



SUNSET ADVISORY COMMISSION

Texas Department
of Health



Special Purpose Review
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TEXAS DEPARTMENT OF HEALTH

SPECIAL PURPOSE REVIEW

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ISSUE / RECOMMENDATIONS

Issue 1

The Department of Health Has Made Progress, But Much Work is Left to be Done to Improve Its Business Practices.

Summary

Key Recommendations

- The Legislature should include a rider in the General Appropriations Act that requires the Texas Department of Health to continue to report implementation status quarterly for the next two years.
- The Sunset Advisory Commission should report to the 79th Legislature on the status of the Department's efforts to improve its business operations.

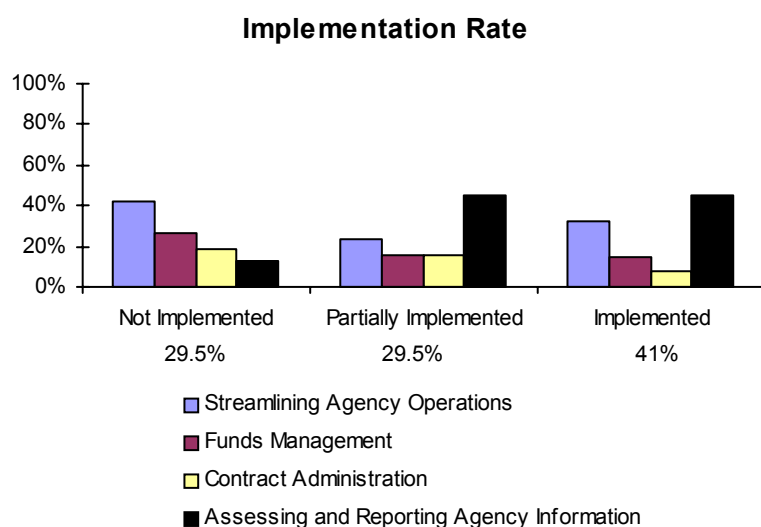
Key Findings

- Despite repeated recommendations on streamlining agency operations, funds management, contract administration, and assessing and reporting agency information, the agency has yet to significantly improve its business operations.
- The Department has not significantly changed its organizational structure to achieve the goals of the *Business Practices Evaluation*.
- The Department has not fully implemented recommendations to improve administrative funds management.
- Key recommendations to standardize Department contracting policies remain to be implemented.
- Although the Department of Health has improved some data collection and reporting processes, the agency continues to have difficulty providing accurate and timely information.

Conclusion

Over the past four years since the Sunset review of the Texas Department of Health (TDH), little has changed to actually reduce duplication in programs and business operations. In these times of limited resources, TDH cannot afford to continue without making and carrying out hard decisions to structurally improve the Department's operations. To its credit, in response to legislative direction, TDH has done extensive evaluation and planning to seek out improvements and has implemented new financial software. At the same time, TDH has dealt with issues such as preparedness for the threat of bioterrorism and the management of the outbreak of West Nile virus.

However, as shown in the chart, *Implementation Rate*, TDH has only fully implemented slightly more than forty percent of recommended actions. Of note, about 60 percent of the recommendations to streamline agency functions were not fully implemented. The Department continues to operate with programs in organizational silos, often not effectively communicating or sharing resources.



Plans to resolve some of the administrative inefficiencies are in the works, but the Department has a long way to go to eliminate years of culture, practice, and bureaucratic inertia that inhibit its effectiveness.

As noted above, the Department is considering numerous potentially significant changes to its structure and business operations. The Department indicates it expects to implement many of these changes in the next few months. However, Sunset staff were required to complete its analysis at this time, recognizing that the timing is not ideal. As a result, numerous recommendations could move to implemented status during this time period.

Approach

The increasing frequency and intensity of legislatively-mandated reports evaluating and recommending improvements to TDH's business operations reflects the Legislature's eroding confidence in the operations of the agency.¹ Consequently, the 77th Legislature directed the Sunset Advisory Commission to conduct a special purpose review to follow up on the implementation status of recommendations made in recent years. Specifically, the Legislature directed the Commission to evaluate the extent to which the Department implemented recommendations and directives from:

The Legislature directed the Sunset Commission to conduct a special purpose review of TDH.

- House Bill 2085, the TDH Sunset bill from the 76th Legislature;
- the Sunset Advisory Commission Report to the Legislature that did not require statutory change (i.e., management recommendations);
- Office of the State Auditor Reports since January 1, 1999; and
- consultant reports issued after January 1, 2001 (i.e., *Business Practices Evaluation* by consultant, Elton Bomer).²

Additional detail about each of these reports is included in the textbox, *Legislatively-Directed Agency Evaluations*.

Legislatively-Directed Agency Evaluations

2001 - Business Practices Evaluation - Rider 2 in the General Appropriations Act of the 77th Legislature required the Department to conduct a comprehensive business practices evaluation and report back to executive and legislative leadership on its findings and progress. The result was the *Business Practices Evaluation*, developed through an external contract with a team of consultants led by former Secretary of State and Commissioner of Insurance, Elton Bomer. The evaluation included 94 recommendations, both specific and broad, aimed at improving the business operations of the agency.

1999 - Sunset Advisory Commission Report to the Legislature - This report resulted in House Bill 2085 that directed the Board to “develop and implement a comprehensive blueprint designed to minimize program overlap and increase administrative efficiencies.”³ The legislation further directed the Department to improve its business operations by identifying all programs, databases, and funding sources and ways to create administrative efficiencies; integrating health care delivery programs to create administrative efficiencies; and standardizing contracting procedures throughout the agency.⁴

1998 - 2002 - Office of the State Auditor (SAO) Reports - In the past four years, the Office of the State Auditor issued more than 10 reports including more than 60 recommendations directing the Department to correct a variety of management practices in the areas of improved contract, funds, and data management.

To conduct this review, Sunset staff reviewed more than 230 recommendations spanning the last four years. The majority of these recommendations center on the agency’s ability to efficiently and effectively manage its day-to-day business operations. Since many of the recommendations target similar problems, Sunset staff organized the recommendations into four categories:

- streamlining agency operations;
- funds management;
- contract administration; and
- assessing and reporting agency information.

Appendix A, an *Implementation Status* chart, summarizes the agency’s progress toward completing each of the directives in the array of reports Sunset staff analyzed. To present a more complete picture of the Department’s efforts, the chart is organized by the above categories. An analysis section of this report precedes the chart and offers a discussion and summary of the results detailed in the chart. As discussed in the analysis, TDH has a significant number of recommendations not yet fully implemented. The analysis includes Sunset staff recommendations to assist the Department to fully implement all appropriate recommendations.

*Of more than 230
recommendations
reviewed by Sunset staff,
most dealt with problems
in agency management
of day-to-day operations.*

Analysis

Eliminating organizational silos is the theme of many of the recommendations made to TDH over the past few years.

In recent years the Legislature and its associated oversight agencies – such as the Office of the State Auditor, the Legislative Budget Board, and the Sunset Advisory Commission – have expressed repeated concern about the ability of the Department’s executive management to conduct the day-to-day business functions of the agency. Such functions include streamlining agency operations, funds management, contract administration, and assessing and reporting agency information. The *Business Practices Evaluation*, released August 31, 2001, noted that multiple reviews have been conducted and many reports written that detail recommendations for business operations improvement at TDH. The *Business Practices Evaluation* states, “Most of the reports received attention for a short period of time, but many of the recommendations were never implemented.”⁵ Central to many of the recommendations made to the Department is the theme of eliminating the silos, or organizational divisions between programs, which, for example, prevent the agency from having uniform accounting practices and contracting procedures.

Although the Department has progressed toward improving its business operations, it continues to have problems in centralizing and standardizing administrative functions, thus breaking down its silos. The following material describes these problems and the consequences.

Despite repeated recommendations on streamlining agency operations, funds management, contract administration, and assessing and reporting agency information, the agency has yet to significantly improve its business operations.

- The Legislature has repeatedly offered guidance to the agency on improving its operations. For example, over the last four years, the Sunset Commission, the State Auditor, independent consultants, and even internal auditors have advised the agency to improve contract administration procedures. The table, *Repetitive Recommendations to TDH*, summarizes key recommendations resulting from legislative action.
- While the *Repetitive Recommendations to TDH* table shows examples of how the various reports and recommendations made to the Department overlap, the *Implementation Status* chart (Appendix A) shows a much more detailed list of the recommendations. Specifically, the table clearly shows that the evaluators found similar problems at TDH, year after year, despite repeated recommendations for improvement.
- In the past four years, the Department spent more than \$800,000 on attempts to reorganize and streamline. The textbox, *Key Reorganizational Expenditures*, reflects the agency’s recent costs

Evaluators found similar problems at TDH, year after year, despite repeated recommendations for improvement.

associated with streamlining efforts, most of which are a result of recommendations in the *Business Practices Evaluation*. However, as this report describes, the agency has yet to make significant progress in dissolving the walls of the silos that permeate its bureaucracy, and continues to operate largely in a decentralized fashion – program by program.

- While the Department continues to move toward implementing business improvement recommendations, many substantive recommendations centering on the critical areas of streamlining agency operations, funds management, contract administration, and assessing and reporting agency information, are not implemented. Further, the Department has not met most of the implementation deadlines established for each of the 94 *Business Practices Evaluation* recommendations.

Repetitive Recommendations to TDH			
Provisions	Sunset	SAO	BPE
Streamlining Agency Operations			
Coordinate agency operations	✓		✓
Solicit stakeholder input	✓		✓
Funds Management			
Improve budget development process		✓	✓
Improve budget monitoring		✓	✓
Improve expenditure coding and reporting		✓	✓
Notify legislative leadership of fund transfers		✓	✓
Contract Administration			
Centralize contract administration	✓	✓	✓
Develop standard contracting procedures	✓	✓	✓
Monitor contract performance	✓	✓	✓
Assessing and Reporting Agency Information			
Centralize information technology functions		✓	✓

As recommended in the *Business Practices Evaluation*, the agency formed a Business Improvement Team. However, the team has been understaffed, having only two members, as compared to the five recommended. As currently structured, the team's primary function is tracking and logging changes in agency operations as they happen and preparing the required quarterly reports. In addition, the team has participated as advisors in several business practice improvement efforts. The Department is presently seeking to expand the team to four members.

The Department waited to begin developing specific policies for the financial *Business Practices Evaluation* recommendations until hiring a Chief Financial Officer (CFO) in February 2002, six months after the report's release. The new CFO created seven internal agency working groups, called Fiscal and Administrative Improvement Response (FAIR) teams, to determine specific policies

Key Reorganizational Expenditures 1999 - 2002		
Activity	Resource	Estimated Cost
Blueprint	1.5 FTEs / 3 years	\$227,664
Business Practices Evaluation	External Consultant / 3 months	\$75,000
Chief Operating Officer	1FTE	\$124,500
Chief Financial Officer	1FTE	\$106,629
Business Improvement Team	2 FTEs	\$120,484
FAIR Teams	4,600 combined hours	\$131,560
FAIR Team Validation	External Consultant	\$37,500
Total		\$823,337

for implementing the wide range of recommendations. The textbox, *FAIR Teams*, lists the various teams created by the agency and describes their activities. Executive management is in the process of reviewing and adopting the working groups' recommendations.

FAIR Teams

- Budget
- Accounting
- Purchasing/Contracting
- Grants Coordination/Management
- Human Resources
- Information Resources
- Revenue Management

The teams researched best business practices in each area in comparison to the Department's current operations. The teams then made recommendations to executive management for policy and organizational changes, including creating a hybrid centralized administrative structure with administrative service centers. Administrative service center staff, such as information technology experts and budget personnel, would answer through a direct line of authority to the program side of the agency, while complying with agencywide policies developed by the administrative side of the agency.

In October 2002, executive management evaluated the recommendations from each of the teams and chose this hybrid model. While the Department plans to implement the changes by December 1, 2002, it has also released a request for proposal for an external contractor to conduct a business operations improvement assessment, focusing on the working groups' initiatives, in addition to offering enhancements and improvements. The Department anticipates a final report from the consultant by November 29, 2002. Executive management is in the process of reviewing and adopting the additional recommendations from the working groups.

Better management of day-to-day business operations would potentially provide better services for Texans.

- An apparent lack of internal agency expertise in business management has led to considerable spending on consultants. In the past four years, the Department spent almost \$350,000 on consultant services to assist it in making management and organizational decisions. The table, *Business Practice Consultants*, lists a number of these contracts. Had agency staff performed these services, the Department could have avoided significant expenditures. The textbox, *Comparative Value of Services*, shows examples of services the Department might deliver with \$350,000.

Comparative Value of Services

The following list shows critical services that might have been provided for the value of consultant fees.

