

Management Advisory Report

Single Audit of the State of Texas for
the Fiscal Year Ended
August 31, 2017

Single Audit of the State of Texas for the Fiscal Year Ended August 31, 2017 A-77-18-00003



April 2018

Office of Audit Report Summary

Objective

To report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to the Social Security Administration (SSA) for resolution action.

Background

KPMG LLP conducted the single audit of the State of Texas. SSA is responsible for resolving single audit findings related to its disability programs. The Texas Health and Human Services (HHS) is the Texas Disability Determination Services' parent agency.

Findings

The Texas HHS did not timely reallocate estimated indirect cost expenditures when actual expenditures became available. In addition, inadequate segregation of duties allowed system developers inappropriate access to the production environment.

Recommendations

We recommend SSA ensure the Texas HHS implements:

1. Procedures to reallocate indirect cost expenditures timely.
2. Proper segregation of duties in the systems production environment.

MEMORANDUM

Date: April 5, 2018 **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, 2017 (A-77-18-00003)

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, 2017.¹ KPMG 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.

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 (DI) and Supplemental Security Income (SSI) 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 DI and SSI programs in accordance with Federal regulations. SSA reimburses the DDS for 100 percent of allowable costs. The Texas Health and Human Services (HHS) is the Texas DDS' parent agency.

The single audit reported the following.

- The Texas HHS did not timely reallocate estimated indirect cost expenditures when actual expenditures became available.² The corrective action plan indicated the Texas HHS initiated plans to strengthen procedures and perform reallocations timely.

¹ *State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2017, 18-314* (February 21, 2018).

² See Footnote 1, Finding 2017-009.

- Inadequate segregation of duties allowed system developers inappropriate access to the production environment.³ The corrective action plan indicated revised segregation of duties in the production environment.

We recommend SSA ensure the Texas HHS implements:

1. Procedures to reallocate indirect cost expenditures timely.
2. Proper segregation of duties in the systems production environment.

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 19, 2018.

Please send copies of the final Audit Clearance Document to Shannon Agee. If you have questions, contact Shannon Agee at (877) 405-7694, extension 18802 or Shannon.Agee@ssa.gov.



Rona Lawson

Attachment

³ See Footnote 1, Finding 2017-025.

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