

**WORK ORDER CONTRACT NO. HHS000752200001
UNDER SYSTEM AGENCY MASTER CONTRACT NO. 529-17-0117-00002**

Pursuant to **HEALTH AND HUMAN SERVICES COMMISSION MASTER CONTRACT NO. 529-17-0117-00002** (“Contract”) between **HEALTH AND HUMAN SERVICES COMMISSION (“HHSC” OR “SYSTEM AGENCY”)** and **DK PARTNERS, PC** (“Contractor”), each a “Party” and collectively “the Parties,” Contractor is authorized to perform the services including but not limited to the following: (i) Scope of Services; (ii) Special Conditions; (iii) Tasks; (iv) Deliverables; (v) Deliverable Due Dates; (vi) Budget; and (vii) all other terms of the Work Order Request attached hereto as Attachment A. This Work Order modifies and amends the Contract, all provisions of which not specifically amended herein shall remain in full force and effect.

SCOPE OF SERVICES

Contractor shall perform, or cause to be performed, **Financial Audit** services (“the Project”). Contractor shall perform all work in accordance with the following: (i) Contract and all attachments thereto; (ii) System Agency RFQ No. 52900-6-2000140069 (“Solicitation”); and (iii) this Work Order Contract and all attachments, including the Work Order Request, Contractor’s Proposal dated June 5, 2019 and Contractor’s Engagement Letter, attached hereto and incorporated herein for all purposes in their entirety as **Attachments A, B, C, respectively.**

SPECIAL CONDITIONS

Contractor is subject to the following Special Conditions:

Notwithstanding Article V, Contract Representatives of the Signature Document of the Contract, the following is the program point of contact for the management of the tasks under this Work Order.

Matthew Wanat
Finance Manager, Medical Transportation Program
Financial Reporting and Audit Coordination
Health and Human Services Commission
512-706-4976
Matthew.Wanat@hhsc.state.tx.us

COMPENSATION

The total compensation due to Contractor for services performed or provided pursuant to this Work Order Contract is not to exceed **THREE HUNDRED SIXTY-SIX THOUSAND, ONE HUNDRED NINETY-THREE DOLLARS (\$366,193.00)**. Expenditures shall conform to the Work Order Contract.

Work Order No. **HHS000752200001**
Under HHSC Contract No. **529-17-0117-00002**

PERFORMANCE PERIOD: Notwithstanding the date of the last signature below, the Parties hereto expressly agree this Work Order Contract shall be effective on the date it is signed by both parties below and shall terminate upon completion of the Project, in the sole determination of the System Agency, or on January 31, 2021, whichever occurs first (“Performance Period”).

TERMINATION OR INTERRUPTION OF WORK: The System Agency reserves the right to, at any time during the Performance Period, terminate, halt, or defer all or any portion of the work included in the Scope of Services of this Work Order. If such an event occurs: (1) Contractor must follow all directions included in the System Agency’s notice; and (2) the Parties agree that the Work Order may require revision by written Amendment.

AMENDMENTS TO WORK ORDER: Material changes to this Work Order may be made only by written amendment by the Parties. **Notwithstanding the preceding**, the System Agency's Project Manager may approve extensions to Deliverable Due Dates within the confines of the Performance Period. Such approvals must be in writing, and may be delivered by regular mail, electronic mail, or facsimile transmission; and shall become part of the System Agency’s Project file.

SIGNATURE PAGE FOLLOWS

**SIGNATURE PAGE FOR WORK ORDER CONTRACT NO. HHS000752200001
UNDER SYSTEM AGENCY MASTER CONTRACT NO. 529-17-0117-00002**

SYSTEM AGENCY

DK PARTNERS, PC

DocuSigned by:
Name Dana A Collins
7686F69C7CE54BB...

DocuSigned by:
Name Steve Kangas
9A45D0BF0BA847B...

