



An Audit Report on

**Correctional Managed Health Care at  
the University of Texas Medical Branch  
at Galveston and Texas Tech University  
Health Sciences Center**

December 2020

Report No. 21-004



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# **Correctional Managed Health Care at the University of Texas Medical Branch at Galveston and Texas Tech University Health Sciences Center**

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## **Overall Conclusion**

The two higher education institutions that contract with the Texas Department of Criminal Justice (TDCJ) to provide correctional managed health care services to offenders had processes and controls in place to help ensure that medical claims were accurately processed. However, the University of Texas Medical Branch at Galveston (UTMB) should strengthen certain controls to (1) ensure that other costs, such as salaries, are fully allowable and (2) safeguard its data.

### **The University of Texas Medical Branch at Galveston**

UTMB had processes and related controls to help ensure that its medical claims for the Correctional Managed Health Care program (Program) were adequately priced, allowable, and supported. UTMB also accurately calculated pharmaceutical costs and accurately reported Program expenditures to TDCJ in accordance with contract requirements. However, UTMB should strengthen its processes to ensure that other costs paid, such as salaries, are allowable.

In an effort to address certain issues identified in a February 2011 audit report,<sup>1</sup> the contracts between TDCJ and UTMB for fiscal years 2018 through 2021 included additional language. While some of the prior audit issues were addressed, other issues remain or can be further improved.

In addition, UTMB had significant weaknesses in selected information technology controls that reduced its ability to safeguard its data, which contains sensitive and confidential information. To minimize security risks, auditors communicated

### **Background Information**

The Texas Department of Criminal Justice (TDCJ) contracts directly with the University of Texas Medical Branch at Galveston and the Texas Tech University Health Sciences Center to provide health care to offenders.

The Correctional Managed Health Care Committee's primary purpose is to (1) ensure that TDCJ offenders have access to quality health care and (2) manage health services costs.

TDCJ serves as the oversight authority responsible for monitoring the Correctional Managed Health Care expenditures to ensure compliance with applicable statutory and contractual requirements.

Sources: The universities' Correctional Managed Health Care contracts for fiscal years 2018 through 2021 and TDCJ's website.

<sup>1</sup> See *An Audit Report on Correctional Managed Health Care at the University of Texas Medical Branch at Galveston* (State Auditor's Office Report No. 11-017, February 2011).

details about the identified weaknesses separately to UTMB’s management in writing.

Pursuant to Standard 9.61 of the U.S. Government Accountability Office’s *Generally Accepted Government Auditing Standards*, certain information was omitted from this report because that information was deemed to present potential risks related to public safety, security, or the disclosure of private or confidential data. Under the provisions of Texas Government Code, Section 552.139, the omitted information is also exempt from the requirements of the Texas Public Information Act.

**Texas Tech University Health Sciences Center (Health Sciences Center)**

The Health Sciences Center had processes and controls to help ensure that Program funds were spent in accordance with contract requirements. Specifically, the Health Sciences Center:

- Ensured that its Program medical service payments, pharmaceutical purchases, and salary transactions adhered to contract requirements.
- Accurately reported Program expenditures to TDCJ and ensured that indirect costs did not exceed 2.75 percent, as required.

In addition, the Health Sciences Center had adequate controls over the information systems it used to manage its Program.

Table 1 presents a summary of the findings in this report and the related issue rating. (See Appendix 2 for more information about the issue rating classifications and descriptions.)

Table 1

Summary of Chapters/Subchapters and Related Issue Ratings		
Chapter/ Subchapter	Title	Issue Rating <sup>a</sup>
1	Background Information on the Delivery of Health Care Services to Offenders in TDCJ’s Custody	Not Rated
2-A	UTMB Accurately Reported Program Costs and Its Medical Claims Processes Helped Ensure That Payments Were Adequately Priced, Allowable, and Supported	Low
2-B	UTMB Should Strengthen Its Reviews of Other Program Costs	Medium
2-C	UTMB’s Expenditure Processes Did Not Consistently Ensure That Salaries and Other Payroll Costs Were Allowable and Supported	Medium
3	UTMB Had Significant Weaknesses Related to Data Security Controls	High
4	The Health Sciences Center Had Adequate Processes for Its Costs Associated With Correctional Managed Health Care Services	Low
5	The Health Sciences Center Had Adequate Controls Over Information Systems Used to Manage Its Correctional Managed Health Care Program	Low

Summary of Chapters/Subchapters and Related Issue Ratings		
Chapter/ Subchapter	Title	Issue Rating <sup>a</sup>
<p><sup>a</sup> A chapter/subchapter is rated <b>Priority</b> if the issues identified present risks or effects that if not addressed could critically affect the audited entity’s ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern and reduce risks to the audited entity.</p> <p>A chapter/subchapter is rated <b>High</b> if the issues identified present risks or effects that if not addressed could substantially affect the audited entity’s ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern and reduce risks to the audited entity.</p> <p>A chapter/subchapter is rated <b>Medium</b> if the issues identified present risks or effects that if not addressed could moderately affect the audited entity’s ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.</p> <p>A chapter/subchapter is rated <b>Low</b> if the audit identified strengths that support the audited entity’s ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity’s ability to effectively administer the program(s)/function(s) audited.</p>		

Auditors communicated other, less significant issues separately in writing to UTMB’s and the Health Sciences Center’s management.

### ***Summary of Management’s Response***

At the end of certain chapters in this report, auditors made recommendations to address the issues identified during this audit. UTMB agreed with the recommendations in this report. UTMB’s detailed management responses are presented at the end of Chapters 2-B and 2-C.

### ***Audit Objective and Scope***

The objective of this audit was to determine whether UTMB and the Health Sciences Center have processes and related controls to help ensure that costs associated with the Program are allowable, supported, accurately reported to TDCJ, and in accordance with contractual terms.

The scope of this audit covered UTMB’s and the Health Sciences Center’s activities related to the Program for the period of September 1, 2017, through February 29, 2020.

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# Detailed Results

Chapter 1

## Background Information on the Delivery of Health Care Services to Offenders in TDCJ’s Custody

**Correctional Managed Health Care Committee**

The Correctional Managed Health Care Committee consists of nine voting members who are appointed by the Governor, TDCJ, or the universities. The state Medicaid director, or a person appointed by the director, also serves as a nonvoting member.

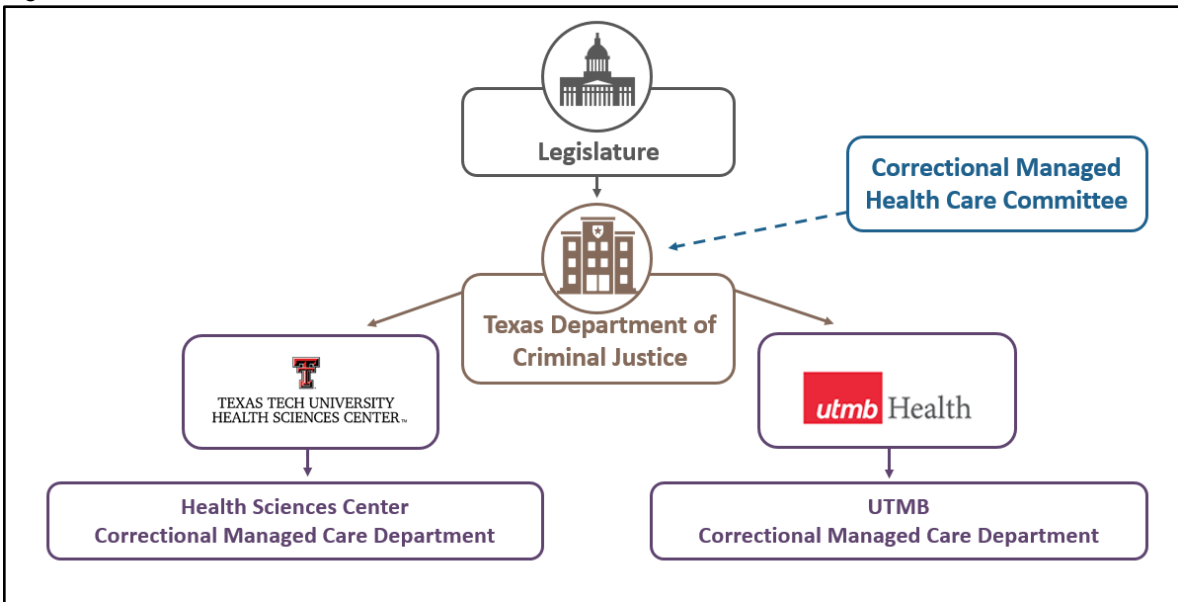
The committee is responsible for developing and approving the managed health care plan that (1) specifies the types and general level of care to be provided to offenders and (2) ensures continued access to needed care in the correctional health care system.

Source: Texas Government Code, Sections 501.133 and 501.146.

The Texas Department of Criminal Justice (TDCJ), as the agency responsible for managing the Correctional Managed Health Care program (Program), is charged with ensuring offenders’ access to medical health care, monitoring the quality of those services, and overseeing costs to help evaluate future Program needs. For fiscal years 2018 through 2020, the Texas Legislature appropriated TDCJ \$1.8 billion for the Program<sup>2</sup> and as of February 29, 2020, the Program had reported \$1.9 billion in health care-related costs.

