and \$317.13 of other unallowable charges.

## DETAILED FINDINGS

### **Finding A: Salaries were not supported by Employee Timesheets**

The Provider billed HHSC \$415.08 for unsupported salaries, as follows:

- Time spent on the HHSC Family Violence Program that was not supported by employee timesheets;
- Overtime that is unallowable per contract terms.

A similar finding was reported in our audit of contract number 529-08-0013-00061 for the fiscal year ended August 31, 2008. In that report, we noted that the Provider billed HHSC for salaries and benefits that were allocated using pre-determined percentages and not supported by timesheets.

### **Criteria**

*OMB Circular A-122, Attachment A*

### **Recommendation:**

The Provider should refund \$415.08 to HHSC for the unsupported salaries charged to the contract. Documentation for salaries charged to HHSC should include employee pay rates and timesheet records to support the amounts billed.

### **Management Response:**

- *We accept this finding and have rectified the issue by expanding our accounting department to include an onsite Director of Finance who will review and oversee the timesheet/billing process. In conjunction with the Director of Victim Services, the Director of Finance will ensure that time billed to the HHSC grant will accurately reflect the timesheets.*
- *We accept this finding and will rectify the issues by having the Director of Victim Services notify the Director of Finance of any overtime worked by staff. The Director of Finance will then ensure that it is not billed to the HHSC grant.*

### **Finding B: Fringe Benefit Costs were Calculated Incorrectly**

The Provider's health and dental fringe benefits calculations, based on monthly premiums from insurance agencies, exceeded the budget for premiums in the contract. As a result, the Provider overbilled HHSC in the amount of \$647.28.

### **Criteria:**

*OMB Circular A-122, Attachment A. 2.b*

**Recommendation:**

The provider should refund \$647.28, which resulted from incorrect health and dental fringe benefits cost calculations. In addition, the provider should ensure that calculations of these costs reflect the limits placed on such expenses by the funding agency.

**Management Response:**

- *We do not agree with this finding. Based on our calculation (see attachments for "Finding C"), we did not exceed the budget for premiums for the health insurance. Unfortunately, we are not able to access our data in on the dental insurance in a timely manner as it has been placed in storage. In the future, we will keep all data utilized for audits on site until the audit has been fully closed.*

**Auditor's Comment:**

- The Provider exceeded budget limits for health and dental insurances as stated in contract details with HHSC. Secondly, the Provider billed and claimed health insurance for one employee who was neither on the original or revised budget that was approved by HHSC.
- The Provider should therefore refund the amount of \$647.28 as recommended above, or have the matter referred to the funding agency, HHSC Family and Community Services-FV for final resolution.

**Finding C: Shared Costs Allocations were Unsupported and Calculated Incorrectly**

The Provider used Full-Time Equivalents (FTE) to allocate shared costs; however, the costs were not allocated correctly in the following instances:

- For one employee tested, HHSC was charged based on a pre-determined, allocation rate. Actual time recorded on this employee's timesheets did not support this allocation;
- Cost allocations for electricity and cell phones were miscalculated; and
- The Provider did not have supporting receipts for some of their gasoline expenses. Therefore, it could not be determined if the amount charged to HHSC was correct.

As a result of the unsupported charges and miscalculations, the Provider overbilled HHSC by \$620.77. We noted a similar finding in our audit for the fiscal year ended August 31, 2008, in which the Provider billed HHSC for non-payroll costs resulting in questioned costs.

**Criteria:**

*OMB Circular A-122, Section A. 4 a (2)*

**Recommendation:**

The Provider should refund \$620.77 to HHSC for the costs allocated incorrectly. The Provider should develop procedures that ensure cost allocation rates are calculated and applied correctly, and that amounts are billed in accordance with expenditures approved under the terms of the contract.

### **Management Response:**

- *We accept this finding and have remedied this issue by hiring an onsite Director of Finance who will oversee the allocation of shared costs and ensure they are consistent with employee timesheets.*
- *We accept this finding and have rectified this issue by expanding our Accounting Department to include a Director of Finance and a new position for an accounting clerk. These positions will assist the Accounting Assistant in inputting and reviewing data charged to the grant.*
- *We have remedied this issue by expanding our Accounting Department to include a Director of Finance and a new position for an accounting clerk. These positions will help alleviate the heavy workload that the Accounting Assistant had, and will allow for ample time for review of documentation.*

### **Finding D: Unallowable Costs were billed to the HHSC Program**

Additional unallowable costs billed to HHSC in the amount of \$317.13 include:

- Unallowable penalties charged for late payments in the amount of \$90.37;
- Prior period costs of \$18.76 associated with the renewal of windstorm insurance coverage, which represents 81 days from June 12, 2012 through August 31, 2012; and
- An audit fee that exceeded the budgeted amount by \$208.00 was not reported to and approved by the HHSC Family Violence program as required by the terms of the contract.

### **Criteria:**

*OMB Circular A-122, Attachment B.1.6*

Contract #529-13-0017-00056 Article 10.02

Contract #512-13-0017-00056 Article 10.05

### **Recommendation:**

The Provider should refund \$317.13 for unallowable costs billed to the contract. 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 Response:**

- *Late charges were incurred due to not getting our mail in a timely manner. Our post office box was small and resulted in backed up mail that the post office would hold, unbeknownst to us. We have corrected this issue by upgrading to a larger box that will hold more mail and by establishing an employee schedule to ensure that mail is checked on a daily basis.*
- *We accept this finding and will be more cognizant of insurance policies whose coverage may cross fiscal years. The new Director of Finance will oversee the closing of the books and ensure that there are no expenses that belong in prior or subsequent fiscal years.*
- *We will be more cognizant of the HHSC budget and will ensure that the reimbursement requests are consistent with what was approved. By expanding our accounting department, we will be able to allow for another layer of review prior to submitting our reimbursement requests.*

# Appendices

**OBJECTIVE, SCOPE, AND METHODOLOGY**

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, relevant criteria contained in the Texas Human Resource Code, Chapter 51, Section 51.0051(3) and the Office of Management and Budget (OMB) Circular A-122.

**Scope**

The performance audit covered the period September 1, 2012 through August 31, 2013 and other related periods. It also included follow-up on findings noted in our audit report dated September 8, 2010. The findings on salaries not fully documented, and use of incorrect cost allocation rates identified above were repeat findings from the last audit.

**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 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
- Organizational Chart
- Board minutes
- Accounting records and invoices

In addition the auditors conducted tests of the following compliance requirements:

- Activities Allowed or Unallowed
- Allowable Cost/Cost Principle
- Contract Requirements
- Program Requirements

We conducted this performance audit in accordance with generally accepted government auditing standards. 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 did not review all internal controls. The IG limited the internal control review to the objectives described above.

**Criteria Used**

- Contractual requirements
- Texas Human Resources Code, Chapter 51, Section 51.0051(3),
- Office of Management and Budget Circular A-122
- Provider fiscal policies and procedures

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**REPORT DISTRIBUTION**

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