



# TEXAS

**Federal  
Portion of the  
Statewide Single Audit  
Report for the  
Fiscal Year Ended  
August 31, 2007**



**John Keel, CPA**

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**Independent Auditors' Reports**  
Federal Portion of  
Statewide Single Audit Report  
For the Year Ended August 31, 2007

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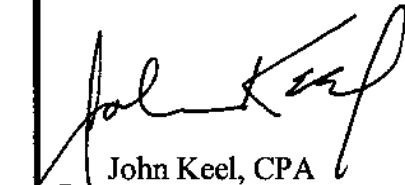
**INDEPENDENT AUDITOR'S REPORT ON  
THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Honorable Rick Perry, Governor  
The Honorable Susan Combs, Comptroller of Public Accounts  
The Honorable David Dewhurst, Lieutenant Governor  
The Honorable Tom Craddick, 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, 2007, and have issued our report thereon dated February 20, 2008.

Our audit was performed for the purpose of forming our 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 20, 2008



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**Independent Auditors' Report  
on Compliance With Requirements Applicable to  
Each Major Program and on Internal Control Over Compliance  
in Accordance With OMB Circular A-133**

The Honorable Rick Perry, Governor,  
and Members of the Texas State Legislature  
State of Texas:

**Compliance**

We have audited the compliance of the State of Texas (the State) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* (Compliance Supplement) that are applicable to each of its major federal programs for the year ended August 31, 2007, except those requirements discussed in the third following paragraph. We also did not audit the State's compliance with compliance requirements applicable to Student Financial Assistance Cluster, Research and Development Cluster, CFDA 66.458-Capitalization Grants for State Revolving Funds, CFDA 66.468-Capitalization Grants for Drinking Water State Revolving Funds, CFDA 93.563-Child Support Enforcement, CFDA 97.036-Public Assistance Grants, Highway Planning and Construction Cluster, Homeland Security Grant Cluster, CFDA 97.039-Hazard Mitigation Grants, and CFDA 97.008-Urban Area Security Initiative Grants which are approximately 20% of total federal assistance received by the State. The State's major Federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. The Student Financial Assistance Cluster, Research and Development Cluster, CFDA 66.458-Capitalization Grants for State Revolving Funds, CFDA 66.468-Capitalization Grants for Drinking Water State Revolving Funds, CFDA 93.563-Child Support Enforcement, CFDA 97.036-Public Assistance Grants, Highway Planning and Construction Cluster, Homeland Security Grant Cluster, CFDA 97.039-Hazard Mitigation Grants, and CFDA 97.008-Urban Area Security Initiative Grants are identified in the accompanying Schedule of Findings and Questioned Costs as major Federal programs and were audited by another auditor whose report has been furnished to us. Our opinion, insofar as it relates to the Student Financial Assistance Cluster, Research and Development Cluster, CFDA 66.458-Capitalization Grants for State Revolving Funds, CFDA 66.468-Capitalization Grants for Drinking Water State Revolving Funds, CFDA 93.563-Child Support Enforcement, CFDA 97.036-Public Assistance Grants, Highway Planning and Construction Cluster, Homeland Security Grant Cluster, CFDA 97.039-Hazard Mitigation Grants, and CFDA 97.008-Urban Area Security Initiative Grants is based solely on the report of the other auditor. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit.

Our audit described below does not include expenditures of Federal awards for four component units of the State of Texas for financial statement purposes. Each of those agencies has their own independent audit in compliance with OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

The other auditors did not audit the State's compliance with requirements governing maintaining contact with borrowers and billing and collection procedures for certain portions of the State in accordance with the Requirements of the Student Financial Assistance Cluster and Federal Perkins Loan program as described in the Compliance Supplement. Those requirements govern functions that are performed by Affiliated Computer Services, Inc. (ACS), Campus Partners, William & Fudge, General Revenue Corporation, Todd Bremer & Lawson, Wyndham Professionals, American Collection Systems and ConServe. Since the other auditors did not apply auditing procedures to satisfy themselves as to compliance with those requirements, the scope of their work was not sufficient to enable them to express, and the other auditors do not express, an opinion on compliance with those requirements. The service organizations' compliance with the requirements governing the functions that they perform for the State for the year ended August 31, 2007 was examined by other accountants in accordance with the Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. The report does not include the results of the other accountants' examinations of the service organizations' compliance with such requirements.



Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the State’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State’s compliance with those requirements.

We were unable to obtain sufficient documentation supporting the compliance of the State for the program compliance requirement listed below nor were we able to satisfy ourselves as to the State’s compliance with this requirement by other auditing procedures. This program’s compliance requirement was:

<u>Agency/University</u>	<u>Program</u>	<u>Compliance Requirement</u>	<u>Finding Number</u>
Department of State Health Services	CFDA 93.958 - Block Grants for Community Mental Health Services	Special Tests and Provisions	08-29

As identified below and described 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. Based on our audit and the report of other auditors, 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>
Health and Human Services Commission	CFDA 93.558 - Temporary Assistance for Needy Families	Special Tests and Provisions	08-15
	Food Stamp Cluster	Special Tests and Provisions	08-16
	Medicaid Cluster	Special Tests and Provisions	08-19





<u>Agency/University</u>	<u>Program</u>	<u>Compliance Requirement</u>	<u>Finding Number</u>
Department of State Health Services	CFDA 93.217 - Family Planning - Services CFDA 93.268 - Immunization Grants CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance CFDA 93.889 - National Bioterrorism Hospital Preparedness Program CFDA 93.917 - HIV Care Formula Grants CFDA 93.940 - HIV Prevention Activities - Health Department Based CFDA 93.958 - Block Grants for Community Mental Health Services CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse CFDA 93.994 - Maternal and Child Health Services Block Grant to the States	Subrecipient Monitoring	08-30
Texas Education Agency	CFDA 84.011 - Migrant Education - State Grant Program CFDA 84.048 - Vocational Education - Basic Grants to States CFDA 84.357 - Reading First State Grants Special Education Cluster	Subrecipient Monitoring	08-32
Department of Public Safety	CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) (including CFDA 84.544) CFDA 97.039 - Hazard Mitigation Grant Program (including CFDA 84.548)	Reporting	08-91
Texas Higher Education Coordinating Board	CFDA 84.032 - Federal Family Education Loan (FFEL), Lender	Special Tests and Provisions	08-51



In our opinion, based on our audit and the report of other auditors, except for the noncompliance described in the preceding two paragraphs and except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the State's compliance with the requirements of CFDA 93.958 - Block Grants for Community Mental Health Services regarding Special Tests and Provisions, 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, 2007. However, the results of our auditing procedures and the report of other auditors 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>
Department of Aging and Disability Services	CFDA 93.667 - Social Services Block Grant Aging Cluster Medicaid Cluster	Allowable Costs/Cost Principles	08-01
Department of Assistive and Rehabilitative Services	CFDA 84.126 - Rehabilitation Services - Vocational Rehabilitation Grants to States	Cash Management	08-03
Department of Family and Protective Services	CFDA 93.556 - Promoting Safe and Stable Families CFDA 93.558 - Temporary Assistance for Needy Families CFDA 93.645 - Child Welfare Services - State Grants CFDA 93.658 - Foster Care - Title IV-E CFDA 93.659 - Adoption Assistance CFDA 93.667 - Social Services Block Grant	Allowable Costs/Cost Principles	08-04
	CFDA 93.659 - Adoption Assistance	Allowable Costs/Cost Principles Eligibility	08-05
	CFDA 93.658 - Foster Care - Title IV-E	Eligibility	08-07
Health and Human Services Commission	CFDA 93.558 - Temporary Assistance for Needy Families CFDA 93.566 - Refugee and Entrant Assistance Program - State Administered Programs CFDA 93.667 - Social Services Block Grant CFDA 93.767 - State Children's Insurance Program Emergency Food Assistance Cluster Food Stamp Cluster Medicaid Cluster	Allowable Costs/Cost Principles	08-08



<b>Agency/University</b>	<b>Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
Health and Human Services Commission	Medicaid Cluster	Allowable Costs/Cost Principles	08-10
	CFDA 93.767 - State Children's Insurance Program	Eligibility	08-11
	CFDA 93.558 - Temporary Assistance for Needy Families Food Stamp Cluster Medicaid Cluster	Eligibility	08-12
	CFDA 93.767 - State Children's Insurance Program	Matching	08-13
	CFDA 93.767 - State Children's Insurance Program	Program Income	08-14
	CFDA 93.558 - Temporary Assistance for Needy Families	Special Tests and Provisions	08-18
	CFDA 93.667 - Social Services Block Grant	Eligibility	08-92
Health and Human Services Commission Department of State Health Services	CFDA 10.557 - Special Supplemental Nutrition Program for Woman, Infants, and Children	Procurement and Suspension and Debarment	08-21
	CFDA 93.268 - Immunization Grants		
	CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance		
	CFDA 93.558 - Temporary Assistance for Needy Families		
	CFDA 93.767 - State Children's Insurance Program		
	CFDA 93.917 - HIV Care Formula Grants		
	CFDA 93.994 - Maternal and Child Health Services Block Grant to the States		
	Food Stamp Cluster		
	Medicaid Cluster		



<b>Agency/University</b>	<b>Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
Texas Juvenile Probation Commission	CFDA 93.658 - Foster Care - Title IV-E	Subrecipient Monitoring	08-23
Department of State Health Services	CFDA 93.268 - Immunization Grants CFDA 93.889 - National Bioterrorism Hospital Preparedness Program CFDA 93.917 - HIV Care Formula Grants CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse CFDA 93.994 - Maternal and Child Health Services Block Grant to the States	Allowable Costs/Cost Principles Period of Availability of Federal Funds	08-24
	CFDA 93.994 - Maternal and Child Health Services Block Grant to the States	Earmarking	08-26
	CFDA 93.268 - Immunization Grants	Special Tests and Provisions	08-27
	CFDA 10.557 - Special Supplement Nutrition Program for Women, Infants and Children	Special Tests and Provisions	08-28
Lamar Institute of Technology	Student Financial Assistance Cluster	Eligibility	08-33
Lamar State College - Port Arthur	Student Financial Assistance Cluster	Eligibility	08-36
		Special Tests and Provisions	08-37
Prairie View A&M University	Student Financial Assistance Cluster	Special Tests and Provisions	08-38
Department of Public Safety	Homeland Security Cluster	Reporting	08-39



<b>Agency/University</b>	<b>Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
Department of Public Safety	CFDA 97.008 - Urban Areas Security Initiative CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) (including CFDA 84.544) CFDA 97.039 - Hazard Mitigation Grant Program (including CFDA 84.548) Homeland Security Cluster	Subrecipient Monitoring	08-40
Department of Public Safety	CFDA 97.008 - Urban Areas Security Initiative Homeland Security Cluster	Special Tests and Provisions	08-41
Texas A&M Health Science Center	Student Financial Assistance Cluster	Eligibility	08-42
		Special Tests and Provisions	08-43
Texas A&M University	Student Financial Assistance	Eligibility	08-44
		Special Tests and Provisions	08-45 08-46
Texas A&M University - Kingsville	Student Financial Assistance Cluster	Eligibility	08-47
		Special Tests and Provisions	08-48
Texas Higher Education Coordinating Board	CFDA 84.032 - Federal Family Education Loan (FFEL), Lender	Special Tests and Provisions	08-50 08-52 08-53 08-54
Texas Southern University	Student Financial Assistance Cluster	Cash Management	08-55
		Reporting	08-56
		Special Tests and Provisions	08-57 08-58 08-59



<b>Agency/University</b>	<b>Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
Texas State Technical College - Harlingen	Student Financial Assistance Cluster	Eligibility	08-60
		Special Tests and Provisions	08-61
Texas State Technical College - Marshall	Student Financial Assistance Cluster	Eligibility	08-62
		Special Tests and Provisions	08-63
Texas State Technical College - Waco	Student Financial Assistance Cluster	Special Tests and Provisions	08-64
Texas State Technical College - West Texas	Student Financial Assistance Cluster	Special Tests and Provisions	08-65
Texas Tech University	Research and Development Cluster	Allowable Costs/Cost Principles	08-66
		Procurement and Suspension and Debarment	08-67
Texas Tech University Health Sciences Center	Student Financial Assistance Cluster	Special Tests and Provisions	08-68
Texas Women's University	Student Financial Assistance Cluster	Eligibility	08-69
		Special Tests and Provisions	08-70
University of Houston	Student Financial Assistance Cluster	Cash Management	08-72
		Eligibility	08-73
		Special Tests and Provisions	08-74
University of Houston - Victoria	Student Financial Assistance Cluster	Special Tests and Provisions	08-75



<u>Agency/University</u>	<u>Program</u>	<u>Compliance Requirement</u>	<u>Finding Number</u>
University of Texas at Austin	Student Financial Assistance Cluster	Eligibility	08-76
		Special Tests and Provisions	08-77
	Research and Development Cluster	Allowable Costs/Cost Principles	08-78
		Equipment and Real Property Management	08-79
University of Texas at Brownsville	Student Financial Assistance Cluster	Special Tests and Provisions	08-81
University of Texas M.D. Anderson Cancer Center	Research and Development Cluster	Reporting	08-84
University of Texas at San Antonio	Student Financial Assistance Cluster	Eligibility	08-85
		Reporting	08-86
	Research and Development Cluster	Special Tests and Provisions	08-87
		Procurement and Suspension and Debarment	08-88
Water Development Board	CFDA 66.458 - Capitalization Grants for Clean Water State Revolving Funds	Reporting	08-90
	CFDA 66.468 - Capitalization Grants for Drinking Water State Revolving Funds		

### **Internal Control Over Compliance**

The management of the State is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we and the other auditors considered the State's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.



Requirements governing maintaining contact with borrowers and billing and collection procedures in the Student Financial Assistance Cluster Federal Perkins Loan Program as described in the Compliance Supplement are performed by the service organizations noted above. Internal control over compliance related to such functions for the year ended August 31, 2007 was reported on by other accountants in accordance with the Department of Education’s Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants’ testing of the service organizations’ internal control over compliance related to such functions.

Our consideration of internal control over compliance was for the limited purpose described above and would not necessarily identify all deficiencies in the State’s internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

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 and the other auditors 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>
Department of Assistive and Rehabilitative Services	CFDA 84.126 - Rehabilitation Services - Vocational Rehabilitation Grants to States	Allowable Costs/Cost Principles	08-02
Department of Family and Protective Services	CFDA 93.659 - Adoption Assistance	Allowable Costs/Cost Principles Eligibility	08-05
	CFDA 93.556 - Promoting Safe and Stable Families	Allowable Costs/Cost Principles Eligibility	08-06
	CFDA 93.558 - Temporary Assistance for Needy Families		
	CFDA 93.645 - Child Welfare Services - State Grants		
CFDA 93.658 - Foster Care - Title IV-E	CFDA 93.659 - Adoption Assistance	Eligibility	08-07
CFDA 93.667 - Social Services Block Grant			
	CFDA 93.658 - Foster Care - Title IV-E		





<u>Agency/University</u>	<u>Program</u>	<u>Compliance Requirement</u>	<u>Finding Number</u>		
Health and Human Services Commission	CFDA 93.558 - Temporary Assistance for Needy Families	Allowable Costs/Cost Principles	08-08		
	CFDA 93.566 - Refugee and Entrant Assistance Program - State Administered Programs				
	CFDA 93.667 - Social Services Block Grant				
	CFDA 93.767 - State Children's Insurance Program				
	Emergency Food Assistance Cluster				
	Food Stamp Cluster				
	Medicaid Cluster				
	CFDA 93.667 - Social Services Block Grant			Allowable Costs/ Cost Principles	08-09
	CFDA 93.767 - State Children's Insurance Program				
	Medicaid Cluster				
	CFDA 93.767 - State Children's Insurance Program			Eligibility	08-11
	CFDA 93.767 - State Children's Insurance Program			Matching	08-13
	CFDA 93.767 - State Children's Insurance Program			Program Income	08-14
CFDA 93.558 - Temporary Assistance for Needy Families	Special Tests and Provisions	08-15			
Food Stamp Cluster	Special Tests and Provisions	08-16			
Medicaid Cluster	Special Tests and Provisions	08-17			
CFDA 93.558 - Temporary Assistance for Needy Families	Special Tests and Provisions	08-18			
Medicaid Cluster	Special Tests and Provisions	08-19			
CFDA 93.667 - Social Services Block Grant	Eligibility	08-92			



<u>Agency/University</u>	<u>Program</u>	<u>Compliance Requirement</u>	<u>Finding Number</u>
Health and Human Services Commission Department of Aging and Disability Services Department of Assistive and Rehabilitative Services Department of Family and Protective Services Department of State Health Services	CFDA 10.557 - Special Supplemental Nutrition Program for Woman, Infants, and Children CFDA 84.126 - Rehabilitation Services - Vocational Rehabilitation Grants to States CFDA 93.217 - Family Planning - Services CFDA 93.268 - Immunization Grants CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance CFDA 93.556 - Promoting Safe and Stable Families CFDA 93.558 - Temporary Assistance for Needy Families CFDA 93.566 - Refugee and Entrant Assistance Program - State Administered Programs CFDA 93.645 - Child Welfare Services - State Grants CFDA 93.658 - Foster Care - Title IV-E CFDA 93.659 - Adoption Assistance CFDA 93.667 - Social Services Block Grant CFDA 93.767 - State Children's Insurance Program CFDA 93.889 - National Bioterrorism Hospital Preparedness Program CFDA 93.917 - HIV Care Formula Grants CFDA 93.940 - HIV Prevention Activities - Health Department Based CFDA 93.958 - Block Grants for Community Mental Health Services	Allowable Costs/Cost Principles Cash Management Equipment and Real Property Management Matching, Level of Effort, and Earmarking Period of Availability of Federal Funds Program Income Reporting	08-20



<u>Agency/University</u>	<u>Program</u>	<u>Compliance Requirement</u>	<u>Finding Number</u>
Health and Human Services Commission Department of Aging and Disability Services Department of Assistive and Rehabilitative Services Department of Family and Protective Services Department of State Health Services	CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse CFDA 93.994 - Maternal and Child Health Services Block Grant to the States Aging Cluster Disability Insurance Cluster Emergency Food Assistance Cluster Food Stamp Cluster Medicaid Cluster	(continued)	08-20
Health and Human Services Commission Department of State Health Services	CFDA 10.557 - Special Supplemental Nutrition Program for Woman, Infants, and Children CFDA 93.268 - Immunization Grants CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance CFDA 93.558 - Temporary Assistance for Needy Families CFDA 93.767 - State Children's Insurance Program CFDA 93.917 - HIV Care Formula Grants CFDA 93.994 - Maternal and Child Health Services Block Grant to the States Food Stamp Cluster Medicaid Cluster	Procurement and Suspension and Debarment	08-21
Texas Higher Education Coordinating Board	CFDA 84.048 - Vocational Education - Basic Grants to States	Subrecipient Monitoring	08-22
Texas Juvenile Probation Commission	CFDA 93.658 - Foster Care - Title IV-E	Subrecipient Monitoring	08-23



<b>Agency/University</b>	<b>Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
Department of State Health Services	CFDA 93.268 - Immunization Grants	Allowable Costs/Cost Principles	08-24
	CFDA 93.889 - National Bioterrorism Hospital Preparedness Program	Period of Availability of Federal Funds	
	CFDA 93.917 - HIV Care Formula Grants		
	CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse		
	CFDA 93.994 - Maternal and Child Health Services Block Grant to the States		
	CFDA 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children	Allowable Costs/Cost Principles Special Tests and Provisions	08-25
	CFDA 93.994 - Maternal and Child Health Services Block Grant to the States	Earmarking	08-26
	CFDA 10.557 - Special Supplement Nutrition Program for Women, Infants and Children	Special Tests and Provisions	08-28
	CFDA 93.217 - Family Planning - Services	Subrecipient Monitoring	08-30
	CFDA 93.268 - Immunization Grants		
CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance			
CFDA 93.889 - National Bioterrorism Hospital Preparedness Program			



<b>Agency/University</b>	<b>Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
Department of State Health Services	CFDA 93.917 - HIV Care Formula Grants CFDA 93.940 - HIV Prevention Activities - Health Department Based CFDA 93.958 - Block Grants for Community Mental Health Services CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse CFDA 93.994 - Maternal and Child Health Services Block Grant to the States	(continued)	08-30
Texas Education Agency	CFDA 84.048 - Vocational Education - Basic Grants to States Special Education Cluster CFDA 84.011 - Migrant Education - State Grant Program CFDA 84.048 - Vocational Education - Basic Grants to States CFDA 84.357 - Reading First State Grants Special Education Cluster	Allowable Costs/Cost Principles Subrecipient Monitoring	08-31 08-32
Lamar Institute of Technology	Student Financial Assistance Cluster	Eligibility Special Tests and Provisions	08-33 08-34
Lamar State College - Orange	Student Financial Assistance Cluster	Special Tests and Provisions	08-35
Lamar State College - Port Arthur	Student Financial Assistance Cluster	Eligibility	08-36



<b>Agency/University</b>	<b>Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
Lamar State College - Port Arthur	Student Financial Assistance Cluster	Special Tests and Provisions	08-37
Prairie View A&M University	Student Financial Assistance Cluster	Special Tests and Provisions	08-38
Department of Public Safety	Homeland Security Cluster	Reporting	08-39
	CFDA 97.008 - Urban Areas Security Initiative	Subrecipient Monitoring	08-40
	CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) (including CFDA 84.544)		
	CFDA 97.039 - Hazard Mitigation Grant Program (including CFDA 84.548)		
	Homeland Security Cluster		
CFDA 97.008 - Urban Areas Security Initiative			
	Homeland Security Cluster	Special Tests and Provisions	08-41
	CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) (including CFDA 84.544)	Reporting	08-91
	CFDA 97.039 - Hazard Mitigation Grant Program (including CFDA 84.548)		
	Homeland Security Cluster		
Texas A&M Health Science Center	Student Financial Assistance Cluster	Special Tests and Provisions	08-43
Texas A&M University	Student Financial Assistance Cluster	Eligibility	08-44
		Special Tests and Provisions	08-45 08-46
Texas A&M University - Texarkana	Student Financial Assistance Cluster	Special Tests and Provisions	08-49



<b>Agency/University</b>	<b>Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>	
Texas Higher Education Coordinating Board	CFDA 84.032 - Federal Family Education Loan (FFEL), Lender	Special Tests and Provisions	08-50	
			08-52	
			08-53	
			08-54	
Texas Southern University	Student Financial Assistance Cluster	Reporting	08-56	
			Special Tests and Provisions	08-57
				08-58
Texas State Technical College - Harlingen	Student Financial Assistance Cluster	Eligibility	08-60	
			Special Tests and Provisions	08-61
Texas State Technical College - Marshall	Student Financial Assistance Cluster	Eligibility	08-62	
Texas State Technical College - Waco	Student Financial Assistance Cluster	Special Tests and Provisions	08-64	
Texas State Technical College - West Texas	Student Financial Assistance Cluster	Special Tests and Provisions	08-65	
Texas Tech University	Research and Development Cluster	Allowable Costs/Cost Principles	08-66	
Texas Tech University Health Science Center	Student Financial Assistance Cluster	Special Tests and Provisions	08-68	
Texas Women's University	Student Financial Assistance Cluster	Eligibility	08-69	
			Special Tests and Provisions	08-70
Department of Transportation	Highway Planning and Construction Cluster	Allowable Cost/Cost Principles Cash Management Period of Availability of Federal Funds Reporting	08-71	
University of Houston	Student Financial Assistance Cluster	Cash Management	08-72	
			Eligibility	08-73
			Special Tests and Provisions	08-74



<u>Agency/University</u>	<u>Program</u>	<u>Compliance Requirement</u>	<u>Finding Number</u>
University of Houston - Victoria	Student Financial Assistance Cluster	Special Tests and Provisions	08-75
University of Texas at Austin	Research and Development Cluster	Allowable Costs/Cost Principles	08-78
		Equipment and Real Property Management	08-79
		Matching, Level of Effort and Earmarking	08-80
University of Texas at Brownsville	Student Financial Assistance Cluster	Special Tests and Provisions	08-81
University of Texas M.D. Anderson Cancer Center	Research and Development Cluster	Allowable Costs/Cost Principles	08-82
		Equipment and Real Property Management	08-83
		Reporting	08-84
University of Texas at San Antonio	Student Financial Assistance Cluster	Eligibility	08-85
		Reporting	08-86
		Special Tests and Provisions	08-87
	Research and Development Cluster	Procurement and Suspension and Debarment	08-88
Water Development Board	CFDA 66.458 - Capitalization Grants for Clean Water State Revolving Funds CFDA 66.468 - Capitalization Grants for Drinking Water State Revolving Funds	Allowable Costs/Cost Principles Cash Management	08-89
		Matching and Earmarking Period of Availability of Federal Funds Reporting	
		Reporting	08-90





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 and the other auditors consider the items listed below, to be material weaknesses:

<b>Agency/University</b>	<b>Program</b>	<b>Compliance Requirement</b>	<b>Finding Number</b>
Health and Human Services Commission	CFDA 93.558 - Temporary Assistance for Needy Families Food Stamp Cluster Medicaid Cluster	Eligibility	08-12
Department of State Health Services	CFDA 93.958 - Block Grants for Community Mental Health Services	Special Tests and Provisions	08-29
Texas Higher Education Coordinating Board	CFDA - 84.032 Federal Family Education Loan (FFEL), Lender	Special Tests and Provisions	08-51
Texas Southern University	Student Financial Assistance Cluster	Cash Management	08-55

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

This report is intended solely for the information and use of the Governor, the Members of the Texas State Legislature, Legislative Audit Committee, 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 20, 2008

# STATE OF TEXAS

## Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2007

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>Office of National Drug Control Policy</b>					
Office of National Drug Control Policy	07.XXX	HIDTA Program	\$	\$ (7,775)	\$ (7,775)
		I3PSSP701		22,961	22,961
		I3PSWP567		2,092	2,092
		I4PHNP508		158,929	158,929
		I4PSSP701		61,888	61,888
		I4PSWP567		17,608	17,608
		I4PSWP998		1,282	1,282
		I5PHNP508		54,294	54,294
		I5PHNTP502		23,476	23,476
		I5PSSP701		125,741	125,741
		I5PSWP567		41,441	41,441
		I6PHNP508		251,365	251,365
		I6PHNTP502		31,200	31,200
		I6PSSP701		214,389	214,389
		I6PSWP567		155,456	155,456
		I7PHNTP502		6,424	6,424
		I7PSSP701		24,456	24,456
		PHNP506		127,567	127,567
		PSWP562		177,528	177,528
				0	1,490,322
Total - Office of National Drug Control Policy				1,490,322	1,490,322
<b>U.S. Department of Agriculture</b>					
U.S. Department of Agriculture	10.XXX	#004		14,565	14,565
		#14508-003-01		20,110	20,110
		12-25-A-4666		33,000	33,000
		AG-3142-P-06-0654		15,573	15,573
		WIEB-04-TX-0		717,596	717,596
<i>Pass-Through from Southern U.S. Trade Association</i>		E04MX4NA95		26,463	26,463
Agricultural Research--Basic and Applied Research	10.001			(1,138)	(1,138)
Plant and Animal Disease, Pest Control, and Animal Care	10.025			6,912,532	6,912,532
Wildlife Services	10.028			187,840	187,840
Forestry Incentives Program	10.064			729	729
Livestock Assistance Program	10.066			16,099,776	16,099,776
Market News	10.153			41,493	41,493
Federal-State Marketing Improvement Program	10.156			8,566	8,566
Market Protection and Promotion	10.163			1,146,319	1,146,319
Specialty Crop Block Grant Program	10.169			97,922	97,922
Grants for Agricultural Research, Special Research Grants	10.200			132,675	132,675
Payments to 1890 Land-Grant Colleges and Tuskegee	10.205		10,667	3,105,472	3,116,139
Sustainable Agriculture Research and Education	10.215				
<i>Pass-Through from Southern Forest Research Partnership</i>		435140		53,283	53,283
1890 Institution Capacity Building Grants	10.216			282,155	282,155
Higher Education Challenge Grants	10.217			33,360	33,360
Hispanic Serving Institutions Education Grants	10.223			487,007	487,007
Agricultural and Rural Economic Research	10.250			2,146	2,146
Initiative for Future Agriculture and Food Systems	10.302			865	865
Integrated Programs	10.303		786,369	221,741	1,008,110
<i>Pass-Through from North Carolina State University</i>		420120		24,980	24,980
<i>Pass-Through from North Carolina State University</i>		433450		3,247	3,247
<i>Pass-Through from University of Nebraska - Lincoln</i>		135144A388 25- 6231-0078003		36	36
Homeland Security_Agricultural	10.304			325,397	325,397
<i>Pass-Through from University of Florida</i>		440140		42,981	42,981
Interest Assistance Program	10.437			13,238	13,238

# STATE OF TEXAS

## Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2007

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Agriculture (continued)</b>					
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	10.443			119,377	119,377
Crop Insurance	10.450			339	339
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475			4,163,952	4,163,952
Cooperative Extension Service	10.500		1,267,348	23,321,257	24,588,605
<i>Pass-Through from Auburn University</i>		434450		22,841	22,841
<i>Pass-Through from Auburn University</i>		455490		239,273	239,273
<i>Pass-Through from Mississippi State University</i>		448110		2,498	2,498
<i>Pass-Through from Mississippi State University</i>		457150		225	225
<i>Pass-Through from Mississippi State University</i>		458180		5,569	5,569
<i>Pass-Through from National 4-H Council</i>		2005-45201-03332		10,308	10,308
<i>Pass-Through from National 4-H Council</i>		455110		(115)	(115)
<i>Pass-Through from National 4-H Council</i>		455510		12,594	12,594
<i>Pass-Through from University of Florida</i>		440410		6,968	6,968
<i>Pass-Through from University of Georgia</i>		437450		4,277	4,277
<i>Pass-Through from University of Georgia</i>		450340		7,212	7,212
<i>Pass-Through from University of Kentucky</i>		457160		1,855	1,855
<i>Pass-Through from University of Minnesota</i>		422006	14,376		14,376
<i>Pass-Through from University of Minnesota</i>		422007	53,597		53,597
<i>Pass-Through from University of Minnesota</i>		422008		119,379	119,379
<i>Pass-Through from University of Minnesota</i>		422009	273		273
<i>Pass-Through from University of Minnesota</i>		422010	99		99
<i>Pass-Through from University of Minnesota</i>		422490		4,857	4,857
Food Donation	10.550			111,922,937	111,922,937
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		87,709,196	635,684,443	723,393,639
Child and Adult Care Food Program	10.558			204,664,071	204,664,071
State Administrative Expenses for Child Nutrition	10.560			17,199,174	17,199,174
Commodity Supplemental Food Program	10.565			5,048,960	5,048,960
WIC Farmers' Market Nutrition Program (FMNP)	10.572		143,581	548,737	692,318
Team Nutrition Grants	10.574			63,377	63,377
Child Nutrition Discretionary Grants Limited Availability	10.579			66,069	66,069
Fresh Fruit and Vegetable Program	10.582			857,302	857,302
Forestry Research	10.652			1,046,872	1,046,872
Cooperative Forestry Assistance	10.664			8,567,106	8,567,106
Forest Health Protection	10.680			432	432
Rural Business Enterprise Grants	10.769			29,219	29,219
Rural Cooperative Development Grants	10.771			395,468	395,468
Distance Learning and Telemedicine Loans and Grants	10.855			52,559	52,559
1890 Land Grant Institutions Rural Entrepreneurial Outreach Program	10.856			94,105	94,105
Resource Conservation and Development	10.901		187,717	37,383	225,100
Soil and Water Conservation	10.902			34,283	34,283
Plant Materials for Conservation	10.905			76,465	76,465
Environmental Quality Incentives Program	10.912			1,046,032	1,046,032
Wildlife Habitat Incentive Program	10.914				
<i>Pass-Through from National Fish and Wildlife Foundation</i>		454230		8,792	8,792
International Training--Foreign Participant	10.962				
<i>Pass-Through from Association Liaison Office</i>		HNE-A-00-97-0059-00	24,247	301	24,548
Total - U.S. Department of Agriculture			<u>90,197,470</u>	<u>1,045,536,682</u>	<u>1,135,734,152</u>
<b>U.S. Department of Commerce</b>					
Economic Development--Technical Assistance	11.303			153,324	153,324
Trade Adjustment Assistance	11.313			1,046,320	1,046,320

# STATE OF TEXAS

## Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2007

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Commerce (continued)</b>					
Coastal Zone Management Administration Awards	11.419		311,976	1,072,574	1,384,550
Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes	11.432			903,947	903,947
Regional Fishery Management Councils	11.441			185,933	185,933
Unallied Industry Projects	11.452			159,500	159,500
Unallied Management Projects	11.454			20,816	20,816
Special Oceanic and Atmospheric Projects	11.460			7,320	7,320
Habitat Conservation	11.463			1,294,617	1,294,617
Educational Partnership Program	11.481			30,248	30,248
<i>Pass-Through from Howard University</i>		631017-H040939		139,328	139,328
Measurement and Engineering Research and Standards	11.609			6,420	6,420
Manufacturing Extension Partnership	11.611		83,371	956,977	1,040,348
Minority Business Development Centers	11.800			251,694	251,694
Total - U.S. Department of Commerce			395,347	6,229,018	6,624,365
<b>U.S. Department of Defense</b>					
U.S. Department of Defense	12.XXX	161H440879		33,833	33,833
		AFROTCR170-1MU			
		4400041000		13,036	13,036
		560007	220,327		220,327
		72746		26,293	26,293
		FA4484-07-T-0030		5,140	5,140
		FA8901-06-M-0114		28,997	28,997
		FA8901-06-M-0118		25,900	25,900
		FA8901-07-M-0089/PET		1,120	1,120
		H98230-05-1-0110		58,057	58,057
		HQ006-07-00015		231,297	231,297
		vm9113m-05-c-1087		1,361,546	1,361,546
		W81K00-06-P-0525		26,307	26,307
		WOLF/IPAA/STEW ART		313,960	313,960
<i>Pass-Through from Pennsylvania State University</i>		72076		3,461	3,461
<i>Pass-Through from University of Maryland</i>		Z994701		77,031	77,031
<i>Pass-Through from University of Southern California</i>		W911NF-04-D-0005		2,140	2,140
Procurement Technical Assistance for Business Firms	12.002			631,544	631,544
Flood Control Projects	12.106			235,022	235,022
Payments to States in Lieu of Real Estate Taxes	12.112			1,652,017	1,652,017
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113			960,875	960,875
Collaborative Research and Development	12.114		481,317	206,850	688,167
Basic and Applied Scientific Research	12.300			133,565	133,565
<i>Pass-Through from Academy of Applied Science, Inc.</i>		W911NF-04-1-0001		19,814	19,814
<i>Pass-Through from Consortium for Oceanographic Research and Education</i>		604910		(6,596)	(6,596)
<i>Pass-Through from Consortium for Oceanographic Research and Education</i>		606190		15,000	15,000
<i>Pass-Through from Consortium for Oceanographic Research and Education</i>		ONR - NA160M2411		14,807	14,807
Military Construction, National Guard	12.400			149,204	149,204
National Guard Military Operations and Maintenance (O&M) Projects	12.401			35,303,421	35,303,421
Readiness Sustainment Maintenance Program	12.402			10,437,639	10,437,639
National Guard Civilian Youth Opportunities	12.404			2,205,790	2,205,790

# STATE OF TEXAS

## Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2007

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Defense (continued)</b>					
Military Medical Research and Development	12.420			874,186	874,186
Basic Scientific Research	12.431			955,031	955,031
Basic, Applied, and Advanced Research in Science and Engineering	12.630			27,523	27,523
Air Force Defense Research Sciences Program	12.800			457,582	457,582
Mathematical Sciences Grants Program	12.901				
<i>Pass-Through from Association for Women in Math</i>		H982300410093		920	920
Research and Technology Development	12.910			356,797	356,797
Total - U.S. Department of Defense			701,644	56,839,109	57,540,753
<b>U.S. Department of Housing and Urban Development</b>					
U.S. Department of Housing and Urban Development	14.XXX	334010		404,637	404,637
		7751021000		95,642	95,642
		CH-TEX-250D-300630		93,330	93,330
		SA-265-1000(S)		48,802	48,802
		TXLHH0126-04	27,806	153,968	181,774
<i>Pass-Through from City of Houston</i>		FC62153 06-0501		140,128	140,128
Community Development Block Grants/State's Program	14.228		93,537,895	4,009,316	97,547,211
Emergency Shelter Grants Program	14.231			4,860,062	5,254,594
Supportive Housing Program	14.235				
<i>Pass-Through from Housing Authority of New Orleans</i>		07-101-04-12		26,112	26,112
<i>Pass-Through from SCI Research</i>		07-101-04-12	48,280		48,280
Historically Black Colleges and Universities Program	14.237			84,549	84,549
HOME Investment Partnerships Program	14.239		42,316,158	3,154,383	45,470,541
Housing Opportunities for Persons with AIDS	14.241		2,870,081	43,916	2,913,997
<i>Pass-Through from City of Dallas</i>		04-0531		68,233	68,233
Community Development Block Grants/Brownfields Economic Development Initiative	14.246			277,680	277,680
Rural Housing and Economic Development	14.250		126,856	6,500	133,356
<i>Pass-Through from Neighborhood Housing Service of Dimmit County</i>		3911-01		(5,847)	(5,847)
Community Outreach Partnership Center Program	14.511			12,273	12,273
Hispanic-Serving Institutions Assisting Communities	14.514			818,615	818,615
Historically Black Colleges and Universities Program	14.520			141,669	141,669
Public and Indian Housing	14.850				
<i>Pass-Through from Lubbock Housing Authority</i>		135244B560		60,109	60,109
Demolition and Revitalization of Severely Distressed Public Housing (HOPE IV)	14.866				
<i>Pass-Through from City of El Paso Housing Authority</i>		TX1URD033		60,038	60,038
Section 8 Housing Choice Vouchers	14.871			6,376,609	6,376,609
Healthy Homes Initiative Grants	14.901			199,230	199,230
Total - U.S. Department of Housing and Urban Development			143,787,138	16,664,424	160,451,562
<b>U.S. Department of the Interior</b>					
U.S. Department of the Interior	15.XXX	1435-02-03-CA-40391		124,928	124,928
		J124050067		230	230
		N-3-1		50,000	50,000
<i>Pass-Through from Stanford University</i>		17665880-3		25,618	25,618
Cultural Resource Management	15.224			4,005	4,005
National Fire Plan - Wildland Urban Interface Community Fire Assistance	15.228			230,351	230,351
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250			1,483,327	1,483,327

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## Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2007

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of the Interior (continued)</b>					
Abandoned Mine Land Reclamation (AMLR) Program	15.252			838,194	838,194
Minerals Management Service (MMS) Environmental Studies Program (ESP)	15.423			108,491	108,491
Water 2025	15.507			54,494	54,494
Fish and Wildlife Management Assistance	15.608			(446)	(446)
Coastal Wetlands Planning, Protection, and Restoration Act	15.614			1,314,005	1,314,005
Clean Vessel Act	15.616			114,100	114,100
North American Wetlands Conservation Fund	15.623			49,323	49,323
Wildlife Conservation and Restoration	15.625			(27,129)	(27,129)
Multi-State Conservation Grants	15.628			108,753	108,753
Coastal Program	15.630			18,555	18,555
Partners for Fish and Wildlife	15.631			8,660	8,660
Landowner Incentive	15.633			274,133	274,133
State Wildlife Grants	15.634			3,334,308	3,334,308
U.S. Geological Survey--Research and Data Acquisition	15.808			54,294	54,294
<i>Pass-Through from Houston Advanced Research Center</i>		CSWGCIN NBII HARC		9,870	9,870
National Spatial Data Infrastructure Cooperative Agreements Program	15.809			25,000	25,000
Historic Preservation Fund Grants-In-Aid	15.904		91,373	1,055,352	1,146,725
Outdoor Recreation--Acquisition, Development and Planning	15.916			1,691,446	1,691,446
National Center for Preservation Technology and Training	15.923			1,052	1,052
Save America's Treasures	15.929			118,894	118,894
Total - U.S. Department of the Interior			<u>91,373</u>	<u>11,069,808</u>	<u>11,161,181</u>
<b>U.S. Department of Justice</b>					
U.S. Department of Justice	16.XXX	2006DDBX0589		145,189	145,189
		72731		237,619	237,619
		TXQNGCD13		268,308	268,308
<i>Pass-Through from New Mexico Institute of Mining and Technology</i>		D787		387,581	387,581
State and Local Domestic Preparedness Training Programs	16.008			215,249	215,249
Offender Reentry Program	16.202			278,208	278,208
Juvenile Accountability Incentive Block Grants	16.523		2,609,023	709,088	3,318,111
Grants to Reduce Violent Crimes Against Women on Campuses	16.525			171,664	171,664
Education and Training to End Violence Against and Abuse of Women with Disabilities	16.529			96,356	96,356
Juvenile Justice and Delinquency Prevention--Allocation to States	16.540		3,802,328	221,742	4,024,070
Developing, Testing, and Demonstrating Promising New Programs	16.541			212,543	212,543
Missing Children's Assistance	16.543			97,562	97,562
<i>Pass-Through from City of Dallas</i>		2005-MC-CX-K031		4,875	4,875
Title V--Delinquency Prevention Program	16.548		621,377	472,787	621,377
National Criminal History Improvement Program (NCHIP)	16.554			472,787	472,787
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560			1,527,951	1,527,951
<i>Pass-Through from University of Arkansas</i>		D797		66,467	66,467
<i>Pass-Through from University of Virginia</i>		A224		22,495	22,495
Crime Laboratory Improvement--Combined Offender DNA Index System Backlog Reduction	16.564			2,303,738	2,303,738
Crime Victim Assistance	16.575		25,791,037	374,676	26,165,713
Crime Victim Compensation	16.576			13,622,000	13,622,000

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For the Year Ended August 31, 2007

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Justice (continued)</b>					
Byrne Formula Grant Program	16.579		885,052	3,414,912	4,299,964
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580			673,992	673,992
Crime Victim Assistance/Discretionary Grants	16.582			4,991	4,991
Violent Offender Incarceration and Truth in Sentencing Incentive Grants	16.586			724,394	724,394
Violence Against Women Formula Grants	16.588		6,631,621	125,361	6,756,982
<i>Pass-Through from Tarrant County</i>		WF-06-V30-15136-08		29,485	29,485
Local Law Enforcement Block Grants Program	16.592		21,115	906,261	927,376
Residential Substance Abuse Treatment for State Prisoners	16.593		2,210,212		2,210,212
Corrections--Technical Assistance/Clearinghouse	16.603			47,725	47,725
State Criminal Alien Assistance Program	16.606			19,653,851	19,653,851
Bulletproof Vest Partnership Program	16.607			12,084	12,084
Community Prosecution and Project Safe Neighborhoods	16.609			1,525,926	1,525,926
Public Safety Partnership and Community Policing Grants	16.710			278,922	278,922
<i>Pass-Through from Northwestern University</i>		D749		54,937	54,937
<i>Pass-Through from University of Tennessee</i>		D745		5,036	5,036
Enforcing Underage Drinking Laws Program	16.727		127,236	161,349	288,585
Special Data Collection and Statistical Studies	16.734			90,433	90,433
Protecting Inmates and Safeguarding Communities Discretionary Grant Program	16.735			371,938	371,938
Edward Byrne Memorial Justice Assistance Grant Program	16.738		12,416,792	5,343,552	17,760,344
Paul Coverdell Forensic Sciences Improvement Grant Project	16.742			366,486	366,486
Anti-Gang Initiative	16.744			189,301	189,301
Total - U.S. Department of Justice			55,115,793	55,417,034	110,532,827
<b>U.S. Department of Labor</b>					
U.S. Department of Labor	17.XXX	135I44C407		965	965
<i>Pass-Through from North Central Texas College</i>		72123		13,572	13,572
Labor Force Statistics	17.002			3,533,070	3,533,070
Compensation and Working Conditions	17.005			262,191	262,191
Unemployment Insurance	17.225		568,213	1,277,658,858	1,278,227,071
Senior Community Service Employment Program	17.235		5,235,403		5,235,403
Trade Adjustment Assistance--Workers	17.245		9,558,166	18,746,997	28,305,163
Employment and Training Pilots	17.261		796,053	2,497,061	3,293,114
Work Incentives Grant	17.266		714,248	72,710	786,958
Incentive Grants_WIA Section 503	17.267		(3,573)	140,712	137,139
<i>Pass-Through from Middle Rio Grande Workforce Board</i>		04-2007		6,955	6,955
<i>Pass-Through from South Texas Workforce Development</i>		05-2005		6,726	6,726
<i>Pass-Through from South Texas Workforce Development</i>		05-2007		46,316	46,316
Community Based Job Training Grants	17.269			213,791	213,791
Work Opportunity Tax Credit Program (WOTC)	17.271		6,112	1,332,404	1,338,516
Permanent Labor Certification for Foreign Workers	17.272		15,411	920,907	936,318
Occupational Safety and Health--Susan Harwood Training Grants	17.502			766,390	766,390
Consultation Agreements	17.504			2,552,584	2,552,584
Women's Special Employment Assistance	17.700			6,930	6,930
Transition Assistance Program	17.807			636,262	636,262
Total - U.S. Department of Labor			16,890,033	1,309,415,401	1,326,305,434
<b>U.S. Department of State</b>					
U.S. Department of State	19.XXX	413001		27,744	27,744
International Visitors Program	19.402			24,796	24,796

**STATE OF TEXAS**

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2007

<b>Cluster Name/Federal Grantor/Program Name/ Pass-through Entity</b>	<b>CFDA</b>	<b>Federal/Pass- through Entity Other Identifying No.</b>	<b>Pass-through to Non-State Entities</b>	<b>Expenditures</b>	<b>Total</b>
<b>U.S. Department of State (continued)</b>					
Professional Exchange--Annual Open Grant	19.415			23,847	23,847
<i>Pass-Through from Association Liaison Office</i>		HNE-A-00-9		97,385	97,385
Exchange-English Language Fellow Program	19.421				
<i>Pass-Through from Institutional Research Exchange</i>		s-eccaae-06-ca-025		9,285	9,285
Total - U.S. Department of State			<u>0</u>	<u>183,057</u>	<u>183,057</u>
<b>U.S. Department of Transportation</b>					
U.S. Department of Transportation	20.XXX	DDEHBC-03X-00155		27,680	27,680
		DTSA20-03-P01429		15,110	15,110
<i>Pass-Through from Applied Research Associates</i>		16138		48,495	48,495
<i>Pass-Through from South Carolina State University</i>		04443540NSTITST		23,684	23,684
Airport Improvement Program	20.106			44,375,388	44,375,388
Highway Training and Education	20.215			143,430	143,430
<i>Pass-Through from South Carolina State University</i>		#5/02-447399		2,059	2,059
National Motor Carrier Safety	20.218		15,424	29,679,195	29,694,619
Recreational Trails Program	20.219			1,712,570	1,712,570
Commercial Driver License State Programs	20.232			403,760	403,760
Border Enforcement Grants	20.233			156,064	156,064
Federal Transit--Metropolitan Planning Grants	20.505		5,696,330		5,696,330
Formula Grants for Other Than Urbanized Areas	20.509		23,318,893		23,318,893
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513		7,117,890		7,117,890
Transit Planning and Research	20.514		39,986		39,986
State Planning and Research	20.515		227,776		227,776
Job Access--Reverse Commute	20.516		149,261		149,261
New Freedom Program	20.521		33,053		33,053
Pipeline Safety	20.700			1,737,352	1,737,352
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		61,041	594,512	655,553
State Marine Schools	20.806				
<i>Pass-Through from Research Foundation of the State University of New York</i>		DTMA1H05004		11,496	11,496
U.S. Merchant Marine Academy	20.807			239,816	239,816
Total - U.S. Department of Transportation			<u>36,659,654</u>	<u>79,170,611</u>	<u>115,830,265</u>
<b>U.S. Department of Treasury</b>					
U.S. Department of Treasury	21.XXX				
<i>Pass-Through from Foundations</i>		L500030		1,072	1,072
Low-Income Taxpayer Clinics	21.008			56,050	56,050
Total - U.S. Department of Treasury			<u>0</u>	<u>57,122</u>	<u>57,122</u>
<b>Office of Personnel Management</b>					
Intergovernmental Personnel Act (IPA) Mobility Program	27.011			306,673	306,673
Total - Office of Personnel Management			<u>0</u>	<u>306,673</u>	<u>306,673</u>
<b>General Services Administration</b>					
Donation of Federal Surplus Personal Property	39.003		6,786,949	399,311	7,186,260
Election Reform	39.011		719,280	1,670,243	2,389,523
Total - General Services Administration			<u>7,506,229</u>	<u>2,069,554</u>	<u>9,575,783</u>



# STATE OF TEXAS

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>National Aeronautics and Space Administration</b>					
National Aeronautics and Space Administration	43.XXX				
<i>Pass-Through from Boeing</i>		6H08658 & 5H07430		44,220	44,220
<i>Pass-Through from California Space Grant Foundation</i>		DFRC SAA TASK1-		12,861	12,861
<i>Pass-Through from The Boeing Company</i>		5H07325		6,505	6,505
<i>Pass-Through from The Boeing Company</i>		6H08651		54,044	54,044
<i>Pass-Through from United Negro College Fund Special Programs</i>		NASA/UNCFSPC		17,285	17,285
Aerospace Education Services Program	43.001		11,500	379,546	391,046
<i>Pass-Through from Society of Hispanic Professional Engineer FD</i>		NAG3-2299		8,462	8,462
<i>Pass-Through from Texas Space Grant Consortium</i>		3915-50		(893)	(893)
<i>Pass-Through from Texas Space Grant Consortium</i>		606130		1,015	1,015
<i>Pass-Through from University Corporation for Atmospheric Research</i>		P07-60265		32,327	32,327
Technology Transfer	43.002			15,744	15,744
Total - National Aeronautics and Space Administration			11,500	571,116	582,616
<b>National Foundation on the Arts and the Humanities</b>					
Promotion of the Arts--Grants to Organizations and	45.024			71,887	71,887
Promotion of the Arts--Partnership Agreements	45.025			2,310	2,310
<i>Pass-Through from National Endowment for the Arts</i>		15210985873000		865,500	865,500
Promotion of the Humanities--Federal/State Partnership	45.129				
<i>Pass-Through from Humanities Texas</i>		#2006-3265		3,966	3,966
<i>Pass-Through from Humanities Texas</i>		135444C630/C817		2,795	2,795
		06-3323 07-3405			
<i>Pass-Through from Humanities Texas</i>		2005-3081		1,050	1,050
<i>Pass-Through from Humanities Texas</i>		2006-3217		1,500	1,500
<i>Pass-Through from Humanities Texas</i>		2006-3299		12,610	12,610
<i>Pass-Through from Humanities Texas</i>		2007-3369		3,000	3,000
<i>Pass-Through from Humanities Texas</i>		2007-3396		1,223	1,223
<i>Pass-Through from Humanities Texas</i>		72067		51	51
<i>Pass-Through from Humanities Texas</i>		72097		6,120	6,120
<i>Pass-Through from Humanities Texas</i>		72122		1,500	1,500
<i>Pass-Through from Texas Committee for the Humanities</i>		HTX 2006-3333		500	500
Promotion of the Humanities--Division of Preservation and Access	45.149			19,534	19,534
Promotion of the Humanities--Research	45.161			70,854	70,854
Promotion of the Humanities--Teaching and Learning Resources and Curriculum Development	45.162			123,666	123,666
Museum for American Grants	45.301			155,275	155,275
State Library Program	45.310		8,486,784	2,530,981	11,017,765
National Leadership Grants	45.312			194,609	194,609
Librarians for the 21st Century	45.313		31,726	563,174	594,900
<i>Pass-Through from Institute for Museum and Library</i>		RE-01-04-0031-04		226,155	226,155
<i>Pass-Through from Institute of Museum and Library Services</i>		RE-05-04-0009-04		373,406	373,406
Total - National Foundation on the Arts and the Humanities			8,518,510	5,231,666	13,750,176
<b>National Science Foundation</b>					
National Science Foundation	47.XXX	OCI-0636352		125,800	125,800
<i>Pass-Through from St. Phillips College</i>		72098		2,433	2,433
Engineering Grants	47.041		4,527	194,172	198,699
<i>Pass-Through from San Jacinto Community College</i>		NSF 0649713		39,773	39,773
Mathematical and Physical Sciences	47.049			607,166	607,166

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For the Year Ended August 31, 2007

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>National Science Foundation (continued)</b>					
<i>Pass-Through from Fermi National Accelerator Laboratory</i>		573565		40,032	40,032
<i>Pass-Through from Institute for Advanced Study</i>		7439-2307		146,384	146,384
<i>Pass-Through from Research Foundation of the City University of New York</i>		606280		6,000	6,000
Geosciences	47.050			92,946	92,946
<i>Pass-Through from Institute for Global Environmental Strategies, Inc.</i>		429010		10,000	10,000
Computer and Information Science and Engineering	47.070			79,087	79,087
<i>Pass-Through from American Statistical Association</i>		SRS-NSF-2006		23,896	23,896
Biological Sciences	47.074			36,936	36,936
Social, Behavioral, and Economic Sciences	47.075			66,902	66,902
<i>Pass-Through from Virginia Tech University</i>		A230		15,494	15,494
Education and Human Resources	47.076		29,405	3,993,315	4,022,720
<i>Pass-Through from Center of Occ. Research and Development</i>		0603275		246,641	246,641
<i>Pass-Through from Collin County Community College</i>		72002		362	362
<i>Pass-Through from Houston Independent School District</i>		HU-LINC		2,431	2,431
<i>Pass-Through from Mathematical Association of America</i>		DUE 0230847		15,855	15,855
<i>Pass-Through from Mathematical Association of America</i>		Letter Dated 1/28/05		2,006	2,006
<i>Pass-Through from Rice University</i>		R39292-2460005		547,186	547,186
<i>Pass-Through from University of Louisiana at Monroe</i>		72094		(4,756)	(4,756)
Polar Programs	47.078			252,387	252,387
<i>Pass-Through from Michigan State University</i>		61-2405OUT		164,553	164,553
<i>Pass-Through from San Diego University Foundation</i>		53702AP152		43,733	43,733
International Science and Engineering (OISE)	47.079			61,572	61,572
Total - National Science Foundation			33,932	6,812,306	6,846,238
<b>Small Business Administration</b>					
Small Business Development Center	59.037		1,113,775	2,916,669	4,030,444
<i>Pass-Through from Dallas County Community College</i>		6-603001-Z-0046-20		76,596	76,596
<i>Pass-Through from Iowa State University</i>		435-08-06		209,903	209,903
<i>Pass-Through from Science and Engineering Alliance, Inc</i>		Subcontract #SEA/EPA0014		289	289
Veterans Entrepreneurial Training and Counseling	59.044			172,187	172,187
Total - Small Business Administration			1,113,775	3,375,644	4,489,419
<b>Department of Veterans Affairs</b>					
Department of Veterans Affairs	64.XXX	Public Law 90-77 V671P3641 V671P4083 VA-REDDICK- V671P3991 VA-V671P4009 VP671P3986 WIATROWSKI- V671P4092		1,054 (197,251) 77,516 149,396 (296) 85,515 10,953	1,054 (197,251) 77,516 149,396 (296) 85,515 10,953
Grants to States for Construction of State Home Facilities	64.005			2,496,683	2,496,683
Veterans State Nursing Home Care	64.015			16,687,280	16,687,280
Burial Expenses Allowance for Veterans	64.101			141,600	141,600
All-Volunteer Force Educational Assistance	64.124		2,677	941,524	944,201
Vocational and Educational Counseling for Servicemembers and Veterans	64.125			2,500	2,500

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For the Year Ended August 31, 2007

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>Department of Veterans Affairs (continued)</b>					
State Cemetery Grants	64.203			1,386,677	1,386,677
Total - Department of Veterans Affairs			2,677	21,783,151	21,785,828
<b>Environmental Protection Agency</b>					
Environmental Protection Agency	66.XXX	C480001-05,06,07 CS-48000101 SU-83224910	11,599,201 12,384 2,505	545,427	12,144,628 12,384 2,505
Air Pollution Control Program Support	66.001		103,444	420,530	523,974
State Indoor Radon Grants	66.032			31,381	31,381
Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034		312,991	2,025,080	2,338,071
<i>Pass-Through from Arizona State University</i>		05-594		303,626	303,626
<i>Pass-Through from National Environmental Education and Training</i>		XA83311501		5,718	5,718
<i>Pass-Through from University of Utah</i>		XA-8309940		5,687	5,687
Congressionally Mandated Projects	66.202			254,417	254,417
Water Pollution Control--State and Interstate Program Support	66.419		1,903	4,196,577	4,198,480
State Underground Water Source Protection	66.433			749,261	749,261
Surveys, Studies, Investigations, Demonstrations & Training Grants & Cooperative Agreements - Sec 104(b)(3) of the Clean Water Act	66.436			297,492	297,492
Water Quality Management Planning	66.454		182,499	189,314	371,813
National Estuary Program	66.456		41,592	145,905	187,497
<i>Pass-Through from Coastal Bend Bays and Estuaries</i>		418220		1,315	1,315
Capitalization Grants for State Revolving Funds	66.458		144,121,272	25,812,448	169,933,720
Nonpoint Source Implementation Grant	66.460		1,489	8,226,873	8,228,362
<i>Pass-Through from Industrial Economics, Inc</i>		446490		3,215	3,215
Wastewater Operator Training Grant Program (Technical Assistance)	66.467			44,618	44,618
Capitalization Grants for Drinking Water State Revolving Funds	66.468		55,867,843	11,582,290	67,450,133
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471			850,287	850,287
Beach Monitoring and Notification Program Implementation Grants	66.472		91,575	92,031	183,606
Water Protection Coordination Grants to States	66.474			148,620	148,620
Gulf of Mexico Program	66.475			183,562	183,562
Environmental Protection Consolidated Research	66.500			632,663	632,663
Greater Research Opportunities (GRO) Fellowships For Undergraduate/Graduate Environmental Study	66.513			2,500	2,500
Environmental Protection Consolidated Grants--Program Support	66.600			231	231
Performance Partnership Grants	66.605			28,979,073	28,979,073
Surveys, Studies, Investigations and Special Purpose Grants	66.606			102,814	102,814
<i>Pass-Through from Water Environment Research</i>		427008	52,655		52,655
<i>Pass-Through from Water Environment Research</i>		427160		923	923
<i>Pass-Through from Water Environment Research</i>		427350		53,734	53,734
Environmental Information Exchange Network Grant Program and Related Assistance	66.608			192,300	192,300
Protection of Children and Older Adults (Elderly) from Environmental Health Risks	66.609				
<i>Pass-Through from Environmental Alliance for Senior Involvement</i>		72101		(203)	(203)

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## Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2007

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>Environmental Protection Agency (continued)</b>					
Surveys, Studies, Investigations and Special Purpose Grants within the Office of the Administrator	66.610			15,657	15,657
Consolidated Pesticide Enforcement Cooperative Agreements	66.700			1,288,295	1,288,295
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701		4,200	129,807	134,007
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707			310,329	310,329
Pollution Prevention Grants Program	66.708			114,664	114,664
Multi-Media Capacity Building Grants for States and Tribes	66.709			2,249	2,249
Pesticide Environmental Stewardship Regional Grants	66.714			50,614	50,614
Surveys, Studies, Investigations, Training Demonstrations and Educational Outreach	66.716			63,696	63,696
Superfund State Political Subdivision, and Indian Tribe Site--Specific Cooperative Agreements	66.802			1,207,319	1,207,319
Leaking Underground Storage Tank--Trust Fund	66.805			1,830,677	1,830,677
Superfund State and Indian Tribe Core Program--Cooperative Agreements	66.809			205,929	205,929
State and Tribal Response Program Grants	66.817			440,190	440,190
International Financial Assistance Projects Sponsored by the Office of International Affairs	66.931			106,101	106,101
Environmental Education Grants	66.951			43,094	43,094
Total - Environmental Protection Agency			212,393,048	91,890,835	304,283,883
<b>U.S. Department of Energy</b>					
U.S. Department of Energy	81.XXX				
<i>Pass-Through from Baylor University</i>		72285		21,907	21,907
<i>Pass-Through from Midwest Research Institute</i>		DE-AC36-		47,329	47,329
<i>Pass-Through from Sandia National Laboratories</i>		464283		70,878	70,878
<i>Pass-Through from Stanford University/Linear Accelerator</i>		DE-AC03-76-SF-00515		187,333	187,333
<i>Pass-Through from University of California Los Alamos National Lab</i>		4500-001-07		20,246	20,246
State Energy Program	81.041		913,401	720,860	1,634,261
Weatherization Assistance for Low-Income Persons	81.042		5,352,776	352,745	5,705,521
Office of Scientific and Technical Information	81.064			1,954	1,954
Renewable Energy Research and Development	81.087				
<i>Pass-Through from National Renewable Energy Laboratory Academic Partnerships</i>	81.102	72030		(19,247)	(19,247)
<i>Pass-Through from Howard University</i>		DE-FC02-02EW15254		12,732	12,732
Office of Environmental Cleanup and Acceleration	81.104			94,641	94,641
Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions	81.106			407,507	407,507
Epidemiology and Other Health Studies Financial Assistance Program	81.108				
<i>Pass-Through from Drexel University</i>		23-1352630		129,627	129,627
Miscellaneous	81.502		284,345	1,060,563	1,344,908
Total - U.S. Department of Energy			6,550,522	3,109,075	9,659,597
<b>United States Information Agency</b>					
United States Information Agency	82.XXX	MEXICO AID SPT		(2,086)	(2,086)
Total - United States Information Agency			0	(2,086)	(2,086)

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>Federal Emergency Management Agency</b>					
Federal Emergency Management Agency	83.XXX	FEMA-1257-UN	2,308,938		2,308,938
Disaster Unemployment Assistance	83.541			(46,859)	(46,859)
Total - Federal Emergency Management Agency			2,308,938	(46,859)	2,262,079
<b>U.S. Department of Education</b>					
U.S. Department of Education	84.XXX	06L480046-75		(5,992)	(5,992)
		149048006		56,470	56,470
		71504		194,961	194,961
		ED-03-CO-0080		115,541	115,541
		FG06-27		1,295	1,295
		T195N070068		1,618	1,618
<i>Pass-Through from ESC Region V</i>		A482		12,958	12,958
<i>Pass-Through from ESC Region V</i>		A484		100,250	100,250
<i>Pass-Through from Howard College</i>		72161		6,848	6,848
<i>Pass-Through from National Writing Project Corporation</i>		06-TX17		26,050	26,050
<i>Pass-Through from Southwest Educational Development Laboratory</i>		72271		1,540	1,540
<i>Pass-Through from Texas Southmost College</i>		22-8-1-604180		32,688	32,688
Adult Education--State Grant Program	84.002		41,439,923	4,227,888	45,667,811
Title I Grants to Local Educational Agencies	84.010		1,208,849,306	10,483,777	1,219,333,083
Migrant Education--State Grant Program	84.011		53,435,721	1,153,864	54,589,585
Title I Program for Neglected and Delinquent Children	84.013		8,403	3,108,125	3,116,528
Undergraduate International Studies and Foreign Language Programs	84.016			139,940	139,940
Higher Education--Institutional Aid	84.031		323,508	16,088,768	16,412,276
<i>Pass-Through from Alamo Community College District</i>		600820		19,265	19,265
<i>Pass-Through from Houston Community College System</i>		PO315030010		125,197	125,197
<i>Pass-Through from Palo Alto College</i>		PO31S020038		244,236	244,236
Perkins Loan Cancellations	84.037				
<i>Pass-Through from Weatherford College</i>		4656		49,887	49,887
Vocational Education--Basic Grants to States	84.048		81,048,197	10,402,038	91,450,235
<i>Pass-Through from Texas Southmost College</i>		54246		687,908	687,908
Leveraging Educational Assistance Partnership	84.069			4,478,991	4,478,991
Women's Educational Equity Act Program	84.083			197,571	197,571
Fund for the Improvement of Postsecondary Education	84.116		73,555	1,308,376	1,381,931
<i>Pass-Through from Brigham Young University</i>		06LM050994F1H		19,276	19,276
<i>Pass-Through from Del-Mar College</i>		604680		8,565	8,565
<i>Pass-Through from Del-Mar College</i>		604940		9,165	9,165
<i>Pass-Through from Drexel University</i>		213021		28,355	28,355
<i>Pass-Through from Howard University</i>		523010-H041776		7,653	7,653
<i>Pass-Through from University of Arizona</i>		Y413921		25,937	25,937
<i>Pass-Through from UT Foundation</i>		p116z050341		96,044	96,044
Minority Science and Engineering Improvement	84.120			406,766	406,766
Rehabilitation Services--Vocational Rehabilitation Grants to States	84.126			219,559,924	219,559,924
Rehabilitation Long-Term Training	84.129			1,941,358	1,941,358
<i>Pass-Through from San Diego State University Foundation</i>		72024		3,716	3,716
<i>Pass-Through from San Diego State University Foundation</i>		72037		672	672
National Institute on Disability and Rehabilitation Research	84.133			22,252	22,252
Migrant Education--High School Equivalency Program	84.141			3,035,921	3,035,921
Migrant Education--Coordination Program	84.144		103,002	544,859	647,861
Migrant Education--College Assistance Migrant Program	84.149			1,915,089	1,915,089
Business and International Education Projects	84.153			209,219	209,219
Independent Living--State Grants	84.169			1,408,612	1,408,612

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Education (continued)</b>					
Rehabilitation Services--Independent Living Services for Older Individuals Who are Blind	84.177			1,791,267	1,791,267
Special Education--Grants for Infants and Families with Disabilities	84.181		34,219,066	1,965	34,221,031
Safe and Drug-Free Schools and Communities--National Programs	84.184		(216,209)		(216,209)
Byrd Honors Scholarships	84.185			3,434,032	3,434,032
Safe and Drug-Free Schools and Communities--State Grants	84.186		28,861,298	890,299	29,751,597
Supported Employment Services for Individuals with Severe Disabilities	84.187			1,804,243	1,804,243
Bilingual Education--Professional Development	84.195			867,271	867,271
Education for Homeless Children and Youth	84.196		6,140,167		6,140,167
Graduate Assistance in Areas of National Need	84.200			388,348	388,348
Javits Gifted and Talented Students Education Grant Program	84.206		306,054	235,952	542,006
Even Start--State Educational Agencies	84.213		10,295,772	587,750	10,883,522
<i>Pass-Through from Beaumont Independent School District</i>		147872		22,685	22,685
<i>Pass-Through from Little Elm Independent School District</i>		70480		1,727	1,727
Fund for the Improvement of Education	84.215				
<i>Pass-Through from Denton Independent School District</i>		72145		141,350	141,350
<i>Pass-Through from Education Service Center Region 2</i>		5-2275		611	611
<i>Pass-Through from Education Service Center Region 2</i>		601070		25,000	25,000
<i>Pass-Through from Education Service Center Region 2</i>		602300		5,800	5,800
<i>Pass-Through from Education Service Center Region 2</i>		602610		1,122	1,122
<i>Pass-Through from Education Service Center Region 2</i>		U215X030300		1,500	1,500
<i>Pass-Through from ESC Region VI</i>		A483		115,654	115,654
<i>Pass-Through from Hays CISD</i>		U215X060218		43,818	43,818
Centers for International Business Education	84.220			351,259	351,259
Tech-Prep Education	84.243		6,431,776	1,581,993	8,013,769
<i>Pass-Through from Tech Prep Rio Grande Valley</i>		71720-02		21,219	21,219
Rehabilitation Training--Continuing Education	84.264			542,297	542,297
Rehabilitation Training--State Vocational Rehabilitation Unit In-Service Training	84.265			292,026	292,026
Eisenhower Professional Development State Grants	84.281		(6,341)		(6,341)
Charter Schools	84.282		10,548,456	331,691	10,880,147
Comprehensive Centers	84.283				
<i>Pass-Through from University of Oklahoma</i>		1996-40		(11,038)	(11,038)
<i>Pass-Through from University of Oklahoma</i>		S283B050026		9,827	9,827
Twenty-First Century Community Learning Centers	84.287		84,787,822	2,257,339	87,045,161
Foreign Language Assistance	84.293			9,652	9,652
State Grants for Innovative Programs	84.298		10,774,424	194,606	10,969,030
<i>Pass-Through from Irving Independent School District</i>		72073		4,128	4,128
<i>Pass-Through from National Writing Project Corporation</i>		04-TX14		36,495	36,495
Education Research, Development and Dissemination	84.305			292,195	292,195
Capacity Building for Traditionally Underserved Populations	84.315			284,886	284,886
Education Technology State Grants	84.318		19,943,391	609,666	20,553,057
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325			2,234,635	2,234,635
<i>Pass-Through from Pennsylvania College of Optometry</i>		135444C532 57202		102,456	102,456
Special Education--Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326			579,591	579,591
Advanced Placement Program	84.330		24,317	1,166,643	1,190,960
Grants to States for Incarcerated Youth Offenders	84.331			1,554,603	1,554,603
Comprehensive School Reform Demonstration	84.332		8,952,096	174,033	9,126,129
Demonstration Projects to Ensure Students with Disabilities Receive a Higher Education	84.333			41,680	41,680

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Education (continued)</b>					
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		1,327,842	11,634,514	12,962,356
<i>Pass-Through from Baylor University</i>		P334A060157-07		145,863	145,863
Child Care Access Means Parents in School	84.335			497,392	497,392
Teacher Quality Enhancement Grants	84.336			442,771	442,771
Preparing Tomorrow's Teachers to Use Technology	84.342				
<i>Pass-Through from University of Nevada - Reno</i>		72201		5,292	5,292
Early Childhood Educator Professional Development	84.349			2,453,354	2,453,354
Transition to Teaching	84.350		25,650	2,358,331	2,383,981
<i>Pass-Through from Fort Worth Independent School District</i>		U350A060006		38,316	38,316
<i>Pass-Through from Intercultural Development Research Association (FEDF)</i>		72099		9,000	9,000
Credit Enhancement for Charter School Facilities	84.354			10,472,885	10,472,885
Reading First State Grants	84.357		85,749,114	13,922,947	99,672,061
Rural Education Achievement Program	84.358		7,391,969	283,980	7,675,949
Early Reading First	84.359				
<i>Pass-Through from Tehama Independent School District</i>		S359B030606		189	189
<i>Pass-Through from Utah Navajo Development Council</i>		S359B030972		224	224
Dropout Prevention Programs	84.360			1,028,252	1,028,252
School Leadership	84.363			237,857	237,857
English Language Acquisition State Formula Grant	84.365		84,280,657	1,970,688	86,251,345
Mathematics and Science Partnerships	84.366		2,609,950	2,153,712	4,763,662
<i>Pass-Through from Everman Independent School District</i>		72081		4,000	4,000
<i>Pass-Through from Lancaster Independent School District</i>		74104		4,000	4,000
Improving Teacher Quality State Grants	84.367		248,842,936	5,076,429	253,919,365
<i>Pass-Through from Brownsville Independent School District</i>		27233		12,493	12,493
Grants for State Assessments and Related Activities	84.369		3,800,000	19,610,438	23,410,438
Teacher Incentive Fund	84.374			11,647	11,647
National Writing Project	84.928			97,600	97,600
<i>Pass-Through from National Writing Project Corporation</i>		00-TX09		72,725	72,725
<i>Pass-Through from National Writing Project Corporation</i>		06-TX15		42,000	42,000
<i>Pass-Through from National Writing Project Corporation</i>		72200		45,640	45,640
<i>Pass-Through from The National Writing Project</i>		92-TX04		626	626
<i>Pass-Through from University of California, Berkeley</i>		410020		(9,316)	(9,316)
<i>Pass-Through from University of California, Berkeley</i>		92-TX06		42,473	42,473
Hurricane Education Recovery	84.938		18,400,163	731,814	19,131,977
Total - U.S. Department of Education			2,058,771,985	378,923,853	2,437,695,838
<b>National Archives and Records Administration</b>					
National Historical Publications and Records Grants	89.003			2,191,943	2,191,943
Total - National Archives and Records Administration			0	2,191,943	2,191,943
<b>Election Assistance Commission</b>					
Help American Vote College Pollworker Program	90.400			19,567	19,567
HAVA Requirements	90.401		14,620,493	4,022,406	18,642,899
Total - Election Assistance Commission			14,620,493	4,041,973	18,662,466
<b>U.S. Department of Health and Human Services</b>					
U.S. Department of Health and Human Services	93.XXX	0000318142 01		10,168	10,168
		07ET040065F2		17,317	17,317
		1 U13 DP000655 01		17,241	17,241
		120772/119786		10,158	10,158

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Health and Human Services (continued)</b>					
		1699-01		3,823	3,823
		1HPPWH060004-01-00	5,000	67,832	72,832
		200-2001-00042	176,932	280	177,212
		200-2007-M-20636		156,136	156,136
		2004-100 01		1,664	1,664
		223-05-4443		469,360	469,360
		223-05Q-SIT		78,960	78,960
		263-MK-604934		4,000	4,000
		467-MZ-501805	17,025	7,541	24,566
		476-MZ401984		11,781	11,781
		71003		63,211	63,211
		72741		22,976	22,976
		HSHS	49,448	112,334	161,782
		230200432032C			
		HSHS230200532046C	138,375	130,845	269,220
		HSHS258200730012C	134,255	280,732	414,987
		HHSP23320042206TC		163,073	163,073
		HHSP233200600826P		31,518	31,518
		HRSA 230-03-0017		(19,829)	(19,829)
		IPA		(9,740)	(9,740)
		N01 CM-62202 06		52,634	52,634
		N02 CO-51110 15	30,532	656,674	687,206
		US MEX BORDER COE	27,523	1,912	29,435
<i>Pass-Through from Admin for Children and Families</i>		09FE0128/01		302,230	302,230
<i>Pass-Through from American Academy of Pediatrics</i>		ACP/US4/CCU52494 7-01		9,509	9,509
<i>Pass-Through from CDC/Westat, Inc</i>		200200409976		36,158	36,158
<i>Pass-Through from Harris County Public Health and Environmental Services</i>		07GEN0236		141,084	141,084
<i>Pass-Through from Houston Academy of Medicine</i>		N01LM13515		8,528	8,528
<i>Pass-Through from Houston Academy of Medicine</i>		N01RR22101		10,695	10,695
<i>Pass-Through from Houston Academy of Medicine - Texas Medical Center Library</i>		HAM-TMC/N01- LM1-3515		(1,131)	(1,131)
<i>Pass-Through from Houston Academy of Medicine - Texas Medical Center Library</i>		N01-LM-6-3505		13,571	13,571
<i>Pass-Through from Macro International, Inc</i>		33179-7S-873		17,419	17,419
<i>Pass-Through from McFarland and Associates</i>		280-02-0505		63,673	63,673
<i>Pass-Through from National Network Libraries of Medicine</i>		MOORE-N01-LM-1- 3515		(184)	(184)
<i>Pass-Through from Respite Care of San Antonio</i>		90CW1124		79,686	79,686
<i>Pass-Through from Rice University</i>		5 52003917 04		6,664	6,664
<i>Pass-Through from Rice University</i>		5 T15 LM07093 14		64,755	64,755
<i>Pass-Through from SAIC - Frederick, Inc.</i>		SUBCONTRACT 25XS108		35,047	35,047
<i>Pass-Through from Science and Engineering Services, Inc.</i>		FRECKLETON-SES		9,488	9,488
<i>Pass-Through from Texas Medical Center Library - Houston Academy of Medicine</i>		72095		22,189	22,189
<i>Pass-Through from University Health System</i>		DELGADO- UHS2507403LS		22,028	22,028
State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	93.006		40,032	106,807	146,839
Medical Reserve Corps Small Grant Program	93.008			19,920	19,920
Community-Based Abstinence Education (CBAE)	93.010		136,808	903,552	1,040,360



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For the Year Ended August 31, 2007

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Health and Human Services (continued)</b>					
Strengthening Public Health Services at the Outreach Offices of the U.S.-Mexico Border Health Commission	93.018		377,933	264,075	642,008
Special Programs for the Aging--Title VII, Chapter 3--Programs for Prevention of Elder Abuse, Neglect, and	93.041		356,663		356,663
Special Programs for the Aging--Title VII, Chapter 2--Long Term Care Ombudsman Services for Older Individuals	93.042		914,692		914,692
<i>Pass-Through from City of Houston</i>		FC55472		271,173	271,173
Special Programs for the Aging--Title III, Part D--Disease Prevention and Health Promotion Services	93.043		1,307,218	(74)	1,307,144
<i>Pass-Through from Harris County Hospital District</i>		1-25-0707-HSP-055-LRJ		14,318	14,318
Special Programs for the Aging--Title IV--and Title II--Discretionary Projects	93.048		(28,218)	432,548	404,330
Alzheimer's Disease Demonstration Grants to States	93.051			384,286	384,286
National Family Caregiver Support	93.052		9,106,104	122,396	9,228,500
Healthy Marriage Promotion and Responsible Fatherhood	93.086			805,320	805,320
Food and Drug Administration--Research	93.103			365,157	365,157
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104			(28,254)	(28,254)
Model State-Supported Area Health Education Centers	93.107		87,023	506,919	593,942
Maternal and Child Health Federal Consolidated Programs	93.110		191,727	2,011,262	2,202,989
<i>Pass-Through from American Academy of Pediatrics</i>		6MA060045FNH		49,133	49,133
<i>Pass-Through from Association of State and Territorial Dental Directors</i>		U44MC00177		2,003	2,003
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		4,009,292	3,535,225	7,544,517
<i>Pass-Through from University of California, San Diego</i>		N01 HR-36157	9,305	30,457	39,762
Grants for Preventive Medicine	93.117			9,654	9,654
<i>Pass-Through from American Medical Student Association Foundation</i>		230-03-0015			
Oral Diseases and Disorders Research	93.121		46,731	1,362,131	1,408,862
Nurse Anesthetist Traineeships	93.124			6,302	6,302
Emergency Medical Services for Children	93.127			138,741	138,741
Primary Care Services Resource Coordination and	93.130			294,344	294,344
Injury Prevention and Control Research and State and Community Based Programs	93.136		3,265,579	42,826	3,308,405
NIEHS Hazardous Waste Worker Health and Safety Training	93.142			82,409	82,409
<i>Pass-Through from Dillard University</i>		7840			
AIDS Education and Training Centers	93.145			3,515	3,515
<i>Pass-Through from Dallas County Hospital District</i>		07-104		275,248	275,248
<i>Pass-Through from Howard University</i>		DORAN: HA00066/HRSA			
Projects for Assistance in Transition from Homelessness	93.150		3,700,144	42,630	3,742,774
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153		977,989	388,344	1,366,333
Geriatric Training for Physicians, Dentists and Behavioral/Mental Health Professionals	93.156			97,773	97,773
Centers of Excellence	93.157		46,400	1,183,150	1,229,550
Health Program for Toxic Substances and Disease Registry	93.161			14,667	14,667
Grants To States for Loan Repayment Program	93.165			273,482	273,482
Research Related to Deafness and Communication Disorders	93.173			3,754	3,754
Nursing Workforce Diversity	93.178			1,159,796	1,159,796
Podiatric Residency Training in Primary Care	93.181				
<i>Pass-Through from University Health System</i>		SATTERFIELD S/G UHS		6,996	6,996

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For the Year Ended August 31, 2007

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Health and Human Services (continued)</b>					
Immunization Research, Demonstration, Public Information and Education--Training and Clinical Skills Improvement	93.185				
<i>Pass-Through from Migrant Clinicals Network</i>		06EM040050F2H		1,843	1,843
Health Education and Training Centers	93.189			188,066	188,066
Allied Health Special Projects	93.191			33,662	33,662
Childhood Lead Poisoning Prevention Projects--State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197		408,253	597,854	1,006,107
Surveillance of Hazardous Substance Emergency Events	93.204			199,599	199,599
Telehealth Network Grants	93.211			49,069	49,069
Research and Training in Complementary and Alternative Medicine	93.213			53,340	53,340
Family Planning--Services	93.217		15,134,323	1,840,817	16,975,140
Research on Healthcare Costs, Quality and Outcomes	93.226			54,716	54,716
Consolidated Knowledge Development and Application (KD&A) Program	93.230		50,146	203,272	253,418
<i>Pass-Through from Center for Health Care Services</i>		CHAMPION-MHMR		30,607	30,607
<i>Pass-Through from Center for Health Care Services</i>		LEWIS: CSAT		50,088	50,088
<i>Pass-Through from McFarland and Associates</i>		Contract Dated 12/13/05		2,038	2,038
<i>Pass-Through from McFarland and Associates</i>		Subcontract Signed 11/08/06		1,898	1,898
Traumatic Brain Injury State Demonstration Grant Program	93.234			112,490	112,490
Abstinence Education Program	93.235		4,255,467	277,205	4,532,672
Grants for Dental Public Health Residency Training	93.236			27,013	27,013
State Capacity Building	93.240			296,263	296,263
State Rural Hospital Flexibility Program	93.241			773,786	773,786
Mental Health Research Grants	93.242			402,889	402,889
<i>Pass-Through from Dartmouth College</i>		5-30676-5700		5,040	5,040
<i>Pass-Through from Southern Methodist University</i>		72036		34,828	34,828
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243		7,643,699	3,734,646	11,378,345
<i>Pass-Through from Bexar County - General</i>		FAML DRUG COURT 07		9,710	9,710
<i>Pass-Through from Center for Health Care Services</i>		AMODEI:S/G SAMHSA		(57)	(57)
<i>Pass-Through from Drug Prevention Resources, Inc</i>		SCOTT-DPR- M79SP10513		36,992	36,992
<i>Pass-Through from Hope Action Care</i>		AMODEI:S/G TI- 14529		86,912	86,912
<i>Pass-Through from Hope Action Care</i>		TI18286-01		54,361	54,361
<i>Pass-Through from Morehouse School of Medicine</i>		ITI17165-01		1,255	1,255
<i>Pass-Through from Por Vida Academy</i>		AMODEI:POR VIDA		70,967	70,967
Advanced Education Nursing Grant Program	93.247			1,022,957	1,022,957
<i>Pass-Through from University of Oklahoma Health Science Center</i>		5D09 HP03182		60,891	60,891
Public Health Training Centers Grant Program	93.249			78,418	78,418
Universal Newborn Hearing Screening	93.251		122,861		122,861
Poison Control Stabilization and Enhancement Grants	93.253		14,072	422,374	436,446
Infant Adoption Awareness Training	93.254				
<i>Pass-Through from National Council for Adoption</i>		06-595		48,441	48,441
State Planning Grants Health Care Access for the Uninsured	93.256			138,070	138,070
Rural Access to Emergency Devices Grant	93.259			25,907	25,907
Occupational Safety and Health Program	93.262		3,099	1,299,646	1,302,745
<i>Pass-Through from Colorado State University</i>		8460000545		4,735	4,735

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Health and Human Services (continued)</b>					
Nurse Faculty Loan Program (NFLP)	93.264			98,337	98,337
Comprehensive Geriatric Education Program(CGEP)	93.265			232,299	232,299
State Grants for Protection and Advocacy Services	93.267			159	159
Immunization Grants	93.268		8,939,727	246,176,142	255,115,869
Substance Abuse and Mental Health Services-Access to Recovery	93.275		13,177,647	186,466	13,364,113
Drug Abuse and Addiction Research Programs	93.279		18,586	458,862	477,448
<i>Pass-Through from University of Alabama</i>		R01DA12215		73,646	73,646
<i>Pass-Through from Virginia Commonwealth University</i>		A229		13,907	13,907
Centers for Disease Control and Prevention--Investigations and Technical Assistance	93.283		66,448,852	29,486,750	95,935,602
<i>Pass-Through from Hispanic-Serving Health Professions Schools</i>		325128-UTHSCSA-01-0		21,278	21,278
<i>Pass-Through from Hispanic-Serving Health Professions Schools</i>		FIELDS:S/G CCU319460		21,563	21,563
<i>Pass-Through from Hispanic-Serving Health Professions Schools</i>		U50-CCU325128-01		(711)	(711)
<i>Pass-Through from State of Maryland</i>		6-009221G		320,520	320,520
<i>Pass-Through from SW Center for Pediatric Environmental Health</i>		521553060	18,818	120,006	138,824
<i>Pass-Through from Texas Institute for Health Policy</i>		RFP 50100-4-210034		671	671
<i>Pass-Through from University of Chicago</i>		R01CCR523379		64,364	64,364
<i>Pass-Through from Washington University</i>		R01NS32228		487	487
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286			237,347	237,347
National Center for Health Workforce Analysis	93.300				
<i>Pass-Through from University of Medicine and Dentistry of New Jersey</i>		5 R25 RR018490 04		22,561	22,561
Small Rural Hospital Improvement Grant Program	93.301			1,155,792	1,155,792
Minority Health and Health Disparities Research	93.307		96,920	557,770	654,690
<i>Pass-Through from Texas College</i>		750917417		14	14
Clinical Research	93.333			386,076	386,076
Advanced Education Nursing Traineeships	93.358			691,255	691,255
Basic Nurse Education and Practice Grants	93.359			955,392	955,392
Nursing Research	93.361			4,780	4,780
<i>Pass-Through from University of Missouri - Kansas City</i>		7087/9376/NR00856		306,712	306,712
Minority Biomed	93.375			98,869	98,869
National Center for Research Resources	93.389		24,000	7,158,914	7,182,914
Cancer Cause and Prevention Research	93.393			198,545	198,545
<i>Pass-Through from Saint Louis University</i>		1 R21 CA126326 01		906	906
Cancer Treatment Research	93.395			488,451	488,451
<i>Pass-Through from Axis Healthcare Communications LLC</i>		7 R44 CA088088 02		(1,823)	(1,823)
<i>Pass-Through from Duke University</i>		2 U01 CA076001 11		6,797	6,797
<i>Pass-Through from Duke University</i>		2 U10 CA076001 04		8,154	8,154
<i>Pass-Through from Duke University</i>		2 U10 CA076001 04		37,628	37,628
<i>Pass-Through from Frontier Science and Technology Research Foundation</i>		5 U10 CA21115 32		24,208	24,208
<i>Pass-Through from Gynecologic Oncology Group (GOG)</i>		5 U10 CA027469 27		8,590	8,590
<i>Pass-Through from Gynecologic Oncology Group (GOG)</i>		U10 CA027469		23,422	23,422
<i>Pass-Through from National Childhood Cancer</i>		5 U10 CA098543 03		36,201	36,201
<i>Pass-Through from Radiation Therapy Oncology Group</i>		5 U10 CA021661 31		900	900
<i>Pass-Through from University of Michigan</i>		5 U10 CA032102 27		21,305	21,305
Cancer Biology Research	93.396			21,272	21,272
Cancer Centers Support Grants	93.397			802,656	802,656
Cancer Research Manpower	93.398			4,798,158	4,798,158

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from University of Washington - Seattle</i> Cancer Control	93.399	5 R25 CA092055 05		2,563	2,563
				54,411	54,411
<i>Pass-Through from Baylor College of Medicine</i> Promoting Safe and Stable Families	93.556	5 U01 CA086117 02	18,315,270	21,864,813	40,180,083
<i>Pass-Through from Lubbock Regional Mental Health and Retardation</i>		135244C319/C603/C 604/C671		103,315	103,315
Temporary Assistance for Needy Families	93.558		136,029,702	330,950,439	466,980,141
Child Support Enforcement	93.563		2,451,416	183,177,136	185,628,552
Child Support Enforcement Research	93.564			214,838	214,838
Refugee and Entrant Assistance--State Administered Programs	93.566		2,568,904	14,566,741	17,135,645
Low-Income Home Energy Assistance	93.568		65,406,382	1,498,338	66,904,720
Community Services Block Grant	93.569		27,170,580	1,255,499	28,426,079
Community Services Block Grant--Discretionary Awards	93.570				
<i>Pass-Through from National Youth Sports Program</i>		601300		909	909
<i>Pass-Through from National Youth Sports Program</i>		604240		1,585	1,585
<i>Pass-Through from National Youth Sports Program</i>		72214		1,283	1,283
<i>Pass-Through from National Youth Sports Program</i>		NYSPF 04-269		99	99
Community Services Block Grant Formula and Discretionary Awards Community Food and Nutrition Programs	93.571		114,351		114,351
Refugee and Entrant Assistance_Discretionary Grants	93.576		32,613	1,851,744	1,884,357
Refugee and Entrant Assistance_Targeted Assistance Grants	93.584			2,285,000	2,285,000
State Court Improvement Program	93.586			(28,032)	(28,032)
<i>Pass-Through from Texas Center for the Judiciary</i>		0601TXSCID		134,631	134,631
<i>Pass-Through from Texas Center for the Judiciary</i>		06-044		20,872	20,872
Community-Based Child Abuse Prevention Grants	93.590		844,097	1,051,520	1,895,617
Grants to States for Access and Visitation Programs	93.597		568,162	127,863	696,025
Chafee Education and Training Vouchers Program	93.599			2,213,722	2,213,722
Head Start	93.600			1,043,108	1,043,108
<i>Pass-Through from Advocates for Children and Families, Inc.</i>		06CH049505		1,808	1,808
<i>Pass-Through from Cen-Tex Family Services, Inc</i>		06CH0405		385	385
<i>Pass-Through from Community Services Agency</i>		06CH50		1,716	1,716
<i>Pass-Through from Galveston County Comm Action</i>		06CH5301		4,376	4,376
<i>Pass-Through from Greater Opportunity of Permian Basin</i>		135444C062/C602		234,599	234,599
<i>Pass-Through from Gulf Coast Project Head Start</i>		06CH0016		4,005	4,005
<i>Pass-Through from Gulf Coast Project Head Start</i>		06CH5061		2,802	2,802
<i>Pass-Through from Harris County Department of Education</i>		06CH6998		3,495	3,495
<i>Pass-Through from Parent/Child Incorporated</i>		0107-28		18,329	18,329
Child Support Enforcement Demonstrations and Special Projects	93.601			499,435	499,435
Adoption Incentive Payments	93.603			3,925,846	3,925,846
Mentoring Children of Prisoners	93.616			72,802	72,802
Voting Access for Individuals with Disabilities_Grants to States	93.617			230,909	230,909
Developmental Disabilities Basic Support and Advocacy	93.630		3,367,688	1,532,979	4,900,667
Children's Justice Grants to States	93.643			(116,080)	(116,080)
Child Welfare Services--State Grants	93.645			25,458,676	25,458,676
Social Services Research and Demonstration	93.647			234,778	234,778
Child Welfare Services Training Grants	93.648			209,413	209,413
Adoption Opportunities	93.652			(49,573)	(49,573)
Foster Care--Title IV-E	93.658		6,389,897	184,869,608	191,259,505
Adoption Assistance	93.659			57,112,967	57,112,967
Social Services Block Grant	93.667		5,030,622	205,008,022	210,038,644
Child Abuse and Neglect State Grants	93.669			1,715,241	1,715,241
Child Abuse and Neglect Discretionary Activities	93.670			154,198	154,198
Family Violence Prevention and Services/Grants for Battered Women's Shelters--Grants to States and Indian Tribes	93.671			5,188,823	5,188,823
Chafee Foster Care Independence Program	93.674		7,355	7,503,751	7,511,106
State Children's Insurance Program	93.767			360,023,984	360,023,984

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Health and Human Services (continued)</b>					
Demonstration to Maintain Independence and Employment	93.769		2,065,194	600,950	2,666,144
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779			1,908,666	1,908,666
State Pharmaceutical Assistance Programs	93.786			(7,703)	(7,703)
Reimbursement of State Costs for Provision of Part D Drugs	93.794			(6,349,682)	(6,349,682)
Health Careers Opportunity Program	93.822			68,713	68,713
Basic/Core Area Health Education Centers	93.824		463,330	272,677	736,007
Heart and Vascular Diseases Research	93.837			400,171	400,171
Lung Diseases Research	93.838			37,027	37,027
Blood Diseases and Resources Research	93.839			271,297	271,297
Arthritis, Musculoskeletal and Skin Diseases Research	93.846			19,151	19,151
Diabetes, Endocrinology and Metabolism Research	93.847		93,556	256,182	349,738
Digestive Diseases and Nutrition Research	93.848			95,071	95,071
Kidney Diseases, Urology and Hematology Research	93.849			71,522	71,522
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853			365,635	365,635
Allergy, Immunology and Transplantation Research	93.855			24,108	24,108
Microbiology and Infectious Diseases Research	93.856			158,442	158,442
Biomedical Research and Research Training	93.859		75,516	655,465	730,981
<i>Pass-Through from Baylor College of Medicine</i>		5T32GM008280		49,391	49,391
<i>Pass-Through from Carnegie Mellon University</i>		1090155-184427		31,883	31,883
Child Health and Human Development Extramural Research	93.865			154,540	154,540
Aging Research	93.866			654,161	654,161
<i>Pass-Through from University of Pittsburgh</i>		UPITT 110202-1		35,517	35,517
Vision Research	93.867			204,965	204,965
Medical Library Assistance	93.879				
<i>Pass-Through from Rice University</i>		2 T15 LM07093 02		(1,511)	(1,511)
<i>Pass-Through from Rice University</i>		5 T15 LM07093 13		177	177
<i>Pass-Through from Rice University</i>		5T15LMO7093		110,250	110,250
<i>Pass-Through from Rice University</i>		R20773-73900003		28,748	28,748
<i>Pass-Through from Rice University</i>		R20775-73900003		12,278	12,278
<i>Pass-Through from Society of Teachers of Family Medicine</i>		USATINE-		29,123	29,123
Grants for Training in Primary Care Medicine and Dentistry	93.884			3,159,963	3,159,963
Health Care and Other Facilities	93.887			237,099	237,099
<i>Pass-Through from Harris County Hospital District</i>		D1BTH05537		88,000	88,000
<i>Pass-Through from Piney Woods Regional Advisory Council</i>		752603041		57,697	57,697
Specially Selected Health Projects	93.888			106,617	106,617
National Bioterrorism Hospital Preparedness Program	93.889		29,661,263	3,157,247	32,818,510
Resource and Manpower Development in the Environmental Health Sciences	93.894			10,317	10,317
Family and Community Violence Prevention Program	93.910			164,361	164,361
<i>Pass-Through from Central State University</i>		604700		(475)	(475)
Rural Health Care Services Outreach and Rural Health Network Development Program	93.912			(1,417)	(1,417)
Grants to States for Operation of Offices of Rural Health	93.913			102,416	102,416
HIV Emergency Relief Project Grants	93.914				
<i>Pass-Through from Harris County Public Health and Environmental Services</i>		07GEN0156		135,416	135,416
<i>Pass-Through from Harris County Public Health and Environmental Services</i>		6H12HA000390		89,139	89,139
<i>Pass-Through from University Health System</i>		PROJECT SEEK-UHS		36,222	36,222
<i>Pass-Through from University Health System</i>		UHS-RYAN WHITE/BULLO		110,036	110,036
HIV Care Formula Grants	93.917		18,020,939	43,592,808	61,613,747
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918				

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Harris County Hospital District</i>		05-HSP-0920		18,150	18,150
Ryan White HIV/AIDS Dental Reimbursements\Community Based Dental Partnership	93.924			153,130	153,130
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938		74,215	110,078	184,293
HIV Prevention Activities--Non-Governmental Organization Based	93.939		25,406	394,882	420,288
HIV Prevention Activities--Health Department Based	93.940		10,147,421	2,822,299	12,969,720
<i>Pass-Through from Harris County Health Department</i>		6H12HA000390		308,497	308,497
<i>Pass-Through from St. Hope Foundation</i>		03GEN0214		8,246	8,246
HIV Demonstration, Research, Public and Professional Education Projects	93.941			155,578	155,578
Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected	93.943		39,494	84,580	124,074
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944		1,011,591	1,892,893	2,904,484
Assistance Programs for Chronic Disease Prevention and Control	93.945		49,387	513,684	563,071
<i>Pass-Through from Congressional Glaucoma Caucus Foundation</i>		113-03/05		73,958	73,958
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946			121,424	121,424
Block Grants for Community Mental Health Services	93.958		31,402,188	4,804,511	36,206,699
Block Grants for Prevention and Treatment of Substance Abuse	93.959		115,036,407	12,694,178	127,730,585
Public Health Traineeships	93.964			95,485	95,485
Geriatric Education Centers	93.969		(24,566)	181,221	156,655
<i>Pass-Through from Baylor College of Medicine</i>		1D31 HP 70112-01		9,202	9,202
<i>Pass-Through from Baylor College of Medicine</i>		2 D31 HP70112-06		20,084	20,084
<i>Pass-Through from Baylor College of Medicine</i>		458210		13,681	13,681
<i>Pass-Through from Baylor College of Medicine</i>		5 D31 HP 70112-04		1,184	1,184
<i>Pass-Through from Baylor College of Medicine</i>		72209		69	69
<i>Pass-Through from Baylor College of Medicine</i>		741613878		5,666	5,666
<i>Pass-Through from Baylor College of Medicine</i>		D31HP70112		6,257	6,257
<i>Pass-Through from Baylor College of Medicine</i>		SAUNDERS-BCM 4600618		7,102	7,102
<i>Pass-Through from Rio Grande Council of Government</i>		458240		(83)	(83)
Family Planning--Service Delivery Improvement Research Grants	93.974		174,997	6,514	181,511
Preventive Health Services--Sexually Transmitted Diseases Control Grants	93.977		4,808,094	1,547,892	6,355,986
Preventive Health Services--Sexually Transmitted Diseases Research, Demonstrations, and Public Information and Education Grants	93.978		315,141	871,860	1,187,001
Mental Health Disaster Assistance and Emergency Mental Health	93.982		7,200,052	789,401	7,989,453
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988		440,412	589,913	1,030,325
International Research and Research Training	93.989		6,248	630,820	637,068
Preventive Health and Health Services Block Grant	93.991		2,806,198	1,011,489	3,817,687
Maternal and Child Health Services Block Grant to the States	93.994		13,259,247	25,467,621	38,726,868
<i>Pass-Through from Northeast Texas Public Health District</i>		2007-020406		11,701	11,701
Adolescent Family Life--Demonstration Projects	93.995				
<i>Pass-Through from The Children's Shelter</i>		SALDANA/TCS/DHHS		5,407	5,407

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For the Year Ended August 31, 2007

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>U.S. Department of Health and Human Services (continued)</b>					
Bioterrorism Training and Curriculum Development Program	93.996		81,720	812,535	894,255
Total - U.S. Department of Health and Human Services			647,011,471	1,849,708,342	2,496,719,813
<b>Corporation for National and Community Service</b>					
Retired and Senior Volunteer Program	94.002			147,132	147,132
Learn and Serve America--School and Community Based Programs	94.004		2,657,946		2,657,946
Learn and Serve America--Higher Education	94.005			3,501	3,501
<i>Pass-Through from Temple University</i>		31-2462-321		369,142	378,917
AmeriCorps	94.006		9,775	37,834	37,834
<i>Pass-Through from A T Still University</i>		04NDHMO002		9,963	9,963
<i>Pass-Through from OneStar Foundation</i>		TIMBOE-			
		CNCS/TXCVCS			
<i>Pass-Through from OneStar Foundation- Americorps</i>		410120		182,575	182,575
<i>Pass-Through from OneStar National Service Commission</i>		72071		40,385	40,385
<i>Pass-Through from Texas Commission on Volunteerism</i>		72028		(1,121)	(1,121)
<i>Pass-Through from Texas Commission on Volunteerism</i>		72157		253	253
Planning and Program Development Grants	94.007			76,243	76,243
Total - Corporation for National and Community Service			2,667,721	865,907	3,533,628
<b>Social Security Administration</b>					
Social Security Administration	96.XXX	0600-03-60023		509,248	509,248
		0600-03-60153		77,971	77,971
Social Security--Research and Demonstration	96.007			212,399	212,399
Total - Social Security Administration			0	799,618	799,618
<b>Department of Homeland Security</b>					
Department of Homeland Security	97.XXX	QUITUGUA-DHS- IPAA		19,528	19,528
State and Local Homeland Security Training Program	97.005			20,245,303	20,245,303
Homeland Security Preparedness Technical Assistance Program	97.007			834,307	834,307
Urban Areas Security Initiative	97.008		12,520,600	325,648	12,846,248
Boating Safety Financial Assistance	97.012			3,003,976	3,003,976
Pre-Disaster Mitigation (PDM) Competitive Grants	97.017		15,308,835	182,767	15,491,602
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023			255,245	255,245
National Urban Search & Rescue (US&R) Response System	97.025			744,171	744,171
Flood Mitigation Assistance	97.029		7,493,465	41,529	7,534,994
Crisis Counseling	97.032		641,087	247,313	888,400
Disaster Unemployment Assistance	97.034			4,484	4,484
National Dam Safety Program	97.041			268,367	268,367
State Fire Training Systems Grants	97.043			28,000	28,000
Assistance to Firefighters Grant	97.044			34,291	34,291
Cooperating Technical Partners	97.045		76,757		76,757
Pre-Disaster Mitigation	97.047		2,233		2,233
Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	97.050			29,444,020	29,444,020
Homeland Security Information Technology and Evaluation Program	97.066		100,330		100,330
Competitive Training Grants	97.068			144,521	144,521
Buffer Zone Protection Plan (BZPP)	97.078		5,173,583	97,283	5,270,866

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>Department of Homeland Security (continued)</b>					
Alternative Housing Pilot Program	97.087			8,395	8,395
Homeland Security Biowatch Program	97.091			1,744,823	1,744,823
Total - Department of Homeland Security			41,316,890	57,673,971	98,990,861
<b>United States Agency for International Development</b>					
United States Agency for International Development	98.XXX	3980.01	13,717		13,717
<i>Pass-Through from Mexican Assoc of Small Business Development Centers Partnership Program</i>		3980-01		44,183	44,183
USAID Foreign Assistance for Programs Overseas	98.001			480,709	480,709
USAID Development Partnerships for University Cooperation and Development	98.012			3,958	3,958
<i>Pass-Through from American Council on Education</i>		72168		11,820	11,820
<i>Pass-Through from Association Liaison Office for University Cooperation in Development</i>		GARCIA-ALOUCD- TIES		203,209	203,209
<i>Pass-Through from United Negro College Fund Special Programs</i>		UNCFSP 061406		61,557	61,557
Total - United States Agency for International Development			13,717	805,436	819,153
<b>Total Non-Clustered Programs</b>			3,346,679,860	5,012,184,706	8,358,864,566
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>					
<b>U.S. Department of Agriculture</b>					
U.S. Department of Agriculture	10.XXX	1301/C155		2,500	2,500
		1301-44 / FSIS-C-29- 2005		23,359	23,359
		ELEMENTARY SCHOOL		68,075	68,075
<i>Pass-Through from Advanced Materials and Processes</i>		W81XWH-05-2-0012	34,120	340,022	374,142
<i>Pass-Through from Binational Agricultural Research and Development</i>		2006-33610-17174- 06-02		40,668	40,668
<i>Pass-Through from U.S. Egypt Science and Technology Joint Fund</i>		503005		74,295	74,295
<i>Pass-Through from U.S. Egypt Science and Technology Joint Fund</i>		58-3148-5-106 YR 1 FUNDS		10,990	10,990
Agricultural Research--Basic and Applied Research	10.001		151,076	3,887,015	4,038,091
<i>Pass-Through from Almond Board of California</i>		503609		22,060	22,060
<i>Pass-Through from Auburn University</i>		135144C271 06-PS- 361825-TX		37,626	37,626
<i>Pass-Through from California Almond Board</i>		503463		80,616	80,616
<i>Pass-Through from Dartmouth College</i>		Sub No. 500572.5000.L00406		59,549	59,549
<i>Pass-Through from University of Arkansas</i>		503517		43,951	43,951
Plant and Animal Disease, Pest Control, and Animal Care	10.025			1,376,682	1,376,682
Wildlife Services	10.028			158,273	158,273
<i>Pass-Through from Berryman Institute</i>		080300-330571-09		5,471	5,471
Federal-State Marketing Improvement Program	10.156			28,304	28,304
Grants for Agricultural Research, Special Research Grants	10.200		523,734	12,447,725	12,971,459
<i>Pass-Through from Colorado State University</i>		503481		36,337	36,337
<i>Pass-Through from Colorado State University</i>		G-1437-1		77,506	77,506
<i>Pass-Through from Idaho State University</i>		433410		2,440	2,440
<i>Pass-Through from Kansas State University</i>		135144C456/C564/C 636/C637		42,548	42,548



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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Agriculture (continued)</b>					
<i>Pass-Through from Kansas State University</i>		2003-38624-13082		2,638	2,638
<i>Pass-Through from Kansas State University</i>		502486		956	956
<i>Pass-Through from Kansas State University</i>		502487		314	314
<i>Pass-Through from Kansas State University</i>		502488		(2,178)	(2,178)
<i>Pass-Through from Kansas State University</i>		502491		(2,902)	(2,902)
<i>Pass-Through from Kansas State University</i>		502493		422	422
<i>Pass-Through from Kansas State University</i>		502516		(418)	(418)
<i>Pass-Through from Kansas State University</i>		503314		3,801	3,801
<i>Pass-Through from Kansas State University</i>		503466		118,209	118,209
<i>Pass-Through from Mississippi State University</i>		135144C782 010500- 32099502		37,631	37,631
<i>Pass-Through from New Mexico State University</i>		135144C039/C109/C 618/C619/C629/C640		114,458	114,458
<i>Pass-Through from New Mexico State University</i>		502867		144	144
<i>Pass-Through from New Mexico State University</i>		502870		3	3
<i>Pass-Through from New Mexico State University</i>		502874		2,467	2,467
<i>Pass-Through from New Mexico State University</i>		502987		13,031	13,031
<i>Pass-Through from New Mexico State University</i>		503027		3,486	3,486
<i>Pass-Through from New Mexico State University</i>		503029		479	479
<i>Pass-Through from New Mexico State University</i>		503030		6,060	6,060
<i>Pass-Through from New Mexico State University</i>		503031		6,193	6,193
<i>Pass-Through from New Mexico State University</i>		503032		16,227	16,227
<i>Pass-Through from New Mexico State University</i>		503033		14,149	14,149
<i>Pass-Through from New Mexico State University</i>		503035		71,360	71,360
<i>Pass-Through from New Mexico State University</i>		503105		2,451	2,451
<i>Pass-Through from New Mexico State University</i>		503106		1,269	1,269
<i>Pass-Through from New Mexico State University</i>		503243		27,253	27,253
<i>Pass-Through from New Mexico State University</i>		503244		7,633	7,633
<i>Pass-Through from New Mexico State University</i>		503245		4,560	4,560
<i>Pass-Through from New Mexico State University</i>		503246		6,641	6,641
<i>Pass-Through from New Mexico State University</i>		503247		19,344	19,344
<i>Pass-Through from New Mexico State University</i>		503248		12,862	12,862
<i>Pass-Through from New Mexico State University</i>		503250		73	73
<i>Pass-Through from New Mexico State University</i>		503251		5,000	5,000
<i>Pass-Through from New Mexico State University</i>		503470		19,805	19,805
<i>Pass-Through from New Mexico State University</i>		503471		27,223	27,223
<i>Pass-Through from New Mexico State University</i>		503472		23,036	23,036
<i>Pass-Through from New Mexico State University</i>		503473		26,676	26,676
<i>Pass-Through from New Mexico State University</i>		503474		21,869	21,869
<i>Pass-Through from New Mexico State University</i>		503475		19,079	19,079
<i>Pass-Through from New Mexico State University</i>		503476		10,676	10,676
<i>Pass-Through from New Mexico State University</i>		503492		27,144	27,144
<i>Pass-Through from Ohio State University Research</i>		OHIO/USDA 60010819		18,163	18,163
<i>Pass-Through from Oklahoma State University</i>		503419		8,597	8,597
<i>Pass-Through from Oklahoma State University</i>		503527		2,408	2,408
<i>Pass-Through from Southern Regional Aquaculture Center</i>		454150		11,176	11,176
<i>Pass-Through from Southern Regional Aquaculture Center</i>		454420		18,593	18,593
<i>Pass-Through from Southern Regional Aquaculture Center</i>		454430		14,807	14,807
<i>Pass-Through from Southern Regional Aquaculture Center</i>		454510		26,455	26,455
<i>Pass-Through from Southern Regional Aquaculture Center</i>		454970		173	173
<i>Pass-Through from University of Arizona</i>		Y702429		177	177
<i>Pass-Through from University of California</i>		503506		11,136	11,136
<i>Pass-Through from University of California, Davis</i>		502888		2	2
<i>Pass-Through from University of California, Riverside</i>		503332		577	577

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Agriculture (continued)</b>					
<i>Pass-Through from University of Florida</i>		00065426 (0002596); AMD 001		78,155	78,155
<i>Pass-Through from University of Florida</i>		420350		2,489	2,489
<i>Pass-Through from University of Florida</i>		433720		320	320
<i>Pass-Through from University of Florida</i>		434140		10,907	10,907
<i>Pass-Through from University of Florida</i>		500995		(2,475)	(2,475)
<i>Pass-Through from University of Florida</i>		502688		980	980
<i>Pass-Through from University of Florida</i>		503059		770	770
<i>Pass-Through from University of Florida</i>		503256		28,109	28,109
<i>Pass-Through from University of Florida</i>		503439		5,465	5,465
<i>Pass-Through from University of Florida</i>		503521		10,026	10,026
<i>Pass-Through from University of Georgia</i>		437520		2,443	2,443
<i>Pass-Through from University of Georgia</i>		450450		6,182	6,182
<i>Pass-Through from University of Georgia</i>		503259		11,599	11,599
<i>Pass-Through from University of Maryland</i>		503330		28,142	28,142
<i>Pass-Through from USDA Community Based Research</i>		RF01078439		17,000	17,000
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203			12,627,935	12,627,935
Grants for Agricultural Research--Competitive Research Grants	10.206		372,386	3,260,471	3,632,857
<i>Pass-Through from Albert Einstein College of Medicine of Yeshiva Univ.</i>		503345		41,413	41,413
<i>Pass-Through from Baylor College of Medicine</i>		430240		86,456	86,456
<i>Pass-Through from George Mason University</i>		503548		31,222	31,222
<i>Pass-Through from Houston Advanced Research Center</i>		503376		29,196	29,196
<i>Pass-Through from Mississippi State University</i>		10.206		450	450
<i>Pass-Through from Mississippi State University</i>		503298		19,475	19,475
<i>Pass-Through from New Mexico State University</i>		135144B439 SUB-G13 Q00882		19,012	19,012
<i>Pass-Through from Purdue University</i>		135144B756 SUB 591-0588-01		63,918	63,918
<i>Pass-Through from University of California, Davis</i>		503368		32,885	32,885
<i>Pass-Through from University of Maryland</i>		503205		109,680	109,680
<i>Pass-Through from University of Maryland</i>		503563		14,700	14,700
<i>Pass-Through from University of Minnesota</i>		503365		3,098	3,098
<i>Pass-Through from University of Minnesota</i>		503386		4,294	4,294
<i>Pass-Through from University of Missouri</i>		503315		57,671	57,671
Animal Health and Disease Research	10.207		1,581,100	3,022,135	4,603,235
<i>Pass-Through from Battelle Memorial Institute</i>		503554		11,778	11,778
Food and Agricultural Sciences National Needs Graduate Fellowship Grants	10.210				
<i>Pass-Through from University of California, Davis</i>		502245		265	265
Small Business Innovation Research	10.212			7,105	7,105
<i>Pass-Through from Muscadine Products Corporation</i>		503565		7,934	7,934
<i>Pass-Through from Omnisite Biodiagnostic, Inc</i>		503448		11,007	11,007
Sustainable Agriculture Research and Education	10.215				
<i>Pass-Through from University of Georgia</i>		503569		1,817	1,817
1890 Institution Capacity Building Grants	10.216				
<i>Pass-Through from North Carolina Agricultural and Technical State University</i>		503592		4,329	4,329
<i>Pass-Through from West Virginia University</i>		503350		18,110	18,110
Higher Education Challenge Grants	10.217		41,552	69,933	111,485
<i>Pass-Through from University of Arkansas</i>		135144B288 UA AES 90774-02		3,095	3,095
<i>Pass-Through from University of Wisconsin - Madison</i>		2006-38411-17036		6,420	6,420