Title: Director, Contract Administration and Provider Monitoring / CEO / Managing Partner

Date of execution: March 3, 2020

Date of execution: March 3, 2020

- ATTACHMENTS TO THIS WORK ORDER:**
ATTACHMENT A- WORK ORDER REQUEST
ATTACHMENT B- CONTRACTOR'S PROPOSAL
ATTACHMENT C- CONTRACTOR'S ENGAGEMENT LETTER

WORK ORDER CONTRACT NO. HHS000752200001
UNDER SYSTEM AGENCY MASTER CONTRACT NO. 529-17-0117-00002

ATTACHMENT A- WORK ORDER REQUEST

**RFQ No. 529-#-##### Medicaid/CHIP Multiple-Audit Pool Services
Blanket Contract series 529-##-####-XXXXX**

WORK ORDER REQUEST FOR AUDIT WORK NEEDED

AUDIT REQUEST NAME: SFY18 & SFY19 120 DAY FSR for MTOs

A. AUDIT TIMELINE:

ANTICIPATED START DATE:	ANTICIPATED END DATE:
04/15/2019	7/31/2020

B. AUDIT ASSIGNMENT:

Audit Description
<p>The Auditors(s) shall provide auditing services to Health and Human Services Commission (HHSC) regarding whether financial statistical reports submitted by Managed Transportation Organizations (MTOs) conform to and are in compliance with the contractual provision outlined within the HHSC contract with the MTOs and FRBs for state fiscal years 2018 and 2019, as monitored under the Medical Transportation Program (MTP). This work is not restricted solely to HHSC's Financial Statistical Reports (FSR); it also includes other issues related to relevant financial aspects of the contracting entities.</p> <p>HHSC seeks one or more Auditor(s) to perform the required MTP FSR AUP SFY18 SFY19 Audit for HHSC.</p> <p>Audit Manager: Matthew Wanat Audit Contract Manager: TBD</p>

C. SCOPE OF SERVICES:

Audit Scope of Services
<p>The accounting firm will perform agreed-upon procedures engagements which are conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in the Government Auditing Standards issued by the Comptroller General of the United States.</p>

**RFQ No. 529-#-##### Medicaid/CHIP Multiple-Audit Pool Services
Blanket Contract series 529-##-####-XXXX**

Scope of Work for Financial Review

External “Audit” of Capitated Full-Risk Non-emergency Medical Transportation Services Contracts.

Overview

- Details regarding specific tasks. This Scope of Work (SoW) is a referenced document to be incorporated under signed contractual agreement between HHSC and one or more external audit firms (specifically, the “Auditor”) as may be engaged by HHSC. As such, it serves to provide a general agreement of details regarding specific tasks which HHSC expects to be performed by the Auditor. This work is not restricted solely to HHSC’s FSR, but also includes other issues related to relevant financial aspects of the contracting entities.
- Type of examination: Agreed-Upon Procedures. From a technical perspective, the majority of the task the Auditor is performing hereunder is referred to in the trade as an “Agreed Upon Procedures” (AUP) engagement. Informally, this may be referred to herein and in other communications as an “audit.”
- Modifications. This SoW is meant to be a “working document,” and as such it may be modified in small ways: informally by mutual consent of HHSC and the Auditor, or via email or other such written agreement which need not require signature of the parties. Any substantive change, which would require an alteration in total payment, substantially change the amount of work, or materially change the overall nature of the testing herein, would require a signed amendment to the above-referenced contractual agreement.
- Applicable to MTP contractors referred to as Managed Transportation Organizations (MTO). This audit shall apply to MTOs.
- Prior contract differences. There were some contractual differences between the full-risk-broker (FRB) contracts and MTO contract for providing services under a full-risk capitated model in State Fiscal Year (SFY) 2016, and some of these differences may impact financial reporting. The FRB contracts were updated to mirror the MTO contracts for SFY 2017. Therefore, the FRB are now considered MTO.
- Periods covered. This SoW shall apply to reviews of the FSRs submitted by the MTOs to report results of SFY 2018 and SFY 2019.
- Owned/controlled Fleet MTOs. One MTO utilizes an owned/controlled fleets to provide transportation services. This makes a substantial difference in cost accounting, financial reporting, and auditing. As a result, additional steps, testing, and examination are needed with regard to that MTO which has executed contracts with HHSC that are of the form

