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State Auditor

An Audit Report on

**Performance Measures at the
Department of Aging and
Disability Services**

May 2014

Report No. 14-032



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Overall Conclusion

The Department of Aging and Disability Services (Department) reported reliable results for two of the four key performance measures tested for fiscal year 2013. A performance measure result is considered reliable if it is certified or certified with qualification.

The following two key performance measures tested for fiscal year 2013 were certified with qualification:

- Average Number of Individuals Receiving Medicaid - Funded Nursing Facility Services per Month.
- Net Nursing Facility Cost Per Medicaid Resident Per Month.

Background Information

Agencies report results for their key performance measures to the Legislative Budget Board's budget and evaluation system, which is called the Automated Budget and Evaluation System of Texas, or ABEST.

Key performance measures are:

- Budget drivers that are generally externally focused.
- Closely related to the goals identified in the statewide strategic plan.
- Reflective of the characteristics of good performance measures.

Source: *Guide to Performance Measure Management* (State Auditor's Office Report No. 12-333, March 2012).

The reported results for the key performance measure Average Number of Individuals on Interest List Per Month: Home and Community Based Services (HCS) were inaccurate for fiscal year 2013 because the local authorities with which the Department contracted did not retain the required identification of preference forms for 4 (6.67 percent) of 60 items tested.

Factors prevented certification of the key performance measure Percent of Facilities Complying with Standards at Time of Inspection for Licensure and/or Medicare/Medicaid Certification for fiscal year 2013 because the Department:

- Did not retain required supporting documentation.
- Deviated from the performance measure definition in the Automated Budget and Evaluation System of Texas (ABEST).

For all four performance measures tested, the Department did not have complete policies and procedures for calculating and reporting the performance measures. In addition, while the Department maintained evidence of performing a documented review of performance measure data prior to submission to ABEST, the Department did not have policies and procedures requiring that review.

In addition, for two performance measures tested, the performance measure definitions in ABEST contain outdated and incorrect data sources and calculation

This audit was conducted in accordance with Texas Government Code, Section 2101.038.

For more information regarding this report, please contact Nicole Guerrero, Audit Manager, or John Keel, State Auditor, at (512) 936-9500.

methodologies that are not consistent with how the Department actually calculates the reported results.

Table 1 summarizes the certification results for the four key performance measures tested.

Table 1

Performance Measure Results for the Department of Aging and Disability Services (Agency No. 539)				
Related Objective or Strategy, Classification	Description of Performance Measure	Fiscal Year	Results Reported in ABEST	Certification Results ^a
A.1.3 Explanatory	Average Number of Individuals on Interest List Per Month: Home and Community Based Services (HCS)	2013	64,097	Inaccurate
A.6.1 Output	Average Number of Individuals Receiving Medicaid - Funded Nursing Facility Services per Month	2013	55,952	Certified with Qualification
A.6.1, Efficiency	Net Nursing Facility Cost Per Medicaid Resident Per Month	2013	\$3,272.79	Certified with Qualification
B. Outcome	Percent of Facilities Complying with Standards at Time of Inspection for Licensure and/or Medicare/Medicaid Certification	2013	32.21%	Factors Prevented Certification

^a A performance measure is certified if reported performance is accurate within 5 percent of actual performance and if it appears that controls to ensure accuracy are in place for collecting and reporting performance data.

A performance measure is certified with qualification when reported performance appears accurate but the controls over data collection and reporting are not adequate to ensure continued accuracy. A performance measure is also certified with qualification when controls are strong but source documentation is unavailable for testing. A performance measure also is certified with qualification if agency calculation of performance deviated from the performance measure definition but caused less than a 5 percent difference between the number reported to ABEST and the correct performance measure result.

A performance measure is Inaccurate when the actual performance is not within 5 percent of reported performance, or when there is more than a 5 percent error in the sample of documentation tested. A performance measure also is inaccurate if the agency's calculation deviated from the performance measure definition and caused more than a 5 percent difference between the number reported to ABEST and the correct performance measure result.

