



TEXAS

Health and Human Services Commission

Albert Hawkins, Executive Commissioner

Office of Inspector General

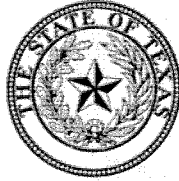
Attestation – Agreed-Upon Procedures Report on Planned Parenthood Center of El Paso

August 31, 2009

Bart Bevers, Inspector General

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TEXAS HEALTH AND HUMAN SERVICES COMMISSION

ALBERT HAWKINS
EXECUTIVE COMMISSIONER

August 31, 2009

Ms. Lisa Hernandez
General Counsel
Texas Department of State Health Services
1100 W 49th Street
Austin, Texas 78756

Dear Ms. Hernandez:

This report contains the results of our Attestation Agreed-Upon Procedures engagement on Planned Parenthood Center of El Paso to determine if they complied with the applicable provisions set forth in the Texas Department of State Health Services (DSHS) contracts. The purpose of the engagement was solely to assist DSHS in determining Planned Parenthood Center of El Paso's compliance in regard to the payment of subcontractors for services rendered. Our engagement to apply agreed upon procedures was conducted in accordance with attestation standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of the procedures is solely the responsibility of those parties specified in our report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedules either for the purpose for which our report has been requested or for any other purpose.

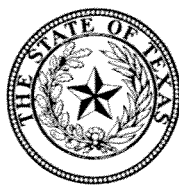
Observations are summarized in the "Detailed Observations" section of this report.

The Office of Inspector General appreciates the courtesy extended to our staff and the cooperation and assistance exhibited by your staff regarding the agreed upon procedures. If you have any questions or concerns, please do not hesitate to contact Edward Smith at Edward.Smith2@hhsc.state.tx.us or (512) 491-4035.

Sincerely,

A handwritten signature in cursive script that reads "Mark Poehl".

Mark Poehl, CPA, CIA, CFE, CISA
Director, Audit Section
Office of Inspector General



TEXAS HEALTH AND HUMAN SERVICES COMMISSION

ALBERT HAWKINS
EXECUTIVE COMMISSIONER

INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To: Ms. Lisa Hernandez
General Counsel
Texas Department of State Health Services

The Texas Health and Human Services Commission (HHSC) – Office of Inspector General (OIG), Audit Section has performed the procedures contained in the appendix of this report. This report contains the results of our Attestation Agreed-Upon Procedures engagement on Planned Parenthood Center of El Paso (PPCEP) to determine if they complied with the applicable provisions set forth in the Texas Department of State Health Services (DSHS) contracts. The purpose of the engagement was solely to assist DSHS in determining PPCEP's compliance with the payment to subcontractors for services rendered. Our engagement to apply agreed upon procedures was conducted in accordance with attestation standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of the procedures is solely the responsibility of those parties specified in our report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedules either for the purpose for which our report has been requested or for any other purpose.

Because the agreed-upon procedures listed in our representation letter do not constitute an examination, we do not express an opinion on PPCEP's compliance with the provisions set forth in the contracts. In addition, we were not able to perform all of the agreed upon procedures listed below:

Whether the allegations are valid that subcontractors of PPCEP have not been paid for services rendered.

Due to the incomplete inclusion of all subcontractor billings in the PPCEP accounting system, we were unable to verify or confirm the amount of outstanding subcontractor payables from the PPCEP's accounting system.

If allegations of non payment are verified, quantify the amount of unpaid billings by performing an aging of accounts receivables of the subcontractors to the accounts payables records of PPCEP.

Due to the incomplete inclusion of all subcontractor billings in the PPCEP accounting system, and because PPCEP had issued checks to subcontractors against the outstanding payable balance, as opposed to paying specific subcontractor invoice numbers, we were unable to verify specific sub-contract billings to PPCEP's accounts payable accounting system.

Whether these amounts pertain to services rendered by the subcontractor were rendered pursuant to a DSHS contract executed between DSHS and the DSHS subrecipient contractor.

We were not able to tie outstanding amounts to specific DSHS contracts due to limited available PPCEP administrative/accounting staff and accounting records. Also, the subcontractors were not able to provide specific DSHS contract numbers.

Whether DSHS had reimbursed the DSHS subrecipient contractor with funds that included billings from the subcontractor that is alleged by the subcontractor to be unpaid. Such reimbursements and billings need to be tied to DSHS contract number (i.e. program attachment).

We were not able to tie outstanding amounts to specific DSHS contracts due to limited available PPCEP administrative/accounting staff and accounting records. Also, the subcontractors were not able to provide specific DSHS contract numbers.

