



An Audit Report on

Contract Monitoring of Eligibility Support Services at the Health and Human Services Commission

- The Commission verified certain contract performance results, but it should strengthen its processes to verify results for all high-risk areas.
- The majority of noncompliance issues were reported to executive management; however, supervisory review should be completed to ensure that the results of the enhanced monitoring are accurate and that all noncompliance is being reported.

Lisa R. Collier, CPA, CFE, CIDA
State Auditor

The Health and Human Services Commission (Commission) created an enhanced monitoring plan for its Eligibility Support Services contract to review the contractor's adherence to data use agreements, deliverable requirements, and key performance requirements (KPRs). To strengthen monitoring, the Commission should verify the contractor's self-reported KPR results for high-risk areas and consistently report noncompliance to Commission executive management. Not independently verifying the KPR results increases the risk that the Commission will not identify performance issues until they are disclosed by the contractor. Performance issues, such as documentation not being routed appropriately or correspondence not being delivered, may result in delays for clients in receiving assistance or being approved for services.

Although the Commission implemented processes based on recommendations from prior audits, it did not fully address the issues identified in a confidential audit report on confidential data management at the Commission. To minimize security risks, auditors communicated details separately to the Commission in a confidential report.

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This audit was conducted in accordance with Texas Government Code, Sections 321.013, 321.0131, and 321.0132.

MEDIUM

CONTRACT MONITORING

The Commission monitored its Eligibility Support Services contract, but it should strengthen certain processes for verifying results and communicating instances of noncompliance.

[Chapter 1 | p. 6](#)

For more information about this audit, contact Audit Manager Jennifer Brantley or State Auditor Lisa Collier at 512-936-9500.

July 2025 | Report No. 25-033

Note on Confidential Findings

A separate report references confidential information. Pursuant to Standard 9.61 of the U.S. Government Accountability Office's *Government Auditing Standards*, certain information was omitted from this report because that information was deemed to present potential risks related to public safety, security, or the disclosure of private or confidential data. Under the provisions of Texas Government Code, Section 552.139, the omitted information is also exempt from the requirements of the Texas Public Information Act.

Summary of Management's Response

Auditors made recommendations to address the issues identified during this audit, provided at the end of Chapter 1 in this report. The Commission agreed with the recommendations.

Ratings Definitions

Auditors used professional judgment and rated the audit findings identified in this report. The issue ratings identified for each chapter were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

PRIORITY: Issues identified present risks or effects that if not addressed could ***critically affect*** the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

HIGH: Issues identified present risks or effects that if not addressed could ***substantially affect*** the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.

MEDIUM: Issues identified present risks or effects that if not addressed could ***moderately affect*** the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

LOW: The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks ***or*** effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

For more on the methodology for issue ratings, see [Report Ratings](#) in Appendix 1.

Background Information

Access and Eligibility Services

The Access and Eligibility Services (AES) division of the Health and Human Services Commission (Commission) has more than 10,000 employees responsible for delivering public assistance programs, disability determination services, and community-based programs and services to millions of Texans each year. These include public benefit programs such as Medicaid, Children's Health Insurance Program (CHIP), Supplemental Nutrition Assistance Program (SNAP), and Temporary Assistance for Needy Families (TANF).

Eligibility Support Services

To provide eligibility support services (ESS) to the AES division, the Commission has contracted with Maximus Inc. (contractor) since 2007. The contract reviewed for this audit took effect in 2023. The contractor helps to relieve the Commission's program eligibility workers of administrative duties so they can focus on eligibility determinations. Contractor functions include operating call centers, helping with application processing and document collection, sending mail, and improving business processes for systems owned by the Commission. Figure 1 on the next page provides additional details on the Commission's ESS contract.

Figure 1

ESS Contract Summary

Sources: Maximus Inc. and the ESS contract.



MEDIUM

Chapter 1 Contract Monitoring

The Health and Human Services Commission (Commission) created an enhanced contract monitoring plan for its Eligibility Support Services contract with Maximus Inc. (contractor) as required by the Commission's *Procurement and Contract Management Handbook*. The Commission monitored the contractor's adherence to data use agreements, deliverable requirements, and key performance requirements (KPRs). It reviewed all 27 contract deliverables tested as required, and it responded to contractor-reported instances of noncompliance for the KPRs tested appropriately. However, the Commission could improve certain contract monitoring processes to help ensure that clients receive all necessary support services.

The Commission verified certain contract performance results, but it should strengthen its processes to verify results for all high-risk areas.

The Commission had processes to monitor the day-to-day activities of the contractor, and it evaluated compliance with certain KPRs. Specifically, it recreated results for KPRs associated with call center metrics and reperformed work on accuracy monitoring performed by the contractor. Additionally, it verified contractor compliance with KPRs associated with deliverables by reviewing the submitted deliverables.

