



STATE AUDITOR'S OFFICE

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House Committee on Higher Education

The State Auditor's Office (SAO) reports below may be of interest to the Committee while addressing the Speaker of the House of Representatives' interim charge regarding monitoring the State Auditor's review of agencies and programs. The reports included were released during fiscal years 2019 and 2020 and include audit recommendations. These reports may relate to the agencies under the Committee's jurisdiction and/or other interim charges issued to the Committee. Our Office will continue to keep the Committee informed of any additional reports released that may be of interest.


The information below is divided into two sections: (1) audit and review reports that resulted in recommendations and (2) the status of the recommendations currently available to the SAO.

The issue ratings for each applicable performance audit are included to indicate the rating categories identified for the report. Individual results contribute to the overall chapter/subchapter issue ratings. See the final page of this document for additional information regarding the issue ratings. However, some types of reports are not rated on this scale. Each report number is hyperlinked to the full report on the SAO website.


State Auditor's Office Contact Information

First Assistant State Auditor Lisa R. Collier, CPA, CFE, CIDA, and the State Auditor's Office personnel are available as a resource to the Committee on any of our reports.

For additional information regarding any report, please contact:

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Audit Reports With Recommendations

Report Title	Report Number	Release Date	Report Ratings
An Audit Report on Contracting Processes at the Texas State University System	20-037	07/30/2020	● ● ● ●
An Audit Report on Financial Management Processes at the Higher Education Coordinating Board	20-035	06/29/2020	● ● ● ●
An Audit Report on Financial Processes at Midwestern State University	20-025	03/10/2020	● ● ● ●
State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2019	20-317	02/28/2020	
An Audit Report on Financial Processes at Texas Woman's University	20-023	01/29/2020	● ● ● ●
An Audit Report on Contracting at the University of Houston	20-020	01/15/2020	● ● ● ●
An Audit Report on the Texas A&M Engineering Extension Service	20-013	12/16/2019	● ● ● ●
An Audit Report on Texas State University's Compliance with Historically Underutilized Business and State Use Program Requirements	20-003	10/07/2019	● ● ● ●
An Audit Report on Performance Measures at the Higher Education Coordinating Board	19-047	08/09/2019	
An Audit Report on Contracting at the Texas Tech University System	19-041	07/15/2019	● ● ● ●
State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2018	19-315	02/28/2019	
An Audit Report on Selected Contracts at The University of Texas System	19-032	02/26/2019	● ● ● ●
A Report on State of Texas Compliance with Federal Requirements for the Research and Development Cluster for the Fiscal Year Ended August 31, 2018 <i>(see the report for the higher education institutions audited)</i>	19-030	02/22/2019	
An Audit Report on Financial Processes at the Texas A&M Forest Service	19-009	11/27/2018	● ● ● ●



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Report Title	Report Number	Release Date	Report Ratings
An Audit Report on Angelo State University's Compliance with Requirements Related to the Historically Underutilized Business and State Use Programs	19-008	11/13/2018	● ● ● ●
An Audit Report on a Selected Contract at the University of North Texas System	19-001	09/04/2018	● ● ● ●



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Status of Recommendations

Each year in December, state entities report the status of their corrective action taken to address State Auditor's Office (SAO) audit recommendations. To provide sufficient time for entities to implement changes, the SAO requests the status for reports that were issued prior to June each year. As of August 2020, the SAO has obtained the self-reported implementation status for reports issued through June 2019. The information reported to the SAO is listed below. Each institution may have more current information on their implementation status.

An Audit Report on Selected Contracts at The University of Texas System (SAO Report No. [19-032](#), February 2019)

Chapter	Recommendations	Status
Chapter 1-B MEDIUM	The System Administration should: <ul style="list-style-type: none">Ensure that it reports all contracts to the LBB in accordance with statutory requirements.Strengthen its policies and procedures to ensure that all contracts are reported accurately.	Incomplete/ Ongoing
Chapter 2 LOW	The System Administration should ensure that the Alliance strengthens its procedures to complete and retain the required nepotism disclosure form for all applicable personnel prior to entering into a contract.	Fully Implemented
Chapter 3-A HIGH	The System Administration should ensure that the Alliance: <ul style="list-style-type: none">Conducts quarterly business reviews and obtains performance reports as required by contract terms.Verifies the completeness and accuracy of performance reports submitted by suppliers.Develops and documents its processes related to risk assessment, monitoring, determination of performance and business relationship indicators, and negotiation of monitoring terms.	Substantially Implemented
Chapter 3-B MEDIUM	The System Administration should ensure that the Alliance: <ul style="list-style-type: none">Develops and documents policies and procedures for administrative fee calculation and distribution.Develops and implements a process to ensure that it receives administrative fees in the correct amount and in a timely manner, according to contract requirements.	Incomplete/ Ongoing



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An Audit Report on Financial Processes at the Texas A&M Forest Service (SAO Report No. [19-009](#), November 2018)

Chapter	Recommendations	Status
Chapter 2-B LOW	The Forest Service should develop and implement a process to reconcile fleet vehicle statuses in both FAMIS and TxFS and resolve any discrepancies.	Fully Implemented
Chapter 3 MEDIUM	The Forest Service should implement application controls that enforce segregation of duties to ensure that individuals cannot both enter and release payments, or develop review controls to ensure that all purchase transactions have the requisite approvals.	Fully Implemented

An Audit Report on Angelo State University's Compliance with Requirements Related to the Historically Underutilized Business and State Use Programs (SAO Report No. [19-008](#), November 2018)