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Agriculture (continued)</b>					
Higher Education Multicultural Scholars Program	10.220				
<i>Pass-Through from Colorado State University</i>		503037		(4,980)	(4,980)
Hispanic Serving Institutions Education Grants	10.223			347,147	347,147
Fund for Rural America--Research, Education, and Extension Activities	10.224				
<i>Pass-Through from North Carolina State University</i>		502791		(23)	(23)
Community Food Projects	10.225		567,820	1,347,706	1,915,526
Agricultural and Rural Economic Research	10.250		42,593	168,256	210,849
<i>Pass-Through from Joint Center for Poverty Research</i>		24330-A (43-3AEM-2-80038-A06)		13,780	13,780
Initiative for Future Agriculture and Food Systems Integrated Programs	10.302 10.303		33,556	25,051	58,607
<i>Pass-Through from Kansas State University</i>		503280		37,038	37,038
<i>Pass-Through from North Carolina State University</i>		135144B831 2004-1501-03		27,566	27,566
<i>Pass-Through from University of Arizona</i>		503522		29,024	29,024
Homeland Security_Agricultural	10.304			99,978	99,978
International Science and Education Grants	10.305			53,861	53,861
Value-Added Producer Grants	10.352				
<i>Pass-Through from Franklin Martin Farms, Inc.</i>		No. 07-0512		16,307	16,307
Crop Insurance	10.450		57,198	3,150,646	3,207,844
<i>Pass-Through from Grazinglands Conservation Initiative</i>		503015		6,207	6,207
<i>Pass-Through from Grazinglands Conservation Initiative</i>		503016		6,892	6,892
<i>Pass-Through from Grazinglands Conservation Initiative</i>		503109		41,159	41,159
<i>Pass-Through from Mississippi State University</i>		135144B263 320961 010500		54,696	54,696
<i>Pass-Through from University of Florida</i>		503331		(5,043)	(5,043)
<i>Pass-Through from University of Florida</i>		503367		4,793	4,793
<i>Pass-Through from University of Florida</i>		503459		11,437	11,437
<i>Pass-Through from University of Florida</i>		503467		4,908	4,908
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475				
<i>Pass-Through from Iowa State University</i>		503316		(525)	(525)
<i>Pass-Through from Iowa State University</i>		503357		13,000	13,000
Cooperative Extension Service	10.500		428,157	1,406,248	1,834,405
<i>Pass-Through from North Carolina State University</i>		503429		26,039	26,039
<i>Pass-Through from North Carolina State University</i>		503574		1,464	1,464
<i>Pass-Through from Pennsylvania State University</i>		503396		5,033	5,033
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557			551,588	551,588
Foreign Market Development Cooperator Program	10.600			217,991	217,991
Forestry Research	10.652			739,845	739,845
Cooperative Forestry Assistance	10.664		38,350	331,921	370,271
Forest Health Protection	10.680			10,711	10,711
Rural Business Opportunity Grants	10.773				
<i>Pass-Through from Texas Citrus Mutual</i>		503343		11,691	11,691
National Sheep Industry Improvement Center	10.774			3,642	3,642
<i>Pass-Through from USDA National Sheep Industry Improvement Center</i>		136644B824 7U.S.C.2008J		2,708	2,708
Resource Conservation and Development	10.901		2,425	561,509	563,934
<i>Pass-Through from Southern Forest Research Partnership</i>		503115		59,120	59,120
<i>Pass-Through from Southern Forest Research Partnership</i>		503126		(14,065)	(14,065)
Soil and Water Conservation	10.902			34,332	34,332
<i>Pass-Through from Danatural Resources Conservation</i>		130144C714 68-7482-6-285		55,947	55,947

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Agriculture (continued)</b>					
Soil Survey	10.903			147,716	147,716
<i>Pass-Through from Danatural Resources Conservation</i>		130144C208/130144 C717		102,470	102,470
Plant Materials for Conservation	10.905			9,693	9,693
Watershed Surveys and Planning	10.906			5,346	5,346
Environmental Quality Incentives Program	10.912		97,501	481,241	578,742
<i>Pass-Through from Boilingstone Energy, Inc</i>		503319		92,727	92,727
<i>Pass-Through from Danatural Resources Conservation</i>		130144C149 68- 7442-5-464		32,896	32,896
Wildlife Habitat Incentive Program	10.914				
<i>Pass-Through from Mississippi State University</i>		503104		62,494	62,494
Agricultural Statistics Reports	10.950			26,425	26,425
Technical Agricultural Assistance	10.960			637,655	637,655
Scientific Cooperation and Research	10.961			212,466	212,466
<i>Pass-Through from Chemonics International, Inc.</i>		502162		(514)	(514)
<i>Pass-Through from Chemonics International, Inc.</i>		503061		7	7
<i>Pass-Through from CIMMYT</i>		503141		4,627	4,627
<i>Pass-Through from CIMMYT</i>		503142		12,332	12,332
<i>Pass-Through from CIMMYT</i>		503264		25,639	25,639
<i>Pass-Through from Development Alternatives, Inc.</i>		502906		31,274	31,274
International Training--Foreign Participant	10.962		709,968	211,245	921,213
<i>Pass-Through from Association Liaison Office</i>		502953		(602)	(602)
<i>Pass-Through from Michigan State University</i>		502210		(1,851)	(1,851)
<i>Pass-Through from Michigan State University</i>		502694		82,502	82,502
<i>Pass-Through from Michigan State University</i>		502974		25,555	25,555
<i>Pass-Through from University of California, Davis</i>		503293		36,080	36,080
<i>Pass-Through from University of California, Davis</i>		503294		30,484	30,484
<i>Pass-Through from University of California, Davis</i>		503449		653,484	653,484
<i>Pass-Through from University of California, Davis</i>		503499		276,349	276,349
<i>Pass-Through from University of California, Davis</i>		503500		62,378	62,378
Total - U.S. Department of Agriculture			4,681,536	52,854,653	57,536,189
<b>U.S. Department of Commerce</b>					
U.S. Department of Commerce	11.XXX	2401-20		55,847	55,847
		EA133C-02-CN-00		67,018	67,018
		EAR-0413265	24,528	281,043	305,571
		EL133E06SE5083		9,981	9,981
<i>Pass-Through from Northrop Grumman Corporation</i>		PO 83547DDM3SREV 006		445,385	445,385
Economic Development--Technical Assistance	11.303			147,253	147,253
Research and Evaluation Program	11.312				
<i>Pass-Through from Northrop Grumman Corporation</i>		PO 8200084351		(526)	(526)
Geodetic Surveys and Services (Geodesy and Applications of the National Geodetic Reference System)	11.400			674,549	674,549
Interjurisdictional Fisheries Act of 1986	11.407			152,249	152,249
Sea Grant Support	11.417		102,685	2,236,507	2,339,192
<i>Pass-Through from Massachusetts Institute of Technology</i>		603400		4,803	4,803
<i>Pass-Through from South Carolina Department of Natural Resources</i>		503529		65,951	65,951
<i>Pass-Through from South Carolina Sea Grant Consortium</i>		RA3A		52,077	52,077
<i>Pass-Through from University of Mississippi</i>		606300		6,415	6,415
Coastal Zone Management Administration Awards	11.419		53,942	889,316	943,258

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Commerce (continued)</b>					
<i>Pass-Through from Coastal Bend Bays and Estuaries</i>		722		18,960	18,960
<i>Pass-Through from Houston Area Research Council</i>		606240		14,723	14,723
<i>Pass-Through from University of New Hampshire</i>		604860		41,226	41,226
Coastal Zone Management Estuarine Research Reserves	11.420			2,007,597	2,007,597
Financial Assistance for National Centers for Coastal Ocean Science	11.426			799,619	799,619
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427			80	80
Undersea Research	11.430				
<i>Pass-Through from Joint Oceanographic Institutions</i>		T303A18		2,498	2,498
<i>Pass-Through from University of Georgia</i>		606030		30,606	30,606
Climate and Atmospheric Research	11.431			75,945	75,945
Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes	11.432			13,565	13,565
<i>Pass-Through from University of Oklahoma</i>		503062		39,030	39,030
Marine Fisheries Initiative	11.433			100,200	100,200
Cooperative Fishery Statistics	11.434			64,526	64,526
Southeast Area Monitoring and Assessment Program	11.435			47,102	47,102
Marine Mammal Data Program	11.439				
<i>Pass-Through from Alaska Sealife</i>		NA16FX2846		(1,979)	(1,979)
<i>Pass-Through from University of California, San Diego</i>		UCSD PO 10263878		37,771	37,771
Environmental Sciences, Applications, Data, and Education	11.440			2,414	2,414
Special Oceanic and Atmospheric Projects	11.460			187,136	187,136
Habitat Conservation	11.463				
<i>Pass-Through from Galveston Bay Foundation</i>		5013B0001G510032		4,079	4,079
<i>Pass-Through from Nanohmics, Inc</i>		DG133R06CN0202 NAN0664		53,012	53,012
Meteorologic and Hydrologic Modernization Development	11.467				
<i>Pass-Through from University Corporation for Atmospheric Research</i>		S06-58383		9,376	9,376
Applied Meteorological Research	11.468		7,400	24,031	31,431
Coastal Services Center	11.473			38,229	38,229
Center for Sponsored Coastal Ocean Research--Coastal Ocean Program	11.478		20,922	448,310	469,232
<i>Pass-Through from Woods Hole Oceanographic Institution</i>		A100489		68,308	68,308
Educational Partnership Program	11.481			130,566	130,566
<i>Pass-Through from Florida A&amp;M University</i>		606210		177,792	177,792
Technology Opportunities Program	11.552			18,330	18,330
Measurement and Engineering Research and Standards	11.609			462,119	462,119
Manufacturing Extension Partnership	11.611		519,585	3,743,249	4,262,834
Advanced Technology Program	11.612			93,941	93,941
<i>Pass-Through from Nanospectra Biosciences, Inc.</i>		70NANB4H3040		56,248	56,248
<i>Pass-Through from Receptor Logic, Ltd</i>		06AP050017F1H		36,568	36,568
<i>Pass-Through from Zyvex Corporation</i>		72248		6,174	6,174
Congressionally Identified Projects	11.617			490,432	490,432
Total - U.S. Department of Commerce			729,062	14,429,651	15,158,713
<b>U.S. Department of Defense</b>					
U.S. Department of Defense	12.XXX	#W911NF-04-0100 1331-44 / W912HQ06C0058 1EA-0000048 35771 (UTA05)	171,902	12,257 1,174,550 167,732 368,676	12,257 1,346,452 167,732 368,676

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Defense (continued)</b>					
		424000		1,525,227	1,525,227
		72734		97,697	97,697
		73138		53,630	53,630
		CHALFIN/IPAA/NA VY		46,364	46,364
		DACA42-02-C-0009		8,593	8,593
		DACW42-03-2-0002		341,626	341,626
		FA4626-07-P-0024		94,623	94,623
		FOX-DARPA		181,396	181,396
		GLICKMAN/NAVY IPAA		(3,359)	(3,359)
		H98230-06-1-0124		46,395	46,395
		H98230-06-C0443		86,259	86,259
		N00014-05-C-0149 P00008	75,000		75,000
		N00167-06-C-0007		853,215	853,215
		N00244-06-P-0366		10,518	10,518
		N00244-06-P-3225		24,887	24,887
		N3946707GOIPA03		18,657	18,657
		N6311606GOIPA12		49,237	49,237
		N6311606GOIPA13		4,424	4,424
		NAG9-01476 SUPP 19	20,589		20,589
		UTA05-811	17,000		17,000
		W81XWH-04-1-0218		44,572	44,572
		W9113M-05-1-0016 P00002	3,663		3,663
		W911SR-04-C-0065		7,422,231	7,422,231
		W912L1-05-2-3055		(1,525,227)	(1,525,227)
		WOLF-USISR/IPAA- WU		43,028	43,028
<i>Pass-Through from Anteon Corporation</i>		USAF5212-STICS- 00021		21,637	21,637
<i>Pass-Through from Curtiss Wright Electromechanical</i>		8/5/04 CONTRACT AGREEMENT; 419875	105,703		105,703
<i>Pass-Through from Fairway Medical Technologies</i>		W81XWH-04-1-0484		4,997	4,997
<i>Pass-Through from HEM Technologies</i>		1354-44- C631/C898/C899		98,202	98,202
<i>Pass-Through from Hyperion Biotechnology</i>		W911SR-07C-0006		25,688	25,688
<i>Pass-Through from Nanohmics, Inc.</i>		72008		(3,703)	(3,703)
<i>Pass-Through from Old Dominion University Research Foundation</i>		MELTZ:OLD DOM:AFOSR		130,289	130,289
<i>Pass-Through from Rice University</i>		#R14051-72600003		10,255	10,255
<i>Pass-Through from Science Applications International Corporation</i>		1354-44- C045/C550/C994 4400115969		169,758	169,758
<i>Pass-Through from Science Applications International Corporation</i>		4400116331		15,084	15,084
<i>Pass-Through from Signal Technology</i>		D138136		46,862	46,862
<i>Pass-Through from Southwest Research Institute</i>		3965-25		47,904	47,904
<i>Pass-Through from Southwest Research Institute</i>		SWRI 399847P		24,240	24,240
<i>Pass-Through from The Geneva Foundation</i>		S-2004-TSNRP-04		39,745	39,745
<i>Pass-Through from The Geneva Foundation</i>		S-2004-TSNRP-05		8,832	8,832
<i>Pass-Through from Tulane University</i>		72147		17,341	17,341

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Defense (continued)</b>					
<i>Pass-Through from Tulane University</i>		72148		145,912	145,912
<i>Pass-Through from University of Chicago</i>		1351-44-B291 / F49620-01-10335		12,059	12,059
<i>Pass-Through from Vax Design</i>		W81XWH-04-C-0139		106,688	106,688
<i>Pass-Through from Weston Solutions, Inc.</i>		1354-44-B964 / PO0048944		47,376	47,376
<i>Pass-Through from Wright Materials Research Co.</i>		06-UTA01 HQ0006- 06-C-7386		10,046,279	10,046,279
<i>Pass-Through from Zyvex Corporation</i>		BAA0519F10		303,477	303,477
Procurement Technical Assistance for Business Firms	12.002			173,246	173,246
<i>Pass-Through from BBN Technology Corp.</i>		ICITA-2		209,353	209,353
Aquatic Plant Control	12.100			118,765	118,765
<i>Pass-Through from City of Lewisville</i>		72212		213,093	213,093
<i>Pass-Through from Denton County</i>		72118		41,697	41,697
Beach Erosion Control Projects	12.101			368	368
Flood Plain Management Services	12.104			24,307	24,307
Collaborative Research and Development	12.114		137,466	2,304,244	2,441,710
<i>Pass-Through from Research Foundation of the State University of New York</i>		FA87500520064		44,997	44,997
<i>Pass-Through from Signal Processing, Inc.</i>		Sub No. 001-1		20,928	20,928
<i>Pass-Through from State University of New York</i>		Sub No. 1046148		21,520	21,520
<i>Pass-Through from U.S. Civilian Research and Development Foundation</i>		503317		23,251	23,251
<i>Pass-Through from University of South Florida</i>		136244B953/C751		41,644	41,644
<i>Pass-Through from Williams Pyro, Inc.</i>		W56HZV-06-C-0062		4,687	4,687
<i>Pass-Through from Wingler and Sharp Inc</i>		No. 06-0276	57,775	497,830	555,605
Basic and Applied Scientific Research	12.300		1,820,209	88,212,797	90,033,006
<i>Pass-Through from Acree Technologies, Inc.</i>		N00014-07-M-0419		286	286
<i>Pass-Through from Adlyfe, Inc.</i>		W81XWH-05-C- 0127-001		12,223	12,223
<i>Pass-Through from Battelle</i>		208683		255,967	255,967
<i>Pass-Through from Bennington Microtechnology Center</i>		N00014-05-1-0587		10,892	10,892
<i>Pass-Through from California Institute of Technology</i>		No. 68-1077901		134,070	134,070
<i>Pass-Through from Calnetix</i>		Sub No. 05-0647		56,003	56,003
<i>Pass-Through from Carbon Nanotechnologies, Inc.</i>		H0067BG093193		31,249	31,249
<i>Pass-Through from Custom Manufacturing and Engineering, Inc.</i>		Sub No. 06-0168		119,496	119,496
<i>Pass-Through from Drexel University</i>		No. 204080		91,548	91,548
<i>Pass-Through from Eltron Research, Inc.</i>		135444C718 N0001406-M-0317		29,918	29,918
<i>Pass-Through from Georgia Institute of Technology</i>		N000014-06-1-0545		16,698	16,698
<i>Pass-Through from Infoscitex</i>		1183-1S1		19,231	19,231
<i>Pass-Through from ITT Corporation</i>		201407		197,262	197,262
<i>Pass-Through from Management Consulting, Inc.</i>		PO No. 53800		1,173,251	1,173,251
<i>Pass-Through from Marlow Industries</i>		Agr. No. 04-0575		4,290	4,290
<i>Pass-Through from Mississippi State University</i>		EQM -KY6-00		47,185	47,185
<i>Pass-Through from Product Concept Development</i>		N00014-04-C-0345		58,271	58,271
<i>Pass-Through from Rutgers University</i>		3094		20,054	20,054
<i>Pass-Through from Rutgers University</i>		S8805083096		17,724	17,724
<i>Pass-Through from Systems and Materials Research Consultancy</i>		SMRC-52		69,492	69,492
<i>Pass-Through from Systems and Materials Research Consultancy</i>		SMRC-58 N68335- 07-C-0040		61,329	61,329
<i>Pass-Through from University of Illinois</i>		Sub No. 2005-03559-01		2,396	2,396

# STATE OF TEXAS

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Defense (continued)</b>					
<i>Pass-Through from University of Minnesota</i>		503505		69,713	69,713
<i>Pass-Through from Utah State University</i>		70185001		5,811	5,811
<i>Pass-Through from Washington Savannah River Company</i>		WSRC-AC543010		8,355,793	8,355,793
<i>Pass-Through from Williams Pyro, Inc.</i>		N65538-06-M-0104		5,416	5,416
<i>Pass-Through from Williams Pyro, Inc.</i>		Sub No. 07-0224		12,311	12,311
Military Medical Research and Development	12.420		4,633,679	26,920,416	31,554,095
<i>Pass-Through from Buck Institute for Age Research</i>		DAMD-17-98-1-8581-2		42	42
<i>Pass-Through from DOD/Emory University</i>		DAAMD170320033		11,801	11,801
<i>Pass-Through from Fred Hutchinson Cancer Research</i>		DAMD17-02-1-0691		6,774	6,774
<i>Pass-Through from Geo-Centers, Inc</i>		N00173-03-C-2013		14,399	14,399
<i>Pass-Through from Johns Hopkins University</i>		5 W81XWH-04-1-0595 03		325,873	325,873
<i>Pass-Through from Johns Hopkins University</i>		W81XWH-04-1-0232 01		51,089	51,089
<i>Pass-Through from Memorial Hermann Hospital System</i>		DAMD 17-03-C-97		56,056	56,056
<i>Pass-Through from National Medical Technology Test Bed</i>		DAMD17-97-2-7016		503	503
<i>Pass-Through from Oklahoma State University</i>		AA-5-75063-A		(3,283)	(3,283)
<i>Pass-Through from Oregon Research Institute</i>		DAMD17-02-2-0017		12,319	12,319
<i>Pass-Through from Rice University</i>		DAMD17-03-1-0384 04		61,280	61,280
<i>Pass-Through from Science Applications International Corporation</i>		N00173-03-C-2013		74,808	74,808
<i>Pass-Through from T.R.U.E. Research Foundation</i>		06AP050072FNL		492,666	492,666
<i>Pass-Through from T.R.U.E. Research Foundation</i>		W81WXH-06-2-0033		100,223	100,223
<i>Pass-Through from T.R.U.E. Research Foundation</i>		W81XWH-06-2-0033		233,760	233,760
<i>Pass-Through from T.R.U.E. Research Foundation</i>		W81XWH-06-2-0033 01		152,662	152,662
<i>Pass-Through from Temple University</i>		W91ZSQ-5309-N7		244,267	244,267
<i>Pass-Through from The Scripps Research Institute</i>		07LM040054F2H		60,471	60,471
<i>Pass-Through from The Trustees of Indiana University</i>		DAMD170310216		268,309	268,309
<i>Pass-Through from University of California, San Francisco</i>		W81XWH0510265		376,413	376,413
<i>Pass-Through from University of Central Florida</i>		W912HZ-06-P-0194		24,015	24,015
<i>Pass-Through from University of Oklahoma</i>		DAMD17020702		(908)	(908)
Basic Scientific Research	12.431		1,898,297	9,551,694	11,449,991
<i>Pass-Through from Academy of Applied Science, Inc.</i>		07-49 & 07		5,200	5,200
<i>Pass-Through from California Institute of Technology</i>		No. 68-1077891		51,140	51,140
<i>Pass-Through from Fibertek, Inc.</i>		No. 224058-50407		72,992	72,992
<i>Pass-Through from Grambling State University</i>		DAAH04-95-1-0250		(6,708)	(6,708)
<i>Pass-Through from Harvard University</i>		No. 133463-08		10,826	10,826
<i>Pass-Through from Infoscitex</i>		No. 1187-1S1		17,685	17,685
<i>Pass-Through from Lynntech, Inc.</i>		No. 07-0695		7,943	7,943
<i>Pass-Through from Management Consulting, Inc.</i>		PO No. 53798		211,456	211,456
<i>Pass-Through from New Jersey Institute of Technology</i>		W911NF-04-C-0109		7,221	7,221
<i>Pass-Through from Nomadics Inc</i>		W81XWH-05-C-0128		10,453	10,453
<i>Pass-Through from Parsons Infrastructure and Technology Group, Inc.</i>		No. 735284-40247		105,049	105,049
<i>Pass-Through from Science Applications International Corporation</i>		4400121592		190,133	190,133
<i>Pass-Through from Science Applications International Corporation</i>		4400138109		108,817	108,817
<i>Pass-Through from SI International</i>		S000000053		14,769	14,769
<i>Pass-Through from Stevens Institute of Technology</i>		No. 527826-09		16,325	16,325
<i>Pass-Through from Telcordia</i>		No. 20002503		42,876	42,876



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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Defense (continued)</b>					
<i>Pass-Through from University of Dayton Research Institute</i>		No. RSC05016		679,053	679,053
<i>Pass-Through from University of Nebraska - Lincoln</i>		No. 25-1105-0005-202		27,282	27,282
<i>Pass-Through from University of South Carolina</i>		07-1410; PO# 7263-13060-FA35		114,657	114,657
<i>Pass-Through from VW International, Inc.</i>		No. VWI 6170-039A	193,758	254,562	448,320
National Flagship Language Program Grants To U.S. Institutions Of Higher Education	12.550			13,877	13,877
Basic, Applied, and Advanced Research in Science and Engineering	12.630		449,016	3,099,515	3,548,531
<i>Pass-Through from Accelerator Technology Corp.</i>		No. 06-0997		34,996	34,996
<i>Pass-Through from Center for Rotocraft Innovation, Inc</i>		W911W6-05-2-0003		22,179	22,179
<i>Pass-Through from Dynatech Engineering Inc</i>		No. 05-0704		3,600	3,600
<i>Pass-Through from Georgia Institute of Technology</i>		R7443-S4		1,181	1,181
<i>Pass-Through from High Performance Technologies, Inc</i>		2273-124-		161,812	161,812
<i>Pass-Through from Infoscitex</i>		No. 1165-1S1		20,977	20,977
<i>Pass-Through from Innovative Scientific Solutions,</i>		SB05041		62,990	62,990
<i>Pass-Through from Medical University of South Carolina</i>		W74V8H0410010		49,973	49,973
<i>Pass-Through from University of Illinois at Urbana-Champaign</i>		2005-03031-01 AMD 02		375,489	375,489
<i>Pass-Through from University of Southern California</i>		1351441441/1351441527		48,436	48,436
<i>Pass-Through from Virginia Polytechnic Institute</i>		CR-19642-425689		9,989	9,989
<i>Pass-Through from Wylie Laboratories</i>		AFE #16S2	27,736		27,736
Air Force Defense Research Sciences Program	12.800		1,614,112	16,066,640	17,680,752
<i>Pass-Through from Adtech Systems Research</i>		FA9550-06-C-0064		27,591	27,591
<i>Pass-Through from AeroAstro, Inc.</i>		No. 2622-02		115,553	115,553
<i>Pass-Through from Aeroprobe Corporation</i>		No. 06-0151		169,765	169,765
<i>Pass-Through from Brooks City Base Foundation, Inc</i>		BCBF0001TSUFA89010430001		15,048	15,048
<i>Pass-Through from Clarkson Aerospace</i>		05-S567-0003-C1		(10,270)	(10,270)
<i>Pass-Through from Clarkson Aerospace</i>		FA8650-05-D-1912		299,081	299,081
<i>Pass-Through from Clarkson Aerospace</i>		PVUAM 05-0003-C1		588,354	588,354
<i>Pass-Through from Clarkson Aerospace</i>		UHH 06-S567-06-C2		48,734	48,734
<i>Pass-Through from Clarkson Aerospace</i>		UHM 06-S567-06-C2		21,637	21,637
<i>Pass-Through from Duke University</i>		FA9550-06-1-0482		69,932	69,932
<i>Pass-Through from General Dynamics Information</i>		No. F33615-03-D-5408		376	376
<i>Pass-Through from Inframat Corporation</i>		5013H0068G090076		16,190	16,190
<i>Pass-Through from Integrated Micro Sensors</i>		H0453BG093651		49,220	49,220
<i>Pass-Through from Integrated Micro Sensors</i>		H0453BG095301		8,291	8,291
<i>Pass-Through from Integrated Micro Sensors</i>		H0453BG095302		1,119	1,119
<i>Pass-Through from Knowledge Based Systems, Inc.</i>		5274-200 TAMU		67,000	67,000
<i>Pass-Through from Massey University</i>		AOARD-04-4007		2,975	2,975
<i>Pass-Through from Northrop Grumman Corporation</i>		PO 65016QOD5A		796,410	796,410
<i>Pass-Through from Portage Environmental Inc</i>		PEI 2106S07		651,004	651,004
<i>Pass-Through from Starvision Technologies Inc</i>		Agr No. 06-0191		3,982	3,982
<i>Pass-Through from Systems and Materials Research Consultancy</i>		FA9200-06-C-0248 SMRC-55		18,502	18,502
<i>Pass-Through from The Boeing Company</i>		4CC1768		32,691	32,691
<i>Pass-Through from Trinity University</i>		27-1382033		27,570	27,570
<i>Pass-Through from Universal Technology Corporation</i>		No. 06S568-018-C1		32,596	32,596
<i>Pass-Through from University of California, Berkeley</i>		SA4456-32432PG		18,420	18,420
<i>Pass-Through from University of Dayton Research Institute</i>		No. RSC05003		29,498	29,498
<i>Pass-Through from University of Illinois</i>		2006-02197-02		1,345	1,345
<i>Pass-Through from University of Michigan</i>		3000587486 AMD 1		125,268	125,268

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Defense (continued)</b>					
<i>Pass-Through from University of Wisconsin</i>		135144574 A867075		308,722	308,722
Mathematical Sciences Grants Program	12.901			303,478	303,478
Information Security Grant Program	12.902			1,207,622	1,207,622
<i>Pass-Through from Unisys West Coast Research Center</i>		321946		13,376	13,376
Research and Technology Development	12.910		1,355,230	4,948,004	6,303,234
<i>Pass-Through from Beacon Power Corporation</i>		PO No. 12561		17,822	17,822
<i>Pass-Through from CACI Technologies, Inc</i>		DAAB07-03-D-C214		9,008	9,008
<i>Pass-Through from Electronic Biosciences, LLC</i>		FA9550-06-C-0006		151,606	151,606
<i>Pass-Through from Intelligent Automation, Inc</i>		FA9101-04-C-0032		94,951	94,951
<i>Pass-Through from Research Foundation of State</i>		R372819		49,216	49,216
<i>Pass-Through from Toyon Research Corporation</i>		No. SC06-6531-1		158,664	158,664
<i>Pass-Through from United Negro College Fund Special Programs</i>		Contract Dated 5/01/06		9,574	9,574
<i>Pass-Through from University of California, Irvine</i>		No. 07-0060		18,750	18,750
<i>Pass-Through from University of California, Riverside</i>		S-00000200		25,956	25,956
<i>Pass-Through from University of Connecticut</i>		No. 524055		248,762	248,762
<i>Pass-Through from University of Southern California</i>		P.O. 10581		127,224	127,224
<i>Pass-Through from University of Southern Mississippi</i>		72110		7,738	7,738
<i>Pass-Through from University of Virginia</i>		GG10739-124925		(198,295)	(198,295)
<i>Pass-Through from Williams Pyro, Inc.</i>		W31P4Q-06-C-0010		6,987	6,987
Total - U.S. Department of Defense			12,581,135	196,982,817	209,563,952
<b>U.S. Department of Housing and Urban Development</b>					
Empowerment Zones Program	14.244				
<i>Pass-Through from El Paso Empowerment Zone Corporation</i>		PERM #G3C1P12		(1,018)	(1,018)
Community Development Block Grants/Brownfields	14.246			3,875	3,875
Economic Development Initiative					
General Research and Technology Activity	14.506				
<i>Pass-Through from University of Missouri</i>		502824		46,699	46,699
Community Outreach Partnership Center Program	14.511			18,268	18,268
Community Development Work-Study Program	14.512			2,000	2,000
Doctoral Dissertation Research Grants	14.516			90	90
Lead Technical Studies Grant	14.902			27,455	27,455
Total - U.S. Department of Housing and Urban Development			0	97,369	97,369
<b>U.S. Department of the Interior</b>					
U.S. Department of the Interior	15.XXX	03FC810878	179,477		179,477
		0404CT32805		1,152,499	1,152,499
		1308-44-B555 /		240	240
		0104PO35200			
		1308-44-B670 /		4,511	4,511
		201814J881			
		1406-04-06-GT-		20,991	20,991
		37401 UTA07-161		24,316	24,316
		414197		1,684	1,684
		503452		378,999	378,999
		73030		2,379	2,379
		GDA050008		20,063	20,063
		H7540050001		13,715	13,715
		J760006002A		57,011	57,011
		UTA03-183		578,456	578,456

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of the Interior (continued)</b>					
<i>Pass-Through from Arizona State University</i>		1351-44-B543 / 04- H900-700000005-		127,686	127,686
<i>Pass-Through from Mississippi State University</i>		1351-44-B730 / 330544-08030008		48,458	48,458
<i>Pass-Through from National Fish and Wildlife Foundation</i>		1354-44-C273 / 2005- 0282-000		18,482	18,482
<i>Pass-Through from National Fish and Wildlife Foundation</i>		1354-44-C970 / 2007- 0036-000		3,417	3,417
<i>Pass-Through from WF Baird and Associates</i>		UTA05-713 10964		517,102	517,102
Fish, Wildlife, and Parks Programs on Indian Lands	15.039				
<i>Pass-Through from New Mexico Game and Fish</i>		503232		6,324	6,324
Cultural Resource Management	15.224			19,552	19,552
Recreation Resource Management	15.225			58,481	58,481
National Fire Plan - Wildland Urban Interface Community Fire Assistance	15.228			64,839	64,839
Minerals Management Service (MMS) Environmental Studies Program (ESP)	15.423			66,844	66,844
Offshore Research Technology Center (OTRC) Texas Engineering Experiment Station (TEES)	15.425			320,530	320,530
Water Reclamation and Reuse Program	15.504			98,357	98,357
Water Desalination Research and Development Program	15.506			64,392	64,392
Water 2025	15.507		25,839		25,839
<i>Pass-Through from El Paso Water Utilities</i>		503275		27,740	27,740
Conservation Law Enforcement Training Assistance	15.602			32,654	32,654
Fish and Wildlife Management Assistance	15.608		1,785	330,594	332,379
<i>Pass-Through from Austin Community Foundation</i>		PRT-839031		6,589	6,589
<i>Pass-Through from Pacific States Marine Fisheries Commission</i>		14486018102G593		13,666	13,666
Coastal Wetlands Planning, Protection, and Restoration Act	15.614			1,805	1,805
Cooperative Endangered Species Conservation Fund	15.615			2,142,300	2,142,300
North American Wetlands Conservation Fund	15.623				
<i>Pass-Through from Rainwater Basin Joint Venture</i>		1354440722		61	61
Migratory Bird Joint Ventures	15.637			26,993	26,993
<i>Pass-Through from Ducks Unlimited, INC-PNP</i>		US-LA-96-1		14,560	14,560
<i>Pass-Through from Ducks Unlimited, INC-PNP</i>		US-LA-96-2		246	246
<i>Pass-Through from The Nature Conservancy</i>		424035		3,000	3,000
Wildlife Without Borders- Latin America and the Caribbean	15.640			26,408	26,408
Challenge Cost Share	15.642			30,500	30,500
Migratory Bird Conservation	15.647			7,155	7,155
Assistance to State Water Resources Research Institutes	15.805			233,066	233,066
<i>Pass-Through from Texas Water Resources Institute</i>		TBD		2,432	2,432
Earthquake Hazards Reduction Program	15.807			123,725	123,725
<i>Pass-Through from University of Missouri</i>		C00008221-1		12,710	12,710
U.S. Geological Survey--Research and Data Acquisition	15.808		3,554	183,442	186,996
<i>Pass-Through from IntuVision, Inc.</i>		INTUNBCHC060170		15,378	15,378
National Spatial Data Infrastructure Cooperative Agreements Program	15.809		30,527	153,560	184,087
National Cooperative Geologic Mapping Program	15.810			125,080	125,080
Cooperative Research Units Program	15.812			260,648	260,648
Historic Preservation Fund Grants-In-Aid	15.904			57,800	57,800
<i>Pass-Through from Kacyra Family Foundation</i>		135444C829/C830		20,562	20,562
National Natural Landmarks Program	15.910			62,667	62,667
National Historic Landmark	15.912			22,278	22,278
National Register of Historic Places	15.914			20,133	20,133

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<b>Cluster Name/Federal Grantor/Program Name/ Pass-through Entity</b>	<b>CFDA</b>	<b>Federal/Pass- through Entity Other Identifying No.</b>	<b>Pass-through to Non-State Entities</b>	<b>Expenditures</b>	<b>Total</b>
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of the Interior (continued)</b>					
Technical Preservation Services	15.915			1,727	1,727
Urban Park and Recreation Recovery Program	15.919		5,340	311,464	316,804
Rivers, Trails and Conservation Assistance	15.921		20,129	218,492	238,621
National Center for Preservation Technology and Training	15.923			70,444	70,444
Total - U.S. Department of the Interior			266,651	8,229,207	8,495,858
<b>U.S. Department of Justice</b>					
U.S. Department of Justice	16.XXX	2003-GP-CX-0131		6,782	6,782
		2003UMWX0162		53,972	53,972
		2004-DN-BX-K213		146,595	146,595
		2004-DN-BX-K214		(5,578)	(5,578)
		2005-DA-BX-K095		178,666	178,666
		2005-DN-BX-K127		474,369	474,369
		2006-DN-BX-K129		121,210	121,210
		J-FBI-02-133		96	96
<i>Pass-Through from Refugee Services of Texas</i>		UTA05-910		13,297	13,297
Public Education on Drug Abuse--Information	16.005			5	5
Grants to Reduce Violent Crimes Against Women on Campuses	16.525		7,500	81,379	88,879
Juvenile Justice and Delinquency Prevention--Allocation to States	16.540			356,455	356,455
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560		296,341	2,913,742	3,210,083
Criminal Justice Research and Development--Graduate Research Fellowships	16.562			1,501	1,501
Byrne Formula Grant Program	16.579			483,497	483,497
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580			898,658	898,658
Community Prosecution and Project Safe Neighborhoods	16.609				
<i>Pass-Through from Greater Dallas Crime Commission</i>		2006-PG-BX-0094		48,929	48,929
Public Safety Partnership and Community Policing Grants	16.710			39,871	39,871
Edward Byrne Memorial Justice Assistance Grant Program	16.738			705,928	705,928
Total - U.S. Department of Justice			303,841	6,519,374	6,823,215
<b>U.S. Department of Labor</b>					
U.S. Department of Labor	17.XXX	E4R7004040 MOD 1		453,845	453,845
<i>Pass-Through from WorkSource, Austin</i>		39178		21,574	21,574
Employment and Training Pilots	17.261			(1,385)	(1,385)
<i>Pass-Through from North Central Texas Council of Government</i>		FY07-DOLAML-01		11,565	11,565
Total - U.S. Department of Labor			0	485,599	485,599
<b>U.S. Department of State</b>					
U.S. Department of State	19.XXX	S-ECAPE-03-GR-129(CS)		10	10
<i>Pass-Through from Council of American Overseas Research Centers</i>		ECA/CAORC/UT-AIMS-200406		129,452	129,452
Program for Study of Eastern Europe and the Independent States of the Former Soviet Union	19.300				
<i>Pass-Through from American Intl Health Alliance</i>		UCCARMOOPPTRG AAR		(23)	(23)

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of State (continued)</b>					
International Visitors Program	19.402			456	456
International Education Training and Research	19.430			2,648	2,648
<i>Pass-Through from NAFSA - Association of International Educators</i>		02-426031-113005		2,150	2,150
Total - U.S. Department of State			<u>0</u>	<u>134,693</u>	<u>134,693</u>
<b>U.S. Department of Transportation</b>					
U.S. Department of Transportation	20.XXX			(38)	(38)
		DTFH61-03-P-00242		622	622
		DTFH61-05-P-00280			
		DTFR53-99-H-00006	2,349		2,349
		MOD 3			
		DTFR53-99-H00006		1,489,882	1,489,882
		MOD 7			
		DTOS59-04-G-00010		129,804	129,804
<i>Pass-Through from Arizona Department of Transportation</i>		JPA07006T		44,175	44,175
<i>Pass-Through from National Academy of Science</i>		HR 12-72	111,308		111,308
<i>Pass-Through from University of California</i>		SA5405-15811 / PO		601,462	601,462
		1221079			
Aviation Education	20.100		26,979	19,801	46,780
Aviation Research Grants	20.108		36,241	641,766	678,007
<i>Pass-Through from National Academy of Sciences</i>		No 551143A		140,900	140,900
<i>Pass-Through from North Carolina Agricultural and Technical State University</i>		No ACRP 11-02		3,331	3,331
<i>Pass-Through from Southwest Research Institute</i>		SWRI 599775L		25,528	25,528
Highway Planning and Construction	20.205			79,219	79,219
<i>Pass-Through from Houston/Galveston Area Council</i>		TS5551-01		139,302	139,302
<i>Pass-Through from Houston/Galveston Area Council</i>		TS6603-01		55,802	55,802
<i>Pass-Through from National Academy of Sciences</i>		T-063-TRB-2006-002		9,853	9,853
<i>Pass-Through from National Academy of Sciences</i>		T-063-TRB-2006-003		9,849	9,849
<i>Pass-Through from National Academy of Sciences</i>		T-063-TRB-2006-004		9,970	9,970
Highway Training and Education	20.215			292,057	292,057
<i>Pass-Through from North Central Texas Council of Governments</i>		06-076		57,086	57,086
National Motor Carrier Safety	20.218			14,614	14,614
Transit Planning and Research	20.514			178,954	178,954
<i>Pass-Through from Capital Area Rural Transit System</i>		P2005084		1,529	1,529
State and Community Highway Safety	20.600				
<i>Pass-Through from Oklahoma Regional Community Policing Ins</i>		C2006351		1,469	1,469
<i>Pass-Through from Oklahoma Regional Community Policing Ins</i>		C2007373		1,862	1,862
Safety Incentive Grants for Use of Seatbelts	20.604			326,346	326,346
Pipeline Safety	20.700		41,375	84,078	125,453
Transportation, Planning, Research and Education	20.931			153,233	153,233
Total - U.S. Department of Transportation			<u>218,252</u>	<u>4,512,456</u>	<u>4,730,708</u>
<b>U.S. Department of Treasury</b>					
U.S. Department of Treasury	21.XXX	UTA07-302		75,903	75,903
Total - U.S. Department of Treasury			<u>0</u>	<u>75,903</u>	<u>75,903</u>

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>Office of Personnel Management</b>					
Intergovernmental Personnel Act (IPA) Mobility Program	27.011			369,431	369,431
Total - Office of Personnel Management			0	369,431	369,431
<b>Federal Mediation and Conciliation Service</b>					
Federal Mediation and Conciliation Service	34.XXX	73174		1,310	1,310
Total - Federal Mediation and Conciliation Service			0	1,310	1,310
<b>General Services Administration</b>					
Donation of Federal Surplus Personal Property	39.003			93,015	93,015
Total - General Services Administration			0	93,015	93,015
<b>Library of Congress</b>					
Library of Congress	42.XXX	CRS 06-06		20,752	20,752
		CRS 06-13		10,907	10,907
		CRS 06-14		34,454	34,454
Total - Library of Congress			0	66,113	66,113
<b>National Aeronautics and Space Administration</b>					
National Aeronautics and Space Administration	43.XXX	32566-6831C1		44,423	44,423
		ATP03-0001-0027		149,028	149,028
		CON17190		228,352	228,352
		NAG 2-1505 03		170,301	170,301
		NCC 9-165		684,884	684,884
		NCC5-13396		1,132,957	1,132,957
		NNG05GE96H SUPP		2,797,694	2,797,694
		NNG05GP48G	13,108	709,780	722,888
		NNJ04HB05G 04		188,991	188,991
		NNJ04HF50G		25,680	25,680
		NNJ06HA40G		28,483	28,483
		NNX07AC96A	3,545	3,545	3,545
		P0082259		51,596	51,596
<i>Pass-Through from Advanced Fuel Research, Inc.</i>		PO 01974		15,657	15,657
<i>Pass-Through from Baylor College of Medicine</i>		NAG9-1569 02		62,027	62,027
<i>Pass-Through from California Institute of Technology</i>		72258		6,846	6,846
<i>Pass-Through from California Space Grant Foundation</i>		PO CSGF-002-025-05		1,560	1,560
<i>Pass-Through from Colorado State University</i>		NAG9-1569		73,167	73,167
<i>Pass-Through from Genexpress Informatics, Inc.</i>		2004 Phase II		12,864	12,864
<i>Pass-Through from United Negro College Fund Special Programs</i>		NASA/UNCFSPC		4,957	4,957
<i>Pass-Through from University of Wyoming</i>		UTA07-057		1,423,394	1,423,394
<i>Pass-Through from Zyvex Corporation</i>		UW#NASA43301SU		154,230	154,230
		Document Dated 12/21/05		154,230	154,230
Aerospace Education Services Program	43.001		1,101,781	10,218,930	11,320,711
<i>Pass-Through from Baylor College of Medicine</i>		NCC 9-58-73		(2,275)	(2,275)
<i>Pass-Through from California Institute of Technology, Jet Propulsion Lab</i>		1224608 / NAS7- 1224723	203,909	203,909	203,909
<i>Pass-Through from Defense Contract Management Agency</i>		NCC 9-150		356,872	356,872
<i>Pass-Through from Electron Energy Corp</i>		PO No. 11307		119,877	119,877
<i>Pass-Through from Jet Propulsion Laboratory</i>		1283959		13,773	13,773

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>National Aeronautics and Space Administration (continued)</b>					
<i>Pass-Through from National Space Biomedical Research Institute</i>		NCC 9-58/NPFR00403		(9,652)	(9,652)
<i>Pass-Through from National Space Biomedical Research Institute</i>		NCC 9-58-203/EO00607		50,408	50,408
<i>Pass-Through from National Space Biomedical Research Institute</i>		NPFR00403		(2,971)	(2,971)
<i>Pass-Through from Pennsylvania State University</i>		2720-TAMU-NASA-B04G		20,288	20,288
<i>Pass-Through from Purdue University</i>		523-2026-0		1,710	1,710
<i>Pass-Through from Smithsonian Astrophysical</i>		G05-6079X		11,448	11,448
<i>Pass-Through from Southwest Research Institute</i>		792006BT		9,791	9,791
<i>Pass-Through from Space Telescope Science Institute Aura</i>		1354-44-C381 / HSTED90304.01-A		18,279	18,279
<i>Pass-Through from Texas Space Grant Consortium</i>		606220		9,887	9,887
<i>Pass-Through from Texas Space Grant Consortium</i>		UTA #05-517		22,478	22,478
<i>Pass-Through from United Negro College Fund, Inc</i>		NAFP		163,004	163,004
<i>Pass-Through from Universities Space Research Association</i>		8500-98-008 / NAS2-97001 MOD 14		503,983	503,983
<i>Pass-Through from Universities Space Research Association</i>		NCC9-142		8,122	8,122
<i>Pass-Through from Universities Space Research Association</i>		NNJ06HG25A		90,578	90,578
<i>Pass-Through from University Corporation for Atmospheric Research</i>		S07-60299		14,037	14,037
<i>Pass-Through from University of California</i>		No. 0150 G FB259		(5,887)	(5,887)
<i>Pass-Through from University of Michigan</i>		Sub No. F010050		61,705	61,705
<i>Pass-Through from University of New Orleans Research and Technology Foundation</i>		58404-S7		73,590	73,590
<i>Pass-Through from University of Tennessee</i>		OR3610-001.01		24,316	24,316
<i>Pass-Through from Villanova University</i>		EPO-05-566		12,988	12,988
<i>Pass-Through from Wyle Laboratories</i>		405080		5,117	5,117
<i>Pass-Through from Wyle Laboratories</i>		T701950002		131,163	131,163
<i>Pass-Through from Wyle Laboratories</i>		T701950005		21,829	21,829
<i>Pass-Through from Wyle Laboratories</i>		T701950006		97,712	97,712
<i>Pass-Through from Wyle Laboratories</i>		T701950007		132,667	132,667
<i>Pass-Through from Wyle Laboratories</i>		T701950008		79,995	79,995
<i>Pass-Through from Wyle Laboratories</i>		T701950009		27,249	27,249
<i>Pass-Through from Wyle Laboratories</i>		T701950010		40,986	40,986
<i>Pass-Through from Wyle Laboratories</i>		T701950011		8,289	8,289
<i>Pass-Through from Wyle Laboratories</i>		T701950012		32,579	32,579
Technology Transfer	43.002		476,730	7,120,361	7,597,091
<i>Pass-Through from American Society for Engineering</i>		NCC5-612		7,434	7,434
<i>Pass-Through from California Institute of Technology, Jet Propulsion Lab</i>		JPL-125621		(13,416)	(13,416)
<i>Pass-Through from Colorado State University</i>		NAG9-1569G19413		119,887	119,887
<i>Pass-Through from Houston Advanced Research Center</i>		20-52022-UH0507A		26,252	26,252
<i>Pass-Through from Houston Advanced Research Center</i>		20-52022-UH0507B		5,469	5,469
<i>Pass-Through from Johns Hopkins University</i>		903431		27,869	27,869
<i>Pass-Through from Lockheed Martin</i>		MSOC-0001N		127,940	127,940
<i>Pass-Through from Northwestern University</i>		Sub No. 0980 520 T212 628		5,648	5,648
<i>Pass-Through from University of Colorado</i>		SPO #000046490 / UCB REF NO. 154-0919		202,087	202,087
Total - National Aeronautics and Space Administration			1,799,073	27,959,267	29,758,340

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>National Foundation on the Arts and the Humanities</b>					
National Foundation on the Arts and the Humanities	45.XXX				
<i>Pass-Through from American Architectural Foundation</i>		UTA06-641		38,621	38,621
Promotion of the Arts--Partnership Agreements	45.025			3,000	3,000
Promotion of the Humanities--Federal/State Partnership	45.129				
<i>Pass-Through from Humanities Texas</i>		2004-3037		800	800
Promotion of the Humanities--Challenge Grants	45.130			79,135	79,135
Promotion of the Humanities--Division of Preservation and Access	45.149			255,322	255,322
<i>Pass-Through from George Mason University</i>		E201233-1		3,022	3,022
Promotion of the Humanities--Fellowships and Stipends	45.160			84,605	84,605
Promotion of the Humanities--Research	45.161			100,341	100,341
Promotion of the Humanities--Teaching and Learning Resources and Curriculum Development	45.162		39,448	41,769	81,217
Museum Assessment Program	45.302			499	499
Conservation Project Support	45.303				
<i>Pass-Through from Michigan State University</i>		61-3334		10,726	10,726
National Leadership Grants	45.312			161,014	161,014
<i>Pass-Through from California Digital Library</i>		72142		123,530	123,530
<i>Pass-Through from Institute of Museum and Library Services</i>		72084		7,377	7,377
<i>Pass-Through from Institute of Museum and Library Services</i>		RE-01-03-0056-03		179,029	179,029
Total - National Foundation on the Arts and the Humanities			39,448	1,088,790	1,128,238
<b>National Science Foundation</b>					
National Science Foundation	47.XXX	CHAUTAUQUA FUNDING		5,521,955	5,521,955
		CNS-0540063 02		69,630	69,630
		DEB-0120709	134,288		134,288
		DMR-0551195	312,072		312,072
		ITR-0218988	32,878		32,878
		OCI-0636299		693,786	693,786
		PHY-0514282		92,095	92,095
<i>Pass-Through from Tennessee State University</i>		HRD-0206028		98,460	98,460
<i>Pass-Through from U.S. Civilian Research and Development Foundation</i>		503255		1,197	1,197
<i>Pass-Through from WGBH Educational Productions</i>		UTA05-514		909,407	909,407
Engineering Grants	47.041		477,028	15,200,833	15,677,861
<i>Pass-Through from Arizona State University</i>		07-806		5,930	5,930
<i>Pass-Through from Auburn University</i>		502905		15,799	15,799
<i>Pass-Through from Carnegie Mellon University</i>		1120855-18		35,885	35,885
<i>Pass-Through from Colorado State University</i>		Sub No. G-3371-1		87,084	87,084
<i>Pass-Through from Hanson Robotics, Inc.</i>		OII-0539852		10,324	10,324
<i>Pass-Through from Jackson State University</i>		#EEC-0634279		4,570	4,570
<i>Pass-Through from Michigan Tech University</i>		Agr No. 030216Z		19,953	19,953
<i>Pass-Through from NanoMEMS Research, LLC</i>		Sub No. 07-0685		22	22
<i>Pass-Through from North Carolina State University</i>		2006-0651-01		308	308
<i>Pass-Through from Performance Polymer Solutions Inc</i>		Sub Agr under Prime DMI-0419218		68,695	68,695
<i>Pass-Through from Princeton University</i>		Sub No. 00001217		82,240	82,240
<i>Pass-Through from Purdue University</i>		501-1094-0		86,482	86,482
<i>Pass-Through from Sentorix, Inc.</i>		5013H0070G093472		33,951	33,951
<i>Pass-Through from Stanford University</i>		30819-A		2,000	2,000
<i>Pass-Through from Thies Technology</i>		Sub No. 16-0298		43,835	43,835
<i>Pass-Through from University of California, Berkeley</i>		SA4514-10252PG		95,212	95,212
<i>Pass-Through from University of California, Riverside</i>		Sub No. S00000165		157,146	157,146



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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>National Science Foundation (continued)</b>					
<i>Pass-Through from University of Florida</i>		C07-00051		2,357	2,357
<i>Pass-Through from University of Illinois</i>		Sub No. 98-269		31,146	31,146
<i>Pass-Through from University of Missouri - Columbia</i>		C00011524-1		5,553	5,553
<i>Pass-Through from University of Missouri - Rolla</i>		00012706		16,767	16,767
<i>Pass-Through from University of South Carolina</i>		51769		36,576	36,576
<i>Pass-Through from University of South Carolina</i>		CMS-0528873		16,428	16,428
<i>Pass-Through from University of Tennessee - Knoxville</i>		Sub No. OR 6382.001.01		87,308	87,308
<i>Pass-Through from Vanderbilt University</i>		#14659-S9		93,249	93,249
<i>Pass-Through from Virginia Tech University</i>		CR-19433-477685		2,318,418	2,318,418
Mathematical and Physical Sciences	47.049		244,758	15,061,771	15,306,529
<i>Pass-Through from California Institute of Technology</i>		No. 68-1074604		63,376	63,376
<i>Pass-Through from Columbia University</i>		PHY-0301292	74,000		74,000
<i>Pass-Through from Columbia University</i>		PHY-0301292 & Others		427,657	427,657
<i>Pass-Through from Northern Illinois University</i>		PHY-0320554		2,260	2,260
<i>Pass-Through from Southwest Research Institute</i>		SUB NO. 399857N		293,126	293,126
<i>Pass-Through from University of California, Davis</i>		002865-UTSA		52,782	52,782
<i>Pass-Through from University of California, Santa</i>		KK5110		94,733	94,733
<i>Pass-Through from University of California, Santa</i>		S0177062		25,003	25,003
<i>Pass-Through from University of Florida</i>		UF01076		42,798	42,798
<i>Pass-Through from University of Illinois at Urbana- Champaign</i>		72210, 72217		33,954	33,954
<i>Pass-Through from University of Michigan</i>		F005739 / PHY- 0114336		658,772	658,772
<i>Pass-Through from University of Minnesota</i>		R5286056123		29,453	29,453
<i>Pass-Through from University of Tennessee</i>		4649-001.01		57,015	57,015
<i>Pass-Through from University of Washington</i>		72158		1,794	1,794
Geosciences	47.050		191,771	6,597,754	6,789,525
<i>Pass-Through from Idaho State University</i>		03-260A		10,776	10,776
<i>Pass-Through from Incorporated Research Institutions for Seismology (IRIS)</i>		04-PAS		214,464	214,464
<i>Pass-Through from Joint Oceanographic Institutions</i>		JSAF603		17,859	17,859
<i>Pass-Through from Joint Oceanographic Institutions</i>		T309A42		9,158	9,158
<i>Pass-Through from Southern University Research</i>		OCE-0607431 Subaward 2006-102		32,094	32,094
<i>Pass-Through from Southwest Research Institute</i>		792020BT		74,120	74,120
<i>Pass-Through from University of Georgia</i>		RR100-300-7512087		10,135	10,135
<i>Pass-Through from University of Georgia</i>		RR100-500/3504298		35,409	35,409
<i>Pass-Through from University of Oklahoma</i>		2007-34		74,360	74,360
<i>Pass-Through from Woods Hole Oceanographic Institution</i>		A100467		238,361	238,361
Computer and Information Science and Engineering	47.070		300,799	17,833,981	18,134,780
<i>Pass-Through from Brigham Young University</i>		06-0154		56,098	56,098
<i>Pass-Through from Georgia Institute of Technology</i>		BES-0401627		76	76
<i>Pass-Through from Pennsylvania State University</i>		ANI-0125653		126	126
<i>Pass-Through from Portland State University</i>		No. 04-0053		152	152
<i>Pass-Through from Rice University</i>		R38718-73900004		41,887	41,887
<i>Pass-Through from University of California, San Diego</i>		PO No. 10232493		104,442	104,442
<i>Pass-Through from University of Florida</i>		ACI-0086044		1,782	1,782
<i>Pass-Through from University of Florida</i>		CDA-971303		878	878
<i>Pass-Through from University of Florida</i>		Sub No. UF00116		7,314	7,314
<i>Pass-Through from University of Washington</i>		72249		(126)	(126)
<i>Pass-Through from University of Wisconsin</i>		A920006		925,630	925,630
<i>Pass-Through from Washington University</i>		1351-44-C435 / WU- HT-06-23		2,737	2,737

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>National Science Foundation (continued)</b>					
Biological Sciences	47.074		774,810	10,042,635	10,817,445
<i>Pass-Through from Institute of Ecosystem Studies</i>		1354-44-B951 / 2911/200589		2,478	2,478
<i>Pass-Through from Iowa State Univeristy</i>		420-21-53A		6,847	6,847
<i>Pass-Through from Jarvis Christian College</i>		750995027		56,608	56,608
<i>Pass-Through from Lehigh University</i>		5 DEB-0210972-03		1,630	1,630
<i>Pass-Through from Miami University, Ohio</i>		DEB-0210972 03		13,221	13,221
<i>Pass-Through from Mississippi State University</i>		503009		33,169	33,169
<i>Pass-Through from Rice University</i>		503403		3,622	3,622
<i>Pass-Through from University of Iowa</i>		1351-44-B925 / 4000524452		35,915	35,915
<i>Pass-Through from University of Iowa</i>		FOX/NSF-0225711		24,830	24,830
<i>Pass-Through from University of Puerto Rico</i>		1351-44-B6313 DEB- 0218039 SS660433760		583	583
<i>Pass-Through from VECO USA, Inc.</i>		412293-ARC		129,954	129,954
<i>Pass-Through from Washington State University</i>		G001591/OGRD#101 070-001		172,270	172,270
Social, Behavioral, and Economic Sciences	47.075		49,889	3,468,750	3,518,639
<i>Pass-Through from National Bureau of Economic Research</i>		20345400079555- 66-000032		14,904	14,904
<i>Pass-Through from SRI International</i>		RUE1-2690-TO-05		34,000	34,000
<i>Pass-Through from U.S. Civilian Research and Development Foundation</i>		RUP2-2683-NO-05		2,677	2,677
<i>Pass-Through from U.S. Civilian Research and Development Foundation</i>				44,356	44,356
<i>Pass-Through from University of Washington</i>		346723		12,187	12,187
<i>Pass-Through from Washington State University</i>		G001839		15,905	15,905
Education and Human Resources	47.076		270,622	23,527,055	23,797,677
<i>Pass-Through from Howard University</i>		634143-199750		80,935	80,935
<i>Pass-Through from New Mexico State University</i>		HRD-0420407		36,764	36,764
<i>Pass-Through from New Mexico State University</i>		Q00939/Q01076		20,384	20,384
<i>Pass-Through from New Mexico State University</i>		Q01180		71,996	71,996
<i>Pass-Through from Northwestern University</i>		0803 20 T		72,657	72,657
<i>Pass-Through from SRI International</i>		11-000115	2,075		2,075
<i>Pass-Through from SRI International</i>		11-000115; NON- COMP CONT.	88,514		88,514
<i>Pass-Through from SRI International</i>		66-000144		504,378	504,378
<i>Pass-Through from The Regents of University of Michigan</i>		72150		752	752
<i>Pass-Through from University of Alabama - Birmingham</i>		209-494		8,820	8,820
<i>Pass-Through from University of Alabama - Birmingham</i>		ESI-0353440		197,733	197,733
<i>Pass-Through from University of Louisiana at Monroe</i>		72130		5,000	5,000
Polar Programs	47.078			550,650	550,650
<i>Pass-Through from Marine Biological Lab</i>		28457 Increment		36,179	36,179
<i>Pass-Through from Rice University</i>		R39122		15,789	15,789
International Science and Engineering (OISE)	47.079			204,621	204,621
<i>Pass-Through from U.S. Civilian Research and Development Foundation</i>		No. UKM2-2812-KV- 06		8,247	8,247
<i>Pass-Through from U.S. Civilian Research and Development Foundation</i>		RUP2-2843-NN-06		4,345	4,345
Total - National Science Foundation			2,953,504	108,541,408	111,494,912
<b>Securities and Exchange Commission</b>					
Securities and Exchange Commission	58.XXX	M05-0947		17,050	17,050

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>Securities and Exchange Commission (continued)</b>					
Securities--Investigation of Complaints and SEC Information	58.001		0	7,921	7,921
Total - Securities and Exchange Commission			0	24,971	24,971
<b>Small Business Administration</b>					
Small Business Development Center	59.037		0	73,809	73,809
Total - Small Business Administration			0	73,809	73,809
<b>Department of Veterans Affairs</b>					
Department of Veterans Affairs	64.XXX	1018		3,440	3,440
		ABBOUD/IPAA/BOS TANJI		11,530	11,530
		AHUJA/BONELLO/IPAA		35,252	35,252
		AHUJA/IPAA/CAM ARGO		41,786	41,786
		AHUJA/IPAA/MART INEZ		16,192	16,192
		AHUJA/IPAA/SHAH		27,736	27,736
		AHUJA/VA/IPAA/M AMTAN		9,428	9,428
		AHUJA-IPAA- KULKARNI		1,532	1,532
		AHUJA-VA- AHUJA-VA- MARTINEZ		5,248	5,248
		AHUJA-VA- WILLMON		21,571	21,571
		AHUJA-VA- WILLMON		2,400	2,400
		BASLER-JENKINS- IPAA		27,749	27,749
		BOLDT/IPAA/ALCA NTARA		29,704	29,704
		BOLDT/IPAA/KARANTI		6,376	6,376
		BOLDT/IPAA/RAI		19,601	19,601
		CASADA/IPAA/BENSON		12,685	12,685
		CASADA/IPAA/HA RGITA		8,689	8,689
		CASADA/IPAA/JAVORS		3,406	3,406
		CASADA/IPAA/MURFF		19,728	19,728
		CASADA/IPAA/NERY		17,232	17,232
		CASADA/IPAA/POL ANCO		27,815	27,815
		CASADA/IPAA/REY NAGA		19,375	19,375
		CHANDRESAKAR/I PAA/LI		30,506	30,506
		CHATERJEE/IPAA/CRUZ		19,886	19,886
		CHATTERJEE/IPAA/ CHUN		9,809	9,809
		CHATTERJEE/IPAA/KIM		32,545	32,545
		CHATTERJEE/IPAA/KO		20,515	20,515

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>Department of Veterans Affairs (continued)</b>					
		CHATTERJEE/IPAA/SEO		9,008	9,008
		CHATTERJEE-AHN- IPAA		18,156	18,156
		CHAUDHURI/IPAA/ LEONA		8,830	8,830
		CUSI/IPAA/CHANG		45,781	45,781
		CUSI/IPAA/MATHEW		34,657	34,657
		DEFRONZ/IPAA/GR ANATO		26,843	26,843
		DEFRONZIPA- GUERRA-VA		(3,095)	(3,095)
		DEFRONZO/IPAA/K INCAD		70,480	70,480
		DEFRONZO/IPAA/KING		67,621	67,621
		ELANGO/IPAA/QIN		21,374	21,374
		ERIKSON/IPAA/FU RLOW		20,710	20,710
		ESSEX-IPAA- CARROLL		2,675	2,675
		ESSEX-VA-SUN		51,299	51,299
		FOX/IPAA/FRANKLIN		11,261	11,261
		FOX/IPAA/GLAHN		16,713	16,713
		FOX/IPAA/KOCHUNOV		5,899	5,899
		FOX/IPAA/LANCASTER		6,302	6,302
		FOX-IPAA-ZHANG		25,327	25,327
		FOX-LANCASTER- IPAA		5,671	5,671
		FOX-NARAYANA- IPAA		4,027	4,027
		FRAZER/IPAA/GOULD		47,924	47,924
		FRAZER/IPAA/PIOT ROWS		29,073	29,073
		FREEMAN-VA- COLSTON		3,572	3,572
		FREYTES/IPAA/RA MIREZ		40,237	40,237
		GHOSH- CH/IPAA/MANDAL		13,534	13,534
		GHOSH- CHAUD/IPAA/PAN		21,274	21,274
		GHOSH- CHOU/IPAA/DAS		19,319	19,319
		GHOSH- CHOUD/IPAA/MAH		27,718	27,718
		GHOSHCHOU- IPAA-STCLA		36,579	36,579
		IPAA - SAM DELAROSA		8,186	8,186
		IPAA- AHUJA/VA/MAMTAN		24,574	24,574
		IPAA-MANICKAM		38,310	38,310
		IPAA-NICOLETTI		31,095	31,095

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>Department of Veterans Affairs (continued)</b>					
		IPAA-VA-JIMENEZ		37,502	37,502
		IPAA-ZHANG		38,818	38,818
		IPA- HATCH/SOARES-PI		5,201	5,201
		IPA-LANCASTER- SOARES		5,893	5,893
		KASINATH/IPAA/M ARIAP		15,976	15,976
		KASINATH/IPAA/M YUNG		15,048	15,048
		KASINATH/IPAA/N ATARA		18,524	18,524
		KASINATH-VA- BHANDARI		13,735	13,735
		KATZ/IPAA/ZHANG		8,413	8,413
		KATZ-IPAA-KAMAT		29,635	29,635
		KATZ-VA-ZHANG		2,798	2,798
		KAZHDAN/IPAA/LONG		15,477	15,477
		LEE/VA/ALBEE- SCOTT		(421)	(421)
		LI/IPAA/HAN		5,660	5,660
		LI/IPAA/LI		38,842	38,842
		LI/IPAA/LU		4,303	4,303
		LI/IPAA/XU		19,223	19,223
		LI/IPAA/ZHOU		26,159	26,159
		LI-VA-QIAO		12,512	12,512
		LI-VA-ZHOU		10,509	10,509
		MARCINIAK/IPAA/ SIDDI		29,502	29,502
		MARCINIAK-VA- CHAVEZ		3,852	3,852
		MELBY/IPAA/ZHA		17,328	17,328
		MIKHAILOV/IPAA/ GHOSH		(290)	(290)
		RAN-IPAA-CHEN		40,060	40,060
		RICHA/IPAA/CHAU DHURI		4,291	4,291
		RICHARDSON/IPAA /CHAU		17,182	17,182
		RINCON-IPAA- HERRERA		(43)	(43)
		SANCHEZ/IPAA/GARZA		36,592	36,592
		SHIREMAN/IPAA/ RODRIG		5,644	5,644
		SHIREMAN/IPAA/SUN		10,343	10,343
		SOARES/IPAA/ROD RIGUE		10,017	10,017
		STRON/IPAA/FERN ANDEZ		6,518	6,518
		STRONG/IPAA/CHENG		59,902	59,902
		STRONG/IPAA/FER NANDE		25,249	25,249

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>Department of Veterans Affairs (continued)</b>					
		STRONG- KADAPAKK-IPAA		60,188	60,188
		V674P-3841		165,887	165,887
		VANREMMEN/IPAA /JANG		21,748	21,748
		VANREMMEN/IPAA /SHI		21,748	21,748
		VANREMMEN- IPAA-LIU		59,729	59,729
		WALTER/IPAA/ALLEN		23,351	23,351
		WALTER/IPAA/GRASS		6,492	6,492
		WALTER/IPAA/HERZIG		57,701	57,701
		WEINER/IPAA/LOPEZ		15,697	15,697
		WEINER/IPAA/URIBE		53,125	53,125
		WEINER-IPAA- DURAN		50,329	50,329
		WEINER-SOOMRO- IPAA		(115)	(115)
		WERNER/IPAA/WO ODRUFF		57,780	57,780
		YEH/IPAA/DANG		14,545	14,545
		YEH/IPAA/LIN		52,128	52,128
		YEH/IPAA/ZHU		31,439	31,439
		IPA dated 07/17/06		25,396	25,396
<i>Pass-Through from South Texas Veterans Health Care System</i>				3,121	3,121
Veterans Medical Care Benefits	64.009			16,556	16,556
Veterans Dental Care	64.011			107,037	107,037
Sharing Specialized Medical Resources	64.018			<u>0</u>	<u>2,706,506</u>
Total - Department of Veterans Affairs				<u>2,706,506</u>	<u>2,706,506</u>
<b>Environmental Protection Agency</b>					
Environmental Protection Agency	66.XXX	UT-15-7-82650	52,064	413,094	465,158
		X9-96603501		2,086	2,086
<i>Pass-Through from Colorado School of Mines</i>		4-12-06		25,543	25,543
<i>Pass-Through from Houston Advanced Research Center</i>		20-23014-UT082005	26,770	26,770	26,770
<i>Pass-Through from Louisiana State University</i>		C175806 Amd 1		150,845	150,845
<i>Pass-Through from Mactec. Inc</i>		1354-44-C055 / POMEC60050019G		10	10
<i>Pass-Through from Research Triangle Institute</i>		6-321-0219288		25,256	25,256
Air Pollution Control Program Support	66.001			5,051	5,051
Ozone Transport	66.033				
<i>Pass-Through from Zapata County</i>		5013H0429G091590		15,806	15,806
Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034			266,696	266,696
<i>Pass-Through from Purdue University</i>		503593		7,466	7,466
Congressionally Mandated Projects	66.202		82,018	725,714	807,732
Environmental Justice Collaborative Problem-Solving Cooperative Agreement Program	66.306				
<i>Pass-Through from Mothers for Clean Air</i>		PS-83161601-0		10,564	10,564
Water Pollution Control--State and Interstate Program Support	66.419		5,000	114,584	119,584
State Underground Water Source Protection	66.433			69,513	69,513
Surveys, Studies, Investigations, Demonstrations & Training	66.436			(367)	(367)

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>Environmental Protection Agency (continued)</b>					
Grants & Cooperative Agreements - Sec 104(b)(3) of the Clean Water Act					
National Estuary Program	66.456			100,195	100,195
<i>Pass-Through from Coastal Bend Bays and Estuaries</i>		729		41,040	41,040
<i>Pass-Through from Coastal Bend Bays and Estuaries</i>		NO. 0308		25,644	25,644
Nonpoint Source Implementation Grant	66.460		238,191	627,117	865,308
<i>Pass-Through from Brazos River Authority</i>		503358		17,671	17,671
Regional Wetland Program Development Grants	66.461			41,262	41,262
Water Quality Cooperative Agreements	66.463			17,598	17,598
<i>Pass-Through from Mississippi State University</i>		503156		371	371
Beach Monitoring and Notification Program Implementation Grants	66.472			356,073	356,073
Gulf of Mexico Program	66.475			85,315	85,315
Wetland Program Grants - State/Tribal Environmental Outcome Wetland Demonstration Program	66.479			6,704	6,704
Environmental Protection Consolidated Research	66.500		325,704	625,302	951,006
<i>Pass-Through from Capital Area Council of Governments</i>		3692		700	700
<i>Pass-Through from Harvard University</i>		122777		38,809	38,809
<i>Pass-Through from Indiana University</i>		27608-0313		42,208	42,208
<i>Pass-Through from Louisiana State University</i>		R127008		7,382	7,382
<i>Pass-Through from Louisiana State University</i>		UTA05-175		622	622
<i>Pass-Through from Mickey Leland National Air Toxics Res Center</i>		R82867801-5	30,796	300,342	331,138
<i>Pass-Through from The Health Effects Institute</i>		R82811201	12,448	14,481	26,929
<i>Pass-Through from University of New Mexico</i>		48113		21,259	21,259
Science to Achieve Results (STAR) Research Program	66.509		72,909	811,100	884,009
<i>Pass-Through from Consortium for Plant Biotechnology</i>		503374		67,395	67,395
<i>Pass-Through from Southern Illinois University</i>		1360-44-C414/6-21738 RD83284201-		40,720	40,720
<i>Pass-Through from University of Southern Mississippi</i>		USM-GR01079-B10 / R-82945801-0	3,360		3,360
<i>Pass-Through from University of Washington</i>		928377		51,724	51,724
<i>Pass-Through from Wright State University</i>		RD83221301-0		17,759	17,759
Surveys, Studies, Investigations and Special Purpose Grants within the Office of Research and Development	66.510		44,529	185,423	229,952
Office of Research and Development Consolidated Research/Training	66.511		19,531	367,541	387,072
Greater Research Opportunities (GRO) Fellowships For Undergraduate/Graduate Environmental Study	66.513			62,696	62,696
Science To Achieve Results (STAR) Fellowship Program	66.514			122,846	122,846
P3 Award: National Student Design Competition for Sustainability	66.516			1,205	1,205
Environmental Protection Consolidated Grants--Program Support	66.600			58,033	58,033
Performance Partnership Grants	66.605		34,900	235,797	270,697
<i>Pass-Through from University of California, Davis</i>		X-985696-0		(1,694)	(1,694)
Surveys, Studies, Investigations and Special Purpose Grants	66.606		73,467	17,817	91,284
<i>Pass-Through from Arizona State University</i>		CX824924-0		4,729	4,729
<i>Pass-Through from Houston Air Research</i>		20-23014-TARC122005		35,269	35,269
Training and Fellowships for the Environmental Protection Agency	66.607			309,847	309,847

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>Environmental Protection Agency (continued)</b>					
Protection of Children and Older Adults (Elderly) from Environmental Health Risks	66.609			20,000	20,000
Consolidated Pesticide Enforcement Cooperative Agreements Pollution Prevention Grants Program	66.700 66.708			1,438 211,428	1,438 211,428
<i>Pass-Through from Pacific Northwest Laboratory</i>		AGREEMENT #MEAS0603		27,625	27,625
Pesticide Environmental Stewardship Regional Grants Superfund State Political Subdivision, and Indian Tribe Site-- Specific Cooperative Agreements	66.714 66.802			54,695 (130,847)	54,695 (130,847)
<i>Pass-Through from Oregon Department of Environmental Quality</i>		024-06 AMD 1		22,505	22,505
Solid Waste Management Assistance Grants International Financial Assistance Projects Sponsored by the Office of International Affairs	66.808 66.931		37,822	40,090 153,383	40,090 191,205
Total - Environmental Protection Agency			<u>1,059,509</u>	<u>6,990,480</u>	<u>8,049,989</u>
<b>U.S. Department of Energy</b>					
U.S. Department of Energy	81.XXX	1305-44-1219 / PO537895		11,396	11,396
		55613		182,295	182,295
		67931		10,143	10,143
		ACQ-4-33623-06		22,230	22,230
		CP602		288,788	288,788
		DE-AC09- 06SR22531 M001	10,087		10,087
		DE-AC26-98FT40417	1,091,235		1,091,235
		DE-FC02-02ER25516	123,304		123,304
		DE-FC2602NT41440	34,733		34,733
		DE-FC26-04NT15534 A002	63,006		63,006
		DE-FC26-04NT15546	64,540		64,540
		DE-FC52- DE-FG02- 06ER46303 LTR		198,583 3,261,663	198,583 3,261,663
		DE-FG52-05NA27036 NO. 574628	654,009	306,996 19,504	961,005 19,504
<i>Pass-Through from Argonne National Laboratory</i>		72259		(1,378)	(1,378)
<i>Pass-Through from Battelle Energy Alliance, LLC</i>		1354-44-C256 / 00050536		100,915	100,915
<i>Pass-Through from Battelle Energy Alliance, LLC</i>		1354-44-C862 / 00062780		37,562	37,562
<i>Pass-Through from BWX Technologies Pantex</i>		D494		27,328	27,328
<i>Pass-Through from Carnegie Institute of Washington</i>		1354-44-C778 / 4- 4374-01		61,980	61,980
<i>Pass-Through from Los Alamos National Laboratory</i>		72103		42,089	42,089
<i>Pass-Through from Los Alamos National Security, LLC</i>		43076-001-06		19,758	19,758
<i>Pass-Through from National Renewable Energy Laboratory</i>		1354-44-1626 / AAT- 2-31605-04	30,138	32,976	63,114
<i>Pass-Through from Petroleum Tech Transfer Council</i>		0895 MOD 48		28,413	28,413
<i>Pass-Through from Princeton University</i>		S006937-F	32,753		32,753
<i>Pass-Through from Sandia National Laboratories</i>		1354-44-A447 / 98475		18,489	18,489



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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Energy (continued)</b>					
<i>Pass-Through from Sandia National Laboratories</i>		1354-44-B255 / 230524		26,695	26,695
<i>Pass-Through from Sandia National Laboratories</i>		1354-44-C277 / 541398		105,212	105,212
<i>Pass-Through from Sandia National Laboratories</i>		1354-44-C781 / PO644034		40,407	40,407
<i>Pass-Through from Sandia National Laboratories</i>		379530 REV 11	399,760		399,760
<i>Pass-Through from Sandia National Laboratories</i>		Agreement 010104		672,606	672,606
<i>Pass-Through from Sandia National Laboratories</i>		Doc # 633827		158,303	158,303
<i>Pass-Through from University of California</i>		B555671		34,533	34,533
<i>Pass-Through from University of California Livermore National Lab</i>		1351-44-B870 / B5453351		46,705	46,705
<i>Pass-Through from University of California Livermore National Lab</i>		1351-44-C248 / B557149		50,270	50,270
<i>Pass-Through from University of California Livermore National Lab</i>		1351-44-C869 / B526542		39,737	39,737
<i>Pass-Through from University of California Los Alamos National Lab</i>		1351-44-C366 / 34239-001-06		8,837	8,837
<i>Pass-Through from Xidex Corp</i>		UTA06-284		5,974,947	5,974,947
Energy-Related Inventions	81.036			9,866	9,866
<i>Pass-Through from Battelle Memorial Institute</i>		503401		29,777	29,777
State Energy Program	81.041			561,797	561,797
<i>Pass-Through from Rice University</i>		R7B128		7,680	7,680
<i>Pass-Through from State of Louisiana</i>		No. 2025-05-01		19,834	19,834
Office of Science Financial Assistance Program	81.049		186,839	20,724,354	20,911,193
<i>Pass-Through from American Water Works Association</i>		3160		34,356	34,356
<i>Pass-Through from American Water Works Association</i>		3162		12,493	12,493
<i>Pass-Through from Battelle Energy Alliance, LLC</i>		Sub No. 00062729		46,204	46,204
<i>Pass-Through from BP Solar International, LLC</i>		DE-AC36-99- GO10337		32,548	32,548
<i>Pass-Through from Carnegie Mellon University</i>		Sub No. 1070044- 153394		82,935	82,935
<i>Pass-Through from Honeywell Federal Manufacture and Technologies</i>		1354-44-C952 / EP14002		40,685	40,685
<i>Pass-Through from Idaho State University</i>		Sub No. 02-220E		(111)	(111)
<i>Pass-Through from Invocon, Inc.</i>		312-001		50,649	50,649
<i>Pass-Through from Lawrence Berkeley Laboratory</i>		Sub No. 6720563		64,186	64,186
<i>Pass-Through from Lawrence Livermore National Security</i>		Sub No. B557268		105,846	105,846
<i>Pass-Through from Los Alamos National Security, LLC.</i>		Sub No. 22430-001-		112,431	112,431
<i>Pass-Through from Los Alamos National Security, LLC.</i>		Sub No. 32726-001-		37,447	37,447
<i>Pass-Through from Medical University of South Carolina</i>		DE-F-G07-		13,670	13,670
<i>Pass-Through from National Security Technologies, LLC</i>		Sub No. 30017		21,779	21,779
<i>Pass-Through from Purdue University</i>		Sub No. 541-0604-01		202,000	202,000
<i>Pass-Through from Sandia National Laboratories</i>		443037		46,552	46,552
<i>Pass-Through from Sandia National Laboratories</i>		682230		131,857	131,857
<i>Pass-Through from Sandia National Laboratories</i>		No. 529425		49,913	49,913
<i>Pass-Through from Sandia National Laboratories</i>		No. 540685		9,811	9,811
<i>Pass-Through from Sandia National Laboratories</i>		No. 581208		18,577	18,577
<i>Pass-Through from Sandia National Laboratories</i>		No. 682276		20,113	20,113
<i>Pass-Through from Sandia National Laboratories</i>		No. 716601		16,172	16,172
<i>Pass-Through from Sandia National Laboratories</i>		PO No. 54416		3,837	3,837
<i>Pass-Through from Sandia National Laboratories</i>		PO No. 69281		3,125	3,125
<i>Pass-Through from Signal Processing, Inc.</i>		07-592		2,087	2,087
<i>Pass-Through from Stanford University/Linear Accelerator</i>		SLAC - 0000058905		242,964	242,964

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Energy (continued)</b>					
<i>Pass-Through from Tulane University</i>		72274		92,989	92,989
<i>Pass-Through from Tulane University</i>		TUL-540-06/07		16,525	16,525
<i>Pass-Through from University of Alaska Geophysical</i>		UAF 99-0035	42,900	(10,988)	31,912
<i>Pass-Through from University of California, Irvine/DOE</i>		DEFG0205ER6403		23,443	23,443
<i>Pass-Through from University of California, Lawrence Berkeley National Lab</i>		6809247		66,188	66,188
<i>Pass-Through from University of California, Lawrence Berkeley National Lab</i>		6809968		48,623	48,623
<i>Pass-Through from University of Delaware</i>		11757		152,527	152,527
<i>Pass-Through from University of Oregon</i>		DE-FG02-		75,181	75,181
<i>Pass-Through from University of Wyoming</i>		1351-44-C912 / NAZU48565TTU		35	35
<i>Pass-Through from Williams Pyro, Inc. University Coal Research</i>	81.057	DE-FG02-	35,171	286,378	321,549
<i>Pass-Through from Purdue University Office of Scientific and Technical Information</i>	81.064	Sub No. 541-0335-01		33,952	33,952
<i>Pass-Through from Lawrence Berkeley Laboratory Pass-Through from Sandia National Laboratories Nuclear Waste Disposal Siting</i>	81.065	Sub No. 541-0335-01 683215		42,650	42,650
<i>Pass-Through from Hydrodynamics Group, LLC Pass-Through from Nye County Nevada</i>		04-014 06-019		55,852	55,852
<i>Regional Biomass Energy Programs</i>	81.079		330,964	733,019	1,063,983
<i>Conservation Research and Development</i>	81.086		34,516	318,532	353,048
<i>Pass-Through from Battelle Pass-Through from Rice University Renewable Energy Research and Development</i>	81.087	4000033035 & Mod 1 H0452BG093484	36,456	(1,290)	(1,290)
<i>Pass-Through from Accelerator Technology Corp. Pass-Through from Baylor University Pass-Through from Midwest Research Institute-National Renewable Energy Lab</i>		No. 05-1036 No. 032-75BL Subcntr XDJ-3-33600- 01		9,674	9,674
<i>Pass-Through from National Renewable Energy Laboratory Pass-Through from Shear Form</i>		422990 No. 05-0314		18,228	18,228
<i>Pass-Through from Siemens Westinghouse Power Pass-Through from Spire Corporation</i>		PO No. 4500509872 DE-AC36-99- GO10337		32,621	32,621
<i>Pass-Through from University of Central Florida</i>		UTA06-466 (DE- FC26-00NT42767)		56,263	56,263
<i>Pass-Through from UT - Battelle LLC Fossil Energy Research and Development</i>	81.089	Sub No. 4000033876	365,874	15,111	15,111
<i>Pass-Through from Clemson University Research</i>		Subcontract No. 03- 01-SR113		39,603	39,603
<i>Pass-Through from Los Alamos National Security, LLC. Pass-Through from New Mexico Tech Pass-Through from New Mexico Tech Pass-Through from Pennsylvania State University</i>		Sub No. 37000-001- 503348 503389 2938-TAMU-DOE- 2098		(1,095)	(1,095)
<i>Pass-Through from Rice University Pass-Through from University of Kansas Center Pass-Through from Virginia Polytechnic Institute Office of Environmental Cleanup and Acceleration</i>	81.104	CR-19433-414704	25,132	2,505,623	2,871,497
<i>Pass-Through from Howard University Pass-Through from Howard University</i>		633254-192527 633254- H010016/010063		19,163	19,163
				16,605	16,605
				37,040	37,040
				60,485	60,485
				16,434	16,434
				18,691	18,691
				52,159	52,159
				775,954	775,954
				176,100	201,232
				66,284	66,284
				41,170	41,170

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Energy (continued)</b>					
<i>Pass-Through from University of Nevada Las Vegas</i>		06-64KK-01 / 06-64PG-01		23,196	23,196
National Industrial Competitiveness through Energy, Environment, and Economics	81.105				
<i>Pass-Through from Sandia National Laboratories Stewardship Science Grant Program</i>	81.112	184481		1,631	1,631
Defense Nuclear Nonproliferation Research	81.113			118,638	118,638
University Reactor Infrastructure and Education Support	81.114		36,411	691,930	691,930
<i>Pass-Through from Battelle Energy Alliance, LLC</i>		Sub No. 00066100		1,480,468	1,516,879
<i>Pass-Through from Medical University of South Carolina</i>		DE-FG07-05ID14692/IDNE006_PO#0635904		92,793	92,793
<i>Pass-Through from Medical University of South Carolina</i>		Sub No. 05-444206		59,977	59,977
<i>Pass-Through from Purdue University</i>		No. 541-0593-01		31,895	31,895
<i>Pass-Through from South Carolina State University</i>		Sub No. 05-444206		42,798	42,798
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117			4,660	4,660
<i>Pass-Through from Carnegie Institute of Washington</i>		1354-44-C426 / 4-3327-43		296,300	296,300
<i>Pass-Through from National Association of State Energy Officials</i>		Agr DE-FC36-03G013026		35,689	35,689
State Energy Program Special Projects	81.119		2,614	167,608	170,222
Nuclear Energy Research Initiative	81.121			883,227	883,227
<i>Pass-Through from Purdue University</i>		Sub No. 541-0500-01		43,612	43,612
Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122				
<i>Pass-Through from Concurrent Technologies Corporation</i>		Sub No. 060300224		62,777	62,777
<i>Pass-Through from EPRI Solutions, Inc.</i>		No. 499-06-01		33,907	33,907
Total - U.S. Department of Energy			3,628,855	46,328,398	49,957,253
<b>United States Information Agency</b>					
United States Information Agency	82.XXX	P804-0328		475	475
Total - United States Information Agency			0	475	475
<b>Federal Emergency Management Agency</b>					
Federal Emergency Management Agency	83.XXX				
<i>Pass-Through from Space Telescope Science Institute</i>		HST-GO-09368.03-A		16,999	16,999
Total - Federal Emergency Management Agency			0	16,999	16,999
<b>U.S. Department of Education</b>					
U.S. Department of Education	84.XXX	135I44B537/172		(19,385)	(19,385)
		P116M040008		38,394	38,394
		R06-0034 AMD 2		217,237	217,237
<i>Pass-Through from Southern Methodist University</i>		UTSUB6000607		1,648,888	1,648,888
<i>Pass-Through from Southwest Educational Development Laboratory</i>		72203		3,504	3,504
Adult Education--State Grant Program	84.002			1,059,771	1,059,771
Migrant Education--State Grant Program	84.011			342,881	342,881

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Education (continued)</b>					
National Resource Centers and Fellowships Program for Language and Area or Language and International Studies	84.015			1,715,559	1,715,559
International: Overseas--Faculty Research Abroad	84.019			18,268	18,268
International: Overseas--Group Projects Abroad	84.021			67,991	67,991
International: Overseas--Doctoral Dissertation	84.022			64,051	64,051
Special Education--Grants to States	84.027			124,340	124,340
Higher Education--Institutional Aid	84.031			1,848,846	1,848,846
Vocational Education--Basic Grants to States	84.048			1,661,310	1,661,310
Fund for the Improvement of Postsecondary Education	84.116		51,838	1,050,500	1,102,338
<i>Pass-Through from University of California, Davis</i>		503111		6,187	6,187
<i>Pass-Through from University of Missouri</i>		C00001245-1 AMD 5		49,477	49,477
<i>Pass-Through from University of Missouri - Columbia</i>		Sub No. C00004842		14,672	14,672
Minority Science and Engineering Improvement	84.120			260,670	260,670
National Institute on Disability and Rehabilitation Research	84.133		149,067	1,333,681	1,482,748
<i>Pass-Through from Memorial Hermann TIRR</i>		H133N060003		92,662	92,662
<i>Pass-Through from University of Illinois at Chicago</i>		72108		16,759	16,759
Business and International Education Projects	84.153			38,618	38,618
Javits Fellowships	84.170			150,598	150,598
Special Education--Grants for Infants and Families with Disabilities	84.181			560,629	560,629
Safe and Drug-Free Schools and Communities--National Programs	84.184				
<i>Pass-Through from Round Rock Independent School District</i>		Q184L050099		149,285	149,285
Safe and Drug-Free Schools and Communities--State Grants	84.186			440	440
Bilingual Education--Professional Development	84.195			94,295	94,295
Education for Homeless Children and Youth	84.196				
<i>Pass-Through from Education Service Center-region X</i>		UTA06-642		498,455	498,455
Graduate Assistance in Areas of National Need	84.200			487,328	487,328
<i>Pass-Through from Dallas County Community College</i>		GCS 05-269		89,766	89,766
Even Start--State Educational Agencies	84.213				
<i>Pass-Through from San Angelo Housing Support</i>		701-03-031		357,918	357,918
<i>Pass-Through from Westat, Inc</i>		ED-01-CO-0120	138,930	21,182	160,112
Fund for the Improvement of Education	84.215			98,430	98,430
<i>Pass-Through from Lubbock Independent School District</i>		1352-44-B945		34,370	34,370
<i>Pass-Through from Michael Cohen Group LLC</i>		TBD		3,944	3,944
<i>Pass-Through from Reach Out and Read National Center</i>		U215K050155		8,458	8,458
<i>Pass-Through from Reach Out and Read National Center</i>		U215U060001		65,193	65,193
Centers for International Business Education	84.220			344,416	344,416
Assistive Technology	84.224		127,514	697,688	825,202
American Overseas Research Centers	84.274			15,803	15,803
Comprehensive Centers	84.283				
<i>Pass-Through from RMC Research Corporation</i>		UTA05-917 YEAR 3		513,532	513,532
State Grants for Innovative Programs	84.298			202,642	202,642
<i>Pass-Through from Houston Independent School District</i>		5013H0062G090404		31,271	31,271
Technology Innovation Challenge Grants	84.303				
<i>Pass-Through from Allen Independent School District</i>		72291		(7,498)	(7,498)
Education Research, Development and Dissemination	84.305		1,393,334	3,334,558	4,727,892
<i>Pass-Through from Berkeley Policy Association</i>		UTA06-105		81,421	81,421
<i>Pass-Through from Florida State University</i>		R00722		396,669	396,669
<i>Pass-Through from Florida State University</i>		R305W020001		25,545	25,545
<i>Pass-Through from RMC Research Corporation</i>		5013H0288G091866		241,306	241,306
<i>Pass-Through from RMC Research Corporation</i>		H0288BG095961		26,883	26,883
<i>Pass-Through from Vanderbilt University</i>		#17476-S2		221,454	221,454
Capacity Building for Traditionally Underserved Populations	84.315			(5,112)	(5,112)
Education Technology State Grants	84.318			597,439	597,439

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Education (continued)</b>					
Research in Special Education	84.324		42,988	493,831	536,819
<i>Pass-Through from University of Wisconsin</i>		UTA04-402- SUBCONTRACT NO. 129H286		678	678
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325			1,706,389	1,706,389
<i>Pass-Through from University of Southern Mississippi</i>		1351-44-B234/USM- GR01700-A H325A030083		94,148	94,148
Special Education--Technology and Media Services for Individuals with Disabilities	84.327				
<i>Pass-Through from Teachers College of Columbia University</i>		511125		118,671	118,671
Demonstration Projects to Ensure Students with Disabilities Receive a Higher Education	84.333			259,675	259,675
Teacher Quality Enhancement Grants	84.336		198,613	1,083,049	1,281,662
Technological Innovation and Cooperation for Foreign Information Access	84.337				
<i>Pass-Through from University of California, Los Angeles</i>		5400-G-DC448		10,916	10,916
Preparing Tomorrow's Teachers to Use Technology	84.342			24	24
Reading First State Grants	84.357			4,780,950	4,780,950
<i>Pass-Through from NCS Person, Inc.</i>		701-05-17834		(4,074)	(4,074)
Early Reading First	84.359				
<i>Pass-Through from Decision Information Resources, Inc</i>		ED-01-CO-0027		3,266	3,266
<i>Pass-Through from RMC Research Corporation</i>		EDO1CO00550006		2,139	2,139
School Leadership	84.363		228,129	1,277,808	1,505,937
Mathematics and Science Partnerships	84.366		7,862,039	3,786,519	11,648,558
<i>Pass-Through from Education Service Center Region XIII</i>		STEM		36,403	36,403
Improving Teacher Quality State Grants	84.367		4,322,988	2,433,064	6,756,052
<i>Pass-Through from National Writing Project Corporation</i>		003615-CS2005-1000		180,984	180,984
Total - U.S. Department of Education			<u>14,515,440</u>	<u>37,257,629</u>	<u>51,773,069</u>
<b>National Archives and Records Administration</b>					
National Historical Publications and Records Grants	89.003			18,236	18,236
Total - National Archives and Records Administration			<u>0</u>	<u>18,236</u>	<u>18,236</u>
<b>U.S. Department of Health and Human Services</b>					
U.S. Department of Health and Human Services	93.XXX		23,464		23,464
		1 R01 HD043371- 01A2			
		1 R15 HL087222-01		54,884	54,884
		122380/119786		1,313	1,313
		2 D39 HP02165-03-00		7,783	7,783
		2 R01 HD28419- 200-1999-0095		79,719	79,719
		200-2000-10042		533,544	533,544
		200-2001-00084		9,523	9,523
		200-2001-00084		255,537	255,537
		200-2001- 200-2003-01442		60,441	60,441
		200-2003-01442		275,440	275,440
		200-2006-15812		126,941	126,941
		263-MJ-611296		353	353
		263-MQ-417611 01		24,718	24,718
		263-MQ-515960		26,817	26,817
		263-MQ-606663		32,584	32,584

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
		5 R01 HD038457 04		(1,303)	(1,303)
		5 R01 MH076776 02		201,678	201,678
		5 KO1 DA016262		187,814	187,814
		5 T32 HD007081-30		2,232,048	2,232,048
		7217217217E2007- 01 PO#000321327	46,695	583,287	629,982
		CON11090	153,735	9,310,787	9,464,522
		CON11104	1,080,710		1,080,710
		CON11250	66,350		66,350
		CON14314	176,100		176,100
		CONTRACT N01-CN- 85186 (51)		113,658	113,658
		CONTRACT NO. N01-CN-05126	114,020	697,185	811,205
		HSH230200532004C		16,476	16,476
		HHSN275200403380I ID14HP00197AO	1,657	287,993	289,650
		IPAA-NINDS-HART		47	47
		N00014-04-1-0660		80,386	80,386
		N01 AI030041 04		132,792	132,792
		N01 AI-30070 02		11,543	11,543
		N01 AR-0-2249 06		4,718	4,718
		N01 AR-6-2279 07	108,927	32,794	141,721
		N01 CM-52204 03		345,192	345,192
		N01 CM-62202 06		596,680	596,680
		N01 CN-035159 04	5,904	277,718	283,622
		N01 CN-095040 04	428,848	614,981	1,043,829
		N01 CN-35112 03	124,363	(4,221)	120,142
		N01 CN95139 01	2,676	(25,288)	(22,612)
		N01-AI-25475		12,519	12,519
		N01-AI-30041	297,506	331,368	331,368
		N01CM17003	2,800	608,502	906,008
		N01-CM-17003 04		(22,714)	(19,914)
		N01CN095139	150	(741)	(741)
		N01DA-9-8101 TO#06		244,019	244,169
		N01DA-9-8101 TO#07		35,839	35,839
		N01DA-9-8101 TO#1&2		23,759	23,759
		N01DK92321		(1)	(1)
		N01HB007159	506,551	5,434,926	5,434,926
		N01HR16153		82,138	588,689
		N01-WH-4-2111		(22,759)	(22,759)
		N02 CP-55503 03		118,157	118,157
		N02 OR-0-4021 08		349,856	349,856
		NCI-40138-NG		453,093	453,093
		NIDA-NOIDA-2-882		996	996
		R01 CA76262		637,002	637,002
		R01 GM024365		(40,644)	(40,644)
		RAA015082A		112,637	112,637
		V688P-2994		91,374	91,374
		W81XWH-07-1-013201		167,714	167,714
		U10 CA21661		20,754	20,754
<i>Pass-Through from American College of Radiology</i>		5 R01 HL079533 04		725	725
<i>Pass-Through from Baylor College of Medicine</i>		1435-04-04-CT73980		103,425	103,425
<i>Pass-Through from Booz Allen Hamilton, Inc</i>				6,666	6,666

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Booz Allen Hamilton, Inc</i>		1435-04-04-CT-		5,553	5,553
<i>Pass-Through from Case Western Reserve University</i>		HHSN275200403367C		136,312	136,312
<i>Pass-Through from Case Western Reserve University</i>		N01DK62203		238,073	238,073
<i>Pass-Through from Children's Hospital Research</i>		N01AI25459		147,988	147,988
<i>Pass-Through from Children's Research Institute</i>		N01-AI-05407		132	132
<i>Pass-Through from Cincinnati Children's Hospital</i>		N01-AI-25459		462,275	462,275
<i>Pass-Through from Civilian Research and Development Foundation</i>		UKB2-2705-DP-05		302	302
<i>Pass-Through from CTCRC Research Foundation</i>		SAIC#26XS148 TO#		8,042	8,042
<i>Pass-Through from Dallas County Hospital District</i>		CON16376		46,559	46,559
<i>Pass-Through from Duke Clinical Research</i>		N01HV98177		22	22
<i>Pass-Through from Duke University</i>		5 N01 AI-05419		64,992	64,992
<i>Pass-Through from Duke University</i>		5 U19 A1067798 02		7,903	7,903
<i>Pass-Through from Duke University</i>		N01A105419		11	11
<i>Pass-Through from Duke University Medical Center</i>		N01MH7007DS423		24	24
<i>Pass-Through from Eastern Virginia Medical School</i>		U01 CA084986 SG EVMS		2,608	2,608
<i>Pass-Through from Emmes Corporation</i>		N01HB67132		725	725
<i>Pass-Through from Fairway Medical Technologies</i>		R44 CA110137		20,692	20,692
<i>Pass-Through from Feinstein Institute for Medical</i>		N01 AR-2-2263 05		102,925	102,925
<i>Pass-Through from Fisher Bioservice</i>		N01-AI-85332		(13,782)	(13,782)
<i>Pass-Through from Fred Hutchinson Cancer Research</i>		05-201573-01-S1300		157,875	157,875
<i>Pass-Through from Fred Hutchinson Cancer Research</i>		05-201573-01-S1300 (PP-1)		49,636	49,636
<i>Pass-Through from George Mason University</i>		E 600247-2		73,406	73,406
<i>Pass-Through from Indian Health Service</i>		020-OEH-5-0491	5,000		5,000
<i>Pass-Through from INFOTECH Soft, Inc</i>		N44MH22050		3	3
<i>Pass-Through from Inotek, Inc</i>		CON11297		(133)	(133)
<i>Pass-Through from Johns Hopkins University</i>		8407-46304-X		719	719
<i>Pass-Through from Johns Hopkins University</i>		BREY:S/G AR49125 JHI		150,368	150,368
<i>Pass-Through from Laredo Medical Center</i>		THOMAS:S/G MERCY H.C		(611)	(611)
<i>Pass-Through from LDS Hospital</i>		HHSN26820045210C		272	272
<i>Pass-Through from Louisiana State University - HSC</i>		GERAK-LSU- HSC/FRANCE		(2,513)	(2,513)
<i>Pass-Through from MacFarlane Burnet Institution of Med</i>		HHSN266005000042C		35,080	35,080
<i>Pass-Through from Massachusetts General Hospital</i>		BOWDEN:STEP- MH80001		69,547	69,547
<i>Pass-Through from Mayo Clinic - Jacksonville</i>		5 R01 CA104505 04		83,505	83,505
<i>Pass-Through from McMaster University</i>		HHSN266200400066C		221,665	221,665
<i>Pass-Through from Medical University of South Carolina Foundation</i>		N01 HV 28181 02		34,380	34,380
<i>Pass-Through from Morehouse School of Medicine</i>		US2MP02001-03-4		38,976	38,976
<i>Pass-Through from National Marrow Donor Program- DHHS-NIH</i>		U01 HL69334		34,748	34,748
<i>Pass-Through from Northrop Grumman Corporation</i>		BRCS04086	21,492	419,125	440,617
<i>Pass-Through from Northrop Grumman Corporation</i>		HHSN266200400076C	121,890	735,428	857,318
<i>Pass-Through from NoviMarte, Inc.</i>		HHSN261200522013 C 01		1,908	1,908
<i>Pass-Through from Oklahoma University Health Sciences Center</i>		07AP07006NL		85,543	85,543
<i>Pass-Through from Oregon Health and Science University</i>		GVGTI036A		29,162	29,162

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from RTI-Hispanic-Latino Tobacco</i>		2-312-0210547 (200-2007-F-19648)		12,384	12,384
<i>Pass-Through from SAIC - Frederick, Inc.</i>		25XS068		16,271	16,271
<i>Pass-Through from SAIC - Frederick, Inc.</i>		25XS068 01		50,764	50,764
<i>Pass-Through from SAIC - Frederick, Inc.</i>		25XS068 04(P7156)		68,141	68,141
<i>Pass-Through from SAIC - Frederick, Inc.</i>		25XS068 TASKORDER 6		12,443	12,443
<i>Pass-Through from SAIC - Frederick, Inc.</i>		26XS197		505,476	505,476
<i>Pass-Through from SAIC - Frederick, Inc.</i>		N01 24XS040 02		360	360
<i>Pass-Through from SAIC - Frederick, Inc.</i>		N01 CM10073 04		68,210	68,210
<i>Pass-Through from SAIC - Frederick, Inc.</i>		N01 CO 12400 01		(65)	(65)
<i>Pass-Through from SAIC - Frederick, Inc.</i>		N01 CO-12400 01		19,556	19,556
<i>Pass-Through from SAIC - Frederick, Inc.</i>		S07-060		4,023	4,023
<i>Pass-Through from Southern Research Institute</i>		06AP060073NL		73,176	73,176
<i>Pass-Through from Southwest Oncology Group</i>		CA037429 01		4,811	4,811
<i>Pass-Through from Southwest Oncology Group</i>		S0342		24,538	24,538
<i>Pass-Through from Southwest Research Institute</i>		699007W		1	1
<i>Pass-Through from Strang Cancer Prevention Center</i>		HHSN261200433002 01		218,238	218,238
<i>Pass-Through from Sun Nuclear Corporation</i>		N43 CM-52214 02		4,933	4,933
<i>Pass-Through from TKC Integration Services</i>		200200615969		659	659
<i>Pass-Through from U.S. Immunodeficiency Network</i>		N01-AI-30070	(33,969)	55,079	21,110
<i>Pass-Through from University North Carolina at Chapel</i>		N01MH90001		42,022	42,022
<i>Pass-Through from University of Alabama</i>		N01AI15113		632	632
<i>Pass-Through from University of Alabama</i>		N01AI30025		45,295	45,295
<i>Pass-Through from University of Alabama - Birmingham</i>		5 N01 CN-25127 03		38,857	38,857
<i>Pass-Through from University of Alabama - Birmingham</i>		5 N01 CN35103 02		40,323	40,323
<i>Pass-Through from University of Alabama - Birmingham</i>		CASG 211		13	13
<i>Pass-Through from University of Alabama - Birmingham</i>		HHSN26120043301C		466	466
<i>Pass-Through from University of Alabama - Birmingham</i>		LEACH:S/G AI30025 AL		2,988	2,988
<i>Pass-Through from University of Alabama - Birmingham</i>		PATTERSN:UAB CDC S/G		13,685	13,685
<i>Pass-Through from University of Alabama - Birmingham</i>		UR3CCU419282 05		50,667	50,667
<i>Pass-Through from University of California</i>		N01AI015416		4,647	4,647
<i>Pass-Through from University of California</i>		N01AI15416		88,074	88,074
<i>Pass-Through from University of California, Berkeley</i>		DE-AC03-76SF0098 01		27,486	27,486
<i>Pass-Through from University of California, San Diego</i>		NIMH-00-AI-0005		647,588	647,588
<i>Pass-Through from University of California, San Francisco</i>		N01 AI-15416 01		15,088	15,088
<i>Pass-Through from University of Kansas Medical Center</i>		05DP050061FNL		17,247	17,247
<i>Pass-Through from University of Minnesota</i>		N01RR22101		12,318	12,318
<i>Pass-Through from University of New Mexico Health Science Center</i>		3904		312,826	312,826
<i>Pass-Through from University of North Carolina</i>		BREY:UNC S/G AR02248		20	20
<i>Pass-Through from University of North Carolina/NIMH</i>		N01MH090001		48,683	48,683
<i>Pass-Through from University of Pittsburgh</i>		BOWDEN:S/G MH63420		28,309	28,309
<i>Pass-Through from University of Pittsburgh</i>		N01AR42273		4,683	4,683
<i>Pass-Through from University of San Francisco</i>		N01AI15416		42,291	42,291
<i>Pass-Through from University of Utah</i>		NOI-A1-15435		139,740	139,740
<i>Pass-Through from University of Wisconsin</i>		N01AI025496		470,450	470,450
<i>Pass-Through from University of Wisconsin</i>		N01AI02549602		6,139	6,139



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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from W.M. Keck Foundation</i>		5 T90 DK070109-02		1,629	1,629
<i>Pass-Through from Wayne State University</i>		5 N01 ES7518 06 A8		800	800
<i>Pass-Through from Wayne State University</i>		N01 HD23342		41	41
<i>Pass-Through from Westat, Inc.</i>		N01HD33345		19,850	19,850
<i>Pass-Through from Winprobe Corp</i>		UTA06-030		747,864	747,864
Strengthening Public Health Services at the Outreach Offices of the U.S.-Mexico Border Health Commission	93.018			14,000	14,000
Special Programs for the Aging--Title VII, Chapter 2--Long Term Care Ombudsman Services for Older Individuals	93.042				
<i>Pass-Through from City of Houston Health and Human Services</i>		FC55472		1,591	1,591
National Family Caregiver Support	93.052			(191)	(191)
Innovations in Applied Public Health Research	93.061			154,662	154,662
<i>Pass-Through from Genomics USA, Inc.</i>		5013H0246G092508		246,347	246,347
Centers for Genomics and Public Health	93.063			378,352	378,352
Healthy Marriage Promotion and Responsible Fatherhood	93.086				
<i>Pass-Through from Alliance for North Texas Healthy and Effective Marriages</i>		90FE0072-01		31,587	31,587
Health Disparities in Minority Health	93.100			1,334,942	1,334,942
Food and Drug Administration--Research	93.103		25,898	410,031	435,929
<i>Pass-Through from Duke University</i>		JACKSON:S/G DUKE/FDA		20,024	20,024
<i>Pass-Through from Duke University Medical Center</i>		FDR00215401		2,802	2,802
<i>Pass-Through from Massachusetts General Hospital</i>		FD-R-002555-01		1,507	1,507
<i>Pass-Through from Massachusetts General Hospital</i>		FD-R-002588-01		2,793	2,793
Model State-Supported Area Health Education Centers	93.107		359,291	109,171	468,462
Maternal and Child Health Federal Consolidated Programs	93.110		227,336	364,092	591,428
Environmental Health	93.113		115,088	6,472,422	6,587,510
<i>Pass-Through from Buck Institute</i>		NO. 2021		73,247	73,247
<i>Pass-Through from Oregon Health and Science University</i>		GCROE0073A		(8,723)	(8,723)
<i>Pass-Through from Southern University A&amp;M College</i>		OGSP-23-99-0200- 125B		9,541	9,541
<i>Pass-Through from University of California, Berkeley</i>		Sub No. SA5293- 11074		56,568	56,568
<i>Pass-Through from University of Maryland School of Medicine</i>		S/G HASTY S01769		9,523	9,523
<i>Pass-Through from University of Montana</i>		R01ES1112002		3,892	3,892
<i>Pass-Through from University of New Mexico</i>		1R01ES014565		36,367	36,367
Applied Toxicological Research and Testing	93.114			280,750	280,750
Biometry and Risk Estimation--Health Risks from Environmental Exposures	93.115		128,487	767,395	895,882
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116			6,995	6,995
Grants for Preventive Medicine	93.117			(362)	(362)
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118				
<i>Pass-Through from Westat, Inc</i>		8062-S025		34,053	34,053
Oral Diseases and Disorders Research	93.121		1,160,445	7,908,074	9,068,519
<i>Pass-Through from Baylor College of Medicine</i>		1R21DE016928		29,244	29,244
<i>Pass-Through from Rice University</i>		1R01DE015164		41,622	41,622
<i>Pass-Through from University of Iowa</i>		1000555741/U OF IOWA		112,771	112,771
<i>Pass-Through from University of Iowa</i>		DE13540 - PO40000678		5,514	5,514
<i>Pass-Through from University of Kentucky</i>		S/G DE13958--U KENTU		47,971	47,971

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from University of Louisville</i>		5 U01 DE014543 04		125,429	125,429
<i>Pass-Through from University of Louisville</i>		5R01DE13150		356	356
<i>Pass-Through from University of Louisville Research Foundation</i>		5U01DE14543		87,737	87,737
<i>Pass-Through from University of North Carolina</i>		COCHRAN:S/G DE014577		305,989	305,989
<i>Pass-Through from University of Washington</i>		5 R01 DE13546-05		(246)	(246)
Grants to Increase Organ Donations	93.134				
<i>Pass-Through from University of Pittsburgh</i>		1R380T01300-02		(11,489)	(11,489)
Centers for Research and Demonstration for Health Promotion and Disease Prevention	93.135		805,258	5,318,557	6,123,815
<i>Pass-Through from Boston University</i>		PUGH 044-240-		21,345	21,345
<i>Pass-Through from University of South Florida</i>		U48CCCU415803		1,095	1,095
<i>Pass-Through from University of Washington</i>		UWA/927175/DP000 050		84,274	84,274
Injury Prevention and Control Research and State and Community Based Programs	93.136		39,252	440,009	479,261
Community Programs to Improve Minority Health Grant Program	93.137		(15,437)	199,392	183,955
AIDS Education and Training Centers	93.145				
<i>Pass-Through from Dallas County Hospital District</i>		CON14001		(13,468)	(13,468)
<i>Pass-Through from Dallas County Hospital District</i>		CON15196		(9,904)	(9,904)
<i>Pass-Through from Dallas County Hospital District</i>		CON17498		1,064	1,064
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153		780,191	878,952	1,659,143
<i>Pass-Through from Resource Group</i>		07 UTG00T4		11,251	11,251
Geriatric Training for Physicians, Dentists and Behavioral/Mental Health Professionals	93.156			83,610	83,610
Centers of Excellence	93.157			512,095	512,095
Human Genome Research	93.172		196,359	783,984	980,343
<i>Pass-Through from Atactic Technologies, Inc.</i>		5 R41 HG003786-02- UH		44,682	44,682
<i>Pass-Through from Baylor College of Medicine</i>		1P41HG003083-01A1		36,514	36,514
<i>Pass-Through from Baylor College of Medicine</i>		5 P41 HG003083-03		21,180	21,180
<i>Pass-Through from University of Iowa</i>		5R01HG003330-02		19,741	19,741
Research Related to Deafness and Communication Disorders	93.173		314,548	6,073,827	6,388,375
<i>Pass-Through from Purdue University</i>		5R01DC00610106		80,947	80,947
<i>Pass-Through from University of Alabama - Birmingham</i>		HHSN260200500008C		69,685	69,685
<i>Pass-Through from University of California, Santa Barbara</i>		KK6121		212,623	212,623
<i>Pass-Through from University of Colorado</i>		FOX-UCB-DC001150		29,742	29,742
Disabilities Prevention	93.184			47,754	47,754
Health Education and Training Centers	93.189			19,060	19,060
Allied Health Special Projects	93.191			130,877	130,877
<i>Pass-Through from University of Kentucky Research Foundation</i>		4-69066-06-052		(6,710)	(6,710)
Telehealth Network Grants	93.211			(4,051)	(4,051)
Research and Training in Complementary and Alternative Medicine	93.213			1,985,385	1,985,385
<i>Pass-Through from American Medical Student Association Foundation</i>		BAYLES-AMSA- AT00529		8,665	8,665
<i>Pass-Through from Carolinas Neuromuscular ALS Center</i>		JACKSON:S/G AT00967		(6,213)	(6,213)
<i>Pass-Through from University of Missouri - Columbia</i>		1U19 AT003264-01		13,732	13,732

