



OFFICE OF THE STATE AUDITOR

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LAWRENCE F. ALWIN, CPA
State Auditor

August 26, 1998

RE: An Audit Report on Management Controls at
the Department of Health's Licensing and
Certification Division

Members of the Legislative Audit Committee:

Our audit of the management controls at the Department of Health's (Department) Licensing and Certification Division (Division) revealed opportunities for improvements in efficiency and effectiveness. Areas needing improvement relate to:

- Measuring costs to better manage program activity and improving processes to better use available information systems and technology
- Adopting sanctions associated with violations to possibly increase disciplinary actions
- Establishing fees that are adequate to cover costs for nine programs which had a \$412,844 revenue shortfall in fiscal year 1997

In addition, the Department, the Division, and the Boards/Programs (Programs) should continue to strive for improvement in their overall communications and working relationships. While these improvements are needed to strengthen management effectiveness, the Division does have adequate procedures in effect to enable it to accomplish its mission.

We have attached our summary of issues, management's responses, and a list of boards administered by the Division. Management generally agrees with our recommendations.

This audit was conducted as a result of our previous work at the Board of Nursing Facility Administrators. In fiscal year 1997, the Division had licensing and regulatory responsibility for 15 Programs with over 88,000 licensees. In addition, for fiscal year 1997, the Division received a total of 638 complaints. It resolved a total of 471 complaints for the year. The Programs, which make up the Division, are members of the Health Professions Council.

The State Auditor's Office would like to express its appreciation for the courtesy and cooperation shown by Department, Division, and Program management while assisting us in obtaining information. If you have any questions please contact Charles Hrcir, Audit Manager, or Tom McGaha, Project Manager, at 479-4700.

Sincerely,

Lawrence F. Alwin, CPA
State Auditor

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Attachments

SAO Report No. 98-062

Summary of Issues

Management Effectiveness Could Be Improved by Measuring Costs and by Implementing Some Process Improvements

With the goal of improving the overall quality of service to its customers, the Division needs additional controls to measure and manage the cost and efficiency components that affect professional licensure and complaint resolution activities. The Division should measure and monitor the average cost of issuing a license and the average cost of resolving a complaint. This offers management information for identifying and correcting areas lacking certain efficiencies, such as establishing adequate fees or allocating proper human and information technology resources needed to more effectively resolve complaints.

Other Health Professions Council Boards track and report the average cost to issue a license and the average cost of resolving a complaint. Review of the budget strategies of these other Boards reveals that Licensing and Enforcement/Complaint Resolution Strategies make up the vast majority of appropriated dollars.

Cost analysis performed by the State Auditor's Office indicates that the Board of Social Worker Examiners should be recognized for its efficiency in resolving complaints. Department cost records indicate that this Program's average cost for resolving a complaint is about 40 percent (\$230) less than the average costs for other Programs reviewed. This analysis points out possible (benchmarking) opportunities for improved cost effectiveness for other Programs in the Division.

Additionally, some suggestions generated from discussions with Program management which might make the complaint resolution process more efficient include:

- Better and more complete information in the investigation reports received by the Programs. The reports are a valuable tool in determining the nature and extent of violations reported to the Programs. The Department's Office of General Counsel (Legal) uses the reports in constructing its cases for hearing. The Programs' Complaint Committees also rely on the investigations reports to determine appropriate disciplinary action.
- Improved use of available technology in the complaint management process. This might include use of the Division's portable (laptop) computers by the investigators in the field, as well as use of automated investigation forms and electronic transmittal of reports to the Programs.
- Increased sharing of information systems. Currently, different complaint activity systems are used by Investigations, Programs, and Legal staff members. The different users are not able to electronically view each other's complaint

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activity files. Availability of complaint activity to all related parties at the Department and Division would improve access to updated information, as well as communications between personnel involved in complaint activity.

- Increased use of informal hearings for resolving complaint cases. Most of the Programs current rules specify this as an option. However, this option is apparently rarely used in bringing cases to conclusion. Using an alternative dispute resolution program to resolve some cases may decrease the time, resources, and costs for complaint management activities.