**RFQ No. 529-#-##### Medicaid/CHIP Multiple-Audit Pool Services
Blanket Contract series 529-##-####-XXXXX**

which allow the usage of such in-house (or related-party) fleet vehicles or drivers. The MTO with a fleet has also been referred to as “non-broker” contract types (as opposed to the full-risk “brokers”), even though both types allow for the brokering of transportation provided by external parties. In this document, the terms “Fleet” (aka non-broker, or owned/controlled fleet) and “Non-fleet” (aka broker), will be utilized to describe these two MTO types. (Note that Fleet MTOs will not likely provide all transportation using their own fleet, and thus will have some externally-contracted rides.)

- There are four entities (“MTOs”) that provide services.

Risk Groups. MTP risk groups in SFY18 are:

- Adults Urban
- Adults Rural
- Children Urban
- Children Rural
- CSHCN

Note that this is effective uniformly for everyone (MTOs), though not all MTOs will have eligible populations in each risk group. Since rate setting is done by risk group, it is important that direct operating costs be properly segregated by urban vs rural. Much of the audit work with respect to direct operating costs (e.g., transportation) is done by risk group.

- The Scope of Work contains two parts:

I. SFY 2018 120 Day FSR and related financial issues

- 12 FSRs (four entities, Data based on full year.)
- Estimates: operating costs: \$118.0M; # of trips: 3.6M; Admin: \$37.7M; average # of members: 4 million
- # of risk groups per FSR: 5
- Includes MTO owned/controlled fleets.
- Anticipated start date: April 2019.

II. SFY 2019 120 Day FSR and related financial issues

- 12 FSRs (four entities, Data based on full year.)
- Estimates: operating costs: \$118.0M; # of trips: 3.6M; Admin: \$37.7M; average # of members: 4 million
- # of risk groups per FSR: 5
- Includes MTO owned/controlled fleets.
- Anticipated start date: March 2020.

**RFQ No. 529-#-##### Medicaid/CHIP Multiple-Audit Pool Services
Blanket Contract series 529-##-####-XXXXX**

Each MTO will have its own audit write-up and report including a specified-format executive summary for each part. The write-up for each will include total net impact to Net Income by FSR for each entity. The write-up and executive summary will first be presented to HHSC in draft form. Each such draft and the corresponding final version will be prepared at the conclusion of that part of the work. Thus, the first part would be concluded and presented significantly before the second part.

Executive Summary

Include in the detailed audit write-up and report, near or at the beginning, an Executive Summary meeting the following criteria:

- Less than one page long, contained all on the same page.
- Primarily in bullet format, showing the several most-important, key “take-away” points: briefly highlighting only the most important results of the work. This should include information, in succinct format, such as:
 - The total net findings, in dollars and %, prior to extrapolation;
 - The extrapolated aggregate dollar value of these findings;
 - The estimated impact, if any, to the Experience Rebate;
 - The gross and net findings to show the levels of off-setting positive and negative findings;
 - The type and reason for the one or two most significant findings;
 - A list of any systemic problems that need to be addressed;
 - A list of problems identified in prior audits that have not been adequately addressed, if any;
 - The degree of audit readiness and completeness of records and supporting documentation and degree of cooperation and promptness in responding to Auditor;
 - Any indications of potential intentional misreporting, or significant lack of controls, possible incompetency;
 - Any other issues, trends, comments, etc., that are deemed to be of high-level importance; and
 - Any suggestions for changes to, items to focus on, or additional efforts needed for the next audit.
- The description above is not limited to communicating problems; it may include positive comments where warranted. The Executive Summary should not include sentences that are not part of the actual results of the work, such as scope descriptions, type of review, general background information, etc. Thus, the Executive Summary would generally not include any sentence that could have been written before the review commenced. It is generally expected that everything mentioned in the Executive Summary would likely be discussed in more detail elsewhere in the report.
- If absolutely necessary, the Executive Summary may be produced as a separate one-page document outside of the AUP write-up. However, it should be in a similar letter

**RFQ No. 529-#-##### Medicaid/CHIP Multiple-Audit Pool Services
Blanket Contract series 529-##-####-XXXXX**

correspondence format, bearing the auditor's name, date, and referencing the time period examined, etc.

