



A Report on

State of Texas Compliance with Federal Requirements for the Provider Relief Fund and American Rescue Plan Rural Distribution (COVID-19 Relief) for the Year Ended August 31, 2022

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

The State of Texas complied in all material respects with the federal requirements for the Provider Relief Fund and American Rescue Plan Rural Distribution (Provider Relief Fund) in fiscal year 2022.

From September 1, 2021, through August 31, 2022, the State of Texas expended \$108.1 billion in federal funds, and it reported a total of \$294 million in expenditures and lost revenue for the Provider Relief Fund. The State Auditor's Office audited compliance with requirements for the Provider Relief Fund at three higher education institutions. Those three institutions reported a total of \$272.8 million in expenditures and lost revenues on the fiscal year 2022 Schedule of Expenditures of Federal Awards.

Auditors identified one finding related to general controls over information technology at one institution for the Provider Relief Fund. The University of Texas M.D. Anderson Cancer Center did not appropriately restrict user access to certain information resources that it uses to manage federal awards, and it did not ensure that user access settings for all administrative accounts complied with policy requirements.

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This audit was conducted in accordance with Title 31, United States Code, Section 7502.

INDEPENDENT AUDITOR'S REPORT

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Summary of Management Response

Management agreed with the audit finding. The specific management response, including the views of responsible officials and corrective action plan, is presented immediately following the finding in this report.

Background Information

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.

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 Single Audit for the State of Texas included (1) all high-risk federal programs for which the State expended more than \$162,179,173 in federal funds during fiscal year 2022 and (2) other selected federal programs.

Provider Relief Funds Audited

The State Auditor's Office audited the Provider Relief Fund at the following higher education institutions:

- The University of Texas M.D. Anderson Cancer Center.
- The University of Texas Medical Branch at Galveston.
- The University of Texas Southwestern Medical Center.



Report on Compliance for the Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution; and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

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

Report on Compliance for the Provider Relief Fund and American Rescue Plan Rural Distribution (Provider Relief Fund)

Opinion on the Provider Relief Fund

We have audited the State of Texas's (State) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Provider Relief Fund for the year ended August 31, 2022. 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.

In our opinion, the State complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Provider Relief Fund for the year ended August 31, 2022.

Basis for Opinion on the Provider Relief Fund

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

This audit was conducted as part of the State of Texas Statewide Single Audit for the year ended August 31, 2022. 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, 2022. The State does not meet the Uniform Guidance requirements for a program-specific audit and the presentation of the Schedule of Federal 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 are required to be independent of the State and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the Provider Relief Fund. Our audit does not provide a legal determination of the State's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the State's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the State's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the State's compliance with the requirements of the Provider Relief Fund as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the State's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the State's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the State's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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 a 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. We consider the following deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs, to be a significant deficiency:

Higher Education Institution	Compliance Requirement	Finding Number
The University of Texas M.D. Anderson Cancer Center	Activities Allowed or Unallowed Allowable Costs/Cost Principles Reporting	2022-101

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the State's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The State's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 for the State for the Year Ended August 31, 2022, 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, 2022*.

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

February 22, 2023

**Schedule of Federal Program Expenditures for the
Provider Relief Fund for the State of Texas
for the Year Ended August 31, 2022**

Schedule of Federal Program Expenditures

Higher Education Institution Audited	Federal Program Direct Expenditures
The University of Texas M.D. Anderson Cancer Center	\$122,105,859
The University of Texas Medical Branch at Galveston	\$ 47,160,880
The University of Texas Southwestern Medical Center	\$103,556,994
Total Audited Provider Relief Fund Federal Program Expenditures	\$272,823,733

Note 1: 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 *State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2022*.

Note 2: Federal expenditures for the Provider Relief Fund at state entities not included in the scope of this audit totaled \$21,127,483 for the year ended August 31, 2022.

Note 3: Schedule of Expenditures of Federal Awards reporting amounts for the Provider Relief Fund include both expenditures and lost revenues and are based upon the reports that are required to be submitted to the U.S. Department of Health and Human Services. Those reports reflect the total amount of payments received by the entity from July 1, 2020, to June 30, 2021.



Schedule of Findings and Questioned Costs

Section I 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, 2022*.

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? Yes

Type of auditor's report issued on compliance for major federal 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)? Yes

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
93.498	Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution

Dollar threshold used to distinguish between type A and type B programs: \$162,179,173

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, 2022*.

Section 3

Federal Award Findings and Questioned Costs

This section identifies significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, as required to be reported by Title 2, Code of Federal Regulations, Section 200.516(a).