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
National Research Service Awards--Health Services Research Training	93.225				
<i>Pass-Through from Tulane University</i>		1351-44-C413 / 544623		11	11
Research on Healthcare Costs, Quality and Outcomes	93.226		115,072	2,092,303	2,207,375
<i>Pass-Through from Agency for Healthcare Research a</i>		1 R03 HS016802-01		23,972	23,972
<i>Pass-Through from ISIS, Inc.</i>		HHSA29020050020C		10,406	10,406
<i>Pass-Through from Massachusetts General Hospital</i>		5R01HS013099		3,617	3,617
<i>Pass-Through from University of California, San Francisco</i>		IMPAACT		1,469	1,469
<i>Pass-Through from Westat, Inc.</i>		8362-S-005		182,061	182,061
Consolidated Knowledge Development and Application (KD&A) Program	93.230		94,337	419,275	513,612
<i>Pass-Through from Center for Health Care Services Abstinence Education Program</i>	93.235	5H79TI157555		16,930	16,930
<i>Pass-Through from El Paso Alliance</i>		UTA06-889		7,427	7,427
Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	93.238		184,136	236,782	420,918
<i>Pass-Through from Boston University</i>		S3492-23/23		33,767	33,767
Mental Health Research Grants	93.242		2,299,513	26,448,600	28,748,113
<i>Pass-Through from Acenta Discovery, Inc.</i>		5 R41 MH070083-02		(9,832)	(9,832)
<i>Pass-Through from Baylor College of Medicine</i>		5 R01 MH053932 09		9,343	9,343
<i>Pass-Through from Baylor College of Medicine</i>		5600166559		3,848	3,848
<i>Pass-Through from Baylor College of Medicine</i>		5600166575		12,258	12,258
<i>Pass-Through from Baylor College of Medicine</i>		5R01MH053932		32,924	32,924
<i>Pass-Through from Cerebral Magnetics, LLC</i>		1R41MH074278-01A1		27,875	27,875
<i>Pass-Through from Columbia University</i>		5R01MH06385205		27,415	27,415
<i>Pass-Through from Dartmouth College/NIH</i>		5R25MH06829802		4,971	4,971
<i>Pass-Through from Duke Clinical Research</i>		5R01MH07049404		16,247	16,247
<i>Pass-Through from Johns Hopkins University</i>		5PO1MH070056		5,319	5,319
<i>Pass-Through from Johns Hopkins University</i>		5PO1MH070306		15,042	15,042
<i>Pass-Through from Johns Hopkins University</i>		5R01MH069116		5,902	5,902
<i>Pass-Through from Loyola University Chicago</i>		5 R01 DA015760-03		6,202	6,202
<i>Pass-Through from Loyola University Chicago</i>		LU 107863		2,768	2,768
<i>Pass-Through from McLean Hospital</i>		2P50MH6045008		41,079	41,079
<i>Pass-Through from McLean Hospital</i>		5P50MH6045007		134,135	134,135
<i>Pass-Through from National Bureau of Economic Research</i>		1354-44-C560		44,967	44,967
<i>Pass-Through from Northwestern University</i>		1P50MH07492401		67,296	67,296
<i>Pass-Through from Northwestern University</i>		5P50MH07492402		223,897	223,897
<i>Pass-Through from Oregon Research Institute</i>		R34MH073756		3,566	3,566
<i>Pass-Through from Rockefeller University/NIH</i>		5P01MH07486603		103,731	103,731
<i>Pass-Through from Rockefeller University/NIH</i>		5P50MH07486602		252,401	252,401
<i>Pass-Through from Southwest Foundation for Biomedical Research</i>		05-1244		14,098	14,098
<i>Pass-Through from Southwest Foundation for Biomedical Research</i>		SFBR/06-1496.002		47,197	47,197
<i>Pass-Through from Tourette Syndrome Association</i>		PETERSON- TOURETE/NIH		24,580	24,580
<i>Pass-Through from University North Carolina at Chapel</i>		R01MH059312		18,044	18,044
<i>Pass-Through from University North Carolina at Chapel</i>		SGR01MH069774-03		5,692	5,692
<i>Pass-Through from University of Arizona</i>		Y432173/5R01MH06 6235		168,419	168,419
<i>Pass-Through from University of California, Berkeley</i>		5R01MH03391721		46,199	46,199
<i>Pass-Through from University of North Carolina</i>		SGR01MH068766/UNC		5,692	5,692
<i>Pass-Through from University of North Carolina/NIMH</i>		5R01MH05931203		23,715	23,715

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<b>Cluster Name/Federal Grantor/Program Name/ Pass-through Entity</b>	<b>CFDA</b>	<b>Federal/Pass- through Entity Other Identifying No.</b>	<b>Pass-through to Non-State Entities</b>	<b>Expenditures</b>	<b>Total</b>
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from University of Wyoming</i>		5R01MH63667A		16,859	16,859
<i>Pass-Through from Washington University</i>		29325X		36,276	36,276
<i>Pass-Through from Wayne State University</i>		WSU05042		14,536	14,536
<i>Pass-Through from Yale University</i>		UTA04-015 ; A05241A		122,351	122,351
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243			437,886	437,886
Advanced Education Nursing Grant Program	93.247			299,332	299,332
Public Health Training Centers Grant Program	93.249			76,324	76,324
Health Communities Access Program	93.252			1,478	1,478
<i>Pass-Through from Dallas Academy of Medicine</i>		5G200A0013102		1,298	1,298
Poison Control Stabilization and Enhancement Grants	93.253			337,109	337,109
Occupational Safety and Health Program	93.262		243,494	1,023,767	1,267,261
<i>Pass-Through from Colorado State University</i>		U500H008085		357	357
Alcohol Research Career Development Awards for Scientists and Clinicians	93.271			187,397	187,397
Alcohol National Research Service Awards for Research Training	93.272			450,944	450,944
Alcohol Research Programs	93.273		1,219,683	9,411,865	10,631,548
<i>Pass-Through from Oklahoma University Health Sciences Center</i>		06LM050047NL		24,589	24,589
<i>Pass-Through from Research Foundation for Mental Hygiene</i>		5R01AA1330303		4	4
<i>Pass-Through from The Corporation of Mercer University</i>		1R25AA014915		73,418	73,418
<i>Pass-Through from University of Kentucky</i>		4-64281-02-045		(397)	(397)
<i>Pass-Through from University of Minnesota</i>		5R01AA013458		37,383	37,383
<i>Pass-Through from University of North Dakota</i>		2R01AA04610		18,857	18,857
<i>Pass-Through from University of Virginia</i>		GC11487-127303		154,980	154,980
<i>Pass-Through from University of Washington</i>		825449		11,000	11,000
Career Development Awards	93.277			262,829	262,829
Drug Abuse National Research Service Awards for Research Training	93.278			48,460	48,460
Drug Abuse and Addiction Research Programs	93.279		430,762	25,239,882	25,670,644
<i>Pass-Through from Baylor College of Medicine</i>		7P50DA018197		166,457	166,457
<i>Pass-Through from Duke University</i>		5R01DA016977		24,986	24,986
<i>Pass-Through from Georgetown University</i>		R01DA1045806		(51,877)	(51,877)
<i>Pass-Through from Johns Hopkins University</i>		5R01DA01332408		8,087	8,087
<i>Pass-Through from Kentucky Research Foundation</i>		06AP030016NNL		36,360	36,360
<i>Pass-Through from MMRF-Minneapolis Medical Research</i>		5R01DA010714-08		(171)	(171)
<i>Pass-Through from NABI, Inc.</i>		NABI-NIH		1,686	1,686
<i>Pass-Through from National Development and Research Institute</i>		NDRI # 137		24,923	24,923
<i>Pass-Through from Ohio Northern University</i>		110-60516A		3,253	3,253
<i>Pass-Through from Rush University Medical Center</i>		7 R01 DA015760-05		27,821	27,821
<i>Pass-Through from University of Illinois</i>		5 P30 DA018310 04		100,014	100,014
<i>Pass-Through from University of Illinois at Chicago</i>		R01DA010458-10		16,116	16,116
<i>Pass-Through from University of Miami</i>		M768664		171,512	171,512
<i>Pass-Through from Vanderbilt University</i>		DAWS / VUMC31439-R		28,542	28,542
<i>Pass-Through from Vanderbilt University</i>		FRNCE:VNDRBT DA14684		(516)	(516)
Mental Health Research Career/Scientist Development	93.281			997,834	997,834
Mental Health National Research Service Awards for Research Training	93.282			662,784	662,784

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
Centers for Disease Control and Prevention--Investigations and Technical Assistance	93.283		729,569	3,454,453	4,184,022
<i>Pass-Through from Association of American Medical Colleges</i>		U36/CCU319276		41,821	41,821
<i>Pass-Through from Associations of Schools of Public Health</i>		U36CCU300430	50,116	297,122	347,238
<i>Pass-Through from Research Triangle Institute</i>		12-312-0208633		66,931	66,931
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286		364,799	6,475,251	6,840,050
<i>Pass-Through from City of Houston Health and Human Services</i>		U62/CCU606238		299,782	299,782
<i>Pass-Through from Rice University</i>		R01 EB002179 07		65,490	65,490
<i>Pass-Through from University of California</i>		CLARKE UC# 2005- 1654		39,407	39,407
<i>Pass-Through from University of California Los Angeles</i>		FOX:S/G EB001955UCLA		115,917	115,917
<i>Pass-Through from University of California, Los Angeles</i>		1 R01 EB004898 01		88,346	88,346
<i>Pass-Through from University of Missouri</i>		No. C00013378-1		59,999	59,999
<i>Pass-Through from University of Oklahoma Health Science Center</i>		RS20071006-01		3,692	3,692
National Center for Health Workforce Analysis	93.300			52,693	52,693
Comparative Medicine	93.306			(1,928)	(1,928)
Minority Health and Health Disparities Research	93.307		14,175	7,800,143	7,814,318
Trans-NIH Research Support	93.310			1,482,431	1,482,431
Clinical Research	93.333			3,368,235	3,368,235
Advanced Education Nursing Traineeships	93.358			193,659	193,659
Basic Nurse Education and Practice Grants	93.359		22,718	503,895	526,613
Nursing Research	93.361		3,749	4,484,869	4,488,618
<i>Pass-Through from University of Washington</i>		341230/R01-NR00962		6,944	6,944
Biomedical Technology	93.371			394,421	394,421
<i>Pass-Through from Oncosis</i>		R44RR1537402		(1,855)	(1,855)
Minority Biomed	93.375			95,959	95,959
National Center for Research Resources	93.389		2,180,376	26,701,791	28,882,167
<i>Pass-Through from Baylor College of Medicine</i>		5P20RR020626		29,834	29,834
<i>Pass-Through from Constella Group, Inc</i>		GENLINK-32831		12,994	12,994
<i>Pass-Through from Johns Hopkins University</i>		5P40RR019995		6,800	6,800
<i>Pass-Through from Microfab Technologies/NIH</i>		1R43RR02179201		18,529	18,529
<i>Pass-Through from Mount Sinai School of Medicine</i>		5U54RR01948404		445	445
<i>Pass-Through from Mount Sinai School of Medicine</i>		5U54RR01948405		59,491	59,491
<i>Pass-Through from Oklahoma University Health Sciences Center</i>		06LM030014F3H		193,074	193,074
<i>Pass-Through from Southwest Foundation for Biomedical Research</i>		07-1503.003/RR23345		7,550	7,550
<i>Pass-Through from Southwest Foundation for Biomedical Research</i>		SFBR - 06-2500.55		10,486	10,486
<i>Pass-Through from Southwest Foundation for Biomedical Research</i>		TARDIF - SFBR/NIH		9,681	9,681
<i>Pass-Through from University of Florida</i>		UF05099/R01HL068 085		99,211	99,211
<i>Pass-Through from University of Rochester</i>		8U54NS05906504		137,890	137,890
<i>Pass-Through from University of Southern California</i>		H31034 5P20 RR020700-02 AMD 3		148,761	148,761
<i>Pass-Through from Virginia Polytechnic Institute</i>		R25 RR018529		5,331	5,331
Academic Research Enhancement Award	93.390			524,150	524,150
<i>Pass-Through from HHS-National Institutes of Health</i>		RHL079992A		57,553	57,553
Cancer Construction	93.392		12,709	1,862,270	1,874,979

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
Cancer Cause and Prevention Research	93.393		1,013,374	29,089,629	30,103,003
<i>Pass-Through from Albert Einstein College of Medicine of Yeshiva Univ.</i>		9526-3878 NIHCA77290		(4,646)	(4,646)
<i>Pass-Through from Axis Healthcare Communications LLC</i>		1 R42 CA123932 01		57,685	57,685
<i>Pass-Through from Baylor College of Medicine</i>		POLLOCK CA101717BAYL		(985)	(985)
<i>Pass-Through from Beth Israel Hospital</i>		5 R01 CA095662 05		49,534	49,534
<i>Pass-Through from British Columbia Cancer Research</i>		5P01CA09696404		110,280	110,280
<i>Pass-Through from British Columbia Cancer Research</i>		5P01CA09696405		43,953	43,953
<i>Pass-Through from British Columbia Cancer Research</i>		5U01CA09610904		4,100	4,100
<i>Pass-Through from British Columbia Cancer Research</i>		5U01CA09610905		314,986	314,986
<i>Pass-Through from Burnham Institute for Medical</i>		5R01CA109345		15,721	15,721
<i>Pass-Through from Fred Hutchinson Cancer Research</i>		1R01CA114467		57,411	57,411
<i>Pass-Through from International Epidemiology Institute, Ltd.</i>		5 R01 03		(9,993)	(9,993)
<i>Pass-Through from Lawrence Berkeley Laboratory</i>		6815123 MOD 2		52,211	52,211
<i>Pass-Through from Massachusetts General Hospital</i>		3 U01 CA078285 S2		225	225
<i>Pass-Through from Massachusetts General Hospital/NIH</i>		3U01CA07828405S2		5,667	5,667
<i>Pass-Through from Mayo Clinic</i>		1 U01 CA118444 01		105,937	105,937
<i>Pass-Through from Mayo Clinic</i>		5 R01 CA097075 05		156,520	156,520
<i>Pass-Through from Mayo Medical School</i>		2R01CA090636-		18,085	18,085
<i>Pass-Through from Medical University of South Carolina</i>		MUSC/1R03CA1280 89-01		6,167	6,167
<i>Pass-Through from Northwestern University</i>		5 R01 CA104768 03		36,463	36,463
<i>Pass-Through from Rice University</i>		5 U01 CA097431		103,994	103,994
<i>Pass-Through from Saint Louis University</i>		1R21CA126326		52,300	52,300
<i>Pass-Through from Trustees of Dartmouth College</i>		5 R01 CA066032 07		62,638	62,638
<i>Pass-Through from University of Arizona</i>		5 P01 CA041108 18		2,911	2,911
<i>Pass-Through from University of Arizona</i>		5 P01 CA041108 20		113,492	113,492
<i>Pass-Through from University of California, Berkeley</i>		2 P01 CA092584-06		83,916	83,916
<i>Pass-Through from University of California, Berkeley</i>		P01CA 92584-05		1,255	1,255
<i>Pass-Through from University of California, Lawrence Berkeley National Lab</i>		2P01CA09258406		22,223	22,223
<i>Pass-Through from University of California, San Diego</i>		5 R01 CA069375 10		156,048	156,048
<i>Pass-Through from University of California, San Francisco</i>		5 R01 CA052689 15		4,357	4,357
<i>Pass-Through from University of Cincinnati</i>		5 R01 CA097099 05		37,896	37,896
<i>Pass-Through from University of Cincinnati</i>		5 U01 CA076293 07		207,455	207,455
<i>Pass-Through from University of Cincinnati</i>		5U01CA07629307		68,373	68,373
<i>Pass-Through from University of Iowa</i>		5 R01 CA104825 04		84,297	84,297
<i>Pass-Through from University of Minnesota</i>		5R01CA1135502		31,170	31,170
<i>Pass-Through from University of Minnesota</i>		5R01CA86191		36,181	36,181
<i>Pass-Through from University of Missouri - Columbia</i>		72134		12,685	12,685
<i>Pass-Through from University of Rochester</i>		5 R01 CA098954 04		73,075	73,075
Cancer Detection and Diagnosis Research	93.394		959,218	6,132,312	7,091,530
<i>Pass-Through from 3 Gen LLC</i>		1R41CA110159		43,988	43,988
<i>Pass-Through from Allen Penn and Assoc/NIH</i>		2R44CA0851012		554	554
<i>Pass-Through from American College of Radiology</i>		6666CA080098		102,591	102,591
<i>Pass-Through from American College of Radiology</i>		ACRIN PROT#6673		4,601	4,601
<i>Pass-Through from American College of Radiology</i>		DODD-ACRIN-NCI		1,708	1,708
<i>Pass-Through from American College of Radiology</i>		U01CA80098		32	32
<i>Pass-Through from Capital Consulting Corporation</i>		263-01-D-0186, RFTOP 720		44,509	44,509
<i>Pass-Through from Fairway Medical Technologies</i>		R43CA96153		(48)	(48)
<i>Pass-Through from Lovelace Respiratory Research Institute</i>		1 R01 CA095568 01 A1		(25)	(25)
<i>Pass-Through from Mayo Clinic</i>		P01 CA085799 04		(61)	(61)

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Rice University</i>		R21143		115,128	115,128
<i>Pass-Through from Rice University</i>		R33CA100986		81,611	81,611
<i>Pass-Through from University of California, San Diego</i>		4 R44 CA097686 02		1,961	1,961
<i>Pass-Through from University of Chicago</i>		TRACS 25878		33,765	33,765
<i>Pass-Through from University of Maryland - Baltimore</i>		Sub No. CG0604		72,846	72,846
<i>Pass-Through from University of Wisconsin - Madison</i>		5 R33 CA111933 02		13,259	13,259
<i>Pass-Through from Vanderbilt University</i>		1 U24 CA126479 01		57,546	57,546
<i>Pass-Through from Vanderbilt University</i>		5 U01 CA114771 02		155,511	155,511
<i>Pass-Through from Vanderbilt University</i>		5U01CA11477102		38,366	38,366
<i>Pass-Through from Washington University</i>		2 U24 CA081647 04		(5,109)	(5,109)
Cancer Treatment Research	93.395		2,606,748	34,397,351	37,004,099
<i>Pass-Through from American College of Radiology</i>		5 U01 CA080098 06		295,950	295,950
<i>Pass-Through from American College of Radiology</i>		5 U01 CA080098 07		59,847	59,847
<i>Pass-Through from American College of Radiology</i>		5 U01 CA080098 08		59,501	59,501
<i>Pass-Through from American College of Radiology</i>		5 U10 CA021661 27		404,533	404,533
<i>Pass-Through from American College of Radiology</i>		5 U10 CA021661 32		53,675	53,675
<i>Pass-Through from American College of Radiology</i>		U10CA21661		(1,053)	(1,053)
<i>Pass-Through from American College of Radiology</i>		UID CA021661-29		1,474	1,474
<i>Pass-Through from American College of Surgeons</i>		5 U01 CA080098 06		9,626	9,626
<i>Pass-Through from American College of Surgeons</i>		5 U10 CA076001 04		10,048	10,048
<i>Pass-Through from BioTex, Inc.</i>		2 R44 CA079282 04		56,664	56,664
<i>Pass-Through from BioTex, Inc.</i>		2 R44 CA096227 02		25,298	25,298
		A1			
<i>Pass-Through from BioTex, Inc.</i>		2 R44 CA101573 02		10,764	10,764
<i>Pass-Through from Brigham and Women's Hosp/NIH</i>		5R01CA10716403		12,005	12,005
<i>Pass-Through from Burnham Institute for Medical</i>		5R01CA107039		18,911	18,911
<i>Pass-Through from Cancer Therapy and Research</i>		CON13299		5,184	5,184
<i>Pass-Through from Case Western Reserve University</i>		1R21CA11243601A1		33,645	33,645
<i>Pass-Through from Children's Oncology Group</i>		U10CA97452#1021		5,007	5,007
<i>Pass-Through from CTRC Research Foundation</i>		BEERAM S/G CA 069853		29,401	29,401
<i>Pass-Through from CTRC Research Foundation</i>		SWOG 99055		(6,461)	(6,461)
<i>Pass-Through from Dana-Farber Cancer Institute</i>		5 U19 CA100265 04		1,245,520	1,245,520
<i>Pass-Through from Dana-Farber Cancer Institute</i>		5R01CA1063703		194,944	194,944
<i>Pass-Through from Duke University</i>		1U01CA076001		67,652	67,652
<i>Pass-Through from Duke University</i>		2 U10 CA076001 04		783	783
<i>Pass-Through from Duke University</i>		2 U10 CA076001 09		11,269	11,269
<i>Pass-Through from Duke University</i>		2 U10 CA076001 04		12,888	12,888
<i>Pass-Through from Duke University</i>		5 U10 CA033601 25		4,363	4,363
<i>Pass-Through from Duke University</i>		5 U10 CA033601 27		34,434	34,434
<i>Pass-Through from Duke University</i>		5 U10 CA076001 07		(21,815)	(21,815)
<i>Pass-Through from Duke University</i>		5 U10 CA076001 10		31,293	31,293
<i>Pass-Through from Duke University</i>		5 U10 CA85850 06		63	63
<i>Pass-Through from Duke University</i>		5 U10 CA076001 02		3,782	3,782
<i>Pass-Through from Duke University</i>		5P50CA068438		4,940	4,940
<i>Pass-Through from Duke University</i>		5U10CA07600109		5,907	5,907
<i>Pass-Through from Duke University</i>		5U10CA07600110		4,098	4,098
<i>Pass-Through from E. P. Limited</i>		5 R44 CA069926 03		(89)	(89)
<i>Pass-Through from Eastern Cooperative Oncology</i>		PSAUTJS00		26	26
<i>Pass-Through from Eastern Cooperative Oncology</i>		U10CA2111532		18,990	18,990
<i>Pass-Through from Fem.CADeT</i>		1 R41 CA080589 01		379	379
<i>Pass-Through from Fem.CADeT</i>		R42 CA080589 04		900	900
<i>Pass-Through from Fred Hutchinson Cancer Research</i>		5 R21 CA115044 02		241,333	241,333
<i>Pass-Through from Gensolve, Inc.</i>		8 R42 CA089778 08		208,058	208,058
<i>Pass-Through from Gynecologic Oncology Group (GOG)</i>		27469-114		11,983	11,983

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Gynecologic Oncology Group (GOG)</i>		5 U10 CA027469 26		26	26
<i>Pass-Through from Gynecologic Oncology Group (GOG)</i>		CA2746926		7,817	7,817
<i>Pass-Through from Gynecologic Oncology Group (GOG)</i>		SPA2746937		98,158	98,158
<i>Pass-Through from Gynecologic Oncology Group (GOG)</i>		U10CA27469		6,340	6,340
<i>Pass-Through from Houston Pharmaceuticals</i>		5 R41 CA109862 02		104,471	104,471
<i>Pass-Through from Introgen Therapeutics</i>		5 R42 CA089778 04		(14,950)	(14,950)
<i>Pass-Through from LPath Therapeutics</i>		2 R44 CA110298 02		73,446	73,446
<i>Pass-Through from National Cancer Institute - DHHS - NIH</i>		5 R01 CA089442 05		16,781	16,781
<i>Pass-Through from National Childhood Cancer</i>		3U10CA9854304S1		159,568	159,568
<i>Pass-Through from National Childhood Cancer</i>		5U10CA09745205		18,695	18,695
<i>Pass-Through from National Childhood Cancer</i>		5U10CA09854304		72,167	72,167
<i>Pass-Through from National Childhood Cancer</i>		5U10CA9854303		141,865	141,865
<i>Pass-Through from National Childhood Cancer</i>		U10 CA98543-02		3,469	3,469
<i>Pass-Through from National Childhood Cancer</i>		U10CA9854304		13,187	13,187
<i>Pass-Through from National Surgical Adjuvant Breast and Bowel Project</i>		1 U10 CA012027 01		14,395	14,395
<i>Pass-Through from National Surgical Adjuvant Breast and Bowel Project</i>		2 U10 CA012027 37		406	406
<i>Pass-Through from National Surgical Adjuvant Breast and Bowel Project</i>		NSABP - TFED 36, 37		19,696	19,696
<i>Pass-Through from NeuroBio Tex, Inc</i>		1R41CA121794-01		159,480	159,480
<i>Pass-Through from Northwestern University</i>		5 R01 CA085915 06		221,359	221,359
<i>Pass-Through from Oregon Health and Science University</i>		5 R01 CA083936 04		(48,742)	(48,742)
<i>Pass-Through from Pediatric Oncology Group</i>		5U10CA30969		4,787	4,787
<i>Pass-Through from Radiation Therapy Oncology Group</i>		5 U10 CA021661 30		45,121	45,121
<i>Pass-Through from Radiation Therapy Oncology Group</i>		U10CA21661		22,033	22,033
<i>Pass-Through from Radiation Therapy Oncology Group/NIH</i>		U10CA21661		53,820	53,820
<i>Pass-Through from Rice University</i>		5 R01 CA103830 03		428,897	428,897
<i>Pass-Through from Rice University</i>		7R01CA103830		48,974	48,974
<i>Pass-Through from Rice University</i>		R21156		148,557	148,557
<i>Pass-Through from SAIC - Frederick, Inc.</i>		N01 22XS134A 01		93	93
<i>Pass-Through from Sidney Kimmel Cancer Center</i>		1R21GM077681		13,228	13,228
<i>Pass-Through from Sloan Kettering Institute</i>		5R01CA10047403		54,990	54,990
<i>Pass-Through from St. Jude Children's Research Hospital</i>		5 U24 CA055727 13		348,110	348,110
<i>Pass-Through from Stanford University</i>		7 R01 CA093626 05		23,860	23,860
<i>Pass-Through from Translational Genomics Research</i>		5 P01 03		316,447	316,447
<i>Pass-Through from University of Arizona</i>		5 P01 CA017094 27		30,247	30,247
<i>Pass-Through from University of California, San Diego</i>		2 P01 CA081534 08		601,868	601,868
<i>Pass-Through from University of California, San Diego</i>		5 P01 CA081534 06		123,114	123,114
<i>Pass-Through from University of California, San Diego</i>		5 P01 CA081534 06 S1		67,946	67,946
<i>Pass-Through from University of California, San Francisco</i>		2 U01 CA062399 10		389	389
<i>Pass-Through from University of California, San Francisco</i>		5 U01 CA062399 13		517,790	517,790
<i>Pass-Through from University of California, San Francisco</i>		5 U01 CA062399 06		(12,400)	(12,400)
<i>Pass-Through from University of Chicago</i>		1R21CA112951		21,807	21,807
<i>Pass-Through from University of Chicago</i>		5U10CA03744705		17,478	17,478
<i>Pass-Through from University of Colorado</i>		5 R33 CA097710 04		78,264	78,264
<i>Pass-Through from University of Michigan</i>		CA32102		71,922	71,922
<i>Pass-Through from University of Michigan</i>		SWOG/CTEP,CA321 02		8,231	8,231
<i>Pass-Through from University of Minnesota</i>		3 U24 CA055727 11S2		1,426	1,426
<i>Pass-Through from University of Southern California</i>		2 R01 CA071921 06		2,664	2,664
<i>Pass-Through from University of Tennessee</i>		2 R01 CA092160 06		47,159	47,159
<i>Pass-Through from Vanderbilt University</i>		2P01DK03822620		96,104	96,104
<i>Pass-Through from Vanderbilt University</i>		5 R01 CA038079 20		6,398	6,398



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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Virginia Commonwealth University</i>		5 R01 CA093626-04		(6,308)	(6,308)
<i>Pass-Through from Washington University</i>		5 U24 CA081647 08		123,146	123,146
Cancer Biology Research	93.396		349,201	15,323,434	15,672,635
<i>Pass-Through from Albert Einstein College of Medicine of Yeshiva Univ.</i>		R01AG24391		1,574	1,574
<i>Pass-Through from Baylor College of Medicine</i>		5 U01 CA084243 05		(8,105)	(8,105)
<i>Pass-Through from Baylor College of Medicine</i>		5 U01 CA084243 08		91,643	91,643
<i>Pass-Through from Baylor College of Medicine</i>		5 U01 CA084243 09		145,804	145,804
<i>Pass-Through from Baylor College of Medicine</i>		5 U01 CA105352 03		330,307	330,307
<i>Pass-Through from Baylor College of Medicine</i>		5 U01 CA105352 04		206,577	206,577
<i>Pass-Through from Baylor College of Medicine</i>		5 U01 CA105491 03		52,474	52,474
<i>Pass-Through from Laredo Medical Center</i>		5 U56 CA099038 01		4,000	4,000
<i>Pass-Through from Massachusetts Institute of Technology</i>		5 U01 CA084306 05		1	1
<i>Pass-Through from Massachusetts Institute of Technology</i>		5 U01 CA84306 07		176,665	176,665
<i>Pass-Through from Mayo Clinic</i>		5 P50 CA116201 02		102,201	102,201
<i>Pass-Through from Mayo Clinic</i>		5 R01 CA 104505-04		15,345	15,345
<i>Pass-Through from National Cancer Institute</i>		1R15CA108536-01		38,104	38,104
<i>Pass-Through from National Childhood Cancer</i>		SG/U10CA95861-06		12,373	12,373
<i>Pass-Through from University of California, San Francisco</i>		5 P01 CA 064602 09		83,025	83,025
<i>Pass-Through from University of California, San Francisco</i>		5 P01 CA064602 09		(175)	(175)
<i>Pass-Through from University of California, San Francisco</i>		5 P01 CA064602 09		65,768	65,768
<i>Pass-Through from University of Massachusetts Medical School</i>		1 R01 CA118916 01 A1		54,032	54,032
<i>Pass-Through from University of Pennsylvania</i>		5 R01 CA089202 03		(283)	(283)
<i>Pass-Through from University of Pennsylvania</i>		5 R01 CA89202 06		19,027	19,027
<i>Pass-Through from University of Pittsburgh</i>		5 R01 CA098372 03		18,534	18,534
<i>Pass-Through from University of Virginia</i>		5 R01 CA088456 04		10	10
<i>Pass-Through from Vanderbilt University</i>		2P01CA040035-		165,224	165,224
Cancer Centers Support Grants	93.397		1,797,938	25,572,603	27,370,541
<i>Pass-Through from Memorial Sloan-Kettering Cancer</i>		5 P50 CA068425 05		118	118
<i>Pass-Through from University of Arizona</i>		5 P50 CA095060 06		124,372	124,372
<i>Pass-Through from University of California</i>		2P50CA05820712		9,805	9,805
Cancer Research Manpower	93.398		395,014	11,996,618	12,391,632
Cancer Control	93.399		3,323,702	13,451,612	16,775,314
<i>Pass-Through from Baylor College of Medicine</i>		1U01CA114657		12,413	12,413
<i>Pass-Through from Baylor College of Medicine</i>		5 R01 CA078480 10		45,754	45,754
<i>Pass-Through from Baylor College of Medicine</i>		5 R01 CA-101211 05		66,926	66,926
<i>Pass-Through from Baylor College of Medicine</i>		5 U19 CA086809 06		15,228	15,228
<i>Pass-Through from Baylor College of Medicine</i>		5U01CA086117-05		(2,056)	(2,056)
<i>Pass-Through from Brigham and Women's Hosp/NIH</i>		2U10CA08638106		78,407	78,407
<i>Pass-Through from CTRC Research Foundation</i>		CA37429		125	125
<i>Pass-Through from Dartmouth Medical School</i>		3 R01 CA059005 10 S1		(15,470)	(15,470)
<i>Pass-Through from Dartmouth Medical School</i>		5 R01 CA059005 14		120,362	120,362
<i>Pass-Through from Eastern Cooperative Oncology Group (ECOG)</i>		5 MDA520SH05-00		197,247	197,247
<i>Pass-Through from Fox Chase Cancer Center</i>		2 R01 CA075795 08		27,270	27,270
<i>Pass-Through from Fox Chase Cancer Center</i>		5 R01 CA075795 07		11,494	11,494
<i>Pass-Through from Frontier Science and Technology Research Foundation</i>		3 U10 CA037403 21 S4		48,121	48,121
<i>Pass-Through from Frontier Science and Technology Research Foundation</i>		3 U10 CA037403 21- S1		47,280	47,280
<i>Pass-Through from Johns Hopkins University</i>		1 U01 CA084986 01		5,512	5,512
<i>Pass-Through from Johns Hopkins University</i>		5 U01 CA084986 08		1,114	1,114

# STATE OF TEXAS

## Schedule of Expenditures of Federal Awards

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Johns Hopkins University</i>		NAYLOR-EDRN CA084986		20,226	20,226
<i>Pass-Through from Memorial Sloan-Kettering Cancer</i>		5 R01 CA90514 04		9,800	9,800
<i>Pass-Through from Mount Sinai School of Medicine</i>		5 R01 CA094006-02		(1,344)	(1,344)
<i>Pass-Through from Mount Sinai School of Medicine</i>		5 R01 CA094006-05		68,944	68,944
<i>Pass-Through from Mount Sinai School of Medicine</i>		5 R01 CA0940064		25,751	25,751
<i>Pass-Through from Mount Sinai School of Medicine</i>		SM9150005V		1,168	1,168
<i>Pass-Through from National Childhood Cancer</i>		U10 CA95861- 03/POLLO		31,241	31,241
<i>Pass-Through from National Surgical Adjuvant Breast and Bowel Project</i>		1 U10 CA037377 01		22,927	22,927
<i>Pass-Through from National Surgical Adjuvant Breast and Bowel Project</i>		5 U10 CA037377 09		391,352	391,352
<i>Pass-Through from National Surgical Adjuvant Breast and Bowel Project</i>		5 U10 CA037377 21		40,666	40,666
<i>Pass-Through from National Surgical Adjuvant Breast and Bowel Project</i>		NSABP PFED22- TXS-01		75,948	75,948
<i>Pass-Through from National Surgical Adjuvant Breast and Bowel Project</i>		U10 CA37377		36,371	36,371
<i>Pass-Through from NIH-National Cancer Institute</i>		U24 CA 78142		(21,453)	(21,453)
<i>Pass-Through from Rice University</i>		5 U01 CA097431 03		(8,216)	(8,216)
<i>Pass-Through from Rush University Medical Center</i>		7 R21 CA106958 03		15,740	15,740
<i>Pass-Through from Southwest Oncology Group</i>		1 01		12,557	12,557
<i>Pass-Through from Southwest Oncology Group</i>		5 R01 CA037429 22		60,045	60,045
<i>Pass-Through from Southwest Oncology Group</i>		5 U01 CA037429 19		7,848	7,848
<i>Pass-Through from Southwest Oncology Group</i>		5 U10 CA037429 21		30,753	30,753
<i>Pass-Through from Southwest Oncology Group</i>		5 U10 CA037429 22		174,544	174,544
<i>Pass-Through from Southwest Oncology Group</i>		5 U10 CA077178 09		546	546
<i>Pass-Through from Southwest Oncology Group</i>		5 U10 CA37429 17		309	309
<i>Pass-Through from Southwest Oncology Group</i>		5 U10 CA037429 16		53,638	53,638
<i>Pass-Through from Southwest Oncology Group</i>		742618443		22,873	22,873
<i>Pass-Through from Southwest Oncology Group</i>		CA37429		22,460	22,460
<i>Pass-Through from Southwest Oncology Group</i>		CCOP-04011		(96,986)	(96,986)
<i>Pass-Through from Southwest Oncology Group</i>		PCPT9345		87	87
<i>Pass-Through from Southwest Oncology Group</i>		SWOG CA37429		10,568	10,568
<i>Pass-Through from Southwest Oncology Group</i>		SWOG/5U10CA37429		111,141	111,141
<i>Pass-Through from Stanford University</i>		17666630-33956-A Subaward		80,745	80,745
<i>Pass-Through from Trustees of Dartmouth College</i>		5 R01 CA098286 04		203,225	203,225
<i>Pass-Through from University of Michigan</i>		5 U01 CA086400 05		213	213
<i>Pass-Through from University of Michigan</i>		5 U01 CA086400 07		60,131	60,131
<i>Pass-Through from University of Michigan</i>		CA116758-03		33,648	33,648
<i>Pass-Through from University of Wisconsin - Madison</i>		1 R03 CA126406 01		5,823	5,823
<i>Pass-Through from University of Wisconsin - Madison</i>		5 P50 CA095817 03		121,655	121,655
<i>Pass-Through from Washington University</i>		5 R01 CA085920 05		206	206
Ruminant Feed Ban Support Project	93.449			249,856	249,856
Promoting Safe and Stable Families	93.556			196,933	196,933
<i>Pass-Through from Spaulding for Children</i>		5013H0130G094078		21,402	21,402
Temporary Assistance for Needy Families	93.558			191,559	191,559
Refugee and Entrant Assistance--Discretionary Grants	93.576			69,813	69,813
Early Learning Fund	93.577				
<i>Pass-Through from City of Fort Worth</i>		33788		46,521	46,521
Community-Based Child Abuse Prevention Grants	93.590			46,379	46,379
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		88,071	8,761,020	8,849,091

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
Head Start	93.600		2,571	196,636	199,207
Developmental Disabilities Basic Support and Advocacy	93.630			31,350	31,350
<i>Pass-Through from Texas Council for Developmental Disabilities</i>		DD-06354		11,082	11,082
University Centers for Excellence in Developmental Disabilities Education, Research and Service	93.632		40,926	491,458	532,384
Social Services Research and Demonstration	93.647		70,999	115,768	186,767
<i>Pass-Through from National Council on Family Relations</i>		1354-44-C332		1,055	1,055
<i>Pass-Through from University of Chicago</i>		29466		24,005	24,005
Child Welfare Services Training Grants	93.648		92,162	106,429	198,591
Foster Care--Title IV-E	93.658			580,529	580,529
Demonstration to Maintain Independence and Employment	93.769			363,292	363,292
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779			554,487	554,487
State Pharmaceutical Assistance Programs	93.786			(8,728)	(8,728)
Biomedical Research and Research Training	93.821		51,000	427,272	478,272
Health Careers Opportunity Program	93.822			(51,637)	(51,637)
Basic/Core Area Health Education Centers	93.824			(1,753)	(1,753)
Heart and Vascular Diseases Research	93.837		5,134,365	38,313,531	43,447,896
<i>Pass-Through from Baylor College of Medicine</i>		100528276/R01HL90514		5,241	5,241
<i>Pass-Through from Baylor College of Medicine</i>		5 R01 HL068884 05		(4,822)	(4,822)
<i>Pass-Through from Cincinnati Children's Hospital</i>		5P50HL07710102		22,426	22,426
<i>Pass-Through from Cincinnati Children's Hospital</i>		5P50HL07710103		18,963	18,963
<i>Pass-Through from Duke Clinical Research</i>		1R01HL6769101		291	291
<i>Pass-Through from Duke University</i>		Subcontract No. 04-SC-NIH-1063		19,821	19,821
<i>Pass-Through from Duke University/NIH</i>		1U01HL06901501		14,299	14,299
<i>Pass-Through from Johns Hopkins University</i>		5R01HL078479		15,940	15,940
<i>Pass-Through from Kaiser Foundation</i>		R01HL78972		114,871	114,871
<i>Pass-Through from Mayo Clinic</i>		5R01HL074735		217,420	217,420
<i>Pass-Through from Mayo Clinic</i>		5R01HL53330		174,160	174,160
<i>Pass-Through from MedArray, Inc</i>		2R44HL68375		5,772	5,772
<i>Pass-Through from Medical College of Wisconsin</i>		2R01HL07292005		7,504	7,504
<i>Pass-Through from Medical College of Wisconsin</i>		5P01HL02958724		18,056	18,056
<i>Pass-Through from Medical College of Wisconsin</i>		5P01HL02958725		22,876	22,876
<i>Pass-Through from Medical College of Wisconsin</i>		5P01HL05999607		19,158	19,158
<i>Pass-Through from Medical College of Wisconsin</i>		5P01HL05999608		20,366	20,366
<i>Pass-Through from Medical College of Wisconsin</i>		5R01HL07292004		15,254	15,254
<i>Pass-Through from Medical College of Wisconsin</i>		5R37HL07431403		2	2
<i>Pass-Through from Medical College of Wisconsin</i>		5R37HL07431404		21,840	21,840
<i>Pass-Through from Medical University of Ohio</i>		NS 2006-048		617	617
<i>Pass-Through from Medical University of Ohio - Toledo</i>		5U01HL71556003		6,286	6,286
<i>Pass-Through from New England Research</i>		5U01HL06827006		57,468	57,468
<i>Pass-Through from New York Medical College</i>		2P01HL03430021		2,085	2,085
<i>Pass-Through from New York Medical College</i>		5P01HL03430022		63,979	63,979
<i>Pass-Through from New York University School of Medicine</i>		1R01HL6250901A		14,416	14,416
<i>Pass-Through from Ohio State University Research</i>		05LM050030FNL		12,085	12,085
<i>Pass-Through from Research Triangle Institute</i>		N01-HV-68199		21,819	21,819
<i>Pass-Through from Rush University</i>		06LM040129N3L		96,142	96,142
<i>Pass-Through from Southwest Foundation for Biomedical Research</i>		P01 HL45522-CORE A		82,877	82,877
<i>Pass-Through from Southwest Foundation for Biomedical Research</i>		P01 HL45522-CORE C		12,349	12,349

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Southwest Foundation for Biomedical Research</i>		SFBR 06-1498.002		145,972	145,972
<i>Pass-Through from St. Luke's Hospital</i>		1P50HL07711301		17,348	17,348
<i>Pass-Through from Texas Heart Institute</i>		U01HL087365		22,019	22,019
<i>Pass-Through from Tufts - New England Medical</i>		5U01HL07782102		3,499	3,499
<i>Pass-Through from Tufts - New England Medical</i>		5U01HL07782103		1,168,492	1,168,492
<i>Pass-Through from Tulane University</i>		5U01HL72507		102,896	102,896
<i>Pass-Through from University of Alabama - Birmingham</i>		5U01HL072524		13,710	13,710
<i>Pass-Through from University of Alabama - Birmingham</i>		R01HL063082		37,332	37,332
<i>Pass-Through from University of California, San Diego</i>		10259605		84,883	84,883
<i>Pass-Through from University of Cincinnati</i>		P021-040-P103-1078		38,177	38,177
<i>Pass-Through from University of Michigan</i>		R01HL39107		220,100	220,100
<i>Pass-Through from University of Minnesota</i>		TONEY-UM- HL076312		236,840	236,840
<i>Pass-Through from University of Mississippi Medical Center</i>		R01HL70825		14,207	14,207
<i>Pass-Through from University of Pittsburgh</i>		5R01HL07503804		1,593	1,593
<i>Pass-Through from University of Pittsburgh</i>		5U01HL61744	10,053	33,843	43,896
<i>Pass-Through from University of Toledo</i>		942536-03		14,511	14,511
<i>Pass-Through from University of Washington</i>		5R01HL71017		16,172	16,172
<i>Pass-Through from University of Washington</i>		5U01HL07786302		77,748	77,748
<i>Pass-Through from Wake Forest University</i>		R01HL080443		121,787	121,787
Lung Diseases Research	93.838		2,569,756	8,171,710	10,741,466
<i>Pass-Through from Colla Genex Pharmaceutical, Inc</i>		2 R42 HL065030- 02A1		63,916	63,916
<i>Pass-Through from Compact Membrane Systems, Inc</i>		2R44 HL064528-02		54,156	54,156
<i>Pass-Through from Medical College of Wisconsin</i>		1R01HL06862702		25	25
<i>Pass-Through from Medical College of Wisconsin</i>		5R01HL04929412		20,456	20,456
<i>Pass-Through from Medical College of Wisconsin</i>		5R01HL04929413		6,919	6,919
<i>Pass-Through from Medical College of Wisconsin</i>		5R01HL06862704		13,423	13,423
<i>Pass-Through from Medical College of Wisconsin</i>		5R01HL06862705		22,836	22,836
<i>Pass-Through from Michigan Critical Care, Inc</i>		2 R42 HL071345		94,119	94,119
<i>Pass-Through from Michigan Critical Care, Inc</i>		CON12892		(257)	(257)
<i>Pass-Through from University of Alabama - Birmingham</i>		063690705		14,686	14,686
<i>Pass-Through from University of California, San Francisco</i>		SEIDNER:S/G HL056061		99,040	99,040
<i>Pass-Through from University of Chicago</i>		1U01HL084715		52,000	52,000
<i>Pass-Through from University of Pennsylvania</i>		5R01HL07909003		126,881	126,881
<i>Pass-Through from Washington University in St. Louis</i>		WU-07-34		37,416	37,416
Blood Diseases and Resources Research	93.839		325,327	5,554,021	5,879,348
<i>Pass-Through from Albert Einstein College of Medicine of Yeshiva Univ.</i>		9-526-5791		7,888	7,888
<i>Pass-Through from Albert Einstein College of Medicine of Yeshiva Univ.</i>		9-526-5792		27,340	27,340
<i>Pass-Through from Baylor College of Medicine</i>		5K23HL081539		28,678	28,678
<i>Pass-Through from Children's Hospital Research</i>		5U01HL068091		2,205	2,205
<i>Pass-Through from Lynntech, Inc</i>		1 R43 HL081994 01		1,667	1,667
<i>Pass-Through from Massachusetts General Hospital</i>		5 U54 HL081030 02		228,360	228,360
<i>Pass-Through from Medical College of Wisconsin</i>		1P01HL081588		30,153	30,153
<i>Pass-Through from National Marrow Donor Program</i>		BMTCTN0102		8,643	8,643
<i>Pass-Through from National Marrow Donor Program-DHHS-NIH</i>		14867 02		85,941	85,941
<i>Pass-Through from Northwestern University</i>		5R01HL06971702		6,764	6,764
<i>Pass-Through from St. Jude Children's Research Hospital</i>		1U01HL07878701A1		11,538	11,538
<i>Pass-Through from St. Jude Children's Research Hospital</i>		5U01HL07878702		12,957	12,957

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Stanford University</i>		5R01HL079381		289,281	289,281
<i>Pass-Through from University of Alabama - Birmingham</i>		N01-HC-95095		231,994	231,994
<i>Pass-Through from University of Louisville</i>		T15HL075759-01A1		(24,642)	(24,642)
<i>Pass-Through from University of Michigan</i>		F008503		44,378	44,378
<i>Pass-Through from University of Nevada - Reno</i>		502963		262,904	262,904
<i>Pass-Through from University of Oklahoma</i>		5U01HL07228303		18,276	18,276
<i>Pass-Through from University of Oklahoma</i>		5U01HL07228304		31,084	31,084
<i>Pass-Through from University of Oklahoma</i>		5U01HL07228305		23,908	23,908
<i>Pass-Through from University of Pittsburgh</i>		5R01HL6842904		446	446
Arthritis, Musculoskeletal and Skin Diseases Research	93.846		400,212	10,552,189	10,952,401
<i>Pass-Through from Baylor College of Medicine</i>		5R01AR044864		42,245	42,245
<i>Pass-Through from Biomedical Development Corporation</i>		1R41AR051618		12,696	12,696
<i>Pass-Through from Biomedical Development Corporation</i>		1R43AR052544		19,015	19,015
<i>Pass-Through from Biomedical Development Corporation</i>		1R43AR052998		24,690	24,690
<i>Pass-Through from Biomedical Development Corporation</i>		G93.006/2R44DE017 301		9	9
<i>Pass-Through from BioTex, Inc.</i>		2R44AR046971-02		141,854	141,854
<i>Pass-Through from Boston University</i>		2 P60 AR047785-06		9,472	9,472
<i>Pass-Through from Cedars-Sinai Medical Center</i>		5R01AR048465		27,910	27,910
<i>Pass-Through from Cooper Institute</i>		72117		30,417	30,417
<i>Pass-Through from Duke University</i>		N01AI05419		149,621	149,621
<i>Pass-Through from Jackson Laboratory</i>		001		75,181	75,181
<i>Pass-Through from Martinus Van Breems, Inc.</i>		4 R44 AR48029-03		8,827	8,827
<i>Pass-Through from North Shore-Long Island Jewish Research Institute (NSLIJRI)</i>		5 R01 AR044422 08		(157)	(157)
<i>Pass-Through from SomaGenics, Inc.</i>		1 R43 AR054301 01		20,423	20,423
<i>Pass-Through from The Cooper Institute</i>		5 R01 AR052459-02		58,434	58,434
<i>Pass-Through from University of Alabama - Birmingham</i>		1P01AR49084		10,643	10,643
<i>Pass-Through from University of Alabama - Birmingham</i>		5R01AR42503		8,415	8,415
<i>Pass-Through from University of Connecticut Health Center</i>		R01 AR049341/HARRIS		32,548	32,548
<i>Pass-Through from University of Maryland at Baltimore</i>		BAUER- S01835		55,121	55,121
<i>Pass-Through from University of Minnesota</i>		5R01AR048529		(35)	(35)
<i>Pass-Through from University of Missouri - Kansas City</i>		8054 - P01		47,558	47,558
<i>Pass-Through from University of Missouri - Kansas City</i>		8057/00012317		253,533	253,533
<i>Pass-Through from University of Missouri - Kansas City</i>		AR46798-UTHSC-1		(4,152)	(4,152)
<i>Pass-Through from University of Missouri - Kansas City</i>		UMKC 8058		183,364	183,364
<i>Pass-Through from University of Pennsylvania</i>		545295		139,816	139,816
<i>Pass-Through from University of Tennessee</i>		CARNES-U/TN AR046581		10,496	10,496
<i>Pass-Through from University of Tennessee</i>		N01 AR92242		267	267
Diabetes, Endocrinology and Metabolism Research	93.847		966,638	15,931,944	16,898,582
<i>Pass-Through from Aegis BioSciences, LLC</i>		1R43DK067700-01A1		3,190	3,190
<i>Pass-Through from Arthrochip LLC</i>		5R42DK06598803		200,256	200,256
<i>Pass-Through from AVI Bio Pharma</i>		1 R41 DK067706-01		11,789	11,789
<i>Pass-Through from Baylor College of Medicine</i>		5U19DK6243405		219,332	219,332
<i>Pass-Through from Benaroya Research Institute</i>		U01DK062418		5	5
<i>Pass-Through from BioChem Analysis Corporation</i>		1R43DK072637-1		(12,243)	(12,243)
<i>Pass-Through from Duke 3031260136490/NIH</i>		2P01DK05839806A1		242,022	242,022
<i>Pass-Through from Duke University</i>		5P01DK05839807		331,419	331,419
<i>Pass-Through from George Washington University</i>		233012CCLS20127A		12,667	12,667
<i>Pass-Through from George Washington University</i>		5U01DK06105506		493,780	493,780
<i>Pass-Through from George Washington University</i>		HALE/GWU	560,562	382,765	943,327
<i>Pass-Through from George Washington University</i>		HALE/GWU 06-T49		93,049	93,049
<i>Pass-Through from George Washington University</i>		HALE:S/G DK6123-01 G		413,101	413,101

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Marquette University</i>		5R01DK035153		12,920	12,920
<i>Pass-Through from Medical College of Georgia</i>		1U24DK07616901		212,131	212,131
<i>Pass-Through from Medical College of Georgia</i>		5R01DK04314013		21,350	21,350
<i>Pass-Through from Medical University of South Carolina</i>		7 K01 DK064867-04		6,653	6,653
<i>Pass-Through from PLX Pharma, Inc</i>		5R42DK063882		4,255	4,255
<i>Pass-Through from Probetex, Inc.</i>		R41DK077436		2,522	2,522
<i>Pass-Through from Probetex, Inc.</i>		R44 DK061834		34,433	34,433
<i>Pass-Through from Spire Corporation</i>		07LM06005PL		54,474	54,474
<i>Pass-Through from University of Arkansas</i>		1R01DK071100		210,893	210,893
<i>Pass-Through from Van Andel Research Institute</i>		5R01DK07166202		20,850	20,850
<i>Pass-Through from Vanderbilt University</i>		5U01DK07247302		134,473	134,473
<i>Pass-Through from Vanderbilt University</i>		5U01DK07247303		35,846	35,846
<i>Pass-Through from Vanderbilt University Medical Center</i>		2U19DK04250216		25	25
<i>Pass-Through from Vanderbilt University Medical Center</i>		2U19DK04250217		326,085	326,085
Digestive Diseases and Nutrition Research	93.848		460,796	10,056,926	10,517,722
<i>Pass-Through from Baylor College of Medicine</i>		4600670598		150,349	150,349
<i>Pass-Through from Baylor College of Medicine</i>		5P30DK056338		49,287	49,287
<i>Pass-Through from Baylor College of Medicine</i>		5P30DK56338-5		(3,175)	(3,175)
<i>Pass-Through from Biochemanalysis Corp</i>		1R43DK06449501A1		40,491	40,491
<i>Pass-Through from Children's Hospital of Pittsburgh</i>		U01DK072146		24,931	24,931
<i>Pass-Through from Duke University</i>		5U01DK06517604		13,093	13,093
<i>Pass-Through from Harvard University</i>		CON16486		56,477	56,477
<i>Pass-Through from Kaiser Foundation Research Institute</i>		1 R01 DK07553		17,789	17,789
<i>Pass-Through from Medical College of Georgia</i>		05-11514B		22,757	22,757
<i>Pass-Through from Natural Therapeutics, Inc</i>		5R44DK52740		64	64
<i>Pass-Through from PLX Pharma, Inc</i>		2R42DK063882		126,327	126,327
<i>Pass-Through from Purdue University</i>		5R01DK04520414		89,982	89,982
<i>Pass-Through from University of Chicago</i>		5 U01 GM061393 08		126,126	126,126
Kidney Diseases, Urology and Hematology Research	93.849		319,691	12,603,566	12,923,257
<i>Pass-Through from Cornell University</i>		5R01DK5944304		374	374
<i>Pass-Through from Johns Hopkins University</i>		5U01DK066174		89,144	89,144
<i>Pass-Through from Northwestern University</i>		5 R01 DK60635-03		16,032	16,032
<i>Pass-Through from Research Foundation of the State University of New York</i>		S/G ARAR-SUNY 063385		400	400
<i>Pass-Through from SUNY Stonebrook/NIH</i>		5U01DK06338502		609	609
<i>Pass-Through from University of Alabama - Birmingham</i>		5P30DK07403802		45,832	45,832
<i>Pass-Through from University of California, San Francisco</i>		AYUS-UCSF-4327sc		6,129	6,129
<i>Pass-Through from University of Oklahoma Health Science Center</i>		5 R01 DK066101-02		(1,733)	(1,733)
<i>Pass-Through from Vanderbilt University</i>		2P01DK03822620		296,746	296,746
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		8,295,936	36,535,680	44,831,616
<i>Pass-Through from ALA Scientific Instruments</i>		1 R41 NS046182-01		(579)	(579)
<i>Pass-Through from ALA Scientific Instruments</i>		2 R42 NS046182-02		49,551	49,551
<i>Pass-Through from Baylor College of Medicine</i>		100538450		86,088	86,088
<i>Pass-Through from Baylor College of Medicine</i>		3R01NS02188923S1		48,687	48,687
<i>Pass-Through from Baylor College of Medicine</i>		5P01NS038660		77,623	77,623
<i>Pass-Through from Baylor College of Medicine</i>		5R01NS021889		74,312	74,312
<i>Pass-Through from Baylor College of Medicine</i>		5R01NS021889323		33,389	33,389
<i>Pass-Through from Baylor College of Medicine</i>		5R01NS042772		14,826	14,826
<i>Pass-Through from Brandeis University</i>		1R01NS050944		47,655	47,655
<i>Pass-Through from Children's Hospital of Philadelphia</i>		1R01NS05048801A1		10,058	10,058
<i>Pass-Through from Columbia University</i>		5R01NS04529403		10,015	10,015
<i>Pass-Through from Columbia University</i>		COL		148	148
		U/R01NS048125-02			

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Columbia University</i>		R01NS050724	(375)	36,411	36,036
<i>Pass-Through from Emory University</i>		5 R01 NS0428647 05		35,545	35,545
<i>Pass-Through from Hawaii Biotech</i>		9 R44 NS052139-02A1		232,410	232,410
<i>Pass-Through from Johns Hopkins University</i>		5R01NS050028		5,509	5,509
<i>Pass-Through from Johns Hopkins University</i>		5R01NS055651		19,194	19,194
<i>Pass-Through from Loyola University Chicago</i>		5 R01 NS034153		12,643	12,643
<i>Pass-Through from Mayo Clinic</i>		R01NS41558		15,655	15,655
<i>Pass-Through from Mayo Clinic - Rochester/NIH</i>		2P50NS03235211		888	888
<i>Pass-Through from Mayo Clinic - Rochester/NIH</i>		5P0NS03235212		158,810	158,810
<i>Pass-Through from Mount Sinai Medical Center</i>		5U01NS045719		516,567	516,567
<i>Pass-Through from Mount Sinai School of Medicine</i>		MSSM# 0255-0521-4609		128,510	128,510
<i>Pass-Through from Northwestern University</i>		0600 370 S366 795		198,917	198,917
<i>Pass-Through from RFE Pharma</i>		2 R42 NS048777-02		166,804	166,804
<i>Pass-Through from Southwest Foundation for Biomedical Research</i>		SG SZABO 047755 SFBR		129,213	129,213
<i>Pass-Through from St. Louis University</i>		5 R01 NS050547-02		7,346	7,346
<i>Pass-Through from Stanford/NIH 01p01ns05386201</i>		1P01NS05386201A1		311,577	311,577
<i>Pass-Through from Thomas Jefferson University</i>		1R01NS05059701A2		12,632	12,632
<i>Pass-Through from Thomas Jefferson University</i>		5R01NS04277705		44,108	44,108
<i>Pass-Through from University of Alabama - Birmingham</i>		1U01NS04268501A1		28,283	28,283
<i>Pass-Through from University of California Los Angeles</i>		0980GGH018		277,023	277,023
<i>Pass-Through from University of California, San Diego</i>		5P50NS044148		4,806	4,806
<i>Pass-Through from University of Cincinnati</i>		1R01NS39512		(11,291)	(11,291)
<i>Pass-Through from University of Cincinnati</i>		5R01NS047603		171,857	171,857
<i>Pass-Through from University of Cincinnati</i>		R01NS39160		1,932	1,932
<i>Pass-Through from University of Florida</i>		UF06080		74,062	74,062
<i>Pass-Through from University of Kentucky Research Foundation</i>		3046960400-06-241		10,447	10,447
<i>Pass-Through from University of Medicine and Dentistry of New Jersey</i>		1R01NS05273301		81	81
<i>Pass-Through from University of Medicine and Dentistry of New Jersey</i>		5R01NS03838406		23,319	23,319
<i>Pass-Through from University of Medicine and Dentistry of New Jersey</i>		5R01NS05273302		56,744	56,744
<i>Pass-Through from University of Medicine and Dentistry of New Jersey</i>		5R01NS05273303		9,068	9,068
<i>Pass-Through from University of Medicine and Dentistry of New Jersey</i>		5R01NS38384		41,793	41,793
<i>Pass-Through from University of Miami</i>		5R01NS049554503		64,548	64,548
<i>Pass-Through from University of Pittsburgh</i>		111412-1		390,620	390,620
<i>Pass-Through from University of Rochester</i>		5R01NS3716705		760	760
<i>Pass-Through from University of South Florida</i>		04LM020034F2		86,721	86,721
<i>Pass-Through from University of Virginia</i>		5 R01 NS049065 02		81,815	81,815
<i>Pass-Through from University of Virginia</i>		5R01NS037666		158,105	158,105
<i>Pass-Through from Wake Forest University</i>		NS34447		1,689	1,689
<i>Pass-Through from Washington University</i>		U01NS04280402		20,167	20,167
<i>Pass-Through from Washington University</i>		U01NS04280403		25,000	25,000
<i>Pass-Through from Washington University in St. Louis</i>		SHERMAN:S/G NS42167		33,460	33,460
<i>Pass-Through from Washington University in St. Louis</i>		WU0304		16,466	16,466
<i>Pass-Through from Yale University</i>		1R01NS04487601A2		5,368	5,368
<i>Pass-Through from Yale University</i>		5R01NS04487602		57	57
<i>Pass-Through from Yale University</i>		5R01NS04487603		9,706	9,706

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Yale University</i>		A05648		3,757	3,757
Allergy, Immunology and Transplantation Research	93.855		3,577,872	42,662,881	46,240,753
<i>Pass-Through from Albert Einstein College of Medicine of Yeshiva Univ.</i>		503447		188,004	188,004
<i>Pass-Through from Albert Einstein College of Medicine of Yeshiva Univ.</i>		503600		125,083	125,083
<i>Pass-Through from Alexion Antibody Technologies</i>		5 U01 AI061311-03		62,787	62,787
<i>Pass-Through from American Type Culture Collection</i>		2006-001		87,850	87,850
<i>Pass-Through from Baylor College of Medicine</i>		1U91AI070973		57,231	57,231
<i>Pass-Through from Baylor College of Medicine</i>		3P30AI36211		127	127
<i>Pass-Through from Baylor College of Medicine</i>		N01-AI-25465		188,263	188,263
<i>Pass-Through from Baylor Research Institute</i>		5U19AI05723405		34,831	34,831
<i>Pass-Through from Baylor Research Institute</i>		I19AI05723404		136,260	136,260
<i>Pass-Through from Baylor Research Institute</i>		U19AI05723404		4,550	4,550
<i>Pass-Through from Children's Hospital Boston</i>		SW01		6,846	6,846
<i>Pass-Through from Columbia University</i>		5 U19 AI067773-02		37,623	37,623
<i>Pass-Through from Emmes Corporation</i>		N01AI25132		293	293
<i>Pass-Through from Fred Hutchinson Cancer Research</i>		1R34AI069679		24,988	24,988
<i>Pass-Through from Institute for Clinical Research, Inc.</i>		U01-AI068641		257,916	257,916
<i>Pass-Through from Johns Hopkins University</i>		5 U01AI042590-09		(999)	(999)
<i>Pass-Through from Louisiana State University - HSC</i>		R01AI046142		12,394	12,394
<i>Pass-Through from Marshfield Clinic Research Foundation</i>		R01AI061385		6,293	6,293
<i>Pass-Through from National Jewish Medical and Research Center</i>		742044647		21,625	21,625
<i>Pass-Through from New York University</i>		03-0857		6,023	6,023
<i>Pass-Through from Oregon Health and Science University</i>		HHSN2662005000027		46,213	46,213
<i>Pass-Through from Pharmareview Corp.</i>		5R42AI051050		147,902	147,902
<i>Pass-Through from Resuscitation Solutions, Inc</i>		1 R43 AI58393-01A1		(7,391)	(7,391)
<i>Pass-Through from Social and Scientific Systems</i>		UMIN1.SITES.SANT		15,972	15,972
<i>Pass-Through from Southwest Foundation for Biomedical Research</i>		NIH NO.5		9,646	9,646
<i>Pass-Through from The Burnham Institute</i>		U54AI057156			
<i>Pass-Through from The Burnham Institute</i>		5R01AI05914602		46,760	46,760
<i>Pass-Through from The Burnham Institute</i>		5R01AI05914603		64,315	64,315
<i>Pass-Through from U.S. Immunodeficiency Network</i>		N01-A1-30070		26,469	26,469
<i>Pass-Through from Universal Stabilization Technologies</i>		1 U01 AI07350-01		18,360	18,360
<i>Pass-Through from University of Alabama - Birmingham</i>		R01AI050066		30,388	30,388
<i>Pass-Through from University of California</i>		503322		15,634	15,634
<i>Pass-Through from University of California, Davis</i>		5R01-39540-09A1		66,972	66,972
<i>Pass-Through from University of California, Los Angeles</i>		1 U01 AI070495		132,766	132,766
<i>Pass-Through from University of Colorado</i>		STACY-		58,607	58,607
<i>Pass-Through from University of Georgia</i>		1 R01 AI06890801		13,126	13,126
<i>Pass-Through from University of Pittsburgh</i>		1U19AI065430		33,560	33,560
<i>Pass-Through from University of Pittsburgh</i>		5R01AI060422		11,394	11,394
<i>Pass-Through from University of Rochester</i>		1 U19 AI067733 01		4,699	4,699
<i>Pass-Through from Virginia Polytechnic Institute</i>		19642-431478		10,555	10,555
<i>Pass-Through from Virginia Technical Institute</i>		5 R01 AI051880-05		47,133	47,133
<i>Pass-Through from Washington University - School of Medicine</i>		U01 A1070374-02		225,551	225,551
Microbiology and Infectious Diseases Research	93.856		6,938,339	84,647,940	91,586,279
<i>Pass-Through from Adults Aids Clinical Trial Group</i>		204VC010		(37)	(37)
<i>Pass-Through from Albert Einstein College of Medicine of Yeshiva Univ.</i>		503240		(5,694)	(5,694)
<i>Pass-Through from Baylor College of Medicine</i>		1 P30 AI036211-		3,376	3,376
<i>Pass-Through from Baylor College of Medicine</i>		4600629622		39,225	39,225
<i>Pass-Through from Baylor College of Medicine</i>		5 U01 AI41089 09		(45,259)	(45,259)



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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Baylor College of Medicine</i>		5R01AI41735		(4,348)	(4,348)
<i>Pass-Through from Baylor College of Medicine</i>		N01-AI-30039		518,150	518,150
<i>Pass-Through from Baylor College of Medicine</i>		P30AI036211		183,802	183,802
<i>Pass-Through from Baylor College of Medicine</i>		R21AI064470	18,575	47,884	66,459
<i>Pass-Through from Beth Israel Deaconess</i>		5P01DK05611607		65,952	65,952
<i>Pass-Through from Beth Israel Deaconess</i>		5P01DK05611608		10,633	10,633
<i>Pass-Through from Cambridge Systems</i>		63358		12,782	12,782
<i>Pass-Through from Case Western Reserve University</i>		9 R44 NS052139-02A1		(172)	(172)
<i>Pass-Through from DOR/Biopharma, Inc</i>		UC1AI657001		7,485	7,485
<i>Pass-Through from Drexel University</i>		7 U01 AI54764-02		(722)	(722)
<i>Pass-Through from Drexel University</i>		U01 AI061441-03		214,298	214,298
<i>Pass-Through from Dynavax Technologies</i>		5 U01 AI56559-03		87,665	87,665
<i>Pass-Through from Hawaii Biotech</i>		1 R43 AI55225-01A2		4,068	4,068
<i>Pass-Through from Louisiana State University - HSC</i>		5 U19 AI061972-02		37,635	37,635
<i>Pass-Through from Louisiana State University - HSC</i>		5 U19 AI061972-03		203,605	203,605
<i>Pass-Through from Louisiana State University - HSC</i>		5 U19AI061972-03		17,493	17,493
<i>Pass-Through from Molecular Express, Inc</i>		5R43AI066621-02		7,507	7,507
<i>Pass-Through from Molecular Targeting Technologies</i>		CON16310		10,841	10,841
<i>Pass-Through from New York University School of Medicine</i>		Sub No. 06-0225	10,388	9,523	19,911
<i>Pass-Through from SIGA Technologies</i>		5 R44 AI056525-04		205,124	205,124
<i>Pass-Through from Social and Scientific Systems</i>		204VC010		(8,797)	(8,797)
<i>Pass-Through from Social and Scientific Systems</i>		A5211.05		1,300	1,300
<i>Pass-Through from Social and Scientific Systems</i>		U01AI46362		148,207	148,207
<i>Pass-Through from Social and Scientific Systems</i>		U01-AI46362		45,241	45,241
<i>Pass-Through from Starpharma Pty. Ltd</i>		1 U19 AI60598-01		237,993	237,993
<i>Pass-Through from University of Alabama - Birmingham</i>		N01AI-30025		1,883	1,883
<i>Pass-Through from University of California, San Francisco</i>		5 R01 AI39540		(92)	(92)
<i>Pass-Through from University of Chicago</i>		5U54AI05715303		159	159
<i>Pass-Through from University of Louisville</i>		T15AI0755201A1		(1,043)	(1,043)
<i>Pass-Through from University of Maryland (HRSA/CRS)</i>		20075053104		53,161	53,161
<i>Pass-Through from University of Minnesota</i>		1U01AI46957		245,249	245,249
<i>Pass-Through from University of Pennsylvania</i>		5U01AI3278308		11	11
<i>Pass-Through from University of Pittsburgh</i>		1R21AI065392		4,947	4,947
<i>Pass-Through from University of Toledo</i>		N 2006-69		195,530	195,530
<i>Pass-Through from Washington University</i>		5U54AI05716003		165	165
Biomedical Research and Research Training	93.859		4,016,010	63,890,690	67,906,700
<i>Pass-Through from Aegis BioSciences, LLC</i>		1 R43 GM075581-01		8,887	8,887
<i>Pass-Through from Atactic Technologies, Inc.</i>		1 R43 GM076941-01-UH		54,730	54,730
<i>Pass-Through from Atactic Technologies, Inc.</i>		4 R42 GM067364-UH		75,728	75,728
<i>Pass-Through from Baylor College of Medicine</i>		5 T32 GM008280-19		42,323	42,323
<i>Pass-Through from Carnegie Mellon University</i>		1090125-171028		41,494	41,494
<i>Pass-Through from Cornell University</i>		1354-44-C900/49238-8402		50,421	50,421
<i>Pass-Through from Cytellect Incorporated</i>		1 R41 GM074436-01A1		26,952	26,952
<i>Pass-Through from Delsite Biotechnologies, Inc.</i>		503133		402,037	402,037
<i>Pass-Through from Institute for Systems Biology</i>		5 R01 03		83,879	83,879
<i>Pass-Through from Massachusetts General Hospital</i>		2 U54 GM062119-06		93,318	93,318
<i>Pass-Through from Massachusetts General Hospital</i>		5 U54 GM62119-03		8,584	8,584
<i>Pass-Through from Massachusetts General Hospital/NIH</i>		2U54GM06211906		334,351	334,351
<i>Pass-Through from Massachusetts General Hospital/NIH</i>		5U54GM06211905		21,844	21,844
<i>Pass-Through from Mayo Clinic</i>		5 U01 GM061388 07		47,484	47,484
<i>Pass-Through from New York Medical College</i>		5R01GM06245305		(10,404)	(10,404)
<i>Pass-Through from Pharmareview Corp.</i>		R41GM079810		15,729	15,729

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Rice University</i>		R21361		34,301	34,301
<i>Pass-Through from Scripps Research Institute</i>		5-22121		38,742	38,742
<i>Pass-Through from Scripps Research Institute</i>		5-73870		74,538	74,538
<i>Pass-Through from University of Arizona</i>		5 R01 GM070890 02		54,054	54,054
<i>Pass-Through from University of California</i>		GM064692		242,623	242,623
<i>Pass-Through from University of California, Lawrence Berkeley National Lab</i>		No. 6511788		34,573	34,573
<i>Pass-Through from University of California, San Diego/NIH</i>		5U54GM06933803		434	434
<i>Pass-Through from University of California, San Diego/NIH</i>		5U54GM06933804		498,043	498,043
<i>Pass-Through from University of California, San Francisco</i>		P01 GM047818__AGRE MT #3816SC		477,189	477,189
<i>Pass-Through from University of Florida</i>		U01GM074492		75,541	75,541
<i>Pass-Through from University of Hawaii</i>		1R01GM07666502		78,991	78,991
<i>Pass-Through from University of Idaho</i>		1351-44- 1670/ABK123-02A PO 011504		3,968	3,968
<i>Pass-Through from University of Illinois at Urbana- Champaign</i>		2005-05908-01		33,690	33,690
<i>Pass-Through from University of Illinois at Urbana- Champaign</i>		2006-02321-01		28,927	28,927
<i>Pass-Through from University of Michigan</i>		P50GM065509		903,373	903,373
<i>Pass-Through from Washington University in St. Louis</i>		502672		(14,011)	(14,011)
<i>Pass-Through from Washington University in St. Louis</i>		503496		55,669	55,669
<i>Pass-Through from Washington University in St. Louis</i>		503604		7,889	7,889
<i>Pass-Through from Yale University</i>		1P01GM06631105		353,378	353,378
Genetics and Development Biology Research and Research Training	93.862			282,505	282,505
Population Research	93.864		28,501	898,779	927,280
Child Health and Human Development Extramural Research	93.865		3,829,050	30,593,198	34,422,248
<i>Pass-Through from Baylor College of Medicine</i>		5R01HD04394303		36,455	36,455
<i>Pass-Through from Baylor College of Medicine</i>		N01-AI-30039		196,151	196,151
<i>Pass-Through from Boston University/Medical</i>		5U10HD02906712		33,626	33,626
<i>Pass-Through from California State University Long</i>		S07-303005B-UH		89,960	89,960
<i>Pass-Through from Center for Applied Linguistics</i>		1P01 HD39530		4,080	4,080
<i>Pass-Through from Children's Memorial Hospital</i>		1R01HD04569401A1		315	315
<i>Pass-Through from Innovaciones Psicoeducativas Inc</i>		R44HD3695002		17	17
<i>Pass-Through from Reproductive Health Tech Corp</i>		R43HD4178201A1		684	684
<i>Pass-Through from Southwest Foundation for Biomedical Research</i>		1R01HD049051		13,062	13,062
<i>Pass-Through from Southwest Foundation for Biomedical Research</i>		SFBR-STERN-SUB		2,787	2,787
<i>Pass-Through from Southwest Foundation for Biomedical Research</i>		SG STERN HD049051		268,936	268,936
<i>Pass-Through from University of Alabama</i>		5 U01 HD039939-05		133,722	133,722
<i>Pass-Through from University of Alabama</i>		U10HD27869-14		(48)	(48)
<i>Pass-Through from University of Alabama - Birmingham</i>		5U01HD03993903		41,754	41,754
<i>Pass-Through from University of Alabama - Birmingham</i>		5U01HD03993904		12,167	12,167
<i>Pass-Through from University of Alabama - Birmingham</i>		5U01HD03993905		14,158	14,158
<i>Pass-Through from University of California, Irvine</i>		1P01HD047609		377,387	377,387
<i>Pass-Through from University of Michigan-NIH</i>		2U01HD04124906		14,748	14,748
<i>Pass-Through from University of North Carolina</i>		UNC-CH-5-33961		39,161	39,161
<i>Pass-Through from University of Notre Dame</i>		5R01HD044868		337,750	337,750

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<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from University of Pennsylvania</i>		5-44511-C; PO#1775684		576,599	576,599
<i>Pass-Through from University of Pittsburgh</i>		R01HD052436		6,472	6,472
<i>Pass-Through from University of Utah</i>		1K12HD04734901		49,437	49,437
<i>Pass-Through from Yale University</i>		5P50HD25802		4,000	4,000
<i>Pass-Through from Yale University</i>		A05694		2,733	2,733
Aging Research	93.866		1,539,228	26,753,242	28,292,470
<i>Pass-Through from Baylor College of Medicine</i>		5600051318		145,459	145,459
<i>Pass-Through from BioTex, Inc.</i>		2 R44 AG019276 04		73,268	73,268
<i>Pass-Through from Buck Institute</i>		2018		84,984	84,984
<i>Pass-Through from Buck Institute</i>		2025		199,553	199,553
<i>Pass-Through from Columbia University</i>		5U24AG02639502		139,121	139,121
<i>Pass-Through from Drexel University</i>		232263/R01AG0224		24,461	24,461
<i>Pass-Through from Georgetown University</i>		R01AG19268		10,889	10,889
<i>Pass-Through from Innovative Health Solutions</i>		1 R41 AG022247- 01A1		(1,060)	(1,060)
<i>Pass-Through from L2 Diagnostics</i>		5013H0104G091424		29,813	29,813
<i>Pass-Through from Mount Sinai School of Medicine</i>		S/G AG18772 MT SINAI		38,434	38,434
<i>Pass-Through from Mount Sinai School of Medicine</i>		UTA05-495		78,239	78,239
<i>Pass-Through from Nanospectra Biosciences, Inc.</i>		Sub Agr under Prime 1 R41 AG025586-01		39,282	39,282
<i>Pass-Through from National Institutes of Health</i>		1 R15 AG028520- 01A1		24,047	24,047
<i>Pass-Through from Purdue University</i>		PURDUE-NIH		179,004	179,004
<i>Pass-Through from University of Arkansas</i>		1 P01 AG023591-03		(21,135)	(21,135)
<i>Pass-Through from University of California, San Diego</i>		1U01AG024904		86,347	86,347
<i>Pass-Through from University of Colorado</i>		NELSON S/G AG024354		110,625	110,625
<i>Pass-Through from University of Michigan</i>		AUSTAD-UMICH- AG13711		(28,331)	(28,331)
<i>Pass-Through from University of Michigan</i>		S/G AG20591 UNV MICH		205,343	205,343
<i>Pass-Through from University of Michigan-NIH</i>		1R01AG02239401		(452)	(452)
<i>Pass-Through from University of Pittsburgh</i>		1 T35 AG026778-01		238	238
<i>Pass-Through from University of Pittsburgh</i>		5 T35 AG26778-02		15,350	15,350
<i>Pass-Through from University of Pittsburgh</i>		UPITT 110202-1		(12,205)	(12,205)
<i>Pass-Through from University of Rochester</i>		5R01AG2008602		38	38
<i>Pass-Through from University of Utah/NIH</i>		5R01AG02239402		13,650	13,650
<i>Pass-Through from University of Washington</i>		5U01AG01697608		28,890	28,890
<i>Pass-Through from Wake Forest University</i>		P 30 AG21332		(10)	(10)
Vision Research	93.867		1,489,921	13,649,314	15,139,235
<i>Pass-Through from Baylor College of Medicine</i>		5 T32 EY007102 15		28,127	28,127
<i>Pass-Through from Calhoun Vision, Inc</i>		2 R44-EY015321-02		141,187	141,187
<i>Pass-Through from Case Western Reserve University</i>		1R01EY01648202		149	149
<i>Pass-Through from Jaeb Center for Health Research</i>		U10 EY14231		24,814	24,814
<i>Pass-Through from Jaeb Center for Health Research</i>		U10EY12357		204	204
<i>Pass-Through from Jaeb Center for Health Research</i>		U10EY12358		482	482
<i>Pass-Through from Johns Hopkins University</i>		LSOCA-96195		104,618	104,618
<i>Pass-Through from Johns Hopkins University</i>		U10EY0805711		163,337	163,337
<i>Pass-Through from Kestrel Corporation</i>		1R41EY01627801		30,566	30,566
<i>Pass-Through from New York University</i>		F6330-02 P113955		187,555	187,555
<i>Pass-Through from Ohio State University Research</i>		4 U10 EY008893-16		12,921	12,921
<i>Pass-Through from Oregon Health and Science University</i>		2R01EY013139		33,950	33,950

# STATE OF TEXAS

## Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2007

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESEARCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Retina Foundation of the SW</i>		5R01EY05235		42,780	42,780
<i>Pass-Through from Somatocor Pharmaceuticals, Inc</i>		1 R41 EY014282-01		36	36
<i>Pass-Through from University of Florida</i>		2 R01 EY007739-17		21,264	21,264
Medical Library Assistance	93.879			146,128	146,128
<i>Pass-Through from Columbia University</i>		5R01LM007894		44,718	44,718
<i>Pass-Through from Massachusetts General Hospital</i>		UTA07-516		4,264	4,264
<i>Pass-Through from Rice University</i>		5 T15 LMO07093-14		27,701	27,701
<i>Pass-Through from Rice University</i>		5 T15-LM07093-12		(104)	(104)
Grants for Training in Primary Care Medicine and Dentistry	93.884			588,474	588,474
Health Care and Other Facilities	93.887		(42,756)	542,503	499,747
Specially Selected Health Projects	93.888			270,665	270,665
Resource and Manpower Development in the Environmental Health Sciences	93.894			2,325,812	2,325,812
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918				
<i>Pass-Through from Resource Group</i>		07 UTG00T3		53,958	53,958
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919			125,720	125,720
Ryan White HIV/AIDS Dental Reimbursements\Community Based Dental Partnership	93.924			2,523	2,523
Center for Medical Rehabilitation Research	93.929			7,163	7,163
Fogarty International Research Collaboration Award	93.934		10,000	5,265	15,265
HIV Prevention Activities--Health Department Based	93.940			24,223	24,223
<i>Pass-Through from Harris County Hospital District</i>		6H12HA000000		66,609	66,609
HIV Demonstration, Research, Public and Professional Education Projects	93.941			85,428	85,428
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944			295,741	295,741
Tuberculosis Demonstration, Research, Public and Professional Education	93.947			421,981	421,981
Block Grants for Community Mental Health Services	93.958			47,051	47,051
Block Grants for Prevention and Treatment of Substance Abuse	93.959			230,740	230,740
<i>Pass-Through from CRP Incorporated</i>		277-01-6059		45,010	45,010
Public Health Traineeships	93.964			9,572	9,572
Geriatric Education Centers	93.969			33,454	33,454
<i>Pass-Through from Baylor College of Medicine</i>		5 D31 HP70112-04		(72)	(72)
Preventive Health Services--Sexually Transmitted Diseases Control Grants	93.977			36,109	36,109
Preventive Health Services--Sexually Transmitted Diseases Research, Demonstrations, and Public Information and Education Grants	93.978			12,619	12,619
Academic Administrative Units in Primary Care	93.984			(2,346)	(2,346)
International Research and Research Training	93.989		59,649	460,397	520,046
<i>Pass-Through from Baylor College of Medicine</i>		1R25TW007508		48,554	48,554
<i>Pass-Through from Baylor College of Medicine</i>		5 R25 TW007508-02		6,267	6,267
<i>Pass-Through from Southern Research Institute</i>		5R01TW006986-02S04-006		173,367	173,367
<i>Pass-Through from University of California, San Diego</i>		1R01TW05860-01		608	608
Maternal and Child Health Services Block Grant to the States	93.994			152,077	152,077
Adolescent Family Life--Demonstration Projects	93.995				
<i>Pass-Through from LifeWorks</i>		UTA05-820		56,312	56,312
Bioterrorism Training and Curriculum Development Program	93.996			186,581	186,581
Total - U.S. Department of Health and Human Services			66,665,455	800,176,504	866,841,959

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For the Year Ended August 31, 2007

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>RESERCH AND DEVELOPMENT CLUSTER (continued)</b>					
<b>Corporation for National and Community Service</b>					
Corporation for National and Community Service	94.XXX	H129B040027		152,000	152,000
AmeriCorps	94.006				
<i>Pass-Through from OneStar Foundation</i>		ACC8112511		480,085	480,085
Total - Corporation for National and Community Service			0	632,085	632,085
<b>Social Security Administration</b>					
Social Security Administration	96.XXX				
<i>Pass-Through from Dartmouth College</i>		5-37206.570		247,097	247,097
Total - Social Security Administration			0	247,097	247,097
<b>Department of Homeland Security</b>					
Department of Homeland Security	97.XXX				
<i>Pass-Through from TIRF Technologies</i>		UTA05-445		73,280	73,280
Research Projects	97.002			248,061	248,061
<i>Pass-Through from Accacia International</i>		UTA05-855 MOD 01		42,618	42,618
<i>Pass-Through from Lynntech, Inc.</i>		No. 07-0249		2,889	2,889
Homeland Security Preparedness Technical Assistance Program	97.007		5,300	720,052	725,352
Urban Areas Security Initiative	97.008				
<i>Pass-Through from Southwest Research Institute</i>		599817W		63,242	63,242
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036			20,380	20,380
State Homeland Security Program (SHSP)	97.073			36,801	36,801
Homeland Security Testing, Evaluation, and Demonstration of Technologies	97.077				
<i>Pass-Through from Harris County</i>		R242035		32,570	32,570
Homeland Security Outreach, Education, and Technical Assistance	97.086		68,299		68,299
Total - Department of Homeland Security			73,599	1,239,893	1,313,492
<b>United States Agency for International Development</b>					
USAID Foreign Assistance for Programs Overseas	98.001		368,040	3,339,790	3,707,830
<i>Pass-Through from Agrilogic</i>		502887		39,059	39,059
<i>Pass-Through from Government of Jordan</i>		UTA05-608	110,450		110,450
<i>Pass-Through from Oregon State University</i>		RD009J-A	17,850	546	18,396
<i>Pass-Through from Save the Children - United Kingdom</i>		503334		190,438	190,438
<i>Pass-Through from World Learning for International Development</i>		ESGP004		57,117	57,117
Cooperative Development Program	98.002				
<i>Pass-Through from Association Liaison Office for University Cooperation in Development</i>		HNE-00-97-00059-00	4,600	14,368	18,968
<i>Pass-Through from National Academy of Sciences</i>		No. PGA-7251-05-009		223,217	223,217
USAID Development Partnerships for University Cooperation and Development	98.012		405		405
<i>Pass-Through from United Negro College Fund Special Programs</i>		UNCFSP		15,744	15,744
<i>Pass-Through from Western Michigan University</i>		H0109BG094561		9,033	9,033
Total - United States Agency for International Development			501,345	3,889,312	4,390,657
<b>Total Research and Development Cluster</b>			110,016,705	1,322,043,450	1,432,060,155

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For the Year Ended August 31, 2007

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>					
<b>U.S. Department of Education</b>					
Federal Supplemental Educational Opportunity Grants	84.007			22,467,018	22,467,018
Federal Family Education Loans	84.032		763,585	1,897,529,611	1,898,293,196
Federal Work-Study Program	84.033			20,794,565	20,794,565
Federal Perkins Loan Program	84.038			32,827,249	32,827,249
Federal Pell Grant Program	84.063			397,305,173	397,305,173
Federal Direct Student Loans	84.268			133,337,326	133,337,326
Academic Competitiveness Grants	84.375			11,709,259	11,709,259
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376			8,618,411	8,618,411
Total - U.S. Department of Education			<u>763,585</u>	<u>2,524,588,612</u>	<u>2,525,352,197</u>
<b>U.S. Department of Health and Human Services</b>					
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342			3,624,280	3,624,280
Nursing Student Loans	93.364			493,137	493,137
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925			3,000,249	3,000,249
Total - U.S. Department of Health and Human Services			<u>0</u>	<u>7,117,666</u>	<u>7,117,666</u>
<b>Total Student Financial Assistance Cluster</b>			<u>763,585</u>	<u>2,531,706,278</u>	<u>2,532,469,863</u>
<b>AGING CLUSTER</b>					
<b>U.S. Department of Health and Human Services</b>					
Special Programs for the Aging--Title III, Part B--Grants for Supportive Services and Senior Centers	93.044		19,210,305	302,769	19,513,074
Special Programs for the Aging--Title III, Part C--Nutrition Services	93.045		30,074,370	431,643	30,506,013
Nutrition Services Incentive Program	93.053		6,637,525	3,982,041	10,619,566
Total - U.S. Department of Health and Human Services			<u>55,922,200</u>	<u>4,716,453</u>	<u>60,638,653</u>
<b>Total Aging Cluster</b>			<u>55,922,200</u>	<u>4,716,453</u>	<u>60,638,653</u>
<b>CDBG - ENTITLEMENT SMALL CITIES PROGRAM CLUSTER</b>					
<b>U.S. Department of Housing and Urban Development</b>					
Community Development Block Grants/Entitlement Grants	14.218			3,362	3,362
Community Development Block Grants/Small Cities Program <i>Pass-Through from City of Arlington</i>	14.219	B-05-MC48-0008		8,724	8,724
Total - U.S. Department of Housing and Urban Development			<u>0</u>	<u>12,086</u>	<u>12,086</u>
<b>Total CDBG - Entitlement Small Cities Program Cluster</b>			<u>0</u>	<u>12,086</u>	<u>12,086</u>
<b>CHILD CARE CLUSTER</b>					
<b>U.S. Department of Health and Human Services</b>					
Child Care and Development Block Grant <i>Pass-Through from Southeast Texas Workforce Development Board</i>	93.575	WDB-1092	193,338,357	44,058,739 8,225	237,397,096 8,225
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		227,643,332		227,643,332

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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>CHILD CARE CLUSTER (continued)</b>					
<b>U.S. Department of Health and Human Services (continued)</b>					
<i>Pass-Through from Upper Rio Grand Workforce Center</i>		07RM070999FNH		54,087	54,087
Total - U.S. Department of Health and Human Services			420,981,689	44,121,051	465,102,740
<b>Total Child Care Cluster</b>			420,981,689	44,121,051	465,102,740
<b>CHILD NUTRITION CLUSTER</b>					
<b>U.S. Department of Agriculture</b>					
School Breakfast Program	10.553		35,411,090	6,381,375	41,792,465
National School Lunch Program	10.555		1,152,006,164	11,986,367	1,163,992,531
Special Milk Program for Children	10.556			50,078	50,078
Summer Food Service Program for Children	10.559			31,666,704	31,666,704
Total - U.S. Department of Agriculture			1,187,417,254	50,084,524	1,237,501,778
<b>Total Child Nutrition Cluster</b>			1,187,417,254	50,084,524	1,237,501,778
<b>DISABILITY INSURANCE/SSI CLUSTER</b>					
<b>Social Security Administration</b>					
Social Security--Disability Insurance	96.001			117,670,680	117,670,680
Total - Social Security Administration				0	117,670,680
<b>Total Disability Insurance/SSI Cluster</b>				0	117,670,680
<b>EMERGENCY FOOD ASSISTANCE CLUSTER</b>					
<b>U.S. Department of Agriculture</b>					
Emergency Food Assistance Program (Administrative Costs)	10.568			3,416,164	3,416,164
Emergency Food Assistance Program (Food Commodities)	10.569			17,553,325	17,553,325
Total - U.S. Department of Agriculture				0	20,969,489
<b>Total Emergency Food Assistance Cluster</b>				0	20,969,489
<b>EMPLOYMENT SERVICES CLUSTER</b>					
<b>U.S. Department of Labor</b>					
Employment Service	17.207		11,621,345	43,259,506	54,880,851
Disabled Veterans' Outreach Program (DVOP)	17.801			5,146,288	5,146,288
Local Veterans' Employment Representative Program	17.804			7,327,318	7,327,318
Total - U.S. Department of Labor			11,621,345	55,733,112	67,354,457
<b>Total Employment Services Cluster</b>			11,621,345	55,733,112	67,354,457
<b>FEDERAL TRANSIT CLUSTER</b>					
<b>U.S. Department of Transportation</b>					
Federal Transit--Formula Grants	20.507		386,643		386,643
<i>Pass-Through from Metropolitan Transit Authority</i>		600411		24,472	24,472
Total - U.S. Department of Transportation			386,643	24,472	411,115
<b>Total Federal Transit Cluster</b>			386,643	24,472	411,115

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For the Year Ended August 31, 2007

<b>Cluster Name/Federal Grantor/Program Name/ Pass-through Entity</b>	<b>CFDA</b>	<b>Federal/Pass- through Entity Other Identifying No.</b>	<b>Pass-through to Non-State Entities</b>	<b>Expenditures</b>	<b>Total</b>
<b>FISH AND WILDLIFE CLUSTER</b>					
<b>U.S. Department of the Interior</b>					
Sport Fish Restoration	15.605			16,293,920	16,293,920
Wildlife Restoration	15.611			13,583,691	13,583,691
Total - U.S. Department of the Interior			0	29,877,611	29,877,611
<b>Total Fish and Wildlife Cluster</b>			0	29,877,611	29,877,611
<b>FOOD STAMP CLUSTER</b>					
<b>U.S. Department of Agriculture</b>					
Food Stamps	10.551			2,722,006,392	2,722,006,392
State Administrative Matching Grants for Food Stamp	10.561		21,822,040	147,647,054	169,469,094
Total - U.S. Department of Agriculture			21,822,040	2,869,653,446	2,891,475,486
<b>Total Food Stamp Cluster</b>			21,822,040	2,869,653,446	2,891,475,486
<b>FOSTER GRANDPARENT/SENIOR COMPANION CLUSTER</b>					
<b>Corporation for National and Community Service</b>					
Foster Grandparent Program	94.011			2,055,159	2,055,159
Total - Corporation for National and Community Service			0	2,055,159	2,055,159
<b>Total Foster Grandparent/Senior Companion Cluster</b>			0	2,055,159	2,055,159
<b>HAZARD MITIGATION CLUSTER</b>					
<b>Federal Emergency Management Agency</b>					
Hazard Mitigation Grant	83.548		9,107,327	7,031,941	16,139,268
Total - Federal Emergency Management Agency			9,107,327	7,031,941	16,139,268
<b>Department of Homeland Security</b>					
Hazard Mitigation Grant	97.039		7,364,096	612,745	7,976,841
Total - Department of Homeland Security			7,364,096	612,745	7,976,841
<b>Total Hazard Mitigation Cluster</b>			16,471,423	7,644,686	24,116,109
<b>HIGHWAY PLANNING AND CONSTRUCTION CLUSTER</b>					
<b>U.S. Department of Transportation</b>					
Highway Planning and Construction	20.205		112,475,516	1,725,058,922	1,837,534,438
<i>Pass-Through from Dowling College - NAT Center</i>		ITS-9536		(110)	(110)
<i>Pass-Through from Florida Department of Transportation</i>		503129		15,115	15,115
<i>Pass-Through from University of South Alabama</i>		No. 06-060053-01		13,532	13,532
Total - U.S. Department of Transportation			112,475,516	1,725,087,459	1,837,562,975
<b>Total Highway Planning and Construction Cluster</b>			112,475,516	1,725,087,459	1,837,562,975
<b>HIGHWAY SAFETY CLUSTER</b>					
<b>U.S. Department of Transportation</b>					
State and Community Highway Safety	20.600		11,319,808	3,194,845	14,514,653
<i>Pass-Through from Brazos County</i>		589XXF5013		962	962
<i>Pass-Through from University of Vermont</i>		C05-00436		156,190	156,190
Alcohol Traffic Safety and Drunk Driving Prevention	20.601		3,665,703	682,434	4,348,137



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Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>HIGHWAY SAFETY CLUSTER (continued)</b>					
<b>U.S. Department of Transportation (continued)</b>					
Incentive Grants					
Occupant Protection	20.602		2,955,886		2,955,886
Safety Incentive Grants for Use of Seatbelts	20.604		1,191,622	1,017,641	2,209,263
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605		64,440		64,440
Safety Belt Performance Grants	20.609		2,019,209	747,586	2,766,795
Total - U.S. Department of Transportation			21,216,668	5,799,658	27,016,326
<b>Total Highway Safety Cluster</b>			21,216,668	5,799,658	27,016,326
 <b>HOMELAND SECURITY CLUSTER</b>					
<b>U.S. Department of Justice</b>					
State Domestic Preparedness Equipment Support Program	16.007		745,470	2,736,126	3,481,596
Total - U.S. Department of Justice			745,470	2,736,126	3,481,596
 <b>Department of Homeland Security</b>					
State Domestic Preparedness Equipment Support Program	97.004		7,842,005	2,878,672	10,720,677
Emergency Management Performance Grants	97.042			6,626	6,626
Citizen Corps	97.053			14,676	14,676
Homeland Security Grant Program	97.067		44,273,386	20,846,433	65,119,819
State Homeland Security Program (SHSP)	97.073		26,964,723	2,104,939	29,069,662
Law Enforcement Terrorism Prevention Program (LETPP)	97.074		10,866,490	1,784,560	12,651,050
Total - Department of Homeland Security			89,946,604	27,635,906	117,582,510
<b>Total Homeland Security Cluster</b>			90,692,074	30,372,032	121,064,106
 <b>MEDICAID CLUSTER</b>					
<b>U.S. Department of Health and Human Services</b>					
State Medicaid Fraud Control Units	93.775			12,664,955	12,664,955
State Survey and Certification of Health Care Providers and Suppliers	93.777			47,538,730	47,538,730
Medical Assistance Program	93.778		26,967,249	12,390,212,875	12,417,180,124
Total - U.S. Department of Health and Human Services			26,967,249	12,450,416,560	12,477,383,809
<b>Total Medicaid Cluster</b>			26,967,249	12,450,416,560	12,477,383,809
 <b>PUBLIC ASSISTANCE CLUSTER</b>					
<b>Federal Emergency Management Agency</b>					
Public Assistance Grants	83.544		17,573,400	5,719,619	23,293,019
Total - Federal Emergency Management Agency			17,573,400	5,719,619	23,293,019
 <b>Department of Homeland Security</b>					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		84,852,134	28,768,233	113,620,367
Total - Department of Homeland Security			84,852,134	28,768,233	113,620,367
<b>Total Public Assistance Cluster</b>			102,425,534	34,487,852	136,913,386

# STATE OF TEXAS

## Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2007

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	CFDA	Federal/Pass- through Entity Other Identifying No.	Pass-through to Non-State Entities	Expenditures	Total
<b>PUBLIC WORKS/ECONOMIC DEV CLUSTER</b>					
<b>U.S. Department of Commerce</b>					
Grants for Public Works and Economic Development Facilities	11.300			804,139	804,139
Economic Adjustment Assistance	11.307		9,547	306,389	315,936
Total - U.S. Department of Commerce			9,547	1,110,528	1,120,075
<b>Total Public Works/Economic Dev Cluster</b>			9,547	1,110,528	1,120,075
<b>SPECIAL EDUCATION CLUSTER</b>					
<b>U.S. Department of Education</b>					
Special Education--Grants to States	84.027		949,845,255	43,397,290	993,242,545
<i>Pass-Through from Clear Creek Independent School</i>		5013A0001G200003		19,999	19,999
<i>Pass-Through from Pasadena Independent School Dist</i>		5013A0001G200002		25,958	25,958
<i>Pass-Through from Pearland Independent School Dist</i>		5013A0001G200001		36,587	36,587
<i>Pass-Through from Region XI ESC Ft. Worth</i>		DEC SER		318,871	318,871
<i>Pass-Through from Region XVII Education Service Center</i>		1357-44-C150/1357-44-C704		302,782	302,782
Special Education--Preschool Grants	84.173		25,111,423	60,614	25,172,037
Total - U.S. Department of Education			974,956,678	44,162,101	1,019,118,779
<b>Total Special Education Cluster</b>			974,956,678	44,162,101	1,019,118,779
<b>TRIO CLUSTER</b>					
<b>U.S. Department of Education</b>					
TRIO--Student Support Services	84.042			3,903,903	3,903,903
TRIO--Talent Search	84.044			4,409,820	4,409,820
TRIO--Upward Bound	84.047			10,078,139	10,078,139
TRIO--Educational Opportunity Centers	84.066			1,162,723	1,162,723
TRIO--McNair Post-Baccalaureate Achievement	84.217			2,561,675	2,561,675
Total - U.S. Department of Education			0	22,116,260	22,116,260
<b>Total TRIO Cluster</b>			0	22,116,260	22,116,260
<b>WORKFORCE INVESTMENT ACT CLUSTER</b>					
<b>U.S. Department of Labor</b>					
WIA Adult Program	17.258		95,455,395	5,517,742	100,973,137
<i>Pass-Through from San Jacinto Community College</i>		TWC213396001		22,181	22,181
<i>Pass-Through from San Jacinto Community College</i>		TWC213396003		15,637	15,637
<i>Pass-Through from San Jacinto Community College</i>		TWC213396004		53,722	53,722
<i>Pass-Through from Upper Rio Grande Private Ind Council</i>		8Y-99514		(18,609)	(18,609)
WIA Youth Activities	17.259		83,662,801	5,880,000	89,542,801
<i>Pass-Through from Alamo Workforce Development, Inc.</i>		PS2005014-03		109,766	109,766
WIA Dislocated Workers	17.260		104,323,381	7,970,102	112,293,483
<i>Pass-Through from San Jacinto Community College</i>		TWC213396003		56	56
<i>Pass-Through from Tech Prep Rio Grande Valley</i>		22-402410		93,035	93,035
Total - U.S. Department of Labor			283,441,577	19,643,632	303,085,209
<b>Total Workforce Investment Act Cluster</b>			283,441,577	19,643,632	303,085,209
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 6,784,267,587</b>	<b>\$ 26,401,693,285</b>	<b>\$ 33,185,960,872</b>

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## STATE OF TEXAS

### Notes to Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2007

#### (1) Summary of Significant Accounting Policies

##### (a) Reporting Entity

The Schedule of Expenditures of Federal Awards (the "Schedule") includes the activity of all federal award programs administered by the State of Texas (the "State"), except for four component units, for the fiscal year ended August 31, 2007. Those component units, the Texas Guaranteed Student Loan Corporation, Texas A&M Research Foundation, Texas Health Insurance Risk Pool of the Department of Insurance and Boll Weevil Foundation of the Department of Agriculture, are subject to separate audits in compliance with Office of Management Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The federal transactions for these four entities are excluded from the Schedule.

The Texas A&M Research Foundation is a blended component unit of the Texas A&M University System and is included as part of the primary government in the State of Texas Comprehensive Annual Financial Report (CAFR). The Texas Guaranteed Student Loan Corporation, Texas Health Insurance Risk Pool and Boll Weevil Foundation are discrete component units and are not part of the primary government in the CAFR.

Federal award programs include expenditures, pass-throughs to non-state agencies (i.e. payments to subrecipients), non-monetary assistance and loan programs.

##### (b) Basis of Presentation

The Schedule presents total federal awards expended for each individual federal program in accordance with OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Federal award program titles are reported as presented in the Catalog of Federal Domestic Assistance (CFDA). Federal award program titles not presented in the Catalog are identified by Federal Agency number followed by (.xxx).

##### (c) Basis of Accounting

The expenditures for each of the federal financial assistance programs are presented in the Schedule on a modified accrual basis. The modified accrual basis of accounting incorporates an estimation approach to determine the amount of expenditures incurred if not yet billed by a vendor. Thus, those Federal programs presenting negative amounts on the Schedule are the result of prior year estimates being overstated and/or reimbursements due back to the grantor.

##### (d) Matching Costs

Matching costs, the nonfederal share of certain program costs, are not included in the Schedule, except for the State's share of unemployment insurance (See Note 4).

#### (2) Relationship to Federal Financial Reports

The regulations and guidelines governing the preparation of Federal financial reports vary by Federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the Federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedule which is prepared on the basis explained in Note 1(c).

**STATE OF TEXAS**

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2007

**(3) Relations to Revenues in the State of Texas' Fund Financial Statements**

The following is a reconciliation of total federal awards expended as reported in the Schedule to federal revenues reported in the fund financial statements.

**Federal Revenues**

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, Federal Revenue	\$ 26,967,144,429
---	-------------------

Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds, Federal Revenue	2,506,294,606
---	---------------

Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds, Capital Contributions- Federal	74,222,521
--	------------

Statement of Changes in Fiduciary Net Assets	93,012,154
--	------------

Total Federal Revenue per Fund Financial Statements	<u>29,640,673,710</u>
---	-----------------------

**Reconciling Items**

Non-Cash Federal Commodities/Vaccines/Surplus Property/Other (Note 6)	383,402,133
--	-------------

Various Loans Processed by Universities and Agencies (Note 5)	2,067,670,360
--	---------------

State Unemployment Funds (Note 4)	1,113,487,113
-----------------------------------	---------------

Cash rebates to participants in the Special Supplemental Food Program for Woman Infants and Children (WIC) (Note 7)	236,423,943
--	-------------

Other *	(95,768,009)
---------	--------------

Blended Component Unit not included in the Schedule of Expenditures of Federal Awards (Note 1(a))	<u>(159,928,378)</u>
--	----------------------

Expenditures per Schedule of Expenditures of Federal Awards	<u><u>\$ 33,185,960,872</u></u>
---	---------------------------------

\* This amount includes deductions of \$1,682,527 for fixed fee contracts, \$5,778,397 of vendor transactions, \$88,186,112 for Medicare portion of Part D which is not subject to OMB Circular A-133 since it does not include any Medicaid funds and \$121,029 for deferred revenues recognized on the Schedule but not in the fund financial statements. An addition of \$56 is also included to account for rounding in the Schedule.

**STATE OF TEXAS**

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2007

**(4) Unemployment Insurance Funds**

State unemployment tax revenues and the government and non-profit contributions in lieu of state taxes (State UI funds) must be deposited into the Unemployment Trust Fund in the U.S. Treasury. Use of these funds is restricted to pay benefits under the federally approved State Unemployment Law. State UI funds as well as federal funds are reported in the Schedule under CFDA 17.225. The State portion in the amount of \$1,113,487,113 is a reconciling item in the reconciliation of the Schedule to revenues in the fund financial statements (See Note 3).

**(5) Federally Funded Loan Programs**

The State participates in various federally funded loan programs. The programs can be grouped into two broad categories:

- Federally Funded Student Loan Programs
- Other Federally Funded Loan Programs

a) ***Federally Funded Student Loan Programs***

The State participates in student loan programs on which the federal government imposes continuing compliance requirements. Additionally, the State participates in other student loan programs that do not require continuing compliance. The charts below summarize activity by the State for federally funded student loan programs:

*Student Loan Programs with Continuing Compliance Requirements*

CFDA Number	Program Name	Ending Balances of Previous Year's Loans	New Loans Processed
84.038	Federal Perkins Loan Program (Perkins)	\$ 133,578,362	\$ 32,220,243
93.342	Health Professions Student Loans (HPSL)	10,953,249	3,624,280
93.364	Nursing Student Loans	2,071,854	493,137
		\$ 146,603,465	\$ 36,337,660

*Other Student Loan Programs*

CFDA Number	Program Name	New Loans Processed
84.032	Federal Family Education Loan Program (FFELP)	\$ 1,897,913,921
84.268	Federal Direct Student Loans (Direct Loans)	133,337,326
93.264	Nursing Faculty Loan Program	81,453
		2,031,332,700
	Total New Loans Processed	\$ 2,067,670,360

The total new loans processed amount of \$2,067,670,360 is included in the Schedule and recorded as a reconciling item on Note 3.

The Federal Family Education Loan Program (FFELP, CFDA 84.032) and the Federal Direct Student Loans Program (Direct Loans, CFDA 84.268) do not require universities to disburse funds. The proceeds are disbursed by lending institutions for FFELP and by the federal government for Direct Loans. For both programs, loan guarantees are issued by the Texas Guaranteed Student Loan Corporation or other guarantee agencies. The federal government reinsures these guarantee agencies.

## STATE OF TEXAS

### Notes to Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2007

The Texas Higher Education Coordinating Board (THECB) participated in the Federal Family Education Loan Program (FFELP, CFDA 84.032) as a servicer of the loans. During the year ended August 31, 2007, THECB received \$317,633 in interest subsidy payments that are included in the Schedule. For the year ended August 31, 2007, THECB originated loans of approximately \$2.3 million to university students that are included in the Schedule. As of August 31, 2007, THECB services approximately \$55 million of FFELP loans.

**b) *Other Federally Funded Loan Programs***

The State participates in other federally funded revolving loan programs. The chart below summarizes activity by the State for these programs:

CFDA Number	Program Name	New Loans Processed
66.458	Clean Water State Revolving Funds (CWSRF)	\$ 167,055,784
66.468	Drinking Water State Revolving Funds (DWSRF)	55,867,843
Total New Loans Processed		\$ 222,923,627

***Clean Water State Revolving Funds (CWSRF, CFDA 66.458)***

The Water Development Board receives capitalization grants to create and maintain Clean Water State Revolving Funds programs (CWSRF, CFDA 66.458). The State can use capitalization grant funds to provide a long-term source of State financing for construction of wastewater treatment facilities and implementation of other water quality management activities.

The CWSRF provides loans at interest rates lower than what can be obtained through commercial markets. Fixed rate loans offer net long-term interest rates of 0.95 percent below market rates for those applicants financing the origination charge. For applicants who pay for the origination charge from other sources, the interest rate is 0.7 percent below the rate the borrower would receive in the open market at the time of closing. The maximum repayment period for most CWSRF loans is 20 years from completion of construction. Capitalization grants received for CWSRF for the year ended Aug. 31, 2007 were approximately \$167 million and are included in the Schedule. CWSRF outstanding loans, with no continuing audit requirements, at August 31, 2007, were approximately \$2.3 billion.

***Drinking Water State Revolving Funds (DWSRF, CFDA 66.468)***

The Water Development Board receives capitalization grants to create and maintain Drinking Water State Revolving Funds programs (DWSRF, CFDA 66.468). The State can use capitalization grant funds to establish a revolving loan fund. The revolving loan fund can assist public water systems in financing the costs of infrastructure needed to achieve or maintain compliance with the Safe Drinking Water Act. These compliance requirements ensure the public health objectives of the Safe Drinking Water Act.

The DWSRF can provide loans at interest rates lower than the market or provide other types of financial assistance for qualified communities, local agencies and private entities. The DWSRF offers a net long-term interest lending rate of 1.2 percent below the rate the borrower would receive in the open market at the time of closing. The maximum repayment period for most DWSRF loans is 20 years from the completion of construction. Capitalization grants received for DWSRF for the year ended Aug. 31, 2007, were approximately \$56 million and are included in the Schedule. DWSRF outstanding loans, with no continuing audit requirements, at August 31, 2007, were approximately \$216 million.

**STATE OF TEXAS**

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2007

The State also participates in a federally funded credit enhancement program.

***Credit Enhancement for Charter School Facilities (CFDA 84.354)***

In 2005, the Texas Public Finance Authority Charter School Finance Corporation formed a consortium with the Texas Education Agency and the Texas Charter School Resource Center to apply for a federal grant to assist charter schools. In November 2006, the consortium received \$10.1 million in federal grants to establish the Texas Credit Enhancement Program (“TCEP”). The \$10.1 million of federal grants received is subject to continuing audit requirements and is included in the Schedule. Approximately \$373 thousand of interest earned on the federal grant monies drawn down in fiscal 2007 is also included in the Schedule.

The TCEP provides credit enhancement to eligible charter schools by funding debt service reserve funds for bonds issued on behalf of the schools to finance education facilities. As of August 31, 2007, approximately \$4.4 million of the federal grant funds had been allocated to various charter schools.