A factors prevented certification designation is used if documentation is unavailable and controls are not adequate to ensure accuracy. This designation also will be used when there is a deviation from the performance measure definition and the auditor cannot determine the correct performance measure result.

Auditors communicated other, less significant issues related to the Department's performance measure methodologies separately in writing to Department management.

Summary of Management's Response

The Department agreed with the audit recommendations in this report. The Department's detailed management responses are presented immediately following each set of recommendations in the Detailed Results section of this report.

Summary of Information Technology Review

Auditors assessed controls over the Department's information systems and automated processes used for the Department's performance measure data. The Department uses the Client Assignment and Registration (CARE) system; the Texas Medicaid and Healthcare Partnership's (TMHP) Claims Management System (CMS); and the Compliance, Assessment, Regulation and Enforcement System (CARES) as its primary information systems to collect, calculate, and report the four key performance measures tested.

The Department uses CARE to place consumers on the HCS interest list. Auditors relied on application controls testing performed in a previous State Auditor's Office audit¹, reviewed CARE data for completeness by reviewing queries used to generate data, and interviewed employees knowledgeable about CARE to determine that the data in CARE was reliable for purposes of this audit.

TMHP is the service entity that provides the Department with Medicaid claims processing data that the Department uses to calculate performance measure results. Auditors reviewed the report on controls for fiscal year 2013 that was conducted in accordance with the American Institute of Certified Public Accountants' *Statement on Standards for Attestation Engagements (SSAE) No. 16* completed for TMHP's CMS system, reviewed the claims data transfers for completeness, and interviewed employees knowledgeable about the system to determine that the data in the system was reliable for purposes of this audit.

The Department uses CARES to maintain inspection results. Because the Department did not retain the detailed records used to calculate the performance measure related to CARES, auditors were unable to determine whether the inspection data in CARES was reliable for purposes of this audit.

¹ *An Audit Report on the Department of Aging and Disability Services' Home and Community-based Services Program* (State Auditor's Office Report No. 10-014, November 2009).

Summary of Objectives, Scope, and Methodology

The objectives of this audit were to determine whether the Department:

- Is accurately reporting its performance measures to ABEST.
- Has adequate controls in place over the collection, calculation, and reporting of its performance measures.

The scope of this audit included four key performance measures that the Department reported for fiscal year 2013 (September 1, 2012, through August 31, 2013).

The audit methodology consisted of auditing reported results for accuracy and adherence to performance measure definitions, evaluating controls over the Department's performance measure calculation processes, testing documentation, and assessing the reliability of the data obtained from the Department's information systems that support the performance measure results.

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Detailed Results

Chapter 1

The Department Should Improve Certain Controls That Affect the Performance Measures Audited

The Department of Aging and Disability Services (Department) reported reliable results for two of the four key performance measures tested for fiscal year 2013. A result is considered reliable if it is certified or certified with qualification.

The following two key performance measures were certified with qualification for fiscal year 2013:

- Average Number of Individuals Receiving Medicaid - Funded Nursing Facility Services per Month.
- Net Nursing Facility Cost Per Medicaid Resident Per Month.

Results: Certified with Qualification

A performance measure is certified with qualification when reported performance appears accurate but the controls over data collection and reporting are not adequate to ensure continued accuracy.

While the Department reported reliable results for those two performance measures, it should improve controls over its performance measure processes to help ensure continued accuracy. Specifically, the Department should document its policies and procedures for collecting, calculating, reviewing, and reporting performance measure information and should update performance measure definitions in the Automated Budget and Evaluation System of Texas (ABEST).

Chapter 1-A

The Department Should Develop Written Policies and Procedures for Collecting, Calculating, Reviewing, and Reporting Performance Measure Information

The Department does not have complete, documented policies and procedures for the collection, calculation, review, and reporting of its performance measure results. Specifically:

- The Department appropriately conducted reviews of performance measure results before submitting the data into ABEST; however, it had not developed policies and procedures to require that type of review for any of its performance measures.
- While the Department had documented procedures for the collection of data used to calculate the Average Number of Individuals on Interest List Per Month: Home and Community Based Services (HCS) performance measure, it did not have documented procedures for the calculation and reporting of that performance measure.