I. State Fiscal Year 2018 120 Day FSR and related financial issues

Note: This covers operating results for 9/1/2017 through 8/31/2018. Obtain copies of the twelve 120 Day FSRs and other relevant information as HHSC may have available.

A. Issues from Prior Audit

Obtain and review copies of prior year AUP reports.

- a. Review current MTO practices with respect to prior year's detailed AUP report findings. Identify prior year findings for which the root cause has not been remediated by the MTO.
- b. Document the MTO's prior year's comments to the current AUP report's duplicative findings.

B. Premium Payment System (FSR tab 1 "Capitation pmts"). For each MTO and by Region/SDA, perform the following:

1. Reconcile the aggregate premium payments reported on the FSR each month, by risk group, to the records shown by HHSC as being paid.
2. Reconcile the aggregate number of member-months reported on the FSR each month, by risk group, to the records shown by HHSC's records of member-months.

C. Client Services direct operating costs (FSR tabs "2a Adults Urban", "2b Adults Rural", "2c Children Urban", "2d Children Rural" and "2e CSHCN", as applicable). For client (beneficiary) transportation, meals, and lodging, where such are covered services. For each MTO, and by Region/SDA, perform the following:

1. Encounters
 - a. Determine the total aggregate operating expenses submitted via accepted Encounters and compare this to the total aggregate operating expenses included in the FSR after any audit adjustments. State the Encounter dollars as a percent of the audit-adjusted FSR dollars.
 - b. Next, split item a. the Encounters by the three operating expense components of transportation, meals, and lodging. State the Encounter dollars as a percent of the audit-adjusted FSR dollars for each of these three components.
 - c. Next, split item b. The three operating expense components of transportation by the five risk groups. State the Encounter dollars as a percent of the audit-adjusted FSR dollars for each risk group.
 - d. On an MTO by Region/SDA basis, reconcile each of the following: quantity of trips, mileage (number of miles), quantity of meals, and quantity of room-nights, each as reported in the FSR, to MTO Encounter Data.
 - e. Consolidate item a. through item d. into a table and include this table as an exhibit to the audit findings.

2. Trip testing

**RFQ No. 529-#-##### Medicaid/CHIP Multiple-Audit Pool Services
Blanket Contract series 529-##-####-XXXXX**

- a. Obtain the GL Detail from the MTO that supports the client service costs and reconciles with cost amounts reported in the FSR; identify appropriate strata and randomly select trip samples for each strata. Sample sizes will be sufficient to produce statistically-valid projections of the results. Provide the samples to HHSC for review and acceptance prior to conducting testing.
- b. For the “Fleet-model” MTO, obtain from HHSC copies of the MTO’s internal Pricing Schedule for the period subject to the AUP as submitted and approved by HHSC.
 - I. Use these Pricing Schedules to verify costs for trips provided by the MTO’s own fleet.
- c. From the sample selected in 2.a above, Perform the following detail testing to determine whether the cost, trip, and mileage data reported on the FSR is accurate and valid. Obtain provider contracts from both the MTO and HHSC for each sample:
 - I. Obtain provider contracts and fee schedules from both the MTO and HHSC for each sample. Reconcile the contracts. If the contracts are not the same, request the MTO provide the date the contract and fee schedule were submitted to HHSC and request HHSC to verify.
 - II. Determine if the beneficiaries were eligible at the time of service.
 - III. Validate that each trip was appropriately authorized prior to the date of service;
 - IV. Validate the pick-up trip and the drop-off trip were comparable in distance (if our sample includes 2 legs and the pick-up and drop-off locations are the same);
 - V. Validate that the provider’s address reported in the trip detail matches the provider’s address using various web searches;
 - VI. Validate that the transportation providers are not affiliated with the MTO;
 - VII. Validate that there are no transaction fees included in the trip paid amount;
 - VIII. Validate that there are no unloaded fees related to the distance drivers must go to pick up members in the paid amount;
 - IX. Verify the miles per trip using no less than three online mapping services and reconcile to the mileage reported in the FSR;
 - X. Verify the trip payment based on the contracted payment structure outlined in the transportation provider contract;
 - XI. Validate that the transportation provider contract was effective as of the trip date of service; validate that the provider contract was signed by both parties;
 - XII. Obtain a copy of the check or EFT and ensure that a valid payment was made;
 - XIII. Trip data should be reported by correct risk group and by correct trip type (e.g., Demand Response excl Paratransit, vs. Mileage, vs. scheduled Mass Transit bus, vs. DR Paratransit). This should also be reported by correct trip source type (Non-affiliate vs. Affiliate). Risk group designation includes not only Adults vs Children, but also Rural vs. Urban. Rural and Urban are contractually-defined terms.

