



# Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

## MEMORANDUM

**Date:** June 11, 2024

**Refer To:** 772403

**To:** Gina Clemons  
Deputy Commissioner  
for Analytics, Review, and Oversight

**From:** Michelle L. Anderson *Michelle L. Anderson*  
Assistant Inspector General for Audit

**Subject:** Single Audit of the State of Texas for the Fiscal Year Ended August 31, 2023

This memorandum presents the Social Security Administration's (SSA) portion of the single audit of the State of Texas for the Fiscal Year ended August 31, 2023.<sup>1</sup> The audit firm CliftonLarsonAllen LLP conducted the audit. Our objective was to report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to SSA for resolution action.

## BACKGROUND

A single audit is an organization-wide financial statement and Federal awards audit of a non-Federal entity that expends \$750,000 or more in Federal funds in 1 year. It is intended to assure the Government that a non-Federal entity has adequate internal controls in place and is generally in compliance with program requirements. Non-Federal entities typically include State and local governments, Indian tribes, universities, and nonprofit organizations.

For single audit purposes, the General Services Administration maintains a list of all Federal programs in the Federal Assistance Listing. SSA's Disability Insurance and Supplemental Security Income programs are identified under listing number 96. SSA is responsible for resolving single audit findings reported under this listing number.

The Texas Disability Determination Services (DDS) performs disability determinations under SSA's Disability Insurance and Supplemental Security Income programs in accordance with Federal regulations. SSA reimburses the DDS for 100 percent of allowable costs. The Texas Health and Human Services Commission (HHSC) is the Texas DDS' parent agency.

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<sup>1</sup> CliftonLarsonAllen LLP, *State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2023*, (February 2024).

## RESULTS

The single audit reported HHSC experienced significant delays in updating the allocation factors for the Public Assistance Cost Allocation Plan due to substantial staff turnover in the responsible unit and changes in methodologies and schedule. The “huge increase in both volume and complexity” of work required “greatly increased calculation labor and risk of error.” The corrective action plan indicates the unit responsible for cost allocations is fully staffed and has a plan in place to complete Fiscal Year 2023 reallocations and catch up on Fiscal Year 2024 reallocations.<sup>2</sup>

The single audit identified multiple Federal programs, including SSA, responsible for resolving this finding. The Department of Health and Human Services, as cognizant agency, will coordinate resolution actions across the Federal programs.

## RECOMMENDATION

We recommend SSA work with HHSC and the Department of Health and Human Services to ensure the Public Assistance Cost Allocation Plan properly updates the allocation factors for SSA’s programs.

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards require that Federal awarding agencies issue a management decision on findings within 6 months of acceptance of the audit report by the Federal Audit Clearinghouse. The Federal Audit Clearinghouse accepted the single audit of the State of Texas on March 21, 2024.

Please send copies of the final Audit Clearance Document and any questions to [OIG.Audit.Division.7@ssa.gov](mailto:OIG.Audit.Division.7@ssa.gov).

Attachment

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<sup>2</sup> CliftonLarsonAllen LLP, *State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2023*, Finding 2023-009.

**2023-009 Allowable Costs/Cost Principles – Cost Allocations, Matching, Level of Effort, Earmarking (CHIP Only)**

Federal Agency: U.S. Department of Health and Human Services  
U.S. Department of Agriculture  
U.S. Department of Education  
Social Security Administration

Federal Program Title: Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)  
Temporary Assistance for Needy Families (TANF)  
Social Services Block Grant (SSBG)  
Children's Health Insurance Program (CHIP)  
Block Grants for Community Mental Health Services (MHBG)  
Block Grants for Prevention and Treatment of Substance Abuse (SABG)  
Medicaid Cluster  
Aging Cluster (nonmajor)  
Disability Insurance/SSI Cluster (nonmajor)  
Money Follows the Person Rebalancing Demonstration (nonmajor)  
CCDF Cluster (nonmajor)  
SNAP Cluster (nonmajor)  
Special Education-Grants for Infants and Families (nonmajor)

ALN: 10.557  
93.558  
93.667  
93.767  
93.958  
93.959  
  
93.775, 93.777, 93.778  
93.044, 93.045, 93.053 (nonmajor)  
96.001, 96.006 (nonmajor)  
93.791 (nonmajor)  
93.575, 93.596, 93.489 (nonmajor)  
10.551, 10.561 (nonmajor)  
84.181 (nonmajor)

Pass-Through Agency: N/A

Pass-Through Number(s): N/A

Award Number and Period: WIC  
6TX700527, 6TX700507  
October 1, 2020 – September 30, 2022, October 1, 2021 – September 30, 2023,  
October 1, 2021 – September 30, 2022, October 1, 2022 – September 30, 2023,  
October 1, 2022 – September 30, 2024

TANF  
2301TXTANF, 2301TXTAN3, 2201TXTANF, and 2201TXTAN3  
October 1, 2022 – September 30, 2023 and October 1, 2021 – September 30, 2022

