

UNIVERSITY OF HOUSTON SYSTEM
AUDIT & COMPLIANCE COMMITTEE MEETING
Wednesday, May 12, 2010
10:45 a.m. – 12:00 p.m.

AGENDA

UNIVERSITY OF HOUSTON SYSTEM AUDIT AND COMPLIANCE COMMITTEE MEETING

DATE: Wednesday, May 12, 2010

TIME: 10:45 a.m.

PLACE: University of Houston
Melcher Board Room 100B
Athletics/Alumni Center
3100 Cullen Boulevard
Houston, Texas 77204

Chair: Jacob M. Monty

Vice Chair: Nandita V. Berry

Members: Mica Mosbacher

Welcome W. Wilson, Sr., Ex Officio

AUDIT AND COMPLIANCE COMMITTEE

A. Call to Order

B. Approval of Committee Meeting Minutes

- February 10, 2010, Audit and Compliance Committee Meeting

Action: Approval

C. Review and Approval of Audit Report and Financial Statements,
University of Houston Charter School, FY 2009 – UH System

AUDIT – 1

Action: Approval

D. Institutional Compliance Status Report for the Three Months Ended
March 31, 2010 – UH System

AUDIT – 2

Action: Information

- E. External Audit Reports – UH System AUDIT – 3
- UH Athletics Department Independent Accountants’ Report on the Application of Agreed-Upon Procedures for Year Ended August 31, 2009 (excerpts)
 - UHS KUHF Radio, Financial Statements and Independent Auditor’s Report for FY 2009 and FY 2008
 - UHS KUHT-TV, Financial Statements and Independent Auditor’s Report for FY 2009 and FY 2008

Action: Information

- F. External Audit Report AUDIT – 4
- UHS Endowment Fund, Financial Statements and Independent Auditor’s Report for FY 2009 and FY 2008 – UH System

Action: Information

- G. UH Peer Review Team Facilities Audit Report – UH System AUDIT – 5

Action: Information

- H. State Auditor’s Reports – UH System AUDIT – 6
- SAO Report 10-328, Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2009 (excerpts)
 - SAO Report 10-555, State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2009 (excerpts)

Action: Information

- I. Internal Audit Report – Briefing Booklet – UH System AUDIT – 7

Action: Information

- J. Report on Compliance of Private Support Organizations and Foundations – UH System AUDIT – 8

Action: Information

- K. Follow-up on Previous Audit Reports, UHS Human Resources and Police Operations Functions, by Joan Nelson, Executive Director of UH Human Resources, and Malcolm Davis, Assistant Vice President Public Safety and Security – UH Chief of Police – UH System AUDIT – 9

Action: Information

- L. Adjourn

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Audit & Compliance

ITEM: Review and Approval of Audit Report and Financial Statements, University of Houston Charter School, FY 2009

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

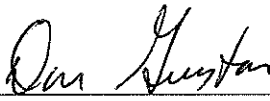
Approval is requested for the Audit Report and Financial Statements of the University of Houston Charter School for Fiscal Year 2008. Certification of the audit and financial information by the Board is required by the Texas Education Code, Title 2, Chapter 44, Section 44.008(d).

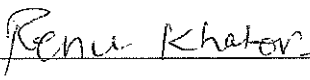
FISCAL NOTE:

SUPPORTING DOCUMENTATION: Audit Report and Financial Statements of the UH Charter School for FY 2009 and Texas Education Agency required Certification Form (under separate cover)

ACTION REQUESTED: Approval

COMPONENT: University of Houston System

		<u>4/23/10</u>
CHIEF AUDIT EXECUTIVE	Don F. Guyton	DATE

		<u>4-27-10</u>
CHANCELLOR	Renu Khator	DATE



KPMG LLP
700 Louisiana Street
Houston, TX 77002

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With *Government Auditing
Standards***

The Board of Regents
University of Houston Charter School:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the University of Houston Charter School (“Charter School”) as of and for the year ended August 31, 2009, which collectively comprise the Charter School’s basic financial statements and have issued our report thereon dated April 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Charter School’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter School’s internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency and that is described in the following paragraph. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Although compensable absences are appropriately accounted for in the government – wide financial statements, the Charter School’s reconciliation of fund balance sheets to the government – wide statement



The Board of Regents
April 30, 2010
Page 2 of 2

of net assets was not designed to identify a reconciling item for compensable absences that were not expected to be liquidated with expendable available financial resources.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Example Entity's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Regents, others within the entity, and the Texas Education Agency and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

April 30, 2010



UNIVERSITY OF HOUSTON CHARTER SCHOOL

Annual Financial Report

August 31, 2009

(With Independent Auditors' Report Thereon)

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Annual Financial Report

August 31, 2009

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UNIVERSITY OF HOUSTON CHARTER SCHOOL

Annual Financial Report

August 31, 2009

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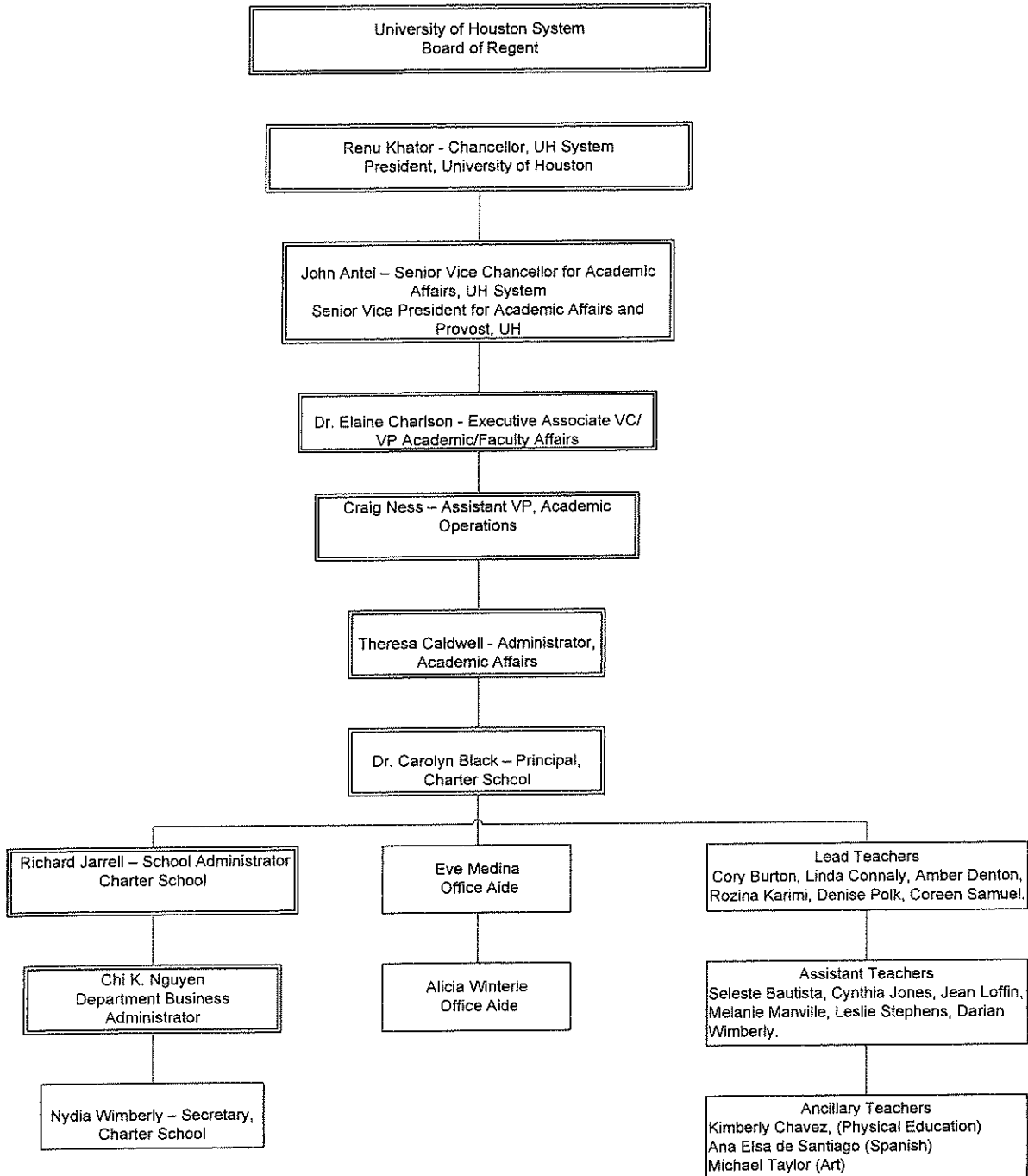
INTRODUCTORY SECTION

UNIVERSITY OF HOUSTON CHARTER SCHOOL
Certificate of Board

Pending approval from the University of Houston Board of Regents

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Administrative Organization



FINANCIAL SECTION



KPMG LLP
700 Louisiana Street
Houston, TX 77002

Independent Auditors' Report

The Board of Regents
University of Houston Charter School:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the University of Houston Charter School (Charter School), a department of the University of Houston System, as of and for the year ended August 31, 2009, which collectively comprise the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in note 1, the financial statements of the Charter School are intended to present the financial position, and the changes in financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the University of Houston System that is attributable to the transactions of the Charter School. They do not purport to, and do not, present fairly the financial position of the University of Houston System as of August 31, 2009, the changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the University of Houston Charter School as of August 31, 2009, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2010, on our consideration of the Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over

financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Schedule – General Fund listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit the required supplementary information and, accordingly, we express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The Introductory Section, Other Supplementary Information Section and Statistical Section are presented for purposes of additional analysis and are not required as part of the financial statements. The Budgetary Comparison Schedule required by the Texas Education Agency – Child Nutrition and Schedule of Expenses have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

April 30, 2010

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Management's Discussion and Analysis

August 31, 2009

Introduction

Our discussion and analysis of the financial position of the University of Houston Charter School (the Charter School) provides an overview of the activities for the fiscal year ended August 31, 2009. This Management's Discussion and Analysis is unaudited and is intended to offer a summary of significant current year activities, resulting changes, and currently known economic conditions and facts.

Overview of the Financial Statements

The Charter School herewith presents its basic financial statements for fiscal year 2009. The basic financial statements have been prepared in accordance with the standards of the Governmental Accounting Standards Board which establishes generally accepted accounting principles for state and local governments. The Charter School's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements presented are the Statement of Net Assets and the Statement of Activities. The notes provide additional information and disclosures that are essential to a complete understanding of the data provided in the government-wide and fund financial statements. The information contained in the basic financial statements of the Charter School is incorporated within the University of Houston System's Annual Financial Report.

Statement of Net Assets

The Statement of Net Assets reflects all the Charter School's assets and liabilities using the full accrual basis of accounting, and represents the financial position as of the conclusion of the fiscal year. Government wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Net assets are equal to assets minus liabilities. Unrestricted net assets are available to the Charter School for any lawful purpose. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be removed or modified. Restricted net assets represent net assets that can be utilized only in accordance with third party imposed restrictions.

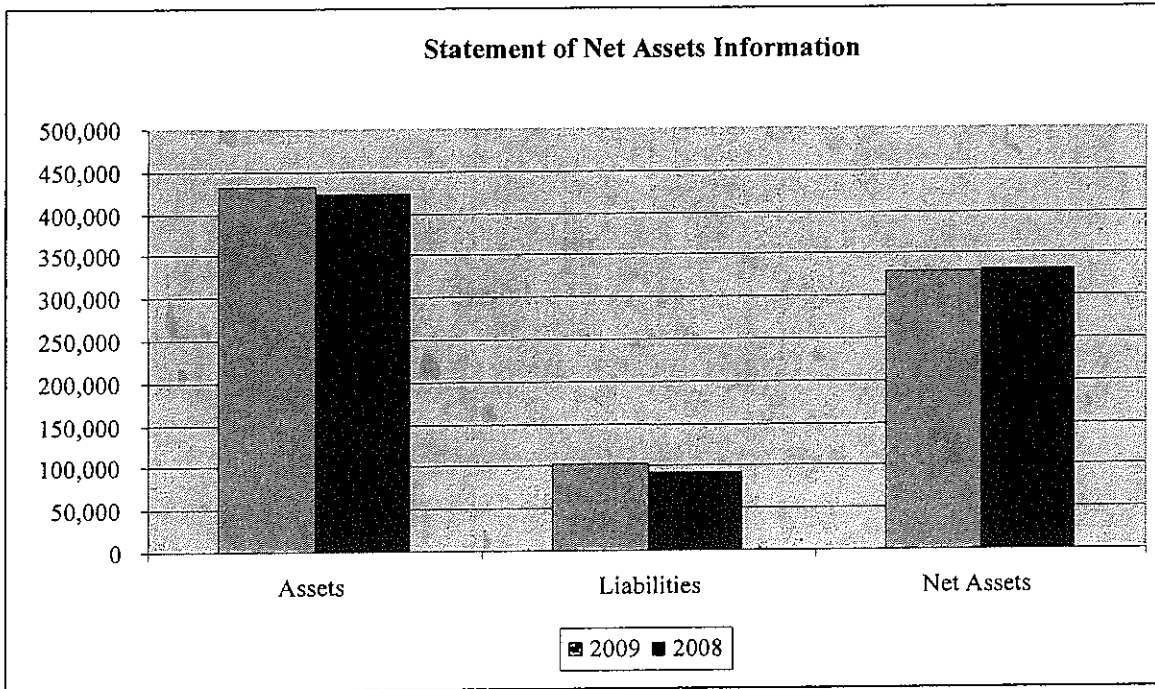
	<u>2009</u>	<u>2008</u>	<u>Change</u>
Statement of net assets information:			
Assets:			
Current assets	\$ 431,555	423,199	8,356
Total assets	<u>\$ 431,555</u>	<u>423,199</u>	
Liabilities:			
Current liabilities	\$ 103,386	92,979	10,407
Total liabilities	<u>103,386</u>	<u>92,979</u>	
Net assets:			
Restricted for various programs	132,145	76,315	55,830
Unrestricted	196,024	253,905	(57,881)
Total net assets	<u>328,169</u>	<u>330,220</u>	
Total liabilities and net assets	<u>\$ 431,555</u>	<u>423,199</u>	

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Management's Discussion and Analysis

August 31, 2009

Net Assets 2009-2008



Fiscal Year 2009 Compared to 2008

Cash is almost 99% of the current assets held by the School. Current assets increased by \$8,356 or 2%. Liabilities increased \$10,406 or 11%. The ending net assets for restricted state and federal programs was increased by \$55,830. Unrestricted net assets decreased by \$57,881.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Management's Discussion and Analysis

August 31, 2009

Statement of Activities

The Statement of Activities identifies all of the Charter School's revenues and expenses, and measures the results of the Charter School's operations during the fiscal year. All revenues and expenses are included, regardless of when cash is received or paid. Revenues are separated into those provided by external entities which share the costs of certain programs, and those revenues provided as general revenues. Any revenues or expenses resulting from other than operations would also be displayed on this statement.

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Statements of activities information:			
Revenues:			
Program revenues:			
Charges for services	\$ 124,327	116,153	8,174
Operating grants and contributions	71,483	68,705	2,778
General revenues	<u>1,026,277</u>	<u>845,729</u>	180,548
Total revenues	<u>1,222,087</u>	<u>1,030,587</u>	
Program expenses:			
Instruction	764,367	686,275	78,092
Curriculum/instructional staff development	17,138	13,624	3,514
School leadership	196,554	181,953	14,601
Guidance/counseling and evaluation	16,884	24,439	(7,555)
Food services	31,243	40,814	(9,571)
General administration	104,145	107,636	(3,491)
Plant maintenance and operations	2,043	5,271	(3,228)
Community services	91,764	71,901	19,863
Fund raising	—	974	(974)
Total program expenses	<u>1,224,138</u>	<u>1,132,887</u>	91,251
Change in net assets	(2,051)	(102,300)	
Net assets, beginning of year	<u>330,220</u>	<u>432,520</u>	
Net assets, end of year	<u>\$ 328,169</u>	<u>330,220</u>	

Fiscal Year 2009 Compared to 2008

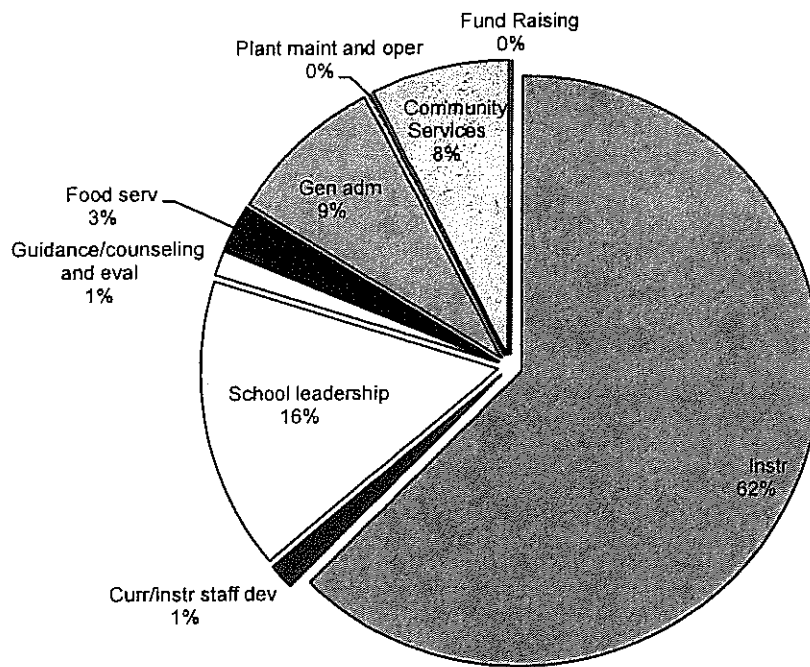
Instructional expenses increased by \$78,092 in 2009, as a result of hiring additional staff and raises. Curriculum and Staff Development increased by \$3,514 or 26% due to the Star Grant support.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Management's Discussion and Analysis

August 31, 2009

2009 Expenses

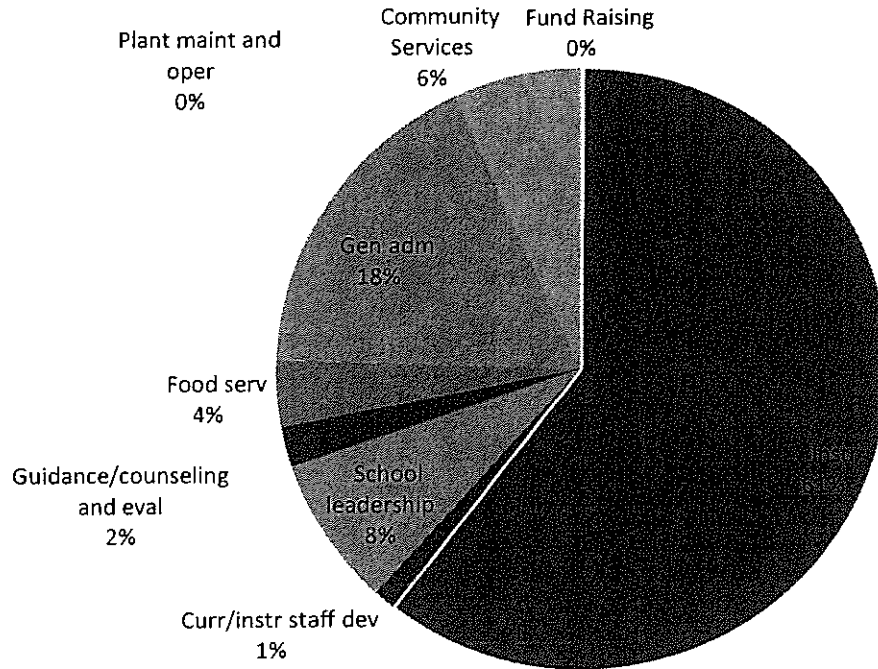


UNIVERSITY OF HOUSTON CHARTER SCHOOL

Management's Discussion and Analysis

August 31, 2009

2008 Expenses



The 2009 revenues include sources that are primarily used to provide services to the Charter School's students and are as follows:

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 124,327	116,153	8,174
Operating grants and contributions	71,483	68,705	2,778
Total program revenues	<u>195,810</u>	<u>184,858</u>	
General revenues	<u>1,026,277</u>	845,729	180,548
Total general revenues	<u>1,026,277</u>	845,729	
Total revenues	\$ <u><u>1,222,087</u></u>	<u><u>1,030,587</u></u>	191,500

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Management's Discussion and Analysis

August 31, 2009

Fiscal Year 2009 Compared to 2008

Program revenues for 2009 increased by \$10,952 or 15%. This funding is based on student enrollment in the Summer Camp Construct Program which had an increase in enrollment.

Non restricted grants and contributions, mostly comprised of state charter school funding, increased by \$180,548 or 19%, and is primarily the result of not receiving UH allotment funds during fiscal year 2008. During fiscal year 2009, the School received funds in the amount of \$106,153.

Program expenses are the costs necessary to provide services and to fulfill the mission of the Charter School. Program expenses are displayed in the statement using the functional method of classification and are as follows:

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Program expenses:			
Instruction	\$ 764,367	686,275	78,092
Curriculum/instructional staff development	17,138	13,624	3,514
School leadership	196,554	91,228	105,326
Guidance/counseling and evaluation	16,884	24,440	(7,556)
Food services	31,243	40,814	(9,571)
General administration	104,145	198,360	(94,215)
Plant maintenance and operations	2,043	5,271	(3,228)
Community services	91,764	71,901	19,863
Fund raising	—	974	(974)
Total program expenses	\$ <u>1,224,138</u>	<u>1,132,887</u>	91,251

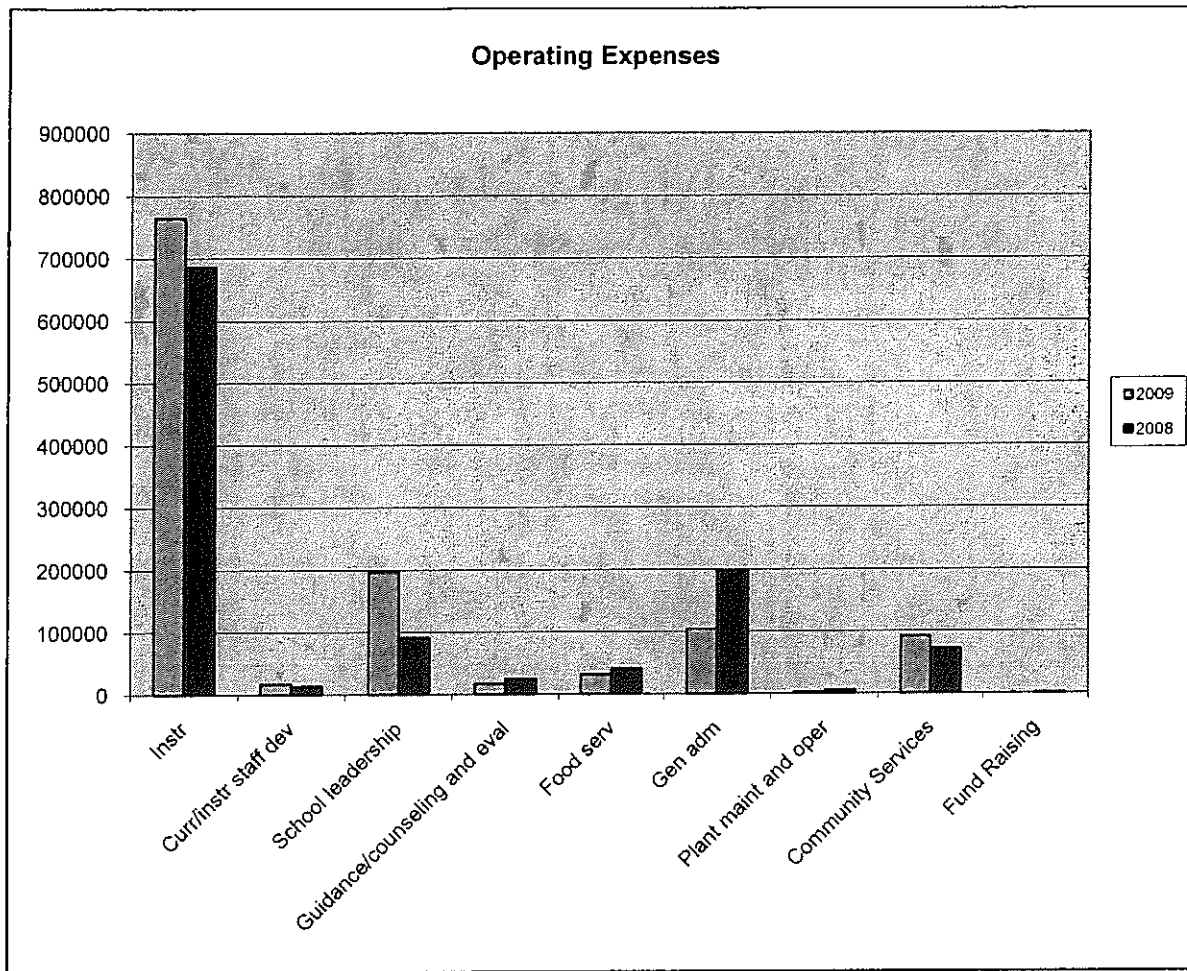
The majority of the Charter School's revenue is expended for instructional purposes, which includes teacher and support-personnel salaries.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Management's Discussion and Analysis

August 31, 2009

Operating Expenses 2009-2008



Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives or programs. Contracts and state law require the establishment of some funds. Other funds are created by the Charter School's management to control and manage expenditures for particular purposes. The only category of funds used by the Charter School is governmental funds.

The governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as displaying balances of spendable resources available at the end of the fiscal year. These financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Because these statements provide a detailed short-term perspective of the Charter School's general operations, they may be useful in evaluating a school's near-term financing requirements. Any differences between the broader long-term focus of the government-wide financial statements (as reported in the Statement of Net Assets

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Management's Discussion and Analysis

August 31, 2009

and the Statement of Activities) and the fund financial statements will be displayed in a reconciliation following the end of the governmental fund financial statements.

General Fund – This is the Charter School's primary operating fund. It accounts for all financial resources of the Charter School except those required to be accounted for in another fund. The major revenue source for the General Fund is the State funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the Charter School except for specific programs funded by the Federal or State government which are required to be accounted for in another fund. The General Fund revenues were \$885,416 and \$938,516 for the years ended August 31, 2009 and 2008, respectively.

The General Fund has a budget that is approved by the Board of Regents. The General Fund received \$40,416 in additional revenue from the final budgeted amount and incurred \$32,181 in additional expenses from the final budgeted amount.

UH Central Allocation – The source of this revenue is an allocation from the University of Houston System Administration General Funds to provide support to the Charter School. These funds are used at the discretion of the Charter School to supplement operating needs. The UH Central Allocation was \$106,153 and \$0 for the years ended August 31, 2009 and 2008, respectively.

Summer Camp/Camp Construct Programs – The source of this revenue is from tuition payments. Funds originated in the Summer Camp and Camp Construct programs are restricted to these programs. The Summer Camp/Camp Construct revenues were \$124,327 and \$116,153 for the years ended August 31, 2009 and 2008, respectively.

Accounting Systems and Annual Budgets

The necessity of legal compliance with applicable laws and regulations related to the state and federal grants requires developing and improving the accounting system and consideration is given to the adequacy of the internal control structure.

The Charter School Planning Panel provides need assessments and prioritizes efforts for the upcoming year. An annual budget is developed for its general fund and each of its separate governmental funds. University policy requires budgeted expenditures to be no more than budgeted revenue. During the course of the fiscal year the actual to budget amounts are reviewed and modified or adjusted as needed.

Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Management's Discussion and Analysis

August 31, 2009

Capital Assets

As of the end of the 2009 fiscal year, the Charter School did not possess any reportable capital assets. Such assets would include property, buildings, furniture, and equipment. The University provides building space, a playground area, and parking facilities for use by the Charter School.

Title to capital assets resides with the University, which allocates custody of such assets to the Charter School for its operational needs. Therefore, such assets can be transferred to or from the Charter School at the discretion of the University. Accountability for capital assets is consistent with policies established by the State of Texas. Assets are recorded at cost and are depreciated over the estimated useful life of the asset. Useful life is established by a uniform classification system maintained by the State of Texas and is measured from the date of acquisition. The Charter School capitalizes assets when the acquisition cost exceeds certain threshold values. Funds for the acquisition of any capital assets would be provided from the Charter School's operating revenues.

Noncapital furniture and equipment, including computing equipment, are maintained by the Charter School for its operational needs. Title to these items also resides with the University, which allocates custody to the Charter School. Expenditures for these items are charged to current operating expenses as incurred as they are below the School's capitalization threshold. Funds for the acquisition of such equipment are provided from the Charter School's operating revenues. Additional information regarding the capitalization of assets is in the Notes to the Financial Statements.

Debt Administration

The Charter School does not separately issue long-term debt. The Charter School is not currently engaged in any long-term financing transactions. The operating budget for the Charter School is currently structured such that annual financial obligations are satisfied through operating revenues that are received during each current fiscal year.

Contacting the Charter School's Financial Management

This financial report is designed to provide a general overview of the Charter School's financial position and to demonstrate the Charter School's accountability for the funds it receives. Any questions regarding this report or requests for additional financial information should be directed to the Office of the Executive Vice President for Administration and Finance, University of Houston, Houston, Texas 77204-2016.

BASIC FINANCIAL STATEMENTS

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Statement of Net Assets

August 31, 2009

<u>Data control codes</u>			
	Assets:		
1110	Cash	\$	425,761
1290	Other receivables		<u>5,794</u>
1000	Total assets	\$	<u><u>431,555</u></u>
	Liabilities:		
2110	Accounts payable	\$	7,151
2150	Payroll deductions and withholdings		30,044
2160	Accrued wages payable		37,764
2200	Employees' compensable leave (other accrued expenses)		<u>28,427</u>
2000	Total liabilities	\$	<u><u>103,386</u></u>
	Net assets:		
3890	Restricted for various programs:		
3890	Summer camp construct programs	\$	99,452
3900	Other nonmajor funds		32,693
3000	Unrestricted		<u>196,024</u>
	Total net assets	\$	<u><u>328,169</u></u>

See accompanying notes to financial statements.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Statement of Activities

Year ended August 31, 2009

Data control codes	Functions/programs	Expenses	Program revenues		Net (expense) revenue and changes in net assets
			Operating grants and contributions	Charges for services	
					Governmental activities
	Governmental activities:				
11	Instruction	\$ 764,367	(34,816)	—	729,551
13	Curriculum and instructional staff development	17,138	—	—	17,138
23	School leadership	196,554	—	—	196,554
31	Guidance, counseling and evaluation services	16,884	—	—	16,884
35	Food services	31,243	(36,667)	—	(5,424)
41	General administration	104,145	—	—	104,145
51	Plant maintenance and operation	2,043	—	—	2,043
61	Community services	91,764	—	(124,327)	(32,563)
TG	Total governmental activities	\$ 1,224,138	(71,483)	(124,327)	1,028,328
	General revenues:				
GC	Grants and contribution not restricted to specific function				1,026,277
CN	Change in net assets				(2,051)
NB	Net assets, beginning of year				330,220
NE	Net assets, end of year				\$ 328,169

See accompanying notes to financial statements.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Balance Sheet – Governmental Funds

Year ended August 31, 2009

Data control codes	General fund	UH allocation	Summer camp/camp construct	Nonmajor funds	Total governmental funds
Assets:					
1110	\$ 171,196	124,695	97,409	32,461	425,761
1240	—	—	—	5,794	5,794
1000	\$ 171,196	124,695	97,409	38,255	431,555
Liabilities:					
2110	\$ 5,320	—	330	1,500	7,150
2150	29,988	—	(1,170)	1,227	30,045
2160	39,885	—	(2,695)	574	37,764
2000	75,193	—	(3,535)	3,301	74,959
Fund balances:					
Reserved fund balances:					
3890	—	—	100,944	—	100,944
3890	—	—	—	33,976	33,976
3900	96,003	124,695	—	978	221,676
3000	96,003	124,695	100,944	34,954	356,596
4000	\$ 171,196	124,695	97,409	38,255	(28,427)
Employee compensable leave is not due and payable in the current period and therefore not reported in the funds					\$
Net assets of Charter School					<u>328,169</u>

See accompanying notes to financial statements.

UNIVERSITY OF HOUSTON CHARTER SCHOOL
Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds
Year ended August 31, 2009

Data control codes		Major fund			Nonmajor funds	
		General fund	UH allocation	Summer camp/ camp construct	Other nonmajor funds	Total governmental funds
	Revenues:					
5700	Local and intermediate sources	\$ 5,017	106,153	124,327	51,740	287,237
5800	State program revenues	880,399	—	—	9,532	889,931
5900	Federal program revenues	—	—	—	44,919	44,919
5020	Total revenues	<u>\$ 885,416</u>	<u>106,153</u>	<u>124,327</u>	<u>106,191</u>	<u>1,222,087</u>
	Expenditures:					
	Current:					
0011	Instruction	\$ 732,406	—	—	31,961	764,367
0013	Curriculum and instructional staff development	11,601	—	—	5,537	17,138
0023	School leadership	173,732	—	—	22,822	196,554
0031	Guidance, counseling, and evaluation services	11,286	—	—	5,598	16,884
0035	Food services	99	—	—	31,144	31,243
0041	General administration	74,233	29,912	89,581	—	193,726
0051	Plant maintenance and operations	2,043	—	—	—	2,043
0061	Community services	2,183	—	—	—	2,183
0081	Fund raising	—	—	—	—	—
0099	Other intergovernmental charges	—	—	—	—	—
6030	Total expenditures	<u>\$ 1,007,583</u>	<u>29,912</u>	<u>89,581</u>	<u>97,062</u>	<u>1,224,138</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>\$ (122,167)</u>	<u>76,241</u>	<u>34,746</u>	<u>9,129</u>	<u>(2,051)</u>
1200	Net change in fund balance	(122,167)	76,241	34,746	9,129	(2,051)
0100	Fund balances, beginning of year	218,170	48,454	66,198	25,825	358,647
3000	Fund balances, end of year	<u>\$ 96,003</u>	<u>124,695</u>	<u>100,944</u>	<u>34,954</u>	<u>356,596</u>

See accompanying notes to financial statements.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Notes to Basic Financial Statements

August 31, 2009

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UNIVERSITY OF HOUSTON CHARTER SCHOOL

Basic Financial Statements

August 31, 2009

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UNIVERSITY OF HOUSTON CHARTER SCHOOL

Notes to Basic Financial Statements

August 31, 2009

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The University of Houston Charter School (the Charter School) is chartered by the State Board of Education and accredited by the Texas Education Agency (TEA). The charter is held by the University of Houston System (the University). The University is accredited with the Southern Association of Colleges and Schools. Courses are developed to the Texas Essential Knowledge and Skills (TEKS) objectives and are TEKS compliant. The Charter School is a model constructivist elementary school that implements a curriculum in which children develop cognitively, socially, morally, and physically based on a sustained mental action. The Charter School provides educational curriculum to pre-kindergarten through the 5th grade. The Charter School's administrators and staff are degreed and certified for the positions to which they are assigned.

The Principal of the Charter School reports to management personnel of the University and the operations of the Charter School are overseen by a committee of the University's Board of Regents.

The Charter School is a department of the University. These financial statements present financial information that is attributable to the Charter School and do not purport to, and do not present fairly, the financial position of the University.

(b) Governmental-Wide and Fund Financial Statements

Basis of Presentation

The basic financial statements of the Charter School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units in conjunction with the TEA's Financial Accountability System Resource Guide (Resource Guide). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Charter School follows the applicable pronouncements of GASB and pronouncements of Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements as they relate to governmental entities. Accordingly, the Charter School has presented the following sets of financial statements:

Government-Wide Financial Statements

The statement of net assets and the statement of activities include the financial activities of the government as a whole. Governmental activities generally are financed through intergovernmental revenues, and other nonexchange transactions.

The statements of activities present a comparison between program direct expenses and revenues for each function of the Charter School's governmental activities. Direct expenses are those that are associated with specific programs and/or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges for services, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All other revenues are presented as general revenues.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Notes to Basic Financial Statements

August 31, 2009

Fund Financial Statements

The fund financial statements provide information about the Charter School's funds, which are all classified as governmental funds. The fund financial statements are categorized into major and nonmajor funds. Major governmental funds are displayed in separate columns. Nonmajor governmental funds are reported in the aggregate.

The Charter School reports the following major governmental funds:

General Fund – This is the Charter School's primary operating fund. It accounts for all financial resources of the Charter School except those required to be accounted for in another fund. The major revenue source for the General Fund is the State funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the Charter School except for specific programs funded by the Federal or State government which are required to be accounted for in another fund.

UH Central Allocation – The source of this revenue is an allocation from the University of Houston System Administration General Funds to provide support to the Charter School. These funds are used at the discretion of the Charter School to supplement operating needs.

Summer Camp/Camp Construct Programs – The source of this revenue is from tuition payment. Funds originated in the Summer Camp and Camp Construct programs are restricted to these programs.

(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

Government-wide financial statement presentation is based on the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Charter School gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue received in cash for which eligibility requirements are not yet satisfied is reported as unearned revenue in the statement of net assets. As of August 31, 2009 and 2008, the Charter School did not have any unearned revenue.

Governmental Funds' Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Charter School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Notes to Basic Financial Statements

August 31, 2009

Revenues received from Federal, State and Local grants are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Expenditures are recorded when the related fund liability is incurred.

(d) Assets, Liabilities, and Net Assets or Equity

1. Cash and cash equivalents

For financial statement purposes, the Charter School considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents.

The Charter School maintains all its cash with the University's Treasury (the Treasury). The University maintains accounts with financial institutions.