**RFQ No. 529-#-##### Medicaid/CHIP Multiple-Audit Pool Services
Blanket Contract series 529-##-####-XXXXX**

(Note that “Mass Transit” should be utilized for fixed-route mass transit trips only. Trips provided by mass transit companies that are provided as door-to-door Paratransit should be reported as Demand Response - Paratransit. Mass transit bus tickets should not be reported as an expense until they are used; quantities bought in advance and kept on hand should not be expensed while they are in inventory and are still valid.)

3. Trip Justification. Match a sample of trips reported against health care events with the assistance of HHSC. Use this to assess the extent to which any trips may be incurred or otherwise included in the FSR without a matching health care event.

4. Specific FSR Reporting Issues.
 - a. Check that there are no accruals remaining under row 27, Accruals.
 - b. Review definition and consistency of client’s usage of the term “trip,” with respect to unit quantities reported on the FSR. Determine whether the unit quantities reported are in compliance with each of the following:
 - I. Child beneficiary, plus attendant taken together from point A to point B;
 - II. Two (or more) unrelated beneficiaries picked-up from the same facility and taken to the same address;
 - III. Two (or more) unrelated beneficiaries, who are either picked-up from the same facility and taken to the different addresses, or, are picked-up from different facilities and taken to the same address;
 - IV. Driver arrives, but beneficiary is a no-show;
 - V. Beneficiary schedules a trip, but driver does not arrive;
 - VI. Beneficiary picked-up from doctor’s office (or other medical facility), taken to pharmacy, and then taken home;
 - c. Review definition and consistency of client’s usage of the terms “meals” and “lodging” with respect to unit quantities reported on the FSR. Determine whether the unit quantities reported are in compliance with each of the following:
 - I. One reported lodging covering any number of nights stayed, for a beneficiary alone;
 - II. One reported lodging covering any number of nights stayed, for a beneficiary and attendant, together in one room;
 - III. One reported lodging covering any number of nights stayed, for a beneficiary and an attendant, in two rooms;
 - IV. One reported lodging covering any number of nights stayed, for an attendant when a beneficiary is admitted to a facility.
 - V. Multiple days’ worth of meals, for one beneficiary during one trip;
 - VI. One day’s worth of meals, for beneficiary and attendant;
 - VII. Any number of days’ worth of meals, for an attendant when the beneficiary is admitted to a facility.
 - d. If the lodging cost per room-night, as shown in line-item 45 in the FSR (cost per lodging night) is greater than the established Texas State travel rate for that area, investigate to

**RFQ No. 529-#-##### Medicaid/CHIP Multiple-Audit Pool Services
Blanket Contract series 529-##-####-XXXX**

determine if this is due to a high-cost room or to an incorrect quantity of room-nights (as shown in line-items 26). If this is due to high-cost room, require justification from the MTO for the pricing. If justification is not reasonable, consider it a finding.