Adopt Rules With Language That Designates a Broad Schedule of Sanctions for Violations

Currently, some of the Programs' rules do not include a broad schedule of sanctions for violations as called for in their acts. More complete schedules of sanctions (including revocation, suspension, probation, or reprimand) associated with various violations might result in more disciplinary actions being taken. In fiscal year 1997, the Programs in the Division took disciplinary action in less than 6 percent of the jurisdictional complaints they received. In comparison, other Health Professions Council Boards (total) took disciplinary action in just over 15 percent of the jurisdictional complaints they received. The Board of Social Worker Examiners have proposed revised rules which include a broad schedule of sanctions tied to levels of violations. Its revisions may serve as an overall guide to other Programs.

Establish Adequate Fees to Produce Revenues in Excess of the Costs for Administering the Programs

Improvements are needed to the fee structures of nine Programs in the Division, so that other Programs are not paying their costs. For fiscal year 1997, 9 of the 15 (60 percent) Programs in the Division did not generate sufficient revenues to cover their costs. These nine programs had a shortfall of \$412,844. The other six programs had excess revenues of \$575,320, so the Division as a whole generated excess revenues of \$162,476 for fiscal year 1997.

The Department and Division Are Following Up on Previous Audit Recommendations¹

The Department and Division have recently instituted a complaint tracking system for better management of complaint activities. This is a positive step toward improving the information available to the Division and Programs for management decision-making.

¹ SAO Report No. 97-042, *An Audit Report on the Compliance and Effectiveness of the Texas Board of Nursing Facility Administrators*

In addition, the Division has developed management controls to measure program activity. Programs currently report eight (output) performance measures every other week. This offers Department and Division management critical information needed to monitor licensing and complaint activities.

Objectives and Scope

The objective of the audit was to determine if the Department and Division have implemented controls which will allow the Division to fulfill its mission, as well as to identify opportunities for improvement.

The scope of this audit included a review of the Division's performance management controls, as well as information management controls related to performance measurement reporting, especially as they apply to complaint activities. We also followed up on prior recommendations related to the whole Division. Prior recommendations specific to the Texas Board of Nursing Facility Administrators were not covered.

This audit was conducted in accordance with Generally Accepted Governmental Auditing Standards.

Management's Response



Texas Department of Health

William R. Archer III, M.D.
Commissioner of Health

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August 7, 1998

Lawrence F. Alwin, CPA
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206 East Ninth Street, Suite 1900
Austin, TX 78701

**Re: The letter report on the Audit of Management Controls at the Texas
Department of Health, Professional Licensing and Certification Division**

Dear Mr. Alwin:

We are responding to your draft of "An Audit of Management Controls at the Texas Department of Health Professional Licensing and Certification Division" dated July 27, 1998. The Texas Department of Health (TDH) is pleased the your agency noted the improvements of the Professional Licensing and Certification Division (Division) in implementing the complaint tracking system and the management controls developed to measure program activity. Positive steps have been taken during the past year to address these issues. As a result, this review provided an opportunity for Division staff to share these and other improvements in our various control systems with your staff.

Summary of Management Response:

**Management Effectiveness Could Be Improved by Measuring Specific Costs and By
Implementing Some Process Improvements.**

Division Management has implemented measures to identify costs within each program. Employee work time reported to TDH's Fiscal time records section is used by the TDH Grants Management, and Budget Divisions to produce cost allocation Reports. We receive these reports usually 1-2 months later and review them for accuracy.

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Mr. Alwin
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To supplement the allocation reports, we obtain accounting information from TDH's accounting information system maintained on the TDH Util network. We use these reports to prepare expenditure reports for the seventeen programs in the Division.

Time studies compiled by program staff will be used to estimate the average cost to issue a new license and renew an existing license. Time studies and cost reports will also be used to estimate costs incurred to resolve complaints. Each program's budget report is prepared on at least a quarterly basis using this available information, historical data, and projected activities for each program. It should be noted that other activities occur on a daily basis beyond the licensing and investigate functions. Therefore, using external as well as internal reports, we continually monitor costs for each program and project revenue requirements accordingly.

Daily activities include those such as responding to telephone, Internet and written inquiries, walk-in customer support, performing license verifications, and board and committee support. Efforts taken thus far have improved our abilities to identify licensing and investigation costs.

A Process Improvement Team was formed in December 1997 to study the complaints management process for the Division. The team was composed of staff from the Office of General Counsel, the Division, the Associateship for Health Care Quality and Standards, and members from the three mental health boards of Licensed Professional Counselors, Marriage and Family Therapists, and Social Worker Examiners. This study examined the interface between the duties and responsibilities of this program, investigative, OGC staff, and board members. The results of this study have been delivered to the steering committee for review and possible action. We will give consideration to recommended improvements that impact our Division's role in the investigative process.