2. Deposits and investments

The Charter School's funds are deposited with the Treasury and are not required to be maintained by the Treasury in a separate depository account with financial institutions. The Treasury maintains deposits with financial institutions in the name of the University. The Charter School reconciles the revenues and expenses in a monthly basis. The Charter School does not maintain investments of any kind, which is in compliance with the Charter School's investment policy.

3. Receivables and payables

The Charter School believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided to further disaggregate those balances. All receivables are scheduled for collection within one year from year end.

4. Capital assets

Expenditures of \$5,000 or more to acquire individual assets are capitalized. Capitalized assets are recorded at cost. Donated capital assets are capitalized and recorded at their fair value when received. Capitalized assets are depreciated on a straight line basis over the estimated useful lives of the assets. Repairs and maintenance costs are charged to expenses when incurred. The Charter School did not have any capitalized assets as of August 31, 2009 and 2008. The University provides the Charter School with building facilities, furniture, play ground, and parking facilities. Title to these capital assets resides with the University.

5. Compensated absences

Employees of the Charter School are entitled to paid vacation and sick days depending on length of service. Employees with more than 35 years of service can carry over 532 hours of earned but unused vacation time at the end of each calendar year to the following calendar year. Employees with less than 35 years of service can carry forward less than 532 hours of earned but unused vacation time at the end of each calendar year to the following calendar

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Notes to Basic Financial Statements

August 31, 2009

year, based on a graduated scale tied to the length of service. Accrued leave in excess of the normal maximum is converted to sick leave at the conclusion of the fiscal year. Employees with at least six months of service who terminate their employment are entitled to payment for all accumulated unused vacation. Unpaid compensable absences of \$28,427 as of August 31, 2009, have been recorded in the accompanying financial statements.

6. Long term obligations

The Charter School does not separately issue long-term debt. The Charter School is not currently engaged in any long-term financing transactions.

7. Net Assets

Unrestricted net assets include resources not restricted to any programs or functions, which are available to support the programs and activities of the Charter School in general. The amount available for this purpose as of August 31, 2009 was \$196,024.

Restricted net assets amounted to \$132,145 and are restricted to various programs but not specific to functions as of August 31, 2009.

When the Charter School incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the Charter School's policy to use restricted resources first, then unrestricted resources.

8. Data control codes

Data control codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

9. Income taxes

The Charter School is a department of the University which is a local government exempt from income taxes under Section 115(a) of the Internal Revenue Code. Accordingly, income taxes are not provided for in the accompanying financial statements.

(e) *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Notes to Basic Financial Statements

August 31, 2009

(2) Other Information

(a) Risk Management

1. General

Approximately 73% of the Charter School's revenues for fiscal years 2009 were provided by the State of Texas.

2. Health Care Coverage and Risk Management

The University provides health care benefits to all the Charter School's employees who meet the University's employment qualifications and requirements. Contributions are required from the Charter School's employees for coverage of their dependents and for higher level of coverage beyond standard benefits. During the year, the University deducted amounts from the Charter School's cash accounts to cover the Charter School's portion of health care coverage, based on an allocation determined by the State, and records a corresponding expense. Healthcare benefits costs attributable to the Charter School for fiscal years 2009, 2008 and 2007, were \$81,315, \$76,359 and \$54,571, respectively.

The School is exposed to various risks of loss related to torts, injuries to employees and natural disasters. The University of Houston System carries commercial insurance to cover losses to which the School may be exposed.

(b) Contingent Liabilities

The Charter School receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency (TEA) and is subject to audit and adjustment. In addition, costs charged to federal programs are subject to audit and adjustment by the grantor agencies. The programs administered by the Charter School have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, Charter School funds may be subject to refund if so determined by the TEA or the grantor agencies. In the opinion of the Charter School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the various state and federal program grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

(c) Pension Plan

All employees of the Charter School, who are not exempt from membership under the Texas Constitution and Texas Government Code, Title 8, Subtitle C, Section 822.002, participate in the Teacher Retirement System of Texas (TRS), a public employee retirement system. It is a cost-sharing multiple-employer defined benefit pension plan with the liability for all risks and costs for the State of Texas. All School employees, except those employed for less than one-half the standard work load and who are not exempt by law, are required to participate in TRS as a condition of employment. Benefits are established by state statute and vary based on age at retirement along with number of years of state service.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Notes to Basic Financial Statements

August 31, 2009

By statute, covered employees must contribute 6.4% of their salary to the plan and the Charter School contributes an amount equal to 6% times the aggregate annual compensation during the fiscal year. The TRS provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The TRS operates under the authority of provisions contained primarily in Texas Government code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature. The TRS's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 877-0123.

The Charter School's total contribution to the TRS for the year ended August 31, 2009, 2008 and 2007 was \$48,003, \$46,920, \$37,227, respectively. These contributions represent 100% of the required contribution.

(d) Related Party Transactions

For the fiscal year ended August 31, 2009, the University provided the Charter School with direct funding in the amount of \$106,153 in fiscal year 2009. The amount has been included in the revenues reported in the financial statements for the year.

In addition, the University provided the Charter School with management oversight and other administrative human resources support, office and classroom building-facilities, transportation equipment, playground equipment, and certain other services and supplies estimated at approximately \$176,818 for fiscal year 2009.

(e) Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, *Certain Financial Statement Note Disclosure*, violations of finance related legal and contractual provision, if any, should be disclosed along with actions taken to address such violations. Management of the Charter School believes that it has not violated any finance related legal and contractual provisions for the year ended August 31, 2009.

(f) Correction of Prior Year Amounts

In the 2008 financial statements, transfers of cash from the Title I and Title II funds (nonmajor funds) to the General Fund in the amount of \$18,696 was inappropriately recorded in the Balance Sheet – Governmental Funds. Additionally, liabilities for employees' compensable leave were incorrectly reported in the General Fund, the Summer Camp/Camp Construct Fund and the Title I, Title II, Child Nutrition and Accelerated Reading funds (collectively, the nonmajor funds) in the amounts of \$22,182, \$1,853 and \$1,283, respectively. These liabilities should not have been reported as they were not expected to be liquidated with expendable available financial resources at August 31, 2008. The beginning fund balance amounts of the General Fund, Summer Camp/Camp Construct Fund and the nonmajor funds have been adjusted to correct these errors.

REQUIRED SUPPLEMENTARY INFORMATION

Unaudited

UNIVERSITY OF HOUSTON CHARTER SCHOOL

General Fund

Budgetary Comparison Schedule

Year ended August 31, 2009

Unaudited

Data control codes		Budgeted amounts		Actual	Variance with final budget positive (negative)
		Original	Actual		
	Revenues:				
5700	Local and intermediate sources	\$ —	—	5,017	(5,017)
5800	State program revenues	845,000	845,000	880,399	(35,399)
5020	Total revenues	\$ 845,000	845,000	885,416	(40,416)
	Expenditures:				
	Current:				
	Instruction and instructional related services:				
0011	Instruction	\$ 632,989	632,989	732,406	(99,417)
0013	Curriculum and instructional staff development	5,000	5,000	11,601	(6,601)
	Total instruction and instruction related services	637,989	637,989	744,007	(106,018)
	Instructional and school leadership:				
0023	School leadership	128,910	128,910	173,732	(44,822)
	Total instruction and school leadership	128,910	128,910	173,732	(44,822)
	Support services student:				
0031	Guidance, counseling, and evaluation services	13,500	13,500	11,286	2,214
0035	Food services	—	—	99	(99)
	Total guidance and counseling	13,500	13,500	11,385	2,115
	Administrative support services:				
0041	General administration	29,670	29,670	74,233	(44,563)
	Total administrative support services	29,670	29,670	74,233	(44,563)
	Support services nonstudent based:				
0051	Plant maintenance and operations	102,000	102,000	2,043	99,957
	Total plant maintenance	102,000	102,000	2,043	99,957
	Other support:				
0061	Community services	63,333	63,333	2,183	61,150
0099	Other intergovernmental charges	—	—	—	—
		63,333	63,333	2,183	61,150
6030	Total expenditures	\$ 975,402	975,402	1,007,583	(32,181)
1100	Excess (deficiency) of revenues over (under)				
1100	expenditures	\$ (130,402)	(130,402)	(122,167)	(8,235)
1200	Net change in fund balance	(130,402)	(130,402)	(122,167)	(8,235)
0100	Fund balances, beginning of year	—	—	218,170	(218,170)
3000	Fund balances, end of year	\$ (130,402)	(130,402)	96,003	(226,405)

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Notes to Required Supplementary Information

Year ended August 31, 2009

Budgetary Information

Annually, a General Fund budget is adopted on a basis consistent with generally accepted accounting principles. Budgetary requests are submitted so that a budget may be prepared. The budget is presented to the Texas Education Agency (TEA) and a final budget must be prepared and adopted no later than January of the following year.

OTHER SUPPLEMENTARY INFORMATION

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and are not considered a part of the basic financial statements. It may, however, include information which is required by other entities such as Texas Education Agency.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Child Nutrition

Budgetary Comparison Schedule

Year ended August 31, 2009

Data control codes		Budgeted amounts		Actual	Variance with final budget positive (negative)
		Original	Actual		
	Revenues:				
5700	Local and intermediate sources	\$ 16,000	16,000	17,032	(1,032)
5800	State program revenues	325	325	269	56
5900	Federal program revenues	19,000	19,000	19,366	(366)
5020	Total revenues	\$ 35,325	35,325	36,667	(1,342)
	Expenditures:				
	Current:				
0035	Food services	\$ 35,325	35,325	31,144	4,181
		35,325	35,325	31,144	4,181
	Other support:				
0099	Other intergovernmental charges	—	—	—	—
		—	—	—	—
6030	Total expenditures	\$ 35,325	35,325	31,144	4,181
1100	Excess (deficiency) of revenues over (under)				
1100	expenditures	\$ —	—	5,523	(5,523)
1200	Net change in fund balance	—	—	5,523	(5,523)
0100	Fund balances, beginning of year	—	—	(10)	10
3000	Fund balances, end of year	\$ —	—	5,513	(5,513)

See accompanying notes to financial statements.

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Schedule of Expenses

Years ended August 31, 2009

<u>Data control codes</u>			
	Expenses:		
6100	Payroll costs	\$	1,014,412
6200	Professional and contractual services		45,010
6300	Supplies and materials		110,887
6400	Other operating costs		<u>53,829</u>
	Total expenses	\$	<u><u>1,224,138</u></u>

See accompanying notes to financial statements.

STATISTICAL SECTION

Unaudited

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Statistical Section

Unaudited

The Statistical Section of the Charter School's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Charter School's overall financial health.

Contents

Financial Trends

These schedules contain information to help the reader understand how the Charter School's financial performance has changed over time.

FINANCIAL TRENDS

Unaudited

UNIVERSITY OF HOUSTON CHARTER SCHOOL

General Revenues and Total Changes in Net Assets

Unaudited

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Grants and contributions:			
Program	\$ 195,810	184,858	10,952
Nonrestricted	1,026,277	845,729	180,548
Total grants and contributions	<u>1,222,087</u>	<u>1,030,587</u>	
Operating expenses:			
Instruction	764,367	686,275	78,092
Curriculum/instructional staff development	17,138	13,624	3,514
School leadership	196,554	181,953	14,601
Guidance/counseling and evaluation	16,884	24,439	(7,555)
Food services	31,243	40,814	(9,571)
General administration	104,145	107,636	(3,491)
Plant maintenance and operations	2,043	5,271	(3,228)
Community services	91,764	71,901	19,863
Fund raising	—	974	(974)
Total operating expenses	<u>1,224,138</u>	<u>1,132,887</u>	91,251
Change in net assets	(2,051)	(102,300)	
Net assets, beginning of year	<u>330,220</u>	<u>432,520</u>	
Net assets, end of year	<u><u>\$ 328,169</u></u>	<u><u>330,220</u></u>	

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Governmental Funds Fund Balances

Last Two Fiscal Years
(Modified Accrual Basis of Accounting)

Unaudited

	<u>Fiscal year</u>	
	<u>2009</u>	<u>2008</u>
Fund balances:		
Restricted for various programs	\$ 134,920	79,090
Unrestricted	<u>221,676</u>	<u>279,557</u>
Total fund balances	<u>\$ 356,596</u>	<u>358,647</u>

Governmental Funds Revenues

Last Two Fiscal Years

	<u>Fiscal year</u>	
	<u>2009</u>	<u>2008</u>
Local sources:		
UH allocation and ACE Charity	\$ 265,188	29,760
Miscellaneous local sources	<u>22,049</u>	<u>17,824</u>
Total local sources	<u>287,237</u>	<u>47,584</u>
State sources:		
State program revenues	<u>889,931</u>	<u>945,989</u>
Total state sources	<u>889,931</u>	<u>945,989</u>
Federal sources:		
Federal program revenues	<u>44,919</u>	<u>37,014</u>
Total federal sources	<u>44,919</u>	<u>37,014</u>
Total revenues	<u>\$ 1,222,087</u>	<u>1,030,587</u>

UNIVERSITY OF HOUSTON CHARTER SCHOOL

Governmental Funds Expenditures

Last Two Fiscal Years

Unaudited

	Fiscal year	
	2009	2008
Instruction	\$ 764,367	686,275
Curriculum/instructional staff development	17,138	13,624
School leadership	196,554	91,228
Guidance/counseling and evaluation	16,884	24,439
Food services	31,243	40,814
General administration	104,145	198,361
Plant maintenance and operations	2,043	5,271
Community services	91,764	71,901
Fund raising	—	974
Total expenditures	\$ 1,224,138	1,132,887

Indirect Support

Fiscal Year ending August 31, 2009

UH – Space occupied	4,900,287	Sq.ft
Charter School – Space occupied	11,369	Sq.ft
Percentage Charter School for operation and maintenance of plant	0.002320	
UH Operation and maintenance expenses	\$ 35,755,137.78	
Amount of indirect support for operation and maintenance	\$ 82,951.92	
UH Operating expenses	\$ 667,620,628.67	
Charter School operating expenses	\$ 1,224,138.00	
Percentage Charter School for institutional support	0.00	
UH Institutional support	\$ 51,192,687.00	
Amount of indirect support for institutional support	\$ 93,866.05	

UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA

COMMITTEE: Audit & Compliance

ITEM: Institutional Compliance Status Report for the Three Months Ended March 31, 2010

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

The Institutional Compliance Status Report summarizes the information provided by each institution for their respective compliance functions.

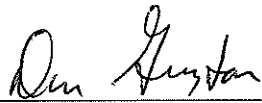
FISCAL NOTE:

SUPPORTING DOCUMENTATION: Institutional Compliance Status Report

ACTION REQUESTED: Information

COMPONENT: University of Houston System

CHIEF AUDIT EXECUTIVE

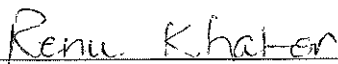


Don F. Guyton

DATE

4/23/10

CHANCELLOR



Renu Khator

DATE

4-27-10

**UNIVERSITY OF HOUSTON SYSTEM
INSTITUTIONAL COMPLIANCE STATUS REPORT
For the three months ended March 31, 2010**

Institutional compliance activities at each university during the three months ended March 31, 2010, are as follows:

<u>Activity</u>	<u>UH/UHS</u>	<u>UHCL</u>	<u>UHD</u>	<u>UHV</u>
Risk Assessments Completed	0	0	0	3
Risk Assessments Updated	6	0	0	7
Compliance Audits Conducted	118	0	1 ⁽¹⁾	2
Compliance Committee Meetings Held	1	1	1	1
Risk Mitigation Implemented:				
Specific Control Activities (pol. & proc.)	57	0	1 ⁽²⁾	35
New Training Program / Activities	23	1	0	21
Hot-line Reports:				
Number Received during last 3 months	14	1	2	2
Reports Resolved during last 3 months	11	1	2	1
Unresolved Reports as of March 31, 2010	4	0	1	1

(1) This excludes the new random checks of Cashier Computers to ensure access is locked when unattended: 11 checks conducted with 0 failures.

(2) 05.C.09 - General Procurement/Procurement Card

UHS:

- A system-wide meeting of the Institutional Compliance officers was held on January 13, 2010, to discuss institutional compliance activities. Included on the meeting agenda were the following:
 - Open points from previous meeting
 - Review of reports to be presented to the Audit and Compliance Committee on February 10, 2010
 - Institutional Compliance Status Report for the three months ended December 31, 2009
 - Board of Regents Internal Audit and Institutional Compliance Policies
 - Cooperative Problem Solving – Sharing of Ideas (discussion by all compliance officers of major concerns / accomplishments)
 - Presentation by Mike Glisson
 - Management Certification of Annual Financial Statements
 - PCI Compliance Update
 - Presentation by Monica Morgan/Joan Nelson – ePerformance and HR Audit
 - Presentation by Anne Sherman – Update on Research hot topics – ARRA Funds

- Since June 1, 2009, employees and students receive automated emails when they change their email address, home address, Form W-4, or direct deposit information. The automated emails are part of the UH System identity theft prevention program, which adheres to the Federal Trade Commission's Red Flag Rule under sections 114 and 315 of the Federal Fair and Accurate Credit Transactions Act. The emails instruct recipients to notify University Information Technology (UIT) Security if they did not remember initiating or authorizing this change, so UIT Security can investigate. UIT Security was notified of 59 instances system-wide through March 31, 2010 (17 occurring between January 1, 2010 and March 31, 2010) and all 59 were found to be legitimate record updates.
- The remaining UHS merchants that accept credit card payments moved to the Bank of America (BOA) platform by March 31, 2010. Now, all UHS merchants are on the BOA platform and are considered payment card industry (PCI) compliant.

UH:

Advancement

University Advancement has been working with Treasury and UH-IT to update on-line credit card practices and processing procedures so we are in line with new PCI-compliance rules.

Public Safety

- The UHDPS compiled and submitted the annual juvenile jail log to the Texas Commission on Jail Standards.
- The UHDPS compiled and submitted its Racial Profiling Report as required by the Texas Code of Criminal Procedures.

Finance

- Updated 49 risk assessments for Finance and Purchasing (UH/UHS).
- Representatives from Facilities Management, Finance, Internal Audit, and Contracts Administration formed a committee to create a job order contract (JOC) program for minor construction, repair, and renovation projects costing between \$5,000 to \$250,000 that complies with Texas Education Code 51.784. The JOC program is expected to begin in September 2010.

University Information Technology (UIT)

- The test of the Annual Service Continuity plan was conducted March 30, 2010. Results are under analysis and will be presented in the next Institutional Compliance Status Report.
- The final draft of the UIT Security annual report to the president is in review.
- Ongoing monthly IT Security reports to the Texas Department of Information Resources (DIR) remain on schedule.
- Identity Finder software deployment has been initiated to locate sensitive information on UHS information systems.

Environmental Health

- Training
 - General Laboratory Safety (4 Times)
 - Hazard Communication
 - Biological Safety (2 Times)
 - Bloodborne Pathogens
 - N95 Respirator Fit-test (2 Times)
 - Radioactive Material Safety

X-ray Safety (3 Times)
Laser Safety
Online Asbestos Awareness
Online Annual X-ray Safety Refresher
Online Annual Laser Safety Refresher
Online Bloodborne Pathogens Refresher

Division of Research

- The Division of Research hosted a half day Research Administrator Certification class for UH business staff entitled “Post Award Administration” on January 19, 2010.
- The Division of Research conducted a half day workshop on February 15, 2010 for UH-Downtown faculty and staff. Information on how to locate funding, proposal submission, research compliance and intellectual property were discussed.
- The Division of Research hosted a half day Research Administrator Certification class for UH business staff entitled “Application of Pre and Post Award on February 25, 2010.
- The Division of Research hosted a half day Research Administrator Certification class for UH business staff entitled “Negotiation and Acceptance of Awards” on March 16, 2010.

UHCL:

A campus-wide meeting of the UHCL Compliance committee was held on February 18, 2010, to discuss UHCL compliance activities. A quorum did not exist so the meeting was informational only and items were approved by Outlook voting.

- The minutes of the December 3, 2009 minutes were approved by Outlook voting.
- Approval of Committee membership updated list was approved by Outlook voting.
- 2010 goals teams:
- Environmental Consortium – Harry Stenvall for Lisa Coen; since Lisa Coen and Niki Pearce were in EPA Consortium training in Fort Worth, TX.
- UHCL Optimization Forms Utilization - Student Travel – Provost – Dr. Mugdh with Committee members Dr. Biggers, John Cordary and Harry Stenvall – no change
- UHCL Optimization Forms Utilization – Federal Funding Requirement tracking – Lee Folk and Usha Mathew - to be separated into a new spreadsheet called ARRA 2009.
- My Safe Campus marketing / awareness – supply requested but not received.

Updated content changes of reviewed web pages by knowledgeable individuals to be approved by members at next meeting with a quorum:

(<http://prtl.uhcl.edu/portal/page/portal/RSK/Risk%20Management>)

Contacts with Media – Theresa Presswood

Contact with Government Agencies & Outside Investigators – Harry Stenvall - reviewed
Records and Information – Katherine Justice - reviewed

Workplace Conduct and Employment Requirements – below

Fraud – Usha Mathew - reviewed

Equal Employment Opportunity - Katherine Justice - reviewed

Sexual Harassment & Sexual Misconduct - Katherine Justice - reviewed

Overtime Compensation - Katherine Justice - reviewed

Family and Medical Leave - Katherine Justice - reviewed

Outside Employment - Katherine Justice - reviewed

Financial Interest - Katherine Justice - reviewed
Research – Dr. Meyers - reviewed
Environmental Health & Safety – Niki Pearce- reviewed
Entering into Contracts & Agreements - Patti Bozeman and Ward Martaindale - reviewed
Using UHCL & State of Texas Resources – below
 Use of State-Owned Property – Rodger Carr
 Computer Software – Rodger Carr
 Information Security and Confidentiality – Rodger Carr and Harry Stenvall
 Computer System Access and Passwords – Rodger Carr
 Purchasing – Debbie Carpenter – reviewed
Copyright and Intellectual Property – Dr. Meyers - reviewed
Political Activity and Contributions – Katherine Justice - reviewed
Gifts, Gratuities & Estates – Dion McInnis and Katherine Justice - reviewed
Travel – John Cordary - reviewed and Harry Stenvall - reviewed
Reporting Violations – Harry Stenvall – need to add My Safe Campus
Employee Compliance in a Nutshell - remove
Training – UHS and Katherine Justice - reviewed
Acknowledgements – Harry Stenvall - reviewed
Compliance Committee Members – Harry Stenvall – reviewed
All links to SAMs will need update since website changed.

UHD:

Quarterly Compliance Committee Meeting: (March 9, 2010)

- Compliance Officer reviewed actual performance versus FY10 goals reported to the BOR.
- Don Guyton reviewed the UHS MySafeCampus Reporting Process flowchart with the Committee members and addressed questions.
- Subject Matter Experts gave reports on identified institutional risk areas.
- Compliance Officer presented findings from additional research on Enterprise Risk Management (ERM). The objective of the presentation was to set the stage and lay a foundation for a discussion on whether or not the Committee would proceed with an enterprise risk assessment. The presentation included:
 - What we want to accomplish (Goals and Responsibilities)
 - Definitions of ERM
 - A comparison of our current risk assessment/management program versus ERM
 - A selective summary of UHD objectives and strategies as presented in President Bill Flores' 2010 spring convocation.
 - In the discussion that followed there were numerous and varied opinions on whether the Compliance Committee should take on ERM. Much of the concern was over

whether this committee was the right vehicle for leading such a 'big picture' review, and whether it is already being done by others (Executive Council, University Planning Council). It was agreed that this should be considered further and discussed in future meetings.

Compliance Website Development:

- The electronic "Acknowledgement Form" for the *Employee Standards of Conduct Guide* is operational. The Compliance website homepage has been revised to facilitate easy access to the Acknowledgement Form.
- All "(Pre-Audit) Departmental Self Assessment Tools" forwarded to Don Guyton prior to March have been reviewed and returned with recommended changes.
- At the request of the Committee, the UHD Vista (Blackboard) portal now contains a discussion board with access limited to UHD Compliance Committee members.

Information Technology

- TAC 202 Security and Compliance Activities
 - Completed and submitted monthly security reports required by DIR.
 - Completed user verification for the Banner Student Record System as part of the project to upgrade Banner from Version 7 to Version 8.
- Audit Report 2009-20 Activities
 - Action Item 2, Review and update University policies relating to information technology to help maintain an up-to-date information security program.

STATUS

The IT security page on the UHD website was redesigned in December 2009 to house all public information regarding the UHD IT security program. The IT security website is located at <http://www.uhd.edu/computing/policies/>.

University IT security related policies were updated in December 2009, with final drafts presented for review February 9, 2010. The updated policies are currently in Employment Services and Operations for coordination through the university's formal approval process, with posting anticipated by May 1, 2010. Once approved, the updated policies will be accessible on the UHD Website.

- Action Item 3, Work with university leadership to update UHD's Business Continuity Plan to include all business functions of the University.

STATUS

UHD's University-wide business continuity plans were updated through a series of workshops in fall 2009. The draft plan was completed in December 2009, with final edits completed in January 2010. The plan is currently awaiting presidential review and signoff. The anticipated signoff date is 4-13-10.

- Action Item 6, Modify policies and procedures to prohibit sending of individual's name and restricted personal information via email unless the data is encrypted.

STATUS

The Computer Use Policy (PS 08.A.04) was updated in December 2009 to include procedures to prohibit sending of individual's name and restricted personal information via email unless the data is encrypted. The updated policies are currently in Employment Services and Operations for coordination through the university's formal approval process, with posting anticipated by May 1, 2010. Once approved, the updated policies will be accessible on the UHD Website.

- Action Item 7, Update the Computer Use Policy to include requirements related to wireless access, in accordance with TAC 202.

STATUS

The Computer Use Policy (PS 08.A.04) was updated in December 2009 to include requirements related to wireless access, in accordance with TAC 202. The updated policies are currently in Employment Services and Operations for coordination through the university's formal approval process, with posting anticipated by May 1, 2010. Once approved, the updated policies will be accessible on the UHD Website.

- Other
 - Completed and submitted the EDUCAUSE 2009 Core Data Survey.

UHV:

The quarterly campus compliance meeting was held January 27, 2010. Minutes are posted online at <http://www.uhv.edu/compliance/meetings.aspx>. Notable compliance activities for the quarter included:

- One hotline report was received concerning unsafe working conditions; a second non-hotline report was also received during the quarter. The latter is open.
- The Texas State Comptroller of Public Accounts post payment audit of select purchasing, travel, payroll and property transactions is complete, pending the summary audit report.
- Campus credit card merchants continued to work towards the March 31 PCI compliance deadline.
- The School of Nursing implemented several new and revised procedures related to student admissions criteria, the recruiting and hiring of qualified faculty, and curriculum revisions to meet the minimum acceptable pass rate for the National Council Licensure Examination-Registered Nurse (NCLEX-RN) during the quarter.
- The Office of Admissions and Records began drafting business processes to permit students to allow parental access to student records.
- The IT department implemented stronger password requirements during the quarter. Passwords are more complex and now will expire every 90 days.
- All campus departments remain heavily involved in preparations for acceptance of freshman and sophomores including developing policies and procedures, meeting student housing needs, addressing security related issues and a myriad of other details associated with downward expansion. The fall semester begins August 23rd.

The information in this summary is taken from a more comprehensive campus report of compliance activities. To view the full report: <http://www.uhv.edu/Compliance/manual/reports.aspx> scroll to *UHV Campus Reports*; open *Quarterly Report, Period Ending March 31, 2010*.



Don F. Guyton
System-wide Compliance Officer
April 14, 2010

UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA

COMMITTEE: Audit & Compliance

ITEM: External Audit Reports

- UH Athletics Department Independent Accountants' Report on the Application of Agreed-Upon Procedures for Year ended August 31, 2009 (excerpts)
- UHS KUHF Radio, Financial Statements and Independent Auditor's Report for FY 2009 and 2008
- UHS KUHT-TV, Financial Statements and Independent Auditor's Report for FY 2009 and 2008

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

The Audit & Compliance Committee Charter and Checklist, item number 13, requires the Committee to review any significant findings and recommendations of the State Auditor and any employed public accounting firm.


FISCAL NOTE:

SUPPORTING DOCUMENTATION: External Audit Report

ACTION REQUESTED: Information

COMPONENT: University of Houston System

CHIEF AUDIT EXECUTIVE


Don F. Guyton

4/23/10
DATE

CHANCELLOR


Renu Khator

4-27-10
DATE

University of Houston

Application of Agreed-Upon Procedures on
Athletic Revenues and Expenses
Year Ended August 31, 2009

(Excerpts)

The NCAA Bylaws require all expenses and revenues for or on behalf of an institution's intercollegiate athletics program to be subject to annual agreed-upon procedures conducted for the institution by a qualified independent accountant. The attached excerpts of the Statement of Revenues and Expenses of the UH Intercollegiate Athletics Department (with Independent Accountant's report on the Application of Agreed-Upon Procedures) for the year ended August 31, 2009, include the Independent Accountant's Report and Statement of Revenues and Expenses with applicable footnotes. Exhibit A, Results of Agreed-Upon Procedures Performed on the Statement of Revenues and Expenses of the Athletics Department (Results), lists the detailed procedures performed and the results and findings (15 pages). The Results explain the tests performed and contain explanations of significant variations from the prior year amounts and other information the independent accountant deemed relevant. The entire report, including Exhibit A can be viewed on the web site of the UHS Internal Auditing Department at

http://www.uh.edu/audit/Documents/External_Reports/UH_Athletics_Final_FY09_AU_Report.pdf



UNIVERSITY OF HOUSTON

Statement of Revenues and Expenses of the Intercollegiate Athletics
Department

Year ended August 31, 2009

(With Independent Accountants' Report on the Application of
Agreed-Upon Procedures Thereon)



KPMG LLP
700 Louisiana Street
Houston, TX 77002

**Independent Accountants' Report
on the Application of Agreed-Upon Procedures**

The President of the University of Houston and
Management of the Intercollegiate Athletics
Department of the University of Houston:

We have performed the procedures enumerated in Exhibit A (attached), which were agreed to by you and management, solely to assist the University of Houston (the University) in evaluating whether the accompanying Statement of Revenues and Expenses (the Statement) of the Intercollegiate Athletics Department of the University is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1 for the year ended August 31, 2009. The University's management is responsible for the Statement and the Statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Exhibit A either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying Statement. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

February 15, 2010

UNIVERSITY OF HOUSTON
Statement of Revenues and Expenses of the Intercollegiate Athletics Department
Year ended August 31, 2009
(Unaudited)

	<u>Football</u>	<u>Men's basketball</u>	<u>Women's basketball</u>	<u>Other sports</u>	<u>Non-Program specific</u>	<u>Grand total</u>
Revenues:						
Contributions	\$ 101,970	—	200	521,178	1,589,452	2,212,800
Direct institutional support	3,448,755	892,218	1,082,574	4,343,507	5,567,733	15,334,787
Endowment and investment income	35,451	6,840	—	171,665	—	213,956
Guarantees	309,330	35,000	—	76,548	—	420,878
NCAA/conference distributions	1,397,300	1,013,327	10,000	25,630	854,105	3,300,362
Program sales, concessions, novelty sales, and parking	171,392	37,806	3,130	43,440	1,028,178	1,283,946
Royalties, licensing, advertisements and sponsorships	195,000	—	—	—	698,282	893,282
Student fees	—	—	—	—	4,551,623	4,551,623
Ticket sales	1,292,572	300,920	10,021	117,335	73,440	1,794,288
Other	2,462	37,231	—	21,963	1,274,348	1,336,004
Total operating revenues	<u>6,954,232</u>	<u>2,323,342</u>	<u>1,105,925</u>	<u>5,321,266</u>	<u>15,637,161</u>	<u>31,341,926</u>
Expenses:						
Athletics student aid	1,508,054	98,731	172,805	1,094,161	1,715,394	4,589,145
Direct facilities, maintenance and rental	—	—	—	—	5,430,115	5,430,115
Equipment, uniforms and supplies	447,513	44,087	36,654	280,417	37,917	846,588
Fund raising, marketing and promotion	28,404	400	4,673	236,877	443,878	714,232
Game expenses	459,144	252,818	97,513	273,395	4,145	1,087,015
Guarantees	425,000	228,000	11,389	4,000	—	668,389
Medical expenses and medical insurance	960	—	—	6,455	503,551	510,966
Memberships and dues	1,850	1,010	407	3,609	320,910	327,786
Recruiting	139,172	131,383	45,875	100,117	296	416,843
Coaching salaries, benefits, and bonuses paid by the institution	2,087,014	993,138	389,531	1,684,380	352,586	5,506,649
Support staff/administrative salaries, benefits, and bonuses paid by the institution	313,320	71,152	79,737	22,085	4,504,895	4,991,189
Severance payments	4,461	—	2,794	13,372	943,667	964,294
Team travel	770,849	341,767	173,180	1,130,739	4,799	2,421,334
Other operating expenses	768,491	160,856	91,367	471,659	1,375,008	2,867,381
Total operating expenses	<u>6,954,232</u>	<u>2,323,342</u>	<u>1,105,925</u>	<u>5,321,266</u>	<u>15,637,161</u>	<u>31,341,926</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

See accompanying independent accountants' report on applying of agreed-upon procedures.

AUDIT - 3.1.4

UNIVERSITY OF HOUSTON
Intercollegiate Athletic Department
Notes to Statement of Revenues and Expenditures
Year ended August 31, 2009

(1) Organization and Basis for Presentation

The University of Houston Intercollegiate Athletic Department (Athletic Department) is a department of the University of Houston (University) and therefore is under the control of the Board of Regents of the University, which administers intercollegiate athletic programs.

The statement of revenues and expenditures has been prepared in conformance with accounting principles generally accepted in the United States of America, and by using the basic accounting and revenue recognition principles set forth in the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide entitled "State and Local Governments" and in the National Association of College and University Business Officers (NACUBO) publication entitled "College and University Business Administration."

(2) Significant Accounting Policies

Buildings, facilities, and equipment represent capital assets acquired primarily for the operation of the Athletic Department. Title to capital assets utilized by the Athletic Department rests with the State of Texas in the name of the University and, therefore, such assets can be transferred to or from the Athletic Department at the discretion of the University. The threshold for capitalization of equipment is \$5,000 and over. Capital assets are stated at cost at the date of acquisition, or fair value at the date of donation. Depreciation is recorded on a straight line basis over the useful lives of the assets. Useful lives are established by a uniform classification system maintained by the State of Texas and are measured from the date of acquisition.

(3) Donated Goods and Services

Monetary contributions have been made by various individuals to the Athletic Department. Contributions during the year ended August 31, 2009 totaled \$2,212,800, and have been recorded in the statement of revenues and expenses as contributions.

(4) Revenue Bonds

The Athletic Department transferred \$1,801,519 to the University as principal and interest payments in relation to Consolidated Revenue Refunding Bonds, Series 2002-B (the revenue bonds) during the year ended August 31, 2009. These payments included interest expense of \$706,519. The payments have been recorded in the statement of revenues and expenses as direct facilities, maintenance and rental.

UNIVERSITY OF HOUSTON
Intercollegiate Athletic Department
Notes to Statement of Revenues and Expenditures
Year ended August 31, 2009

Future debt service payments for the revenue bonds are due as follows:

Fiscal year	Principal	Interest	Total
2010	\$ 1,155,000	647,456	1,802,456
2011	1,215,000	585,244	1,800,244
2012	1,285,000	519,619	1,804,619
2013	1,345,000	450,581	1,795,581
2014	1,420,000	378,000	1,798,000
Thereafter	<u>6,490,000</u>	<u>703,238</u>	<u>7,193,238</u>
Total	<u>\$ 12,910,000</u>	<u>3,284,138</u>	<u>16,194,138</u>

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Audit & Compliance

ITEM: External Audit Report

- UHS Endowment Fund, Financial Statements and Independent Auditor's Report for FY 2009 and 2008

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

The Audit & Compliance Committee Charter and Checklist, item number 13, requires the Committee to review any significant findings and recommendations of the State Auditor and any employed public accounting firm.

FISCAL NOTE:

SUPPORTING DOCUMENTATION: External Audit Report

ACTION REQUESTED: Information

COMPONENT: University of Houston System

CHIEF AUDIT EXECUTIVE *Don Guyton* 4/23/10
Don F. Guyton **DATE**

CHANCELLOR *Renu Khator* 4-27-10
Renu Khator **DATE**

UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA

COMMITTEE: Audit & Compliance

ITEM: UH Peer Review Team Facilities Audit Report and Management's Response

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

During March 2010 a facilities inventory audit was conducted by a Peer Review Team consisting of representatives from the Texas Higher Education Coordinating Board (THECB), University of Texas/El Paso, and Lamar University. This audit was recommended in the February 2009 UH Peer Review Team Facilities Audit Report. As pointed out in the March 2010 report, there were no significant deviations between reported and observed spatial data, and that within the past year the university is actively engaged in establishing mechanisms of control and oversight.

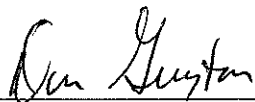
FISCAL NOTE:

SUPPORTING DOCUMENTATION: UH Peer Review Team Facilities Audit Report and Management's Report

ACTION REQUESTED: Information

COMPONENT: University of Houston System

CHIEF AUDIT EXECUTIVE



Don F. Guyton

4/23/10

DATE

CHANCELLOR



Renu Khator


4-27-10

DATE

UNIVERSITY of
HOUSTON
YOU ARE THE PRIDE

EXECUTIVE VICE CHANCELLOR/EXECUTIVE VICE PRESIDENT
ADMINISTRATION & FINANCE
226 E CULLEN BUILDING
HOUSTON, TEXAS 77204-2016
Tel: 832-842-5550
Fax: 832-842-5550

TO: Thomas Keaton (Texas Higher Education Coordinating Board- THECB)
Christine Roquet (University of Texas at El Paso)
Gregory Marsh (Lamar University)
CB Peer Audit Team

FROM: Dr. Carl Carlucci 
Executive Vice Chancellor and Executive Vice President
Division of Administration and Finance

DATE: March 29, 2010

SUBJECT: CB Peer Audit Findings

On behalf of the University of Houston, I would like to thank you for your work on the March 3rd and 4th, 2010 facilities inventory audit at the University of Houston.