**(6) Non-Monetary Assistance**

The State is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements and are therefore not recorded in the State’s fund financial statements. Awards received by the State which include cash and non-cash amounts are included in the Schedule as follows:

<b>CFDA Number</b>	<b>Program Name</b>	<b>Grant Awards</b>
10.550	Food Distribution	\$ 111,922,937
10.565	Commodity Supplemental Food Program	3,950,570
10.569	Emergency Food Assistance Program	17,553,325
17.002	Labor Force Statistics	93,076
17.207	Employment Services	933,370
17.225	Unemployment Insurance	4,437,938
39.003	Donation of Federal Surplus Personal Property	7,279,275
93.268	Immunization Grants	237,231,642
	Total	<u>\$ 383,402,133</u>

**(7) Rebates from the Special Supplemental Food Program for Women, Infants, and Children (WIC)**

During fiscal year 2007, the State received cash rebates from infant formula manufacturers in the amount of approximately \$236 million on sales of formula to participants in the WIC program (CFDA 10.557), which are netted against total expenditures included in the Schedule. Rebate contracts with infant formula manufacturers are authorized by Code of Federal Regulations, Title 7: Agriculture, Chapter II, Subchapter A, Part 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. Applying the rebates received to such costs enabled the State to extend program benefits to more participants than could have been serviced this fiscal year in the absence of the rebate contract.



## STATE OF TEXAS

### Notes to Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2007

**(8) Depository Libraries for Government Publications**

Several State agencies and universities participate as depository libraries in the Government Printing Office's Depository Libraries for Government Publications program (CFDA 40.001). The State agencies and universities are the legal custodian of government publications, which remain the property of the federal government. The publications are not assigned value by the Government Printing Office.

**Schedule of Findings and Questioned Costs**

Federal Portion of  
Statewide Single Audit Report

For the Year Ended August 31, 2007

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Section 1:

## Summary of Auditors' Results

### Financial Statements

Issued under separate cover. See State Auditor's Office report entitled the Financial Portion of the 2007 Statewide Single Audit Report dated February 20, 2008.

### Federal Awards

1. Internal Control over major programs:
  - a. Material weakness(es) identified? Yes
  - b. Significant deficiency(ies) identified  
not considered to be material weaknesses? Yes

#### Major Programs with Significant Deficiencies:

CFDA Number	Name of Federal Program or Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds
84.011	Migrant Education - State Grant Program
84.032	Federal Family Education Loans (FFEL) - Lender
84.048	Vocational Education - Basic Grants to States
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States
84.357	Reading First State Grants
93.217	Family Planning - Services
93.268	Immunization Grants
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance
93.556	Promoting Safe and Stable Families
93.558	Temporary Assistance for Needy Families
93.566	Refugee and Entrant Assistance
93.645	Child Welfare Services - State Grants
93.658	Foster Care - Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	State Children's Insurance Program
93.889	National Bioterrorism Hospital Preparedness Program
93.917	HIV Care Formula Grants
93.940	HIV Prevention Activities - Health Department Based
93.958	Block Grants for Community Mental Health Services
93.959	Block Grants for Prevention and Treatment of Substance Abuse
93.994	Maternal and Child Health Services Block Grant to the State
97.008	Urban Areas Security Initiative
97.036	Public Assistance Grants (including CFDA 83.544)
97.039	Hazard Mitigation Grant (including CFDA 83.548)
Cluster	Aging
Cluster	Emergency Food Assistance
Cluster	Disability Insurance/SSI
Cluster	Food Stamp
Cluster	Medicaid
Cluster	Special Education
Cluster	Student Financial Assistance
Cluster	Homeland Security
Cluster	Research and Development
Cluster	Highway Planning and Construction

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

---

**Major Programs with Material Weaknesses:**

<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
84.032	Federal Family Education Loans (FFEL) - Lender
93.558	Temporary Assistance for Needy Families
93.958	Block Grants for Community Mental Health Services
Cluster	Food Stamp
Cluster	Medicaid
Cluster	Student Financial Assistance

2. Type of auditors' report issued on compliance for major programs? See below

**Scope limitation:**

<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
93.958	Block Grants for Community Mental Health Services

**Qualification:**

<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
84.011	Migrant Education - State Grant Program
84.032	Federal Family Education Loan (FFEL) - Lender
84.048	Vocational Education - Basic Grants to States
84.357	Reading First State Grants
93.217	Family Planning - Services
93.268	Immunization Grants
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance
93.558	Temporary Assistance for Needy Families
93.889	National Bioterrorism Hospital Preparedness Program
93.917	HIV Care Formula Grants
93.940	HIV Prevention Activities - Health Department Based
93.959	Block Grants for Prevention and Treatment of Substance Abuse
93.994	Maternal Child and Health Services Block Grant to the States
97.036	Public Assistance Grants (including CFDA 83.544)
97.039	Hazard Mitigation Grant (including CFDA 83.548)
Cluster	Food Stamp
Cluster	Medicaid
Cluster	Special Education

**No Qualification:**

<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
10.066	Livestock Assistance Grant
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
17.225	Unemployment Insurance
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States
93.556	Promoting Safe and Stable Families
93.563	Child Support Enforcement
93.566	Refugee and Entrant Assistance Program - State Administered Programs
93.645	Child Welfare Services - State Grants
93.658	Foster Care - Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	State Children's Insurance Program
97.008	Urban Areas Security Initiative
Cluster	Aging
Cluster	Child Care
Cluster	Child Nutrition
Cluster	Disability Insurance/SSI
Cluster	Emergency Food Assistance
Cluster	Highway Planning and Construction
Cluster	Homeland Security
Cluster	Research and Development
Cluster	Student Financial Assistance

3. Any audit findings disclosed that are required to be reported in accordance with *OMB Circular A-133*, Section 510(a)? Yes
4. Dollar threshold used to distinguish between Type A and Type B programs: \$46,660,222
5. Auditee qualified as low-risk auditee? No
6. Identification of major programs:

<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
10.066	Livestock Assistance Grant
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
17.225	Unemployment Insurance
66.458	Capitalization Grants for State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds
84.011	Migrant Education Basic State Grant Program
84.032	Federal Family Education Loans (FFEL) - Lender
84.048	Vocational Education Basic Grants to States
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States
84.357	Reading First State Grants
93.217	Family Planning Services

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

---

<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
93.268	Immunization Grants
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance
93.556	Promoting Safe and Stable Families
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.566	Refugee and Entrant Assistance State Administered Programs
93.645	Child Welfare Services State Grants
93.658	Foster Care Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	State Children's Insurance Program
93.889	National Bioterrorism Hospital
93.917	HIV Care Formula Grants
93.940	HIV Prevention
93.958	Block Grants for Community Mental Health Services
93.959	Block Grants for Prevention and Treatment of Substance Abuse
93.994	Maternal and Child Health
97.008	Urban Area Security Initiative
97.036	Public Assistance Grants (including CFDA 83.544)
97.039	Hazard Mitigation Grant (including CFDA 83.548)
Cluster	Aging
Cluster	Child Care
Cluster	Child Nutrition
Cluster	Disability Insurance/SSI
Cluster	Emergency Food Assistance
Cluster	Food Stamps
Cluster	Highway Planning and Construction
Cluster	Homeland Security
Cluster	Medicaid
Cluster	Special Education
Cluster	Research and Development
Cluster	Student Financial Assistance

Section 2:

**Financial Statement Findings**

Issued under separate cover. See State Auditor's Office report entitled the Financial Portion of the 2007 Statewide Single Audit Report dated February 20, 2008.



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## Federal Award Findings and Questioned Costs - Table of Contents

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Section 3a:

**Federal Award Findings and Questioned Costs - KPMG**

This section identifies significant deficiencies, material weaknesses, and instances of non-compliance, including questioned costs, as required to be reported by *Office of Management and Budget Circular A-133*, Section .510(a). This section is organized by state agency.

**Department of Aging and Disability Services**

Reference No. 08-01

**Allowable Costs/Cost Principles**

(Prior Audit Issue - 07-02 and 06-01)

**CFDA 93.667 - Social Services Block Grant**

Award year - October 1, 2005 to September 30, 2007 and October 1, 2006 to September 30, 2008

Award number - G0601TXSOSR and G0701TXSOSR

**Aging Cluster**

Award year - October 1, 2005 to September 30, 2006 and October 1, 2006 to September 30, 2007

Award number - 06AATXT3SP, 06AATXNSIP, 07AATXT3SP, and 07AATXNSIP

**Medicaid Cluster**

Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 31, 2006, and October 1, 2004 to September 31, 2005

Award number - 0705TX5028, 0705TX5048, 0605TX5028, 0605TX5048, 0505TX5028, and 0505TX5048

Type of finding - Non-Compliance

Effective September 1, 2004, the health and human service agencies for the State of Texas were reorganized, creating a triggering event for the amendment of the public assistance cost allocation plan (CAP). Once a CAP is approved, state public assistance agencies are required to promptly submit amendments to the plan if any of the following events occur (45 CFR Section 95.509):

Questioned Cost:	\$ 0
U.S. Department of Health and Human Services	

- (a) The procedures shown in the existing cost allocation plan become outdated because of organizational changes, changes to the federal law or regulations, or significant changes in the program levels, affecting the validity of the approved cost allocation procedures.
- (b) A material defect is discovered in the cost allocation plan.
- (c) The State plan for public assistance programs is amended so as to affect the allocation of costs.
- (d) Other changes occur which make the allocation basis or procedures in the approved cost allocation plan invalid.

The Department of Aging and Disability Services (DADS) submitted their revised CAP to the U.S. Department of Health and Human Services on August 31, 2004. The Federal Division of Cost Allocation elected not to review and approve the DADS CAP due to DADS not meeting the definition of a state agency as defined in 45 CFR 95.503. Consequently, the Federal Division of Cost Allocation designated the Health and Human Services Commission (HHSC) as the responsible agency for financial oversight of the programs administered by DADS.

HHSC has reviewed and provided conditional approval for the DADS CAP. Additionally, the HHSC CAP is pending federal approval, and any issues that impact their CAP may result in changes to the conditionally approved DADS CAP.

Per review of the 2007 expenditure patterns, payroll and benefit expenditures were determined to be direct and material to Medicaid Cluster, Aging Cluster, and Social Services Block Grant programs. In accordance with the conditionally approved DADS CAP, payroll and benefit expenditures are to be allocated based on three methodologies: random moment time study (RMTS), full-time equivalent (FTE) headcount analysis, or payroll effort certification.

- DADS performs RMTS and FTE headcount analysis on a quarterly basis (federal fiscal year quarters) for the Medicaid Cluster, Aging Cluster, and Social Services Block Grant programs. The updated allocation information is utilized to update the cost allocation system on a quarterly basis. Timesheets are to be maintained and certified for the payroll effort certification personnel.
- From the results of the RMTS and FTE headcount analysis, a quarterly Cost Allocation Report is prepared by program activity code (PAC). The summarized information is used to update/upload the information into the main Cost Allocation System which allocates employees' time to the respective programs. The updates are done on a quarterly basis. Timesheets are completed on a monthly basis.

Based on test work performed over these areas, DADS is allocating the payroll and benefit expenditures in accordance with the conditionally approved DADS CAP.

Recommendation:

DADS should continue to work with HHSC to ensure that any issues that impact the existing DADS CAP are appropriately addressed and any necessary adjustments are made.

Management Response and Corrective Action Plan:

*DADS will continue to work with HHSC to ensure that any issues that impact the existing DADS CAP are appropriately addressed.*

*Implementation Date: Ongoing*

*Responsible Person: Tammy Callaway*

**Department of Assistive and Rehabilitative Services**

Reference No. 08-02

**Allowable Costs/Cost Principles**

(Prior Audit Issue - 07-03)

**CFDA 84.126 - Rehabilitation Services - Vocational Rehabilitation Grants to States**

**Award year - October 1, 2005 to September 30, 2007, October 1, 2005 to September 30, 2007, October 1, 2006 to September 30, 2008 and October 1, 2006 to September 30, 2008**

**Award number - H126A060064, H126A060065, H126A070064 and H126A070065**

**Type of finding - Significant Deficiency**

Access to the OMB Time Tracking application production server was not restricted appropriately. A developer had access to the production server. The OMB Time Tracking application was developed and run initially from the developer's computer but was moved to a production server to make use of production backup capabilities. However, the developer retained access to run and continue developing the application. In addition, there was no formal change control process in place for the OMB Time Tracking application.

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

Changes to the OMB Time Tracking application should be approved by management, tested and approved by business area users, and approved for move to production. In addition, controls should be in place to restrict developers' access to the production environment.

No compliance exceptions were noted during the review of selected 2007 payroll transactions for the major program noted above.

Recommendation:

The OMB Time Tracking system was retired as of June 30, 2007. The issue noted above was not found upon review of the revised version of OMB Time Tracking System, with an effective date of July 1, 2007.

Management Response and Corrective Action Plan:

*The OMB time tracking system in place during the fiscal year 2006 audit was replaced by the current web-based system as of June 30, 2007. The web-based application provides users with the means, as needed, to electronically report hours worked, review and approve applicable time reports, produce certification reports for staff working 100% of their time on a single program, and view reference materials and reports. Following the close of a business month's pay weeks in the system, reallocation reports and the resultant general ledger entries are generated based on time sheet data submitted.*

*The web-based system was designed with adequate controls to ensure that issues concerning production server access and change control, noted during the fiscal year 2006 audit of the original, retired system, would not be repeated. DARS IR staff perform the application development and QA testing, and have no access to the production environment. Business area management approves changes, and users test and approve the changes, prior to management directing the move to production. During the fiscal year 2007 audit, the auditor met with several DARS operations, security and programming managers to review the web-based system's security access, separation of duties, digital signatures, and server security. The auditor indicated that he was satisfied with the results of his review. Accurate time sheets and certification forms supporting program payroll expenses were furnished for 100% of the audit sample requested, to the satisfaction of the audit team; no compliance exceptions were indicated.*

*Implementation Date: June 30, 2007*

*Responsible Person: Bill Bittick*

**ASSISTIVE AND REHABILITATIVE SERVICES, DEPARTMENT**

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Reference No. 08-03

**Cash Management**

**CFDA 84.126 - Rehabilitation Services - Vocational Rehabilitation Grants to States**

**Award year - October 1, 2005 to September 30, 2007, October 1, 2005 to September 30, 2007, October 1, 2006 to September 30, 2008 and October 1, 2006 to September 30, 2008**

**Award number - H126A060064, H126A060065, H126A070064 and H126A070065**

**Type of finding - Non-Compliance**

According to the Treasury-State agreement for the State of Texas, the Vocational Rehabilitation Grants to States program at the Department of Rehabilitation Services (DARS) is included in Subpart A of the 34 CFR Part 205, which implements the Cash Management Improvement Act (CMIA). Under the State of Texas CMIA agreement with the Department of Treasury, the Vocational Rehabilitation Grants to States program at DARS utilizes the pre-issuance funding technique which requires the calculation of a clearance pattern.

Questioned Cost:	\$40,250
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U.S. Department of Education
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Per the State of Texas CMIA agreement, the clearance pattern is calculated in two portions - Period one and Period two. DARS calculates Period one as the average number of days between the day the funds are deposited in the State Treasury by the federal government and the day the warrant is issued. The State of Texas Comptroller's office calculates Period two as the average number of days between the day the warrant is issued and the day the warrant clears the Treasury. To calculate Period one, DARS is to select three consecutive months from the fiscal year that are representative of the clearance patterns for the year.

DARS analysis of April, May and June 2007 yielded an average of -.93 days for Period one. However, upon the review of the remaining nine months, an average of .6542 days was noted for the entire fiscal year. As such, the clearance pattern reported is not representative of the fiscal year. DARS management noted during the year that their draw pattern for payroll was creating a positive clearance pattern and accordingly adjusted their draw pattern to reflect a negative clearance pattern. However the clearance pattern reported for fiscal year 2007 should only reflect 2007 activity.

The Period two calculation for fiscal year 2007 is 3.23 days, resulting in a total of 3.8842 days. The total draw amount for CFDA 84.126 during fiscal year 2007 was approximately \$188m. Therefore at an interest rate of 4.95%, the interest liability would be approximately \$99,000. The State of Texas reported \$58,750.

Recommendation:

DARS management noted during the year that their draw pattern for payroll was creating a positive clearance pattern and accordingly adjusted their draw pattern to reflect a negative clearance pattern. In the event a clearance pattern is adjusted, DARS should report a clearance pattern that reflects the actual activity for the entire respective fiscal year versus only the revised months of the respective fiscal year.

Management Response and Corrective Action Plan:

*Management concurs with the finding, and has consulted the Comptroller for the appropriate corrective action to take. Based upon advice of the Comptroller, the adjustment will be accounted for as a prior period adjustment when submitting fiscal year 08 information, due to the fact that the 2007 report has already been submitted.*

*Implementation Date: December, 2008*

*Responsible Person: Anita Lavallee*

**Department of Family and Protective Services**

Reference No. 08-04

**Allowable Costs/Cost Principles**

(Prior Audit Issue - 07-05, 06-05)

**CFDA 93.556 - Promoting Safe and Stable Families**

**Award year - October 1, 2005 to September 30, 2007 and October 1, 2004 to September 30, 2006**

**Award number - G0601TX00FP and G0501TX00FP**

**CFDA 93.558 - Temporary Assistance for Needy Families**

**Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005**

**Award number - G0702TXTANF, G0602TXTANF and G0501TXTANF**

**CFDA 93.645 - Child Welfare Services - State Grants**

**Award year - October 1, 2006 to September 30, 2008**

**Award number - G0701TX1400**

**CFDA 93.658 - Foster Care - Title IV-E**

**Award year - October 1, 2005 to September 30, 2006 and October 1, 2006 to September 30, 2007**

**Award number - G0601TX1401 and G0701TX1401**

**CFDA 93.659 - Adoption Assistance**

**Award year - October 1, 2005 to September 30, 2006 and October 1, 2006 to September 30, 2007**

**Award number - G0601TX1407 and G0701TX1407**

**CFDA 93.667 - Social Services Block Grant**

**Award year - October 1, 2005 to September 30, 2007 and October 1, 2006 to September 30, 2008**

**Award number - G0601TXSOSR and G0701TXSOSR**

**Type of finding - Non-Compliance**

Effective September 1, 2004, the health and human service agencies for the State of Texas were reorganized, creating a triggering event for the amendment of the public assistance cost allocation plan (CAP). Once a CAP is approved, State public assistance agencies are required to promptly submit amendments to the plan if any of the following events occur (45 CFR Section 95.509):

Questioned Cost:	\$ 0
U.S. Department of Health and Human Services	

- (a) The procedures shown in the existing cost allocation plan become outdated because of organizational changes, changes to the Federal law or regulations, or significant changes in the program levels, affecting the validity of the approved cost allocation procedures.
- (b) A material defect is discovered in the cost allocation plan.
- (c) The State plan for public assistance programs is amended so as to affect the allocation of costs.
- (d) Other changes occur which make the allocation basis or procedures in the approved cost allocation plan invalid.

The Department of Family and Protective Services (DFPS) submitted their revised CAP to the U.S. Department of Health and Human Services to be effective September 1, 2004. The federal Division of Cost Allocation (DCA) has not approved the CAP as of August 31, 2007. KPMG was unable to determine that the expenditures charged to the federal programs were based on an approved CAP. However based on test work performed over the areas noted below, DFPS allocated direct expenses, including payroll and benefit expenditures, in accordance with the CAP submitted to DCA for approval during fiscal year 2006.

Per review of the 2007 expenditure patterns, direct expenses (including payroll and benefit expenditures) were determined to be direct and material to various major programs noted above. In accordance with the CAP submitted by DFPS for approval, expenditures are to be allocated based on various methodologies as determined by the associated projects: random moment time study (RMTS), full time employee (FTE) headcount analysis, service unit cost analysis, case count analysis, or payroll effort certification.



- DFPS performs RMTS, service unit cost analysis, and case count analysis on a quarterly basis. The updated allocation information is utilized to update the cost allocation system on a quarterly basis. FTE headcount analysis is performed monthly and certified for payroll effort each month.
- From the results of the various allocation methods noted above, summarized information is used to update/upload the information into the Cost Allocation System which allocates employees' time and other direct expenditures to the respective programs.

Recommendation:

DFPS should continue to work with DCA to ensure that all outstanding items are appropriately addressed and any necessary adjustments are made once an approved CAP plan is obtained.

Management Response and Corrective Action Plan:

*DFPS concurs with the recommendation. DCA has requested that DFPS submit a revised plan that incorporates all changes that have been mutually agreed upon. DFPS is currently finalizing this revision.*

*Implementation Date: January 2008*

*Responsible Person: James R. Wall III (Trey) and Janis Brown*

Reference No. 08-05

**Allowable Costs/Cost Principles  
Eligibility**

**CFDA 93.659 - Adoption Assistance**

**Award year - October 1, 2005 to September 30, 2006 and October 1, 2006 to September 30, 2007**

**Award number - G0601TX1407 and G0701TX1407**

**Type of finding - Significant Deficiency and Non-Compliance**

Adoption Assistance Subsidies may be expended for adoption assistance agreement subsidy payments, in accordance with the State's foster care maintenance payment rate schedule; administrative payments for expenses associated with placing children in adoption; and training of professional staff and parents involved in adoptions. Subsidy payments are made to adoptive parents based on the need(s) of the child (i.e., developmental, cognitive, emotional behavioral) and the circumstances of the adopting parents (42 USC 673(a) (2)). Subsidy payment amounts cannot be based on any income eligibility requirements of the prospective adoptive parents (45 CFR Section 1356.41(c)). Adoption assistance subsidy payments cannot exceed the foster care maintenance payment the child would have received in a foster family home; however, the amount of the subsidy payments may be up to 100 percent of the foster care maintenance payment rate (42 USC 673(a)(3)).

Questioned Cost:	\$ 46,205
U.S. Department of Health and Human Services	

Adoption assistance subsidy payments may be paid on behalf of a child only if all of the following requirements are met:

- (1) The child is eligible, or would have been eligible, for the former Aid to Families with Dependent Children (AFDC) program (i.e., met the State-established standard of need as of July 16, 1996, prior to enactment of the Personal Responsibility and Work Opportunity Reconciliation Act) except for his/her removal from the home of a relative pursuant to either a voluntary placement agreement or as a result of a judicial determination to the effect that continuation in the home of removal would have been contrary to the welfare of the child; the child is eligible for Supplemental Security Income; or is a child whose costs in a foster family home or child care institution are covered by the foster care maintenance payments being made with respect to his/her minor parent (42 USC 673(a)(2)(A)).
- (2) The child was determined by the State to be a child with special needs (42 USC 673(c)).
- (3) The State has made reasonable efforts to place the child for adoption without a subsidy (42 USC 673(c)).
- (4) The agreement for the subsidy was signed and was in effect before the final decree of adoption and contains information concerning the nature of services; the amount and duration of the subsidy; the child's eligibility for Title XX services and Title XIX Medicaid; and covers the child should he/she move out of State with the adoptive family (42 USC 675(3)).

A sample of 40 children, for whom Adoption Assistance subsidy payments were made during fiscal year 2007, was selected for review. For each child, we obtained the recipient file and verified that a determination was made for the child's eligibility. Our review disclosed the following:

- For one of the recipients selected, the family received an adoption assistance subsidy payment for a child that was determined not to be eligible. The federal share amount of the subsidy was \$31,698.
- For one of the recipients selected, the family did not sign the agreement for the subsidy before the final decree of adoption. The federal share of the subsidy payments was \$14,507.

In addition, in accordance with 45 CFR Section 1356.30 (a) and (b), unless an election provided for in paragraph (d) of this section is made; the State must provide documentation that criminal record checks have been conducted with respect to prospective foster and adoptive parents. The State may not approve or license any prospective foster or adoptive parent, nor may the State claim federal financial participation (FFP) for any foster care maintenance or adoption assistance payment made on behalf of a child placed in a foster home operated under the auspices of a child placing agency or on behalf of a child placed in an adoptive home through a private adoption agency, if the State finds that, based on a criminal records check conducted in accordance with paragraph (a) of this section, a court of competent jurisdiction has determined that the prospective foster or adoptive parent has been convicted of a felony involving:

1. Child abuse or neglect
2. Spousal abuse
3. A crime against a child or children (including child pornography), or
4. A crime involving violence, including rape, sexual assault, or homicide, but not including other physical assault or battery.

The Department of Family and Protective Services (DFPS) has implemented procedures to ensure that background checks are completed in accordance with federal regulations. In accordance with the Texas Administrative Code (TAC) 745 Subchapter F "Requesting Background Checks," management has implemented ongoing monitoring activities to address compliance with the background check requirements found in TAC 745 Subchapter F. DFPS has implemented periodic monitoring activities of criminal background checks to ensure that all individuals have met the requirement. The procedures implemented by DFPS include but are not limited to the following:

- DFPS has implemented procedures for timing of background check submission.

- If the results of the background check are not received within two working days of submission to DFPS, the requestor may obtain a criminal history check on the person through the Department of Public Safety (DPS) at <http://records.txdps.state.tx.us/>.
- DFPS does not allow the person to provide direct care or have direct access to a child in care until the results of the person's background check are received.
- DFPS requires an FBI criminal history check on persons who live outside of Texas or about whom there is reason to believe other criminal history exists. In these situations the individual must submit FBI fingerprints cards.
- DFPS requires the receipt of results from the background checks before issuing a permit to operate a licensed child-care home, a registered child-care home, a listed family home, an independent foster home or a foster group home.
- DFPS performs periodic operations due to reported cases of abuse or neglect, a deficiency in licensing statute, rule, or minimum standard.
- DFPS requires an update of the criminal background checks at least once every two years.

A sample of 40 children, for whom Adoption Assistance subsidy payments were made during fiscal year 2007, was selected for review. For each child, we verified that the adoptive parent(s) had satisfactorily met a criminal records check. For one sample item, the criminal background check was not on file for the parents of the adopted child.

Recommendation:

DFPS should continue its efforts to ensure staff are monitoring all operations for compliance with the background and child abuse and neglect registry check requirements and other eligibility requirements. Supervisor review of files should include a completeness determination that all required documentation is included.

Management Response and Corrective Action Plan:

*The federal portion of the over payments will be reimbursed and eligibility for Title IV-E adoption assistance will be terminated for these two cases.*

- *The adoption assistance agreement was entered into after the adoption had been consummated by the Court. Texas Administrative Code Rule 700.803 (b) reads, "To receive any adoption assistance benefits, you must sign an agreement before the adoption is final." Department policy, 1563.2 #5, reads "The adoption assistance agreement must be signed before the adoption is consummated." Both the rule and policy are available to agency staff. Title IV-E assistance has been terminated and future assistance will be provided through the state-paid program.*
- *This child was certified for the state paid adoption assistance program. When the assistance was entered into the IMPACT system, Title IV-E benefits were entered by mistake. Texas Administrative Code Rule 700.820 - 700.824 identifies the Title IV-E adoption assistance eligibility requirements. Department policy, 1563.2 lists all of the Title IV-E adoption assistance requirements. This error has been corrected. The case has been transferred to the state-paid program.*

*Staff adherence to the eligibility rules and policy is an ongoing expectation. Training is provided by the unit supervisors as needed. A statewide meeting of eligibility staff is held yearly. Eligibility criteria will be reviewed at the next meeting which is scheduled in May 2008.*

*The DFPS licensing program will continue to ensure that all operations are evaluated for compliance with the background check requirements found in TAC 745 Subchapter F. This includes, but is not limited to the following: ongoing oversight by licensing supervisors and management; centralized processing and evaluation of a person's criminal and central registry check; training for new licensing staff and additional background check training for other staff as needed; and review of current policies and procedures regarding the monitoring of operations for compliance with background checks.*

*Implementation Date: May 2008 - Statewide Eligibility Meeting  
April 2008 - Prior period adjustment on Form IV-E for quarter ending March 31, 2008*

*Responsible Person: Max Villarreal and James R. Wall III (Trey)*

Reference No. 08-06

**Allowable Costs/Cost Principles**

**Eligibility**

(Prior Audit Issue - 07-06)

**CFDA 93.556 - Promoting Safe and Stable Families**

**Award year - October 1, 2005 to September 30, 2007 and October 1, 2004 to September 30, 2006**

**Award number - G0601TX00FP and G0501TX00FP**

**CFDA 93.558 - Temporary Assistance for Needy Families**

**Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005**

**Award number - G0702TXTANF, G0602TXTANF and G0501TXTANF**

**CFDA 93.645 - Child Welfare Services - State Grants**

**Award year - October 1, 2006 to September 30, 2008**

**Award number - G0701TX1400**

**CFDA 93.658 - Foster Care - Title IV-E**

**Award year - October 1, 2005 to September 30, 2006 and October 1, 2006 to September 30, 2007**

**Award number - G0601TX1401 and G0701TX1401**

**CFDA 93.659 - Adoption Assistance**

**Award year - October 1, 2005 to September 30, 2006 and October 1, 2006 to September 30, 2007**

**Award number - G0601TX1407 and G0701TX1407**

**CFDA 93.667 - Social Services Block Grant**

**Award year - October 1, 2005 to September 30, 2007 and October 1, 2006 to September 30, 2008**

**Award number - G0601TXSOSR and G0701TXSOSR**

**Type of finding - Significant Deficiency**

The Department of Family and Protective Services (DFPS) utilizes IMPACT as its computer system for determining eligibility with regard to the above listed programs. Access controls are inappropriately designed for the IMPACT production server. A single user account is used to migrate changes into production. Of five employees with access to this account, one employee is an IMPACT developer. This employee has access to the account used to move changes into production.

Questioned Cost:	\$ 0
U.S. Department of Health and Human Services	

Users with excessive rights to modify the application across the enterprise create a risk of unauthorized changes to the production environment and/or a risk of unintentional errors or omissions in processing. In addition, accountability cannot be determined when users share a generic ID.

During compliance work performed, no exceptions were noted which resulted from the above deficiency for the major programs noted.

Recommendation:

DFPS management remediated the above situation February 1, 2007.

Management Response and Corrective Action Plan:

*Procedures were implemented that restrict access based on the individual's job responsibility. A user alias/account was created that allows appropriately assigned people the rights to perform their assigned duties. By using this alias, staff are logged in as themselves and therefore we are able to identify/trace activities to that individual. Additionally, a log is maintained that tracks this account usage. This account does not include the rights for migrating code to Production servers. Only Northrop Grumman system administrators, the IMPACT Test Administrator and his backup have the rights and access to the account to migrate code to Production servers.*

Implementation Date: February 1, 2007

Responsible Person: John Parchman

Reference No. 08-07

**Eligibility**

(Prior Audit Issue - 07-08, 06-09, 05-03, 04-37, and 04-38)

**CFDA 93.658 - Foster Care - Title IV-E**

**Award year - October 1, 2005 to September 30, 2006 and October 1, 2006 to September 30, 2007**

**Award number - G0601TX1401 and G0701TX1401**

**Type of finding - Significant Deficiency and Non-Compliance**

In accordance with 45 CFR Section 1356.30 (a) and (b), unless an election provided for in paragraph (d) of this section is made; the State must provide documentation that criminal record checks have been conducted with respect to prospective foster and adoptive parents. The State may not approve or license any prospective foster or adoptive parent, nor may the State claim FFP for any foster care maintenance or adoption assistance payment made on behalf of a child placed in a foster home operated under the auspices of a child placing agency or on behalf of a child placed in an adoptive home through a private adoption agency, if the State finds that, based on a criminal records check conducted in accordance with paragraph (a) of this section, a court of competent jurisdiction has determined that the prospective foster or adoptive parent has been convicted of a felony involving:

Questioned Cost:	\$ 0
U.S. Department of Health and Human Services	

1. Child abuse or neglect

2. Spousal abuse
3. A crime against a child or children (including child pornography), or
4. A crime involving violence, including rape, sexual assault, or homicide, but not including other physical assault or battery.

In addition, the foster family home provider must satisfactorily have met a child abuse and neglect registry check with respect to prospective foster and adoptive parents and any other adult living in the home who has resided in the provider home in the preceding 5 years. The requirement applies to foster care maintenance payments for calendar quarters beginning on or after that date. (42 USC 671(a)(20)(C); Pub. L. No. 109-248, Section 152(c)(2) and (3)).

The Department of Family and Protective Services (DFPS) has implemented procedures to ensure that background checks and child abuse and neglect registry check are completed in accordance with federal regulations. In accordance with the Texas Administrative Code (TAC) 745 Subchapter F "Requesting Background Checks," management has implemented ongoing monitoring activities to address compliance with the background check requirements found in TAC 745 Subchapter F. DFPS has implemented periodic monitoring activities of criminal background checks to ensure that all individuals have met the requirement. The procedures implemented by DFPS include but are not limited to the following:

- DFPS has implemented procedures for timing of background check submission.
- If the results of the background check are not received within two working days of submission to DFPS, the requestor may obtain a criminal history check on the person through the Department of Public Safety (DPS) at <http://records.txdps.state.tx.us/>.
- DFPS does not allow the person to provide direct care or have direct access to a child in care until the results of the person's background check are received.
- DFPS requires an FBI criminal history check on persons who live outside of Texas or about whom there is reason to believe other criminal history exists. In these situations the individual must submit FBI fingerprint cards.
- DFPS requires the receipt of results from the background checks before issuing a permit to operate a licensed child-care home, a registered child-care home, a listed family home, an independent foster home or a foster group home.
- DFPS performs periodic operations due to reported cases of abuse or neglect, a deficiency in licensing statute, rule, or minimum standard.
- DFPS requires an update of the criminal background checks at least once every two years.

A sample of 40 children for whom Foster Care payments were made during fiscal year 2007 was selected for review. For each child, we selected one foster care provider and verified that the provider satisfactorily met the criminal records check. For each foster care provider, we obtained a listing of employees for a selected month and verified that a criminal background check was performed for one employee. Our review disclosed the following:

- For one sample, the criminal background check was overdue for one employee. State law requires a background check and a neglect registry check to be completed at least once every two years. The selected employee did not have the background check or a child abuse and neglect registry check completed within a two year period. During field work, DFPS performed the required background and neglect registry check noting no issues for this employee.
- For another employee, a risk evaluation was not completed when it was discovered the employee had a criminal history. The State is required to perform a risk assessment for any Foster Care provider/employee that has a criminal history prior to his or her participation in the program.
- For a third sample item, the child abuse and neglect registry check was not located for one employee. A child abuse and neglect registry check was not completed prior to employment.

Recommendation:

DFPS should continue its efforts to ensure staff are monitoring all operations for compliance with the background and child abuse and neglect registry check requirements. Supervisor review of files should include a completeness determination that all required documentation is included.

*Management Response and Corrective Action Plan:*

*The DFPS licensing program will continue to ensure that all operations are evaluated for compliance with the background check and child abuse and neglect registry check requirements found in TAC 745 Subchapter F. This includes, but is not limited to the following: ongoing oversight by licensing supervisors and management; centralized processing and evaluation of a person's criminal and central registry check; training for new licensing staff and additional background check training for other staff as needed; and review of current policies and procedures regarding the monitoring of operations for compliance with background checks.*

*Implementation Date: On-going*

*Responsible Person: Diana Spiser*

**Health and Human Services Commission**

Reference No. 08-08

**Allowable Costs/Cost Principles**

(Prior Audit Issue - 07-09, 06-12)

**CFDA 93.558 - Temporary Assistance for Needy Families**

Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005

Award number - G0702TXTANF, G0602TXTANF and G0501TXTANF

**CFDA 93.566 - Refugee and Entrant Assistance Program - State Administered Programs**

Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 30, 2006, and October 1, 2004 to September 30, 2005

Award number - G07AATX6100, G06AATX6100, and G05AATX6100

**CFDA 93.667 - Social Services Block Grant**

Award year - October 1, 2005 to September 30, 2007 and October 1, 2006 to September 30, 2008

Award number - G0601TXSOSR and G0701TXSOSR

**CFDA 93.767 - State Children's Insurance Program**

Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, and October 1, 2003 to September 30, 2004

Award number - 0705TX5021, 0605TX5021, 0505TX5021, and 0405TX5021

**Emergency Food Assistance Cluster**

Award year - October 1, 2006 to September 30, 2007 and October 1, 2005 to September 30, 2006

Award number - 6TX810815 and 5TX810815

**Food Stamp Cluster**

Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 31, 2006 and October 1, 2004 to September 31, 2005

Award number - 6TX400105, 6TX400105 and 5TX400105

**Medicaid Cluster**

Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 31, 2006, and October 1, 2004 to September 31, 2005

Award number - 0705TX5028, 0705TX5048, 0605TX5028, 0605TX5048, 0505TX5028, and 0505TX5048

Type of finding - Significant Deficiency and Non-Compliance

Effective September 1, 2004, the health and human service agencies for the State of Texas were reorganized, creating a triggering event for the amendment of the public assistance cost allocation plan (CAP). Once a CAP is approved, State public assistance agencies are required to promptly submit amendments to the plan if any of the following events occur (45 CFR Section 95.509):

Questioned Cost:	\$ 0
U.S. Department of Health and Human Services	
U.S. Department of Agriculture	

- (a) The procedures shown in the existing cost allocation plan become outdated because of organizational changes, changes to the Federal law or regulations, or significant changes in the program levels, affecting the validity of the approved cost allocation procedures.
- (b) A material defect is discovered in the cost allocation plan.
- (c) The State plan for public assistance programs is amended so as to affect the allocation of costs.
- (d) Other changes occur which make the allocation basis or procedures in the approved cost allocation plan invalid.



The Health and Human Services Commission (HHSC) submitted their revised CAP to the U.S. Department of Health and Human Services to be effective September 1, 2004. The federal Division of Cost Allocation (DCA) has not approved the CAP as of August 31, 2007. KPMG was unable to determine that the expenditures charged to the federal programs were based on an approved CAP. In accordance with the CAP submitted by HHSC for approval, expenditures are to be allocated based various methodologies as determined by the associated projects: random moment time study (RMTS), headcount, and client count analysis.

During the test work performed, RMTS information was collected by HHSC during the fiscal year. During fiscal year 2005, management of HHSC made the decision to not update the cost allocation system for the quarterly 2005 RMTS information since the CAP plan was not approved by DCA. As a result, fiscal year 2005 federal expenditures for HHSC were allocated based on fiscal year 2004 RMTS information. HHSC also did not update any of the other allocation systems with current headcount or client count information during 2005. During fiscal year 2006, HHSC tried up the 2005 allocation based on the RMTS and other allocation information that had been obtained.

Beginning September 2005 for the fiscal year 2006 and 2007, management of HHSC did utilize the RMTS information and updated the cost allocation system for the quarterly information. In addition, the other allocation systems with current headcounts or client count information were also updated. On a quarterly basis, the allocations for fiscal year 2007 reflected the respective quarterly random moment time study, case counts, client counts, etc.

In addition, per 45CFR95.507(b)(4) and (9), the cost allocation plan (CAP) shall contain the procedures used to identify, measure, and allocate all costs to each benefiting program and activity (including activities subject to different rates of federal financial participation (FFP)). The CAP shall also contain other information as is necessary to establish the validity of the procedures used to identify, measure, and allocate costs to all programs being operated by the State agency.

HHSC has approximately 60 cost allocation methodologies. Of all cost allocated to federal programs five methodologies account for over 50 percent of the expenditures; as such, these five methodologies were selected for detail review. The fiscal accountant receives data from program personnel and calculates factor rates. Of the five selected for review, it was noted that for four of the methodologies there is no independent review of the calculation to ensure the factor rates are accurate.

One of the allocation methodologies selected for review is random moment time study. HHSC client service employees track their time spent working on each federal program and complete a booklet. The booklet is certified by the employee as accurate and complete. From a sample of 50 booklets selected for review, ten were not certified by the employee.

Recommendation:

HHSC should continue to work with DCA to ensure that all outstanding items are appropriately addressed and any necessary adjustments are made once an approved CAP plan is obtained. For Medicaid Cluster, 42 CFR 435.940(b) states, the agency must maintain information, as enumerated in § 435.960, to exchange for the purpose of enabling any agency or program referenced in § 435.945(b) to verify income, eligibility of, and the amount of assistance for its applicants and recipients.

HHSC should implement a review process over cost allocation factor calculations prior to entering new rates into HHSAS to ensure proper segregation of duties.

Additionally, HHSC should ensure that all booklets are certified by the employee completing the booklet.

Management Response and Corrective Action Plan:

*HHSC has received DCA approval for the fiscal year 2008 version of the CAP, pending the resolution of six minor items. Since DCA has stated that full approval of the prior years' PACAPs were being withheld based on the results of the fiscal year 2008 PACAP review, we expect to receive approval for the fiscal year 2006 and fiscal year 2007 PACAPs shortly.*

HHSC has implemented a cost allocation factor calculation review process, and will take steps to ensure booklets are certified.

*Implementation Date:* Cost Allocation Factor Calculation Review Process implemented January 2008.  
Cost Allocation Plan approval unknown, depending on DCA.

*Responsible Person:* James Barnett

Reference No. 08-09

### **Allowable Costs/Cost Principles**

(Prior Audit Issue 07-11)

#### **CFDA 93.667 - Social Services Block Grant**

**Award year - October 1, 2005 to September 30, 2007 and October 1, 2006 to September 30, 2008**

**Award number - G0601TXSOSR and G0701TXSOSR**

#### **CFDA 93.767 - State Children's Insurance Program**

**Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, and October 1, 2003 to September 30, 2004**

**Award number - 0705TX5021, 0605TX5021, 0505TX5021, and 0405TX5021**

#### **Medicaid Cluster**

**Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 31, 2006, and October 1, 2004 to September 31, 2005**

**Award number - 0705TX5028, 0705TX5048, 0605TX5028, 0605TX5048, 0505TX5028, and 0505TX5048**

**Type of finding - Significant Deficiency**

Funds can only be used for Medicaid benefit payments (as specified in the State plan, Federal regulations, or an approved waiver), expenditures for administration and training, expenditures for the State Survey and Certification Program, and expenditures for State Medicaid Fraud Control Units (42 CFR Sections 435.10, 440.210, 440.220, and 440.180). Also, states must have a system to identify medical services that are the legal obligation of third parties, such as private health or accident insurers. Such third-party resources should be exhausted prior to paying claims with program funds. Where a third-party liability is established after the claim is paid, reimbursement from the third party should be sought (42 CFR Sections 433.135 through 433.154).

Questioned Cost:	\$ 0
U.S. Department of Health and Human Services	

First Rebate is the application Health and Human Services Commission (HHSC) currently utilizes with First Health Services Corporation (FHSC) to validate, approve, and pay for the vendor drug transactions. Access to the First Rebate production server AZPH-SRV-DB14, the First Rebate database, and the First Rebate application is not restricted appropriately. An excessive number of employees have administrative access rights to the server. A terminated employee's user ID with database administrator access has not been disabled on the First Rebate database. Developers have been granted administrative access in the application and database. Specifically:

- Approximately 136 user IDs have administrative access to the First Rebate production server AZPH-SRV-DB14. Of those 136 user IDs, 32 are generic IDs.
- One of ten employees selected with administrative access to the First Rebate database is a developer.
- One of ten employees selected with administrative access to the First Rebate database has been terminated. Per discussion with management, this user's access was removed in September 2007.
- Five of nine user IDs with administrative access to the First Rebate application are developers. Per discussion with management, the IDs allow read-only access.
- No formal review of users is maintained by management to determine the appropriateness of access and ensure proper segregation of duties on the First Rebate server, database or application.

With full update access, user IDs can be used to provide system access to add, update, or delete data. Sophisticated users with broad enterprise skills and experience might have the knowledge to violate the requirement for appropriate segregation of duties. Users with inappropriate rights to modify application code or data create a risk of unauthorized changes to the production environment and/or a risk of unintentional errors or omissions in processing.

Also, HHSC outsources the recovery of vendor drug third-party reimbursements to Health Management Systems (HMS). HMS matches Medicaid and State Children's Insurance Program (SCHIP) and other program data files to insurance eligibility files obtained from third parties, including Medicare, commercial insurers, HMOs, Third Party Administrators, TRICARE, and others. This process identifies potential third-party liability, validates insurance benefits and recovers Medicaid and SCHIP payments from liable third parties.

A service auditor's report covering the period March 1, 2006 through February 28, 2007 (covering the first 6 months of the fiscal year 2007) was issued for HMS's IT general controls environment. A qualified opinion was issued due to the controls surrounding granting, modifying, terminating and reviewing of logical access to systems were not applied consistently. General controls over the IT environment should be operating effectively to help ensure the proper functioning of the HMS applications.

No compliance exceptions were noted related to this test work for the major programs above.

Recommendation:

Employees who perform development should not have access to the production environment. Access to administrative IDs should be restricted to a limited number of authorized employees. Unused generic IDs should be locked or monitored. Access rights for terminated employees should be revoked immediately upon termination. User access and privileges should be periodically reviewed and approved by management.

HHSC management should work with HMS management to ensure IT general controls are operating effectively.

Vendor Drug Management Response and Corrective Action Plan:

*HHSC has reviewed the KPMG findings regarding security issues with the Pharmacy Claim and Rebate Administration vendor's FirstRebate™ system, including the servers, database, and application. HHSC will work with its vendor to improve security, in accordance with the KPMG recommendations, with one exception. Developers may need read-only access to the application and/or database to generate ad-hoc reports and perform trouble-shooting. For the specific issues reported by KPMG, the responses are:*

- 1. Approximately 136 user IDs have administrative access to the First Rebate production server AZPH-SRV-DB14. Of those 136 user IDs, 32 are generic IDs. HHSC will work with its vendor to reduce the number of user IDs with administrative access to the server and generic IDs to the minimum necessary to ensure business continuity for the Texas system. Note: 12 generic IDs were deleted in December 2007.*
- 2. One of ten employees selected with administrative access to the First Rebate database is a developer. The vendor eliminated "administrator" access to the production database for all its developers; their access levels were reduced to read-only.*
- 3. One of ten employees selected with administrative access to the First Rebate database has been terminated. Per discussion with management, this user's access was removed in September 2007. After an employee is terminated, their database access is not disabled for up to 60 days. However, employee access to the First Health network is disabled within three to five business days after their termination, which prevents all access to all environments, including the database. This procedure provides good security, but HHSC will work with the vendor to disable database access as quickly as they disable network access.*

4. *Five of nine user IDs with administrative access to the First Rebate application are developers. Per discussion with management, the IDs allow read-only access. A small number of developers with read-only access to the application may be necessary to perform trouble-shooting. HHSC will work with the vendor to ensure the number is kept to a minimum.*
5. *No formal review of users is maintained by management to determine the appropriateness of access and ensure proper segregation of duties on the First Rebate server, database or application. First Health performs semi-annual reviews. HHSC will work with the vendor to increase the frequency of its reviews and to ensure they maintain proper documentation.*

*Implementation Date: December 2008*

*Responsible Person: Andy Vasquez*

*OIG Management Response and Corrective Action Plan:*

*HMS has taken corrective action to address the deficiencies that were identified as described below.*

*Logical Access to the LAN, Network and Mainframe – Additional checks have been implemented. These include weekly and monthly review of all new hires, department changes, and terminations to ensure that the mainframe, Network and LAN security interfaces are current. Also, access for all non HMS employees is limited to 30 days and must be re-approved by their respective business unit manager. As of this notation (January 23, 2008), there has not been a repeat of the issues raised by the 2006-2007 SAS/70 exceptions for Logical Access. These additional checks will remain in place until an automated solution can be applied.*

*Physical Access to HMSNY – Additional checks have been implemented by Facilities and the CSO. No physical access is granted to any HMS processing facility without first review and approval by Facilities and the CSO. Only then will a cardkey be issued. Also, access for all non HMS employees is limited to 30 days and must be re-approved by their respective business unit manager. Since February 2007 when these policies were put into place, there have been no exceptions reported on the monthly security audit reports and as of this notation (January 23, 2008), there has not been a repeat of the issues raised by the 2006-2007 SAS/70 exceptions for Physical Access Control.*

*In other areas where exceptions were reported, i.e., Change Management and Problem Reporting, HMS has acquired software (InfoMan) to provide an automated solution. This will ensure that the tracking and reporting will not be a manual/labor intensive process. This solution was installed and implemented in November 2007.*

*Implementation Date: November 2007 Completed*

*Responsible Person: Genie DeKneef*

**HEALTH AND HUMAN SERVICES COMMISSION**

Reference No. 08-10

**Allowable Costs/Costs Principles**

(Prior Audit Issue - 07-10)

**Medicaid Cluster**

**Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 31, 2006, and October 1, 2004 to September 31, 2005**

**Award number - 0705TX5028, 0705TX5048, 0605TX5028, 0605TX5048, 0505TX5028, and 0505TX5048**

**Type of finding - Non-Compliance**

During fiscal year 2006, the Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS), regional office from Dallas Texas issued a disallowance letter dated November 29, 2006. On December 22, 2006, Health and Human Services Commission (HHSC) appealed the disallowance. The following information is quoted from the CMS letter:

Questioned Cost:	\$ 0
U.S. Department of Health and Human Services	

“This letter is notice of a disallowance in the amount of \$14,849,602 Federal Financial participation (FFP) for medical transportation costs claimed during federal fiscal years 2004 and 2005. The transportation costs were improperly claimed at the Federal Medical Assistance Percentage (FMAP) for medical services instead of the 50 percent administration matching rate. (See deferral letter dated January 17, 20-06)

The Texas Department of Health and Human Services Commission (HHSC) provides Medicaid reimbursement to the Texas Department of Transportation (TX-DOT) for administration of the State’s Medicaid non-emergency transportation program. TX-DOT subcontracts with transportation providers, who actually provide the transportation services.

The Secretary has specified by regulation that transportation (when necessary to secure medical care) may be treated as medical assistance only when furnished ‘by a provider to whom a direct vendor payment can appropriately be made by the agency. If other arrangements are made to assure transportation...FFP is available as an administrative cost.’ 42 CFR Section 440.170(a)(2)(1991) (unchanged in relevant years). Administrative costs are normally reimbursed at a 50% rate under Section 1903(a)(7) of the Act.

Also, the recipients’ freedom of choice of providers is limited under the TX-DOT transportation program. Regulation cited in 42 CFR Section 431.51 provides that Medicaid recipients may obtain Medicaid services from any entity that is qualified and willing to furnish them. Therefore, Texas may not restrict transportation providers to those subcontracts with TX-DOT without an approved freedom of choice waiver. Texas did not have a freedom of choice waiver for the provision of transportation services.”

On September 17, 2007, in Decision No, 2114, the Departmental Appeals Board reversed the disallowance, in part, and upheld it, in part for services provided by brokers after June 1, 2006.

Recommendation:

HHSC should continue to work with CMS to revise the calculation of the appropriate disallowance amount based on the September 17, 2007 decision of the Departmental Appeals Board noted above.

Management Response and Corrective Action Plan:

*HHSC will continue to work with CMS to resolve any remaining disallowance.*

*Implementation Date: Upon receipt of letter from CMS approving the submitted State Plan Amendment*

*Responsible Person: J.B. McReynolds*

Reference No. 08-11

**Eligibility**

(Prior Audit Issue - 07-12)

**CFDA 93.767 - State Children's Insurance Program (SCHIP)****Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, and October 1, 2003 to September 30, 2004****Award number - 0705TX5021, 0605TX5021, 0505TX5021, and 0405TX5021****Type of finding - Significant Deficiency and Non-Compliance**

States have flexibility in determining eligibility levels for individuals for whom the state will receive enhanced matching funds within the guidelines established under the Social Security Act. Generally, a state may not cover children with higher family income without covering children with a lower family income, nor deny eligibility based on a child having a preexisting medical condition. States are required to include in their state plans a description of the standards used to determine eligibility of targeted low-income children. State plans should be consulted for specific information concerning individual eligibility requirements (42 USC 1397bb(b)).

Questioned Cost:	\$1,547
U.S. Department of Health and Human Services	

Specifically, Texas SCHIP Administrator Business Rules 370.42, *Eligibility Applicant Children*, SCHIP children are eligible if they are: birth through age 18, live in a household with a Federal Poverty Level (FPL) of at or below 200 percent and are not otherwise eligible for Medicaid, citizens or legal immigrants, and uninsured for at least 90 days.

For two of 40 cases, the incorrect FPL percentages were utilized. Three additional cases did not have the application for benefits. These three cases were all referrals from Medicaid personnel. The cases that utilized the incorrect FPL percentages do not have questioned costs, since the correct calculation would place the individual in the same benefit level. The amount of benefits paid for the three cases that did not have applications during fiscal year 2007 was \$1,547. Total benefits paid for the year were approximately \$347,000,000 for CFDA 93.767. Approximately 2% of SCHIP enrollments are referrals from Medicaid, or \$694,000.

Recommendation:

The Health and Human Services Commission (HHSC) should ensure that the correct FPL percentages are used in calculating beneficiary payments by continuing to provide training to case workers. Additionally, HHSC should ensure that an application is maintained for every individual receiving benefits that enroll based on a referral from Medicaid.

Management Response and Corrective Action Plan:

*HHSC modified the timeline for implementation of FPL changes to ensure benefits are correctly calculated when annual FPL changes become effective. HHSC regional managers are required to review with all worker staff case file maintenance requirements. HHSC State Operations will review case file maintenance procedures in each region and implement a streamlined statewide process to track the status and location of case files.*

*Implementation Dates: FPL Information: October 2007 (Status- Complete)  
Case Maintenance Requirements Review – February 29, 2008  
Review of regional processes – March 31, 2008  
Implementation of Streamlined Process – May 31, 2008*

*Responsible Person: FPL Information- Elisa Garza  
Case Maintenance Requirements Review – Kirsten Jumper and Taylor O'Brien  
Review of Regional Processes – Kirsten Jumper and Taylor O'Brien  
Implementation of Streamlined Process – Kirsten Jumper and Taylor O'Brien*

## HEALTH AND HUMAN SERVICES COMMISSION

Reference No. 08-12

### Eligibility

(Prior Audit Issue - 07-13)

#### CFDA 93.558 - Temporary Assistance for Needy Families

Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005

Award number - G0702TXTANF, G0602TXTANF and G0501TXTANF

#### Food Stamp Cluster

Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 31, 2006 and October 1, 2004 to September 31, 2005

Award number - 6TX400105, 6TX400105 and 5TX400105

#### Medicaid Cluster

Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 31, 2006, and October 1, 2004 to September 31, 2005

Award number - 0705TX5028, 0705TX5048, 0605TX5028, 0605TX5048, 0505TX5028, and 0505TX5048

Type of finding - Material Weakness Control and Non-Compliance

Health and Human Services Commission (HHSC) currently maintains two systems for determining eligibility for Medicaid, Temporary Assistance for Needy Families (TANF) and Food Stamp - the legacy system, System of Application, Verification, Eligibility, Referral, and Reporting (SAVERR), and the pilot system, Texas Integrated Eligibility Reporting System (TIERS).

Questioned Cost: \$18,441

U.S. Department of Health and  
Human Services  
U.S. Department of Agriculture

Per review of the regulations and State Plan documents for Medicaid, TANF and Food Stamp benefits, individuals must generally meet the following criteria to be eligible for any of the three forms of aid, and the information is required to be verified per a third party source of information. Any exceptions are noted below:

- Completed and signed an application for benefits with eligibility determined at least every 12 months for Medicaid (42 CFR 435.916(a)), TANF (per State Plan), and Food Stamps (7 CFR 273.10(f)) In some situations, Medicaid cases are not required to be redetermined such as for earned income transitional coverage.
- Be a Texas resident. Verification of residency is not required for Medicaid recipients. Verification is required for TANF, per State Policy, and Food Stamps per 7 CFR 273.2(f)(1)(vi).
- Be a U.S. citizen or non-citizen in certain recognized categories. Verification is not required for non-cash TANF recipients. Verification is required for Medicaid by State Policy and federal regulations effective July 1, 2006; cash TANF by State Policy; and Food Stamps if receiving cash TANF benefits based on TANF State Policy.
- Meet certain resource and income limits, which vary by eligibility group, including proof of unemployment. Verification is required for all programs by State Policy and additionally for Food Stamps verification of "gross non-exempt income" is required by 7 CFR 273.2(f)(i).
- Social security number. Verification of social security numbers is required for Medicaid by 42 CFR 435.910(g); TANF by State Policy; and Food Stamps by State Policy and 7 CFR 273.2(f)(1)(v).

### TIERS

Audit procedures included review of certain general and application level controls designed for TIERS along with review of selected case files, as noted below. The following were noted with regard to the general control procedures performed:

- Access controls are inappropriately designed at the Oracle database level.
- The URL for the TIERS login screen is available on the internet and while User ID and password are required, it does not require authentication through a VPN to the HHSC or TAA network. In addition, improvements were noted for the administration and configuration of the firewall during the fiscal year.

- There is no periodic review of TIERS users at the application, database, and operating system level, or the privileges associated with those users.

In addition, the eligibility process does not enforce the respective eligibility decisions necessary to ensure clients are eligible and receive proper benefit amounts.

- Consistent with current HHSC policy, TIERS is not designed to enforce third party verification for residency, social security number, or U.S. citizenship. HHSC's process should be improved by implementing automated controls to enforce third party verifications. For example, a field for each is required to be populated, however, one of the choices is "client statement" which does not constitute third party verification. Select of self declaration through "client statement" allows the respective case file to proceed to the next step toward benefit issuance with no third party verification. In limited circumstances (e.g. homeless person), self declaration for residency is acceptable. However in general circumstances, these three elements are required to be verified with a third party. Currently state eligibility workers assess the validity and accuracy of the client's statement. Eligibility policy should be modified to enable TIERS to prohibit case workers from continuing towards benefit issuance until verification is obtained. A manual system override by a supervisor would be necessary in the limited circumstances self declaration is acceptable.
- TIERS interfaces with the Social Security Administration (SSA) to verify social security numbers. TIERS is designed so that a correct match of a client's social security number will populate a field noting the respective social security number has been verified. For social security numbers where a match is not successful, an alert is sent to the file for the case worker to investigate. However, TIERS is not designed nor are their manual controls to restrict benefits from being issued if the social security number has not been verified before the first recertification. HHSC's policy is to deny benefits after one year unless efforts are underway to obtain a social security number.
- The Federal Income, Eligibility, and Verification System (IEVS) is used to verify applicant's income information from the Social Security Administration, Internal Revenue Service, and the State of Texas Workforce Commission. Through IEVS, applicants' social security numbers are matched to respective agencies' records to verify earned and unearned sources of income. The automated IEVS interface is currently not in production in TIERS. Use of IEVS is required for Medicaid by 42 CFR 435.940 and TANF by the State Plan. IEVS is optional for Food Stamps (7 CFR 272.8).
- Certain fields are noted as required on various screens within TIERS. Within a set of "logical unit of work" screens, a case worker is not able to advance to the next input screen without entering information into all the required fields. The system design requires case workers to pend from the "questions" page that precedes the logical unit of work when all of the required detail information is not available. However once the case worker unpends the question page, they are committed to the logical unit of work. At this point, system design requires selected fields to be completed in order to advance to the remaining screens to enter information the case worker has obtained. If the caseworker does not have the information for these required fields, "placeholder" information can be entered in order to advance to the screens for which case information has been. TIERS is not designed to pend these "place holder" inputs nor does it require the case worker to return and validate the inputs.
- The design of TIERS does not provide an easily accessible case history for each case action, including changes made to the client's file. Therefore, when it is necessary to recreate eligibility determinations made at a certain point in time and to assess whether the benefits amounts were appropriate, users must view history on various screens and certain information for each recipient must be pulled from archive records located in the Data Collections Table in the database. Associated database time and date stamps are also required to recreate the case history.



Further, the HHSC Office of Inspector General (OIG) is responsible for recoupment of overpayments and pursuit of fraud in HHSC. In April 2005, OIG suspended recoupment efforts and its investigation and pursuit of fraud cases for clients living in zip codes serviced through TIERS, pending the completion of the appropriate TIERS improvements. During fiscal year 2007, not all of the information required to perform recoupment and fraud investigations was readily available, and certain information in TIERS lacked the level of data integrity required to support court cases. Subsequent to year-end in September 2007, OIG notified US Department of Agriculture, Food and Nutrition Services, Southwest Region that “we have determined that TIERS supports the pursuit of agency error, client error, and intentional program violation claims, and that TIERS data can and will be used as evidence in fair hearing and administrative disqualification hearings. ... We are testing the data in the TIERS Historical Case Report application and are confident that this information will be adequate to pursue fraudulent/criminal cases in the near future.”

For 50 files reviewed receiving Food Stamp, two files with benefits of \$2,723 were found to be incomplete or the benefits calculated in error as noted below:

- For one file the Cost of Living Adjustment (COLA) was not processed timely due to the case file being in a pending status. TIERS is designed to not process updates to files if the file is in pending status. As a result, the benefit amount calculated by TIERS was based on outdated information. The incorrect benefit amount paid to this household during the fiscal year was \$5.
- For one file there was insufficient support for income used in determining eligibility. The benefit amount paid to this household, during the fiscal year was \$2,718.

For 50 files reviewed receiving TANF, three files with benefits paid of \$467 had benefits calculated in error as noted below:

- Updated income information for two cases was not processed timely, resulting in over- and underpayment of benefit amounts using outdated information. For one case the net effect of changes that occurred during the year was zero. For the other case, HHSC paid the individual four months of ineligible award in the amount of \$324.
- For one file there was insufficient support for income used in determining eligibility. The benefit amount paid to this household, during the fiscal year was \$143.

For 50 files reviewed receiving Medicaid, six files with total benefits paid of \$2,592 were found to be incomplete:

- One file erroneously included one family member in determining the budgetary allowance for the case. Benefits paid to the family during the fiscal year were not affected by the inclusion of this family member.
- One file should not have been deemed eligible for benefits. The individual should have been denied Medicaid benefits when SSI benefits were denied in November 2005. However, there were no benefits paid to this individual since November 2005.
- One file did not have support for redetermination of benefits. The benefit amount paid to this individual was \$932.
- One file was missing a signed application. No benefits were paid to this household during the fiscal year.
- Two files did not contain documentation to support budget information. Therefore, eligibility could not be verified. Benefits paid for fiscal year were \$1,660.

**SAVERR**

For 50 files reviewed receiving Medicaid, six files with total benefits paid of \$5,084 were found to be incomplete:

- Three files were not made available for review. Therefore, eligibility could not be verified. Benefits paid to these individuals were \$3,931.

- One file did not contain support for income used in eligibility determination. Therefore, the benefit amount could not be determined. Benefits paid to this individual during the fiscal year were \$658.
- One file did not have support for redetermination of benefits. Benefits paid to this individual were \$52.
- One file did not contain proof of social security number nor was there proof that the social security number was verified. The same file also did not contain proof that resources were below the required threshold, support for income or documentation that the income limit was not exceeded. Benefits paid to this individual were \$443.

For 50 files reviewed receiving Food Stamp, two files with total benefits paid of \$4,237 were found to be incomplete or the benefits calculated in error as noted below:

- One file was not made available for review. Therefore, eligibility could not be verified. Benefits paid to this individual were \$2,015.
- One file did not have income support. Therefore, benefit amount could not be determined. Benefits paid to this individual during the fiscal year were \$2,222.

For 50 files reviewed receiving TANF, four files with total benefits paid of \$3,338 had benefits calculated in error as noted below:

- One file was missing a signed application and proof of residence. Therefore eligibility could not be determined. Benefits paid to this individual were \$1,950.
- One file was missing proof of income. Therefore, eligibility could not be determined. Benefits paid to this individual were \$1,388.
- Two files were not made available for review as the files were damaged by mold. Therefore eligibility could not be verified. No benefits were paid to these individuals.

In addition, access controls are inappropriately designed for the SAVERR database. User identification numbers with production update access have not been limited to the database based on the principle of least access. Fifty-five user IDs have full demand access to update both the production and development SAVERR databases on the Unisys mainframe. These IDs belong to developers, IT support staff and contractors.

With full update access, the user ID can be used to provide system access to add, update, or delete data such as pricing data or eligibility data in SAVERR. The complexity of the databases and associated systems is such that personnel without in-depth knowledge of specific applications and schema could not perform changes without detection through either end-user identification of errors or problems occurring in operation. However, sophisticated users or contractors, especially those with broad HHSC enterprise skills and experience, might have the knowledge to violate the requirement for appropriate segregation of duties. Users or contractors with excessive rights to modify pricing, eligibility, and other tables across the enterprise create a risk of unauthorized changes to the production environment and/or a risk of unintentional errors or omissions in processing.

The Federal Income, Eligibility, and Verification System (IEVS) is used to verify applicant's income information from the Social Security Administration, Internal Revenue Service, and the State of Texas Workforce Commission. Through IEVS, applicants' social security numbers are matched to respective agencies' records to verify earned and unearned sources of income. Use of IEVS is required for Medicaid by 42 CFR 435.940 and TANF by the State Plan. IEVS is optional for Food Stamps (7 CFR 272.8). The automated IEVS interface related to Internal Revenue Service was not functional beginning June 2007 to do changes to the interface. Therefore earned and unearned income from Internal Revenue Service is currently not being verified.

**Summary**

The following analysis provides perspective for the above three programs:

	<u>Food Stamps</u>	<u>TANF</u>	<u>Medicaid</u>
Approximate amount of benefits paid for clients processed through TIERS for Fiscal year 2007	\$ 185,324,000	7,184,000	771,411,000
Approximate amount of benefits paid for clients processed through SAVERR for Fiscal year 2007	\$ 2,706,151,000	233,247,000	11,705,972,000
Approximate amount of benefits paid for clients processed through non HHSC eligibility system for Emergency Assistance (EA)	\$ —	226,549,000	—
Approximate total expenditures per 2007 Federal Schedule	\$ 2,891,475,000	466,980,000	12,477,383,000
Approximate total number of clients served through SAVERR in August 2007	2,088,000	123,000	2,549,000
Approximate total number of clients served through TIERS in August 2007	247,000	10,500	332,000
Approximate total number of clients served in August 2007, excluding EA	2,335,000	133,500	2,881,000

**Recommendation:**

The State’s policies of what is “required” documentation to support the eligibility determinations should be refined and documented in a manner that will increase the efficiency of the case workers and provide concise, consistent guidance. Documentation does not need to be redundant but sufficient to support the eligibility determinations based on the information maintained in the client file or readily accessible through other State systems. When refining the State policies, consideration should be given to the existing eligibility quality control program that Texas has in place. Documentation standards should be sufficient to enable the quality control personnel to accomplish their task without having to obtain additional documentation from the client, even if a face-to-face interview is required by the quality control policies. In addition, HHSC should continue to focus on their training of case workers with regard to State policy which will further enhance the consistent use of TIERS. HHSC should retain all required documentation supporting the verification of eligibility.

**TIERS**

HHSC should continue to address the design issues of the eligibility process supported by TIERS for:

- the automated control functions and interfaces
- the consideration of additional data validation and/or eligibility rules to TIERS, and
- the consideration of additional manual compensating controls for the eligibility process.

During the fiscal year, the requested Historical Case Report application change orders were implemented to allow OIG to resume recoupment and pursuit of TIERS non-fraud and fraud cases. Subsequent to year-end, HHSC OIG acknowledged they were pursuing non-fraud and fraud cases based on information included in the Historical Case Report application however the establishment of these cases was not subject to test work.

SAVERR

HHSC management should implement procedures in accordance with their security access policies that provide database access security controls based on the individual's demonstrated need to view, add, change, or delete data. Additionally, IT and functional management, in a cooperative effort, should have a control process in place to review and confirm Unisys database access rights periodically. The IEVS interface with Internal Revenue Service should be implemented.

Management Response and Corrective Action Plan:

*The TIERS application supports the eligibility process with accurate eligibility determinations and benefit calculations, as this and other recent audits and reviews have reinforced. TIERS is designed to assist case workers in efficiently processing eligibility determinations. In using this application, case workers rely on judgment to make decisions that support eligibility decisions consistent with federal regulations and State policy. TIERS is not intended to, and cannot, replace case worker judgment about the adequacy of support for eligibility determinations. For example, although TIERS validates social security numbers with SSA, the application is not designed to prevent an eligibility worker from processing an eligibility determination for an applicant who does not have a social security number, but who is applying for one, as allowed by agency policy and in compliance with federal regulations.*

*While HHSC needs to improve documentation supporting eligibility decisions, TIERS provides accurate and efficient processing of eligibility determinations and further enhances the process through integration of eligibility determination for multiple programs, increased automated procedures to support consistent application of policy, readily accessible electronic documentation, and enhanced workload management.*

*As improvements to TIERS functionality continue and as its use is expanded throughout the State, and as policy and process changes are made, case workers will continue to receive training on existing and improved processes.*

TIERS:Automated Control Functions and Interfaces

*HHSC staff will evaluate the options and costs related to Oracle access control recommendations and present the results to management so that appropriate access control modifications or compensating controls can be implemented. Administrator accounts no longer needed have been removed.*

*HHSC has examined the feasibility of using VPN access for external TIERS users and determined that this method is too costly, and is not practical or efficient. Alternatively, automated access control software has been implemented to provide web-based entry into TIERS. This service facilitates statewide access by authorized parties who are not part of the HHSC network, such as HHSC's trading partners. A number of corresponding controls to offset potential vulnerabilities associated with placing the TIERS portal on the public Internet are in place, including: (a) logging and analyzing all unsuccessful web portal log-ins through automated reporting mechanisms, (b) screening logs for evidence of any brute force password attacks, and (c) promptly disabling all accounts that have been inactive in excess of 90 days.*

*HHSC's password policies, which require the use of complex passwords and regular, forced password changes, are in effect. In addition, the responsibility for quarterly reviews to validate TIERS application users has been transferred from the previous vendor responsible for TIERS maintenance to HHS Enterprise IT. Enterprise IT will also establish procedures to ensure that operating system and database user accounts are regularly reviewed and confirmed, or removed if not needed.*

*Additional functionality is currently being developed to allow verification of earned and unearned sources of income through the IEVS interface. This functionality is expected to be in production in November 2008.*

*Data Validation and/or Eligibility Rules*

*HHSC staff is conducting a review of verification and documentation requirements to ensure sufficient evidence exists to fully support Medicaid, TANF, and Food Stamp eligibility determinations. For example, agency policy requires that case workers obtain verification of residency, citizenship, and income, where applicable. Although there is no federal requirement regarding the specific evidence that must be retained, HHSC will review current processes and system documentation requirements to ensure that eligibility determinations are supported with sufficient documentation.*

*Any policy changes that may be required will be developed and implemented by August 31, 2008. If system modifications are required to support process changes, they will be submitted to the TIERS Change Control Board.*

*As part of its eligibility determination process, HHSC requires a social security number, or proof that the client has applied for a social security number, before benefits are awarded. HHSC will improve its processes and training of case workers to ensure timely follow up with clients when an automated alert from SSA indicates that the social security number could not be verified.*

*HHSC has completed development of the TIERS Historical Case Report application and access has been provided to OIG investigators. To provide TIERS users with an easily accessible case history for each case action, users will be provided access to this application in fiscal year 2009.*

*Manual Compensating Controls*

*As part of its review of eligibility processes, HHSC will determine where it is most practical or efficient to include controls to ensure key support documents are properly maintained. For some processes, adequate system and management controls already exist in TIERS. For other processes, management may determine that the controls should exist in TIERS but do not, and will take appropriate steps to ensure business processes are updated and supporting system changes are made. When it is determined that processes would not be efficiently or practically supported by automated system controls, HHSC will ensure that sufficient non-system, or manual compensating controls are in place, and that staff is adequately trained to perform required procedures.*

*Fraud Investigations*

*Although OIG did not have the information from TIERS necessary to pursue fraud cases during the audit period, shortly thereafter the required information became available. As a result, HHSC OIG began establishing claims on TIERS cases in September 2007, using the TIERS Historical Case Report (THCR) application to validate claims information. Since beginning that process, OIG has been actively engaged in establishing claims on (1) non-fraud claims (agency error and client error), and (2) fraud claims (ADH and prosecution cases).*

*When the fraud criteria is met, the case will be referred to ADH or prosecution depending on the over issuance amount. Fraudulent criminal case amounts typically accrue over time. For example, at \$300 per month it will take at least five consecutive months to aggregate to \$1,500 which is our threshold felony amount for a first offense.*

*While OIG is currently relying on the information included in the THCR application, and that information is sufficient to pursue non-fraud and fraud cases, OIG will continue to validate the THCR application on an ongoing basis for accuracy and completeness of information as changes occur in the TIERS application and THCR.*

**SAVERR:**

*Access to the production and development environments is limited to appropriate staff through a request process that requires approval by supervisors in the development area as well as approval by HHSC IT management. The process includes periodic review of database access rights to provide adequate protection to safeguard against unauthorized system changes.*

*The automated IEVS interface with the Internal Revenue Service (IRS) will be fully implemented by March 2008. At this time, case files processed since June 2007 will be re-processed through the IEVS interface to verify earned and unearned income through the IRS.*

*Implementation Date: March 2008 – IEVS interface with the IRS fully implemented in SAVERR.  
August 2008 – Eligibility processes reviewed and appropriate enhancements implemented. If system changes are required, implementation dates for these changes will be scheduled through the TIERS Change Control Board process.*

*November 2008 – TIERS interfaces to validate income information placed in production.  
Fiscal year 2009 – Case workers provided access to the TIERS Historical Case Report*

*Responsible Person: Kirsten Jumper and Taylor O'Brien  
Eric McDaniel and Kathy Cox  
Cynthia Countryman*

Reference No. 08-13

### **Matching**

#### **CFDA 93.767 - State Children Health Insurance Program**

**Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, and October 1, 2003 to September 30, 2004**

**Award number - 0705TX5021, 0605TX5021, 0505TX5021, and 0405TX5021**

**Type of finding - Significant Deficiency and Non-Compliance**

Per 42UCS1397ee(a)(1), in general subject to the succeeding provisions of this section, the Secretary shall pay to each State with a plan approved under this subchapter, from its allotment under Section 1397dd of this title, an amount for each quarter equal to the enhanced FMAP (or, in the case of expenditures described in subparagraph (B), the Federal medical assistance percentage (as defined in the first sentence of Section 1396d(b) of this title) of expenditures in the quarter—

Questioned Cost:	\$5,448
U.S. Department of Health and Human Services	

- (A) for child health assistance under the plan for targeted low-income children in the form of providing medical assistance for which payment is made on the basis of an enhanced FMAP under the fourth sentence of Section 1396d(b) of this title;
- (B) for the provision of medical assistance on behalf of a child during a presumptive eligibility period under Section 1396r-1a of this title;
- (C) for child health assistance under the plan for targeted low-income children in the form of providing health benefits coverage that meets the requirements of Section 1397cc of this title; and
- (D) only to the extent permitted consistent with subsection (c) of this section—
  - (i) for payment for other child health assistance for targeted low-income children;
  - (ii) for expenditures for health services initiatives under the plan for improving the health of children (including targeted low-income children and other low-income children);
  - (iii) for expenditures for outreach activities as provided in Section 1397bb(c)(1) of this title under the plan; and
  - (iv) for other reasonable costs incurred by the State to administer the plan.

**HEALTH AND HUMAN SERVICES COMMISSION**

A sample of 40 expenditures charged to the State Children’s Insurance Program (SCHIP) was reviewed to ensure that the Health and Human Services Commission (HHSC) provided the appropriate matching rate from State funds. Of the 40 items selected for testwork, three September 2006 expenses were matched at the lower 2007 federal fiscal year rate of 27.45% instead of the 2006 rate of 27.54%. The three items are all vendor drug payments and were under matched by approximately \$4. HHSC outsources the processing of vendor drug payments to First Health Services Corporation (FHSC). The under matching occurred when FHSC applied an inappropriate effective date in the computer system for the federal fiscal year 2007 rate of September 1, 2006 instead of October 1, 2006. Total amount under matched for September 2006 was approximately \$5,448.

Recommendation:

HHSC should ensure that FHSC applies the FMAP matching percentages based on the correct effective date corresponding to the respective federal fiscal year.

Management Response and Corrective Action Plan:

*HHSC discovered the error in August 2007 and communicated the issue to First Health. Effective October 2007, First Health corrected the problem. The federal expense was reported correctly. In February 2008 HHSC will reduce the federal draw by \$2,324. The issue will be resolved at that time.*

*Implementation Date: February 2008*

*Responsible Person: James Barnett*

Reference No. 08-14

**Program Income**

**CFDA 93.767 - State Children’s Insurance Program**

**Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, and October 1, 2003 to September 30, 2004**

**Award number - 0705TX5021, 0605TX5021, 0505TX5021, and 0405TX5021**

**Type of finding - Significant Deficiency and Non-Compliance**

Title XXI of the Social Security Act, 42 U.S.C. §§ 1391aa-1397jj) allows states to receive the same rebates for drug purchases as other payers receive. Drug manufacturers are required to provide a listing to Centers for Medicare and Medicaid Services (CMS) of all covered outpatient drugs and, on a quarterly basis, are required to provide their average manufacturer price and their best prices for each covered outpatient drug. Based on this data, CMS calculates a unit rebate amount for each drug, which it then provides to states.

Questioned Cost:	\$ 0
U.S. Department of Health and Human Services	

No later than 60 days after the end of the quarter, the State Medicaid agency must provide to manufacturers drug utilization data. Within 30 days of receipt of the utilization data from the state, the manufacturers are required to pay the rebate or provide the state with written notice of disputed items not paid because of discrepancies found.

Health and Human Services Commission (HHSC) contracts with First Health Services Corporation (FHSC) to mail quarterly drug vendor invoices to comply with the 60-day requirement noted above. A sample of 40 invoices was selected for review and the following was noted:

- The December 31, 2006 invoices were sent on March 6, 2007, instead of March 1, 2007.
- The March 31, 2007 invoices were sent on June 7, 2007, instead of May 30, 2007.
- The June 30, 2007 invoices were sent on September 4, 2007, instead of August 29, 2007.

HHSC management was aware of the delayed mailing of the letters through their oversight procedures of FHSC.

Recommendation:

HHSC should work with FHSC to implement a preventive procedure to ensure that the drug invoices are sent within 60 days after the end of each quarter.

Management Response and Corrective Action Plan:

*The SCHIP drug rebate program is a contract agreement between HHSC and the drug manufacturers. The 'Manufacturer's Rights and Responsibilities' section of the contract requires that drug manufacturers provide pricing data to the State on a quarterly basis. Pursuant to the 'HHSC's Rights and Responsibilities' section of the contract, HHSC is required to timely report SCHIP Program Utilization Information to the Manufacturer on a quarterly basis using the same format as that used by the Texas Medicaid Vendor Drug Program for Medicaid drug rebate invoices. Manufacturers submit quarterly pricing data to HHSC's Contractor, FHSC. The information is used to calculate the unit rebate amount pursuant to the terms of the contract and the resulting rate is used to generate quarterly rebate invoices. Pursuant to the terms of the contract between HHSC and FHSC, FHSC is responsible for mailing the quarterly SCHIP invoices 60 days after the end of the quarter.*

*The Pharmacy Claims and Rebate Administration (PCRA) Oversight team's monitoring procedures identified the non-compliance on September 5, 2007 and reported the findings through a non-compliance report to HHSC Contract Management on October 22, 2007, prior to the auditor's report findings. HHSC will collect lost interest and liquidated damages in February 2008. The vendor has been placed under a corrective action plan.*

*Implementation Date: February 2008*

*Responsible Person: Andy Vasquez*

Reference No. 08-15

**Special Tests and Provisions - Child Support Non-Cooperation**

(Prior Audit Issue - 07-15)

**CFDA 93.558 - Temporary Assistance for Needy Families**

**Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005**

**Award number - G0702TXTANF, G0602TXTANF and G0501TXTANF**

**Type of finding - Significant Deficiency and Material Non-Compliance**

Per 45 CFR Sections 264.30 (b) and (c), if the IV-D agency (i.e., Texas Attorney General) determines that an individual is not cooperating, and the individual does not qualify for a good cause or other exception established by the State agency responsible for making good cause determinations in accordance with Section 454(29) of the Act or for a good cause domestic violence waiver granted in accordance with Section 260.52 of this chapter, then Texas Attorney General's agency must notify Health and Human Services Commission (HHSC) agency promptly. HHSC must then take appropriate action by; (1) Deducting from the assistance that would otherwise be provided to the family of the individual an amount equal to not less than 25 percent of the amount of such assistance; or (2) Denying the family any assistance under the program. Per A2140, the State policy is to reduce benefits 100% for non-cooperation.

Questioned Cost:	\$83,589
U.S. Department of Health and Human Services	



HHSC currently maintains two systems for determining eligibility for Temporary Assistance for Needy Families (TANF) - the legacy system, System of Application, Verification, Eligibility, Referral, and Reporting (SAVERR), and the pilot system, Texas Integrated Eligibility Reporting System (TIERS).

In TIERS, sanctions are not being applied correctly on TANF adults who are non-certified payees. When EDBC (eligibility determination) is run after the sanction has been imposed, the sanction is incorrectly removed. TANF benefits should remain forfeited until individual cooperates. Decision tables in TIERS are not properly designed to check conditions that would properly determine if individuals should be included/excluded in sanction determination. HHSC performed a query noting that approximately \$83,589 was paid in TANF benefits to ineligible recipients as a result of this system design issue. HHSC management identified this issue during the fiscal year and has initiated corrective action.

The Texas Attorney General Office non-cooperative sanctions are interfaced with SAVERR through the Change Verification System (CVS). Case workers are assigned to each case to manually work the sanction. When information from the Texas Attorney's General Office does not agree with client information in SAVERR, SAVERR generates an error report for resolution. The SAVERR Non-Cooperative Error Reports are not maintained and therefore unavailable for test work.

A sample of 40 beneficiaries who should have had their benefits reduced was selected from SAVERR and a sample of 40 was selected from TIERS. Our review noted the following:

- Of the 40 cases reviewed in TIERS, benefits were not reduced timely for nine cases. For eight of the cases, benefits were reduced one to two months late and for one case benefits were not reduced until the error was discovered during the audit and client erroneously received benefits for three months.
- Of the 40 cases reviewed in SAVERR, benefits were not reduced timely for four cases. For three of the cases, benefits were reduced one-two months late and for one case benefits were not reduced until the error was discovered during the audit and client received benefits for four months.

When HHSC is notified by the Texas Attorney General's office that benefits should be reduced, HHSC sends a denial notification letter to the respective individual and provides for one month to resolve. If the case worker does not manually set the benefit file to sanction status, benefits will continue to pay. In the above 13 instances, the case files were not noted as in sanction status. Total questioned cost for the 13 cases is \$2,881.

Recommendation:

HHSC should implement procedures to ensure case files are properly classified when in sanction status. Also, HHSC management should continue to monitor the proper functioning of identifying and restricting benefits for individual through TIERS. HHSC management should implement procedures to retain SAVERR exception report for OAG interface in SAVERR and consider the implementation of a monitoring control to ensure sanctions manually applied timely.

OES Management Response and Corrective Action Plan:

*SAVERR- The four cases identified in error were due to worker errors. The four staff making the errors did not receive the enhanced training previously provided either due to extended leave or because they were not yet hired. Training in the area of OAG referrals and sanctions processing has been updated and all staff are required to complete the new training by the end of March 2008. In addition, regional directors are required to submit a plan to address the training of newly hired staff on an ongoing basis. OES is currently exploring the possibility of specializing the processing of TANF cases statewide, a decision is expected by March 31, 2008. The specialization of the processing of these cases would reduce processing errors such as those identified in the audit.*

Implementation Date: SAVERR-Re-training of staff - March 31, 2008  
TANF Specialization decision - March 31, 2008

Responsible Person: Taylor O'Brien and Kirsten Jumper

EIT Management Response and Corrective Action Plan:

*TIERS Findings:*

1. Audit Finding: In TIERS, sanctions are not being applied correctly on TANF adults who are non-certified payees. When EDBC (eligibility determination) is initiated after the sanction has been imposed, the sanction is incorrectly removed.

Response: Service Request 68346 was deployed on September 29, 2007 to resolve the above finding. The solution required a modification to the EDBC non-financial decision tables. Now when a sanction is initiated, the sanction remains in force until compliance or good cause is established for non-cooperation.

Implementation Date: Complete

Responsible Person: Not applicable

2. Audit Finding: Decision tables in TIERS are not properly designed to check conditions that would properly determine if individuals would be included or excluded in sanction determinations.

Response: Service Request 94696 has been created to address the above finding. This service request has been given a high priority status and will be deployed as soon as possible after code fix and testing are completed.

Implementation Date: April 2008

Responsible Person: Mary Catherine Bailey

3. Audit Finding: In TIERS, benefits for nine cases were not reduced timely following notification from the Texas Attorney General's office that benefits should be reduced. The case files were also not noted as in sanction status.

Response: Monitoring of exception reports is often an effective means to identify root cause of a specific problem area. The exception report (INT983) created from the 'Receive Daily Child Support Sanction Request (INT1790) is currently limited to records that do not result in a sanction because a sanction is already in place for the individual. For monitoring and ongoing corrective action efforts, a report is needed that will list all business exceptions, including any sanctions not processed due to case not in 'ongoing' mode.

Service Request 93794 has been created to identify criteria, data elements and format needed to generate a report that will assist field operations in resolving the exceptions and effectively determining ongoing corrective action plans. EA, in conjunction with applicable OES/OFS staff are in the process of finalizing the report criteria. The initial report will be a 'query' report with results loaded to excel format. The report will be generated weekly and necessary actions taken to resolve the exception records. Monitoring of such actions has been assigned to designated OES/OFS staff.

Implementation Date: February 2008

Responsible Person: Mary Catherine Bailey

*Service Request 64836 addresses several exception reports, including the INT983 exception report. This request is for TIERS to generate the reports automatically and generate an alert that will send a task to the Task List Manager. Reports will also be accessible via the TIERS Reports. Draft requirements were developed but may need to be re-addressed. Plans are underway to begin this review process.*

*The above corrective actions are anticipated to significantly impact errors created from not processing child support sanctions in a timely manner. In evaluating impact, training and specific quality control initiatives may be identified and added to the current corrective action plan.*

*Implementation Date: August 2008*

*Responsible Person: Mary Catherine Bailey, Taylor O'Brien, Kirsten Jumper, and Eric McDanie*

*SAVERR Findings:*

- 1. Finding: The SAVERR Non-Cooperative Error Reports are not maintained and therefore unavailable for test work. When information from the Texas Attorney's General Office does not agree with client information in SAVERR, SAVERR generates an error report for resolution. The error reports are not kept in SAVERR.*

*Response: A weekly exception report (TH100-1410-2) and a summary data report (TH100-1410-1) are created in SAVERR for client information from the OAG Non-Cooperation file that does not agree with SAVERR information. Data from both reports is loaded to a tape and maintained for 15 days. A hard copy report is also distributed to OAG. Currently, there are no plans for SAVERR automation changes to address these reports.*

*Implementation Date: Not applicable*

*Responsible Person: Not applicable*

- 2. Finding: In SAVERR, benefits were not reduced timely following notification from the Texas Attorney General's office that benefits should be reduced. The case files were also not noted as in sanction status.*

*Response: SAVERR reports are currently accessed via the OFS Reports Manager Portal. There are several reports specifically for Child Support Non-Cooperation. The Child Support Non-Cooperation Report identifies records processed from the Texas Attorney General's interface file. This report is used by staff to process sanctions. The Work Planning and Delinquency Report is a management report that provides a status of various caseload activities, including child support non-cooperation records that are close to or past the required five day timeframe.*

*Program Managers and supervisors will be asked to monitor the Work Planning and Delinquency Report to assure that all actions reported for child non-cooperation records are completed. Monitoring will also provide an opportunity to identify or 'target' regional areas that made need follow-up training or more stringent monitoring.*

*Implementation Date: March 2008*

*Responsible Person: Taylor O'Brien, Kirsten Jumper and Eric McDaniel*

Reference No. 08-16

**Special Tests and Provisions - Issuance Document Security**

(Prior Audit Issue - 07-16)

**Food Stamp Cluster**

**Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 31, 2006 and October 1, 2004 to September 31, 2005**

**Award number - 6TX400105, 6TX400105 and 5TX400105**

**Type of finding - Significant Deficiency and Material Non-Compliance**

The State is required to maintain adequate security over, and documentation/records for, Authorization to Participate (ATP) cards, other documents authorizing issuance, Electronic Benefit Transfer (EBT) cards (7 CFR Section 274.12(h)(3)), and the food stamp coupons themselves to prevent: couple theft, embezzlement, loss, damage, destruction, unauthorized transfer, negotiation, or use of coupons and alternating or counterfeiting of coupons and other documents authorizing issuance (7 CFR Section 274.7(b) and 274.11(c)).

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

Security over EBT Food Stamp cards (i.e., LoanStar cards) was reviewed for 40 local intake offices. Health and Human Services Commission (HHSC) policy is that logs are maintained at each office to denote receipt, issuance, and destruction of EBT cards. In addition, monthly inventories of the EBT cards are required to be conducted by management of the office and reconciled to the daily logs. HHSC regional offices perform reviews of selected offices for which the office must respond with a corrective action plan. HHSC policy is to perform these audits once every five years. Per review of 40 sites, nine sites were identified with the following exceptions:

- For two sites, the monthly reconciliation between the EBT cards and the PIN access numbers contained errors which were not discovered by management.
- For two sites, management was unable to provide corrective action plan for the regional audit performed during fiscal year 2007.
- For five sites, the EBT cards and/or PIN packet inventory were not maintained in a secure location.
- For one site, there was no authorizing signature validating the monthly inventory reconciliation.
- For one site, there was no log of voided cards available for review.
- For one site, there was no inventory report available for review and the same site has not had a regional audit done in the last five years.

**Recommendation:**

HHSC should enforce existing procedures at the various in-take offices to ensure compliance with federal regulations.

**Management Response and Corrective Action Plan:**

*As indicated by KPMG, procedures are in place to ensure compliance with federal regulations. To address findings and enhance monitoring, OES will include the review of EBT logs, audit findings, and corrective action plans as part of its office visits. A minimum of one review per region per month will be conducted by either the Regional Director, the State Operations Officer, or a Service Improvement Specialist.*

**Implementation Date:** *Reviews are scheduled to begin in March 2008*

**Responsible Person:** *Kirsten Jumper and Taylor O'Brien*

Reference No. 08-17

**Special Tests and Provisions - Managed Care**

**Medicaid Cluster**

**Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 31, 2006, and October 1, 2004 to September 31, 2005**

**Award number - 0705TX5028, 0705TX5048, 0605TX5028, 0605TX5048, 0505TX5028, and 0505TX5048**

**Type of finding - Significant Deficiency**

A State may obtain a waiver of statutory requirements in order to develop a system that more effectively addresses the health care needs of its population. A waiver may involve the use of a program of managed care for selected elements of the client population or allow the use of program funds to serve specified populations that would be otherwise ineligible (Sections 1115 of the Social Security Act).

Questioned Cost: \$ 0

U.S. Department of Health and  
Human Services

A sample of 40 beneficiary and 40 provider complaints was selected for review with no compliance issues noted. Our review found that there is no management review in place to ensure that complaints are processed according to Health and Human Services Commission (HHSC) policies and procedures regarding Medicaid Managed Care Complaints.

Recommendation:

HHSC should implement a control process to ensure that beneficiary and provider complaints are handled in accordance with policies and procedures, including appropriate segregation of duties.

Management Response and Corrective Action Plan:

*HHSC currently reviews high profile beneficiary and provider complaints to ensure that they are handled appropriately. HHSC will implement a process to conduct a second level review of a sample of beneficiary and provider complaints on a periodic basis, to ensure that beneficiary and provider complaints are handled in accordance with policies and procedures.*

*Over the next two-three months, Health Plan Operations is migrating to a new complaint tracking system (HEART), with enhanced data retrieval and reporting functionality. The second level reviews will be implemented subsequent to the migration to the system, as the system will be used to automate the sampling process and to document the outcome of the reviews within this system, for optimum efficiency. As such, the implementation date of this process is dependent upon timely migration to provide an adequate number of complaints for sampling.*

*Implementation Date: July 2008*

*Responsible Person: Paula Swenson*

Reference No. 08-18

**Special Tests and Provisions - Penalty for Refusal to Work****CFDA 93.558 - Temporary Assistance for Needy Families****Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005****Award number - G0702TXTANF, G0602TXTANF and G0501TXTANF****Type of finding - Significant Deficiency and Non-compliance**

Per 45 CFR 261.14, if an individual refuses to engage in work required under Section 407 of the Act, the State must reduce or terminate the amount of assistance payable to the family, subject to any good cause or other exceptions the State may establish. Such a reduction is governed by the provisions of §261.16. The State must, at a minimum, reduce the amount of assistance otherwise payable to the family pro rata with respect to any period during the month in which the individual refuses to work. The State may impose a greater reduction, including terminating assistance. A State that fails to impose penalties on individuals in accordance with the provisions of Section 407(e) of the Act may be subject to the State penalty specified at Section 261.54. The State's policy is to reduce benefits 100% for non-cooperation.

Questioned Cost: \$696

U.S. Department of Health and  
Human Services

The Health and Human Services Commission (HHSC) currently maintains two systems for determining eligibility for Temporary Assistance for Needy Families (TANF) - the legacy system, System of Application, Verification, Eligibility, Referral, and Reporting (SAVERR), and the pilot system, Texas Integrated Eligibility Reporting System (TIERS).

A sample of 40 beneficiaries who should have had their benefits reduced was selected from SAVERR and a sample of 40 was selected from TIERS. For three of the 40 TIERS cases reviewed, the reduction in benefits was not processed timely. The three cases received one month of ineligible benefits, totaling \$696. Within TIERS when a case file is in pending status, the electronic data feeds from Texas Workforce Commission (TWC) noting noncompliance with TANF work provisions will not process timely as long as the case file remains in pending status. Once the status is cleared, the TWC provision is processed causing the delay in benefit reduction.

Recommendation:

HHSC should implement procedures to ensure that cases are processed timely.

Management Response and Corrective Action Plan:

*HHSC is researching options to address imposing sanctions within the five day timeframe in situations where the case is in a mode other than ongoing. Once options are identified, if automation changes are needed, requirements will be delivered by June 30, 2008.*

*Implementation Date: Identify Options: April 30, 2008*

*Requirements Delivery: June 30, 2008*

*Responsible Person: Mary Catherine Bailey*

Reference No. 08-19

**Special Tests and Provisions - Provider Eligibility**

**Medicaid Cluster**

**Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 31, 2006, and October 1, 2004 to September 31, 2005**

**Award number - 0705TX5028, 0705TX5048, 0605TX5028, 0605TX5048, 0505TX5028, and 0505TX5048**

**Type of finding - Significant Deficiency and Material Non-compliance**

Per 42 CFR Sections 431.107, in order to receive Medicaid payments, providers of medical services must be licensed in accordance with Federal, State, and local laws and regulations to participate in the Medicaid program. 42 CFR Section 455.106 (a) before the Medicaid agency enters into or renews a provider agreement, the provider must disclose to the Medicaid agency the identity of any person who (1) has ownership or control interest in the provider, or is an agent or managing employee of the provider, and (2) has been convicted of a criminal offense related to that person's involvement in any program under Medicare, Medicaid, or the Title XX services program since the inception of those programs. Additionally, per 42 CFR Section 455.103 a State plan must provide that the requirements of 455.106 are met. Per review of the State plan a search should be conducted to ensure that the provider is not included on the Medicaid exclusion list.

Questioned Cost:	\$ 0
U.S. Department of Health and Human Services	

A sample of 50 providers receiving Medicaid payments during fiscal year 2007 were selected for review and 23 files were noted to have the following exceptions:

- For seven of the 50 provider files reviewed there was no evidence that a current license to practice was obtained from the provider.
- For 23 of the 50 providers a search to ensure the provider was not on the Medicaid exclusion list was not conducted. A search was subsequently conducted and none of the providers were on the Medicaid exclusion list.
- For one of the 50 providers there was no evidence that the State obtained disclosure of ownership and control interest information or disclosure regarding a provider's owners and other persons convicted of criminal offenses against Medicare, Medicaid, or the other Title XX services provided signed by the provider.

Recommendation:

The Health and Human Services Commission should implement procedures to ensure federal requirements and State plan requirements regarding provider eligibility are met.

Management Response and Corrective Action Plan:

*The records that were reviewed during the audit date back to 1997 and many changes have occurred since that time. The contracted Medicaid claims administrator implemented new policies and procedures to ensure proper enrollment and eligibility requirements are met prior to enrollment into the Texas Medicaid Program. These changes include a two-tier quality analysis process for provider enrollment applications. Provider enrollment staff conducts a 100% quality review on all provider enrollment applications prior to finalizing enrollment. A second level of quality review is performed on a sampling of the provider applications once the application is finalized for enrollment. Additionally, the contractor accesses all appropriate licensure boards via the internet to confirm valid licensure prior to enrollment of new providers and to review licenses set to expire within 60-days for all currently enrolled providers. For enrolled providers, if a current license cannot be located or obtained from the website a payment denial code is placed on the provider's file to ensure no payments are made to the provider once the license expires.*

Since January 2004, all providers have been checked against the HHSC and HHS OIG exclusion lists. Effective January 2006, the OIG open investigation list is checked as well. These processes were automated in September 2007.

Implementation Date: September 2007

Responsible Person: Billy Millwee

Reference No. 08-92

### Eligibility

#### CFDA 93.667 - Social Services Block Grant

Award year - October 1, 2005 to September 30, 2007 and October 1, 2006 to September 30, 2008

Award number - G0601TXSOSR and G0701TXSOSR

Type of finding - Significant Deficiency and Non-compliance

The Health and Human Services Commission (HHSC) received Social Services Block Grant (SSBG) funding from the U.S. Department of Health and Human Services to meet the social and health care needs of people affected by Hurricane Katrina and lacking health insurance or other adequate access to care. HHSC established the eligibility criteria to be met to receive services as noted below:

Questioned Cost:	\$3,200
U.S. Department of Health and Human Services	

- Completed and signed the Texas Temporary Medicaid Application - Katrina Evacuee Form.
- Applicants must be an evacuee from Alabama, Louisiana or Mississippi.
- Applicants are to provide documentation as to identity and proof of citizenship. However, those who do not have identification or proof of citizenship can self-declare.
- Applicants must be a: (1) child under age of 19, (2) low-income parent of a child under age of 19, (3) pregnant woman, (4) low income Medicare recipient, (5) low income individual in need of long term care, (6) individuals with disabilities, or (7) uncompensated care pool.
- Applicant must meet the gross income limits established by the State of Texas.

A sample of 40 individuals who received benefits was reviewed to ensure they met the eligibility requirements. HHSC was unable to provide the file for seven cases. There was no compliance issues noted in the 33 cases reviewed. The amount of benefits paid for the seven cases not provided was \$3,200. Total benefits paid for the year were approximately \$2,000,000.

### Recommendation:

HHSC should ensure that documentation is maintained and obtainable for benefits issued.

### Management Response and Corrective Action Plan:

HHSC recognizes that seven eligibility files were not submitted for review due to the short time allowed to bring these files in from field offices. Since there were no findings for the 33 eligibility files submitted, HHSC feels confident these seven members met the eligibility requirements for Katrina services for which Social Services Block Grants funds were designated. Office of Eligibility Services (OES) will review the seven files upon receipt to assure compliance of eligibility.

Implementation Date: Upon receipt of the remaining seven files

Responsible Person: Kirsten Jumper



**Health and Human Services Commission**  
**Department of Aging and Disability Services**  
**Department of Assistive and Rehabilitative Services**  
**Department of Family and Protective Services**  
**Department of State Health Services**

Reference No. 08-20

**Allowable Costs/Cost Principles**

**Cash Management**

**Equipment and Real Property Management**

**Matching, Level of Effort, and Earmarking**

**Period of Availability of Federal Funds**

**Program Income**

**Reporting**

(Prior Audit Issue - 07-18)

**CFDA 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)**

**Award year - October 1, 2005 to September 30, 2006 and October 1, 2006 to September 30, 2007**

**Award number - 6TX700506**

**CFDA 84.126 - Rehabilitation Services - Vocational Rehabilitation Grants to States**

**Award year - October 1, 2005 to September 30, 2007, October 1, 2005 to September 30, 2007, October 1, 2006 to September 30, 2008 and October 1, 2006 to September 30, 2008**

**Award number - H126A060064, H126A060065, H126A070064 and H126A070065**

**CFDA 93.217 - Family Planning - Services**

**Award year - April 1, 2007 to March 31, 2008 and April 1, 2006 to March 31, 2007**

**Award number - 2 FPHPA060898-26 and 5 FPHPA060898-25**

**CFDA 93.268 - Immunization Grants**

**Award year - January 1, 2006 to December 31, 2006 and January 1, 2007 to December 31, 2007**

**Award number - CCH622571 - 04 and CCH622571 - 05**

**CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance**

**Award year - August 31, 2006 to August 30, 2007**

**Award number - U90/CCU617001-07**

**CFDA 93.556 - Promoting Safe and Stable Families**

**Award year - October 1, 2005 to September 30, 2007 and October 1, 2004 to September 30, 2006**

**Award number - G0601TX00FP and G0501TX00FP**

**CFDA 93.558 - Temporary Assistance for Needy Families**

**Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005**

**Award number - G0702TXTANF, G0602TXTANF and G0501TXTANF**

**CFDA 93.566 - Refugee and Entrant Assistance Program - State Administered Programs**

Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 30, 2006, and October 1, 2004 to September 30, 2005

Award number - G07AATX6100, G06AATX6100, and G05AATX6100

**CFDA 93.645 - Child Welfare Services - State Grants**

Award year - October 1, 2006 to September 30, 2008

Award number - G0701TX1400

**CFDA 93.658 - Foster Care - Title IV-E**

Award year - October 1, 2005 to September 30, 2006 and October 1, 2006 to September 30, 2007

Award number - G0601TX1401 and G0701TX1401

**CFDA 93.659 - Adoption Assistance**

Award year - October 1, 2005 to September 30, 2006 and October 1, 2006 to September 30, 2007

Award number - G0601TX1407 and G0701TX1407

**CFDA 93.667 - Social Services Block Grant**

Award year - October 1, 2005 to September 30, 2007 and October 1, 2006 to September 30, 2008

Award number - G0601TXSOSR and G0701TXSOSR

**CFDA 93.767 - State Children's Insurance Program**

Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, and October 1, 2003 to September 30, 2004

Award number - 0705TX5021, 0605TX5021, 0505TX5021, and 0405TX5021

**CFDA 93.889 - National Bioterrorism Hospital Preparedness Program**

Award year - September 1, 2006 to August 31, 2007

Award number - U3RHS07583-01-00

**CFDA 93.917 - HIV Care Formula Grants**

Award year - April 1, 2006 to March 31, 2007 and April 1, 2007 to March 31, 2008

Award number - 6 X07HA00054-16 and 2 X07HA00054-17

**CFDA 93.940 - HIV Prevention Activities-Health Department Based**

Award year - January 1, 2007 to December 31, 2007 and January 1, 2006 to December 31, 2006

Award number - U62/CCU623516 and U62/CCU623516

**CFDA 93.958 - Block Grants for Community Mental Health Services**

Award year - October 1, 2004 to September 30, 2006, October 1, 2005 to September 30, 2007; October 1, 2006 to September 30, 2008

Award number - 05B1TXCMHS; 06B1TXCMHS; 07B1TXCMHS

**CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse**

Award year - October 1, 2004 to September 30, 2006, October 1, 2005 to September 30, 2007 and October 1, 2006 to September 30, 2008

Award number - 05B1TXSAPT, 06B1TXSAPT, and 07B1TXSAPT

**CFDA 93.994 - Maternal and Child Health Services Block Grant to the States**

Award year - October 1, 2005 to September 30, 2007 and October 1, 2006 to September 30, 2008

Award number - 6 B04MC06591-01 and 1 B04MC07774-01

**Aging Cluster**

Award year - October 1, 2005 to September 30, 2006 and October 1, 2006 to September 30, 2007

Award number - 06AATXT3SP, 06AATXNSIP, 07AATXT3SP, and 07AATXNSIP

**Disability Insurance Cluster**

Award year - October 1, 2005 to September 30, 2006 and October 1, 2005 to September 30, 2006

Award number - 04-0604TXD102 and 04-0604TXD100

**HEALTH AND HUMAN SERVICES COMMISSION**

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**Emergency Food Assistance Cluster**

**Award year - October 1, 2006 to September 30, 2007 and October 1, 2005 to September 30, 2006**

**Award number - 6TX810815 and 5TX810815**

**Food Stamp Cluster**

**Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 31, 2006 and October 1, 2004 to September 31, 2005**

**Award number - 6TX400105, 6TX400105 and 5TX400105**

**Medicaid Cluster**

**Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 31, 2006, and October 1, 2004 to September 31, 2005**

**Award number - 0705TX5028, 0705TX5048, 0605TX5028, 0605TX5048, 0505TX5028, and 0505TX5048**

**Type of finding - Significant Deficiency**

The Health and Human Services Commission (HHSC) Enterprise Internal Audit conducted a review of the enterprise Health and Human Services Administrative System (HHSAS) Financials Security Controls and issued their report December 13, 2005. HHSAS is utilized by all five Health and Human Services entities - HHSC, Department of State Health Services (DSHS), Department of Family and Protective Services (DFPS), Department of Aging and Disability Services (DADS), and Department of Assistive and Rehabilitative Service (DARS). The report notes the following:

Questioned Cost:	\$ 0
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U.S. Department of Health and Human Services
U.S. Department of Agriculture
U.S. Department of Education

- “Access privileges are not always appropriately restricted, and some high-privilege administrative accounts are shared by multiple HHSAS Financials Enterprise Support Center (ESC) personnel.”

The report further notes: “HHSAS financials is supported by an Oracle database management system administered by the HHSAS ESC technical team, which consists of six analysts. ESC technical analysts access the database using individual accounts to diagnose HHSAS production issues. However, when updates to an HHS agency database are needed to resolve a production issue, the technical analysts access the database using the application system administrator account. The account has full access privileges in the database, and is the account used by the HHSAS application to update the database. Database updates performed by ESC technical analysts using the account are indistinguishable from legitimate activities processed by the HHSAS application at the request of HHS agency users.”

- “Change management controls do not ensure that application code changes to HHSAS financials are authorized and approved prior to implementation.”

The report further notes: “To accomplish programming changes to HHSAS financials, the ESC employs STAT, a third party version control software tool. STAT is used to log, route, track and maintain detailed documentation for HHSAS financials changes.”

Upon follow-up of the above “access privilege” comment, we noted that the password is known by seven persons in ESC. Evidence was noted that a mitigating control exists that someone other than the developer closes the change request ticket, which allows for review by someone other than the developer. However the ESC personnel have open access to production.

During compliance work performed, no exceptions were noted which appeared to have resulted from the above deficiencies.

Recommendation:

Developers should not have access to migrate changes into the production environment.

Management Response and Corrective Action Plan:

*The HHSAS Financials Enterprise Support Center (ESC) technical analysts' individual Oracle accounts have been established to provide full research capability for debugging activities without the ability to update. This change precludes the necessity of logging into the account to analyze fixes. The password is not accessible to the technical analysts directly, but only provided to the six technical analysts by the database administrator. The technical analysts only log into the account to execute a fix, once the research is complete; logging into the account is necessary for updates when executing a technical fix. Management is informed of the use of this administrative account and it is a known and accepted risk for providing sufficient production support of the enterprise financials system. No other staff has access to the account. The last annual change to the password was performed September 2006. The change management controls were strengthened to include additional documentation of quality review, unit testing, and customer testing and approvals within each STAT customer service request. An additional technical analyst is now designated as the third staff with the migrator role in STAT. This change provides the ability to have a backup migrator and preclude the need for code to be migrated and developed by the same staff. The HHSAS Financials ESC manager performs a final review of all changes, which means a minimum of one developer, one migrator, and one final reviewer are involved in all migrations, and each role is filled by different individuals.*

*Implementation Date: January 2008*

*Responsible Person: Thomas Hollingsworth*

**Health and Human Services Commission**

**Department of State Health Services**

Reference No. 08-21

**Procurement and Suspension and Debarment**

(Prior Audit Issue - 07-19, 06-15, 06-14, 06-13, 05-17, 05-14, 05-05)

**CFDA 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)**

Award year - October 1, 2005 to September 30, 2006 and October 1, 2006 to September 30, 2007

Award number - 6TX700506

**CFDA 93.268 - Immunization Grants**

Award year - January 1, 2006 to December 31, 2006 and January 1, 2007 to December 31, 2007

Award number - CCH622571 - 04 and CCH622571 - 05

**CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance**

Award year - August 31, 2006 to August 30, 2007

Award number - U90/CCU617001-07

**CFDA 93.558 - Temporary Assistance for Needy Families**

Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005

Award number - G0702TXTANF, G0602TXTANF and G0501TXTANF

**CFDA 93.767 - State Children's Insurance Program**

Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, and October 1, 2003 to September 30, 2004

Award number - 0705TX5021, 0605TX5021, 0505TX5021, and 0405TX5021

**CFDA 93.917 - HIV Care Formula Grants**

Award year - April 1, 2006 to March 31, 2007 and April 1, 2007 to March 31, 2008

Award number - 6 X07HA00054-16 and 2 X07HA00054-17

**CFDA 93.994 - Maternal and Child Health Services Block Grants to the States**

Award year - October 1, 2005 to September 30, 2007 and October 1, 2006 to September 30, 2008

Award number - 6 B04MC06591-01 and 1 B04MC07774-01

**Food Stamp Cluster**

Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 31, 2006 and October 1, 2004 to September 31, 2005

Award number - 6TX400105, 6TX400105 and 5TX400105

**Medicaid Cluster**

Award year - October 1, 2006 to September 30, 2007, October 1, 2005 to September 31, 2006, and October 1, 2004 to September 31, 2005

Award number - 0705TX5028, 0705TX5048, 0605TX5028, 0605TX5048, 0505TX5028, and 0505TX5048

Type of finding - Significant Deficiency and Non-Compliance

States shall use the same State policies and procedures used for procurements from non-Federal funds. They also shall ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations. U.S. Department of Health and Human Services requires the following for procurement (45CFR 92.36):

- Verify the contract file documents the significant history of the procurement.
- Verify the procurements provide full and open competition.

Questioned Cost:	\$864,500
U.S. Department of Health and Human Services U.S. Department of Agriculture	

- Verify that contract files exist and ascertain if appropriate cost or price analysis was performed in connection with procurement actions, including contract modifications and that this analysis supported the procurement action.
- Contracts greater than \$25,000 must be reviewed to ensure the vendor is not suspended or debarred.

In addition, under the Texas Government Code, Chapter 2155, subchapter A General Provisions, Section 2155.005(a), a bidder offering to sell goods or services to the state shall certify on each bid submitted that neither the bidder, nor the person represented by the bidder, nor any person acting for the represented person has:

- (1) Violated the antitrust laws codified by Chapter 15, Business & Commerce Code, or the federal antitrust laws; or
- (2) Directly or indirectly communicated the bid to a competitor or other person engaged in the same line of business.

Lastly, the Health and Human Services Commission Procurement Manual requires that purchases or other acquisitions that will cost more than \$5,000 are to be competitively bid unless the purchasing of goods or services are exempt from competitive bidding in which case the exemption must be documented in the purchasing documentation. Health and Human Services Commission (HHSC) requires a signed bid document and a signed purchase to execute a contract with a vendor.