- e. Cash advances. Verify that line item 35 in the FSR, cash advances, is not left blank. Note: Meals, lodging, and mileage are all potential cash advance services and it is unlikely that an MTO would not have any cash advances during the course of a year. If the line is blank, investigate to document the MTOs justification.
- f. “Minor items.” Examine Line Item 13, “minor adv fund fees/credits; provider adjmts, etc.” If this line is greater than 2.0% of operating expenses, select individual expenses on a targeted basis and test for allowability.

D. Administrative Expenses (FSR tabs “3a Admin - Unaffli”, “3b Admin — Affil”, and “3c Admin - Salary by Dept”). Note: this administrative cost review should be done on a total MTO basis, and not on a per Region/SDA basis. Refer to the following steps:

1. Direct Admin Expenses. Perform the following procedures relating to direct Admin Expenses (FSR tab “3a Admin - Unaffil”).
 - a. Reconcile the amounts of the administrative direct expenses reported on page 3a in the FSR to the corresponding amounts in the General Ledger (GL). Any overstatement on the FSR should be considered unallowable and result as a material finding.
 - b. Using the reconciled GL from D.1.a., identify the appropriate strata and randomly select administrative expense samples for each strata. Sample sizes will be sufficient to produce statistically-valid projections of the results to applicable strata, and sample sizes will require approval by HHSC.
 - c. Determine allowability of direct Admin Expenses sampled by performing the following procedures:
 - I. Determine whether sufficient evidence exists to support the charge;
 - II. Note, by reference to the support obtained and the Medical Transportation Program Attachment K - Cost Principles for Expenses (Cost Principles), that the expenses are allowable;
 - III. Reconcile the dates of service of the invoices to the corresponding contract period of the FSRs; and
 - IV. Validate payment is supported by valid evidence of cash disbursement
 - d. Validate that any bonuses are shown in line-item 9, rather than being included in line-item 8 (or elsewhere).
2. Indirect / Affiliate Admin Expenses. Perform the following procedures relating to indirect Admin Expenses (FSR “3b Admin - Affil”).

**RFQ No. 529-#-##### Medicaid/CHIP Multiple-Audit Pool Services
Blanket Contract series 529-##-####-XXXXX**

- a. Reconcile the amounts of the administrative indirect / affiliate expenses reported in the FSR to the corresponding amounts in the GL. Any overstatement on the FSR should be considered unallowable and result as a material finding.
- b. Review the MTO's Cost Allocation Plan Methodology on file with HHSC and consider the context of the procedures below.
 - I. Obtain a report from the MTO detailing the amounts that were allocated for the contract period;
 - II. Obtain supporting details and documentation from the MTO that allows comparison of actual cost to the amounts that were allocated to the FSR administrative expenses for the contract period; and
 - III. Recalculate the expense amount allocated to the FSR using the MTO's allocation methodology.
- c. Using the reconciled GL from D.2.a., identify the appropriate strata and randomly select administrative expense samples for each strata. Sample sizes will be sufficient to produce statistically-valid projections of the results to applicable strata, and sample sizes will require approval by HHSC.
- d. Determine allowability of Indirect Expenses sampled by performing the following procedures.
 - I. Determine whether sufficient evidence exists to support the charge;
 - II. Note by reference to the support obtained and the Medical Transportation Program Attachment K - Cost Principles for Expenses (Cost Principles) that the expenses are allowable;
 - III. Reconcile the dates of service of the invoices to the corresponding contract period of the FSR; and
 - IV. Validate payment is supported by valid evidence of cash disbursement.
- e. Identify the existence of all types of related party transactions between the MTO and its Affiliates (as Affiliates is defined in the respective contracts) and insiders.
 - I. Examine the transaction types and ensure that the transactions are appropriately reported from a financial standpoint at rates equivalent to third party transactions; and
 - II. Summarize specific Affiliate transaction types, including any real estate arrangements (office lease, etc.), loans, due-to/due-from, collateral pledges, etc.
- f. Review the MTO's Bonus Plan Methodology as on file with HHSC and consider it in the context of the procedures below.
 - I. Obtain a report from the MTO detailing the amounts and justification for award that had been allocated for the contract period; and

