
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SINGLE AUDIT OF THE
STATE OF TEXAS
FOR THE FISCAL YEAR ENDED
AUGUST 31, 2008**

February 2010 A-77-10-00002

**MANAGEMENT
ADVISORY REPORT**



Mission

By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.

Authority

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.
- Promote economy, effectiveness, and efficiency within the agency.
- Prevent and detect fraud, waste, and abuse in agency programs and operations.
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.

To ensure objectivity, the IG Act empowers the IG with:

- Independence to determine what reviews to perform.
- Access to all information necessary for the reviews.
- Authority to publish findings and recommendations based on the reviews.

Vision

We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.



SOCIAL SECURITY

MEMORANDUM

Date: February 12, 2010

Refer To:

To: Candace Skurnik
Director
Audit Management and Liaison Staff

From: Inspector General

Subject: Management Advisory Report: Single Audit of the State of Texas for the Fiscal Year Ended August 31, 2008 (A-77-10-00002)

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of Texas for the Fiscal Year ended August 31, 2008. Our objective was to report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to SSA for resolution action.

The Texas State Auditor performed the audit. The results of the desk review conducted by the Department of Health and Human Services (HHS) concluded that the audit met Federal requirements. In reporting the results of the single audit, we relied entirely on the internal control and compliance work performed by the Texas State Auditor and the reviews performed by HHS. We conducted our review in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.¹

For single audit purposes, the Office of Management and Budget assigns Federal programs a Catalog of Federal Domestic Assistance (CFDA) number. SSA's Disability Insurance (DI) and Supplemental Security Income (SSI) programs are identified by CFDA number 96. SSA is responsible for resolving single audit findings reported under this CFDA number.

The Texas Disability Determination Services (DDS) performs disability determinations under SSA's DI and SSI programs in accordance with Federal regulations. The DDS is reimbursed for 100 percent of allowable costs. The Department of Assistive and Rehabilitative Services is the Texas DDS' parent agency.

¹ In January 2009, the President's Council on Integrity and Efficiency was superseded by the Council of the Inspectors General on Integrity and Efficiency, Inspector General Reform Act of 2008, Pub. L. No. 110-409 § 7, 5 U.S.C. App. 3 § 11.

The single audit reported that salaries were paid to individuals who were no longer employed by the State. The State reported that some salary overpayments had been recovered. However, as of August 2008, overpayments totaling \$14,840 had not been collected from individuals who were previously employed by the Department of Assistive and Rehabilitative Services. The corrective action plan indicated a strategy had been developed to prevent future salary overpayments (Attachment A, pages 1 through 3).

We recommend that SSA:

1. Determine whether salary overpayments were charged to SSA and collect any unallowable costs.
2. Verify that appropriate procedures are in place to prevent salary payments to individuals who are no longer employed by the Texas DDS.

Please send copies of the final Audit Clearance Document to Shannon Agee. If you have questions, contact Shannon Agee at (816) 221-0315, extension 1537.



Patrick P. O'Carroll, Jr.

Attachments

**Health and Human Services Commission
Department of Aging and Disability Services
Department of Assistive and Rehabilitative Services
Department of Family and Protective Services
Department of State Health Services**

Reference No. 09-26

Allowable Costs/Cost Principles

CFDA 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

Award year - October 1, 2007 to September 30, 2008 and October 1, 2006 to September 30, 2007

Award number - 6TX700506

CFDA 10.560 - State Administrative Expenses for Child Nutrition

Award year - October 1, 2006 to September 30, 2008

Award number - 6TX300312

CFDA 84.126 - Rehabilitation Services - Vocational Rehabilitation Grants to States

Award year - October 1, 2007 to September 30, 2009, October 1, 2007 to September 30, 2009, October 1, 2006 to September 30, 2008, October 1, 2005 to September 30, 2007, October 1, 2005 to September 30, 2007, and October 1, 2004 to September 30, 2006

Award number - H126A080064, H126A080065, H126A070064, H126A060064, H126A060065, H126A050065,

CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance

Award year - August 31, 2006 to August 30, 2007

Award number - U90/CCU617001-07

CFDA 93.558 - Temporary Assistance for Needy Families

Award year - October 1, 2007 to September 30, 2008, October 1, 2006 to September 30, 2007 and October 1, 2005 to September 30, 2006

Award number - G0802TXTANF, G0702TXTANF and G0602TXTANF

CFDA 93.658 - Foster Care - Title IV-E

Award year - October 1, 2007 to September 30, 2008 and October 1, 2006 to September 30, 2007

Award number - G0701TX1401 AND G0801TX1401

CFDA 93.659 - Adoption Assistance

Award year - October 1, 2006 to September 30, 2007 and October 1, 2007 to September 30, 2008

Award number - G0601TX1407 and G0701TX1407

CFDA 93.667 - Social Services Block Grant

Award year - October 1, 2006 to September 30, 2008 and October 1, 2007 to September 30, 2009

Award number - G0701TXSOSR and G0801TXSOSR

CFDA 93.767 - State Children's Insurance Program

Award year - October 1, 2007 to September 30, 2008, October 1, 2006 to September 30, 2007, October 1, 2005 to September 30, 2006, and October 1, 2004 to September 30, 2005