Additional children who could receive a well-child check-up through the Texas Health Steps program	5,000
Additional women who could receive mamograms	4,395
Additional children who could be immunized	824
TB patients who could have received directly observed therapy	73

Business Practice Consultants			
Division	Purpose	Date	Amount
Associate Commissioner for Human Resources	For an assessment of material management.	5/31/00	\$14,999
Associateship for the Deputy Commissioner for Administration	To assist TDH management in the process of filling the Deputy Commissioner for Administration position.	12/04/98	\$10,000
Birth Defects Monitoring Division	For a two-day meeting to develop a written strategic plan.	12/31/97	\$5,000
Bureau of HIV and STD Prevention	To study and advise implementation of cost-based reimbursement.	8/18/01	\$14,996
Bureau of State Health Data and Policy Analysis	To study and advise the Board in the identification, prioritization, and evaluation of strategic goals for TDH through the year 2004.	2/28/98	\$14,875
Commissioner of Health	To study and advise executive management team on effectiveness and communications.	6/30/01	\$14,950
Commissioner of Health	A review to evaluate business and management operations.	8/31/01	\$75,000
Commissioner's Office	To study and advise TDH management on issues related to the South Texas Hospital.	5/31/99	\$14,500
Communications and Special Health Initiatives	To study and advise the TDH reorganization team responsible for the upcoming departmental reorganization.	10/15/98	\$15,000
Communications and Special Health Initiatives	To study and advise the TDH reorganization team responsible for the upcoming departmental reorganization.	8/31/98	\$1,700
Financial Services	To provide administrative systems consulting services.	2/28/99	\$15,000
Financial Services	To compile the annual financial report.	8/31/01	\$53,000
Financial Services	To compile the annual financial report.	8/31/00	\$50,000
Financial Services	To compile the annual financial report.	8/31/99	\$15,000
Grants Management	To develop a rate-setting plan to establish rates for services from this division.	8/31/99	\$10,000
Office of Regional Administrative Services	To guide program development in communities, focusing on organizational philosophy and units, programs, and services.	10/31/98	\$15,000
Revenue and Fund Analysis	To develop a cost allocation manual for fee-funded programs.	11/30/97	\$9,995
Total			\$349,015

The agency continues to operate in a bureaucracy of separate silos.

- As discussed previously, Sunset staff found consistent recommendations from various reports in four main areas: streamlining agency operations, funds management, contract administration, and assessing and reporting agency information. Details of these recommendations and corresponding implementation efforts of the Department are discussed in the following sections.

Streamlining Agency Operations

TDH has not significantly changed its organizational structure to achieve the goals of the *Business Practices Evaluation*.

- While TDH is presently extensively evaluating its business operations, administrative and management functions continue to operate in a decentralized fashion throughout the agency – program by program. As a result, executive management cannot ensure consistency in areas of business operations, such as funds management, contract administration, and assessing and reporting agency information. Interviews with various sources indicated that while the agency is improving its efforts to take a leadership role in public health in Texas, the agency continues to operate in a bureaucracy of separate silos.
- The majority of the recommendations in the *Business Practices Evaluation* target altering the agency's decentralized organization. Specifically, the *Business Practices Evaluation* emphasized the need for the Chief Operating Officer to manage the day-to-day operations of the Department to free the Commissioner to focus on the numerous pressing health responsibilities of the state instead of administering an agency with more than 5,000 employees. The structure described in the *Business Practices Evaluation* recommends the Chief Operating Officer directly oversee all agency operations and report to the Commissioner. The Department decided not to fully implement this recommendation. The position only oversees administrative programs, maintaining the separation between administrative and program operations. The textbox, *Organizational Recommendations Not Followed*, lists seven organizational recommendations from the report that the acting Commissioner and Board of Health considered, and decided not to implement. Appendix C illustrates the organizational recommendations of the *Business Practices Evaluation*.

Organizational Recommendations Not Followed

- Have Governmental Relations and Office of the Board of Health report to Chief Operating Officer.
- Create Associate Commissioner for Regional Operations.
- Separate human resources and support functions.
- Eliminate Deputy Commissioner position.
- Eliminate Deputy Commissioner for Programs position.
- Recommend statutory change to convert independent boards to advisory committees.
- Create Office of Inspector General.

The Department decided not to fully implement this recommendation. The position only oversees administrative programs, maintaining the separation between administrative and program operations. The textbox, *Organizational Recommendations Not Followed*, lists seven organizational recommendations from the report that the acting Commissioner and Board of Health considered, and decided not to implement. Appendix C illustrates the organizational recommendations of the *Business Practices Evaluation*.

The Business Improvement Team has not effectively ensured agency implementation of improved business practices.

- The Business Improvement Team is not effective in meeting the recommendations established in the *Business Practices Evaluation*. Perhaps one of the most significant barriers to the team's success is that it is understaffed, and was from its creation. The *Business Practices Evaluation* recommended staffing the team with five people with expertise in budgeting and state agency finance, automation and information systems, flow of work and business process, and overall knowledge of the program areas of TDH. Instead, the agency created a two-member team, although TDH is now in the process of hiring two additional members.

The team's limited capacity prevented it from taking an active role in directing or overseeing the agency's implementation of recommendations. The *Business Practices Evaluation* asserts that "the formation of the implementation team is the foundation for assuring that change management is properly affected at TDH."⁶ The evaluation went on to outline three purposes for the team: to make sure the recommendations of the evaluation are implemented; report on the progress of implementation as directed by the Legislature; and facilitate a complete functional review of the agency to assure efficient and effective operations. However, the team has done little to guide or ensure the implementation of the recommendations, for which it was created. Rather its role has been limited to preparing quarterly updates and participating as advisor to several business practice improvement efforts.

To date, the team does not appear to have critically evaluated the implementation status of the *Business Practices Evaluation* recommendations. For example, in response to concerns of the State Auditor, the team had to correct the implementation status of 25 recommendations in its May 2002 quarterly report. The team listed eight recommendations as complete that were actually not yet implemented, and needed to downgrade 17 others.

- Perhaps most significant of the team's omissions is its failure to "lead and organize the agency's efforts to conduct a functional review of agency activities," including the necessity of the activity and efficiencies that could be achieved.⁷ This recommendation strongly resembles a directive issued to the agency by the Sunset Advisory Commission and the Legislature in 1999. To date, the Business Improvement Team has only produced a limited plan. The plan in its entirety is included in the textbox, *Functional Review Plan for TDH*. The agency indicates that the expanded Business Improvement Team will begin the functional review in December 2002.

The TDH Business Improvement Team has done little to ensure action on recommendations.

Functional Review Plan for TDH**BPE Recommendation # 17****Due Date: 02/28/02**

- I. Associateship for Consumer Health Protection
 - A. Sunset Review recommendations regarding standardized licensing software.
 - B. Restructuring of the two associateships into one for regulatory issues.
 - C. Potential actions to streamline and improve effectiveness of program operations.
 Projected Date: 03/01/02 to 04/30/02
- II. Associate Commissioner for Family Health
 - A. Restructuring of two associateships into one to achieve operational effectiveness.
 - B. Impact of changes in funding streams.
 - C. Focus on Core public health services.
 - D. Potential Impact of Service Delivery integration activities.
 Projected Date: 04/15/02 to 06/30/03
- III. Associate Commissioner for Information Systems
 - A. Internal Reorganization focusing on service delivery.
 - B. Changing nature of the BOP process and related duties with the Budget Office.
 - C. Impact of the HHSAS deployment and its implications.
 - D. HIPAA Implementation.
 Projected Date: 07/01/02 to 08/31/02
- IV. Other Issues
 - A. Actions on SAO Administrative Management Review.
 - B. Actions on TDH Communications.

The agency's Blueprint establishes the Department as a public health leader in the state, but was not used to improve agency business operations.

- In response to a legislative directive (prompted by a Sunset Advisory Commission recommendation), the Department developed a comprehensive strategic and operational Blueprint in 2000. The 2002 Blueprint planning effort establishes the agency's leadership role in public health planning for the state. The first Blueprint, as directed by the Legislature, included a 72-page internal assessment of all programs, complete with goals and objectives to advance the agency toward improved alignment. In line with intent, the Department viewed this assessment as a way to "inventory the many functions and structures within TDH, with a hope that a better understanding of how these functions and structures could lead to better coordination and alignment of the Department's programs."⁸
- However, when interviewed by Sunset staff about how the Business Improvement Team was using work from the Blueprint process, such as the comprehensive regulatory review and the internal assessment of agency programs, agency staff reported no connection whatsoever. As a result, the Department carried out its evaluation efforts in separate silos as well.

The Department completed an operational Blueprint, as required in the 1999 Sunset legislation.

Funds Management

The Department has not fully implemented recommendations to improve administrative funds management.

- To achieve maximum efficiency in the use of administrative staff across the agency, the *Business Practices Evaluation* recommended that the Department improve its administrative cost allocation process.⁹ The report notes that the absence of an effective process limits the agency's ability to negotiate with the federal government to allow staff to serve multiple programs regardless of the source of funds.

The *Business Practices Evaluation* also discussed the agency's inability to identify administrative costs.¹⁰ Although the Legislature appropriated \$75 million for the 2002-2003 biennium for indirect costs, this amount only accounts for costs incurred by staff whose time is divided among multiple programs – a fraction of administrative costs in the agency. Because the agency largely has a decentralized administrative model, many administrative staff, such as information technology specialists and budget staff, work within bureaus and programs, with their salary coming directly from individual program funds. As a result, the *Business Practices Evaluation* recommended that the agency identify all direct and indirect costs to better understand the full agency expenditures on administrative costs.¹¹

- However, to date, the Department has not proposed new methodologies for cost allocation or negotiated improvements with the federal government. The Department indicates that it intends to explore contracting options with the federal government that provide greater flexibility in spending federal funds. The upcoming implementation of new human resources software is expected to also increase flexibility in the use of funds. However, in August 2002, an agency internal working group examining revenue management practices found that the agency's methodology for proposing the annual indirect cost rate proposal to the federal government is unnecessarily complicated.¹² In addition, the agency has not yet studied its expenditures on administrative costs. Without these critical assessments, the Department cannot assure efficient use of its funds or accurately account for expenditures on administrative services.

Accounting practices remain inconsistent despite recommendations for improvement.

- Both the *Business Practices Evaluation* and the State Auditor have recommended that the Department increase its accounting controls and improve financial monitoring.^{13, 14} As a priority, the *Business*

The \$75 million appropriated for indirect costs represents only a fraction of administrative costs at TDH.

Practices Evaluation identifies finance and accounting as fundamental problems limiting the agency's ability to effectively fulfill its public health mission.¹⁵

Two-thirds of TDH's bureaus use software in addition to PeopleSoft for tracking certain expenditures.

- While the agency has implemented the financial module of PeopleSoft, as recommended in the *Business Practices Evaluation*, ensuring consistent finance and accounting policies and procedures across all programs continues to be a challenge for the Department. According to a July 2002 report prepared by an internal working group, two-thirds of bureaus use software in addition to PeopleSoft for tracking certain types of expenditures, including nine different spreadsheet, database, and word processing programs.¹⁶ The report continues, "while many of the bureaus report that they do have [accounting] policies and procedures, there are no controls in place to ensure that the policies and procedures are consistent throughout the Department."¹⁷ As a result, accounting functions are inconsistent and carried out by bureau chiefs and supervisors who do not have the knowledge or time to investigate discrepancies, verify reports, provide training, or evaluate compliance with policies and procedures.¹⁸ The TDH internal working group is in the process of addressing this issue by developing a standard procedure for tracking expenditures.
- Both the *Business Practices Evaluation* and State Auditor reports recommend increasing agency control over the practice of making recurrent accounting adjustments to correct errors or make changes to expenditures.¹⁹ In a recent accounting internal agency working group report, staff indicated that "approximately one-third of the bureaus reported that they keep special logs for expenditure adjustments."²⁰ TDH also does not have consistent or written procedures on approval required for expenditure adjustments. According to the report, very few bureaus require higher levels of approval before processing adjustments.²¹
- TDH continues to experience expenditure reporting errors. In addition to recommendations in the *Business Practices Evaluation*, reports from the State Auditor direct the Department to improve its expenditure error rate. In response to these recommendations, the Department developed expenditure coding training. However, SAO staff indicate that follow-up work shows that TDH has not yet solved problems with high error rates.

Contract Administration

Contracting practices continue to be largely decentralized.

- The *Business Practices Evaluation* recommended centralization of all grant and contract management policies and procedures to allow for greater accountability throughout the Department.²² Further,

the evaluation proposed a new organizational structure where the Purchasing Division and the Grants and Contract Management Division would both report directly to the Chief Financial Officer.²³

- Currently, the various divisions of the agency conduct purchasing independently. Central Procurement Services (CPS) administers major contracts, while regional offices separately procure and manage purchasing contracts for less than \$25,000, with oversight from the Office of Public Health Practice. The Grants Management Division handles client service, professional, and consulting contracts relating to grants, but does not coordinate with CPS. The coordination of these functions is being addressed by the Department through internal working groups, but is not yet implemented.
- In response to *Business Practices Evaluation* recommendations, internal agency working groups developed various organizational consolidation alternatives, and executive management approved the concept of creating four to 16 administrative service centers. Centralized contracting staff, policy, and procedures would improve compliance with state purchasing law, provide purchasing consolidation opportunities, and increase accountability. For example, a recent initiative to consolidate drug purchasing resulted in savings of more than \$2.7 million.

