
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SINGLE AUDIT OF THE
STATE OF TEXAS
FOR THE FISCAL YEAR ENDED
AUGUST 31, 2007**

November 2008

A-77-09-00004

**MANAGEMENT
ADVISORY REPORT**



Mission

By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.

Authority

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.
- Promote economy, effectiveness, and efficiency within the agency.
- Prevent and detect fraud, waste, and abuse in agency programs and operations.
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.

To ensure objectivity, the IG Act empowers the IG with:

- Independence to determine what reviews to perform.
- Access to all information necessary for the reviews.
- Authority to publish findings and recommendations based on the reviews.

Vision

We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.



SOCIAL SECURITY

MEMORANDUM

Date: November 21, 2008

Refer To:

To: Candace Skurnik
Director
Audit Management and Liaison Staff

From: Inspector General

Subject: Management Advisory Report: Single Audit of the State of Texas for the Fiscal Year Ended August 31, 2007 (A-77-09-00004)

This report presents the Social Security Administration's (SSA) portion of the single audit of the State of Texas for the Fiscal Year (FY) ended August 31, 2007. Our objective was to report internal control weaknesses, noncompliance issues, and unallowable costs identified in the single audit to SSA for resolution action.

KPMG, LLP, performed the audit. We have not received the results of the desk review conducted by the Department of Health and Human Services (HHS). We will notify you when the results are received if HHS determines the audit did not meet Federal requirements. In reporting the results of the single audit, we relied entirely on the internal control and compliance work performed by KPMG, LLP, and the reviews performed by HHS. We conducted our review in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

For single audit purposes, the Office of Management and Budget (OMB) assigns Federal programs a Catalog of Federal Domestic Assistance (CFDA) number. SSA's Disability Insurance (DI) and Supplemental Security Income (SSI) programs are identified by CFDA number 96. 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. The Texas DDS is reimbursed for 100 percent of allowable costs. The Department of Assistive and Rehabilitative Services (DARS) is Texas DDS' parent agency.

The single audit reported security control weaknesses in the Health and Human Services Administrative System. Specifically, access privileges were not appropriately restricted, and application code changes were not authorized and approved before implementation (Attachment A, pages 1 through 4). The corrective action plan indicates that access privileges have been restricted and management reviews have been implemented for application code changes (Attachment A, page 4).

We recommend SSA verify that appropriate actions were taken to correct the reported security control weaknesses.

The single audit also reported that DARS did not establish appropriate clearance patterns for drawing Federal funds. Although this finding was not specifically identified to SSA, it may have an impact on DDS operations. I am bringing this matter to your attention as it represents a potentially serious service delivery and financial control problem for the Agency (Attachment B).

Please send copies of the final Audit Clearance Document to Shannon Agee. If you have questions contact Shannon Agee at (816) 936-5590.

A handwritten signature in black ink, appearing to read "Pat O'Carroll Jr.", with a stylized flourish at the end.

Patrick P. O'Carroll, Jr.

Attachments

HEALTH AND HUMAN SERVICES COMMISSION

Health and Human Services Commission
Department of Aging and Disability Services
Department of Assistive and Rehabilitative Services
Department of Family and Protective Services
Department of State Health Services

Reference No. 08-20

Allowable Costs/Cost Principles

Cash Management

Equipment and Real Property Management

Matching, Level of Effort, and Earmarking

Period of Availability of Federal Funds

Program Income

Reporting

(Prior Audit Issue - 07-18)

CFDA 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

Award year - October 1, 2005 to September 30, 2006 and October 1, 2006 to September 30, 2007

Award number - 6TX700506

CFDA 84.126 - Rehabilitation Services - Vocational Rehabilitation Grants to States

Award year - October 1, 2005 to September 30, 2007, October 1, 2005 to September 30, 2007, October 1, 2006 to September 30, 2008 and October 1, 2006 to September 30, 2008

Award number - H126A060064, H126A060065, H126A070064 and H126A070065

CFDA 93.217 - Family Planning - Services

Award year - April 1, 2007 to March 31, 2008 and April 1, 2006 to March 31, 2007

Award number - 2 FPHPA060898-26 and 5 FPHPA060898-25

CFDA 93.268 - Immunization Grants

Award year - January 1, 2006 to December 31, 2006 and January 1, 2007 to December 31, 2007

Award number - CCH622571 - 04 and CCH622571 - 05

CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance

Award year - August 31, 2006 to August 30, 2007

Award number - U90/CCU617001-07

CFDA 93.556 - Promoting Safe and Stable Families

Award year - October 1, 2005 to September 30, 2007 and October 1, 2004 to September 30, 2006

Award number - G0601TX00FP and G0501TX00FP

CFDA 93.558 - Temporary Assistance for Needy Families

Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005

Award number - G0702TXTANF, G0602TXTANF and G0501TXTANF

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CFDA 93.566 - Refugee and Entrant Assistance Program - State Administered Programs

Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 30, 2006, and October 1, 2004 to September 30, 2005

Award number - G07AATX6100, G06AATX6100, and G05AATX6100

CFDA 93.645 - Child Welfare Services - State Grants

Award year - October 1, 2006 to September 30, 2008

Award number - G0701TX1400

CFDA 93.658 - Foster Care - Title IV-E

Award year - October 1, 2005 to September 30, 2006 and October 1, 2006 to September 30, 2007

Award number - G0601TX1401 and G0701TX1401

CFDA 93.659 - Adoption Assistance

Award year - October 1, 2005 to September 30, 2006 and October 1, 2006 to September 30, 2007

Award number - G0601TX1407 and G0701TX1407

CFDA 93.667 - Social Services Block Grant

Award year - October 1, 2005 to September 30, 2007 and October 1, 2006 to September 30, 2008

Award number - G0601TXSOSR and G0701TXSOSR

CFDA 93.767 - State Children's Insurance Program

Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, and October 1, 2003 to September 30, 2004

Award number - 0705TX5021, 0605TX5021, 0505TX5021, and 0405TX5021

CFDA 93.889 - National Bioterrorism Hospital Preparedness Program

Award year - September 1, 2006 to August 31, 2007

Award number - U3RHS07583-01-00

CFDA 93.917 - HIV Care Formula Grants

Award year - April 1, 2006 to March 31, 2007 and April 1, 2007 to March 31, 2008

Award number - 6 X07HA00054-16 and 2 X07HA00054-17

CFDA 93.940 - HIV Prevention Activities-Health Department Based

Award year - January 1, 2007 to December 31, 2007 and January 1, 2006 to December 31, 2006

Award number - U62/CCU623516 and U62/CCU623516

CFDA 93.958 - Block Grants for Community Mental Health Services

Award year - October 1, 2004 to September 30, 2006, October 1, 2005 to September 30, 2007; October 1, 2006 to September 30, 2008

Award number - 05B1TXCMHS; 06B1TXCMHS; 07B1TXCMHS

CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse

Award year - October 1, 2004 to September 30, 2006, October 1, 2005 to September 30, 2007 and October 1, 2006 to September 30, 2008

Award number - 05B1TXSAPT, 06B1TXSAPT, and 07B1TXSAPT

CFDA 93.994 - Maternal and Child Health Services Block Grant to the States

Award year - October 1, 2005 to September 30, 2007 and October 1, 2006 to September 30, 2008

Award number - 6 B04MC06591-01 and 1 B04MC07774-01

Aging Cluster

Award year - October 1, 2005 to September 30, 2006 and October 1, 2006 to September 30, 2007

Award number - 06AATXT3SP, 06AATXNSIP, 07AATXT3SP, and 07AATXNSIP

Disability Insurance Cluster

Award year - October 1, 2005 to September 30, 2006 and October 1, 2005 to September 30, 2006

Award number - 04-0604TXD102 and 04-0604TXD100

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Emergency Food Assistance Cluster

Award year - October 1, 2006 to September 30, 2007 and October 1, 2005 to September 30, 2006

Award number - 6TX810815 and 5TX810815

Food Stamp Cluster

Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 31, 2006 and October 1, 2004 to September 31, 2005

Award number - 6TX400105, 6TX400105 and 5TX400105

Medicaid Cluster

Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 31, 2006, and October 1, 2004 to September 31, 2005

Award number - 0705TX5028, 0705TX5048, 0605TX5028, 0605TX5048, 0505TX5028, and 0505TX5048

Type of finding - Significant Deficiency

The Health and Human Services Commission (HHSC) Enterprise Internal Audit conducted a review of the enterprise Health and Human Services Administrative System (HHSAS) Financials Security Controls and issued their report December 13, 2005. HHSAS is utilized by all five Health and Human Services entities - HHSC, Department of State Health Services (DSHS), Department of Family and Protective Services (DFPS), Department of Aging and Disability Services (DADS), and Department of Assistive and Rehabilitative Service (DARS). The report notes the following:

Questioned Cost: \$ 0

U.S. Department of Health and
Human Services
U.S. Department of Agriculture
U.S. Department of Education

- "Access privileges are not always appropriately restricted, and some high-privilege administrative accounts are shared by multiple HHSAS Financials Enterprise Support Center (ESC) personnel."

The report further notes: "HHSAS financials is supported by an Oracle database management system administered by the HHSAS ESC technical team, which consists of six analysts. ESC technical analysts access the database using individual accounts to diagnose HHSAS production issues. However, when updates to an HHS agency database are needed to resolve a production issue, the technical analysts access the database using the application system administrator account. The account has full access privileges in the database, and is the account used by the HHSAS application to update the database. Database updates performed by ESC technical analysts using the account are indistinguishable from legitimate activities processed by the HHSAS application at the request of HHS agency users."

- "Change management controls do not ensure that application code changes to HHSAS financials are authorized and approved prior to implementation."