TDCJ contracts with the University of Texas Medical Branch at Galveston (UTMB) and the Texas Tech University Health Sciences Center (Health Sciences Center) to deliver health care services at TDCJ’s correctional facilities throughout the state (see Appendix 4 for UTMB’s and the Health Sciences Center’s health care services areas). Health care services must meet the requirements set in the managed health care plan that is developed and approved by the Correctional Managed Health Care Committee (see text box). To manage the Program and the delivery of health care services, each university established a Correctional Managed Care department (CMC Department) (see Figure 1).

Figure 1



Source: Based on information from UTMB and the Health Sciences Center.

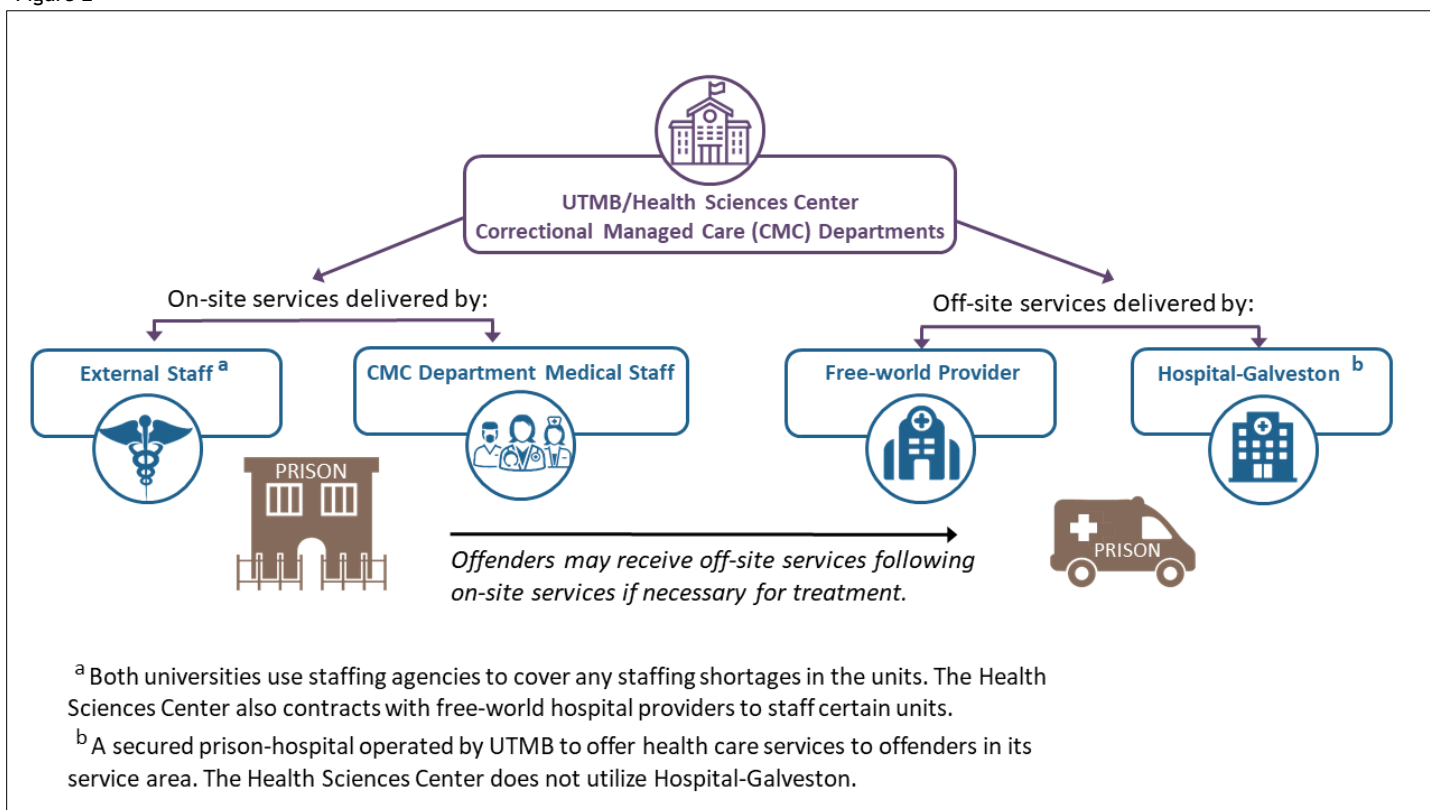
<sup>2</sup> The Program also received \$175.4 million in state reimbursement benefits from September 1, 2017, through February 29, 2020.

**Health services provided.** Each university is responsible for providing complete health care services in a timely, appropriate, and cost-effective manner. Those services include:

- **On-site Services:** Health care services provided at a TDCJ facility or unit level. These include services such as sick calls, mental health services, chronic care, infirmary care, dental services, telemedicine, and pharmacy services.
- **Off-site Services:** Health care services provided outside of a TDCJ facility. These include services such as emergency care, inpatient services, specialty physician consultations, surgeries, and emergency medical transportation.

**Health services delivery.** Each university is responsible for establishing a comprehensive network of providers to efficiently deliver health care services in its regional area. To accomplish this, each university uses a combination of staffing agencies, university medical staff, CMC Department medical staff, and outsourcing with free-world<sup>3</sup> providers (see Figure 2).

Figure 2



Source: Based on information from UTMB and the Health Sciences Center.

<sup>3</sup> Free-world providers refers to health care services provided by local area hospitals and physicians.



## ***UTMB Accurately Reported Correctional Managed Health Care Expenditures and Had Adequate Processes Over Its Medical Claims; However, It Should Strengthen Its Reviews of Other Program Costs***

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The University of Texas Medical Branch at Galveston (UTMB) reported complete and accurate Correctional Managed Health Care Program (Program) costs to the Department of Criminal Justice (TDCJ) totaling \$1.5 billion from September 1, 2017, through February 29, 2020. UTMB also had processes to help ensure that medical claims were adequately priced, allowable and supported; however, it should strengthen its expenditure review process to ensure that other Program costs are appropriate.

In an effort to address certain issues identified during the prior audit,<sup>4</sup> the contracts between TDCJ and UTMB for fiscal years 2018 through 2021 included additional language. While some of the prior audit issues have been addressed, other issues remain or can be further improved. The sections below discuss some of the changes made to the contract, as well as areas for further improvement.

### Chapter 2-A

#### **UTMB Accurately Reported Program Costs and Its Medical Claims Processes Helped Ensure That Payments Were Adequately Priced, Allowable, and Supported**

Chapter 2-A  
Rating:  
Low <sup>5</sup>

**Financial Reports.** The TDCJ-UTMB Correctional Managed Health Care contract (Contract) requires UTMB to submit financial information to TDCJ. Based on a reconciliation between UTMB's general ledger and the financial reports that TDCJ prepared for the periods ended August 2018, August 2019, and February 2020, UTMB accurately reported \$1.5 billion in Program expenditures to TDCJ (see Appendix 5 for more information about Program costs).

**Pharmaceuticals.** UTMB had processes to accurately determine the average cost of its pharmaceuticals. Specifically, UTMB accurately determined the average cost for all 13 formulary and 12 non-formulary drugs tested.

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<sup>4</sup> See *An Audit Report on Correctional Managed Health Care at the University of Texas Medical Branch at Galveston* (State Auditor's Office Report No. 11-017, February 2011).

<sup>5</sup> The risk related to the issues discussed in Chapter 2-A is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

**Hospital-Galveston Medical Claims.** UTMB reported \$414.1 million in expenditures related to medical claims for physician, inpatient, outpatient, and outpatient lab services from September 1, 2017, through February 29, 2020. This amount represented 26.8 percent of the Program’s total cost.

All 100 Hospital-Galveston medical claims tested totaling \$539,567 were allowable, supported, and reimbursed in accordance with contract provisions. In the prior audit<sup>6</sup> of the Program, UTMB was reimbursed for Program costs based on a fixed rate per offender (called a “daily capitation rate”) in accordance with contract provisions. Contracts for fiscal years 2018 through 2021 specify that the Program will reimburse physician services and outpatient hospital services at cost. UTMB recovers its actual costs, which could be above the Medicare rates, by charging a percentage of billed charges for physician, outpatient, and outpatient lab services. The rate for inpatient services is set by the General Appropriations Act.<sup>7</sup>

Based on information that UTMB provided, when comparing services provided to offenders at Hospital-Galveston to similar services provided to Medicare patients at UTMB’s John Sealy Hospital, on average:

- Outpatient lab and inpatient services for offenders were reimbursed below the Medicare rates.
- Outpatient and physician services for offenders were reimbursed above the Medicare rates (see text box and Table 2 for more information).

**Medicare Rates**

Among the factors that determine a Medicare reimbursement rate is the geographic location of the provider. John Sealy Hospital and Hospital-Galveston are located adjacent to each other. Therefore, the Medicare rates should be comparable. Hospital-Galveston provides services for offenders in TDCJ facilities. John Sealy Hospital serves primarily the public.  
Source: UTMB.