Upon review of selected vendor files, for the Department of State Health Services (DSHS), the following was noted:

- Public Health Preparedness and Response for Bioterrorism, CFDA 93.283 - For the selected and reviewed vendor files, one file contained a final purchase order that was not signed indicating State authorization. A second purchase order was procured under the Direct Publication purchasing guidelines but did not have the required memorandum or statement on the purchase order that the goods/services are not available from any other source. A third file did not have documentation of the solicitation of bids or a bid tabulation nor justification for sole source. Lastly, a fourth vendor file could not be located. The procurement amounts for these four files of forty reviewed was approximately \$87,000.
- Immunization Grants, CFDA 93.268 - For the selected and reviewed vendor files, there was one of twelve vendor files where the original contract amount was estimated to be under the procurement guidelines threshold, however the final procured amount exceeded \$5,000. Formal procurement was not documented for this vendor. The contract amount for this one file was approximately \$7,500.
- Maternal and Child Health Services, CFDA 93.994 - For one of the thirteen selected and reviewed vendor files, documentation was not available to demonstrate an attempt to solicit bids from at least three vendors. Thus there was no evidence that historically underutilized businesses were solicited, bid tabulations were prepared, or sole sourcing was justified. Additionally, there were two vendor files that could not be located at all to review any documentation. The contract amount for these three files of thirteen was approximately \$290,000.
- HIV Care Formula Grants, CFDA 93.917 - One of the three purchase orders reviewed for the selected vendors was not signed indicating State authorization. The contract amount for this vendor was approximately \$35,000.
- Nutrition Program for Women, Infants, and Children, CFDA 10.557 - For one of the thirty-four files selected there was no CMBL listing or bid from the winning vendor. The contract amount for this vendor was \$20,000.

The Health and Human Services Commission (HHSC) has a cost allocation plan for its federal programs. Therefore expenses are allocated to the various federal programs based on the prescribed methods in the respective plans. Upon review of 50 selected vendor files, for the Medicaid Cluster at HHSC, and 40 selected vendor files for Temporary Assistance for Needy Families (TANF) CFDA 93.558, Food Stamp Cluster, and State Insurance Children's Program (SCHIP) CFDA 93.767, the following items were noted for all four programs:

- One vendor file did not have evidence that HHSC verified that the vendor was not suspended or debarred prior to awarding the contract. Upon review of the EPLS, the vendor was not suspended or debarred so there are no questioned costs.

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- Four vendor procurement files did not have signed contracts, bids, bid tabulations, or request for bids. HHSC disbursed approximately \$150,000 to these vendors. Two of these four files did not have antitrust certifications.
- For one vendor a renewal option exercised seven months after the renewal option had expired. The renewal contract was for \$50,000.
- For one vendor file, there was no documentation of bidding or sole source justification. The contract was for approximately \$19,000.

The TANF program had the following addition exception:

- For one additional vendor file, there was no documentation of sole source justification. The contract was for approximately \$19,000.

In addition, the Food Stamp program had the following additional exception:

- One vendor procurement file did not have signed contracts, bids, bid tabulations, or request for bids. The contract was for approximately \$187,000.

### Recommendation:

The Enterprise Contract and Procurement Services Division (ECPS) of the Health and Human Services Commission (HHSC) is responsible for the centralized procurement activity for Department of State Health Services (DSHS) and HHSC vendors. ECPS should ensure that contracts include all required documentation and an accurate record of the procurement history of each vendor is maintained.

### Management Response and Corrective Action Plan:

*As the contracts in question appear to be Legacy Contracts, per Executive Commissioner Action Memo issued November 21, 2006, regarding Legacy Contracts Missing Required Documentation, ECPS will not renew such contracts, but will establish new contracts in compliance with all policies and rules. As of August 31, 2007, contracts without renewal options, or proper documentation were not renewed, and new contracts would be established.*

*ECPS has reviewed and revised its current terms and conditions template which includes antitrust. The template is used for all solicitations and spot purchases to ensure compliance with antitrust requirements. ECPS continues to review current contracts to ensure the antitrust requirements are contained in all "open" contracts, and where found not be, amend the contracts to incorporate the requirements.*

*ECPS has established a policy and procedure that requires a "Procurement File Checklist" be included in all procurement files. The checklist requires all procurement files contain bidding documentation, bid tab, and vendor selection justification. ECPS is developing an internal process for ECPS Team Managers and ECPS Customer Service to conduct random samplings of procurement files to ensure compliance with all state and federal rules.*

*Implementation Date: March 2008*

*Responsible Person: Wayne Wilson*

## Texas Higher Education Coordinating Board

Reference No. 08-22

### Subrecipient Monitoring

(Prior Audit Issue - 07-21)

#### CFDA 84.048 - Vocational Education - Basic Grants to States

Award year - July 1, 2006 to September 30, 2007

Award number - 07420206712001, 07420207712001, 07420208712001, and 07420209712001

Type of Finding - Significant Deficiency

The expense report submission system is part of the Perkins Grants system and is called the "Perkins Project Deliverables" system. It is housed on a Windows NT server and MS SQL database. Developers have access to deploy code changes to production. Three developers have system-administrative privileges on this application. In addition, no formal change-management procedures are in place.

Questioned Cost: \$ 0

U. S. Department of Education

In addition, the Education Data Center (EDC) application is used to accept incoming student reporting and financial aid data from technical and community colleges, the sub recipients. This application is housed on a Windows NT server and MS SQL database (called "EDCPROD"). Developers have access to deploy code changes to production.

When developers have system-administrative access, appropriate segregation of duties are not in place. Users with inappropriate rights to modify application code or data create a risk of unauthorized changes to the production environment and/or a risk of unintentional errors or omissions in processing.

No compliance exceptions were noted per review of 40 subrecipients and the related monitoring that the Texas Higher Education Coordinating Board (THECB) performs.

#### Recommendation:

THECB management remediated the above situations as of April 1, 2007.

#### Management Response and Corrective Action Plan:

##### Perkins Grants response:

*As of April 1, 2007, a third party took over the production servers which house the web code and databases, so new procedures were adopted. The THECB Web Services department has guidelines and documents already in place for formalizing change-management procedures as they relate to documentation of management approval, development, user-testing and final approval of web applications. The informal process was formalized and appropriately documented according to these guidelines with implementation by April 1, 2007.*

##### EDC response:

*Change management procedures that include documentation of management approval, development and user testing, and final approval and sign off have been developed for new development in Information Resources (IR) and have been implemented for Student Loan System. These change management procedures were implemented for EDC applications by April 1, 2007. System-administration access was removed from developers during implementation.*

Implementation Date: April 1, 2007

Responsible Person: Clifford King and Doug Parker



## Texas Juvenile Probation Commission

Reference No. 08-23

### Subrecipient Monitoring

(Prior Audit Issue - 07-23, 06-21, 05-31)

#### CFDA 93.658 - Foster Care - Title IV-E

Award year - October 1, 2005 to September 30, 2006 and October 1, 2006 to September 30, 2007

Award number - G0601TX1401 and G0701TX1401

Type of finding - Significant Deficiency and Non-Compliance

The Texas Juvenile Probation Commission (TJPC) is required by OMB Circular A-133, Section .400 to monitor subrecipients to ensure compliance with Federal rules and regulations, as well as the provisions of the contracts or grant agreements. TJPC's subrecipient monitoring procedures include a risk assessment process, standardized contracts, training and technical assistance, program and financial monitoring and review of agreed-upon procedures reports required to be performed at the juvenile probation department level. TJPC relies on the Department of Protective Services to determine eligibility and to set the reimbursement rates. TJPC passes through a 99% of their Foster Care funds to subrecipients (i.e., Texas counties). During fiscal year 2007 there were approximately 150 counties that received foster care funds of \$40,300,000 from TJPC.

Questioned Cost:	\$ 0
U.S. Department of Health and Human Services	

TJPC relies on the Department of Protective Services to determine eligibility and to set the reimbursement rates. TJPC passes through a 99% of their Foster Care funds to subrecipients (i.e., Texas counties). During fiscal year 2007 there were approximately 150 counties that received foster care funds of \$40,300,000 from TJPC.

More specifically, TJPC's subrecipient monitoring process includes:

- Yearly grant awards exist with each county with an approved 2030 budget form that estimates the amount of foster care entitlement funds expected to be incurred for the fiscal year. The contract is used to communicate the CFDA information and applicable regulations.
- To receive enhanced administrative reimbursement, the county must also file an implementation plan that documents their indirect cost rate. TJPC's fiscal personnel review the implementation plans for completeness and reasonableness of the indirect rate.
- Quarterly or monthly reimbursement requests from the counties are recalculated based on the applicable reimbursement rate by TJPC personnel prior to approval for payment.
- There is a risk assessment process and high risk counties were selected for a financial desk review that includes review of payroll effort documentation, proper use of travel reimbursement rates, and allowability of expenses.
- TJPC also requires an agreed upon procedures report from each county which includes provisions for the local auditor to review the accuracy of the fees paid to private service providers, the categorization of training costs into the appropriate categories, and the allowable expenses for direct and indirect categories. Also the agreed upon procedures report is to note if there are any findings related to the Foster Care program in the county's A-133 report.

For the fiscal year 2007, the top 18 counties received a financial desk review and no financials reviews were performed in 2006. As part of the desk reviews TJPC selects expenditures for one quarter and requests invoices and payroll detail, including timesheets, to assess the allowability of expenditures.

TJPC's monitoring process also relies heavily on the performance of the agreed upon procedures reports. The suggested procedures in the agreed-upon procedures polices and not specific enough to determine whether the respective auditors are selecting samples of invoices and timesheets to review for allowable costs.

#### Recommendation:

TJPC should consider the need to increase the amount of financial monitoring and/or to modify the agreed-upon procedures to be more specific in addressing the OMB Circular A-133 requirements.

Management Response and Corrective Action Plan:

*It is TJPC's policy to use a risk assessment to identify and audit the juvenile probation departments receiving Title IV-E funds that are at the highest risk. Based on the revised risk assessment, 20 counties received either a financial desk audit or an on-site audit during the 2006-2007 biennium. Title IV-E funds were allocated under the State Financial Assistance Contract which is a biennium contract for fiscal years 2006-2007. The audit period for each audit was established to be the 1<sup>st</sup> Quarter of fiscal year 2006. Revisions to the contract requirements (Compliance Resource Manual) can only be made for the next contract period 2008-2009.*

*The audits included a random sample of expenditures in the budget categories of salaries and fringe benefits, travel, supplies and utilities to determine whether those expenditures are allowable and should have been included in the administrative claim for reimbursement to the department. The audit also includes a review of expenditures paid with Title IV-E reimbursement funds. If it was determined that expenditures were unallowable, those funds were refunded back to TJPC.*

*The Title IV-E Fiscal Unit conducts trainings and provides technical assistance to all departments throughout the biennium due to the requirement revisions by the federal government and the Texas Department of Family and Protective Services.*

*Implementation Date: September 1, 2008*

*Responsible Person: Annie Collier*

**Department of State Health Services**

Reference No. 08-24

**Allowable Costs/Cost Principles**

**Period of Availability of Federal Funds**

(Prior Audit Issue - 07-30)

**CFDA 93.268 - Immunization Grants**

**Award year - January 1, 2006 to December 31, 2006 and January 1, 2007 to December 31, 2007**

**Award number - CCH622571 - 04 and CCH622571 - 05**

**CFDA 93.889 - National Bioterrorism Hospital Preparedness Program**

**Award year - September 1, 2005 to August 31, 2006 and September 1, 2006 to August 31, 2007**

**Award number - U3RHS05946-01-01 and U3RHS07583-01-00**

**CFDA 93.917 - HIV Care Formula Grants**

**Award year - April 1, 2006 to March 31, 2007 and April 1, 2007 to March 31, 2008**

**Award number - 6 X07HA00054-16 and 2 X07HA00054-17**

**CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse**

**Award year - October 1, 2004 to September 30, 2006, October 1, 2005 to September 30, 2007 and October 1, 2006 to September 30, 2008**

**Award number - 05BITXSAPT, 06BITXSAPT, and 07BITXSAPT**

**CFDA 93.994 - Maternal and Child Health Services Block Grant to the States**

**Award year - October 1, 2005 to September 30, 2007 and October 1, 2006 to September 30, 2008**

**Award number - 6 B04MC06591-01 and 1 B04MC07774-01**

**Type of finding - Significant Deficiency and Non-Compliance**

In accordance with OMB Circular A-87, attachment B, Section 8h(3), "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee."

Questioned Cost:	\$18,050
U.S. Department of Health and Human Services	

For employees who are expected to work on multiple activities or cost objectives, a distribution of their salaries or wages are required to be supported by personnel activity reports or equivalent documentation which:

- Reflect an after-the-fact distribution of the actual activity of each employee,
- Account for the total activity for which each employee is compensated,
- Are prepared at least monthly and must coincide with one or more pay periods, and
- Are signed by the employee.

At the Department of State Health Services (DSHS) most employees are paid monthly and, regardless of whether they work solely on one Federal award or multiple awards, they are all required to complete timesheets at least monthly. Typical monthly timesheet activity consists of regularly scheduled hours worked and charged to the labor account codes assigned to the employee's position. Employees have a position number that is set up at the start of each year with a task profile containing the number of hours the employee is expected to work each week and the fund and labor account codes that the employee is budgeted to charge. When an employee does not deviate from their task profile during the month, all that is required is that they sign the timesheet and check the box that there were no deviations from task profile. When their actual time deviates from the task profile (e.g. sick time, vacation time, hours worked on different projects), the employee enters in the corresponding differences in hours and/or activities from the profile and signs the timesheet. Regardless of whether an employee deviates from their task profile or not, these monthly timesheets serve as certification of hours worked and are required by DSHS policy to be approved and signed by the employee and the employee's supervisor.

- Out of 13 payroll items tested for CFDA 93.268 - Childhood Immunization, one timesheet submitted was not signed and certified by the employee or the employee's supervisor in a timely fashion. The timesheet was signed more than 90 days after the end of the pay period. Approximately \$3,050 was charged to the grant for this individual for this pay cycle. Total payroll and benefits charged to this grant for the fiscal year were approximately \$2,217,000.
- Out of 14 payroll items tested for CFDA 93.889 - National Bioterrorism Hospital Preparedness Program, three timesheets were not signed and certified by the employee or the employee's supervisor in a timely fashion. The timesheets were signed more than 90 days after the end of the pay period. Approximately \$8,400 was charged to the grant for these individuals for this pay cycle. Total payroll and benefits charged to this grant for the fiscal year were approximately \$1,747,000.
- Out of two payroll items tested for CFDA 93.917 - HIV Care, one timesheet submitted was not signed by the employee's supervisor. Approximately \$5,370 was charged to the grant for this individual for this pay cycle. Total payroll and benefits charged to this grant for the fiscal year were approximately \$1,260,000.
- Out of 35 payroll items tested for CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse, two timesheets submitted were not signed and certified by the employee or the employee's supervisor in a timely fashion. The timesheets were signed more than 90 days after the end of the pay period. Approximately \$730 was charged to the grant for these two individuals for this pay cycle. Total payroll and benefits charged to this grant for the fiscal year were approximately \$4,738,916.
- Out of 28 payroll items tested for CFDA 93.994 - Maternal and Child Health Services, one timesheet submitted was not signed and certified by the employee or the employee's supervisor in a timely fashion. The timesheets were signed more than 90 days after the end of the pay period. Approximately \$500 was charged to the grant for this individual for this pay cycle. Total payroll and benefits charged to this grant for the fiscal year were approximately \$6,861,000.

Recommendation:

DSHS should reinforce the importance of monthly approval of the timesheets by the employees and supervisors and have regular trainings/meetings on the importance of this process. Supervisors should be aware of which employees are assigned to them and be held accountable for their employees' timesheets by someone in human resources or other supervisory official, including those employees that have resigned during a pay cycle.

Management Response and Corrective Action Plan:

*DSHS management concurs with the finding. DSHS understands the importance of timely certification of work performed and has made great strides in the last few years in ensure our timekeeping policies and procedures address this requirement. DSHS will distribute bulletins beginning January 2008 and will meet with DSHS senior managers to review the agency policy and procedures regarding the approval of monthly timesheets. In addition, training on proper procedures for completion of timesheets will be incorporated into the new hire orientation.*

*Implementation Date: May 31, 2008*

*Responsible Person: Wilson Day*

Reference No. 08-25

**Allowable Costs/Cost Principles**

**Special Tests and Provisions - Food Instrument Disposition**

**Special Tests and Provisions - Review of Food Instruments to Enforce Price Limitations and Detect Errors**

(Prior Audit Issue - 07-31)

**CFDA 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)**

**Award year - October 1, 2005 to September 30, 2006 and October 1, 2006 to September 30, 2007**

**Award number - 6TX700506**

**Type of finding - Significant Deficiency**

The Department of State Health Services (DSHS) utilizes the WIC EBT (Lone Star cards) and WIC TX WIN (paper voucher) systems to process the food vouchers for the Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA 10.557 (WIC). Development Team Leads have access to migrate changes to the production environment for both systems. Access to migrate changes to production environment should be restricted appropriately based on job function to help ensure adequate internal controls are in place and appropriate segregation of duties exist. In general, programmers should not have access to migrate changes to production environment. In addition, no periodic review is performed of active users and user access right to identify and remove inappropriate system access to WIC EBT or WIC TX WIN.

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

No compliance exceptions were noted related to this test work for the major program above.

Recommendation:

DSHS management should restrict access based on the individual's job responsibility, including restricting developer access from migrating code into production. Also management to perform a periodic review of active users and user access rights to ensure appropriate segregation of duties is established.

Management Response and Corrective Action Plan:

*The Information Services Section's Nutrition Services Support Branch (NSSB) concurs with KPMG's finding from the WIC IT general controls audit. NSSB is implementing a new change management solution that integrates software change and configuration management to improve systems security, traceability and control. One feature of the change management solution is a build and deployment tracking component that extends traceability across the entire software development life cycle. While having a separate configuration/release staff function available has been WIC IT's goal, resource limitations have precluded this separation of duties from being implemented. Until full deployment of the anticipated structured change and configuration management system, IT management will continue to look for alternatives to strengthen this IT general control.*

Implementation Date: July 2008

Responsible Person: Jay Wilbur

Reference No. 08-26

**Earmarking**

(Prior Audit Issue - 07-34 and 05-11)

**CFDA 93.994 - Maternal and Child Health Services Block Grant to the States**

**Award year - October 1, 2005 to September 30, 2007 and October 1, 2006 to September 30, 2008**

**Award number - 6 B04MC06591-01 and 1 B04MC07774-01**

**Type of finding - Significant Deficiency and Non-Compliance**

In accordance with 42 USC 705(a)(3)(A) and 42 USC 705(a)(3)(B), the state agency must use at least 30% of payment amounts for services for children with special health care needs.

Questioned Cost: \$1,702,900

U.S. Department of Health and  
Human Services

Monthly reports are submitted to management which detail the current expenditure level and to-date percentage for each of the earmarking requirements. Although funds are earmarked at the beginning of the award period in amounts sufficient to meet the percentage requirements, the subrecipient contracts used to meet these requirements are sometimes not fully expended during the grant award period and thus, cause the Department of State Health Services (DSHS) to be noncompliant with these minimum earmarking requirements. It was noted that the state agency used 25.5% of total federal funds on services for children with special health care needs for the award year October 1, 2004 - September 30, 2006. An additional approximately \$1,702,900 was needed for children with special health care needs.

Recommendation:

DSHS should enhance its monitoring process to ensure that earmarking requirements are met for each grant. During this monitoring, DSHS might need to consider earmarking additional funds as situations are noted where anticipated earmarking will not be met by a particular subrecipient.

Management Response and Corrective Action Plan:

*During the state fiscal year 2005, the Title V program leadership received monthly reports showing current federal expenditures and related percentages to the total expenditures for each maternal and child health population (women and infants, children, and children with special health care needs [CSHCN]). However, because these monthly reports were based on the state fiscal year (September 1, 2004-August 31, 2005) rather than the federal fiscal year (October 1, 2004-September 30, 2005), the timing difference contributed to difficulties in monitoring compliance or non-compliance with all earmarking requirements. To enhance the effectiveness of the current process, the State Title V Director has met with the DSHS Funds Reporting Branch staff to redesign the monthly report template to include the federal fiscal year.*

*However, these efforts will not fully guarantee compliance with federal requirements since the Title V program operates in a volatile environment over which the program does not have complete control. Among the factors that impact the level of expenditures for children for any given year are the number of children eligible for public assistance programs (i.e., Medicaid and CHIP), changes in poverty levels of Texas families and individuals (e.g., employment, insurance coverage), changes in benefits covered by Medicaid and CHIP, natural disasters, and state/local laws.*

*In addition, in fiscal year 2005, a large amount of federal expenditures was spent toward the extraordinary unmet needs of pregnant women which Title V-funded contractors were facing in their communities. As stipulated by the federal Title V Block Grant Guidance, the State Title V Director will submit a request for a retroactive waiver from the Section 501(a)(1)(D) requirement to spend at least 30% of the total federal expenditures on CSHCN. A similar request for a retroactive waiver was approved for fiscal year 2004 by the federal Maternal and Child Health Bureau Administrator.*

*Action Plan*

1. *Using the revised template, monitor federal expenditures for 12 consecutive months starting from the second quarter. This will allow Title V Program leadership to monitor the earmarking requirements for three (3) months after the end of the federal fiscal year. The monthly report, based upon the federal fiscal year, will be available on the 20<sup>th</sup> of each month. These monthly reports will be cumulative.*
2. *Continue to identify throughout the year new and/or existing types of services and activities dedicated for children and CSHCN and budget them with federal funds.*
3. *Submit a request to waive retroactively the 30% requirement of total federal expenditures on services for CSHCN for fiscal year 2005.*

*Implementation Date: January 2008*

*Responsible Person: Fouad Berrahou*

Reference No. 08-27

**Special Tests and Provisions - Control, Accountability and Safeguarding of Vaccines**

**CFDA 93.268 - Immunization Grants**

**Award year - January 1, 2006 to December 31, 2006 and January 1, 2007 to December 31, 2007**

**Award number - CCH622571 - 04 and CCH622571 - 05**

**Type of finding - Non-compliance**

According to Federal requirements at A-102 Common Rule §\_\_\_.20, State recipients are required to maintain effective control and accountability for all vaccines. Furthermore, vaccines must be adequately safeguarded and used solely for authorized purposes.

Questioned Cost:	\$ 0
U.S. Department of Health and Human Services	

The storage and distribution of vaccines was outsourced to a third party - General Injectable and Vaccines (GIV) during fiscal year 2004. Historically, GIV has hired their independent auditor to perform an Agreed Upon Procedures (AUP) engagement related to GIV inventory, consisting of testing the roll forward of vaccines including receipt, transfer to providers, loss, and ending inventory. Additionally, DSHS has historically done a yearly site visit of GIV to ensure proper safeguarding of vaccines.

Per DSHS management, neither the AUP nor the site visit was performed during fiscal year 2007. DSHS management noted that the GIV contract was initially going to be terminated in the middle of fiscal year 2007, and the shipping and storing of vaccines was going to be taken over by the Centers for Disease Control (CDC). However, this transfer of responsibilities was delayed until subsequent to fiscal year 2007. To compensate for the delay in transfer, DSHS did monitor estimated to actual inventory on a monthly basis by vaccine to manage the levels of inventory on hand.

*Recommendation:*

In order to ensure adequate control, accountability and safeguarding of such vaccines, DSHS should ensure adequate procedures are put in place once the transfer to CDC is completed.

*Management Response and Corrective Action Plan:*

*DSHS agrees that quality assurance and inventory control measures are vital to the immunization program. The CDC postponed the planned transfer of responsibilities to the new federal distribution contractor four separate times in 2007. The transfer of responsibilities had been originally scheduled for late 2006 and the transfer finally occurred on September 4, 2007.*

*From April through September, DSHS was required by the CDC to implement, and did implement, alternative quality assurance measures. Because of the upcoming transition to the national distributor, DSHS staff worked with CDC and GIV on a strict spend-down of inventory at GIV. Rigid inventory control measures were put in place and were monitored on a weekly basis by both DSHS and the CDC to ensure that GIV had as close to zero product as possible when DSHS transitioned to the CDC's contractor. Since vaccine distribution for Texas is now handled through the federal contract, no future site visits and independent audits are planned by the DSHS program. See attached communication from CDC outlining the scheduling delays.*

**From:** McKnight, Harry (CDC/CCID/NCIRD) [mailto:hlm4@CDC.GOV]  
**Sent:** Friday, October 26, 2007 1:50 PM  
**To:** Sims, Jack  
**Cc:** Ritter, Mark; Slater, Sharon R  
**Subject:** Transition Schedule Delays

Dear Jack,

The Immunization Services Division of the Centers for Disease Control and Prevention greatly appreciate your cooperation as we transition from grantee individual vaccine distributors to one centralized vaccine distributor. We are particularly grateful for your patience as we face the many challenges brought about by this change. Initially, Texas was scheduled to transition in calendar year 2006 but unforeseen circumstances caused delays. Additionally, issues continued to present resulting in even more delays (January 2007, April 2007, August 2007, and September 2007) in the transition of Texas to a centralized distributor.

We understand that it has been difficult to plan your usual and normal vaccine related activities. We are working to finalize the new transition schedule and I will contact you upon its completion. Should you have any questions please do not hesitate to contact me.

Thanks,  
 Harry L. McKnight  
 Project Officer  
 Program Operations Branch  
 Immunization Services Division  
 National Center for Immunization and Respiratory Diseases  
 Centers for Disease Control and Prevention  
 (404) 639-8150 phone  
 (404) 428-9741 cell  
 (404) 639-8615 fax

U.S. Mail:  
 1600 Clifton Road, NE  
 Mail Stop E-52  
 Atlanta, GA 30333

Shipping Address:  
 12 Corporate Square  
 Room 4201  
 Atlanta, GA 30329

*Implementation Date: Not applicable*

*Responsible Person: Karen Hess*



Reference No. 08-28

**Special Tests and Provisions - Food Instrument Disposition**

**CFDA 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)**

**Award year - October 1, 2005 to September 30, 2006 and October 1, 2006 to September 30, 2007**

**Award number - 6TX700506**

**Type of finding - Significant Deficiency and Non-Compliance**

In accordance with 7 CFR Section 246.12(q) a State agency is required to account for the disposition of all food instruments within 150 days of the food instrument's first valid date for participant use. That time frame was reduced to 120 days for all food instruments issued on or after March 27, 2007. The State agency must identify all food instruments as either issued or voided; and identify issued food instruments as either redeemed or unredeemed. Redeemed food instruments must be identified as one of the following: (1) validly issued, (2) lost or stolen, (3) expired, (4) duplicate, or (5) not matching valid enrollment and issuance records. State agencies generally do this by analyzing computer reports that provide detailed issuance and redemption information on each food instrument.

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

A sample of 40 unreconciled food instruments issued in fiscal year 2007 was selected for review. 6 of the 40 items exceeded the 150 or 120 days requirement to identify the status of the food instrument. In two of the six cases, the food instruments were issued prior to March 27, 2007 and exceeded the 150 day requirement by 41 and 4 days. In the other four cases, the food instruments were issued subsequent to March 27, 2007 and exceeded the 120 day requirement by one to six days. Per review of these six situations, DSHS contacted the local agency approximately more than 90 days subsequent to the issue date. In each case, WIC Food Issuance and Redemption Services (FIRS) indicated that follow up phone calls were made to the local agency; however, there was no formal tracking of these attempted contacts. All six vouchers were found to be correctly classified as issued, lost, expired, duplicated, or not matched; therefore, there are no questioned costs.

Recommendation:

DSHS should enhance its monitoring process to ensure that all food instruments are reconciled within the required 120 day period. DSHS should reevaluate their notification process to determine if the initial contact with the local agency can occur sooner than the current 90 day timeframe. This would allow for additional time to follow up with the local agency if no response is received within the DSHS policy of 30 days. In instances where WIC local agencies are delayed in responding to letter requests sent by WIC-FIRS, controls should be in place to document all due diligence to ensure a timely response is received.

Management Response and Corrective Action Plan:

*The Texas WIC Program has had a successful track record over the years of meeting the federal requirement for one-to-one reconciliation of redeemed WIC food instruments against validly issued food instruments within a 150-day regulatory window. However, as noted in the audit finding, the federal requirement was lowered from 150-days to 120-days on March 27, 2007. The Texas automated system for benefit issuance and claims processing with resultant end-of-claims-processing-month summary reports including one-to-one reconciliation did not change. Therefore, the time allowed for state staff to identify unreconciled instruments, correspond with the issuing WIC local contractors, and reconcile such instruments was compressed.*

*State staff is aware of the shorter time requirement for reconciling food instruments. The WIC Program has increased its efforts working with local agency contractors to get timely responses to reconciliation requests including follow-up phone calls to contractors who have not responded to requests within 5 business days. Effective December 6, 2007, DSHS implemented procedures to contact WIC Local Agencies daily by phone to encourage them to respond to the WIC FIRS request letters. Each phone contact is documented on a local agency Transmission Report for the issuance month. DSHS will strive to achieve 100% reconciliation within 120 days from first date to spend.*

The WIC Federal Regulations do mandate 100% reconciliation within 120 days from first date to spend (150 days prior to March 27, 2007). In excess of 99% of issued food instruments are reconciled well within the 120/150 day timeline. A review of the audited months reflects the following:

For Issue Month October 2006, there were 1,798,455 food instruments redeemed for \$42,066,958.69. Of the total, 126 food instruments (.00007%) redeemed for \$3,424.63 required manual reconciliation. All were reconciled. The two exception food instruments redeemed for \$6.02 were reconciled after the 150 day requirement.

For Issue Month April 2007, there were 1,687,875 food instruments redeemed for \$40,833,327.98. Of the total, 158 food instruments (.00009%) redeemed for \$5,555.37 required manual reconciliation. All were reconciled. The two exception food instruments redeemed for \$30.27 were reconciled after the 120 day requirement.

For Issue Month May 2007, there were 1,822,013 food instruments redeemed for \$42,274,427.70. Of the total, 166 food instruments (.00009%) redeemed for \$6,673.00 required manual reconciliation. All were reconciled. The two exception food instruments redeemed for \$126.18 were reconciled after the 120 day requirement (one exceeded 120 days by one day; the second by six days).

Implementation Date: December 6, 2007

Responsible Person: Mary Alice Winfree

Reference No. 08-29

### Special Tests and Provisions - Peer Reviews

#### CFDA 93.958 - Block Grants for Community Mental Health Services

Award year - October 1, 2004 to September 30, 2006, October 1, 2005 to September 30, 2007; October 1, 2006 to September 30, 2008

Award number - 05B1TXCMHS; 06B1TXCMHS; 07B1TXCMHS

Type of finding - Material Weakness and Scope Limitation

The Department of State Health Services (DSHS) must provide for independent peer reviews that assess the quality, appropriateness, and efficacy of treatment services provided to individuals. At least five percent of the entities providing services in the State shall be reviewed annually. The entities reviewed shall be representative of the entities providing the services (42 USC 300x-53(a)).

Questioned Cost:	\$ 0
U.S. Department of Health and Human Services	

To determine the sufficiency of peer reviews, DSHS provided two different types of reviews performed during fiscal year 2007. The first type was a review of Mental Health and Mental Retardation (MHMR) Texoma Center (the Center) whose purpose was to provide the DSHS Mental Health Contracts Unit with an accurate assessment of the current business and operational practices that may be hindering the Center from operating in a financially viable and stable manner, and to provide written recommendations to DSHS regarding the feasibility of returning the Center to financial stability. The second review had the goal of determining whether the Local Mental Health Authorities (LMHAs) were meeting the standards outlined in the Mental Health Community Standards, Rule 412.310 requiring centers to meet a 14-day timeframe between when a person makes an initial call to when the person is first seen for an initial intake for routine services. Neither of these types of reviews was sufficient to meet the Federal compliance requirement for peers reviews noted above.

DSHS's rationale for not performing peer reviews is that they believe that communications from the Substance Abuse and Mental Health Services Administration (SAMHSA), the federal cognizant agency, waived DSHS of this requirement. The correspondence from SAMHSA indicates that while the requirement for peer reviews remains in the statute for the program, it is not monitored or reviewed by SAMHSA, and efforts have been made and continue to be made to remove this requirement from the statute.

Recommendation:

DSHS should establish a peer review process that is compliant with Federal requirements. In addition, DSHS can continue to work with SAMHSA to remove the requirement from statute.

Management Response and Corrective Action Plan:

*DSHS continues to receive guidance from SAMHSA (as noted above) stating the recommendation of the removal of this requirement from the statute.*

*Until such time the removal of this requirement is enacted, DSHS will work with the Independent Peer Review Subcommittee (IPRS) of the Mental Health Planning & Advisory Committee (MHPAC) to establish peer review goals for each fiscal year. The IPRS will monitor, review and evaluate the adequacy and appropriateness of mental health services delivered to Texans through reviewing data and reports. Data from each Local Mental Health Authority (LMHA) will be compared with statewide data to measure services provided, outcomes achieved, and the progress made in the implementation of plans or initiatives by DSHS. The IPRS will also provide oversight of DSHS's data collection processes, tools used to gather the data, analysis, and how the measures are used to evaluate quality, appropriateness of care, and compliance with community standards and the performance contract.*

*DSHS staff will assist the MHPAC as needed to accomplish the goals for each fiscal year. At the MHPAC peer review subcommittee's request, DSHS staff will attend workgroup meetings to provide related mental health service delivery and quality management information for their analysis.*

*The IPRS is different from other peer review entities in that it evaluates the quality and appropriateness of care from a system perspective, rather than reviewing the care of one consumer or provider at a time and ensures that all providers, not just 5 percent of the funded entities, will always be reviewed.*

*Implementation Date: Ongoing*

*Responsible Person: Joe Vesowate*

Reference No. 08-30

**Subrecipient Monitoring**

(Prior Audit Issue –07-36, 06-16, 05-20, 05-18, 04-07, 04-27, 03-12, 02-11, 02-15, 02-19, 01-555-36)

**CFDA 93.217 - Family Planning - Services**

**Award year - April 1, 2007 to March 31, 2008 and April 1, 2006 to March 31, 2007**

**Award number - 2 FPHPA060898-26 and 5 FPHPA060898-25**

**CFDA 93.268 - Immunization Grants**

**Award year - January 1, 2006 to December 31, 2006 and January 1, 2007 to December 31, 2007**

**Award number - CCH622571 - 04 and CCH622571 - 05**

**CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance**

**Award year - August 31, 2006 to August 30, 2007**

**Award number - U90/CCU617001-07**

**CFDA 93.889 - National Bioterrorism Hospital Preparedness Program**

**Award year - September 1, 2005 to August 31, 2006 and September 1, 2006 to August 31, 2007**

**Award number - U3RHS05946-01-01 and U3RHS07583-01-00**

**CFDA 93.917 - HIV Care Formula Grants**

**Award year - April 1, 2007 to March 31, 2008 and April 1, 2006 to March 31, 2007**

**Award number - 2 X07HA00054-17 and 6 X07HA00054-16**

**CFDA 93.940 - HIV Prevention Activities - Health Department Based**

Award year - January 1, 2007 to December 31, 2007 and January 1, 2006 to December 31, 2006

Award number - U62/CCU623516 and U62/CCU623516

**CFDA 93.958 - Block Grants for Community Mental Health Services**

Award year - October 1, 2004 to September 30, 2006, October 1, 2005 to September 30, 2007; October 1, 2006 to September 30, 2008

Award number - 05B1TXCMHS; 06B1TXCMHS; 07B1TXCMHS

**CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse**

Award year - October 1, 2006 to September 30, 2008, October 1, 2005 to September 30, 2007 and October 1, 2004 to September 30, 2006

Award number - 07B1TXSAPT, 06B1TXSAPT, and 05B1TXSAPT

**CFDA 93.994 - Maternal and Child Health Services Block Grants to the States**

Award year - October 1, 2005 to September 30, 2007 and October 1, 2006 to September 30, 2008

Award number - 6 B04MC06591-01 and 1 B04MC07774-01

**Non-major Programs:**

CFDA 14.241 - Housing Opportunities for Persons with AIDS

CFDA 66.001 - Air Pollution Control Program Support

CFDA 66.701 - Toxic Substances Compliance Monitoring Cooperative Agreements

CFDA 93.000 - Hansen's Disease and Detection of Latent Tuberculosis Infection in Health Care Workers

CFDA 93.006 - State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program

CFDA 93.018 - Strengthening Public Health Services at U.S.-Mexico Border

CFDA 93.116 - Project Grants and Cooperative Agreements for Tuberculosis Control Programs

CFDA 93.150 - Projects for Assistance in Transition from Homelessness

CFDA 93.197 - Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children

CFDA 93.230 - Consolidated Knowledge Development and Application (KD&amp;A) Program

CFDA 93.235 - Abstinence Education Program

CFDA 93.243 - Substance Abuse and Mental Health Services - Projects of Regional and National Significance

CFDA 93.275 - Substance Abuse and Mental Health Services - Access to Recovery

CFDA 93.279 - Drug Abuse and Addiction Research Programs

CFDA 93.558 - Temporary Assistance for Needy Families

CFDA 93.566 - Refugee and Entrant Assistance - State Administered Programs

CFDA 93.576 - Refugee and Entrant Assistance - Discretionary Grants

CFDA 93.667 - Social Services Block Grant

CFDA 93.769 - Demonstration to Maintain Independence and Employment

CFDA 93.943 - Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups

CFDA 93.944 - Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance

CFDA 93.945 - Assistance Programs for Chronic Disease Prevention and Control

CFDA 93.974 - Family Planning - Service Delivery Improvement Research Grants

CFDA 93.977 - Preventative Health Services - Sexually Transmitted Diseases Control Grants

CFDA 93.978 - Preventative Health Services - Sexually Transmitted Diseases Research, Demonstrations, and Public Information and Education Grants

CFDA 93.982 - Mental Health Disaster Assistance and Emergency Mental Health

CFDA 93.988 - Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems

CFDA 93.991 - Preventive Health and Health Services Block Grant

CFDA 97.032 - Crisis Counseling

Type of finding - Significant Deficiency and Material Non-Compliance

Department of State Health Services (DSHS) passed through approximately 26% of federal funds for fiscal year 2007 to subrecipients to carry out the objectives of the federal programs. DSHS is required by OMB Circular A-133, Section .400, to monitor subrecipients to ensure compliance with Federal rules and regulations, as well as the provisions of the contracts or grant agreements. According to OMB Circular A-133, DSHS also must ensure that subrecipients expending Federal funds in excess of \$500,000 have an OMB Circular A-133 Single Audit performed and provide a copy to DSHS. DSHS is to review the report and to issue a management decision, if applicable.

Questioned Cost: \$ 0

U.S. Department of Health and Human Services  
U.S. Department of Homeland Security  
U.S. Department of Housing and Urban Development  
Environmental Protection Agency

DSHS' subrecipient monitoring procedures include use of standardized contracts, a risk assessment process, technical assistance, program monitoring, and financial monitoring. The A-133 audit report collection and review is centralized and performed by Health and Human Services Commission (HHSC) Office of Inspector General (OIG) for the State of Texas. In addition, each of the three divisions of DSHS with subrecipient contracts also have a Contract Management Unit (CMU) to perform a variety of procedures for their respective grants. Some of the CMU procedures include: review and approval of requests for payments received from subrecipients and monitoring of periodic reports received to ensure the respective subrecipient remains within the budget per the contract, perform closeout procedures, and coordinate and communicate with the Director, Contract Oversight and Support Section, and other DSHS departments, to ensure subrecipient contracts include necessary elements, and necessary issues are being escalated when required.

While there has been an increase in communication between the various departments involved in the subrecipient monitoring processes, from contract set-up through contract close-out, there is still heavy reliance placed on the financial monitoring site visits and other fiscal related activities being performed by the Contract Oversight and Support Section (COS). The procedures conducted by the CMU are primarily high level and do not appear to adequately lessen the reliance placed on the site visits and other fiscal activities being performed by COS.

Furthermore, for a number of the financial monitoring visits performed in the last two years, the monitoring reports did not appear to be reviewed timely by management. Some on-site review reports have still not been sent out to the subrecipient to notify them of their findings and it had been six months or more after the initial visit. Additionally, while HHSC OIG notifies COS personnel at DSHS of subrecipient A-133 findings specific to DSHS funding and of delinquent submissions, DSHS does not appear to have formal policies and procedures in place in regards to how to proceed with the recording, imposing, and maintaining of sanctions on subrecipients in this regard.

The 2007 level of funding for the overall COS risk assessment at DSHS is as follows:

- 262 high risk subrecipients receiving approximately \$133.4 million in funding,
- 297 moderate risk receiving approximately \$298.7 million in funding and
- 59 low risk subrecipients receiving approximately \$50.9 million in funding.

Included in the above subrecipient totals, is an estimated 34% of contract funds that are paid on a unit rate or fee for service basis. These contracts consist of mainly a set fee paid for each service provided (i.e., shot given, claim processed, etc.). COS identifies the unit rate subrecipients in their risk assessment process within the payment type attribute. This attribute is given a 10% weighting factor in the overall COS risk assessment score, which is considered in the selection of sites to visit by COS. In addition, the unit rate contracts are monitored through programmatic reviews utilizing audit procedures such as review of claims, eligibility determinations, resulting deliverables, and vaccine usages.

Financial monitoring of subrecipients by COS is summarized below for the past three years. The three year coverage is approximately 68%.

- In fiscal year 2007, 90 of approximately 620 subrecipients, 19% of subrecipient contract values
- In fiscal year 2006, 83 of approximately 520 subrecipients, 30% of subrecipient contract values
- In fiscal year 2005, 69 of approximately 725 subrecipients, 19% of subrecipient contract values

KPMG also notes that out of the 90 subrecipients who had financial monitoring site visits in 2007, 12 (13%) were rated as low risk, 35 (39%) were rated as moderate risk, and the remaining 48% visited were considered high risk.

Additionally, out of the 90 subrecipients visited for financial monitoring in 2007, 54 (60%) had been finalized with the final report being sent to the subrecipient as of October 2007. The remaining 2007 financial site visits were pending either the initial draft report to the subrecipient, the subrecipient's corrective action plan, or the final acceptance report to the subrecipient. On average, the amount of time it took to get an initial report out to the subrecipient after a financial monitoring review in fiscal year 2007 was 4.5 months.

Total payments to subrecipients charged to the major and non-major programs for fiscal year 2007 were:

<u>Federal Program</u>	<u>Amount Charged to the Federal Program in FY07</u>
CFDA 14.241	\$ 2,870,081
CFDA 66.001	20,000
CFDA 66.701	4,200
CFDA 93.000	311,187
CFDA 93.006	40,032
CFDA 93.018	377,933
CFDA 93.116	3,935,892
CFDA 93.150	3,700,144
CFDA 93.197	408,253
CFDA 93.217	15,134,323
CFDA 93.230	50,146
CFDA 93.235	4,255,467
CFDA 93.243	7,048,397
CFDA 93.268	8,939,727
CFDA 93.275	13,177,647
CFDA 93.279	18,586
CFDA 93.283	66,384,231
CFDA 93.558	1,912,379
CFDA 93.566	2,568,904
CFDA 93.576	32,613
CFDA 93.667	3,030,622
CFDA 93.769	2,065,194
CFDA 93.889	29,661,263
CFDA 93.917	18,020,939
CFDA 93.940	10,147,421
CFDA 93.943	39,494
CFDA 93.944	1,011,591
CFDA 93.945	49,387
CFDA 93.958	31,402,188
CFDA 93.959	115,036,407
CFDA 93.974	174,997
CFDA 93.977	4,808,094

<u>Federal Program</u>	<u>Amount Charged to the Federal Program in FY07</u>
CFDA 93.978	305,141
CFDA 93.982	7,200,052
CFDA 93.988	440,412
CFDA 93.991	2,295,578
CFDA 93.994	13,259,247
CFDA 97.032	641,087
Total	\$ 370,779,256

Recommendation:

Consideration should be given to enhancing and standardizing other financial monitoring procedures to be performed by other divisions in an effort to reduce the reliance currently placed on financial monitoring done by COS. For example, the CMU's could perform periodic reviews of source documents to be provided by the subrecipient, in an effort to verify expenditures on a "real-time" basis. Other possible solutions include identifying the subrecipients and contract amounts with unit rate or fee for service basis contracts and excluding these from COS site visit selection process, provided these contracts are monitored sufficiently by CMUs or other program personnel. Also, COS could reassess the selection of subrecipients to visit, with the emphasis on high risk subrecipients due to the limited resources available.

DSHS management can then reassess the sufficiency of financial monitoring necessary to be performed by COS based on these and other such auxiliary monitoring procedures performed by the CMU and other parties contributing to the subrecipient monitoring process.

Additionally, deadlines should be placed on communications with subrecipients after initial financial monitoring is performed. Furthermore, enhancements should be made to the tracking of sanctions on subrecipients, specifically A-133 non-compliance, so that all relevant parties can quickly access and analyze this information. Policies need to be in place with timelines and authority for imposing such sanctions and a clear audit trail when such sanctions are not imposed.

Management Response and Corrective Action Plan:

*As noted by the auditors, the Department of State Health Services (DSHS) has made great strides in the financial monitoring of subrecipient contracts. Communication across all stages in contracting has improved between the various DSHS departments involved in the subrecipient monitoring processes and improvements are continuing in fiscal year 2008.*

*Based on the guidance received from the auditors, DSHS will continue to enhance and strengthen the agency's overall subrecipient monitoring processes.*

*DSHS will:*

- *Revise the current 2008 audit plan to enhance current risk assessment processes to aid in more focused identification of high-risk subrecipient contractors and fiscal monitoring of contractors and to further integrate relevant program elements into the annual fiscal monitoring risk assessment.*
- *Review internal and external best practices and identify risk model elements. Develop and implement an agency-wide approach to performance risk assessment. Examples of elements that may be included are an assessment of unusual contract requirements or complex contract, impact of the contractor's failure to perform, or scope and complexity of the work to be completed.*

- *Develop and implement an enhanced and strengthened on-site subrecipient fiscal monitoring process that ensures timeliness of on-site review reports to subrecipients and communication of issues both within the agency and with subrecipients, as well as improved tracking of sanctions on subrecipients.*
- *Enhance financial monitoring procedures performed by program divisions that will strengthen and supplement COS financial monitoring practices.*
- *Reassess the sufficiency of financial monitoring activities performed by COS, CMUs and other parties to ensure appropriate alignment of agency resources.*

*The agency will continue to implement policies, contract procedures, and tracking enhancements to improve contract review, documentation, and follow-up. The following improvements have been implemented or are in progress:*

- *On-site fiscal monitoring information is included in the DSHS contract database and can be accessed by the Division contract managers.*
- *An agency-wide repayment/recoupment policy was implemented along with revisions to the contract database to track subcontractor repayments and, when needed, proceed through appropriate enforcement.*
- *A draft policy is under review that will establish agency-wide procedures for delinquent Single Audit Reports and imposition of consistent sanctions.*
- *A Commissioner's Directive will be implemented that clarifies contracting oversight responsibilities and authority.*

*Implementation Date: Starting immediately and ongoing through August 31, 2008*

*Responsible Person: Dee Porte*



**Texas Education Agency**

Reference No. 08-31

**Allowable Costs/Cost Principles**

**CFDA 84.048 - Vocational Education - Basic Grants to States**

**Award year - July 1, 2004 to September 30, 2005; July 1, 2005 to September 30, 2006; July 1, 2006 to September 30, 2007; July 1, 2007 to September 30, 2008**

**Award number - V048A040043, V048A050043, V048A060043, V048A070043**

**Special Education Cluster**

**Award year - July 1, 2004 to September 30, 2005; July 1, 2005 to September 30, 2006; July 1, 2006 to September 30, 2007; July 1, 2007 to September 30, 2008**

**Award number - H027A040008 and H173A040004, H027A050008 and H173A050004, H027A060008 and H173A060008, H027A070008 and H173A070008**

**Type of finding - Significant Deficiency**

Access to the Budget Analysis Tool (BAT) application production server is not restricted appropriately. Two developers have "Budget Management User" access to the BAT application. Budget Management Users (BPM) are users within the Texas Education Agency (TEA) Budget Office that are authorized to perform all processes, generate any report, and modify any agency budget information from within BAT. This includes adjusting funding percentages/structures, adding/modifying division/sub object information and adding/adjusting position forecasting information for any division within TEA. Controls should be in place to restrict developer's access to the production environment.

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

No compliance exceptions were noted during the review of selected 2007 allowable cost transactions for the major program noted above.

Recommendation:

Access to develop and deploy changes should be segregated. If developers require access to production due to the size of the systems team, formal change management procedures should be followed prior to deployment, and additional monitoring controls should be in place post-deployment to determine whether all changes placed in production are authorized and appropriate.

Management Response and Corrective Action Plan:

*The two developers found in the Budget Analysis Tool (BAT) production application have been In-activated by the computer access group effective 02/4/2008. At this time, no developers are found to have access to the BAT production application.*

*Access to develop and deploy changes are segregated. The agency's formal change management procedures are followed for all normal and emergency situations. The developer is responsible to make software code changes and test them in the development environment for adherence to the requirements and accuracy. The developer then submits a request to Software Configuration Management (SCM) group to move the change from Dev to Test. Next, the customers test the change for accuracy in the Test environment. Then the developer submits the production move request to move the code changes from Test to Production once the customer updates the SCR Testing Status to Passed. The SCM group conducts a Software Quality Assurance (SQA) audit to ensure all the proper standards have been followed and are documented within the Software Change Request (SCR) and the module association to the Version Manager code is in alignment. The SCM group sends the request to the appropriate group (i.e., Network (NT) Admins, Database (DB) Admin) to perform the task in production. Upon completion of the change in production, the customer is requested to verify the results of the change in Production to make sure it works as intended and no unexpected results are discovered. The customer then updates the SCR to indicate the production test is good and complete. The SCR can then be closed as complete.*

If an emergency situation arises that requires the technical developer to have access to production to resolve a production emergency, a special procedure utilizing a new security role for a lead technical developer, BATTech, will be used as defined below as an interim emergency work around.

The Corrective Action plan including Implementation Date and Responsible Person is as follows:

<b>Controls to Implement for BAT</b>	<b>Who</b>	<b>When</b>
<i>Monitor and Review the roles and privileges of the Production application</i>	<i>Budget Director or Budget Manager; currently Dana Aikman and Bob Jarcik</i>	<i>Monthly; beginning March 1, 2008</i>
<i>Monitor and Review the roles and privileges of the Training application</i>	<i>Budget Director or Budget Manager; currently Dana Aikman and Bob Jarcik</i>	<i>Quarterly; beginning March 1, 2008</i>
<i>Monitor and Review the roles and privileges of Test application</i>	<i>Project Manager; Martha Reesing</i>	<i>Quarterly; beginning March 1, 2008</i>
<i>Monitor and Review the roles and privileges of the Dev application</i>	<i>Project Manager; Martha Reesing</i>	<i>Quarterly; beginning March 1, 2008</i>
<i>Incorporate the TEA SE automation for Test like production and training</i>	<i>The application Project Manager to be the access Approver of requests</i>	<i>Effective March 1, 2008</i>
<i>Incorporate the TEA SE automation for Dev like production and training</i>	<i>The application Project Manager to be the access Approver of requests</i>	<i>Effective March 1, 2008</i>
<p>1) Implement reports to review access accounts without any activity within last 3 month period.</p> <p>2) Implement an application user review process where each TEA SE approver re-certifies all the users of that application on a regular basis. The frequency will be determined by the criticality of the application and the number of users. In the case of BAT, this will be done quarterly.</p>	<p>1) BAT developer will create the report, NT Admin will create and schedule batch job to run monthly (1st of each month); automate email report to user with notice if no activity within next 10 days, account will become In-active. The Budget Director and/or Budget Manager will be responsible for monitoring these emails and reports.</p> <p>2) Security group will initiate this effort and Budget Director to re-certify.</p>	<p>1) Monthly; beginning April 1, 2008. Note: When a user leaves, we disable the whole TEASE account, but don't delete it, because of the need to avoid duplicate user IDs. This will be fixed when we move to TIM/TAM as a replacement for TEASE. This product will give the agency greater ability and flexibility to automated monitoring.</p> <p>2) Until the new security product, TIM/TAM, is implemented for production use, we will implement an application user review process where each TEASE approver re-certifies all the users of that application on a regular quarterly basis.</p>
<i>Create a new TEA SE access role for the Technical Lead resource to separate functional duties from technical duties. (Such as BATTech). This account will remain In-Active until determined necessary by management to be used at which time it will follow the process to Activate an account via the Computer Access group.</i>	<i>Two groups would require a change to support this request. TEA SE group would require a minor change. The BAT application will require a software change request to incorporate this new role (SCR).</i>	<i>Begin efforts March 1, 2008 with goal to complete and implement by April 1, 2008.</i>

<b>Controls to Implement for BAT</b>	<b>Who</b>	<b>When</b>
<p>As an interim emergency work around, we will implement the following procedure using the new BATTech role. Create the new Technical role in BAT for Technical Lead; BATTech.</p> <ol style="list-style-type: none"> <li>1) Grant (Activate) "BATTech" access for the lead developer whenever required to make a change due to an emergency SCR via a request to the Computer Access group.</li> <li>2) Change request will be reviewed by a second person(s) PM (Martha) and Budget Manager (Bob).</li> <li>3) BATTech makes the documented change.</li> <li>4) Customer reviews, tests and verifies results of change.</li> <li>5) Remove production access by submitting a request Computer Access group to make BATTech In-Active.</li> <li>6) BATTech will document the change(s) made in an SCR.               <ol style="list-style-type: none"> <li>a. Include the change information</li> <li>b. Name of person making change</li> <li>c. Name or reviewer and approver</li> <li>d. Reason for change</li> <li>e. Tests conducted and results</li> </ol> </li> <li>7) Notify Budget Director (Dana) of this activity.</li> <li>8) SCM will review and monitor to ensure only change requested is change made and promoted through to production.</li> </ol>	<p>BAT developer and TEA SE developer to setup the access. Budget Manager and Project Manager to approve access and SCR. Developer will perform the update. Budget Director will approve and Activate/In-Activate the BATTech account.</p>	<p>On Emergency basis only</p>

Reference No. 08-32

**Subrecipient Monitoring**

**CFDA 84.011 - Migrant Education - State Grant Program**

Award year - July 1, 2004 to September 30, 2005; July 1, 2005 to September 30, 2006; July 1, 2006 to September 30, 2007;  
July 1, 2007 to September 30, 2008

Award number - S011A040044, S011A050044, S011A060044, S011A070044

**CFDA 84.048 - Vocational Education - Basic Grants to States**

Award year - July 1, 2004 to September 30, 2005; July 1, 2005 to September 30, 2006; July 1, 2006 to September 30, 2007;  
July 1, 2007 to September 30, 2008

Award number - V048A040043, V048A050043, V048A060043, V048A070043

**CFDA 84.357 - Reading First State Grants**

Award year - July 1, 2004 to September 30, 2005; July 1, 2005 to September 30, 2006; July 1, 2006 to September 30, 2007;  
July 1, 2007 to September 30, 2008

Award number - S357A040045, S357A050045, S357A060045, S357A070045

**Special Education Cluster**

Award year - July 1, 2004 to September 30, 2005; July 1, 2005 to September 30, 2006; July 1, 2006 to September 30, 2007;  
July 1, 2007 to September 30, 2008

Award number - H027A040008 and H173A040004, H027A050008 and H173A050004, H027A060008 and H173A060004,  
H027A070008 and H173A070004

**Non-major Programs:**

CFDA 12.000 - Troops to Teachers

CFDA 84.002 - Adult Education - State Grant Program

CFDA 84.010 - Title I Grants to Local Educational Agencies

CFDA 84.013 - Title I Program for Neglected and Delinquent Children

CFDA 84.144 - Migrant Education - Coordination Program

CFDA 84.181 - Special Education - Grants for Infants and Families with Disabilities

CFDA 84.184 - Safe and Drug - Free Schools & Communities - National Programs

CFDA 84.186 - Safe and Drug - Free Schools & Communities - State Grants

CFDA 84.196 - Education for Homeless Children and Youth

CFDA 84.206 - Javits Gifted and Talented Students Education Grant Program

CFDA 84.213 - Even Start - State Educational Agencies

CFDA 84.281 - Eisenhower Professional Development State Grants

CFDA 84.282 - Charter Schools

CFDA 84.287 - Twenty - First Century Community Learning Centers

CFDA 84.298 - State Grants for Innovative Programs

CFDA 84.318 - Education Technology State Grants

CFDA 84.330 - Advanced Placement Program

CFDA 84.332 - Comprehensive School Reform Demonstration

CFDA 84.334 - Gaining Early Awareness and Readiness for Undergraduate Programs

CFDA 84.358 - Rural Education

CFDA 84.365 - English Language Acquisition Grants

CFDA 84.366 - Mathematics and Science Partnerships

CFDA 84.367 - Improving Teacher Quality State Grants

CFDA 84.369 - Grants for State Assessments and Related Activities

CFDA 84.938 - Hurricane Education Recovery

CFDA 93.558 - Temporary Assistance for Needy Families

CFDA 93.630 - Developmental Disabilities Basic Support and Advocacy Grants

CFDA 93.938 - Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread  
of HIV and Other Important Health Problems

CFDA 94.004 - Learn and Serve America - School and Community Based Programs

CFDA 97.036 - Public Assistance Grants

Type of finding - Significant Deficiency and Material Non-Compliance

The Texas Education Agency (TEA) passes through a significant amount of federal funds to subrecipients to carry out the objectives of the federal programs. The TEA is required by OMB Circular A-133, Section .400, to monitor subrecipients to ensure compliance with Federal rules and regulations, as well as the provisions of the contracts or grant agreements. According to OMB Circular A-133, the TEA must assure that subrecipients expending Federal funds in excess of \$500,000 have an OMB Circular A-133 Single Audit performed and provide a copy to the TEA. The TEA is to review the report and to issue a management decision, if applicable.

Questioned Cost:	\$ 0
U.S. Department of Education	
U.S. Department of Health and Human Services	
Corporation of National and Community Services	
U.S. Department of Defense	
U.S. Department of Homeland Security	

The TEA's subrecipient monitoring procedures include use of standard contracts, technical assistance, a risk assessment process, program monitoring, and financial monitoring including compliance reviews, site visits, and A-133 audit report collection and review. In addition, the TEA employs the use of certain edits within their computer system, TGIF, to assist with period of availability and reasonableness of monthly draw amounts based on total amounts awarded.

The monitoring of subrecipient compliance with fiscal requirements is performed primarily by the Grant Audits Section of the Division of Financial Audits. Specifically, this section uses a risk assessment process to identify subrecipients for financial monitoring. The risk assessment process includes the use of critical indicators, such as "independent auditor identified an instance(s) of material noncompliance and/or material weaknesses in internal controls," that classify subrecipients as high risk grantees. For the 2007 fiscal year, the section conducted compliance reviews of 10 subrecipients that failed three or more critical indicators and an additional 43 subrecipients who failed 1 or 2 critical risk indicators. During the conduct of the compliance reviews, section auditors requested certain fiscal records from the subrecipient and reviewed these records to determine compliance with federal fiscal requirements.

In addition to the compliance reviews, the section also received complaints from external parties or referrals from TEA program personnel or grant administrators to perform an audit, investigation, review or other monitoring activity of specific grantees and grants. In each instance, the audit, review or other monitoring activity was initiated as a correspondence or desk process. However, in certain instances, section auditors determined that an onsite visit was warranted due to the scope of the monitoring activity (e.g., multiple years, multiple grants) or the complexity of the issues identified. In 2007, section auditors conducted 11 audits or investigations pursuant to a complaint filed with the TEA or a referral from a TEA division. To the degree feasible, TEA program personnel and auditors coordinated efforts as to the deployment of resources to review selected subrecipients. In total for fiscal year 2007, 54 audits, investigations and compliance reviews were performed. Of this number, seven were conducted onsite.

In addition to the work performed by the Grant Audits Section, the Investigations Section of the Division of Financial Audits performed onsite follow up visits on selected corrective action plans submitted by grantees as part of the annual A-133 audit report. Section auditors exercised their professional judgment in assessing the severity of the compliance issues identified by independent auditors in the annual audit report to determine which issues warranted an in-depth onsite follow up visit. The onsite follow up visits included the selection of sample items to ascertain if the subrecipient corrected the identified deficiency. In fiscal year 2007, section auditors conducted 3 onsite follow up visits.

Despite the coordination between program and fiscal personnel, TEA's primary focus is on performance and program results with a limited number of resources available to monitor fiscal compliance. Of the approximately 1,370 subrecipients, 444 were assessed as high risk in 2007. Of this number, a total of 57 subrecipients underwent a follow-up review, audit, investigation, or compliance review (10 were onsite). These 57 subrecipients accounted for approximately 16.2% of the total funds passed through in fiscal year 2007.

Similarly, in fiscal year 2006, 159 were assessed as high risk in 2006. A total of 53 subrecipients underwent a follow-up review, audit, investigation, or compliance review. (Note: Of the 53 audits, investigations and compliance reviews conducted, 14 were conducted onsite.) These 53 subrecipients accounted for approximately 12.6% of the total funds passed through in fiscal year 2006. In summary, approximately 14.5% of the total funds passed through had financial monitoring in the past 2 years.

Total payments to subrecipients charged to the major and non-major programs for fiscal year 2007 were:

<u>Federal Program</u>	<u>Amount Charged to the Federal Program</u>
12.000	\$ 220,327
84.002	41,407,823
84.010	1,208,779,643
84.011	53,432,267
84.013	8,211
84.048	50,613,305
84.144	103,002
84.181	75,349
84.184	(216,209)
84.186	23,775,589
84.196	6,140,167
84.206	306,054
84.213	10,290,267
84.281	(6,341)
84.282	10,548,456
84.287	84,780,295
84.298	10,772,343
84.318	19,935,539
84.330	24,317
84.332	8,946,856
84.334	1,067,469
84.357	85,742,635
84.358	7,389,460
84.365	84,266,016
84.366	2,577,976
84.367	248,844,335
84.369	3,800,000
84.938	18,400,163
93.558	8,058,070
93.630	3,367,688
93.938	74,215
94.004	2,657,946
97.036	(1,248,668)
Child Nutrition Cluster	1,187,417,254
Special Education Cluster	969,891,986
Total	\$ <u>4,152,243,805</u>

Recommendation:

TEA has developed a risk assessment process which does appear to identify the subrecipients with potential risk. They have allocated their resources between the required program audits, A-133 reviews, and financial monitoring components of their subrecipient monitoring process to incorporate not only federal requirements but state law as well. TEA should continue to add resources within their budget constraints in order to increase the amount of federal fiscal compliance performed.

Management Response and Corrective Action Plan:

*The TEA will continue to perform its monitoring activities to ensure that subrecipients comply with federal program and fiscal requirements. Although neither federal regulations or guidance nor the auditors' finding discussed above quantify the degree to which the TEA is required to monitor its subrecipients, the TEA proposes to implement a short-term and long-term corrective action plan to improve its monitoring process to increase the degree to which it monitors subrecipients.*

*Short-Term Corrective Action Plan*

*From February 1, 2008 through August 31, 2008, the TEA shall develop and implement a corrective action plan focused on changes to its monitoring methodology for federal awards. The improved monitoring process shall include a refined risk assessment methodology to facilitate the allocation of limited staff resources on specific areas of risk and a streamlined compliance review methodology that shall result in the more expedient monitoring of subrecipient compliance with federal requirements and a more timely review of subrecipient implementation of corrective actions that address material compliance issues identified in the single audits filed with the TEA. The compliance review process shall focus on the monitoring of specific fiscal compliance requirements, as discussed in the Compliance Supplement to OMB Circular A-133 and in the applicable federal statute and regulations, for the federal programs selected for review. Although the compliance reviews shall continue to be primarily a desk (or correspondence) based methodology, the monitoring system shall include specific criteria that will be used to determine when an onsite visit is warranted to address more pervasive or systemic issues that may be identified through the risk assessment process. The corrective action reviews shall focus on determining if subrecipients with material noncompliance adequately addressed the issues identified by the independent auditors. This activity shall be conducted primarily through onsite visits.*

*In addition to the improved monitoring process discussed above, the TEA shall also consider other changes and improvements, including the acquisition of technological tools, the identification of existing data resources, and the communication of federal requirements to subrecipients, to improve the monitoring process and overall subrecipient compliance with federal requirements.*

*Long-Term Corrective Action Plan*

*From February 1, 2008 through August 31, 2009, the TEA shall develop and implement a corrective action plan that will include the development of an audit plan for the 2009 fiscal year that will continue to implement the short-term corrective action plan described above and a more robust monitoring methodology that balances the TEA's responsibility to monitor subrecipient compliance with federal requirements to a notable degree with its responsibility to ensure that potential compliance and other audit issues are identified and adequately addressed. To this end, the TEA shall develop and implement an audit plan in 2009 that includes the use of the improved monitoring methodology described above and the conduct of more intensive audits focused on examining subrecipient compliance with general fiscal requirements, program specific fiscal requirements, and the particular provisions of the applicable grant awarded. Additionally, the audit plan for the 2009 fiscal year shall include a limited allocation of staff resources to the continued investigation of specific allegations of fraud, abuse and waste filed with the TEA by subrecipient constituents. To augment the TEA's limited auditor resources, the TEA will consider the development and implementation of administrative rules requiring noncompliant subrecipients to procure the services of a certified public accountant to conduct an agreed-upon procedures audit. This process will require subrecipients to have an agreed-upon procedures audit performed if certain conditions apply. The agreed-upon procedures audit shall be conducted in accordance to a specific audit methodology and audit procedures developed by the TEA Division of Financial Audits.*

*In addition to the audit plan described above, the TEA shall also consider other changes and improvements, including the development of administrative rules specific to grants, the acquisition of software applications, the dedication of a systems analyst to the development of analytical tools, the dissemination of relevant and timely information regarding identified risks, audit findings, and compliance requirements at statewide conferences, and the provision of staff development and technical assistance that addresses compliance with federal fiscal requirements by regional education service centers, to improve the audit methodology described above and overall subrecipient compliance with federal requirements.*

*Implementation Date: February 1, 2008*

*Responsible Person: Ramón Medina*

Section 3b:

**Federal Award Findings and Questioned Costs - Other Auditors**

This section identifies significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, as required to be reported by *Office of Management and Budget Circular A-133*, Section .510(a). This section reports on the two major programs, the Student Financial Assistance Cluster and the Research and Development Cluster, audited by other auditors.

**Lamar Institute of Technology**

Reference No. 08-33

**Eligibility****Student Financial Assistance Cluster****Award year - July 1, 2006 to June 30, 2007****Award number - CFDA 84.063 Award Number Not Applicable, CFDA 84.032 Award Number Not Applicable****Type of finding - Significant Deficiency and Non-Compliance**

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). For Title IV programs, the amount of financial resources available is generally the EFC that 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 (Federal Perkins Loan, Federal Work Study, and Federal Supplemental Educational Opportunity Grant, Title 34, Code of Federal Regulations, Sections 673.5 and 673.6; Federal Family Education Loans, Title 34, Code of Federal Regulations, Section 682.603).

Questioned Cost: \$ 0

U.S. Department of Education

COA 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 1087ll).

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. This schedule provides 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, as well as students with low assessed tuition. All of the schedules, however, are based on the COA of a full-time student for a full academic year.

Lamar Institute of Technology (Institute) calculated financial need incorrectly for 2 of 50 (4 percent) students tested. Specifically:

- The Institute did not adjust one student's COA calculation to reflect less than half-time enrollment in one of the enrollment periods. As a result, the Institute overestimated the student's financial need by \$2,897.
- The Institute did not adjust another student's COA to reflect additional enrollment in one class prior to disbursement of financial assistance, as required by its policies. As a result, the Institute underestimated the student's financial need by \$457.



Neither of these errors affected the students' eligibility for the Federal Family Education Loan amounts they received, and neither of these errors resulted in loan overpayments or questioned costs.

The second student discussed above also received an incorrect Pell Grant award of \$3,544 instead of \$4,050 because his enrollment level in the Fall 2006 semester was not adjusted from three-quarter-time to full-time. The Institute has corrected the Pell Grant award to this student.

Recommendation:

The Institute should improve its process for reviewing its Student Financial Aid System's financial need calculations and awards to ensure that (1) the information in that system is accurate and (2) awards are based on the correct level of enrollment.

Management Response and Corrective Action Plan:

*Management concurs with findings related to student eligibility, specifically related to proper calculation of student cost of attendance, needs analysis and accurate determination of Pell Grant eligibility. Automated systems are in place to receive Institutional Student Information Record (ISIR) information, to include student/family resource data, projected enrollment level, housing status, Expected Family Contribution, and subsequently load this data into the Financial Aid Module (FAM) of our Student Information System (SIS). Additionally we utilize the Packaging Aid Resource System (PARS) module to automate packaging of various sources of financial assistance. This system is established to determine enrollment levels, assign corresponding cost of attendance budgets, award correct Pell Grant amounts based on EFC, calculate unmet need and authorize awards from additional funding sources as appropriate. Mechanisms are in place to compare anticipated enrollment levels from student data from the Free Application for Federal Student Aid (FAFSA) and from FAM which reflects actual/registered hours on our campus at the time of awarding. These systems are effective and accurate when manual intervention does not occur. In many cases, however, the student's projection of anticipated enrollment does not reflect reality when registration occurs. In situations where Anticipated FAM Hours do not match the registered hours disbursement of financial aid awards are blocked. Many manual adjustments must occur to update enrollment level, cost of attendance budgets eligibility and award amounts so that disbursement can actually be completed. This is where human intervention may result in errors such as those sited here. In an effort to ensure that financial need has been calculated correctly and that awards are subsequently determined appropriately we have relied on an "in-house FOCUS report/query generated by our Institutional Research department. This report provides output indicating all potential aid recipients whose anticipated hours do not match registered hours for a given term.*

*In response to this finding and after research into options available improve our processes and to improve accurate use of system information and awards based on the correct level of enrollment, the financial aid office will implement the use of an additional program designed to provide better fund management. This report (SBAL16) provides output on a fund specific basis, displaying student identification data, EFC, the amount of Pell Grant (for example) that has been offered and the number of registered hours for each semester. This output will be reviewed against cost of attendance budget for each student to ensure that need (COA - EFC) has been properly calculated for the actual enrollment level and that awards have been made at appropriate levels.*

*Implementation Date: February 2008*

*Responsible Person: Lisa Schroeder*

Reference No. 08-34

**Special Tests and Provisions - Disbursements To or On Behalf of Students****Student Financial Assistance Cluster****Award year - July 1, 2006 to June 30, 2007****Award number - CFDA 84.063 Award Number Not Applicable, CFDA 84.032 Award Number Not Applicable****Type of finding - Significant Deficiency**

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

Lamar Institute of Technology (Institute) does not maintain appropriate segregation of duties between its admissions and the financial aid offices. All of the employees in the financial aid office have full access to the student information system and the admission screens. These screens provide users with the ability to add and remove students, as well as modify access to students' personal records.

Recommendations:

The Institute should:

- Restrict full access to the admissions screens for financial aid employees so that they cannot add/remove students and modify student personal records in the student information system.
- Review all access to the student information system on an annual basis to ensure that access is valid and that appropriate level of access are assigned to employees based on their current job function.

Management Response and Corrective Action Plan:

*Management concurs with findings related to the importance of maintaining proper segregation of duties between admissions and the financial aid office. We agree that the institute should restrict input access to admissions screens to prevent the ability to add/remove students and/or modify student personal records in the Student Information System. Although an interim review has determined that such access exists on lower level screens that fall with the shared components area, we agree that such access is unnecessary, and does not maintain proper separation of duties. In response to issues sited here, requests will be submitted to the Admissions, Records and Information Technology departments to review access for all LIT financial aid personnel. A request will subsequently be submitted through all of the respective security channels to amend access as appropriate and to specifically transforming input capability to view-only access on all of the admissions screens that currently allow updates by financial aid staff. A schedule will be established to provide for annual review of security templates and access granted to financial aid personnel. Additional reviews will be requested as appropriate in the case of system-wide changes, new personnel etc.*

Implementation Date: February 2008

Responsible Person: Lisa Schroeder

**Lamar State College - Orange**

Reference No. 08-35

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

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.032 Award Number Not Applicable**

**Type of finding - Significant Deficiency**

System Access

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

Lamar State College - Orange (College) does not maintain appropriate access to its Student Information System and does not evaluate employees' access levels on a regular basis. The College's financial aid director has access to enter payments and refunds, as well as the ability to add, delete, and register students within the Student Information System. In addition, a financial aid employee has access within the Student Information System to add students, as well as modify and delete student information.

When there is inappropriate access to the Student Information System, fictitious student accounts could be created; student personal information could be modified; and unauthorized aid could be awarded, disbursed, and refunded.

Disbursement Notification

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).

The College did not consistently send the required notifications to FFELP loan recipients in fiscal year 2007. Auditors we are unable to verify that the College sent notifications to 11 of 12 (91.67 percent) FFELP loan recipients tested. In addition, the disbursement notification the College provided did not contain any of the required criteria.

The College's Financial Aid Office uses a manual process to produce the notifications. Specifically, it depends on staff to accurately review the *Texas Guaranteed Student Loan Corporation Disbursement Report* and create notification e-mails. When the College does not distribute the required notifications, this reduces the opportunity for loan recipients to cancel the awards if they choose to do so.

Transfer Students

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 certain required determinations. In addition, the institution may not make a disbursement to that student for seven days following its request unless (1) it receives the information from NSLDS in response to its request or obtains that information directly by accessing NSLDS and (2) the information it receives allows it to make that disbursement (Title 34, Code of Federal Regulations, Section 668.19 (b) 1).

The College's Financial Aid Office does not have a documented process to ensure that it verifies transfer students' financial aid history prior to disbursement of funds. The College had no documentation available to show that it accessed NSLDS prior to its disbursement of funds to four transfer students tested. The College's transfer student verification process is manual, and the College does not retain printouts or record dates of its NSLDS access in the Student Information System.

Recommendations:

The College should:

- Restrict access to the Student Information System based on job duties and responsibilities, and periodically review access levels to ensure that appropriate access is granted.
- Restrict financial aid employees' access to the admissions screens in the Student Information System so that they cannot add/remove students and modify student records.
- Automate its notification process or implement a review process to ensure that it sends notifications containing the required elements to all FFELP loan recipients within the required time periods.
- Develop policies and procedures to document its verification of transfer student financial aid history in NSLDS.

Management Response and Corrective Action Plan:

Restrict access to the Student Information System based on job duties and responsibilities, and periodically review access levels to ensure that appropriate access is granted.

*The Vice President for Student Services will restrict access to the Student Information System based on job duties and periodically review access levels to ensure appropriate access. Recommendation has been implemented.*

*Implementation Date: December 2007*

*Responsible Person: Barbara Burgess*

Restrict financial aid employees' access to the admissions screens in the Student Information System so that they cannot add/remove students and modify student records.

*The Vice President for Student Services has modified access to admissions screens and access to enter payments and refunds. This access has been removed from financial aid employees. With the implementation of the Banner system access will be further scrutinized to ensure that financial aid personnel do not have inappropriate access to this information. Recommendation has been implemented.*

*Implementation Date: December 2007*

*Responsible Person: Barbara Burgess*

*Automate its notification process or implement a review process to ensure that it sends notifications containing the required elements to all FFELP loan recipients within the required time periods.*

*The Financial Aid Director now runs the batch program BBRL40, which automatically produces a disbursement notification for each student receiving a FFELP disbursement during a specific period. The program request includes a date range and a subcode range to include any student who has received a FFELP disbursement during the requested time period. These are run every one to two weeks during disbursement periods to ensure that students are notified within the 30 day time period. The letter is mailed to the student and a copy is kept in their file. A sample letter is included at the end of this response. Recommendation has been implemented.*

*Implementation Date: November 2007*

*Responsible Person: Kerry Olson*

*Develop policies and procedures to document its verification of transfer student financial aid history in NSLDS.*

*Beginning with the Fall 2007 semester the Financial Aid Director has updated its policies to include the use of the transfer monitoring system through the National Student Loan Data System (NSLDS). As students are processed for loans and are found to be a transfer student their loan history is reviewed on NSLDS. They are then added to the transfer monitoring list in NSLDS. NSLDS monitors these students for a change in financial aid history that may affect their current awards and alerts the school when: a new loan or grant is being awarded, a new disbursement is made on a loan or grant, or a loan or grant is cancelled. When NSLDS creates an alert for one or more of your students, it also sends an e-mail to the address given on the School Transfer Profile setup page. Financial aid personnel will then review the alert on the NSLDS website. Recommendation has been implemented.*

*Implementation Date: September 2007*

*Responsible Person: Kerry Olson*



**Lamar State College - Port Arthur**

Reference No. 08-36

**Eligibility**

**Student Financial Assistance Cluster**

**Award Year - July 1, 2006 to June 30 2007**

**Award Number - CFDA 84.007 P007A066986, 84.033 P033A066986 and CFDA 84.063 P063P064241**

**Type of Finding - Significant Deficiency and Non-Compliance**

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 minus the expected family contribution (EFC). For Title IV programs, the amount of financial resources available is generally the EFC that is computed by the federal central processor and included on the student's Institutional Student Information Report (ISIR) that is 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 (Federal Perkins Loan, Federal Work Study, and Federal Supplemental Educational Opportunity Grant, Title 34, Code of Federal Regulations, Sections 673.5 and 673.6; Federal Family Education Loans, Title 34, Code of Federal Regulations, Section 682.603(d) (2)).

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

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." The institution may also 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 4 of 30 students tested at Lamar State College - Port Arthur (College), the cost of attendance budgets were calculated incorrectly and did not match the student financial aid budget schedule. This was primarily due to an information technology coding error, which resulted in the Financial Aid System miscalculating the students' financial need. This resulted in underawarding students their maximum potential federal assistance.

Recommendation:

The College should verify that all students' cost of attendance matches the budget that is published, and it should review published student budgets with Computer Services annually to ensure correct and accurate budgets are being used to calculate cost of attendance.

Management Response and Corrective Action Plan:

*Management concurs. Procedures have been implemented and reports designed to verify that all students' cost of attendance matches the budget that is published. Procedures ensure these students' budget will be reviewed annually for accuracy in calculating cost of attendance.*

*Implementation Date: January 2008*

*Responsible Person: Diane Hargett*

Reference No. 08-37

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

**Student Financial Assistance Cluster**

**Award Year - July 1, 2006 to June 30, 2007**

**Award Number - CFDA 84.007 P007A066986 and CFDA 84.063 P063P064241**

**Type of Finding - Significant Deficiency and Non-Compliance**

Early Disbursement of Title IV, Higher Education Act (HEA) Program Funds

If a student is enrolled in a credit-hour educational program that is offered in semester, trimester, or quarter academic terms, the earliest an institution may disburse Title IV, Higher Education Act (HEA) program funds to a student or parent for any payment period is 10 days before the first day of class for a payment period (Title 34, Code of Federal Regulations, Section 668.164 (f) (1)).

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

Lamar State College - Port Arthur (College) disbursed funds more than 10 days before the first day of class for 28 of 64 disbursements tested (for 15 of 40 students) for the spring 2007 semester. In each case, the College disbursed the funds 11 days before the start of class, instead of the required 10 days (1 day early). All other disbursement information, including the amount of the disbursement, was correct.

According to management, the College purposely scheduled this disbursement date to occur on a Friday in an effort to improve business operations by eliminating the need for such a time-consuming task at the start of the work week. However, in its attempt to increase efficiency, the College inadvertently failed to meet all compliance requirements.

Inappropriate Access to the Financial Aid System

User access to the College's Financial Aid System was inappropriately defined. The Vice President of Student Services had update capabilities to the financial aid module, as well as to the business services/accounting module. In addition, the Assistant Director of Computer Services had update capabilities in the business services/accounting module, as well as to other modules within the Financial Aid System. Improper user access to both of these modules increases the risk of unauthorized federal assistance being awarded and/or disbursed. After the completion of audit fieldwork, the College tightened user access security measures, and these users' access to the Financial Aid System has been corrected.

Recommendations:

The College should:

- Disburse Title IV HEA program funds no earlier than 10 days before the first day of class for the payment period in effect.
- Ensure that proper segregation of duties is maintained throughout the Student Financial Aid, Student Services, and Computer Services Departments. The College should review user access security annually to ensure authorized and appropriate levels of access are assigned to each employee based on job function.

Management Response and Corrective Action Plan:

*Recommendation: The College should disburse Title IV HEA program funds no earlier than 10 days before the first day of class for the payment period in effect.*



*Management concurs. Procedures have been reviewed and updated to ensure Title IV HEA program funds will not be disbursed no earlier than 10 days before the first day of class for the payment period in effect.*

*Implementation Date: January 2008*

*Responsible Person: Tom Neal*

*Recommendation: The College should ensure that proper segregation of duties is maintained throughout the Student Financial Aid, Student Services, and Computer Services Departments. The College should review user access security annually to ensure authorized and appropriate levels of access are assigned to each employee based on job function.*

*Management concurs. Appropriate actions have been taken to ensure proper segregation of duties throughout the Student Financial Aid, Student Services, and Computer Services Departments. The College has established a Security Access Team consisting of a cross section of 9 campus employees to annually review and ensure authorized and appropriate levels of access are assigned to each employee based on job function.*

*Implementation Date: Committee appointed in November 2007. Expected completion date April 2008.*

*Responsible Person: Tom Neal*

**Prairie View A&M University**

Reference No. 08-38

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

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.032 Award Number Not Applicable, CFDA 84.063 P063P062319**

**Type of finding - Significant Deficiency and Non-Compliance**

Pell Payment Data

Institutions submit Pell origination records and disbursement records to the 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 2007, Part 5, Student Financial Assistance Cluster, Section III.L.1.e, page 5-3-16).

<p>Questioned Cost: \$ 0</p> <p>U.S. Department of Education</p>
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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 5-3-25).

In a sample of 50 students tested at Prairie View A&M University (University), 20 students received Pell Grant awards. For 15 of those 20 students (75 percent), the University did not report the correct date of disbursement of Pell Grant awards to the COD System.

Disbursement Notification

If an institution credits a student's account at the institution with Federal Perkins Loans (FPL) or Federal Family Education Loan Programs (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).

In a sample of 50 students tested at the University, 45 students received FFELP loans. For 6 of those 45 students (13.33 percent), the University provided incorrect disbursement dates on the disbursement notification letters it sent to the recipients of those loans. The disbursement notification letters included all the required elements; however, the disbursement dates on the letters did not agree with the dates in the University's Financial Aid System.

Recommendations:

The University should:

- Ensure that it reports correct disbursement dates for all Pell Grant awards to the COD System as required.

- Ensure that it includes correct disbursement dates on the disbursement notification letters it sends to FFELP loan recipients.

*Management Response and Corrective Action Plan:*

*We agree with the Pell Payment Data finding and the Disbursement Notification finding. Since we are currently transitioning from our current Financial Aid Management system, SIS Plus, to Banner, we have developed a Corrective Action Plan to incorporate both software solutions. Our current SIS Plus procedures have been amended to include a reconciliation to ensure that correct and consistent disbursement dates appear on all reports and letters referenced. These corrective procedures will be implemented for SIS Plus by March 31, 2008 and for Banner by August 31, 2008.*

*Implementation Date: August 2008*

*Responsible Person: Carlos Clark*

## Department of Public Safety

Reference No. 08-39

### Reporting

#### Homeland Security Cluster

Award year - see below

Award number - see below

#### Type of finding - Significant Deficiency and Non-Compliance

The Office of Management and Budget's Circular A-133 Compliance Supplement requires recipients to submit the Financial Status Report, SF-269 (OMB No. 0348-0039) on a quarterly basis for the Homeland Security Cluster. Recipients use the SF-269 to report the status of funds for all non-construction projects and for construction projects for which the financial status report is required in lieu of the SF-271.

Questioned Cost: \$ 0

U.S. Department of Homeland  
Security

Four of the five (80 percent) SF-269 reports auditors tested at the Department of Public Safety (Department) did not tie to the Department's accounting records. The differences ranged from \$15,916 to \$118,341. The total dollar value of these discrepancies represented 0.18 percent to 1.31 percent of the total expenditures reported on these reports. The reports did not tie to accounting records because the Department did not report component units' expenditures correctly. Specifically:

- One of the component units on the SF-269 report covering January 1, 2007, to March 31, 2007, included an expenditure of \$170,310 that needed to be reallocated in the internal accounting system to the correct budget. At the time of audit testing, \$118,229 had not yet been corrected.
- One of the component units on the SF-269 report for July 1, 2006, to September 30, 2006, included an expenditure of \$80,237 that was for a prior period. It was not included in the prior period and, as a result, was recorded in the July 1, 2006, to September 30, 2006, report.
- One of the component units on the SF-269 report for April 1, 2007, to June 30, 2007, was understated by \$74,786, and another component unit was overstated by \$15,761.
- One of the component units on the SF-269 report for July 1, 2007, to September 30, 2007, was understated by \$12,390 (\$19,431 was inappropriately excluded and \$7,041 was inappropriately included, resulting in a net understatement of \$12,390).

The Homeland Security Cluster has multiple grant sub awards and award years, as noted below:

#### Award Number

#### Award Year

2003-MU-T3-4020

October 1, 2004 - April 30, 2007

2004-GE-T4-4015

December 1, 2003 - December 31, 2007

2005-GE-T5-4025

October 1, 2004 - December 31, 2008

2006-GE-T6-0068

June 30, 2006 - June 30, 2009

#### Recommendations:

The Department should:

- Ensure that its SF-269 reports are supported by its accounting records.

- Ensure that it includes all applicable expenditures for component units in its SF-269 reports.

*Management Response and Corrective Action Plan:*

*The Department of Public Safety provides financial management support to the Division of Emergency Management (DEM), a division of the Governor's Office, per Texas Government Code, §418.004, which administers these grants. DPS management agrees with these findings.*

*In the future, all outdated/current adjustments will be corrected in the pertinent accounting systems within the same quarterly reporting period. If an additional expenditure is identified that should have been included in a previous quarter, we will create an amended quarterly report. In the instances when an amended quarterly report is not allowed, we will add a notation to the current quarterly report identifying the expenditures that were for the previous quarter.*

*A checklist with all corresponding budgets will be utilized to ensure all expenditures are accurately being reported. All staff will be trained in reconciling and creating SF-269 reports. Supervisors will be responsible for auditing work and ensuring all budgets are being included in the SF-269s.*

*We are aware that there have been some problems with SF-269 reports and have attempted to improve our capabilities to prepare these reports by requesting additional personnel for the Accounting staff.*

*Implementation Date: April 2008*

*Responsible Person: Janet Espinosa*

Reference No. 08-40

**Subrecipient Monitoring**

(Prior Audit Issue - 07-29)

**CFDA 97.039 - Hazard Mitigation Grant Program (including CFDA 83.548)**

Award year - see below

Award number - see below

**CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) (including CFDA 83.544)**

Award year - see below

Award number - see below

**CFDA 97.008 - Urban Areas Security Initiative**

Award year - December 1, 2003 - December 31, 2007

Award number - 2004-TU-T4-4013

**Homeland Security Cluster**

Award year - see below

Award number - see below

Type of finding - Significant Deficiency and Non-Compliance

The Department of Public Safety (Department) passes through a significant amount of federal funds to subrecipients to carry out the objectives of federal programs. The Department is required by Office of Management and Budget (OMB) Circular A-133, Section .400, to monitor subrecipients to ensure compliance with federal rules and regulations, as well as the provisions of the contracts or grant agreements. According to OMB Circular A-133, the Department must ensure that subrecipients that spend more than \$500,000 in federal funds have an OMB Circular A-133 Single Audit performed and provide a copy of the single audit report to the Department. The Department is required to review the audit report and to issue a management decision, if applicable.

Questioned Cost: \$ 0

U.S. Department of Homeland  
Security

The Department asserts that its subrecipient monitoring process includes:

- Completing Public Assistance award packages (including quarterly progress reports) for the Public Assistance grants.
- Conducting close-out audits for all large Public Assistance projects, using dollar thresholds set annually by the federal government. For disasters declared in fiscal year 2007, the threshold distinguishing between a large project and a small project was \$57,000.
- Conducting site visits for Hazard Mitigation grants awarded for structural construction projects that are 50 percent complete.
- Reviewing quarterly reports for all other Hazard Mitigation grants.
- Conducting close-out audits for Hazard Mitigation grants.
- Conducting on-site visits for Homeland Security Cluster grants and Urban Areas Security Initiative grants.
- Sending certification letters to subrecipients that receive federal funds in a fiscal year to determine whether the Department should receive a single audit report.
- Reviewing and documenting the results of the single audits for all federal grant programs by completing an audit checklist.

CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Auditors identified the following issues:

- For 4 of 30 (13 percent) jurisdiction files tested, the Department did not prepare complete Public Assistance award packages. Each package should include five documents: project application summary, project worksheet, project completion and certification report, public grant summary, and package pick up checklist. The four files did not contain one of the two necessary signatures on the package pick up checklist; obtaining these signatures is important because they indicate that the jurisdiction understands and agrees to various grant provisions, including the single audit requirement. A representative from the Department and jurisdiction are required to sign the checklist.
- For 7 of 30 (23 percent) close-out audits tested, the Department did not have audit checklists in the audit documentation.
- For 16 of 23 (70 percent) close-out audits tested that had audit checklists, the Department did not have evidence that the auditor or the jurisdiction checked the debarment lists as required by the Department.
- For 4 of 30 (13 percent) subrecipients tested, the Department did not receive a certification letter or any correspondence regarding whether the subrecipients were required to obtain a single audit. If these subrecipients were required to submit a single audit report, the reports had not been submitted.
- Although there were no findings involving federal funds in the single audit reports that auditors tested, the Department does not have a process to ensure that it follows up on findings involving federal findings, as discussed in more detail below.

The Public Assistance grant program had multiple grant subawards and award years active during fiscal year 2007 as noted below:

<u>Disaster Number</u>	<u>Grant Number</u>	<u>Start Date</u>
1257	FEMA-1257-DR	October 21, 1998
1274	FEMA-1274-DR	May 6, 1999
1287	FEMA-1287-DR	August 22, 1999
1323	FEMA-1323-DR	April 7, 2000
1356	FEMA-1356-DR-TX	January 8, 2001
1379	FEMA-1379-DR	June 9, 2001
1425	FEMA-1287-DR	July 4, 2002
1479	FEMA-1323-DR	July 17, 2003
1606	FEMA-1606-DR	September 24, 2005
3216	FEMA-3216-DR	September 2, 2005
3261	FEMA-3261-DR	September 21, 2005
1624	FEMA-1624-DR	January 11, 2006
1658	FEMA-1658-DR	August 15, 2006
1709	FEMA-1709-DR	July 13, 2007
3277	Hurricane Dean (EM)	August 18, 2007

CFDA 97.039 - Hazard Mitigation Grant Program

Auditors identified the following issues:

- For 4 of 5 (80 percent) close-out audits tested, the Department did not maintain sufficient procurement documentation in the audit file as required by its audit checklist.
- For 1 of 5 (20 percent) close-out audits tested, the Department did not have an audit checklist in the audit documentation.

- For all 4 close-out audits tested that had audit checklists, the Department did not have evidence that the jurisdiction or auditor checked the debarment lists as required by the Department.
- Four of 8 (50 percent) single audits tested had findings related to federal funding received by the Department. The Department did not follow up on these findings and did not ensure that corrective action had been taken.

The Hazard Mitigation Grant had multiple grant subawards and award years active during fiscal year 2007 as noted below:

<u>Disaster Number</u>	<u>Grant Number</u>	<u>Start Date</u>
1257	FEMA-1257-DR-TX	October 21, 1998
1356	FEMA-1356-DR	January 8, 2001
1379	FEMA-1379-DR-TX	June 9, 2001
1425	FEMA-1425-DR-TX	July 4, 2002
1439	FEMA-1439-DR-TX	November 5, 2002
1434	FEMA-1434-DR-TX	September 26, 2002
1479	FEMA-1479-DR-TX	July 17, 2003
1606	FEMA-1606-DR-TX	September 24, 2005
1624	FEMA-1624-DR	January 11, 2006
1658	FEMA-1658-DR	August 15, 2006
1697	FEMA-1697-DR	May 1, 2007
1709	FEMA-1709-DR	June 29, 2007

CFDA 97.008 - Urban Areas Security Initiative

Auditors identified the following issues:

- For 3 of 34 (9 percent) subrecipients tested, the Department did not receive a certification letter or any correspondence regarding whether they were required to obtain a single audit. If the subrecipients were required to submit a single audit report, the audit reports had not been submitted.
- All 3 single audits had findings related to federal funding received by the Department. The Department did not follow up on these findings and did not ensure that corrective action had been taken.

CFDA 97.067 - Homeland Security Cluster

Auditors identified the following issues:

- For 1 of 50 (2 percent) subrecipients tested, the Department had not received a certification letter or any correspondence regarding whether the subrecipient was required to obtain a single audit. If the subrecipient was required to submit a single audit report, the audit report had not been submitted.
- Auditors identified one subrecipient with a single audit finding related to Homeland Security grant. The Department did not follow up on the finding and did not ensure that corrective action had been taken.



The Homeland Security Cluster had multiple grant subawards and award years active in fiscal year 2007 as noted below:

<u>Award Number</u>	<u>Award Year</u>
2003-MU-T3-4020	October 1, 2004 - April 30, 2007
2004-GE-T4-4015	December 1, 2003 - December 31, 2007
2005-GE-T5-4025	October 1, 2004 - December 31, 2008
2006-GE-T6-0068	June 30, 2006 - June 30, 2009

Recommendations:

The Department should:

- Incorporate a control in its subrecipient monitoring process to ensure that findings related to controls or compliance requirements related to the programs the Department administers are followed up on and that appropriate corrective action is taken.
- Ensure that it receives a certification letter specifying whether subrecipients are required to obtain a single audit. The Department also should follow up with subrecipients that do not respond.
- Ensure that all subrecipient files are complete.
- Ensure that audit checklists are included the files and that these checklists are complete with respect to procurement, suspension, and debarment information.

Management Response and Corrective Action Plan:

*The Department of Public Safety provides financial management support to the Division of Emergency Management (DEM), a division of the Governor's Office per Texas Government Code, §418.004, which administers these grants. DEM management agrees with this finding.*

*DEM audit staff will be provided with additional training regarding the importance of fully completing audit checklists and verifying that all procurement, suspension, and debarment information is included and verified. The Audit Unit Supervisor will double check audits for this documentation before submitting audits to DEM management for approval.*

*DEM will assign dedicated staff to conduct a physical check of all existing PA program files to ensure that all five required documents are included in each file, missing documents will be added as needed. For future disasters, a staff member will be assigned the responsibility of physically checking project files quarterly to ensure that all the required documentation is included in the files.*

*In addition to the above, DEM Audit Unit personnel will make additions to our existing A-133 database to more closely monitor outstanding A-133 information and reports. Procedures will be developed to ensure A-133 compliance and steps for corrective action for sub-recipients who have compliance findings or those who fail to respond to requests. Staff members will set up deadlines to follow up with sub-recipients to ensure corrective actions have been taken.*

*It should also be noted that the DPS Information Management Service has been tasked to provide and is working on a comprehensive A-133 audit database project for DEM to replace the current database. The new database and user system is supposed to provide the capability to track requests for audit documents and generate warnings about grantees who have failed to respond to requests for audit information or have compliance findings.*

Implementation Date: June 2008

Responsible Person: Loren Behrens and Joan Haun

Reference No. 08-41

**Special Tests and Provisions - Subgrant Awards**

**CFDA 97.008 - Urban Areas Security Initiative**  
**Award year - December 1, 2003 - December 31, 2007**  
**Award number - 2004-TU-T4-4013**

**Homeland Security Cluster**  
**Award year - see below**  
**Award number - see below**  
**Type of finding - Significant Deficiency and Non-Compliance**

The Office of Management and Budget Circular A-133 Compliance Supplement specifies that states must obligate funds for subgrants within 60 days after the date of the grant award (Title III, Pub L. No. 108-90; Title III, Pub L. No. 108-334; Title III, Pub L. No. 109-90; and Title I, Chapter 6, Pub. L. 108-11, 117 Stat 583). According to the Compliance Supplement, “obligate” has the same meaning as in federal appropriations laws; there must be an action by the State to establish a firm commitment; the commitment must be unconditional on the part of the State; there must be documentary evidence of the commitment, and the award terms must be communicated to the subgrantee and, if applicable, accepted by the grantee.

Questioned Cost: \$ 0  
 U.S. Department of Homeland Security

CFDA 97.008 - Urban Areas Security Initiative

For all seven awards tested, the Department did not obligate the funds within the required 60-day period. The Department obligated the funds 91 days after the date of the grant award.

CFDA 97.067 - Homeland Security Cluster

For the two awards tested, the Department did not obligate the funds within the required 60-day period. The Department obligated the funds 91 and 102 days after the date of the grant award.

The Homeland Security Cluster had multiple grant subawards and award years active in fiscal year 2007 as noted below:

<u><b>Award Number</b></u>	<u><b>Award Year</b></u>
2003-MU-T3-4020	October 1, 2004 - April 30, 2007
2004-GE-T4-4015	December 1, 2003 - December 31, 2007
2005-GE-T5-4025	October 1, 2004 - December 31, 2008
2006-GE-T6-0068	June 30, 2006 - June 30, 2009

Recommendation:

The Department should ensure that it obligates all funds to subgrantees within 60 days after the date of the grant award.

Management Response and Corrective Action Plan:

The Department of Public Safety provides financial management support to the Division of Emergency Management (DEM), a division of the Governor's Office per Texas Government Code, §418.004, which administers these grants. DEM management agrees with this finding.

It should be noted that some homeland security grant awards were delayed at the end of FY 2006 and the beginning of FY 2007 because US Department of Homeland Security (DHS) officials changed their opinion about the procedures EMD had been using to obligate grant funds to local governments. This resulted in extensive discussions between DHS and the State Office of Homeland Security over a period of several months. This difference was eventually resolved, but some grant awards were delayed while the matter was resolved. DHS did not penalize DEM for this delay.

The DEM State Administrative Agency (SAA) had its revised grant allocation procedures ready for use for the FY 2007 grant cycle and FY 2007 HSGP and UASI funds were obligated to recipients and certified in the DHS Initial Strategic Implementation Plan (ISIP) within the required 60-day period laid out in the grant guidance.

The SAA will continue to aggressively manage the administration of the HSGP and other grants to ensure that specific time lines for making grant awards outlined in the pertinent grant guidance are met.

Implementation Date: August 2008 (anticipated date of 2008 HSGP & UASI awards).

Responsible Person: Edwin Staples

Reference No. 08-91

**Reporting**

(Prior Audit Issue 07-26)

**CFDA 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters) (including CFDA 83.544)**

**Award year - see below**

**Award number - see below**

**CFDA 97.039 Hazard Mitigation Grant Program (including CFDA 83.548)**

**Award year - see below**

**Award number - see below**

**Type of finding - Significant Deficiency and Material Non-Compliance**

The Department of Public Safety (DPS) must report on a quarterly basis for each Federal Emergency Management Agency (FEMA) approved project a FEMA form 20-10, Financial Status Report (OMB No. 3067-0206), per OMB A-133. A supervisor did review the report to ensure the report was complete as to the required information. Supporting documentation is not reviewed by management in sufficient level of detail to ensure the accuracy of the reports.

Questioned Cost: \$0
U.S. Department of Homeland Security

CFDA 97.039 - Hazard Mitigation Grant Program

Thirty-five reports were filed during fiscal year 2007 for Hazard Mitigation. The non-federal share of a project's costs must be at least 25 percent of the expenditures. Three of the reports reflected 25 percent of the jurisdictions reward amount as the non-federal share amount instead of the actual amount matched as of the report date. During performance of subrecipient monitoring test work, invoices were selected for review and it was noted that only 75 percent of the total expenditures incurred were reimbursed to the jurisdiction by DPS.

The hazard mitigation grant has multiple grant sub awards and award years as noted below:

<u>Disaster Number</u>	<u>Grant Number</u>	<u>Start Date</u>
1257	FEMA-1257-DR-TX	October 21, 1998
1356	FEMA-1356-DR	January 8, 2001
1379	FEMA-1379-DR-TX	June 9, 2001
1425	FEMA-1425-DR-TX	July 4, 2002
1439	FEMA-1439-DR-TX	November 5, 2002
1434	FEMA-1434-DR-TX	September 26, 2002
1479	FEMA-1479-DR-TX	July 17, 2003
1606	FEMA-1606-DR-TX	September 24, 2005
1624	FEMA-1624-DR	January 11, 2006
1658	FEMA-1658-DR	August 15, 2006
1697	FEMA-1697-DR	May 1, 2007
1709	FEMA-1709-DR	June 29, 2007

CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Fifty-seven reports were filed during fiscal year 2007 for Disaster Grants - Public Assistance and 28 were selected for test work. FEMA notifies DPS of the required non-federal share of a project's costs. For the disasters that are currently open, the non-federal share of a project's costs must be 25 percent of the expenditures, with the following exceptions: Disasters 1606, 3216 and 3261 - 0 percent non federal share. For all reports, the matching share reported on the FEMA Form 20-10 was calculated using total federal outlay amounts reported (i.e., 25 percent of the total federal amount reported) instead of based on actual costs incurred. During performance of subrecipient monitoring test work, invoices were selected for review and it was noted that only 75 percent of the total expenditures incurred were reimbursed to the jurisdiction by DPS.

The public assistance grant has multiple grant sub awards and award years as noted below:

<u>Disaster Number</u>	<u>Grant Number</u>	<u>Start Date</u>
1257	FEMA-1257-DR	October 21, 1998
1274	FEMA-1274-DR	May 6, 1999
1287	FEMA-1287-DR	August 22, 1999
1323	FEMA-1323-DR	April 7, 2000
1356	FEMA-1356-DR-TX	January 8, 2001
1379	FEMA-1379-DR	June 9, 2001
1425	FEMA-1287-DR	July 4, 2002
1479	FEMA-1323-DR	July 17, 2003
1606	FEMA-1606-DR	September 24, 2005
3216	FEMA-3216-DR	September 2, 2005
3261	FEMA-3261-DR	September 21, 2005
1624	FEMA-1624-DR	January 11, 2006
1658	FEMA-1658-DR	August 15, 2006
1709	FEMA-1709-DR	July 13, 2007
3277	Hurricane Dean (EM)	August 18, 2007

Recommendation:

DPS should be reporting the non-federal matching share on the FEMA Form 20-10 based on the actual amount incurred by the jurisdictions as of the report date.

*Management Response and Corrective Action Plan:*

*The Department of Public Safety provides financial management support to the Division of Emergency Management (DEM), a division of the Governor's Office per Texas Government Code, §418.004, which administers these grants. The Division of Emergency Management agrees with this finding. However, DEM still does not have the means to implement the recommendation.*

*FEMA is aware of the problem with reporting of actual match amounts due to small projects not being audited. FEMA has developed and is currently testing a database to replace the problematic NEMIS accounting system. However, this new database still has no way to accurately reflect actual match amounts on small projects.*

*It should again be noted that the potential for sub-recipient failures to meet match requirements is limited because DEM reimburses only 75 percent of the total expenditures approved by FEMA and incurred by state and local grant recipients. Actual match amounts are carefully checked and confirmed on large projects during the final audit by DEM personnel.*

*Implementation Date: Not applicable*

*Responsible Person: Loren Behrens*

**Texas A&M Health Science Center**

Reference No. 08-42

**Eligibility**

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.032 Award Number Not Applicable**

**Type of finding - Non-Compliance**

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 minus the expected family contribution (EFC). For Title IV programs, the amount of financial resources available is generally the EFC that 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 (Federal Perkins Loan, Federal Work Study, and Federal Supplemental Educational Opportunity Grant, Title 34, Code of Federal Regulations, Sections 673.5 and 673.6; Federal Family Education Loans, Title 34, Code of Federal Regulations, Section 682.603).

<p>Questioned Cost: \$ 0</p> <p>U.S. Department of Education</p>
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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 10871l).

For its Graduate School of Public Rural Health Program, Texas A&M Health Science Center (Health Science Center) estimates a student’s cost of attendance based on half-time enrollment for each semester a student is enrolled, regardless of the number of hours in which the student is actually enrolled. As a result, if a student is enrolled in more than a half-time course load, the student’s cost of attendance and financial need are understated. The understatement of financial need could result in the student not receiving aid for which he or she is eligible.

The Health Science Center incorrectly calculated the cost of attendance for 4 (10 percent) of 40 students tested.

Recommendation:

The Health Science Center should determine each student’s cost of attendance and financial need based on the student’s actual enrollment status.

Management Response and Corrective Action Plan:

*At the time students are awarded the Office of Student Financial Aid does not know the number of hours that a student in the School of Rural Public Health will actually attempt. As noted in your finding, 36 out of 40 students were enrolled as half-time students. Our statistics show that the average number of hours attempted by an SRPH student is 7.87 hours per term which is half-time attendance. The decision was made to award students as half-time to prevent the over-awarding and over-payment of federal aid. Any student enrolling as a full-time student who needs additional assistance would always receive a revised award package if requested.*

*To ensure that awards to SRPH students more accurately reflect their eligibility, a review of award packages will be made after enrollment to determine their accuracy. Affected students will be notified and award packages will be revised if the student so desires.*

*Implementation Date: January 2008*

*Responsible Person: Harold Whitis*

Reference No. 08-43

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

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.032 Award Number Not Applicable**

**Type of finding - Significant Deficiency and 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 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).

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

Texas A&M Health Science Center (Health Science Center) did not include in its disbursement notifications to FFELP loan recipients, the right to cancel, nor the timeframes or procedures by which the students or parents must notify the institution that they wish to cancel the loan or loan disbursement.

Recommendation:

The Health Science Center should include required cancellation information in its disbursement notifications to FFELP loan recipients.

Management Response and Corrective Action Plan:

*The requirement to notify a student only applies if the funds are disbursed by electronic funds transfer payment or master check. The Office of Student Financial Aid has always sent timely notifications to students but when we began using EFT in the fall of 2004, the requirement to notify students of the right to cancel and the correct procedure and timeline were not added to the notification.*

*The Office of Student Financial Aid concurs with the State Auditor's finding. When this omission was discovered during the State Auditor's visit to our campus, the notification was immediately revised to include the required information to students.*

*Implementation Date: July 2007*

*Responsible Person: Harold Whitis*

## Texas A&M University

Reference No. 08-44

### Eligibility

#### Student Financial Assistance Cluster

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

Award number - CFDA 84.007 P007A064136

Type of finding - Significant Deficiency and Non-Compliance

#### Federal Supplemental Educational Opportunity Grants Awarded to Students without Pell Grants

In selecting among eligible students for Federal Supplemental Educational Opportunity Grant (FSEOG) awards in each award year, an institution must select those students with the lowest expected family contributions (EFC) who will also receive federal Pell Grants in that year. (Title 34, Code of Federal Regulations, Section 676.10(a) (1)).

Questioned Cost: \$ 0

U.S. Department of Education

Two judgmentally selected students at Texas A&M University (University) received FSEOG but did not receive any Pell Grant awards. The University made a manual entry error while processing the awards and used incorrect fund codes. Specifically, it used (1) the FSEOG fund code instead of the Aggie State Grant fund code for one student and (2) the FSEOG fund code instead of the Education Excellence Scholarship fund code for the other student.

#### FSEOG Underawarded

An institution may award FSEOG for an academic year in an amount it determines a student needs to continue his or her studies. However, FSEOG may not be awarded for a full academic year in an amount that is less than \$100 or more than \$4,000 (Title 34, Code of Federal Regulations, Section 676.20(a) (1)).

One judgmentally selected student at the University received less than the minimum amount of FSEOG. The student received an additional scholarship, and the University reduced the FSEOG amount accordingly to avoid any overawards. However, the University's Financial Aid System did not identify this because the University had incorrectly set up the minimum award limit as "\$1" in the Financial Aid System instead of "\$100." As a result, the Financial Aid System allowed the University to award less than the minimum amount of FSEOG to the student.

#### Recommendations:

The University should:

- Ensure that it provides adequate training and performs monitoring to avoid manual entry errors.
- Ensure that it establishes accurate minimum assistance amounts in its Financial Aid system to avoid making underawards to students.



Management Response and Corrective Action Plan:

*Scholarships and Financial Aid acknowledges and agrees with the findings. Training is provided on a continual basis to financial aid advisors to ensure consistency. FSEOG rules are being highlighted in training and the monthly advisor meeting. In addition, a review process has been implemented to ensure no awards have been made to ineligible students who do not have a Federal Pell Grant.*

*Finally, the student system has been corrected to prevent underawarded amounts of FSEOG below the mandatory \$100 minimum.*

*Implementation Date: January 2008*

*Responsible Person: Joseph P. Pettibon II*

Reference No. 08-45

**Special Tests and Provisions - Return of Title IV Funds**

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.032 Award Number Not Applicable, CFDA 84.038 Award Number Not Applicable (No 2006 Award)**

**Type of finding - Significant Deficiency and 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 assistance 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 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, Section 668.22(a) (1)-(4)).

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

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)).

For 2 of 50 (4 percent) students tested at Texas A&M University (University), the University incorrectly filled out the Return of Title IV Funds form. For one student, the University reported an incorrect withdraw date on the form, and this resulted in the University returning \$175 less than it should have returned. However, the University returned that amount during this audit. For the other student, the University reported the amount disbursed to the student in the amount awarded column on the form. This led the University to not return any funds, when it should have returned \$216. However, the University returned that amount during this audit.

For 1 of 50 (2 percent) students tested, the University returned funds after the allowed 45 days. Specifically, the University returned funds 61 days after the student withdrew.

There is no 2006 award number for Perkins Loans because the University did not draw new funds.

Recommendation:

The University should ensure that it fills out the Return of Title IV Funds form correctly, and that it returns funds within the allowed timeframe.

Management Response and Corrective Action Plan:

*Texas A&M University acknowledges and agrees with the findings. A second review of all R2T4 calculations will be made on each student to provide a check for accuracy in the entry of data in the worksheets to determine R2T4. In addition, a strict policy of returning funds within the 45 day requirement with no exceptions.*

*Implementation Date: February 2008*

*Responsible Person: Joseph P. Pettibon II*

Reference No. 08-46

**Special Tests and Provisions - Student Status Changes**

(Prior Audit Issue 07-47)

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.032 Award Number Not Applicable**

**Type of finding - Significant Deficiency and Non-Compliance**

Unless an institution expects to submit its next student status confirmation report to the Secretary of the U.S. Department 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 Loan, 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

Questioned Cost: \$ 0

U.S. Department of Education

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)).

Texas A&M University (University) uses the services of the National Student Clearinghouse (NSC) to report student 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 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).