**RFQ No. 529-#-##### Medicaid/CHIP Multiple-Audit Pool Services
Blanket Contract series 529-##-####-XXXXX**

- II. Determine whether any bonuses are shown anywhere other than in Line-item 4, such as being included in line-item 3 (or elsewhere).
- g. Per the Cost Principles (*in Section I. General Provisions, Part D. Affiliate Transactions and Affiliate cost reporting, item (5) Administrative expense assessment “true-up,”*) determine whether parental assessment amounts reported have been trued-up to match actuals incurred by the parent.
3. Total Admin Expenses. Using the results of steps 1 and 2 of Section D. Administrative Expenses regarding direct and indirect administrative expenses respectively, determine the variance in total administrative expense reported in tab 3a of the FSR, as compared to the corresponding amounts shown in the MTO general ledger for the contract period.
4. Comparative level of Administrative Expenses.
- a. Calculate the Year-to-Date (“YTD”) aggregate Administrative Expenses (including both direct and indirect admin), as adjusted for any audit findings, across all Regions/SDAs, as a percentage of the aggregate Operating Expenses (as adjusted for any audit findings, across all Regions/SDAs).
- b. If the YTD percentage is higher than 35%, then:
- I. Identify and disclose the major components of administrative expenses. This could be but is not limited to any one or combination of the following:
- level of headcount;
 - average salary and benefits cost per person;
 - cost of facilities;
 - phone / telecom / cell phones / IT / broadband;
 - computer hardware / software purchases, un-capitalized;
 - depreciation & amortization; or
 - misc. all other admin.
- II. Closely examine affiliate administrative assessments. Look for possible non-proportional or excessive levels of billing for portions of people’s time, space costs, legal costs, marketing costs, finance/accounting costs, IT/telecom costs, depreciation/amortization, taxes, insurance, and other overhead.
- c. If the “miscellaneous other” category is equivalent to more than 7% of aggregate Operating Expenses, then:
- I. Identify what specific items make up the largest part of the costs and analyze for allowability;
- II. If there are consultants, obtain copies of each consulting contract, and list the YTD amounts paid, by contract; and
- III. Investigate other large items, and obtain underlying details and analyze for allowability.

**RFQ No. 529-#-##### Medicaid/CHIP Multiple-Audit Pool Services
Blanket Contract series 529-##-####-XXXX**

- d. If the YTD “computer hardware / software purchases, un-capitalized” category is equivalent to more than 5% of aggregate Operating Expenses, examine it to see if items that should have been capitalized in accordance with GAAP and MTO policy were treated as expense items on the FSR; if so, make any appropriate disallowances.
- e. If the YTD depreciation & amortization category is equivalent to more than 4% of aggregate Operating Expenses, examine the underlying source (i.e., what it is that is generating the depreciation/amortization) for appropriateness.
- f. For the YTD “salaries, wages, & benefits, excl. bonuses” category follow these procedures:
 - I. Obtain a breakdown of the YTD aggregate amount by person with position title and current annual pay rate, along with an organizational chart that shows where each person is, from a functional perspective, their current annual pay rate, any bonuses or special benefits paid YTD.
 - II. If the category is more than 25% of aggregate Operating Expenses then for each position labeled as a “manager,” “director,” “VP,” or other title that does not appear to be a typical individual contributor title,
 1. Get the number of individuals that report to that individual;
 2. Inquire if the manager/director/VP/etc. performed, at any time, as a Lobbyist (or other similar function) for the MTO prior to the contract award; and
 3. For anyone identified as a former lobbyist for the MTO, obtain information as described under Part II, Section E.4, above.