Table 2

Hospital-Galveston Reimbursement Rates Compared to Medicare Rate	
Hospital-Galveston Medical Service Type for Offenders	Hospital-Galveston Service Rate as a Percentage of Medicare Rate <sup>a</sup>
Outpatient Lab	92.5%
Inpatient	94.0%
Outpatient	135.0%
Physician	151.0%
<sup>a</sup> The Medicare rate is based on the average rates charged for non-offender Medicare patients at UTMB’s John Sealy Hospital.	

Source: UTMB.

<sup>6</sup> See *An Audit Report on Correctional Managed Health Care at the University of Texas Medical Branch at Galveston* (State Auditor’s Office Report No. 11-017, February 2011).

<sup>7</sup> Rider 46, page V-17, General Appropriations Act (85th Legislature) and Rider 43, page V-16 (86th Legislature) set the inpatient rate as the UTMB’s Medicare standard dollar amount plus an add-on Graduate Medical Education amount of \$2,496 multiplied by the appropriate relative weight for a medical procedure.

**Health insurance premiums.** In the 2011 audit of the Program<sup>8</sup>, the State Auditor’s Office reported that UTMB charged \$5.1 million for employee benefits that were not authorized by the contract, including expenditures for new employees’ and retiree employees’ health insurance premiums. The contracts for fiscal years 2018 through 2021 include additional language that states that any fringe benefits charges not reimbursed by the State’s retirement systems<sup>9</sup> or the Office of the Comptroller of Public Accounts may be reimbursed by TDCJ using Program funding. While the new language does not specifically state that additional health premiums for newly hired employees and retirees are allowable expenditures, both CMC Department and TDCJ management agreed that the intent of the language was to allow those expenditures to be reimbursed through the Program. From September 1, 2017, through February 29, 2020, the Program reimbursed UTMB \$15.2 million for health premiums not covered by the State’s retirement systems.

Chapter 2-B

### **UTMB Should Strengthen Its Reviews of Other Program Costs**

**Chapter 2-B  
Rating:  
Medium<sup>10</sup>**

**Free-world Medical Claims.** UTMB reported \$128.1 million in expenditures related to free-world<sup>11</sup> medical claims from September 1, 2017, through February 29, 2020. This amount represents 8.3 percent of total Program costs. All 100 free-world claims tested totaling \$221,195 were allowable and supported. Generally, inpatient, outpatient, and physician medical claims were priced at or below the Medicare rate or higher than the Medicare rate if approved by the Legislative Budget Board, as required by the Contract. In addition, outpatient lab claims were generally priced based on contracted amounts.

However, UTMB should strengthen its processes to ensure that it is consistently applying required adjustments and using up-to-date price lists. Specifically:

- UTMB did not consistently apply a 2 percent payment adjustment (called a “sequestration rate”) as required by the federal Budget Control Act of 2011. Of the 25 outpatient claims tested, UTMB did not apply the required adjustment to any of the 3 claims that were from Critical Access

<sup>8</sup> See *An Audit Report on Correctional Managed Health Care at the University of Texas Medical Branch at Galveston* (State Auditor’s Office Report No. 11-017, February 2011).

<sup>9</sup> The State’s retirement systems are the Teacher Retirement System and the Employees Retirement System.

<sup>10</sup> The risk related to the issues discussed in Chapter 2-B is rated as Medium because they present risks or effects that if not addressed could moderately affect the audited entity’s ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

<sup>11</sup> Free-world refers to health care services provided by local area hospitals and physicians.

Hospital providers.<sup>12</sup> While the total adjustment amount was not significant for the three claims tested, CMC Department management asserted that it did not consistently apply the 2 percent adjustment to claims from 10 of its Critical Access Hospitals providers. After auditors brought the errors to its attention, UTMB asserted that it plans to recoup \$167,000 from those 10 providers for payments processed from September 1, 2017, through April 30, 2020.<sup>13</sup>

- UTMB used a price list that was outdated by 12 months for pricing selected outpatient lab claims. While this caused UTMB to overpay only 1 (4.0 percent) of the 25 claims tested (by \$83.39), UTMB processed a total of \$4.3 million in outpatient lab claims between September 1, 2017, and February 29, 2020. Not using an up-to-date price list increases the risk that UTMB's total overpayments could be a significant amount.

**Indirect costs.** In the 2011 audit of the Program,<sup>14</sup> the State Auditor's Office reported that UTMB may have been charging the Program for a disproportionate amount of its institution-wide indirect costs through more than one method. To address that issue, the Contracts for fiscal years 2018 through 2021 included language that limits indirect cost to 2.75 percent of total Program reimbursements.

While UTMB charged the Program \$37.4 million for indirect costs based on 2.75 percent of the total Program reimbursements from September 1, 2017, through February 29, 2020, it also continued to charge the Program for indirect costs through certain individual billings. Specifically, UTMB included charges for institution-wide indirect costs in each individual billing to the Program for health care services provided by Hospital-Galveston. Those individually billed charges were also included in the calculation for determining the \$37.4 million in indirect costs allowed under the contract. This means that UTMB may be charging the Program a disproportionate amount of its institution-wide indirect costs as previously reported, and exceeding the 2.75 percent limit set by the contract.

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<sup>12</sup> Centers for Medicare and Medicaid Services outlines criteria that must be met to be designated a Critical Access Hospital, such as being located in a rural area and maintaining no more than 25 inpatient beds.

<sup>13</sup> Section 3709 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act temporarily suspends the 2 percent payment adjustment currently applied to all Medicare Fee-For-Service claims due to sequestration. The suspension is effective for claims with dates of service from May 1, 2020, through December 31, 2020.

<sup>14</sup> See *An Audit Report on Correctional Managed Health Care at the University of Texas Medical Branch at Galveston* (State Auditor's Office Report No. 11-017, February 2011).

**Expenditures not directly related to providing medical services.** Some expenditures charged to the Program may not be directly related to providing medical services to offenders. For example, UTMB continues to receive reimbursement for items such as Employee Referral Bonus payments totaling \$115,000 and Conference Registration Fees totaling \$239,000. Those type of costs were also identified in the prior audit of the Program.<sup>15</sup> According to TDCJ management, the intent of the Contract is to pay for any cost that is consistent with UTMB's policy so that CMC Department employees receive the same type of benefits as other UTMB employees.

## **Recommendations**

UTMB should strengthen controls over its expenditure process to help ensure that:

- It applies required adjustments to all claims, such as the sequestration rate.
- Outpatient lab claims are priced based on a current price list.
- Indirect costs charged to the Program do not exceed the 2.75 percent limit set by the Contract.

## **Management's Response**

- *Required adjustments are applied to all claims - Management agrees with the recommendation. The Associate Vice President, Finance - CMC is responsible for implementing corrective actions. The 2% sequestration adjustment will be applied to all hospitals, including Critical Access Hospitals (CAH), when the CARES Act suspension expires on December 31, 2020 (unless extended by the Federal government).*

*As noted in the audit report, UTMB is in the process of recouping the 2% from CAH's which will reduce CMC expenses. We anticipate the payment recoupment to be completed by February 28, 2021. One of the ten CAH's has contested UTMB's attempts to recoup payments based on contract terms. After further review of contract terms, UTMB will not be pursuing recoupment from that hospital. UTMB does not anticipate any recoupment issues with the remaining nine hospitals.*

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<sup>15</sup> See *An Audit Report on Correctional Managed Health Care at the University of Texas Medical Branch at Galveston* (State Auditor's Office Report No. 11-017, February 2011).

*In May 2019, UTMB replaced its 25+ year old medical claims payment system with a modern, state-of-the-art medical claims management and payment system (Plexis). The legacy system required significant manual intervention increasing the risk of payment errors. The new system is highly automated, well documented, more efficient and reduces the risk of payment errors.*

- *Outpatient lab claims are priced based on current price list-* Management agrees with the recommendation. The Associate Vice President, Finance - CMC is responsible for implementing corrective actions. The Plexis system includes contract termination dates that prevent claims being paid after a contract terminates. For outpatient lab claims, the contract termination date in Plexis has been set to coincide with the lab price list effective dates, which will force a review and update of the lab price list prior to any claims being paid.
- *Indirect costs charged to the Program do not exceed the 2.75% limit-* Management agrees with the recommendation. The Associate Vice President, Finance - CMC is responsible for implementing corrective actions. UTMB has carefully reviewed Contract terms and legislative materials related to the 2.75% limit, and has been applying the 2.75% limit appropriately. UTMB will continue to review and assess the application of the Contract and applicable legislative changes as appropriate. Additionally, indirect costs charged to the Contract compare as follows to indirect costs charged to other components of UTMB.