Auditors identified the following errors regarding student status changes:

- Three of 50 (6 percent) students tested graduated after the Spring 2007 semester, but this information was not reflected in NSLDS.
- One of 50 (2 percent) students tested changed to half-time status, but this information was not reflected in NSLDS. However, this student graduated after the Spring 2007 semester, and this information was reflected in NSLDS.
- Four of 50 (8 percent) students tested had status changes that were not reported to lenders, servicers, and guarantors.
- Twelve of 50 (24 percent) students tested had status changes that were not reported to the NSLDS within 60 days of the date of change.

Recommendation:

The University should implement changes to its reporting procedures to ensure that student status changes are reported to NSLDS, lenders, servicers, and guarantors within the required time period.

Management Response and Corrective Action Plan:

*In regard to information not reported to the NSLDS within 60 days of the date of change or appearing not to be reported at all we believe this is a function of the timing between when we send a transmission file to the National Student Clearinghouse, when they complete processing of the file, and when the NSLDS requests an SSCR from the Clearinghouse. Our plan is to decrease the number of days between transmissions to the Clearinghouse to 30 days. In addition, we will request a change in the SSCR requesting schedule from the NSLDS to 30 days so they will always receive status changes from us within the 60 day requirement.*

*In regard to information not reported to lenders, servicers, and guarantors we believe this is a function of the parameters set for the files we send to the Clearinghouse. This issue has been discussed with our IT personnel and a revamping of those parameters and careful monitoring of files sent should serve to eliminate this problem. Additionally, the increased frequency of file transmissions will help to ensure that all students are reported in a timely manner.*

*Implementation Date: February 2008*

*Responsible Person: Donald D. Carter*

**Texas A&M University - Kingsville**

Reference No. 08-47

**Eligibility**

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.063 Award Number P063P062325, CFDA 84.007 Award Number P007A064135**

**Type of finding - Non-Compliance**

Pell Grant Award Amounts for Certain Students Were Less than the Minimum Amount Required

The minimum Pell grant award amount a student can receive is \$200 if the student is enrolled three-quarters time in any long semester in an academic year.

Questioned Cost: \$121

U.S. Department of Education

Six of the 75 judgmentally selected students at Texas A&M University - Kingsville (University) received less than the minimum amount in Pell grant awards. The University's financial aid system (Banner) erroneously computed the Pell grant award amounts for these six students. The reason for the under-award was a software error in the Pell award module in Banner. The error affected only these specific cases.

Certain Students Received Federal Supplemental Educational Opportunity Grants without Receiving a Pell Grant

In selecting eligible students for Federal Supplemental Educational Opportunity Grants (FSEOG), institutions must select students with the lowest expected family contributions who will also receive Pell grants in that year (Title 34, Code of Federal Regulations, Section 676.10).

Two of the 75 judgmentally selected students at the University received FSEOG but did not receive Pell grant awards for the Spring 2007 semester. This situation also was due to an error associated with the Pell module in Banner. Pell Grants are packaged using a special module. Other grants and loans use the general packaging program. FSEOG was correctly awarded to these Pell-eligible students, but the separate Pell module failed to package those students for Pell.

Certain Title IV Funds Were Not Returned

When the 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 grant or loan assistance the student earned. Any difference between the amount earned and the amount that was disbursed to the student must be returned to the Title IV programs (Title 34, Code of Federal Regulations, Section 668.22).

One of the 75 judgmentally selected students at the University dropped classes after receiving a Pell grant and FSEOG. The Pell grant was returned as required, but the required portion of the FSEOG was not returned. According to the Return of Title IV Funds form, the unearned grant amount that the student was required to return was \$121.42.

Recommendations:

The University should:

- Correct the Banner system error that caused Pell grant award amounts to be calculated incorrectly.

- Ensure that students who receive FSEOG also receive Pell grants in the same semester.
- Ensure that Title IV funds are returned when required.

Management Response and Corrective Action Plan:

Finding: Students who received less than the minimum in PELL awards - 6 students

Spring PELL payments of less than the scheduled amount of \$200 were corrected immediately upon being notified by the site visit team of the six students identified in the audit sample.

The problem in disbursing the correct amount relates to the manner in which BANNER reacted to a general lock placed on student records for the fall semester. In reviewing the six cases, it was determined that the lock prevented the BANNER RPEPELL process from calculating and disbursing the correct amount for the student's enrollment status. A review of the COD reporting process was conducted of all Pell disbursements for 2006-2007. Those found to be in error similar to the sample population were also corrected. A review of the 2007-2008 PELL process (the RPEPELL program and output from COD reporting process) is ongoing in an effort to eliminate the errors from re-occurring. The new Director of Financial Aid is reviewing current processes and business practices to ensure that students are awarded and receive funds in compliance with all Federal and State guidelines.

Implementation Date: June 2007

Responsible Person: Ralph Perri

Finding: Students who received FSEOG and no PELL - 2 students

A review of the identified student's financial aid awards in regards to SEOG payments was performed immediately when notified of the problem by the site visit team. How?

[Student name] did not receive the spring PELL disbursement for the same reason as stated above. The lock on the fall semester did not allow the Banner PELL process to calculate the correct amount. This error was corrected immediately. Although the student was enrolled less than fulltime, it was appropriate for her to receive PELL and FSEOG.

[Student Name] was prevented from being awarded PELL due to NSLDS information in Banner indicating that she had received 100% disbursement at another institution. On this basis, it is believed that she was eligible for the FSEOG because she had received all of her PELL at another institution. The COD record later indicated that the other institution had corrected the disbursement amount. However, Banner would not allow a PELL award. The problem, in this case, is that the Banner set-up did not include transfer monitoring for new students within the award year. It is now in our practice to check transfer monitoring for newly admitted students for spring only or summer only. A review of the 2007-2008 PELL process (the RPEPELL program and output from the Transfer monitoring process) is ongoing in an effort to eliminate this error from re-occurring. The new Director of Financial Aid is reviewing current processes and business practices (The RPEPELL program and output from Transfer monitoring process) to ensure that students are awarded and receive funds in compliance with all Federal and State guidelines.

Implementation Date: June 2007; transfer Monitoring List requirement implemented November 2007 for spring 2008 transfer students.

Responsible Person: Ralph Perri

Finding: Title IV refund was generated on PELL but not on FSEOG - 1 student

A Return to Title IV work sheet was completed for [Student Name], which indicated an amount of PELL and SEOG that was to be returned. The PELL award amount was adjusted but the SEOG amount was not. We agree with the finding.

A review of the Return to Title IV process is ongoing in an effort to eliminate the errors from re-occurring. The new Director of Financial Aid is reviewing current process and business practice to ensure that the Return to Title IV process has a quality control review by more than one individual to ensure all steps are performed correctly.

**Implementation Date:** March 2008; the quality control review process will be implemented for spring 2008 semester and overseen by the Assistant Director

**Responsible Person:** Ralph Perri

Reference No. 08-48

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

**Student Financial Assistance Cluster**

**Award Year - July 1, 2006 to June 30, 2007**

**Award Number - CFDA 84.032 Award Number Not Applicable and CFDA 84.038 Award Number Not Applicable**

**Type of Finding - 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) funds, 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 loan 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 all or a portion of the loan or loan disbursement. The requirement for FFELP loans applies only if the funds are disbursed by Electronic Funds Transfer or master check. The notification can be in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

<p>Questioned Cost: \$ 0</p> <p>U.S. Department of Education</p>
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The disbursement notification letters that Texas A&M University - Kingsville (University) used included information on the right to cancel loans, either in full or in part, including corresponding procedures and timelines by which the student or parent must notify the institution that he or she wishes to cancel the loan. However, the University's notification letters did not include the date and amount of the disbursement.

Additionally, the University did not send disbursement notifications to FPL recipients for the Fall 2006 or Spring 2007 semesters. The University was unaware that the requirement applied to FPL funds.

Recommendations:

The University should:

- Include the date and amount of the disbursement in all FPL and FFELP disbursement notification letters.

- Ensure that it sends disbursement notifications to all FPL fund recipients no earlier than 30 days and no later than 30 days after crediting the student's account.

*Management Response and Corrective Action Plan:*

*We agree with the finding. The new Director of Financial Aid is reviewing the current process and business practice to ensure proper information is included on the notification. For the spring 2008 semester a SQL program will be written to extract the data from the loan disbursement screen. The program will run once a week and it will generate an output report that will be imported in to an excel merge file or access database to create a correspondence letter. For 2008-2009 AY we will create a Tracking Group to accommodate this requirement. The process will run twice a week (when the fall disbursement process begins) when all other correspondence is created for the Talisma correspondence process.*

*Implementation Date: Short term (Spring and Summer term) by February 8, 2008; Fall term (New process) by August 15, 2008*

*Responsible Person: Ralph Perri*

**Texas A&M University - Texarkana**

Reference No. 08-49

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

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.007 Award Number Not Applicable, CFDA 84.032 Award Number Note Applicable, CFDA 84.063 Award Number Not Applicable**

**Type of finding - Significant Deficiency**

Institutions are required to maintain internal control over federal programs that provides reasonable assurance that they 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)).

<p>Questioned Cost: \$ 0</p> <p>U.S. Department of Education</p>
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Texas A&M University - Texarkana (University) does not have appropriate controls over access to its Student Information System (System). Four employees within the Financial Aid Office had the same level of access as the Director of Financial Aid. This access level allows employees to award and disburse funds into student accounts and modify key tables within the System. In addition, an individual who was no longer employed by the University continued to have active access to the System.

The University does not review access to the System on a regular basis, which increases the risk of unauthorized access to the System.

After auditors discussed these issues with the University, the University took corrective action.

Recommendation:

The University should periodically review users' access levels to the System and ensure that it deletes the access of terminated employees.

Management Response and Corrective Action Plan:

*The current university procedures require supervisors to complete a form to remove employees from all computer systems for which they have been granted access during employment. (A form is completed and signed by the employee, supervisor, responsible VP and technology security designees to allow access and to terminate access.)*

*Our records indicate that the employee in question terminated her employment on campus as of May 24, 2007. However, she had vacation time due and was actually paid through May 31, 2007. The property clearance form was signed by the Director of Technology and Distance Education on May 21, 2007 per the HR/EEO Office and the technology form (Security Access Request Form for Centralized Databases) was processed by Technology and Distance Education on May 31, 2007.*

*Administrative management will remind supervisors on an annual basis via e-mail that access must be terminated on the last day an employee is on campus to assure they no longer have access to any systems. Technology management will continue their standard practice to send the employee form to the supervisor each September requiring an updated review and confirmation of access. Forms are returned to the Department of Technology and Distance Education and placed in their active security files.*

*Implementation Date: January 2008*

*Responsible Person: Joan C. Beckham*



**Texas Higher Education Coordinating Board**

Reference No. 08-50

**Special Tests and Provisions - ED Form 799**

(Prior Audit Issue 07-49)

**CFDA 84.032 - Federal Family Education Loans (FFEL) - Lender**

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

**Award number - CFDA 84.032 Award Number Not Applicable**

**Type of finding - Significant Deficiency and Non-Compliance**

For lenders to receive payments of interest benefits and special allowance, they must submit a quarterly *Lender's Interest and Special Allowance Request and Report* (LaRS report) to the U.S. Department of Education (Department). The LaRS report is also used to report origination fees collected on new loans. In addition, other information on the Federal Family Education Loan Program (FFELP) portfolio must be reported to assist the Department in proper management of the FFELP. Parts IV and V of the LaRS report contain information regarding the changes to the guaranteed loan balances during the quarter and the analysis of the status of ending balances of all applicable accounts, including past due accounts (*Compliance Audits [Attestation Engagements] For Lenders and LenderServicers Participating in the Federal Family Education Loan Program*, Section II.1; Title 34, Code of Federal Regulations, Section 682.305(a); *Common Manual Unified Student Loan Policy*, Section A.3.B).

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

Auditors identified the following issues:

- The Texas Higher Education Coordinating Board (Coordinating Board) determined that its Higher Education Loan Management System (HELMS) incorrectly calculated special allowance prior period adjustments, and it did not include any special allowance prior period adjustments on the LaRS report for the quarter ending June 30, 2007. The Coordinating Board expects to correct these programming issues by the quarter ending March 31, 2008.
- When performing testing for due diligence in collection of delinquent loans for the three quarters ending March 31, 2007, auditors determined that the Coordinating Board incorrectly included loan amounts in Part V of its quarterly LaRS reports for (1) 2 of 37 (5 percent) loans tested with delinquency fewer than 271 days and (2) all of the 15 judgmentally selected student loans selected from the "over 270 days past due" category. These students were not included on the Coordinating Board's past due list, which indicated that their loans were not in the current due diligence cycle. For these loans, no further collection efforts were required because a claim had already been paid, a suit had been filed, or the borrower was in bankruptcy. Loans that are not in the current due diligence cycle are not guaranteed. As a result, these loans should not have been reported. The loans were reported as a part of the Coordinating Board's loans in repayment or in forbearance. None of these accounts received special allowance payments in the year starting July 1, 2006, but the programming of quarterly reports used to produce the LARS report prior to the conversion to HELMS on April 1, 2007, had not been modified to ensure that only the accounts reported in the SAP section were included in Part V of the LaRS.
- When performing testing related to Part III (Special Allowance) of the LaRS report for the quarter ending June 30, 2007, auditors determined that the Coordinating Board omitted to report to the Department certain loans that were included under invalid special allowance category combinations in HELMS. The invalid combinations included the "XF," "SU XJ 0.06," "SU XB 0.07," "SF XM 0.06," and "SU XM 0.06" categories. The ending principal balances of these loans totaled \$112,841.

- When performing testing related to Part IV (Loan Activity) of the LaRS report for the quarter ending June 30, 2007, auditors determined that the Coordinating Board incorrectly included capitalized interest on 8 of 10 (80 percent) loans judgmentally selected from the “Capitalized Interest and Other” category. This occurred because of a HELMS conversion issue that resulted in overstated special allowance average daily balances in Part III of the LaRS. The Coordinating Board corrected this issue in August 2007 and will report related special allowance payment adjustments in the quarter ending March 31, 2008. The Coordinating Board also incorrectly reported two claims paid totaling \$31,232.80 in the “Borrower repayment” category, but this error did not result in any questioned costs.
- When performing testing related to Part V (Loan Portfolio Status) of the LaRS report for the quarter ending June 30, 2007, auditors determined that the Coordinating Board incorrectly classified 4 of 10 (40 percent) judgmentally selected claims filed during quarter ending June 30, 2007 in the “Over 270 days past due” category.”

In addition, 4 of 15 (27 percent) loans judgmentally selected from the “Over 270 days past due” category should have been classified as “Claims filed.” These loans were 333 and 345 days delinquent. The Coordinating Board manually enters the claim’s submittal date in HELMS. The claims that were incorrectly classified were filed in June 2007, but their submittal dates were not entered into HELMS until after June 30, 2007. These classifications errors did not result in any questioned costs. However, 9 of 15 loans judgmentally selected from the “Over 270 days past due” category were not in the current due diligence cycle because a claim had already been paid or a suit had been filed. These accounts were more than 400 days past due and received special allowance payments in the quarter ending June 30, 2007. The principal balances of loans more than 400 days past due reported in the “Over 270 days past due” category totaled \$136,715.

In addition, all 4 student accounts judgmentally selected from the “Claims filed” category with past due days exceeding 400 were no longer in the current due diligence cycle, but the Coordinating Board reported them on Part III of the LaRS in quarter ending June 30, 2007. The principal balances of accounts more than 400 days past due reported in the “Claims filed” category totaled \$571,512. These issues are partly due to the incomplete status of the Coordinating Board’s corrective action on a finding identified in the prior fiscal year; they are also partly due to a HELMS conversion issue because some of these accounts correctly identified in HELMS with a “permanent void” flag still received special allowance payments.

The Coordinating Board has corrected the interest capitalization error and requested HELMS program modifications to ensure that it (1) reports only valid special allowance categories in Part III of the LaRS, (2) correctly reports special allowance prior period adjustments starting with the quarter ending March 31, 2008, and (3) removes accounts already identified as “permanent voids” in HELMS from the LaRS and processes related special allowance prior period adjustments.

Recommendations:

The Coordinating Board should:

- Complete all research and necessary adjustments to ensure that it includes only guaranteed loan amounts in its quarterly LaRS reports.
- Implement procedures to ensure that it categorizes loans accurately in Part IV and Part V of the LaRS report.

Management Response and Corrective Action Plan:

- *Prior period adjustments and other discrepancies have already been corrected.*

- *LARs report was filed for the quarter ending June 30, 2007 did not include prior period adjustments because of conversion and programming errors. Once the new programming is received from the vendor, the SAP billing will be updated. Staff will review billing data for the quarter ending 3/31/08 to ensure that all quarters since migration are reported correctly.*

*Implementation Date: Prior Period Adjustments completed December 2007  
LARs billing programming updates to be completed March 2008*

*Responsible Person: Katherine Carson*

Reference No. 08-51

**Special Tests and Provisions - Special Allowance Payments**

(Prior Audit Issues 07-51, 06-46, 06-47, and 06-48)

**CFDA 84.032 - Federal Family Education Loans (FFEL) - Lender**

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

**Award number - CFDA 84.032 Award Number Not Applicable**

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

Incorrect Reporting of Special Allowance Payments

The U.S. Department of Education (Department) pays a quarterly compensating special allowance to the lender/servicer on the average unpaid daily loan principal balances of eligible Federal Family Education Loan Program (FFELP) loans. The lender/servicer bills the Department on a quarterly basis for special allowance payments (SAP) through Part III of the *Lender's Interest and Special Allowance Request and Report* (LaRS report).

The lender/servicer must separate loans according to loan type, applicable interest rate, and special allowance category, and the lender/servicer must provide the sum of average daily balances for each loan within these groups. The Department then calculates a special allowance per category. SAP categories are defined by the Department according to the type of loan; the date the loan was disbursed; the loan period; and, in some cases, the number of quarters for which the loan has been outstanding or the loan's status (in-school, grace, deferment, or repayment) (Title 34, Code of Federal Regulations, Section 682.302 (c)).

Questioned Cost: Undetermined

U.S. Department of Education

The lender/servicer also must report the status and balance of each FFELP loan held and make any adjustments to submissions covering earlier quarters. The Department's obligation to pay a special allowance for an eligible loan ends on the earliest of the following dates, as applicable: the date the loan is repaid; the date the lender receives a claim payment on the loan; the date the loan ceases to be guaranteed or loses its re-insurability; 60 days after the date the borrower defaulted on the loan, unless the lender files a claim with the guarantor before the 60th day; and other dates, as applicable, as outlined in Title 34, Code of Federal Regulations, Section 682.302(d).

The Texas Higher Education Coordinating Board (Coordinating Board) inappropriately reported SAP on 3 of 50 (6 percent) loans tested. Specifically:

- The Coordinating Board reported one loan with an inflated average unpaid daily loan principal balance. This occurred because of incorrect capitalization of interest on the loan when it was converted from the Coordinating Board's former mainframe system to its new Higher Education Loan Management System (HELMS). This resulted in an incorrect SAP calculation.
- The Coordinating Board inappropriately reported and collected SAP during the quarter ending June 30, 2007, on one loan that was no longer guaranteed. The Coordinating Board reported this loan correctly in its former mainframe system as a temporarily void account until the quarter ending March 31, 2007.

- However, the loan was incorrectly converted to “active billing, previously suspended” status in HELMS at the beginning of the quarter ending June 30, 2007. This occurred because of a manual processing error.
- The Coordinating Board incorrectly classified one loan’s entire balance and reported it in SAP category “XJ EVAR” based on the loan’s deferment status for the entire quarter ending June 30, 2007. Only a portion of that loan should have been assigned to the “XK EVAR” category. The category classifications depend on characteristics such as loan status, source of loan funds, disbursement dates, and rates of interest. The loan’s deferment period ended on December 14, 2006, and the loan should have been converted to a repayment status on June 15, 2007. The Coordinating Board did not schedule the loan for repayment in HELMS.

The error related to the first of the three loans discussed above occurred because of a systematic error that the Coordinating Board corrected in the following quarter ending September 30, 2007. The Coordinating Board indicated it will report related SAP adjustments on the LaRs for the quarter ending March 31, 2008. This issue affected several loans, as noted in more detail below. The error on the other two loans discussed above occurred because of manual processing errors made during the conversion to HELMS. The Coordinating Board corrected these errors in quarter ending December 31, 2007.

Loan Balances Ineligible for Special Allowance Payments

The Coordinating Board continued to report and collect SAP on loan disbursements that were ineligible for SAP due to their status. These included disbursements associated with borrowers who were in judgment or disbursements for which a claim had been filed. The Coordinating Board planned to complete all research on these items and make any necessary adjustments on or before December 31, 2007.

Prior Period Adjustments

The Coordinating Board did not report SAP prior period adjustments to the Department for the quarter ending June 30, 2007. The Coordinating Board determined that some of these adjustments were calculated incorrectly because account histories were missing from HELMS, and it decided to omit them from the LaRS report until the programming issues were corrected. The Coordinating Board also omitted SAP prior period adjustments from the LaRS report for quarter ending September 30, 2007, but it expects to complete corrective action for the quarter ending March 31, 2008.

Recommendations:

The Coordinating Board should:

- Implement procedures to ensure that it (1) reports only eligible loan balances when claiming SAP and (2) assigns loans to the correct SAP category as defined by the Department.
- Complete all research and adjustments to loan disbursements that were ineligible for SAP by December 31, 2007.
- Correctly report all SAP prior period adjustments on the LaRS starting with the quarter ending March 31, 2008.

Management Response and Corrective Action Plan:

- *Procedures have been implemented that correlate with correct usage of the HELMS system and staff have been trained in these procedures.*
- *Staff completed research and have updated accounts that needed billing adjustments for the quarter ending 12/31/2007. Loans are now being categorized accurately.*
- *Since converting to HELMS, THECB staff have been working with the vendor to ensure that the system accurately reports LARs billing. Staff identified that the data mapping for system conversion contained several deficiencies that have been reported to the vendor for correction. Once the corrected programming is received, staff will review billing data for the quarter ending 03/31/2008 to ensure that all quarters since migration are reported correctly.*

*Implementation Date: Prior Period Adjustments completed December 2007  
LARs billing programming updates to be completed March 2008*

*Responsible Person: Katherne Carson*

Reference No. 08-52

**Special Tests and Provisions - Student Status Changes**

(Prior Audit Issues - 07-52 and 06-45)

**CFDA 84.032 - Federal Family Education Loans (FFEL) - Lender**

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

**Award number - CFDA 84.032 Award Number Not Applicable**

**Type of finding - Significant Deficiency Control and Non-Compliance**

Federal regulations require that, after the Texas Higher Education Coordinating Board (Coordinating Board) is notified of a student status change, it must use that information to make proper adjustments to each loan in a timely manner. For purposes of this requirement, “timely” means adjustments are made in time to satisfy the time requirements outlined in Title 34, Code of Federal Regulations, Section 682.209, for converting and beginning the collection of loans. The accuracy of billings for interest benefits and special allowance payments, and the timely conversion of loans to repayment status, depend on the timely and accurate processing of student status changes.

Questioned Cost: \$ 0 U.S. Department of Education
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The Texas Guaranteed Student Loan Corporation (TGS LC) and the National Student Clearinghouse (NSC) communicate student status changes to the Coordinating Board on a weekly basis. The Coordinating Board downloads electronic files from TGS LC and NSC each week for processing. Processing includes reviewing the downloaded information for each student and determining whether the downloaded information is more accurate than the Coordinating Board’s records. Occasionally, students or institutions will have already contacted the Coordinating Board directly with information. If it is determined that an update is necessary, the Coordinating Board staff manually input the change.

The Coordinating Board did not process 4 of 50 (8 percent) enrollment reports tested in a timely manner in accordance with regulations. In all four instances, the Coordinating Board did not update the reports because staff believed that because the students were current on their loan payments, the enrollment status changes were not necessary. Therefore, the Coordinating Board overlooked current information regarding the students’ separation dates and did not update this information in its records.

In addition, the Coordinating Board did not update 1 of 50 (2 percent) enrollment reports tested in its Higher Education Loan Management System (HELMS). The student was incorrectly reported as a full-time student in repayment status, but the student’s correct status was half-time in deferment status. This error was caused by an error in manual data entry.

Recommendation:

The Coordinating Board should enhance its procedures to ensure that it accurately processes student status changes requiring updates in a timely manner.

Management Response and Corrective Action Plan:

*Procedures have been implemented that correlate with correct usage of the HELMS system and staff will be trained in these procedures.*

Implementation Date: February 2008

Responsible Person: Katherine Carson

Reference No. 08-53

**Special Tests and Provisions - Due Diligence by Lenders or Servicers in the Collection of Delinquent Loans**

**CFDA 84.032 - Federal Family Education Loans (FFEL) - Lender  
Award year - July 1, 2006 to June 30, 2007  
Award number - CFDA 84.032 Award Number Not Applicable  
Type of finding - Significant Deficiency and Non-Compliance**

A lender is required to maintain complete and accurate records of each loan that it holds. In determining whether the lender met the due diligence compliance requirements pertaining to collection of delinquent loans, the documentation maintained must include a collection history showing the date and subject of each communication between the lender and the borrower or endorser relating to collection of a delinquent loan; each communication (other than regular reports by the lender showing that an account is current) between the lender and a credit bureau regarding the loan; each effort to locate a borrower whose address is unknown at any time; and each request by the lender for default aversion assistance on the loan (Title 34, Code of Federal Regulations, Section 682.414(a)(4)).

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

Auditors could not determine whether the Texas Higher Education Coordinating Board (Coordinating Board) followed all borrowers' delinquency procedures (1) for 3 of 37 (8 percent) students tested in the three quarters ending March 31, 2007 and (2) for 9 of 13 (69 percent) students tested in quarter ending June 30, 2007. Auditors could not determine this because supporting call sheets were not available to test. Although the corresponding due diligence call codes were documented in the Coordinating Board’s new Higher Education Loan Management System (HELMS), call sheets were not generated from April 2007 through July 2007 because of problems within HELMS.

Recommendation:

The Coordinating Board should ensure that it maintains complete and accurate records (including call records) of the collection history of the loans that it services.

Management Response and Corrective Action Plan:

*The HELMS system works on a loan level basis instead of an account level as the previous system was programmed. Upon conversion to the new system, the volume of scheduled due diligence contacts increased dramatically. Beginning October, 2007, staff has adjusted procedures to appropriately prioritize due diligence contacts and accommodate the HELMS system.*

*Implementation Date: October 2007*

*Responsible Person: Katherine Carson*

Reference No. 08-54

**Special Tests and Provisions - Cures**

(Prior Audit Issues 07-53 and 06-49)

**CFDA 84.032 - Federal Family Education Loans (FFEL) - Lender**

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

**Award number - CFDA 84.032 Award Number Not Applicable**

**Type of finding - Significant Deficiency and Non-Compliance**

A lender requests payment of interest benefits and special allowance for eligible loans by billing the U.S. Department of Education (Department) at the end of each calendar quarter. The lender does this by submitting a *Lender's Interest and Special Allowance Request and Report* (LaRS report). A lender is prohibited from billing for federal interest benefits and special allowance payment on loans that are not eligible for federal reinsurance coverage. It is the lender's responsibility to repay immediately all federal interest benefits and special allowance payments on a loan that is, or was, ineligible to receive payments (Common Manual, Unified Student Loan Policy, Appendix A.3). A lender may have the guarantee on a loan reinstated by curing the applicable violation. Upon reinstatement of a loan's guarantee, the lender is again eligible to receive claim payments, interest benefits, and special allowance payments on the loan; the lender is ineligible to receive these payments from the date of the first unexcused violation to the date of the cure (Common Manual, Unified Student Loan Policy, Section 14.5). A lender must comply with the cure procedures in Title 34, Code of Federal Regulations, Part 682, Appendix D, for loans with due diligence or timely filing violations and related cure information must be accurately reported on the LaRS report.

Questioned Cost: \$ 0

U.S. Department of Education

The Texas Higher Education Coordinating Board (Coordinating Board) did not accurately classify all cures and pending cures in its system and incorrectly reported them on the LaRS report for the quarter ending June 30, 2007. It incorrectly classified 2 of 5 (40 percent) loans it reported on part IV of the LaRS report as guarantee voided (pending cures). One of these loans should not have been reported on the LaRS report because the account became permanently uninsured during the quarter. This occurred because of a manual processing error that was corrected at the beginning of the following quarter. The other loan should have been classified as a cure. This occurred because of a lack of timeliness in identifying cures in the Coordinating Board's new Higher Education Loan Management System (HELMS).

In addition, 1 of 14 (7 percent) pending cures tested in the first three quarters ending March 31, 2007, was not correctly adjusted on the LaRS report to rebate special allowance payments (SAP) during the cure process. A prior period adjustment from the December 15, 2005, violation date to September 30, 2006, should have been processed in the quarter ending December 31, 2006. The Coordinating Board did not correct this error in the quarter ending June 30, 2007 (the Coordinating Board did not report SAP prior period adjustments to the U.S. Department of Education for that quarter). Similarly, SAP prior period adjustments related to new pending cures identified in quarter ending June 30, 2007, also were not reported to the Department. This occurred because of HELMS conversion issues.

During fiscal year 2007, the Coordinating Board was in the process of changing from an old automated system to HELMS. During that period, there were errors that the Coordinating Board believed could have been caused by that transition to HELMS. The Coordinating Board has established a March 2008 target date to have all system-related errors corrected.

Recommendation:

The Coordinating Board should implement its plan to correct all system-related errors by March 2008 and verify that all errors have been corrected.

Management Response and Corrective Action Plan:

*The vendor estimates that the programming corrections for LARs billing will be delivered prior to March 31, 2008. Once the corrected programming is received, staff will review billing data for the quarter ending March 31, 2008 to ensure that all quarters since migration are reported correctly.*

*Implementation Date: March 2008*

*Responsible Person: Katherine Carson*



**Texas Southern University**

Reference No. 08-55

**Cash Management**

**Student Financial Assistance Cluster**

**Award year - July 1, 2006 to July 30, 2007**

**Award number - P033A064145 (FWS)**

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

The U.S. Department of Education (Department) provides funds to an institution under the advance, reimbursement, just-in-time, or cash monitoring payment methods. Under the reimbursement payment method, the institution must make disbursements to students and parents for the amount of funds those students and parents are eligible to receive under the federal Pell grant program, the federal Academic Competitiveness Grant (ACG) program, the national Science and Mathematics Access to Retain Talent (SMART) grant program, Direct Loan program, and campus-based programs before it may seek reimbursement from the Department for those disbursements. The Department considers an institution to have made a disbursement if the institution has either credited a student's account or paid a student or parent directly with its own funds. (Title 34, Code of Federal Regulations, Section 668.162)

Questioned Cost: \$ 140,174

U.S. Department of Education

For Federal Work Study (FWS) funds, an institution must time its drawdowns to coincide with its payroll dates. An institution must calculate the amount of federal funds needed to meet payroll for a given pay period and draw down only the appropriate federal share of wages to be paid. Student wages must be paid within three business days of the date federal funds are received. (*Blue Book*, October 2005, Chapter 18, page 2-193).

Texas Southern University (University) requested to draw down the remainder of its FWS fund authorization on August 28, 2007. At the time of the drawdown, the University had not disbursed \$140,174 to FWS students. A reconciliation of the FWS fund usage provided by the University shows that \$113,913 was transferred to the 2007-2008 FWS fund, for which auditors were not able to obtain the supporting student disbursement detail and \$26,261 remained available.

In addition, the University's supporting documentation was incomplete for all August and September 2007 drawdown requests, and the supporting documentation did not include any general ledger expenditure information. Auditors were able to verify from other sources that all but one of these drawdowns were appropriate. For most drawdowns, auditors could not find evidence of supervisor approval, as required by the University's cash management policies and procedures.

Recommendation:

The University should implement procedures to ensure that it does not draw down funds before it has disbursed these funds to the eligible students. Specifically, the University should ensure that all drawdown requests are supported by adequate student disbursement detail and general ledger expenditure detail and that they receive proper supervisor approval.

Management Response and Corrective Action Plan:

*Management agrees with the finding. The University had not incurred federal work study payroll expenditures of \$113,913 before seeking reimbursements from the U. S. Department of Education. Appropriate and sufficient payroll expenditures were incurred through October 31, 2007.*

On January 25, 2008, the University returned \$26,261.

Additionally, we have implemented functions to strengthen internal controls and ensure compliance. Effective January 24, 2007, the Financial Aid Accountant, Candida DuBose, will report directly to the Assistant Vice President for Business and Finance, Moroline Washington. The Financial Aid Accountant is responsible for providing detail reports of Financial Aid disbursements. On a monthly basis, the Director of Grants and Contracts Accounting, Diane Lewis, will reconcile the Financial Aid data to the general ledger. All requests submitted for reimbursement will be supported by the general ledger and with proper documentation from the student detail reports (payroll subledger).

The Director of Financial Aid, Linda Ballard, and the Business and Finance staff, Moroline Washington, Diane Lewis, and Candida DuBose, will work collectively in efforts to continue improvements in the University's internal controls.

Implementation Date: January 2008

Responsible Person: Moroline Washington

Reference No. 08-56

**Reporting - Pell Payment Data**

**Student Financial Assistance Cluster**

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

**Award number - 84.063 P063P062327**

**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 2007, Part 5, Student Financial Assistance Cluster, III.L.1.e, pages 5-3-16 and 5-3-17).

<p>Questioned Cost: \$ 0</p> <p>U.S. Department of Education</p>
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For 4 of 50 (8 percent) students tested, Texas Southern University (University) did not report disbursement records to the COD system within 30 calendar days of the disbursement date. Two of these instances occurred because an upgrade the University loaded to its financial aid system prevented origination records from being transmitted. The University identified and corrected these errors in March 2007. A total of 11 students were affected by this issue. The two remaining instances were due to manual processing errors.

The University did not perform monthly reconciliations of its grant accounts between its financial aid sub-ledger and general Ledger, as required by the University's procedures. This occurred because of changes in personnel and reassignment of responsibilities for Title IV funds reconciliation. The University had reconciled its grant accounts as of June 30, 2007. The University also asserts that, beginning in July 2007, the Director of Grants and Contracts and the Financial Aid Accountant were given the responsibility of ensuring that accounts are reconciled monthly.

Recommendations:

The University should:

- Improve its oversight of the Pell reporting process to ensure that it reports disbursement records to the U.S. Department of Education in a timely manner.
- Implement procedures to ensure that it reconciles Title IV grant accounts monthly between its financial aid sub-Ledger and its general ledger.

Management Response and Corrective Action Plan:

*Management Agrees and the following measures have been implemented to ensure compliance with OMB Compliance Supplement A-133, March 2007, Part 5, Student Financial Assistance Cluster, III.L.1.e, pages 5-3-16 and 5-3-17. Texas Southern University has developed an exception report that allows the Data Analyst, Jennifer Jones, to identify and monitor payments as they are accepted by COD for processing. A monthly submission schedule has been implemented to ensure timely submission of all records. As of January 24, 2008, The Financial Aid Accountant, Candida Dubose, will prepare detail reports with student by student and total expenditures for Title IV expenditures. The Director of Grants and Contracts Accounting Office, Diane Lewis, will reconcile the financial aid data to the general ledger. All request submitted for reimbursement will be supported by the general ledger with proper documentation from the student detail reports. The Director of Financial, Linda Ballard, will run a monthly report to monitor the submissions to COD.*

*Implementation Date: January 2008*

*Responsible Person: Linda Ballard*

Reference No. 08-57

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

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.032 Award Number Not Applicable**

**Type of finding - Significant Deficiency and Non-Compliance**

Disbursement Notifications Were Not Always Sent within Required Timeframes

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 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 electronic (Title 34, Code of Federal Regulations, Section 668.165).

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

Texas Southern University (University) did not send notifications to FFELP loan recipients for 19 of 40 (48 percent) students tested for the Fall 2006 and/or Spring 2007 semesters. The University does not have controls to ensure that it sends disbursement notifications within the required periods.

Additionally, the University sends notification letters to students whose enrollment status still must be verified. The letters are sent when the disbursements are initially to be disbursed. This causes the letters to be sent before the required 30 days; therefore, the University does not mail these letters within the required time frame.

Funds Were Requested Too Early

In certifying a loan application for a borrower, an institution may not request a lender to provide it with loan funds by electronic funds transfer (EFT) or master check earlier than (1) 27 days after the first day of classes of the first payment period for a first-year, first-time Federal Stafford Loan Program borrower or (2) 13 days before the first day of classes for any subsequent payment period for a first-year, first-time Federal Stafford Loan Program borrower or for any payment period for all other Federal Stafford Loan Program borrowers.

The University requested FFELP funds from lenders earlier than 13 days in advance of the first day of classes for the Spring 2007 semester for 27 of 40 (68 percent) students tested.

Excessive Access to Student Financial Aid System

Institutions must maintain internal control over federal programs that provides reasonable assurance that they 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 performs periodic reviews of user access rights to its Financial Aid System. However, an employee in Business Services had full rights in that system to determine financial aid eligibility, as well as package and disburse awards. The employee did not appear to be familiar with these functions or be aware of this access. Although there was no evidence that the access had been used inappropriately, it was excessive.

Recommendations:

The University should:

- Ensure that it sends all students and parents the required disbursement notifications regarding FFELP and FPLP loans.
- Consider modifying its procedures to ensure that it does not send disbursement notification letters until student enrollments have been verified (to ensure that it sends the late disbursement notifications no earlier than 30 days before crediting a student’s account).
- Ensure that it does not make loan requests more than 13 days before the first class day of the semester.
- Restrict access to its Financial Aid System based on job duties and responsibilities. It also should implement a policy to periodically review user access at the departmental level.

Management Response and Corrective Action Plan:

Disbursement Notification letters

Management agrees and the following measures have been implemented to ensure compliance with Title 34, Code of Federal Regulations, Section 668.165. Texas Southern University has implemented an electronic process to generate and document the Disbursement Notification Letters on the Banner system. The Financial Aid Office will run the letter generation process for the Disbursement Notification Letters on a daily basis. Letters mailed/mailed within 24 hours. GUIMAIL on the Banner system is immediately updated upon the completion of the batch process. Additionally, the university is purchasing App Works scheduling software to automate the generation of the Disbursement Notification Letters.

Implementation Date: January 2008

Responsible Person: Linda Ballard

Disbursements

Management agrees. Texas Southern University has implemented a procedure for the review of all disbursement dates by the Director, Financial Aid and FA Systems Analyst to ensure loans are scheduled for disbursement no more than 13 days prior to the start of the term.

Implementation Date: January 2008

Responsible Person: Linda Ballard

Access to FA System

Texas Southern University has reviewed the security classes within the Financial Aid Module for all employees within the Enrollment Services Division. Based on this review new security classes were created and require the approval of the VP of ES, Hasan Jamil, FA System Analysts, Francis Oyakhire, and Dir. Financial Aid, Linda Ballard, approval prior to any changes to the FA System. The Office of Internal Audit, Ron Cornelius, and Office of Information Technology, Luis Villarreal, is currently conducting a full scope review of all individuals on the university campus for access levels This implementation plan is expected to be completed by February 28, 2008.

Implementation Date : January 2008

Responsible Person: Hasan Jamil

Reference No. 08-58

**Special Tests and Provisions - Return of Title IV Funds**

**Student Financial Assistance Cluster**

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

**Award number - P063P063294 (PELL), P007A064169 (FSEOG), P375A063294 (ACG), P376S063294 (SMART)**

**Type of finding - Significant Deficiency and 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 outlined in this section 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 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)).

<p>Questioned Cost: \$ 0</p> <p>U.S. Department of Education</p>
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Returns of Title IV funds are required to be deposited or transferred into the Student Financial Assistance account or electronic fund transfers initiated to the U.S. Department of Education or the appropriate Federal Family Educational Loan 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)).

Texas Southern University (University) does not have controls to ensure that Title IV funds are returned within 45 days. For 13 of 30 (43 percent) returns tested, the funds were returned after 45 days.

The University also made incorrect calculations of the amounts to be returned for 4 of 30 (13 percent) students tested. The students returned more than the required amount. For a portion of the tested period, the University used its Banner system to calculate the amount of funds to be returned. The Banner system calculations were incorrect for the amount of funds to be returned by the student.

Recommendation:

The University should establish controls to ensure that Title IV funds are returned within 45 days of students' withdrawals and that the amount of funds to be returned is calculated correctly.

Management Response and Corrective Action Plan:

*Texas Southern University agrees and has taken the following steps to ensure the requirements of Title 34, code of Federal Regulations, Section 668,173(b) are met. The Executive Director of Financial Aid, Albert Tezeno, will run an edit report to identify all Title IV Aid recipients who have withdrawn on a bi-weekly basis. This report will be forwarded to the Financial Aid Accountant, Candida Dubose, for review. The Financial Aid Accountant, Candida Dubose, will review the report and enter the information into the U.S. DOE Return to Title IV software to perform the refund calculations within 1 week of the receipt of the report. A copy of the Refund Calculations will be forwarded to the Financial Aid Office for retention in the permanent files of the student.*

*Implementation Date:* January 2008

*Responsible Person:* Albert Tezeno

Reference No. 08-59

**Special Tests and Provisions - Student Status Changes**

**Student Financial Assistance Cluster**

**Award year - July 1, 2006 to July 30, 2007**

**Award number - CFDA 84.032 Award Number Not Applicable**

**Type of finding - Significant Deficiency and 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 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)).

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

Texas Southern University (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 21 of 40 (53 percent) students tested, status changes were not reported to NSLDS. In addition, status changes for 4 students were not reported within 60 days of the status change.

Recommendation:

The University should implement changes to its reporting procedures to ensure that student status changes are reported to NSLDS within the required time period.

Management Response and Corrective Action Plan:

Management agrees and has taken the following steps to ensure compliance with Title 34, Code of Federal Regulations, Section 682.610 (c). As of February 15, 2008, Texas Southern University will be directly reporting enrollment data to the National Student Loan Data System (NSLDS). Texas Southern University has increased the frequency of their submissions to NSLDS. The Registrar, Marilyn Square, will retrieve the NSLDS enrollment file using the U.S. DOE ED Connect Software. The Senior System's Analyst, Sallie Bridges, will generate an extract report and forward the extract report to the Registrar, Marilyn Square, for review. The Registrar, Marilyn Square, and Senior System's Analyst, Sallie Bridges, will agree that the information is accurate and complete for the student population on the NSLDS enrollment file. The NSLDS enrollment file will be exported using the U.S. Ed Connect Software and the subsequent acknowledgement or error report will be retrieved for review by the Registrar, Marilyn Square, and Senior System's Analyst, Sallie Bridges. A copy of acceptance acknowledgement received from NSLDS will be maintained for recording within the Registrar's Office.

Implementation Date: February 2008

Responsible Person: Marilyn Square



**Texas State Technical College - Harlingen**

Reference No. 08-60

**Eligibility**

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.032 Award Number Not Applicable**

**Type of finding - Significant Deficiency and Non-Compliance**

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 minus the expected family contribution (EFC). For Title IV programs, the amount of financial resources available is generally the EFC that 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 (Federal Perkins Loan, Federal Work Study, and Federal Supplemental Educational Opportunity Grant, Title 34, Code of Federal Regulations, Sections 673.5 and 673.6; Federal Family Education Loans, Title 34, Code of Federal Regulations, Section 682.603).

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

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 may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 10871l).

Texas State Technical College - Harlingen's (College) Financial Aid System calculated cost of attendance (COA) incorrectly for all 50 students tested. Specifically, COA was understated for 45 students, and COA was overstated for 5 students. Although no over-awards were identified as a result of these errors, the understatement of COA may have caused students not to receive assistance for which they were eligible.

Auditors' control testing determined that per term student budget amounts were coded inaccurately in the Financial Aid System for the Fall 2006 and Spring 2007 semesters. Programming logic within the Financial Aid System incorrectly identified the College's school code; as a result, the housing student budget component defaulted to the lowest residency status rate ("living with parents"). Because of this, the student budget amounts were understated, and students were potentially awarded less assistance than they were eligible for.

Recommendations:

The College should:

- Implement a control procedure to ensure that cost of attendance is correctly calculated in its Financial Aid System and that it reflects the approved institution's budget.
- Ensure that student budgets coded in the Financial Aid System are reviewed and authorized on an annual basis before final implementation.

Management Response and Corrective Action Plan:

*The Financial Aid Office has implemented procedures to ensure that programming and setup of annual COA budgets is verified and correctly calculated. The error identified by the audit was corrected. Financial Aid staff have been provided additional training to trouble shoot, report, and/or correct errors in the financial aid management system.*

*Implementation Date: June 2007*

*Responsible Person: Mary Gallegos-Adams*

Reference No. 08-61

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

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.032 Award Number Not Applicable, CFDA 84.063 P063P073162**

**Type of finding - Significant Deficiency and Non-Compliance**

Returning Funds to a Lender

When an institution receives Federal Family Education Loan (FFEL) Program 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 FFEL Program 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)

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

For 7 of 50 students tested (11 disbursements), Texas State Technical College - Harlingen (College) did not disburse funds to students' accounts within three business days of receipt from the lender. This was not due to eligibility issues. The College requests loan funds several days prior to each term, but it does not disburse funds to students' accounts until the first day of classes (or the first day of the fiscal year for the fall term). As a result, these loan funds were held longer than three business days.

For 1 of these 7 students, the loan funds were held significantly more than three business days and were not returned to the lender within the required time frame. According to the College's Financial Aid Director, the College had difficulty identifying the intended recipient of these funds, which slowed the disbursement process. After the loan was matched to the correct student, the funds were disbursed.

Credit Balances

If financial aid disbursements to a student's account at the institution create a credit balance, the institution must pay the credit balance directly to the student or parent as soon as possible, but no later than 14 days after the date the balance occurred on the student's account, if the balance occurred after the first day of class of a payment period, or the first day of classes of the payment period if the credit balance occurred on or before the first day of class of that payment period (Title 34, Code of Federal Regulations, Section 668.164(e)).

For 1 of 50 students tested (2 disbursements), the student's spring and summer disbursements created a balance in the student's account, but the College did not pay the credit balance to the student within 14 days of the start of classes. The student was enrolled in a joint program with another institution. According to the College, the student's program was not originally included in the query that identified credit balances. After this omission was identified and corrected, the credit balance was disbursed to the student.

#### 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 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 2 of the 50 students tested (4 percent), the College did not send the required disbursement notification for one of the disbursements. The College's Financial Aid System automatically produces disbursement notifications, but this process must be started manually. These two students received their disbursements later in the semester, after the notifications were sent to most students.

Additionally, all disbursement notifications the College sends do not contain the amount and date of the disbursement as required. The notifications inform students that a loan disbursement has been credited to their account, direct students to their online account, and include information about how to cancel the loan. The online account provides information about the type of loan and the amount, but it does not include the disbursement date.

#### Pell Payment Data

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) system. Origination records can be sent well in advance of any disbursements, as early as the school 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. Institutions may do this by reporting once every 30 calendar days, bi-weekly, or weekly, or they may set up their own systems to ensure that changes are reported in a timely manner (Office of Management and Budget A-133 Compliance Supplement, Part 5).

For three students tested, the College did not report the amount or disbursement dates of Pell grant awards to the COD system. According to the College, these students would have been identified during the College's reconciliation process, which was not yet complete at the time of this audit. The College correctly reported these students to the COD System prior to completion of this audit.

#### Recommendations:

The College should:

- Ensure that it does not hold funds for more than the maximum allowed number of days by (1) changing the loan request date to a date closer to the start of classes or (2) disbursing loan funds within 10 days prior to the start of classes.

- Revise the query it uses to determine which students have credit balances, and ensure that it returns credit balances within the required time frame.
- Ensure that it sends disbursement notifications within the required time frame and that the notifications include the amount and date of disbursements.
- Ensure that it reports all Pell grant award amounts and disbursement dates to the COD system as required.

Management Response and Corrective Action Plan:

Returning Funds to a Lender

*Texas State Technical College - Harlingen will take the State Auditor's Office recommendation and move the loan request date three business days closer to the beginning of the term effective August 26, 2008 for Fall 2008. Transmittal and posting procedures have been reviewed and will be revised to ensure compliance with disbursement schedules. Student loan roster reports will be reviewed daily to ensure that disbursement occurs within the specified number of days required. Procedures will be reviewed and modified to prevent future disbursement issues.*

*Implementation Date: July 2007*

*Responsible Person: Jesus Vasquez*

Credit Balances

*The deficiency control or non-compliance affecting one student was corrected prior to the state audit. Corrective action was taken when discovered and no further action is needed. For maintenance purposes every semester the query used to gather credit list will be evaluated.*

*Implementation Date: June 2007*

*Responsible Person: Santiago Castillo*

Disbursement Notifications

*Texas State Technical College - Harlingen immediately corrected the disbursement notifications to include type of loan, amount and disbursement date. A report was created that pulls the required notification data for students that receive student loan disbursements. The data is then imported into Excel and mail merged into an e-mail via Microsoft Word. All notifications are coded in the Financial Aid management system for record keeping purposes. A backup query was also created to ensure all students received notification of disbursements within the 30 days. An automated process is under review and should be implemented before the end of the academic year.*

*Implementation Date: July 2007*

*Responsible Person: Jesus Vasquez*

Pell Payment Data

*Texas State Technical College at Harlingen corrected all COD records in question prior to the completion of the audit. The reconciliation process was in progress at the time. The reconciliation procedures have been reviewed and will be revised to ensure that reporting of Pell data to COD is done on a timely basis. Stricter schedules have been implemented for the new academic year to ensure compliance. Additional staff training will be provided to help prevent future reporting issues.*

*Implementation Date: June 2007*

*Responsible Person: Tillie Flores*

**Texas State Technical College - Marshall**

Reference No. 08-62

**Eligibility**

**Student Financial Assistance Cluster**

**Award Year - July 1, 2006 to June 30, 2007**

**Award Number - CFDA 84.007 P007A068753, CFDA 84.032 Award Number Not Applicable, CFDA 84.033 P033A068753, and CFDA 84.063 P063P055503**

**Type of Finding - Significant Deficiency and Non-Compliance**

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 minus the Expected Family Contribution (EFC). For Title IV programs, the amount of financial resources available is generally the EFC that is computed by the federal central processor and included on the student’s Institutional Student Information Report (ISIR) that is 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 (Federal Perkins Loan, Federal Work Study, and Federal Supplemental Educational Opportunity Grant, Title 34, Code of Federal Regulations, Sections 673.5; Federal Family Education Loans, Title 34, Code of Federal Regulations, Section 682.603(d) (2)).

<p>Questioned Cost: \$ 0</p> <p>U.S. Department of Education</p>
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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.” The institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 1087I).

Texas State Technical College - Marshall (College) incorrectly calculated the cost of attendance for all 30 students tested. The error was manual in nature and was caused by the inadvertent entry of inaccurate tuition and fee information into the financial aid system. However, this error did not result in an overaward or underaward of financial aid for any of the students tested.

Recommendation:

The College should ensure that the tuition and fee information used to calculate cost of attendance is entered correctly into the financial aid system. Implementation of a supervisory review process would ensure that future manual tuition and fee entries are made correctly.

Management Response and Corrective Action Plan:

*The data entry error was corrected in July 2007 while the audit team was on campus. The supervisory review process will call for Suzanne Carter, Dean of Enrollment Management to verify that the correct tuition and fee amounts are entered into Colleague for the cost of attendance. Ms. Carter will have access to the college’s tuition rates as set annually in February during the Board of Regents meeting. Susan Wingate, Assistant Director of Financial Aid will update the cost of attendance fields in Colleague and Ms. Carter will verify their accuracy.*

*Implementation Date: July 2007*

*Responsible Person: Susan Wingate*

Reference No. 08-63

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

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.032 Award Number Not Applicable**

**Type of finding - 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 (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 or master check. The notification can be in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

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

The FFELP disbursement notification letters that Texas State Technical College - Marshall (College) sent contained the information on rights to cancel loans and the procedures and the time requirement. However, the notification letters did not include the date and amount of disbursement. The College does not participate in the FPL program.

Recommendation:

The College should include the date and amount of disbursement in FFELP disbursement notification letters.

Management Response and Corrective Action Plan:

*The Financial Aid Office is mailing loan notification letters to students along with the student's Statement of Account. The Statement of Account is provided by the Business Office. The Statement of Account contains the amount and the date of the loan disbursement.*

*An automated process is being developed so the notification letter will contain the disbursement date and the loan amount. Until the automated process is completed, the campus will follow the manual process of including the Statement of Account along with the student's loan notification letter.*

*Implementation Date: July 2007*

*Responsible Person: Susan Wingate*

**Texas State Technical College - Waco**

Reference No. 08-64

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

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.032 Award Number Not Applicable**

**Type of finding - Significant Deficiency and Non-Compliance**

Funds Not Always Disbursed within Three Business Days

An institution must return Federal Family Education Loan Program (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) or master check on or after July 1, 1999 (Title 34, Code of Federal Regulations, Section 668.167(b)(1)(ii)).

<p>Questioned Cost: \$ 0</p> <p>U.S. Department of Education</p>
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For 18 students in a sample of 40 (and 33 of 97 transactions), Texas State Technical College - Waco (College) held funds more than three business days before disbursing them to the student accounts. Auditors made this determination using dates on the students' billing screens in the College's financial aid system. The College has asserted that those dates are not representative of the actual disbursement dates. However, auditors used these dates because (1) they were shown in the financial aid system and (2) the College reported these dates to the federal government as the disbursement dates.

Disbursement Notifications Did Not Always Contain Required Information and Were Not Always Sent within Required Timeframes

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 EFT or master check. The notification can be made in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

The FFELP disbursement notifications the College sent included all of the required elements except for the date and the amount of the disbursement.

In addition, for 3 of the 40 (8 percent) disbursement notifications auditors tested, the College did not send the disbursement notifications within 30 days before or after the disbursement date.

The College does not participate in the FLP program.

Recommendations:

The College should:

- Disburse FFELP funds within three business days of receiving the funds.



- Include the date and amount of the disbursement in its FFELP disbursement notifications, and send these notifications within 30 days before or after the disbursement date.

Management Response and Corrective Action Plan:

Funds Not Always Disbursed within Three Business Days

*TSTC Waco will implement the audit recommendation regarding dates for funds availability. Beginning with the Fall 2008 semester, we will post all FFELP funds with the transaction date equal to the actual disbursement date, rather dating the posting September 1. This process will mirror what the College presently does for the Spring and Summer semesters.*

*Implementation Date: August 2008*

*Responsible Person: Jackie Adler*

Disbursement Notifications Did Not Always Contain Required Information and Were Not Always Sent within Required Timeframes

*TSTC Waco currently sends loan disbursement notifications by email within 30 days of the time that the funds were disbursed. As a result of this audit, the TSTC Waco Financial Aid Office began sending revised disbursement notification letters along with account statements in order to be in compliance with the requirement to include the date and amount of disbursement.*

*Implementation Date: July 25, 2007*

*Responsible Person: Jackie Adler*

**Texas State Technical College - West Texas**

Reference No. 08-65

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

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.032 Award Number Not Applicable**

**Type of finding - Significant Deficiency and Non-Compliance**

Disbursement Notification Letters

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 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).

<p>Questioned Cost: \$ 0</p> <p>U.S. Department of Education</p>
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Texas State Technical College - West Texas (College) could not provide documentation indicating that it sent disbursement notification letters to 9 (21 percent) of 43 students tested.

The College does not participate in the FPL program.

Access to the Student Information 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 College does not have appropriate controls over access to its Student Information System (System). The College's financial aid staff have inappropriate access to the System, which gives them the ability to post disbursement transactions and process refunds.

Recommendations:

The College should:

- Retain documentation indicating that it sent all disbursement notification letters to all FFELP loan recipients.
- Restrict access to the System based on job duties and responsibilities.

Management Response and Corrective Action Plan:

Recommendation #1, Disbursement Notification Letters

The main campus at Sweetwater and each of its extension center locations will be responsible for sending student loan disbursement notifications to each student at the individual campuses before the expiration of the required 30 day limit. The first day is the date printed on the payment detail report designated as "For Receipts on (date)". E-mail notifications will be sent to the student's college assigned email address and a copy of each email that has been sent will be saved in a shared folder in the Groupwise system. Every email will contain the information required by regulations. These procedures will be monitored on a regular basis by the Financial Aid Director or designee.

Implementation Date: February 2008

Responsible Person: Connie Chance

Recommendation #2, Access to the Student Information System (Colleague)

Colleague access for every financial aid staff member will be individually reviewed and any access that is not required during the performance of their assigned duties will be submitted to the Director of Administrative Technology for deletion of such access. Additionally, any future requests for Colleague access for financial aid staff will be reviewed by the Financial Aid Director or designee prior to the addition of such access.

Implementation Date: February 2008

Responsible Person: Connie Chance

## Texas Tech University

Reference No. 08-66

### Allowable Costs/Cost Principles

#### Research and Development Cluster

Award year - October 1, 2004 to September 30, 2007

Award number - CFDA 84.350 U350A040006

Type of finding - Significant Deficiency and Non-Compliance

#### Internal Service Charges

Charges made from internal service, central service, pension, or similar activities or funds must follow the applicable cost principles provided in Office of Management and Budget (OMB) Circular A-21. According to OMB Circular A-21, to be allowable under federal awards, costs must be given consistent accounting treatment within and between accounting periods. Consistency in accounting requires that costs incurred for the same purpose, in like circumstances, be treated as either direct costs only or indirect costs only with respect to final cost objectives (OMB Circular A-21, Sections C.10 and C.11).

Questioned Cost: \$ 0

U.S. Department of Education

One internal service charge tested at Texas Tech University (University) was not processed in accordance with OMB Circular A-21. That charge should have been treated as indirect costs, but instead the University charged it directly to a federal grant. According to the University's Cost Accounting Standards Disclosure Statement (DS-2), local (basic) telephone costs should be treated as indirect costs except when approved by the sponsor. However, during fiscal year 2007, the University charged a federal grant \$512.32 for local telephone costs without sponsor approval. The University subsequently removed this charge from the federal account.

#### Cost Transfers

Any costs allocable to a particular sponsored agreement may not be shifted to other sponsored agreements in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience (OMB Circular A-21, Cost Principles for Educational Institutions, Section C, Subsection 4). The University's Operating Policy 65.04: Cost Transfers on Federally Sponsored Project or Other Sponsored Projects includes a similar requirement.

For 2 of 12 (17 percent) cost transfers tested at the University, the transferred costs were allowable for the projects to which the costs were transferred; however, the University originally charged these costs to unrelated federal projects. The University did this because at the time it originally charged these costs, it had not yet established the correct accounts. Therefore, the University made these transfers for reasons of convenience, which is not a valid justification according to OMB Circular A-21 and the University's policy.

#### Recommendations:

The University should:

- Ensure that internal service charges are allowable according to the cost principles of OMB Circular A-21 and University policies.

- Establish federal accounts in a timely manner to prevent the need for charging costs to an incorrect account and subsequently transferring those costs.

Management Response and Corrective Action Plan:

*Internal Service Charges - The department of Sponsored Programs Accounting and Reporting (SPAR) has created a report that will indicate all expenditures on sponsored program accounts that are normally considered indirect costs, except under conditions that the University considers “unlike circumstances”, under the cost principles of OMB Circular A-21 and University policies. Expenditures that are normally considered indirect costs include postage, local (basic) telephone and memberships. This report will be generated and reviewed regularly by SPAR accountants to ensure that internal service charges are allowable according to the cost principles of OMB Circular A-21 and University policies. In addition, information will also be added to the SPAR website as a reminder to the University community that these costs should not be directly charged to sponsored programs unless they have sponsor approval and meet the cost principles of OMB Circular A-21 and University policies.*

*Cost Transfers - The University makes every effort to set up sponsored accounts in the accounting system as quickly as possible. However, it is impossible to guarantee that all approved grant agreements will be received from our sponsors in a timely manner, for example: a Principal Investigator (PI) may receive word (via email or phone conversation with the program officer, etc.) that their proposal has been awarded and the University will receive documentation soon. With this information, the PI may begin working on the approved project before the University receives any formal documentation from the sponsoring agency thereby necessitating cost transfers. Information will be added to the SPAR website to remind the University community that any charges incurred prior to establishment of a sponsored program account be charged to a non-sponsored program account for future cost transfer to the sponsored program account once it is established in the accounting system.*

Implementation Date: February 2008

Responsible Person: Becky Perez

Reference No. 08-67

**Procurement and Suspension and Debarment**

**Research and Development Cluster**

**Award year - July 27, 2006 to December 31, 2007, September 30, 2004 to June 30, 2007, August 1, 2006 to July 31, 2009, September 20, 2005 to March 6, 2009, and September 1, 2006 to August 31, 2008**

**Award number - CDFA 12.431 W911SR06-C00, CDFA 11.617 C70NANB3H5003, CFDA 47.049 CHE-0615321, CDFA 12.000 W9113M-05C-0, and CDFA 10.200 06-38889-035**

**Type of finding - Non-Compliance**

Federal rules require that, when a non-federal entity enters into a covered transaction that is expected to equal or exceed \$25,000 with an entity at a lower tier, the non-federal entity must verify that the entity at the lower tier is not suspended, debarred, or otherwise excluded from federal contracts. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the U.S. General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. (Office of Management and Budget Circular A-102, Grants and Cooperative Agreements with the State and Local Governments, Section 1.d and A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Subpart B.13; Executive Orders 12549 and 12689, Debarment and Suspension; Title 45, Code of Federal Regulations, Part 76, Government-wide Debarment and Suspension).

Questioned Cost: \$ 0

U.S. Department of  
Commerce  
National Science Foundation  
U.S. Department of Agriculture  
U.S. Department of Defense

Texas Tech University's (University) procurement process requires that, for transactions with amounts greater than or equal to \$25,000, the buyer must check the EPLS Web site to verify that the vendor has not been suspended or debarred.

For 5 of 10 (50 percent) procurement files tested, the University did not retain evidence that it performed the required review of the EPLS Web site at the time of the purchase. Auditors reviewed the EPLS Web site and determined that these five vendors were not currently suspended or debarred.

Recommendation:

The University should retain evidence in its procurement files, such as screen prints, that it performed the required review of the EPLS Web site for all purchase orders expected to equal or exceed \$25,000.

Management Response and Corrective Action Plan:

*The University is currently in the process of implementing Banner, including SciQuest, which is the purchasing module to be used with Banner. Beginning September 1, 2008 the SciQuest system will provide a computerized audit for this documentation. In the meantime, in order to insure that all purchases greater than or equal to \$25,000 have documentation that the necessary review of the EPLS web site has been completed, the University will implement a policy that all such purchase transactions will have a screen print or equivalent evidence of the necessary review included with each appropriate file.*

*Implementation Date: February 2008*

*Responsible Person: Jennifer Adling*

**Texas Tech University Health Sciences Center**

Reference No. 08-68

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

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.032 Award Number Not Applicable, CFDA 84.038 Award Number Not Applicable, CFDA 84.063 P063P20063367, CFDA 93.925 Award Number Not Applicable**

**Type of finding - Significant Deficiency and Non-Compliance**

Disbursement of Title IV Higher Education Act Program Funds

If a student is enrolled in a credit hour educational program that is offered in semester, trimester, or quarter academic terms, the earliest an institution may disburse Title IV, Higher Education Act (HEA) program funds to a student or parent for any payment period is 10 days before the first day of classes for a payment period (Title 34, Code of Federal Regulations, Section 668.164 (f)(1)).

Questioned Cost: \$ 0

U.S. Department of Education

For 4 of 40 students tested (6 of 85 disbursements), Texas Tech University Health Sciences Center (Health Sciences Center) disbursed funds more than 10 days before the start of classes. In each case, the Health Sciences Center disbursed funds 11 days before the start of classes. Except for the disbursement date issue, the disbursements were properly documented and correct.

Required Reviews Prior to Disbursement

Before an institution may disburse Title IV, HEA program funds to a student who previously attended another eligible institution, the institution must use information it obtains from the National Student Loan Data System (NSLDS) or its successor system, to determine (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, 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; (4) the outstanding principal balance of loans made to the student under each of the Title IV, HEA loan programs; and (5) for the academic year for which Title IV, HEA aid is requested, the amount of, and period of enrollment for, loans made to the student under each of the Title IV, HEA loan programs (Title 34, Code of Federal Regulations, Section 668.19).

The Health Sciences Center did not maintain documentation that it verified the required information described above with information received from NSLDS prior to disbursing Title IV loan funds to transfer students. The Health Sciences Center asserts that its practice is to check NSLDS daily, or even multiple times each day during heavy disbursement times, but documentation supporting this assertion could not be located.

Common Origination and Disbursement System Reporting

Institutions submit Pell origination records and disbursement records to the 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 2007, Part 5, Student Financial Assistance Cluster, III.L.1.e (page 5-3-16)). 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 5-3-25)).

For 1 of 40 students (1 of 85 disbursements) originally tested at the Health Sciences Center, the date of Pell disbursement did not match the disbursement date in the COD System. When auditors expanded this test to include four more Pell students, those students also did not have correct disbursement dates in the COD System. The disbursement amounts were reported correctly. The Health Sciences Center indicates that it sends disbursement information to the COD System in advance of the disbursement in order to make sure the student is eligible for aid; it then disburses funds when eligibility is confirmed. Although auditors acknowledge this process is a conservative approach, the date in the COD System should be the actual disbursement date.

Recommendations:

The Health Science Center should:

- Disburse Title IV HEA program funds no earlier than 10 days before the first day of classes.
- Consistently document its review of NSLDS information before disbursing funds for transfer students.
- Report actual disbursement dates to the COD System.

Management Response and Corrective Action Plan:

*We have implemented procedures to insure funds are not disbursed earlier than 10 days before the first day of classes.*

*We will continue to monitor transfer students' financial aid history as required and we have implemented procedures to maintain the documentation regarding this monitoring.*

*We have modified our processes so that the actual disbursement dates and the dates reported via COD match. This new procedure allows us to maintain our "conservative approach" of verifying eligible students prior to disbursing funds and to maintain compliance regarding matching dates.*

*Implementation Date: August 2007*

*Responsible Person: Marcus Wilson*



**Texas Woman's University**

Reference No. 08-69

**Eligibility**

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.063 P063P062330**

**Type of finding - Significant Deficiency and Non-Compliance**

In general, a student must be enrolled in an undergraduate course of study to receive a Pell grant. A student who has earned a baccalaureate degree or a first professional degree is not considered to be an undergraduate and cannot receive a Pell grant (Title 34, Code of Federal Regulations, Sections 690.2 and 690.6).

Questioned Cost: \$ 0

U.S. Department of Education

Texas Woman's University (University) awarded and disbursed Pell grants to three post-bachelor students (students working on a second undergraduate degree), even though these students were not eligible to receive Pell grants because they had already earned an undergraduate degree. Specifically:

- Two of these students indicated on their Free Application for Federal Student Aid (FAFSA) that they would be working on their first bachelor's degree during the 2006-2007 school year. The University's financial aid system packaged these students based on their FAFSA responses. However, the University's financial aid counselors were responsible for reviewing the automatic packaging to verify the students' eligibility prior to disbursement.
- One of these students was an undergraduate in Fall 2006 and became a post-bachelor student in Spring 2007. The student's record still showed the student as undergraduate when the Pell grant was dispersed in Spring 2007. The student's record was not changed to post-bachelor until two days after the disbursement.

In June 2007, the University corrected these issues by removing the Pell grants from the students' accounts and returning the funds to the U.S. Department of Education.

Recommendation:

The University should ensure that it awards Pell grants only to eligible undergraduate students.

Management Response and Corrective Action Plan:

*The Director of Financial Aid has been directed to review all automated and manual processes involved in awarding Pell Grants and to correct any deficiencies that could lead to awards to ineligible students. This review will include software set-ups, programming, and staff training needed to assure compliance in the current and future award periods.*

*Implementation Date: April 2008*

*Responsible Person: Governor Jackson*

Reference No. 08-70

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

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.032 Award Number Not Applicable**

**Type of finding - Significant Deficiency and 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).

<p>Questioned Cost: \$ 0</p> <p>U.S. Department of Education</p>
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Texas Woman's University (University) did not consistently send required notifications to FFELP loan recipients for the Spring 2007 semester within 30 days of the disbursement of loan proceeds. Auditors sampled 40 students, and 35 of them were student loan recipients. Thirty of the 35 (86 percent) student loan recipients did not receive the required notification within 30 days. The University does not participate in the FPL program.

The University's current notification process depends on a financial aid staff person initiating a notification letter routine in the student financial aid system. The content of the notification letter is generated by the system, but this function does not occur automatically at the time of disbursement. For the Spring 2007 semester, the notification letter routine was not initiated until March 2007. When the University does not distribute the required notifications within the required time period, loan recipients' opportunity to cancel their awards (if they choose to do so) is reduced.

Recommendation:

The University should correct the errors in its student notification process to ensure that it sends notifications to all FFELP loan recipients within the required time period.

Management Response and Corrective Action Plan:

*The University has revised its process for notifying FFELP loan recipients within the required time period. Additional automation to enhance the process is in progress.*

*Implementation Date: April 2008*

*Responsible Person: Governor Jackson*

**Department of Transportation**

Reference No. 08-71

**Allowable Costs/Cost Principles**

**Cash Management**

**Period of Availability of Federal Funds**

**Reporting**

**Highway Planning and Construction Cluster**

**Award year - Various - Project Based**

**Award number - Federal apportionment pursuant to the Safe, Accountable, Flexible, Efficient Transportation**

**Equity Act: A Legacy for Users (SAFETEA-LU) Public Law 110-5**

**Type of finding - Significant Deficiency**

Office of Management and Budget Circular A-133, Section 300(b), requires entities to maintain internal control over federal programs that provides reasonable assurance that they are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Questioned Cost: \$ 0

U. S. Department of Transportation

In addition, Title 1, Texas Administrative Code, Section 202.20(1), states that “Information resources residing in the various state agencies of state government are strategic and vital assets belonging to the people of Texas. These assets must be available and protected commensurate with the value of the assets. Measures shall be take to protect these assets against unauthorized access, disclosure, modification or destruction, whether accidental or deliberate, as well as assure the availability, integrity, authenticity, and confidentiality of information. Access to state information resources must be appropriately managed.” Title 1, Texas Administrative Code, Section 202.25(3)(B) states that “A user’s access authorization shall be appropriately modified or removed when the user’s employment or job responsibilities within the state agency change.”

SiteManager User Access

The Department of Transportation (Department) uses the automated SiteManager system to monitor construction projects, generate daily work reports, and process contractor payment estimates for projects funded through the Highway Planning and Construction Cluster. Access to SiteManager is controlled by security administrators at each district and division within the Department.

However, the Department does not ensure that its districts and divisions restrict SiteManager access to current, active employees. Furthermore, the Department does not ensure that access to SiteManager is removed immediately upon termination of employment or a change in employee job functions. As a result, 2 of 61 (3 percent) employees tested had access to SiteManager after their employment had been terminated. Auditors also identified 30 additional employees who had access to SiteManager after their employment had been terminated or after their job functions changed and they no longer required the use of SiteManager. After auditors brought this matter to the Department’s attention, the Department inactivated access for all of the employees involved in the circumstances described above.

Removing access to SiteManager immediately upon termination of an employee or a change in job functions helps to ensure that information resources, including SiteManager, are protected against unauthorized access, disclosure, modification or destruction. This requirement also helps to ensure the availability, integrity, authenticity, and confidentiality of information.

During federal compliance testing, auditors did not identify any issues that resulted from the deficiencies discussed above.

Network and Financial Information Management System Password Settings

Employees and users of the Department's automated systems must have access to the Department's network to access those systems. The Financial Information Management System (FIMS) is the Department's internal accounting system used to create and process vouchers for payment. To access the network and FIMS, users must enter a password. According to the Department of Information Resources, state agencies should use unique passwords that contain both alphanumeric characters and special characters. However, the Department does not require this for users of its network and FIMS. Instead, the Department requires only that passwords be eight characters in length. The Department's network and FIMS password settings give users the *option* to use alphanumeric or special characters in their passwords; however, they do not *require* this.

Requiring the use of passwords that include both alphanumeric and special characters helps to ensure that information resources, including financial systems, are protected against unauthorized access, disclosure, modification or destruction. This requirement also helps to ensure the availability, integrity, authenticity, and confidentiality of information.

Recommendations:

The Department should:

- Restrict access to SiteManager to current and active employees whose job functions require the use of SiteManager.
- Implement a uniform process to remove an individual's SiteManager access immediately upon termination of employment or a change in job functions that no longer requires the use of SiteManager. This process should include verification by management that access rights have been removed.
- Revise its password settings to require users to create unique passwords that include both alphanumeric characters and special characters.

Management Response and Corrective Action Plan:

SiteManager User Access

*Our Information Security Manual currently requires that we restrict access to SiteManager to current and active employees whose job functions require the use of SiteManager; contains a uniform process to remove an individual's SiteManager access immediately upon termination of employment or a change in job functions that no longer requires the use of SiteManager; and contains requirements for verification by management that access rights have been removed.*

*In order to insure we are in compliance with department policy TxDOT will implement a compliance monitoring system specifically for SiteManager. The monitoring process will verify the SiteManager user table against the department's active employee file and highlight all mis-matches. The local Security Administrators will be provided this report each month to validate that all terminated employees have been properly removed. The additional compliance monitoring reports will be implemented by May 1, 2008.*

*Implementation Date: May 2008*

*Responsible Person: Thomas Bohuslav*

Network and Financial Information Management System Password Settings

*TxDOT currently uses a strong multi-layer access security design. TxDOT policy requires an eight character password. A new password must be created at least every 90 days. This password cannot be re-used for the next 10 password changes over a 30 day period. TxDOT also enforces a three password retry intruder lockout on our systems. If an account is accessed with the wrong password three times in a 15 minute period, the account is locked for 30 minutes. This multi-layer password security policy limits TxDOT's exposure to unauthorized access and password re-use/abuse.*

*TxDOT's Technology Services Division will investigate the use of more complex passwords including the use of alphanumeric and special characters and the impact on users, applications, and systems. Once the investigation is complete, further course of action will be determined. Investigation is scheduled to complete March 1, 2008.*

*Implementation Date: March 2008*

*Responsible Person: Judy Skeen*

## University of Houston

Reference No. 08-72

### Cash Management

#### Student Financial Assistance Cluster

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

Award number - CFDA 84.375 P375A062333

Type of finding - Significant Deficiency and Non-Compliance

The U.S. Department of Education (Department) provides funds to an institution under the advance, reimbursement, just-in-time, or cash monitoring payment methods. Under the reimbursement payment method, the institution must make disbursements to students and parents for the amount of funds those students and parents are eligible to receive under the federal Pell grant program, the federal Academic Competitiveness Grant (ACG) program, the national Science and Mathematics Access to Retain Talent (SMART) grant program, Direct Loan program, and campus-based programs before it may seek reimbursement from the Department for those disbursements. The Department considers an institution to have made a disbursement if the institution has either credited a student's account or paid a student or parent directly with its own funds. As part of the institution's reimbursement request, the Department requires the institution to identify the students for whom reimbursement is sought and submit to the Department documentation that shows that each student and parent included in the request was eligible to receive and has received the Title IV Health Education Assistance program funds for which reimbursement is sought (Title 34, Code of Federal Regulations, Section 668.162).

Questioned Cost: \$ 0

U.S. Department of Education

To account for the funds disbursed, institutions report student payment information to the Department electronically. The Common Origination and Disbursement (COD) System provides a simplified process for requesting, reporting, and reconciling Pell grant, ACG, and SMART funds (Office of Management and Budget Notice 1845-0039-v.4). Grantees draw funds using the Grant Administration and Payment System (GAPS).

Any amounts not disbursed by the end of the third business day following the receipt of funds are considered to be excess cash and generally are required to be promptly returned to the Department (Title 34, Code of Federal Regulations, Section 668.166).

The University of Houston (University) uses the reimbursement method. On May 29, 2007, the ACG award authorization was reduced by \$253,538, as reflected in GAPS, which created an excess cash balance of \$47,499.18 (in other words, cash received to date exceeded the authorized amount by \$47,499.18). This affected 1 of 30 cash draws tested. The University disbursed the related expenditures to the students, but a programming error in the University's accounting system prevented these disbursements from being reported in COD. The programming error was not corrected, and the University processed an adjustment entry of \$49,214.18 on August 21, 2007, to refund the Department. As a result of this situation, the University carried an excess ACG cash balance of \$47,499.18 from May 29, 2007, to August 21, 2007.

The University converted to a new accounting system (PeopleSoft) for the 2008 award year, which should resolve issues pertaining to the ACG COD reporting processes.

#### Recommendation:

The University should improve its procedures to facilitate the timely detection and correction of system errors to help ensure that it does not draw funds in excess of authorized amounts.

Management Response and Corrective Action Plan:

*The University will improve its procedures for the timely detection and correction of system errors. This should help to ensure that excess funds are not drawn down.*

*Implementation Date: April 2008*

*Responsible Person: Sal Loria / Kymberly Sherwood*

Reference No. 08-73

**Eligibility**

(Prior Audit Issue 07-56)

**Student Financial Assistance Cluster**

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

**CFDA 84.007 P007A064166and CFDA 84.063 P063P062333**

**Type of finding - Significant Deficiency and Non-Compliance**

Awards of Federal Supplemental Educational Opportunity Grants

In determining awards for Federal Supplemental Educational Opportunity Grants (FSEOG), an institution must first select students with the lowest expected family contributions (EFC) who also receive Pell grants in that year. If the institution has FSEOG funds remaining after giving FSEOG awards to all the Pell grant recipients, it must award the remaining FSEOG funds to those eligible students with the lowest EFCs who will not receive Pell grants (Title 34, Code of Federal Regulations, Section 676.10).

Questioned Cost: \$27,853.37

U.S. Department of Education

The University of Houston's (University) student financial aid packaging system awarded FSEOG based on an EFC range, without regard to other Pell grant eligibility requirements. The University completed programming changes in April 2007 to award FSEOG funds to Pell-eligible recipients with zero EFC only, but this change only affected awards for the 2008 school year. The University had already awarded 2007 FSEOG before it implemented corrective action.

As a result, the University awarded \$3,000 in FSEOG funds to 3 of 40 (8 percent) students tested when those students had EFCs of between \$2,600 and \$3,500. These students were all Pell recipients, but this conflicted with the revised University policy and with federal regulations because other students who had received Pell grants had lower EFCs but were not awarded FSEOG.

In addition, 4 of 9 (44 percent) students judgmentally selected for testing because they had received FSEOG but had not received Pell awards received FSEOG when they should not have. Three were not eligible for Pell awards, and one had an EFC of \$3,757 that should have disqualified the student for the FSEOG award. The University awarded \$2,650 in FSEOG funds to these four students

Awards of Pell Grants and FSEOG to Post-baccalaureate Students

Except for certain post-baccalaureate programs leading to initial teacher certification or licensing credential within a state, a student is eligible to receive a federal Pell grant only for the period of time required to complete his or her first undergraduate baccalaureate course of study. The institution must determine when the student has completed the academic curriculum requirements for that first undergraduate baccalaureate course of study. Any noncredit or remedial course taken by a student, including a course in English language instruction, is not included in the institution's determination of that student's period of Federal Pell Grant eligibility (Title 34, Code of Federal Regulations, Section 690.6).

The University awarded Pell and/or FSEOG funds to 26 judgmentally selected students who were post-baccalaureate students in the semester they received these awards. In 2007, these students received \$19,203.37 in Pell awards and \$3,000 in FSEOG awards for which they were not eligible. The students' classification changed from undergraduate to post-baccalaureate after funds were awarded, but the University did not adjust these students' awards. The University implemented a new financial aid system for 2008 and asserted that controls were in place in the new system to prevent future errors in grant eligibility determination.

Recommendation:

The University should ensure that controls in its new financial aid system prevent making Pell and FSEOG awards to ineligible students.

Management Response and Corrective Action Plan:

*The University will perform additional tests in the new financial aid system to ensure that controls are in place to prevent Pell and FSEOG awards to ineligible students. The Office of Scholarships and Financial Aid will monitor the awarding process for compliance during the 2007 - 08 academic year to ensure that the process is functioning properly.*

*Implementation Date: April 2008*

*Responsible Person: Sal Loria / Kymberly Sherwood*

Reference No. 08-74

**Special Tests and Provisions - Student Status Changes**  
(Prior Audit Issues 07-58)

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.032 Award Number Not Applicable**

**Type of finding - Significant Deficiency and 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)).

<p>Questioned Cost: \$ 0</p> <p>U.S. Department of Education</p>
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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).

The University did not report 5 of 50 (10 percent) student status changes tested within the required 60 days. Specifically:

- Three of the students graduated in May 2007 and were not reported to NSLDS until September 2007.
- One student graduated in May 2007 but was registered to take classes in the summer. The student was reported to NSLDS as withdrawn in September 2007. This student was not reported to the lenders/grantors as graduated or withdrawn.
- One student changed from full-time to half-time status, and this status change was not reported to NSLDS within 60 days.

Recommendation:

The University should implement changes to its reporting procedures to ensure that student status changes are reported to NSLDS within the required time period. Management may wish to consider reporting more frequently to NSC. In particular, management may wish to consider scheduling additional reporting dates during the latter part of the fall and spring semesters to help ensure that changes occurring during those periods will be reported promptly.

Management Response and Corrective Action Plan:

*The University will implement changes to its reporting procedures to ensure that student status changes are reported to NSLDS within the required time period. The University will develop procedures to monitor the timeliness of reporting to NSLDS. We will also modify our procedures for reporting to NSC to include scheduling additional reporting dates during the latter part of the fall and spring semesters*

*Implementation Date: April 2008*

*Responsible Person: Debbie Herman / Kym Sherwood*

## 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 number - 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)).

Questioned Cost: \$ 0

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 electronically (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 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.

#### 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.

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.
- Ensure that it disburses funding received from FFELP lenders to the student's account within the required timeframes.

Management Response and Corrective Action Plan:

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.*

*Implementation Date: August 2007*

*Responsible Person: Carolyn Mallory*

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.*

*Implementation Date: April 2008*

*Responsible Person: Carolyn Mallory*

*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.*

*Implementation Date: January 2008*

*Responsible Party: Carolyn Mallory*

*Returning Funds to Lender*

*Procedures for authorization of financial aid for disbursement have been modified. The automated process was implemented in August 2007 using a new financial aid management system to ensure that funds are disbursed to the student's account within the required time period. In addition, a Hold/Release process has been put into place to prevent student loans from arriving to UHV via EFT if the student has not enrolled or is not meeting the Satisfactory Academic Progress standards. This ensures the timely return of FFELP funds to the lender for ineligible students. Verification that procedures are functioning properly will be conducted through April.*

*Implementation Date: April 2008*

*Responsible Person: Carolyn Mallory*

## University of Texas at Austin

Reference No. 08-76

### Eligibility

#### Student Financial Assistance Cluster

Award Year - July 1, 2006 to June 30, 2007

Award Number - CFDA 84.007 P007A064173

Type of Finding - Non-Compliance

In selecting among eligible students for Federal Supplemental Educational Opportunity Grant (FSEOG) program awards in each award year, an institution must select those students with the lowest expected family contributions (EFC) who will also receive federal Pell grants in that year. If the institution has FSEOG funds remaining after giving FSEOG awards to all the federal Pell grant recipients at the institution, the institution must award the remaining FSEOG funds to those eligible students with the lowest EFCs who will not receive federal Pell grants (Title 34, Code of Federal Regulations, Section 676.10).

Questioned Cost: \$20,980

US Department of Education

The University of Texas at Austin (University) awarded FSEOG to students who were not eligible to receive and were not awarded Pell grants; in addition, not all Pell grant recipients received FSEOG. Of the 18 students who received Pell grants in the sample tested, only two received FSEOG. The University manually awarded FSEOG to students who needed financial assistance, and it did not verify whether those students had the lowest EFC and had also received Pell grants during the award year. As a result, the University awarded \$20,980 in FSEOG to 11 students who were not eligible for Pell grants.

### Recommendation:

The University should ensure that it awards FSEOG to Pell grant recipients before it awards FSEOG to eligible non-Pell grant recipients with the lowest EFCs.

### Management Response and Corrective Action Plan:

*The University concurs with the finding. As noted by the auditors, the FSEOG recipients who were not also Pell recipients were all awarded by OSFS counselors (rather than through the automated packaging process). For perspective, the University's FSEOG allocation was \$1,539,369 which was awarded to approximately 825 students. Pell Grant recipients numbered just over 8,000 and received \$22 million. When OSFS begins its automated awarding for a new processing year, some 6,000 entering students are packaged. This volume of applicants usually exhausts the FSEOG allocation. Some FSEOG funds become available for use later as some students decline admission/aid packages or otherwise have the FSEOG award cancelled. The manual awards identified by the auditors were generally made during the start up of classes, the Office's busiest time.*

*OSFS has already modified our disbursement programs to prevent the release of an FSEOG grant if the student does not concurrently have a Pell Grant award. (This control was implemented on December 10, 2007 for the 2007-08 year.)*

*OSFS has reviewed awards for the current year 2007-08 to identify any similar cases; there were 11 students. Once again, these awards were manually made (rather than automated). The 2007-08 FSEOG awards were cancelled and replaced with other grants.*

*Counselors use an internal document (the help sheet) which describes various aid programs (award codes; minimums/maximums; a brief description of eligibility criteria). OSFS will either a) eliminate FSEOG from the help sheet or b) enhance the language used with FSEOG to emphasize the requirement of a concomitant Pell Grant award.*

*OSFS management will request the Information Technology staff to evaluate modifications to the University's financial aid processing system to eliminate the ability to manually award FSEOG to a student unless the student is also currently awarded a Pell Grant.*

*At "new year" processing start up for the 2008-09 cycle, the requirement of Pell Grant awards for any FSEOG recipient will be addressed in annual staff training and updates.*

*Implementation Date: March 2008*

*Responsible Persons: Henry Urick and Sonje Johnson*

Reference No. 08-77

**Special Tests and Provisions - Return of Title IV Funds**

**Student Financial Assistance Cluster**

**Award Year - July 1, 2006 to June 30, 2007**

**Award Number - CFDA 84.007 P007A064173**

**Type of Finding - Non-Compliance**

Not Returning Title IV Funds within Required Timeframe

Institutions must make returns of Title IV funds in the proper amount and in a timely manner and must apply the return of Title IV funds to federal programs as required. When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment, the institution must determine the amount of Title IV assistance 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 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, Section 668.22(a) (1)-(4)).

Questioned Cost: \$ 0

US Department of Education

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 of Texas at Austin (University) transfers funds electronically to students. For 6 of 50 (12 percent) students tested, the University did not return Title IV funds within 45 days of when it determined that the students withdrew from classes.

### Not Calculating the Correct Amount of Title IV Funds

The amount of earned Title IV grant or loan assistance is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student and applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student's withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of 60 percent of (1) the calendar days in the payment period or period of enrollment for a program measured in credit hours or (2) the clock hours scheduled to be completed for the payment period or period of enrollment for a program measured in clock hours (Title 34, Code of Federal Regulations, Section 668.22(e) (2)). Otherwise, the percentage earned by the student is equal to the percentage (60 percent or less) of the payment period or period of enrollment that was completed as of the student's withdrawal date. The percentage of Title IV grant or loan assistance that has not been earned by the student is the complement of one of these calculations. Standard term-based institutions must always use the payment period as the basis for the determination.

The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance earned by the student from the amount of Title IV assistance that was disbursed to the student as of the date of the institution's determination that the student withdrew (Title 34, Code of Federal Regulations, Section 668.22(e)).

For 3 of the 50 (6 percent) students tested, the University incorrectly calculated the amount of Title IV funding by deducting the origination fee that the lender charges from the amount the student received. The result was that the students received less funding than they should have received.

### Returning Incorrect Amounts of Title IV Funds

Institutions must return the lesser of (1) the total amount of unearned Title IV assistance to be returned as described above or (2) an amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance that has not been earned by the student. If, for a non-term program an institution chooses to calculate the treatment of Title IV assistance on a payment period basis, but the institution charges for a period that is longer than the payment period, "total institutional charges incurred by the student for the payment period" is the greater of (1) the prorated amount of institutional charges for the longer period or (2) the amount of Title IV assistance retained for institutional charges as of the student's withdrawal date (Title 34, Code of Federal Regulations, Section 668.22(g)).

For 3 of the 50 (6 percent) students tested, the University returned the incorrect amount or did not return any unearned Title IV funding during 2007. One of these three instances occurred because of a \$32.63 clerical error. No documentation was submitted to the University's Student Financial Aid Department for the other two instances, and the Title IV funds were not returned.

### Recommendations:

The University should:

- Ensure that the correct amount of Title IV funds is returned within the required timeframe.
- Require its Student Financial Aid Department to coordinate with all other departments to ensure that all student withdrawals are channeled through the Student Financial Aid Department in order to coordinate Title IV funding issues.



Management Response and Corrective Action Plan:

The University concurs with the finding.

OSFS will expand the Policies and Procedures section related to withdrawals to address the federal requirements and timelines.

OSFS will evaluate of use of Federal R2T4 (Return to Title IV) software as an adjunct to present processes.

Assistant Director for Student Services (or designate) will conduct training in R2T4 requirements and procedures every semester.

Interim Associate Director will communicate with Student Deans as well as Health Services and Counseling Center staff regarding institutional obligations for federal student aid recipient students who withdraw from classes.

The OSFS Management team will re-design current withdrawal procedures to incorporate more supervisory oversight and determine what level, if any, of automated processing would assist insuring regulatory compliance.

Implementation Date: February - May 2008

Responsible Persons: Henry Urick and Sonje Johnson

Reference No. 08-78

**Allowable Cost/Cost Principles**

**Research and Development Cluster**

Award year - December 1, 2005 to November 30, 2009; March 1, 2006 to February 28, 2009; February 15, 2007 to January 31, 2011; February 1, 2005 to March 31, 2008; September 1, 2004 to July 31, 2009; December 1, 2003 to November 30, 2007

Award number - CFDA 93.242 2 RO1 MH041770-19A1,20, CFDA 93.859 5 RO1 GM073087-01A1,02, CFDA 93.286 1 R01 EB004873-01A2, CFDA 93.859 5 R01 GM074258-01 -02 -03, CFDA 93.242 5 R37 MH044754-16 -17 -18 -19,CFDA 93.867 5 R01 EY02688-26 -27 -28 -29

Type of finding - Significant Deficiency and Non-Compliance

Appropriated funds for the National Institutes of Health, the Agency for Healthcare Research and Quality, and the Substance Abuse and Mental Health Services Administration shall not be used to pay the salary of an individual, through a grant or other extramural mechanism, at a rate in excess of Executive Level I (Public Law 110-005, Revised Continuing Appropriations Resolution, 2007). The Executive Level I annual salary rate was \$183,500 for the period from January 1, 2006, through December 31, 2006. Effective January 1, 2007, the Executive Level I salary level increased to \$186,600 (NOT-OD-07-051, Salary Limitation on Grants, Cooperative Agreements, and Contracts).

Questioned Cost: \$ 0  
U.S. Department of Health and Human Services

The University of Texas at Austin (University) did not adequately monitor the salary and wages charged to National Institutes of Health (NIH) grants. Four of 7 researchers (representing 6 of 11 grants) tested charged salaries to NIH grants that exceeded the NIH salary cap. The University subsequently removed the excess charges from the federal accounts

The University does not have an adequate system to monitor the salaries it charges to NIH grants to ensure those charges do not exceed the executive salary cap. When the University does not limit the salary and wage expenses charged to NIH grants, it risks loss of funding for existing and future grant awards.

Recommendation:

The University should implement a procedure to ensure that it does not charge salaries and wages that exceed the NIH executive salary cap to any NIH Grants.

Management Response and Corrective Action Plan:

*The University concurs with the finding. The University of Texas at Austin has identified reports from the University's data warehouse that will be used monthly to monitor for the occurrence of personnel appointments that exceed the NIH Salary Cap. Based on the reports, the University will coordinate with those departments to provide assistance in managing the placement of salary and the appropriate certification of associated cost share effort on the NIH grant. The University is also developing utilities to assist the departments in proactive planning and management of salaries directed towards NIH grants for personnel who may exceed the NIH Salary Cap.*

*Implementation Date: March 2008*

*Responsible Person: Jason Richter*

Reference No. 08-79

**Equipment and Real Property Management****Research and Development Cluster**

**Award year - August 15, 2006 to August 14, 2010, September 1, 2006 to February 28, 2007**

**Award number - CFDA 81.000 DE-FG02-06ER46303 A000, CFDA 93.000 2007-02807-001**

**Type of finding - Significant Deficiency and Non-Compliance**

A recipient's property management standards for equipment acquired with federal funds and federally-owned equipment must require that equipment records be maintained accurately and include the location and condition of the equipment. Additionally, equipment owned by the federal government must be identified to indicate federal ownership (Office of Management and Budget Circular A-110, Subpart C, 34.f).

Questioned Cost: \$ 0

U.S. Department of Energy  
U.S. Department of Health and  
Human Services

The University of Texas at Austin (University) has a policy that requires equipment with a unit cost of \$5,000 or more be assigned to a departmental inventory. In addition, the Office of the Texas Comptroller of Public Accounts defines controlled items as those items with a unit cost of \$500 to \$4,999.99. The Office of the Texas Comptroller of Public Accounts also requires that controlled item be assigned to a departmental inventory. The University's policy states that its Inventory Services Department will affix a numbered property control plate to the property (or assign an inventory number) and enter appropriate data on the University's computerized inventory system. (*Handbook of Business Procedures*, Section 16.2.A)

Inventory records for 3 of 43 (7 percent) equipment items tested contained inaccurate information about the equipment. Specifically:

- For two of these items, the University tagged the equipment with a different inventory number than was shown in its inventory records. The University assigned these equipment items temporary inventory numbers during its year-end inventory process. It subsequently assigned new inventory numbers to the equipment, but it had not yet updated its inventory records to reflect these new numbers.

- For one of these items, the inventory record for the equipment did not contain sufficient information about the location of the equipment. The equipment item was in a University office that was located off campus, but the inventory record did not contain enough information to easily locate the equipment item.

The University has updated the inventory records for the three items discussed above.

Recommendation:

The University should ensure that it updates all inventory records to reflect the most accurate information.

Management Response and Corrective Action Plan:

*The University concurs with the finding. As stated, the current year-end inventory process assigns temporary inventory numbers to assets to enable the items to be included for year-end reporting. The University's computerized inventory system is closed at year-end and reopened in October for daily processing. Self-tagging departments and Inventory Services continue to tag items that are received throughout the year. Once the inventory system is reopened, Inventory Services staff update the records and assign permanent inventory numbers as designated by the self-tagging departments or Inventory Services taggers.*

*The University will log all the pending inventory records at year-end. The log will be updated with the temporary inventory number assigned and then updated with the permanent number to provide a cross reference until the permanent number is recorded within the inventory system. Permanent inventory numbers will be assigned prior to the annual inventory certification cycles that start in December.*

*Location information is required in the University's computerized inventory system. Department comments can also be entered in the system for additional information. Inventory Services has an Inventory Equipment Located Off Campus form that departments should use for documenting items located off campus. The University's Internal Audit staff performs a Departmental Change in Management Review that includes a questionnaire with multiple questions related to Inventory, including off campus items, to help ensure controls are in place and policies are followed.*

*Training materials were revised in September 2007 to provide departments with a more thorough understanding of University policy and procedures and their responsibility for tracking all items on campus as well as off campus. The training materials are used to prepare inventory contacts for the annual physical inventory certification. Additionally, a new Physical Inventory Certification Form is being used for FY 2007-08 that requires departments to indicate if all items located off campus have been verified and appropriate checkout logs are maintained. Comments are required if a department is unable to certify location information.*

*In conjunction with the above improvements, Inventory Services staff will conduct spot audits of assets to ensure compliance with University procedures and policies.*

*Implementation Date: December 2008*

*Responsible Person: Rob Coleman*

Reference No. 08-80

**Matching, Level of Effort, Earmarking**

(Prior Audit Issues 07-69, 06-63, 05-57, 04-53, 03-09, and 02-48)

**Research and Development Cluster**

**Award year - Multiple**

**Award number - All Grants with Matching Requirements**

**Type of finding - Significant Deficiency**

Non-federal entities may be required to share in the cost of research. The specific program regulations, general agency award guidance, or individual federal award will specify applicable matching requirements, including the minimum amount or percentage of contributions or matching funds provided by the institution (Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, Part 5, Section G). The matching contributions must also comply with the requirements of OMB Circular A-110, Section .23, including the allowable cost principles of OMB Circular A-21. These requirements include that matching contributions must be from allowable sources, must value in-kind contributions according to the principles of OMB Circular A-21 and the terms of the award, and must be composed of allowable costs.

<p>Questioned Cost: \$ 0</p> <p>Federal Agencies that Provide R&amp;D Grants</p>
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The University of Texas at Austin (University) does not have an adequate system for monitoring whether it meets required matching contributions. The University's system for tracking its matching contributions is decentralized, and each department is responsible for maintaining its own documentation of contributions. As a result, forms of documentation varied widely among different awards, and retrieving this documentation was time-consuming. In addition, for 6 of 7 (86 percent) awards tested, the University's Effort Certification System (ECS) could have provided documentation of matching contributions, but the department did not record contributions in ECS for these awards.

Despite this control deficiency, the University was able to provide sufficient evidence showing that it complied with applicable matching requirements and award terms.

Recommendation:

The University should develop an adequate system of monitoring compliance with matching requirements.

Management Response and Corrective Action Plan:

*We concur with the finding. The University will develop a system to monitor compliance with cost share requirements. Possible solution may include the use of clearing accounts and activity coding to facilitate specific expenditure identification.*

*Implementation Date: September 2008*

*Responsible Person: Jason Richter*

**University of Texas at Brownsville**

Reference No. 08-81

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

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.032 Award Number Not Applicable**

**Type of finding - Significant Deficiency and 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 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).

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

The University of Texas at Brownsville (University) did not send notifications to FFELP loan recipients for the Fall 2006 and Spring 2007 semesters. Therefore, none of the 26 students in auditors' test sample received disbursement notifications. The University does not have controls to ensure that it sends disbursement notifications within the required time periods.

Recommendation:

The University should establish controls to ensure that it sends disbursement notifications to FFELP loan recipients within the required time periods.

Management Response and Corrective Action Plan:

*The Office of Student Financial Assistance immediately developed a form letter that advises students and/or parents of:*

- (1) the date and amount of the disbursement,*
- (2) the student's and/or parent's right to cancel all or a portion of that loan or loan disbursement and have loan proceeds returned to the holder of that loan, and*
- (3) the procedures and the time by which the student and/or parent must notify UTB/TSC that he or she wishes to cancel the loan or loan disbursement.*

*The notifications were implemented effective for Summer 1, 2007 and thereafter. The process is run one business day following the transmittal of the saved list to the Business Office for crediting to a student's account. Hard copy letters are printed and mailed to the student/parent well within the 30 day window after crediting the student's account.*

*Implementation Date: June 2007*

*Responsible Person: Mari Chapa*

## University of Texas M.D. Anderson Cancer Center

Reference No. 08-82

### Allowable Costs/Cost Principles

#### Research and Development Cluster

Award year - Not Applicable

Award number - Not Applicable

Type of finding - Significant Deficiency

The method of payroll distribution used by entities that receive federal awards must recognize the principle of after-the-fact confirmation or determination so that costs distributed represent actual costs, unless a mutually satisfactory alternative agreement is reached. Direct cost activities and facilities and administrative cost activities may be confirmed by responsible persons with suitable means of verification that the work was performed. Additionally, for professorial and professional staff, activity reports must be prepared each academic term, but no less frequently than every six months (Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions, Section J, Subsection 10).

Questioned Cost: \$ 0

U.S. Department of Health and  
Human Services

For 14 of the 28 payroll items tested at the University of Texas M.D. Anderson Cancer Center (Cancer Center), the employees' Effort Certification Reports for the applicable period were not completed in a timely manner (completion was considered timely if it occurred within 30 days of receipt of the forms).

The Cancer Center's effort certification policy in effect for fiscal year 2007 did not contain time limits for completion of effort reporting. However, guidance from the University of Texas System (System) on effort reporting policies requires that institutions implement effort policies that (1) require all *Effort Certification Reports* to be completed within 30 days of receipt of the forms and (2) include the consequences of not completing *Effort Certification Reports* in a timely manner (UTS-163 - Guidance on Effort Reporting Policy).

A prolonged elapsed time between activity and confirmation of the activity can potentially (1) decrease the accuracy of reporting and (2) increase the time between payroll distribution and any required adjustments to that distribution.

#### Recommendation:

The Cancer Center should ensure that employees complete *Effort Certification Reports* in a timely manner.

#### Management Response and Corrective Action Plan:

*The Cancer Center's Effort Reporting policy has been drafted and will be included in the Institutional Policy handbook upon approval from executive committee and the President's Advisory Board.*

*In accordance with UTS 163, the policy will require that all Certifications must be completed within thirty days of notification that the effort reports are ready for review and, and will include the consequences of not completing the effort reports in a timely manner.*

*The Cancer Center is implementing an electronic effort reporting system to replace its current paper based system. Electronic effort reporting will increase efficiency in providing reports to certifiers, and facilitate timely completion of certifications.*

Implementation Date: August 2008

Responsible Person: Ellen Bussard

Reference No. 08-83

**Equipment and Real Property Management**

**Research and Development Cluster**

**Award year - Not Applicable (control finding related to institutional policy only)**

**Award number - Not Applicable (control finding related to institutional policy only)**

**Type of finding - Significant Deficiency**

The recipient's property management standards for equipment acquired with federal funds and federally-owned equipment must require that equipment records be maintained accurately and include the location and condition of the equipment. Additionally, equipment owned by the federal government must be identified to indicate federal ownership (Office of Management and Budget Circular A-110, Subpart C, 34.f).

Questioned Cost: \$ 0

Federal Agencies that Provide  
R&D Grants

The University of Texas M.D. Anderson Cancer Center (Cancer Center) has a policy that requires all new capitalized and controlled equipment be tagged with an inventory number upon receipt or prior to being placed into service (*Asset Management Module*, Chapter 4A).

Ten of 40 (25 percent) equipment items tested at the Cancer Center did not have an asset identification tag assigned or affixed to them prior to auditors' arrival. The total cost of these ten items was \$268,159.54.

Recommendation:

The Cancer Center should ensure that it affixes asset identification tags to equipment items upon receipt or prior to placing the items into service.

Management Response and Corrective Action Plan:

*Property management standards for the M. D. Anderson Cancer Center provide assurances that meet the requirements identified in the Office of Management and Budget Circular A-110, Subpart C, 34.f.*

*During the recent A-133 audit, the accuracy of federally-owned equipment records were confirmed:*

- *Location of the equipment*
- *Condition of the equipment*
- *Federal ownership identified*

*In addition, this audit identified improvement needed regarding the application of asset identification tags.*

Management has a long standing policy requiring the tagging of all capital and controlled assets upon receipt. The Equipment Compliance Committee, which is a cross section of Institutional and Departmental leaders reviews and revises policies on an ongoing basis and reports to the Institutional Compliance Committee. While efforts are made to ensure that all assets are tagged, the current process is manual in nature and does require time to ensure all assets are tagged. During the annual inventory process, Property Officers throughout the Institution are required to report untagged assets to Asset Management and annually certify that they have accounted for all assets within their departmental control. Management will continue to review and revise policies necessary to ensure that all assets are tagged in a timelier manner.

Late FY07, improvements were made to system functionality of the receiving screens in Lawson to better identify capital and controlled equipment. These enhancements will provide more information to the receiving dock personnel to improve the tagging decision process.

The University of Texas M. D. Anderson Cancer Center will continue to review procedures to ensure that asset identification tags are affixed to equipment items upon receipt or prior to placing items in service.

Implementation date: August 2008

Responsible person: Richard Dillard

Reference No. 08-84

**Reporting**

(Prior Audit Issue 05-62)

**Research and Development Cluster**

**Award year - May 1, 2006 to April 30, 2007, January 1, 2006 to December 31, 2006, June 1, 2006 to May 31, 2007, September 12, 2005 to July 31, 2006, June 26, 2006 to April 30, 2007, September 25, 05 to August 31, 2006  
Award number - CDFA 93.393 P01 CA034936 20, CDFA 93.395 U10 CA10953 39, CDFA 93.395 P01 CA108631 03, CDFA 93.399 P01 CA106541 03, CDFA 93.399 P01 CA108964 02, CDFA 93.397 P20 CA101936 04  
Type of finding - Significant Deficiency and Non-Compliance**

Recipients are responsible for managing, monitoring, and reporting performance for each project, program, subaward, function, or activity supported by the award. Title 45, Code of Federal Regulations, Section 74.52, requires that the following forms be used for obtaining financial information from subrecipients: SF 269 (Financial Status Report) and PMS 272 (Report of Federal Cash Transactions). The National Institutes of Health's (NIH) Grants Policy Statement (March 2001 and February 2003, revised) - Part II, Terms and Conditions of NIH Grant Awards, specifies that financial or expenditure reporting is required as documentation of the financial status of grants and is accomplished using the Financial Status Report (FSR). The FSR is required on an annual basis and submitted for each budget period, unless the grant is under the Streamlined Non-competing Award Process (SNAP), in which case in lieu of the annual FSR, NIH uses the quarterly SF 272 to monitor the financial aspects of the grant. All non-SNAP NIH grant recipients are required to file an annual SF 269.

Questioned Cost: \$ 0  
U.S. Department of Health and Human Services

The University of Texas M.D. Anderson Cancer Center (Cancer Center) did not consistently file the required financial reports with grantors in a timely manner. Six of the 40 (15 percent) financial reports tested were either not filed (1 report) or not filed in a timely manner (5 reports). The 1 report that had not been filed was 66 days late as of the end of audit testing; the Cancer Center is holding that report in order to review documentation for an expense claimed by a subrecipient. The 5 reports not filed in a timely manner were between 5 and 188 days late.



The Cancer Center's reporting process is primarily manual and depends on employees to gather the expenses for the period, verify the allowance and accuracy of the data, input data on a spreadsheet for approval by the Director of Grants and Contracts Accounting and the project Principal Investigator, and input information into a reporting system. When the Cancer Center does not report, or does not report in a timely manner, funding for future periods may be delayed.

Recommendation:

The Cancer Center should continue to improve its policies and procedures to ensure that it meets all reporting requirements.

Management Response and Corrective Action Plan:

*More than half of the late reports identified as not filed timely had subcontracts. The Cancer Center attempts to resolve late invoices prior to reporting, and this was a major contributing factor.*

*This set of circumstance will be a focus as we review and revise our procedures to ensure that we meet all reporting requirements.*

*Implementation Date: April 2008*

*Responsible Person: Claudia Delgado*

## University of Texas at San Antonio

Reference No. 08-85

### Eligibility

#### Student Financial Assistance Cluster

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

Award number - CFDA 84.063 P063P063294, CFDA 84.007 P007A064169, CFDA 84.375 P375A063294, CFDA 84.376 P376S063294

#### Type of finding - Significant Deficiency and Non-Compliance

The determination of student financial assistance award amounts is based on financial need. Financial need is generally defined as the student's cost of attendance minus financial resources reasonably available. For Title IV programs, the financial resources available are generally the expected family contribution that is computed by the central processor and included on the student's Institutional Student Information Report provided to the institution. Awards must be coordinated among the various programs and with other federal and non-federal aid to ensure that total aid is not awarded in excess of the student's financial need (Federal Perkins Loan, Federal Work Study, and Federal Supplemental Educational Opportunity Grant, Title 34 Code of Federal Regulations, Sections 673.5 and 673.6; Federal Family Education Loans, Title 34, Code of Federal Regulations, Section 682.603; Direct Loan, Title 34, Code of Federal Regulations, Section 685.301; Health Professions Student Loan, Title 42, Code of Federal Regulations, Section 57.206; Nursing Student Loan, Title 42, Code of Federal Regulations, Section 57.306(b)).

Questioned Cost: \$2,153

U.S. Department of Education

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 1087ll).

During the award year, the University of Texas at San Antonio (University) altered the methodology it used to calculate a student's cost of attendance, which resulted in cost of attendance being calculated inconsistently for students taking the same academic workload. The University calculated cost of attendance incorrectly for 7 of the 50 (14 percent) students tested. As a result, the University overawarded funds to two of these students. Both students' costs of attendance were calculated as if they were full-time students; however, both students were part-time students during the period for which they were awarded funds. The University awarded one student \$885 more need-based awards than his cost of attendance and expected family contribution allowed; \$166 of that amount could have been awarded as a non-need based award. The University awarded the other student \$211 more need-based awards than his cost of attendance and expected family contribution allowed; an additional \$1,223 of non-need-based awards was overawarded to that student.

#### Recommendation:

The University should establish controls to calculate the cost of attendance correctly to prevent overawarding funds.

Management Response and Corrective Action Plan:

*During the 2006-07 award year, the Office of Student Financial Aid changed the process by which we calculate the cost of attendance for part-time students. This was done mid-year based on recommendations from auditors in reference to our previous system of pro-rating grants for part-time students. During the process, we attempted to find all part-time students during the month of December and batch-post part-time cost of attendance figures to accounts and also reduce financial aid accordingly. It is apparent that some students were missed during the batch process.*

*For the 2007-08 award year, we initially populated the cost of attendance based on the expected enrollment status as indicated by the student on the FAFSA form. We also established disbursement rules so that if the student was initially awarded full-time and actually enrolled part-time, funds would not pay out until the student contacted our office to change their enrollment status or at census date, we changed these students to part-time status, reduced their cost of attendance and reduced aid as necessary. This new process will eliminate the need to batch-post changed cost of attendance figures to student accounts. All students are processed manually by staff either through an enrollment change form submitted by the student or at census date for each semester. For 2007-08 we have developed full-time cost of attendance for the entire year, part-time cost of attendance for the entire year and a mixed cost of attendance for students that attend full-time in one semester and part-time in another semester. Summer cost of attendance is based on part-time status.*

*Implementation Date: August 2007*

*Responsible Person: Lisa Blazer*

Reference No. 08-86

**Reporting - Pell Payment Data**

(Prior Audit Issue 07-76)

**Student Financial Assistance Cluster**

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

**Award number - 84.063 P063P063294**

**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 2007, Part 5, Student Financial Assistance Cluster, III.L.1.e (page 5-3-16 and 5-3-17)).

Questioned Cost: \$ 0

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 6 of 40 (15 percent) students tested, the University of Texas at San Antonio (University) did not report disbursement records to the COD System within 30 calendar days of the disbursement date. Five of these instances were related to January 6, 2007, disbursement records that were not reported to COD until February 7, 2007, and one instance was related to a January 15, 2007, disbursement record that was not reported to COD until February 20, 2007. This occurred because an upgrade the University loaded to its financial aid system on January 15, 2007, caused incorrect disbursement numbers or sequences to be assigned to Pell disbursements. The final resolution of the issue did not occur until February 22, 2007.

In addition, for 34 of 40 (85 percent) students tested, the University reported an inaccurate cost of attendance (COA) amount to the COD System. In all but one of these cases, the University reported a lower COA to the COD System. These differences were related to issues from the prior year finding regarding Pell payment data reporting. University management implemented a corrective action plan in December 2006, but all 2006-2007 origination records processed before that date still reflected the incorrect Pell budgets (instead of the revised campus budgets for the 2006-2007 award year). These differences did not result in any overawards of Pell grants in the 2006-2007 award year.