As noted in your report, the University has established an Office of Facilities Information charged with establishing and implementing a space inventory control system to provide reliable and current facilities information. The university leadership fully supports the Office of Facilities Information as it continues in the task of updating the space database.

All the recommendations in the report are in process of being implemented.

- The university selected a vendor to provide an integrated work management system with a very in depth space management module. We anticipate the software will be fully implemented in the fifteen months
- The university approved an additional FTE for a space coordinator role and that position is currently posted and should be filled soon.
- The provost office and facilities departments are working collaboratively on a space management protocol for the university.
- We will continue to replace symbolic sketch floor plans with site-measured AUTOCAD floor plans utilizing students from the College of Architecture.

We thank you and THECB for all of your assistance as the University of Houston continues to work diligently to have an accurate, up to date space database. Your expertise and advice has been greatly beneficial to us.



Peer Review Team (PRT) Facilities Audit Report

Institution: University of Houston Main Campus
Audit dates: March 3rd and 4th, 2010
Peer Review Team: Thomas Keaton (Texas Higher Education Coordinating Board- THECB)
Christine Roquet (University of Texas at El Paso)
Gregory Marsh (Lamar University)
Report Date: March 17, 2010

On March 3rd and 4th, 2010 a facilities inventory audit was conducted by the Peer Review Team (PRT) at the University of Houston Main Campus. A random sample of 35 rooms was examined and compared to the data submitted to THECB by the University. Observations were made concerning four standardized room attributes: identification, Space Use, Functional Category and Classification of Instructional Program (CIP). The method of prorating space serving more than one CIP or Function was also examined. Room areas were measured on-site using laser devices. In addition, the PRT examined documentation provided by the University of Houston's Office of Facilities Information concerning the University's space inventory control system. Senior staff of the University of Houston provided a briefing session for the Peer Review Team concerning recent activities to enhance and ensure proper oversight of the 9.7 million gross square feet of spatial resources at the university. The results of this audit are detailed in the attached Peer Review Team Facilities Audit Report and Table.

Observations

There were no significant deviations between reported and observed spatial data. Specific observations are indicated in the attached Report.

The University is actively engaged in establishing mechanisms of control and oversight. Within the past year the University has established an Office of Facilities Information charged with establishing and implementing a space inventory control system to provide reliable, current information.

The new procedures manual outlines a two component process of annual updates with departmental certification in conjunction with on-going departmental revisions.

Recommendations

- Strengthen communication between users, planners and space information management through a common space information system
- Continue to invest resources in the timely collection and revision of information in order to more accurately report the University's existing space.
- Continue to develop and adopt University Space Policies and Procedures
- Endeavor to replace symbolic sketch floor plans with site measured AutoCAD floor plans. This will increase reliability and confidence in the physical data reported.

**Peer Review Team
Facilities Audit Report**

Institution

University of Houston Re-Audit

Point of Contact
(Institution)

Lillian Wanjagi

Dates of Audit

March 3rd and 4th, 2010

The facilities audit examined and verified for accuracy the following:

- A. Rooms are identified by a unique alphabetic or numeric code
- B. Space Use (formerly Room Type) Codes reflect actual use
- C. Functional Category (formerly Room Use) Codes reflect actual use
- D. Classification of Instructional Programs (CIP) Code identifies academic disciplines, instructional programs, and departments
- E. Prorated use accurately reflects the time used for each function
- F. Reported Room Area
 - 1. Square footage is accurate and verifiable
 - 2. Number of rooms with a variance of greater than 10% from reported
- G. Inventory Control Systems are in place and in use.
 - 1. Formal processes are efficient, effective, and enforced
 - 2. Reporting mechanisms provide for both top-down and bottom-up feedback
 - 3. Changes (renovations, conversions, etc.) are reflected in the inventory data in a timely and accurate manner, and
 - 4. Checks and balances to ensure data congruence between various internal reporting systems to external entities.

**Peer Review Team
Facilities Audit Report**

A) Rooms are identified by a unique alphabetic or numeric code:

Scale	Definition
5	All rooms reviewed have unique numbers and are posted
4	All rooms identified as unique in the report but not on site
3	>90% of reviewed rooms have unique identification
2	<90% of reviewed rooms have unique identification
1	100% of rooms unidentifiable based on unique numbering

Institution Rating on scale of 1-5 = **3**

PRT Recommendations:

One space reported as room 43D in the Law Library building #0540 no longer exists. The area which was renovated in 2002 is now part of the open stacks of the Library. Departments should notify the Office of Facilities Information (OFI) within 90 days of a change. Plans need to be revised by OFI promptly.

B) Space Use (formerly Room Type) Codes reflect actual use:

Scale	Definition
5	<5% deviation between reported and PRT data
4	5-6.9% deviation between reported and PRT data
3	7-9.9% deviation between reported and PRT data
2	10-15% deviation between reported and PRT data
1	>15% deviation between reported and PRT data

Institution rating on scale of 1-5 = **3**

PRT Recommendations:

Three spaces had Space Use Code errors. In addition to room 43D in the Law Library (non-existent space), noted in A) above, two non-assignable spaces were given assignable Space Use Codes. Room 107D, Moores School of Music is a space containing a toilet adjacent to a sink area and a theatrical makeup area. Access to the toilet was not restricted so it should be coded X03 Public Restroom rather than 615 Assembly Service. Room 221M in Science and Research 2 building #0551 was observed to be a corridor providing unrestricted access to several offices. This area should be considered non-assignable space and coded W06 Corridor rather than 315 Office Service.

**Peer Review Team
Facilities Audit Report**

C) Functional Category (formerly Room Use) Codes reflect actual use:

Scale	Definition
5	<5% deviation between reported and PRT data
4	5-6.9% deviation between reported and PRT data
3	7-9.9% deviation between reported and PRT data
2	10-15% deviation between reported and PRT data
1	>15% deviation between reported and PRT data

Institution rating on scale of 1-5 = **4**

PRT Recommendations:

The corridor and rest room noted in B) above were reported as General Academic Instruction (11) space.
Corridors are (07) Circulation Area. Rest rooms are (05) Public Rest Rooms.

D) Classification of Instructional Programs (CIP) Code identifies academic disciplines, instructional programs, and departments:

Scale	Definition
5	<5% deviation between reported and PRT data
4	5-6.9% deviation between reported and PRT data
3	7-9.9% deviation between reported and PRT data
2	10-15% deviation between reported and PRT data
1	>15% deviation between reported and PRT data

Institution rating on scale of 1-5 = **5**

PRT Recommendations:

E) Prorated use reflects the time used for each function:

Scale	Definition
5	<5% deviation between reported and PRT data
4	5-6.9% deviation between reported and PRT data
3	7-9.9% deviation between reported and PRT data
2	10-15% deviation between reported and PRT data
1	>15% deviation between reported and PRT data

Institution rating on scale of 1-5 = **5**

PRT Recommendations:

**Peer Review Team
Facilities Audit Report**

F.1) Reported room area (square footage) is accurate and verifiable:

Scale	Definition
5	<5% deviation between reported and PRT data
4	5-6.9% deviation between reported and PRT data
3	7-9.9% deviation between reported and PRT data
2	10-15% deviation between reported and PRT data
1	>15% deviation between reported and PRT data

Institution rating on scale of 1-5 = **5**

PRT Recommendations:

F.2) Number of rooms with a variance of greater than 10% from reported:

Scale	Definition
5	<5 rooms deviation between reported and PRT data
4	5-7 rooms deviation between reported and PRT data
3	8-10 rooms deviation between reported and PRT data
2	11-15 rooms deviation between reported and PRT data
1	>15 rooms deviation between reported and PRT data

Institution rating on scale of 1-5 = **5**

PRT Recommendations:

G.1) Policy and Procedures - Inventory Control Systems:

Compliance Elements	Scale	Definition
Documented facility inventory processes are effective, efficient and evidence demonstrates processes are practiced consistently (i.e. Space Management Policies & Procedures)	5	Noteworthy
	4	Very good
	3	Acceptable
	2	Ineffective or not enforced
	1	No control systems in place

Institution rating on scale of 1-5 = **3**

PRT Recommendations:

The new Facilities Space Reporting Manual is clear and comprehensive. The processes need to be tested and widely adopted during the coming year.

**Peer Review Team
Facilities Audit Report**

G.2) Internal Communication - Inventory Control Systems:

Compliance Elements	Scale	Definition
Facility Inventory System provides an internal mechanism for data input, feedback and reporting to and from management and departments.	5	All levels integrated in the feedback process
	4	Effective process; few minor procedural issues
	3	Effective process; no major procedural issues
	2	Ineffective process; major procedural issues
	1	No control systems in place

Institution rating on scale of 1-5 = 3

PRT recommendations:

The OFI is exploring with other departments the acquisition of common facilities information control systems. Current process and procedures will mature during the coming year if supported by careful selection of such a system and investment in the development of services provided by the OFI.

G.3) Timely Reporting - Inventory Control Systems:

Compliance Elements	Scale	Definition
Changes (e.g. renovations) are reflected in the institutions inventory data in a timely and accurate manner. For example: Start times begin when change is substantially complete (90%) or as reflected in written procedures.	5	Changes routinely reflected on inventory within 30 days
	4	Changes routinely reflected on inventory within 60 days
	3	Changes routinely reflected on inventory within 90 days
	2	Changes take >90 days to be reflected on the inventory
	1	No control systems in place

Institution rating on scale of 1-5 = 3

PRT recommendations:

Space changes are not consistently or promptly reflected in the University's spatial data. To handle the data churn expected with documenting 10 Million square feet, the OFI may need to acquire more technical staff/ support services.

**Peer Review Team
Facilities Audit Report**

G.4) External Communication - Inventory Control Systems:

Compliance Elements	Scale	Definition
Reported inventory data is reconcilable and compatible between the institutions internal data and data reported to external reporting agencies, including the THECB.	5	No data incongruence
	4	Little data asymmetry
	3	Some data asymmetry
	2	Significant data asymmetry
	1	No control systems in place

Institution rating on scale of 1-5 = 4

PRT recommendations:

Peer Review Team Members and Contact Information

I affirm PRT participation and review of this report.

Peer Review Team Leader: Christine Roquet, Space Manager, Space Information Resources
 Institution: University of Texas at El Paso
 Email address: croquet@utep.edu

I affirm PRT participation and review of this report.

Peer Review Team Member: Gregory Marsh, Research Analyst Senior
 Institution: Lamar University
 Email address: gregory.marsh@lamar.edu
 Phone: 409-880-2100

I affirm PRT participation and review of this report.

THECB Peer Review Team Member: Thomas Keaton, Director Finance and Resource Planning
 Email address: Thomas.Keaton@THECB.state.tx.us
 Phone: 512-427-6133 (office)

University of Houston Re-Audit
3/3/2010 and 3/4/2010
PRT Team Lead: Christina Roquet

AudR Data Input Fields
Formula Calculated Fields
Data Input by THECB

Pear Review Team
Room Audit Summary

AUDIT - 5.1.9

Rooms are identified by a unique alphabetic or numeric code.			Space use (room type) codes reflect actual use.			Functional category (room use) codes reflect actual use.			Classification of Instructional Programs (CIP) identifies academic disciplines, instructional programs, and departments.			Prorated use			Reported room area.											
Bldg	Room #	Observed	Occurrence	Type	Observed	Occurrence	Use	Observed	Occurrence	CIP	Observed	Occurrence	Prorate	Observed	Occurrence	ENG Square Footage	Observed	% Diff	Variance	Occurrence						
0502	0000211	0000211	0	215	215	0	11 / 00 / 00	11 / 00 / 00	0	260101 / 000000 / 000000	260101 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	322.0	321.8	0%	0.20	0						
0505	0002372	0002372	0	210	210	0	11 / 00 / 00	11 / 00 / 00	0	511700 / 000000 / 000000	511700 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	1006.0	1004.1	0%	3.90	0						
0509	300	300	0	410	410	0	41 / 00 / 00	41 / 00 / 00	0	000000 / 000000 / 000000	000000 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	134.0	134.3	0%	(0.30)	0						
0516	0002248	0002248	0	310	310	0	61 / 00 / 00	61 / 00 / 00	0	814000 / 000000 / 000000	814000 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	214.0	213.3	0%	0.70	0						
0516	003118A	003118A	0	315	315	0	61 / 00 / 00	61 / 00 / 00	0	813000 / 000000 / 000000	813000 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	28.0	28.0	0%	0.00	0						
0520	000107D	000107D	0	615	610	1	11 / 00 / 00	05 / 00 / 00	1	500901 / 000000 / 000000	500901 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	47.0	47.5	-1%	(0.50)	0						
0528	0000138	0000138	0	310	310	0	11 / 00 / 00	11 / 00 / 00	0	000000 / 000000 / 000000	000000 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	1086.0	1097.0	-1%	(11.00)	0						
0528	000375F	000375F	0	310	310	0	11 / 00 / 00	11 / 00 / 00	0	521401 / 000000 / 000000	521401 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	122.0	122.1	0%	(0.10)	0						
0531	0000014	0000014	0	310	310	0	46 / 00 / 00	46 / 00 / 00	0	280301 / 000000 / 000000	280301 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	164.0	162.2	1%	(1.80)	0						
0537	0002105	0002105	0	410	410	0	11 / 00 / 00	11 / 00 / 00	0	220101 / 000000 / 000000	220101 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	16.0	16.0	0%	0.00	0						
0538	0000111	0000111	0	410	410	0	11 / 00 / 00	11 / 00 / 00	0	000000 / 000000 / 000000	000000 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	1882.0	1867.8	1%	14.20	0						
0540	000430	000430	0	455	420	1	41 / 00 / 00	41 / 00 / 00	0	228000 / 000000 / 000000	228000 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	282.0	0.0	100%	282.00	0	does not exist Was civil & enviro; reported chem eng					
0542	0000200	0000200	0	350	350	0	22 / 00 / 00	22 / 00 / 00	0	140701 / 000000 / 000000	140701 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	210.0	210.0	0%	0.00	0						
0543	0000313	0000313	0	310	310	0	11 / 00 / 00	11 / 00 / 00	0	040201 / 000000 / 000000	040201 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	361.0	368.0	-2%	(7.00)	0						
0543	0000365	0000365	0	310	310	0	21 / 00 / 00	21 / 00 / 00	0	040201 / 000000 / 000000	040201 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	336.0	338.0	-1%	(2.00)	0						
0543	000122E	000122E	0	310	310	0	46 / 00 / 00	46 / 00 / 00	0	040201 / 000000 / 000000	040201 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	227.0	228.0	0%	(1.00)	0						
0547	0000402	0000402	0	310	310	0	11 / 00 / 00	11 / 00 / 00	0	451001 / 000000 / 000000	451001 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	172.0	172.1	0%	(0.10)	0						
0547	0000529	0000529	0	310	310	0	11 / 00 / 00	11 / 00 / 00	0	110101 / 000000 / 000000	110101 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	125.0	122.8	2%	2.20	0						
0549	0000310	0000310	0	310	310	0	11 / 00 / 00	11 / 00 / 00	0	440701 / 000000 / 000000	440701 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	116.0	113.0	3%	3.00	0						
0549	0000219	0000219	0	110	110	0	11 / 00 / 00	11 / 00 / 00	0	000000 / 000000 / 000000	000000 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	504.0	532.7	-6%	(28.70)	0						
0551	000428C	000428C	0	255	255	0	22 / 00 / 00	22 / 00 / 00	0	260101 / 000000 / 000000	260101 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	131.0	132.6	-1%	(1.60)	0						
0551	0000122	0000122	0	310	310	0	67 / 00 / 00	67 / 00 / 00	0	512001 / 000000 / 000000	512001 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	149.0	157.5	-6%	(8.50)	0						
0551	000221M	000221M	0	315	W06	1	11 / 00 / 00	07 / 00 / 00	1	260101 / 000000 / 000000	260101 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	53.0	55.3	-4%	(2.30)	0						
0578	0000326	0000326	0	315	315	0	46 / 46 / 00	46 / 46 / 00	0	050201 / 050203 / 000000	050201 / 050203 / 000000	0	50% / 50% / 0%	0% / 50% / 0%	0	76.0	74.8	2%	1.20	0						
0578	0000524	0000524	0	315	315	0	11 / 00 / 00	11 / 00 / 00	0	540101 / 000000 / 000000	540101 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	89.0	88.9	0%	0.10	0						
0581	W204	W204	0	310	310	0	22 / 00 / 00	22 / 00 / 00	0	140101 / 000000 / 000000	140101 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	143.0	143.7	0%	(0.70)	0	was mech eng; reported general eng					
0581	00E421G	00E421G	0	310	310	0	46 / 00 / 00	46 / 00 / 00	0	140101 / 000000 / 000000	140101 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	281.0	281.5	0%	(0.50)	0						
0587	0000307	0000307	0	110	110	0	11 / 00 / 00	11 / 00 / 00	0	000000 / 000000 / 000000	000000 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	944.0	945.3	0%	(1.30)	0						
0588	0000301	0000301	0	310	310	0	63 / 00 / 00	63 / 00 / 00	0	819000 / 000000 / 000000	819000 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	464.0	455.6	2%	(8.40)	0						
0588	000347E	000347E	0	310	310	0	63 / 00 / 00	63 / 00 / 00	0	827100 / 000000 / 000000	827100 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	133.0	133.1	0%	(0.10)	0						
0588	0000119	0000119	0	110	110	0	11 / 00 / 00	11 / 00 / 00	0	000000 / 000000 / 000000	000000 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	390.0	388.8	0%	(1.20)	0						
0589	0000410	0000410	0	210	210	0	11 / 00 / 00	11 / 00 / 00	0	500701 / 000000 / 000000	500701 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	1506.0	1481.0	2%	25.00	0						
0589	0000424	0000424	0	210	210	0	11 / 00 / 00	11 / 00 / 00	0	500701 / 000000 / 000000	500701 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	1239.0	1243.0	0%	(3.00)	0						
0598	0000119	0000119	0	310	310	0	46 / 00 / 00	46 / 00 / 00	0	510201 / 000000 / 000000	510201 / 000000 / 000000	0	100% / 0% / 0%	0% / 0% / 0%	0	130.0	129.2	1%	(0.80)	0						
0701	0000424	0000424	0	310	310	0	11 / 22 / 00	11 / 22 / 00	0	261001 / 261001 / 000000	261001 / 261001 / 000000	0	80% / 20% / 0%	0% / 20% / 0%	0	106.0	106.4	0%	(0.40)	0						
Occurrences Count			1				3				2				0				0							
Occurrences Percent			97.1%				8.6%				5.7%				0.0%				0.0%							
Number of rooms without unique core			1				3				4				5				5							
Goal A: >90% of reviewed rooms have unique identification			3	Goal B: 7-9.9% deviation between reported and PRT data			3	Goal C: 5-6.9% deviation between reported and PRT data			4	Goal D: <5% deviation between reported and PRT data			5	Goal E: <5% deviation between reported and PRT data			5	Goal F.1: <5% deviation between reported and PRT data			5	Goal F.2: <5 rooms deviation between reported and PRT data		

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Audit & Compliance

ITEM: State Auditor Report

- SAO Report 10-328, Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2009 (excerpts)
- SAO Report 10-555, State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2009 (excerpts)

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

The Audit & Compliance Committee Charter and Checklist, item number 13, requires the Committee to review any significant findings and recommendations of the State Auditor and any employed public accounting firm.

FISCAL NOTE:

SUPPORTING DOCUMENTATION: External Audit Report

ACTION REQUESTED: Information

COMPONENT: University of Houston System

CHIEF AUDIT EXECUTIVE *Don Guyton* 4/23/10
Don F. Guyton **DATE**

Renu Khator
CHANCELLOR Renu Khator 4-27-10
DATE

State Auditor Reports
Key Points

#10-328 – Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2009

Schedule of Findings and Questioned Costs

UH

- 1) Improvements needed in access controls in the financial aid system (reference #10-94)
- 2) Reporting of Pell disbursement records to Department of Education needs to be more timely (reference #10-94)
- 3) Improvements needed in verification of applicant data and in updating records upon completion of verification (reference #10-95)
- 4) Successful implementation during FY 2009 of improvements in retaining appropriate documentation of disbursement notifications to students and parents (reference #10-96)
- 5) Improvements needed in procedures for returning Title IV funds in a timely manner and identifying students who unofficially withdrew and received aid but did not begin attending (reference #10-97)
- 6) Improvements needed in timely reporting of student status changes to National Student Loan Data System and lenders/guarantors (reference #10-98)

UHCL

- 7) Improvements needed in adjusting award amounts and determining eligibility when students' enrollment status changes (reference #10-99)

Follow-up on Previous Year Findings

UH

- 8) Procedures for not exceeding maximum Perkins Loan Amounts – corrective action taken (reference #09-82)
- 9) Procedures for reporting student enrolment status changes (reference #09-83) – reissued – see “2)” above
- 10) Written verification procedures – corrective action taken (reference #09-84)
- 11) Disbursement notifications and information technology access controls (reference #09-85) – reissued – see “4)” above
- 12) Returning Title IV funds (reference #09-86) – reissued – see “5)” above
- 13) Reporting student status changes (reference #09-87) – reissued – see “6)” above

UHD

- 14) Disbursement Notification Procedures – implemented during FY 2009 (reference #07-60)

UHV

- 15) Procedures for Pell payment reporting, disbursement notifications and transfer student monitoring – procedures implemented during FY 2010 (reference #08-75)

#10-555 – State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2009

UH

- 16) Income exclusion of expenditures and errors noted to Schedule of Expenditures of Federal awards

UHCL

- 17) Incorrect inclusion of expenditures by using federal rather than state's annual year; income exclusion of expenditures and errors noted to Schedule of Expenditures of Federal awards

**Federal Portion of the Statewide
Single Audit Report for the
Fiscal Year Ended August 31, 2009**



TEXAS



John Keel, CPA

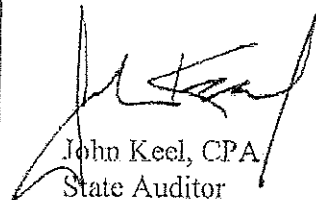
INDEPENDENT AUDITOR'S REPORT ON
THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Honorable Rick Perry, Governor
The Honorable Susan Combs, Comptroller of Public Accounts
The Honorable David Dewhurst, Lieutenant Governor
The Honorable Joe Straus, Speaker of the House of Representatives
and
Members of the Legislature, State of Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the State of Texas as of and for the year ended August 31, 2009, and have issued our report thereon dated February 22, 2010.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

As described in Note 1 to the Schedule of Expenditures of Federal Awards, the Schedule of Expenditures of Federal Awards does not include expenditures of federal awards for four component units of the State of Texas. Each of those component units has its own independent audit in compliance with OMB Circular A-133.


John Keel, CPA
State Auditor

February 22, 2010



As described below and in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient documentation supporting the compliance of the State for the program compliance requirements listed below nor were we able to satisfy ourselves as to the State's compliance with those requirements by other auditing procedures. These program's compliance requirements were:

<u>Agency/University</u>	<u>Program</u>	<u>Compliance Requirement</u>	<u>Finding Number</u>
Health and Human Services Commission	CFDA 93.667 - Social Services Block Grant	Earmarking	10-20

As identified below and in the accompanying schedule of findings and questioned costs, the State did not comply with certain compliance requirements that are applicable to certain of its major Federal programs. Compliance with such requirements is necessary, in our opinion, for the State to comply with requirements applicable to the identified major Federal programs. The results of the auditing procedures are described in the accompanying schedule of findings and questioned costs as items:

<u>Agency/University</u>	<u>Program</u>	<u>Compliance Requirement</u>	<u>Finding Number</u>	
Adjutant General's Department	CFDA 12.401 - National Guard Military Operations and Maintenance Projects	Equipment and Real Property Management	10-02	
Health and Human Services Commission	CFDA 93.558 - Temporary Assistance for Needy Families Supplementary Nutrition Assistance Program Cluster Medicaid Cluster Medicaid Cluster - ARRA	Eligibility	10-12	
		Medicaid Cluster	Special Tests and Provisions	10-13
		Supplementary Nutrition Assistance Program Cluster	Special Tests and Provisions	10-14
Texas Department of Housing and Community Affairs	CFDA 14.228 - Community Development Block Grants/ State's program and Non-Entitlement Grants in Hawaii	Allowable Costs/Cost Principles Special Tests and Provisions	10-30	
Department of Public Safety	Homeland Security Cluster	Activities Allowed or Unallowed Allowable Costs/Cost Principles Period of Availability of Federal Funds	10-35	
	CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Reporting	10-41	



<u>Agency/University</u>	<u>Program</u>	<u>Compliance Requirement</u>	<u>Finding Number</u>
Department of Public Safety	CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Subrecipient Monitoring Special Tests and Provisions	10-42
Texas Education Agency	CFDA 84.011 - Migrant Education - State Grant Program CFDA 84.048 - Career and Technical Education - Basic Grants to States CFDA 84.287 - Twenty-First Century Community Learning Centers CFDA 84.357 - Reading First State Grants CFDA 84.365 - English Language Acquisition Grants CFDA 84.367 - Improving Teacher Quality State Grants Special Education (IDEA) Cluster Special Education (IDEA) Cluster - ARRA Title I, Part A Cluster Title I, Part A Cluster - ARRA	Subrecipient Monitoring	10-64
Texas State University - San Marcos	Student Financial Assistance Cluster	Special Tests and Provisions	10-73
Department of Transportation	Highway Planning and Construction Cluster	Subrecipient Monitoring	10-84
	Highway Safety Cluster	Special Tests and Provisions	10-85
	CFDA 20.106 - Airport Improvement Program CFDA 20.106 - Airport Improvement Program - ARRA	Subrecipient Monitoring Special Tests and Provisions	10-88 10-89
	CFDA 20.509 - Formula Grants for Other than Urbanized Areas CFDA 20.509 - Formula Grants for Other than Urbanized Areas- ARRA	Subrecipient Monitoring	10-92
University of Houston	Student Financial Assistance Cluster	Special Tests and Provisions	10-97



<u>Agency/University</u>	<u>Program</u>	<u>Compliance Requirement</u>	<u>Finding Number</u>
University of Texas at Arlington	Student Financial Assistance Cluster	Special Tests and Provisions	10-113

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, the State did not comply in all material respects, with the requirements referred to above that are applicable to:

- CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) (including CFDA 83.544)
- Medicaid Cluster
- Medicaid Cluster - ARRA
- Supplementary Nutrition Assistance Program Cluster

In our opinion, except for the noncompliance described in the preceding two paragraphs, the State complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2009. The results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items:

<u>Agency/University</u>	<u>Program</u>	<u>Compliance Requirement</u>	<u>Finding Number</u>
Adjutant General's Department	CFDA 12.401 - National Guard Military Operations and Maintenance Projects	Cash Management Program Income	10-01
		Procurement and Suspension and Debarment Allowable Costs/Cost Principles	10-03
Department of Agriculture	CFDA 10.558 - Child and Adult Care Food Program	Subrecipient Monitoring	10-04
	Emergency Food Assistance Program Cluster - ARRA	Special Tests and Provisions	10-05
		Subrecipient Monitoring	10-06
Department of Assistive and Rehabilitative Services	CFDA 84.126 - Rehabilitation Services - Vocational Rehabilitation Grants to States	Eligibility	10-07
Department of Family and Protective Services	CFDA 93.558 - Temporary Assistance for Needy Families CFDA 93.658 - Foster Care - Title IV-E CFDA 93.659 - Adoption Assistance CFDA 93.667 - Social Services Block Grant	Allowable Costs/Cost Principles	10-08



<u>Agency/University</u>	<u>Program</u>	<u>Compliance Requirement</u>	<u>Finding Number</u>
Texas Workforce Commission	CFDA 17.225 - Unemployment Insurance	Special Tests and Provisions	10-78 10-80
		Employment Services Cluster - ARRA	10-79
	Workforce Investment Act Cluster - ARRA	Subrecipient Monitoring	10-79
Department of Transportation	Highway Planning and Construction Cluster	Davis-Bacon Act	10-82
		Special Tests and Provisions	10-86
		Special Tests and Provisions Activities Allowed or Unallowed Allowable Costs/Cost Principles	10-87
	CFDA 20.106 - Airport Improvement Program	Reporting	10-90
	CFDA 20.509 - Formula Grants for Other than Urbanized Areas	Reporting	10-91
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University of Houston - Clear Lake	Student Financial Assistance Cluster	Eligibility Special Tests and Provisions	10-99



A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs and items listed below to be significant deficiencies, excluding those significant deficiencies we also consider to be material weaknesses:

<u>Agency/University</u>	<u>Program</u>	<u>Compliance Requirement</u>	<u>Finding Number</u>	
Adjutant General's Department	CFDA 12.401 - National Guard Military Operations and Maintenance Projects	Cash Management Program Income	10-01	
		Procurement and Suspension and Debarment Allowable Costs/Cost Principles	10-03	
Department of Agriculture	CFDA 10.558 - Child and Adult Care Food Program	Subrecipient Monitoring	10-04	
		Emergency Food Assistance Program Cluster - ARRA	Special Tests and Provisions	10-05
		Subrecipient Monitoring	10-06	
Department of Assistive and Rehabilitative Services	CFDA 84.126 - Rehabilitation Services - Vocational Rehabilitation Grants to States	Eligibility	10-07	
Department of Family and Protective Services	CFDA 93.558 - Temporary Assistance for Needy Families CFDA 93.658 - Foster Care - Title IV-E CFDA 93.659 - Adoption Assistance CFDA 93.667 - Social Services Block Grant	Allowable Costs/Cost Principles	10-08	
		CFDA 93.658 - Foster Care - Title IV-E - ARRA	Matching	10-09
		Special Tests and Provisions	10-10	
		Eligibility	10-11	
Department of Family and Protective Services Texas Workforce Commission	CFDA 93.658 - Foster Care - Title IV-E - ARRA	Eligibility	10-11	
Health and Human Services Commission	Medicaid Cluster	Special Tests and Provisions	10-13	



<u>Agency/University</u>	<u>Program</u>	<u>Compliance Requirement</u>	<u>Finding Number</u>
Department of Transportation	CFDA 20.509 - Formula Grants for Other than Urbanized Areas	Reporting	10-91
	CFDA 20.509 - Formula Grants for Other than Urbanized Areas - ARRA	Subrecipient Monitoring Special Tests and Provisions	10-93
University of Houston	Student Financial Assistance Cluster	Reporting Activities Allowed or Unallowed Cash Management Eligibility Period of Availability of Federal Funds Special Tests and Provisions	10-94
		Special Tests and Provisions	10-95 10-96 10-98
University of Houston - Clear Lake	Student Financial Assistance Cluster	Eligibility Special Tests and Provisions	10-99
University of North Texas	Student Financial Assistance Cluster	Cash Management Activities Allowed or Unallowed Period of Availability of Federal Funds Reporting Special Tests and Provisions	10-100
		Eligibility	10-101
		Special Tests and Provisions	10-102 10-103 10-104 10-105
University of North Texas Health Science Center at Fort Worth	Research and Development Cluster	Activities Allowed or Unallowed Allowable Costs/Cost Principles	10-106
		Procurement and Suspension and Debarment	10-107
University of Texas at Arlington	Student Financial Assistance Cluster	Eligibility	10-108



<u>Agency/University</u>	<u>Program</u>	<u>Compliance Requirement</u>	<u>Finding Number</u>
University of Texas Health Science Center at San Antonio	Research and Development Cluster – ARRA Research and Development Cluster	Subrecipient Monitoring Special Tests and Provisions	10-124
University of Texas M. D. Anderson Cancer Center	Research and Development Cluster	Activities Allowed or Unallowed Allowable Costs/Cost Principles	10-125
		Cash Management	10-126
		Procurement and Suspension and Debarment	10-127
		Special Tests and Provisions	10-128
University of Texas Medical Branch at Galveston	Research and Development Cluster	Cash Management	10-129
		Equipment and Real Property Management	10-130
		Reporting	10-131
University of Texas at Tyler	Student Financial Assistance Cluster	Eligibility	10-134
		Special Tests and Provisions	10-135
Water Development Board	CFDA 66.458 - Capitalization Grants for Clean Water State Revolving Funds	Reporting	10-136

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider the items listed below to be material weaknesses:

<u>Agency/University</u>	<u>Program</u>	<u>Compliance Requirement</u>	<u>Finding Number</u>
Adjutant General's Department	CFDA 12.401 - National Guard Military Operations and Maintenance Projects	Equipment and Real Property Management	10-02



<u>Agency/University</u>	<u>Program</u>	<u>Compliance Requirement</u>	<u>Finding Number</u>
Texas Education Agency	CFDA 84.367 - Improving Teacher Quality State Grants Special Education (IDEA) Cluster Special Education (IDEA) Cluster - ARRA Title I, Part A Cluster Title I, Part A Cluster - ARRA	(Continued)	10-63
Texas Higher Education Coordinating Board	84.032 - Federal Family Education Loans (FFEL) - Lender	Reporting	10-65
Texas State University - San Marcos	Student Financial Assistance Cluster	Special Tests and Provisions	10-73
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	CFDA 20.509 - Formula Grants for Other than Urbanized Areas CFDA 20.509 - Formula Grants for Other than Urbanized Areas - ARRA	Subrecipient Monitoring	10-92
University of Houston	Student Financial Assistance Cluster	Special Tests and Provisions	10-97
University of Texas - Pan American	Student Financial Assistance Cluster	Eligibility	10-132
		Special Tests and Provisions	10-133

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the State's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Governor, the Members of the State Legislature, Legislative Audit Committee, State Auditor, management of State agencies and universities, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

February 22, 2010

Schedule of Findings and Questioned Costs

Federal Portion of
Statewide Single Audit Report

For the Year Ended August 31, 2009

Section 2:

Financial Statement Findings

Issued under separate cover. See State Auditor's Office report entitled the Financial Portion of the 2009 Statewide Single Audit Report dated February 22, 2010.

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University of Houston

Reference No. 10-94

Reporting

Activities Allowed or Unallowed

Cash Management

Eligibility

Period of Availability of Federal Funds

Special Tests and Provisions - Separate Funds

(Prior Audit Issue - 9-83)

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.007 P007A084166, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084166, CFDA 84.063 P063P082333, CFDA 84.375 P375A082333, and CFDA 84.376 P376S082333

Type of finding - Significant Deficiency and Non-Compliance

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

Questioned Cost:	\$0
U.S. Department of Education	

The University of Houston (University) did not maintain appropriate user access to its financial aid system. Specifically:

- Twenty-four users had excessive access to the award aid with override function in the financial aid system.
- Twenty-two users had excessive access to the disburse aid with override function.
- Five user IDs had excessive access to the financial aid setup tables. One of the five user IDs was a generic user ID that staff members shared.

Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties. Use of generic user IDs and sharing user IDs and passwords does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

The University also should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, 19 users had inappropriate access to migrate code changes into the production environment for the financial aid system. The University should perform a formal periodic review of user access on the system, database, and server related to financial aid. Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties.

Pell Payment Data Reporting

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) System. The disbursement record reports the actual disbursement date and the amount of the disbursement. Institutions must report student payment data within 30 calendar days after they make a payment or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data (Office of Management and Budget (OMB) Compliance Supplement A-133, March 2009, Part 5, Student Financial Assistance Cluster, III.L.1.e (page 5-3-18)). The disbursement amount and date in the COD System should match the disbursement date and amount in students' accounts or the amount and

date the funds were otherwise made available to students (OMB Compliance Supplement A-133, Part 5, Student Financial Assistance Cluster, III.N.3 (page 5-3-29)).

For 18 (45 percent) of 40 students tested, the University did not report disbursement records to the COD System within 30 calendar days of the disbursement date. Specifically:

- For 14 of 18 students, their disbursement records were reported one day late due to a lack of understanding of the new student financial aid system. During the Fall 2008 semester, the student financial aid system was still in the process of being modified to prevent non-timely reporting of disbursement records, in response to the prior year audit issue.
- For 8 of 18 students, their disbursement records were reported late because the University did not recognize that the outgoing files did not contain the disbursement records from the financial aid system (4 of these were among the 14 discussed above that the University reported 1 day late). The University was unable to provide support or evidence to indicate why the outgoing files did not include these disbursement records. The University is developing controls to verify the completeness of files it creates from its financial aid system and then submits to the COD System.

The University does not have procedures to reconcile the data it submits to the COD System with the data in its financial aid system. This prevents the University from recognizing disbursement records that it does not submit to the COD System in a timely manner.

Activities Allowed or Unallowed, Cash Management, Eligibility, and Period of Availability of Federal Funds, and Special Tests and Provisions - Separate Funds

Although the general control weaknesses described above apply to activities allowed or unallowed, cash management, eligibility, period of availability of federal funds, and special tests and provisions - separate funds, auditors identified no compliance issues regarding these compliance requirements.

Recommendations:

The University should:

- Restrict access to the financial aid system based on job duties and responsibilities and limit access to setup tables to key personnel.
- Ensure that it does not use generic user IDs and that it assigns each user a unique user ID.
- Restrict user access for users whose job duties and responsibilities include migrating code objects from the development environment to the production environment.
- Implement changes to its reporting procedures to ensure that it reports Pell disbursement records to the COD System in a timely manner.

