



City of
Corpus
Christi

AU14-009
Corpus Christi-Nueces County
Public Health District
1115 Waiver Projects

Office of the City Auditor
Arlena Sones, CPA, CIA, CGAP
City Auditor

January 14, 2015

Executive Summary with Discussion of Subsequent Events

An audit of the Corpus Christi-Nueces County Public Health District (Health District) was conducted due to allegations brought forward through the City Auditor's Hotline for Fraud, Waste, and Abuse. At the request of the City Manager, we worked with the Corpus Christi Police Department to investigate the allegation. The Audit Committee approved this audit in June 2014 based on preliminary results of the investigation. This report will provide commentary on the original allegations made against the Health District administration as well as other allegations concerning the 1115 Waiver-Childhood Obesity Prevention Program (the Program).

Audit Objective

The central objective of this audit project is to determine if the Program is operating as intended and if it is in compliance with waiver provisions, budget constraints, contract requirements, and City of Corpus Christi (City) policies and procedures.

Conclusion

It is our conclusion that the Program is generally in compliance with budget constraints, contract requirements, and City policies and procedures; however, the effectiveness and performance of daily business has been impaired by the climate at the Health District because staff and management attention is distracted from the "delivery of municipal services." We question the future viability of this program if issues are not promptly addressed.

Subsequent Events

On November 6, 2014, Health District administration informed us that certain information provided during the audit was incorrect. We confirmed this information with the Texas Health and Human Services Commission (HHSC).

This new development impacts findings in Sections C and G of this report. Since the draft audit report had not been finalized, we made revisions to the details in this report; however, our recommendations stand.

In Section C, Program Modifications and Presentations, we previously stated that all revisions to the Program had been approved by HHSC; however, revisions to Program goals made in February 2014 were never approved.

We also corrected Section G, Program Goals, to report that the Program has only two goals, one of which has not been achieved. As a result there will be a delay or possible loss of one-half of the \$2.0 million incentive payment for demonstration year three (DY3).

Additionally, the Program has lost three of its eight staff members since the end of our fieldwork. These events further validate the audit results discussed in Section A, Managerial Issues, and Section I, Program Management.

Management responses have been incorporated into the body of the report and can be seen in full in Appendix B.

City Auditor's Evaluation of Management Response

Audit standards (GAGAS 7.37) require us to evaluate management responses and to address responses that do not adequately address the recommendations. We have done so for Issues B, C, and G in the body of this report.

Further, the standards require us to address issues that we disagree with. The Health District states in its response, "The County conducted its own audit and was satisfied with the results of that audit; therefore the County declined to participate in this City Audit." This statement is misleading.

The County Auditor and City Auditors had initially agreed to pool staff resources and conduct a joint audit; however, in July 2014 the County Auditor decided to postpone his portion of the audit pending a review by the Centers for Medicare and Medicaid Services (CMS). Subsequent to the CMS audit, the County did conduct its own audit of the Health District. The County Auditor's report dated September 15, 2014, contains four issues related to seed money, inaccurate and untimely billings, and one employee salary paid higher than the rate approved by the Commissioners Court.

Table of Contents

- Executive Summary with Discussion of Subsequent Eventsi
- Background2
- Statutory Authority and Municipal Guidelines.....3
- Audit Objective, Scope and Methodology.....3
- Conclusion.....5
- Staff Acknowledgement.....5
- Audit Results and Recommendations.....6
 - A. Managerial Issues.....6
 - B. Organizational Issues Noted in Feasibility Studies8
 - C. Program Modifications and Presentations.....10
 - D. Vendor Compliance11
 - E. Delivery Partner Compliance.....12
 - F. Procurement Card Purchases and Expenditures14
 - G. Program Goals.....14
 - H. 1115 Waiver Staff Salaries15
 - I. Program Management.....16
- Appendix A – Childhood Obesity Prevention Program18
- Appendix B – Management Response20

Background

An audit of the Corpus Christi-Nueces County Public Health District (Health District) was conducted due to allegations brought forward through the City Auditor's Fraud, Waste, and Abuse Hotline. With approval of the Audit Committee in June 2014, this audit was added to the 2014 Annual Audit Plan. This report will provide commentary on the original allegations made against the Health District administration as well as other allegations concerning the 1115 Waiver demonstration projects.

The Centers for Medicare and Medicaid Services (CMS), under Section 1115 of the Social Security Act, approved the Texas 1115 Waiver granted by the U.S. Department of Health and Human Services. The 1115 Waiver is a healthcare transformation and quality improvement program that allows entities, such as the Health District, to "develop programs that enhance access to health care, increase the quality of care and cost-effectiveness of care provided." CMS works in conjunction with the Texas Health and Human Services Commission (HHSC). The 1115 Waiver demonstration projects are not grants.

The Health District has initiated four¹ 1115 Waiver demonstration projects. The four projects are:

- Diabetic Care Team Outreach (County)
- Diabetes Patient Navigator (County)
- Health Information Exchange (HIE)(County)
- Childhood Obesity Prevention (City)

Nueces County (County) provided initial funding for the diabetes and HIE programs while the City of Corpus Christi (City) provided funding for the Childhood Obesity Prevention Program (the Program). Total 1115 Waiver valuation of \$14.8 million is split in half between the County and the City. See Appendix A for more information on the Program budget and funding methods known as incentive payments. The Health District receives incentive payments contingent upon meeting pre-determined program goals.

The Program aims to reduce and prevent obesity in children and adolescents through the use of a specialized curriculum designed to achieve better nutritional awareness and physical activity habits in children and parents. Delivery partners such as school districts will lead the children and parents through the Program.

¹Late May 2014, CMS approved the Health District's fifth program, Community Paramedicine Program, valued at an additional \$865,000. The City withdrew from the project in July 2014 "due to the administrative burden of defending a grievance filed by the Fire Union."

Statutory Authority and Municipal Guidelines

In conducting our audit, we relied on the following authoritative guidelines to serve as criteria for the audit:

- Federal and State 1115 Waiver guidelines
- Regional Healthcare Partnership Plan - Region 4
- Vendor contract with Healthy Weight Partners, Inc. (HWP)
- Delivery partner contracts with CCISD and TAFT ISD
- HR Policy Manual
- Harassment Complaint Policy
- Administrative Procedure HR 49.0 Complaints Against Employees

Audit Objective, Scope and Methodology

In late April 2014, allegations related to mismanagement, abuse of power, retaliation, unprofessionalism, unfair hiring practices, and favoritism at the Health District were reported through the City Auditor's Hotline.