If billings submitted by subcontractor are determined to be unpaid by PPCEP, then test a random sample of expenditures that comprise the unpaid billings to ensure they are allowable and in compliance with federal and state regulations and contract requirements.

Due to the incomplete inclusion of all subcontractor billings in the PPCEP accounting system, and patient confidentiality issues, the subcontractors provided a summary of accounts receivables. Therefore, we were not able to perform agreed upon procedures to ensure that activities billed were allowable, and that individual transactions were properly classified and accumulated into the subcontractors' accounting systems.

Observation - Subcontractor Billings Unpaid by PPCEP

As further described in our report under Summary of Scope and Methodology, and elsewhere, a definitive determination of amounts payable to PPCEP subcontractors was not possible. An attempt at characterizing unpaid amounts was made based on information and documentation provided by subcontractors. The unpaid amount determined from the subcontractor's documentation totaled \$529,707.97. We were unable to verify the unpaid amounts against PPCEP accounting records. See "Detailed Observations."

Observation - PPCEP's Aged Accounts Payable as of June 22, 2009

The PPCEP's aged accounts payable listing as of June 22, 2009 was provided to the OIG auditors during the review period of July 20 through July 24, 2009. As further described in our report under Summary of Scope and Methodology, and elsewhere, a definitive determination of aged accounts payable to PPCEP subcontractors was not possible. Unverifiable information provided by PPCEP indicates that most subcontractor billings were over 90 days and totaled \$409,675.10. See "Detailed Observations."

OIG was not engaged to and did not perform an audit, the objective of which would be an expression of an opinion on the financial statements. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. We completed the agreed upon procedures on July 24, 2009.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mark Poehl". The signature is written in dark ink and is positioned to the left of the typed name and title.

Mark Poehl, CPA, CIA, CFE, CISA
Director, Audit Section
Office of Inspector General

August 31, 2009

EXECUTIVE SUMMARY

The Texas Health and Human Services Commission, Office of Inspector General (OIG), Audit Section has performed the agreed-upon procedures on Planned Parenthood Center of El Paso (PPCEP) as requested by the Texas Department of State Health Services (DSHS) General Counsel.

Results (Statement of Observations)

The results of our audit indicated that Planned Parenthood Center of El Paso (PPCEP) was not in compliance with applicable DSHS contracts. This was determined because subcontractor billings included in requests for DSHS reimbursement remained unpaid in the PPCEP accounts payable ledger.

The audit identified the following observations noted in association with PPCEP's contract billings with DSHS:

- Subcontractors identified outstanding billings unpaid by PPCEP of \$529,707.97. This amount could not be verified due to the incomplete condition of PPCEP's accounting records.
- PPCEP's aged subcontractor payables as of June 22, 2009 of \$409,675.10. This amount could not be verified due to the incomplete condition of PPCEP's accounting records.

Detailed observations are presented under the "Detailed Observation" section of this report.

Objective

The objectives of our audit were to determine:

- Whether the allegations are valid that subcontractors of PPCEP have not been paid for services rendered.
- Whether these amounts pertain to services rendered by the subcontractor were rendered pursuant to a DSHS contract executed between DSHS and the DSHS subrecipient contractor.
- Whether DSHS had reimbursed PPCEP with funds that included billings from the subcontractor that is alleged by the subcontractor to be unpaid. Such reimbursements and billings need to be tied to DSHS contract number. (i.e. program attachment)
- If billings submitted by subcontractor are determined to be unpaid by PPCEP, then test a random sample of expenditures that comprise the unpaid billings to ensure they are allowable and in compliance with federal and state regulations and contract requirements.

Background

PPCEP, a non profit corporation and a contractor of DSHS has provided HIV, family planning, and primary health services for several years. Due to published reports that PPCEP was in the process of closing all of its El Paso clinics, the availability of PPCEP resources and records became a matter of concern to DSHS. DSHS requested HHSC OIG to perform agreed upon procedures concerning PPCEP's payments of subcontractor billings.

Summary of Scope and Methodology (Summary of Activities Performed)

Due to the incomplete inclusion of all subcontractor billings in the PPCEP accounting system, and patient confidentiality issues, we were unable to perform the agreed upon procedures. The engagement covered the fieldwork period of July 20 through July 24, 2009. The procedures performed on site are documented in the Methodology section of Appendix A.