*Indirect Cost as a % of Annual Reimbursement*

	<i>UTMB Hospitals and Clinics</i>	<i>UTMB Academic Enterprise</i>	<i>UTMB TDCJ Contract</i>
<i>FY 2018</i>	<i>15.30%</i>	<i>17.89%</i>	<i>2.75%</i>
<i>FY 2019</i>	<i>15.38%</i>	<i>17.61%</i>	<i>2.75%</i>
<i>February YTD FY 2020</i>	<i>15.28%</i>	<i>17.88%</i>	<i>2.75%</i>

*Also by way of comparison, the Contract 2.75% indirect cost rate compares favorably to other benchmark rates:*

<u>Indirect Cost % Benchmarks</u>	<u>Indirect Rate</u>
<i>UTMB TDCJ Contract</i>	<i>2.75%</i>
<i>UTMB Federal Grants</i>	<i>58.00%</i>
<i>UTMB State Grants</i>	<i>8% - 15.5%</i>
<i>Florida Correctional Care Private Vendor</i>	<i>11.50%</i>
<i>New Jersey Correctional Care Private Vendor</i>	<i>5.40%</i>

## UTMB's Expenditure Processes Did Not Consistently Ensure That Salaries and Other Payroll Costs Were Allowable and Supported

Chapter 2-C  
Rating:  
Medium <sup>16</sup>

Salaries and benefits include the cost of Program employees that provide (1) on-site services at TDCJ facilities and (2) administrative support for the Program. From September 1, 2017, through February 29, 2020, UTMB processed and reported \$731.0 million in salaries and benefits, including authorized market adjustment and salaries for newly created positions (see Appendix 7 for more information about the market adjustments and new positions). That \$731.0 million represented 47.4 percent of total Program costs. The fiscal year 2018 through 2021 Program contracts state that UTMB should be reimbursed for the actual cost of on-site facility and administrative support services.

UTMB payroll processes did not ensure that salary charges were for Program employees only. UTMB was reimbursed \$1.3 million in salaries for UTMB employees that did not provide services for the Program. This occurred because UTMB's time keeping system did not have controls to prevent non-CMC Department employees from charging time to the Program. In addition, CMC Department management asserted that Department supervisors responsible for approving and monitoring time charged to their departments have access to certain tools to help them identify inappropriate charges. However, the supervisors were not required to use those tools. Not requiring supervisors to use available tools to monitor employees' time charges limits the CMC Department's ability to identify inappropriate charges and control Program costs.

UTMB charged the Program \$18.2 million for services without having executed agreements in place. From September 1, 2017, through February 29, 2020, UTMB charged the Program \$18.2 million for UTMB employees' salaries and benefits. Those salaries were for selected UTMB employees who provided services to the Program such as information technology, biostatistics, and pharmacy services. While CMC Department management asserted that those charges were allowable, it did not have documentation showing the agreed-upon salary rates and scope of work for those services. Lacking that documentation limits the CMC Department's ability to monitor and identify unallowable charges to the Program.

UTMB did not accurately report \$11.8 million in costs as salaries and benefits, which limits the transparency of how Program funds are spent. The IS-CMC Technical Operations department provides services to the Program. However, due to an organizational restructure, that department was moved from the CMC

<sup>16</sup> The risk related to the issues discussed in Chapter 2-C is rated as Medium because they present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.



Department to UTMB. As a result, while all IS-CMC Technical Operations employees continue to work for the Program and are subject to the Program's pay action policies, UTMB reported the \$11.8 million in related costs as maintenance and operations. Instead, those costs should have been reported as salaries and benefits. The Contract states that UTMB shall provide detailed salaries and benefit costs by department. Not accurately reporting those costs limits the reliability of the information available to decision makers responsible for overseeing the Program's costs.

## Recommendations

UTMB should strengthen controls over its expenditure process to help ensure that:

- Supervisors use available tools to monitor time sheets and verify that only authorized employees charge time to the Program.
- It has executed agreements in place for all UTMB service providers, including the agreed-upon salary rates and scope of work for those services.
- It reports all costs in the appropriate categories in its Program financial reports as required by the Contract.

## Management's Response

- *Supervisors use available tools to monitor time sheets - Management agrees with the recommendation. The Associate Vice President, Finance - CMC is responsible for implementing corrective actions. UTMB will re-educate supervisors responsible for approving employees' time sheets and verifying that only authorized employees charge time to the Program. Additionally, UTMB will evaluate requirements to use available tools, and integrate those requirements into supervisor re-education. UTMB expects to have these steps completed by February 28, 2021. In the interim, UTMB CMC Finance has created a new report that identifies UTMB employees who may have charged time to the Program, but whose home department is not a Program department, and is requiring written supervisor confirmation that the time was appropriately charged to the Program.*
- *Executed agreements are in place for all UTMB service providers - Management agrees with the recommendation. The Associate Vice President, Finance - CMC is responsible for implementing corrective actions. UTMB has implemented executed agreement for all UTMB*

*service providers. The agreements include agreed upon salary rates/reimbursement, scope of work/responsibilities and terms.*

- *Report all costs in the appropriate categories in its Program financial reports - Management agrees with the recommendation. The Associate Vice President, Finance - CMC is responsible for implementing corrective actions. The IS-CMC Technical Operations department is in the process of being re-organized back to CMC, and has received approval from TDCJ leadership. This will better align expenses with Program activities and result in expenses being reported as salaries and benefits. UTMB expects to have the re-organization completed by December 31, 2020*

## ***UTMB Had Significant Weaknesses Related to Data Security Controls***

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**Chapter 3**  
**Rating:**  
**High <sup>17</sup>**

Auditors identified significant weaknesses in UTMB’s controls related to data protection. To minimize security risks, auditors communicated details separately to UTMB’s management in writing.

Pursuant to Standard 9.61 of the U.S. Government Accountability Office’s *Generally Accepted Government Auditing Standards*, certain information was omitted from this report because that information was deemed to present potential risks related to public safety, security, or the disclosure of private or confidential data. Under the provisions of Texas Government Code, Section 552.139, the omitted information is also exempt from the requirements of the Texas Public Information Act.

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<sup>17</sup> The risk related to the issues discussed in Chapter 3 is rated as High because they present risks or effects that if not addressed could substantially affect the audited entity’s ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.

## ***The Health Sciences Center Had Adequate Processes for Its Costs Associated With Correctional Managed Health Care Services***

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**Chapter 4  
Rating:  
Low <sup>18</sup>**

The Health Sciences Center's processes ensured that it complied with its TDCJ-Health Sciences Center contract (Contract), as well as reporting requirements.

**The Health Sciences Center ensured that its Program medical service payments, pharmaceutical purchases, and salary transactions adhered to contract requirements.**

**Medical Services.** The Health Sciences Center provides medical services to offenders by hiring staff to work at TDCJ facilities or by contracting with staffing agencies, free-world providers, and Health Sciences Center medical professionals (see Figure 2 on Page 2). The Health Sciences Center ensured that the claims, invoices, and other transactions tested for each type of entity complied with requirements. Specifically:

- All 183 free-world claims tested totaling \$458,803 (of \$50.1 million in total claim expenditures) for inpatient hospital services, outpatient hospital services, and physician services were paid at or below the Medicare rate or, higher than that rate, if approved by the Legislative Budget Board as required by contract.
- All 34 transactions tested totaling \$170,300 (of \$6.5 million total expenditures) for services provided by Health Sciences Center physicians complied with contract requirements.
- All 29 invoices tested totaling \$3.6 million (of \$34.6 million total expenditures) for services provided by contracted on-site providers complied with contract requirements.
- All 29 transactions tested totaling \$278,845 (of \$14.7 million total expenditures) for professional services complied with contract requirements.

**Pharmaceutical Purchases.** The Health Sciences Center purchases most pharmaceuticals for offenders from UTMB's pharmacy. For all 6 invoices tested totaling \$1.7 million (of \$23.1 million total pharmaceutical purchases), the Health Sciences Center's payments to UTMB complied with contract requirements.

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<sup>18</sup> The risk related to the issues discussed in Chapter 4 is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

**Salaries and Benefits.** The Health Sciences Center ensured that all Program funds used to pay salaries and benefits were for services directly related to the Program, including authorized market adjustment and salaries for newly created positions (see Appendix 7 for more information about the market adjustments and new positions). Additionally, the Health Sciences Center substantially complied with the 60-day waiting period before providing group health benefits to new employees.

In 2011<sup>19</sup>, auditors also reported that the Health Sciences Center charged \$52,465 for employee benefits not authorized by the contract. The Program contracts for fiscal years 2018 through 2021 included additional language that indicates that any fringe benefits cost not reimbursed by the State's retirement systems<sup>20</sup> or the Office of the Comptroller of Public Accounts may be reimbursed by TDCJ using Program funding.

While the new language does not specifically state that additional health premiums for retirees are allowable expenditures, both the Health Sciences Center and TDCJ management agreed that the intent of the language was to allow those expenditures to be reimbursed through the Program. For the audit scope period, the Program reimbursed the Health Sciences Center \$2.2 million, which included costs for retiree benefits not covered by the State's retirement systems.