Additional allegations were brought forth during our fieldwork (June 2014 through August 2014). There was concern that the 1115 Waiver programs were not being run as designed and money used to purchase certain equipment was an unauthorized use of funding.

Other allegations contend that program managers over the various clinics and grants are not provided the financial information to successfully manage their programs, and that program income is not properly accounted or reported. The results of this section of the audit will be presented in a subsequent audit report.

Our office worked in conjunction with the Corpus Christi Police Department (CCPD) to investigate the original allegations made against the Health District administration. CCPD conducted and concluded their investigation in June 2014. CCPD interviewed 24 of 114 Health District employees. Twelve of the employees interviewed were upper management or supervisors.

Because the Health District administration reports to two political entities, we discussed the allegations with both City and County executive management.

Originally, the scope of the audit encompassed a review of all 1115 Waiver demonstration projects, and it was to be a collaborative effort between the City and County audit offices. However, on June 25, 2014, the Health District received notification from CMS that it would be conducting a review of the 1115 Waiver projects. As a result, the County Auditor's Office elected to withdraw participation in this audit project. Accordingly, the scope of this audit was scaled back to cover the Childhood Obesity Prevention Program which falls under the purview of the City.

The objectives of this audit project were designed to cover areas not investigated by the CCPD, and they include other allegations made during the time of the audit. The objectives are to:

1. Determine if the Program is different than proposed to the CMS/HHSC.
2. Determine if the Health District, its vendors and partners are compliant with 1115 Waiver provisions and City policies.
3. Determine if the Program expenditures are in line with the budget proposal.
4. Determine if the Program goals are achievable.
5. Determine if salaries of 1115 Waiver staff are in line with other Health District staff.
6. Determine if procurement card transactions are made in compliance with City policy.

The audit scope was May 23, 2013 through June 30, 2014. We conducted this audit from June 2014 through August 2014.

Our methodology included review of City contracts, 1115 Waiver guidelines, Human Resource records of 1115 Waiver staff, e-mails, feasibility studies, departmental memos, and analysis of Program expenditures. We conducted interviews with staff and management at the Health District, as well as 1115 Waiver management from HHSC. We made inquiries with the Human Resources Department (HR), City Attorney's Office, Financial Services Department, and HWP. Additionally, we met with the Nueces County Auditor, HR, and representatives from Commissioner's Court administration.

Audit steps were developed to evaluate and test compliance with 1115 Waiver guidelines, contractual agreements, and City policies and procedures.

We relied on information from the City's PeopleSoft financial system and HWP's Operations Management and Monitoring System database (OMMS); however, we did not audit either system's general or application controls.

City management is responsible for establishing and maintaining a system of internal controls to ensure assets are safeguarded, financial (and non-financial) activity is accurately reported and reliable, and management and employees are in compliance with laws, regulations, and agreements with other entities.

This audit report provides independent, objective analysis, recommendations, and information concerning the activities reviewed. This report is a tool to help management discern and implement specific improvements. This report is not an appraisal or rating of management.

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 audit results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Conclusion

Based on the results reported by the CCPD and our own interaction with the Health District, it is our conclusion that:

1. The effectiveness and performance of daily business has been impaired by the climate at the Health District, and staff and management attention is distracted from the “delivery of municipal services” by internal disorder. We question the viability of the Program if the issues in this report are not promptly addressed.
2. The Program is different than originally proposed; however, CMS/HHSC allows for modifications to be requested.
3. The Health District has not enforced strict compliance with the Program requirements; however, CMS/HHSC makes allowances for these pilot programs.
4. Expenditures for the Program are in line with the proposed budget.
5. One of two Program goals was not achieved in the demonstration year ending September 2014; however, CMS permits carry-forward of program goals. As a result, program funding may not be on target to cover future expenditures.
6. Salaries of staff working on 1115 Waiver projects are generally higher than that of other Health District staff.
7. Procurement card transactions were generally in compliance with City policy. We make no recommendation.

Staff Acknowledgement

Kimberly Houston, Senior Auditor
Jacey Reeves, Auditor

Audit Results and Recommendations

A. Managerial Issues

The City Auditor's Office received allegations of mismanagement, abuse of power, financial impropriety, retaliation, unprofessionalism, unfair hiring practices, and favoritism at the Health District. Additional allegations were reported to City and County HR Departments. Examination of these allegations was shared between our office and the CCPD.

The CCPD conducted the initial interviews of staff in June 2014. CCPD corroborated eight allegations directly related to the management style of Health District administration. CCPD reports that the majority of supervisors and managers had overall negative perceptions about the Health District administration. The majority of managers had strong comments about the work atmosphere being dysfunctional. They believed that there would be negative repercussions including retaliation for disagreeing with the administration. Health District administration denied these allegations and cited long work hours and large work load assigned by the Assistant City Manager (ACM). The ACM vehemently denies the claims regarding work load assignments.

During interviews with staff and management, and through e-mail conversations, we observed an environment full of discord. Communication and coordination between Health District administration and Program management/staff is hampered. Employee perception and morale at the Health District is damaged to where it is questionable whether intervention would be effective within the existing organizational structure.

Health District employees feel that their prior reports to HR and City management are not adequately addressed because problems continue to exist and compound. Many of their voiced concerns involve basic approaches to employee relations such as treating people with respect, consistent enforcement of policies (Health District, County, and City), and dispute resolution.

The City's HR Manual states that employees (and management) are "responsible for conducting themselves in a professional and ethical manner and for treating coworkers and members of the public with respect and dignity at all times." Additionally, "supervisors have an obligation to promote a harassment and retaliation free workplace environment."

An effective system of internal control includes the control environment which is built upon management's commitment to integrity and ethical values². The tone at the top of an organization affects every employee in that organization.

² Committee of Sponsoring Organization of the Treadway Commission, Internal Control Integrated Framework, <http://www.coso.org>.

To compound matters the Health District administration answers to both the City and County; each with different perspectives on how the Health District should function. Neither City nor County executive management has full authority over the Health District administration. See further discussion of this in Section B, Organizational Issues Noted in Feasibility Studies.