However, the Commission did not have a process to verify compliance with other high-risk KPRs. For example, the Commission had a process to see daily how many documents had been uploaded, but that process did not align with requirements for evaluating performance as outlined in the contract.

Additionally, the Commission asserted that it could not verify compliance with some KPRs listed in the contract because of the nature of the requirements or lack of access to information.

Figure 2 shows the subject areas for which the Commission had processes to monitor or verify the associated KPR results for the KPRs tested as well as any other KPRs that would have received the same type of monitoring but were not tested.

Figure 2

KPR Monitoring

Subject Area	Process to Monitor Subject Area	Process to Verify the Associated KPR Results
Call center metrics	✓	✓
Calls and application routing accuracy	✓	✓
Image association, document routing, and application support	✓	×
Fraud and fair hearings	×	×
Deliverables	✓	✓
Outbound Mail	×	×

Not independently verifying the KPR results increases the risk that the Commission will not identify performance issues until they are disclosed by the contractor. Performance issues, such as documentation not being routed appropriately or correspondence not being delivered, may result in delays for clients in receiving assistance or being approved for services.

The majority of noncompliance issues were reported to executive management; however, supervisory review should be completed to ensure that the results of the enhanced monitoring are accurate and that all noncompliance is being reported.

The Commission's Contract Operations division communicated noncompliance issues in its quarterly report to the Commission's executive management for 11 (73 percent) of 15 instances tested. Three of the 15 instances were not communicated to executive management, and one was communicated two quarters after it was identified. The *State of Texas Procurement and Contract Management Guide* and the Commission's *Procurement and Contract Management Handbook* require executive management to be informed of performance issues. Having accurate and complete information about noncompliance allows management to effectively make decisions regarding the contract provisions.

Additionally, the Contract Operations division did not perform required supervisory reviews of the enhanced contract monitoring plan results for 8 (57 percent) of 14 months tested between December 2023 and January 2025.¹ While most of the monitoring results were documented adequately, review could have identified inconsistencies. For example:

- Three KPRs from the contract were marked not applicable during a time when the deliverable and KPR results were required.
- One submission, which included 2 of the 27 deliverables tested, was not approved for more than a year after the Commission received it.

Consistent supervisory review could help verify that potential performance issues are identified and that any necessary responses, including communications with executive management, are completed.

¹ Supervisory review of the enhanced monitoring plan became a requirement in Commission policies starting December 2023.

Recommendations

The Commission should:

- Review and update monitoring processes for all high-risk area key performance requirements to ensure verification of self-reported results, including collecting reliable data or finding alternative ways to verify results.
- Perform supervisory reviews of the contract monitoring plan monthly as required.
- Develop and implement a process for reporting noncompliance issues to executive management in accordance with required timelines.

Management's Response

Recommendation 1a:

The Commission should review and update monitoring processes for all high-risk area key performance requirements to ensure verification of self-reported results, including collecting reliable data or finding alternative ways to verify results.

Statement of Agreement/Disagreement

Agree

Action Plan

HHSC Access and Eligibility Services, Contract Operations, and Vendor Operations will continue to develop reports and implement monitoring processes for all high-risk area key performance requirements (KPRs) to ensure verification of self-reported performance measures. This includes collecting reliable data or identifying alternative validation methods to ensure that the information received from the contractor aligns with the agreed upon contractual obligations. Contract Operations will be responsible for collaborating with Vendor Operations teams and other agency areas responsible for contract monitoring tasks to develop an annual update to the contract monitoring tool with

reasonable and consistent methods of validation of all KPR measurement and assessment and complete scheduled sessions for responsible key stakeholders for each KPR to confirm compliance or non-compliance to KPRs.

Responsible Manager

Director of Eligibility Operations and Disability Determination Services Contracts

Director of Vendor Operations

Target Implementation Date

January 1, 2026

Recommendation 1b:

The Commission should perform supervisory reviews of the contract monitoring plan monthly as required.

Statement of Agreement/Disagreement

Agree

Action Plan

HHSC Access and Eligibility Services, Contract Operations will require the PCS 351 form, Supervisor's Quality Assessment Spreadsheet, be completed by the Contract Administration Manager (CAM) prior to the fifth calendar day of each month. The PCS 351 is a supervisory tool to ensure compliance with contract file checklists that address each stage of the procurement and contracting lifecycle. The director, or designee, will review the CAM's completed PCS 351 prior to the 15th calendar day of the same month. A quarterly review of frequently found errors will be completed by the director to communicate trending errors to ensure quality controls and prevent serious errors.