**Non-Claim Related Expenditures.** Auditors also performed data analysis on certain non-claim related expenditures such as travel and maintenance and operations totaling \$20.6 million (see Appendix 6 for more information about Program expenditures). Similar to the interpretation noted earlier, while the Contract allows the Health Sciences Center to get reimbursed for the actual cost to deliver services, the Contract does not specifically prohibit these types of expenditures. According to TDCJ management, the intent of the Contract is to pay for any cost that is consistent with the Health Sciences Center's policy so that CMC Department employees receive the same type of benefits as other Health Sciences Center employees. As a result, those items were considered to be allowable costs.

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<sup>19</sup> See *An Audit Report on Correctional Managed Health Care at the Texas Tech University Health Sciences Center* (State Auditor's Office Report No. 11-019, February 2011).

<sup>20</sup> The State's retirement systems are the Teacher Retirement System and the Employees Retirement System.

**The Health Sciences Center accurately reported Program expenditures to TDCJ and ensured that indirect costs did not exceed 2.75 percent, as required.**

**Financial Reports.** The Health Sciences Center is required to submit financial reports to TDCJ. Based on a reconciliation between the Health Sciences Center's general ledger and the financial reports that TDCJ prepared for the periods ended August 2018, August 2019, and February 2020, the Health Sciences Center accurately reported its Program expenditures to TDCJ.

**Indirect Costs.** The Contract allows the Health Sciences Center to recover 2.75 percent of the initial contract amount as indirect costs. The Health Sciences Center did not exceed that amount.

The Health Sciences Center asserted that it planned to change some of its processes for managing its Program after February 29, 2020. For example, it terminated its contract with a third-party claims administrator at the end of fiscal year 2020 and will be processing claims internally. The State Auditor's Office did not review or test any changes that were implemented after the scope of this audit.

## The Health Sciences Center Had Adequate Controls Over Information Systems Used to Manage Its Correctional Managed Health Care Program

Chapter 5  
Rating:  
Low <sup>21</sup>

The Health Sciences Center had sufficient processes and controls in place over the information systems used for the financial management, human resources, and claims processing related to its Program (see text box for additional information about those systems). Specifically:

- **User Access.** The Health Sciences Center appropriately assigned and restricted access to current employees.
- **Password Settings.** The Health Sciences Center implemented adequate controls to enforce password settings, including password complexity as required by its policies and procedures.
- **Policies and Procedures.** The Health Sciences Center had documented policies and procedures for account management and user responsibilities, password/authentication, change management, business continuity and backup recovery, and disaster recovery. Additionally, the Health Sciences Center adheres to Texas Tech University policies and procedures for account management, passwords, change management, and IT operating policy. All policies reviewed align with the requirements in Title 1, Texas Administrative Code, Chapter 202, and the Department of Information Resource's *Security Controls Standards Catalog*, and those policies are regularly reviewed and updated by the Health Sciences Center.

### Information Technology Systems

The following systems are used to manage the Health Sciences Center's Correctional Managed Health Care program.

- **Ellucian Banner (Banner).** Its financials and human resources modules.
- **TechBuy.** The purchasing and accounts payable system that interfaces with Banner.
- **Financial Transaction System (FiTS).** The system that tracks approvals for transactions, such as interdepartmental transfers and other financial transactions.
- **Electronic Personnel Action Form (ePAF).** The system used to document approvals for personnel actions.
- **Web Time Entry.** The time keeping system for full-time exempt employees that interfaces with Banner.
- **TimeClock Plus.** The time keeping system for non-exempt employees that interfaces with Banner.
- **Claims Access Database.** The database used to track claims for medical services.

<sup>21</sup> The risk related to the issues discussed in Chapter 5 is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

# Appendices

Appendix 1

## **Objective, Scope, and Methodology**

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### **Objective**

The objective of this audit was to determine whether the University of Texas Medical Branch at Galveston (UTMB) and Texas Tech University Health Sciences Center (Health Sciences Center) have processes and related controls to help ensure that costs associated with Correctional Managed Health Care program (Program) services are allowable, supported, accurately reported to the Texas Department of Criminal Justice (TDCJ), and in accordance with contractual terms.

### **Scope**

The scope of this audit covered UTMB's and the Health Sciences Center's activities related to the Program for the period of September 1, 2017, through February 29, 2020. The scope also included a review of significant internal control components related to UTMB and the Health Sciences Center (see Appendix 3 for more information about internal control components).

### **Methodology**

The audit methodology consisted of collecting information and documentation; reviewing applicable statutes, rules, and UTMB and the Health Sciences Center policies and procedures; reviewing contracts; performing selected tests and other procedures; analyzing and evaluating the results of the tests; and conducting interviews with management and staff at UTMB, the Health Sciences Center, and TDCJ.

### **Data Reliability and Completeness**

**UTMB.** Auditors reviewed multiple data sets to assess the reliability of Program financial information for fiscal years 2018, 2019, and the first two quarters of 2020, including general ledger detail data, UTMB medical claims data, UTMB non-medical claims data, payroll data, human resources data, and pharmacy expenditure data. Auditors reconciled the Program financial statements to those data sets (with the exception of the human resources data) and performed procedures to assess the reliability of those data sets including (1) observing data extracts, (2) reviewing query parameters used to extract the data and (3) reconciling data extracts with other data extracts.

Auditors determined that the data was sufficiently reliable for the purposes of this audit.



Auditors performed general controls testing for PeopleSoft, Financials and Human Capital Management (human resources/payroll) systems, and other information systems at the server, database, and application levels. Auditors reviewed (1) controls for logical access and change management for the following information system: PeopleSoft, Plexis, Pharmacy Replacement System, and Epic; and (2) information security policies and procedures.

**Health Sciences Center.** Auditors reviewed multiple data sets to assess the reliability of Program financial information for fiscal years 2018, 2019, and the first two quarters of fiscal year 2020. Data sets included general ledger detail data, Health Sciences Center medical claims data, Health Sciences Center non-medical claims data, payroll data, and human resources data. Data sets were obtained from Ellucian Banner (Banner) and the claims database. Auditors reconciled the Program financial statements to those data sets (with the exception of the human resources data) and performed procedures to assess the reliability of those data sets including (1) observing data extracts, (2) reviewing query parameters used to extract the data, and (3) reconciling data extracts with other data extracts.

Auditors determined the data was sufficiently reliable for the purposes of this audit.

Auditors performed general controls testing for Banner, the claims database, and other systems related to controls over the data in Banner. Auditors reviewed:

- Controls over logical access and change management for Banner, TechBuy, and Financial Transaction System (FiTS).
- Controls over logical access for Electronic Personnel Action Form (ePAF), the two time keeping systems, the claims database, and the network that grants access to the servers, databases, and applications via active directory.
- Information security policies and procedures.

#### **Sampling Methodology**

**UTMB.** Auditors selected nonstatistical samples of Hospital-Galveston's and free-world providers' medical claims and other expenditures related to health care services primarily through random selection, for detailed testing. This sampling design was chosen to ensure the sample would include a cross section of providers, types of services, and to ensure each sample included claims from each fiscal year in the audit scope.

The sample items were not necessarily representative of the population; therefore, it would not be appropriate to project the test results to the population.

Table 3 lists the samples selected for UTMB by category.

Table 3

UTMB Total Population and Sample Selected For Activities From September 1, 2017, Through February 29, 2020				
Description	Population Count	Population Amount	Sample Count	Sample Amount
<b>Claims - Hospital-Galveston</b>				
Inpatient	10,657	\$222,995,494	25	\$501,742
Outpatient	1,048,480	\$95,969,470	25	\$30,882
Outpatient Labs	1,835,242	\$26,209,778	25	\$2,302
Physician	438,590	\$58,626,291	25	\$4,641
<b>Claims - Free-world Providers</b>				
Inpatient	5,550	\$54,898,344	25	\$202,078
Outpatient	56,661	\$29,171,924	25	\$13,442
Outpatient Labs	972	\$4,280,451	25	\$3,162
Physician	140,636	\$19,911,638	25	\$2,513
<b>UTMB Pharmacy</b>				
Pharmacy	28,207	\$114,669,852	25	\$5,693

**Health Sciences Center.** Auditors selected nonstatistical samples of Health Sciences Center’s and free-world providers’ medical claims and other expenditures related to health care services primarily through random selection, for detailed testing. In some cases, auditors selected additional claims or expenditures for testing based on risk. This sampling design was chosen to ensure the sample would include a cross section of providers, types of services, and to ensure each sample included claims from each fiscal year in the audit scope.

The test results as reported do not identify which items were randomly selected or selected using professional judgment, and sample items were not necessarily representative of the population; therefore, it would not be appropriate to project the test results to the population.

Table 4 on the next page lists the samples selected for the Health Sciences Center by category.