Chapter	Recommendations	Status
Chapter 1 HIGH	The University should develop and implement a process to: <ul style="list-style-type: none">Verify that contractors submit all monthly Progress Assessment Reports as required.Monitor contractors' reported subcontracting activity to determine compliance with the HUB subcontracting plan and, when the activity is not consistent with the plan, ensure that the contractor submits a revised plan for review and approval.	Fully Implemented
Chapter 2 HIGH	The University should: <ul style="list-style-type: none">Improve the existing process to identify HUB eligible vendors and to maintain updated and accurate vendor information to ensure the University reports HUB expenditures accurately to the Comptroller's Office.Establish a documented process for developing required supplemental reports that ensures consistent and accurate reporting data.	Fully Implemented



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An Audit Report on Angelo State University's Compliance with Requirements Related to the Historically Underutilized Business and State Use Programs (SAO Report No. [19-008](#), November 2018) - Continued

Chapter	Recommendations	Status
Chapter 4 MEDIUM	<p>The University should strengthen its State Use Program processes by:</p> <ul style="list-style-type: none">▪ Strengthening its policies and procedures to help ensure compliance with State Use Program requirements.▪ Ensuring that for each of its purchases of eligible goods and/or services, the University either:<ul style="list-style-type: none">○ Purchases goods and services from a State Use Program vendor or another central nonprofit agency or community rehabilitation program as defined by Texas Human Resources Code, Section 122.002, or○ Reports a State Use Program purchasing exception as required by Texas Human Resources Code, Section 122.0095.▪ Developing and implementing processes to identify, document, and report purchasing exceptions.	Fully Implemented
Chapter 5 HIGH	<p>The University should:</p> <ul style="list-style-type: none">▪ Ensure that the level of assigned financial accounting system access is appropriate for the users' job duties.▪ Establish a process to disable inactive users' access to its financial accounting system.▪ Enhance periodic monitoring of access to enable the timely identification of when financial accounting system users' access levels should be changed or disabled.▪ Enhance the documentation of tests of changes to its financial accounting system.	Fully Implemented



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An Audit Report on A Selected Contract at the University of North Texas System (SAO Report No. [19-001](#), September 2018)

Chapter	Recommendations	Status
Chapter 2 LOW	<p>The System should develop and implement a process to:</p> <ul style="list-style-type: none">▪ Reconcile the amounts reported as paid to subcontractors in the HUB Progress Assessment Reports with the amounts in the request for payment that the contractors submit.▪ Ensure that contractors obtain the appropriate bond coverage that a contract requires.▪ Confirm that contractors are using E-Verify.	Fully Implemented
Chapter 3 MEDIUM	<p>The System should:</p> <ul style="list-style-type: none">▪ Continue to implement policies and procedures as required by its Board of Regents Rules.▪ Update its <i>Contract Management Handbook</i> to include the negotiation and closeout processes.▪ Ensure that all individuals involved in the contracts approval processes have completed all required training and maintain documentation of that training.	Substantially Implemented
Chapter 4 MEDIUM	<p>The System should:</p> <ul style="list-style-type: none">▪ Report accurately its contracts to the LBB in accordance with the statutorily required timeframe.▪ Update its policies and procedures to include detailed information on contract reporting requirements for the LBB, including the required submission due dates and instructions for completing required documentation.▪ Continue posting the required contract information, including the authority it exercised to enter into certain contracts without complying with competitive bidding procedures, on its Web site.	Fully Implemented



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The table below includes totals related to the status of recommendations made to 3 higher education institutions and 4 health-related institutions in *A Report on State of Texas Compliance with Federal Requirements for the Research and Development Cluster for the Fiscal Year Ended August 31, 2018* (SAO Report No. [19-030](#), February 2019). That report includes 27 findings related to non-compliance and/or control weakness results that may each include multiple recommendations. The status of those recommendations is reported in the *State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2019* (SAO Report No. [20-317](#), February 2020).

For additional information regarding these findings or the implementation status, identify the finding reference number listed below each institution in the audit reports linked above. The federal compliance audits are rated on a different scale and do not follow the issue ratings established for performance audits.

Higher Education Institution	Findings	Implemented	Partially Implemented
Texas A&M AgriLife Research (2018-101, 2018-102, 2018-103, 2018-104)	4	1	3
Texas A&M University (2018-105, 2018-106, 2018-107, 2018-108)	4	1	3
The University of Texas at Austin (2018-109, 2018-110, 2018-111, 2018-112)	4	1	3
The University of Texas Health Science Center at Houston (2018-113, 2018-114, 2018-115, 2018-116)	4	4	0
The University of Texas M.D. Anderson Cancer Center (2018-117, 2018-118, 2018-119, 2018-120, 2018-121)	5	0	5
The University Medical Branch at Galveston (2018-122, 2018-123, 2018-124, 2018-125)	4	1	3
The University of Texas Southwestern Medical Center (2018-126, 2018-127)	2	2	0
Total	27	10	17



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Issue Ratings

Auditors use professional judgment to rate the audit findings identified in certain audit reports. For each report, the issue ratings are summarized in the report chapters/subchapters. Auditors determine the ratings based on the degree of risk or effect of the findings in relation to the audit objective(s).

LOW



The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

MEDIUM



Issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

HIGH



Issues identified present risks or effects that if not addressed could substantially affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.

PRIORITY



Issues identified present risks or effects that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.