



Lisa R. Collier, CPA, CFE, CIDA
State Auditor

A Report on
**State of Texas Compliance with Federal
Requirements for the Provider Relief
Fund (COVID-19 Relief) for the Year
Ended August 31, 2021**

February 2022
Report No. 22-020



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SAO Report No. 22-020
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Overall Conclusion

The State of Texas complied in all material respects with the federal requirements for the Provider Relief Fund in fiscal year 2021.

As a condition of receiving federal funding, Title 2, Code of Federal Regulations, Section 200, requires non-federal entities that expend \$750,000 or more in federal awards in a fiscal year to obtain annual Single Audits. Those audits test compliance with federal requirements in up to 12 areas that may have a material effect on a federal program at those non-federal entities. Examples of the types of compliance areas include activities allowed or unallowed and reporting. The requirements for 1 of those 12 areas vary by federal program and outline special tests that auditors are required to perform, such as determining whether a non-federal entity adhered to specific terms and conditions of the federal award restricting the amount that a provider can bill out-of-network patients with a possible or actual case of COVID-19. The Single Audit for the State of Texas included (1) all high-risk federal programs for which the State expended more than \$172,578,350 in federal funds during fiscal year 2021 and (2) other selected federal programs.

From September 1, 2020, through August 31, 2021, the State of Texas expended \$115.1 billion in federal funds. The State Auditor's Office audited compliance with requirements for the Provider Relief Fund at three higher education institutions and one state agency. Those four entities reported a total of \$168.4 million in expenditures and lost revenues on the fiscal year 2021 Schedule of Expenditures of Federal Awards.

Auditors did not identify any findings for the Provider Relief Fund.

Provider Relief Fund

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed on March 27, 2020, which established the Provider Relief Fund. Recipients of the Provider Relief Fund include eligible providers who diagnose, test, or care for individuals with possible or actual cases of COVID-19, and have health care related expenses and lost revenues attributable to COVID-19.

Source: U.S. Department of Health and Human Services.

Provider Relief Funds Audited at State Entities

- Health and Human Services Commission.
- The University of Texas M.D. Anderson Cancer Center.
- The University of Texas Medical Branch at Galveston.
- The University of Texas Southwestern Medical Center.

Audit Objectives and Scope

The objectives of this audit were to (1) obtain an understanding of internal controls over compliance for the Provider Relief Fund, assess control risk of noncompliance, and perform tests of those controls unless controls were deemed to be ineffective, and (2) express an opinion on whether the State complied with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on the Provider Relief Fund in accordance with the Single Audit Act Amendments of 1996 and Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

The audit scope covered federal funds that the State reported on the Schedule of Expenditures of Federal Awards for the fiscal year ending August 31, 2021. The audit work included control and compliance tests at three higher education institutions and one state agency.

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Independent Auditor's Report

*State of Texas Compliance with
Federal Requirements for the
Provider Relief Fund (COVID-19 Relief)
for the Year Ended August 31, 2021*

Report on Compliance for the Provider Relief Fund, and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

The Honorable Greg Abbott, Governor
The Honorable Dan Patrick, Lieutenant Governor
The Honorable Dade Phelan, Speaker of the House of Representatives
and
Members of the Texas Legislature, State of Texas

Report on Compliance for the Provider Relief Fund

We have audited the State of Texas's (State) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Provider Relief Fund for the year ended August 31, 2021. The State's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the State's compliance for the Provider Relief Fund based on our audit of the types of compliance requirements referred to above. Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Provider Relief Fund occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

This audit was conducted as part of the State of Texas Statewide Single Audit for the year ended August 31, 2021. As such, the Provider Relief Fund was selected as a major program based on the State of Texas as a whole for the year ended August 31, 2021. The State does not meet the Uniform Guidance requirements for a program-specific audit and the presentation of the Schedule of Program Expenditures does not conform to the Uniform Guidance Schedule of Expenditures of Federal Awards. However, this audit was designed to be relied on for the State of Texas opinion on federal compliance, and in our judgment, the audit and this report satisfy the intent of those requirements.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Provider Relief Fund. However, our audit does not provide a legal determination of the State's compliance.

Opinion on the Provider Relief Fund

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Provider Relief Fund for the year ended August 31, 2021.

Report on Internal Control Over Compliance

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on the Provider Relief Fund to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Provider Relief Fund and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Schedule of Federal Program Expenditures

The accompanying Schedule of Federal Program Expenditures for the Provider Relief Fund of the State for the Year Ended August 31, 2021, is presented for purposes of additional analysis. This information is the responsibility of the State's management and has been subjected only to limited auditing procedures and, accordingly, we express no opinion on it. However, we have audited the Statewide Schedule of Expenditures of Federal Awards in a separate audit, and the opinion on the Statewide Schedule of Expenditures of Federal Awards is included in the *State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2021*.

