



# Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

## *Management Advisory Report*

### Single Audit of the State of Texas for the Fiscal Year Ended August 31, 2021

*A-77-22-00003 | May 2022*

# Single Audit of the State of Texas for the Fiscal Year Ended August 31, 2021 A-77-22-00003



May 2022

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

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 assures the Government that a non-Federal entity is maintaining adequate internal controls and generally complying 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.

## Results

The single audit reported HHSC did not comply with its information security policy regarding passwords. To comply with this policy, HHSC updated one system and initiated updates to the remaining systems after the fiscal year-end. Therefore, we are not making a recommendation.

The single audit also reported HHSC did not have effective internal controls over its Public Assistance Cost Allocation Plan expenditures and revenues. To correct this finding, HHSC included text in the Fiscal Year 2022 Public Assistance Cost Allocation Plan to clarify its business operations. In addition, it will implement an automated post-reallocation verification of factor percentages to ensure the correct actual percentages are allocated. Therefore, we are bringing these matters to SSA's attention, but we are not making a recommendation.



# Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

## MEMORANDUM

**Date:** May 4, 2022

**Refer To:** A-77-22-00003

**To:** Gina Clemons  
Deputy Commissioner  
for Analytics, Review and Oversight

**From:** Michelle L. Anderson, *Michelle L. Anderson*  
Assistant Inspector General for Audit

**Subject:** Single Audit of the State of Texas for the Fiscal Year Ended August 31, 2021

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, 2021.<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 assures the Government that a non-Federal entity is maintaining adequate internal controls and 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 an Assistance Listing number. Assistance Listing number 96 identifies SSA's Disability Insurance and Supplemental Security Income programs. SSA is responsible for resolving single audit findings reported under this assistance listing 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 Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2021, 22-555* (February 2022).

## RESULTS

The single audit reported HHSC did not comply with its information security policy regarding passwords. Specifically, multiple systems did not adhere to HHSC policy regarding password criteria, including minimum password length, password history, and password age.<sup>2</sup> To comply with its information security policy, HHSC updated one system during the single audit and initiated updates to the remaining systems after the fiscal year-end. Because HHSC has initiated corrective action, we are not making any recommendations in this report.

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 Plan did not include all department codes used to charge items, and incorrect percentages were applied in reallocation journal entries when the costs were adjusted to actual.<sup>3</sup> To correct this finding, HHSC included text in the Fiscal Year 2022 Public Assistance Cost Allocation Plan to clarify its business operations. In addition, it will implement an automated post-reallocation verification of factor percentages to ensure the correct actual percentages are allocated. We previously reported similar findings.<sup>4</sup> Therefore, we are bringing these matters to SSA's attention, but we are not making recommendations.

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 23, 2022.

If you have questions, contact [OIG.Audit.Kansas.City@ssa.gov](mailto:OIG.Audit.Kansas.City@ssa.gov).

Attachment

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<sup>2</sup> See Footnote 1, Finding 2021-003.

<sup>3</sup> See Footnote 1, Finding 2021-004.

<sup>4</sup> SSA, OIG, *Single Audit of the State of Texas for the Fiscal Year Ended August 31, 2020, A-77-21-00002* (April 2021) and SSA, OIG, *Costs Claimed by the Texas Disability Determination Services, A-55-20-00001* (September 2021).



**Mission:**

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

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