Table 4

Health Sciences Center Total Population and Sample Selected For Activities From September 1, 2017, Through February 29, 2020				
Description	Population Count	Population Amount	Sample Count	Sample Amount
<b>Claims - Free-world Providers</b>				
Inpatient	8,377	\$33,559,593	60	\$189,606
Outpatient	2,761	\$7,314,647	61	\$257,715
Physician	58,714	\$9,197,076	62	\$11,482
<b>Interdepartmental Agreements (IDA)</b>				
PHM Payments <sup>a</sup>	284	\$410,091	9	\$13,340
University Professional Services <sup>b</sup>	1,305	\$3,462,113	8	\$3,688
Other IDAs <sup>c</sup>	428	\$2,643,104	17	\$153,272
<b>Other Expenditures</b>				
On-site Hospital Staff <sup>d</sup>	257	\$34,575,240	29	\$3,581,008
Professional Services - Staffing <sup>e</sup>	1,634	\$6,232,727	12	\$78,025
Professional Services - Lab, Radiology, and Others	2,629	\$8,488,859	17	\$200,820
Pharmacy <sup>f</sup>	81	\$23,051,926	6	\$1,678,605
<p><sup>a</sup> Population Health Management (PHM) payments are payments CMC Department makes to other Health Sciences Center divisions when they meet certain monthly goals for providing services to offenders.</p> <p><sup>b</sup> Includes physician off-site services provided by non-CMC Department Health Sciences Center medical staff.</p> <p><sup>c</sup> Includes charges for services related to the school of pharmacy; dialysis services; laboratory services; and speech, occupational, and physical therapy services, etc.</p> <p><sup>d</sup> Payments made to hospitals to provide medical staff at certain TDCJ units. Other TDCJ units are staffed by CMC Department medical staff.</p> <p><sup>e</sup> Payments made to temporary staffing agencies for medical staff hired to cover staffing shortages at TDCJ facilities normally staffed by CMC Department medical staff.</p> <p><sup>f</sup> Payments made to UTMB to provide pharmaceuticals to offenders in the TDCJ units in the Health Sciences Center's region.</p>				

Information collected and reviewed included the following:

- Contracts between the TDCJ and both UTMB and the Health Sciences Center for fiscal years 2018–2019 and fiscal years 2020–2021.
- TDCJ Correctional Managed Health Care, UTMB, and the Health Sciences Center policies and procedures.

- Financial reports that UTMB and the Health Sciences Center submitted to TDCJ.
- UTMB’s expenditures and supporting documentation related to salaries and benefits; UTMB medical services; UTMB professional services; non-UTMB provided medical services; pharmacy costs; and indirect costs.
- The Health Sciences Center’s expenditures and supporting documentation related to salaries and benefits; Health Sciences Center medical services; Health Sciences Center professional services; non-Health Sciences Center provided medical services; pharmacy costs; and indirect costs.
- Documentation on new positions created and market adjustments awarded by UTMB and the Health Sciences Center as authorized in the fiscal year 2018–2019 contract.
- UTMB and the Health Sciences Center internal audit reports.

Procedures and tests conducted included the following:

- Tests of expenditure data, including verification of supporting documentation, reasonableness of expenditures, and appropriateness of amounts billed to the Program for fiscal years 2018, 2019, and the first two quarters of 2020.
- Verification of amounts paid by TDCJ and received by UTMB and the Health Sciences Center.
- Review of UTMB and the Health Sciences Center financial systems used to provide information to TDCJ to generate related financial reports.
- Interviews with management and staff at UTMB, the Health Sciences Center, and TDCJ.
- Analysis of new positions created and market adjustments authorized by UTMB and the Health Sciences Center due to the fiscal year 2018–2019 contract with TDCJ.
- Analysis of other expenditures including payroll and indirect costs.

Criteria used included the following:

- Texas Government Code, Chapter 501.
- Title 1, Texas Administrative Code, Chapter 202 and the Department of Information Resources’ *Security Control Standards Catalog, version 1.3*.

- Rider 43, page V-16, the General Appropriations Act (86th Legislature).
- Rider 46, page V-16, the General Appropriations Act (85th Legislature).
- Contracts between TDCJ and both UTMB and the Health Sciences Center for the fiscal year 2018–2019 and fiscal year 2020–2021 time periods.
- TDCJ Correctional Managed Health Care, UTMB, and Health Sciences Center policies and procedures.
- UTMB and Health Sciences Center contracts with health care providers.

### **Project Information**

Audit fieldwork was conducted from January 2020 through November 2020. 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:

- Ileana Barboza, MBA, CGAP (Project Manager)
- Krista L. Steele, MBA, CPA, CFE, CECFE, CIA, CGAP (Assistant Project Manager)
- Rogelio De La Fuente Jr., CPA
- Joseph Kozak, CPA, CISA
- Derek Lopez, MBA
- Fabienne Robin, MBA
- Jeremy Wong
- Michael Yokie, CISA
- Michelle Ann Duncan Feller, CPA, CIA (Quality Control Reviewer)
- Courtney Ambres-Wade, CFE, CGAP (Audit Manager)

## Issue Rating Classifications and Descriptions

Auditors used professional judgment and rated the audit findings identified in this report. Those issue ratings are summarized in the report chapters/subchapters. The issue ratings were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.

Table 5 provides a description of the issue ratings presented in this report.

Table 5

Summary of Issue Ratings	
Issue Rating	Description of Rating
Low	The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited <u>or</u> the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.
Medium	Issues identified present risks or effects that if not addressed could <u>moderately affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.
High	Issues identified present risks or effects that if not addressed could <u>substantially affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.
Priority	Issues identified present risks or effects that if not addressed could <u>critically affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

## Internal Control Components

Internal control is a process used by management to help an entity achieve its objectives. The U.S. Government Accountability Office's *Generally Accepted Government Auditing Standards* require auditors to assess internal control when internal control is significant to the audit objectives. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) established a framework for 5 integrated components and 17 principles of internal control, which are listed in Table 6.

Table 6

Internal Control Components and Principles		
Component	Component Description	Principles
Control Environment	The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.	<ul style="list-style-type: none"> <li>▪ The organization demonstrates a commitment to integrity and ethical values.</li> <li>▪ The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control.</li> <li>▪ Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.</li> <li>▪ The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.</li> <li>▪ The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.</li> </ul>
Risk Assessment	Risk assessment is the entity's identification and analysis of risks relevant to achievement of its objectives, forming a basis for determining how the risks should be managed.	<ul style="list-style-type: none"> <li>▪ The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.</li> <li>▪ The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.</li> <li>▪ The organization considers the potential for fraud in assessing risks to the achievement of objectives.</li> <li>▪ The organization identifies and assesses changes that could significantly impact the system of internal control.</li> </ul>
Control Activities	Control activities are the policies and procedures that help ensure that management's directives are carried out.	<ul style="list-style-type: none"> <li>▪ The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.</li> <li>▪ The organization selects and develops general control activities over technology to support the achievement of objectives.</li> <li>▪ The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.</li> </ul>

Internal Control Components and Principles		
Component	Component Description	Principles
Information and Communication	Information and communication are the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.	<ul style="list-style-type: none"> <li>▪ The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.</li> <li>▪ The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.</li> <li>▪ The organization communicates with external parties regarding matters affecting the functioning of internal control.</li> </ul>
Monitoring Activities	Monitoring is a process that assesses the quality of internal control performance over time.	<ul style="list-style-type: none"> <li>▪ The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.</li> <li>▪ The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.</li> </ul>

Source: Internal Control - Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission, May 2013.



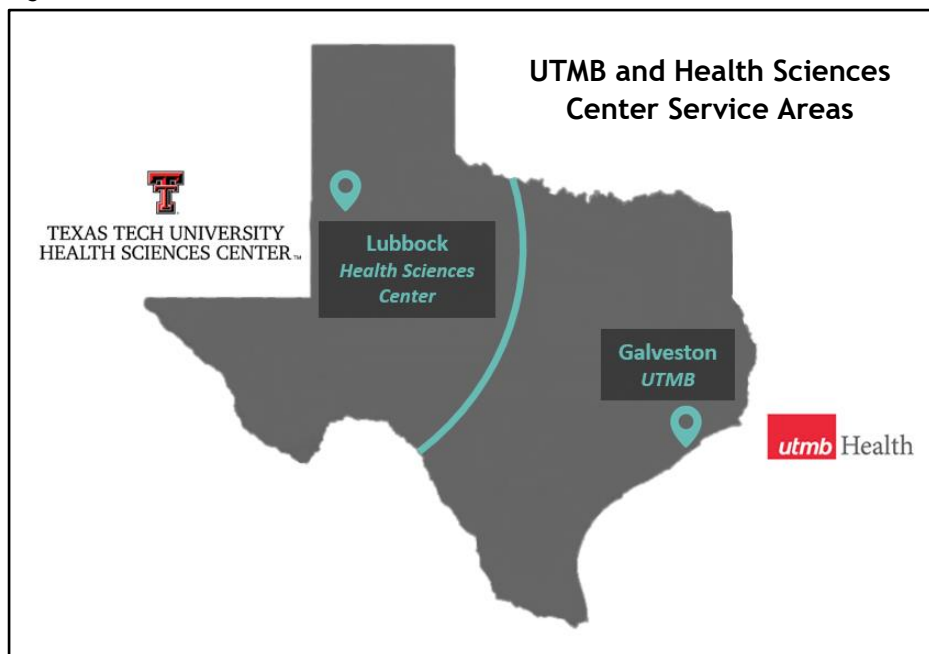
## UTMB's and the Health Sciences Center's Geographical Health Care Service Areas

Figure 3 shows the geographical service areas for the correctional managed health care program of the University of Texas Medical Branch at Galveston (UTMB) and the Texas Tech University Health Sciences Center (Health Sciences Center).

