
Date: October 30, 2023

To: Dr. Jennifer Potter, Vice President for Research
Office of the Vice President for Research

From: John Lazarine, Chief Audit Executive
Internal Audit & Consulting

Subject: Be Well, Texas Grant Disbursement Audit Report

As part of our FY 2023 Audit Plan, we recently completed an audit of Be Well, Texas Grant Disbursements. Attached is the report detailing the results of this review. Management's Action Plans are captured and included as an attachment to the report.

We appreciate the cooperation and assistance we received from the management and staff of Be Well, Texas, Office of Sponsored Programs and Business Affairs throughout the review.

Respectfully,



John Lazarine, CIA, CISA, CRISC
Chief Audit Executive
Internal Audit & Consulting Services

Distribution:

cc: Dr. William Henrich, President
Andrea Marks, Sr. EVP & Chief Operating Officer
Dr. Jennifer Potter, Vice President for Research
Ginny Gomez-Leon, Vice President, and Chief Financial Officer
J. Michael Peppers, Chief Audit Executive, UT System

External Audit Committee Members:

Randy Cain
Carol Severyn
Ed Garza

Executive Summary

Background

The Be Well, Texas¹ program is led by UT Health San Antonio, a premier academic research center, whose mission is to make lives better through excellence in education, research, health care and community engagement. The program provides access to high-quality, low-barrier, evidence-based care throughout Texas by leveraging science, innovation, and capacity building to transform how people living with substance use, substance use disorder and/or mental illness throughout Texas are cared for and treated. The Be Well, Texas program receives grant funding from the Texas Health and Human Services Commission through block grants from federal agencies such as the Center for Disease Control, and the Substance Abuse and Mental Health Services Administration.

Objective and Scope

At the request of executive leadership, we conducted an audit of disbursements associated with the Be Well, Texas program. The primary objective of this audit was to evaluate the effectiveness of the payment disbursement process as it related to the program's funding requirements. The scope of this engagement included program disbursements totaling \$27.9 million for a 14-month period covering multiple grant contracts. A statistical sample² of 680 disbursements totaling \$5.1 million were randomly selected to validate the payments with the corresponding contractual terms from federal block grants, as well as other pertinent federal and state requirements. In addition, we reviewed internal controls as it related to the procurement and payment processes³ associated with our sample selection. This audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and *Government Auditing Standards*.

Summary of Results

Overall, we determined there are opportunities to improve the effectiveness of the payment disbursement process and controls to ensure payments disbursed by UT Health San Antonio, in support of the Be Well, Texas program are complete and accurate. Strong payment process controls include ensuring adequate documentation is requested, reviewed, and retained that aligns with selected funding source agreements and other pertinent requirements. Effective payment process controls significantly reduce the risk of financial loss that may occur if grant funded disbursements were disallowed⁴ for insufficient supporting documentation. Of the sampled transactions, 25%⁵ could not be fully validated by Internal Audit due to elements in the documentation not clearly captured or missing. In addition, 14%⁵ of the sampled transactions were

¹ <https://bewelltexas.org/about/>

² A statistical sample was chosen to ensure coverage of various types of transactions (i.e., medication, rent, training, etc.) processed for a full fiscal year, specifically FY 2022. For the period under review, UT Health San Antonio engaged in 13 contracts originating from federal funding sources, to include 38 original and amended copies; \$34,603,068 was expended of the awarded contracts between September 1, 2021 – October 31, 2022. Of the \$34,603,068, payroll and corresponding benefit expenses were excluded from the total, equating to \$27,895,812 to select a sample for transaction testing. The sample was statistically calculated with a 95% confidence level, to result in 680 disbursements totaling \$5,109,327.

³ Internal audit did not have access to the State's EHR system (the Clinical Management for Behavioral Health Services database), nor did we assess other applicable reimbursement measures such as Medicare, or third-party payors, for appropriate billing, prior to grant reimbursements.

⁴ Disallowed disbursement usually requires the organization (UT Health San Antonio) to credit the funding source with Institutional funds for the amount deemed inappropriate by the external reviewer, usually federal and/or state auditors or their designee.

⁵ In accordance with GAO standard 7.49; Internal audit's sampled transaction quantified results of 25% totaled 173 transactions (\$1.2 million) and 14% totaled 97 transactions (\$2.4 million).

determined to have inadequate segregation of duties regarding the preparation and processing methodologies utilized. These transactions originated within a state electronic health records system⁶, however reimbursement documents contained invoices created by UT Health San Antonio staff instead of the provider as required per the agreement.