SSBG  
2301TXSOSR, 2201TXSOSR and 2101TXSOSR  
October 1, 2022 – September 30, 2024, October 1, 2021 – September 30, 2023

CHIP  
2105TX5021, 2205TX5021, 2305TX3002, 2305TX5021  
October 1, 2020 – September 30, 2022, October 1, 2021 – September 30, 2023,  
October 1, 2022 – September 30, 2024

MHBG

1B09SM087345, 6B09SM087345-01M001, 6B09SM087345-01M002,  
6B09SM087345-01M003, 1B09SM087322-01, 1B09SM085994-01,  
6B09SM085994-01M001, 6B09SM085994-01M002, 6B09SM085994-01M003,  
1B09SM083999 -01, 6B09SM083999-01M001, 1B09SM083830-01,  
6B09SM083830- 01M001

October 1, 2022 – September 30, 2024, October 17, 2022 – October 16, 2024,  
October 1, 2021 – September 30, 2023, March 15, 2021 – March 14, 2024,  
March 15, 2021 – March 14, 2023, and October 1, 2020 – September 30, 2022

SABG

1B08TI085835-01, 6B08TI085835-01M001, 6B08TI084673-01M001,  
6B08TI084673-01M002, 1B08TI084673-01, 6B08TI083478-01 6B08TI083478-  
01M002, 6B08TI083478-01M003, 6B08TI083478-01M004

October 1, 2022 – September 30, 2024, October 1, 2021 – September 30, 2023,  
and October 1, 2020 – September 30, 2022

Medicaid Cluster

2205TX5ADM, 2205TX5MAP, 2205TXIMPL; 2305TX5ADM, 2305TX5MAP,  
2305TXIMPL

October 1, 2021 – September 30, 2022, October 1, 2022 – September 30, 2023

Statistically Valid Sample: No, and not intended to be a statistically valid sample

Type of Finding: Significant Deficiency in Internal Control over Compliance and Noncompliance

**Criteria or specific requirement:** Per 2 CFR 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that it is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with guidance in the "Internal Control Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Per 45 CFR Section 95.507, the State shall submit a cost allocation plan for the State agency as required below to the Director, Division of Cost Allocation (DCA), in the appropriate HHS Regional Office. The plan shall describe the procedures used to identify, measure, and allocate all costs to each of the programs operated by the State agency. The cost allocation plan shall contain the procedures used to identify, measure, and allocate all costs to each benefitting program and activity. Per 45 CFR Section 95.509, the State shall promptly amend the cost allocation plan and submit the amended plan to the Director, DCA, if any of the following events occur, including if other changes occur which make the allocation basis or procedures in the approval cost allocation plan invalid.

**Condition:** HHSC's approved Public Assistance Cost Allocation Plan (PACAP) expenditures and revenues are initially allocated based on an estimate of Project ID percentages. After actual base statistical data is available, expenditures are reallocated and adjustments between estimated and actual costs are made. The adjustments will result in costs claimed for each period being allocated based on actual base statistics for the same period. Data is updated either by voucher, monthly, quarterly, semi-annually, or annually, depending on the Project ID. HHSC experienced significant delays in updating factors. By the end of the fiscal year, cost allocations had been updated only through August 2022.

Although there is no documented policy over when the FMAP should be updated, HHSC will allocate costs at the FMAP that is in effect at the time of the transaction and will reallocate the transactions using the FMAP in effect at the time of the reallocation. This procedure was not followed in 2023 when the costs for four of 40 sample allocations tested in the CHIP program were allocated using a rate other than the current one in effect resulting in noncompliance with matching requirements.

**Questioned costs:** Unknown

**Context:** See "Condition."

## Attachment 3

**Cause:** HHSC's General Ledger Unit is responsible for cost allocations. At the start of fiscal year 2023, the Unit suffered a loss of more than half of its staff due to turnover. Additionally, the current Federal Medical Assistance Percentage (FMAP) rates were in a stepdown process whereby the rate changed quarterly as opposed to yearly which intensified the workload. In addition, since transformation, the number of Public Assistance Cost Allocation Plan (PACAP) methodologies (Project IDs) has increased by 243%. These methodologies have become increasingly more complex, now including over 80 dependent factors of which some comprise more than 100 fund sources each. This huge increase in both volume and complexity has greatly increased calculation labor and risk of error.

**Effect:** Failure to update factor allocations timely can result in questioned costs.

**Repeat finding:** 2022-010, 2021-004, 2020-016, 2019-006, 2018-005, 2017-009, and 2016-024

**Recommendation:** HHSC should allocate adequate resources to ensure factor allocations are performed and reallocations are updated timely in order to present accurate information.

**Views of responsible officials:** HHSC concurs with the finding.

**Corrective action plan:** The General Ledger Cost Allocation and Chartfield teams are currently fully staffed. An aggressive plan to complete FY 2023 reallocations and catch FY 2024 reallocations up to current (one federal quarter plus one month in arrears) is in place.

**Implementation date:** August 31, 2024

**Responsible person:** Heather Nevill, Director, Fund Management