Recommendation:

City executive management should collaborate with County executive management to:

- 1) Address the allegations made by employees and confirmed by the CCPD.
- 2) Take appropriate action and increase management oversight of Health District administration, if deemed necessary.

Health District administration should:

- 3) Develop a sustainable organization committed to encouraging and supporting a productive work environment.
- 4) Strengthen employee relations by improving communication, coordinating efforts to address employee morale, and promoting a perception of a retaliation-free work environment.

| <i>Agree/Disagree</i> | <i>Responsible Party, Title</i> | <i>Completion Date</i> |
|-----------------------|---------------------------------------|------------------------|
| 1. Agree | 1. Executive Management (City | 1. January 2015 |
| 2. Agree | Manager, County Judge) | 2. January 2015 |
| 3. Agree | 2. Executive Management (City | 3. December 2014 |
| 4. Agree | Manager, County Judge | 4. December 2014 |
| | 3. Annette Rodriguez, Health Director | |
| | 4. Annette Rodriguez, Health Director | |

Action Plan:

1. City Manager and County Judge will counsel the Health District Director concerning the need to communicate clearly to program management and staff the goals and work plans of the District on a regular basis. Program managers should be held responsible for the day to day management of their assigned staff. The allegations of mismanagement made by various staff, while not substantiated, do present a perception that improvement may be necessary.
2. City Manager and County Judge will meet with all Health District Managers and employees to communicate the results of the Audit by the City Auditor and County Auditor, and to make it clear that there has been no wrong doing in management of program finances and assets. The City Manager and County Judge support the Director of the Health District and believe it is time to move forward with managing and performing the duties and responsibilities of the Public Health District.
3. The Health District’s mix of City and County jurisdiction with different directives, policies and philosophies sometimes makes it cumbersome and difficult to

manage City and County employees. This may lead to the perception of unfairness by some employees. While this could be an opportunity to enhance communication to HD employees, it does take an enormous amount of time to explain to 120+ employees why certain things happen a certain way for some employees and not for others. This creates additional work for HD management, especially when HD management is in the process of implementing five new 1115 Waiver projects simultaneously and there are new staff unfamiliar with HD's processes, as well as end of year budget requirements, etc.

4. HD Administration will re-institute bi-weekly administrative meetings and monthly managers' meetings in an effort to keep lines of communication open. In addition, HD Administration will re-institute the Suggestion Box. Employees can submit suggestions/concerns to the box which will be checked on a monthly basis and response to these suggestions will be given at the managers' meetings as well as the monthly staff meetings to promote an open and retaliation-free environment.

Management recognizes that there is a high stress working environment at the HD due to a combination of factors: implementation of five new 1115 Waiver programs simultaneously; staff shortages; different policies and procedures for City vs. County employees; and additional demands on staff with new and evolving diseases such as Ebola.

In addition the HD had two high level administrative positions out on medical leave (one for two months), which caused additional demands and stress on HD Management, in addition to regular assigned responsibilities.

Management is proud that the HD was able to receive nearly 20 million dollars of additional funding for these Waiver projects through 2016. In addition we were selected by DSHS to receive a \$50,000 grant to enhance cardiovascular disease and stroke response in our community.

B. Organizational Issues Noted in Feasibility Studies

In 2000 and 2004, the Health District underwent assessments to enhance the delivery of public health; however, recommendations related to restructuring the Health District were not implemented.³

³ CCNCHD Feasibility Study, MGT of America, December 2000. An Assessment of the CCCNCPHD and Recommendations for Enhancing the Delivery of Public Health, University of North Texas Health Science Center School of Public Health, December 2004.

The reports provided information on reformation of the Health District. The 2004 study states, "...the current structural makeup of the Health District is adversely affecting performance." More specifically, the two reports commented that the Health District should be a true district governed by a local board of health and not split between City and County.

The reports also provided recommendations for improvements to efficiency, operations, and financial management, as well as a comparison to other health districts across the state. Additionally, the reports suggested that changes in law may allow the Health District to enhance services and provide new opportunities to the community.

A decade has elapsed since the receipt of these reports. With recent healthcare reforms, an updated study may be needed to address the current function of the Health District. Without a periodic review, management may not be fully aware of statutory obligations and may overlook improvement opportunities that may streamline operations and services to the public.

Health District administration has the challenging task of reporting to its two funding governing bodies. Project approvals at times require report preparation and approval needed from both the City and County. In addition, Health District administration must prepare and track two separate budgets while charging each accordingly, and, until recently, it had to follow two different fiscal years.

Further, the current mix of City and County employees with different retirement systems, philosophies, and personnel directives causes confusion amongst administration, managers, and staff.

Both the City and the County executives have expressed willingness to relinquish its authority and let the other entity take complete administrative control of the Health District.

Recommendation:

City executive management should collaborate with County executive management to:

- 1) Revisit the recommendations made to reform the organizational structure of the Health District.
- 2) Consider an assessment of the overall operational function of the Health District given recent changes to health care law to include performance of individual programs.

| <i>Agree/Disagree</i> | <i>Responsible Party, Title</i> | <i>Completion Date</i> |
|-----------------------|--|------------------------|
| 1. Agree | 1. Executive Management (City Manager, County Judge) | 1. February 2015 |
| 2. Agree | 2. Annette Rodriguez, Health Director | 2. January 2015 |

Action Plan:

1. For clarification purposes, the City and County did collaborate and conduct a year-long joint review of the 2004 study. As a result of that joint effort, the current Reformation of the Cooperative Agreement to Operate a Public Health District was approved by the City Council and County Commissioners Court in April 2009. None-the-less, the City Executive management and County Executive management will revisit this matter to explore further improvements to the organizational structure. Program managers should be held responsible for the day to day management of their assigned staff.
2. Given the recent affordable health care changes, HD Administration will assess the operational functions and performance of existing clinical programs (excluding Waiver projects) to determine if any changes are needed. HD Administrative staff is currently in the process of making these assessments.

City Auditor’s Evaluation of Management Response #2: *The City Auditor’s Office strongly recommends that the assessment of the overall operational function of the Health District be conducted by an independent consulting firm.*

C. Program Modifications and Presentations

The Program has been modified from the original proposal; however, per HHSC, the Health District may request revisions to the Program.