UTMB provides health care services to offenders in the Texas Department of Criminal Justice (TDCJ) facilities in the state's eastern regions. UTMB is contracted to provide health care services for fiscal years 2018 through 2021 at 85<sup>22</sup> TDCJ facilities with a population capacity of 124,926 offenders each year. This represents approximately 80.2 percent of TDCJ's offender capacity.

The Health Sciences Center provides health care services to offenders in TDCJ facilities in the state's western regions. The Health Sciences Center is contracted to provide health care services for fiscal years 2018 through 2021 at 21 TDCJ facilities with an average population capacity of 30,804<sup>23</sup> offenders. This represents approximately 19.8 percent of TDCJ's offender capacity.

Figure 3



Source: TDCJ.

<sup>22</sup> The number of facilities and offender population served by UTMB and the Health Sciences Center is based on each university's Correctional Managed Health Care contracts for fiscal years 2018 through 2021.

<sup>23</sup> The capacity was listed as 30,518 offenders in the Health Sciences Center's contract for fiscal years 2018 and 2019; the capacity was listed as 31,090 offenders in the contract for fiscal years 2020 and 2021.

## ***UTMB's Correctional Managed Health Care Program Costs for September 1, 2017, Through February 29, 2020***

Table 7 shows the University of Texas Medical Branch at Galveston's (UTMB) Program costs and details for each major expenditure category.

Table 7

<b>UTMB's Reported Program Cost Totals For Fiscal Years 2018, 2019, and 2020</b>				
<b>Type of Cost</b>	<b>Fiscal Year 2018</b>	<b>Fiscal Year 2019</b>	<b>Fiscal Year 2020</b>	<b>Total</b>
<b>Salaries</b>				
Salaries	\$ 191,048,364	\$205,975,781	\$103,667,725	\$ 500,691,870
Certifications	434	960	74	1,468
Education and Education Pay	18,356	12,799	3,633	34,788
Employee Referral Bonus	35,250	56,973	22,750	114,973
Hazardous Duty Pay	77,540	68,270	30,090	175,900
Orientation	275,782	188,562	58,138	522,482
Market Differential	76,191	259,824	-	336,015
Retention Incentive Payments	5,122,176	5,590,674	2,823,926	13,536,776
Staff Incentive Pay	-	41,833	-	41,833
Temporary Employment Agencies	3,397,456	3,845,292	2,955,112	10,197,860
Temporary Staff Services	17,142,807	17,228,459	9,042,303	43,413,569
<b>Salaries Totals</b>	<b>\$217,194,356</b>	<b>\$233,269,427</b>	<b>\$118,603,751</b>	<b>\$ 569,067,534</b>
<b>Benefits</b>				
Benefits (health, vision, life, old-age, and survivors' insurance)	\$ 50,975,505	\$ 54,225,927	\$ 28,392,097	\$ 133,593,529
Mobile Devices	47,525	13,600	6,850	67,975
Moving and Relocation Expense	1,082	3	-	1,085
Retiree Premium Sharing	9,710,177	10,772,658	5,915,361	26,398,196
Unemployment Insurance	166,176	148,029	119,321	433,526
Workers' Compensation	604,190	565,484	312,774	1,482,448
<b>Benefits Totals</b>	<b>\$ 61,504,655</b>	<b>\$65,725,701</b>	<b>\$34,746,403</b>	<b>\$ 161,976,759</b>
<b>Maintenance and Operations</b>				
Autopsy and Funeral Costs	\$ 1,150,872	\$ 1,239,288	\$ 583,029	\$ 2,973,189
Advertising	6,326	5,045	1,529	12,900
Contracted Services (vision, physician, health)	117,101	144,798	83,257	345,156
Information Technology Services and Support	7,124,320	7,805,422	4,209,099	19,138,841
Interest	3,801	1,981	1,219	7,001
Licensed Professional Services	638,203	1,118,132	708,988	2,465,323

UTMB's Reported Program Cost Totals For Fiscal Years 2018, 2019, and 2020				
Type of Cost	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Total
Maintenance Agreements - Computers and Others	40,471	189,144	142,044	371,659
Maintenance and Operations	14,878,392	15,067,437	7,360,737	37,306,566
Parking Fees	2,431	2,616	2,520	7,567
Pharmaceuticals	43,981,306	47,555,783	26,092,258	117,629,347
Placement Fees	342,565	447,896	227,058	1,017,519
Recruitment Expenses - Prospective Employees	476	1,420	-	1,896
Rent/Leased Office Space	1,041,218	1,152,514	638,730	2,832,462
Rental Aircraft	107,600	124,800	57,200	289,600
Telecommunications (e.g. cellular, pager)	297,433	313,696	122,171	733,300
Uniforms - Medical Staff	20,748	17,813	9,850	48,411
Conferences/Meetings/Registration Fees	103,362	87,887	47,732	238,981
<b>Maintenance and Operations Totals</b>	<b>\$ 69,856,625</b>	<b>\$75,275,672</b>	<b>\$40,287,421</b>	<b>\$ 185,419,718</b>
<b>Travel</b>				
Incidentals	\$ 24,802	\$ 35,991	\$ 8,891	\$ 69,684
Lodging	339,952	407,386	148,974	896,312
Meals	142,157	165,554	71,874	379,585
Mileage	913,334	965,608	471,705	2,350,647
Rental Car	7,426	8,446	4,976	20,848
Transportation	51,179	62,985	18,015	132,179
<b>Travel Totals</b>	<b>\$ 1,478,850</b>	<b>\$ 1,645,970</b>	<b>\$ 724,435</b>	<b>\$ 3,849,255</b>
<b>Hospital-Galveston</b>				
Inpatient and Outpatient	\$ 145,799,825	\$ 140,241,559	\$ 69,149,908	\$ 355,191,292
Physician Services	23,046,266	24,233,149	11,662,839	58,942,254
<b>Hospital-Galveston Totals</b>	<b>\$168,846,091</b>	<b>\$164,474,708</b>	<b>\$ 80,812,747</b>	<b>\$ 414,133,546</b>
<b>Free-world Services</b>				
Providers' Services	\$ 45,287,062	\$ 59,192,851	\$ 23,633,415	\$ 128,113,328
IBNR (incurred but not reported)	10,800,000	17,000,000	16,071,442	43,871,442
<b>Free-world Services Totals</b>	<b>\$ 56,087,062</b>	<b>\$ 76,192,851</b>	<b>\$ 39,704,857</b>	<b>\$ 171,984,770</b>
<b>Indirect Costs</b>				
Indirect Costs	\$ 14,252,883	\$ 15,370,904	\$ 7,813,151	\$ 37,436,938
<b>Indirect Costs Totals</b>	<b>\$14,252,883</b>	<b>\$15,370,904</b>	<b>\$7,813,151</b>	<b>\$37,436,938</b>
<b>Totals for All Cost Categories</b>	<b>\$589,220,522</b>	<b>\$631,955,233</b>	<b>\$322,692,765</b>	<b>\$1,543,868,520</b>
<sup>a</sup> Information as of February 29, 2020.				

Source: UTMB's Program general ledger.

## **Health Sciences Center's Correctional Managed Health Care Program Costs for September 1, 2017, Through February 29, 2020**

Table 8 shows the Texas Tech University Health Sciences Center's (Health Sciences Center) Program costs and details for each major expenditure category.

Table 8

<b>Health Sciences Center's Reported Program Cost Totals</b>				
<b>For Fiscal Years 2018, 2019, and 2020 <sup>a</sup></b>				
Type of Cost	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Total
<b>Salaries</b>				
Salaries	\$45,329,090	\$48,103,243	\$25,571,338	\$119,003,671
<b>Salaries Total</b>	<b>\$45,329,090</b>	<b>\$48,103,243</b>	<b>\$25,571,338</b>	<b>\$119,003,671</b>
<b>Benefits</b>				
Benefits	\$12,133,838	\$12,712,943	\$6,784,335	\$31,631,116
Retiree Insurance Pool	1,385,032	1,469,814	759,560	3,614,406
Unemployment Insurance	89,342	94,790	50,412	234,544
Other Benefits	2,755	6,000	84,860	93,615
Employee Assistance Program	8,000	8,000	8,000	24,000
<b>Benefits Total</b>	<b>\$13,618,967</b>	<b>\$14,291,547</b>	<b>\$7,687,167</b>	<b>\$35,597,681</b>
<b>Maintenance and Operations</b>				
Medical Equipment and Repairs	\$ 467,188	\$ 387,549	\$ 161,312	\$ 1,016,049
Medical Services and Materials	217,343	155,290	104,675	477,308
Furnishings and Equipment - Purchases and Repairs	295,626	206,939	174,858	677,423
Building Rental, Repairs, and Utilities	187,979	189,727	112,548	490,254
Vehicle Purchase, Repair, and Rentals	39,257	94,285	21,012	154,554
Mail, Delivery, and Freight	54,216	51,997	29,830	136,043
Training, Memberships, and Subscriptions	12,195	40,716	34,983	87,894
Legal Expenses	8,016	15,000	-	23,016
Telemedicine	336,633	444,824	410,501	1,191,958
Capital Expenditures	262,812	789,805	186,659	1,239,276
Other Expenditures <sup>b</sup>	5,547,188	5,518,883	3,017,432	14,083,503
<b>Maintenance and Operations Total</b>	<b>\$7,428,453</b>	<b>\$7,895,015</b>	<b>\$4,253,810</b>	<b>\$19,577,278</b>
<b>Travel</b>				
Mileage	\$ 54,813	\$ 93,043	\$ 39,006	\$ 186,862
Lodging	94,458	138,515	75,902	308,875
Meals	18,553	27,726	16,200	62,479
Transportation	88,803	129,777	59,796	278,376

