

Management Advisory Report

Single Audit of the State of Texas for
the Fiscal Year Ended
August 31, 2019

Single Audit of the State of Texas for the Fiscal Year Ended August 31, 2019 A-77-20-00006



May 2020

Office of Audit Report Summary

Objective	Finding
To report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to the Social Security Administration (SSA) for resolution action.	The single audit reported the Texas Health and Human Services Commission does not have effective internal controls over its Public Assistance Cost Allocation Plan expenditures and revenues. For example, the Public Assistance Cost Allocation Plan did not allocate expenditures to department identification codes accurately and used inconsistent metrics in its allocation methods.
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. The audit is intended to assure the Government that a non-Federal entity has adequate internal controls in place and is generally complying with program requirements. Non-Federal entities typically include State and local governments, Indian tribes, universities, and nonprofit organizations.	Recommendation The single audit identified multiple Federal programs, including SSA, responsible for resolving this finding. However, the Department of Health and Human Services will resolve this finding on the Government's behalf. Therefore, we are bringing this matter to your attention, but we are not making a recommendation.
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 is the Texas Disability Determination Services' parent agency.	

MEMORANDUM

Date: May 12, 2020 **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, 2019 (A-77-20-00006)

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, 2019.¹ 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. The audit is intended to assure the Government that a non-Federal entity has adequate internal controls in place and is generally complying 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 performs disability determinations under SSA's Disability Insurance and Supplemental Security Income programs in accordance with Federal regulations. SSA reimburses the disability determination services for 100 percent of allowable costs. The Health and Human Services Commission is the Texas Disability Determination Services' parent agency.

¹ Texas State Auditor, *State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2019*, 20-317 (February 25, 2020).

RESULTS

The single audit reported the Texas Health and Human Services Commission does 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 allocate expenditures to department identification codes accurately,
- used inconsistent metrics in its allocation methods,
- did not include all Federal program funding sources, and
- used estimates that were not periodically reviewed.²

The single audit identified multiple Federal programs, including SSA, responsible for resolving this finding. However, the Department of Health and Human Services will resolve this finding on the Government's behalf. Therefore, we are bringing this issue to your attention, but we are not making a recommendation.

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards requires 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 25, 2020.

If you have questions, contact OIG.Audit.Kansas.City@ssa.gov.



Rona Lawson

Attachment

² See Footnote 1, Finding 2019-006.

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