August 31, 2011

Mr. Michael Bradley
Vice President of Administration & Finance
University of Houston - Downtown
One Main Street, Suite S-910C
Houston, Texas 77002-1014

Dear Mr. Bradley:

We have completed an audit of American Recovery and Reinvestment Act (ARRA) transactions of University of Houston-Downtown (University) that processed during the period of June 1, 2010, through May 31, 2011.

Our objective was to determine whether the University's revenues and expenditures of ARRA funds complied with certain state laws and rules governing these transactions.

The audit scope and methodology included verification of the receipts of federal funds, a review of the system of internal controls and procedures, and the examination of evidence that supported the amounts expended. The audit was conducted in accordance with Tex Gov't Code Ann. Sec. 403.071 (Vernon Supp. 2009), FY 2010-11 General Appropriations Act, Article XII, Sec. 6(e), and other applicable rules pertaining to ARRA related funds. All transactions were subject to audit, regardless of amount or materiality.

During the audit period, we reviewed a limited number of transactions in the revenue, payroll, purchase including payment card (p-card), travel, and indirect cost groups. Additionally, we assessed University procedures used to process and record ARRA revenues and expenditures. The transactions reviewed complied with the applicable state laws and rules governing ARRA transactions. However, due to the limited number of transactions reviewed, we are not issuing an opinion on the University's overall compliance with the aforementioned rules.

Thank you for your cooperation. If we can be of further assistance, please contact Chris Escalante at chris.escalante@cpa.state.tx.us or (512) 463-8902.

Sincerely,

Lisa Nance
Manager
Statewide Fiscal Services

cc: George Anderson, Assistant V.P. Business Affairs, University of Houston-Downtown
Don Guyton, Chief Audit Executive, University of Houston-Downtown
Chris Escalante, Auditor, Statewide Fiscal Services, Texas Comptroller of Public Accounts

Audit Findings:

No errors were identified in the limited review.

Acknowledgements:

We would like to acknowledge the University's compliance in the following areas:

- The University recorded and reported federal receipts in accordance with the Comptroller's FPPs for ARRA funds. See FPP's J.004 and B.008.
- The University's reporting of its federal awards, including award number, amount, date, and CFDA number, on the Comptroller's Weekly ARRA Activity Reporting website was accurate and complete for the audit period.
- The supporting documentation provided for all audited groups was sufficient to verify the University's ARRA related expenditures and cost allocations. No discrepancies were noted.
- Policies and procedures in place are adequate for monitoring current grant award programs.