Management Response and Corrective Action Plan:

We reviewed the listing of all individuals who had access to Financial Aid Override and setup tables capabilities and removed this access for all users that did not require this functionality in order to perform their immediate job duties. We have restricted user access for users whose job duties and responsibilities include migrating code objects from the development environment to the production environment. We have implemented procedures to provide for a periodic review of Financial Aid System access based on the job duties and responsibilities and will modify access, accordingly. The generic ID is an essential part of the processing for batch jobs within the Office of Financial Aid. This generic ID has been restricted with limited access to perform batch processing functionality and will not have access to other essential Financial Aid processes and areas of control.

Implementation Date: January 2010

Responsible Persons: Mary Comerota and Susie Winters

We have identified the source of the errors for the non-timely reporting of disbursement records and have implemented procedures to help ensure that these types of errors are not recurring. As referenced in the audit document for Pell Reporting, this issue was limited to the Fall semester of 2008 and was resolved as of the beginning of Spring of 2009. These procedures help ensure that we report Pell disbursement records to the COD System in a timely manner.

Implementation Date: December 2008

Responsible Person: Melanie Morgan and Izzy Anderson

Reference No. 10-95

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year - July 1 2008 to June 30, 2009

Award numbers - CFDA 84.007 P007A084166, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084166, CFDA 84.063 P063P082333, CFDA 84.375 P375A082333, and CFDA 84.376 P376S082333

Type of finding - Significant Deficiency and Non-Compliance

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

Questioned Cost:	\$0
U.S. Department of Education	

The University of Houston (University) did not maintain appropriate user access to its financial aid system. Specifically:

- Twenty-four users had excessive access to the award aid with override function.
- Twenty-two users had excessive access to the disburse aid with override function.
- Five user IDs had excessive access to the financial aid setup tables. One of the five user IDs was a generic ID that staff members shared.

Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties. Usage of generic user IDs and sharing user IDs and passwords does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

The University also should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, 19 users had inappropriate access to migrate code changes into the production environment for the financial aid System. The University should perform a formal periodic review of user access on the system, database, and server related to financial aid. Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties.

Verification Policy

Institutions are required to establish and use written policies and procedures for verifying information contained in a student financial assistance application, the Free Application for Federal Student Aid (FAFSA), in accordance with

Title 34, Code of Federal Regulations (CFR), Section 668.53. The CFR defines several elements the written policies and procedures must include.

The University's verification policies and procedures do not contain all of the elements required by the CFR. Specifically, the University's policies and procedures do not contain:

- The time period within which an applicant shall provide the documentation.
- The method the University uses to notify students of verification results, if, as a result of verification, the applicant's expected family contribution changes and results in a change in the applicant's award or loan.
- Procedures stating the University shall furnish, in a timely manner to each applicant selected for verification a clear explanation of (1) the documentation needed to satisfy the verification requirement and (2) the applicant's responsibilities with regard to the verification of application information.

Verification of Applicants

An institution must verify all FAFSAs that have been selected for verification. Items that are required to be verified include household size; number of household members who are in college; adjusted gross income (AGI); U.S. income taxes paid; and certain types of untaxed income and benefits such as Social Security benefits, child support, individual retirement account and Keogh account deductions, foreign income exclusion, earned income credit, and interest on tax-free bonds (Title 34, CFR, Section 668.56).

The University did not verify all required information on selected FAFSAs in accordance with federal regulations. For 1 (3 percent) of 40 verification cases tested, the University did not correctly update its records and the *Institutional Student Information Report (ISIR)* to reflect information on the student's household size. For 1 (3 percent) of 40 verification cases tested, the University did not correctly update its records and the ISIR to reflect information on the student's household members enrolled at least half-time in college. In each case, the student's eligibility was not affected by the error.

Recommendations:

The University should:

- Restrict access to the financial aid system based on job duties and responsibilities and limit access to setup tables to key personnel.
- Ensure that it does not use generic user IDs and that it assigns each user a unique user ID.
- Restrict access for users whose job duties and responsibilities include migrating code objects from the development environment to the production environment.
- Ensure that its verification policy includes all required information.
- Ensure that controls are in place to correctly update its records and the ISIR upon completion of verification.

Management Response and Corrective Action Plan:

We reviewed the listing of all individuals who had access to Financial Aid Override and setup tables capabilities and removed this access for all users that did not require this functionality in order to perform their immediate job duties. We have restricted user access for users whose job duties and responsibilities include migrating code objects from the development environment to the production environment. We have implemented procedures to provide for a periodic review of Financial Aid System access based on the job duties and responsibilities and will modify access accordingly. The generic ID is an essential part of the processing for batch jobs within the Office of Financial Aid. This generic ID has been restricted with limited access to perform batch processing functionality and will not have access to other essential Financial Aid processes and areas of control.

Implementation Date: January 2010

Responsible Persons: Mary Comerota and Susie Winters

We have developed and implemented written verification policies and procedures that contain the following elements:

- The time period within which an applicant shall provide the documentation.
- The method used to notify students of verification results, if, as a result of verification, the applicant's expected family contribution changes and results in a change in the applicant's award or loan.
- Procedures stating the University shall furnish, in a timely manner to each applicant selected for verification a clear explanation of (1) the documentation needed to satisfy the verification requirement and (2) the applicant's responsibilities with regard to the verification of application information.

Procedures are in place to correctly update records and the ISIR upon completion of verification.

Implementation Date: January 2010

Responsible Person: Jessica Thomas

Reference No. 10-96

Special Tests and Provisions - Disbursements To or On Behalf of Students

(Prior Audit Issue - 09-85)

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.007 P007A084166, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084166, CFDA 84.063 P063P082333, CFDA 84.375 P375A082333, and CFDA 84.376 P376S082333

Type of finding - Significant Deficiency and Non-Compliance

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

Questioned Cost:	\$0
U.S. Department of Education	

The University of Houston (University) did not maintain appropriate user access to its financial aid system. Specifically:

- Twenty-four users had excessive access to the award aid with override function.
- Twenty-two users had excessive access to the disburse aid with override function.
- Five user IDs had excessive access to the financial aid setup tables. One of the five user IDs was a generic user ID that staff members shared.

Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties. Use of generic user IDs and sharing user IDs and passwords does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

The University also should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, 19 users had inappropriate access to migrate code changes into the production environment for the financial aid system. The University should perform a formal periodic review of user access on the system, database, and server related to financial aid. Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties.

Disbursement Notifications

If an institution credits a student's account at the institution with Direct Loans, no earlier than 30 days before and no later than 30 days after crediting the student's account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) student's right or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and (3) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan. The notification can be sent in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

For 44 (50 percent) of 88 Perkins and Federal Family Education Loan Program (FFELP) disbursements to students tested, the University did not have documentation that it sent the required disbursement notifications within the required time frame. Prior to the Spring 2009 semester, the University did not track disbursement notifications in its financial aid system. As a result, for Fall 2008 disbursements, the University was unable to provide evidence that it sent the required notifications. For disbursements the University made in the Spring 2009 and Summer 2009 semesters, the University was able to provide evidence that it sent the notifications in a timely manner. Not receiving these notifications promptly could impair students' and parents' ability to cancel their loans.

Recommendations:

The University should:

- Restrict access to the financial aid system based on job duties and responsibilities and limit access to setup tables to key personnel.
- Ensure that it does not use generic user IDs and that it assigns each user a unique user ID.
- Restrict user access for users whose job duties and responsibilities include migrating code objects from the development environment to the production environment.
- Retain documentation to support that it has provided disbursement notifications to students or parents.

Management Response and Corrective Action Plan:

We reviewed the listing of all individuals who had access to Financial Aid Override and setup tables capabilities and removed this access for all users that did not require this functionality in order to perform their immediate job duties. We have restricted user access for users whose job duties and responsibilities include migrating code objects from the development environment to the production environment. We have implemented procedures to provide for a periodic review of Financial Aid System access based on the job duties and responsibilities and will modify access, accordingly. The generic ID is an essential part of the processing for batch jobs within the Office of Financial Aid. This generic ID has been restricted with limited access to perform batch processing functionality and will not have access to other essential Financial Aid processes and areas of control.

Implementation Date: January 2010

Responsible Persons: Mary Comerota and Susie Winters

We have modified the Financial Aid System to send e-mails to students for all disbursements and to provide for an audit trail to document these notifications. This was done in response to a previous finding and was resolved as of the Spring semester of 2009. This resolution was referenced in the current audit.

Implementation Date: January 2009

Responsible Person: Sal Loria Jr.

Reference No. 10-97

Special Tests and Provisions - Return of Title IV Funds

(Prior Audit Issue - 09-86)

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.007 P007A084166, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A084166, CFDA 84.063 P063P082333, CFDA 84.375 P375A082333, and CFDA 84.376 P376S082333

Type of finding - Material Weakness and Material Non-Compliance

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

Questioned Cost:	\$5,873
U.S. Department of Education	

The University of Houston (University) did not maintain appropriate user access to its financial aid system. Specifically:

- Twenty-four users had excessive access to the award aid with override function in the financial aid system.
- Twenty-two users had excessive access to the disburse aid with override function.
- Five user IDs had excessive access to the financial aid setup tables. One of the five user IDs was a generic user ID that staff members shared.

Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties. Use of generic user IDs and sharing user IDs and passwords does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

The University also should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, 19 users had inappropriate access to migrate code changes into the production environment of the financial aid system. The University should perform a formal periodic review of user access on the system, database, and server related to financial aid. Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties.

Return of Title IV Funds

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV assistance earned by the student as of the student's withdrawal date (Title 34, Code of Federal Regulations, Section 668.22(a)(1)). If the total amount of Title IV assistance earned by the student is less than the amount that was

disbursed to the student on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is more than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (Title 34, Code of Federal Regulations, Sections 668.22(a)(3)-(4)).

Returns of Title IV funds are required to be deposited or transferred into the student financial aid account or electronic fund transfer must be initiated to the U.S. Department of Education or the appropriate Federal Family Education Loan (FFEL) lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (Title 34, Code of Federal Regulations, Section 668.173(b)).

The University did not consistently return Title IV funds in a timely manner. Specifically:

- For 15 (38 percent) of 40 students tested, the University had not completed return of Title IV funds calculations as of auditors' first day of onsite work. Most of the students were unofficial withdrawals. The University subsequently provided its calculations to auditors for testing.
- For 13 (54 percent) of 24 unofficial withdrawals tested, the University did not determine the withdrawal date within 30 days of the end of enrollment period as required.
- For 25 (83 percent) of 30 students tested for whom the University was required to return Title IV funds, the funds were not returned within 45 days after the date the University determined that the students withdrew.

Additionally, for 6 (15 percent) of 40 students tested, the University did not return the correct amount of Title IV funds. Specifically:

- For four of these six students, the University incorrectly omitted room and board charges from the return calculation.
- For one of these six students, the University used seven days instead of eight days for Spring break in the computation of enrollment period. The University also incorrectly omitted room and board charges from the return calculation, but this did not affect the return amount.
- For one of these six students, due to special circumstances, the University did not process a return of funds, even though all funds are required to be returned.

Questioned costs associated with these 6 errors totaled \$5,873. However, total questioned costs could not be determined because auditors could not estimate the number of unofficial withdrawals that still needed a return calculation. In addition, the Spring break calculation error affected all students with an official withdrawal that required a return of funds in Spring 2009. In addition, the error in institutional charges appears to affect all on-campus students because the University omitted room and board charges from all calculations that auditors tested. While this last issue does not affect the total funds to be returned, it resulted in an overestimation of the funds to be returned by the students and an underestimation of the funds to be returned by the University.

The University also did not make a post-withdrawal disbursement of \$1,183 to one student who required this disbursement.

None of the students tested was identified as not having begun attendance. The University's system is currently unable to differentiate among students who never began attending, received all "F" grades, or dropped all of their classes (unofficial withdrawals). This may result in the University's failure to notify lenders of students who do not attend classes.

Recommendations:

The University should:

- Restrict access to the financial aid system based on job duties and responsibilities and limit access to setup tables to key personnel.
- Ensure that it does not use generic user IDs and that it assigns each user a unique user ID.
- Restrict user access for users whose job duties and responsibilities include migrating code objects from the development environment to the production environment.
- Review its records for the 2008-2009 award year to identify all students for whom returns of Title IV funds still need to be made, and complete the necessary returns as soon as possible.
- Implement controls to ensure that it completes returns of Title IV funds in a timely manner and in accordance with federal regulations.
- Ensure that it can identify within its financial aid system students who unofficially withdraw and who received aid but did not begin attendance.

Management Response and Corrective Action Plan:

We reviewed the listing of all individuals who had access to Financial Aid Override and setup tables capabilities and removed this access for all users that did not require this functionality in order to perform their immediate job duties. We have restricted user access for users whose job duties and responsibilities include migrating code objects from the development environment to the production environment. We have implemented procedures to provide for a periodic review of Financial Aid System access based on the job duties and responsibilities and will modify access accordingly. The generic ID is an essential part of the processing for batch jobs within the Office of Financial Aid. This generic ID has been restricted with limited access to perform batch processing functionality and will not have access to other essential Financial Aid processes and areas of control.

Implementation Date: January 2010

Responsible Persons: Mary Comerota and Susie Winters

As required by the Department of Education based upon the FY 2008 audit, we reviewed all records for the 2007-2008 award year for which returns of Title IV funds were required. We provided supplemental documentation to the Department of Education, which satisfactorily resolved this issue. We implemented the same procedures for the 2008-2009 award year. We have reviewed all records for the 2008-2009 award year to identify all students for whom returns of Title IV funds were required. We have implemented enhanced policies and procedures to help ensure that returns of Title IV funds are completed in a timely manner in accordance with federal regulations. We have identified students in the Financial Aid System who unofficially withdraw (students that receive all "W" grades) and who received aid but may not have begun attending classes (students receive all "F" grades). Students that receive all "F" grades are required to respond to the University, in writing, proving that they have attended classes. If this proof is not received in a timely manner, these students are treated as an unofficial withdrawal and a return of Title IV funds is processed. As referenced in the previous finding, this issue was identified and procedures were in place beginning in April 30, 2009.

Implementation Date: April 30, 2009

Responsible Person: Jessica Thomas

Reference No. 10-98

Special Tests and Provisions - Students Status Changes

(Prior Audit Issues - 09-87, 08-74, and 07-58)

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award number - CFDA 84.032 Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

Questioned Cost:	\$0
U.S. Department of Education	

The University of Houston (University) did not maintain appropriate user access to its financial aid system. Specifically:

- Twenty-four users had excessive access to the award aid with override function in the financial aid system.
- Twenty-two users had excessive access to the disburse aid with override function.
- Five user IDs had excessive access to the financial aid setup tables. One of the five user IDs was a generic user ID that staff members shared.

Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties. Usage of generic user ids and sharing user IDs and passwords does not allow for user accountability, increases the risk of unauthorized data changes, and nullifies the purpose of an audit trail.

The University also should appropriately restrict access to migrate code changes to the production environment based on an individual's job function to help ensure adequate internal controls are in place and that appropriate segregation of duties exists. In general, programmers should not have access to migrate code changes to the production environment. However, 19 users had inappropriate access to migrate code changes into the production environment for the financial aid system. The University should perform a formal periodic review of user access on the system, database, and server related to financial aid. Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties.

Student Status Changes

Unless an institution expects to submit its next student status confirmation report to the U.S. Secretary of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days, if it (1) discovers that a Stafford, Supplemental Loan for Students (SLS), or Parent Loans for Undergraduate Students (PLUS) has been made to or on behalf of a student who enrolled at that institution, but who has ceased to be enrolled on at least a half-time basis; (2) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that institution, but who failed to enroll on at least a half-time basis for the period for which the loan was intended; (3) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or (4) discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address (Title 34, Code of Federal Regulations, Section 682.610(c)).

The University uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC, regardless of whether those students receive federal financial assistance. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University's behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University's responsibility

to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (*NSLDS Enrollment Reporting Guide*, Chapter 1.3.1.1).

The University did not report student status changes to NSLDS accurately and in a timely manner. Specifically, for the 40 student status changes tested:

- The University did not report one student status change to NSLDS. The student withdrew, and the University did not report this to NSLDS.
- The University did not report five student status changes within the required time frame.
- The University did not report six student status changes to the lender/guarantor within the required time frame.
- The University reported the incorrect change type to NSLDS for two student status changes.
- The date of the student status change in the University's system did not match the date reported to NSLDS for four student status changes.

These errors were the result of manual data entry errors and delays in reporting. The University periodically reviews a judgmental sample of students and determines whether student status changes were accurately reported. However, this review process did not help to ensure the accurate and timely reporting of all the student status changes tested.

The University's policies and procedures do not specify time frames for updating student status for Federal Family Education Loan Program (FFELP) and Direct Loan Program recipients. Without a process to ensure accurate and timely reporting, the University is not able to detect non-compliance and take appropriate and timely action to address issues.

Recommendations:

The University should:

- Restrict access to the financial aid system based on job duties and responsibilities and limit access to setup tables to key personnel.
- Ensure that it does not use generic user IDs and that it assigns each user a unique user ID.
- Restrict user access for users whose job duties and responsibilities include migrating code objects from the development environment to the production environment.
- Implement changes to its reporting procedures to ensure that student status changes are accurately reported to NSLDS and lenders/guarantors within the required time period.

Management Response and Corrective Action Plan:

We reviewed the listing of all individuals who had access to Financial Aid Override and setup tables capabilities and removed this access for all users that did not require this functionality in order to perform their immediate job duties. We have restricted user access for users whose job duties and responsibilities include migrating code objects from the development environment to the production environment. We have implemented procedures to provide for a periodic review of Financial Aid System access based on the job duties and responsibilities and will modify access, accordingly. The generic ID is an essential part of the processing for batch jobs within the Office of Financial Aid. This generic ID has been restricted with limited access to perform batch processing functionality and will not have access to other essential Financial Aid processes and areas of control.

Implementation Date: January 2010

Responsible Persons: Mary Comerota and Susie Winters

We have implemented procedures to ensure that student status changes are identified and reported to NSLDS and the lender/guarantors within the required time period. The University does have documented policies and procedures for updating student status changes. As referenced in the previous audit, this resolution was put into place on April 1, 2009.

Implementation Date: April 2009

Responsible Persons: Melanie Snook and Sal Loria, Jr.

University of Houston - Clear Lake

Reference No. 10-99

Eligibility

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year - July 1, 2008 to June 30, 2009

Award numbers - CFDA 84.268 Award Number Not Applicable, CFDA 84.038 Award Number Not Applicable, CFDA 84.063 PO63P20083465, CFDA 84.033 PO33A084160, CFDA 84.379 P379T093465, CFDA 84.007 PO07A084160, and CFDA 84.376 P376S083465

Type of finding - Significant Deficiency and Non-Compliance

General Controls

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

Questioned Cost: \$8,458

U.S. Department of Education

Nineteen users initially had the capability to migrate code objects (such as COBOL programs, SQL statements, pages, and forms) into the production environment of the financial aid application (PeopleSoft). Allowing employees inappropriate or excessive access to University systems increases the risk of inappropriate changes and does not allow for segregation of duties.

Eligibility

The determination of the federal student assistance award amount is based on financial need. Financial need is defined as the student's cost of attendance (COA) minus the expected family contribution (EFC). The phrase "cost of attendance" refers to the "tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study." Institutions also may include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087II).

For Title IV programs, the EFC is the amount a student and his or her family are expected to pay for educational expenses and is computed by the federal central processor and included on the student's Institutional Student Information Report (ISIR) provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal assistance to ensure that total assistance is not awarded in excess of the student's financial need (Title 34, Code of Federal Regulations, Section 685.301).

For the federal Pell Grant program, the payment and disbursement schedules provided each year by the U.S. Department of Education are used for determining award amounts (Title 34, Code of Federal Regulations, Section 690.62). These schedules provide the maximum annual amount a student would receive for a full academic year for a given enrollment status, EFC, and COA. There are separate schedules for three-quarter-time, half-time, and less-than-half-time students. Additionally, a student's eligibility for a Pell Grant must first be determined and considered before a student is awarded other assistance such as Direct Subsidized or Direct Unsubsidized loans (Title 34, Code of Federal Regulations, Section 685.200).

The University calculated financial need incorrectly for two students. As a result, the University:

- Overawarded Direct Subsidized loans to 1 (2.5 percent) of 40 students tested. The student registered full-time but attended half-time. The University adjusted the student's COA after the student's enrollment status changed, but it did not adjust the financial assistance award accordingly. The University awarded the student \$8,458 more in need-based awards than his COA and EFC allowed. The University did not have sufficient controls in place to ensure that it awarded the student the correct amount.

- Underawarded a federal Pell Grant award to 1 (8.3 percent) of 12 students tested. The University awarded the student \$841 in Pell Grant funds when the student was eligible to receive \$1,261. The student originally provided information to the University that specified that the student intended to graduate at the end of the Fall 2008 semester; therefore, the University reduced the student's 2008-2009 assistance package to include Fall 2008 semester attendance only. However, the student did not graduate at the end of the Fall 2008 semester and enrolled half-time for the Spring 2009 semester. The University then manually increased the student's assistance package to include Spring 2009 semester assistance. However, the University did not award this student Pell Grant funds for the Spring 2009 semester and awarded only federal Direct Subsidized and Unsubsidized loans to this student. The University corrected the federal Pell Grant award to this student on June 18, 2009.

Special Tests and Provisions - Disbursements to or On Behalf of Students

Although the general control weaknesses described above apply to disbursements to or on behalf of students, auditors identified no compliance issues regarding disbursements of student financial assistance.

Recommendations:

The University should:

- Restrict user access to only users whose job duties and responsibilities include migrating code objects from the development environment to the production environment.
- Improve its process to ensure that it adjusts financial assistance awards when changes in students' enrollment status affect COA determinations.
- Improve controls so that it re-evaluates students' eligibility for Pell Grants if changes in students' enrollment status affects students' loan disbursements.

Management Response and Corrective Action Plan:

Restrict User Access

We have restricted user access for users whose job duties and responsibilities include migrating code objects from the development environment to the production environment.

Implementation Date: January 2010

Responsible Persons: Susie Winters and Stephen Webb

Adjusting Financial Assistances Due to Changes in COA

The PeopleSoft Project Team has created a query that will identify students with enrollment that does not correlate to the students' COA. This query will be run prior to the first disbursement of each semester, prior to the first day of classes of each semester, and after the census date of each semester. Any student with a mismatch will be corrected to ensure they are receiving the appropriate amount of financial assistance.

Implementation Date: February 2010

Responsible Person: Billy Satterfield

Pell Grant Eligibility

The Office of Student Financial Aid has strengthened procedures for determining Pell Grant eligibility when enrollment information changes. In addition, a series of queries have been developed, which identifies potential Pell Grant errors. These queries will be run during the enrollment periods of each semester to determine any Pell Grant mismatches due to enrollment changes. Any mismatches will be awarded aid (grants and loans) appropriately using federal methodology.

Implementation Date: January 2010

Responsible Person: Billy Satterfield

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University of Houston

Reference No. 09-82

Eligibility

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award number - CFDA 84.038 Award Number Not Applicable

Type of finding - Significant Deficiency and Non-Compliance

The maximum annual amount of Federal Perkins loans that an eligible student may borrow is \$4,000 for undergraduates and \$6,000 for graduate or professional students. The maximum annual amounts may be exceeded by 20 percent if the student is engaged in a study abroad program that is approved for credit by the home institution at which the student is enrolled and that has reasonable costs in excess of the home institution's cost of attendance (Title 34, Code of Federal Regulations, Section 674.12).

Initial Year Written:	2008
Status:	Implemented
U.S. Department of Education	

For 5 (31 percent) of 16 of students tested, the University of Houston (University) awarded Federal Perkins loans in excess of the maximum annual amount allowed. Four of these students were undergraduate students who received a Federal Perkins loan amount greater than \$4,000 but less than \$6,000. It could not be determined whether the students had a change in their academic status based on the information in the financial aid system (PeopleSoft). The fifth student was an undergraduate student who received \$6,000. Additionally, a review of the records did not indicate whether any of the five students were enrolled in a study abroad program during the award year 2007-2008. It could not be determined why the five students selected for testing received Federal Perkins loan amounts that exceeded the annual maximum allowed.

Corrective Action:

Corrective action was taken.

Reference No. 09-83

Reporting

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award number - CFDA 84.063 P063P072333

Type of finding - Significant Deficiency and Non-Compliance

Institutions submit Pell origination records and disbursement records to the Common Origination and Disbursement (COD) System (Office of Management and Budget (OMB) Notice 1845-0039-v.4). Origination records can be sent in advance of any disbursements, as early as an institution chooses to submit them for any student it reasonably believes will be eligible for a payment. The institution follows up with a disbursement record for that student no more than 30 days before a disbursement is to be paid. Institutions must report the student payment data (1) within 30 calendar days after it makes payments or (2) when they become aware of the need to make an adjustment to previously reported student payment data or expected student payment data. Institutions may do this by reporting once every 30 calendar days, biweekly, or weekly, or they may set up their own systems to ensure that changes are reported in a timely manner. (OMB Compliance Supplement A-133, March 2008, Part 5, Student Financial Assistance Cluster, III.L.1.e (page 5-3-17 and 5-3-18))

Initial Year Written:	2008
Status:	Partially Implemented
U.S. Department of Education	

If an institution submits a student's payment data in the manner and form prescribed, and if the U.S. Department of Education accepts the data and considers that information to be accurate in light of other available information, the institution may receive either (1) a payment for an award to a Pell Grant recipient or (2) a corresponding reduction in the amount of federal funds received in advance for which it is accountable. Institutions are required to report to the U.S. Department of Education any change in enrollment status, cost of attendance, or other event or condition that causes a change in the amount of a federal Pell grant for which a student qualifies by submitting student payment data that discloses the basis and result of the change in award (Title 34, Code of Federal Regulations, Section 690.83).

For 12 (24 percent) of 49 students tested, the University of Houston (University) did not report disbursement records to the COD System within 30 calendar days of the disbursement date.

Corrective Action:

This finding was reissued as current year reference number: 10-94.

Reference No. 09-84

Special Tests and Provisions - Verification

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award numbers - CFDA 84.032 Award Number not applicable, CFDA 84.063 P063P072333, CFDA 84.007 P007A074166, CFDA 84.033 P033A074166, CFDA 84.376 P376S072333, and CFDA 84.375 P375A072333

Type of finding - Non-Compliance

Institutions are required to establish and use written policies and procedures for verifying information contained in a student financial assistance application. These policies and procedures must include the procedures for making referrals described under Title 34, Code of Federal Regulations (CFR), Section 668.16 (Title 34, CFR, Section 668.53). Referrals should include instances in which the institution has identified credible information indicating that an applicant for Title IV Higher Education Act program assistance may have engaged in fraud or other criminal misconduct in connection with his or her application (Title 34, CFR, Section 668.16).

Initial Year Written:	2008
Status:	Implemented
U.S. Department of Education	

The University of Houston (University) does not have written procedures for making referrals required by federal regulations. As a result, it may not have the capability to identify and report instances of false or fraudulent information to the Office of the Inspector General of the U.S. Department of Education for investigation

Corrective Action:

Corrective action was taken.

Reference No. 09-85

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award numbers - CFDA 84.032 Award Number Not Applicable and CFDA 84.038 Award Number not Applicable

Type of finding - Significant Deficiency and Non-Compliance

Returning Funds to a Lender

When an institution receives Federal Family Education Loan Program (FFELP) funds from the lender by electronic funds transfer (EFT) or master check, it usually must disburse the funds within three business days. If a student is temporarily not eligible for a disbursement but the institution expects the student to become eligible for disbursement in the immediate future, the institution has an additional 10 business days to disburse the funds. An institution must return FFELP funds that it does not disburse by the end of the initial or conditional period, as applicable, promptly but no later than 10 business days from the last day allowed for disbursement. (Title 34, Code of Federal Regulations, Section 668.167)

Initial Year Written:	2008
Status:	Partially Implemented
U.S. Department of Education	

For 4 (8 percent) of 50 students tested, the University of Houston (University) did not disburse some funds to students' accounts within three business days of receipt from the lender. This represents 4 (2 percent) of 165 payments that were not disbursed in a timely manner. This was not due to eligibility issues. The University held the loan funds for significantly more than three business days and did not return the funds to the lender within the required time frame.

Disbursement Notifications

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or FFELP loans, no earlier than 30 days before and no later than 30 days after crediting the student's account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) the student's right or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and (3) the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

For all Perkins and FFELP disbursements tested for 50 students, the University did not have documentation that it had sent the required disbursement notification within the required time frame. The University's newly implemented Student Financial Aid System does not have the capability to capture when disbursement notifications are sent by the system.

Access to PeopleSoft (Student Financial Aid System)

Institutions shall maintain internal control over federal programs that provides reasonable assurance that the institutions are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements (Office of Management and Budget Circular A-133, Subpart C, Section 300 (b)).

The University does not maintain appropriate access to PeopleSoft, its student financial aid software. Of the 58 users tested, all were IT users with super user access. This level of access provided these users with modify access to the disburse aid with override option, which allows them the capability of disbursing aid to a student while overriding all checks in PeopleSoft that are tied to disbursement. The University has not performed a review of its employees' PeopleSoft access since migrating to the new system. Information Technology support staff in the Student Financial Aid area are unaware of the level of access to the PeopleSoft permission lists.

Corrective Action:

This finding was reissued as current year reference number: 10-96.

Reference No. 09-86

Special Tests and Provisions - Return of Title IV Funds

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award numbers - CFDA 84.032 Award Number Not Applicable and CFDA 84.063 P063P072333

Type of finding - Material Weakness and Material Non-Compliance

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs as prescribed by Title 34, Code of Federal Regulations, Section 668. If the amount the student earned is greater than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (Title 34 Code of Federal Regulations, Sections 668.22(a)(1)-(3)). For remaining amounts of Federal Family Education Loan Program (FFELP) and Direct Loan Program funds disbursed directly to the student for the payment period or period of enrollment (including funds disbursed directly to the student by the lender for a study-abroad program or for a student enrolled in a foreign school), the institution must immediately notify the lender or the Secretary of the U.S. Department of Education, as appropriate, when it becomes aware that the student will not or has not begun attendance so that the lender or the Secretary will issue a final demand letter to the borrower in accordance with Title 34, Code of Federal Regulations, Section 682.412, or Title 34, Code of Federal Regulations, Section 685.211 (Title 34, Code of Federal Regulations, Section 668.21(a)(2)).

Initial Year Written:	2008
Status:	Partially Implemented
U.S. Department of Education	

The University of Houston (University) does not consistently return Title IV funds in a timely manner, does not consistently return funds in the proper amount, and does not consistently reimburse the appropriate Federal program. Specifically:

For 32 (67 percent) of 48 students with returns tested, return of funds was not completed in a timely manner.

For 10 (20 percent) of 50 students tested, the withdrawal date shown on the Return of Title IV worksheet was not accurate when compared to student records; the amount of the return was not calculated accurately; the payment period was not shown to be used consistently; and the percentage of aid earned by the student was not calculated correctly. For 8 (80 percent) of those 10 students, the University had not completed the Return of Title IV Funds calculation worksheet as of the time of audit testing.

For 16 (32 percent) of 50 students tested, the correct amount of aid was not returned by the University. For six of these students, the University had calculated returns to be made, but it had not yet made the returns, resulting in questioned costs of \$9,434.

For 9 (18 percent) of 50 students tested, funds returned were not allocated among federal programs in the correct order.

For two (100 percent) of two students tested for whom post-withdrawal disbursements were necessary, applicable requirements were not met. For one of these students, the amount of the post-withdrawal disbursement was too large, resulting in a questioned cost of \$825.

Further questioned costs may exist in the cases for which Return of Title IV worksheets have not been completed, but because the worksheets have not been completed, the amount of these additional questioned costs could not be determined.

For students who attended and withdrew but did not have returns, for 4 (40 percent) of 10 students tested, the withdrawal date on the Return of Title IV Funds worksheet was not supported by student records. For all four students, the University had not completed the Return of Title IV Funds worksheet. Therefore, for these four students, the amount of funds returned was not calculated correctly, there was not a consistent use of payment period, and the percentage of aid earned by the student was not calculated correctly. Because the worksheets have not been completed, the amount of these additional questioned costs could not be determined.

The University had difficulty providing the populations to be tested because it had difficulty using the PeopleSoft information system to identify students who unofficially withdrew. In addition, the University had difficulty identifying students who received aid but are known not to have begun attendance. For the one student identified who received aid but never began attendance, the University fulfilled all requirements except the requirement to notify the lender or Secretary of the U.S. Department of Education, as appropriate. The University did not retain any documentation that it notified the lender or Secretary of the U.S. Department of Education that the student withdrew.

Corrective Action:

This finding was reissued as current year reference number: 10-97.

Reference No. 09-87

Special Tests and Provisions - Student Status Changes

(Prior Audit Issues 08-74 and 07-58)

Student Financial Assistance Cluster

Award year - July 1, 2007 to June 30, 2008

Award number - CFDA 84.032 Award Number Not Applicable

Type of finding - Material Weakness and Material Non-Compliance

Unless an institution expects to submit its next student status confirmation report to the U.S. Secretary of Education or the guaranty agency within the next 60 days, it must notify the guaranty agency or lender within 30 days, if it (1) discovers that a Stafford, Supplemental Loan for Students (SLS), or Parent Loans for Undergraduate Students (PLUS) has been made to or on behalf of a student who enrolled at that institution, but who has ceased to be enrolled on at least a half-time basis; (2) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that school, but who failed to enroll on at least a half-time basis for the period for which the loan was intended; (3) discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or (4) discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address (Title 34, Code of Federal Regulations, Section 682.610(c)).

Initial Year Written:	2006
Status:	Partially Implemented
U.S. Department of Education	

The University of Houston (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to NSC, regardless of whether those students receive federal financial assistance. NSC then identifies any changes in status and reports those changes when required to the respective lenders and guarantors. Additionally, NSC completes the roster file on the University's behalf and communicates status changes to NSLDS as applicable. Although the University uses the services of NSC, it is still ultimately the University's responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation (NSLDS Enrollment Reporting Guide, Chapter 3.1.1.3).

For 29 (71 percent) of 41 student status changes tested, the University either did not report to NSLDS or did not report to NSLDS within the required 60-day time frame. Specifically:

For 20 (69 percent) of the 29 students, their change in status was not reported to NSLDS for the time period tested. Specifically:

- Eleven of the 20 students were shown as having graduated; however, NSLDS did not have a graduated status reflected in the students' record.
- Six of the 20 students were shown as changing to less than full-time status, which was not reflected in NSLDS.
- One of the 20 students changed to less than half-time status, and the change was not reported to NSLDS.
- One of the 20 students withdrew, and the change was not reported to NSLDS.
- One of the 20 students dropped out, and the change was not reported to NSLDS.

For nine (31 percent) of the 29 students, their status change was reported; however, it was not reported in a timely manner.

All 29 student status changes that were not reported to NSLDS or were not reported to NSLDS in a timely manner also were not reported to the lender/guarantor within the required 30-day time frame.

The University had difficulty using the PeopleSoft information system to identify students with status changes during the year, and it also had difficulty providing the populations that auditors requested for testing. The University expressed that the system may have pulled all students who dropped a course, but the drop did not result in a change in status.

The University does not have documented policies and procedures for updating student status for Federal Family Education Loan Program (FFELP) and Direct Loan Program recipients.

Corrective Action:

This finding was reissued as current year reference number: 10-98.

University of Houston- Downtown

Reference No. 07-60

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year - July 1, 2005 to June 30, 2006

Award number - CFDA 84.032 Award Number Not Applicable

Type of finding - Material Weakness Control and Material Non-Compliance

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) loans, no earlier than 30 days before and no later than 30 days after crediting the student's account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) the student's right or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan, and (3) the procedures and the time by which the student or the parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be made in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

Initial Year Written: 2006
Status: Partially Implemented

U.S. Department of Education

The University of Houston - Downtown (University) did not consistently send out the required notifications to FFELP loan recipients in fiscal year 2006. Of the 22 FFELP loan recipients sampled, 11 students (50 percent) did not receive any notification, and 7 students (32 percent) received notifications in the fall semester but not in the spring semester.

The University's current notification process is primarily manual and depends on employees to (1) accurately review the *Texas Guaranteed Student Loan Corporation Disbursement Report*, (2) enter the appropriate comment in the student financial aid management system, and (3) mail the notification. When the University does not distribute the required notifications, this reduces the opportunity for loan recipients to cancel the awards if they choose to do so.

Recommendation:

The University should automate its student notification process or implement a review process to ensure that it sends notifications to all FFELP loan recipients within the required time periods.

Management Response and Corrective Action Plan 2006:

The University has automated this process to ensure that its notifications to all FFELP loan recipients are within the required time periods.

Management Response and Corrective Action Plan 2007:

Regarding the follow-up to this finding the errors were due to a system problem and was compounded by human error when a student worker reverted to the pre-automated process and copies were not made of the letters that were sent and not updated in PowerFails.

The University has automated this process to ensure that its notifications to all FFELP loan recipients are within the required time periods.

Management Response and Corrective Action Plan 2008:

Management concurs with the audit finding.

While we did automate this process it was not implemented successfully due to a business process issue. We modified our business process by assigning this function to the Coordinator of Student Loans who has accountability for ensuring that notifications to borrowers are sent in a timely manner. We have also implemented a bi-weekly review to audit a sample of borrowers to ensure that the notification function has been met. The reviewing parties are the Director, Office of Scholarships and Financial Aid and the Assistant Director for Processing, Office of Scholarships and Financial Aid. These steps were implemented on December 10, 2008.

Management Response and Corrective Action Plan 2009:

The University of Houston-Downtown has automated its student notification process and modified its business process by assigning the responsibility for this function to the Coordinator of student loans. This individual is accountable for ensuring that notifications are sent in a timely manner. A bi-weekly review has also been implemented to audit a sample of borrowers to ensure that the notification function has been met. The reviewing parties are the Director, Office of Scholarships and Financial Aid and the Assistant Director for Processing, Office of Scholarships and Financial Aid.