Recommendation:

The University should improve its oversight of the Pell reporting process to ensure that it reports disbursement records to the U.S. Department of Education in a timely manner.

Management Response and Corrective Action Plan:

*These particular errors occurred due to a defect in Banner and also due to snow days where the campus was closed and we were unable to come in to campus for 3 days. There was a defect in Banner 7.7.1 that was loaded to the system on 1/15/07. The office was closed 1/15/07 through 1/17/07. We were able to return to the office the afternoon of 1/18/07. The PELL coordinator requested PELL on 1/18/07 and ran the PELL disbursement error reports on 1/22/07 and found that there were students not paid. The number of students not paid was equal to the number of disbursements requested and that is how she discovered there was an issue with PELL. She immediately opened a service request on 1/22/07 with SCT.*

*While working through the service request we found additional PELL disbursements not paying due to the defect. Another service request was opened with SCT to deal specifically with those issues on 1/31/07. Although most of the PELL disbursement issues were fixed while working through the first service request, the remaining took until 2/20/07 to resolve. The reason for this is that the students had multiple disbursements on Banner, which had to be sent one at a time or an error would occur. It was not until the last person paid on 2/20/07 that they finally closed the service request on 2/22/07.*

*To avoid this issue in the future, the PELL coordinator is performing additional testing during any upgrade to identify defects earlier. Other steps have been taken through the PELL reconciliation process to identify outstanding disbursements earlier. Disbursement error reports are also being resolved more often to avoid issues in the future.*

*With regards to the PELL budgets, as indicated, the cost of attendance for the PELL budgets had not been updated. At the time of our audit in October 2006, we made the adjustment to the 2006-07 PELL budgets. However, we had already transmitted the incorrect budgets in August 2006, which caused the errors found during the audit. This did not impact PELL eligibility for any students. We have developed a procedure to update both the PELL and the Campus cost of attendance budgets during the new-year set up on Banner.*

*Implementation Date: August 2007*

*Responsible Person: Lisa Blazer*

Reference No. 08-87

**Special Tests and Provisions - Return of Title IV Funds**

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.063 P063P063294, CFDA 84.007 P007A064169, CFDA 84.375 P375A063294, CFDA 84.376 P376S063294**

**Type of finding - Significant Deficiency and 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 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 greater than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (Title 34, Code of Federal Regulations, Section 668.22(a)(1)-(4)).

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

Returns of Title IV funds must be deposited or transferred into the student financial assistance account or electronic fund transfers must be initiated to the U. S. Department of Education or the appropriate Federal Family Education Loans 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 of Texas at San Antonio does not have controls to ensure that it returns Title IV funds within 45 days of determining that students withdraw. The University returned 20 of 27 (74 percent) returns tested after 45 days. For those 20, the University returned funds between 49 and 114 days after the students' withdrawal dates.

Recommendation:

The University should establish controls to ensure that it returns Title IV funds within 45 days of students' withdrawal dates.

Management Response and Corrective Action Plan:

*During the 2006-07 award year, we had a significant change in staffing that resulted in a lapse time for completing Return of Title IV. We have since turned the process of Return of Title IV over to an Associate Director to ensure processes are correct and completed in the required timeframe. Return of Title IV calculations are done on a weekly basis according to a list of withdrawals generated from Banner.*

*Implementation Date: August 2007*

*Responsible Person: Lisa Blazer*

Reference No. 08-88

**Procurement and Suspension and Debarment****Research and Development Cluster****Award year - Multiple**

**Award number - CFDA 93.865 7 R21 HD049664-02, CFDA 93.389 5 G12 RR013646-08, CFDA 93.859 5 S06 GM008194-27**

**Type of finding - Significant Deficiency and Non-Compliance**

Federal rules require that, when a non-federal entity enters into a covered transaction that is expected to equal or exceed \$25,000 with an entity at a lower tier, the non-federal entity must verify that the entity at the lower tier is not suspended, debarred, or otherwise excluded from federal contracts. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the U.S. General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (Office of Management and Budget Circular A-102, Grants and Cooperative Agreements with State and Local Governments, Section 1.d and A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Subpart B.13; Executive Orders 12549 and 12689, Debarment and Suspension; Title 45, Code of Federal Regulations, Part 76, Government-wide Debarment and Suspension).

Questioned Cost: \$ 0

U.S. Department of Health and  
Human Services

The University of Texas at San Antonio (University) has a procurement policy that requires vendors to complete a debarment certification form if they participate in the bid or proposal process involving federal funds in the amount of \$100,000 or more. For purchases between \$25,000 and \$100,000 that are bid out, the University's invitation to bid contains a clause that requires the vendor to certify that it is not suspended or debarred by signing and returning the bid.

For three sole source purchase orders between \$25,000 and \$100,000, the University did not obtain the required suspension and debarment certifications. Auditor reviewed the EPLS and determined that the vendors associated with these three purchases were not suspended or debarred.

In addition, the University used a blanket purchase order for one purchase that exceeded \$100,000, and it did not obtain the required suspension and debarment certification for that purchase.

Recommendations:

The University should:

- Update its procurement policies and procedures to obtain suspension and debarment certifications for all purchase orders expected to equal or exceed \$25,000.

- Establish a policy and procedure to obtain suspension and debarment certifications on purchases that are procured through a blanket purchase order or contract.

*Management Response and Corrective Action Plan:*

*The Purchasing and Distribution Service Department updated the Purchasing Department Operating Procedures, Section 2.80 "Federal Contracts and Grants over \$25,000" on September 19, 2007. This official operating procedure is posted on the purchasing website ([http://www.utsa.edu/purchasing/procedures/page27\\_fedcon.doc](http://www.utsa.edu/purchasing/procedures/page27_fedcon.doc)) and requires verification that the vendor is not suspended, debarred, or otherwise excluded from federal contracts for all purchases over \$25,000. The procedure calls for verification by checking the EPLS ([www.epls.gov](http://www.epls.gov)). The procedure applies to all purchases, including sole source purchases and purchases made on blanket purchase orders.*

*In addition, the department has established an internal policy and procedure reflecting this requirement and describing how the verification is completed. Copies of both documents are available upon request.*

*Implementation Date: September 19, 2007*

*Responsible Person: Yolanda Miller*

## Water Development Board

Reference No. 08-89

### Allowable Costs/Cost Principles

### Cash Management

### Matching and Earmarking

### Period of Availability of Federal Funds

### Reporting

#### CFDA 66.458 - Capitalization Grants for Clean Water State Revolving Funds

Award year - Multiple

Award number - CS-480002-03 SRF, CS-480002-04 SRF, CS-480002-05 SRF, and CS-480002-06 SRF

#### CFDA 66.468 - Capitalization Grants for Drinking Water State Revolving Funds

Award year - Multiple

Award number - FS-99679503 DWSRF-SWP, FS-99679504 DWSRF-SWP, FS-99679504 DWSRF-Construction, and FS-99679505 DWSRF-Construction

Type of finding - Significant Deficiency

Office of Management and Budget Circular A-133, Section 300(b), requires entities to maintain internal control over federal programs that provides reasonable assurance that they are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Questioned Cost: \$ 0

U.S. Environmental Protection Agency

In addition, Title 1, Texas Administrative Code, Section 202.20(1), states that "Information resources residing in the various state agencies of state government are strategic and vital assets belonging to the people of Texas. These assets must be available and protected commensurate with the value of the assets. Measures shall be taken to protect these assets against unauthorized access, disclosure, modification or destruction, whether accidental or deliberate, as well as to assure the availability, integrity, utility, authenticity, and confidentiality of information. Access to state information resources must be appropriately managed." Title 1, Texas Administrative Code, Section 202.25(3)(B) states that "A user's access authorization shall be appropriately modified or removed when the user's employment or job responsibilities within the state agency change."

The Water Development Board (Board) does not always remove access to its network after an individual is no longer employed by the Board. Auditors determined that four individuals whose employment with the Board had been terminated still had access to the Board's network. After auditors brought this issue to the Board's attention, the Board removed the access for these individuals.

In addition, in July 2007, the Board's internal auditor recommended that each employee have a current form on file that identifies all authorized access to the Micro Information Products (MIP, the Board's internal accounting system) and a group of systems managed by the Office of the Comptroller of Public Accounts. The group of systems includes Uniform Statewide Accounting System, the Uniform Statewide Payroll/Personnel System, the Texas Identification Number System, and Web Warrant Inquiry/Cancellation Access. In addition, the internal auditor recommended that the Board review the forms when staff duties are altered significantly. Auditors reviewed access levels for MIP during federal compliance testing and determined that the access levels were appropriate.

During federal compliance testing, auditors did not identify any issues that resulted from the deficiencies discussed above.

### Recommendations:

The Board should:

- Ensure that it removes access to the network after an individual's employment is terminated.



## WATER DEVELOPMENT BOARD

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- Ensure that each staff member has a current form on file that identifies all authorized access to MIP and the group of systems managed by the Office of the Comptroller of Public Accounts.

### Management Response and Corrective Action Plan:

Ensure that it removes access to the network after an individual's employment is terminated.

Management agrees with the recommendation. The departing employee's manager/supervisor will be responsible for completing the exit form since the circumstances for departure may vary. Human Resources (HR) staff will send a separating email when HR becomes aware of an employee's intention to separate. Additionally, ABEST access has been included on the Employee Separation Form.

HR is in the process of completing a new separation package and Personnel Policy which addresses this issue.

Implementation Date: January 31, 2008

Responsible Person: Chris Adams and Darryl Lindgens

Ensure that each staff members has a current form on file that identifies all authorized access to MIP and the group of systems managed by the Office of the Comptroller of Public Accounts (OCPA).

Management agrees with the recommendation. System access security has been assigned to the Financial Systems Analyst, with the Accounting Director as backup. This provides separation between system security and the day-to-day accounting functions. The Chief Financial Officer (CFO), Accounting Director and Financial Systems Analyst reviewed access, agreed to the appropriate access, and documented the approval of access at a point in time. From this point on, forms will be completed for each staff member.

Implementation Date: Implemented January 2008

Responsible Person: Carl Speed

Reference No. 08-90

### **Reporting**

#### **CFDA 66.458 - Capitalization Grants for Clean Water State Revolving Funds**

**Award year - Multiple**

**Award number - CS-480002-03 SRF, CS-480002-04 SRF, CS-480002-05 SRF, and CS-480002-06 SRF**

#### **CFDA 66.468 - Capitalization Grants for Drinking Water State Revolving Funds**

**Award year - Multiple**

**Award number - FS-99679503 DWSRF-SWP, FS-99679504 DWSRF-SWP, FS-99679504 DWSRF-Construction, and FS-99679505 DWSRF-Construction**

**Type of finding - Significant Deficiency and Non-Compliance**

The Water Development Board (Board) is required to submit annual reports to the U.S. Environmental Protection Agency beginning the first fiscal year after it receives payments under Title VI (Title 40, Code of Federal Regulations, Sections 35.3165(a) and (b)).

Questioned Cost: \$ 0

U.S. Environmental Protection  
Agency

According to the Board, the *Clean Water State Revolving Fund (SRF) Annual Report* and the *Drinking Water Fund SRF Annual Report* are both due to the U.S. Environmental Protection Agency on November 30. In addition, the U.S. Environmental Protection Agency is required to conduct annual reviews and ensure that the Board complies with the terms of its capitalization grant agreements (Title 40, Code of Federal Regulations, Section 35.3165 (c)). The U.S. Environmental Protection Agency prepares and submits a program evaluation report to the Board.

The Board did not always submit required reports or management responses in a timely manner. Specifically:

- The Board submitted the *Clean Water SRF Annual Report* almost three months after the November 30, 2006, due date. In addition, the Board submitted its responses to the U.S. Environmental Protection Agency's comments and suggestions for that report on November 30, 2007. Responses were initially due in June 2007.
- The Board submitted the *Drinking Water SRF Annual Report* almost four months after the November 30, 2006, due date and almost one month after the extended due date.

The U.S. Environmental Protection Agency conducted annual reviews and submitted program evaluation reports to the Board for its responses. For the Clean Water SRF Program, the Board responded to the U.S. Environmental Protection Agency's request for clarification and correction two months after the requested date. For the Drinking Water SRF Program, the Board responded one month after the due date.

Recommendations:

The Board should:

- Submit required reports and management responses to the U.S. Environmental Protection Agency in a timely manner.
- Develop and document a formal methodology outlining the manner in which it will calculate, collect, and report data to the U.S. Environmental Protection Agency.

Management Response and Corrective Action Plan:

Submit required reports and management responses to the U.S. Environmental Protection Agency in a timely manner.

*Management agrees with the recommendation. Prior to the 2006 reports, all annual reports and applicable responses had been submitted in a timely manner. During the reporting period for the FY 2006 reports (calendar year 2007) there were several management changes at the Board and at U.S. EPA that impacted the overall reporting process. The improved reporting procedures and increased communications with U.S. EPA will address the prior deficiencies. As of this date, the Board is current with all required reporting.*

*Implementation Date: January 2008*

*Responsible Person: Avana Lavin*

Develop and document a formal methodology outlining the manner in which it will calculate, collect, and report data to the U.S. Environmental Protection Agency.

*Management agrees with the recommendation. Management recently implemented improved procedures, which include detailed time lines, to ensure that subsequent required reports are submitted in a timely manner to U.S. EPA. Staff is in the process of formally documenting the improved procedures. The fiscal year 2007 reports were submitted prior to their November 30, 2007 deadline.*

*Implementation Date: January 2008*

*Responsible Person: Avana Lavin*

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**Summary Schedule of Prior Audit Findings**

Federal Portion of  
Statewide Single Audit Report

For the Year Ended August 31, 2007

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## Summary Schedule of Prior Year Audit Findings - Table of Contents

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## Summary Schedule of Prior Year Audit Findings - KPMG

Federal regulations (*Office of Management and Budget Circular OMB Circular A-133*) state, “the auditee is responsible for follow-up and corrective action on all audit findings.” As part of this responsibility, the auditee reports the corrective action it has taken for the following:

- Each finding in the 2006 Schedule of Findings and Questioned Costs
- Each finding in the 2006 Summary Schedule of Prior Audit Findings that was not identified as implemented or reissued as a current year finding

The Summary Schedule of Prior Audit Findings (year ended August 31, 2007) has been prepared to address these responsibilities.

### Adjutant General

Reference No. 07-01

#### Reporting

#### CFDA 12.401 - National Guard Military Operations and Maintenance (O&M) Projects

Award year - see below

Award number - see below

Type of finding - Reportable Condition Control and Non-Compliance

The National Guard Bureau (NGB) enters into cooperative agreements (CA) for Army National Guard (ARNG) Facilities Programs (FP) and Air National Guard (ANG) Facility Operations & Maintenance Activities (FOMA) with States to provide Federal support for services provided by the State Military Departments for authorized facilities for leases, real property services, and sustainment, restoration, and modernization, including operations and maintenance (O&M) and minor construction costs (NGR 5-1/ANGI 63-101).

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

Generally, a CA consists of two parts: the agreement and appendices (Master Cooperative Agreement (MCA) and as many Appendices as apply to that State). Policies and procedures to be followed for cooperative agreements with States are contained in National Guard Grants and Cooperative Agreements NGR 5-1/ANGI 63-101. The MCA includes standard terms and conditions applicable to all Appendices under the MCA and the required signatures of the parties. There will be a separate Appendix for each CA functional area applicable to the State. Each Appendix shall contain terms and conditions, allowable costs, reports, approved budget, management controls, and administrative information applicable only to that functional area (NGR 5-1/ANGI 63-101, chapter 2-1).

The NGB and States are authorized to enter into CAs under: (1) 31 USC, Subtitle V, General Assistance Administration, Chapter 63, Using Procurement Contracts and Grant and Cooperative Agreements; (2) 31 USC Subtitle V, General Assistance Administration, Chapter 61, Program Information, and Chapter 65, Intergovernmental Cooperation; (3) 32 USC National Guard, Chapter 1, Organization; (4) 32 USC Section 101 (19); and (5) 32 USC Section 106/107, which authorizes the NGB to contribute funds for the support of the operation/training of the ARNG/ANG. The MCA is a CA within the meaning of 31 USC sections 6301 through 6308.

Per review of the CA and related Appendices, the SF-270, *Request of Advance or Reimbursement*, is required to be completed. During fiscal year 2006, the Adjutant General used the Integrated Engineering Management System (IEMS) Billing Report as an alternate form for the SF-270 until January 2006. During this time, the Deputy Executive Director verified that the Billing Report was supported by proper documentation and approved the report before it was submitted for reimbursement.



## ADJUTANT GENERAL

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In January 2006, Adjutant General realized that they had not obtained approval to use the IEMS Billing Report as an alternate form for the SF-270, and started submitting the SF-270 along with the IEMS Billing Report. The SF-270 was attached to the IEMS Billing Report with support, but was not completed properly, and the review and approval process remained focused on the IEMS Billing Report.

The National Guard Military Operations and Maintenance has multiple grant sub awards and award years as noted below:

<u>Award Number</u>	<u>Award Year</u>
DAHA41-04-2-1000 (MCA)	October 1, 2003 - September 30, 2008
DAHA41-04-2-1001 (Appendix 1)	October 1, 2003 - September 30, 2008
DAHA41-04-2-1002 (Appendix 2)	October 1, 2003 - September 30, 2008
DAHA41-04-2-1003 (Appendix 3)	October 1, 2003 - September 30, 2008
DAHA41-04-2-1004 (Appendix 4)	October 1, 2003 - September 30, 2008
DAHA41-04-2-1005 (Appendix 5)	October 1, 2003 - September 30, 2008
DAHA41-04-2-1007 (Appendix 7)	October 1, 2003 - September 30, 2008
DAHA41-04-2-1014 (Appendix 14 )	October 1, 2003 - September 30, 2008
DAHA41-04-2-1021 (Appendix 21)	October 1, 2003 - September 30, 2008
DAHA41-04-2-1022 (Appendix 22)	October 1, 2003 - September 30, 2008
DAHA41-04-2-1023 (Appendix 23)	October 1, 2003 - September 30, 2008
DAHA41-04-2-1024 (Appendix 24)	October 1, 2003 - September 30, 2008
DAHA41-04-2-1028 (Appendix 28)	October 1, 2003 - September 30, 2008
DAHA41-04-2-1040 (Appendix 40)	October 1, 2003 - September 30, 2008
DAHA41-04-2-1010 (Appendix 10)	October 1, 2005 - September 30, 2008
DAHA41-04-2-1041 (Appendix 41)	October 1, 2002 - September 30, 2003
DAHA41-04-2-3049 (Singapore)	July 1, 2001 - June 30, 2006

### Corrective Action:

Corrective action was taken.

## Department of Aging and Disability Services

Reference No. 07-02

### Allowable Costs/Cost Principles

(Prior Audit Issue - 06-01)

#### CFDA 93.667 - Social Services Block Grant

Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005

Award number - G0601TXSOSR and G0501TXSOSR

#### Medicaid Cluster

Award year - October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, and October 1, 2003 to September 30, 2004

Award number - 0605TX5028, 0605TX5048, 0505TX5028, 0505TX5048, 0405TX5028, and 0405TX5048

Type of finding - Non-Compliance

Effective September 1, 2004, the health and human service agencies for the State of Texas were reorganized, creating a triggering event for the amendment of the public assistance cost allocation plan (CAP). Once a CAP is approved, state public assistance agencies are required to promptly submit amendments to the plan if any of the following events occur (45 CFR Section 95.509):

- (a) The procedures shown in the existing cost allocation plan become outdated because of organizational changes, changes to the federal law or regulations, or significant changes in the program levels, affecting the validity of the approved cost allocation procedures.
- (b) A material defect is discovered in the cost allocation plan.
- (c) The state plan for public assistance programs is amended so as to affect the allocation of costs.
- (d) Other changes occur which make the allocation basis or procedures in the approved cost allocation plan invalid.

Initial Year Written: 2005  
Status: Partially Implemented  
  
U.S. Department of Health and  
Human Services

The Department of Aging and Disability Services (DADS) submitted their revised CAP to the U.S. Department of Health and Human Services on August 31, 2004. The Federal Division of Cost Allocation elected not to review and approve the DADS CAP due to DADS not meeting the definition of a state agency as defined in 45 CFR 95.503. Consequently, the Federal Division of Cost Allocation designated the Health and Human Services Commission (HHSC) as the responsible agency for financial oversight of the programs administered by DADS.

HHSC has reviewed and provided conditional approval for the DADS CAP. Additionally, the HHSC CAP is pending federal approval, and any issues that impact their CAP may result in changes to the conditionally approved DADS CAP.

Per review of the 2006 expenditure patterns, payroll and benefit expenditures were determined to be direct and material to both Medicaid Cluster and Social Services Block Grant programs. In accordance with the conditionally approved DADS CAP, payroll and benefit expenditures are to be allocated based on three methodologies: random moment time study (RMTS), full-time equivalent (FTE) headcount analysis, or payroll effort certification.

- DADS performs RMTS and FTE headcount analysis on a quarterly basis (federal fiscal year quarters) for the Medicaid Cluster and Social Services Block Grant programs. The updated allocation information is utilized to update the cost allocation system on a quarterly basis. Timesheets are to be maintained and certified for the payroll effort certification personnel.
- From the results of the RMTS and FTE headcount analysis, a quarterly Cost Allocation Report is prepared by program activity code (PAC). The summarized information is used to update/upload the information into the main Cost Allocation System which allocates employees' time to the respective programs. The updates are done on a quarterly basis. Timesheets are completed on a monthly basis.

Based on test work performed over these areas, DADS is allocating the payroll and benefit expenditures in accordance with the conditionally approved DADS CAP.

#### Corrective Action:

This finding was reissued as current year reference number: 08-01.

**Department of Assistive and Rehabilitative Services**

Reference No. 07-03

**Allowable Costs/Cost Principles**

**CFDA 84.126 - Rehabilitation Services - Vocational Rehabilitation Grants to States**

**Award year - October 1, 2005 to September 30, 2007 and October 1, 2004 to September 30, 2006**

**Award number - H126A060064, H126A060065, H126A050064, and H126050065**

**Type of finding - Reportable Condition Control**

Access to the OMB Time Tracking application production server is not restricted appropriately. A developer has access to the production server. The OMB Time Tracking application was developed and run initially from the developer's computer but was moved to a production server to make use of production backup capabilities. However, the developer retains access to run and continue developing the application. In addition, there is no formal change control process in place for the OMB Time Tracking application.

Initial Year Written: 2006  
Status: Partially Implemented

U.S. Department of Education

Changes to the OMB Time Tracking application should be approved by management, tested and approved by business area users, and approved for move to production. In addition, controls should be in place to restrict developers' access to the production environment.

No compliance exceptions were noted during the review of 29 payroll transactions for the major program noted above.

*Corrective Action:*

This finding was reissued as current year reference number: 08-02

## Department of Criminal Justice

Reference No. 07-04

### Reporting

#### CFDA 16.606 - State Criminal Alien Assistance Program

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

Award number - 2006-AP-BX-0026

Type of finding - Non-Compliance

Per Section 241(i) of the Immigration and Nationality Act, 8 U.S.C. § 1231(i), as amended, and Title II, Subtitle C, Section 20301, Violent Crime Control and Law Enforcement Act of 1994, Public Law 103-322, jurisdictions shall not submit records for an otherwise qualifying offender where the jurisdiction's records indicated the offender: 1) was born in the United States or one of its territories, 2) had a claim to U.S. citizenship, 3) was a U.S. citizen, or 4) did not qualify as an undocumented criminal alien in accordance with the State Criminal Alien Assistance Program (SCAAP) statute.

Initial Year Written: 2006  
Status: Implemented

U.S. Department of Justice

Per review of the Case Summary biographical information, it was determined that an offender was incorrectly entered into records as a citizen of Liberia when in fact it was later determined by Immigration and Customs Enforcement (ICE) that the offender was actually a United States citizen. From the 13,084 offenders submitted on the SCAAP application, a sample of 30 was selected for testing.

The Texas Department of Criminal Justice (TDCJ) collects documentation (e.g., sentence, judgments, pre-hearing investigations) from other jurisdictions, in addition to interviewing offenders to obtain self-reported information to create the offender record. This information is entered into a database to create the offender's electronic record. The database is queried to identify qualifying offenders on the SCAAP application. The TDCJ mis-entered information during creation of one of the offender's electronic record, and the offender was inadvertently included on 2005 SCAAP application. In addition, ICE should have entered the offender into the Foreign Born Tracking System and identified him as a US Citizen. This would have allowed TDCJ to screen him out of the SCAAP application.

#### Corrective Action:

Corrective action was taken.

**Department of Family and Protective Services**

Reference No. 07-05

**Allowable Costs/Cost Principles**

(Prior Audit Issue - 06-05)

**CFDA 93.556 - Promoting Safe and Stable Families**

**Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005**

**Award number - G0601TX00FP and G0501TX00FP**

**CFDA 93.558 - Temporary Assistance for Needy Families**

**Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005**

**Award number - G0601TXTANF and G0501TXTANF**

**CFDA 93.658 - Foster Care - Title IV-E**

**Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005**

**Award number - G0601TX1401 and G0501TX1401**

**CFDA 93.659 - Adoption Assistance**

**Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005**

**Award number - G0601TX1407 and G0501TX1407**

**CFDA 93.667 - Social Services Block Grant**

**Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005**

**Award number - G0601TXSOSR and G0501TXSOSR**

**Type of finding - Non-Compliance**

Effective September 1, 2004, the health and human service agencies for the State of Texas were reorganized, creating a triggering event for the amendment of the public assistance cost allocation plan (CAP). Once a CAP is approved, state public assistance agencies are required to promptly submit amendments to the plan if any of the following events occur (45 CFR Section 95.509):

Initial Year Written: 2005  
Status: Partially Implemented

U.S. Department of Health and  
Human Services

- (a) The procedures shown in the existing cost allocation plan become outdated because of organizational changes, changes to the federal law or regulations, or significant changes in the program levels, affecting the validity of the approved cost allocation procedures.
- (b) A material defect is discovered in the cost allocation plan.
- (c) The state plan for public assistance programs is amended so as to affect the allocation of costs.
- (d) Other changes occur which make the allocation basis or procedures in the approved cost allocation plan invalid.

The Department of Family and Protective Services (DFPS) submitted their revised CAP to the U.S. Department of Health and Human Services to be effective September 1, 2004. The Federal Division of Cost Allocation (DCA) has not approved the CAP as of December 31, 2006. KPMG was unable to determine that the expenditures charged to the federal programs were based on an approved CAP. However, based on test work performed over the areas noted below, DFPS allocated direct expenses, including payroll and benefit expenditures, in accordance with the CAP submitted to DCA for approval during fiscal year 2006.

Per review of the 2006 expenditure patterns, direct expenses, including payroll and benefit expenditures, were determined to be direct and material to various major programs noted above. In accordance with the CAP submitted by DFPS for approval, expenditures are to be allocated based on various methodologies as determined by the associated projects: random moment time study (RMTS), full-time equivalent (FTE) headcount analysis, service unit cost analysis, case count analysis, or payroll effort certification.

- DFPS performs RMTS, service unit cost analysis, and case count analysis on a quarterly basis. The updated allocation information is utilized to update the cost allocation system on a quarterly basis. FTE headcount analysis is performed monthly and certified for payroll effort each month.

- From the results of the various allocation methods noted above, summarized information is used to update/upload the information into the Cost Allocation System which allocates employees' time and other direct expenditures to the respective programs.

Corrective Action:

This finding was reissued as current year reference number: 08-04

Reference No. 07-06

**Allowable Costs/Cost Principles**

**Eligibility**

**CFDA 93.556 - Promoting Safe and Stable Families**

**Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005**

**Award number - G0601TX00FP and G0501TX00FP**

**CFDA 93.558 - Temporary Assistance for Needy Families**

**Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005**

**Award number - G0601TXTANF and G0501TXTANF**

**CFDA 93.658 - Foster Care - Title IV-E**

**Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005**

**Award number - G0601TX1401 and G0501TX1401**

**CFDA 93.659 - Adoption Assistance**

**Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005**

**Award number - G0601TX1407 and G0501TX1407**

**CFDA 93.667 - Social Services Block Grant**

**Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005**

**Award number - G0601TXSOSR and G0501TXSOSR**

**Type of finding - Reportable Condition Control**

The Department of Family and Protective Services (DFPS) utilizes IMPACT as their computer system for determining eligibility with regard to the above listed programs. Access controls are inappropriately designed for the IMPACT production server. A single user account is used to migrate changes into production. Of five employees with access to this account, one employee is an IMPACT developer. This employee has access to the account used to move changes into production.

Initial Year Written: 2006  
 Status: Partially Implemented  
  
 U.S. Department of Health and  
 Human Services

Users with excessive rights to modify the application across the enterprise create a risk of unauthorized changes to the production environment and/or a risk of unintentional errors or omissions in processing. In addition, accountability cannot be determined when users share a generic ID.

During compliance work performed, no exceptions were noted which resulted from the above deficiency for the major programs noted.

Corrective Action:

This finding was reissued as current year reference number: 08-06.

Reference No. 07-07

**Earmarking**

(Prior Audit Issue - 06-08)

**CFDA 93.556 - Promoting Safe and Stable Families**

**Award year - October 1, 2004 to September 30, 2006**

**Award number - G0501TX00FP**

**Type of finding - Reportable Condition Control and Non-Compliance**

In accordance with 42 USC 629b(a)(4), 45 CFR Section 1357.15(s), and ACYF-CB-PI-03-05, "Of the remaining funds after administrative costs, states must expend a significant portion, defined as 20 percent, on each of the following four categories: programs of family preservation services, community-based family support services, time-limited family reunification services, and adoption promotion and support services".

Initial Year Written: 2005  
Status: Implemented

U.S. Department of Health and  
Human Services

During test work, the amount spent on adoption promotion and support services for the 2005 grant was found to be only 14.92 percent. The Department of Family Protective Services (DFPS) is required to meet the earmarking requirements at the end of the 2-year grant period. With regard to the 2005 grant, 20 percent of total 2005 grant expenditures is approximately \$6,696,200. As of September 30, 2006, DFPS had met approximately \$4,994,000 of the requirement. Prior to fiscal year 2006, DFPS did not have a formalized methodology to allocate expenditures incurred to the four specific categories. During fiscal year 2006, DFPS developed a methodology to implement for the 2006 grant.

Corrective Action:

Corrective action was taken.

Reference No. 07-08

**Eligibility**

(Prior Audit Issue - 06-09, 05-03, 04-37, and 04-38)

**CFDA 93.658 - Foster Care - Title IV-E**

**Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005**

**Award number - G0601TX1401 and G0501TX1401**

**Type of finding - Reportable Condition Control and Non-Compliance**

In accordance with 45 CFR Section 1356.30 (a) and (b), unless an election provided for in paragraph (d) of this section is made, the state must provide documentation that criminal record checks have been conducted with respect to prospective foster and adoptive parents. The state may not approve or license any prospective foster or adoptive parent, nor may the state claim Federal Financial Participation (FFP) for any foster care maintenance or adoption assistance payment made on behalf of a child placed in a foster home operated under the auspices of a child placing agency or on behalf of a child placed in an adoptive home through a private adoption agency, if the state finds that, based on a criminal records check conducted in accordance with paragraph (a) of this section, a court of competent jurisdiction has determined that the prospective foster or adoptive parent has been convicted of a felony involving:

Initial Year Written: 2003  
Status: Partially Implemented

U.S. Department of Health and  
Human Services

- Child abuse or neglect
- Spousal abuse
- A crime against a child or children (including child pornography), or
- A crime involving violence, including rape, sexual assault, or homicide, but not including other physical assault or battery.

A sample of 40 children for whom Foster Care - Title IV-E payments were made during fiscal year 2006 was selected for review. For each child, we selected one foster care provider and verified that the provider satisfactorily met the criminal records check. For foster care providers other than individual homes, we obtained a listing of employees and verified that a criminal background check was performed for each employee. Our review disclosed the following:

- For three of the providers selected, the criminal background check was missing for a total of five employees.
- For one of the providers selected, neither the Department of Family and Protective Services (DFPS) nor the provider were able to provide supporting documentation of employees that worked at the facility for the month of September 2005.

Corrective Action:

This finding was reissued as current year reference number: 08-07.



**Health and Human Services Commission**

Reference No. 07-09

**Allowable Costs/Cost Principles**

(Prior Audit Issue - 06-12)

**CFDA 93.558 - Temporary Assistance for Needy Families**

**Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005**

**Award number - 0601TXTANF and 0501TXTANF**

**CFDA 93.767 - State Children's Insurance Program**

**Award year - October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, October 1, 2003 to September 30, 2004, and October 1, 2002 to September 30, 2003**

**Award number - 0605TX5021, 0505TX5021, 0405TX5021, and 0305TX5021**

**CFDA 97.050 - Presidential Declared Disaster Assistance to Individuals and Households - Other Needs**

**Award year - September 24, 2005 to March 23, 2007 and September 1, 2005 and continuing**

**Award number - 1606-DR-TX and 1624-DR-TX**

**Food Stamp Cluster**

**Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005**

**Award number - 6TX400105 and 5TX400105**

**Medicaid Cluster**

**Award year - October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, and October 1, 2003 to September 30, 2004**

**Award number - 0605TX5028, 0605TX5048, 0505TX5028, 0505TX5048, 0405TX5028, and 0405TX5048**

**Type of finding - Non-Compliance**

Effective September 1, 2004, the health and human service agencies for the State of Texas were reorganized, creating a triggering event for the amendment of the public assistance cost allocation plan (CAP). Once a CAP is approved, state public assistance agencies are required to promptly submit amendments to the plan if any of the following events occur (45 CFR Section 95.509):

Initial Year Written: 2005  
Status: Partially Implemented

U.S. Department of Health and  
Human Services  
U.S. Department of Agriculture

- (a) The procedures shown in the existing cost allocation plan become outdated because of organizational changes, changes to the federal law or regulations, or significant changes in the program levels, affecting the validity of the approved cost allocation procedures.
- (b) A material defect is discovered in the cost allocation plan.
- (c) The state plan for public assistance programs is amended so as to affect the allocation of costs.
- (d) Other changes occur which make the allocation basis or procedures in the approved cost allocation plan invalid.

The Health and Human Services Commission (HHSC) submitted their revised CAP to the U.S. Department of Health and Human Services to be effective September 1, 2004. The Federal Division of Cost Allocation (DCA) has not approved the CAP as of December 31, 2006. KPMG was unable to determine that the expenditures charged to the federal programs were based on an approved CAP. In accordance with the CAP submitted by HHSC for approval, expenditures are to be allocated based on various methodologies as determined by the associated projects: random moment time study (RMTS), headcount, and client count analysis.

During the test work performed, RMTS information was collected by HHSC during the fiscal year. During fiscal year 2005, management of HHSC made the decision to not update the cost allocation system for the quarterly 2005 RMTS information since the CAP plan was not approved by DCA. As a result, fiscal year 2005 federal expenditures for HHSC were allocated based on fiscal year 2004 RMTS information. HHSC also did not update any of the other allocation systems with current headcount or client count information during 2005. During fiscal year 2006, HHSC tried up the 2005 allocation based on the RMTS and other allocation information that had been obtained.

Beginning September 2005 for the fiscal year 2006, management of HHSC did utilize the RMTS information and updated the cost allocation system for the quarterly information. In addition, the other allocation systems with current headcounts or client count information were also updated. On a quarterly basis, the allocations for fiscal year 2006 reflected the respective quarterly random moment time study, case counts, client, counts, etc.

Corrective Action:

This finding was reissued as current year reference: 08-08.

Reference No. 07-10

**Allowable Costs/Cost Principles**

**Medicaid Cluster**

**Award year - October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, and October 1, 2003 to September 30, 2004**

**Award number - 0605TX5028, 0605TX5048, 0505TX5028, 0505TX5048, 0405TX5028, and 0405TX5048**

**Type of finding - Non-Compliance**

During fiscal year 2006, the Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS), regional office from Dallas, Texas issued a disallowance letter dated November 29, 2006. On December 22, 2006, Health and Human Services Commission (HHSC) appealed the disallowance. The following information is quoted from the CMS letter:

<p>Initial Year Written: 2006  Status: Partially Implemented   U.S. Department of Health and  Human Services</p>
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“This letter is notice of a disallowance in the amount of \$14,849,602 Federal Financial participation (FFP) for medical transportation costs claimed during federal fiscal years 2004 and 2005. The transportation costs were improperly claimed at the Federal Medical Assistance Percentage (FMAP) for medical services instead of the 50 percent administration matching rate. (See deferral letter dated January 17, 2006)

The Texas Department of Health and Human Services Commission (HHSC) provides Medicaid reimbursement to the Texas Department of Transportation (TX-DOT) for administration of the State’s Medicaid non-emergency transportation program. TX-DOT subcontracts with transportation providers, who actually provide the transportation services.

The Secretary has specified by regulation that transportation (when necessary to secure medical care) may be treated as medical assistance only when furnished ‘by a provider to whom a direct vendor payment can appropriately be made by the agency. If other arrangements are made to assure transportation...FFP is available as an administrative cost. 42 CFR Section 440.170(a)(2)(1991) (unchanged in relevant years). Administrative costs are normally reimbursed at a 50 percent rate under Section 1903(a)(7) of the Act.

Also, the recipients’ freedom of choice of providers is limited under the TX-DOT transportation program. Regulation cited in 42 CFR Section 431.51 provides that Medicaid recipients may obtain Medicaid services from any entity that is qualified and willing to furnish them. Therefore, Texas may not restrict transportation providers to those subcontracts with TX-DOT without an approved freedom of choice waiver. Texas did not have a freedom of choice waiver for the provision of transportation services.”

Per HHSC’s letter of appeal, “The Department believes that the disallowance is erroneous. As grounds for the appeal, the Department submits that it has complied with federal law and, further, that the disallowance is premature as to periods of time after the proposed effective date of a pending state plan amendment related to non-emergency medical transportation services.”

Corrective Action:

This finding was reissued as current year reference number: 08-10.

Reference No. 07-11

**Allowable Costs/Cost Principles  
Program Income**

**CFDA 93.767 - State Children's Insurance Program**

**Award year - October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, October 1, 2003 to September 30, 2004, and October 1, 2002 to September 30, 2003**

**Award number - 0605TX5021, 0505TX5021, 0405TX5021, and 0305TX5021**

**Medicaid Cluster**

**Award year - October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, and October 1, 2003 to September 30, 2004**

**Award number - 0605TX5028, 0605TX5048, 0505TX5028, 0505TX5048, 0405TX5028, and 0405TX5048**

**Type of finding - Reportable Condition Control**

Pharmacy Rebate Information Management Systems (PRIMS) and Electronic Claims Management (ECM):

Pharmacy Rebate Information Management Systems (PRIMS) is the application Health and Human Services Commission (HHSC) utilized to process the vendor drug rebate transactions the first part of fiscal year 2006. Through inspection of administrative accounts, generic/shared administrative accounts are used to access the PRIMS environment. Administrative accounts were shared for development and maintenance work resulting in administrative access to the application not being appropriately restricted.

Initial Year Written: 2006  
Status: Partially Implemented

U.S. Department of Health and  
Human Services

General controls should be in place to help ensure logical access to applications is restricted to appropriate personnel, changes to applications are authorized and tested, and batch processes and/or interfaces are complete and accurate. Administrative accounts should not be generic or shared, and developers should not have modification access to the production environment. The modification dates for the PRIMS application files were inspected and no programming changes were noted as being made to the files during fiscal year 2006.

Electronic Claims Management (ECM) was the application HHSC utilized to validate, approve, and pay for the vendor drug transactions the first part of fiscal year 2006. Documentation of management, testing, and production approvals was not available for 26 of 30 changes to ECM selected for testing. Documentation of management testing and production approvals should be retained for changes to ECM to minimize the increased risk that changes can be made to the application without appropriate testing and approvals.

Management of HHSC represented that several factors contributed to the reduction of documentation available for the changes selected for testing:

- Two lead developers resigned from HHSC, and their email folders were deleted.
- A hard drive error occurred on the Novell server that held the team's document repository, and HHSC support staff was unsuccessful in restoring all data.
- A flood in the Braker-H facility occurred in March 2006, damaging documentation.
- Due to time constraints related to hurricanes Katrina and Rita, much of the requirements were performed during frequent meetings and on white boards, leaving few records.

In addition, access to the ECM database was restricted at the table level, however, direct access to the production database was granted to the four developers. Developers were granted access to the production environment to perform program support duties. Per HHSC Enterprise Applications personnel, audit logs were developed and maintained to track who made changes to database records. These logs were to be reviewed to ensure the change was appropriate. However, for reasons mentioned above, documentation of these reviews was not maintained and could not be tested to ensure they were completed.

Inappropriate developer access increases risk that changes can be made to the application without management's approval or appropriate testing. With full update access, the user ID can be used to provide system access to add, update, or delete data. The complexity of the databases and associated systems is such that personnel without in-depth knowledge of specific applications and schema could not perform changes without detection through either end-user identification of errors or problems occurring in operation. However, sophisticated users or contractors, especially those with broad HHSC enterprise skills and experience, might have the knowledge to violate the requirement for appropriate segregation of duties. Developers with production access create a risk of unauthorized changes to the production environment and/or a risk of unintentional errors or omissions in processing.

During compliance work performed, no exceptions were noted which appeared to have resulted from the above deficiency.

#### First RX and First Rebate:

First RX is the application Health and Human Services Commission (HHSC) currently utilizes to process the vendor drug rebate transactions. First Rebate is the application HHSC currently utilizes to validate, approve, and pay for the vendor drug transactions. First RX became operational in January 2006 and First Rebate in December 2005.

IDs with administrative privileges on the application should be restricted appropriately and developers should not have access to production. However, developers share access to an ID with administrative privileges. An excessive number of employees have been granted access to root on the production server and/or administrative rights in the database. Specifically:

- An administrative ID on the First RX application is available to three developers.
- Sixteen employees have access to root on the production server.
- Twenty-two employees have administrative access to the database.

In addition, access to the First Rebate production server AZPH-SRV-DB14, the First Rebate database, and the First Rebate application is not restricted appropriately. Multiple administrator groups each with multiple employees are granted access to the server. These groups include the Sqladmin group which grants administrative privileges to the First Rebate database and includes developers as its members. Developers have been granted super user access in the application. Specifically:

- Approximately 105 employees have administrative access to the First Rebate production server AZPH-SRV-DB14.
- Six of ten employees with administrative access to the First Rebate database are developers.
- Six of seven employees with administrative access to the First Rebate application are developers.

With full update access, user IDs can be used to provide system access to add, update, or delete data. Sophisticated users with broad enterprise skills and experience might have the knowledge to violate the requirement for appropriate segregation of duties. Users with inappropriate rights to modify application code or data create a risk of unauthorized changes to the production environment and/or a risk of unintentional errors or omissions in processing.

During compliance work performed, no exceptions were noted which appeared to have resulted from the above deficiencies.

Corrective Action:

This finding was reissued as current year reference: 08-09

Reference No. 07-12

**Eligibility**

**CFDA 93.767 - State Children's Insurance Program**

**Award year - October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, October 1, 2003 to September 30, 2004, and October 1, 2002 to September 30, 2003**

**Award number - 0605TX5021, 0505TX5021, 0405TX5021, and 0305TX5021**

**Type of finding - Reportable Condition Control and Material Non-Compliance**

Children's Health Insurance Program State Plan:

States have flexibility in determining eligibility levels for individuals for whom the state will receive enhanced matching funds within the guidelines established under the Social Security Act. Generally, a state may not cover children with higher family income without covering children with a lower family income, nor deny eligibility based on a child having a preexisting medical condition. States are required to include in their state plans a description of the standards used to determine eligibility of targeted low-income children. State plans should be consulted for specific information concerning individual eligibility requirements (42 USC 1397bb(b)).

Initial Year Written: 2006  
Status: Partially Implemented

U.S. Department of Health and  
Human Services

Per the State Children's Health Insurance Program (SCHIP) State Plan Section 4, *Eligibility Standards and Methodology*, subsection 4.1.8 *Duration of Eligibility*, the Health and Human Services Commission (HHSC) "eligible children receive coverage for six continuous months". Per Section 4.3, *Describe the Methods of Establishing Eligibility and Continuing Enrollment*, HHSC notes "based on the eligibility information and the receipt of necessary verifications, the system makes a determination of eligibility and sends written notification to the family." More detailed information is maintained in the Texas SCHIP Administrator Business Rules regarding the elections noted in the State Plan.

Specifically, Texas SCHIP Administrator Business Rules 370.44, *Acceptable Income Verification Documentation*, verification includes copies of at least one pay stub issued within 60 days immediately preceding the application date, income tax forms, proof of self-employment income, or statements from employers. Documentation must reflect an applicant family's current income. Also, effective August 24, 2004, the SCHIP assets test is an additional eligibility requirement for applying and renewing children with a Federal Poverty Level (FPL) above 150 percent. SCHIP households with a FPL above 150 percent may not have combined liquid and excess value assets in excess of \$5,000. Per rule 370.42, *Eligibility Applicant Children*, SCHIP children are eligible if they are: birth through age 18, live in a household with an FPL of at or below 200 percent and not otherwise eligible for Medicaid, citizens or legal immigrants, and uninsured for at least 90 days.

From a sample of 50 eligible recipients who received SCHIP during fiscal year 2006, two exceptions were noted. One case file did not contain a proper proof of employment as required by Business Rule 370.44 noted above. The individual received SCHIP benefits of approximately \$1,200 for the fiscal year. Health and Human Services Commission (HHSC) management also noted that authorization was given to Texas Access Alliance (TAA) to extend benefits even though renewal packets were not complete. Per correspondence dated March 28, 2006 from the HHSC Executive Commissioner to Texas Association of Health Plans Commissioner Albert Hawkins, TAA, the vendor administering SCHIP in Texas, authorized to receive and process information and fees up to the close of business on March 31, 2006 to allow families additional time to comply with renewal packets not returned, non response to official requests for missing critical information, and failure to pay the required enrollment fee.

As noted above, the State Plan required recertification every 6 months and denoted that eligibility determinations are made once verification information is received. Therefore the HHSC Commissioner's waiver alters the approved State Plan without federal government approval. Total number of individuals whose benefits were extended when their files were not complete were approximately 86,000.

In addition, one case benefit capitation was improperly calculated. When recalculated, the benefit amounts were unchanged therefore, there are no questioned costs associated with this individual.

#### INFORM Application:

During September and October 2005, eligibility for the SCHIP was determined through the INFORM application, which was administered by Affiliated Computer Systems. In November 2005, the eligibility determination was migrated to a new application called MaxE, which is administered by the Texas Access Alliance. Since the functionality of the INFORM application was replaced, the application was retired and thus the general controls (logical access, program change controls, and operations) that supported the application could not be assessed. During compliance work performed, no exceptions were noted which appeared to have resulted from the above deficiency.

#### Corrective Action:

The finding was reissued as current year reference: 08-11.

Reference No. 07-13

#### **Eligibility**

##### **CFDA 93.558 - Temporary Assistance for Needy Families**

**Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005**

**Award number - 0601TXTANF and 0501TXTANF**

##### **Medicaid Cluster**

**Award year - October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, and October 1, 2003 to September 30, 2004**

**Award number - 0605TX5028, 0605TX5048, 0505TX5028, 0505TX5048, 0405TX5028, and 0405TX5048**

##### **Food Stamp Cluster**

**Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005**

**Award number - 6TX400105 and 5TX400105**

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

Health and Human Services Commission (HHSC) currently maintains two systems for determining eligibility for Medicaid, Temporary Assistance for Needy Families (TANF) and Food Stamp - the legacy system, System of Application, Verification, Eligibility, Referral, and Reporting (SAVERR), and the pilot system, Texas Integrated Eligibility Reporting System (TIERS).

Per review of the regulations and State Plan documents for Medicaid, TANF and Food Stamp benefits, individuals must generally meet the following criteria to be eligible for any of the three forms of aid, and the information is required to be verified per a third party source of information. Any exceptions are noted below:

- Completed and signed an application for benefits with eligibility redetermined at least every 12 months for Medicaid (42 CFR 435.916(a)), TANF (per State Plan), and Food Stamps (7 CFR 273.10(f)) In some situations, Medicaid cases are not required to be redetermined such as for earned income transitional coverage.
- Be a Texas resident. Verification of residency is not required for Medicaid recipients. Verification is required for TANF, per State Policy, and Food Stamps per 7 CFR 273.2(f)(1)(vi).

<p>Initial Year Written: 2006  Status: Partially Implemented  U.S. Department of Health and  Human Services  U.S. Department of Agriculture</p>
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- Be a U.S. citizen or non-citizen in certain recognized categories. Verification is not required for non-cash TANF recipients. Verification is required for Medicaid by State Policy and federal regulations effective July 1, 2006; cash TANF by State Policy; and Food Stamps if receiving cash TANF benefits based on TANF State Policy.
- Meet certain resource and income limits, which vary by eligibility group, including proof of unemployment. Verification is required for all programs by State Policy and additionally for Food Stamps verification of “gross non-exempt income” is required by 7 CFR 273.2(f)(i).
- Social security number. Verification of social security numbers is required for Medicaid by 42 CFR 435.910(g); TANF by State Policy; and Food Stamps by State Policy and 7 CFR 273.2(f)(1)(v).

### **TIERS**

Audit procedures included review of certain general and application level controls designed for TIERS along with review of selected case files, as noted below. The following were noted with regard to the general control procedures performed:

- Access controls are inappropriately designed at the Oracle database level.
- The URL for the TIERS login screen is available on the internet and while User ID and password are required, it does not require authentication through a VPN to the HHSC or TAA network.
- There is no periodic review of TIERS users, or the privileges associated with those users.

In addition, the eligibility process supported by TIERS is not appropriately designed and/or operating effectively to enforce the respective eligibility decisions necessary to ensure clients are eligible and receive proper benefit amounts.

- TIERS is not designed to enforce third party verification for residency, social security number, or U.S. citizenship. A field for each is required to be populated however one of the choices is “client statement” which does not constitute third party verification. Select of self declaration through “client statement” allows the respective case file to proceed to the next step toward benefit issuance with no third party verification. In limited circumstances (e.g., homeless person), self declaration for residency is acceptable. However in general circumstances, these three elements are required to be verified with a third party.
- TIERS interfaces with the Social Security Administration (SSA) to verify social security numbers. TIERS is designed so that a correct match of a client’s social security number will populate a field noting the respective social security number has been verified. For social security numbers where a match is not successful, an alert is sent to the file for the case worker to investigate. However, TIERS is not designed nor are their manual controls to restrict benefits from being issued if the social security number has not been verified before the first recertification.
- The Federal Income, Eligibility, and Verification System (IEVS) is used to verify applicant’s income information from the Social Security Administration, Internal Revenue Service, and the State of Texas Workforce Commission. Through IEVS, applicants’ social security numbers are matched to respective agencies’ records to verify earned and unearned sources of income. The automated IEVS interface is currently not in production in TIERS. Use of IEVS is required for Medicaid by 42 CFR 435.940 and TANF by the State Plan. IEVS is optional for Food Stamps (7 CFR 272.8)
- Weekly Business Exception reports resulting from the SDX process (i.e., SSI interface) are to be addressed and resolved by HHSC to ensure the completeness and accuracy of the SDX interface. In September 2006, it was noted that the temporary database table used to create the Business Exception report was not included in the daily synchronization routines, thus new exceptions were not identified nor resolved in a timely manner. After identification of the issue in September 2006, the reports were rerun and exceptions were resolved in the beginning of the 2007 fiscal year.

- Dates entered in the system significantly affect the calculation of benefits because TIERS uses this information to determine the correct month a change in benefits takes effect. Inaccurate dates entered in TIERS can cause incorrect benefits to be issued. When existing income changes, the worker must enter the actual date of the change, the report date of the change, and the discovery date. This change creates a new income record and saves the existing record to case history. During the fiscal year, the begin date field for the new income was pre-populated with the begin date field date of the existing income record and the system did not force the case workers to adjust the date to reflect the effective begin date of the new income record. For instances such as these or when a case worker enters an incorrect date, TIERS could determine supplements or overpayments that may not be valid.
- Certain fields are noted as required on various screens within TIERS. Within a set of “logical unit of work” screens, a case worker is not able to advance to the next input screen without entering information into all the required fields. The system design requires case workers to pend from the “questions” page that precedes the logical unit of work when all of the required detail information is not available. However once the case worker unpends the question page, they are committed to the logical unit of work. At this point, system design requires selected fields to be completed in order to advance to the remaining screens to enter information the case worker has obtained. If the caseworker does not have the information for these required fields, “placeholder” information can be entered in order to advance to the screens for which case information has been. TIERS is not designed to pend these “place holder” inputs nor does it require the case worker to return and validate the inputs.
- The design of TIERS does not provide an easily accessible case history for each case action, including changes made to the client’s file. Therefore, when it is necessary to recreate eligibility determinations made at a certain point in time and to assess whether the benefits amounts were appropriate, users must view history on various screens and certain information for each recipient must be pulled from archive records located in the Data Collections Table in the database. Associated database time and date stamps are also required to recreate the case history.

Further, the HHSC Office of Inspector General (OIG) is responsible for recoupment of overpayments and pursuit of fraud in HHSC. Not all of the information required to perform recoupment and fraud investigations is readily available, and certain information in TIERS lacks the level of data integrity required to support court cases. In April 2005, OIG suspended recoupment efforts and its investigation and pursuit of fraud cases for clients living in zip codes serviced through TIERS, pending the completion of the appropriate TIERS improvements.

For 50 files reviewed receiving Food Stamps, 19 unduplicated files with total benefits paid of \$37,527 were found to be incomplete, benefit calculated using unsupported information, or the supplemental benefits were calculated incorrectly. Three of the files missing social security number verifications included other exceptions mentioned elsewhere: one related to missing budget information and two related to improper supplements.

- Nine files were missing verification of social security numbers with SSA. When HHSC was notified of the missing verification, eight of these nine files were subsequently verified and recalculation of benefits performed. For the file on which verification could not be performed, eligibility was not able to be verified and benefits were not recalculated. Benefits paid related to the nine files during fiscal year 2006 were \$20,351.
- Three files had a variety of missing verification items. For these files eligibility was not able to be verified and benefits were not recalculated. Benefits paid related to these files during fiscal year 2006 were \$4,045.
- Of the 46 files for which recalculations of benefits were attempted, four households’ benefits were found to include unsupported budget information. Therefore, benefit amounts could not be validated. Amounts paid related to these files for fiscal year were \$11,715.
- Of the 46 Food Stamp files for which recalculations of benefits were attempted, eleven households received supplemental benefit payments. Of these supplements, two were properly issued due to receiving the information too late in the month to adjust benefits, three were properly issued to adjust incorrect prior month payments caused by case worker error, and six totaling \$2,732 were issued incorrectly. Of the six supplements issued in error, two were discovered by HHSC as part of its internal review processes. Approximately 34,300 supplements for Food Stamps and TANF totaling \$2.9 million were issued during the fiscal year.

For 50 files reviewed receiving TANF, 19 files with total benefits paid of \$25,237 found to be incomplete or benefit calculated using unsupported information.



- Four files were missing only the verification of social security numbers with SSA. When HHSC was notified of the missing verification, the four files were subsequently verified and recalculation of benefits performed. Benefits paid related to the four files during fiscal year 2006 were \$5,533.
- Thirteen files had a variety of missing verification items so eligibility was not able to be verified and benefits were not recalculated. Benefits paid to these households during fiscal year 2006 were \$17,388.
- Of the 37 files for which recalculations of benefits were attempted, 2 households' benefits were found to include unsupported budget information. Therefore, benefit amounts could not be validated. Amounts paid for fiscal year were \$2,316.
- Of the 37 TANF for which recalculations of benefits were attempted, five households received supplemental benefit payments. Of these supplements, two were properly issued due to receiving the information too late in the month to adjust benefits, and three were properly issued to adjust incorrect prior month payments caused by case worker not processing timely. Approximately 34,300 supplements for Food Stamps and TANF totaling \$2.9 million were issued during the fiscal year.

For 50 files reviewed with total benefits paid of \$15,674 receiving Medicaid, 12 files were found to be incomplete, or eligibility determined using unsupported information.

- Two files were missing only the verification of social security numbers with SSA. When HHSC was notified of the missing verification, the two files were subsequently verified and redetermination of benefits eligibility occurred. Benefits paid related to the two files during fiscal year 2006 were \$2,865.
- Eight additional files had a variety of missing verification items so eligibility was not able to be verified. Benefits paid to these households during fiscal year 2006 were \$11,825.
- Of the 43 files for which redetermination of eligibility for benefits was attempted, three households' benefits, one of which was also missing verification of social security number, were found to include unsupported budget information. Therefore, eligibility could not be verified. Benefits paid for fiscal year were \$3,112.

### **SAVERR**

For 50 files for individuals receiving Medicaid, TANF and Food Stamp benefits:

- HHSC was unable to provide one file. The amount disbursed for this individual was unable to be verified and was \$798 for Food Stamp, \$456 for TANF and \$1,677 for Medicaid, for a total of \$2,931.
- In addition, the application for one individual was unavailable for review. The amount disbursed for this individual was \$1,209 for Food Stamp, \$1,004 for TANF and \$927 for Medicaid, for a total of \$3,140.
- Finally, employment verification for a third file was not available. The amount disbursed for this individual was \$2,133 for Food Stamp, \$759 for TANF and \$905 for Medicaid, for a total of \$3,797.

In addition, access controls are inappropriately designed for the SAVERR database. User identification numbers with production update access have not been limited to the database based on the principle of least access. Eighty-five user IDs have full demand access to update both the production and development SAVERR databases on the Unisys mainframe. Forty-one (41) IDs of the 85 belong to developers and the remaining IDs belong to IT support staff and contractors.

With full update access, the user ID can be used to provide system access to add, update, or delete data such as pricing data or eligibility data in SAVERR. The complexity of the databases and associated systems is such that personnel without in-depth knowledge of specific applications and schema could not perform changes without detection through either end-user identification of errors or problems occurring in operation. However, sophisticated users or contractors, especially those with broad HHSC enterprise skills and experience, might have the knowledge to violate, including accidentally, the requirement for appropriate segregation of duties. Users or contractors with excessive rights to modify pricing, eligibility, and other tables across the enterprise create a risk of unauthorized changes to the production environment and/or a risk of unintentional errors or omissions in processing.

Finally, a sample of 31 programming changes was tested during the fiscal year. Evidence of management approval was not maintained for 3 of the 31 changes. Testing was required for 18 of the 31 changes; however, five of these changes did not have testing documentation maintained. User acceptance testing was required for 16 of the 31 changes; however, 5 of these changes did not have evidence of acceptance testing maintained.

**Summary**

The following analysis provides perspective for the above three programs:

	<u>Food Stamps</u>	<u>TANF</u>	<u>Medicaid</u>
Approximate amount of benefits paid for clients processed through TIERS for fiscal year 2006	\$ 131,623,000	6,746,000	265,457,000**
Approximate amount of benefits paid for clients processed through SAVERR for fiscal year 2006	\$ 3,005,482,000	258,548,000	11,502,627,000
Approximate amount of benefits paid for clients processed through non HHSC eligibility system for Emergency Assistance (EA)	\$ —	240,936,000	—
Approximate total expenditures per 2006 Federal Schedule	\$ 3,137,105,000	506,230,000	11,768,084,000
Approximate total number of clients served through SAVERR in August 2006	2,205,000	136,400	2,515,700
Approximate total number of clients served through TIERS in August 2006	122,000	17,600	111,300
Approximate total number of clients served in August 2006, excluding EA	2,327,000	154,000	2,627,000

\*\* Aggregate of approximately \$82,100,000 managed care fees for ten months of service in fiscal year 2006 due to 60 day claim lag and approximately \$183,357,000 of fee for service representing the fiscal year 2006.

**Corrective Action:**

This finding was reissued as current year reference number: 08-12

Reference No. 07-14

**Program Income**

**CFDA 93.767 - State Children's Insurance Program**

**Award year - October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, October 1, 2003 to September 30, 2004, and October 1, 2002 to September 30, 2003**

**Award number - 0605TX5021, 0505TX5021, 0405TX5021, and 0305TX5021**

**Medicaid Cluster**

**Award year - October 1, 2005 to September 31, 2006, October 1, 2004 to September 31, 2005, and October 1, 2003 to September 31, 2004**

**Award number - 0605TX5028, 0605TX0548, 0505TX5028, 0505TX0548, 0405TX5028, and 0405TX0548**

**Type of finding - Reportable Condition Control and Non-Compliance**

Title XIX, Section 1927 of the Social Security Act allows states to receive the same rebates for drug purchases as other payers receive. Drug manufacturers are required to provide a listing to Centers for Medicare and Medicaid Services (CMS) of all covered outpatient drugs and, on a quarterly basis, are required to provide their average manufacturer's price and their best prices for each covered outpatient drug. Based on this data, CMS calculates a unit rebate amount for each drug, which it then provided to states. No later than 60 days after the end of the quarter, the State Medicaid agency must provide to manufacturers drug utilization data. Within 30 days of receipt of the utilization data from the state, the manufacturers are required to pay the rebate or provide the state with written notice of disputed items not paid because of discrepancies found.

Initial Year Written: 2006  
Status: Implemented

U.S. Department of Health and  
Human Services

The Health and Human Services (HHSC) Rebate Operations manual states that SLOWPAY letters are generated 45 days after the invoices are due and mailed by the 50<sup>th</sup> day after the invoice due date. Beginning January 2006, HHSC contracted with First Health Services Corporation (FHSC) to administer the Vendor Drug Rebate Program for the Medicaid Cluster and SCHIP. FHSC's contract required the generation and mailing of the SLOWPAY letters to drug manufacturers. However HHSC was not monitoring this provision of the contract and was unaware the letters were not being mailed. The audit procedures involving review of program income receipts and related SLOWPAY letters identified this fact. Drug manufacturer SLOWPAY letters were not generated from January 2006 through July 2006.

For a sample of 50 drug manufacturers for the Medicaid Cluster with program income, 12 were late in submitting their payments and should have received the SLOWPAY letters. Of the 12 in our sample, 7 did not receive the letters while HHSC was responsible for generating (i.e., prior to January 2006). The remaining five were not sent by FHSC. For the 12 vendors, 10 have subsequently paid their rebates.

For a sample of 40 drug manufacturers for the SCHIP Cluster with program income, 4 were late in submitting their payments and should have received the SLOWPAY letters. Two of the four in our sample did not receive the letters while HHSC was responsible for generating (i.e., prior to January 2006). The remaining two were not sent by FHSC. For the four vendors, three have subsequently paid their rebates.

Corrective Action:

Corrective action was taken.

Reference No. 07-15

**Special Tests and Provisions - Child Support Non-Cooperation****CFDA 93.558 - Temporary Assistance for Needy Families****Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005****Award number - 0602TXTANF and 0501TXTANF****Type of finding - Reportable Condition Control and Material Non-Compliance**

Per 45 CFR 264.30 (b) and (c), if the IV-D agency (i.e., Texas Attorney General) determines that an individual is not cooperating, and the individual does not qualify for a good cause or other exception established by the State agency responsible for making good cause determinations in accordance with Section 454(29) of the Act or for a good cause domestic violence waiver granted in accordance with § 260.52 of this chapter, then Texas Attorney General's agency must notify health and Human Services Commission (HHSC) agency promptly. HHSC must then take appropriate action by: (1) Deducting from the assistance that would otherwise be provided to the family of the individual an amount equal to not less than 25 percent of the amount of such assistance; or (2) Denying the family any assistance under the program. Per A2140, the State policy is to reduce benefits 100% for non-cooperation.

Initial Year Written: 2006  
Status: Partially Implemented

U.S. Department of Health and  
Human Services

For six of forty non-cooperating cases, there was no reduction in benefits. The amount of benefits provided to four of these six individuals, during fiscal year 2006, when benefits should have been reduced, is approximately \$2,100. The remaining two individuals dropped out of the program prior to receiving any benefits. Five of these six files were isolated to one Region and the questioned costs related to the Region were \$1,300 of the \$2,100. HHSC quantified that the Texas Attorney General's Office referred a total of 965 individuals for non-cooperation with federal child support cooperation requirements for this one region during fiscal year 2006. HHSC further identified and quantified that a total of 226 individuals were referred by the Attorney General during the period of March 1, 2006 through June 24, 2006, the period identified in which a process breakdown resulted in non-cooperation sanctions not being instituted in this one region.

**Corrective Action:**

This finding was reissued as current year reference number: 08-15.

Reference No. 07-16

**Special Tests and Provisions - Issuance Document Security - Electronic Benefits Transfer (EBT) Issuance****Food Stamp Cluster****Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005****Award number - 6TX400105 and 5TX400105****Type of finding - Reportable Condition Control and Non-Compliance**

Per 7 CFR 274.11(b), the state agency shall control all issuance documents which establish household eligibility while the documents are transferred and processed within the state agency. The state agency shall use numbers, batching, inventory control logs, or similar controls from the point of initial receipt through the issuance and reconciliation process. The state agency shall also insure the security and control of authorization documents in transit from the manufacturer to the state agency.

Initial Year Written: 2006  
Status: Partially Implemented

U.S. Department of Agriculture

Security over Electronic Benefits Transfer (EBT) Food Stamp cards (i.e., LoanStar cards) was reviewed for 40 local intake offices. Health and Human Services Commission (HHSC) policy is that logs are maintained at each office to denote receipt, issuance, and destruction of EBT cards. In addition, monthly inventories of the EBT cards are required to be conducted by management of the office and reconciled to the daily logs. The following was noted:

- Two offices, one in the Dallas region and one in the Austin region, have not performed inventory counts over the EBT cards since September 2005. The position responsible for the inventory counts is vacant, and therefore, the inventory observations have not occurred.
- In addition, internal audit for HHSC performed reviews of selected offices and noted findings in their respective reports with regard to security over the EBT cards. Two offices in our sample had associated internal audit reports dated July 2005; however, management of the office had not prepared or submitted the required corrective action plan as of August 2006.

Corrective Action:

This finding was reissued as current year reference number: 08-16.

Reference No. 07-17

**Special Tests and Provisions - Utilization Control and Program Integrity**

**Medicaid Cluster**

**Award year - October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, October 1, 2003 to September 30, 2004, and October 1, 2002 to September 30, 2003**

**Award number - 05-0605TX5028, 05-0605TX5048, 05-0505TX5028, 05-0505TX5048, 05-0405TX5028, 05-0405TX5048, 05-0305TX5028, and 05-0305TX5048**

**Type of finding - Reportable Condition Control and Non-Compliance**

Per 42 CFR 456.4, the agency must (1) Monitor the statewide utilization control program, (2) Take all necessary corrective action to ensure the effectiveness of the program, (3) Establish methods and procedures to implement this section, (4) Keep copies of these methods and procedures on file, and (5) Give copies of these methods and procedures to all staff involved in carrying out the utilization control program.

Initial Year Written: 2006 Status: Implemented
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U.S. Department of Health and Human Services
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To adhere to these requirements, Health and Human Services Commission (HHSC) developed a Utilization Manual which defines processes and procedures for employees to follow when performing reviews of physicians and other non-institution providers. Policies include the registered nurse (RN) signing the cash files and then a review being conducted of each cash file by the Research Analysis and Detection (RAD) manager. The following items were noted regarding surveillance utilization for the 50 files reviewed:

- For four cases, The RAD manager did not sign the file to indicate a conclusion was reached.
- For one of these four files not signed by the RAD manager, the RN performing the utilization review did not sign the file documents.

Corrective Action:

Corrective action was taken.

**Health and Human Services Commission  
 Department of Aging and Disability Services  
 Department of Assistive and Rehabilitative Services  
 Department of Family and Protective Services  
 Department of State Health Services**

Reference No. 07-18

**Allowable Costs/Cost Principles**

**Cash Management**

**Equipment and Real Property Management**

**Matching, Level of Effort, and Earmarking**

**Period of Availability of Federal Funds**

**Program Income**

**Reporting**

**CFDA 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children**

Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005

Award number - 6TX700506

**CFDA 84.126 - Rehabilitation Services - Vocational Rehabilitation Grants to States**

Award year - October 1, 2005 to September 30, 2007 and October 1, 2004 to September 30, 2006

Award number - H126A060064, H126A060065, H126A050064, and H126050065

**CFDA 93.217 - Family Planning - Services**

Award year - April 1, 2006 to March 31, 2007 and April 1, 2005 to March 31, 2006

Award number - 5 FPHPA060898-25-00 and 6 FPHPA060898-24-05

**CFDA 93.268 - Immunization Grants**

Award year - January 1, 2006 to December 31, 2006 and January 1, 2005 to December 31, 2005

Award number - CCH622571-04 and CCH622571-03

**CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance**

Award year - August 31, 2005 to August 30, 2006

Award number - U90/CCU617001-06

**CFDA 93.556 - Promoting Safe & Stable Families**

Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005

Award number - G0601TX00FP and G0501TX00FP

**CFDA 93.558 - Temporary Assistance for Needy Families**

Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005

Award number - G0601TXTANF and G0501TXTANF

**CFDA 93.658 - Foster Care - Title IV-E**

Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005

Award number - G0601TX1401 and G0501TX1401

**CFDA 93.659 - Adoption Assistance**

Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005

Award number - G0601TX1407 and G0501TX1407

**CFDA 93.667 - Social Services Block Grant**

Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005

Award number - G0601TXSOSR and G0501TXSOSR

## HEALTH AND HUMAN SERVICES COMMISSION

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### **CFDA 93.767 - State Children's Insurance Program**

**Award year - October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, October 1, 2003 to September 30, 2004, and October 1, 2002 to September 30, 2003**  
**Award number - 0605TX5021, 0505TX5021, 0405TX5021, and 0305TX5021**

### **CFDA 93.889 - National Bioterrorism Hospital Preparedness Program**

**Award year - September 1, 2005 to August 31, 2006**  
**Award number - U3RHS05946-01-01**

### **CFDA 93.917 - HIV Care Formula Grants**

**Award year - April 1, 2006 to March 31, 2007 and April 1, 2005 to March 31, 2006**  
**Award number - X07HA00054-16-01 and X07HA00054-15-01**

### **CFDA 93.940 - HIV Prevention Activities-Health Department Based**

**Award year - January 1, 2006 to December 31, 2007 and January 1, 2005 to December 31, 2005**  
**Award number - U62/CCU623516-03 and U62/CCU623516-02**

### **CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse**

**Award year - October 1, 2005 to September 30, 2007, October 1, 2004 to September 30, 2006, and October 1, 2003 to September 30, 2005**  
**Award number - 06B1TXSAPT-04, 05B1TXSAPT-01, and 04B1TXSAPT-04**

### **CFDA 93.994 - Maternal and Child Health Services Block Grant to the States**

**Award year - October 1, 2005 to September 30, 2007, October 1, 2004 to September 30, 2006, and October 1, 2003 to September 30, 2005**  
**Award number - 6 B04MC02422-01, 4 B04MC06591-01, and 6 B04MC04232-01**

### **CFDA 97.050 - Presidential Declared Disaster Assistance to Individuals and Households - Other Needs**

**Award year - September 24, 2005 to March 23, 2007 and September 1, 2005 and continuing**  
**Award number - 1606-DR-TX and 1624-DR-TX**

### **Food Stamp Cluster**

**Award year - October 1, 2005 to September 31, 2006 and October 1, 2004 to September 31, 2005**  
**Award number - 6TX400105 and 5TX400105**

### **Medicaid Cluster**

**Award year - October 1, 2005 to September 31, 2006, October 1, 2004 to September 31, 2005, and October 1, 2003 to September 31, 2004**  
**Award number - 0605TX5028, 0605TX5048, 0505TX5028, 0505TX5048, 0405TX5028, and 0405TX5048**  
**Type of finding - Reportable Condition Control**

The Health and Human Services Commission (HHSC) Enterprise Internal Audit conducted a review of the enterprise Health and Human Services Administrative System (HHSAS) Financials Security Controls and issued their report December 13, 2005. HHSAS is utilized by all five Health and Human Services entities - HHSC, Department of State Health Services (DSHS), Department of Family and Protective Services (DFPS), Department of Aging and Disability Services (DADS), and Department of Assistive and Rehabilitative Service (DARS). The report notes the following:

- “Access privileges are not always appropriately restricted, and some high-privilege administrative accounts are shared by multiple HHSAS Financials Enterprise Support Center (ESC) personnel.”

Initial Year Written: 2006 Status: Partially Implemented U.S. Department of Health and Human Services U.S. Department of Agriculture U.S. Department of Homeland Security U.S. Department of Education
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The report further notes: “HHSAS financials is supported by an Oracle database management system administered by the HHSAS ESC technical team, which consists of six analysts. ESC technical analysts access the database using individual accounts to diagnose HHSAS production issues. However, when updates to an HHS agency database are needed to resolve a production issue, the technical analysts access the database using the application system administrator account. The account has full access privileges in the database, and is the account used by the HHSAS application to update the database. Database updates performed by ESC technical analysts using the account are indistinguishable from legitimate activities processed by the HHSAS application at the request of HHS agency users.”

- “Change management controls do not ensure that application code changes to HHSAS financials are authorized and approved prior to implementation.”

The report further notes: “To accomplish programming changes to HHSAS financials, the ESC employs STAT, a third party version control software tool. STAT is used to log, route, track and maintain detailed documentation for HHSAS financials changes.”

Upon follow-up of the above “access privilege” comment, we noted that the password is known by seven persons in ESC. Evidence was noted that a mitigating control exists that someone other than the developer closes the change request ticket, which allows for review by someone other than the developer. However the ESC personnel have open access to production.

During compliance work performed, no exceptions were noted which appeared to have resulted from the above deficiencies.

Corrective Action:

This finding was reissued as current year reference number: 08-20



**Health and Human Services Commission  
Department of Family and Protective Services  
Department of State Health Services**

Reference No. 07-19

**Procurement and Suspension and Debarment**

(Prior Audit Issue - 06-15, 06-14, 06-13, 05-17, 05-14, 05-05)

**CFDA 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children**

Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005

Award number - 6TX700506

**CFDA 93.268 - Immunization Grants**

Award year - January 1, 2006 to December 31, 2006 and January 1, 2005 to December 31, 2005

Award number - CCH622571-04 and CCH622571-03

**CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance**

Award year - August 31, 2005 to August 30, 2006

Award number - U90/CCU617001-06

**CFDA 93.556 - Promoting Safe and Stable Families**

Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005

Award number - G0601TX00FP and G0501TX00FP

**CFDA 93.558 - Temporary Assistance for Needy Families**

Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005

Award number - 0601TXTANF and 0501TXTANF

**CFDA 93.658 - Foster Care - Title IV-E**

Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005

Award number - G0601TX1401 and G0501TX1401

**CFDA 93.667 - Social Services Block Grant**

Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005

Award number - G0601TXSOSR and G0501TXSOSR

**CFDA 93.767 - State Children's Insurance Program**

Award year - October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, October 1, 2003 to September 30, 2004, and October 1, 2002 to September 30, 2003

Award number - 0605TX5021, 0505TX5021, 0405TX5021, and 0305TX5021

**CFDA 93.889 - National Bioterrorism Hospital Preparedness Program**

Award year - September 1, 2005 to August 31, 2006

Award number - U3RHS05946-01-01

**CFDA 93.994 - Maternal and Child Health Services Block Grant to the States**

Award year - October 1, 2005 to September 30, 2007, October 1, 2004 to September 30, 2006, and October 1, 2003 to September 30, 2005

Award number - 6 B04MC02422-01, 6 B04MC04232-01, and 4 B04MC06591-01

**Food Stamp Cluster**

Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005

Award number - 6TX400105 and 5TX400105

**Medicaid Cluster**

Award year - October 1, 2005 to September 30, 2006, October 1, 2004 to September 30, 2005, and October 1, 2003 to September 30, 2004

Award number - 0605TX5028, 0605TX5048, 0505TX5028, 0505TX5048, 0405TX5028, and 0405TX5048

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

States shall use the same State policies and procedures used for procurements from non-Federal funds. They also shall ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations. U.S. Department of Health and Human Services requires the following for procurement (45CFR 92.36):

Initial Year Written: 2004 Status: Partially Implemented U.S. Department of Health and Human Services U.S. Department of Agriculture
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- Verify the contract file documents the significant history of the procurement.
- Verify the procurements provide full and open competition.
- Verify that contract files exist and ascertain if appropriate cost or price analysis was performed in connection with procurement actions, including contract modifications and that this analysis supported the procurement action.
- Contracts greater than \$25,000 must be reviewed to ensure the vendor is not suspended or debarred.

In addition, under the Texas Government Code, Chapter 2155, subchapter A General Provisions, section 2155.005(a), a bidder offering to sell goods or services to the state shall certify on each bid submitted that neither the bidder, nor the person represented by the bidder, nor any person acting for the represented person has:

- (1) Violated the antitrust laws codified by Chapter 15, Business & Commerce Code, or the federal antitrust laws; or
- (2) Directly or indirectly communicated the bid to a competitor or other person engaged in the same line of business.

Lastly, the Health and Human Services Commission Procurement Manual requires that purchases or other acquisitions that will cost more than \$5,000 are to be competitively bid unless the purchasing of goods or services are exempt from competitive bidding in which case the exemption must be documented in the purchasing documentation. Health and Human Services Commission (HHSC) requires a signed bid document and a signed purchase to execute a contract with a vendor.

Upon review of selected vendor files for **The Department State Health Services (DSHS)**, KPMG noted the following:

- Maternal and Child Health Services, CFDA 93.994 - For the selected and reviewed vendor files, the final purchase order for one contract was not signed by the agency's purchasing director or designee. For the same file, the total contract amount exceeded \$1 million; however, the contract was not signed by the Commissioner. Additionally, there were two files where neither the bid documentation nor sole source justification was maintained in the file. One of these files also did not have the proper documentation of the vendor's compliance with anti-trust laws. The procurement amounts for these three files of 13 reviewed was approximately \$1,373,700.
- National Bioterrorism Hospital Preparedness Program, CFDA 93.889 - There were two files that did not contain the complete bid tabulation, one of which also did not contain a Centralized master Bidding List (CMBL) listing for any of the vendors. These two files of 9 reviewed were approximately \$872,500.
- Public Health Preparedness and Response for Bioterrorism, CFDA 93.283 - Five contract files did not have the anti-trust law certification, one of which also did not have the required suspension and debarment certification. Four vendor files in which the procurement was deemed sole sourced but proper sole source documentation was not maintained, two of which were coded as publications directly from the publisher, but did not have the proper declaration on the PO or requisition stating that the product was not available from any other source. Additionally, there was one vendor file in which the bid tabulation was not complete. Approximately \$107,400 was procured for these 7 files out of 29 reviewed.
- Immunization Grants, CFDA 93.268 - One of 11 reviewed contract file in which there was no required bid tabulation for approximately \$7,000.

## **HEALTH AND HUMAN SERVICES COMMISSION**

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- Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA 10.557 - For the 25 selected and reviewed vendor files, there was one contract file that did not contain the CMBL listing or the bid from the winning vendor, and it also did not contain the anti-trust certification from the vendor or such clause in the contract. Also, there was one file in which there was no justification in the file for not awarding the contract to the lowest bidder. Additionally, there was one file in which the 2006 purchase order was under a contract that had been renewed, however, the original contract could not be located, and therefore the bidding information was not available for review. These three contracts were for approximately \$48,000.

**The Department of Family and Protective Services (DFPS)** has a cost allocation plan for its federal programs. Therefore expenses are allocated to the various federal programs based on the prescribed methods in the respective plans. Procurement test work was performed on 40 vendor files for the major programs Foster Care CFDA 93.658, Promoting Safe & Stable Families (PSSF) CFDA 93.556, Social Services Block Grant (SSBG) CFDA 93.667, and Temporary Assistance for Needy Families (TANF) CFDA 93.558. Some vendor files had more than one instance of noncompliance noted below. Total questioned costs of approximately \$167,000 were noted for DFPS.

- For one vendor, there were no signed bids signed. The selected procurement transaction is for approximately \$5,200.
- For nine of vendors, documentation was not available to demonstrate an attempt to solicit bids from at least three vendors, of which at least two were from historically underutilized business, was made or that bid tabulation sheets were prepared. Signed bids from the vendors were not available. The selected procurement transactions are for approximately \$108,500.
- For one vendor, documentation was not available to show at least two vendor's bids were from historically underutilized business or that bid tabulation sheets were prepared. There were three bidders in the procurement file but none of the bidders were historically underutilized business. The selected procurement transaction is for approximately \$7,500.
- For one vendor, documentation to indicate whether the procurement transaction was sole-sourced or bid was not available. Signed bids from the vendors were not available. The selected procurement transaction is for approximately \$11,500.
- For one vendor, management executed a contract for storage services. The contract is part of an inter-local agreement. However, verification to indicate that this procurement transaction is part of an inter-local agreement per Texas Government Code Chapter 791 was not available. The selected procurement transaction is for approximately \$24,000.
- For eleven vendors, anti-trust certifications were not available. Two of these eleven vendors were sole sourced. An additional two of these eleven vendors had terms and conditions sent with the purchase order to the vendor with anti-trust clauses but there was no signature by the vendor to verify vendor agreement with anti-trust laws. The selected procurement transactions are for approximately \$96,300.

**The Health and Human Services Commission (HHSC)** has a cost allocation plan for its federal programs. Therefore expenses are allocated to the various federal programs based on the prescribed methods in the respective plans. Procurement test work was performed on 50 vendor files for the major programs Medicaid Cluster, Food Stamp Cluster, TANF CFDA 93.558, and State Insurance Children's Program (SCHIP) CFDA 93.767. Total questioned costs of approximately \$188,500 were noted for HHSC.

- One vendor procurement file did not have bid tabulation and the vendor did not certify adherence to anti-trust laws for approximately \$66,800.
- One vendor file did not have all vendor bids submitted for the contract for approximately \$84,000.
- One vendor file did not have bids, bid tabulation, request for bid or sole source documentation for approximately \$14,700.
- One vendor file did not have the required anti-trust certification from the vendor for approximately \$23,000.

### Corrective Action:

This finding was reissued as current year reference number: 08-21

**Health and Human Services Commission  
 Department of Agriculture  
 Texas Education Agency**

Reference No. 07-20

**Special Tests and Provisions - Accountability for Commodities**

**Child Nutrition Cluster**

**Award year - October 1, 2004 to September 30, 2005 and October 1, 2003 to September 30, 2004**

**Award number - 6TX300332**

**Type of finding - Reportable Condition Control and Non-Compliance**

Distributing and sub distributing agencies (as defined at 7 CFR Section 250.3) must maintain accurate and complete records with respect to the receipt, distribution, and inventory of donated foods including end products processed from donated foods. Failure to maintain records required by this section shall be considered *prima facie* evidence of improper distribution or loss of donated foods, and the agency, processor, or entity may be required to pay the U.S. Department of Agriculture (USDA) the value of the food or replace it in kind (7 CFR Section 250.16(a)(6) and 250.15(c)).

Initial Year Written: 2006

Status: Implemented

U.S. Department of Agriculture

The Health and Human Services Commission (HHSC) administers the commodity warehouses for the Child Nutrition Cluster. HHSC could not provide a loss report to account for 1 commodity sample selected out of 60. For an additional sample, the loss report did not provide evidence to support the recorded loss of 12 units within the commodity sample. The support only noted four lost units. These two commodity samples had value of approximately \$200.

Corrective Action:

Corrective action was taken.

**Texas Higher Education Coordinating Board**

Reference No. 07-21

**Subrecipient Monitoring**

**CFDA 84.048 - Vocational Education - Basic Grants to States**

**Award year - July 1, 2005 to September 30, 2006**

**Award number - 0642020671200001, 064202077120001, and 064202087120001**

**Type of Finding - Reportable Condition Control**

The expense report submission system is part of the Perkins Grants system and is called the “Perkins Project Deliverables” system. It is housed on a Windows NT server and MS SQL database. Developers have access to deploy code changes to production. Three developers have system-administrative privileges on this application. In addition, no formal change-management procedures are in place.

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

In addition, the Education Data Center (EDC) application is used to accept incoming student reporting and financial aid data from technical and community colleges, the sub recipients. This application is housed on a Windows NT server and MS SQL database (called “EDCPROD”). Developers have access to deploy code changes to production.

When developers have system-administrative access, appropriate segregation of duties is not in place. Users with inappropriate rights to modify application code or data create a risk of unauthorized changes to the production environment and/or a risk of unintentional errors or omissions in processing.

No compliance exceptions were noted per review of 40 subrecipients and the related monitoring that the Texas Higher Education Coordinating Board (THECB) performs.

Corrective Action:

This finding was reissued as current year reference number: 08-22

## Housing and Community Affairs, Department of

Reference No. 07-22

### Subrecipient Monitoring

#### CFDA 93.569 - Community Services Block Grant

Award year - October 1, 2005 to September 30, 2007 and October 1, 2004 to September 30, 2006

Award number - G-06BITXCOSR and G-05BITXCOSR

Type of finding - Reportable Condition Control and Material Non-Compliance

The Department of Housing and Community Affairs (Housing) is required by federal regulations to monitor subrecipients to ensure compliance with federal rules and regulations, as well as the provisions of the contracts or grant agreements. Housing's subrecipient monitoring process does include standardized contracts, risk assessment process, review of monthly draw requests, and site visits.

Initial Year Written: 2006  
Status: Implemented

U.S. Department of Health and  
Human Services

According to OMB Circular A-133, Section .400, Housing must assure that subrecipients expending federal funds in excess of \$500,000 have an OMB Circular A-133 audit performed and provide a copy to Housing within the required timeframes. The Portfolio Management and Compliance division of Housing collects A-133 audits from subrecipients, however, there is no process in place to follow up on delinquent submissions for Community Services Block Grant (CSBG) subrecipients. Of a sample of 30 subrecipients' files, 8 subrecipients had not timely submitted their A-133 audits or Audit Certifications for fiscal year 2006. Approximately \$28 million was passed through to subrecipients during fiscal year 2006.

In addition, per the Federal Register, Vol. 68, No. 228/Wednesday, November 26, 2003/Rules and Regulations, contractors receiving individual awards for \$25,000 or more and all subrecipients must be verified that the organization and its principles are not suspended or debarred. Verification may be accomplished by (1) checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity. Housing does not require its subrecipients to certify, include a clause in the contracts, or perform a check of EPLS. For all 30 subrecipients selected for test work, 0 were found to be suspended or debarred per review of the EPLS.

#### Corrective Action:

Corrective action was taken.

Department of Human Services

Reference No. 02-23

Allowable Costs/Cost Principles/Auto-Eligibility Approval by FEMA

CFDA 83.543 - Individual Family Grants (FEMA)

Type of finding - Non-Compliance

In an effort to expedite assistance, FEMA automated the awarding process for selected individuals affected by Tropical Storm Allison. When caseworkers (both Federal and DHS employees) visit sites and perform inspections, their case files are loaded into NEMIS, FEMA's computer system. If the case file passed established threshold checks, approval was automatic and the award was transferred by DHS' computer system into the nightly batch of warrants requested from the State Treasury. For the files that were not auto approved, DHS personnel worked the files and when approval was given, they too were transferred into the nightly batch of warrant requests.

Initial Year Written: 2001  
Status: Partially Implemented  
Federal Emergency Mangement Agency

FEMA has quality control procedures in place to monitor disasters. During the performance of these procedures, FEMA discovered that over payments were made to the auto approved (i.e., no DHS involvement) eligible recipients. The recipients were eligible for grant funds but the calculation of the amount was incorrect. FEMA has established an IFG Recoupment Process which includes reviewing 3,029 auto-approved files. Per their review, FEMA noted 814 over awards or a 27% error rate due to a FEMA programming error. The estimated dollars with those 814 files is \$1,835,207. These files were considered to be high-risk by FEMA (i.e., based on the nature of the programming error). DHS estimates that about 36,715 files were auto approved and the average claim per file is \$5,014.

Recommendation:

DHS is currently involved with FEMA assisting with the resolution of these over awards. The weekly Situation Reports published by FEMA include the current status of the Recoupment Process. DHS should continue to monitor FEMA's process.

Management Response and Corrective Action Plan 2003:

*IFG personnel worked with FEMA personnel throughout fiscal year 2002 to identify cases and recoup Federal and State funds from Tropical Storm Allison. The State and FEMA are currently discussing the management and monitoring of recoupment cases. IFG is manually testing as many cases as possible related to Disaster 1425 that are auto-approved by NEMIS. As amounts that should be recouped are identified, the case are placed in the NEMIS recoupment queue. At present, there are about 700 cases representing \$1,624,000 in debt collection at FEMA's disaster finance center, of which approximately \$44,000 has been collected as of August 2003. Discussion is being held with U.S. Department of Treasury (IRS) regarding collection of these outstanding amounts.*

Management Response and Corrective Action Plan 2004:

*There are about 700 cases with overpayments of approximately \$1,617,000 being pursued by FEMA and the U.S. Department of Treasury. As of February 2005, approximately \$78,000 total has been returned. The U.S. Department of Treasury has begun turning cases over to private collection agencies.*

Management Response and Corrective Action Plan 2005:

*FEMA and HHSC staff continue to work closely on the recovery of overpayments associated with Tropical Storm Allison. As part of this recovery process, recipients have an opportunity to appeal. If no appeal is requested or if the recipient loses their appeal, FEMA has developed and implemented a process with the U.S. Treasury, Internal Revenue Service to refer delinquent accounts for collection. As of November 2005, a total of \$473,662.54 has been recouped, consisting of \$152,229.47 in interest and \$321,433.07 in principal.*

Management Response and Corrective Action Plan 2006:

*FEMA and HHSC staff continues to work closely on the recovery of overpayments associated with Tropical Storm Allison. As part of this recovery process, recipients have an opportunity to appeal. If no appeal is requested or if the recipient loses their appeal, FEMA has developed and implemented a process with the U.S. Treasury, Internal Revenue Service to refer delinquent accounts for collection. As of January 19, 2007, a total of \$363,779 in principal has been collected.*

Management Response and Corrective Action Plan 2007:

*FEMA and HHSC staff continues to work closely on the recovery of overpayments associated with Tropical Storm Allison. As part of this recovery process, recipients have an opportunity to appeal. If no appeal is requested or if the recipient loses their appeal, FEMA has developed and implemented a process with the U.S. Treasury, Internal Revenue Service to refer delinquent accounts for collection. As of January 31, 2008, a total of \$425,878 in principal has been collected.*

*Implementation Date: On-going*

*Responsible Person: Pam Wade and Allen Bledsoe*



**Juvenile Probation Commission**

Reference No. 07-23

**Subrecipient Monitoring**

(Prior Audit Issue - 06-21, 05-31)

**CFDA 93.658 - Foster Care - Title IV-E**

**Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005**

**Award number - G0601TX1401 and G0501TX1401**

**Type of finding - Reportable Condition Control and Non-Compliance**

The Juvenile Probation Commission (JPC or TJPC) is required by OMB Circular A-133, Section .400 to monitor subrecipients to ensure compliance with federal rules and regulations, as well as the provisions of the contracts or grant agreements. JPC's subrecipient monitoring procedures include a risk assessment process, standardized contracts, training and technical assistance, program and financial monitoring, and review of agreed-upon procedures reports required to be performed at the juvenile probation department level. JPC relies on the Department of Family and Protective Services to determine eligibility and to set the reimbursement rates. JPC passes through 100 percent of its Foster Care funds to subrecipients (i.e., Texas counties). During fiscal year 2006, approximately 150 counties incurred Foster Care expenditures of approximately \$66,471,000.

Initial Year Written: 2004  
Status: Partially Implemented  
  
U.S. Department of Health and  
Human Services

More specifically, JPC's subrecipient monitoring process includes:

- Yearly grant awards exist with each county along with an approved 2030 budget form that estimates the amount of foster care entitlement funds expected to be incurred for the fiscal year. The contract is used to communicate the CFDA information and applicable regulations.
- To receive enhanced administrative reimbursement, the county must also file an implementation plan that documents their indirect cost rate. JPC's fiscal personnel review the implementation plans for completeness and reasonableness of the indirect rate.
- Quarterly or monthly reimbursement requests from the counties are recalculated based on the applicable reimbursement rate by JPC personnel prior to approval for payment.
- Programmatic site visits are performed for counties that place children in the foster care program.
- There is a risk assessment process and the top 20 counties were selected for a financial desk review that includes review of payroll effort documentation, proper use of travel reimbursement rates, and allowability of expenses.
- An agreed upon procedures report from each county which includes provisions for the local auditor to review the accuracy of the fees paid to private service providers, the categorization of training costs into the appropriate categories, and the allowable expenses for direct and indirect categories is required. Also the agreed upon procedures report is to note if there are any findings related to the Foster Care program in the county's A133 report.

For the fiscal year 2005, the top 20 counties received a financial desk review. During fiscal year 2004, four of the top ten counties received a financial monitoring visit, and no financial reviews were performed for fiscal year 2003 and 2006. As part of the desk reviews, JPC selects expenditures for one quarter and requests invoices and payroll detail, including timesheets, to assess the allowability of expenditures.

JPC's monitoring process also relies heavily on the performance of the agreed upon procedures reports. The suggested procedures in the agreed-upon procedures polices are not specific enough to determine whether the respective auditors are selecting samples of invoices and timesheets to review for allowable costs. The agreed-upon procedures reports do include any foster care findings noted in the county's OMB Circular A-133 reports, however there is no follow-up by JPC for the findings and assessment of corrective action plans.

Additionally, JPC does not inquire whether the subrecipients expended \$500,000 or more in federal funds to assess whether an OMB Circular A-133 report is required to be submitted to JPC.

Corrective Action:

This finding was reissued as current year reference: 08-23.

## Department of State Health Services

Reference No. 07-30

### Allowable Costs/Cost Principles

#### CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse

Award year - October 1, 2005 to September 30, 2007, October 1, 2004 to September 30, 2006, and October 1, 2003 to September 30, 2005

Award number - 06BITXSAPT-04, 05BITXSAPT-01, and 04BITXSAPT-04

#### CFDA 93.994 - Maternal and Child Health Services Block Grant to the States

Award year - October 1, 2005 to September 30, 2007, October 1, 2004 to September 30, 2006, and October 1, 2003 to September 30, 2005

Award number - 6 B04MC02422-01, 6 B04MC04232-01, and 4 B04MC06591-01

Type of finding - Reportable Condition Control and Non-Compliance

In accordance with OMB Circular A-87, attachment B, Section 8H - Support for salaries and wages, where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

Initial Year Written: 2006  
Status: Partially Implemented

U.S. Department of Health and  
Human Services

For employees who are expected to work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which:

- Reflect an after-the-fact distribution of the actual activity of each employee,
- Account for the total activity for which each employee is compensated,
- Are prepared at least monthly and must coincide with one or more pay periods,
- Are signed by the employee, and
- Budget estimates before the services are performed do not qualify as support for charges to federal awards but may be used for interim purposes provided that at least quarterly, comparisons of actual costs to budgeted amounts are made and any adjustments are reflected in the amounts billed to the federal program. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show that the differences between budgeted and actual costs are less than ten percent.

At the Department of State Health Services (DSHS), most employees are paid monthly, and regardless of whether they work solely on one federal award or multiple awards, they are all required to complete timesheets at least monthly. Timesheet activity consists of deviations from an employee's task profile for time worked on different projects or paid/unpaid leave. Profiles contain the number of hours employees are expected to work each week and the fund and labor account codes that each employee is scheduled to work in any given week. When an employee does not deviate from their task profile for the month, all that is required is that they sign the timesheet and check the box that there were no deviations from task profile. When their actual time deviates from the task profile, the employee enters in the corresponding differences in hours and/or activities from the profile and signs the timesheet. Regardless of whether an employee deviates from their task profile or not, these monthly timesheets serve as certification of hours worked and are required by DSHS policy to be approved and signed by the employee and the employee's supervisor.

Out of 34 payroll items tested for CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse, 1 timesheet submitted was not signed by the employee or the employee's supervisor. In this particular instance, the employee resigned from DSHS before the end of the pay cycle, and therefore, her timesheet was never signed and certified by her or her supervisor. The employee was paid approximately \$40 for this time cycle.

Out of 33 payroll items tested for CFDA 93.994 - Maternal and Child Health Services Block Grant to the States, 2 timesheets submitted were not signed timely by the employee or their supervisor. For the September 30, 2005 pay cycle, these two timesheets were not signed until November 2006. The two employees were paid approximately \$2,900 for the September 30, 2005 time cycle.

Corrective Action:

This finding was reissued as current year reference number: 08-24.

Reference No. 07-31

**Allowable Costs/Cost Principles**

**Special Tests and Provisions - Review of Food Instruments to Enforce Price Limitations and Detect Errors**

**CFDA 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children**

**Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005**

**Award number - 6TX700506**

**Type of finding - Reportable Condition Control**

The Department of State Health Services (DSHS) utilizes the WIC EBT system to process the electronic benefit transfer (EBT) for the Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA 10.557 (WIC). Developers have access to migrate changes to the production environment. Developers are required to review changes with and obtain approval from the Team Lead prior to migrating the changes to production. However, there is currently no process in place to review all changes moved to production to verify that changes were migrated appropriately. Access to migrate changes to production environment should be restricted appropriately based on job function to help ensure adequate internal controls are in place and appropriate segregation of duties exist. In general, programmers should not have access to migrate changes to production environment.

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

No compliance exceptions were noted related to this testwork for the major program above.

Corrective Action:

This finding was reissued as current year reference number: 08-25.

Reference No. 07-32

**Cash Management**

**CFDA 93.268 - Immunization Grants**

**Award year - January 1, 2006 to December 31, 2006 and January 1, 2005 to December 31, 2005**

**Award number - CCH622571-04 and CCH622571-03**

**Type of finding - Non-Compliance**

US Treasury regulations at 31 CFR part 205 require state recipients to enter into agreements which prescribe methods of drawing down federal funds (funding techniques) for selected large programs (Subpart A programs). Per the Cash Management Improvement Act Agreement (CMIA) between the State of Texas and the US Department of Treasury, the pre-issuance funding technique is the agreed upon technique to be used for these Subpart A programs for Department of State Health Services (DSHS). The treasury regulations allow states to select any clearance pattern for Subpart B programs that is "administratively feasible". DSHS elected to use the pre-issuance funding technique for its Subpart B programs, including Childhood Immunization. The guidelines for the pre-issuance technique state that DSHS is required to request funds such that they are deposited into the State of Texas treasury not more than three days prior to the day DSHS makes a disbursement.

Initial Year Written: 2006  
Status: Implemented  
U.S. Department of Health and  
Human Services

The months of May, June, and July of 2006 were analyzed to determine the weighted average of days outstanding between the date funds are deposited and the date those funds are disbursed for program purposes. The calculation yielded an average of seven days between the deposit and disbursement dates, thus exceeding the target of three days. The Childhood Immunization Grant is subject to Subpart B, as such there is no interest liability.

Adequate controls appear to exist with regard to the authorization of cash draws and the monitoring of the pre-issuance requirements. The above seven days resulted from a manual expense transfer that was made moving expenditures from the grant year 6 to grant year 5 without an offsetting entry to balance the cash. Instead of properly moving cash from the grant year 6 to the grant year 5, a draw was made for grant year 5 creating a surplus of cash on hand.

Corrective Action:

Corrective action was taken.

Reference No. 07-33

**Earmarking**

**CFDA 93.917 - HIV Care Formula Grants**

**Award year - April 1, 2005 to March 31, 2006**

**Award number - 6 X07HA00054-15-01**

**Type of Finding - Reportable Condition Control**

In accordance with 42 USC 300ff-21(b), the Department of State Health Services (DSHS) is required to expend an amount as provided to the State by the Health Resources and Services Administration (HRSA) in the annual application guidance (Appendix II, Estimated Number/Percent of Women, Infants and Children Living with AIDS in States and Territories) “for the purposes of providing health and support services to women, youth, infants and children with HIV disease, including treatment measures to prevent the prenatal transmission of HIV, an amount not less than the involved (women, youth, infants or children) in the state with AIDS to the general population in the state of individuals with AIDS.”

Initial Year Written: 2006  
Status: Implemented

U.S. Department of Health and  
Human Services

A control is lacking to monitor compliance with the above earmarking requirement. Although the compliance requirement was met during grant fiscal year 2006, there was no evidence of a control in operation during the fiscal year which would have alerted DSHS to non-compliance and the need to adjust the amount of funds expended to remain in compliance.

Corrective Action:

Corrective action was taken.

Reference No. 07-34

**Earmarking**

(Prior Audit Issue - 05-11)

**CFDA 93.994 - Maternal and Child Health Services Block Grant to the States**

**Award year - October 1, 2003 to September 30, 2005**

**Award number - 6 B04MC02422-01-03**

**Type of finding - Reportable Condition Control and Non-Compliance**

In accordance with 42 USC 705(a)(3)(A) and 42 USC 705(a)(3)(B), the state agency must use at least 30 percent of payment amounts for preventive and primary care services for children and at least 30 percent of payment amounts for services for children with special health care needs.

Initial Year Written: 2004  
Status: Partially Implemented

U.S. Department of Health and  
Human Services

Monthly reports are submitted to management which detail the current expenditure level and to-date percentage for each of the earmarking requirements. Although funds are earmarked at the beginning of the award period in amounts sufficient to meet the percentage requirements, the subrecipients and contracts used to meet these requirements are sometimes not fully expended during the grant award period and thus, cause the Department of State Health Services (DSHS) to be noncompliant with these minimum earmarking requirements. It was noted that the state agency used 26.46 percent of total federal funds on preventive and primary care services for children and 29.29 percent of total federal funds on services for children with special health care needs. An additional approximately \$1,151,000 was needed for preventive and primary care services for children and approximately \$229,200 for children with special health care needs.

Corrective Action:

This finding was reissued as current year reference number: 08-26

Reference No. 07-35

**Reporting**

(Prior Audit Issue - 06-27 and 05-08)

**CFDA 93.917 - HIV Care Formula Grants**

**Award year - April 1, 2006 to March 31, 2007 and April 1, 2005 to March 31, 2006**

**Award number - X07HA00054-16-01 and X07HA00054-15-02**

**Type of finding - Non-Compliance**

Per the grant agreement, the Department of State Health Services (DSHS) must account for all funds awarded in the contractual category in the fiscal year 2006 Title II application and notify Health Resources and Services Administration (HRSA) when it has completed reporting on its contracting process. The Consolidated List of Contracts and Subcontracts Report is due to HRSA within 60 days of award of contracts. The consolidated list of contracts must include the contractor/agency, full address, Employer Identification Number (EIN), whether or not the contractor is a minority provider, whether or not clients are services directly, service type, amount of contract and the overall total of budgets submitted with the list (per grant agreement between the State of Texas and HRSA).

Initial Year Written: 2004  
Status: Implemented

U.S. Department of Health and  
Human Services

A supervisor did review the report to ensure the correct information was submitted. However, there were 2 errors out of 40 contractors/subcontractors reviewed in the information submitted related to keying in the EIN numbers incorrectly.

Corrective Action:

Corrective action was taken.

Reference No. 07-36

**Subrecipient Monitoring**

(Prior Audit Issue - 06-16, 05-20, 05-18, 04-07, 04-27, 03-12, 02-11, 02-15, 02-19, 01-555-36)

**CFDA 93.217 - Family Planning - Services**

Award year - April 1, 2006 to March 31, 2007 and April 1, 2005 to March 31, 2006

Award number - 5 FPHPA060898-25-00 and 5 FPHPA06089-24-00

**CFDA 93.268 - Immunization Grants**

Award year - January 1, 2006 to December 31, 2006 and January 1, 2005 to December 31, 2005

Award number - CCH622S71-04 and CCH622S71-03

**CFDA 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance**

Award year - August 31, 2005 to August 30, 2006

Award number - U90/CCU617001-06

**CFDA 93.667 - Social Services Block Grant**

Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005

Award number - G-0601TXSOSR and G-0501TXSOSR

**CFDA 93.889 - National Bioterrorism Hospital Preparedness Program**

Award year - September 1, 2005 to August 31, 2006

Award number - U3RHS05946-01-01

**CFDA 93.917 - HIV Care Formula Grants**

Award year - April 1, 2006 to March 31, 2007 and April 1, 2005 to March 31, 2006

Award number - 6 X07HA00054-16-01 and 6 X07HA00054-15-01

**CFDA 93.940 - HIV Prevention Activities - Health Department Based**

Award year - January 1, 2006 to December 31, 2006 and January 1, 2005 to December 31, 2005

Award number - U62/CCU623516-03 and U62/CCU623516-02

**CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse**

Award year - October 1, 2005 to September 30, 2007, October 1, 2004 to September 30, 2006, and October 1, 2003 to September 30, 2005

Award number - 06B1TXSAPT-04, 05B1TXSAPT-01, and 04B1TXSAPT-04

**CFDA 93.994 - Maternal and Child Health Services Block Grant to the States**

Award year - October 1, 2005 to September 30, 2007, October 1, 2004 to September 30, 2006, and October 1, 2005 to December 17, 2005

Award number - 6 B04MC02422-01, 6 B04MC02422-01-03, and 6 B04MC04232-01-03

**Non-major Programs:**

CFDA 10.572 - WIC Farmers' Market Nutrition Program (FMNP)

CFDA 14.241 - Housing Opportunities for Persons with AIDS

CFDA 66.001 - Air Pollution Control Program Support

CFDA 66.701 - Toxic Substances Compliance Monitoring Cooperative Agreements

CFDA 93.006 - State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program

CFDA 93.116 - Project Grants and Cooperative Agreements for Tuberculosis Control Programs

CFDA 93.136 - Injury Prevention and Control Research and State and Community Based Programs

CFDA 93.150 - Projects for Assistance in Transition from Homelessness (PATH)

CFDA 93.197 - Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Levels in Children

CFDA 93.215 - Hansen's Disease National Ambulatory Care Program

CFDA 93.230 - Consolidated Knowledge Development and Application (KD&A) Program

CFDA 93.235 - Abstinence Education Program

CFDA 93.243 - Substance Abuse and Mental Health Services - Projects of Regional and National Significance

CFDA 93.275 - Substance Abuse and Mental Health Services - Access to Recovery

CFDA 93.566 - Refugee and Entrant Assistance - State Administered Programs

CFDA 93.576 - Refugee and Entrant Assistance - Discretionary Grants

CFDA 93.943 - Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups

**CFDA 93.944 - Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance**

**CFDA 93.945 - Assistance Programs for Chronic Disease Prevention and Control**

**CFDA 93.977 - Preventative Health Services - Sexually Transmitted Diseases Control Grants**

**CFDA 93.978 - Preventive Health Services - Sexually Transmitted Diseases Research, Demonstrations, and Public Information and Education Grants**

**CFDA 93.988 - Cooperative Agreements for State Based Diabetes Control Programs and Evaluation of Surveillance Systems**

**CFDA 93.991 - Preventive Health and Health Services Block Grant**

**Type of finding - Reportable Condition Control and Material Non-Compliance**

Effective September 1, 2004, the Department of Health (TDH), Commission on Alcohol and Drug Abuse (TCADA), and the Mental Health portion of Mental Health and Mental Retardation (MHMR) were consolidated to form the Texas Department of State Health Services (DSHS). DSHS passes through a significant amount of federal funds to subrecipients to carry out the objectives of the federal programs. DSHS is required by OMB Circular A-133, Section .400, to monitor subrecipients to ensure compliance with federal rules and regulations, as well as the provisions of the contracts or grant agreements. According to OMB Circular A-133, DSHS must assure that subrecipients expending federal funds in excess of \$500,000 have an OMB Circular A-133 Single Audit performed and provide a copy to DSHS. DSHS is to review the report and to issue a management decision, if applicable.

Initial Year Written: 2000  
Status: Partially Implemented

U.S. Department of Health and Human Services  
U.S. Department of Agriculture  
U.S. Department of Housing and Urban Development  
U.S. Environmental Protection Agency

DSHS' subrecipient monitoring procedures include use of standard contracts, a risk assessment process, technical assistance, program monitoring, and financial monitoring. The A-133 audit report collection and review is centralized and performed by Health and Human Services Commission (HHSC) Office of Inspector General (OIG) for the State of Texas. In addition, the various program departments perform a variety of other procedures for their respective grants. For example some review reimbursement requests, others monitor periodic reports received, and some grants are subject to close out procedures. Per our review of the various major programs noted above, coordination between the various departments in DSHS is varied when it comes to sharing subrecipient information and assessing whether the monitoring being performed is sufficient. In addition, coordination between HHSC OIG and DSHS is lacking with regard to how to respond to subrecipients who are delinquent in submitting their A-133 reports. Currently, HHSC OIG notified program personnel at DSHS, and DSHS has no formal policy or procedures as to how to proceed with additional notification, sanctions, etc. Finally, procedures conducted by the various departments do not appear to be sufficient to complement the financial monitoring that is conducted. KPMG also noted that for a number of the financial monitoring visits reviewed in our sample, the monitoring reports were not being reviewed timely by management. Some on-site review reports had still not been sent out to the subrecipient to notify them of their findings and it had been six months or more after the initial visit.

The 2006 level of funding for each area that had a completed risk assessment is as follows:

- TDH had 205 high risk subrecipients receiving approximately \$94 million in funding, 127 moderate risk receiving approximately \$80 million in funding, and 28 low risk subrecipients receiving approximately \$12 million in funding.
- TCADA had 98 high risk subrecipients receiving approximately \$106 million in funding, 43 moderate risk receiving approximately \$23 million in funding, and 19 low risk subrecipients receiving approximately \$13 million in funding.
- MHMR had 7 high risk subrecipients receiving approximately \$9 million in funding, 21 moderate risk receiving approximately \$11 million in funding, and 11 low risk subrecipients receiving approximately \$5 million in funding.

In fiscal year 2006, 83 subrecipients of approximately of 518 had financial monitoring which accounts for approximately 29 percent of total funds passed through to subrecipient for TDH, 32 percent for TCADA, and 22 percent for MHMR. In fiscal year 2005, 69 subrecipients of approximately 725 had financial monitoring which accounts for approximately 24 percent of the total funds passed through to the subrecipients for TDH, 8 percent for TCADA, and 18 percent for MHMR. In summary, approximately 54 percent of the total funds passed through had financial monitoring in the past three years.