Furthermore, we implemented a division wide automated complaint tracking system and a complaint processing time line policy. With the completion of this system, we can now monitor the status of any complaint, the time elapsed between the necessary steps, and report complaint information in a more accurate and consistent manner. Our continued goal for this system is to be user-friendly for all segments of the complaint process. Information resource management is an issue that is continually addressed in the Division.

We agree with your recommendation to seek resolution via an informal hearing process. However, in some cases, we will be required to follow through with a hearing process as requested by the licensee or their representative. Division management will work with TDH OGC staff to resolve these cases in the most cost effective and efficient manner.

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Adopt Rules With Language That Designates a Broad Schedule of Sanctions for Violations.

We agree that a broad schedule of sanctions for violations is necessary to strengthen disciplinary actions available to our boards. Steps were taken during the last legislative session to implement administrative penalties in some programs' statutes. The Texas State Board of Social Worker Examiners and the Texas State Board of Examiners of Professional Counselors are currently working on adopting rule language for a broad schedule of sanctions. We will share this recommendation and information with the remaining boards assigned to this Division.

Establish Adequate Fees to Produce Revenues in Excess of the Costs for Administering the Programs.

We agree that some programs in the Division do not generate sufficient revenues to cover the costs of administering their programs. The budgetary process for the Division continues to identify and report each program's costs and revenues. During FY-97, boards were advised of the potential shortfalls in revenues and that fee structures would need to be revised to cover costs for their programs. Because the rulemaking process is somewhat lengthy, amendments proposed this year will not be recognized as additional revenues until the next fiscal year. Various boards have proposed and adopted rule amendments during FY-98 to address the shortfalls. Other programs are seeking statutory changes to remove statutory caps on licensing fees.

The Department and Division Are Following Up on Previous Audit Recommendations.

As previously mentioned, the complaint tracking system and complaint processing time line policy have been implemented by all programs in the Division. Monthly reports indicate disciplinary actions taken by license type. Biweekly reports of program activities, progress reports on the optical imaging and vacancy listings are prepared for Department management.

Conclusion

Once again, TDH appreciates the opportunity to respond to the draft results of the follow-up review. We look forward to receiving the final report, when published. The Division fully intends to continue to review and improve its internal control and reporting systems.

Sincerely,

William R. Archer, III, M.D.
Commissioner of Health

Programs Administered by the Professional Licensing and Certification Division During Fiscal Year 1997

Program Name	Licensees	Revenues	Expenditures	Over/ (Under)
Advisory Board of Athletic Trainers	1,227	\$ 76,082	\$ 110,640	\$ (34,558)
Massage Therapy Registration Program	12,567	706,414	427,807	278,607
Respiratory Care Practitioners Advisory Committee	10,465	328,975	176,715	152,260
Medical Radiologic Technologist Certification Program	15,341	339,465	379,323	(39,858)
Texas State Board of Dietitians	3,053	152,301	142,001	10,300
State Board of Speech-Language Pathology and Audiology	8,316	318,762	318,211	551
Registry for Providers of Health-Related Services	108	2,445	15,261	(12,816)
State Board of Examiners of Marriage and Family Therapists	3,831	177,010	248,886	(71,876)
Advisory Council of Opticians Registry	1,096	32,033	49,357	(17,324)
Board of Licensure for Professional Medical Physicists	398	70,068	44,081	25,987
Board of Examiners of Perfusionists	275	22,350	67,480	(45,130)
Board of Social Worker Examiners	17,085	670,367	562,752	107,615
Board of Nursing Facility Administrators*	2,475	316,735	433,134	(116,399)
Examiners in the Fitting and Dispensing of Hearing Instruments	439	104,706	109,229	(4,523)
State Board of Examiners of Licensed Professional Counselors	12,058	613,782	684,142	(70,360)
TOTAL	88,734	\$ 3,931,495	\$ 3,769,019	\$ 162,476

* Fiscal Year 98 Nursing Facility Administrators Moved to DHS

NOTE: Fiscal Year 98 The Division Gained Three New Programs:

1. Contact Lens Dispensers
2. Orthotists/Prosthetists
3. Sex Offender Treatment Providers