Related to this is an allegation that City Council was not fully apprised of the specifics of 1115 Waiver projects. We reviewed two City Council presentations given in November and December 2013. Statements were generally accurate; however, incentive payments related to meeting Program goals were not fully explained.

Considering Council and public interest in the Program, more frequent progress reports related to modifications would increase the Program’s transparency and advocacy for its success.

Recommendation:

Health District administration should periodically update City Council of the Program’s progress and significant changes.

| <i>Agree/Disagree</i> | <i>Responsible Party, Title</i> | <i>Completion Date</i> |
|-----------------------|---------------------------------------|------------------------|
| 1. Agree | 1. Annette Rodriguez, Health Director | 1. Completed |

Action Plan:

1. Health District Administration already sends quarterly City Manager Updates regarding the City’s 1115 Waiver program, and will continue to do so. If there

is a significant change that warrants earlier reporting, HD Administration will send the update prior to the next quarterly update.

City Auditor's Evaluation of Management Response: *The City Auditor's Office strongly recommends that the Health District keep the City Council updated on the progress of the 1115 Waiver program and any significant changes to the program.*

D. Vendor Compliance

HWP, the vendor, shipped MEND course kits⁴ for the Program that were incomplete and untimely (in multiple shipments). The Health District ordered eighteen (18) MEND course kits; however, none were received complete or undamaged. The Health District continued receiving missing items up to the last two weeks of the ten week program.

Delivery partners (i.e. school districts and social organizations) did not have the essential items needed to run the MEND courses as intended. Additionally, Program staff spent a great deal of time inventorying and inspecting kit contents, and copying course material. At the recommendation of Health District administration, Program staff contacted the City Attorney's Office and Purchasing division for assistance to remedy the situation.

Per HWP, the delays were due to its supplier unexpectedly liquidating mid-order, ordering from multiple sources, U.S. Customs delays, and having to provide for more course kits than expected. Prior to January 27, 2014, HWP expected to supply ten (10) kits. To alleviate issues caused by missing and damaged items, HWP requested that training demonstration kits be used to supplement the unfilled orders. HWP requested that Program instructors rearrange sessions and share material. Additionally, HWP authorized Program staff to photocopy its course materials.

In addition to the kit issues, the OMMS database system is not user friendly and data entry is time consuming. Delivery partners must input data from a 30-page survey conducted on each Program participant; however, the screens in the OMMS system do not correlate to the survey document.

Recommendation:

Health District administration should:

- 1) Determine an appropriate lead time to allow HWP to provide timely delivery of program materials.
- 2) Discuss with HWP possible revisions to streamline data entry into the OMMS system.

⁴Health District contracted with HWP to provide an evidenced-based program known as "Mind, Exercise, Nutrition...Do it!" (MEND). The MEND course teaches healthy lifestyle habits to children and parents/caregivers. HWP supplies kits that are comprised of teaching material, equipment, and promotional items.

| <i>Agree/Disagree</i> | <i>Responsible Party, Title</i> | <i>Completion Date</i> |
|---|---|----------------------------------|
| 1. Agree 2. Agree | 1. City 1115 Waiver, Program Manager 2. Annette Rodriguez, Health Director | 1. February 2015 2. Completed |
| <p><i>Action Plan:</i></p> <ol style="list-style-type: none"> 1. The City 1115 Waiver Program Manager will determine an appropriate lead time to allow Healthy Weight Partnership (HWP) to provide timely delivery of program materials in order to assure the program's success. 2. The City/County Health Director has discussed with HWP possible changes to their OMMS data entry system to streamline processes for a more "user friendly" system. | | |

E. Delivery Partner Compliance

Health District did not enforce contract compliance with all delivery partners.

The contracts with delivery partners specify which of the two courses (MEND ages 2-5 and MEND ages 7-13) the partner will run. The contract requires the partners to follow a specific curriculum, ensure a minimum of two instructors per course, and enter course data into the OMMS database. Further, a parent or caregiver must attend the course with the child.

Per the Health District, there were instances where instructors did not teach the course as designed, courses were run with only one instructor, and parents or caregivers did not always attend. The future success of Program participants (the children) could be jeopardized by these deficiencies.

Additionally, one delivery partner did not enter its course data into the OMMS database as required. Issues on the part of the Health District, the vendor, and the delivery partner resulted in delivery partners not being able to input their data in a timely manner. Because of this, Program staff entered the data on behalf of the delivery partner. By taking on the responsibility for data entry, Program staff time was taken away from managing other aspects of the Program such as recruiting for summer courses. Continuation of such acts may affect future Program outcomes. Also, accurate and timely data is essential in an evidence-based course such as MEND. Because Program staff entered the data, the delivery partner cannot be held accountable for errors or discrepancies.

Further, Program staff allowed one delivery partner to run both MEND courses even though the contract contained provisions for only the MEND 7-13 course. As a result, the partner's payment had been delayed nearly three months after invoice submission while Health District staff sought a resolution. The Health District consulted with the City

Attorney’s Office and the City Purchasing division to determine that payment could be made to the partner.

Program staff did not initially calculate payments to delivery partners as prescribed in the contract. Program staff erroneously calculated payments based on a minimum student enrollment even though the contract did not require this. This error was corrected during the course of the audit. The Health District is negotiating changes to delivery partner contracts to reflect desired outcomes.

Instructional costs are paid out of pocket by partners then recouped after course completion. Inaccurate payments could compromise the City’s relationship with partners and discourage participation in future City programs.

Recommendation:

Health District administration should:

- 1) Monitor all delivery partners against contract provisions to ensure that courses are conducted as intended.
- 2) Provide adequate training to all delivery partners, and monitor the data entry efforts of the partner to ensure timely entry into the OMMS system.
- 3) Health District administration should ensure all payments are calculated and paid according to contract stipulations for its delivery partners.

| <i>Agree/Disagree</i> | <i>Responsible Party, Title</i> | <i>Completion Date</i> |
|--|--|---|
| 1. Agree 2. Partially Agree 3. Agree | 1. City 1115 Waiver Program Manager, Health Promotion Coordinators 2. City 1115 Waiver Program Manager 3. County 1115 Waiver Accountant | 1. February 2015 2. March 2015 3. December 2014 |

Action Plan:

1. Along with a new Program Manager, being hired, the City 1115 Waiver Health Promotion Coordinators will monitor all delivery partners to ensure that programs are conducted in compliance with approved HWP curriculum.
2. The City 1115 Waiver Program Manager, when hired, will monitor the data entry efforts of the delivery partners to ensure timely entry into the OMMS system upon implementation of these Childhood Healthy Weight programs. The training is conducted by HWP and is proven to be efficient as the program they are training for is approved as an “evidence based” MEND program. Additionally, HWP will offer additional training, via telephone assistance, to delivery partners that have attended the initial required training, if needed.
3. County 1115 Waiver Accountant will ensure all payments are calculated and paid according to RFQ stipulations within one month of being invoiced. The RFQ is being reviewed to ensure payments are made timely.