Implementation Date: December 10, 2008

Responsible Person: LaTasha Goudeau

University of Houston - Victoria

Reference No. 08-75

Special Tests and Provisions - Disbursements To or On Behalf of Students

Student Financial Assistance Cluster

Award year - July 1, 2006 - June 30, 2007

Award numbers - CFDA 84.032 Award Number Not Applicable and CFDA 84.063 Award Number P063P063632

Type of finding - Significant Deficiency and Non-Compliance

Pell Payment Reporting

All institutions submit payment data to the U.S. Department of Education through the Common Origination and Disbursement (COD) System. Origination records can be sent well in advance of any disbursement, as early as the institution chooses to submit them for any student the institution reasonably believes will be eligible for a payment. The institution follows up with a disbursement record for that student no more than 30 days before a disbursement is to be paid. The disbursement record reports the actual disbursement date and the amount of the disbursement. Institutions must report student payment data within 30 calendar days after they make a payment or become aware of the need to make an adjustment to previously reported student payment data or expected student payment data (Office of Management and Budget Circular A-133 Compliance Supplement, Part 5, Section L.1.e) and the Secretary of the U.S. Department of Education accepts a student's payment data that is submitted in accordance with procedures established through publication in the *Federal Register*, and that contains information the Secretary considers to be accurate in light of other available information including that previously provided by the student and the institution (Title 34, Code of Federal Regulations, Section 690.83(a)(2)).

Initial Year Written:	2007
Status:	Partially Implemented
U.S. Department of Education	

In a sample of 50 students tested at the University of Houston - Victoria (University), 14 students received Pell Grant awards. However, the University did not report the correct date of disbursement of Pell Grant awards to the COD System for any of those 14 students.

The University did not record the actual disbursement dates; instead, it set the disbursement dates as 10 days prior to the semester start date and when disbursements were processed (in 6 cases, this was more than 30 days after disbursement). When the University does not accurately report disbursement dates, this increases the risk of over awards being made to students. In addition, the Secretary of the U.S. Department of Education could impose a fine on the institution if the institution fails to comply with the requirement (Title 34, Code of Federal Regulations, Section 690.83(c)).

Disbursement Notifications

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Program (FFELP) loans, no earlier than 30 days before and no later than 30 days after crediting the student's account, the institution must notify the student or parent of (1) the date and amount of the disbursement, (2) the student's right or parent's right to cancel all or a portion of that loan or loan disbursement, and have the loan proceeds returned to the holder of that loan, and (3) the procedures and the time by which the student or the parent must notify the institution that he or she wishes to cancel the loan or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be made in writing or electronic (Title 34, Code of Federal Regulations, Section 668.165).

The University did not consistently send the required notifications to FFELP loan recipients in fiscal year 2007. In the sample of 50 students, 47 were FFELP loan recipients. Three of these 47 students (6.38 percent) did not receive a notification, and one of these 47 students (2.13 percent) did not receive a notification in a timely manner. In addition, the notification letters the University sent for the Fall 2006 and Spring 2007 semesters did not include information regarding the required right to cancel or the procedure and time by which the student or parent must notify the institution. The notification letters the University sent for the Summer 2007 semester were correct.

When the University does not send the required notifications or the notifications do not include required information on the right to cancel and cancellation procedures, the opportunity for loan recipients to cancel their awards is reduced.

Transfer Student Monitoring

If a student transfers from one institution to another institution during the same award year, the institution to which the student transfers must request from the Secretary of the U.S. Department of Education, through the National Student Loan Data System (NSLDS), updated information about that student so it can make the following determinations: (1) whether the student is in default on any title IV, HEA program loan; (2) whether the student owes an overpayment on any Title IV, Higher Education Assistance (HEA) program grant or Federal Perkins Loan; (3) for the award year for which a Federal Pell Grant is requested, the student's scheduled Federal Pell Grant and the amount of Federal Pell Grant funds disbursed to the student; and (4) the outstanding principal balance of loans is made to the student under each of the Title IV, HEA loan programs. The institution may not make a disbursement to that student for seven days following its request, unless it receives the information from NSLDS in response to its request or obtains that information directly by accessing NSLDS, and the information it receives allows it to make that disbursement (Title 34, Code of Federal Regulations, Section 668.19).

The University did not follow the transfer student monitoring criteria for 5 of 14 (35.7 percent) transfer students included in a sample of 50 students. Specifically:

- Auditors were unable to locate documentation with the date of the file transfer to NSLDS for 4 of 14 transfer students.
- The University made a disbursement to 1 of the 14 transfer students one day after requesting information from NSLDS.

The University's financial aid counselors are not following and/or documenting their completion of the procedures in the *Financial Aid Manual*, Section 17, which requires a review of the student loan history, default status, overpayment status, and aggregate limits on NSLDS prior to disbursement of awards to transfer students.

When the University does not request information from NSLDS, does not wait the required seven days to disburse funds, or does not document that it has accessed NSLDS to verify student status, the University risks awarding or overawarding assistance to a student who may not be eligible.

Recommendations:

The University should:

- Ensure that it reports correct dates for all Pell Grant awards to the COD System as required.
- Correct the errors in its disbursement notification process to ensure that it sends notifications to all FFELP loan recipients within the required time frames and that all required elements are included in the disbursement notifications.
- Ensure that it documents transfer student monitoring procedures for each transfer student and that it does not disburse funds for seven days after transmittal of request for information from NSLDS.

Management Response and Corrective Action Plan 2007:

Pell Payment Reporting

With the implementation of a new financial aid management system for the 2007-08 academic year, the Pell Grant award reporting procedure has been modified to reflect actual disbursement dates. A sample of Pell Grant recipients was conducted and reviewed for compliance. The process of submitting the Pell origination and disbursement files biweekly has been implemented.

Disbursement Notifications

With the implementation of a new financial aid management system for the 2007-08 academic year, procedures have been modified to identify all students who have had FFELP loans disbursed. An email is being generated and sent to the FFELP loan recipients. The additional required information has been added to the disbursement notifications.

The Financial Aid Office is monitoring this procedure for compliance during the 2007-2008 academic year to assure that the processes are functioning correctly.

Transfer Student Monitoring

The Office of Financial Aid runs the NSLDS transfer monitoring request on a weekly basis. When a transfer alert file has been received, the students are reviewed for possible changes to the student's eligibility. A Financial Aid Counselor checks the Reviewed box once the student has been deemed eligible. The reviewed Transfer Alert reports are retained to indicate that transfer students were verified through the NSLDS database. Procedures are in place so that disbursements do not occur within seven days of transmittal of the request for information from NSLDS.

Management Response and Corrective Action Plan 2008:

We implemented a new financial aid system for the 2007-2008 academic year and implemented a process for biweekly submission of Pell Origination and disbursement files. We modified our procedures to a.) help ensure that all disbursement notifications to FFELP loan recipients are timely and contain all required elements, b.) establish documentation for transfer student monitoring and to help ensure that disbursements do not occur within 7 days of the request for information from NSLDS and c.) help ensure disbursement of funding received from FFELP lenders to the students' accounts within the required timeframes. Note: Verified by Internal Auditing.

Management Response and Corrective Action Plan 2009:

Pell Payment Reporting

Of the 15 students that were reviewed in the follow-up audit, three of the students had disbursement dates posted to COD that were different from the actual disbursement dates on the students' account in PeopleSoft. The Pell Requests for the three students were entered manually into COD by the Financial Aid Specialist using the incorrect disbursement dates. The Pell disbursements for these three students were not included in the automated PeopleSoft Pell disbursement request file which was determined during the reconciliation between PeopleSoft and COD. Training with the Financial Aid Specialist was conducted on October 5, 2009. Pell payment request files generated out of PeopleSoft is accurately reporting the disbursement dates.

Disbursement Notifications

On October 26, 2009, program changes were put into production in PeopleSoft to update the Disbursement Notification Communication Assignment automated process. Changes were made to the process by the UH PeopleSoft programmer so the run control would select students who were disbursed aid during any of the three terms for the designated aid year. The run control is no longer term specific. In the scenario with the one student out of the fifteen audited, the notification was not sent because the student's fall disbursement was disbursed during the spring term. Only the spring term was selected in the Disbursement Notification Communication Assignment run control so this student was not assigned a notification.

Transfer Student Monitoring

On October 1, 2009, the query that identifies all new transfer students who need to be sent to NSLDS for Transfer Monitoring was revised. The query now references the term the student was admitted instead of the date the admission's application was submitted to the University of Houston-Victoria. One of the fifteen students audited did not get submitted because the application was received in a different term than when the student was admitted.

Implementation Date: October 26, 2009

Responsible Person: Carolyn Mallory

Returning Funds to Lender

An institution must return FFELP funds to a lender if the institution does not disburse those funds to a student or parent for a payment period within three business days following the date the institution receives the funds if the lender provides those funds to the institution by electronic funds transfer (EFT) and master check on or after July 1, 1999. An institution may delay returning FFELP funds to a lender for ten business days after the date if either of the following conditions exists:

- The institution does not disburse FFELP funds to a borrower because (1) the student did not complete the required number of clock or credit hours in a preceding payment period and (2) the institution expects the student to complete required hours within this 10-day period.
- The student has not met all the FFELP eligibility requirements and the institution expects the student to meet those requirements within this 10-day period (Title 34, Code of Federal Regulations, Sections 668.167(b)(1)(ii) and (iii), and Title 34, Code of Federal Regulations, Section 668.167(b)(3)).

The University did not consistently disburse funds received from the lender to the student's account within the required time frame. For a sample of 50 students in which 47 were FFELP loan recipients, the University did not disburse 6 FFELP loans for 4 students (8.5 percent) to the students' account within three business days. Eligibility was not an issue.

When the University does not disburse funds to students within the required time frame, the University is at risk for reduced availability of funds, fines, penalties, and possible conversion to the reimbursement program.

Corrective Action:

Corrective action was taken.



John Keel, CPA
State Auditor

State of Texas Financial Portion of the
Statewide Single Audit Report
For the Year Ended
August 31, 2009

March 2010
Report No. 10-555

Agencies and Higher Education Institutions Audited

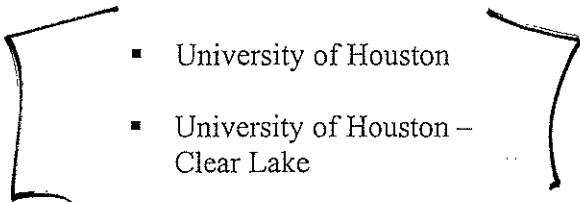
Financial accounts at the following agencies and higher education institutions were audited:

- Department of Aging and Disability Services
- Department of Transportation
- Health and Human Services Commission
- Office of the Comptroller of Public Accounts
- Texas A&M University System
- Texas Education Agency
- Texas Workforce Commission
- The University of Texas at Austin
- The University of Texas at San Antonio
- The University of Texas Health Science Center at Houston
- The University of Texas Southwestern Medical Center at Dallas
- The University of Texas System
- Water Development Board

Schedules of expenditures of federal awards at the following agencies and higher education institutions were audited by either the State Auditor's Office or KPMG LLP:

- Health and Human Services Commission
- Department of Aging and Disability Services
- Department of Transportation
- Texas Workforce Commission
- Water Development Board
- Texas Education Agency
- Adjutant General's Department
- Office of the Attorney General
- Department of Agriculture
- Department of Assistive and Rehabilitative Services
- Department of Family and Protective Services
- Department of Housing and Community Affairs

- Department of Public Safety
- Department of State Health Services
- Higher Education Coordinating Board
- Lamar State College – Port Arthur
- Prairie View A&M University
- Sam Houston State University
- Stephen F. Austin State University
- Tarleton State University
- Texas A&M University
- Texas A&M University – Commerce
- Texas A&M University – Kingsville
- Texas State University – San Marcos
- Texas Department of Rural Affairs
- University of Houston
- University of Houston – Clear Lake
- University of North Texas
- University of North Texas Health Science Center at Fort Worth
- The University of Texas at Arlington
- The University of Texas at Austin
- The University of Texas Health Science Center at San Antonio
- The University of Texas M.D. Anderson Cancer Center
- The University of Texas Medical Branch at Galveston
- The University of Texas Health Science Center at Houston
- The University of Texas – Pan American
- The University of Texas at Tyler



Agencies and Higher Education Institutions Should Strengthen Their Reviews of Their Schedules of Expenditures of Federal Awards

Reference No. 10-555-26
(Prior Audit Issues 09-555-19)

Type of finding: Significant Deficiency

Schedule of Expenditures of Federal Awards (SEFA)

Each agency, college, and university that expends federal awards is required to prepare a Schedule of Expenditures of Federal Awards (SEFA). Federal awards include federal financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities [Office of Management and Budget (OMB) Circular A-133, Section .105].

Federal financial assistance includes any assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance (OMB Circular A-133, Section .105).

Source: *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*, Office of the Comptroller of Public Accounts, July 2009.

The agencies and higher education institutions listed in Table 2 did not perform an adequate review of their fiscal year 2009 Schedules of Expenditures of Federal Awards (SEFAs) (see text box for additional information).

Because they did not perform an adequate review, the SEFAs these agencies and higher education institutions submitted to the Office of the Comptroller of Public Accounts (Comptroller's Office) contained errors. Table 2 summarizes the errors that auditors identified in these agencies' and higher education institutions' fiscal year 2009 SEFAs.

The 9 agencies and 17 higher education institutions listed below reported \$36.4 billion in federal expenditures, or 78.7 percent of the total federal expenditures reported by the State of Texas for fiscal year 2009. The errors listed below were not material to the fiscal year 2009 SEFA for the State of Texas or to the fiscal year 2009 Comprehensive Annual Financial Report for the State of Texas.

Table 2

Summary of Errors Identified in Agency and Higher Education Institution Fiscal Year 2009 SEFAs								
Agency or Higher Education Institution	Incorrect Program Classifications ^a	Incorrect Pass-through Reporting ^b	Incorrect Preparation of SEFA Using Revenues ^c	Incorrect Classification of Expenditures ^d	Incorrect Inclusion of Expenditures ^e	Incorrect Exclusion of Expenditures ^f	Incorrect Exclusion of Indirect Cost Recovery ^g	Errors in Notes to the SEFA ^h
Adjutant General's Department				X				X
Department of Aging and Disability Services				X	X	X		
Department of Agriculture		X					X	

Summary of Errors Identified in Agency and Higher Education Institution Fiscal Year 2009 SEFAs

Agency or Higher Education Institution	Incorrect Program Clustering ^a	Incorrect Pass-through Reporting ^b	Incorrect Preparation of SEFA Using Revenues ^c	Incorrect Classification of Expenditures ^d	Incorrect Inclusion of Expenditures ^e	Incorrect Exclusion of Expenditures ^f	Incorrect Exclusion of Indirect Cost Recovery ^g	Errors in Notes to the SEFA ^h
The University of Texas - Pan American				X				X
The University of Texas Health Science Center at Houston				X		X		X
The University of Texas Health Science Center at San Antonio	X							
The University of Texas Medical Branch at Galveston	X			X	X			X
University of Houston						X		X
University of Houston Clear Lake					X	X		X
University of North Texas	X							
University of North Texas Health Science Center at Fort Worth		X		X	X			X

^a Reported federal programs in an Incorrect cluster.

^b Incorrectly classified expenditures as direct expenditures. The expenditures should have been classified as "Pass-Through to Non-State Entities" and "Pass-Through to Agencies or Universities."

^c Incorrectly prepared SEFA using federal revenues rather than expenditures.

^d Incorrectly classified expenditures between federal programs.

^e Over-reported federal expenditures on its SEFA. Expenditures were reported based on the federal award year rather than the state fiscal year.

^f Under-reported federal expenditures on its SEFA.

^g Did not include indirect cost recovery.

^h Errors were noted in the notes to the SEFAs.

Performing an adequate review of their SEFAs and supporting documentation would help the agencies and higher education institutions ensure that the SEFA information they submit to the Comptroller's Office is accurate.

Recommendation

Agencies and higher education institutions should implement an adequate review process to ensure that the SEFA information they submit to the Comptroller's Office is accurate.

Management's Response

See Appendix 3 for management's response from each agency and higher education institution.

where the data is to be retrieved, and will double check this data at submission.

Implementation Date: July 31, 2010

Responsible Person: Sr. Vice President, Finance & Business Services

Management's Response from the University of Texas Health Science Center at San Antonio

The SAO's finding related to The University of Texas Health Science Center at San Antonio's 2009 Statement of Expenditures of Federal Awards (SEFA) report discovered 2 out of 829 grant awards that had been improperly clustered. The two awards identified as incorrectly clustered represent an error rate of 0.2% of all awards reported and reviewed. This error rate indicates that the HSC classification and review processes are adequate. The cost of implementing additional controls to further reduce this error rate would exceed the value of such controls. We will remind our staff to utilize adequate scrutiny during award setup to ensure awards are properly classified in the correct cluster.

Implementation Date: March 1, 2010

Responsible Person: Director of Accounting

Management's Response from the University of Texas Medical Branch at Galveston

The University of Texas Medical Branch at Galveston agrees with the recommendations of the State Auditor. UTMB has already taken steps to conduct a detailed review of all Federal awards to assure program numbers are correct in accordance with the Notice of Award from each Federal sponsor and that each program is classified in the appropriate cluster.

Responsible Person: Director, Sponsored Programs Finance

Implementation Date: August 31, 2010

Management's Response from the University of Houston

The University of Houston concurs with the errors identified in the 2009 SEFA. The University will augment its existing review process to include verifications for the amounts reported in error on the SEFA and the Notes to the SEFA. Additional review procedures will be implemented to ensure that accurate information is obtained from source departments and reported on

the SEFA and accompanying notes in accordance with the audit recommendations.

Responsible Person: Executive Director of Financial Reporting

Implementation Date: April 2010

Management's Response from the University of Houston - Clear Lake

We agree with the findings. The university has written and implemented a policies and procedures statement, effective December 9, 2009. It will be followed in all future reviews and preparations of the SEFA report as part of the annual financial report.

Responsible Person: Director of General Accounting

Management's Response from the University of North Texas

(1) UNT Financial Reporting is in agreement with this recommendation.

(2) The SEFA is prepared by the Accountant IV Financial Reporting, and is reviewed by the Director Financial Reporting and Compliance.

(3) Action Plan: A reconciliation will be performed between those expenditures marked as Research and Development on the SEFA and those coded as class 20 (Research) on the general ledger.

(4) The action plan will be implemented beginning with the fiscal year 2010 SEFA report.

(5) Additional information: The online SEFA form requires checking an indicator box for any Research and Development related expenditures. When preparing the FY09 SEFA, this box was overlooked for one of the Department of Defense awards.

Management's Response from the University of North Texas Health Science Center at Fort Worth

(1) UNTHSC is in agreement with this recommendation.

(2) The SEFA is prepared by the Director of Accounting, with input and review from the Director Grants & Contracts.

(3) Action Plan: Written procedures and check lists will be prepared to strengthen accuracy and review in preparation of the SEFA.

UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA

COMMITTEE: Audit & Compliance

ITEM: Internal Audit Report – Briefing Booklet

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

The Internal Audit Briefing Booklet contains an Internal Audit Activity Outline and Internal Audit Reports issued since the February 10, 2010, Audit & Compliance Committee Meeting of the Board of Regents.

FISCAL NOTE:

SUPPORTING DOCUMENTATION: Internal Audit Briefing Booklet (under separate cover)

ACTION REQUESTED: Information

COMPONENT: University of Houston System

CHIEF AUDIT EXECUTIVE *Don Guyton* Don F. Guyton 4/23/10
DATE

CHANCELLOR *Renu Khator* Renu Khator 4-27-10
DATE

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

BOARD OF REGENTS
AUDIT & COMPLIANCE COMMITTEE
MEETING

INTERNAL AUDIT BRIEFING
MATERIALS

May 12, 2010

**University of Houston System
Internal Auditing Department**

**Board of Regents
Audit & Compliance Committee Meeting**

Internal Audit Briefing Materials

May 12, 2010

INDEX

1. Internal Audit Activity Outline / Audit Plan Status
2. Internal Audit Report Executive Summaries
3. Summary of Recommendations by Area
4. Management Action Plans
5. Internal Audit Reports

**University of Houston System
Internal Auditing Department**

**Board of Regents
Audit & Compliance Committee Meeting**

**ACTIVITY OUTLINE
May 12, 2010**

1. Audit Reports Issued since February 10, 2010, Board of Regents Meeting
 - AR2010-16 Follow-up Status Report
 - AR2010-17 UH Law Center, Departmental Reviews
 - AR2010-18 UH College of Architecture, Departmental Reviews
 - AR2020-19 UH/UHCL ARP Grants, 2006 Awards
 - AR2010-20 UHS Cash Handling Reviews, FY 2010
 - AR2010-21 UHCL School of Human Sciences & Humanities, Departmental Review
 - AR2010-22 UH Medical Billings

2. Reports in Progress (*scheduled distribution date to Board of Regents*)
 - Financial Aid, Pell Grants (UHV/UHCL, UHD) (*August 11, 2010*)
 - UH Research Administration (*August 11, 2010*)
 - UH/UHD ARP Grants, 2007 Awards (*August 11, 2010*)

3. Fieldwork in Progress (*scheduled distribution date to Board of Regents*)
 - UHS Executive & Foreign Travel (*August 11, 2010*)
 - UHS/UH Chancellor/President's Office, Departmental Review (*August 11, 2010*)
 - UHCL Administration & Finance, Departmental Reviews (*August 11, 2010*)
 - UH Student Affairs, Departmental Reviews (*August 11, 2010*)
 - UH Athletics – NCAA Rules-Compliance (*August 11, 2010*)
 - Board of Regents' Travel, FY 2010
 - Chancellor / President's Travel, FY2010
 - Endowment Income Expenditures

4. Planning in Progress
 - UH Financial Aid, Scholarships
 - UH Athletics, Departmental Review
 - UH Optometry, Departmental Review
 - Privacy Issues

5. Special Projects in Progress:
 - Assistance to External Auditors – State Auditor's Office, Statewide Veterans Affairs
 - Assistance to Management – Various Special Projects

**AUDIT PLAN STATUS, FY 2010
AS OF APRIL 20, 2010**

<u>AUDIT AREA</u>	<u>STATUS (See Note)</u>	<u>AUDIT AREA</u>	<u>STATUS (See Note)</u>
<u>ANNUAL AUDIT ACTIVITY</u>		<u>DEPARTMENTAL REVIEWS</u>	
Annual External Audits		UH Architecture	4
Endowments	2	UH Athletics	2
Liaison	2	UH Chancellor/President	2
Athletics - Football Attendance Audit	4	UH Hotel & Restaurant Management	
Athletics - NCAA Rules-Compliance	2	UH Optometry	1
Board of Regents Travel, FY 2010	2	UH Student Affairs	2
Chancellor/President's Travel, FY 2010	2	UHCL Administration & Finance	2
Financial Aid (All Components)	3	UHCL Human Sciences & Humanities	4
Follow-up Reviews	2	UHD Sci & Tech - Engineering Technology, Follow-up	4
Foundations - UH Alumni Association	4	UHV Administration & Finance	
Special Projects/Police Investigations	2	UHV Provost Office	
State Auditor's Office Liaison			
Audit Assistance - General	2		
Follow-up Reports	2		
<u>ALL COMPONENTS</u>		<u>CARRYFORWARD AUDITS</u>	
Cash Handling	4	ARP Grants - 2006 Awards (UH/UHCL)	4
Executive and Foreign Travel	2	Board of Regents Travel, FY 2009	4
Financial Reporting		Chancellor/President's Travel, FY 2009	4
Student Accounting & Receivables		Foundations - University of Houston	4
		Information Security - TAC 202 (UH/UHCL)	4
		Medical Billings	4
		Privacy Issues	1
		Research - Contracts and Grants Administration (UH)	3
		Scholarships (UH)	1
		UH CLASS, Departmental Reviews	4
		UH Law, Departmental Reviews	4
		UH Honors, Departmental Review	4
		UHCL Sci and Comp Engineering, Departmental Review	4
		UHCL Business, Departmental Review	4
<u>COMPONENT SPECIFIC</u>			
ARP Grants, 2007 Awards (UH & UHD)	3		
Center for Advanced Materials (UH)			
TX Ctr for Superconductivity and Adv Materials (UH)			
<u>INFORMATION TECHNOLOGY</u>			
IT - Review and Monitor of IT Systems (PeopleSoft SAA - Post Implementation Review)			
Information Security (UH)			

Notes:

- 1 Planning in progress.
- 2 Fieldwork in progress.
- 3 Reporting in progress.
- 4 Completed.

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

INTERNAL AUDIT REPORTS

EXECUTIVE SUMMARIES

REPORT NOS. AR2010-16 through AR2010-22

**UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT**

INTERNAL AUDIT REPORTS - EXECUTIVE SUMMARIES

Internal Audit Report – Follow-up Status Report

The Standards for the Professional Practice of Internal Auditing require internal auditors to perform follow-up procedures to ascertain that appropriate action is taken on reported audit findings. We performed such procedures for all items included in management action plans which were scheduled to be implemented January 1, 2010, to March 31, 2010, in all audit reports with open recommendations. This status report addresses 85 management actions in 18 individual reports. In ascertaining whether appropriate action was taken, we interviewed personnel, reviewed documentation and performed other audit procedures as necessary. We determined that 48 of these management actions have been completed, 33 partially implemented and 4 not implemented.

Internal Audit Report – UH Law Center, Departmental Reviews

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed two departmental reviews in the Law Center. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted no matters that we considered to be significant engagement observations. We noted that the Law Center was not in compliance with certain policies. Management developed an action plan to help ensure compliance with university policies in these areas. The action items are included in the internal audit follow-up database.

Internal Audit Report – UH College of Architecture, Departmental Review

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed one departmental review in the College of Architecture. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted no matters that we considered to be significant engagement observations. We noted that the College was not in compliance with certain policies. Management developed an action plan to help ensure compliance with university policies in these areas. The action items are included in the internal audit follow-up database.

Internal Audit Report – UH/UHCL ARP Grants, 2006 Awards

The Internal Auditing Department conducted a review of the University of Houston and University of Houston – Clear Lake Advanced Research Programs (ARP) at the request of the Texas Higher Education Coordinating Board (THECB). The primary objective was to determine whether the institutions are in compliance with state provisions applicable to the grant programs. In our opinion, there are adequate internal controls to help ensure compliance with THECB 2006 grant conditions. We noted no exceptions to the grant conditions for the ARP grants tested in the UH College of Engineering and the UHCL School of Science and Computer Engineering.

Internal Audit Report – UHS Cash Handling Reviews, FY 2010

The Internal Auditing Department conducted cash handling reviews at eight locations at the University of Houston and one location at the University of Houston – Downtown. In our opinion, the fund custodians properly accounted for their authorized change funds and petty cash funds.

Internal Audit Report – UHCL School of Human Sciences & Humanities, Departmental Review

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed one departmental review in the School of Human Sciences and Humanities. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted no matters that we considered to be significant engagement observations. We noted that the School was not in compliance with certain policies. Management developed an action plan to help ensure compliance with university policies in these areas. The action items are included in the internal audit follow-up database.

Internal Audit Report – UH Medical Billings

The Internal Auditing Department conducted a review to determine applicable statutes, guidelines, and regulations that pertain to medical billings and to determine whether the University is billing insurance companies for all services provided. The University of Houston only bills insurance companies for services provided at the University Eye Institute. One area does not bill insurance companies because of a position vacancy and the other three areas determined that administrative costs were too high to bill insurance companies. House Bill No. 103 of the 81st Legislative Regular Session, that would have required student health centers at higher education institutions with enrollment of more than 20,000 to file health benefit claims on behalf of students or other people with the health plans in which they were enrolled, was vetoed by Governor Rick Perry. As a result, accepting private health insurance is left up to the discretion of the individual higher education institutions.

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

INTERNAL AUDIT REPORTS

ACTION PLANS

(Who is responsible for performing certain action by a specific date.)

REPORT NOS. AR2010-16 through AR2010-22
(If Applicable)

Note: The Internal Auditing Department will perform follow-up procedures to determine whether management's actions addressing the recommendations have been implemented by the dates indicated in the management action plan. Follow-up status reports are included in the Internal Auditing Briefing Booklets for regularly scheduled Board of Regents Audit & Compliance Committee meetings.

**University of Houston System
Internal Auditing Department**

**UH, Law Center, Departmental Reviews - AR2010-17
Action Plan**

Est. Compl. Date	Responsibility for Action Name/Title	Action To Be Taken
Risk Level: High Medium Low		
February 1, 2011	Mybao Nguyen Director of College Business Operations	Ensure timely completion of all required training, in accordance with university policies.
May 31, 2010	Mybao Nguyen Director of College Business Operations	Implement procedures requiring department heads to review and approve cost center verifications, update the University's financial system to reflect the appropriate cost center manager, and obtain the appropriate delegated authority to review and approve cost center verifications for the Dean.
May 31, 2010	Mybao Nguyen Director of College Business Operations	Implement a monitoring mechanism to help ensure that cost center verifications are approved by the cost center manager and completed in a timely manner, in accordance with university policies.
June 30, 2010	Mybao Nguyen Director of College Business Operations	Restore deficit balances and project/grant cost center budgetary balances to zero or positive amounts and implement procedures to help prevent spending funds that are not budgeted.
May 31, 2010	Mybao Nguyen Director of College Business Operations	Ensure employees certify their time and effort reports, in accordance with university policies.

Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.

**University of Houston System
Internal Auditing Department**

**UH, Law Center, Departmental Reviews - AR2010-17
Action Plan**

Est. Compl. Date	Responsibility for Action Name/Title	Action To Be Taken
June 30, 2010	Mybao Nguyen Director of College Business Operations	Ensure that cash receipts are deposited in a timely manner and that bank routing and account numbers are removed from checks prior to being upload to PeopleSoft, in accordance with university policies.
July 30, 2010	Scott Smith Assistant Dean Information Technology	Finalize and implement policies and procedures for the management of the College's information technology resources, in accordance with university policies and the Texas Administrative Code, Section 202.
July 30, 2010	Scott Smith Assistant Dean Information Technology	Work with owners of information resources to identify and classify data stored in network folders and to determine that access to data is appropriate based on the individual's position, including modifying the access of Law Center IT student workers.
July 30, 2010	Scott Smith Assistant Dean Information Technology	Conduct and document a security risk assessment of its information resources to identify the risks associated with its information resources and to implement controls, as appropriate, to help ensure that assets and information is safeguarded according to its value/sensitivity.
July 30, 2010	Scott Smith Assistant Dean Information Technology	Perform an inventory of software being used in the Law Center to determine that there are valid licenses for the software on its computers and, if appropriate, obtain the necessary software licenses.

Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.

**University of Houston System
Internal Auditing Department**

**UH, Law Center, Departmental Reviews - AR2010-17
Action Plan**

Est. Compl. Date	Responsibility for Action Name/Title	Action To Be Taken
Action Complete	Scott Smith Assistant Dean Information Technology	Conduct a review of the computers in the Law Center to determine that the latest version of anti-virus software is installed on the computers.
July 30, 2010	Scott Smith Assistant Dean Information Technology	Maintain an up-to-date inventory of the Law Center's information technology resources (software and hardware) to help ensure resources are accounted for and to help determine software and hardware upgrade/replacement needs.
Action Complete	Carol Davis Coordinator External Affairs	Modify the access settings within Raiser's Edge by enabling Windows authentication via CougarNet during the next upgrade in order to require the use of strong passwords.
July 30, 2010	Mybao Nguyen Director of College Business Operations	Ensure that scholarship cost center year-end equity balances do not exceed total award commitments plus a reserve of 25% of the funds received in the previous fiscal year, in accordance with university policies.
May 31, 2010	Mybao Nguyen Director of College Business Operations	Require that Principal Investigators approve all expenditures to indicate that they are reasonable, allocable, and allowable for the project, in accordance with university policies.
Action Complete	Spencer Simons Director Law Library	Implement a monitoring mechanism to help ensure employees certify their time and effort reports and that all time and effort reports are submitted to Payroll in a timely manner, in accordance with university policies.

Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.

**University of Houston System
Internal Auditing Department**

**UH, Law Center, Departmental Reviews - AR2010-17
Action Plan**

Est. Compl. Date	Responsibility for Action Name/Title	Action To Be Taken
Action Complete	Spencer Simons Director Law Library	Implement a monitoring mechanism to help ensure that cash receipts are deposited in a timely manner, in accordance with university policies.
Action Complete	Spencer Simons Director Law Library	Modify the Interlibrary Loan invoice to require checks to be made payable to the University of Houston, in accordance with university policies.
Action Complete	Spencer Simons Director Law Library	Sign/approve Travel Card and Procurement Card expense reports by the 20th of the month, in accordance with university policies.

Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.

**University of Houston System
Internal Auditing Department**

**UH, College of Architecture, Departmental Review - AR2010-18
Action Plan**

Est. Compl. Date	Responsibility for Action Name/Title	<u>Action To Be Taken</u>
Risk Level: High Medium Low		
February 1, 2011	Mary Benham College Business Administrator College of Architecture	Ensure the timely completion of all required training, in accordance with university policies.
September 30, 2010	Mary Benham College Business Administrator College of Architecture	Restore deficit budgetary balances to zero or positive amounts, and implement procedures to prevent spending funds that are not available.
Action Complete	Mary Benham College Business Administrator College of Architecture	Ensure that all time and effort reports are timely completed and approved, in accordance with university policies.
May 31, 2010	Mary Benham College Business Administrator College of Architecture	Ensure that all cash receipts are deposited in a timely manner, in accordance with university policies.
Action Complete	Mary Benham College Business Administrator College of Architecture	Ensure that SDOL expense reports are approved by the 20th of the month, in accordance with university policies.
Action Complete	Mary Benham College Business Administrator College of Architecture	Ensure that all contract coversheets and contracts are signed by all parties prior to commencement of services, in accordance with university policies.
September 1, 2010	David Brashear Manager, Information Systems and Services	Modify policies and procedures for the management of the College's information technology resources, in accordance with university policies and the Texas Administrative Code, Section 202.

Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.

**University of Houston System
Internal Auditing Department**

**UH, College of Architecture, Departmental Review - AR2010-18
Action Plan**

Est. Compl. Date	Responsibility for Action Name/Title	<u>Action To Be Taken</u>
Risk Level: High Medium Low		
May 31, 2010	David Brashear Manager, Information Systems and Services	Work with the University Information Technology Department to relocate the College's file and web servers to the Computing Center and/or obtain file space on a University server to help ensure data is backed-up and stored off-site and that there are adequate environmental controls over the equipment.
May 31, 2010	David Brashear Manager, Information Systems and Services	Conduct and document a security risk assessment of its information resources to identify the risks associated with its information resources and to implement controls, as appropriate, to help ensure that assets and information is safeguarded according to its value/sensitivity.
August 1, 2010	David Brashear Manager, Information Systems and Services	Monitor the use of Adobe Acrobat using the licensing server management program to help ensure that the College is in compliance with software licensing requirements.
Action Complete	David Brashear Manager, Information Systems and Services	Maintain an up-to-date inventory of the College's information technology resources (software and hardware) to help ensure resources are accounted for and to help determine software and hardware upgrade/replacement needs.
Action Complete	David Brashear Manager, Information Systems and Services	Work with owners of information resources to determine that access to information stored in shared network folders is appropriate based on the individual's position.

Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.

**University of Houston System
Internal Auditing Department**

**UH, College of Architecture, Departmental Review - AR2010-18
Action Plan**

Est. Compl. Date	Responsibility for Action Name/Title	<u>Action To Be Taken</u>
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Risk Level: High Medium Low

Action Complete	Mary Benham College Business Administrator College of Architecture	Obtain approval for payroll reallocations from the Office of Contracts and Grants, in accordance with university policies.
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Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.

**University of Houston System
Internal Auditing Department**

**UHCL, School of Human Sciences and Humanities, Departmental Review - AR2010-21
Action Plan**

Est. Compl. Date	Responsibility for Action Name/Title	Action To Be Taken
Risk Level: High Medium Low		
August 30, 2010	Susanne Clark Senior Business Coordinator UHCL School of Human Sciences and Humanities	Obtain approval for Foreign Language Program courses and fees from the President or his designee, in accordance with university policies.
August 30, 2010	Susanne Clark Senior Business Coordinator UHCL School of Human Sciences and Humanities	Submit annual report for Foreign Language courses to the President, in accordance with university policies.
November 15, 2010	Susanne Clark Senior Business Coordinator UHCL School of Human Sciences and Humanities	Work with University Management to update UHCL's Business Continuity Plan to include all business functions of the School of Human Sciences and Humanities.

Note: Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.

UNIVERSITY OF HOUSTON SYSTEM INTERNAL AUDITING DEPARTMENT

INTERNAL AUDIT REPORTS

AR2010-16	Follow-up Status Report
AR2010-17	UH Law Center, Departmental Reviews
AR2010-18	UH College of Architecture, Departmental Review
AR2020-19	UH/UHCL ARP Grants, 2006 Awards
AR2010-20	UHS Cash Handling Reviews, FY 2010
AR2010-21	UHCL School of Human Sciences & Humanities, Departmental Review
AR2010-22	UH Medical Billings

Note: These internal audit reports are submitted to the Board of Regents and the Chancellor for their review in order to comply with the Board of Regents policy and the Texas Government Code, Section 2102.008. These internal audit reports are also submitted to the Governor's Office of Budget and Planning, the Legislative Budget Board, the State Auditor, and the Sunset Advisory Committee in order to comply with the Texas Government Code, Section 2102.0091.

