

*Management Advisory Report*

Single Audit of the State of Texas for  
the Fiscal Year Ended  
August 31, 2020

# **Single Audit of the State of Texas for the Fiscal Year Ended August 31, 2020 A-77-21-00002**



April 2021

**Office of Audit Report Summary**

<b>Objective</b>
To report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to the Social Security Administration (SSA) for resolution action.
<b>Background</b>
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.
Clifton Larson Allen LLP conducted the single audit of the State of Texas. SSA is responsible for resolving single audit findings related to its disability programs. The Health and Human Services Commission (HHSC) is the Texas Disability Determination Services' parent agency.

## **Findings**

The single audit reported HHSC did not

- comply with its information security policy regarding password reuse configurations or
- ensure user access rights to the Centralized Accounting and Payroll/Personnel System – Financials and Human Capital Management systems were appropriate based on user roles and employment status.

The single audit also reported HHSC does not have effective internal controls over its Public Assistance Cost Allocation Plan expenditures and revenues.

The Department of Health and Human Services will ensure these findings are resolved on the Government's behalf. Therefore, we are bringing these issues to SSA's attention, but we are not making recommendations.

**MEMORANDUM**

**Date:** April 14, 2021 **Refer To:**

**To:** Trae Sommer  
Director  
Audit Liaison Staff

**From:** Assistant Inspector General for Audit

**Subject:** Single Audit of the State of Texas for the Fiscal Year Ended August 31, 2020 (A-77-21-00002)

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, 2020.<sup>1</sup> The audit firm Clifton Larson Allen 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 Office of Management and Budget assigns Federal programs a Catalog of Federal Domestic Assistance (CFDA) number. CFDA number 96 identifies SSA's Disability Insurance and Supplemental Security Income programs. 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 Disability Insurance and Supplemental Security Income programs in accordance with Federal regulations. SSA reimburses the DDS for 100 percent of allowable costs. The Health and Human Services Commission (HHSC) is the Texas DDS' parent agency.

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<sup>1</sup> Texas State Auditor, *State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2020*, 21-015 (February 23, 2021).

## RESULTS

The single audit reported HHSC did not:

- Comply with its information security policy regarding password re-use configurations. Specifically, the number of password re-use generations for the Centralized Accounting and Payroll/Personnel System - Financials and the Human Capital Management was less than HHSC policy requires.<sup>2</sup>
- Ensure user access rights to the Centralized Accounting and Payroll/Personnel System - Financials and Human Capital Management systems were appropriate based on user roles and employment status.<sup>3</sup>

The single audit also reported HHSC did not have effective internal controls over its Public Assistance Cost Allocation Plan expenditures and revenues. The single audit found the Public Assistance Cost Allocation Plan

- did not include all department codes used to charge items,
- used allocation methods that were not included in the most recent cost allocation plan,
- listed funding sources for allocation that were not used in the allocation calculation, and
- did not ensure HHSC used the current Federal Medical Assistance Percentage to allocate costs.<sup>4</sup>

The Department of Health and Human Services will ensure these findings are resolved on the Government's behalf. Therefore, we are bringing these issues to SSA's attention, but we are not making recommendations.

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 the Federal Audit Clearinghouse accepting the report. The Federal Audit Clearinghouse accepted the single audit of the State of Texas on March 20, 2021. Please send copies of the final Audit Clearance Document to [OIG.Audit.Kansas.City@ssa.gov](mailto:OIG.Audit.Kansas.City@ssa.gov).



Michelle L. Anderson

Attachment

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<sup>2</sup> See Footnote 1, Finding 2020-012.

<sup>3</sup> See Footnote 1, Finding 2020-013.

<sup>4</sup> See Footnote 1, Finding 2020-016.



## Mission:

The Social Security Office of the Inspector General (OIG) serves the public through independent oversight of SSA's programs and operations.

## Report:

Social Security-related scams and Social Security fraud, waste, abuse, and mismanagement, at [oig.ssa.gov/report](http://oig.ssa.gov/report).

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