F. Procurement Card Purchases and Expenditures

We reviewed Program expenditures and procurement card purchases to determine if they are in line with the proposed budget and compliant with City policies. Expenditures and vendor payments are in accordance with 1115 Waiver guidelines and contract stipulations. Procurement card purchases are generally in compliance with City policy.

Recommendation:

None

G. Program Goals

The Health District did not meet one of its two required goals for DY3 which will result, at best, in a delay in reimbursement of \$1.0 million, or at worst, the loss of the entire \$1.0 million.

The two goals of the Program are: 1) run five instructional sites; 2) test a minimum of 12 “practices, tools, or solutions.” Successful completion of each goal will be reimbursed at \$1.0 million (a total of \$2.0 million for DY3). The Health District successfully met its first goal of running five instructional sites.

The second goal was not achieved because the Health District did not know that this was one of its goals. The Health District had proposed changes to the Program goals; however, the changes had never been accepted by HHSC due to a breakdown in communication.

If requested and approved, CMS/HHSC allows a grace period of one year for the Health District to meet the second goal. Until such time as the incentive payment is received, Health District management may need to consider other financial resources.

Recommendation:

Given the delay in the incentive payment, Health District administration should work with the Financial Services Department to ensure that budgetary needs of the Program will be met. Further, it should revisit its strategic plan to determine if future Program goals are attainable.

| <i>Agree/Disagree</i> | <i>Responsible Party, Title</i> | <i>Completion Date</i> |
|---|------------------------------------|------------------------|
| Disagree | Annette Rodriguez, Health Director | Completed |
| <i>Action Plan:</i> The HD was given Demonstration Year 1 (DY1) “seed money” for this purpose and will utilize those funds if needed to meet budget requirements. The HD strategic plan was to submit a plan modification, which was submitted to HHSC for approval, which should allow us to meet future program goals. | | |

City Auditor’s Evaluation of Management Response: *We inquired of the County Auditor as to the use of ‘seed money.’ The County Auditor stated that the seed money was not intended to cover operational costs; he added that the seed money has been mostly depleted.*

The City Auditor’s Office does not understand management’s refusal to consult with Financial Services Department to discuss the loss (or postponement) of the \$1,000,000 incentive payment. We urge the Health District to reconsider.

As of November 2014, the Program has two goals for DY 4: 1) have 3,064 children complete the 10-week MEND program; and 2) have a minimum of 12 tests of practices, tools or solutions. We strongly urge the Health District to revisit the Program goals to ensure that the future goals are known and achievable.

H. 1115 Waiver Staff Salaries

Health District 1115 Wavier staff salaries generally exceed the pay of comparable positions within the Health District and the City. There are six job titles staffed by eight 1115 Waiver employees. Two pairs of employees hold the same two job titles.

We compared salaries of employee counterparts at the Health District; however, we did not review qualifications of individual employees or give consideration to the size of the program budget or number of employees managed.

Exhibit 1 below shows the percentage by which 1115 Waiver staff salaries exceed their counterparts within the Health District. One position was compared to an equivalent position in the City as there is not an equivalent position within the Health District. One of the 1115 Waiver positions, Position A, is paid approximately 46% more than employees in similar positions.

Exhibit 1

| 1115 Waiver Staff Salary Analysis | |
|-----------------------------------|--------------------------------------|
| 1115 Waiver Position | Exceed comparable average salary (%) |
| Position A | 46% |
| Position B | 25% |
| Position C | 18% |
| Position D | 8% |
| Position E | 3% |
| Position F | -1% |

The 1115 Wavier positions are new and, therefore, compensated more closely with current labor market rates. Salaries of existing employees have not been brought up to date, and pay inequities exist between existing and new employee salaries. The existing

pay inequity is a City-wide problem; however, it is only a contributing factor to the higher than average pay of the 1115 Waiver staff.⁵ Uneven pay structures create widespread inequities that trigger contention amongst employees at the Health District.

Recommendation:

Health District administration should continue to work with the HR Department to attain pay equity among staff members with comparable job duties.

| <i>Agree/Disagree</i> | <i>Responsible Party, Title</i> | <i>Completion Date</i> |
|--|------------------------------------|------------------------|
| Agree | Annette Rodriguez, Health Director | September 2015 |
| <i>Action Plan:</i> HD Administration will continue to work with City/County Human Resources to attain pay equity among staff members with comparable job duties. | | |

I. Program Management

The communication between Health District administration, Program management and staff, HWP, and delivery partners is less than favorable.

Each level has the perception of unavailability and unapproachability of the next level. Examples include closed office doors, communication not following the chain of command, untimely responses to emails, and absence from scheduled meetings without notice. Health District administration, Program management, and staff seldom work cohesively.

Instead of having one centralized communication stream with HWP and delivery partners, there are many; moreover, all appropriate employees are not kept informed. For example, a scheduled training for delivery partners was not fully communicated amongst Health District administration, Program staff, and delivery partners. Miscommunication forced the training to be canceled at the last minute which may result in charges of \$4,500 to a heavily restricted budget.

Miscommunication amongst Program staff has even impacted the Mayor and several City Council members. It was the intent of some to attend one of the Program field trips and the graduation ceremonies; however, dates were not finalized in time to give adequate notice for attendance.