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON SYSTEM

FOLLOW-UP STATUS REPORT

Actions Scheduled from January 1, 2010 to
March 31, 2010

REPORT NO. AR2010-16

**UNIVERSITY OF HOUSTON SYSTEM
FOLLOW-UP STATUS REPORT
(Actions Scheduled from January 1, 2010, to March 31, 2010)**

**Board of Regents Audit Committee Meeting
May 12, 2009**

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2. Listing of Audit Reports Containing Management Action Plans
3. Follow-up Status Matrix

**University of Houston System
Internal Auditing Department**

**Follow-up Status Report
(Actions scheduled from January 1, 2010, to March 31, 2010)**

The Standards for the Professional Practice of Internal Auditing require internal auditors to perform follow-up procedures to ascertain that appropriate action is taken on reported audit findings. We performed such procedures for all items included in management action plans which were scheduled to be implemented January 1, 2010, to March 31, 2010, in all audit reports with open recommendations. This status report addresses 85 management actions in 18 individual reports. In ascertaining whether appropriate action was taken, we interviewed personnel, reviewed documentation and performed other audit procedures as necessary. We determined that 48 of these management actions have been completed, 33 partially implemented and 4 not implemented.

The main portion of this report is a follow-up status matrix which lists the report number, report title, action number, total actions in each report, estimated completion date, name/title/entity responsible for action, action to be taken and status. The status of the action items included in the matrix has been categorized as either ***Action Complete, Partially Implemented*** or ***Not Implemented***. In cases where the action item has been partially implemented or not implemented, an updated management's response with an estimated completion deadline is included in the status column, where appropriate.

The "Listing of Audit Reports Containing Management Action Plans" indicates all reports where management has addressed all actions in the action plan during the current fiscal year and all reports which are addressed in this status report. All of the management action plans for internal audit reports contain a footnote indicating that documentation of implementation of actions will be furnished to the Internal Auditing Department on the same date as the estimated completion date of the action being implemented.

Don F. Guyton
Chief Audit Executive
April 14, 2010

Attachment

**UNIVERSITY OF HOUSTON SYSTEM
AUDIT REPORTS CONTAINING MANAGEMENT ACTION PLANS
FOLLOW-UP STATUS
FY 2010**

<u>Report Number</u>	<u>Report Date</u>	<u>REPORT TITLE</u>	<u>All Actions Complete</u> Final Disposition Rept. No.	<u>Some Actions Addressed</u> in this Report
<u>INTERNAL AUDIT REPORTS WITH OPEN RECOMMENDATIONS:</u>				
AR1999-08	02/18/99	UH, Physical Plant Department, 3rd FU		
AR 2005-25	08/03/05	Departmental Reviews		
AR2006-12	02/07/06	UH Research, Time and Effort Reporting	AR2010-01	
AR2006-20	05/02/06	Departmental Reviews		
AR2006-26	08/01/06	Department Reviews	AR2010-01	
AR2008-08	11/15/07	UH Residential Life & Housing, Operational Review		X
AR2008-17	04/28/08	College of Engineering, Departmental Reviews		
AR2008-19	04/28/08	Educational Technology and University Outreach	AR2010-01	
AR2009-02	12/09/08	UH College of Technology - Departmental Reviews		
AR2009-04	12/09/08	UHD JAMP 2007 - 2008	AR2010-01	
AR2009-08	12/09/08	UHS Internal Quality Assurance Review of Internal Auditing	AR2010-16	X
AR2009-12	02/10/09	UH NSM - Departmental Reviews		X
AR2009-14	02/10/09	Review of Expenditures of Endowment Income, FY2008	AR2010-01	
AR2009-17	04/14/09	UHD College of Sciences & Technology- Dept. Reviews		X
AR2009-18	04/14/09	UH Division of Administration & Finance - Dept. Reviews		X
AR2009-20	04/14/09	UHD Information Securities Standards		X
AR2009-22	08/11/09	UHS Facilities Development Project		X
AR2009-23	08/11/09	UH College of Pharmacy - Departmental Reviews		X
AR2009-25	08/11/09	UH Athletics, NCAA Rules-Compliance	AR2010-01	
SP2009-05	08/11/09	Job Order Contracts		
AR2010-02	11/05/09	UHCL TAC 202		X
AR2010-03	11/05/09	UH TAC 202		X
AR2010-07	11/05/09	UH, CLASS - Departmental Reviews		X
AR2010-09	02/10/10	UH Honors College, Departmental Review	AR2010-16	X
AR2010-11	02/10/10	UH Alumni Association Review	AR2010-16	X
AR2010-13	02/10/10	UHCL School of Business, Departmental Review		X
AR2010-14	02/10/10	UHCL School of Science and Computer Engineering, Dept. Rev.		X
AR2010-15	02/10/10	UHD College of Sciences & Technology Dept. Rev. - Follow-up		
<u>EXTERNAL AUDIT REPORTS WITH OPEN RECOMMENDATIONS:</u>				
SAO Report #05-010	11/02/04	UH - The Protection of Confidential Information and Critical Systems		X
SAO Report #07-055	02/20/07	Federal Portion of the Statewide Single Audit Report For the Fiscal Year Ended August 31, 2006	AR2010-01	
SAO Report #08-336	02/20/08	Statewide Single Audit Report, FY 2007	AR2010-01	
SAO Report #09-002	09/01/09	Student Fees at Selected Higher Education Institutions	AR2010-01	
SAO Report #09-030	03/01/09	Federal Portion of the Statewide Single Audit Report For the Fiscal Year Ended August 31, 2008	AR2010-08	
SAO Report #10-328	03/01/10	Federal Portion of the Statewide Single Audit Report For the Fiscal Year Ended August 31, 2009		X
SAO Report #10-555	03/01/10	Financial Portion of the Statewide Single Audit Report For the Fiscal Year Ended August 31, 2009		
CCM #0901	01/31/09	Calhoun Lofts Residence Hall Interim Construction Audit		X

**University of Houston System
Internal Auditing Department**

**(Follow-up Status Report)
as of 4/26/2010**

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
Risk Level: High Medium Low								
AR2008-08	UH Residential Life & Housing, Operational Review	13b	29	1/1/2010	Dave Irvin AVC/AVP for Plant Operations	UH	Modify the facilities policy so that each facility is either maintained by the Facilities Planning and Construction Department (FP&C) or FP&C has the authority and responsibility to establish, monitor and enforce maintenance standards for each UH facility.	Partially implemented - Updated Management's Response: We are currently working with Dr. Carlucci, Dr. Antel and others on how to address the item and plan to do so over the next year as part of the budget process. Estimated completion date: January 1, 2011.
AR2009-08	Internal Quality Assurance Review UHS Internal Auditing Department	5b	6	1/31/2010	Don Guyton Chief Audit Executive, Internal Auditing Department	UHS	Complete and update the IAD Policies and Procedures Manual to help ensure employees clearly understand and fulfill their operational roles and responsibilities.	Action Complete
AR2009-12	College of Natural Sciences & Mathematics Departmental Reviews	21b	48	3/1/2010	Jennifer Chin-Davis Department Business Administrator Physics Department	UH	Restore deficit grant cost center budgetary balances to zero or positive amounts and implement procedures to help prevent spending funds that are not budgeted.	Partially Implemented - Updated Management's Response: The department is working with the Dean's Business Office and the Office of Contracts and Grants to clear deficit balances and close expired project cost centers. Estimated completion date: June 1, 2010.
AR2009-12	College of Natural Sciences & Mathematics Departmental Reviews	22b	48	3/1/2010	Jennifer Chin-Davis Department Business Administrator Physics Department	UH	Work with the Office of Contracts and Grants to close expired project cost centers and with the Budget Office to close expired HEAF cost centers.	Partially Implemented - Updated Management's Response: The department is working with the Dean's Business Office and the Office of Contracts and Grants to clear deficit balances and close expired project cost centers. Estimated completion date: June 1, 2010.
AR2009-17	Departmental Reviews UHD College of Sciences and Technology	2a	20	1/31/2010	Carolyn Ivey Director Office of Sponsored Programs	UHD	Prepare a detailed report outlining each faculty member's sponsored project overpayment and work with the Office of the Vice Chancellor for Research and Intellectual Property to address the salary overpayments made from federal funds to faculty members with the sponsoring agencies to determine the appropriate actions to take regarding the allowability of these costs.	Partially Implemented : Updated Management's Response: The Provost Office has identified each faculty member's sponsored project overpayment. The Provost Office submitted a letter to the National Science Foundation (NSF) on July 10, 2009 indicating the overpayment amounts and requested their assistance on what action should be taken next to resolve the matter; and has also followed up with phone calls to the NSF. The Provost Office is awaiting a response from the NSF and will respond according to their recommendations. Estimated completion date: June 30, 2010.
AR2009-17	Departmental Reviews UHD College of Sciences and Technology	4	20	2/1/2010	Richard Alo Executive Director CCSDS	UHD	Develop departmental procedures to help ensure the timely completion of all required training, in accordance with university policies.	Action Complete

**University of Houston System
Internal Auditing Department**

**(Follow-up Status Report)
as of 4/26/2010**

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
Risk Level: High Medium Low								
AR2009-17	Departmental Reviews UHD College of Sciences and Technology	12c	20	2/15/2010	Jon Aoki Program Coordinator UHD Houston START Teacher AP Summer Institute	UHD	Discuss the appropriateness of charging the registration fee with the Texas Education Agency and determine the appropriate actions to take regarding allowability of the fee, including return of the funds.	<i>Action Complete</i>
					Rene Garcia Program Manager Scholars Academy			
AR2009-17	Departmental Reviews UHD College of Sciences and Technology	13	20	2/1/2010	James Uzman Department Chair Natural Sciences	UHD	Implement departmental procedures to help ensure that appropriate employees complete required disclosure forms, in accordance with university policies.	<i>Action Complete</i>
AR2009-18	Departmental Reviews UH Division of Administration and Finance	5	21	2/1/2010	David Ellis Executive Director Financial Reporting	UH	Develop departmental procedures to help ensure the timely completion of all required training, in accordance with university policies.	<i>Action Complete</i>
AR2009-18	Departmental Reviews UH Division of Administration and Finance	11	21	2/1/2010	Raymond Bartlett Treasurer Treasurers Office	UH	Implement departmental procedures to help ensure the timely completion of all required training, in accordance with university policies.	<i>Action Complete</i>
AR2009-18	Departmental Reviews UH Division of Administration and Finance	12	21	2/1/2010	Bob Browand Director Parking & Transportation	UH	Develop departmental procedures to help ensure the timely completion of all required training, in accordance with university policies.	<i>Action Complete</i>
AR2009-18	Departmental Reviews UH Division of Administration and Finance	18	21	2/1/2010	Carlos Villarreal Director, Central Facilities Services	UH	Modify departmental procedures to help ensure the timely completion of all required training, in accordance with university policies.	<i>Action Complete</i>
AR2009-18	Departmental Reviews UH Division of Administration and Finance	19	21	2/1/2010	Carlos Villarreal Director, Central Facilities Services	UH	Modify departmental procedures to help ensure that appropriate employees complete required disclosure forms, in accordance with university policies.	<i>Action Complete</i>
AR2009-18	Departmental Reviews UH Division of Administration and Finance	20	21	2/1/2010	Sameer Kapileshwari, P.E. LEED AP Interim Director of Utility Services	UH	Modify departmental procedures to help ensure the timely completion of all required training, in accordance with university policies.	<i>Action Complete</i>

**University of Houston System
Internal Auditing Department**

**(Follow-up Status Report)
as of 4/26/2010**

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
Risk Level: High Medium Low								
AR2009-18	Departmental Reviews UH Division of Administration and Finance	21	21	2/1/2010	Carlos Villarreal Director, Central Facilities Services	UH	Modify departmental procedures to help ensure the timely completion of all required training, in accordance with university policies.	<i>Action Complete</i>
AR2009-20	Information Security Standards	2	7	1/1/2010	Hossein Shahrokhi Associate VP Information Technology	UHD	Review and update University policies relating to information technology to help maintain an up-to-date information security program.	Partially Implemented - Updated Management's Response: University policies relating to information security (PS 08.A.01, PS 08.A.02, PS 08.A.05, and PS 08.A.07) were updated and are pending formal approval. Estimated completion date: May 1, 2010.
AR2009-20	Information Security Standards	3	7	1/1/2010	Hossein Shahrokhi Associate VP Information Technology	UHD	Work with university leadership to update UHD's Business Continuity Plan to include all business functions of the University.	Partially Implemented - Updated Management's Response: UHD's business continuity plan has been updated to include all business functions of the University and is awaiting the President's review and approval. Estimated completion date: April 30, 2010.
AR2009-20	Information Security Standards	6	7	1/1/2010	Hossein Shahrokhi Associate VP Information Technology	UHD	Modify policies and procedures to prohibit sending of individual's name and restricted personal information via email unless the data is encrypted.	Partially Implemented - Updated Management's Response: The Computer Use Policy, PS 08.A.04, was updated to prohibit sending of sensitive and/or confidential information including an individual's name and restricted personal information, unless the data is encrypted. The policy is pending formal approval. Estimated completion date: May 1, 2010.
AR2009-20	Information Security Standards	7	7	1/1/2010	Hossein Shahrokhi Associate VP Information Technology	UHD	Update the Computer Use Policy to include requirements related to wireless access, in accordance with TAC 202.	Partially Implemented - Updated Management's Response: The Computer Use Policy, PS 08.A.04, was updated to include wireless access guidelines and is pending formal approval. Estimated completion date: May 1, 2010.
AR2009-22 (PRT)	UHS Facilities Development Project	11	24	3/31/2010	Chris McCall AVP Facilities Management	UHD	Perform walkthroughs to verify room use codes accurately reflect actual use and update changes as necessary.	<i>Action Complete</i>
AR2009-22 (PRT)	UHS Facilities Development Project	12	24	3/31/2010	Chris McCall AVP Facilities Management	UHD	Perform walkthroughs to verify room type codes accurately reflect actual use and update changes as necessary.	<i>Action Complete</i>
AR2009-22 (PRT)	UHS Facilities Development Project	13	24	3/31/2010	Chris McCall AVP Facilities Management	UHD	Review all room CIP codes and revise records as needed to better identify the disciplines utilizing room spaces.	Partially implemented: Updated Management's Response: CIP codes are being reviewed and records revised as appropriate in conjunction with campus space walkthroughs. Estimated completion date: March 31, 2011.

**University of Houston System
Internal Auditing Department**

**(Follow-up Status Report)
as of 4/26/2010**

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
Risk Level: High Medium Low								
AR2009-22 (PRT)	UHS Facilities Development Project	14	24	3/31/2010	Chris McCall AVP Facilities Management	UHD	Develop and implement detailed proration policies to assist the campus in improving the classification of space in the facilities inventory.	<i>Partially implemented: Updated Management's Response:</i> Proration policies are being developed with input from academic departments and business managers. Actual data entry of prorated space will follow. Estimated completion date: March 31, 2011.
AR2009-22 (PRT)	UHS Facilities Development Project	15	24	3/31/2010	Chris McCall AVP Facilities Management	UHD	Perform campus-wide room walk-through, to ensure that reported room area (square footage) is accurate and verifiable.	<i>Partially implemented: Updated Management's Response:</i> Room areas are being reviewed, facilities inventory space data and building maps revised as appropriate in conjunction with campus space walkthroughs. Estimated completion date: March 31, 2011.
AR2009-22 (PRT)	UHS Facilities Development Project	16	24	3/31/2010	Chris McCall AVP Facilities Management	UHD	Work with representatives of the appropriate departments and colleges to stream-line processes and consolidate software packages where feasible.	<i>Partially implemented: Updated Management's Response:</i> Considerable and on-going interaction / communication with the university's Department of Institutional Research has taken place over the past year regarding procedures. Interaction with academic and administrative departments is just beginning. Discussions with Information Technology Department concerning value and feasibility of software upgrades have been held. Estimated completion date: March 31, 2011.

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					Name / Title	Entity		
Risk Level: High Medium Low								
AR2009-22 (PRT)	UHS Facilities Development Project	17a	24	3/31/2010	Cecil Ward Planning Analyst Plant Operations/ Dave Irvin AVC/AVP Plant Operations	UH	Perform institutional audit of room number signage and incorporate a completion schedule for room signage in the space inventory control system documentation.	<i>Partially Implemented – Updated Management's Response:</i> As of February 28, 2010, field reviews have been completed for 114 of 126 buildings included in the original scope of work (including 16 recently acquired buildings at UH Research Park). Documentation of signage needs has been prepared for all buildings for which field work has been completed. Verification and signage inspection of 12 buildings (4 of 16 have been inspected) recently purchased at University Business Park and 4902 Gulf Fwy is pending provision of drawings and measurements to be supplied by Transwestern. Work request for approximately 659 signs needed in 32 buildings have been completed and submitted to the University Lock Shop for fabrication and installation. Preparation/review of documentation and completion of work request for signage needed associated with remaining buildings is on-going with a realistic expected completion on August 31, 2010.

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Risk Level: High Medium Low								
AR2009-22 (PRT)	UHS Facilities Development Project	18a	24	2/15/2010	Cecil Ward Planning Analyst Plant Operations/ Dave Irvin AVC/AVP Plant Operations	UH	Perform walkthroughs to verify room use codes accurately reflect actual use and update changes as necessary.	<i>Partially Implemented – Updated Management's Response:</i> Walk throughs verifying room use and type verification has been completed for 114 buildings. Review of field work and data entry reflecting collected information is approximately 95% complete. As we are expecting to lose a substantial number of our student staff in May 2010, anticipated completion of field work is approximately May 3, 2010. Please note that follow up on open items, questions, and other issues will continue until all are resolved. Additionally, formal review of facilities survey results from DBA's is currently being imputed and reviewed. A formal review process for all field work data entry will be commenced on approximately March 31, 2010 with an anticipated completion date of August 13, 2010. The DBA information review process will run concurrently. Walk throughs and verifications of the new acquired buildings as UH Research Park will be done in conjunction with field verification project being managed by Transwestern . Transwestern will supply measurement and drawings.

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Risk Level: High Medium Low								
AR2009-22 (PRT)	UHS Facilities Development Project	19a	24	2/15/2010	Cecil Ward Planning Analyst Plant Operations/ Dave Irvin AVC/AVP Plant Operations	UH	Perform walkthroughs to verify room type codes accurately reflect actual use and update changes as necessary.	<i>Partially Implemented – Updated Management's Response:</i> Walk throughs verifying room use and type verification has been completed for 114 buildings. Review of field work and data entry reflecting collected information is approximately 95% complete. As we are expecting to lose a substantial number of our student staff in May 2010, anticipated completion of field work is approximately May 3, 2010. Please note that follow up on open items, questions, and other issues will continue until all are resolved. Additionally, formal review of facilities survey results from DBA's is currently being imputed and reviewed. A formal review process for all field work data entry will be commenced on approximately March 31, 2010 with an anticipated completion date of August 13, 2010. The DBA information review process will run concurrently. Walk throughs and verifications of the new acquired buildings as UH Research Park will be done in conjunction with field verification project being managed by Transwestern. Transwestern will supply measurement and drawings.
AR2009-23	Departmental Reviews UH College of Pharmacy	2b	8	3/31/2010	Shirley Mitchell Department Business Administrator CSA	UH	Restore deficit fund balances to zero or positive amounts and implement procedures to prevent spending funds that are not available.	<i>Action Complete</i>
AR2009-23	Departmental Reviews UH College of Pharmacy	3a	8	3/31/2010	Shirley Mitchell Department Business Administrator CSA	UH	Restore deficit budgetary balances to zero or positive amounts and implement procedures to prevent spending funds that are not available; and work with the appropriate office to close expired project/grant cost centers.	<i>Partially Implemented – Updated Management's Response:</i> The department has restored 8 of 10 cost centers with deficit budgetary balances to zero or positive amounts; and has contacted OCG and requested they close 15 of 26 expired project/grant cost centers. The department expects to restore the remaining 2 cost centers with deficit budgetary balances to zero or positive amounts; and work with OCG to close the remaining 11 expired project/grant cost centers by June 30, 2010.

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Risk Level: High Medium Low								
AR2009-23	Departmental Reviews UH College of Pharmacy	7a	8	3/31/2010	Ericka Adams Department Business Administrator PPS	UH	Restore deficit budgetary balances to zero or positive amounts and implement procedures to prevent spending funds that are not available; and work with the appropriate office to close expired project/grant cost centers.	Partially Implemented – Updated Management's Response: The department has restored 9 of 17 cost centers with deficit budgetary balances to zero or positive amounts; and has contacted OCG and requested they close 26 of 39 expired project/grant cost centers. The department expects to restore the remaining 8 cost centers with deficit budgetary balances to zero or positive amounts; and work with OCG to close the remaining 13 expired project/grant cost centers by June 30, 2010.
AR-2010-02	Information Security Standards	2a	8	3/1/2010	Margaret Lampton Director of Information Security and Administration	UHCL	Develop and implement procedures to annually review, update, test, and approve the written emergency procedures.	Partially Implemented - Updated Management's Response: Procedures are drafted and we are working with University Computing & Telecommunications leadership to finalize and approve policies. Estimated completion date: May 1, 2010.
AR-2010-02	Information Security Standards	4a	8	3/1/2010	Margaret Lampton Director of Information Security and Administration	UHCL	Update minimum password length requirements based on industry best practices, and update Information Security Policies related to all changes in password requirements.	Partially Implemented - Updated Management's Response: Active Directory password settings have been changed to reflect a minimum password length of 8 characters. Information Security Policies have been updated and await formal adoption thru the UHCL Shared Governance Process. Estimated completion date: May 1, 2010.
AR2010-03	Information Security Standards	1	11	1/31/2010	Mary Dickerson Interim Executive Director, IT Security	UH	Update SAM 07.B.01, System Development Life Cycle and SAM 07.B.02, Software Documentation to address security requirements in all phases of development and acquisition of information resources, in accordance with TAC 202.	Partially Implemented - Updated Management's Response: Updates to SAM 07.B.01 and SAM 07.B.02 were submitted for review and are currently being distributed for approval. Estimated completion date: May 31, 2010.
AR2010-03	Information Security Standards	4a	11	2/26/2010	Mary Dickerson Interim Executive Director, IT Security	UH	Submit an annual report to the President on the status and effectiveness of information resources security controls in a timely manner, in accordance with TAC 202	Partially Implemented - Updated Management's Response: The format of the annual report to the President on the status and effectiveness of information security controls has been completely revised from that used in previous years. This year's report is undergoing final edits before being submitted to the President. Estimated completion date: May 31, 2010.
AR2010-03	Information Security Standards	8	11	3/31/2010	Arun Jain, AVP Enterprise Systems	UH	Test the Disaster Recovery Plan annually prior to hurricane season.	Action Complete

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Risk Level: High Medium Low								
AR2010-03	Information Security Standards	10	11	4/1/2010	Karin Livingston Director, General Accounting	UH	Update the Property Management Policies and Procedures to address the Government Code requirements related to the sale or transfer/donation of data processing equipment to other state agencies, in accordance with TAC 202.	<i>Action Complete</i>
AR2010-03	Information Security Standards	11	11	4/1/2010	Karin Livingston Director, General Accounting	UH	Update Property Management procedures/forms to help ensure that data is removed from data processing equipment prior to disposal/transfer/sale and that all required information related to the data removal process is documented, in accordance with TAC 202.	<i>Action Complete</i>
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	4a	114	3/1/2010	Pat Sayles Director, Budget and Administration Dean's Office	UH	Work with the departments throughout the College to publicize all available scholarships on the College website; reduce excess equity balances in scholarship cost centers; and strengthen the scholarship procedures.	<i>Partially Implemented - Updated Management's Response:</i> Verbal instructions have been given to all DBAs instructing them to list all scholarships on their website. The previous interim dean directed the chairs/directors to reduce the equity for scholarship cost centers. The departments have been directed to provide scholarship procedures to the CBA who will review and provide more defined scholarship procedures. The College is currently working with all departments to publicize scholarships. Estimated completion date: July 1, 2010.
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	8	114	2/1/2010	John Reed Director School of Art	UH	Develop departmental procedures to help ensure the timely completion of all required training, in accordance with university policies.	<i>Action Complete</i>
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	11a	114	3/1/2010	Angela Parrish Department Business Administrator Theater Department	UH	Develop and implement departmental procedures to help ensure that cost center verifications are performed monthly, in accordance with university policies.	<i>Action Complete</i>
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	12a	114	3/1/2010	Steven Wallace Director Theater Department	UH	Restore deficit balances to zero or positive amounts and implement procedures to help prevent spending funds that are not budgeted.	<i>Partially Implemented - Updated Management's Response:</i> The Director and DBA are working together implementing restoring negative balances and have requested closing of expired cost centers to appropriate office. Estimated completion date: June 1, 2010.

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Risk Level: High Medium Low								
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	13a	114	3/1/2010	Steven Wallace Director Theater Department	UH	Restore project/grant cost center budgetary balances to zero or positive amounts and work with the appropriate office to close expired project/grant cost centers.	Partially Implemented - Updated Management's Response: The Director and DBA are working together implementing restoring negative balances and have requested closing of expired cost centers to appropriate office. Estimated completion date: June 1, 2010.
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	16a	114	3/1/2010	Angela Parrish Department Business Administrator Theater Department	UH	Develop procedures for billing, accounting, collection, recording, and monitoring of the credit extended to help ensure that the agreed upon payment is received, in accordance with university policies.	Action Complete
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	19a	114	3/1/2010	Angela Parrish Department Business Administrator Theater Department	UH	Develop and implement departmental procedures to help ensure that travel reimbursements are properly authorized and approved, in accordance with university policies.	Partially Implemented - Updated Management's Response: The department has sent continuous email reminders to faculty and staff on travel rules. The department plans to review all reimbursements and ensure they are in compliance. The department is still in the process of developing detailed procedures. Estimated completion date: June 1, 2010.
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	20a	114	3/1/2010	Angela Parrish Department Business Administrator Theater Department	UH	Develop departmental procedures to help ensure that revenue generating contracts, such as costume rental agreements, are reviewed by the Office of Contract Administration, Office of Tax Compliance, and Administration and Finance, in accordance to university policy.	Action Complete
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	21a	114	3/1/2010	Steven Wallace Director Theater Department	UH	Develop procedures to help ensure property inventory tags are affixed to computer equipment, "Missing, Damaged, or Stolen Property" reports are completed for missing equipment, and Request for Authority to Remove Equipment from Campus forms are completed for all property located off-campus, in accordance with university policies.	Partially Implemented - Updated Management's Response: The department currently ensures that inventory tags are affixed as soon as they are received from property management and "missing, damaged, or stolen" forms have been submitted to Property Management for FY 09. Off-campus forms for FY10 are still in the process of being completed and they will be submitted to Property Management upon completion. Estimated completion date: June 1, 2010.
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	22a	114	3/1/2010	Steven Wallace Director Theater Department	UH	Develop and implement departmental procedures to help ensure that students meet eligibility requirements, in accordance with scholarship criteria.	Not implemented - Updated Management's Response: The scholarship committee is in the process of drafting procedures to help ensure students meet eligibility requirements. Estimated completion date: June 1, 2010.

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Risk Level: High Medium Low								
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	23a	114	3/1/2010	Steven Wallace Director Theater Department	UH	Develop departmental procedures to help ensure that scholarship cost center year-end equity balances do not exceed total award commitments plus a reserve of 25% of the funds received in the previous fiscal year, in accordance with university policies.	Not implemented - Updated Management's Response: The scholarship committee is in the process of drafting procedures for year-end scholarship equity balances. Estimated completion date: June 1, 2010.
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	26	114	2/28/2010	Geoffrey Pierce Department Business Administrator Communication Sciences & Disorders	UH	Restore deficit budgetary balances to zero or positive amounts, implement procedures to prevent spending funds that are not available, and work with the appropriate office to close expired project/grant cost centers.	Partially Implemented - Updated Management's Response: This department has several fund 5 cost centers with negative balances. These are primarily the cost centers for the department's annual funding by the United Way. The department has been working with the Office of Contracts and Grants to bring forward into this year's United Way cost center outstanding balances, both negative and positive, from the past five years. After that is accomplished, the prior year cost centers will be inactivated. Estimated completion date: June 1, 2010.
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	33	114	2/28/2010	Geoffrey Pierce Department Business Administrator Communication Sciences & Disorders	UH	Modify departmental procedures to help ensure that expenses requiring the approval of the Office of Contracts and Grants are submitted to that office for approval, in accordance with the sponsored agreements.	Partially Implemented - Updated Management's Response: The department is in the process of implementing many procedural changes, including better information storage and retrieval and better coordination with faculty researchers. These generic improvements, combined with the normal, step-by-step checks in the procurement-payment process, will guard against unauthorized or improper purchases or purchasing procedures. Some of these improved procedures are in place now and are reviewed on an ongoing basis. Estimated completion date: June 1, 2010.
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	34	114	2/1/2010	Lorena Lopez Department Business Administrator History Department	UH	Develop departmental procedures to help ensure the timely completion of all required training, in accordance with university policies.	Action Complete
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	38a	114	3/1/2010	Barry Brown Department Business Administrator Moore School of Music	UH	Develop and implement departmental procedures to help ensure that cost center verifications are performed monthly, in accordance with university policies.	Partially Implemented - Updated Management's Response: The department has begun completing cost center verifications on a monthly basis, but they have not been timely. The department is in the process of developing procedures to ensure cost center verifications are completed on a timely basis. Estimated completion date: June 1, 2010.

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Risk Level: High Medium Low								
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	44a	114	3/1/2010	Barry Brown Department Business Administrator Moores School of Music	UH	Modify departmental procedures to help ensure that expense reports are signed/approved by the 20th of the month, in accordance with university policies.	<i>Action Complete</i>
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	45a	114	3/1/2010	Barry Brown Department Business Administrator Moores School of Music	UH	Determine the amount of personal expenses that were inadvertently reimbursed to the faculty member and require the faculty member to repay the university for the personal expenses inadvertently reimbursed to him.	<i>Not implemented - Updated Management's Response:</i> The CLASS Director of Budgets and the Vice President - Academic Operations is in the process of determining the final amount. Estimated completion date: July 1, 1010.
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	52	114	2/1/2010	Lisa Haywood Department Business Administrator Philosophy Department	UH	Develop departmental procedures to help ensure the timely completion of all required training, in accordance with university policies.	<i>Action Complete</i>
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	78	114	3/1/2010	Isaac Davis Department Business Administrator Psychology Department	UH	Restore deficit budgetary balances to zero or positive amounts, implement procedures to prevent spending funds that are not available, and work with the appropriate office to close expired project/grant cost centers.	<i>Partially Implemented - Updated Management's Response:</i> The DBA and the department are continuing to work aggressively to clear all deficits balances on the departments cost centers. Several cost centers, which previously had deficit balances, were cleared and inactivated by the department and OGC. However, the remaining few cost centers that have deficit balances are in the process of being cleared and inactivated, but a few have special problems, due to the original award setup. Estimated completion date: June 1, 2010.
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	92	114	2/1/2010	Lisa Meza-Duran Office Coordinator Air Force Studies Department	UH	Develop departmental procedures to help ensure the timely completion of all required training and disclosures, in accordance with university policies.	<i>Action Complete</i>
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	106a	114	3/1/2010	Carol Risinger Office Coordinator Band Department	UH	Reconcile scholarship awards to the student administration and financial systems, in accordance with university policies.	<i>Not implemented - Updated Management's Response:</i> The department is developing procedures to reconcile administration and financial records for scholarships. Estimated completion date: June 1, 2010.
AR2010-09	Honors College, Departmental Review	1	1	1/31/2010	Ornela Santee College Business Administrator Honors College	UH	Obtain delegated authority for all individuals who negotiate, execute, and administer contracts and procurement, in accordance with university policies.	<i>Action Complete</i>

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Risk Level: High Medium Low								
AR2010-11	UH, Alumni Association Foundation Review	1	1	3/1/2010	Elia Cipriano Associate Vice Chancellor University Advancement	UH	Request the support organization to change its year-end to August 31 st .	<i>Action Complete</i>
AR2010-13	School of Business, Departmental Review	1	6	1/31/10	Ed Altemus Senior Business Coordinator School of Business	UHCL	Obtain approval for CAMP courses and fees from the President or his designee in accordance with university policies.	<i>Action Complete</i>
AR2010-13	School of Business, Departmental Review	2	6	1/31/10	Ed Altemus Senior Business Coordinator School of Business	UHCL	Ensure that cash receipts are deposited in a timely manner; and that checks received are made payable to the University of Houston - Clear Lake, in accordance with university policies.	<i>Action Complete</i>
AR2010-13	School of Business, Departmental Review	3	6	1/31/10	Ed Altemus Senior Business Coordinator School of Business	UHCL	Ensure that Procurement Card expense reports are reconciled and signed by the cardholder within three business days from the end of the billing cycle and are approved by the supervisor by the 20th of the month, in accordance with university policies.	<i>Action Complete</i>
AR2010-13	School of Business, Departmental Review	4	6	1/31/10	Ed Altemus Senior Business Coordinator School of Business	UHCL	Require Procurement Cardholders to complete Procurement Card Transaction Logs to keep track of expenditures made, in accordance with university policies.	<i>Action Complete</i>
AR2010-13	School of Business, Departmental Review	6	6	1/31/10	Ed Altemus Senior Business Coordinator School of Business	UHCL	Transfer the scholarship cost center to the Office of Student Financial Aid.	<i>Action Complete</i>
AR2010-14	School of Science and Computer Engineering, Departmental Review	1	4	1/30/10	David Webb Systems Specialist II School of Science and Computer Engineering	UHCL	Ensure that cash receipts are deposited in a timely manner, in accordance with university policies.	<i>Action Complete</i>
AR2010-14	School of Science and Computer Engineering, Departmental Review	3	4	1/30/10	Mike MacDonald Senior Business Coordinator School of Science and Computer Engineering	UHCL	Work with the Office of Student Financial Aid to move scholarship cost centers under their management.	<i>Action Complete</i>

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Risk Level: High Medium Low								
AR2010-14	School of Science and Computer Engineering, Departmental Review	4	4	1/15/10	Lee Folk Assistant Director Office of Sponsored Programs	UHCL	Restore deficit budgetary balances to zero or positive amounts.	<i>Action Complete</i>
CCM-0901	Calhoun Lofts Residence Hall Interim Construction Audit	7c	15	2/1/2010	Mei Chang Sr. Project Mgr., FP&C Spencer Moore Executive Director, FP&C	UH	Ensure that payment for incidental markups in KenMor change orders for \$14,794 is received for the construction period ending 9/30/08.	<i>Action Complete</i>
CCM-0901	Calhoun Lofts Residence Hall Interim Construction Audit	8c	15	2/1/2010	Mei Chang Sr. Project Mgr., FP&C Spencer Moore Executive Director, FP&C	UH	Ensure that payment for excess equipment rental charges for \$3,998 are received for the construction period ending 9/30/08.	<i>Action Complete</i>
CCM-0901	Calhoun Lofts Residence Hall Interim Construction Audit	9c	15	2/1/2010	Mei Chang Sr. Project Mgr., FP&C Spencer Moore Executive Director, FP&C	UH	Ensure that payment for duplicated overhead in Joslin change orders for \$3,979 is received for the construction period ending 9/30/08.	<i>Action Complete</i>
CCM-0901	Calhoun Lofts Residence Hall Interim Construction Audit	10c	15	2/1/2010	Mei Chang Sr. Project Mgr., FP&C Spencer Moore Executive Director, FP&C	UH	Ensure that payment for rental charges in excess of cost for \$2,159 is received for construction period ending 9/30/08.	<i>Action Complete</i>
CCM-0901	Calhoun Lofts Residence Hall Interim Construction Audit	11c	15	2/1/2010	Mei Chang Sr. Project Mgr., FP&C Spencer Moore Executive Director, FP&C	UH	Ensure that payment for bond cost on change orders for non-bonded subcontractor for \$1,336 is received for construction period ending 9/30/08.	<i>Action Complete</i>
CCM-0901	Calhoun Lofts Residence Hall Interim Construction Audit	12a	15	2/1/2010	Mei Chang Sr. Project Mgr., FP&C Spencer Moore Executive Director, FP&C	UH	Ensure that payment for anticipated premium refund for \$232,743 is received.	<i>Partially implemented: Updated Management's Response:</i> Per UH February 23, 2010 final resolution agreement, UH abandoned this item due to contractual mistake. An estimated \$30,000 refund after PLC closes surety bond account will be forwarded to UH at that time. Estimated completion date: June 30, 2010.

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Risk Level: High Medium Low								
CCM-0901	Calhoun Lofts Residence Hall Interim Construction Audit	13c	15	3/31/2010	Mei Chang Sr. Project Mgr., FP&C Spencer Moore Executive Director, FP&C	UH	Request the contractor to: a) obtain supporting detail from their subcontractors showing the estimated cost and markups included in these change orders and adjust the change order amounts as necessary; and b) require all future subcontractor change orders to include sufficient detail to allow a proper evaluation of compliance with the contract.	<i>Action Complete</i>
SAO Report #05-010	The Protection of Confidential Information and Critical Systems	20j	25	3/1/2010	Malcolm Davis Executive Director for Public Safety - Chief of Police	UH	Review and modify, as necessary, the existing comprehensive emergency plan/business continuity plan to ensure that it adequately addresses the requirements in Texas Administrative Code, Section 202, Business Continuity Plan Elements.	<i>Partially Implemented - Updated Management's Response:</i> The template for the University of Houston Departmental Business Continuity Plan is complete. The Business Impact Analysis was implemented and completed. The Recovery Strategy, Security Risk Assessment and the Implementation and Testing will be complete by May 31, 2010.
SAO Report #10-328	Federal Portion of the Statewide Single Audit	1	8	1/31/2010	Mary Comerota, Assistant Director of IT Susie Winters, ERP Application I Administrator	UH	Review the listing of all individuals who have access to Financial Aid Override and setup tables capabilities and remove this access for all users not requiring this functionality to perform their immediate job duties.	<i>Action Complete</i>
SAO Report #10-328	Federal Portion of the Statewide Single Audit	2	8	1/31/2010	Mary Comerota, Assistant Director of IT Susie Winters, ERP Application I Administrator	UH	Restrict user access for users whose job duties and responsibilities include migrating code objects from the development environment to the production environment.	<i>Action Complete</i>
SAO Report #10-328	Federal Portion of the Statewide Single Audit	3	8	1/31/2010	Mary Comerota, Assistant Director of IT Susie Winters, ERP Application I Administrator	UH	Implement procedures for the periodic review of Financial Aid System access in order to restrict access only to employees whose job duties and responsibilities require it.	<i>Action Complete</i>
SAO Report #10-328	Federal Portion of the Statewide Single Audit	4	8	1/31/2010	Mary Comerota, Assistant Director of IT Susie Winters, ERP Application I Administrator	UH	Limit access to the generic ID only to the batch processing functionality.	<i>Partially Implemented - Updated Management's Response:</i> The super user role has been removed from the generic user ID used for batch processing and further restrictions on the roles associated with the generic ID are being assessed. Alternatives to having a shared account will also be considered. Estimated completion date: October 1, 2010.