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Key recommendations to standardize TDH contracting policies remain to be implemented.

- In 1998, the Sunset Advisory Commission recommended that the Department require agencywide use of uniform contracting processes to improve contract administration.²⁴ The *Business Practices Evaluation* also noted this problem, and recommended that TDH centralize all grant and contract management policies and procedures to ensure the same procedures are followed for contract negotiation, award, day-to-day management, investigation of irregularities, and renewal.²⁵

The 1998 Sunset report found that the absence of standardized contracting policies created a lack of agencywide consistency and accountability.²⁶ In addition, the State Auditor's Office found that the contractor selection practice at TDH does not adequately ensure that the State receives the best value. If TDH had been more successful in negotiating rates and service areas with bidders, SAO estimated the State could have reduced its costs by at least \$1.7 million in fiscal year 2002.²⁷

- Certain standardized contract, waiver, and RFP formats (boilerplates) are currently available to ensure consistent language throughout all TDH contracts. However, no comprehensive contracting policy is in effect at TDH, perpetuating inconsistent

TDH has no comprehensive contracting policy in effect.

12-Step Contracting Process

1. Identify need and procurement method
2. Develop solicitation
3. Advertise requirements and conduct other solicitation activities
4. Receive responses
5. Evaluation
6. Negotiation
7. Award
8. Protests
9. Execution of contract
10. Receive/accept services/goods
11. Payments
12. Contract/post award administration

TDH does not have an agencywide contract performance monitoring or evaluation system.

contracting procedures throughout the agency. The agency even allows some of its larger programs to develop and maintain their own contracting processes. Although not yet adopted, TDH recently approved use of the Health and Human Services Commission best value purchasing rules, which require formal bids for all contracts for goods and services exceeding \$25,000. The internal working group recommended TDH adopt a 12-step process based on the standard contracting process developed by the Office of the State Auditor. These process steps are listed in the textbox, *12-Step Contracting Process*. However, the agency has not yet formally adopted policies incorporating this process.

Performance monitoring and contract evaluation continue to need improvement.

- The *Business Practices Evaluation* found that TDH was not in a position to determine whether the State is achieving the best value for its contracted expenditures, and recommended that agency management should be held accountable through a performance evaluation process.²⁸ In addition, SAO recommended that TDH consider the imposition of specific record-keeping requirements on contractors to verify that services were delivered.²⁹ Finally, a 2002 internal audit report on contract monitoring processes found inadequate financial monitoring activities at TDH.³⁰ The report found only one of the 13 programs reviewed complied fully with a TDH procedure requiring programs to develop written, standardized monitoring procedures.
- Though the Grants Management Division has a module that is used for capturing performance data relating to grant contracts, TDH has not developed an agencywide performance monitoring or evaluation system for all contracts. In addition, TDH has no standard process for performance assessments. Either a quality assurance team or the relevant program monitors a contractor, with no specific guidelines or procedures. Despite the various recommendations, the internal working group report does not address performance monitoring at all. Sunset staff interviews with the Department indicate that the agency intends to address performance monitoring as step 13 of the contracting process, which is expected to be developed by December 2002.
- Effective contract monitoring can detect problems early and allow quick corrective action, ensure accurate reimbursements, and deter poor performance. For example, in fiscal year 2001, an internal audit found the Grants Management Division conducted 37 on-site financial compliance reviews. As a result of these reviews, the Department recovered refunds totaling \$673,357 from the contractors.³¹ With 498 TDH contract sub-recipients in fiscal year 2001, periodic, comprehensive performance monitoring could potentially recover millions of dollars in reimbursements.

Assessing and Reporting Agency Information

Although TDH has improved some data collection and reporting processes, the agency continues to have difficulty providing accurate and timely information.

- According to the *Business Practices Evaluation*, the Governor's Office, the Lieutenant Governor's Office, the Speaker's Office, and legislators expressed a lack of confidence in the Department's financial processes and frustration at the inability to secure accurate and timely data from the Department.³² This problem exists because programs manage and account for funds independently without enforcement of agencywide policies and procedures. As a result, answers to legislative budget information requests are delayed and at higher risk for inaccuracies. In fact, TDH program staff prepare more than 1,200 individual budgets.³³

TDH program staff prepare more than 1,200 individual budgets.

Recurring problems in reporting accurate information have significantly undermined the credibility of the agency. The *Business Practices Evaluation* concluded that poor agency communication with the Legislature has eroded legislative confidence in the agency.³⁴ This, in turn, may result in diminished capacity of the agency to champion critical health needs of Texans.

- The Department's massive and complex organizational structure, composed of virtually independent programs, creates difficulty for legislative bodies to obtain needed information. Without clear and direct lines of accountability, TDH has difficulty providing timely and accurate information. Department staff acknowledge that they could not provide information promptly because agency procedure for responding to information requests consisted of passing things along the chain of command, before releasing an approved response. Alternately, if the agency does respond quickly with information, frequently information provided by staff at the program level differs from information obtained from executive level sources, seriously undermining the reliability of agency information.
- In response to recommendations issued by the *Business Practices Evaluation*, the Department implemented new measures that should enable the agency to be more responsive to outside requests for information. These measures include revising media communications policies; creating a central toll-free number for easier public access to information and assistance; employing a correspondence tracking system that will allow the agency to keep a searchable record of all incoming correspondence; and creating a Web site portal linking to all TDH databases and serving as a central, online repository of information.

Without clear and direct lines of accountability, TDH has difficulty providing timely and accurate information.

- However, TDH has not made significant improvements in the reporting of key financial information. While the Department initiated monthly communication with staff of the Legislative Budget Board and provides briefings to legislative staff on particular issues when they arise, interviews with legislative staff indicate the agency continues to have difficulty responding promptly to legislative requests for specific fiscal information. Further, despite specific recommendations by the State Auditor and the *Business Practices Evaluation*, TDH has not coordinated with the Legislative Budget Board to determine the best method for providing administrative cost information to the Legislature.

TDH continues to struggle with the centralization of information resources management.

- Among the Department's administrative inefficiencies was its management of information resources. Each agency program purchased its own information technology equipment and developed its own data systems despite operating under an information resource strategic plan. This practice resulted in incompatible systems agencywide, which each required staff devoted to their maintenance. These problems led the State Auditor and the *Business Practices Evaluation* to recommend that TDH create a central oversight function for information resources.
- In addition to administrative inefficiencies, disjointed information systems lead to difficulty extracting reliable and consistent data. For example, TDH collects information about each newborn baby for five separate databases, each devoted to a different health program. TDH maintains these databases independently, increasing the potential for inconsistent and unreliable data. In general, this has the potential to undermine the agency's efforts in promoting needed health programs. In particular, inaccurate data may impede the agency from identifying specific health issues. The Department has requested additional funds in their legislative appropriations request to address the integration of systems.
- New Department policies begin to address problems with information resources management, such as standardizing system procurement and development. However, these policies do not fully centralize information resources functions. Agency staff developed options for consolidation of such functions ranging from having all information resources controlled by an information resources manager in a single office, to sharing control between the information resources manager and program management. Executive management chose a hybrid model of centralization, by creating administrative service centers at the associateship level to provide information resources support, among other things. While

TDH collects information about each newborn baby in five independently maintained databases.

not fully centralized, this model appears to take a step in the direction of creating accountability to a central information technology division, while still offering programs the flexibility to meet their individual goals in serving public needs.

Recommendation

Legislative Action

1.1 The Legislature should include a rider in the General Appropriations Act that requires TDH to continue to report implementation status quarterly for the next two years.

Under this approach, the Legislature would create a rider in the agency's appropriations bill pattern continuing the existing directive that requires TDH to report implementation status of the business implementation plan quarterly.³⁵ The report should include specific information demonstrating the Department's progress on the recommendations for improvements in business practices. The report should also include justification for recommendations TDH chooses not to implement. In addition, the Office of the State Auditor should continue to monitor the agency's progress toward completing implementation for two more years.

As the Department moves to improve its business practices, two recommendations in the *Business Practices Evaluation* need particular attention: completing a comprehensive functional assessment of the agency, and reassessing its cost allocation methodologies to allow for greater administrative flexibility. Implementation of these recommendations is key to achieving the administrative efficiencies envisioned in the consultants' evaluation. The status of these recommendations should be highlighted in the quarterly reports.

Sunset Commission Action

1.2 The Sunset Advisory Commission should report to the 79th Legislature on the status of the Department's efforts to improve its business operations.

This recommendation would require the Sunset Advisory Commission to follow up on agency implementation of business practice recommendations as part of its compliance review during the next Sunset cycle.

Impact

These recommendations are designed to continue legislative oversight of TDH business operations. As noted in this report, the Department has fallen behind in implementing important business practice improvement recommendations. Continued oversight would help ensure that the Department quickly and thoughtfully moves toward achieving the goals of the various evaluations, thus enabling the Department to better serve Texas' health care needs.

Fiscal Implication

Following through with implementation of the *Business Practices Evaluation* and other recommendations evaluated in this report could provide significant savings to the Department. For example, one improved business practice, consolidated contracting in pharmaceutical purchasing, resulted in \$2.7 million in savings. By increasing such efficiencies, the agency could produce significant savings, resulting in increased funds for services. These savings could not be estimated for this report.

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- ¹ Elton Bomer, *Texas Department of Health Business Practices Evaluation* (Austin, Texas, August 31, 2001), p. 4.
 - ² Texas Senate Bill 309, 77th Legislature (2001).
 - ³ Sunset Advisory Commission, *Texas Department of Health Sunset Staff Report* (Austin, Texas, 1998), p. 1.
 - ⁴ Ibid.
 - ⁵ Elton Bomer, *Texas Department of Health Business Practices Evaluation* (Austin, Texas, August 31, 2001), p. 18.
 - ⁶ Ibid., p. 19.
 - ⁷ Ibid.
 - ⁸ Texas Department of Health, *Comprehensive Strategic and Operational Plan: A Blueprint for Public Health Improvement* (Austin, Texas, September 1, 2000), p. 123.
 - ⁹ Elton Bomer, *Texas Department of Health Business Practices Evaluation* (Austin, Texas, August 31, 2001), p. 35.
 - ¹⁰ Ibid., p. 36.
 - ¹¹ Ibid., p. 37.
 - ¹² Texas Department of Health, Fiscal and Administrative Improvement Response Revenue Management Team, *Organizational Structures and Policies* (Austin, Texas, August 30, 2002), p. 20.
 - ¹³ Elton Bomer, *Texas Department of Health Business Practices Evaluation* (Austin, Texas, August 31, 2001), p. 29.
 - ¹⁴ State Auditor's Office, *The 2000 Statewide Single Audit Report - Financial and Federal Compliance Audit Report*, Report No. 01-555 (Austin, Texas, April 2000), p. 30.
 - ¹⁵ Elton Bomer, *Texas Department of Health Business Practices Evaluation* (Austin, Texas, August 31, 2001), p. 6.
 - ¹⁶ Texas Department of Health, Fiscal and Administrative Improvement Response Accounting Team, *Current Practices Report* (Austin, Texas, July, 2002), p. 10.
 - ¹⁷ Ibid., p. 12.
 - ¹⁸ Ibid.
 - ¹⁹ Elton Bomer, *Texas Department of Health Business Practices Evaluation* (Austin, Texas, August 31, 2001), p. 32.
 - ²⁰ Texas Department of Health, Fiscal and Administrative Improvement Response Accounting Team, *Current Practices Report* (Austin, Texas, July, 2002), p. 15.
 - ²¹ Ibid.
 - ²² Elton Bomer, *Texas Department of Health Business Practices Evaluation* (Austin, Texas, August 31, 2001), pp. 39-40.
 - ²³ Ibid., Appendix 4.
 - ²⁴ Sunset Advisory Commission, *Texas Department of Health Sunset Staff Report* (Austin, Texas, 1998), p. 39.
 - ²⁵ Elton Bomer, *Texas Department of Health Business Practices Evaluation* (Austin, Texas, August 31, 2001), p. 40.
 - ²⁶ Sunset Advisory Commission, *Texas Department of Health Sunset Staff Report* (Austin, Texas, 1998), p. 39-40.
 - ²⁷ State Auditor's Office, *The Medical Transportation Program at the Department of Health*, Report No. 02-037 (Austin, Texas, April 15, 2002).
 - ²⁸ Elton Bomer, *Texas Department of Health Business Practices Evaluation* (Austin, Texas, August 31, 2001), p. 40.
 - ²⁹ State Auditor's Office, *The Medical Transportation Program at the Department of Health*, Report No. 02-037 (Austin, Texas, April 15, 2002).
 - ³⁰ Texas Department of Health, *Internal Audit Report Number 200106* (Austin, Texas, June 25, 2002), p. 2.
 - ³¹ Ibid.
 - ³² Elton Bomer, *Texas Department of Health Business Practices Evaluation* (Austin, Texas, August 31, 2001), p.1.
 - ³³ Ibid., p. 29.
 - ³⁴ Ibid., p. 12.
 - ³⁵ Texas Senate Bill 1, 77th Legislature (2001).