Recommendation:

Health District administration should promote open lines of communication that results in a more cohesive team environment between Health District administration, Program management and staff. There should be a single point of contact between Program

⁵ In 2013, Human Resources implemented a new classification and compensation plan to provide equity between existing and new employees. County paid Health District employees will follow City pay plans.

management, delivery partners, and HWP to ensure operational instructions are clearly identified and feasible.

| <i>Agree/Disagree</i> | <i>Responsible Party, Title</i> | <i>Completion Date</i> |
|--|------------------------------------|------------------------|
| Agree | Annette Rodriguez, Health Director | January 2015 |
| <p><i>Action Plan:</i> HD Administration will promote open lines of communication for a more cohesive team environment between all City and County HD employees, as described in Section A, items #3 and #4. We will also have the City 1115 Waiver Program Manager or designee serve as the single point of contact for the delivery partners.</p> | | |

Appendix A – Childhood Obesity Prevention Program

Program Budget

The proposed 1115 Waiver-Childhood Obesity Prevention Program (the Program) budget covers four demonstration years (DY 2 to DY 5) as the Health District did not participate in DY 1.

The City must provide initial funding to HHSC (known as intergovernmental transfer or IGT) which then triggers the incentive payment back to the City—assuming Program goals have been met. Continued waiver qualification and funding is contingent on the Health District meeting predefined goals. The Health District submits required semi-annual and annual reports on Program goals to HHSC. Upon successful completion of Program goals, HHSC provides these incentive payments. HHSC does not prescribe how incentive payments are spent once they are earned.

The Health District budgeted for \$3,073,030 in IGTs over the life of the Program which would result in incentive payments totaling \$7,401,720. There is an expected shortfall of \$429,359 in FY 2016 which would be recovered in FY 2017. Exhibit 2 shows additional budget details *with the expectancy of meeting all Program goals*.

Exhibit 2

| Childhood Obesity Prevention Program Original Budget | | | | | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|----------------------------|
| | Demonstration Year 2 | Demonstration Year 3 | Demonstration Year 4 | Demonstration Year 5 | Estimated Program Total |
| Intergovernmental Transfer from General Fund (IGT) | \$ 1,032,750 | \$ 826,200 | \$ 836,800 | \$377,280 | \$ 3,073,030 |
| Proposed Funding and Program Expenditures | | | | | |
| | FY 2014 | FY 2015 | FY 2016 | FY 2017 | Row Total |
| Beginning Balance | \$ - | \$ 660,666 | \$ 344,725 | \$ (429,359) | |
| Funding from CMS (Incentive Payments) | 2,500,000 | 2,000,000 | 2,000,000 | 901,720 | \$ 6,401,720 |
| Subtotal | \$ 2,500,000 | \$ 2,660,666 | \$ 2,344,725 | \$ 472,361 | |
| Repay General Fund for IGT Available Program Funding | (1,032,750) | (826,200) | (836,800) | (377,280) | \$ (3,073,030) |
| | \$ 1,467,250 | \$ 1,834,466 | \$ 1,507,925 | \$ 95,081 | |
| Program Expenditures | (806,584) | (1,489,741) | (1,937,284) | | \$ (4,233,609) |
| Ending Balance | \$ 660,666 | \$ 344,725 | \$ (429,359) | \$ 95,081 | |

Source: Data provided by Health District

Demonstration Year 2

In January 2014, the City made its first IGT of \$1,032,750 to HHSC. Since DY2 goals were met, the Health District received the expected incentive payment of \$2,500,000. The net result is \$1,467,250 in available program funding after the General Fund was repaid (\$1,032,750).

Demonstration Year 3

The Health District originally budgeted for a \$2,000,000 incentive payment to occur in FY 2015 after successful completion of DY3 goals. An IGT of \$826,200 from the City's General Fund was also budgeted.

In section G, we reported that the Health District did not meet one of two goals for DY3. If approved by CMS/HHSC, an unmet goal can be deferred up to one-year. However, if the goal is not obtained, the incentive payment is forfeited.

Using data from Exhibit 2, we calculated estimated program funding **should the Health District forfeit the \$1,000,000 incentive payment expected for DY3.**

Exhibit 3 below reduces the DY3 IGT from the General Fund from \$826,200 to \$413,100, and also reduces the expected incentive payment from \$2,000,000 to \$1,000,000. This will result in a funding deficit in FY 2015, FY 2016 and FY 2017, all other factors remaining unchanged.

Exhibit 3

| | | | | | |
|---|--|--|--|--|--|
| Childhood Obesity Prevention Program Budget | | | | | |
| Assuming Demonstration Year 3 Metric is Not Achieved in Demonstration Year 4 | | | | | |

| | Demonstration Year 2 | Demonstration Year 3 | Demonstration Year 4 | Demonstration Year 5 | Estimated Program Total |
|---|-------------------------|-------------------------|-------------------------|-------------------------|----------------------------|
| Intergovernmental Transfer from General Fund (IGT) | \$ 1,032,750 | \$ 413,100 | \$ 836,800 | \$377,280 | \$ 2,659,930 |

| | Proposed Funding and Program Expenditures | | | | Row Total |
|--|---|--------------|----------------|----------------|----------------|
| | FY 2014 | FY 2015 | FY 2016 | FY 2017 | |
| Beginning Balance | \$ - | \$ 660,666 | \$ (242,175) | \$ (1,016,259) | |
| Funding from CMS (Incentive Payments) | 2,500,000 | 1,000,000 | 2,000,000 | 901,720 | \$ 6,401,720 |
| Subtotal | \$ 2,500,000 | \$ 1,660,666 | \$ 1,757,825 | \$ (114,539) | |
| Repay General Fund for IGT | (1,032,750) | (413,100) | (836,800) | (377,280) | \$ (2,659,930) |
| Available Program Funding | \$ 1,467,250 | \$ 1,247,566 | \$ 921,025 | \$ (491,819) | |
| Program Expenditures | (806,584) | (1,489,741) | (1,937,284) | | \$ (4,233,609) |
| Ending Balance | \$ 660,666 | \$ (242,175) | \$ (1,016,259) | \$ (491,819) | |

Source: City Auditor's Office

Corpus Christi – Nueces County Public Health District



Public Health
Prevent. Promote. Protect.

December 18, 2014

Arlena Sones, CPA, CIA, CGAP
City Auditor
Corpus Christi, Texas

Re: AU14-009 Corpus Christi-Nueces County Public Health District Audit

We have carefully reviewed the issues presented in the audit report referenced above, and our plans to correct the issues are described on the following pages.