- Although the Department had procedures for the collection of data used to calculate the Percent of Facilities Complying with Standards at Time of Inspection for Licensure and/or Medicare/Medicaid Certification, it did not have documented procedures for the calculation and reporting of that performance measure.
- The Department did not have documented procedures for the collection, calculation, and reporting of performance measure results for:
 - ♦ Average Number of Individuals Receiving Medicaid - Funded Nursing Facility Services per Month.
 - ♦ Net Nursing Facility Cost Per Medicaid Resident Per Month.

The *Guide to Performance Measure Management* (State Auditor's Office Report No. 12-333, March 2012) states that state agencies should clearly document all steps performed in the collection, calculation, review, and reporting of performance measure data. Written policies and procedures can help the Department be consistent when collecting, calculating, reviewing, and reporting performance measure information.

Recommendation

The Department should develop written policies and procedures that document all steps performed in the collection, calculation, review, and reporting of each performance measure.

Management's Response

The Department does have some written policies and procedures regarding the performance measure process. However, the audit pointed out that the current documentation is not as comprehensive as it needs to be. Staff have obtained a copy of the Guide to Performance Measure Management referenced above, and will develop documentation in accordance with those standards.

Responsible Management: Budget Director

Target Date: December 31, 2014

The Department Should Update Its Performance Measure Definitions

The Department did not have complete definitions for the following performance measures:

- Average Number of Individuals Receiving Medicaid - Funded Nursing Facility Services per Month.
- Net Nursing Facility Cost Per Medicaid Resident Per Month.

The *Guide to Performance Measure Management* (State Auditor's Office Report No. 12-333, March 2012) states that a complete performance measure definition includes the data source and methodology used to calculate the performance measure. The current performance measure definitions in ABEST for those two performance measures contain outdated and incorrect data sources and calculation methodologies that are not consistent with how the Department actually calculates the results. Identifying the correct data sources and methodologies in ABEST is important to helping employees know the source of the information used to calculate the performance measure and how it is collected and calculated.

The *Guide to Performance Measure Management* (State Auditor's Office Report No. 12-333, March 2012) states that agencies should develop and change performance measure definitions during the strategic plan revision process. A performance measure definition should contain enough pertinent information to be clearly understood, and the description of the performance measure calculation should be detailed enough to allow replication.

Recommendation

The Department should work with the Legislative Budget Board and the Governor's Office of Budget, Planning and Policy to update performance measure definitions to ensure that they list the correct data sources and correctly describe the methodology used to calculate the performance measures.

Management's Response

Staff has begun discussions with the Legislative Budget Board staff, and is currently in the process of updating and clarifying performance measure definitions.

Responsible Management: Budget Director

Target Date: December 31, 2014

The Department Reported Unreliable Results for Two of the Four Key Performance Measures Tested for Fiscal Year 2013

The Department reported unreliable results for two of the four key performance measures tested for fiscal year 2013. A result is considered reliable if it is certified or certified with qualification.

Average Number of Individuals on Interest List Per Month: Home and Community Based Services (HCS)

The Department reported inaccurate results for the Average Number of Individuals on Interest List Per Month: Home and Community Based Services (HCS) performance measure for fiscal year 2013 because the local authorities with which the Department contracted did not retain the required identification of preference forms for 4 (6.67 percent) of the 60 items tested. The Department's *HCS Interest List Manual* requires it to retain those forms to support the reported number of individuals on the interest list. The Department contracts with 39 local authorities throughout Texas to work with consumers who complete an identification of preference form, which indicates the services the consumer is interested in receiving and when the consumer is to be placed on the interest list.

In addition, because the Department did not retain four required forms, it cannot ensure that all required signatures were obtained before consumers were added to the HCS interest list. Specifically, a local authority representative is required to sign and date an identification of preference form before a consumer is placed on the interest list for the preferred services.