AGENCY INFORMATION

Agency Information

Agency at a Glance

The Texas Department of Health (TDH) is charged with protecting and promoting the health of Texans. Given the size and diversity of Texas' population, together with the sheer size of the state, the Department has a daunting task. In pursuit of its mission, TDH administers approximately 130 programs, functioning to address health care needs of the individual and the population as a whole through direct and indirect services, and professional and facility licensing. Recently, the Department established five priorities, including improving immunization rates, their ability to respond to disasters, and the efficiency and effectiveness of its business practices. The priorities of the agency are listed in the textbox to the right.

TDH Priorities

- Protect Texans against vaccine-preventable diseases by improving immunization rates.
- Focus on fitness by promoting healthy eating and regular physical activity.
- Eliminate disparities in health among population groups in Texas.
- Improve the agency's ability to respond to disasters or disease outbreaks, whether they are intentionally caused or naturally occurring.
- Improve the efficiency and effectiveness of TDH business practices.

Key Facts

- **Funding.** TDH operates on a \$1.7 billion annual budget. Of that amount, \$890 million comes from federal funds, some of which is drawn down as a result of state matching contributions. The majority of the Department's funds, \$1.2 billion, are paid to contractors for client services and grants.
- **Staffing.** The Department employs more than 5,100 employees. About half work in the Austin central office, with the remainder working in the eight health regions across the state. To address the many health needs of the state, the employees of the Department include diverse health professions, such as doctors, nurses, sanitarians, laboratory technicians, health physicists, epidemiologists, and statisticians, to name a few.
- **Regional Services.** Of the 254 counties in Texas, approximately 200 do not have a local health department. The Department serves these areas through its eight regional offices across the state.
- **Advisory Committees.** In addition to the Board of Health, TDH has 25 advisory committees to assist in the policymaking process. The committees provide the Board with guidance on issues such as children with special health care needs, asbestos abatement, indigent health, poison control, school health, and radiation control.

TDH has a \$1.7 billion annual budget.

- **Related Boards.** TDH also provides support to 21 administratively attached boards, such as the Interagency Council for Genetic Services and the Statewide Health Coordinating Council.

Major Events in Agency History _____

In 2001, the Legislature transferred the Medicaid Program from TDH to the Health and Human Services Commission.

- 1879 TDH created by the Legislature to combat cholera and other communicable diseases.
- 1993 Medicaid Program and its \$5 billion budget transferred to TDH.
- 1998 Sunset review of TDH.
- 2001 The majority of the Medicaid Program and its \$6 billion budget transferred to the Health and Human Services Commission.
- 2001 *Business Practices Evaluation* of TDH.
- 2001 In response to bioterrorism threats, the Office of the State Epidemiologist created.
- 2002 Compliance review of TDH by Sunset.

Organization _____

According to the Texas Health and Safety Code, the Texas Department of Health is composed of the Board, the Commissioner, an administrative staff, the Texas Center for Infectious Disease, the South Texas Health Care System, and other officers and employees necessary to efficiently perform its powers and duties. The *Texas Department of Health Organizational Chart* on page 25 reflects the relationship between the programs assigned to protect and promote the health of Texans.

TDH Policy Board	
Name (Residence)	Term Expiration
Mario R. Anzaldua, M.D., Chair (Mission)	February 1, 2003
George H. McCleskey, B.B.A., J.D., Vice-Chair (Lubbock)	February 1, 2003
Raymond Hannigan (Austin)	February 1, 2007
Amanullah Khan, M.D., Ph.D. (Dallas)	February 1, 2007
Beverly H. Robinson, Ph.D., R.N., C, F.A.A.N. (San Antonio)	February 1, 2005
Margo S. Scholin, B.S.N., M.S., J.D. (Houston)	February 1, 2005

Policy Body

The Department is governed by a six-member board appointed by the Governor with the advice and consent of the Senate. Members serve staggered six-year terms, with two members' terms expiring every two years. Every two years, the Governor designates the chair and vice-chair of the Board. The statute further requires that four of the members have a demonstrated interest in the services provided by TDH, and two members must represent the public at large.

To assist in the Board's decision making process, 29 advisory committees offer policy recommendations regarding a wide array of issues. Advisory committee members provide technical expertise and consumer input. A list of the current committees that provide recommendations to the Board is provided in the textbox, *Board Advisory Committees*.

Twenty-nine advisory committees provide the Board with technical expertise and consumer input.

Board Advisory Committees

- Animal Friendly Advisory Committee
- Asbestos Advisory Committee
- Asthma and Allergy Research Advisory Committee
- Children with Special Health Care Needs Advisory Committee
- Code Enforcement Officers' Advisory Committee
- Device Distributors and Manufacturers Advisory Committee
- Family Planning Advisory Committee
- Governor's Emergency Management Services and Trauma Advisory Council
- Hospital Data Advisory Committee
- Indigent Health Care Advisory Committee
- Kidney Health Care Advisory Committee
- Medical Radiological Technologist Advisory Committee
- Opticians' Registry Advisory Committee
- Oral Health Services Advisory Committee
- Osteoporosis Advisory Committee
- Poison Control Coordinating Committee
- Promotor(a) or Community Health Worker Training and Certification Advisory Committee
- Prostate Cancer Advisory Committee
- Registered Sanitarian Advisory Committee
- Respiratory Care Practitioners Advisory Committee
- School Health Advisory Committee
- Scientific Advisory Committee on Birth Defects in Texas
- State Preventive Health Advisory Committee
- Texas HIV Medication Advisory Committee
- Texas Oyster Council
- Texas Radiation Advisory Board
- Traumatic Brain Injury Advisory Council
- Wholesale Drug Distributors Advisory Committee
- WIC Advisory Council

Independent Licensing Boards

- Advisory Board of Athletic Trainers
- Council on Sex Offender Treatment
- State Committee of Examiners in the Fitting and Dispensing of Hearing Instruments
- Texas State Board of Examiners of Dietitians
- Texas State Board of Examiners of Professional Counselors
- Texas State Board of Examiners of Marriage and Family Therapists
- The Texas Board of Licensure for Professional Medical Physicists
- Texas Midwifery Board
- The Texas Board of Orthotics and Prosthetics
- Texas State Board of Examiners of Perfusionists
- Texas State Board of Social Worker Examiners
- The State Board of Examiners of Speech-Language Pathology and Audiology

Further, the Agency provides administrative support to 12 independent licensing boards. Although these boards approve rules independent of the Board of Health, TDH central office staff perform an array of support functions, such as administrative, investigative, and general counsel services for the boards listed in the chart, *Independent Licensing Boards*.

Commissioner

The current Commissioner of Health, Eduardo Sanchez, M.D., assumed the role of the State Health Officer in November of 2001. As with all health and human service agencies in Texas, the Commissioner of Health is employed by the Commissioner of Health and Human Services, with concurrence of the Board and approval from the Governor. State law requires a physician serve as Commissioner of Health or as the chief medical executive because of the responsibility in making major decisions that affect the health of Texans.

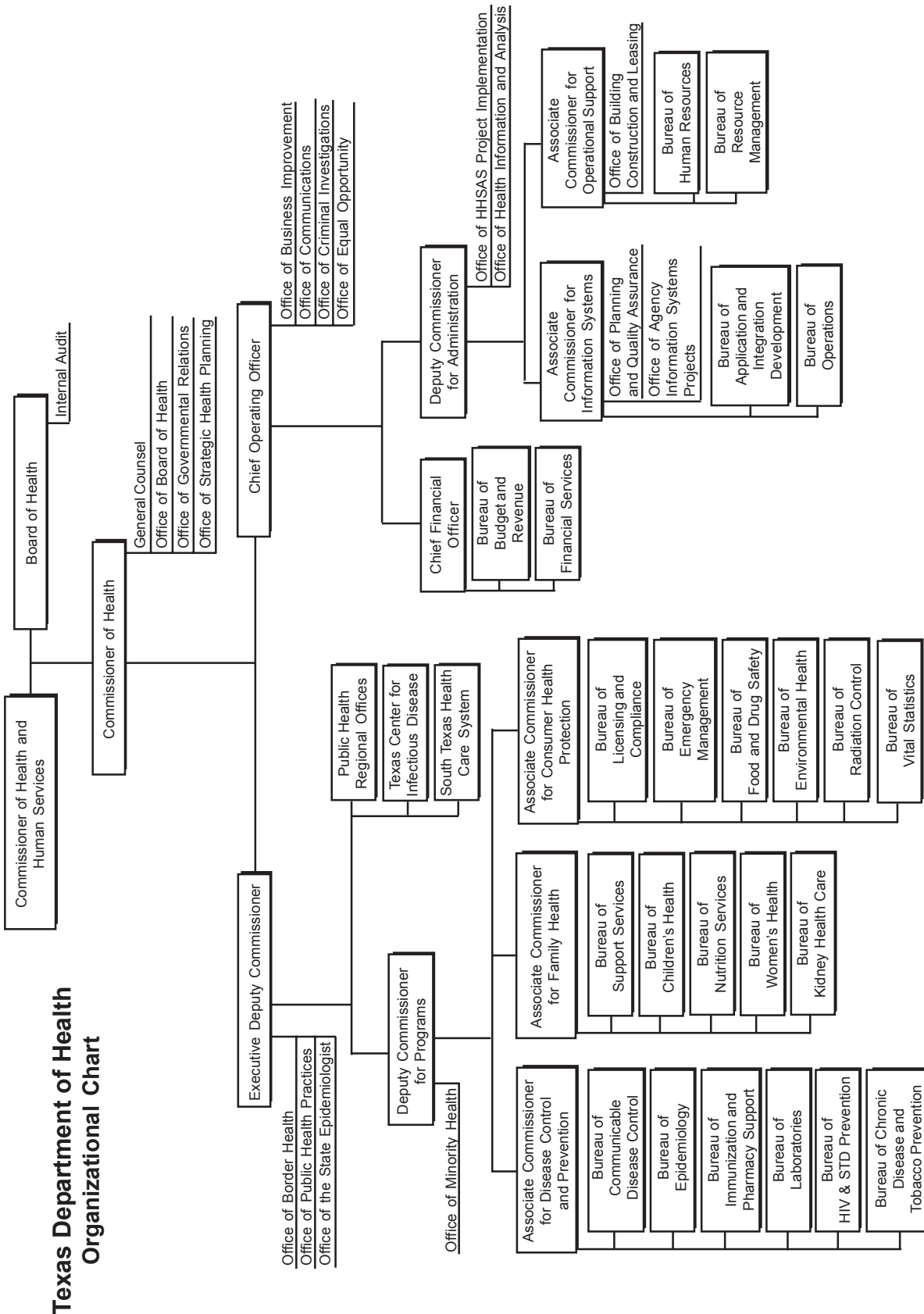
The Department has experienced a significant rate of turnover in this position, having five Commissioners in the previous six years.

Staff

The Texas Department of Health employs more than 5,100 people, of which half are in the central office in Austin and the remainder in the various regional offices, the Texas Center for Infectious Disease in San Antonio, and the South Texas Health Care System outpatient facility in Harlingen. In recent years the Department has experienced a number of reorganizations. The most recent reorganization was prompted by the *Business Practices Evaluation* conducted in August of 2001. The most significant of the changes resulting from this recent effort is the addition of a Chief Operating Officer and a Chief Financial Officer. In addition, as a result of recent threats of bioterrorism, the Department created the Office of the State Epidemiologist to administer new federal funds to develop state and local public health infrastructure to better respond to public health needs.

The agency is organized into five associateships: Disease Control and Prevention, Family Health, Consumer Health Protection, Information Systems, and Operational Support. In addition, the Chief Financial Officer oversees the agency budget and accounting functions. The *Texas Department of Health Organizational Chart* offers more detail about the agency's structure.

In recent years TDH has experienced a number of reorganizations, including the addition of chief operating and financial officers.