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Risk Level: High Medium Low								
SAO Report #10-328	Federal Portion of the Statewide Single Audit	5	8	1/31/2010	Jessica Thomas Interim Associate Director, Scholarships and Financial Aid	UH	Implement written verification policies and procedures that contain the following elements: time period within which an applicant shall provide documentation; method used to notify students of verification results; and a statement that the University shall furnish in a timely manner to each applicant the documentation needed to satisfy verification and the applicant's responsibilities.	<i>Action Complete</i>
SAO Report #10-328	Federal Portion of the Statewide Single Audit	6	8	1/31/2010	Jessica Thomas Interim Associate Director, Scholarships and Financial Aid	UH	Implement procedures to correctly update records and the ISIR upon completion of the verification.	<i>Action Complete</i>
SAO Report #10-328	Federal Portion of the Statewide Single Audit	7	8	2/28/2010	Billy Satterfield Interim Director, Office of Scholarships and Financial Aid	UHCL	Implement procedures that require the running of the PeopleSoft query prior to the first disbursement of each semester, prior to the first day of classes of each semester and after the census date of each semester that identifies students with enrollment that does not correlate to the students' COA in order that award amounts can be adjusted as necessary.	<i>Action Complete</i>
SAO Report #10-328	Federal Portion of the Statewide Single Audit	8	8	1/31/2010	Billy Satterfield Interim Executive Director of Financial Aid	UHCL	Modify procedures to require the running of PeopleSoft queries during the enrollment periods of each semester that help identify potential Pell Grant errors.	<i>Action Complete</i>

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON

LAW CENTER
DEPARTMENTAL REVIEWS

REPORT NO. AR2010-17

**UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON
LAW CENTER
DEPARTMENTAL REVIEWS**

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed two departmental reviews in the Law Center. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted no matters that we considered to be significant engagement observations. We noted that the Law Center was not in compliance with certain policies. Management developed action plans to help ensure compliance with university policies in these areas. The action items are included in the internal audit follow-up database.

The attachments listed below contain additional information related to the departmental reviews and the College:

- Compliance Matrix
- Action Plan
- College Background
- Financial Summary of Transactions

Don F. Guyton
Chief Audit Executive
April 2, 2010

**University of Houston System
Internal Auditing Department**

**University of Houston
Law Center
Departmental Reviews**

Compliance Area	Dean's Office	Law Library
Management Oversight	✓	✓
Operational Activities	✓	✓
Policies, Procedures, Required Training, And Reporting	(1)	✓
Cost Center Management	(3)	✓
Payroll	(1)	(1)
Human Resources	✓	✓
Change Funds And Cash Receipts	(1)	(2)
Procurement And Travel Cards	✓	(1)
Departmental Expenses	✓	✓
Contract Administration	✓	✓
Property Management	✓	✓
Departmental Computing	(7)	✓
Scholarships	(1)	N/A
Incidental And Lab Fees	✓	✓
Research	(1)	✓

- ✓ **Fully Complies**
- ⊖ **Opportunity for Improvement**
- () **Number of action items required to address non-compliance**
- N/A **Not Applicable**

**University of Houston System
Internal Auditing Department**

**University of Houston
Law Center
Background Information**

We performed a review of the responsibilities of the Dean of the UH Law Center at the University of Houston to assess his effectiveness in performing his financial and administrative responsibilities.

The Dean provided the following background on UH Law Center:

The UH Law Center is comprised of the Law Center and the Law Library. There are several programs and institutes within the Law Center, including the Trial Advocacy Institute, the Higher Education Law and Governance Institute, the Health Law and Policy Institute, the Blakely Institute, the Consumer Law Program, the Intellectual Property Program, the Environmental and Energy Law Program and the Legal Aid Clinic. The primary financial and administrative operations within the college are in the Dean's Office, Student Services, the Alumni and Development Office, and Business Services.

The majority of the financial and administrative processes within the college are centralized within the Business Services area. The Director of Business Operations has dual reporting lines to the Dean and the Vice President for Finance and Administration. The Assistant Director of Business Operations reports to the Director of Business Operations and is responsible for financial processes and compliance with the Baseline Standards. The Library Director is responsible for administration of personnel / payroll matters of the Library staff and for ensuring that all Library cash receipts are properly handled and accounted for.

Within the last two years, Business Services developed new financial structures, chart of accounts, and program codes to improve on not only the university financial reporting capabilities; but, we were also able to leverage the coding to work with the foundation reports. Via the monthly DCR financial reports, based on department and chartfield codes, compilation of more useful reports that corresponded to the budgeted line item as needed by the Deans and directors were available.

With the new financial coding structure, Business Services were also able to incorporate the Foundation data with the PeopleSoft System to provide consolidated financial and budget reporting for the Law Center. The new reporting system successfully provides management with a full picture of the Law Center's activities by budget line item, Fund, Fund Name, Program, and purpose. These features allow for standardized reporting in formats needed for external agencies such as annual ABA reporting and executive reports where various groupings of accounts are more relevant. It also allows management to review cash flow and budget allocations for the Law Center as a whole and it significantly streamlines the process for obtaining and/or analyzing such information. Monthly budget and expenditures summary reports, as well as historical

financial and HR reports, are available on-line to each Department as well as the Dean, Associate Dean's and Directors. At the beginning of each year faculty and staff are sent a procurement guideline for the use of each of the various funds (State, Local, Foundation) available to them. These items are also posted on the UH Law Center Web site for all employees.

Budget/Financial Summary:

During Fiscal Year 2009, with a total FTE of 275, the Law Center had an operating M&O budget of \$7.3 million. This includes the administration of 278 cost centers.

The following table presents the fund balance reconciliation for the College for FY 2009:

Beginning Fund Balance (9/1/08)	\$ 4,502,200
Revenues	9,227,223
Expenditures	(23,112,708)
Transfers/Other	13,708,088
Ending Balance (8/31/09)	<u>\$ 4,324,803</u>

UNIVERSITY OF HOUSTON
LAW CENTER
SUMMARY OF REVENUES AND EXPENDITURES

<u>Account</u>	<u>Description</u>	<u>FY 2009</u>	<u>FY 2008</u>
<u>Revenue</u>			
40300-40499	Designated Tuition	\$ (2,845,081)	\$ (2,227,715)
40700-40999	Other Fees	(3,313,813)	(3,402,874)
55500-55999;56700-57999	Waivers & Expenses	193,189	223,865
41600-41899	Federal Grants & Contracts	(137,905)	(36,595)
42100-42299	State Grants & Contracts	(45,597)	(44,760)
42500-42699	Local Grants & Contracts	(30,000)	(30,000)
42700-43199; 44400-44428; 44440	Private Gifts, Grants and Cont	(2,971,099)	(3,207,778)
43500-43599	Endowment Income Distribution	(64,286)	(90,665)
43600-43630; 43634-43999	Sales & Services - E & G	(1,474)	(5,315)
44429-44439; 44441-45999; 49504	Other Revenue Sources	(4,032)	0
50050-50099	Recovered Costs	(7,125)	0
Total Revenue		<u>\$ (9,227,223)</u>	<u>\$ (8,821,837)</u>
<u>Cost of Goods Sold</u>			
50000-50049	Cost of Goods Sold	\$ 0	\$ 0
Total Cost of Goods Sold		<u>\$ 0</u>	<u>\$ 0</u>
<u>Payroll</u>			
50100-50999	Salaries & Wages	\$ 15,157,894	\$ 14,197,042
51000-51399	Fringe Benefits	743,009	709,939
Total Payroll		<u>\$ 15,900,903</u>	<u>\$ 14,906,981</u>
<u>M & O</u>			
52000-52199	Professional Services	\$ 5,000	\$ 9,153
52200-52399	General Services	199,777	185,729
52400-52499	Academic Service	27,545	9,137
52500-52599	Printing, Copying, & Reproduction	368,439	347,478
52600-52799	Utilities & Sanitation	2,214	1,480
52800-52999	Communication & Transportation	651,507	741,133
53000-53499	Advertising Promotion & Public	41,858	74,259
53500-53599	Rental Lease & Royalties	194,038	203,326
53700-53799	Routine Repair	57,265	41,181
53850-53899	Contracting Services	892,158	694,891
53900-53999	General Supplies	262,639	314,093
54200-54299	Construction Expenses	0	2,800
54300-54349	Facilities & Ground Support	20	3,759
54350-54449	Parts & Furnishing	386,046	523,771
54450-54549	Misc Supplies & Material	4,513	5,245
54550-54699	Legal Services	5,452	0
54700-54799	Financial Tax & License Cost	10,809	12,061
54800-54899	Other Recurring Expenses	168,762	145,254
54900-54999	Employee Expenses	156,799	176,075
55000-55199	Special Program & Events	535,011	626,647
55200-55299	Interscholastic Events	0	5
55300-55499	Financial Aid	1,575,872	1,069,350
56000-56499	Travel	590,767	654,514
56500-56599	Contracts & Grants	39,952	12,035
Total M&O		<u>\$ 6,176,445</u>	<u>\$ 5,853,375</u>
<u>Capital Outlay</u>			
58000-58999	Capital Outlay	\$ 1,035,361	\$ 986,713
Total Capital Outlay		<u>\$ 1,035,361</u>	<u>\$ 986,713</u>
Total Cost of Goods Sold, Payroll, M&O and Capital Outlay		<u>\$ 23,112,708</u>	<u>\$ 21,747,069</u>

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON

COLLEGE OF ARCHITECTURE
DEPARTMENTAL REVIEW

REPORT NO. AR2010-18

**UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON
COLLEGE OF ARCHITECTURE
DEPARTMENTAL REVIEW**

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed one departmental review in the College of Architecture. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted no matters that we considered to be significant engagement observations. We noted that the College was not in compliance with certain policies. Management developed action plans to help ensure compliance with university policies in these areas. The action items are included in the internal audit follow-up database.

The attachments listed below contain additional information related to the departmental review and the College:

- Compliance Matrix
- Action Plan
- College Background
- Financial Summary of Transactions

Don F. Guyton
Chief Audit Executive
April 2, 2010

**University of Houston System
Internal Auditing Department**

**University of Houston
College of Architecture
Departmental Review**

Compliance Area	
Management Oversight	✓
Operational Activities	NA
Policies, Procedures, Required Training, And Reporting	(1)
Cost Center Management	(1)
Payroll	(1)
Human Resources	✓
Change Funds And Cash Receipts	(1)
Procurement And Travel Cards	(1)
Departmental Expenses	✓
Contract Administration	(1)
Property Management	✓
Departmental Computing	(6)
Scholarships	✓
Incidental And Lab Fees	✓
Research	(1)

- ✓ **Fully Complies**
- ⊖ **Opportunity for Improvement**
- () **Number of action items required to address non-compliance**
- N/A **Not Applicable**

**University of Houston System
Internal Auditing Department**

**University of Houston
College of Architecture
Background Information**

We performed a review of the Dean of the College of Architecture at the University of Houston to assess his effectiveness in performing his financial and administrative responsibilities.

The Dean provided the following background:

Within the overall mission of UH, and given traditional and emerging requirements of the architecture and industrial (product) design professions, the Hines College of Architecture is committed to providing a stimulating and creative environment for a diverse student body to attain a high-quality professional education in the design disciplines that we serve. With an emphasis on design and problem solving, our undergraduate and graduate programs strive to:

1. Prepare students with the knowledge, skills, and commitment for responsible positions in the design and environmental professions
2. Engender critical perspective
3. Develop attitudes of social responsibility and service
4. Promote patterns of lifelong learning.

We are firmly committed to design as the central, unifying activity in our school. We seek to establish an environment that fosters resourcefulness, surrounds students with effective means for their work, and informs these activities with knowledge and critical inquiry.

Architecture is centralized with no departments but with two centers at this time. These centers are the Sasakawa International Center for Space Architecture (SICSA) and the Community Design Resource Center (CDRC). SICSA is an endowed center with a focus on research and design studies for life in outer space and investigations into design for other extraordinary habitats such as Antarctica. The CDRC serves as the community service link for both this college as well as other UH units.

The college has approximately 780 majors (~680 undergraduates and ~100 graduates) and has undergraduate degree programs in Architecture, Environmental Design, and Industrial Design. The graduate program offers degrees in Architecture and Space Architecture. Components that are vital to our operation are the Visual Resource facility, the Computing and Media facility, the Burdette Keeland Design Center, and the Rudge Allen Media Room. The Summer Discovery Program, which is our outreach education program with high school student participation, continues to increase in enrollment and serve those interested in our programs.

Budget/Financial Summary:

During fiscal year 2010, with a faculty of 71 FTE and a staff of 12 FTE, the College administered 160 cost centers with an overall operating M&O budget of \$3.7 million.

The following table presents the fund balance reconciliation for the School for FY 2009:

Beginning Fund Balance (9/1/09)	\$ 1,016,628
Revenues	2,162,799
Expenditures	(6,088,496)
Transfers/Other	<u>4,012,853</u>
Ending Balance (8/31/09)	<u>\$ 1,103,784</u>

UNIVERSITY OF HOUSTON
COLLEGE OF ARCHITECTURE
SUMMARY OF REVENUES AND EXPENDITURES

<u>Account</u>	<u>Description</u>	<u>FY 2009</u>	<u>FY 2008</u>
<u>Revenue</u>			
40300-40499	Designated Tuition	\$ (397,768)	\$ (367,430)
40700-40999	Other Fees	(734,870)	(716,764)
55500-55999;56700-57999	Waivers & Expenses	11,719	13,341
41600-41899	Federal Grants & Contracts	(12,129)	0
42700-43199; 44400-44428; 44440	Private Gifts, Grants and Cont	(776,496)	(697,838)
43500-43599	Endowment Income Distribution	(155,362)	(408,288)
43600-43630; 43634-43999	Sales & Services - E & G	(60,981)	(69,136)
44429-44439; 44441-45999; 49504	Other Revenue Sources	(19,343)	(14,704)
50050-50099	Recovered Costs	(17,567)	0
Total Revenue		<u>\$ (2,162,799)</u>	<u>\$ (2,260,818)</u>
<u>Cost of Goods Sold</u>			
50000-50049	Cost of Goods Sold	\$ 0	\$ 0
Total Cost of Goods Sold		<u>\$ 0</u>	<u>\$ 0</u>
<u>Payroll</u>			
50100-50999	Salaries & Wages	\$ 4,561,318	\$ 4,158,160
51000-51399	Fringe Benefits	280,146	227,519
Total Payroll		<u>\$ 4,841,464</u>	<u>\$ 4,385,679</u>
<u>M & O</u>			
52200-52399	General Services	\$ 6,204	\$ 6,647
52400-52499	Academic Service	17,769	30,564
52500-52599	Printing, Copying, & Reproduction	21,092	14,616
52800-52999	Communication & Transportation	59,494	49,537
53000-53499	Advertising Promotion & Public	17,472	11,701
53500-53599	Rental Lease & Royalties	13,989	23,954
53700-53799	Routine Repair	28,245	15,010
53850-53899	Contracting Services	192,540	65,935
53900-53999	General Supplies	215,409	179,203
54000-54099	Lab Research Supplies	0	(52)
54200-54299	Construction Expenses	3,225	0
54300-54349	Facilities & Ground Support	0	3,050
54350-54449	Parts & Furnishing	177,776	71,684
54450-54549	Misc Supplies & Material	876	694
54700-54799	Financial Tax & License Cost	1,271	1,309
54800-54899	Other Recurring Expenses	52,042	40,713
54900-54999	Employee Expenses	48,698	30,237
55000-55199	Special Program & Events	92,887	98,471
55300-55499	Financial Aid	53,504	44,667
56000-56499	Travel	87,526	86,215
56500-56599	Contracts & Grants	11,940	4,794
Total M&O		<u>\$ 1,101,960</u>	<u>\$ 778,947</u>
<u>Capital Outlay</u>			
58000-58999	Capital Outlay	\$ 145,072	\$ 63,337
Total Capital Outlay		<u>\$ 145,072</u>	<u>\$ 63,337</u>
Total Cost of Goods Sold, Payroll, M&O and Capital Outlay		<u>\$ 6,088,496</u>	<u>\$ 5,227,963</u>

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON/
UNIVERSITY OF HOUSTON CLEAR LAKE

ARP GRANTS
2006 AWARDS

REPORT NO. AR2010-19

**UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON
UNIVERSITY OF HOUSTON – CLEAR LAKE
ADVANCED RESEARCH PROGRAM GRANTS
2006 AWARDS**

BACKGROUND:

The Internal Auditing department reviewed the Advanced Research Program (ARP) grants awarded to UH and UHCL in 2006 at the request of the Texas Higher Education Coordinating Board (THECB).

The 70th Legislature (1987) of the State of Texas created the ARP program as a complementary, statewide research program. ARP supports basic research and was created as a peer-review, competitive grant program.

The ARP grants are funded by THECB and are overseen at UH by the Office of Contracts and Grants and at UHCL by the Office of Sponsored Programs. There was \$755,886 in grants awarded to UH and \$48,780 in grants awarded to UHCL in 2006. Our audit consisted of a review of grants made by THECB to the UH College of Engineering and the UHCL School of Science and Computer Engineering. These grants accounted for 13% of the 2006 ARP grants awarded to UH and 100% of the 2006 ARP grants awarded to UHCL.

OBJECTIVES:

The objectives of our review were as follows:

1. Determine whether 2006 ARP Grant Conditions of THECB are being followed.
2. Determine whether the management control system is adequate for the performance of the grant.
3. Determine whether personnel appointed to the grants actually worked on the grants.
4. Determine whether equipment purchased with grant funds is actually used on the grant and was justified by needs of the grant including of particular concern computer purchases.
5. Determine whether travel paid from grant funds is actually related to grant activities.

6. Determine whether faculty salaries paid from grants are consistent with limitations included in the Grant Conditions.
7. Determine whether the THECB has approved budget transfers in excess of those authorized by the Grant Conditions.
8. Determine whether unexpended funds from expired supplemental grants have been returned.

SCOPE OF WORK:

We interviewed personnel, reviewed written policies and procedures, and completed internal control questionnaires for each area listed below to determine whether there were adequate internal controls over the ARP grants. We also selected a sample of one grant in the UH College of Engineering and the UHCL School of Science and Computer Engineering, and performed detailed testing in the following areas:

- Operations and maintenance
- Required documentation
- Payroll
- Travel, lodging and meals
- Record retention
- Equipment purchases and title transfer
- Budget transfers
- Absence and transfers of principal investigators
- Receipt of matching fund contributions
- Unallowable charges

CONCLUSION:

In our opinion, there are adequate internal controls to help ensure compliance with THECB 2006 grant conditions. We noted no exceptions to the grant conditions for the ARP grants tested in the UH College of Engineering and the UHCL School of Science and Computer Engineering.

Don F. Guyton
Chief Audit Executive
February 15, 2010

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON SYSTEM

CASH HANDLING REVIEWS
FY 2010

REPORT NO. AR2010-20

**UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON SYSTEM
CASH HANDLING REVIEWS
FY 2010**

BACKGROUND:

University of Houston System policy states that all university cash funds are subject to unannounced review by the Internal Auditing Department. The Long-Range Internal Audit Plan schedules cash handling audits annually.

OBJECTIVES:

The objectives of our cash counts were as follows:

1. Count cash on-hand and reconcile the cash counted to the authorized change fund amount or the authorized petty cash fund amount as recorded in the university's financial system.
2. Determine whether there is compliance with university cash handling policies and procedures.

SCOPE OF WORK:

We conducted cash counts at eight locations at the University of Houston and one location at the University of Houston – Downtown. In addition, we compared current listings of cash funds maintained by the accounting departments of the campuses to the university's financial system to determine completeness and accuracy.

CONCLUSION:

In our opinion, the fund custodians properly accounted for their authorized change funds and petty cash funds. Appendix A lists all funds counted, type of fund, authorized fund amount, cash count results, and the date the count was performed.

Don F. Guyton
Chief Audit Executive
February 17, 2010

APPENDIX A

CASH FUNDS WITH COUNT RESULTS

CF=Change Fund PC=Petty Cash Fund

		Authorized	Over	
		Fund	Short (-)	Date of
<u>Departments</u>	<u>Type</u>	<u>Amount \$</u>	<u>\$</u>	<u>Count</u>
UH				
Small Business Development Center (SBDC)	CF	100.00	0	2/17/10
Physical Plant – Key Control	CF	25.00	0	2/16/10
Physical Plant – Building Maintenance	PC	500.00	(.09)	2/17/10
Police Department	PC	400.00	0	2/16/10
Learning & Assessment	CF	100.00	0	2/16/10
UCS Resume Services	CF	75.00	0	2/16/10
Physics	PC	500.00	0	2/16/10
Blaffer Gallery	CF	30.00	0	2/16/10
UHD				
Police Department, Parking Office	CF	900.00	(6.00)	2/17/10

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON CLEAR LAKE

SCHOOL OF HUMAN SCIENCES &
HUMANITIES, DEPARTMENTAL REVIEW

REPORT NO. AR2010-21

**UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON – CLEAR LAKE
SCHOOL OF HUMAN SCIENCES AND HUMANITIES
DEPARTMENTAL REVIEW**

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed one departmental review in the School of Human Sciences and Humanities. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted no matters that we considered to be significant engagement observations. We noted that the School was not in compliance with certain policies. Management developed action plans to help ensure compliance with university policies in these areas. The action items are included in the internal audit follow-up database.

The attachments listed below contain additional information related to the departmental review and the School:

- Compliance Matrix
- Action Plan
- College Background
- Financial Summary of Transactions

Don F. Guyton
Chief Audit Executive
February 24, 2010

**University of Houston System
Internal Auditing Department**

**University of Houston – Clear Lake
School of Human Sciences and Humanities
Departmental Review**

Compliance Area	
Management Oversight	✓
Operational Activities	(2)
Policies, Procedures, Required Training, And Reporting	✓
Cost Center Management	✓
Payroll	✓
Human Resources	✓
Change Funds And Cash Receipts	✓
Procurement And Travel Cards	N/A
Departmental Expenses	✓
Contract Administration	✓
Property Management	✓
Departmental Computing	(1)
Scholarships	N/A
Incidental And Lab Fees	✓
Research	✓

- ✓ **Fully Complies**
- ⊖ **Opportunity for Improvement**
- () **Number of action items required to address non-compliance**
- N/A **Not Applicable**

**University of Houston System
Internal Auditing Department**

**University of Houston – Clear Lake
School of Human Sciences and Humanities
Background Information**

We performed a review of the Dean of the School of Human Sciences and Humanities at the University of Houston – Clear Lake to assess his effectiveness in performing his financial and administrative responsibilities.

The Dean provided the following background:

The primary academic mission of the School of Human Sciences and Humanities (HSH) is to foster the liberal arts and to provide practical preparation for careers. This mission is carried out through the School's various academic programs, which are housed within two major clusters--Humanities and Fine Arts (HFA) and Human Sciences (HS).

HSH is dedicated to the study of people: their individual, social, and behavioral conditions, beliefs, values, aspirations, institutions, cultural achievements, communities and conflicts, and future potentialities. Its programs are also designed to foster communication, critical thinking, and creative capacities. Through the activities of both HFA and HS, HSH strives to make UHCL the cultural, creative and intellectual nucleus of the Bay Area.

HSH believes that its mission is of fundamental importance to the mission of the University of Houston-Clear Lake. Among the School's instructional and program goals are:

- fostering personal development and intellectual enrichment for all HSH majors, non-degree objective students, and non-HSH majors,
- providing the academic preparation necessary to facilitate career entry and/or advancement,
- providing a general knowledge base in the development of civilization as reflected in its great texts and to transmit the human heritage in the arts, humanities, and human sciences,
- providing exposure to the customs, values and behaviors of culturally diverse populations for both knowledge and appreciation purposes,
- developing and enhancing analytical thinking and research skills.

HSH is also committed to providing adequate instructional facilities, promoting interdisciplinary instruction, and fostering cooperative programs that facilitate such instruction.

Finally, the School seeks to provide cultural and intellectual opportunities to students and community members.

Budget/Financial Summary:

During fiscal year 2010, with a faculty of 78 FTE and a staff of 24 FTE, the School administered 66 cost centers with an overall operating M&O budget of \$8,273,080.

The following table presents the fund balance reconciliation for the School for FY 2009:

Beginning Fund Balance (9/1/08)	\$ 418,187
Revenues	949,964
Expenditures	(7,855,470)
Transfers/Other	6,934,127
Ending Balance (8/31/09)	<u>\$ 446,808</u>

UNIVERSITY OF HOUSTON - CLEAR LAKE
SCHOOL OF HUMAN SCIENCES AND HUMANITIES
SUMMARY OF REVENUES AND EXPENDITURES

<u>Account</u>	<u>Description</u>	<u>FY 2009</u>	<u>FY 2008</u>
<u>Revenue</u>			
40700-40999	Other Fees	\$ (214,839)	\$ (213,367)
55500-55999;56700-57999	Waivers & Expenses	2,600	3,296
41600-41899	Federal Grants & Contracts	(101,449)	(127,676)
41900-42099	Federal Pass Through Grants/Contracts	(1,849)	(5,732)
42100-42299	State Grants & Contracts	(245,639)	(182,372)
42700-43199; 44400-44428; 44440	Private Gifts, Grants and Cont	(170,978)	(117,235)
43300-43499	Other Investment Income	(1)	0
43500-43599	Endowment Income Distribution	(3,725)	(14,373)
43600-43630; 43634-43999	Sales & Services - E & G	(124,904)	(165,040)
43631-43633; 44000-44399	Sales & Services - Auxiliary	(89,180)	(94,164)
Total Revenue		<u>\$ (949,964)</u>	<u>\$ (916,663)</u>
<u>Cost of Goods Sold</u>			
50000-50049	Cost of Goods Sold	\$ 0	\$ 0
Total Cost of Goods Sold		<u>\$ 0</u>	<u>\$ 0</u>
<u>Payroll</u>			
50100-50999	Salaries & Wages	\$ 6,952,191	\$ 6,875,386
51000-51399	Fringe Benefits	65,582	61,875
Total Payroll		<u>\$ 7,017,774</u>	<u>\$ 6,937,262</u>
<u>M & O</u>			
52200-52399	General Services	\$ 8,436	\$ 11,513
52400-52499	Academic Service	1,300	4,200
52500-52599	Printing, Copying, & Reproduction	18,400	22,661
52600-52799	Utilities & Sanitation	0	155
52800-52999	Communication & Transportation	64,842	64,981
53000-53499	Advertising Promotion & Public	7,257	9,846
53500-53599	Rental Lease & Royalties	26,966	30,391
53700-53799	Routine Repair	2,333	18,534
53850-53899	Contracting Services	210,832	195,993
53900-53999	General Supplies	118,145	113,937
54000-54099	Lab Research Supplies	2,932	2,334
54200-54299	Construction Expenses	458	50
54350-54449	Parts & Furnishing	173,450	122,628
54700-54799	Financial Tax & License Cost	2,044	2,173
54800-54899	Other Recurring Expenses	22,727	26,353
54900-54999	Employee Expenses	15,039	19,204
55000-55199	Special Program & Events	19,334	48,541
56000-56499	Travel	74,032	69,490
56500-56599	Contracts & Grants	45,456	28,658
Total M&O		<u>\$ 813,981</u>	<u>\$ 791,639</u>
<u>Capital Outlay</u>			
58000-58999	Capital Outlay	\$ 23,715	\$ 13,865
Total Capital Outlay		<u>\$ 23,715</u>	<u>\$ 13,865</u>
Total Cost of Goods Sold, Payroll, M&O and Capital Outlay		<u>\$ 7,855,470</u>	<u>\$ 7,742,765</u>

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON

MEDICAL BILLINGS

REPORT NO. AR2010-22

**UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON
MEDICAL BILLINGS**

BACKGROUND:

At the request of the Audit and Compliance Committee Chairman, Medical Billings was included in the FY10 Audit Plan as a special project review.

OBJECTIVE:

1. Determine applicable statutes, guidelines, and regulations that pertain to medical billings.
2. Determine whether the University is billing insurance companies for all services provided.

SCOPE OF WORK:

We conducted interviews with personnel familiar with medical billings in the following areas: University Eye Institute, University Health Center, University Speech, Language, and Hearing Clinic, the Psychology Research and Services Center, and Counseling and Psychological Services. We also reviewed proposed legislation and related legislation history.

RESULTS:

We found no statutes, guidelines, or regulations that required state higher education institutions to bill insurance companies for medical services rendered to patients; however, such legislation was proposed. House Bill No. 103 of the 81st Legislative Regular Session, which was sent to Governor Rick Perry on June 3, 2009, would amend Education code, sec. 51.953 to require that health centers at higher education institutions accept and process private health insurance for care they administer and would take effect on September 1, 2009. Supporters proposed that this would create a model of financial self-sufficiency and avoid raising student fees or relying on state funding to subsidize their services. Governor Perry vetoed the Bill on June 19, 2009, because it would potentially increase health care costs without increasing the level of service it provides. He stated that since most student health centers do not have the administrative capacity to bill insurance companies, hiring additional staff to be able to do so would needlessly increase costs to students.

We determined the following related to the university billing insurance companies for medical services:

- University Eye Institute: The University Eye Institute bills insurance companies for services provided to patients. Since the UEI provides residency training for students, the decision to bill was based largely on the need to attract a large patient population for suitable student exposure. Additionally, the revenue generated from the UEI is adequate to accommodate the additional administrative staff required for processing insurance claims.
- University Health Center: The University Health Center does not bill insurance companies for services provided to patients. This decision was based on the high administrative costs for doing so.
- University Speech, Language, and Hearing Clinic: The University Speech, Language, and Hearing Clinic no longer bills insurance companies for services provided to patients, because its office coordinator position is vacant.
- Psychology Research and Services Center: The Psychology Research and Services Center does not bill insurance companies for services provided to patients. This decision was based the high administrative costs for doing so in comparison to the minimal fees that are charged.
- Counseling and Psychological Services: The Counseling and Psychological Services does not bill insurance companies for services provided to patients. The decision was based on the high administrative costs for doing so.

CONCLUSION:

The University of Houston only bills insurance companies for services provided at the University Eye Institute. One area does not bill insurance companies because of a position vacancy and the other three areas determined that administrative costs were too high to bill insurance companies.

House Bill No. 103 of the 81st Legislative Regular Session, that would have required student health centers at higher education institutions with enrollment of more than 20,000 to file health benefit claims on behalf of students or other people with the health plans in which they were enrolled, was vetoed by Governor Rick Perry. As a result, accepting private health insurance is left up to the discretion of the individual higher education institutions.

Don F. Guyton
Chief Audit Executive
February 4, 2010

UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA

COMMITTEE: Audit & Compliance

ITEM: Report on Compliance of Private Support Organizations and Foundations

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

Board of Regents Policy 32.06 requires an annual report on compliance of private support organizations and foundations.

FISCAL NOTE:

SUPPORTING DOCUMENTATION: Report on Compliance of Private Support Organizations and Foundations

ACTION REQUESTED: Information

COMPONENT: University of Houston System

CHIEF AUDIT EXECUTIVE

Don Guyton

Don F. Guyton

DATE

4/23/10

CHANCELLOR

Renu Khator

Renu Khator

DATE

4-27-10

**Compliance Review of UH System Support Organizations
April 2010**

Compliance Item:	Assoc. for Community Broadcasting	Cullen ENG Research Foundation	Found. for Education & Research in Vision	Houston Athletics Foundation	UH Alumni Association	UH Business Foundation	UH Law Foundation	UH Foundation
Articles of Incorporation and Bylaws	√	√	√	√	√	√	√	√
Current List of Board Members	√	Note 1	√	√	√	√	√	√
Audited Financial Reports FY2009	Expected by May 15	Note 1	√ Jan 2010	Expected by May 31	Expected by May 31	√ Jan 2010	Expected by May 15	√ Jan 2010
IRS Form 990 for FY2009	Extension Filed	Note 1	Extension Filed	Extension Filed	Expected by June 30	√ March 2010	Expected by May 15	√ April 2010
Donor Gift Information	√	Note 1	√	√	√	√	√	√
Written Investment Policies	√	Note 1	√	√	√	√	√	√
Updated State Disclosure Statement for Outside Financial Advisors	In process	Note 1	√	√	√	Does Not Use Advisors	√	In process

Note 1: The Cullen Engineering Research Foundation has been dormant in recent years but has indicated it will reactivate in future

UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA

COMMITTEE: Audit & Compliance

ITEM: Follow-up Presentations on Previous Audit Reports, UHS Human Resources and Police Operations Functions, by Joan Nelson, Executive Director of UH Human Resources, and Malcolm Davis, Assistant Vice President Public Safety and Security – UH Chief of Police

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

Previous audit reports on UHS Human Resources and Police Operations Functions identified some areas for potential cost savings and more efficient use of resources. The presentations by Joan Nelson and Malcolm Davis will address the status of these opportunities for improvement.

FISCAL NOTE:

SUPPORTING DOCUMENTATION: Highlights of previous audit reports on UHS Human Resources and Police Operations Functions

ACTION REQUESTED: Information

COMPONENT: University of Houston System

CHIEF AUDIT EXECUTIVE

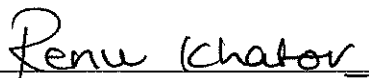


Don F. Guyton

4/23/10

DATE

CHANCELLOR



Renu Khator

4-27-10

DATE

Highlights and Follow-up of Previous Audit Reports on UHS Human Resources and Police Operations Functions

May 12, 2010

Previous audit reports on UHS Human Resources and Police Operations Functions identified some areas for potential cost savings and more efficient use of resources. Presentations by Joan Nelson (Executive Director of UH Human Resources) and Malcolm Davis (Assistant Vice President Public Safety and Security – UH Chief of Police) will address the status of these opportunities for improvement.

UHS Human Resources Functions

Report No. AR 2003-28, University of Houston System Human Resources – All Components

BACKGROUND: There are numerous functions performed by Human Resource Departments such as recruitment, applicant tracking, compensation, benefits, training and employee relations, to name a few. The focus of this review was two significant processes, placing personnel on and off of the payroll (in-processing and out-processing). These processes interfaced with many of the functions enumerated above.

Budget data for fiscal year 2003 for the human resources departments is as follows:

Component	FTE	Salaries & Wages
UH/UHS	26	\$1,029,621
UHCL	9	\$ 378,990
UHD	10	\$ 498,654
UHV	4.5	\$ 130,141

Update

Budget Data for Fiscal Year 2010 for the human resource departments is as follows:

<i>Component</i>	<i>FTE</i>	<i>Salaries & Wages</i>
<i>UH/UHS</i>	<i>28</i>	<i>\$1,472,602</i>
<i>UHCL</i>	<i>9</i>	<i>\$ 431,723</i>
<i>UHD</i>	<i>18</i>	<i>\$ 964,963</i>
<i>UHV</i>	<i>7</i>	<i>\$ 257,145</i>

Source: UH HR

OBJECTIVE: Efficiency / Effectiveness

OVERALL OBSERVATIONS: All campuses have developed their own method for ensuring that all necessary tasks are performed with respect to in-processing and out-processing of personnel. Although some common forms are used for these processes by all campuses, each campus has developed different versions of forms used for the same purpose. The implementation of version 8.1 of the PeopleSoft HR System during March 2004 should eliminate the need for many of these forms when the features and capabilities of self-service, work-flow, and applicant processing are deployed. This represents an **Opportunity for Standardization** which should be explored after the implementation of the new version of the HR software. Appendix D contains a comprehensive listing of these forms.

The HR Department resource levels vary significantly between UH/UHS and the other three campuses. The UH HR Department FTE and budgeted salaries and wages are approximately equal to the amounts of the other three HR departments combined. At the same time, the number of UH current FTE's, and annual new hires, terminations and reclassifications are approximately

three times the corresponding combined amounts of UHCL, UHD and UHV, as noted in Appendix B. Although the UH HR Department does not perform some of the functions performed by the other three HR departments such as equal opportunity and affirmative action and certain payroll functions, **we believe that an assessment of the resource levels may be warranted at some time in the future.**

We noted that the customers (employees of departments using HR services) of the UHCL, UHD and UHV HR departments were overall more satisfied with the services provided by HR than the customers of the UH HR Department. We believe that at least some of the difference can be explained by the “one stop shopping” or customer service center methods used at the smaller campuses. We envision UH HR adopting some form of this method of service delivery in the future. The UH AVC/AVP for HR pointed out that another possible reason for the difference in customer satisfaction might be due to the small size (geographic area and number of buildings and personnel) of the other three campuses when compared to UHS/UH.