E. Income Statement (FSR tab “4 Summary Income Statement”)

1. Reconcile Investment Income reported in the FSR to the MTO’s general ledger and/or investment income allocation worksheet. Determine completeness of investment income reported by comparing to MTO’s audited financials and market rates of return.
2. Reconcile “Other Revenue” reported in the FSR to the MTO’s GL and/or source allocation worksheet and determine appropriateness with respect to the Cost Principles and FSR instructions.

F. Administrative Cap

Calculate the Administrative Cap as described in the rate setting documentation. Compare the Administrative Cap against the Administrative Expenses reported by the MTO. Make disallowances as necessary.

G. Experience Rebate (FSR calculation sheet)

1. Recalculate the experience rebate using the adjusted FSR and the calculation sheet, then compare these to the rebate submitted by the MTO.
2. Validate that any items used in the calculation spreadsheet as an adjustment to reported income have not been, in effect, double counted through both inclusion as an allowable expense and as an adjustment to the experience rebate calculation.

**RFQ No. 529-#-##### Medicaid/CHIP Multiple-Audit Pool Services
Blanket Contract series 529-##-####-XXXXX**

PART II: State Fiscal Year 2019 120 Day FSR and related financial issues.

Repeat the steps listed in PART I for SFY19. PART II is a separate audit from PART I. *Note:* Part II applies to all MTOs. Part II covers operating results for 9/1/2019 through 8/31/2020. Obtain copies of the twelve 120 Day FSRs and other relevant information as HHSC may have available.

D. Payment Methodology:

Payment Methodology
Payment for services will be separated into three benchmarks for payment. 25% will be paid upon submission of the Mid-point Status Report, 50% for delivery to HHSC for the draft report, and the remaining 25% will be paid for delivery to HHSC of the final report.

E. LIQUIDATED DAMAGES:

Audit Liquidated Damages
Liquidated Damages (LD) may be assessed by the HHSC for late completion and submission of key deliverables by the audit firm. The LDs will be assessed at a rate of \$500 per deliverable per day for each day the deliverable is not completed and submitted to HHSC. Extensions for deliverables will be considered on a case by case basis and must be requested prior to the date the deliverable is due to HHSC. Requests should be submitted via email to HHSC’s designated contact(s) and HHSC’s Contract Manager.

F. RESPONDENTS:

Audit Respondents

**RFQ No. 529-#-##### Medicaid/CHIP Multiple-Audit Pool Services
Blanket Contract series 529-##-####-XXXXX**

Each respondent should provide at a minimum:

- An “About Us” section covering the history of the firm and areas of expertise. This should cover:
 - Executive, Partner, & Senior staff at the firm and their qualifications
 - History of working on projects similar to this one
 - Explain experience auditing Medicaid contracts and be as specific to Texas Medical Transportation as possible.
- Provide staff resumes and experience for those designated to work on this project.
- Provide a timeline with benchmarks for the project.
- Provide an overview of how the tasks detailed in the SOW will be accomplished.
 - Explain the proposed audit sampling method
 - Address key points in the SOW
- Any additional information believed to be of importance towards the consideration of the respondent.

G. DELIVERABLES:

Audit Deliverables
1. Provide performance audits of each of the MTOs and FRBs to provide HHSC with independent assessments of the contracted brokers’ operational compliance with their contracts following the direction listed in the AUP for SFY18.
2. Provide performance audits of each of the MTOs and FRBs to provide HHSC with independent assessments of the contracted brokers’ operational compliance with their contracts following the direction listed in the AUP for SFY19.

H. VENDOR TASK LIST AND SCHEDULE: (Add rows as necessary to list all tasks/timelines.)

Vendor Must Complete the Following Task Schedule		
Task	Assigned Staff	Timeline (Include deadlines, if determined)
1.		
2.		
3.		
4.		
5.		

**RFQ No. 529-#-##### Medicaid/CHIP Multiple-Audit Pool Services
Blanket Contract series 529-##-###-XXXX**

- I.** Please provide under separate cover your cost proposal. Please submit a fixed price proposal, including the hourly breakdown of the position types and the cost proposed inclusive of any other factors for consideration.