Responsible Manager

Director of Eligibility Operations and Disability Determination Services Contracts

Director of Vendor Operations

Target Implementation Date:

October 31, 2025

Recommendation 1c:

The Commission should develop and implement a process for reporting noncompliance issues to executive management in accordance with required timelines.

Statement of Agreement/Disagreement

Agree

Action Plan

HHSC Access and Eligibility Services, Contract Operations will revise the missed key performance requirements and develop a Contract Governance Processes and Procedures to include required documentation and frequency expectations when noncompliance is identified for executive management notification.

Responsible Manager

Contract Quality Assurance and Training Manager V

Target Implementation Date:

September 1, 2025



Appendix 1

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to:

- Determine whether the Health and Human Services Commission (Commission) monitors its contract for Eligibility Support Services (ESS) in accordance with applicable requirements.
- As applicable, determine the status of selected prior audit recommendations issued by the State Auditor's Office.

Scope

The scope of this audit includes the Commission's contract monitoring activities from September 1, 2023, through January 31, 2025, related controls, and the follow-up of selected prior audit recommendations.

The following members of the State Auditor's staff performed the audit:



- Anna Howe, CFE (Project Manager)
- Evan Cresap, CPA (Assistant Project Manager)
- Jennifer Grant, MPA, CFE
- Rory Hardin
- Cameron Keating
- Robert G. Kiker, CFE, CGAP (Quality Control Reviewer)
- Jennifer D. Brantley, MS, CPA (Audit Manager)

Methodology

We conducted this performance audit from February 2025 through June 2025 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. In addition, during the audit, matters not required to be reported in accordance with *Government Auditing Standards* were communicated to Commission management for consideration.

Addressing the Audit Objective

During the audit, we determined whether the Commission had adequate controls over contract monitoring to ensure compliance with Texas Government Code, Sections 2155, 2251, 2261, and 2262; Texas Administrative Code, Title 34, Part 1, Chapter 20; the *State of Texas Procurement and Contract Management Guide*, version 3.0; the Commission's *Procurement and Contract Management Handbook*, versions 1.1 through 1.5; additional Commission policies; and the ESS contract with Maximus Inc., by:

- Interviewing Commission staff to gain an understanding of contract monitoring activities, including internal controls and information that supports those processes.
- Reviewing the design of the Commission's contract monitoring plan, risk assessment, and reporting requirements.
- Testing samples of submitted deliverables and key performance requirement (KPR) results to determine if monitoring was occurring according to requirements.
- Testing controls identified to determine if they were working as intended to identify whether the contractor was meeting requirements.

Figure 3 provides details about the populations and samples selected for testing.

Figure 3

Samples Selected for ESS Contract Monitoring

Population Description	Population Size	Sample Size	Sampling Size and Methodology ^a
Monthly Reviews	17	4	Selected 4 months, each of which was the final month of a quarter.
KPRs	38	12	Selected 8 KPRs focusing on areas identified as high-risk or noncompliant. For the KPRs selected, reviewed a minimum of 20 percent of the results provided for each reporting frequency (monthly, quarterly, annually). Additionally, selected 4 KPRs with noncompliant results for which the Commission did not assess liquidated damages. In total, 38 KPR results were reviewed.
Deliverables	60	12	Selected 12 deliverables focusing on areas identified as high-risk. For the 12 deliverables selected, reviewed a minimum of 20 percent of the deliverable submissions provided for each reporting frequency (monthly, quarterly, annually). In total, 27 deliverable submissions were reviewed.

^a All samples were nonstatistical and chosen to ensure coverage of specific characteristics identified in the population that were not necessarily representative of the population; therefore, it would not be appropriate to project the test results to the population.

Data Reliability and Completeness

Auditors determined that the Excel documents housing historical data from telephony systems and reported contractor errors were sufficiently reliable for the purposes of the audit. Auditors observed the processes to add information to the documents and compared the data to results reported by the contractor.

Report Ratings

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.

Appendix 2

Related State Auditor’s Office Reports

Figure 4

Report Number	Report Name	Release Date
23-033	<i>An Audit of Confidential Data Management at the Health and Human Services Commission</i>	June 2023
23-005	<i>An Audit Report on the Health and Human Services Commission's Medicaid Managed Care Rate-setting Process</i>	October 2022
22-021	<i>An Audit Report on the Health and Human Services Commission’s Oversight of the Medical Transportation Program</i>	March 2022
21-007	<i>An Audit Report on Selected Contracting Functions at the Health and Human Services Commission</i>	January 2021



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The Honorable Robert Nichols, Member, Texas Senate

The Honorable Greg Bonnen, House Appropriations Committee

The Honorable Morgan Meyer, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Health and Human Services Commission

Ms. Cecile Erwin Young, Executive Commissioner



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