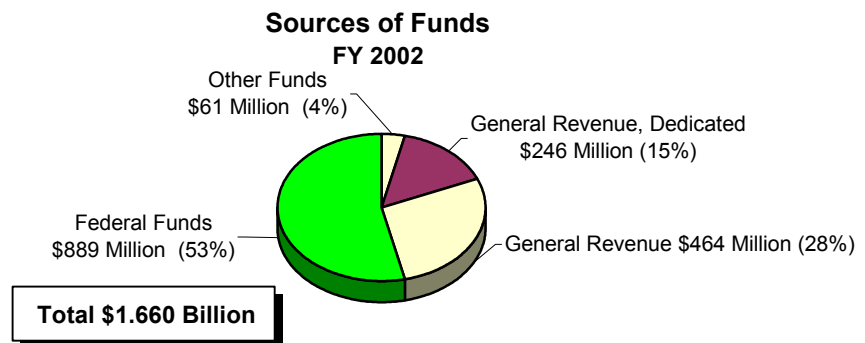
TDH also operates eight regional offices across the state. Each office is headed by a physician as required by state law. These physicians and their staff are responsible for implementing many of the agency's programs on a local level. Each regional office has slightly different functions depending on the needs of the region. In addition, because Texas law regarding local health departments is permissive, many areas of the state do not have a locally operated public health presence. In those areas, TDH fills in the gaps by providing direct services such as sanitation and retail food inspection.

Funding

Revenue

Seventy-one percent of agency funds go to contractors who provide health services to Texans.

The Department operates on about \$1.7 billion annually. Of this total, approximately \$890 million comes from federal sources. The majority of these funds (71 percent) goes to contractors with the Department who provide health services to Texans. Most of the Department's budget (\$1.2 billion) goes toward direct health care services, such as the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). The WIC program alone accounts for approximately \$500 million of the agency's budget. The chart, *Sources of Funds*, shows the breakdown of each source as related to the others for fiscal year 2002.

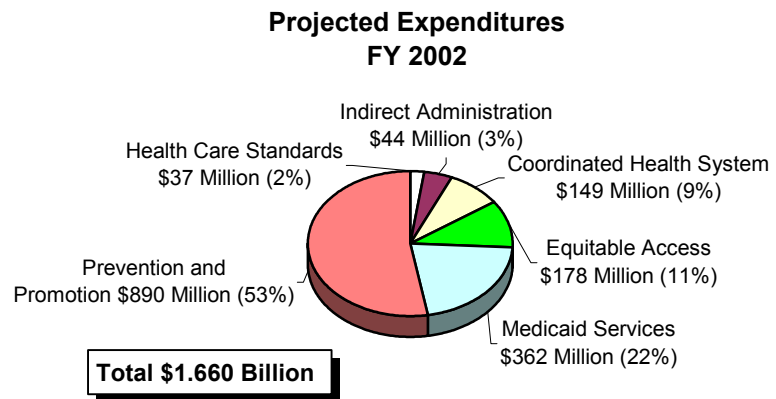


Expenditures

To address the health of the public, in fiscal year 2002 the Department projected the expenditure of \$1.7 billion. These funds addressed six goals: Prevention and Promotion, Medicaid Services, Health Care Standards, Equitable Access, and Coordinated Health System. The chart, *Projected Expenditures*, shows the amount of funds anticipated to be expended for each of the Department's goals in fiscal year 2002. The majority of these funds fall under the Prevention and Promotion goal, which includes the WIC program, immunizations, and food and

drug safety, among others. The next greatest expenditure for the Department is Medicaid Services.

While the largest part of the Medicaid program was transferred to the Health and Human Services Commission in 2001, TDH retained the Texas Health Steps Program and the Medical Transportation Program. The Equitable Access goal includes funding for programs such as Family Planning and Children with Special Health Care Needs. Coordinated Health System goal funds cover Vital Statistics and other data collection and analysis systems, along with other programs. Finally, the Health Care Standards goal funds health facility and health professions regulation and laboratory services.



Agency Operations

The agency's efforts can best be described in two categories: population-based essential public health services and individual-based safety net services.

The primary purpose of TDH, and the purpose for its creation in 1879, is to protect the health of the population as a whole. Physicians in the Department providing essential public health services consider their patient the entire population of Texas, rather than a single individual. The Department's enabling legislation outlines these services, listed in the adjacent textbox, *Essential Public Health Services*.

Essential Public Health Services

- Monitor the health status of individuals in the community to identify community health problems.
- Diagnose and investigate community health problems and community health hazards.
- Inform, educate, and empower the community with respect to health issues.
- Mobilize community partnerships in identifying and solving community health problems.
- Develop policies and plans that support individual and community efforts to improve health.
- Enforce laws and rules that protect the public health.
- Link individuals who have a need for community and personal health services to appropriate community and private providers.
- Ensure a competent workforce for the provision of essential public health services.
- Research new insights and innovative solutions to community health problems.
- Evaluate the effectiveness, accessibility, and quality of personal population-based health services in a community.

**Population-Based
Public Health Programs**

- Bureau of Chronic Disease and Tobacco Prevention
- Bureau of Vital Statistics
- General Sanitation Division
- Health Facility Licensing and Compliance Division
- Immunizations Division
- Manufactured Foods Division
- Milk and Dairy Products Division
- Newborn Screening Case Management Program
- Office of Border Health
- Office of the State Epidemiologist
- Product Safety Division
- School Health Program
- Seafood Safety Division
- Tuberculosis Elimination

To protect public health, the Department operates 75 programs that perform an array of functions from audiology regulation to zoonosis control. A limited list of population-based health programs is provided in the textbox, *Population-Based Public Health Programs*. Over the years, TDH has also assumed much of the responsibility in the state for providing direct health care services to low-income individuals. These services focus on intervention with an individual patient rather than the population as a whole. To provide these services, TDH operates 20 different programs. Examples of these programs are listed in the textbox, *Direct Care Public Health Programs*. Until 2001, TDH also administered the State's \$6 billion Medicaid program, now operated by the Health and Human Services Commission.

**Direct Care
Public Health Programs**

- Children with Special Health Care Needs
- Indigent Health Care Program
- Medical Transportation Program
- Maternal and Child Health Services (Title V)
- Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
- Texas Health Steps
- Family Planning Division

APPENDICES

Appendix A

Texas Department of Health Special Purpose Sunset Review of Implementation Status

In accordance with Senate Bill 309, passed by the 77th Legislature, Sunset Commission staff provide the following information indicating the status of more than 230 recommendations for improved operations at the Texas Department of Health (TDH). These recommendations include those management actions approved by the Sunset Commission in 1998, as well as statutory changes enacted in the Sunset bill, House Bill 2085, in 1999; State Auditor's Office (SAO) recommendations made after January 1, 1999 and before September 1, 2002; and recommendations of independent consultant, Elton Bonner, as contained in the report, *Business Practices Evaluation (BPE)*. Sunset staff identified recurring themes in these recommendations addressing problems in streamlining agency operations, funds management, contract administration, and assessing and reporting agency information. The following table is organized according to these themes. The status reported is based on TDH reporting and independent verification by State Auditor staff or Sunset staff. Appendix B provides an index to this chart for the 94 recommendations contained in the BPE.

A number of recommendations did not fall into one of the four identified themes. These include Sunset Commission's Across-the-Board (ATB) recommendations, and program-specific recommendations contained in Sunset legislation and made by SAO. These recommendations are summarized at the end of the table. Additionally, several recommendations pertained to management of Medicaid programs or other programs and initiatives transferred by the Legislature to the Health and Human Services Commission (HHSC) or the Texas Department of Human Services (DHS). Sunset staff did not review the status of these recommendations and they are not contained in this chart.

Number	Recommendation	Source	Implementation Status
STREAMLINING AGENCY OPERATIONS			
1.01	Revise organizational chart to eliminate duplication of effort, create enhanced accountability, promote consistency in application of policy, and foster greater communication and coordination among the affected divisions	<i>BPE</i> Recommendation 94	Partially Implemented. While the Department has made some organizational changes, these have yet to result in significantly increased efficiency or accountability. (The new organizational structure does provide a direct line from each of the regions to the Executive Deputy Commissioner.)
1.02	Hire Chief Operating Officer to manage day-to-day agency operations.	<i>BPE</i> Recommendation 70	Partially Implemented. Although the Department created and filled the Chief Operating Officer position, the position was not created to oversee all agency operations as envisioned by the BPE Team.
1.03	Elevate Chief Financial Officer to Deputy Commissioner level.	<i>BPE</i> Recommendation 77	Implemented.

Appendix A

Number	Recommendation	Source	Implementation Status
1.04	Create Executive Deputy Commissioner for Programs.	BPE Recommendation 75	Not Implemented. Although TDH did not create separate positions for Executive Deputy Commissioner of Programs or Associate Commissioner of Regional Operations, the agency has revised its organizational structure so that the Executive Deputy Commissioner now more directly serves the functions of these two positions. TDH continues to maintain positions for Executive Deputy Commissioner and Deputy Commissioner of Programs
1.05	Create Associate Commissioner for Regional Operations.	BPE Recommendation 76	
1.06	Eliminate Deputy Commissioner for Programs position.	BPE Recommendation 85	
1.07	Eliminate Executive Deputy Commissioner position.	BPE Recommendation 82	
1.08	Eliminate Chief of Staff position.	BPE Recommendation 83	Implemented. The responsibilities of the Chief of Staff are now carried out by a senior assistant to the Commissioner.
1.09	Establish permanent implementation and reengineering team.	BPE Recommendation 15	Partially Implemented. TDH hired two of the recommended five Business Improvement Team members and expects to hire two additional members by December 2002.
1.10	Link implementation team to Health and Human Services Commission.	BPE Recommendation 18	Not Implemented. The Business Implementation team does not coordinate with HHSC.
1.11	Create Office of Inspector General.	BPE Recommendation 73	Not Implemented. Implementation of the recommendation could have resulted in conflict with the Internal Audit Act.
1.12	Have Communications Office, Government Relations, and Office of the Board of Health report to Chief Operating Officer.	BPE Recommendation 74	Partially Implemented. With the exception of the Office of Communications reporting to the Chief Operating Officer, TDH decided not to implement this recommendation.
1.13	Clarify central office authority for regulatory functions.	BPE Recommendation 86	Not Implemented. An internal working group is still developing a policy for management consideration.

Appendix A

Number	Recommendation	Source	Implementation Status
1.14	Implementation team to present plan for functional review of agency.	<i>BPE</i> Recommendation 17	Partially Implemented. Through the efforts of internal working groups, TDH has begun to look at its administrative operations. TDH plans for additional work to be completed by two members of the agency's Business Improvement Team. TDH expects to hire these individuals by December 2002.
1.15	Centralize all budget and accounting policy and procedure.	<i>BPE</i> Recommendation 31	Not Implemented. Executive management approved the concept of administrative service centers that will provide support for designated organizational units, but will not fully centralize agency budgeting. This organizational structure will undergo external validation, and has not been formally adopted or implemented.
1.16	Consolidate budget and accounting staff.	<i>BPE</i> Recommendation 37	Implemented.
1.17	Information Resources Manager should approve all new technology positions or reclassifications in the agency.	<i>BPE</i> Recommendation 64	Implemented.
1.18	Examine whether licensing functions should be consolidated.	<i>BPE</i> Recommendation 87	Implemented. TDH reports that consolidation of licensing is not feasible until automated regulatory system is implemented.
1.19	Require the Department to conduct a comprehensive evaluation of its regulatory activities with the aid of the State Auditor's Office. Also require the Department to submit the findings of the evaluation, including possible solutions, to the Legislature and the Texas Board of Health.	<i>HB 2085 76R Sunset Bill</i>	Implemented.

Appendix A

Number	Recommendation	Source	Implementation Status
1.20	Plan to upgrade and consolidate licensing systems.	<i>BPE</i> Recommendation 88	Partially Implemented. TDH requested additional funding for this initiative and is in the process of selecting a contractor.
1.21	Recommend statutory change to convert independent boards to advisory committees.	<i>BPE</i> Recommendation 89	Not Implemented. TDH decided not to ask the Legislature to make this change, concluding that it is inappropriate for an executive agency to recommend abolishing another state agency.
1.22	Requires the Department to develop and implement a blueprint that specifies the methods the Department will use to integrate and coordinate all agency operations to the maximum extent possible. Requires the Department to identify and address within the blueprint areas of overlap between programs to streamline agency operations. Requires the blueprint to be submitted by September 1 of each even-numbered year to the Governor, Lieutenant Governor, the Speaker of the House, the Legislative Budget Board and the Legislative committees with oversight responsibilities for the Department.	<i>HB 2085 76R Sunset Bill</i>	Partially Implemented. While TDH recently published its second blueprint, the "Comprehensive Strategic and Operational Plan," the agency continues to have difficulty streamlining agency operations.
1.23	Create Center for Health Statistics.	<i>BPE</i> Recommendation 80	Partially Implemented. The concept for the Center for Health Statistics has been finalized and is being implemented. The Center should become operational December 1, 2002.
1.24	Eliminate Office of Policy and Planning.	<i>BPE</i> Recommendation 84	Partially Implemented. The Center for Health Statistics, which will assume some of the functions of the Office of Policy and Planning, will not be operational until December 1, 2002.