Health Sciences Center's Reported Program Cost Totals				
For Fiscal Years 2018, 2019, and 2020 <sup>a</sup>				
Type of Cost	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Total
Incidentals	19,700	26,447	14,031	60,178
Rental Car	21,271	23,690	17,089	62,050
Other	3,055	11,040	6,656	20,751
<b>Travel Total</b>	<b>\$300,653</b>	<b>\$450,238</b>	<b>\$228,680</b>	<b>\$979,571</b>
<b>Professional Services</b>				
University Professional Services	\$1,566,154	\$1,738,707	\$ 873,478	\$ 4,178,339
Professional Services	3,880,163	4,460,647	2,301,513	10,642,323
<b>Professional Services Total</b>	<b>\$5,446,317</b>	<b>\$6,199,354</b>	<b>\$3,174,991</b>	<b>\$14,820,662</b>
<b>Free-world Services</b>				
Free-world Services	\$20,348,754	\$22,077,515	\$7,654,902	\$50,081,171
<b>Free-world Services Total</b>	<b>\$20,348,754</b>	<b>\$22,077,515</b>	<b>\$7,654,902</b>	<b>\$50,081,171</b>
<b>Contracted On-site Services</b>				
Contracted On-site Services	\$14,082,390	\$14,441,112	\$6,051,740	\$34,575,242
<b>Contracted On-site Services Total</b>	<b>\$14,082,390</b>	<b>\$14,441,112</b>	<b>\$6,051,740</b>	<b>\$34,575,242</b>
<b>Pharmaceuticals</b>				
Pharmaceutical Purchases	\$8,530,639	\$8,070,801	\$4,297,130	\$20,898,570
<b>Pharmaceutical Purchases Total</b>	<b>\$8,530,639</b>	<b>\$8,070,801</b>	<b>\$4,297,130</b>	<b>\$20,898,570</b>
<b>Incurred But Not Reported (IBNR)</b>				
IBNR	\$356,145	\$235,650	\$4,005,856	\$4,597,651
<b>IBNR Total</b>	<b>\$356,145</b>	<b>\$235,650</b>	<b>\$4,005,856</b>	<b>\$4,597,651</b>
<b>Indirect Costs/Shared Services</b>				
Indirect Costs	2,841,312	2,943,097	1,623,766	7,408,175
<b>Indirect Costs/Shared Services Total</b>	<b>\$2,841,312</b>	<b>\$2,943,097</b>	<b>\$1,623,766</b>	<b>\$7,408,175</b>
<b>Totals for All Costs Categories</b>	<b>\$118,282,720</b>	<b>\$124,707,572</b>	<b>\$64,549,380</b>	<b>\$307,539,672</b>
<sup>a</sup> Information as of February 29, 2020.				
<sup>b</sup> Other Expenditures includes non-payroll costs associated with the Montford Regional Medical Facility, transfers, and fiscal year 2020 accruals reflected in the financial statements that were not yet reflected in the general ledger as of February 29, 2020.				

Source: The Health Sciences Center's financial data.

## Market Adjustments and Newly Created Positions Authorized by the Contracts

Both of the Correctional Managed Health Care contracts (Contracts) authorized funding for market adjustments and salaries for new positions for fiscal years 2018 and 2019. Tables 9 through 12 below show the market adjustments granted and positions created by each institution.

### The University of Texas Medical Branch at Galveston (UTMB)

**Market Adjustments.** The Contract with UTMB authorized \$27.0 million in additional funding to help offset the costs of market adjustments to retain/hire unit-based staff. Correctional Managed Care Department (CMC Department) management asserted that it provided a 5.0 percent market adjustment across the board to all eligible employees. Table 9 lists the costs for market adjustments made from September 1, 2017, through February 29, 2020.

Table 9

UTMB Salary Market Adjustments Granted to CMC Department Employees Between September 1, 2017, and February 29, 2020			
Fiscal Year	Additional Funds Authorized	Number of Market Adjustments <sup>a</sup>	Total Market Adjustment Amounts Granted <sup>b</sup>
2018	\$8,859,438	2,730	\$7,993,191
2019	\$18,161,848 <sup>b</sup>	2,828	\$8,404,378
2020	Not Applicable <sup>c</sup>	99	\$43,455
<b>Totals</b>	<b>\$27,021,286</b>	<b>5,657</b>	<b>\$16,441,024</b>
<sup>a</sup> Includes nine lump sum payments for employees that did not qualify for a market adjustment because they were at the top of their salary cap. <sup>b</sup> UTMB asserted that some of these funds are intended to pay for the continued costs of the market adjustments granted in fiscal year 2018. <sup>c</sup> The contract for fiscal year 2020 did not provide additional funds to offset costs for market adjustments.			

Sources: The Contract and information from UTMB.

**New Positions.** The Contract with UTMB provided \$19.1 million to help offset the costs for new positions created to address increased infirmary and mental health services. UTMB created and filled 113 new positions between September 1, 2017, and August 31, 2019 (see Table 10 on the next page).

Table 10

UTMB Newly Created Program Positions Between September 1, 2017, and August 31, 2019			
Fiscal Year	Additional Funds Authorized	New Positions	Total Cost for New Positions <sup>a</sup>
2018	\$9,540,989	98	\$4,429,171
2019	\$9,540,989	15	\$506,695
<b>Totals</b>	<b>\$19,081,978</b>	<b>113</b>	<b>\$4,935,866</b>

<sup>a</sup> Amount represents the actual cost incurred for that fiscal year. Some newly created positions were not filled the entire fiscal year.

Sources: The Contract and information from UTMB.

### Texas Tech University Health Sciences Center (Health Sciences Center)

**Market Adjustments.** The Contract with the Health Sciences Center authorized \$10.9 million in additional funding to help offset the costs of a 5 percent salary market adjustment for both fiscal years 2018 and 2019. Table 11 lists the costs for market adjustments made in fiscal years 2018 and 2019.

Table 11

Health Sciences Center Salary Market Adjustments Granted to CMC Department Employees Between September 1, 2017, and February 29, 2020			
Fiscal Year	Additional Funds Authorized	Number of Market Adjustments	Total Market Adjustment Amounts Granted
2018	\$3,578,364	591	\$1,838,946
2019	\$7,330,082 <sup>a</sup>	972	\$2,468,946
2020	Not Applicable <sup>b</sup>	586	\$826,578
<b>Totals</b>	<b>\$10,908,446</b>	<b>2,149</b>	<b>\$5,134,470</b>

<sup>a</sup> The Health Sciences Center asserted that some of these funds are intended to pay for the continued costs of the market adjustments granted in fiscal year 2018.

<sup>b</sup> The contract for fiscal year 2020 did not provide additional funds to offset costs for market adjustments.

Sources: The Contract and information from the Health Sciences Center.

**New Positions.** The Contract with the Health Sciences Center also authorized \$1.9 million in additional funding to help offset the costs for new positions created to address increased infirmary services in TDCJ units. In addition to the new positions needed for increased infirmary services, the Health Sciences Center created new positions when the staffing for two units was switched from contracted free-world hospitals services to CMC Department

staff. The Health Sciences Center ensured that all 63 new positions created were approved by TDCJ as required.

The Health Sciences Center created 63 new positions between September 1, 2017, and August 31, 2019 (see Table 12).

Table 12

Health Sciences Center Newly Created Program Positions Between September 1, 2017, and August 31, 2019			
Fiscal Year	Additional Funds Authorized	New Positions	Total Cost for New Positions <sup>a</sup>
2018	\$947,200	54	\$1,552,492
2019	\$947,200	9	\$114,812
<b>Totals</b>	<b>\$1,894,400</b>	<b>63</b>	<b>\$1,667,304</b>
<sup>a</sup> Amounts represent actual cost incurred for that fiscal year. Some newly created positions were not filled the entire fiscal year.			

Sources: The Contract and information from the Health Sciences Center.



**Related State Auditor's Office Reports**

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Table 13

Related State Auditor's Office Reports		
Number	Report Name	Release Date
11-017	<i>An Audit Report on Correctional Managed Health Care at the University of Texas Medical Branch at Galveston</i>	February 2011
11-019	<i>An Audit Report on Correctional Managed Health Care at the Texas Tech University Health Sciences Center</i>	February 2011

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# **The University of Texas Medical Branch at Galveston**

Dr. Ben G. Raimer, President ad interim



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