The report further notes: "To accomplish programming changes to HHSAS financials, the ESC employs STAT, a third party version control software tool. STAT is used to log, route, track and maintain detailed documentation for HHSAS financials changes."

Upon follow-up of the above "access privilege" comment, we noted that the password is known by seven persons in ESC. Evidence was noted that a mitigating control exists that someone other than the developer closes the change request ticket, which allows for review by someone other than the developer. However the ESC personnel have open access to production.

During compliance work performed, no exceptions were noted which appeared to have resulted from the above deficiencies.

Recommendation:

Developers should not have access to migrate changes into the production environment.

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Management Response and Corrective Action Plan:

The HHSAS Financials Enterprise Support Center (ESC) technical analysts' individual Oracle accounts have been established to provide full research capability for debugging activities without the ability to update. This change precludes the necessity of logging into the account to analyze fixes. The password is not accessible to the technical analysts directly, but only provided to the six technical analysts by the database administrator. The technical analysts only log into the account to execute a fix, once the research is complete; logging into the account is necessary for updates when executing a technical fix. Management is informed of the use of this administrative account and it is a known and accepted risk for providing sufficient production support of the enterprise financials system. No other staff has access to the account. The last annual change to the password was performed September 2006. The change management controls were strengthened to include additional documentation of quality review, unit testing, and customer testing and approvals within each STAT customer service request. An additional technical analyst is now designated as the third staff with the migrator role in STAT. This change provides the ability to have a backup migrator and preclude the need for code to be migrated and developed by the same staff. The HHSAS Financials ESC manager performs a final review of all changes, which means a minimum of one developer, one migrator, and one final reviewer are involved in all migrations, and each role is filled by different individuals.

Implementation Date: January 2008

Responsible Person: Thomas Hollingsworth

ASSISTIVE AND REHABILITATIVE SERVICES, DEPARTMENT

Reference No. 08-03

Cash Management**CFDA 84.126 - Rehabilitation Services - Vocational Rehabilitation Grants to States**

Award year - October 1, 2005 to September 30, 2007, October 1, 2006 to September 30, 2008 and October 1, 2006 to September 30, 2008

Award number - H126A060064, H126A060065, H126A070064 and H126A070065

Type of finding - Non-Compliance

According to the Treasury-State agreement for the State of Texas, the Vocational Rehabilitation Grants to States program at the Department of Rehabilitation Services (DARS) is included in Subpart A of the 34 CFR Part 205, which implements the Cash Management Improvement Act (CMIA). Under the State of Texas CMIA agreement with the Department of Treasury, the Vocational Rehabilitation Grants to States program at DARS utilizes the pre-issuance funding technique which requires the calculation of a clearance pattern.

Questioned Cost: \$40,250

U.S. Department of Education

Per the State of Texas CMIA agreement, the clearance pattern is calculated in two portions - Period one and Period two. DARS calculates Period one as the average number of days between the day the funds are deposited in the State Treasury by the federal government and the day the warrant is issued. The State of Texas Comptroller's office calculates Period two as the average number of days between the day the warrant is issued and the day the warrant clears the Treasury. To calculate Period one, DARS is to select three consecutive months from the fiscal year that are representative of the clearance patterns for the year.

DARS analysis of April, May and June 2007 yielded an average of -.93 days for Period one. However, upon the review of the remaining nine months, an average of .6542 days was noted for the entire fiscal year. As such, the clearance pattern reported is not representative of the fiscal year. DARS management noted during the year that their draw pattern for payroll was creating a positive clearance pattern and accordingly adjusted their draw pattern to reflect a negative clearance pattern. However the clearance pattern reported for fiscal year 2007 should only reflect 2007 activity.

The Period two calculation for fiscal year 2007 is 3.23 days, resulting in a total of 3.8842 days. The total draw amount for CFDA 84.126 during fiscal year 2007 was approximately \$188m. Therefore at an interest rate of 4.95%, the interest liability would be approximately \$99,000. The State of Texas reported \$58,750.

Recommendation:

DARS management noted during the year that their draw pattern for payroll was creating a positive clearance pattern and accordingly adjusted their draw pattern to reflect a negative clearance pattern. In the event a clearance pattern is adjusted, DARS should report a clearance pattern that reflects the actual activity for the entire respective fiscal year versus only the revised months of the respective fiscal year.

Management Response and Corrective Action Plan:

Management concurs with the finding, and has consulted the Comptroller for the appropriate corrective action to take. Based upon advice of the Comptroller, the adjustment will be accounted for as a prior period adjustment when submitting fiscal year 08 information, due to the fact that the 2007 report has already been submitted.

Implementation Date: December, 2008

Responsible Person: Anita Lavalley

Overview of the Office of the Inspector General

The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

OA conducts financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

Office of Investigations

OI conducts investigations related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Office of the Counsel to the Inspector General

OCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Also, OCIG administers the Civil Monetary Penalty program.

Office of External Relations

OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

Office of Technology and Resource Management

OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.