Appendix A

Number	Recommendation	Source	Implementation Status
1.25	Establish strategic planning as independent function.	<i>BPE</i> Recommendation 72	Implemented.
1.26	State guiding principles in personnel policy manual.	<i>BPE</i> Recommendation 24	Implemented.
1.27	Centralize all human resources policies and procedures.	<i>BPE</i> Recommendation 56	Not Implemented A TDH internal working group is coordinating with HHSC to develop new policies and procedures for human resources. TDH expects to have policies and procedures in place by December 2002.
1.28	Consolidate all human resources staff.	<i>BPE</i> Recommendation 57	Not Implemented. While not consolidating human resources staff, TDH has standardized all the functions and job descriptions for human resources staff in the field. Additionally, executive management has approved the concept of administrative service centers that will provide support, including human resources, for designated organizational units. TDH is seeking a consultant for external validation, and has not formally adopted or implemented this structure.
1.29	Review performance journal process and implement modifications.	<i>BPE</i> Recommendation 27	Not Implemented. TDH internal working group is developing new policy for review by agency leadership and regional focus groups. The Department expects to have a new procedure in place by July 2003.
1.30	Perform comprehensive salary review to determine how salaries compare with local public health agencies.	<i>BPE</i> Recommendation 21	Implemented.
1.31	Develop plan for management training.	<i>BPE</i> Recommendation 22	Not Implemented. Pending work of HHSC consolidation of administrative training. TDH anticipates having a service level agreement with HHSC for the delivery of training.

Appendix A

Number	Recommendation	Source	Implementation Status
1.32	Separate human resources and support functions.	<i>BPE</i> Recommendation 81	Not Implemented. TDH has decided not to implement.
1.33	Elevate Office of Equal Opportunity to report to Chief Operating Officer.	<i>BPE</i> Recommendation 71	Implemented.
1.34	Create Ombudsman function within Office of Equal Opportunity.	<i>BPE</i> Recommendation 26	Implemented.
1.35	Consolidate grievance processes.	<i>BPE</i> Recommendation 25	Implemented.
1.36	Deputy Commissioner for Administration to chair Information Resources Steering Committee.	<i>BPE</i> Recommendation 60	Implemented.
1.37	Develop central toll-free number.	<i>BPE</i> Recommendation 20	Implemented. The central toll-free number became operational on Sept. 6, 2001. That number is 888-963-7111.
1.38	Requires the Department to establish and use a method for soliciting stakeholder input when developing rules for programs administered by the Department.	<i>HB 2085 76R Sunset Bill</i>	Implemented.
1.39	TDH should establish uniform methods to solicit input during the development of rules, such as creating lists of stakeholders, by interest area, and using these lists to mail notices regarding the development of rules.	<i>Sunset</i> Management Action, Issue 4	Implemented.
1.40	Create a committee of automation customers.	<i>BPE</i> Recommendation 69	Implemented. The Agency Customer Service Committee meets regularly and provides feedback to the Information Resources Steering Committee.

Appendix A

Number	Recommendation	Source	Implementation Status
1.41	Requires the Department to initiate by September 1, 2000 a pilot program that integrates all appropriate health-care delivery activities, both Medicaid and non-Medicaid, in a managed care model. Requires the Department to submit to the Legislature an interim report on the problems and progress of initiating the pilot program no later than September 1, 2000. Requires the Department to submit to the Legislature a final report on the problems and successes encountered in the pilot program, no later than September 1, 2002.	<i>HB 2085 76R Sunset Bill</i>	Implemented.
1.42	Requires the Department to integrate health care delivery programs, including Medicaid and non-Medicaid programs to the maximum extent possible. Specifies that at a minimum that integration should include policy development and implementation, and contract administration.	<i>HB 2085 76R Sunset Bill</i>	Not Implemented. The pilot effort has been successful. However, full implementation has been hindered by funding constraints, information technology limitations, etc.
FUNDS MANAGEMENT			
2.01	Chief Financial Officer should review and refine budget development process.	<i>BPE Recommendation 32</i>	Not Implemented. While the agency has successfully responded to the current Legislative Appropriations Request and Governor's Office budget impact requests, TDH has yet to implement the BPE recommendations. The Chief Financial Officer will work with internal working groups and an external validator and will present decisions regarding the budget development process to executive management in December 2002.
2.02	Formalize policy and procedure for budget process.	<i>BPE Recommendation 30</i>	
2.03	Explain revised budget development process to agency management.	<i>BPE Recommendation 33</i>	
2.04	Chief Financial Officer should review all federal fund expenditure policies.	<i>BPE Recommendation 41</i>	

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Number	Recommendation	Source	Implementation Status
2.05	TDH should establish, implement, and maintain the processes and tools that are necessary to ensure its compliance with applicable laws, rules, and regulations.	SAO Report No. 01-021	Implemented. A tracking planning tool for monitoring and reporting TDH's progress in meeting internal and external mandates is in place. The agency has scheduled upgrades to the system in December 2002.
2.06	TDH should obtain written clarification from appropriate sources regarding the intent of the rider to ensure program fees cover program costs, as required by Appropriations Act.	SAO Report No. 01-021	Implemented.
2.07	Adopt cost allocation methodology.	BPE Recommendation 47	Not Implemented. TDH has delayed adoption of a new cost allocation methodology until it has established new financial policy and procedures in December 2002.
2.08	Implement the Health and Human Services Administrative System (HHSAS).	BPE Recommendation 29	Implemented. TDH has implemented HHSAS financial modules (Peoplesoft adapted for health and human service agencies). In response to internal audit findings, the agency continues corrective actions to ensure that users know how to access and develop reports for grant coordination and budget management, as well as to ensure the availability and accuracy of monthly reconciliation reports.
2.09	TDH should review, update, and implement policies and procedures to update (revoke, change, or add users) access to its financial information systems on a timely and consistent basis. User access must be updated and maintained to provide adequate safeguards over data and systems. Additionally, users should have only the access necessary to perform their jobs.	SAO Report No. 01-021	Partially Implemented. TDH has purchased and installed software to improve security and access control. Testing is underway with full implementation scheduled for December 2002. Additionally, the Information Resource Steering Committee is scheduled to adopt an Information Architecture Security Standard by December 2002. TDH plans training and implementation of the standard in March 2003.

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Number	Recommendation	Source	Implementation Status
2.10	Establish policy and procedure for regular budget monitoring.	<i>BPE</i> Recommendation 35	Not Implemented. The Chief Financial Officer will work with internal working groups and an external validator before presenting decisions regarding policy and procedure for regular budget monitoring to executive management in December 2002.
2.11	Prepare annual financial report internally.	<i>BPE</i> Recommendation 43	Implemented. Ongoing.
2.12	Chief Financial Officer to hold monthly budget meetings with bureau chiefs.	<i>BPE</i> Recommendation 38	Partially Implemented. The Chief Financial Officer (CFO) and bureau chiefs found that monthly meetings were not productive. The Chief Operating Officer approved the CFO's request to reduce the frequency of the meetings from monthly to quarterly.
2.13	Hold program managers accountable for budget monitoring and reporting.	<i>BPE</i> Recommendation 36	Not Implemented. The Chief Financial Officer will work with internal working groups and an external validator and will present decisions regarding the budget development process to executive management in December 2002.
2.14	Produce monthly budget reports by program.	<i>BPE</i> Recommendation 34	Not Implemented. However, TDH has developed a monthly reporting methodology which it expects to implement soon.
2.15	Strengthen controls over financial monitoring. The Department should enforce controls over subrecipient monitoring by taking the following steps: <ul style="list-style-type: none"> • Continue efforts to develop a standard format for monitoring files that makes them easier to review. • Ensure that Department staff members follow financial monitoring procedures, and take corrective action when needed. 	<i>SAO</i> Report No. 01-555	Partially Implemented. TDH has implemented a standard format for organizing content in monitoring files. Internal working groups will identify additional improvement to their financial monitoring process.

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Number	Recommendation	Source	Implementation Status
2.16	Identify all direct and indirect administrative costs.	<i>BPE</i> Recommendation 48	Not Implemented. TDH indicates that the time and labor module in PeopleSoft, which will provide the means to allocate salaries based on work activities, will go into effect in December 2002.
2.17	Conduct internal audit to review budgeting and expenditure of appropriated funds.	<i>BPE</i> Recommendation 42	Not Implemented. TDH reports this is on target, yet the audit of the budget process is awaiting the implementation of the new budget process in December 2002.
2.18	TDH should determine why errors and inconsistencies in expenditure coding exist and take appropriate action to improve expenditure coding accuracy.	<i>SAO</i> Report No. 01-021	Partially Implemented. While TDH changed its business process to have the expenditure coding performed closest to the point of origin, initial review by SAO indicated TDH continues to have coding accuracy problems. An internal working group focused on accounting procedures will continue to evaluate best practices.
2.19	Develop plan to train budget staff on expenditure coding.	<i>BPE</i> Recommendation 40	Implemented.
2.20	TDH should determine why bookkeeping error adjustments are made and establish appropriate processes to ensure that adjustments are minimized.	<i>SAO</i> Report No. 01-021	Partially Implemented. While TDH has altered its expenditure coding process, the Chief Financial Officer will continue to work with an internal working group focused on accounting to further refine the process. TDH is seeking a consultant for external validation of the internal working group's recommendations.
2.21	The Board should consider limitations of the amounts and/or percentage adjustments to transfers TDH is allowed to make before further approval by the Board is necessary.	<i>SAO</i> Report No. 01-021	Implemented.

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Number	Recommendation	Source	Implementation Status
2.22	TDH should discuss with appropriate parties the means for assessing whether it has incurred an interest liability and the methods for determining the extent of such liability.	SAO Report No. 01-021	Partially Implemented. TDH met with federal officials, and is working with the Comptroller's office to obtain further guidance.
2.23	Report all federal awards, including non-monetary assistance, in accordance with the Comptroller of Public Accounts' reporting guidelines.	SAO Report No. 00-007	Implemented.
2.24	TDH should: <ul style="list-style-type: none"> • Establish appropriate review processes over the preparation of the Indirect Cost Recovery Plan (IDCRP). • Submit a corrected IDCRP to the federal government. • Ensure that policies and procedures regarding the preparation of IDCRP are revised and kept up-to-date 	SAO Report No. 01-021	
CONTRACT ADMINISTRATION			
3.01	Centralize grant and contract management staff.	BPE Recommendation 53	Not Implemented. Executive management has approved the concept of administrative service centers that will provide support for designated organizational units. TDH is seeking a consultant for external validation, and has not formally adopted or implemented this structure.
3.02	Central office purchasing section should establish all purchasing policy and procedure.	BPE Recommendation 50	
3.03	Consolidate all grant management functions under Chief Financial Officer.	BPE Recommendation 78	

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Number	Recommendation	Source	Implementation Status
3.04	Consolidate all purchasing functions under Chief Financial Officer.	<i>BPE</i> Recommendation 79	Partially Implemented. The agency's Central Procurement Services (CPS) division and the Grants and Contract Management Division continue to operate within the Bureau of Financial Services which now reports to the Chief Financial Officer. While all agency contracts over \$25,000 are handled within CPS, executive management has approved the concept of administrative service centers that will provide support, including smaller purchases, for designated organizational units.
3.05	Consider hybrid purchasing structure for regions.	<i>BPE</i> Recommendation 51	Implemented. The Office of Public Health Practice will oversee regional contracting for goods and services up to \$25,000. Contracts over this amount will be handled by agency Central Procurement Services.
3.06	Centralize all grant and contract management policies and procedures.	<i>BPE</i> Recommendation 52	Not Implemented. An internal agency working group focused on purchasing and contracting recommended a standard 12-step procurement process. The process, which has not been approved by executive management, does not address specific recommendations to combine the request for proposal process, coordinate contract monitoring, or combine claims and reimbursement processes.
3.07	Standard contracting procedures should include: <ul style="list-style-type: none"> • implementation of a uniform contracting process, • combining the RFP processes to allow providers to complete one contract for multiple services, • coordinated contract performance monitoring, and • combined claims processing and contractor reimbursement processes. 	<i>Sunset</i> Management Action, Issue 2	
3.08	TDH should ensure consistent use of performance-based contracting procedures throughout the agency.	<i>Sunset</i> Management Action, Issue 5	

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Number	Recommendation	Source	Implementation Status
3.09	<p>TDH should:</p> <ul style="list-style-type: none"> • use best-value factors when it selects contractors, • establish a method for determining the reasonableness of payment rates, • negotiate any and all aspects of bids to obtain the best value for the State, • apply contractor selection weights to cost factors, • include in its RFP the level of specificity and detail required to ensure objective and equitable contractor selection, and • consider requiring contractors to conduct criminal background checks. 	SAO Report No. 02-037	Partially Implemented. The TDH draft model RFP is scheduled for use in fiscal year 2004. The document contains best-value selection factors in addition to required elements selection factors. TDH is working with SAO and will pilot a RFP evaluation tool during fiscal year 2004.
3.10	Consider the imposition of specific record-keeping requirements on contractors to verify that services were delivered.	SAO Report No. 02-037	Implemented. Effective September 1, 2002, contractors must obtain signatures of riders in the Medical Transportation Program.
3.11	Hold designated personnel accountable for meeting contract renewal dates.	BPE Recommendation 54	Not Implemented. An internal agency working group focused on purchasing and contracting recommended draft policies to provide increased accountability in renewing contracts. However, executive management has not formally approved or adopted the process. TDH expects implementation by December 2002.
3.12	Review contract administration "waiver" process in the Medical Transportation Program.	BPE Recommendation 55	Implemented. Central Procurement Services has developed and adopted a standardized form created for waivers, and waiver process criteria must withstand audit review.