Award number - 0805TX5021, 0705TX5021, 0605TX5021, and 0505TX5021

CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse

Award year - October 1, 2007 to September 30, 2009 and October 1, 2006 to September 30, 2008

Award number - 08B1TXSAPT and 07B1TXSAPT

CFDA 93.994 - Maternal and Child Health Services Block Grants to the States

Award year - October 1, 2007 to September 30, 2008 and October 1, 2006 to September 30, 2007

Award number - 6 B04MC08891-01 and 6B04MC07774-01

Aging Cluster

Award year - October 1, 2006 to September 30, 2007 and October 1, 2005 to September 30, 2006

Award number - 06AATXT3SP, 06AATXNSIP, 07AATXT3SP, and 07AATXNSIP

Disability Insurance/SSI Cluster

Award year - October 1, 2007 to September 30, 2008, October 1, 2006 to September 30, 2007, October 1, 2005 to September 30, 2006, and October 1, 2003 to September 30, 2004

Award number - 0808TXD100, 0704TXD100, 0604TXD100, 0404TXD100

Food Stamp Cluster

Award year - October 1, 2007 to September 30, 2008, October 1, 2006 to September 31, 2007 and October 1, 2005 to September 31, 2006

Award number - 6TX400105

Medicaid Cluster

Award year - October 1, 2007 to September 30, 2008, October 1, 2006 to September 31, 2007, and October 1, 2005 to September 31, 2006

Award number - 0705TX5028, 0705TX5048, 0605TX5028, 0605TX5048, 0505TX5028, and 0505TX5048

Non-major Programs:

- CFDA 10.559 - Summer Food Service Program for Children**
- CFDA 10.568 - Emergency Food Assistance Program (Administrative Costs)**
- CFDA 93.052 - National Family Caregiver Support**
- CFDA 93.110 - Maternal and Child Health Federal Consolidated Programs**
- CFDA 93.556 - Promoting Safe and Stable Families**
- CFDA 93.566 - Refugee and Entrant Assistance - State Administered Programs**
- CFDA 93.575 - Child Care and Development Block Grant**
- CFDA 93.590 - Community-Based Child Abuse Prevention Grants**
- CFDA 93.599 - Chafee Education and Training Vouchers Program**
- CFDA 93.645 - Child Welfare Services - State Grants**
- CFDA 93.674 - Chafee Foster Care Independence Program**
- CFDA 93.779 - Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations**
- CFDA 97.050 - Presidential Declared Disaster Assistance to Individuals and Households - Other Needs**

Type of finding - Non-Compliance

During fiscal year 2008, the Texas State Auditor's Office (SAO) performed an audit on the Human Resources Management at Health and Human Services Agencies. Part of the audit included verifying that when employees are terminated the payroll system is updated timely to prevent terminated employees from receiving paychecks. The SAO issued report No. 08-047 in August 2008 noted the Health and Human Services Commission (HHSC) continued to pay 1,229 individuals whose employment at the Enterprise agencies had been terminated in fiscal year 2007 and 2008. HHSC was able to provide updated information as of August 31, 2008, which reflects recoupments received and all affected employees for 2008 and preceding years. As of August 31, 2008, each agency analyzed total outstanding overpayments to

Questioned Cost: \$430,939
U.S. Department of Health and Human Services
U.S. Department of Agriculture
US Department of Education
US Department of Homeland Security
Social Security Administration

Recommendation:

The Health and Human Services Commission should implement procedures to ensure that the payroll system is updated upon termination of an employee.

Management Response and Corrective Action Plan:

On July 23, 2008, executive management approved, and a strategy was implemented, to prevent future salary overpayments. This strategy includes a centralized daily query, instituted on October 1, 2008, to identify retroactive termination actions made after the payroll deadline. Comprehensive training was developed in September, 2008, covering payroll calendar deadlines, relationships of those deadlines to the proper calculation of pay, and how managers should accurately and timely perform employee separation/termination activities. This training is currently being delivered by instructor led courses and is also being made available as an on-line course. In addition, the strategy calls for system enhancements. These include the development of a new Employee Separation Page for employees to self-report intended separation, and an improved Managers' Separation Page designed to provide additional date fields of Last Date Physically Worked and Last Date Paid Through. These new fields will assist and be used in the calculation of an employee's final pay period. In addition, an e-mail notification process is being developed which will automatically prompt managers two business days prior to when on-cycle payrolls are calculated. This email will prompt managers for the separation entries of any departing employees in time to prevent overpayments from occurring and ask them to carefully review their "reports to" list to validate active employees. These system enhancements are in development and are expected to be in production within fiscal year 2009.

Effective October 1, 2008, the tracking and reporting of employee overpayments has moved directly under the control of HHS Payroll Services. Management tracking of overpayments is occurring monthly and is shared with HHS agency chief operating officers and chief financial officers. The report includes relevant overpayment amounts, employee, manager, and department, and is serving as a measure of performance and an aid to reinforce manager responsibility and accountability.

Implementation Date: By August 31, 2009 - system enhancements implemented

Responsible Person: Mickey Gregory and Michael Markl

Overview of the Office of the Inspector General

The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

OA conducts financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

Office of Investigations

OI conducts investigations related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Office of the Counsel to the Inspector General

OCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Also, OCIG administers the Civil Monetary Penalty program.

Office of External Relations

OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

Office of Technology and Resource Management

OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.