Lisa R. Collier, CPA, CFE, CIDA
State Auditor

February 22, 2022

**Schedule of Federal Program Expenditures for the
Provider Relief Fund for the State of Texas
For the Year Ended August 31, 2021**

Schedule of Federal Program Expenditures	
State Entities Audited	Federal Program Direct Expenditures
Health and Human Services Commission	\$11,816,145
The University of Texas M.D. Anderson Cancer Center	83,459,708
The University of Texas Medical Branch at Galveston	38,603,271
The University of Texas Southwestern Medical Center	34,566,445
Total Audited Provider Relief Fund Federal Program Expenditures	\$168,445,568
<p>Note 1: Total expenditures do not sum exactly due to rounding.</p> <p>Note 2: This schedule of federal program expenditures is presented for informational purposes only. For the State's complete Schedule of Expenditures of Federal Awards, see the <i>State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2021</i>.</p> <p>Note 3: Federal expenditures for the Provider Relief Fund at state entities not included in the scope of this audit totaled \$18,655,425 for the year ended August 31, 2021.</p> <p>Note 4: Schedule of Expenditures of Federal Awards reporting amounts for the Provider Relief Fund include both expenditures and lost revenues and are based upon the report that is required to be submitted to the U.S. Department of Health and Human Services. That report reflects the total amount of payments received by the entity for the period of April 10, 2020, to June 30, 2020.</p>	

Schedule of Findings and Questioned Costs

*State of Texas Compliance with
Federal Requirements for the
Provider Relief Fund (COVID-19 Relief)
for the Year Ended August 31, 2021*

Summary of Auditor's Results

Financial Statements

Issued under separate cover. See State Auditor's Office report entitled *State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2021*.

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2, Code of Federal Regulations, Section 200.516(a)? No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
93.498	Provider Relief Fund

Dollar threshold used to distinguish between type A and type B programs: \$172,578,350

Auditee qualified as low-risk auditee? No

Section 2:

Financial Statement Findings

Issued under separate cover. See State Auditor's Office report entitled *State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2021*.

Section 3:

Federal Award Findings and Questioned Costs

No findings were reported.

Appendix

Appendix

Objective, Scope, and Methodology

Objective

The objectives of this audit were to (1) obtain an understanding of internal controls over compliance for the Provider Relief Fund, assess control risk of noncompliance, and perform tests of those controls unless controls were deemed to be ineffective, and (2) express an opinion on whether the State complied with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on the Provider Relief Fund in accordance with the Single Audit Act Amendments of 1996 and Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Scope

The audit scope covered federal funds that the State reported on the Schedule of Expenditures of Federal Awards for the fiscal year ending August 31, 2021. The audit work included control and compliance tests at three higher education institutions and one state agency.

Methodology

The audit methodology included developing an understanding of controls over each compliance area that was direct and material to the Provider Relief Fund at each state entity audited.

Sampling Methodology

Auditors selected nonstatistical samples for tests of compliance and controls for each direct and material compliance area identified based on the American Institute of Certified Public Accountants' (AICPA) audit guide entitled *Government Auditing Standards and Single Audits* dated April 1, 2021. In determining the sample sizes for control and compliance test work, auditors assessed risk levels for inherent risk of noncompliance, control risk of noncompliance, risk of material noncompliance, detection risk, and audit risk of noncompliance by compliance requirement. Auditors selected nonstatistical samples primarily through random selection. In some cases, auditors selected additional items for compliance testing based on risk.

Auditors conducted tests of compliance and of the controls identified for each direct and material compliance area, and performed analytical procedures when appropriate.

Information collected and reviewed included the following:

- Health care-related expenditure data.
- Actual or budgeted revenue data used to calculate lost revenues.
- Reports submitted to the U.S. Department of Health and Human Services and data used to support those reports.
- Insurance billing data for out-of-network patients with a possible or actual case of COVID-19.
- Information system support related to general controls over information systems that affect the control structure related to federal compliance.

Procedures and tests conducted included the following:

- Analytical procedures performed on expenditure and revenue data to identify instances of non-compliance.
- Compliance testing for samples of transactions for each direct and material compliance area.
- Tests of design and operating effectiveness of key controls and tests of design of controls to assess the sufficiency of each entity's control structure.
- Tests of design and effectiveness of general controls over information systems that supported the control structure related to federal compliance.

Criteria used included the following:

- Title 2, Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.
- Coronavirus Aid, Relief, and Economic Security (CARES) Act, Public Law 116-136.
- Provider Relief Fund terms and conditions.
- U.S. Department of Health and Human Services frequently asked questions, announcements, and guides.

Project Information

Audit fieldwork was conducted from October 2021 through January 2022. Except as discussed above in the Independent Auditor's Report, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2, Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

The following members of the State Auditor's staff performed the audit:

- Kelsey A. Arnold, MEd, CIA, CFE, CGAP (Project Manager)
- Ryan Marshall Belcik, MBA, CISA (Assistant Project Manager)
- Valerie W. Bogan, CFE (Assistant Project Manager)
- Kirstin Adamcik, MBA, CFE (Team Lead)
- Michael Bennett (Team Lead)
- Jessica McGuire, MSA (Team Lead)
- Daniel Thu (Team Lead)
- Pamela A. Bradley, CPA, CFE
- Brandy Corbin
- Lindsay Escalante, MPSA
- John Felchak
- Tony White, CFE
- Robert G. Kiker, CFE, CGAP (Quality Control Reviewer)
- James Timberlake, CIA, CFE (Audit Manager)

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair

The Honorable Dade Phelan, Speaker of the House, Joint Chair

The Honorable Joan Huffman, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable Greg Bonnen, House Appropriations Committee

The Honorable Morgan Meyer, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Executive Commissioner and Boards, Chancellors, and Presidents of the Following State Agency and Higher Education Institutions

Health and Human Services Commission

The University of Texas M.D. Anderson Cancer Center

The University of Texas Medical Branch at Galveston

The University of Texas Southwestern Medical Center



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