At the time allegations were made against the Health District, three individuals filling administrative positions were not available for work duties. Two of these individuals were on medical leave (one for 2 months, one for 4 weeks), and one had recently resigned. These were the Assistant Director, 1115 Waiver Administrator and Building Maintenance Coordinator. The void of these three positions caused additional demands, responsibilities and stress to fall on Health District Management in addition to regular assigned responsibilities. Therefore when staff was complaining that management was unresponsive we acknowledge that as an issue and are working hard to make changes necessary that will keep this problem from occurring in the future.

The County conducted its own audit and was satisfied with the results of that audit; therefore the County declined to participate in this City Audit.

We also acknowledge that differences in City and County governmental policies and processes can be a cause of confusion and may give the perception that some Health District (HD) employees are being treated unfairly compared to others. This is a problem in a HD that has both types of governmental employees working under the same roof.

Around September 24, two employees (the 1115 Waiver Administrator and Pediatric Director over our healthy weight program) resigned abruptly from the HD without notice. These individuals are therefore not eligible for rehire within one to three years. These federal programs were highly demanding with the expectation for long workdays in order to implement these new initiatives. This may have been more trying than these individuals had expected. This happens sometimes with new programs, but HD management is committed to working hard to ensure the success of these worthy programs.

The financial status of the HD is strong. We have received more funding in the past two years than we have received in the last twenty. With new funds (nearly \$20 million) come new responsibilities and expectations for HD staff to take on, for the well-being of

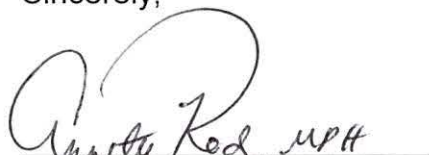
Appendix B - Management Response

our community. The HD receives funding from Department of State Health Services (DSHS), Health and Human Services (HHSC), Centers for Medicaid and Medicare Services (CMS), General Land Office (GLO), the City of Corpus Christi and Nueces County Hospital District. These include financial and programmatic audits required by these entities. Over the last ten years the HD has had no significant findings, financial or otherwise from those audits.

We acknowledge that some HD staff may have had negative perceptions of the HD Management. During this time the HD was severely short staffed, which caused unfortunate delays and a communications breakdown with some managers. This was not intentional, but prioritization of requests from limited management staff was necessary during this time frame.

We are committed to correcting the issues in the audit report by implementing the action plans in a timely fashion.


Sincerely,


Annette Rodriguez, MPH
Director

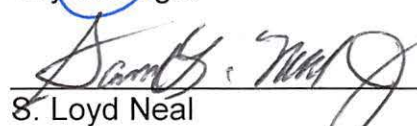
1.12.15
Date


Susan Thorpe
Assistant City Manager

1/7/15
Date


Ron Olson
City Manager

7 Jan 2015
Date


S. Loyd Neal
Nueces County Judge

1-12-15
Date

Management Responses

A. Managerial Issues

Recommendation:

City Executive management should collaborate with County Executive management to:

- 1) Address the allegations made by employees and interviewed by the CCPD.
- 2) Take appropriate action and increase management oversight of Health District Administration, if deemed necessary.

Health District Administration should:

- 3) Develop a sustainable organization committed to encouraging and supporting a productive work environment.
- 4) Strengthen employee relations by improving communication and coordinated efforts to address employee morale and promote a perception of a retaliation-free environment.

| <i>Agree/Disagree</i> | <i>Responsible Party, Title</i> | <i>Completion Date</i> |
|--|--|--|
| 1. Agree 2. Agree 3. Agree 4. Agree | 1. Executive Management (City Manager, County Judge) 2. Executive Management (City Manager, County Judge) 3. Annette Rodriguez, Health Director 4. Annette Rodriguez, Health Director | 1. January 2015 2. January 2015 3. December 2014 4. December 2014 |

Action Plan:

1. City Manager and County Judge will counsel the Health District Director concerning the need to communicate clearly to program management and staff the goals and work plans of the District on a regular basis. Program managers should be held responsible for the day to day management of their assigned staff. The allegations of mismanagement made by various staff, while not substantiated, do present a perception that improvement may be necessary.
2. City Manager and County Judge will meet with all Health District Managers and employees to communicate the results of the Audit by the City Auditor and County Auditor, and to make it clear that there has been no wrong doing in management of program finances and assets. The City Manager and County Judge support the Director of the Health District and believe it is time to move forward with managing and performing the duties and responsibilities of the Public Health District.
3. The Health District's mix of City and County jurisdiction with different directives, policies and philosophies sometimes makes it cumbersome and difficult to manage City and County employees. This may lead to the perception of unfairness by some employees. While this could be an opportunity to enhance communication to HD employees, it does take an enormous amount of time to

Appendix B - Management Response

explain to 120+ employees why certain things happen a certain way for some employees and not for others. This creates additional work for HD management, especially when HD management is in the process of implementing five new 1115 Waiver projects simultaneously and there are new staff unfamiliar with HD's processes, as well as end of year budget requirements, etc.

4. HD Administration will re-institute bi-weekly administrative meetings and monthly managers' meetings in an effort to keep lines of communication open. In addition, HD Administration will re-institute the Suggestion Box. Employees can submit suggestions/concerns to the box which will be checked on a monthly basis and response to these suggestions will be given at the managers' meetings as well as the monthly staff meetings to promote an open and retaliation-free environment.

Management recognizes that there is a high stress working environment at the HD due to a combination of factors: implementation of five new 1115 Waiver programs simultaneously; staff shortages; different policies and procedures for City vs. County employees; and additional demands on staff with new and evolving diseases such as Ebola.

In addition the HD had two high level administrative positions out on medical leave (one for two months), which caused additional demands and stress on HD Management, in addition to regular assigned responsibilities.

Management is proud that the HD was able to receive nearly 20 million dollars of additional funding for these Waiver projects through 2016. In addition we were selected by DSHS to receive a \$50,000 grant to enhance cardiovascular disease and stroke response in our community.