Lastly, we determined that \$29,953 in expenditures, derived from three invoices, to be disallowed since the transaction either did not align with the selected funding source, or the disbursement was processed for a terminated agreement in error. The Office of Sponsored Programs (OSP) is working with the Texas Department of Health and Human Services to rectify this matter.

Although we were unable to fully validate some of the transactions during this review, there was no indication to the audit team that the transactions were inappropriate or purposely processed in error. It does demonstrate a payment disbursement control gap, which could result in noncompliance with pertinent federal and/or state requirements that possibly could result in a financial loss to the Institution. Management has been advised of the control gap and has already started to take action prior to the issuance of this report.

We would like to thank the UT Health SA staff working with the Be Well, Texas, OSP management and staff, as well as Business Affairs for the support and assistance provided during this audit.

Distribution

Dr. William Henrich, President
Andrea Marks, Senior Executive Vice President, and Chief Operating Officer
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Ginny Gomez-Leon, Vice President, and Chief Financial Officer
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Approved
for
Release



John Lazarine, Chief Audit Executive, Internal Audit & Consulting Services

⁶ State system of record utilized is the Clinical Management for Behavioral Health Services (CMBHS) which is used by providers who contract with the Texas Health and Human Services Commission (HHSC) for delivery of behavioral health services to clients, as well as for business entities involved with service delivery, management, and oversight. CMBHS is a web-based data management system and electronic health record (EHR) developed by HHSC's Behavioral Health Services.

Summary of Results
Be Well, Texas Grant Disbursement Audit

	Observation/Condition
A	Need for Additional Supporting Documentation and Review
	<p>Validation of Disbursement / Supporting Documentation: Overall, we determined there are opportunities to improve the effectiveness of the payment disbursement process and controls to ensure payments utilizing grant funding are complete and accurate. Of the sampled 680 transactions, 25% could not be fully validated due to elements in the documentation not clearly captured or missing. Sampled transactions either did not have sufficient information to align the expenditure with the grant contract/funding or were not accompanied by supporting receipts or other documentation needed to validate charges reimbursed to grant recipients. In addition, 14%⁵ of the sampled transactions were determined to have inadequate segregation of duties regarding the preparation and processing methodologies utilized. These transactions originated within a state electronic health records system⁶, however reimbursement documents contained invoices created by UT Health San Antonio staff instead of the contracted providers as required per the agreement.</p> <p>There are two issues associated with this process, first the grant and corresponding sub-agreements require the providers to invoice for payment. Secondly, the provider entering treatment information into the State's electronic health records system is not a direct request for payment and/or statement as to the complete and accuracy of the "invoice" submitted as evidence to disburse payment. To avoid the misconception of UT Health San Antonio being responsible for the information entered into the states system, the contracted providers should attest that requested reimbursement information is true and correct. When vendors (to include providers) do not submit their own invoices, the risk of noncompliance and financial loss increases.</p> <p>Strong payment process controls include ensuring adequate documentation aligns with the funding source agreements and other pertinent requirements as requested, reviewed, and retained. Effective payment process controls significantly reduce the risk of financial loss, that may have occurred if grant funded disbursements are disallowed for insufficient supporting documentation. Additionally, by increased validation and adherence to state record retention requirements, requesting reimbursement supporting documentation may also serve as a deterrent to purposeful submission of fraudulent requests by payees. To reduce the likelihood of fraudulent transactions, management should implement and maintain adequate controls over federal and state funding disbursement processes.</p> <p>Although we were unable to fully validate some transactions during this review, there were no indications that these transactions were inappropriate or purposely processed in error. It does demonstrate a payment disbursement control gap, that may cause noncompliance with pertinent federal and/or state requirements that could result in a financial loss to the Institution. In addition, while documentation retention efforts can be improved, it's important to note that transactions within our sample selection contained documentation, the issue was the ability to effectively validate conformance with the funding source and or federal and state requirements. During the course of this audit, management has been advised of the control gap and has already begun to take action prior to the issuance of the audit results.</p>