The University of Texas M.D. Anderson Cancer Center

Reference No. 2022-101

Activities Allowed or Unallowed Allowable Costs/Cost Principles Reporting

Federal Agency:	U.S. Department of Health and Human Services
Federal Program Title:	Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution, Cross-cutting
Assistance Listing Number:	93.498, Cross-cutting
Pass-Through Agency:	N/A
Pass-Through Number:	N/A
Award Number:	Unavailable, Cross-cutting
Award Period:	July 1, 2020 to December 31, 2020, Cross-cutting
Statistically Valid Sample:	No and not intended to be a statistically valid sample
Type of Finding:	Significant Deficiency
Questioned Costs:	None
Repeat Finding:	No

General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institution is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, Code of Federal Regulations (CFR), Section 200.303(a)).

The University of Texas M.D. Anderson Cancer Center (Cancer Center) did not appropriately restrict user access to certain information resources that it uses to manage federal awards. Specifically, the Cancer Center did not always promptly remove user accounts when an employee transferred to a new position or otherwise did not require access. The Cancer Center also did not consistently ensure that administrative access was limited to appropriate account types. The Cancer Center has policies in place to periodically review and modify user access to information resources, including upon an employee's role change. However, the Cancer Center did not

conduct effective user access reviews for all system levels to verify that access was appropriately restricted. After auditors brought these issues to the Cancer Center's attention, it removed the inappropriate access. Allowing users inappropriate access to information resources increases the risk of unauthorized changes to those systems.

In addition, the Cancer Center did not ensure that user access settings for all administrative accounts complied with policy requirements. The Cancer Center's policies require certain settings to help restrict access for administrative accounts. However, auditors identified certain accounts that did not meet those requirements. Not ensuring that all settings meet minimum requirements increases the risk of data loss or tampering.

Recommendations

The Cancer Center should:

- Appropriately limit user access to information resources and strengthen its user access review process for all system levels.
- Ensure that user access settings for administrative accounts align with policy requirements.

Management's Response

Views of Responsible Officials:

The Cancer Center acknowledges and agrees with the findings. Through analysis of the exceptions identified in the audit, the Cancer Center will work to develop and implement corrective action to mitigate further issues.

Corrective Action Plan:

The Cancer Center will establish the following processes to enhance security procedures surrounding user access:

- IT personnel at the Cancer Center will review server admin groups on an annual basis per existing policies and procedures
- Annual reviews will coincide with the Cancer Center's fiscal year start every September as part of our existing GRC reviews

- During the year, automated notifications will be setup to alert the proper IT teams when server admin group changes occur during the year that need to be reviewed prior to the annual review
- Outcomes from each annual review will be documented for historical reference as needed

The finding concerning user access settings has been mitigated through the additional step to user profiles in the system. All admin group security access profiles are now in compliance with the Cancer Center's policies. No additional steps are necessary to mitigate this finding. The team will continue to monitor per policy.

Implementation Date: August 2023

Responsible Person: Craig Owen



Appendix

Objectives, Scope, and Methodology

Objectives

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 those 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, 2022. The audit work included control and compliance tests at three higher education institutions.

Methodology

Audit fieldwork was conducted from September 2022 through December 2022. Except as discussed above in the Independent Auditor’s Report, we conducted this audit 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*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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, 2022. 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 of noncompliance, 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.

Addressing the Audit Objectives

During the audit, we performed the following:

- Interviewed higher education institution staff to gain an understanding of internal controls over compliance for the Provider Relief Fund.
- Identified the relevant criteria:
 - 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 Health Resources & Services Administration website including frequently asked questions, announcements, and guides.
- Collected and reviewed data including:
 - 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.
 - Information system support related to general controls over information systems that affect the control structure related to management and administration of federal awards.
- Conducted tests of compliance and of the controls identified for each direct and material compliance area, and performed analytical procedures when appropriate, including:
 - Compliance testing for samples of transactions for each direct and material compliance area.
 - Analytical procedures performed on expenditure and revenue data to identify instances of noncompliance.
 - Tests of design of controls and operating effectiveness of key controls to assess the sufficiency of each entity's control structure.

- Tests of design and operating effectiveness of general controls over information systems that supported the control structure related to federal compliance.

Data Reliability and Completeness

Auditors assessed the reliability of Provider Relief Fund payments received and General Ledger data by (1) reviewing query language used to generate the data, (2) performing electronic testing, (3) reviewing existing information about the data and the system that produced the data, and (4) interviewing institution staff knowledgeable about the data. Auditors determined that the data sets were sufficiently reliable for the purposes of the audit.

Audit Staff



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

- Valerie W. Bogan, CFE (Project Manager)
- Ryan Marshall Belcik, MBA, CISA (Assistant Project Manager)
- Tony White, CFE (Team Lead)
- Kirstin Adamcik, MBA, CFE
- Rebecca Franklin, CISA, CFE, CGAP, CICA
- Alex Kipple
- Venus Santos
- 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

Boards, Chancellors, and Presidents of the Following Higher Education Institutions

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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