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Number	Recommendation	Source	Implementation Status
3.13	<p>Within the Medical Transportation Program (MTP), establish an effective contractor performance monitoring and evaluation system. The system should:</p> <ul style="list-style-type: none"> • provide reliable, accurate, consistent information periodically, and • focus on the most important indicators of performance. 	S4O Report No. 02-037	Partially Implemented. The MTP initiated a revised contractor performance monitoring tool in April 2002, and revised the monitoring tool in August 2002. The revised tool will be used in fiscal year 2003 for both accelerated and routine monitoring.
3.14	Compile and analyze data from its performance monitoring and evaluation system to assess the overall performance and track the performance history of each contractor, using this data to establish and renew contracts, and for the imposition of sanctions and corrective action plans.	S4O Report No. 02-037	
3.15	The Bureau of HIV and Sexually Transmitted Disease Prevention should develop and consistently use a process to track the date, type, and results of monitoring activity. Based on this information, the Bureau will be able to determine the time frame for the next monitoring visit.	S4O Report No. 01-555	Implemented. In fiscal year 2001, the Bureau began to routinely and consistently track monitoring activity through the TDH Contractor Performance System.
3.16	<p>TDH should:</p> <ul style="list-style-type: none"> • promptly complete and distribute the new procedure manual for on-site monitoring visits and the new performance monitoring tool to ensure consistency in monitoring, • ensure that regional offices maintain proper documentation of contract monitoring of files, and <p>(cont.)</p>	S4O Report No. 02-037	Partially Implemented. TDH last revised the monitoring tool and instructions in August 2002 and forwarded to all regional managers and supervisors. All regions will receive training by November 2002. The anticipated date of release is December 2002.

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Number	Recommendation	Source	Implementation Status
3.16 (cont.)	<ul style="list-style-type: none"> ensure that regional office supervisors review claims adjustments entered into the claims system to determine their appropriateness. 		(cont.)
3.17	Refer all cases of potential or suspected fraud to appropriate investigative and legal authorities, notifying the Office of Criminal Investigations at TDH or the Office of Investigations and Enforcement at HHSC.	SAO Report No. 02-037	Partially Implemented. TDH Office of Criminal Investigations is now presenting fraud awareness training at quarterly meetings. Suggested revisions to the TDH fraud referral policy enhancing timely referrals have been forwarded to TDH executive management, yet no final decisions have been made.
ASSESSING AND REPORTING AGENCY INFORMATION			
4.01	Hold personal meetings to keep legislature and staff informed of TDH activities.	<i>BPE</i> Recommendation 1	Implemented.
4.02	Chief Financial Officer must meet personally with legislative staff.	<i>BPE</i> Recommendation 44	
4.03	Board Chair and Commissioner should meet with State Auditor.	<i>BPE</i> Recommendation 6	
4.04	Provide legislative leadership with advance notice of transfers and other budget issues.	<i>BPE</i> Recommendation 39	Implemented. Legislative Budget Board (LBB) staff receive notification when the Board approves a budget transfer. However, LBB staff note that TDH has not made any major strategy-to-strategy transfers this biennium.
4.05	TDH should make appropriate disclosure of specific transfers as required by the General Appropriations Act.	SAO Report No. 01-021	
4.06	Develop database of frequently asked legislative questions.	<i>BPE</i> Recommendation 13	Implemented.

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Number	Recommendation	Source	Implementation Status
4.07	Staff Government Relations Office with people who know TDH.	<i>BPE</i> Recommendation 12	Implemented.
4.08	Ensure compliance with Rider 2, concerning the TDH Business Improvement Plan, by reporting progress on implementation of recommendations.	<i>BPE</i> Recommendation 16	Implemented. Ongoing. Last reported quarter ended August 31, 2002.
4.09	Produce quarterly reports on implementation status of all audit recommendations.	<i>BPE</i> Recommendation 5	Implemented .
4.10	Executive management and Government Relations Office staff should screen all agency requests for legislative action.	<i>BPE</i> Recommendation 14	Implemented.
4.11	Assign a project team to identify the best way to extract information from existing systems.	<i>BPE</i> Recommendation 91	Implemented. Ongoing.
4.12	The project team should complete a report with recommendations for assuring access to agency data on a timely coordinated basis.	<i>BPE</i> Recommendation 92	
4.13	Design routine management reports to provide timely information to decisionmakers.	<i>BPE</i> Recommendation 93	
4.14	Coordinate with the Legislative Budget Board to determine best method of providing administrative cost information to Legislature.	<i>BPE</i> Recommendation 49	Not Implemented. TDH has not coordinated with LBB staff and has delayed adoption of a new cost allocation methodology, along with other financial policies and procedures, until December 2002.

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Number	Recommendation	Source	Implementation Status
4.15	Complete cost allocation assessment and include results in the Legislative Appropriations Request.	<i>BPE</i> Recommendation 46	Not Implemented. TDH has not coordinated with LBB staff and has delayed adoption of a new cost allocation methodology, along with other financial policies and procedures, until December 2002.
4.16	Contract with expert to assess cost allocation methodology.	<i>BPE</i> Recommendation 45	
4.17	TDH should update its processes and operations to ensure that the implementation of PeopleSoft produces the functionality necessary to provide timely and reliable information to decision-makers.	<i>SAO</i> Report No. 01-021	Partially Implemented. TDH has implemented HHSAS (Peoplesoft, adapted for health and human services agencies). In response to internal audit findings, the agency continues corrective actions to ensure that users know how to access and develop reports for grant coordination and budget management, as well as to ensure the availability and accuracy of monthly reconciliation reports.
4.18	The Department should recognize refunds on the date they are received and should report corrected information to the Comptroller of Public Accounts for fiscal year 1998.	<i>SAO</i> Report No. 99-555	Implemented.
4.19	Be proactive in communications with public media including issuing more frequent press releases.	<i>BPE</i> Recommendation 9	Implemented. Ongoing.
4.20	Strengthen media communication policy.	<i>BPE</i> Recommendation 10	Implemented.
4.21	Clear advertising and publications through Public Information Office.	<i>BPE</i> Recommendation 11	Partially Implemented. TDH has established an oversight function for advertising in the Office of Communications. A new TDH publications review system will go into effect in 2003.
4.22	TDH should provide a status report on implementation of its customer service plan.	<i>BPE</i> Recommendation 19	Implemented.

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Number	Recommendation	Source	Implementation Status
4.23	Compile monthly reports from all parts of the agency and publish on intranet site to improve knowledge and communication within the agency.	<i>BPE</i> Recommendation 28	Implemented.
4.24	TDH should require divisions to maintain documentation to support reported performance measures for surveillance activity and enforcement actions.	<i>SAO</i> Report No. 01-036	Implemented.
4.25	Produce detailed audit reports to TDH executive management, Board, and State Auditor's Office.	<i>BPE</i> Recommendation 2	Implemented.
4.26	Survey Internal Audit customers on report format, content, and length.	<i>BPE</i> Recommendation 3	Implemented.
4.27	Audit reports should become agenda items for discussion at executive staff meeting.	<i>BPE</i> Recommendation 4	Implemented.
4.28	Increase Internal Audit coverage of information technology policy and procedure.	<i>BPE</i> Recommendation 66	Implemented.
4.29	Request State Agency Internal Audit Forum (SAIAF) peer review.	<i>BPE</i> Recommendation 7	Partially Implemented. TDH has requested the peer review and plans to have it done by late 2002.
4.30	Complete SAIAF peer review.	<i>BPE</i> Recommendation 8	
4.31	Use the University of Texas survey of organizational excellence as management tool to target areas that need improvement.	<i>BPE</i> Recommendation 23	Partially Implemented. TDH participated in the survey. However, an internal steering committee is still developing an implementation plan addressing issues identified in the survey. The agency expects to have the plan approved in mid-November.

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Number	Recommendation	Source	Implementation Status
4.32	Establish a centralized information technology function.	SAO Report No. 99-349	Partially Implemented. The Information Resources Steering Committee and standard Software Development Life Cycle structures and policies are in place. Additionally, executive management has approved the concept of administrative service centers that will provide support, including information technology, for designated organizational units. TDH is seeking a consultant for external validation, and has not formally adopted or implemented a consolidated staffing plan.
4.33	TDH should adequately protect its automated resources and should create a central oversight function for information resources.	SAO Report No. 99-045	Partially Implemented. Although this recommendation was issued in a report focusing on the Home and Community-Based Services Program, transferred to DHS, the directive to coordinate information resources has been partially implemented. Standard policies are in place and executive management has approved the concept of administrative service centers that will provide support, including information technology, for designated organizational units. TDH is seeking a consultant for external validation, and has not formally adopted or implemented a consolidated staffing plan. TDH expects full implementation in December 2002.
4.34	Executive management should demonstrate a commitment to promoting coordination of information resources throughout TDH. It should continue to work toward expanding access to the Integrated System to the regional offices.	SAO Report No. 99-005	Partially Implemented. Although this recommendation was issued in a report focusing on the Home and Community-Based Services Program, transferred to DHS, the directive to coordinate information resources has been partially implemented. Standard policies are in place and executive management has approved the concept of administrative service centers that will provide support, including information technology, for designated organizational units. TDH is seeking a consultant for external validation, and has not formally adopted or implemented a consolidated staffing plan. TDH expects full implementation in December 2002.
4.35	Information Resources Steering Committee (IRSC) should perform constant review of systems operations.	BPE Recommendation 61	Partially Implemented. TDH has organized an IRSC and reporting process to review systems operations, and has adopted policies for standardizing software and hardware development and procurement. However, TDH has not adopted an organizational structure to support implementation and enforcement of new (cont.)
4.36	Adopt a system for reporting to executive staff of implementation of systems policy and procedure.	BPE Recommendation 59	Partially Implemented. TDH has organized an IRSC and reporting process to review systems operations, and has adopted policies for standardizing software and hardware development and procurement. However, TDH has not adopted an organizational structure to support implementation and enforcement of new (cont.)

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Number	Recommendation	Source	Implementation Status
4.37	Mandate standardization of application development, documentation, and procurement.	<i>BPE</i> Recommendation 62	(cont.) standardization policies. To achieve greater coordination, executive management has approved the concept of administrative service centers that will provide support, including information technology support, for designated organizational units. TDH is seeking a consultant for external validation, and has not formally adopted or implemented a consolidated staffing plan.
4.38	Develop agencywide approach to systems development and hardware and software procurement.	<i>BPE</i> Recommendation 58	Not Implemented. TDH reports that additional training on the newly adopted SDLC standard and enforcement procedures should be adopted in November 2002.
4.39	Standardized Systems Development Life Cycle (SDLC) process must be followed on all software development.	<i>BPE</i> Recommendation 65	Partially Implemented. TDH has implemented HHSAS (Peoplesoft, adapted for health and human services agencies) and has changed business processes. However, TDH does not expect to complete a draft of the Business Continuity Plan and the Disaster Recovery Plan December of until December 2002. Training of staff will be included in the plan.
4.40	TDH should review, update, and implement policies and procedures over information systems and related data to ensure that these resources are adequately protected against loss.	<i>SAO</i> Report No. 01-021	Partially Implemented. TDH has prepared a draft policy. Final implementation awaits external validation and management approval.
4.41	Supplies and other critical documentation are stored at the off-site storage facility.	<i>SAO</i> Report No. 99-349	Partially Implemented. TDH has implemented HHSAS (Peoplesoft, adapted for health and human services agencies). However, internal audit reports raise some concerns about the adequacy of system controls. A corrective action plan projects completion by December 31, 2002.
4.42	Immediate access to all local area networks granted to Information Systems staff.	<i>BPE</i> Recommendation 67	Partially Implemented. TDH has implemented HHSAS (Peoplesoft, adapted for health and human services agencies). However, internal audit reports raise some concerns about the adequacy of system controls. A corrective action plan projects completion by December 31, 2002.
4.43	Re-evaluate access needs and restrict full access to certain employees. (re: automation controls)	<i>SAO</i> Report No. 99-349	Partially Implemented. TDH has implemented HHSAS (Peoplesoft, adapted for health and human services agencies). However, internal audit reports raise some concerns about the adequacy of system controls. A corrective action plan projects completion by December 31, 2002.
4.44	TDH should implement consistent user access management practices for the Uniform Statewide Accounting System (USAS) and other systems.	<i>SAO</i> Report No. 01-021	Partially Implemented. TDH has implemented HHSAS (Peoplesoft, adapted for health and human services agencies). However, internal audit reports raise some concerns about the adequacy of system controls. A corrective action plan projects completion by December 31, 2002.