B. Organizational Issues Noted in Feasibility Study

Recommendation:

City Executive management should collaborate with County Executive Management to:

- 1) Revisit the recommendations made to reform the organizational structure of Health District.
- 2) Consider an assessment of the overall operational function of the Health District given recent changes to health care law to include performance of individual programs.

| <i>Agree/Disagree</i> | <i>Responsible Party, Title</i> | <i>Completion Date</i> |
|-----------------------|--|------------------------|
| 1. Agree | 1. Executive Management (City Manager, County Judge) | 1. February 2015 |
| 2. Agree | 2. Annette Rodriguez, Health Director | 2. January 2015 |

Appendix B - Management Response

Action Plan:

1. For clarification purposes, the City and County did collaborate and conduct a year-long joint review of the 2004 study. As a result of that joint effort, the current Reformation of the Cooperative Agreement to Operate a Public Health District was approved by the City Council and County Commissioners Court in April 2009. None-the-less, the City Executive management and County Executive management will revisit this matter to explore further improvements to the organizational structure. Program managers should be held responsible for the day to day management of their assigned staff.
2. Given the recent affordable health care changes, HD Administration will assess the operational functions and performance of existing clinical programs (excluding Waiver projects) to determine if any changes are needed. HD Administrative staff is currently in the process of making these assessments.

C. 1115 Waiver Program Modifications and Presentations

Recommendation:

Health District Administration should periodically update City Council of the Program's progress and significant changes.

| <i>Agree/Disagree</i> | <i>Responsible Party, Title</i> | <i>Completion Date</i> |
|-----------------------|---------------------------------------|------------------------|
| 1. Agree | 1. Annette Rodriguez, Health Director | 1. Completed |

Action Plan:

1. Health District Administration already sends quarterly City Manager Updates regarding the City's 1115 Waiver program, and will continue to do so. If there is a significant change that warrants earlier reporting, HD Administration will send the update prior to the next quarterly update.

D. Vendor Compliance

Recommendation:

Health District Administration should:

- 1) Determine an appropriate lead time to allow HWP to provide timely delivery of program materials.
- 2) Discuss with HWP possible revisions to streamline data entry into the OMMS system.

| <i>Agree/Disagree</i> | <i>Responsible Party, Title</i> | <i>Completion Date</i> |
|-----------------------|---------------------------------------|------------------------|
| 1. Agree | 1. City 1115 Waiver, Program Manager | 1. February 2015 |
| 2. Agree | 2. Annette Rodriguez, Health Director | 2. Completed |

Appendix B - Management Response

Action Plan:

1. The City 1115 Waiver Program Manager will determine an appropriate lead time to allow Healthy Weight Partnership (HWP) to provide timely delivery of program materials in order to assure the program's success.
2. The City/County Health Director has discussed with HWP possible changes to their OMMS data entry system to streamline processes for a more "user friendly" system.

E. Delivery Partner Compliance

Recommendation:

Health District Administration should:

- 1) Monitor all delivery partners against contract provisions and program requirements to ensure that programs are conducted as intended.
- 2) Provide adequate training to all delivery partners, and monitor the data entry efforts of the partner to ensure timely entry into the OMMS system.
- 3) Health District Administration should ensure all payments are calculated and paid according to RFQ stipulations for its delivery partners.

| <i>Agree/Disagree</i> | <i>Responsible Party, Title</i> | <i>Completion Date</i> |
|-----------------------|--|------------------------|
| 1. Agree | 1. City 1115 Waiver Program Manager, Health Promotion Coordinators | 1. February 2015 |
| 2. Partially Agree | | 2. March 2015 |
| 3. Agree | 2. City 1115 Waiver Program Manager County 1115 Waiver Accountant | 3. December 2014 |

Action Plan:

1. Along with a new Program Manager, being hired, the City 1115 Waiver Health Promotion Coordinators will monitor all delivery partners to ensure that programs are conducted in compliance with approved HWP curriculum.
2. The City 1115 Waiver Program Manager, when hired, will monitor the data entry efforts of the delivery partners to ensure timely entry into the OMMS system upon implementation of these Childhood Healthy Weight programs. The training is conducted by HWP and is proven to be efficient as the program they are training for is approved as an "evidence based" MEND program. Additionally, HWP will offer additional training, via telephone assistance, to delivery partners that have attended the initial required training, if needed.
3. County 1115 Waiver Accountant will ensure all payments are calculated and paid according to RFQ stipulations within one month of being invoiced. The RFQ is being reviewed to ensure payments are made timely.

Appendix B - Management Response

F. Procurement Card Purchases and 1115 Waiver Expenditures

Recommendation:

None

G. Childhood Obesity Prevention Goals

Recommendation:

Given the delay in the incentive payment, Health District Administration should work with the Financial Services Department to ensure that budgetary needs of the Program will be met. Further, it should revisit its strategic plan to determine if future Program goals are attainable.

| <i>Agree/Disagree</i> | <i>Responsible Party, Title</i> | <i>Completion Date</i> |
|---|------------------------------------|------------------------|
| Disagree | Annette Rodriguez, Health Director | Completed |
| <i>Action Plan:</i> The HD was given Demonstration Year 1 (DY1) "seed money" for this purpose and will utilize those funds if needed to meet budget requirements. The HD strategic plan was to submit a plan modification, which was submitted to HHSC for approval, which should allow us to meet future program goals. | | |

H. 1115 Waiver Staff Salaries

Recommendation:

Health District Administration should continue to work with the HR Department to attain pay equity among staff member with comparable job duties.

| <i>Agree/Disagree</i> | <i>Responsible Party, Title</i> | <i>Completion Date</i> |
|--|------------------------------------|------------------------|
| Agree | Annette Rodriguez, Health Director | September 2015 |
| <i>Action Plan:</i> HD Administration will continue to work with City/County Human Resources to attain pay equity among staff members with comparable job duties. | | |

I. 1115 Waiver Program Management

Recommendation:

Health District Administration should promote open lines of communication that results in a more cohesive team environment between Health District Administration, Program management and staff. There should be a single point of contact between Program management, delivery partners, and HWP to ensure operational instructions are clearly identified and feasible.

| <i>Agree/Disagree</i> | <i>Responsible Party, Title</i> | <i>Completion Date</i> |
|-----------------------|------------------------------------|------------------------|
| Agree | Annette Rodriguez, Health Director | January 2015 |

Appendix B - Management Response

Action Plan:

HD Administration will promote open lines of communication for a more cohesive team environment between all City and County HD employees, as described in Section A, items #3 and #4. We will also have the City 1115 Waiver Program Manager or designee serve as the single point of contact for the delivery partners.