However, for 3 (4.84 percent) of the 62 identification of preference forms tested, consumers were placed on the interest list before the date of discussion or the date that the consumers requested or chose the services indicated on the form. It is important that a consumer's placement on the interest list be accurate so that the consumer does not receive services earlier than requested.

Recommendations

The Department should:

- Ensure that local authorities retain identification of preference forms as required by the Department's *HCS Interest List Manual*.
- Ensure that consumers are not placed on the interest list before a local authority representative signs and dates the identification of preference form.

Results: Inaccurate

A performance measure is **inaccurate** when the actual performance is not within 5 percent of the reported performance or when there is a 5 percent or greater error rate in the sample of documentation tested. A performance measure also is inaccurate if the agency's calculation deviated from the performance measure definition and caused a 5 percent or greater difference between the number reported to ABEST and the correct performance measure result.

Management's Response

DADS management plans to implement the SAO's recommendations by requiring each Local Authority to review the HCS Interest List record of every individual on the Local Authority's HCS Interest List for complete information and ensuring information is accurately transferred into CARE.

In addition, DADS will clarify language in the Local Authority Performance Contract and the HCS Interest List Manual regarding the Local Authority's responsibility of maintaining supporting documentation in hard copy or an electronic copy.

Responsible Management: Director of Local Authorities, Access & Intake

Target Date: August 31, 2015

Percent of Facilities Complying with Standards at Time of Inspection for Licensure and/or Medicare/Medicaid Certification

Factors prevented certification of this performance measure for fiscal year 2013 because the Department (1) did not maintain the source documentation it used to calculate and report the performance measure results and (2) deviated from the ABEST performance measure definition.

Results: Factors Prevented Certification

A factors prevented certification designation is used if documentation is unavailable and controls are not adequate to ensure accuracy. This designation also will be used when there is a deviation from the performance measure definition and the auditor cannot determine the correct performance measure result.

The Department did not retain the detailed records it used to calculate the total number of facilities that were compliant at the time of inspection for fiscal year 2013. According to the Department, the fiscal year 2013 inspection records in its Compliance, Assessment, Regulation and Enforcement System (CARES), which the Department used to calculate the performance measure results, were overwritten with new inspection results. The Department also did not retain hard-copy support for its reported results. As a result, auditors were unable to determine the total number of facilities inspected during 2013 and, therefore, were unable to recalculate the performance measure results.

In addition, the Department deviated from the performance measure definition when calculating its results for this performance measure. Specifically, the performance measure definition requires the Department to calculate the percentage of facilities that were compliant at the time of inspection. However, the Department calculated the percentage of inspections that concluded a facility was compliant. That could result in the Department misstating the performance measure results because the Department sometimes performs more than one inspection at a facility during a fiscal year.

Recommendations

The Department should:

- Retain all supporting documentation for its performance measure calculations.
- Calculate the performance measure according to the definition in ABEST.

Management's Response

Data retention will be addressed by saving the data sets for three years going forward.

The ABEST definition calls for the Percent of Facilities Complying with Standards at the Time of Inspection. The window for conducting a survey is 9 to 15 months and there is a distinct likelihood that some facilities will have two licensure/certification visits within a given fiscal year. Given this possibility, we have been counting facility visits (instead of facilities) in order to determine the percentage in compliance. We agree that the current definition of the measure is confusing and we will be making a recommendation through DADS' performance measures review process to update it. In addition, overall fiscal year calculations will reflect the entire fiscal year, allowing an adequate amount of time for the regional offices to complete data entry.

Responsible Management: Manager, Regulatory Services Data/Records Management

Target Date: October 15, 2014

Appendix

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to determine whether the Department of Aging and Disability Services (Department):

- Is accurately reporting its performance measures to the Automated Budget and Evaluation System of Texas (ABEST).
- Has adequate controls in place over the collection, calculation, and reporting of its performance measures.