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Number	Recommendation	Source	Implementation Status
4.45	Link managers' performance evaluation to adherence with information technology policy, standards, and procedures.	<i>BPE</i> Recommendation 63	Not Implemented. The Performance Evaluation Steering Group is in the process of developing the new system with implementation scheduled for July 2003.
4.46	All communication with Department of Information Resources and Legislative Budget Board regarding information technology issues must be coordinated with the Information Resources Manager's office.	<i>BPE</i> Recommendation 68	Implemented.
MISCELLANEOUS: Sunset Bill Provisions, Sunset ATBs, SAO Recommendations			
5.01	Multiple recommendations providing TDH or specific health boards with the authority to levy administrative penalties against various licensees which violate the law or program rules.	<i>HB 2085 76R Sunset Bill</i>	Partially Implemented. Generally, these provisions have been implemented. Rules concerning administrative penalties against hazardous substances dealers will be presented to the Board of Health in January 2003.
5.02	Sunset Across-the-Board (ATB) recommendations for the Department of Health and various related councils and boards.	<i>HB 2085 76R Sunset Bill</i>	Partially Implemented. Generally, ATB provisions have been implemented. However, proposed rules to implement several specific ATB recommendations will be presented to the Board of Health between November 2002 and January 2003. These include recommendations concerning license renewal methods, staggered licensing, provisional licensing, and notifying applicants of examination results.
5.03	Complete review of mail/remittance process and implement changes.	<i>BPE</i> Recommendation 90	Implemented.

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Number	Recommendation	Source	Implementation Status
5.04	<ul style="list-style-type: none"> • TDH should seek appropriate guidance in determining its Immunization Program monitoring responsibilities associated with requesting and receiving taxpayer funds. TDH should develop and document standard policies, procedures, and tools for monitoring Immunization Program providers. • TDH should prepare written policies and procedures over all inventory processes to ensure consistency throughout the state. • TDH should consider how to make sure the regions are accountable for program objectives and that program funding is spent according to recent legislation (HB 2085, 76th). 	SAO Report No. 00-007	Implemented.
5.05	TDH should consider available options (for tracking immunizations) and determine which option is best for the State. TDH should document the reasons for its choices, including cost/benefit analysis.	SAO Report No. 00-007	Implemented.
5.06	Require money in the emergency medical services and trauma care fund to be distributed to the trauma service area regional advisory councils.	<i>HB 2085 76R Sunset Bill</i>	Implemented.
5.07	Create an Emergency Medical Services Advisory Council appointed by the Governor.	<i>HB 2085 76R Sunset Bill</i>	Implemented.

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Number	Recommendation	Source	Implementation Status
5.08	Require the Department to offer Emergency Medical Services certification testing around the state.	<i>HB 2085 76R Sunset Bill</i>	Implemented.
5.09	Define “emergency call” and “emergency medical services operator.” Provides for training and certification of emergency medical services operators. Require the Board to adopt rules, and allow the Board to adopt fees.	<i>HB 2085 76R Sunset Bill</i>	Implemented.
5.10	Require the Board of Health to abolish any advisory body created in rule that would duplicate the Emergency Medical Services Advisory Council created by this Act.	<i>HB 2085 76R Sunset Bill</i>	Implemented.
5.11	Require a license issued under this section to include certain documentation, raise the per bed fee and minimum fee, and set a fee schedule for hospital plan reviews and field surveys.	<i>HB 2085 76R Sunset Bill</i>	Not Applicable. This provision was to go into effect if federal rules were adopted requiring state licensure of outpatient facilities. No federal rules went in effect; no change necessary.
5.12	Require the Governor to designate the chairman of the Radiation Advisory Board.	<i>HB 2085 76R Sunset Bill</i>	Not Applicable. Statute amended in 2001, providing that state agency advisory committees shall elect a presiding officer from among its members.
5.13	Require physicians’ offices which perform more than 300 abortions in a 12-month period to be licensed as abortion facilities.	<i>HB 2085 76R Sunset Bill</i>	Implemented.
5.14	Raise certain offenses relating to abortion facilities to a class A misdemeanor from a class C misdemeanor.	<i>HB 2085 76R Sunset Bill</i>	Implemented.

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Number	Recommendation	Source	Implementation Status
5.15	Strike a patient's "mental condition" from the exemption to abortion facility licensure.	<i>HB 2085 76R Sunset Bill</i>	Implemented.
5.16	Allow cancer treatment centers access to the Cancer Registry operated by the Department.	<i>HB 2085 76R Sunset Bill</i>	Not Applicable. This provision allows cancer treatment facility registries and hospital cancer registries to share data with each other. No action necessary for TDH.
5.17	Remove the expiration date of the Toxic Substances Coordinating Committee.	<i>HB 2085 76R Sunset Bill</i>	Not Applicable. No action required.
5.18	Emphasize abstinence education for persons under 18 years of age.	<i>HB 2085 76R Sunset Bill</i>	Implemented.
5.19	Establish the Council on Cardiovascular Disease and Stroke.	<i>HB 2085 76R Sunset Bill</i>	Implemented.
5.20	The Board of Health should adopt rules for the regulation of narcotic treatment programs consistent with current rules of the Texas Commission on Alcohol and Drug Abuse.	<i>Sunset Management Action, Issue 7</i>	Implemented.
5.21	Transfer certain contested cases held by the Department of Health under the Administrative Procedures Act to the State Office of Administrative Hearings.	<i>HB 2085 76R Sunset Bill</i>	Implemented.
5.22	Designate the Department as the only state agency with authority to regulate narcotic treatment programs within the state. Also removes the authority of the Texas Commission on Alcohol and Drug Abuse in this area.	<i>HB 2085 76R Sunset Bill</i>	Implemented.

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Number	Recommendation	Source	Implementation Status
5.23	Develop procedures for monitoring the earmarking requirement to ensure that <i>Maternal and Child Health Block Grant</i> requirements are met and whether requesting a waiver is an appropriate action to take.	SAO Report No. 99-555	Implemented. In fiscal year 1998, TDH developed and implemented procedures for quarterly monitoring of Maternal and Child Health Block Grant expenditures for primary and preventive care services for children.
5.24	The Bureau of HIV and Sexually Transmitted Disease Prevention should request that the General Services Commission obtain the required certification from the wholesale drug company that supplies medication under the <i>HIV Care Formula Grants</i> program.	SAO Report No. 01-555	Implemented. In 2001, a Certification Regarding Debarment and Suspension was obtained from the wholesaler.
5.25	Requires the Department to use electronic media, toll-free telephone lines and other appropriate methods to publish and provide information on final enforcement action taken by the Department against a person or facility regulated by the Department.	<i>HB 2085 76R Sunset Bill</i>	Implemented.

Appendix B

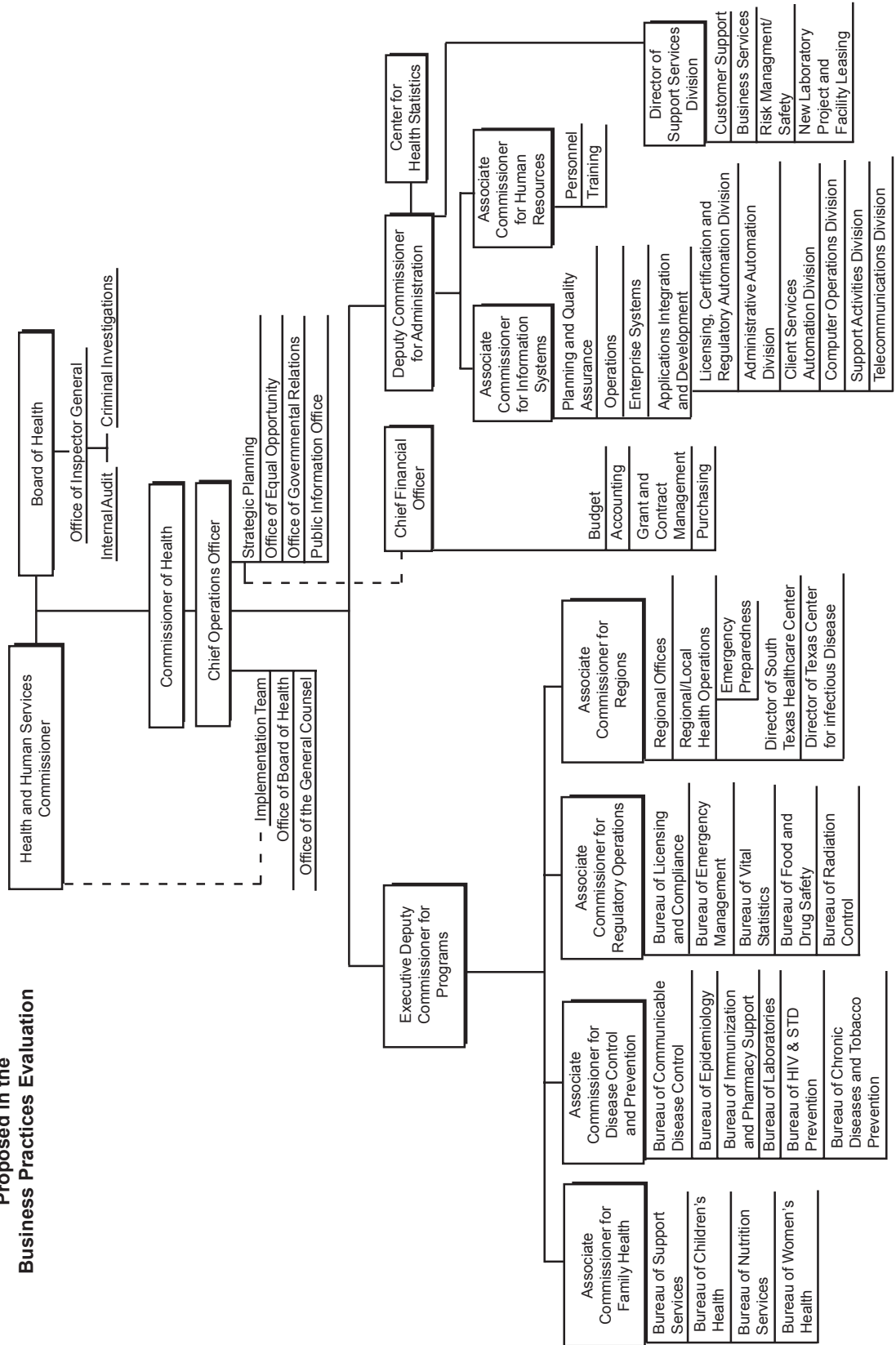
Chart Index

<i>Business Practices Evaluation Recommendation</i>	<i>Chart Number</i>	<i>Page Number</i>	<i>Business Practices Evaluation Recommendation</i>	<i>Chart Number</i>	<i>Page Number</i>	<i>Business Practices Evaluation Recommendation</i>	<i>Chart Number</i>	<i>Page Number</i>
1	4.01	43	32	2.01	35	63	4.45	49
2	4.25	46	33	2.03	35	64	1.17	31
3	4.26	46	34	2.14	37	65	4.39	48
4	4.27	46	35	2.10	37	66	4.28	46
5	4.09	44	36	2.13	37	67	4.42	48
6	4.03	43	37	1.16	31	68	4.46	49
7	4.29	46	38	2.12	37	69	1.40	34
8	4.30	46	39	4.04	43	70	1.02	29
9	4.19	45	40	2.19	38	71	1.33	34
10	4.20	45	41	2.04	35	72	1.25	33
11	4.21	45	42	2.17	38	73	1.11	30
12	4.07	44	43	2.11	37	74	1.12	30
13	4.06	43	44	4.02	43	75	1.04	30
14	4.10	44	45	4.16	45	76	1.05	30
15	1.09	30	46	4.15	45	77	1.03	29
16	4.08	44	47	2.07	36	78	3.03	39
17	1.14	31	48	2.16	38	79	3.04	40
18	1.10	30	49	4.14	44	80	1.23	32
19	4.22	45	50	3.02	39	81	1.32	34
20	1.37	34	51	3.05	40	82	1.07	30
21	1.30	33	52	3.06	40	83	1.08	30
22	1.31	33	53	3.01	39	84	1.24	32
23	4.31	46	54	3.11	41	85	1.06	30
24	1.26	33	55	3.12	41	86	1.13	30
25	1.35	34	56	1.27	33	87	1.18	31
26	1.34	34	57	1.28	33	88	1.20	32
27	1.29	33	58	4.38	48	89	1.21	32
28	4.23	46	59	4.36	47	90	5.03	49
29	2.08	36	60	1.36	34	91	4.11	44
30	2.02	35	61	4.35	47	92	4.12	44
31	1.15	31	62	4.37	48	93	4.13	44
						94	1.01	29

Appendix C

Texas Department of Health Organizational Chart

Proposed in the Business Practices Evaluation



**SUNSET REVIEW OF THE
TEXAS DEPARTMENT OF HEALTH**

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