DETAILED OBSERVATIONS

Observation - Subcontractor Billings Unpaid by PPCEP

The following costs billed to PPCEP's DSHS contracts were obtained from PPCEP's subcontractors through interviews conducted during the period July 20 through July 24, 2009. The unpaid amount determined from the subcontractor's documentation was \$529,707.97. We were unable to verify the unpaid amounts against PPCEP accounting records. A detail listing follows:

<u>Subcontractor Name</u>	<u>Unpaid Billings</u>
Thomason Hospital	\$121,622.43
Thomason Hospital	33,192.14
Family Services of El Paso	27,140.87
Visiting Nurses Association	362.28
Hospice of El Paso	2,380.00
La Fe Center	35,505.98
La Fe Center	16,719.67
La Fe Center	104,532.62
La Fe Center	110,954.97
DSHS Lab Costs	<u>77,297.01</u> a
Total Subcontractor Unpaid Costs	\$529,707.97

- a. Since invoices from DSHS lab costs were not available DSHS, lab billings from PPCEP's unaudited aged accounts payable as of June 22, 2009 were used.

Observation - PPCEP's Aged Accounts Payable as of June 22, 2009

The PPCEP's aged accounts payable listing as of June 22, 2009 was provided during the review period of July 20 through July 24, 2009. As further described in our report under Summary of Scope and Methodology, and elsewhere, a definitive determination of aged accounts payable to PPCEP subcontractors was not possible. Unverifiable information provided by PPCEP indicates that most subcontractor billings were over 90 days and totaled \$409,675. The total billings of \$409,675.10 are detailed in the following schedule:

<u>Subcontractor Name</u>	<u>Billed Amount</u>	<u>Age of Billings</u>
Centro De Salud Familiar La Fe	\$62,622.94	over 90 days
Centro De Salud Familiar La Fe	56,948.23	61-90 days
Centro De Salud Familiar La Fe	15,466.46	30 days
Centro De Salud Familiar La Fe	10,726.86	current
R.E. Thompson Hospital	18,482.47	over 90 days
R.E. Thompson Hospital	4,441.43	61-90 days
R.E. Thompson Hospital	4,627.71	31-60 days
DSHS lab	77,297.01	31-over 90 days
Thompson Lab Services	117,987.89	1-over 90 days
Visiting Nurse Association	2,058.69	over 90 days
Family Services of El Paso	20,827.69	current-over 90 days
Hospice of El Paso	2,284.80	current
La Fe Pharmacy	3,573.43	current-over 90 days
Paso Del Norte Community Resource Center	7,724.32	over 90 days
Pan American Hospital	4,605.17	over 90 days
Total Subcontractor PPCEP Aged Payables	\$409,675.10	

APPENDIXES

APPENDIX A

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

Objectives of the engagement were to determine if:

- Whether the allegations are valid, that subcontractors of PPCEP have not been paid for services rendered.
- Whether these amounts pertain to services rendered by the subcontractor were rendered pursuant to a DSHS contract executed between DSHS and PPCEP.
- Whether DSHS had reimbursed PPCEP with funds that included billings from the subcontractors that are alleged by the subcontractor to be unpaid. Such reimbursements and billings need to be tied to DSHS contract number. (i.e. program attachment)
- If billings submitted by subcontractor are determined to be unpaid by PPCEP, then test a random sample of expenditures that comprise the unpaid billings to ensure they are allowable and in compliance with federal and state regulations and contract requirements in the representation letter.

Scope

Our agreed-upon procedures covered the period July 20 through July 24, 2009. The procedures included obtaining both PPCEPs' subcontractor billings and PPCEP's accounts payable balances for subcontractors from their accounting system.

Methodology

Information collected:

- PPCEPs' subcontractor outstanding billings obtained through interviews.
- Accounting records of PPCEP such as:
 - Aged accounts payable as of June 22, 2009
 - Copy of general Ledger
 - Samples of subcontractor billings
 - Board Minutes
 - Organization Chart
 - PPCEP Bank Statements for FY's 08 and 09

Criteria Used

- OIG and DSHS agreed upon procedures

Team Members

Juanita Henry, CHC, CIG, Deputy Inspector General for Compliance

Mark Poehl, CPA, CIA, CFE, CISA, Director, Audit Section

David Mahoney, SFRU Manager

Ed Smith, Lead Auditor, SFRU

Jerry Elliott, Auditor, SFRU

Jose Oliva, Auditor, HAU

Other Information

Fieldwork was conducted from July 20 through July 24, 2009.

APPENDIX B

REPORT DISTRIBUTION

Texas Department of State Health Services

Ms. Lisa Hernandez
General Counsel
1100 W. 49th Street
Austin, Texas 78756

Mr. Thomas J. Martinec
Director, Internal Audit
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Austin, Texas 78756