	<p>Recommendation: Ensure all grant funded disbursements contain sufficient documentation, in order to confirm payment transaction documentation is complete, accurate, and retained in accordance with regulatory and contractual requirements.</p> <p>Risk Rating: High</p> <p>Management's Response: See attached Memorandum</p>
B	Disallowable Expenditures
	<p>Disallowed Transactions: Lastly, we determined \$29,953 in expenditures, derived from three invoices, to be disallowed since the transaction either did not align with the selected funding source, or the disbursement was processed for a terminated agreement in error. The Office of Sponsored Programs is working with the Texas Department of Health and Human Services to rectify this matter.</p> <p>Recommendation: Continue to work with the Texas Department of Health and Human Services to resolve the \$29,953 disallowable expenditure issue.</p> <p>Risk Rating: High</p> <p>Management's Response: See attached Memorandum</p>

	Summary of Risk Ratings
	<p>Based on the results of this audit, there were no findings considered to be Priority to the Institution. The UT System Internal Audit finding classification system includes Priority, High, Medium, or Low classifications. A Priority Finding is defined as an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole. Non-Priority Findings are ranked as High, Medium, or Low, with the level of significance based on an assessment of applicable risk factors and probability of a negative outcome occurring if the risk is not adequately mitigated.</p>

Memorandum

Date: October 27, 2023

To: John Lazarine, Chief Audit Executive, Internal Audit & Consulting

From: Dr. Jennifer Potter, Vice President for Research

Subject: Management's Corrective Action Plan for the Be Well, Texas Grant Disbursement Audit

Be Well, Texas program has reviewed the audit report and has developed the Corrective Action Plans below corresponding to report recommendations.

Recommendation				
#	Description	Audit Report Page	Responsible Person's Name/Title	Completion Date
A	Ensure all grant funded disbursements contain sufficient documentation, in order to confirm payment transaction documentation is complete, accurate, and retained in accordance with regulatory and contractual requirements.	4	Bruno Saraiva (Director, Practice Operations, Be Well TX) and Chris Green (AVP, Sponsored Programs)	11/30/23

Recommendation				
#	Description	Audit Report Page	Responsible Person's Name/Title	Completion Date
	<p>Management agrees with the recommendation to ensure grant funded disbursements contain sufficient documentation, in order to confirm payment transaction documentation is complete, accurate, and retained in accordance with regulatory and contractual requirements.</p> <p>We wish to highlight the methodology utilized to process payment for our Fee for Service agreements was based on invoice and payment terms included in the executed agreements, "Contractor shall submit claims to UTHSA through the Clinical Management for Behavioral Health Services (CMBHS) system monthly." It is also important to note that funding for this specific observation is separated into three different buckets (A) Fee for Service (B) Cost Reimbursement and (C) Subaward Agreements. In the HHSC Statement of Work (SOW) we are required to utilize the Electronic Health Record (EHR) CMBHS to process claims to be reimbursed by HHSC for services provided under our fee for service agreements.</p> <p><u>Action plan:</u></p> <p>Updated language in FY24 subcontracts places liability on subcontracted providers to maintain receipts for all purchases for seven years of contract date, and to validate claims generated in CMBHS monthly to include verifying clients are not eligible for Medicare or Medicaid. Additionally, the fee-for-service contracted providers will be required to validate or attest to the accuracy of the claims generated in CMBHS prior to Be Well processing service requests for payment.</p> <p>To mitigate the risk of any missing documentation Be Well invested in Salesforce at a total cost of \$115,000 annually an internal accounting software that allows for proper controls measures, approvals, and accounting of all grant-funds activities. Be Well has also centralized documentation of financial records on the newly created SharePoint where staff have been instructed to organize files for continuity. Additionally, starting in FY24 all subcontracted providers were required to submit a detailed budget as a requirement for contract execution, and the Be Well Quality Assurance and Process Improvement team has updated their audit screening tool to verify financial compliance with all contracts.</p>			
B	<p>Recommendation B</p> <p>Continue to work with the Texas Department of Health and Human Services to resolve the \$29,953 disallowable expenditure issue.</p>	4	Bruno Saraiva (Director, Practice Operations, Be Well TX) and Chris Green (AVP, Sponsored Programs)	11/30/23
	<p><u>Action plan:</u></p> <p>Be Well Texas will work with the Office of Sponsored Program (OSP) and the Texas Department of Health and Human Services to resolve the \$29,953 disallowable expenditure issue. The aforementioned process improvement within salesforce also provides additional control measures to ensure expenses are processed to the correct projects.</p>			