Update:

Response to Findings:

In response to the findings reported in the 2003 HR –All Component Internal Audit Report, HR has implemented PeopleSoft functionality that has improved process effectiveness by utilizing electronic workflow capabilities within many HR functions, to include:

- Electronic Personal Actions (ePAR)
 - Electronic Position Request Forms (ePRF)
 - Electronic Person of Interest (ePOI)
 - Electronic I-9 (eI-9)
 - Electronic On-Line Job System (OJS)
 - Electronic Time & Labor
 - Electronic Performance Evaluations (currently being developed for UH/UHS, future development for UHV and UHCL; eperformance process is already implemented at UHD)
1. HRMS has partnered with HR component campuses to insure standardization is met for all eSystem processes.
 2. HR has partnered with HRMS to develop on-line training tools and have conducted on-site training classes to assist colleges/divisions to utilize the eSystems that have been put in place.
 3. By utilizing the Workflow process with all of our eSystems, we have eliminated the redundant paper shuffling processes that have been addressed in 2003 audit.

HR Areas to Consider Consolidating:

Although there are areas within HR that must be available at each component campus, the following areas are common areas at the four campuses and should be considered:

1. Benefits processing –
2. Compensation Processing –
3. Training Programs.

MEMORANDUM

To: Carl P. Carlucci
Executive Vice Chancellor for Administration and Finance UH System

From: Joan Nelson, Executive Director, UH
Katherine Justice, Executive Director, UHCL
Ivonne Montalbano, Vice President, UHD
Laura Smith, Director, UHV

Date: April 1, 2010

Subject: Response to your Memorandum of March 5, 2010
Human Resources Department Audit, AR2003-28, June 22, 2003

We want to thank you for the opportunity to respond to the information provided by internal audit to the chief financial officers regarding the Human Resources Department Audit, AR2003-28. As a follow up to this report, internal audit provided an updated report addressing campus staffing, budgets and workload patterns for all UHS component human resources departments and suggested the possibility of obtaining savings through standardization or consolidation of human resources services. We have analyzed this information and our assessment follows.

Opportunities for Standardization and System-wide Efficiencies

Since the implementation of PeopleSoft (PS) 8.1 and subsequent upgrades to 8.9 over the past five years, the UHS component HR departments have been working cooperatively in standardizing operations, processes and forms through exploring the capabilities of PS Human Resources Management System (HRMS) and collaborating on numerous projects. Some initiatives that have been implemented system-wide since the 2003 audit are:

1. **People Advantage Self Service (PASS)** allows employees to manage their personal information online, such as update their address(es), phone number(s), email address(es), and preferred name, as well as print pay advices and W-2 form(s), change their W-4, add direct deposit, and select charitable contributions;
2. **Electronic Personnel Action Request (ePAR)** allows departments to initiate personnel actions, such as hiring, terminating, and reassigning employees in their respective units. These actions are then routed electronically through the division's approval process, ending ultimately in HR for final review and approval;
3. **Time and Labor** enables the reporting of exception time using an on-line electronic timesheet for employees who are paid on a monthly basis. Time and Labor for bi-weekly employees is currently being developed;

4. **Person of Interest (POI) module** allows HR departments to generate a PS ID for a non-employee, such as alumni, allowing them access to many campus services, including parking and email; and
5. **Electronic, Personnel Request Form (ePRF)** allows departments to initiate new position numbers, transfer positions to other departments, change FTE on a position, request funding changes, etc.

Other HRMS projects under production are:

1. **Electronic Leave Request Form** populates Time and Labor with all approved exception time;
2. **Total Rewards System** employees will be able to view their compensation, payroll deductions, and contributions made on their behalf by the University of Houston System;
3. **Electronic Performance Form (ePerformance)** facilitates the use of an on-line staff performance management system for performance review and appraisal purposes;
4. **Electronic System-wide Telephone Directory** allows to the retrieval of contact and location information on current faculty, staff, and students across the system and replaces the paper UHS Phone Directory; and
5. **Electronic Job Descriptions** automates the job description development, review, and update process and eliminates paper.

Other projects in which the UHS HR components have collaborated include:

1. **Optional Retirement Plan (ORP and Tax Deferred Annuity (TDA) carrier** review and consolidation, in response to IRS changes;
2. **Retirement Manager**, a compliance solution that addresses the needs of the most recently passed IRS regulations for ORP and TDA participants;
3. **Mandatory training**, as required for all system-wide employees;
4. **Standardized system-wide processing for all foreign nationals** including H1B and PERM;
5. **System Administrative Memoranda review**;
6. **System-wide Human Resources Day**, in which all HR employees meet for a day of informative sessions, best practices, and exchange of information; and,
7. **System-wide HR Customer Service Survey** conducted during the current fiscal year, to identify strengths and opportunities of each HR unit.

Consolidation of HR Areas

Internal Audit Report No. AR 2003-28 also suggested consolidating the UHS component benefits processing, compensation administration, and training programs under one component.

1. Benefits Processing

In an effort to standardize system-wide benefits operations and increase efficiencies a benefits committee was formed in 2006. Benefits personnel from each component university participate on this committee. They are responsible for:

- Reviewing all benefits-related processes;

- Addressing changes in laws and regulations impacting state agencies;
- Managing changes in ORP, TDA and TRS regulations;
- Reviewing/updating System Administrative Memoranda (SAM), and
- Standardizing benefits-related forms.

Although we make every effort to collaborate on standardizing benefits processes, each component university has the ultimate responsibility to serve the needs of their internal constituents in a timely and efficient manner. When it comes to the very personal issues related to retirement, medical, and financial planning, it is imperative that employees receive personal, confidential attention from knowledgeable personnel with whom they have established a trusting relationship. By consolidating the benefit functions under one component any further, it would severely and negatively impact the timely service that each employee currently receives. To geographically move the benefits function away from the customer would not be in the best interest of the employees. However, we will continue our collaborative efforts through our benefits committee.

2. Compensation Administration

All four UHS component universities have compensation systems that are distinctly different from each other due to differences in market, geographic area, budget, size of institution and type of institution. Compensation personnel at each component university are responsible for managing pay grades/tables, evaluating reclassification/promotion requests, reviewing and developing position descriptions, conducting market studies, responding to surveys, reviewing compensation requests for equity, and overseeing consistency in pay practices. Compensation personnel are also responsible for ensuring compliance with FLSA, federal and state pay regulations, and performing other non-compensation duties. Since the audit, we have focused our collaborative efforts on standardization and compliance issues.

Currently the component universities share information and survey data to reduce the expenses related to market data. To consolidate all four campuses under one location would not realize any efficiencies or cost savings as we would need to continue to administer these same functions for each campus with the same number of FTE. Furthermore, consolidation may impact the timeliness in addressing compensation decisions related to hiring top candidates or retaining key employees. Consolidating this function would not serve the interests of the unique nature of the individual institutions.

3. Training

This is another example where the UHS HR departments are collaborating extensively. All UHS mandatory training has been standardized and is currently housed on one UH server. The implementation of the annual training is coordinated system-wide. Further, SkillPort e-Learning training is available for all employees within UHS. This product is Internet based.

Each component university offers many training opportunities specific to the needs of the component university, the employees, and the departments to help achieve institutional goals and objectives. As such, we share training resources across component universities.

In many ways, the training function has been consolidated to the extent possible. However, each component has specific training needs that are unique to the organization. The training, beyond that which is required of all component universities, is developed based on culture, needs, number of employees, internal processes, etc. Each component university conducts in-classroom, instructor-led training. Consolidating this process will increase travel time for both the participants and the trainers. The change will affect productivity time and overall cost for UHS. Retaining training personnel on each campus is necessary to address the specific needs and processes and critical in responding to the component campus strategic plans and initiatives.

Variation of Staffing Levels

The difference in staffing levels at each component university human resources department can be explained by the variety of functions performed, the total number of employees served and the corresponding number of transactions. For example, UHCL, UHD, and UHV human resources departments are responsible for affirmative action, worker's compensation, faculty employment, and payroll functions, while UH is not. However, UH's HR department delivers services to a greater number of employees, which results in a larger volume of transactions.

The number of W-2's processed for each campus reflects the number of employees served throughout the year. To more adequately compare the staffing levels needed to serve the number of employees on a daily basis at each component university, we have added the actual headcount and the ratio of HR professionals to employees served. It is evident that we are maximizing HR personnel productivity well beyond industry standard of 1:100.

Conclusion

In the past five years, the UHS component HR departments have made a concerted effort to streamline and standardize processes and procedures, in an effort to increase efficiencies and improve customer service. Through our efforts, we continue to look at ways to minimize cost to the University of Houston System. Based on industry standards, we have been able to accomplish significant improvements with minimal capital investments and limited increase in headcount. Consolidation of system-wide HR functional areas such as benefits processing, compensation administration, and training will not realize any internal savings or reduce FTE needed to perform required duties. In order to adequately compare the functions performed by the UHS HR departments, employees responsible for affirmative action, worker's compensation, faculty employment, and payroll functions have been subtracted from component FY 10 Budget HR FTE. (see **Exhibit 1**).

UHS Component Human Resources Comparative Data - March 2010

Comparative Data	Comparative Data 1*				Comparative Data 2**			
	UH/UHS	UHCL	UHD	UHV	UH/UHS	UHCL	UHD	UHV
FY 10 Budget HR FTE	28	9	18	7	28	6.25	15.25	5.5
FY10 Budgeted Campus FTE	6,508	958	1,114	428	6,508	958	1,114	428
FY 10 Budgeted Salary & Wages (S&W) of HR FTE	\$1,472,602	\$431,723	\$964,963	\$257,145	\$1,472,602	\$299,723	\$810,463	\$220,145
FY 09 Hires	11,373	2,089	3,061	704	11,373	2,089	3,061	704
FY 09 Terminations	11,491	2,092	2,974	728	11,491	2,092	2,974	728
FY 09 Job Changes	8,117	943	1,539	404	8,117	943	1,539	404
Receiving 2009 W-2's	13,133	1,869	1,795	621	13,133	1,869	1,795	621
Headcount***	10,036	1,452	1,449	509	10,036	1,452	1,449	509
Headcount Employees per HR FTE	358	161	81	73	358	232	95	93
FY10 Budgeted FTE Employees per HR FTE	232	106	62	61	232	153	73	78
FY 09 Hires per HR FTE	406	232	170	101	406	334	201	128
FY 09 Terminations per HR FTE	410	232	165	104	410	335	195	132
FY 09 Job Changes per HR FTE	290	105	85	62	290	151	101	73
HR FY10 Budgeted S&W per employee	\$226	\$451	\$866	\$601	\$226	\$313	\$728	\$514
HR FY10 Budgeted S&W per Hire	\$129	\$207	\$315	\$365	\$129	\$143	\$265	\$313
HR FY10 Budgeted S&W per Termination	\$128	\$206	\$324	\$353	\$128	\$143	\$273	\$302
HR FY10 Budgeted S&W per Job Change	\$181	\$458	\$627	\$636	\$181	\$318	\$527	\$545
HR FY10 Budgeted S&W per W-2	\$112	\$231	\$538	\$414	\$112	\$160	\$452	\$355

AUDIT - 9.1.8

* Revised data provided by Internal Audit

** Revised data provided by CHROs based on comparable duties throughout the UHS component HR departments

*** Employees on payroll as of March 2010

Police Operations Functions

Report No. AR 2003-13, University of Houston System Police Departments – Operational Review (UH, UHCL, UHD)

BACKGROUND: The Texas Education Code authorizes governing boards of each state institution of higher education to commission peace officers to enforce the laws within their primary jurisdictions. The UHS Board of Regents has commissioned peace officers at UH, UHD and UHCL. The police departments were established at these institutions many years ago after this legislation was enacted in 1971. Budget data for fiscal year 2003 for these police departments is as follows:

	FTE	Budget FY 2003		
		Salaries & Wages	M&O	Total
UH	60.00	\$ 2,590,737	\$ 309,060	\$ 2,899,797
UHD	26.31	\$ 968,892	\$51,666	\$1,020,558
UHCL	24.16	\$886,119	\$ 89,839	\$ 975,958

Budget data for fiscal year 2010 for these police departments is as follows:

	FTE	Budget FY 2010		
		Salaries & Wages	M&O	Total
UH	130.00	\$ 3,359,485	\$ 279,838	\$ 3,639,323
UHD	26.31	\$ 1,591,200	\$110,286	\$1,701,486
UHCL	28.00	\$1,324,000	\$ 126,000	\$ 1,450,000

ANNUAL CRIME REPORT:

The total incidents reported by each campus with police departments for 2001 is recapped as follows:

	<u>UH</u>	<u>UHCL</u>	<u>UHD</u>
On Campus	73	1	3
Residential Facilities	41	0	N/A
Non-campus bldg. or property	1	0	0
On public property	1	270	0

The total incidents reported by each campus with police departments for 2008 is recapped as follows:

	<u>UH</u>	<u>UHCL</u>	<u>UHD</u>
On Campus	72	1	4
Residential Facilities	27	0	N/A
Non-campus bldg. or property	1	0	0
On public property	6	0	0

OBJECTIVE: Efficiency / Effectiveness

OVERALL OBSERVATIONS:

We determined the following:

1. None of the police departments had specific performance goals or performance measures; however, each department's activities were clearly focused on making their campuses safer.
2. We found no instances where resources were not being applied under an adequate system of controls; however, each campus applied the resources entrusted to its police department using different methodologies.
3. We determined that UHD and UHCL did not comply with federal regulations for the compilation of crime statistics for the Annual Crime Report. (Some incidents occurring outside of locations adjacent to the campus were included in their reports.)
4. We determined that there were opportunities for standardization among all campuses.

Finding: We surveyed each of the police departments, noticing differences in several areas. The differences are analyzed in the enclosed comparative data (Types of Services Provided, Staffing Levels, Salary Levels and Incentive Pay, Police Vehicle Fleet, and Sergeant's Position Description).

Through our interviews with police management and reviews of documentation, we determined that there were also differences among the police departments in the following areas:

- Crime report completion methodologies (see recommendation below),
- Subject coverage in police department operating manuals,
- Automated Dispatching Systems,
- Police uniforms,
- Method/mix of patrol (foot, bicycle, electric vehicle, auto), and
- Use of security guards.

We noted that the University of Texas System Board of Regents charged their Vice Chancellor for Business Affairs with the responsibilities for reviewing and making recommendations relating to police and security matters within the system. As a result, the University of Texas System established system-wide standards, which addressed the hiring and qualifications of all police officers and the operating practices for all police departments. In addition, the University of Texas System established a police academy to train recruits throughout the UT system.

In our opinion, there are opportunities for standardization among campus police departments which may result in the economizing of resources and safer university environments.

Recommendation (UHS): Management should implement a System Administrative Memorandum (SAM), which addresses minimum standards for police operations at each campus. The standards included in this SAM should address police staff qualifications, police staff resource allocations, police vehicle fleets, development of policies and procedures that define roles and responsibilities of police departments, use of security guards, and the standards for the preparation and approval of the annual crime report for each campus. Management should also consider authorizing the

Vice Chancellor for Administration and Finance to make recommendations relating to police and security matters within the system.

Recommendation (UHS): The SAM referred to above should address standardized desk procedures for each campus for the purpose of compiling and preparing the annual crime report. These procedures should require that the annual crime report be reviewed and approved by an appropriate level of management.

Recommendation (UHS): The SAM referred to above should address campus patrol boundaries and protocol for use of police resources outside of those boundaries, which are approved by the campus CEO or designee. This campus protocol should also address the appropriate mix of method of patrol (foot, bicycle, vehicle). This SAM should also require a memorandum of understanding between the police departments and other law enforcement agencies or an internal memorandum which has been approved by the campus CEO or designee.

BEST PRACTICES: The UH police department has developed a comprehensive operating manual addressing many subject areas. The UH police department has also developed a comprehensive process for compiling the annual crime report. The UH police department uses security guards rather than uniform police officers in some cases in an effort to leverage resources.

CONCLUSION: In our opinion, the police departments are being managed effectively under an adequate system of internal controls. We noted no matters which we considered significant audit findings. We identified certain opportunities for standardization among the police department operations of all campuses. This includes developing system-wide policies which address certain aspects of police operations which may result in a safer environment and more economical use of resources. We noted certain instances of noncompliance by UHD and UHCL with the regulations for reporting data in the Annual Crime Report. We believe that the system-wide policies should also address the compilation and review of this report. We also recommended that the police patrol boundaries and relationships with other police law enforcement agencies should be formalized and approved by each campus CEO or designee.

Update:

Response to Findings:

In response to the findings reported in the 2003 UHS Police Department Operational Review Internal Audit Report, a system-wide Administrative Memorandum, Police Standards, 01.F.01 was implemented during January 2005 (policy attached). This policy provided few system-wide standards other than requiring the UHS institutions to comply with Texas and Federal Codes and Professional Standards. It does not require memoranda of understanding between UHS police departments and other adjacent or overlapping police departments. This policy does require the appropriate vice presidents and vice chancellor to review and approve the annual crime reports and it also states that the vice chancellor may make recommendations related to police and security matters. **This policy is weak.**

Police Areas to Consider Standardizing / Centralizing:

- Implement a centralized record keeping system.
- Implement a centralized dispatching system.

- Consider establishing a single UHS Police Department and eliminate institutional police departments.
- Personnel Division: Currently each component Police Department has its own hiring / promotion standards and conducts individual hiring / promotional processes. Consider standardizing job descriptions, hiring and promotional processes System wide. Since all three UH component institutions who have Police Departments are all in the greater Houston Area consider combining hiring boards. If we were to change the HR promotional process to include ALL component Police Officers as “Internal Candidates” we could do the same with promotional opportunities System wide.
- Training Division: Annual Training for Police Officers is mandated by the Texas Commission on Law Enforcement Officer Standards and Education (TCLEOSE). Part of this annual training is course specific (every officer takes the same training) with the remainder being at the discretion of the department. All three UH component Police Departments provide / manage this training differently. UH does this through a Contract Training Provider Agreement with TCLEOSE. In comparison, all police officers training for the officers employed by the 15 UT System Component Institutions is reported through the UT System Police under a single training agreement through the UT System Police Academy. A similar arrangement with the UH Downtown Police Academy should be considered.
- Policy and Procedures: Currently each component Police Department has its own Policy / Procedure manual, all of which cover virtually the same issues. Some issues should be standardized for all component Police Institutions (Use of Force, Pursuits, etc.) while others are actually Operational Policies which can and should be written to address how police activities are done on the campus level. For example, each component Police Department should have an Operational Policy on how Police Officers are assigned to shifts with the decision on how this is actually being done resting with that component’s Chief Law Enforcement Officer (Chief of Police). Here the savings is not in dollars, rather in standardization of operations.
- Investigations Division: Currently each component Police Department either has a full-time Investigative function, or officers assigned to handle complex or high visibility crimes, internal/external investigations and provide dignitary protection as appropriate on their campus. These Investigative functions could be changed to have a single unit under the command of a police administrator staffed with officers from each component Police Department charged with handling these types of investigations and dignitary protection assignments.
- Implement a police vehicle fleet management and procurement system.

COMPARATIVE DATA**Types of Services Provided
May 12, 2010**

Services	UH	UHCL	UHD
Police activities with licensed police officers	X	X	X
Police activities with security guards	X		X
Vehicle maintenance – Police Department’s expense	X		
Fleet management for university campus	X		X
Parking permit sales and collections		X	X
Locksmith and Electronic access (EA) controls	X	X	X
Campus safety officer			
Campus institutional compliance office			
Lost and found	X	X	X
Crime prevention programs	X	X	X
Police Department Website	X	X	X

**Staffing Level Analysis
May 12, 2010**

	UH				UHCL				UHD			
	Total: Fall 2009	Officer total	Count per officer	Officers/ thou- sand	Total: Fall 2009	Officer total	Count per officer	Officers/ thou- sand	Total: Fall 2009	Officer total	Count per officer	Officer s/ thou- sand
Faculty:	2,011				370				596			
Staff:	4,289				680				467			
Students:	36,104				7,900				12,742			
Total	42,404	45	942	1.06	8,850	17	520	2	13,805	23	600	1.67
Building square footage:	9,673,987	45	214,977	.004	1,000,000	17	58,823	0.017	1,106,742	23	48,119	0.021
Parking places:	18,573	45	413	2.42	3,346	17	196.8	5.08	2,518	23	109	9.17
Acreage	668.1	45	14.8	67.35	530.5	17	31.2	32	19.6	23	0.86	1162.7

	UH		UHCL		UHD
	Full-time	Part-time	Full-time	Part-time	Full-time
Budgeted Staffing					
Security Guards	46	8	0	0	6
Officers	29		7	0	16
Corporals	0		2	0	0
Sergeants	7		5	0	3
Total of non-exempt	38		14	0.8	25
Lieutenants	7		2	0	3
Captains	0		0	0	0
Assist Chief of Police	1		0	0	0
Chief of Police	1		1	0	1
Total	129	8	17	0.8	29

Note: Budget amounts do not include dispatchers or support staff.

**Salary Ranges and Incentive Pay
May 12, 2010**

Salary Levels

Titles		Pay	UH	UHCL	UHD
Officers	Range:	Minimum	\$34,860	\$31,200	\$39,963
		Maximum	\$49,337	\$40,000	N/A
	Actual:	Average	\$41,123	\$33,000	\$43,873
Corporals	Range:	Minimum	N/A	\$37,000	N/A
		Maximum	N/A	\$43,000	N/A
	Actual:	Average	N/A	\$38,000	N/A
Sergeants	Range:	Minimum	\$45,219	\$41,000	\$49,382
		Maximum	\$65,852	\$47,000	N/A
	Actual:	Average	\$50,440	\$43,000	\$57,382
Lieutenants	Range:	Minimum	\$59,820	\$56,000	\$60,944
		Maximum	\$100,152	\$66,000	N/A
	Actual:	Average	\$67,231	\$58,000	\$70,344

Incentive Pay

Incentives	UH		UHCL	UHD	
Hazard Duty (H.D.)	\$10/Mo per year of employment in H.D. position.		\$10/Mo per year of employment in H.D. position.	\$10/Mo per year of employment in H.D. position.	
Step Plan (UHD Officers below the rank of Chief receive tenure pay instead of merit raises.)	2-4yrs	\$100/month	N/A	After 4	\$2,250/yr
	5-9yrs	\$200/month		After 8	\$4,000/yr
	10-14yrs	\$300/month		After 12	\$5,750/yr
	15-19yrs	\$400/month		After 16	\$7,000/yr
	20 plus	\$500/month		After 20	\$8,250/yr
Shift Differential	Shift	Stipend		2p-10p (Hr Employee)	\$30/pay period
	1st	N/A	Day N/A	10p-6a (Hr Employee)	\$60/pay period
	2nd	\$26/Month	Evening \$0.25/hr	2p-10p (Mn Employee)	\$60/per month
	3rd	\$69.33/Month	Night \$0.40/hr	10p-6a (Mn Employee)	120/per month
Education / Certification Pay		\$0	\$0		\$0
Basic Certification		\$0	\$0		\$0
Intermediate TCLE Certification Associate Degree / 60 College Hours		\$100/Month for EITHER, but not both.	\$100/Month N/A		\$1,200
Advanced TCLE Certification Bachelor Degree / 120 College Hours		\$200/Month for EITHER, but not both.	\$200/Month N/A		\$2,400
Master TCLE Certification Masters Degree		\$300	\$300/Month N/A		\$3,000

**Police Vehicle Fleets
May 12, 2010**

UH

DIVISION	UNIT	BEAT	MAKE	MODEL	LP	Year	Mileage
Administration	PA101	Chief	Ford	Expedition	100-7405	2007	37,685
Investigations	PA103	Inv	Ford	Focus	747-2PT	2007	8,749
Investigations	PA104	Inv	Ford	Focus	746-2PT	2007	7,167
Patrol	PA105	Sgt	Ford	CV		2008	25,759
Patrol	PA106	Trn	Ford	CV		2008	36,661
Patrol	PA107	Trn	Ford	CV		2008	13,456
Fire Marshal	FM111	FM	Chev	S10	765202	2002	41,026
Patrol	PA122	FM	Chev	Impala	765202	2003	85,558
Administration	PA130	Capt	Chevrolet	Impala	X06GXJ	2004	86,595
Investigations	PA131	Inv	Chevrolet	Impala	X07GXJ	2004	46,316
Security	S132	SO	Ford	Crown Victoria	892840	2005	62,417
Security	PA135	SO	Club Car	Transporter	N/A		
Security	PA136	SO	Club Car	Transporter	N/A		
Fire Marshal	PA137	FM	Ford	Expedition	886084	2005	16,856
Security	S138	SO	Chevrolet	Malibu	936BWY	2004	61,544
Administration	PA139	Pool	Chevrolet	Impala	928BWY	2005	42,619
Patrol	PA140	1	Chevrolet	Impala	935BWY	2005	40,785
Patrol	PA142	DWN	Chevrolet	Impala	886088	2005	Down
Patrol	PA146		Chevrolet	Trailblazer	206250	2005	71,119
Patrol	PA147	Ptr	Ford	CV	233666	2006	62,079
Patrol	PA148	3	Ford	CV	233665	2006	60,688
Patrol	PA149	87	Ford	Ranger	233657	2006	37,992
Fire Marshal	PA150	FM	Ford	Ranger	235035	2007	9,830
Parking	PK4		Chev	Colorado		2008	21,812
Parking	PK5		Ford	Ranger		2007	7,454
Parking	PK7		Chev	Colorado		2009	11,197
Parking	PK10		Chev	Silverado		2006	22,252
Parking	PK11		Chev	Colorado		2005	31,098

UHCL

Inv #	Year	Make	Model	Cost	Date Purchased	Mileage				
						FY 00	FY 01	FY 02	Average/Day FY 2002	Total
27179	1996	Ford	Taurus	\$14,641	Sep-96	1,306	1,705	1,300	4	9,862
27794	1997	Jeep	Cherokee	\$22,226	Aug-97	10,946	7,861	8,420	23	52,857
28611	1998	Jeep	Cherokee	\$21,589	May-98	11,480	12,301	10,158	28	51,130
28625	1998	Jeep	Cherokee	\$21,589	May-98	9,776	12,475	10,114	28	47,024
28626	1998	Jeep	Cherokee	\$21,589	May-98	5,837	10,326	10,966	30	44,363
29788	2000	Ford	CV	\$19,786	Oct-99	8,620	14,310	13,469	37	36,399
	2002	Ford	CV	\$19,758	2-Jan	N/A	N/A	6,975	24	6,975
	2002	Chevy	Tahoe	\$26,400	2-Jan	N/A	N/A	2,978	10	2,978
	2002	Chevy	Tahoe	\$26,400	2002					76,000
	2006	Ford	Exp	\$26,000	2006					31,000
	2006	Ford	Exp	\$26,000	2006					31,000
	2008	Ford	CV	\$25,000	2008					19,000
	2008	Ford	CV	\$25,000	2008					21,000
	2008	Ford	CV	\$25,000	2008					22,000
	2009	Ford	CV	\$25,000	2009					9,000
	2010	Ford	Exp	\$25,000	2010					2,000

UHD

Inv #	Unit #	Year	Make	Model	Cost	Date Purchased	Mileage				
							FY 07	FY 08	FY 09	Average/Day FY 2009	Total
131184	101	1999	Chevy	Tahoe	25755	8/19/1999	8647	3652	0	0	12299
132896	111	2001	Chevy	Impala	19970	8/7/2001	9921	7547	2373	6.5	19841
132895	113	2001	Chevy	Impala	19970	8/7/2001	14584	4647	0	0	19231
132897	115	2001	Chevy	Suburban	28396	8/8/2001	9580	8509	9443	25.9	27532
139740	116	2005	Ford	Crown Vic	19290	3/1/2006	8616	16782	2111	5.8	27509
140742	117	2007	Ford	Crown Vic	24725	8/8/2007	704	10494	9818	26.9	21016
142756	118	2008	Ford	Crown Vic	26349	7/14/2008	0	4015	16210	44.4	20225
142769	119	2008	Ford	Crown Vic	20817	11/12/2008	0	0	6242	17.1	6242
142770	120	2009	Ford	Expedition	29982	1/5/2009	0	0	10854	29.7	10854

**Sergeant's Position Descriptions
May 12, 2010**

The following table contains a comparison of a sergeant's position description at each campus.

	UH	UHCL	UHD
Education:	Must meet educational standards set by TCLEOSE for licensing as a Texas Peace Officer. Preference will be given to those with relevant degrees from accredited institutions.	High school diploma or GED	High school diploma or GED.
Experience:	Must possess and display a maturity level consistent with the demands and expectations of the position. Must have a total of 3 years Police Officer experience including on year experience as a UH Police Corporal.	Five (5) years as a full-time paid commissioned police officer with no more than 2 years break in service or 2 years as a UHCL Police Officer	Intermediate certificate as Police Officer for 4 consecutive years as Police Officer at UHD.
Certification/ Licensing:	<p>1. Basic Peace Officer Certification required with preference given for those who exceed this standard.</p> <p>2. A Texas driver's license is required.</p>	<p>1. Must have an Intermediate Certificate issued by TCLEOSE. Must have a permanent Texas Peace Officer license issued by TCLEOSE.</p> <p>2. Must have a Texas drivers license</p>	<p>1. Must meet the minimum requirements for license by TCLEOSE.</p> <p>2. Must have a valid Texas driver's license.</p>

<p>Knowledge, skills, and abilities:</p>	<p>1 Knowledge of University policing procedures and Texas law and TCLEOSE regulations, department rules and regulations, conflict resolution, good public relations skills and proven ability to make sound decisions based on good judgment.</p>	<p>1. Ability to understand and follow oral instructions, departmental and UHCL policy, procedures, and laws of the state of Texas.</p> <p>2. Ability to establish and maintain effective working relationships. Ability to analyze situations and adopt a course of action. Ability to learn the use and care of firearms. Ability to display good skill in the use of a police vehicle and attached equipment.</p>	<p>1. Possess all other skills required by police officers.</p> <p>2. Knowledge of modern Police practices and techniques and methods. Knowledge of applicable Federal, State and University laws and policies. Considerable knowledge of geography of primary jurisdiction, departmental standards operation and university policy.</p> <p>3. Knowledge of principles of supervision, organization and administration. Ability to lead and direct work activities of others. Ability to exercise sound judgment under stress in a crisis situation. Ability to establish effective working relationships with other employees. Ability to express effectively both orally and in writing.</p>
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2008 Annual Crime Reports

Incidents					Arrests/Referrals				
Category	Venue	UH	UHCL	UHD	Category	Venue	UH	UHCL	UHD
Criminal Homicide:	- On Campus	0	0	0	Arrest for:	-On Campus	48	0	4
Murder and Non-negligent Manslaughter	- Residential Facilities	0	0	N/A	Liquor law violations	- Residential Facilities	22	0	N/A
	- Non-campus bldg. or property	0	0	0		- Non-campus bldg. or property	0	0	0
	- On public property	0	0	0		- On public property	7	0	24
Negligent Manslaughter	- On Campus	0	0	0	Arrest for:	-On Campus	28	1	7
	- Residential Facilities	0	0	N/A	Drug-related violations	- Residential Facilities	17	0	N/A
	- Non-campus bldg. or property	0	0	0		- Non-campus bldg. or property	0	0	0
	- On public property	0	0	0		- On public property	12	0	14
Sex Offenses:	- On Campus	6	0	0	Arrest for:	-On Campus	5	0	0
Forcible	- Residential Facilities	4	0	N/A	Weapons Possession	- Residential Facilities	2	0	N/A
	- Non-campus bldg. or property	0	0	0		- Non-campus bldg. or property	0	0	0
	- On public property	0	0	0		- On public property	2	0	1
Sex Offenses:	- On Campus	1	0	0	Disciplinary Referrals:	-On Campus	5	0	0
Non forcible	- Residential Facilities	0	0	N/A	Liquor law violations	- Residential Facilities	4	0	N/A
	- Non-campus bldg. or property	0	0	0		- Non-campus bldg. or property	0	0	0
	- On public property	0	0	0		- On public property	0	0	0
Robbery	- On Campus	6	1	0	Disciplinary Referrals:	-On Campus	24	0	0
	- Residential Facilities	0	0	N/A	Drug-related violations	- Residential Facilities	21	0	N/A
	- Non-campus bldg. or property	0	0	0		- Non-campus bldg. or property	0	0	0
	- On public property	3	0	2		- On public property	0	0	0
Aggravated Assault	- On Campus	7	0	2	Disciplinary Referrals:	-On Campus	0	0	0
	- Residential Facilities	5	0	N/A	Weapons possession	- Residential Facilities	0	0	N/A
	- Non-campus bldg. or property	0	0	0		- Non-campus bldg. or property	0	0	0
	- On public property	3	0	0		- On public property	0	0	0
Burglary	-On Campus	22	0	0	Hate Crimes:	- Race	0	0	0
	- Residential Facilities	16	0	N/A	(by prejudice)	- Gender	0	0	0
	- Non-campus bldg. or property	0	0	0		- Religion	0	0	0
	- On public property	0	0	0		- Sexual Orientation	0	0	0
						- Ethnicity	0	0	0
						- Disability	0	0	0
Arson	-On Campus	1	0	0					
	- Residential Facilities	1	0	N/A					
	- Non-campus bldg. or property	0	0	0					
	- On public property	0	0	0					
Motor Vehicle Theft	-On Campus	29	0	2					
	- Residential Facilities	1	0	N/A					
	- Non-campus bldg. or property	1	0	0					
	- On public property	0	0	0					
Total Incidents	-On Campus	72	1	4					
	- Residential Facilities	27	0	N/A					
	- Non-campus bldg. or property	1	0	0					
	- On public property	6	0	0					

Note 1: The On-Campus category includes those listed in the category of Residential Facilities. Therefore, the two categories are not cumulative.

Note 2: The UHCL Annual Crime Report for 1999-2001 footnotes the Public Property category as "These incidents/arrests occurred on property adjacent to campus."

Note 3: The Houston Police Department does not separate forcible sex offenses from non-forcible sex offenses.

UNIVERSITY OF HOUSTON SYSTEM
ADMINISTRATIVE MEMORANDUM

SECTION: General Administration

NUMBER: 01.F.01

AREA: Public Safety

SUBJECT: Police Standards

1. PURPOSE

This document serves to facilitate standards of operations for Police Departments within the University of Houston System.

2. STANDARDIZATION

- 2.1. Police Staff Qualifications: All Peace Officers hired by any component university will adhere to the qualifications required by the Texas Administrative Code, Title 37, Public Safety, Part VII, Texas Commission on Law Enforcement Officer Standards and Education (TCLEOSE), Chapter 217. Any additional qualifications may be determined by the component departments as needed.
- 2.2. Police Staff Resources Allocations: Each component university police department will develop a plan on how to allocate police personnel for that campus (e.g., staffing level, types of service).
- 2.3. Salary Levels and Incentive Pay: Salary levels and incentive pay will be allocated as needed by each component university.
- 2.4. Position Descriptions: Each component university police department will have an accurate job description for every TCLEOSE certified position.
- 2.5. Types of Services: Each component university police department will detail police services routinely provided and publish the information on the web.
- 2.6. Police Vehicle Fleet: All component universities will comply with the following:
 - a. Texas Penal Code, Title 7 Offenses Against Property, Chapter 31 Theft, Section 7 Unauthorized Use of a Vehicle;
 - b. Texas Government Code, Title 10 General Government, Chapter 2203 Use of State Property, Section 1 Reporting Use of State Vehicles; and
 - c. Texas Transportation Code, Title 7 Vehicles and Traffic, Chapter 545 Operation and Movement of Vehicles, Section 413 Safety Belts; Offenses.

- 2.7. Policies and Procedures that Define the Role and Responsibilities of the Police Department: Each component university police department will maintain a set of administrative policies.
- 2.8. Security Officers: Each component university police department may employ security officers who are not Peace Officers. The security officers will be trained, assisted, and managed by Peace Officers of the component university police departments.
- 2.9. Police Officer Uniforms: All uniform items will be approved by the component university police department Chiefs. Uniforms must be clean and serviceable and uphold the dignity and professionalism of a Peace Officer and state employee.

3. ANNUAL CRIME REPORTING

The Federal Higher Education Act, Section 20, U.S.1092(F), also known as the Jeanne Clery Disclosure of Campus Security Police and Campus Crime Statistics Act (Clery Act), requires that colleges and universities disclose policy information and crime statistics as part of published annual campus security reports by date required by the Act. Section 485 of the Higher Education Act requires each institution of higher education to provide the Secretary of Education with an annual campus crime statistics report.

The Vice Presidents of the component universities will review and approve their crime statistic reports. The Vice Presidents will review the Annual Crime Report with the Vice Chancellor for Administration and Finance before distributing to the public or the Secretary of Education.

4. PATROL BOUNDARIES

Each component university will establish patrol boundaries for their department and will define them in their administrative policies. The System commissions Peace Officers for the purpose of carrying out provisions of the Texas Education Code, Title 3 Higher Education, Chapter 51, Section 203, Campus Peace Officers.

The primary jurisdiction of a Peace Officer commissioned under this section includes all counties in which property is owned, leased, rented, or otherwise under the control of the institution of higher education or public technical institute that employs the Peace Officer. Where appropriate, a "Memo of Understanding" between component university police departments and any other adjacent or overlapping police department may be appropriate.

5. ROLE OF THE VICE CHANCELLOR FOR ADMINISTRATION AND FINANCE

The Vice Chancellor for Administration and Finance may make recommendations relating to police and security matters within the System.

6. REVIEW AND RESPONSIBILITY

Responsible Party: Vice Chancellor for Administration and Finance

Review: Every three years, on or before June 1

7. APPROVAL

Approved: John Rudley
Vice Chancellor for Administration and Finance

Jay Gogue
Chancellor

Date: January 19, 2005