Scope

The scope of this audit included four key performance measures that the Department reported for fiscal year 2013 (September 1, 2012, through August 31, 2013):

- Average Number of Individuals on Interest List Per Month: Home and Community Based Services (HCS).
- Average Number of Individuals Receiving Medicaid - Funded Nursing Facility Services per Month.
- Net Nursing Facility Cost Per Medicaid Resident Per Month.
- Percent of Facilities Complying with Standards at Time of Inspection for Licensure and/or Medicare/Medicaid Certification.

Methodology

The audit methodology consisted of auditing reported results for accuracy and adherence to performance measure definitions, evaluating controls over the Department's performance measure calculation processes, testing documentation, and assessing the reliability of the data obtained from the Department's information systems that support the performance measure results.

Auditors assessed the reliability of the data from the Client Assignment and Registration (CARE) system by (1) relying on application controls testing performed in a previous State Auditor's Office, (2) reviewing queries used to generate data related to the calculation of the performance measures, (3) interviewing Department employees and information technology

administrators knowledgeable about the data and systems, and (4) reviewing source documentation for performance measure data.

To assess the reliability of the data from the Texas Medicaid and Healthcare Partnership's (TMHP) Claims Management System (CMS), auditors reviewed the report on controls for fiscal year 2013 that was conducted in accordance with the American Institute of Certified Public Accountants' *Statement on Standards for Attestation Engagements (SSAE) No. 16* completed for TMHP. In addition, auditors interviewed Department employees and information technology administrators knowledgeable about the claims data and CMS systems and reviewed the claims data transfers for completeness. Auditors determined that, for fiscal year 2013, the data in those systems was reliable for purposes of this audit.

However, auditors were unable to determine the reliability of the data in the Compliance, Assessment, Regulation and Enforcement System (CARES) because the Department did not retain performance measure data for fiscal year 2013 to ensure that reported results were complete and accurate.

Information collected and reviewed included the following:

- Performance measure data in spreadsheets and systems.
- Information system reports and programming code.
- Department policies and procedures.

Procedures and tests conducted included the following:

- Interviewing Department employees to gain an understanding of the processes used to calculate performance measures.
- Interviewing Department information technology staff to gain an understanding of systems the Department uses to calculate performance measures.
- Evaluating the sufficiency of Department policies and procedures to determine whether they were adequate to help ensure the correct calculation of the performance measures audited.
- Auditing performance measure calculations for accuracy and to determine whether the calculations were consistent with the methodology on which the Department, Legislative Budget Board, and the Governor's Office of Budget, Planning and Policy agreed.
- Testing documentation to verify the accuracy of reported performance measures and the effectiveness of controls.
- Reviewing queries used to report and calculate performance measures.

- Assessing performance measure results in one of four categories: certified, certified with qualification, inaccurate, and factors prevented certification. For this audit, a result was considered reliable if it was certified or certified with qualification.

Criteria used included the following:

- *Guide to Performance Measure Management* (State Auditor's Office Report No. 12-333, March 2012).
- ABEST performance measure definitions.
- Department policies and procedures.

Project Information

Audit fieldwork was conducted from November 2013 through April 2014. 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 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.

The following members of the State Auditor's staff performed the audit:

- Courtney Ambres-Wade, CGAP (Project Manager)
- Joe Curtis, CPA (Assistant Project Manager)
- Joey Fredrick, MAcy
- Fred Ramirez, MAcy
- Shelby Rounsaville
- Martin Torres
- Brenda Zamarripa
- Charles P. Dunlap, Jr., CPA (Quality Control Reviewer)
- Nicole M. Guerrero, MBA, CIA, CGAP (Audit Manager)

Copies of this report have been distributed to the following:

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The Honorable Joe Straus III, Speaker of the House, Joint Chair

The Honorable Jim Pitts, House Appropriations Committee

The Honorable Harvey Hilderbran, House Ways and Means Committee

Office of the Governor

The Honorable Rick Perry, Governor

Department of Aging and Disability Services

Mr. Jon Weizenbaum, Commissioner

Health and Human Services Commission

Dr. Kyle L. Janek, Executive Commissioner



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