Total payments to subrecipients charged to the major and non-major programs for fiscal year 2006 were:

<u>Federal Program</u>	<u>Amount Charged to the Federal Program</u>
CFDA 10.572	\$ 164,442
CFDA 14.241	2,784,760
CFDA 66.001	21,820
CFDA 66.701	2,550
CFDA 93.006	27,968
CFDA 93.116	5,303,533
CFDA 93.136	120,675
CFDA 93.150	3,841,012
CFDA 93.197	499,328
CFDA 93.215	84,062
CFDA 93.217	14,308,854
CFDA 93.230	2,494,685
CFDA 93.235	4,554,406
CFDA 93.243	5,121,643
CFDA 93.268	6,236,695
CFDA 93.275	2,567,542
CFDA 93.283	36,118,270
CFDA 93.566	1,737,694
CFDA 93.576	127,818
CFDA 93.667	1,342,283
CFDA 93.889	51,376,652
CFDA 93.917	17,688,307
CFDA 93.940	10,528,434
CFDA 93.943	65,678
CFDA 93.944	1,046,032
CFDA 93.945	42,988
CFDA 93.959	107,506,200
CFDA 93.977	3,935,329
CFDA 93.978	136,248
CFDA 93.988	403,892
CFDA 93.991	1,775,205
CFDA 93.994	12,839,227
Total	\$ <u><u>294,804,232</u></u>

Corrective Action:

This finding was reissued as current year reference number: 08-30



**Texas State Library and Archives Commission**

Reference No. 07-37

**Cash Management**

**CFDA 45.310 - Grants to States**

**Award year - October 1, 2005 to September 30, 2007, October 1, 2004 to September 30, 2006, and October 1, 2003 to September 30, 2005**

**Award number - LS-00-06-0044-06, LS-00-05-0044-05, and LS-00-04-0044-04**

**Type of finding - Reportable Condition Control and Material Non-Compliance**

According to the Treasury-State agreement for the State of Texas, the State Library Program is not included in Subpart A of 34 C.F.R. Part 205, which implements the Cash Management Improvement Act. Therefore, the Texas State Library and Archives Commission (State Library) should comply with Subpart B, which applies to programs in the Catalog of Federal Domestic Assistance that are not subject to Subpart A. These standards state that “cash advances to a state shall be limited to the minimum amounts needed and shall be timed to be in accordance with only with the actual, immediate cash requirements of the state in carrying out a program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual cash outlay by the state for direct program costs and the proportionate share of any allowable indirect costs. Neither a state nor the federal government will incur an interest liability on the transfer of funds for a program subject to this subpart.” To test “administratively feasible”, we reviewed 40 samples expenditures to determine whether they were paid within 30 days as “administratively feasible” is defined per the grant award.

Initial Year Written: 2006  
Status: Implemented  
  
National Foundation on the  
Arts and the Humanities

Our audit procedures indicated that inadequate controls exist to ensure funds are paid to subrecipients within 30 days of receipt of the cash draws from the federal government. For 17 of 40 sample items selected for test work, the invoice was not paid within 30 days of receipt of the related federal advance request. For the exceptions noted above, the average number of days the funds were held was 78.76 days. The total expenditures for the fiscal year were approximately \$10 million.

Corrective Action:

Corrective action was taken.

Reference No. 07-38

**Subrecipient Monitoring**

**CFDA 45.310 - State Library Program**

**Award year - October 1, 2003 to September 30, 2005, October 1, 2004 to September 30, 2006, October 1, 2005 to September 30, 2007**

**Award number - LS-00-04-0044-04, LS-00-05-0044-05, LS-00-06-0044-06**

**Type of finding - Significant Deficiency and Non-Compliance**

The Texas State Library and Archives Commission (State Library) is required by Federal regulations to monitor subrecipients to ensure compliance with Federal rules and regulations, as well as the provisions of the contracts or grant agreements. The State Library’s subrecipient monitoring procedures include a risk assessment process, technical assistance, and site visits. According to OMB Circular A-133, Section .400, the State Library must assure that subrecipients expending Federal funds in excess of \$500,000 have an OMB Circular A-133 audit performed and provide a copy to the State Library within the required timeframes.

Initial Year Written: 2006  
Status: Partially Implemented  
  
National Foundation on the  
Arts and the Humanities

The State Library does not have a process to collect the OMB Circular A-133 reports nor to review and issue any necessary management decisions. Approximately \$8 million was passed through to subrecipients during fiscal year 2006.

Additionally, the State Library requires its subrecipients to have an approved Budget Revision when making cumulative transfers among budget cost categories or projects which are expected to exceed 10 percent of the total grant. The State Library does monitor the budget revisions with each request for payment, ensuring that no changes were made per that involve in excess of 10%. However there is no formal policy to review the cumulative expenditures to ensure requests have been made and approved in advance of 10% fluctuations between budget categories or projects. For one of five files reviewed, the State Library Program did not approve the subrecipient's change in budget which was greater than 10 percent.

Recommendation:

The State Library should implement a process to collect the required OMB Circular A-133 within the required timeframes and to review and issue any necessary management decisions as required by OMB Circular A-133. Also, the State Library Program should monitor that budgets are modified and approved when changes are greater than 10 percent on a cumulative basis.

Management Response and Corrective Action Plan 2006:

*The Texas State Library and Archives Commission will implement procedures to collect the OMB Circular A-133 reports per established procedures. The Chief Accountant in the Accounting Department will be assigned the responsibility of reviewing the reports and communicating results to State Library management. Budgets will be modified when changes among budget cost categories or projects exceed 10 percent of the total grant.*

Management Response and Corrective Action Plan 2007:

*The Texas State Library and Archives Commission surveyed subrecipient grantees that receive Federal funds to determine the due dates of their annual Single Audits. A process has been established to track these dates and ensure that the agency receives a copy within 30 days of the date the grantee receives the audit. The Chief Accountant in the Accounting Department is responsible for reviewing the reports for any findings that involve funds issued by the State Library and communicating results to State Library Management. Budget revisions were corrected in fiscal year 2007.*

*Implementation Date: Audits due on or after January 1, 2007*

*Responsible Person: Marilyn Martin*

**Texas Workforce Commission**

Reference No. 07-39

**Allowable Costs/Cost Principles**

**Cash Management**

**Level of Effort**

**Period of Availability of Federal Funds**

**Reporting**

**Subrecipient Monitoring**

**CFDA 93.558 - Temporary Assistance for Needy Families**

**Award year - October 1, 2005 to September 30, 2006 and October 1, 2004 to September 30, 2005**

**Award number - 0601TXTANF and 0501TXTANF**

**Type of finding - Reportable Condition Control**

Texas Workforce Commission (TWC) utilizes Integrated Statewide Administrative System (ISAS) for their general ledger system. Access controls were found to be inappropriately designed for the ISAS production environment. The General Ledger Manager, Reconciliation Manager, and Reconciliation Accountant have user access roles that allow unlimited access to the production environment. Users with excessive rights can circumvent the established segregation of duties.

Initial Year Written: 2006  
Status: Implemented

U.S. Department of Health and  
Human Services

In addition, TWC utilizes Cash Draw and Monthly Expenditure Reporting System (CDER) for their sub recipients to process cash draws, adjustments, refunds, and expenditures reports on grant contracts. A programmer for CDER has access to the production program and data. This access increases the risk of unauthorized changes to the production environment.

There were no compliance issues noted for the major noted above.

*Corrective Action:*

Corrective action was taken.

## Summary Schedule of Prior Audit Findings - Other Auditors

Federal regulations (*Office of Management and Budget Circular OMB Circular A-133*) state, "the auditee is responsible for follow-up and corrective action on all audit findings." As part of this responsibility, the auditee reports the corrective action it has taken for the following:

- Each finding in the 2006 Schedule of Findings and Questioned Costs.
- Each finding in the 2006 Summary Schedule of Prior Audit Findings that was not identified as implemented or reissued as a current year finding.

This section of the Summary Schedule of Prior Audit Findings for the year ended August 31, 2007, has been audited by other auditors.

### Midwestern State University

Reference No. 07-41

#### Special Test 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 84.038 Award Number Not Applicable, CFDA 84.032 Award Number Not Applicable**

**Type of finding - Reportable Condition Control and 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 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).

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

Midwestern State University (University) did not maintain any evidence that it sent the required disbursement notifications.

#### Corrective Action:

Corrective action was taken.

**Department of Public Safety**

Reference No. 07-24

**Allowable Costs/Cost Principles**

**Homeland Security Cluster**

**Award year - see below**

**Award number - see below**

**Type of finding - Reportable Condition Control and Material Non-Compliance**

In accordance with OMB Circular A-87, attachment B, Section 8H - Support for salaries and wages, where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

Initial Year Written: 2006  
Status: Implemented

U.S. Department of Homeland  
Security

For employees who are expected to work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which:

- Reflect an after-the-fact distribution of the actual activity of each employee,
- Account for the total activity for which each employee is compensated,
- Are prepared at least monthly and must coincide with one or more pay periods,
- Are signed by the employee, and
- Budget estimates before the services are performed do not qualify as support for charges to federal awards but may be used for interim purposes provided that at least quarterly, comparisons of actual costs to budgeted amounts are made and any adjustments are reflected in the amounts billed to the federal program. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show that the differences between budgeted and actual costs are less than 10 percent.

Prior to June 2006, Department of Public Safety (DPS) employees that were not eligible for overtime (exempt employees) did not complete timesheets or complete certifications. Out of our sample of 12 payroll related expenditures, 4 were exempt employees so there were neither timesheets nor certifications available. These four employees were paid approximately \$13,900 in salary and related fringe benefits for the time cycles selected. Also, one exempt employee continued to not complete timesheets for the remainder of the fiscal year. The amount of salary and related fringe benefits paid to all exempt employees from September 1, 2005 through May 31, 2006, and the one employee from September 1, 2005 to August 31, 2006 was approximately \$1,091,000.

In addition, for two payroll samples, the employee was missing one of the week's timesheet for the month sample select for test work. These two missing weekly timesheets were for approximately \$1,900.

Further, for 1 of 38 non-payroll expenditures reviewed, the invoice and any supporting documentation was unable to be located. The amount of the non-payroll sample was approximately \$37,000.

The homeland security cluster has multiple grant sub awards and award years as noted below:

<u>Award Number</u>	<u>Award Year</u>
2004-GE-T4-4015	December 1, 2003 - November 30, 2006
2005-GE-T5-4025	October 1, 2004 - March 31, 2007
2003-MU-T3-4020	October 1, 2004 - October 31, 2006
2004-TU-T4-4013	December 1, 2003 - February 28, 2007
2004-GE-T4-4015	December 1, 2003 - November 30, 2008
2006-GE-T6-0068	July 1, 2006 - June 30, 2008

Corrective Action:

Corrective action was taken.

Reference No. 07-25

**Cash Management**

**CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) (including CFDA 83.544)**

**Award year - see below**

**Award number - see below**

**CFDA 97.039 - Hazard Mitigation Grant (including CFDA 83.548)**

**Award year - see below**

**Award number - see below**

**Type of finding - Non-Compliance**

According to the Treasury-State Agreement for the State of Texas, the Hazard Mitigation Grants and Disaster Grants - Public Assistance (Public Assistance Grants) are not included in Subpart A of 34 CFR, part 205, which implemented the Cash Management Improvement Act. Therefore the Department of Public Safety (DPS) should be complying with Subpart B, which applies to programs in the catalog of federal domestic assistance that are not subject to Subpart A. These standards state that "Cash advances to a State shall be limited to the minimum amounts needed and shall be timed to be in accordance with only the actual, immediate cash requirement of the state in carrying out a program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual cash outlay by the state for direct program costs and the proportionate share of allowable indirect costs. Neither a state nor the federal government will incur an interest liability on the transfer of funds for a program subject to this subpart." To define "administratively feasible", we reviewed correspondence from (FEMA) Federal Emergency Management Agency's Region VI director dated August 14, 2002, noting that seven days would be administratively feasible. The Hazard Mitigation Grants and Disaster Grants - Public Assistance (Public Assistance Grants) are subject to Subpart B, as such there is no interest liability. Management approves the purchase vouchers upon receipt and forward to accounting for payment.

Initial Year Written:2006  
Status: Implemented

U.S. Department of Homeland  
Security

Accounting personnel process the purchase vouchers for payment on the same day that the funds are received from FEMA.

CFDA 97.039 - Hazard Mitigation Grant

For 1 of the 40 hazard mitigation sample items selected for test work, the invoice was not paid within seven days of the receipt of the federal funds. For this exception, the funds were not disbursed for 49 days due to the purchase voucher being misplaced. The total expenditures for the purchase voucher were approximately \$166,500.

The Hazard Mitigation Grant has multiple grant sub awards and award years as noted below:

<u>Disaster Number</u>	<u>Grant Number</u>	<u>Start Date</u>
1425	FEMA-1425-DR-TX	July 4, 2002
1439	FEMA-1439-DR-TX	November 5, 2002
1434	FEMA-1434-DR-TX	September 26, 2002
1479	FEMA-1479-DR-TX	July 17, 2003
1606	FEMA-1606-DR-TX	September 24, 2005

CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)

For 1 of the 30 public assistance sample items selected for test work, the invoice was not paid within seven days of the receipt of the federal funds. For this exception, the funds were not disbursed for 11 days due to the purchase voucher being misplaced. The total expenditures for the purchase voucher were approximately \$51,300.

The public assistance grant has multiple grant sub awards and award years as noted below:

<u>Disaster Number</u>	<u>Grant Number</u>	<u>Start Date</u>
1257	FEMA-1257-DR	October 21, 1998
1274	FEMA-1274-DR	May 6, 1999
1287	FEMA-1287-DR	August 22, 1999
1323	FEMA-1323-DR	April 7, 2000
1356	FEMA-1356-DR-TX	January 8, 2001
1379	FEMA-1379-DR	June 9, 2001
1425	FEMA-1425-DR	July 4, 2002
1479	FEMA-1479-DR	July 17, 2003
1606	FEMA-1606-DR	September 24, 2005
3216	FEMA-3216-EM	September 2, 2005
3261	FEMA-3261-EM	September 21, 2005
1624	FEMA-1624-DR	January 11, 2006

Corrective Action:

Corrective action was taken.

Reference No. 07-26

**Reporting**

**CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) (including CFDA 83.544)**

**Award year - see below**

**Award number - see below**

**CFDA 97.039 - Hazard Mitigation Grant (including CFDA 83.548)**

**Award year - see below**

**Award number - see below**

**Type of finding - Reportable Condition Control and Material Non-Compliance**

The Department of Public Safety (DPS) must report on a quarterly basis for each Federal Emergency Management Agency (FEMA) approved project a FEMA Form 20-10, Financial Status Report (OMB No. 3067-0206), per OMB A-133. A supervisor did review the report to ensure the report was complete as to the required information. Supporting documentation is not reviewed by management in sufficient level of detail to ensure the accuracy of the reports.

Initial Year Written:2006

Status: Partially Implemented

U.S. Department of Homeland Security

CFDA 97.039 - Hazard Mitigation Grant

Thirty-four reports were filed during fiscal year 2006 for Hazard Mitigation. The non-federal share of a project's costs must be at least 25 percent of the expenditures. Eight of the reports reflected 25 percent of the jurisdictions award amount as the non-federal share amount instead of the actual amount matched as of the report date. During performance of subrecipient monitoring test work, invoices were selected for review and it was noted that only 75 percent of the total expenditures incurred were reimbursed to the jurisdiction by DPS.

The hazard mitigation grant has multiple grant sub awards and award years as noted below:

<u>Disaster Number</u>	<u>Grant Number</u>	<u>Start Date</u>
1425	FEMA-1425-DR-TX	July 4, 2002
1439	FEMA-1439-DR-TX	November 5, 2002
1434	FEMA-1434-DR-TX	September 26, 2002
1479	FEMA-1479-DR-TX	July 17, 2003
1606	FEMA-1606-DR-TX	September 24, 2005

CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Fifty-five reports were filed during fiscal year 2006 for Disaster Grants - Public Assistance and 30 were selected for test work. FEMA notifies DPS of the required non-federal share of a project's costs. For the disasters that are currently open, the non-federal share of a project's costs must be at least 25 percent of the expenditures, with the following exceptions: Disaster 1606 - 10 percent non-federal share; Disasters 3216 and 3261 - 0 percent non-federal share. For all reports, the matching share reported on the FEMA Form 20-10 was calculated using total federal outlay amounts reported (i.e., 25 percent of the total federal amount reported) instead of based on actual costs incurred. During performance of subrecipient monitoring test work, invoices were selected for review and it was noted that only 75 percent of the total expenditures incurred were reimbursed to the jurisdiction by DPS.



The public assistance grant has multiple grant sub awards and award years as noted below:

<u>Disaster Number</u>	<u>Grant Number</u>	<u>Start Date</u>
1257	FEMA-1257-DR	October 21, 1998
1274	FEMA-1274-DR	May 6, 1999
1287	FEMA-1287-DR	August 22, 1999
1323	FEMA-1323-DR	April 7, 2000
1356	FEMA-1356-DR-TX	January 8, 2001
1379	FEMA-1379-DR	June 9, 2001
1425	FEMA-1425-DR	July 4, 2002
1479	FEMA-1479-DR	July 17, 2003
1606	FEMA-1606-DR	September 24, 2005
3216	FEMA-3216-EM	September 2, 2005
3261	FEMA-3261-EM	September 21, 2005
1624	FEMA-1624-DR	January 11, 2006

Recommendation:

DPS should be reporting the non-federal matching share on the FEMA Form 20-10 based on the actual amount incurred by the jurisdictions as of the report date.

Corrective Action

The finding was reissued as current year reference: 08-91.

Reference No. 07-27

**Reporting**

**Homeland Security Cluster**

**Award year - see below**

**Award number - see below**

**Type of finding - Reportable Condition Control and Non-Compliance**

The Department of Public Safety (DPS) is required by their grant agreements to complete a Biannual Strategy Implementation Report (BSIR) semi-annually. This report provides details by subrecipient on the amount awarded to the subrecipient, the amount obligated by the subrecipient, and the amount expended by the subrecipient. Upon review of the report for June 2006, the amounts for obligations and expenditures on the BSIR report were reported as \$0 for 4 of 40 subrecipients tested out of approximately 490 subrecipients on the report. Supporting documentation for the four subrecipients was available and there was evidence of the review and approval for the information to be included in the BSIR report. Total obligation amounts were understated by approximately \$3,049,000, and total expenditures were understated by approximately \$2,288,000. In addition, the amount of obligation for one subrecipient was different on the BSIR than the support; the obligation amount reported was understated by \$253,000. Total homeland security funds approximating \$50,700,000 were passed through to subrecipients.

Initial Year Written:2006  
Status: Implemented

U.S. Department of Homeland  
Security

The homeland security cluster has multiple grant sub awards and award years as noted below:

<u><b>Award Number</b></u>	<u><b>Award Year</b></u>
2004-GE-T4-4015	December 1, 2003 - November 30, 2006
2005-GE-T5-4025	October 1, 2004 - March 31, 2007
2003-MU-T3-4020	October 1, 2004 - October 31, 2006
2004-TU-T4-4013	December 1, 2003 - February 28, 2007
2004-GE-T4-4015	December 1, 2003 - November 30, 2008
2006-GE-T6-0068	July 1, 2006 - June 30, 2008

Corrective Action:

Corrective action was taken.

Reference No. 07-28

**Subrecipient Monitoring**

**Homeland Security Cluster**

**Award year - see below**

**Award number - see below**

**Type of finding - Reportable Condition Control and Non-Compliance**

The Department of Public Safety (DPS) is required by OMB Circular A-133, Section .400 to monitor subrecipients to ensure compliance with federal rules and regulations, as well as the provisions of the contracts or grant agreements. DPS' subrecipient monitoring procedures include standardized contracts, preapproval of purchases, on-site monitoring, and financial and close out monitoring. According to OMB Circular A-133, Section .400, DPS must assure that subrecipients expending federal funds in excess of \$500,000 have an OMB Circular A-133 audit performed and provide a copy to DPS within the required timeframes.

Initial Year Written:2006  
 Status: Implemented  
  
 U.S. Department of Homeland Security

DPS did not incorporate the Homeland Security Grant Cluster subrecipients into their OMB Circular A-133 collection and review process during FY06; therefore, DPS did not review the reports and issue any necessary management decisions. DPS passes approximately 75 percent of their homeland security cluster grants to local jurisdictions. During fiscal year 2006, there were approximately 1,950 jurisdictions that received homeland security cluster grants of approximately \$50,700,000 from DPS.

The homeland security cluster has multiple grant sub awards and award years as noted below:

<u><b>Award Number</b></u>	<u><b>Award Year</b></u>
2004-GE-T4-4015	December 1, 2003 - November 30, 2006
2005-GE-T5-4025	October 1, 2004 - March 31, 2007
2003-MU-T3-4020	October 1, 2004 - October 31, 2006
2004-TU-T4-4013	December 1, 2003 - February 28, 2007
2004-GE-T4-4015	December 1, 2003 - November 30, 2008
2006-GE-T6-0068	July 1, 2006 - June 30, 2008

Corrective Action:

Corrective action was taken.

Reference No. 07-29

**Subrecipient Monitoring**

**CFDA 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) (including CFDA 83.544)**

**Award year - see below**

**Award number - see below**

**Type of finding - Reportable Condition Control and Non-Compliance**

The Department of Public Safety (DPS) is required by OMB Circular A-133, Section .400 to monitor subrecipients to ensure compliance with federal rules and regulations, as well as the provisions of the contracts or grant agreements. DPS' subrecipient monitoring procedures include standardized application and contracts, monthly/quarterly draw requests and progress reports, financial and close out monitoring. DPS passes approximately 99 percent of their public assistance grants to local jurisdictions. During fiscal year 2006, there were approximately 780 jurisdictions that received public assistance grants of approximately \$718,601,000 from DPS.

Initial Year Written:2006  
Status: Partially Implemented

U.S. Department of Homeland  
Security

More specifically, DPS' subrecipient monitoring process includes:

- Request for public assistance form that verifies the jurisdictions eligibility to receive public assistance grants.
- Public assistance award package to the jurisdictions when funds are awarded.
- Draw requests with supporting documentation for allowability, period of availability, and matching.
- Quarterly progress reports.
- Certification from the jurisdiction regarding the applicability of A-133 reporting requirements.
- Project completion, certification reports, and close-out checklists noting the completion of the project in compliance with the provisions of the grant.

For 40 jurisdiction files reviewed, the following items were noted for 3 files. The total amount paid to these three jurisdictions during fiscal year 2006 was approximately \$307,000.

- For two of the three files, the public assistance award package was not complete. The package consists of five documents - project application summary, project worksheet, project completion and certification report, public grant summary, and package pick up checklist. The two files did not include the package pick up checklist which denotes the jurisdiction understands and agrees to various grant provisions including the A-133 audit requirement.
- All three files did not contain the project close out checklist which would denote if any further action was pending, all payments had been made, and/or any refund was due to DPS.
- For two of the three files, the project completion and certification report was not completed and sent to FEMA signifying the closure of the project.

The public assistance grant has multiple grant sub awards and award years as noted below:

<u>Disaster Number</u>	<u>Grant Number</u>	<u>Start Date</u>
1257	FEMA-1257-DR	October 21, 1998
1274	FEMA-1274-DR	May 6, 1999
1287	FEMA-1287-DR	August 22, 1999
1323	FEMA-1323-DR	April 7, 2000
1356	FEMA-1356-DR-TX	January 8, 2001
1379	FEMA-1379-DR	June 9, 2001
1425	FEMA-1425-DR	July 4, 2002
1479	FEMA-1479-DR	July 17, 2003
1606	FEMA-1606-DR	September 24, 2005
3216	FEMA-3216-EM	September 2, 2005
3261	FEMA-3261-EM	September 21, 2005
1624	FEMA-1624-DR	January 11, 2006

Corrective Action:

The finding was reissued as current year reference: 08-40.

Reference No. 05-38

**Allowable Costs/Cost Principles**

**Cash Management**

**CFDA 20.218 - National Motor Carrier Safety**

**Award year - See below**

**Award number - See below**

**Type of Finding - Material Weakness Control and Material Non-Compliance**

Allowable Costs:

Per OMB Circular A-87, attachment B, Section 8H, support of salaries and wages, where employees are expected to work on multiple activities or cost objectives, a distribution of their salaries and wages will be supported by personnel activity reports or equivalent documentation which:

Initial Year Written: 2004 Status: Partially Implemented  U.S. Department of Transportation
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- Reflect an after-the-fact distribution of the actual activity of each employee,
- Account for the total activity for which each employee is compensated,
- Are prepared at least monthly and coincide with the pay period,
- Are signed by the employee, and
- Budget estimates before the services are performed do not qualify as support for charges to Federal awards but may be used for interim purposes provided that at least quarterly, comparisons of actual costs to budgeted amounts are made and any adjustments are reflected in the amounts billed to the Federal program. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent.

Two of 24 personnel activity reports did not agree to the federal reimbursement request amount. Fourteen hours in excess of the time sheets was charged to the grant. These two employees were commissioned so the rate was \$31.84 an hour or \$446. The questioned costs relate to MB-03-48-1 and BR-03-48-1 awards.

The timesheets were reviewed by the immediate supervisor and thus certified. The certified timesheets are used by grant accounting to manually update the grant expenditure spreadsheet that is used to prepare the cash reimbursement requests. Cash requests are reviewed based on the expense spreadsheets, however, there is no detailed review of the data input into the spreadsheet. Total salary and benefits charged to the grant was approximately \$17,575,000.

Cash Management:

According to the Treasury-State Agreement for the State of Texas, the National Motor Carrier Safety grant is not included in Subpart A of 34 CFR, part 205, which implemented the Cash Management Improvement Act. Therefore The Department of Public Safety (DPS) should be complying with Subpart B, which applies to programs in the catalog of federal domestic assistance that are not subject to Subpart A. These standards state that “cash advances to a State shall be limited to the minimum amounts needed and shall be timed to be in accord only the actual, immediate cash requirement of the State in carrying out a program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual cash outlay by the State for direct program costs and the proportionate share of allowable indirect costs. Neither a State nor the Federal government will incur an interest liability on the transfer of funds for a program subject to this Subpart.” The expense spreadsheets discussed above are to be reconciled to the general ledger on a monthly basis. Sixteen reconciliations were reviewed and none of them agreed to the general ledger. Reconciliations appear to have been done at year-end only in conjunction with the preparation of the schedule of federal expenditures. Thirty expenditures were reviewed and it was determined that the invoice or payroll was paid prior to reimbursement request.

The National Motor Carrier Safety grant has multiple subawards and award years. During fiscal year 2004 the following grant award years and grant award numbers, respectively, were open: Award years: October 1, 2003 to September 30, 2004, September 1, 2003 to August 30, 2004, September 20, 1999 to September 30, 2003, October 1, 2002 to December 30, 2003, July 8, 2003 to July 8, 2004, October 1, 2002 to March 31, 2004, October 1, 2003 to December 31, 2004, March 31, 2004 to September 30, 2004, October 1, 2002, to September 30, 2004, April 1, 2003 to March 31, 2004, August 30, 2003 to September 30, 2004, September 30, 2002 to September 30, 2003, October 1, 2002 to September 30, 2004, October 1, 2003 to March 31, 2004; Award numbers: MB-03-48-1, CD-03-TX-1, MC-99-48-222, MC-01-48-222, MC-03-48-2, MC-03-48-1, MC-04-48-1, CD-02-48-2, BR-03-48-1, MH-03-48-1, MR-03-48-2, RB-02-48-01, BR-03-48-2, and MB-02-48-2.

Recommendation:

DPS should reconcile the expense spreadsheets to the general ledger on a monthly basis. These reconciliations should be reviewed by someone other than the preparer on a timely basis.

Management Response and Corrective Action Plan - Allowable Costs 2004:

*DPS concurs with the above finding. We found that the two employee's reports not matching the supporting documentation related to human error from manual reporting procedures. Although the amounts involved were immaterial (approximately \$70) and within acceptable margins of error we are taking steps to implement a reporting system directly from the electronic database where this information is keyed to avoid the same type of human error on future reports.*

Management Response and Corrective Action Plan - Allowable Costs 2005:

*DPS concurs with the above finding. We found that the one employee's reports did not match the supporting documentation. This difference is attributable to human error from manual reporting procedures. We are taking steps to implement a reporting system were all source documents will be reported in an electronic format so we can avoid the same type of human error on future reports.*

Management Response and Corrective Action 2006 - Allowable Costs 2006:

DPS concurs with the finding above. There has been no significant change in the way that the employee hours are tallied from their weekly activity reports in order to determine the number of hours that will be submitted to the Federal Motor Carrier Safety Administration. The process remains manual. DPS continues to conduct self audits on this process to ensure accuracy.

The computer programming needed to make this process entirely electronic is nearing completion. System testing should begin in Spring 2007 and we are hopeful that the process will be converted over to electronic reporting by Summer 2007. Under this system, employee weekly reports (source documents) will be electronically transferred from field locations to the Motor Carrier Bureau database. Queries of the database will be run in order to pull out the hours that are eligible for reimbursement, thus eliminating the current manual counts. A summary document will then be certified by the Manager, Motor Carrier Bureau, and transmitted to Accounting so that an invoice can be prepared and submitted to FMCSA for reimbursement.

Management Response and Corrective Action 2007 - Allowable Costs 2007:

DPS continues to concur with the original audit findings from 2004. The Texas Highway Patrol (THP) Division has been working with the Divisions' IT Contractor to develop a reporting system where all source documents (i.e., employee weekly activity reports) for determining allowable costs eligible for reimbursement under the applicable Federal Grant Program are reported in an electronic format. Progress has been made in this effort with the completion of a look-up table that identifies which CVE Service employees are eligible to submit hours for reimbursement under the Motor Carrier Safety Assistance Program Grant. However, the necessary data links that will extract the needed data from the source documents have not been completed as yet by the contractor. At present, the contractor has limited manpower to devote to this project due to other higher priority THP Division projects. Therefore, the status of this recommendation remains as partially implemented. The process for tallying employee hours for reimbursement under the allowable cost provisions of the applicable OMB Circulars remains manual with the DPS conducting self audits to ensure accuracy.

Additionally, the State Programs Manager for the Texas Division of the Federal Motor Carrier Safety Administration (FMCSA) conducts periodic audits of our reimbursement voucher requests under the various FMCSA grants that have been awarded to the DPS. These audits have been satisfactory without any financial discrepancies being reported to the DPS concerning allowable costs that the Department has sought reimbursement for under the applicable FMCSA Grant Program.

*Implementation Date: September 2008*

*Responsible Person: Major Mark Rogers*

Management Response and Corrective Action Plan - Cash Management 2004:

DPS concurs with the finding above. We are implementing new procedures and hiring additional personnel to address the issues identified above.

Management Response and Corrective Action Plan - Cash Management 2005:

DPS concurs with the finding above. The attempts to hire personnel solely responsible for the reconciliation process were not successful. Management has decided to restructure the department and add the additional responsibilities of reconciliations to the six Grant Accountants. The Accountants will have one set of assigned programs they will be responsible for auditing and billing. A separate set of programs will require reconciling to the internal accounting system (MSA) and the Uniform State Wide Accounting System (USAS). The reclassification for this job function change is currently in the Human Resources Department pending approval.

Management Response and Corrective Action 2006 - Cash Management 2006:

The approved reclassification for the Grant Accountant positions was received 09/30/06. These positions were filled in November 2006. We will be implementing monthly reconciliations on the MCSAP programs this Fiscal Year.

Management Response and Corrective Action 2007 - Cash Management 2007:

Procedures and training for monthly reconciliations began in January 2007. During FY07 we were able to reconcile 50% to 75% of the Motor Carrier programs on a quarterly basis with 100% reconciled in the 4th quarter before the Annual Financial Report was completed. There will be 100% monthly reconciliations in FY08.

Implementation Date: September 2007

Responsible Person: Janet L. Espinosa

## Sul Ross State University

Reference No. 07-42

### Eligibility

#### 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 - Reportable Condition Control and Non-Compliance**

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 minus the expected family contribution (EFC). For Title IV programs, the amount of financial resources available is generally the EFC that is computed by the federal central processor and included on the student's Institutional Student Information Report (ISIR) that is 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 (Federal Perkins Loan, Federal Work Study, and Federal Supplemental Educational Opportunity Grant, Title 34, Code of Federal Regulations, Sections 673.5; Federal Family Education Loans, Title 34, Code of Federal Regulations, Section 682.603(d)(2)).

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

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." The institution may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 108711).

Auditors identified two issues that have resulted in Sul Ross State University (University) calculating students' cost of attendance incorrectly:

- The University has a main campus and a satellite campus (Rio Grande campus). Students attending the Rio Grande campus are awarded financial assistance through the main campus. When determining financial need for Rio Grande campus students, the University calculates the cost of attendance using the same costs it uses for students at the main campus. However, the tuition applicable to students attending the Rio Grande campus is lower than the tuition for students attending the main campus. In addition, students attending the Rio Grande campus students pay lower fees because that campus does not offer all of the same services and facilities that the main campus provides, such as medical services, recreational sports, and a student center. A student who is a Texas resident and taking 15 semester hours at the Rio Grande campus must pay tuition and fees of \$1,456. However, when the University calculates this student's cost of attendance, it inappropriately performs this calculation using tuition and fees of \$2,057, which is the amount of tuition and fees for 15 semester hours at the main campus.
- The University calculates the cost of attendance for full-time graduate students at both campuses using tuition and fees associated with 15 semester hours. However, graduate students are classified as full-time if they attend at least 9 hours per semester. The University inappropriately calculates the cost of attendance for a Texas resident graduate student attending 9 semester hours using the tuition and fees associated with attending 15 semester hours. As a result, the cost of attendance would be overstated by \$722 for a graduate student who took 9 hours per semester.



Because of these two issues, the University calculated the cost of attendance incorrectly for 27 of 50 students tested:

- Twenty students attended the Rio Grande campus, but the University calculated their cost of attendance using the higher tuition and fees associated with the main campus.
- Eight students were graduate students (one graduate student was also a Rio Grande campus student), and attended no more than 9 hours in a semester, but the University calculated their cost of attendance using the higher tuition and fees associated with 15 semester hours.

These errors in the calculation of cost of attendance led the University to award student financial assistance that exceeded financial need for 3 of the 27 students during the Fall 2005 and Spring 2006 semesters. The amounts awarded in excess of financial need for each student, respectively, were \$840, \$336, and \$1,239.

Corrective Action:

Corrective action was taken.

Reference No. 07-43

**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, CFDA 84.038 Award Number Not Applicable**

**Type of Finding - Material Weakness Control and Material Non-Compliance**

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 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).

Initial Year Written: 2006 Status: Partially Implemented  U.S. Department of Education
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Sul Ross State University (University) did not send disbursement notifications to all 33 students tested. The University was unaware of the requirement and did not send notifications to FFELP fund recipients for the Fall 2005 and Spring 2006 semesters. Although the University created a program in late Spring 2006 to correct this deficiency, a significant portion of financial aid disbursements for the Fall 2005 and Spring 2006 semesters had already occurred. The University began sending disbursement notifications during the first session of the Summer 2006 semester. Per the Schedule of Expenditures of Federal Awards for the year ended August 31, 2006, the University disbursed \$8,384,995 in FFELP loans during fiscal year 2006.

Recommendations:

The University should continue the program it implemented in late Spring 2006 to ensure that all students and parents receive the required disbursement notifications regarding FFELP and FPLP loans.

To ensure that disbursement notifications are sent no earlier than 30 days before and no later than 30 days after crediting the student's account, the University should further modify the program that is in place to automatically create the notification letters from the data file that is created within the Student Information and Financial Aid Management System.

The University should request and review the financial aid history of all transfer students using NSLDS information prior to disbursing financial aid funds. The University should also wait seven days after requesting NSLDS Notification, unless NSLDS replies sooner or the University accesses the NSLDS Web site and acquires information that allows the University to make the financial aid disbursement.

Management Response and Corrective Action Plan 2006:

*The University began sending out notification letters to all students who receive Federal Family Educational Loans and parents who receive Federal Parent Loans in April 2006 as indicated in the auditors findings.*

Management Response and Corrective Action Plan 2007:

*Banner was implemented for the 2007-08 Academic year. Banner contains a functionality that allows system generation and system logging of disbursement notifications. These findings, issues have been reviewed, tested and implemented effective with the Fall 2007 semester.*

*Implementation Date: August 2007*

*Responsible Person: Rena Gallego*

Required Reviews Prior to Disbursement

Before an institution may disburse Title IV, Higher Education Assistance (HEA) program funds to a student who previously attended another eligible institution, the institution must use information it obtains from the Secretary of Education, through the National Student Loan Data System (NSLDS) or its successor system, to determine: (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, 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; (4) the outstanding principal balance of loans made to the student under each of the Title IV, HEA loan programs; and (5) for the academic year for which Title IV, HEA aid is requested, the amount of, and period of enrollment for, loans made to the student under each of the Title IV, HEA loan programs.

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 Education, through NSLDS, updated information about that student so it can make the determinations discussed above. Additionally, 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 request and review NSLDS notifications prior to disbursing financial aid funds for two of seven transfer students tested.

*Corrective Action:*

Corrective action was taken.

**Tarleton State University**

Reference No. 06-41

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

**Student Financial Assistance Cluster**

**Award year - July 2004 to June 2005**

**Award number - Not applicable for CFDA 84.032**

**Type of finding - Reportable Condition Control and Material Non-Compliance**

If an institution credits a student's account at the institution with Federal Perkins Loan (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 at the institution, the institution must notify the student or parent of (1) the date and amount of the disbursement; (2) the student's 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 or loan disbursement; 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 on FFELP applies only if the funds are disbursed by electronic funds transfer (EFT) payment or master check. The notification can be in writing or electronic (per Title 34, Code of Federal Regulations, Section 668.165).

Initial Year Written: 2005 Status: Implemented  U.S. Department of Education
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Tarleton State University (University) sends a general notice electronically at the beginning of each term to all students receiving financial aid. This notice instructs students to review their individual accounts online for details regarding their awards and the dates and amounts of disbursements. However, the information provided when students access their accounts does not include notification of the right to cancel loans or disbursements and the procedures and time line for doing so.

For the award year 2004- 2005, the University disbursed \$30,735,871.88 through EFT payment for which the required notifications were not sent. The University did not make any disbursements by master check. The University does not participate in the Perkins Loan program.

Corrective Action:

Corrective action was taken.

**Texas A&M International University**

Reference No. 07-44

**Special Test and Provisions - Disbursements To or On Behalf of Students**

**Student Financial Assistance Cluster**

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

**Award number - Not applicable for CFDA 84.032 and CFDA 84.038**

**Type of finding - Reportable Condition Control and 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 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).

Initial Year Written: 2006  
Status: Implemented

U.S. Department of Education

Texas A&M International University (University) did not maintain evidence that it sent the required disbursement notifications within the specified timeframes.

Corrective Action:

Corrective action was taken.

## Texas A&M University

Reference No. 07-45

### Eligibility

#### Student Financial Assistance Cluster

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

**Award number - CFDA 84.038 Award Number Not Applicable, CFDA 84.032 Award Number Not Applicable**

**Type of finding - Reportable Condition Control and Non-Compliance**

The total amount a graduate or professional student may borrow for any academic year of study under the Stafford Loan Program, in combination with any amount borrowed under the Federal Direct Stafford/Ford Loan Program, may not exceed \$8,500 (Title 34, code of Federal Regulations, Section 682.204(5)). The maximum annual amount of Federal Perkins Loans and National Direct Student Loans an eligible undergraduate student may borrow is \$4,000 (Title 34, Code of Federal Regulations, Section 674.12).

Initial Year Written: 2006

Status: Implemented

U.S. Department of Education

Two judgmentally selected students received more than the annual limit of \$8,500 in subsidized loans. One of them received \$8,500 for the Fall and Spring semesters and then received an additional subsidized loan of \$6,467 for the Summer semester. The other student received \$148 in subsidized loans for the Fall semester and \$8,500 for the Spring semester (the \$8,500 loan was reduced in January to \$8,352, but it was guaranteed and disbursed for the full \$8,500).

Another judgmentally selected student received more than the annual limit of \$4,000 for a Perkins loan. The student was awarded a \$4,000 loan through a manual process for the Summer semester, and the counselor who awarded that loan was unaware that the student had received a disbursement of \$1,000 for the Spring semester.

The University has corrected the errors described above. For the first student, the University reclassified the subsidized loan of \$6,467 to an unsubsidized loan. For the second student, the University returned \$148 (the amount by which the annual subsidized loan limit had been exceeded) to the lender. For the third student, the University lowered the awarded amount for the summer to \$3,000 and awarded the difference as a Texas grant fund.

#### Corrective Action:

Corrective action was taken.

Reference No. 07-46

**Reporting**

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.038 Award Number Not Applicable**

**Type of finding - Reportable Condition Control and Non-Compliance**

To participate in the Federal Perkins Loan, Federal Work-Study, or Federal Supplemental Educational Opportunity Grant programs (collectively known as campus-based programs), an institution must file an application before the deadline date established annually by the U.S. Department of Education through publication of a notice in the *Federal Register* (Title 34, Code of Federal Regulations, Section 673.3). In addition, a *Fiscal Operations Report and Application to Participate* (FISAP) form must be submitted electronically via the Internet, and the combined signature page must be mailed to the appropriate office. The 2005-2006 FISAPs were required to be submitted by September 29, 2006 (*Federal Register*: March 27, 2006 [Volume 71, Number 58]).

Initial Year Written: 2006 Status: Implemented  U.S. Department of Education
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Institutions use the Fiscal Operations Report portion of the FISAP to report expenditures in the previous award year, and they use the Application to Participate portion of the FISAP to apply for the following year. Institutions must keep financial records that reflect all campus-based program transactions, and they must keep all records supporting the institution's application for campus-based funds. This documentation includes the applications and records of all students who applied for campus-based assistance for a specific award year and who were included on the institution's FISAP for that award year. The institution must keep general ledger control accounts and related accounts that identify each program transaction and must separate those transactions from all other institutional financial activity (*Federal Student Aid Handbook*, Volume 6, Chapter 1, Pages 6-2, 6-5, and 6-17).

In Part III, Section C of the FISAP, institutions report cumulative repayment information for Perkins loans. Auditors' tests of Part III of the FISAP for Texas A&M University (University) determined that the reported amounts lent to several categories of borrowers did not agree to underlying reports generated from the University's Campus Loan Manager (CLM) system.

According to University management, the amounts reported in Part III of the FISAP were based on earlier CLM reports that were run in July 2006. The software vendor subsequently modified CLM in September 2006 to correct a known reporting problem; however, management was unaware that this reporting problem also affected the column dealing with amounts lent to borrowers. As a result, the University reported inaccurate amounts for five categories of borrowers on its FISAP for the 2005-2006 award year. In the most extreme case, an amount was overstated by \$877,574, or 150 percent. The University submitted a corrected FISAP December 15, 2006.

Corrective Action:

Corrective action was taken.

Reference No. 07-47

**Special Tests and Provisions - Student Status Changes**

**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 - Reportable Condition Control and Non-Compliance**

Unless an institution expects to submit its next student status confirmation report to the 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
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Texas A&M University (University) uses the services of the National Student Clearinghouse (NSC) to report status changes to the National Student Loan Data System (NSLDS). One student graduated in spring 2006 but was still reported as being enrolled full-time to NSLDS because he was subsequently enrolled as a full-time graduate student. Another student graduated in fall 2005 but was reported as withdrawn on December 14, 2005, to NSLDS because he had no subsequent enrollment data and NSC concluded that he had withdrawn.

The University uses an automated program to report graduations to the NSC. It runs this program after graduation and six weeks later to capture any students who may have been missed. The program uses information from the University’s Student Information Management System (SIMS). To honor the University’s privacy policy, SIMS has a privacy feature that enables data elements to be blocked from being viewed or disseminated to anyone who is not performing official University business. The privacy flags are set by the student. The two students whose status changes were not reported correctly to NSLDS had placed a block on the graduation variable in SIMS, which caused the University’s automated program to exclude their records from the graduation report sent to NSC. As a result, students who graduated and who had privacy blocks on the graduation variable were not reported to NSLDS within the required 60-day time frame.

Corrective Action:

This finding was reissued as current year reference number: 08-46.



**Texas A&M University - Commerce**

Reference No. 06-44

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

**Student Financial Assistance Cluster**

**Award year - July 1, 2004 to June 30, 2005**

**Award number - Not Applicable for CFDA 84.032, CFDA 84.038, or CFDA 84.268**

**Type of finding - Reportable Condition Control and Material Non-Compliance**

If an institution credits a student's account at the institution with Direct Loan, Perkins, or Federal Family Education Loan Program (FFELP) funds, no earlier than 30 days before and no later than 30 days after crediting the student's account at the institution, the institution must notify the student or parent of (1) the date and amount of the disbursement and (2) the student's 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. The requirement of FFELP funds applies only if the funds are disbursed by electronic funds transfer payment or master check (per Title 34, Code of Federal Regulations, Section 668.165).

Initial Year Written: 2005  
Status: Partially Implemented  
  
U.S. Department of Education

Of the 40 disbursements tested at Texas A&M University - Commerce (University), none of the students received notification of the date and amount of award disbursement along with the right to cancel all or a portion of the loan. However, the University sends award letters instructing students to accept or reject the awarded amount within 14 days of the letter. The University also sends bulletins informing students that the University will begin disbursing assistance seven days before classes start. As reported in the Schedule of Expenditures of Federal Awards for 2004-2005, the University awarded \$26,989,199 in Direct loans, Perkins loans, and FFELP loans.

Recommendation:

The University should send notification within 30 days of disbursement to each student receiving assistance. These letters should include the date of disbursement, amount of disbursement, and an explanation of the right to cancel all or a portion of the loan.

Management Response and Corrective Action Plan 2005:

*In collaboration with the Student Accounts Manager, a plan has been developed to send a notification to students and parents when funds are disbursed to a student's account in accordance to 34CFR 668.165.*

Management Response and Corrective Action Plan 2006:

*Initiated e-mail notification process that provides students with the date/amount of disbursement and explains their right to cancel all or part of the loan. Notification is sent within 24 hours of processing.*

Management Response and Corrective Action Plan 2007:

*An e-mail notification process was implemented on March 31, 2006. A revised process was implemented on October 1, 2006. A revision was necessary since archived files were inadvertently deleted during the conversion from the IA PLUS computer system to the Banner computer system.*

*Implementation Date: October 1, 2006*

*Responsible Person: Dolly Lasater*

**Texas Engineering Experiment Station**

Reference No. 07-48

**Special Tests and Provisions - Key Personnel**

**Research and Development Cluster**

**Award year - All Award Years**

**Award number - All Grants**

**Type of finding - Reportable Condition Control**

For federal awards issued by the National Science Foundation (NSF), the grantee is required to send electronic notification to the grant management officer if the principal investigator or key personnel specifically named in the award agreements will withdraw from the project entirely, be absent from the project during any continuous period of 3 months or more, or reduce time devoted to the project by 25 percent or more from the level that was approved at the time of award.

NSF must approve any alternate arrangement proposed by the grantee, including any replacement of the principal investigator or key personnel named in the award agreements. (*NSF Grant Policy Manual*, Chapter 3.12; award agreements). Federal grantors other than NSF have similar requirements.

Initial Year Written: 2006  
 Status: Implemented  
  
 Federal Agencies that Provide  
 R&D Grants

The Texas Engineering Experiment Station does not have written policies or procedures to ensure that (1) principal investigators and other key personnel named in the notice of grant award are involved in the project or (2) it obtains approval for changes in the principal investigator or key personnel from the federal grantor. Although there are no written policies or procedures, audit testing did not identify any exceptions related to these requirements.

Corrective Action:

Corrective action was taken.

**Texas Higher Education Coordinating Board**

Reference No. 07-49

**Special Tests and Provisions - ED Form 799**

**Student Financial Assistance Cluster - Loan Servicing of Federal Family Education Loans**

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

**Award number - CFDA 84.032 Award Number Not Applicable**

**Type of finding - Reportable Condition Control and Non-Compliance**

For lenders to receive payments of interest benefits and special allowance, they must submit a quarterly *Lender's Interest and Special Allowance Request and Report* (LaRS report) to the U.S. Department of Education (Department). The LaRS report is also used to report origination fees collected on new loans. In addition, other information on the Federal Family Education Loan Program (FFELP) portfolio must be reported to assist the Department in proper management of the FFELP. Parts V and VI of the LaRS report contain information regarding the changes to the guaranteed loan balances during the quarter and the analysis of the status of ending balances of all applicable accounts, including past due accounts (*Compliance Audits [Attestation Engagements] For Lenders and Lender Servicers Participating in the Federal Family Education Loan Program*, Section II.1; Title 34, Code of Federal Regulations, Section 682.305(a); *Common Manual Unified Student Loan Policy*, Section A.3.B).

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

When performing compliance testing for due diligence in collection of delinquent loans, auditors determined that the Texas Higher Education Coordinating Board (Coordinating Board) incorrectly included loan amounts in Part VI of its quarterly LaRS reports for 18 of the 30 students tested. These students were not included on Coordinating Board's Past Due List, indicating that their loans were not in the current due diligence cycle. For these loans, no further collection efforts were required because a claim had already been paid, a suit had been filed, or the borrower was in bankruptcy. Loans that are not in the current due diligence cycle are not guaranteed. As a result, these loans should not have been reported. The loans were reported as a part of Coordinating Board's loans in repayment or in forbearance.

Similarly, when performing compliance testing related to loan portfolio analysis on Parts V and VI of the LaRS report, auditors determined that the Coordinating Board incorrectly included 3 of 30 loans tested on its LaRS report. In one case, the borrower had been in judgment status since 1983, while in the other two cases the borrowers had been in bankruptcy status since 1979. All three of these loans were incorrectly reported as guaranteed subsidized loans in repayment; however, they were no longer guaranteed, and no payments were received on them during the 2005-2006 award year.

Corrective Action:

This finding was reissued as current year reference number: 08-50.

Reference No. 07-50

**Special Tests and Provisions - Interest Benefits**

**Student Financial Assistance Cluster - Loan Servicing of Federal Family Education Loans**

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

**Award number - CFDA 84.032 Award Number Not Applicable**

**Type of finding - Reportable Condition Control and Non-Compliance**

The U.S. Department of Education (Department) pays interest benefits to lenders on behalf of eligible borrowers with subsidized FFELP loans (subsidized Stafford and certain consolidated loans) when such loans are in qualifying statuses. These statuses include the in-school loan period, the grace period, and any authorized deferment period or post-deferment grace period (Title 34, Code of Federal Regulations (CFR), Section 682.300). Generally, the Department's obligation to pay interest benefits to a lender ceases when the eligible borrower enters repayment status and does not qualify for deferment. Interest benefits to the lender also begin or terminate with certain other day-specific events enumerated in Title 34, CFR, Sections 682.300(b)(2) and (c).

Initial Year Written: 2006 Status: Implemented  U.S. Department of Education
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A lender requests payment of interest benefits by submitting a *Lender's Interest and Special Allowance Request and Report* (LaRS report) to the Department. Applicable loan interest rates are provided in Section 427 A (a)-(i) of the Higher Education Act. Interest benefits due to the lender may be calculated by using either the average daily balance or actual accrual methods as defined in Title 34, CFR, Sections 682.304(b) and (c). Adjustments for prior periods must be reported as separate line items.

For 7 of 30 FFELP loans reviewed, the Texas Higher Education Coordinating Board's (Coordinating Board) interest benefit calculations for the quarter ending December 31, 2005, used an incorrect ending date of December 30, 2005. As a result, interest benefits for the quarter were understated by one day's interest for each loan. This was a systematic error that also affected all other loans receiving interest benefits for that quarter.

Corrective Action:

Corrective action was taken.

Reference No. 07-51

**Special Tests and Provisions - Special Allowance Payments**

(Prior Audit Issues - 06-46, 06-47, and 06-48)

**Student Financial Assistance Cluster - Loan Servicing of Federal Family Education Loans**

**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**

Loan Balances Ineligible for Special Allowance Payments

The U.S. Department of Education (Department) pays a quarterly compensating special allowance to the lender/servicer on the average unpaid daily loan principal balances of eligible Federal Family Education Loan Program (FFELP) loans. The lender/servicer bills the Department on a quarterly basis for special allowance payments (SAP) through Part IV of the *Lender's Interest and Special Allowance Request and Report* (LaRS report). The lender/servicer must separate

Initial Year Written: 2005 Status: Partially Implemented  U.S. Department of Education
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loans according to loan type, applicable interest rate, and special allowance category, and the lender/servicer must provide the sum of average daily balances for each loan within these groups. The Department then calculates a special allowance per category. SAP categories are defined by the Department according to the type of loan; the date the loan was disbursed; the loan period; and, in some cases, the number of quarters for which the loan has been outstanding or the loan's status (in-school, grace, deferment, or repayment) (Title 34, Code of Federal Regulations, Section 682.302 (c)).

The lender/servicer also must report the status and balance of each FFELP loan held and make any adjustments to submissions covering earlier quarters. The Department's obligation to pay a special allowance for an eligible loan ends on the earliest of the following dates, as applicable: the date the loan is repaid; the date the lender receives a claim payment on the loan; the date the loan ceases to be guaranteed or loses its re-insurability; 60 days after the date the borrower defaulted on the loan, unless the lender files a claim with the guarantor before the 60th day; and other dates, as applicable, as outlined in Title 34, Code of Federal Regulations, Section 682.302(d).

The Texas Higher Education Coordinating Board (Coordinating Board) inappropriately reported and collected SAP on 319 loan disbursements that were ineligible for SAP due to their status. These included disbursements associated with borrowers who were deceased or in bankruptcy, or disbursements for which a claim had been filed. Specifically, auditors determined that the Coordinating Board inappropriately reported and collected SAP on:

- Two hundred eighty-seven loan disbursements (made to 90 borrowers) that were related to dischargeable bankruptcies that were no longer guaranteed. These loans had lost their guarantee because claims had not been filed in a timely manner. Auditors confirmed only that the Coordinating Board inappropriately reported and collected SAP on these loan balances in all four quarters for fiscal year 2006; however, it appears that the Coordinating Board has collected SAP on these loan balances every quarter since the bankruptcy filing dates, which date as far back as 1975. Auditors were unable to determine the amount of questioned costs associated with this issue. However, the total principal balance for these loans was \$203,028.78 on August 31, 2006.
- Thirty-one loan disbursements to 10 borrowers who died after the disbursements were made. Auditors confirmed only that the Coordinating Board inappropriately reported and collected SAP on these loan balances in all four quarters for fiscal year 2006; however, it appears that the Coordinating Board has collected SAP on these loan balances every quarter since the borrowers' deaths, which date as far back as 1976. Auditors were unable to determine the amount of questioned costs associated with this issue. However, the total principal balance for these loans was \$28,732.47 on August 31, 2006.

- One loan disbursement to a borrower when a claim had previously been filed on the disbursement on June 10, 1999. Auditors were unable to determine the amount of questioned costs associated with this issue. However, the total principal balance for this loan was \$706.18 on August 31, 2006.

Two of the 319 loan disbursements discussed above were incorrectly classified and reported in SAP category “XE EVAR” when they should have been assigned to the “XB” category. The category classifications depend on specifics such as source of loan funds, disbursement dates, and rates of interest.

#### Prior Period Adjustments

The Department pays a quarterly compensating special allowance to the lender/servicer on the average unpaid daily loan principal balances. The Coordinating Board, as the servicer, reports in Part IV of the quarterly ED Form 799 the average daily balance of those loans qualifying for the payment. The Coordinating Board must separate loans according to loan type, applicable interest rate, and special allowance category, and it must provide the sum of average daily balances for each loan within these groups. The Department then computes the special allowance payment per category during processing of the ED Form 799 (Title 34, Code of Federal Regulations, Section 682.304-305).

The Coordinating Board also reports prior period adjustments related to special allowance payments (SAP) in Part IV of the ED Form 799. These adjustments are also considered when the Department computes payments. The Coordinating Board uses a computer-generated report, the *Void Cure Special Allowances Adjustment Report*, to prepare the prior period adjustments.

For 2 of the 40 prior period adjustments tested, the Coordinating Board did not categorize the loan into the correct SAP category. These misclassifications were the result of errors in the automated program tables used to calculate prior period adjustments. These misclassifications do not appear to have resulted in any overpayments to the Coordinating Board. The Coordinating Board has corrected these errors in the automated tables.

For another 1 of the 40 prior period adjustments tested, the Coordinating Board input the incorrect violation or void date into the system used to create the *Void Cure Special Allowance Adjustment Report*. The violation date entered was before the issue date of the loan. As a result, an adjustment for this loan was not calculated or included on the ED Form 799. Special allowance payments should have been reduced by an additional \$94.85 when the third quarter prior period adjustments were prepared. The Coordinating Board indicated that this exception would be taken into account when preparing prior period adjustments in the next reporting cycle.

#### Corrective Action:

This finding was reissued as current year reference number: 08-51.

Reference No. 07-52

**Special Tests and Provisions - Student Status Changes**

(Prior Audit Issue - 06-45)

**Student Financial Assistance Cluster - Loan Servicing of Federal Family Education Loans**

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

**Award number - CFDA 84.032 Award Number Not Applicable**

**Type of finding - Reportable Condition Control and Non-Compliance**

The Texas Guaranteed Student Loan Corporation (TGSLC) and the National Student Clearinghouse (NSC) communicate student status changes to the Texas Higher Education Coordinating Board (Coordinating Board) on a weekly basis. The Coordinating Board downloads electronic files from TGSLC and NSC each week for processing. Processing includes reviewing the downloaded information for each student and determining whether the downloaded information is more accurate than the Coordinating Board's records. Occasionally, students or institutions will have already contacted the Coordinating Board directly with information. If it is determined that an update is necessary, the Coordinating Board staff manually input the change.

Initial Year Written: 2005 Status: Partially Implemented  U.S. Department of Education
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Federal regulations require that after the Coordinating Board is notified of a student status change, it must use that information to make proper adjustments to each loan in a timely manner. For purposes of this requirement, "timely" means adjustments are made in time to satisfy the time requirements outlined in Title 34, Code of Federal Regulations, Section 682.209, for converting and beginning the collection of loans. The accuracy of billings for interest benefits and special allowance payments, and the timely conversion of loans to repayment status, depend on the timely and accurate processing of student status changes.

Two of 50 student status changes tested at the Coordinating Board were not processed in a timely manner in accordance with regulations. In one instance, the data sheet from TGSLC was marked as "same," indicating that an update was not necessary; however, the student's separation date was different by one month when compared to the Coordinating Board's records. In the other instance, current information regarding the student's separation date was overlooked and not updated in the Coordinating Board's records.

Corrective Action:

This finding was reissued as current year reference number: 08-52.

Reference No. 07-53

**Special Tests and Provisions - Cures**

(Prior Audit Issue - 06-49)

**Student Financial Assistance Cluster - Loan Servicing of Federal Family Education Loans**

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

**Award number - CFDA 84.032 Award Number Not Applicable**

**Type of finding - Reportable Condition Control and Non-Compliance**

A lender requests payment of interest benefits and special allowance for eligible loans by billing the U.S. Department of Education (Department) at the end of each calendar quarter. The lender does this by submitting a *Lender's Interest and Special Allowance Request and Report* (LaRS report). A lender is prohibited from billing for federal interest benefits and special allowance payment on loans that are not eligible for federal reinsurance coverage. It is the lender's responsibility to repay immediately all federal interest benefits and special allowance payments on a loan that is, or was, ineligible to receive payments (*Common Manual, Unified Student Loan Policy, Appendix A.3*). A lender may have the guarantee on a loan reinstated by curing the applicable violation. Upon reinstatement of a loan's guarantee, the lender is again eligible to receive claim payments, interest benefits, and special allowance payments on the loan; the lender is ineligible to receive these payments from the date of the first unexcused violation to the date of the cure (*Common Manual, Unified Student Loan Policy, Section 14.5*).

Initial Year Written: 2005  
 Status: Partially Implemented  
  
 U.S. Department of Education

For 5 of 25 students we tested, the Texas Higher Education Coordinating Board (Coordinating Board) continued to bill for, and receive, special allowance payments (SAP) after an unexcused violation. The payments received between the violation date and the discovery of the violation date should have been rebated. These students were never identified and entered into the Void/Cure SQL server data file, which would have triggered the rebate and prevented the accrual of SAP.

Additionally, information supporting the pending cure amounts in the LaRS report was inaccurate:

- One student was listed as a pending cure, but the Coordinating Board's mainframe system indicated that the student's violation had been cured in 2004. This student should not have been included in the pending cures on the LaRS report.
- Three of the 25 students tested had paid their accounts in full, and they should not have been included in the pending cures on the LaRS report.
- The Coordinating Board's mainframe system contained incorrect void status and date information for 11 of the 25 students tested. Ten of the 11 should have been assigned a permanent void status in the system, and they should not have been included as pending cures on the LaRS report. The mainframe system contained incorrect void dates for 4 of the 11, and an incorrect void status for 9 of the 11.

**Corrective Action:**

This finding was reissued as current year reference number: 08-54.



**Texas State University - San Marcos**

Reference No. 07-54

**Special Tests and Provisions - Student Status Changes**

**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 - Reportable Condition Control and 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 institution, but the student 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: Implemented  
  
U.S. Department of Education

Texas State University - San Marcos (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).

The University did not report 5 of 40 student status changes tested within the required 60 days. Specifically:

- Two students' status changed from full-time to half-time, and the University reported the status changes to NSC after 54 days. However, NSLDS did not receive notification of those changes from NSC until 65 days after the changes occurred.
- Three students graduated, and the University reported the status changes to NSC after 23 days. However, NSLDS did not receive notification of those changes from NSC until 70 days after the changes occurred.

Corrective Action:

Corrective action was taken.

Reference No. 07-55

**Special Test and Provisions - Borrower Data Transmission and Reconciliation (Direct Loan)**

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.268 P06G03615201**

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

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) system within 30 days of disbursement (U.S. Office of Management and Budget control number 1845-0021). Each month, the COD system provides institutions with a School Account Statement (SAS) data file that consists of a Cash Summary, Cash Detail, and Loan Detail records (optional at the request of the institution). The institution is required to reconcile these files to its financial records. Because up to three Direct Loan program years may be open at any given time, institutions may receive three SAS data files each month (Title 34, Code of Federal Regulations, Sections 685.102(b), 685.301, and 303).

Initial Year Written: 2006 Status: Implemented  U.S. Department of Education
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Texas State University - San Marcos (University) did not reconcile, on a monthly basis, the School Account Statement to its financial records. According to the U.S. Department of Education, there is a \$58,451 difference between the amount of the University's cash draws and the amount of its net accepted and posted disbursements.

In addition, for 1 of the 50 students tested, the University did not report 1 disbursement via the COD system to DLSS within 30 days of disbursement.

Corrective Action:

Corrective action was taken.

**Texas Tech University**

Reference No. 06-50

**Reporting - Pell Payment Data**

**Student Financial Assistance Cluster**

**Award year - July 1, 2004 to June 30, 2005**

**Award number - CFDA 84.063 P063P042328**

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

Institutions submit Pell Grant origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) system. 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 they make 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. Federal rules specify that institutions may do this by reporting once every 30 calendar days, bi-weekly, or weekly; or they may set up their own systems to ensure that changes are reported in a timely manner.

Initial Year Written: 2005  
Status: Partially Implemented  
  
U.S. Department of Education

For the 2004- 2005 award year, Texas Tech University (University) had procedures for the submission of origination and disbursement records. However, the University did not follow these procedures in a timely manner. After the University became a full participant in using COD for the 2003–2004 award year, it had difficulties with the COD software. The software difficulties and resulting reconciliation issues were not resolved for the 2003–2004 award year until late in fall 2004, which delayed reporting for the majority of fall semester Pell payments for the 2004–2005 award year. Within a random sample of 40 students (which included 73 Pell grant disbursements), 41 disbursements (35 for the fall semester and 6 for the spring semester) were reported to COD more than 30 days after the University made the payments to the students. Thirty-six of the 40 students tested had late submissions. However, auditors noted that the required data elements for both disbursement and origination records were properly included in the transmission files. The University awarded \$12,515,495 in Federal Pell Grants assistance during the 2004–2005 award year per the Fiscal Operations Report and Application to Participate (FISAP).

Recommendation:

The University should investigate Pell grant submissions with resulting COD error codes of "055" (which mean that submission of information occurred more than 30 days after the University made the payment to the student) to ensure that it makes corrections to enable it to submit information within the required time frame.

Management Response and Corrective Action Plan 2005:

*Texas Tech University's Office of Student Financial [Aid] will work closely with our IT personnel to identify in a timely fashion records which were not properly originated.*

*Texas Tech University's Office of Student Financial Aid will submit grant origination files to the U.S. Department of Education's Common Origination and Disbursement (COD) system every 15 days beginning February 1, 2006, for each open award period.*

*During the implementation phase of the Student Financial Aid Banner 7.0 system scheduled for Fall 2007, we will work to ensure that all federal reporting requirements are addressed.*

*Management Response and Corrective Action Plan 2006:*

*During the implementation phase of the Student Financial Aid Banner 7.0 system scheduled for Fall 2007, we will work to ensure that all federal reporting requirements are addressed.*

*Management Response and Corrective Action Plan 2007:*

*Our corrective action plan includes:*

- *Texas Tech University's Office of Student Financial will work closely with our IT personnel to identify in a timely fashion records which were not properly originated.*
- *Texas Tech University's Office of Student Financial Aid will submit grant origination files to the U.S. Department of Education's Common Origination and Disbursement (COD) system every 15 days beginning February 1, 2006, for each open award period.*

*IT has been running reconciliation files every 30 days since September 15, 2005, and weekly submissions since March 3, 2006. TTU Office of Financial Aid has added access to COD online for additional staff to allow for real-time adjustments and corrections. When COD Monitoring letters are received, the TTU Office of Financial Aid has addressed potential POP issues within 48 hours of receipt of the letter.*

- *During the implementation phase of the Student Financial Aid Banner 7.0 system scheduled for Spring 2009, we will work to ensure that all federal reporting requirements are addressed.*

*Implementation Date: Becky Wilson*

*Responsible Person: Spring 2009*

**Department of Transportation**

Reference No. 07-40

**Special Tests and Provisions - Sampling Program**

**Highway Planning and Construction Cluster**

**Award year - Various - Project Based**

**Award number - Federal apportionment pursuant to the Safe, Accountable, Flexible, Efficient Transportation**

**Equity Act: A Legacy for Users (SAFETEA-LU) Public Law 109-59**

**Type of finding - Reportable Condition Control**

The Department of Transportation (TxDOT) utilizes the SiteManager system to monitor their quality assurance program related to the sampling and testing of construction projects to ensure that material and workmanship generally conform to approved plans and specifications (23 CFR 637.205) for the Highway Planning & Construction Cluster. The SiteManager development team has access to migrate changes to the production environment. Developers do not require this access since deployment is the responsibility of the Windows System Administrators. There is also no process in place to review all changes moved to production to verify that changes were migrated appropriately. In addition, one terminated employee's user ID with administrative access to the production servers was not disabled timely.

Initial Year Written: 2006

Status: Implemented

U.S. Department of Transportation

No compliance exceptions were noted during the review of 30 sampling results for the program noted above. These transactions were documented in accordance with the quality assurance sampling plan.

Corrective Action:

Corrective action was taken.

## University of Houston

Reference No. 07-56

### Eligibility

#### Student Financial Assistance Cluster

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

Award number - CFDA 84.007 P007A054166

Type of finding - Reportable Condition Control and Non-Compliance

In determining awards for Federal Supplemental Educational Opportunity Grants (FSEOG), an institution must first select students with the lowest expected family contributions (EFC) who also receive Pell grants in that year. If the institution has FSEOG funds remaining after giving FSEOG awards to all the Pell grant recipients, it must award the remaining FSEOG funds to those eligible students with the lowest expected family contributions who will not receive Pell grants (Title 34, Code of Federal Regulations, Section 676.10).

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

The University of Houston's (University) student financial aid packaging system awards FSEOG based on an EFC range, without regard to other Pell grant eligibility requirements. As a result, the University awarded \$3,600 in FSEOG funds to 4 students of 50 tested when those 4 students did not also receive Pell grants. This conflicted with federal regulations because other students who had received Pell grants were not awarded FSEOG. Specifically, 18 of 27 students tested received Pell grants but they did not receive FSEOG.

The circumstances related to the four students who received FSEOG but did not receive Pell grants were as follows:

- Two students were not eligible for Pell grants based on their enrollment status.
- One student was not eligible for a Pell grant based on his EFC, but he was incorrectly awarded FSEOG due to a manual error during the summer packaging process.
- One student did not receive a Pell grant because of conflicting information regarding class status (graduate or undergraduate) for the student.

According to its Schedule of Expenditures of Federal Awards, the University awarded \$1,561,839.95 in FSEOG grants during the 2005-2006 award year.

#### Corrective Action:

This finding was reissued as current year reference number: 08-73.

Reference No. 07-57

**Reporting - Pell Payment Data**

(Prior Audit Issues 06-52, 05-47, and 04-48)

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.063 P063P052333**

**Type of finding - Reportable Condition Control and Non-Compliance**

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) system. 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, bi-weekly, or weekly, or they may set up their own systems to ensure that changes are reported in a timely manner.

Initial Year Written: 2003  
Status: Implemented

U.S. Department of Education

For 41 of 50 students tested, the University of Houston (University) reported incorrect disbursement dates to the COD system. This resulted from a programming error in vendor software that used the incorrect loan primary disbursement dates for the first Pell disbursements of each semester, instead of the dates the awards were disbursed to students.

In addition, for 27 of 50 students tested, the University did not report disbursement records to the COD system within 30 calendar days of the disbursement date. Twenty-five of these instances were related to August 13, 2005, disbursement records that were not reported to COD until September 15, 2005. This issue resulted from the University's transition to an automated process to report Pell information to the COD system, and the first report submission using the new process was delayed because of several aborted attempts between August 31, 2005, and September 15, 2005. For the remaining two instances, the University did not load the acknowledgement from the COD system back into its financial aid system in a timely manner.

The total amount of Pell Grants the University disbursed for the award year was \$23,739,222.

Corrective Action

Corrective action was taken.

Reference No. 07-58

**Special Tests and Provisions - Student Status Changes****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 - Reportable Condition Control and Non-Compliance**

Unless an institution expects to submit its next student status confirmation report to the 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).

The University did not report 14 of the 40 student status changes tested within the required 60 days. Changes were reported as follows:

- Two students were suspended in Spring 2006. The University submitted the changes to NSC in Fall 2006, but the changes were not received by NSLDS or the lender.
- Two students went from full-time to half-time, and the University reported the changes to NSC within 25 days. However, NSLDS did not receive notification of those changes from NSC until 118 to 240 days after the changes occurred.
- Four students graduated in Spring 2006, and the University reported those changes to NSC within 40 days after the change. However, NSLDS did not receive notification of those changes from NSC until 73 to 78 days after the changes occurred.
- Four students were suspended at the end of Fall 2005, and the University reported those changes to NSC within 47 days after the change. However, NSLDS did not receive notification of those changes from NSC until 96 days after the changes occurred.
- Two students withdrew from the University. The University reported those changes to NSC within 47 days after the change. NSLDS did not receive notification of one of the changes from NSC. The other change was reported to NSLDS 96 days after it occurred.

**Corrective Action:**

This finding was reissued as current year reference number: 08-74.



Reference No. 06-54

**Cash Management**

**Research and Development Cluster**

**Award year - August 1, 2003, to November 30, 2004; December 1, 2004, to November 30, 2005**

**Award number - CFDA 16.560 G088539 G090038**

**Type of finding - Reportable Condition Control and Non-Compliance**

The Cash Management Improvement Act of 1990 (CMIA), as amended, Section 205.12, requires that funds drawn be fully expended within three days of draw. The University of Houston (Houston) has selected the reimbursement method of cash management, which helps to ensure that the three-day requirement is met. Under this method, draw amounts should be based upon expended amounts. The reimbursement method also helps to ensure that the University complies with individual research and development grants that require the reimbursement method.

Initial Year Written: 2005  
Status: Implemented

Federal Agencies that Provide  
R&D Grants

Under the reimbursement method, draw amounts should be based upon disbursed amounts. However, the University's draw amounts are based on a weekly report from its financial system that includes accruals (expenses incurred but not paid), and the University does not monitor the draw requests to identify and remove amounts that have not been paid. Therefore, the University does not always meet the three-day requirement or the requirements of reimbursement grants.

For example, the University accrues month-end payroll entries around the 20th of the month and pays them on the first business day of the following month. Because the process to calculate the federal draw amount is run on a weekly basis and is based on the date payroll posts to the general ledger (which may be before payroll is disbursed), it is possible for draw amounts to include payroll amounts not yet disbursed. In one such instance, although payroll expenses were paid within three days of receipt of the federal funds, the draw did not comply with the grant agreement, which specified reimbursement funding.

Prior to May 2005, the University had a prompt payment policy that allowed but did not require payments from non-state funds (including federal funds) to be immediately scheduled for payment. In May 2005, the University modified this policy to begin requiring that all expenses from non-state funds be scheduled for payment immediately upon entry into the accounts payable system. However, this policy was not enforced effectively. For two of 15 federal draws tested, there were transactions that were paid more than three days after the University received the reimbursement. One of these draws was made after implementation of the new policy.

Audit tests were based on samples; therefore, auditors did not determine the extent to which accrued expenses were drawn and not expended within three days.

Corrective Action:

Corrective action was taken.

## University of Houston - Clear Lake

Reference No. 06-57

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

#### Student Financial Assistance Cluster

Award year - July 1, 2004 through June 30, 2005

Award number - CFDA 84.038 5013G520011 and Award Number Not Applicable for CFDA 84.032

Type of finding - Material Weakness Control and Non-Compliance

#### Notification of Disbursements

If an institution credits a student's account at the institution with a Federal Perkins Loan and/or a Federal Family Education Loan Program (FFELP) loan, no earlier than 30 days before and no later than 30 days after crediting a student's account at the institution, 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 on FFELP loans applies only if the funds are disbursed by electronic funds transfer payment or master check. The notification can be in writing or electronic (per Title 34, Code of Federal Regulations, Section 668.165).

Initial Year Written: 2005  
Status: Implemented  
U.S. Department of Education

The University of Houston - Clear Lake (University) uses postcards to notify students of FFELP and Perkins disbursements, but not all required information is included on those postcards. Specifically, the date and amount of the disbursement are not included. In addition, the University does not have a process to (1) ensure that all students and parents were notified or (2) track the notifications it sends. According to the schedule of federal awards for the year ended August 31, 2005, the University disbursed \$29,520,996.44 in FFELP loans and \$84,959 in Perkins loans during the 2004–2005 fiscal year.

#### Payment of Credit Balances within 14 Days

If a financial aid disbursement to a student's account at an institution creates a credit balance that includes federal funds, the institution must pay the credit balance directly to the student or parent as soon as possible, but no later than 14 days after the later of:

- The date the balance occurred in the student's account, if the balance occurred after the first days of class of a payment period.
- The first day of classes of the payment period if the credit balance occurred on or before the first day of class of that payment period (per Title 34, Code of Federal Regulations, Section 668.164[e]).

For 2 of 47 disbursements tested at the University, checks to the student or parent were not refunded within the 14-day time frame as required when a disbursement of financial assistance created a credit balance. In one instance, the student had prior term charges. The student was allowed to register and enroll in the current semester with prior term charges on the student's account; however, a refund was not released until those charges had been cleared. This transaction occurred one day after the prior term charges were cleared but two months after the funds were originally credited to the student's account. The other exception noted pertained to a student's refund that was released one month after the University posted funds to the student's account. The refund was not released within the required 14 days because the University's Business Office will not generate a refund check if it is greater than \$10,000.

Returning Funds to the Lender

An institution is required to return funds to the lender in 10 business days after the date the institution is required to disburse the funds (per Title 34, Code of Federal Regulations, Section 668.167[b][2]). For one of five sample items tested, the University did not return funds to the lender within the required 10 business days. In this instance, funds were returned to the lender three months after the University received the funds.

Corrective Action:

Corrective action was taken.

## University of Houston - Downtown

Reference No. 07-59

### Eligibility

#### Student Financial Assistance Cluster

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

Award number - CFDA 84.007 P007A054118

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

In determining awards for Federal Supplemental Educational Opportunity Grants (FSEOG), an institution must give priority to students with the lowest expected family contributions (EFC) who also receive Pell Grants in that year (Title 34, Code of Federal Regulations, Section 676.10).

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

An institution is not in compliance with the U.S. Higher Education Act, as amended, and FSEOG regulations if it awards FSEOG funds on a first-come, first-serve basis or arbitrarily sets expected EFC benchmarks (or cut-offs) below which it selects FSEOG recipients. Such a practice could exclude eligible students from the FSEOG award process (U.S. Department of Education's 2005 - 2006 *Student Financial Aid Handbook*, Volume 3, Chapter 5).

The University of Houston - Downtown (University) awarded FSEOG funds totaling \$51,734 (26 percent of available FSEOG funds) to only 14 of 776 students who received Pell Grants and who also had EFCs of \$0. It awarded the remaining \$148,531 in FSEOG funds (74 percent of available FSEOG funds) to Pell Grant recipients who did not have the lowest EFCs. As a result, many Pell Grant recipients with the greatest financial need did not receive FSEOG assistance that should have been provided to them.

The University reported in the Schedule of Expenditures of Federal Awards that it awarded \$425,425 in FSEOG grants during fiscal year 2006.

### Recommendation:

In determining FSEOG awards, the University should give priority to Pell Grant recipients who have the lowest EFCs.

### Management Response and Corrective Action Plan 2006:

*The University of Houston-Downtown will award FSEOG to Pell recipients with the lowest to the highest EFC beginning with those students who meet the financial aid priority deadline and will continue to do so with each packaging run thereafter.*

*Although the University had instances of awarding FSEOG to students without the lowest EFC within a packaging run, all students who received FSEOG awards did receive Pell awards (as noted by the auditors), and were otherwise eligible to receive FSEOG awards.*

### Management Response and Corrective Action Plan 2007:

*The University of Houston- Downtown has implemented a packaging procedure that award FSEOG to those students with the lowest (0) EFC prior to awarding any other Pell eligible students FSEOG. All students awarded FSEOG for the 2007-08 award year have a 0 EFC.*

*Implementation Date: June 7, 2007*

*Responsible Person: Robert Sheridan*

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
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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.*

*Implementation date: January 2007*

*Responsible Person: Robert Sheridan*

## University of North Texas

Reference No. 07-61

### Cash Management

#### Student Financial Assistance Cluster

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

Award number - CFDA 84.063 P063P052293

#### Type of finding - Reportable Condition Control and Non-Compliance

The U.S. Department of Education (Department) provides funds to an institution either under the advance, reimbursement, just-in-time, or cash monitoring payment methods. Under the reimbursement payment method, the institution must make disbursements to students and parents for the amount of funds those students and parents are eligible to receive under Federal Pell Grant, Direct Loan, and campus-based programs before it may seek reimbursement from the Department for those disbursements. The Department considers an institution to have made a disbursement if the institution has either credited a student's account or paid a student or parent directly with its own funds (Title 34, Code of Federal Regulations, Section 668.162).

Initial Year Written: 2006

Status: Implemented

U.S. Department of Education

The University of North Texas (University) uses the reimbursement method. For one of 15 cash draws tested, the University requested and received \$672.93 more than the amount of funds it disbursed to students as of the draw date. Although the University's general ledger transaction detail supported the amount of the cash draw, five transactions within the detail were in error and were not reflected as disbursements in the students' accounts. According to University management, four of the five transaction errors occurred because of system errors during the payment application process. These transactions were all credit amounts that totaled -\$1,352.07. The remaining error was the result of a duplicate posting in the general ledger for an excess of \$2,025 posted to a student's account. The cumulative amount of funds requested as of the draw date was still below the authorized award amount. The University identified all errors and made required adjustments to the general ledger when it prepared its final Pell reconciliation in October 2006.

#### Corrective Action:

Corrective action was taken.

Reference No. 07-62

**Reporting - Pell Payment Data**

(Prior Audit Issue - 06-58)

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.063 P063P052293**

**Type of finding - Reportable Condition Control and Non-Compliance**

Institutions submit Pell origination records and disbursement records to the U.S. Department of Education's Common Origination and Disbursement (COD) System. 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, bi-weekly, or weekly, or they may set up their own systems to ensure that changes are reported in a timely manner.

Initial Year Written: 2005  
Status: 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). The types of costs included in the Pell budget are the same as those for the other Federal Student Aid programs; however, Pell costs are always based on the costs for a full-time student for a full academic year (*Federal Student Aid Handbook*, Volume 3, Chapter 2, page 3-21).

For the 2005-2006 award year, the University of North Texas (University) did not submit its first Pell disbursement report until September 20, 2005. This occurred because of the delayed implementation of modifications to the PeopleSoft Human Resources module, which is shared with the Financial Aid module and is used for Pell reporting. Initial Pell disbursements dated before August 21, 2005, were not reported until September 20, 2005, which exceeded the 30-day reporting requirement. Ten of 43 students selected for review had disbursement dates falling on August 18, 2005 or August 19, 2005, but that information was not submitted within 30 days of disbursement. University management was aware of this delay, and these issues were resolved prior to the audit.

In addition, for 7 of 43 students tested, the University reported a cost of attendance to the COD system that was not based on the costs of a full-time student for a full academic year. Specifically:

- For three of these students, University management attributed the discrepancies to manual errors that caused the cost of attendance to be prorated for less than full-time enrollment status.
- For four of the students, University management attributed the discrepancies to a system calculation error that caused the cost of attendance to be inflated in one of the terms of enrollment. According to management, the manufacturer is aware of the system error that caused the erroneous calculation of the Pell cost of attendance and has developed a tool to correct it.

The Pell grant awards and payments to the seven students were not affected by the incorrect cost of attendance reported to COD.

According to the Schedule of Expenditures of Federal Awards for fiscal year 2006, the University awarded \$17,128,253 in federal Pell Grants.

Corrective Action:

Corrective action was taken.

Reference No. 07-63

**Special Tests and Provisions - Verification**

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.063 P063P052293**

**Type of finding - Reportable Condition Control and 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: 2006 Status: Implemented  U.S. Department of Education
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The University of North Texas (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. 07-64

**Special Tests and Provisions - Verification**

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.063 P063P052293**

**Type of finding - Reportable Condition Control and Non-Compliance**

The primary factors considered in determining whether a student is eligible for federal financial assistance are cost of attendance (COA) and expected family contribution (EFC). The EFC is the amount a student and his or her family are expected to pay for educational expenses, and it is determined based on financial information provided by the student and parent(s) on the Free Application for Federal Student Aid (FAFSA). The information on the FAFSA is subject to verification (Title 34, Code of Federal Regulations, Sections 668.51, 668.52, and 668.56).

Initial Year Written: 2006 Status: Implemented  U.S. Department of Education
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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, Code of Federal Regulations, Section 668.56).

For the 2005-2006 award year, the University of North Texas (University) did not properly verify required items on the FAFSAs for 3 of 50 students tested. Auditors identified the following specific errors:

- One student listed \$1,177 for student income taxes paid on his FAFSA, but his tax forms listed \$0 taxes paid. During the verification process, the University noted \$0 taxes paid on the independent verification statement, but it did not initiate a change to the FAFSA information in its Enterprise Information System (EIS). This student's EFC based on the \$1,177 taxes paid was \$430, but the correct EFC based on \$0 taxes paid was \$559. Because of the error in the EFC, the University over-awarded the student \$100 in Pell Grant assistance.
- One student listed \$0 for untaxed income on her FAFSA, but her dependent verification statement listed \$1,846.20 in payments to a tax-deferred pension (a worksheet B item). During the verification process, the University noted the worksheet B item on the independent verification statement, but it did not initiate a change to the FAFSA information in EIS. This student's EFC based on the \$0 in worksheet B was \$3,055, but the correct EFC based on the \$1,846.20 in payments to a tax-deferred pension was \$3,512. Because of the error in the EFC, the University over-awarded the student \$500 in Pell Grant assistance.
- One student listed \$8 for student income taxes paid on his FAFSA, but his tax forms listed \$0 in taxes paid. During the verification process, the University noted \$0 taxes paid on the dependent verification statement, but it did not initiate a change to the FAFSA information in EIS. The student's EFC was not affected by this error and, therefore, there was no change in Pell Grant eligibility.

Corrective Action:

Corrective action was taken.

Reference No. 07-65

**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 84.063 P063P052293, CFDA 84.007 P007A054085, CFDA 84.032 Award Number Not Applicable, CFDA 84.038 Award Number Not Applicable**

**Type of finding - Reportable Condition Control and Non-Compliance**

If a student is enrolled in a credit-hour educational program that is offered in semester, trimester, or quarter academic terms, the earliest an institution may disburse Title IV, Higher Education Act program funds to a student or parent for any payment period is 10 days before the first day of classes for a payment period. The earliest an institution may disburse the initial installment of a loan under the Direct Loan program or Federal Family Education Loan Program (FFELP) to a first-year, first-time borrower is 30 days after the first day of the student's program of study (Title 34, Code of Federal Regulations, Sections 682.604(c), 685.303(b)(4), and 668.164).

Initial Year Written: 2006 Status: Implemented  U.S. Department of Education
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The University of North Texas (University) disbursed loan funds earlier than 10 days prior to the first day of classes for 21 of 104 disbursements tested (104 disbursements to 50 students). The University input the wrong date in its Enterprise Information System (EIS), which resulted in the automated disbursement of loan funds one day earlier than allowed. The error resulted in the early disbursement of all awards that were packaged and authorized prior to the initial disbursement for the Fall 2005 semester.

Corrective Action:

Corrective action was taken.

**University of North Texas Health Science Center at Fort Worth**

Reference No. 07-66

**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 84.038 Award Number Not Applicable, CFDA 84.032 Award Number Not Applicable**

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

Disbursing Title IV, Higher Education Act Program Funds

If a student is enrolled in a credit-hour educational program that is offered in semester, trimester, or quarter academic terms, the earliest an institution may disburse Title IV, Higher Education Act (HEA) program funds to a student or parent for any payment period is 10 days before the first day of classes for a payment period. The earliest an institution may disburse the initial installment of a loan under the Direct Loan program or Federal Family Education Loan Program (FFELP) to a first-year, first-time borrower is 30 days after the first day of the student's program of study (Title 34, Code of Federal Regulations, Section 668.164).

Initial Year Written: 2006 Status: Implemented  U.S. Department of Education
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The University of North Texas Health Science Center at Fort Worth (Health Science Center), disbursed loan funds 11 days in advance of the first day of classes for 37 of 40 students tested. This occurred because the Health Science Center populated the “Disbursement Date” field in the financial aid system’s Disbursement ID table with incorrect dates.

Requesting FFELP Funds

An institution may not request that a lender provide it with loan funds by electronic funds transfer (EFT) or master check earlier than 27 days after the first day of classes of the first payment period for a first-year, first-time Federal Stafford Loan Program borrower; or 13 days before the first day of classes for any subsequent payment period for a first-year, first-time Federal Stafford Loan Program borrower or for any payment period for all other Federal Stafford Loan Program borrowers. An institution may not request that a lender provide it with loan funds by check requiring the endorsement of the borrower earlier than the first day of classes of the first payment period for a first-year, first-time Federal Stafford Loan Program borrower; or 30 days before the first day of classes for any subsequent payment period for a first-year, first-time Federal Stafford Loan Program borrower or for any payment period for all other Federal Stafford borrowers (Title 34, Code of Federal Regulations, Section 668.167).

The Health Science Center requested Federal Stafford Loan Program funds from lenders earlier than 13 days in advance of the first day of classes for all 39 students tested. This occurred because the Health Science Center populated the “Loan Request Date” field in the financial aid system’s Disbursement ID table with incorrect dates.

Returning Funds to a 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 EFT or master check on or after July 1, 1999, or 30 days after the institution receives the funds if a lender provides those funds by a check payable to the borrower or copayable to the borrower and the institution (Title 34, Code of Federal Regulations, Section 668.167).

For 6 of 39 students tested, the Health Science Center held funds for longer than the maximum number of days allowed before disbursing them.

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 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 fund transfer payment or master check. The notification can be made in writing or electronically (Title 34, Code of Federal Regulations, Section 668.165).

The Health Science Center did not send the required disbursement notifications to all 37 students tested. Although the Health Science Center did not send the notifications, students have the ability to view the details and status of their financial aid through their online accounts maintained by the Health Science Center.

Corrective Action:

Corrective action was taken.

Reference No. 06-60

**Procurement and Suspension and Debarment**

**Research and Development Cluster**

**Award year - Multiple**

**Award number - All Grants with Procurement**

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

Federal rules require that, when a non-federal entity enters into a covered transaction that is expected to equal or exceed \$25,000 with an entity at a lower tier, the non-federal entity must verify that the entity at the lower tier is not suspended, debarred, or otherwise excluded from federal contracts. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the U.S. General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

Initial Year Written: 2005 Status: Implemented
Federal Agencies that Provide R&D Grants

The University of North Texas Health Science Center at Fort Worth (Health Science Center) does not have policies or procedures for verifying that vendors are not suspended and debarred. The Health Science Center has an automated process that compares its vendor list with the Texas Building and Procurement Commission's (TBPC) listing of ineligible bidders. However, this process is not effective because TBPC's list of ineligible vendors does not identify vendors that are suspended or debarred from federal contracts. The Health Science Center's invitation to bid includes a statement that bidders are required to certify they are eligible to receive the contract according to Texas Government Code, Section 2155.004. However, this code section does not relate to federal suspension and debarment. There is no process for comparing Health Science Center vendors to the EPLS maintained by the GSA, nor is there a suspension and debarment certification clause that vendors must sign.

Of 30 purchase orders tested, 6 exceeded \$25,000. None of these six purchase orders contained suspension and debarment certifications. The EPLS indicated that none of these six vendors was suspended or debarred.

Corrective Action:

Corrective action was taken.

## The University of Texas at Austin

Reference No. 07-67

### Eligibility

#### Student Financial Assistance Cluster

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

**Award number - CFDA 84.038 Award Number Not Applicable, CFDA 84.032 Award Number Not Applicable**

**Type of finding - Reportable Condition Control and Non-Compliance**

The total amount an undergraduate student may borrow for any academic year of study under the Stafford Loan Program, in combination with any amount borrowed under the Federal Direct Stafford/Ford Loan Program, may not exceed \$5,500. An institution also is responsible for determining whether prorated loan limits are applicable and how annual loan limits must be prorated. For a student who (1) is enrolled in an academic program of study which is at least one academic year, (2) has successfully completed at least two years of the program, and (3) has less than a full academic year remaining, the maximum amount the student may borrow for the remaining period is \$5,500 multiplied by a ratio determined by the number of final hours enrolled for the remaining period, divided by the hours in an academic year (Title 34, code of Federal Regulations, Section 682.204(a) (3)(i) and (ii)).

Initial Year Written: 2006  
Status: Implemented

U.S. Department of Education

The maximum annual amount of Federal Perkins Loans and National Direct Student Loans an eligible undergraduate student may borrow is \$4,000, and maximum annual amount for a graduate or professional student is \$6,000 (Title 34, Code of Federal Regulations, Section 674.12(a)).

Auditors tested a judgmental sample of 30 students at the University of Texas at Austin (University) and determined that:

- Twenty-nine students in the sample received Stafford loans. One of those students (an undergraduate) received loan amounts that exceeded the prorated limit. This student received \$5,084 in subsidized Stafford loans and \$416 in unsubsidized Stafford loans for a total of \$5,500 for the Summer 2006 semester, her last semester before graduation. However, those awards should have been prorated based on hours enrolled for the Summer 2006 semester divided by hours for an academic year. The Stafford loans awarded to this student exceeded the annual prorated limit by \$3,142.86.
- Six students in the sample received Perkins loans. Three of those students received loan amounts that exceeded the annual limit:
  - One undergraduate student received \$8,000 in Perkins loans for the award year, which exceeded the annual limit by \$4,000. The University corrected this over-award during fieldwork, and reversed a \$4,000 Perkins award and replaced it with a Texas Public Education Grant.
  - One undergraduate student received \$7,780 in Perkins loans for the award year, which exceeded the annual limit by \$3,780. The University corrected this over-award during fieldwork and reversed a \$4,000 Perkins award and replaced it with a Texas Public Education Grant.
  - One professional student received \$9,000 in Perkins loans for the award year, which exceeded the annual limit by \$3,000. The University corrected this over-award during fieldwork and reversed a \$3,000 Perkins award and replaced it with a Texas Public Education Grant.

According to the Schedule of Expenditures of Federal Awards for fiscal year 2006, the University awarded \$14,380,251 in Perkins loans and \$205,033,070 in Federal Family Education Loans.

#### Corrective Action:

Corrective action was taken.

Reference No. 07-68

**Special Tests and Provisions - Verification**

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.063 PO63PO52336**

**Type of finding - Reportable Condition Control and Non-Compliance**

The primary factors considered in determining whether a student is eligible for federal financial assistance are cost of attendance (COA) and expected family contribution (EFC). The EFC is the amount a student and his or her family are expected to pay for educational expenses, and it is determined based on financial information provided by the student and parent(s) on the Free Application for Federal Student Aid (FAFSA). The information on the FAFSA is subject to verification (Title 34, Code of Federal Regulations, Sections 668.51, 668.52, and 668.56).

Initial Year Written: 2006

Status: Implemented

U.S. Department of Education

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, Code of Federal Regulations, Section 668.56).

The University of Texas at Austin (University) participates in the Quality Assurance Program (QAP) designed by the U.S. Department of Education. Under the QAP, participating institutions develop and implement a quality improvement approach to federal student assistance program administration and delivery. The QAP provides participating institutions with an alternative management approach to develop verification that fits their population. As a part of the quality improvement for the verification process, the University's policy requires verifying wages and income exclusions in addition to all of the items required by Title 34, Code of Federal Regulations, Section 668.56.

For the 2005-2006 award year, the University did not properly verify required items on the FAFSAs for 4 of 30 students tested. The following specific errors were identified:

- One student reported no parental untaxed income on the FAFSA, but auditors' review of verification documents identified \$3,936 in the student's parents' Social Security benefits. In addition, the student reported a \$2,500 income exclusion on the FAFSA, but the verification documents confirmed a \$0 income exclusion. The University neither corrected this information nor submitted data corrections to the U.S. Department of Education's central processor (central processor). The corrections would not have resulted in a change to the student's EFC and, therefore, his eligibility for Title IV assistance was not affected.
- One student reported \$649 on the FAFSA worksheet A, but the verification documents listed \$1,000 in an additional child tax credit, which is classified as a worksheet A item. In addition, the student reported a \$1,000 income exclusion on the FAFSA, but the verification documents confirmed a \$0 income exclusion. The University neither corrected this information nor submitted data corrections to the central processor. The EFC based on the \$1,000 income exclusion and without the child tax credit was \$70. The correct EFC based on the \$0 income exclusion and with the child tax credit was \$145. This resulted in the University over-awarding the student \$100 in Pell Grant assistance. The University awarded the student a total of \$4,000 in Pell Grant assistance.
- One student reported \$1,895 in parents' taxes paid on the FAFSA, but the verification documents confirmed \$0 in parents' taxes paid. The University neither corrected this information nor submitted data corrections to the central processor. The EFC based on \$1,895 in parents' taxes paid was \$2,359. The correct EFC based on \$0 in parents' taxes paid was \$2,783. This resulted in the University over-awarding the student \$400 in Pell Grant assistance. The University awarded the student a total of \$1,700 in Pell Grant assistance.

- After completing the verification process for one student, the University corrected the student's information and submitted corrections to the central processor. Specifically, it made corrections for \$10,356 in untaxed benefits, \$70,143 in income from a pension distribution, and a \$0 income exclusion. Auditors' review of the verification documents indicated that the following corrections should have been made: \$1,553 in untaxed benefits, \$0 in income from a pension distribution, and a \$500 income exclusion. The EFC based on the University's corrections was \$27,287. The correct EFC based on corrections auditors identified was \$8,804. This resulted in a potential increase in the student's unmet financial need from \$0 to \$5,200. However, for scholastic reasons, the student was not eligible for non-need based assistance.

Corrective Action:

Corrective action was taken.

Reference No. 07-69

**Matching**

(Prior Audit Issues - 06-63, 05-57, 04-53, 03-09, and 02-48)

**Research and Development Cluster**

**Award year - Multiple**

**Award number - All Grants with Matching Requirements**

**Type of finding - Reportable Condition Control**

Non-federal entities may be required to share in the cost of research either on an overall entity or individual award basis. The specific program regulations, general agency award guidance, or individual federal award will specify matching requirements, if applicable (Office of Management and Budget Circular A-133 Compliance Supplement, Part 5, Section G).

<p>Initial Year Written: 2001  Status: Partially Implemented</p> <p>Federal Agencies that Provide  R&amp;D Grants</p>
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The University of Texas at Austin (University) administers its research and development programs through two offices: (1) the Office of Sponsored Projects and (2) Grants and Contracts. The principle investigator is directly responsible for the research and provides necessary information to those two offices. Information related to matching requirements is loaded into the Research Management System (RMS). The information loaded into RMS includes cost share type (effort, cash, in-kind, or other), amount, and commitment type (mandatory or voluntary).

The University continues to develop its capability to track and enforce matching requirements specified in award documents. The University has improved its process so that it can now determine average matching obligations for a specific award year (calculated by dividing the matching requirement by the number of award years). Auditors determined that controls were operating effectively to provide reasonable assurance that matching requirements were entered into RMS and periodically certified by project staff.

RMS classifies commitment types as either voluntary or mandatory. However, during the initial population of the RMS data fields related to matching, if the classification was not immediately clear, University staff initially designated awards with any type of matching obligation as mandatory. Although this practice does not affect the University's compliance with matching requirements, it makes it difficult to identify all awards for which matching is truly mandatory. Additionally, the University entered incorrect matching requirements into RMS for 1 of 15 project award records reviewed. Management determined that the error occurred because the original entry was based on an estimate, but that estimate was not updated with the final matching requirement when that was determined later in the award process.

Corrective Action:

This finding was reissued as current year reference number: 08-80.



Reference No. 06-61

**Special Tests and Provisions - Return of Title IV Funds**

**Student Financial Assistance Cluster**

**Award year - July 1, 2004 to June 30, 2005**

**Award numbers - CFDA 84.007 P007A044173, CFDA 84.063 P063P042336, CFDA 84.038 P038A044173, CFDA 84.033 P033A044173**

**Type of finding - Reportable Condition Control and Non-Compliance**

When a student who receives Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the student began attendance, the institution must determine the amount of Title IV assistance the student earned as of the withdrawal date. If the total amount of Title IV assistance earned is less than the amount that was disbursed 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 (per Title 34, Code of Federal Regulations, Section 668.22[a][1]-[3]).

Initial Year Written: 2005 Status: Implemented  U.S. Department of Education
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The amount of earned Title IV grant or loan assistance is calculated by (1) determining the percentage of Title IV grant or loan assistance that the student has earned and (2) applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student's withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of 60 percent of the payment period. The unearned amount of Title IV assistance to be returned is calculated by subtracting the amount of Title IV assistance the student earned from the amount of Title IV assistance that was disbursed to the student as of the date of the institution's determination that the student withdrew (per Title 34, Code of Federal Regulations, Section 668.22[e]).

The withdrawal date is (1) the date that the student began the withdrawal process prescribed by the institution; (2) the date that the student otherwise provided official notification to the institution, in writing or orally, of his or her intent to withdraw; or (3) if the student ceases attendance without providing official notification to the institution of his or her withdrawal, the midpoint of the payment period or, if applicable, the period of enrollment (per Title 34, Code of Federal Regulations, Section 668.22 [c] and [d]).

The University of Texas at Austin (University) does not have a process to review students who received all failing grades each semester to determine whether any of those students (1) effectively withdrew by not attending classes and (2) provided no official notification to the University of their withdrawal.

If students with all failing grades stopped attending classes, the effective withdrawal date would have been the midpoint of the payment period, at 50 percent completion; therefore, this situation would have required the University to return unearned Title IV funds. Auditors did not test students with all failing grades to determine whether they had actually withdrawn because the University did not provide lists of students per semester with all failing grades until after audit work was completed.

The University reported in the Schedule of Expenditures of Federal Awards that it awarded \$230,321,317.27 in federal financial assistance to students during 2004-2005.

Corrective Action:

Corrective action was taken.

## University of Texas at Dallas

Reference No. 06-66

### Eligibility

#### Student Financial Assistance Cluster

Award year - July 1, 2004 to June 30, 2005

Award numbers - CFDA 84.063 P063P043234, CFDA 84.033 P033A044174, CFDA 84.038 P038A044174, CFDA 84.007 PP007A044174

#### Type of finding - Reportable Condition Control

As noted in Chapter 2, Volume 3 of the *Federal Student Aid Handbook* for the 2004-2005 award year, the cost of attendance (or budget) is the cornerstone of establishing a student's financial need because it sets a limit on the total aid that a student may receive. The federal Higher Education Act, Section 472, specifies the types of costs that are included in the cost of attendance, but an institution must determine the appropriate amount to include for each category of students at the institution.

Initial Year Written: 2005  
Status: Implemented  
U.S. Department of Education

In the process of testing eligibility at the University of Texas at Dallas (University), auditors requested a cost of attendance budget from the Financial Aid Office, which is responsible for preparing student financial assistance packages. As test work progressed, it was determined that in some cases, the budget in the University's financial aid system did not agree with the budget provided. The Financial Aid Office was unable to provide an adequate explanation for how it arrived at the budget it used to make student awards for the 2004-2005 academic year, and auditors were unable to determine whether the amounts in the system, which the Financial Aid Office used in determining financial aid awards, were appropriate. University management reported that it used an internally-developed budget that is submitted to the Higher Education Coordinating Board (Coordinating Board) each year. However, for six of eight relevant categories of students, the budgets submitted to the Coordinating Board did not match the budgets recorded in the University's financial aid system. University management could not provide explanations for these differences.

In testing eligibility, auditors used the cost of attendance budgets recorded in the financial aid system and found no exceptions. However, if the amounts submitted to the Coordinating Board had been used, some students may have been eligible for larger awards because the cost of attendance figures submitted to the Coordinating Board were larger than the cost of attendance budgets used by the Financial Aid Office. It is important to note that factors other than cost of attendance, such as availability of funds within the University and lifetime award history of each student, affect the size of student awards. Therefore, auditors could not conclusively determine whether additional student financial assistance would have been awarded in these cases.

The University reported in the Schedule of Expenditures of Federal Award for 2004-2005 that it awarded \$48,594,294 in federal financial assistance.

#### Corrective Action:

Corrective action was taken.

**University of Texas Health Science Center at Houston**

Reference No. 06-68

**Cash Management**

**Research and Development Cluster**

**Award year - Multiple**

**Award number - All Grants**

**Type of finding - Material Weakness Control**

The requirements of the Cash Management Improvement Act of 1990 (CMIA) are designed to minimize the time that elapses between the transfer of funds to recipients from the U.S. Treasury and the issuance or redemption of checks, warrants, or other payments by the recipient. To help ensure that it meets these requirements, the University of Texas Health Science Center at Houston (Health Science Center) requests the majority of the federal funds it is awarded from the U.S. Department of Health and Human Services on a weekly, cost-reimbursement basis. The Health Science Center's Post Award Finance Team (PAFT) is responsible for computing the drawdown amount based on the prior week's expenditures.

Initial Year Written: 2005  
Status: Implemented  
  
Federal Agencies that Provide R&D Grants

Internal policy requires that, before submitting a request for federal funds, the drawdown must be reviewed and approved by a PAFT team member other than the individual who computed the draw amount. However, the Health Science Center does not appear to have effectively implemented this control procedure. For 5 of the 37 federal cash drawdowns tested, the Health Science Center could not provide any evidence that the PAFT calculation review and approval occurred.

Three drawdowns also were not calculated entirely on a cost-reimbursement basis and, as a result, the amounts drawn exceeded paid expenditures. However, the Health Science Center expended those funds within the three-day requirement in Section 205 of the CMIA.

In addition, when auditors requested the documentation necessary to test the PAFT's review and approval of the cash drawdowns, the Health Science Center provided an altered drawdown document. The sign-off date on the drawdown summary page, which is supposed to be evidence of approval, was whited out on the document and an earlier date was written in.

The Health Science Center states that, during preparation for this audit, one of its PAFT employee's compiled information requested by the auditors and sought to correct documents that lacked signatures or dates. The Health Science Center responded specifically to the altered drawdown documentation described above by stating that the information in the original document had been validated but was not originally signed by the reviewer. Prior to providing the unsigned document to auditors, the document was signed with the incorrect date and then subsequently corrected.

Corrective Action:

Corrective action was taken.

Reference No. 06-69

**Procurement and Suspension and Debarment**

**Research and Development Cluster**

**Award year - September 6, 2004 to May 31, 2005**

**Award number - CFDA 93.859 5P50GM038529**

**Type of finding - Reportable Condition Control and Non-Compliance**

Institutions of higher education, hospitals, and other non-profit organizations are required to follow procurement procedures that conform to applicable federal laws and regulations and standards identified in Office of Management and Budget (OMB) Circular A-110. These laws and regulations require that files document the significant history of the procurement, that procurements provide full and open competition, and the performance of appropriate cost or price analyses to support procurement actions, including contract modifications.

Initial Year Written: 2005  
 Status: Implemented  
  
 Federal Agencies that Provide  
 R&D Grants

The University of Texas Health Science Center at Houston (Health Science Center) was unable to locate 2 of 50 procurement files auditors selected for testing. As a result, auditors were unable to determine whether those two procurements, with a total value of \$17,000, were made in accordance with the requirements of OMB Circular A-110 described above.

Corrective Action:

Corrective action was taken.

Reference No. 06-70

**Subrecipient Monitoring**

**Research and Development Cluster**

**Award year - September 1, 2004 to August 31, 2005; June 1, 2004 to May 31, 2005; September 30, 2004 to September 29, 2005; September 27, 2004 to July 31, 2005**

**Award number - CFDA 93.273 5R01AA013642, CFDA 93.856 5R01AI046556, CFDA 93.867 5U10EY12471, CFDA 93.389 1R25RR020543**

**Type of finding - Reportable Condition Control and Non-Compliance**

Pass-through entities must ensure that each subrecipient expending \$500,000 or more in federal awards during the subrecipient's fiscal year has met the audit requirements of Office of Management and Budget Circular A-133. The University of Texas Health Science Center at Houston (Health Science Center) requires that each subrecipient submit an A-133 audit certification statement or a copy of its audit before the subrecipient agreement is executed.

Initial Year Written: 2005  
 Status: Implemented  
  
 Federal Agencies that Provide  
 R&D Grants

Three of 50 subrecipient files tested did not contain A-133 audit certification statements or other evidence that the required A-133 audits were performed. In one additional instance, the Health Science Center incorrectly accepted a certification from a school district claiming exemption from the A-133 audit requirement. Information on the Federal Audit Clearinghouse Web site (<http://harvester.census.gov/sac>) indicated that all four subrecipients had completed the required audits and had "no findings." However, in the first three instances, the Health Science Center did not follow its policy to obtain subrecipient A-133 audit certifications prior to executing the subrecipient agreement, and it could not provide any evidence that these three subrecipients' audit results had been received or verified by the Health Science Center prior to the auditors' request for this information.

Corrective Action:

Corrective action was taken.

**University of Texas Health Science Center at San Antonio**

Reference No. 07-70

**Allowable Cost/Cost Principles**

**Research and Development Cluster**

**Award year - 2006**

**Award number - All grants awarded from the National Institutes of Health**

**Type of finding - Reportable Condition Control**

Appropriated funds for the National Institutes of Health, the Agency for Healthcare Research and Quality, and the Substance Abuse and Mental Health Services Administration shall not be used to pay the salary of an individual, through a grant or other extramural mechanism, at a rate in excess of Executive Level I (Public Law 109-149, U.S. Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2006, Section 204). The Executive Level I annual salary rate was \$180,100 for the period January 1 through December 31, 2005. Effective January 1, 2006, the Executive Level I salary level increased to \$183,500 (NOT-OD-06-031, Salary Limitation on Grants, Cooperative Agreements, and Contracts).

Initial Year Written: 2006  
Status: Implemented  
  
National Institutes of Health

The University of Texas Health Science Center at San Antonio (Health Science Center), has implemented a monitoring plan related to employee effort reporting. For each semi-annual time and effort certification period, the Health Science Center selects a sample of employees and tests compliance with several time and effort requirements, including the National Institutes of Health (NIH) salary cap. However, for the first certification period of fiscal year 2006 (September 1, 2005, through February 28, 2006), the Health Science Center tested compliance with the NIH salary cap by comparing the employee's semi-annual salary and effort to the annual NIH salary cap. As a result, the Health Science Center did not identify employees who exceeded the NIH salary cap for the six-month period.

The Health Science Center became aware of this error before the second certification period of fiscal year 2006 was complete. The time and effort monitoring process for the second certification period of fiscal year 2006 was performed using the correct salary cap amount.

Corrective Action:

Corrective action was taken.

Reference No. 07-71

**Equipment and Real Property Management**

**Research and Development Cluster**

**Award year - Not Applicable (control finding related to institutional policy only)**

**Award number - Not Applicable (control finding related to institutional policy only)**

**Type of finding - Reportable Condition Control**

The recipient's property management standards for equipment acquired with federal funds and federally-owned equipment shall require that equipment records be maintained accurately and include the location and condition of the equipment. Additionally, equipment owned by the federal government shall be identified to indicate federal ownership (Office of Management and Budget Circular A-110, Subpart C, 34.f).

Initial Year Written: 2006  
Status: Implemented  
  
Federal Agencies that provide  
R & D Grants

The University of Texas Health Science Center at San Antonio (Health Science Center) has a policy that requires all new equipment costing \$5,000 and above and all State Comptroller-defined controlled items costing \$500.00-\$4,999.99 be tagged with an inventory number and placed on the official inventory records (*Handbook of Operating Procedures*, Chapter 6, General Policy 6.3.1).

Seven of the 49 equipment items tested at the Health Science Center did not have the asset identification tag affixed to the property. The total cost of these seven items was \$102,643.90.

Two of the 52 equipment items tested were not located in the building to which the asset management system record indicated they were assigned. The Health Science Center located both items and corrected its property records. The total cost of these two items was \$12,155.00.

Corrective Action:

Corrective action was taken.

Reference No. 07-72

**Procurement and Suspension and Debarment**

**Research and Development Cluster**

**Award year - August 15, 2000 to June 30, 2005 and February 1, 2006 to January 31, 2007**

**Award number - CFDA 93.389 1C06RR015521-01 and CFDA 93.853 5U01NS038529-07**

**Type of finding - Reportable Condition Control and Non-Compliance**

Federal rules require that, when a non-federal entity enters into a covered transaction that is expected to equal or exceed \$25,000 with an entity at a lower tier, the non-federal entity must verify that the entity at the lower tier is not suspended, debarred, or otherwise excluded from federal contracts. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the U.S. General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. (Office of Management and Budget Circulars A-102, Grants and Cooperative Agreements with State and Local Governments, Section 1.d and A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Subpart B.13; Executive Orders 12549 and 12689, Debarment and Suspension; Title 45, Code of Federal Regulations, Part 76, Governmentwide Debarment and Suspension).

Initial Year Written: 2006 Status: Implemented
Federal Agencies that Provide R&D Grants

The University of Texas Health Science Center at San Antonio (Health Science Center) has a procurement policy that requires vendors to complete a debarment certification form if they participate in the bid or proposal process involving federal funds in the amount of \$25,000 or more.

For 2 of the 17 procurement files tested, the Health Science Center did not obtain the required suspension and debarment certifications. Auditors reviewed the EPLS and determined that the vendors were not suspended or debarred.

Corrective Action:

Corrective action was taken.

Reference No. 07-73

**Procurement and Suspension and Debarment**

**Research and Development Cluster**

**Award year - December 5, 2004 to November 30, 2006; April 1, 2005 to March 31, 2006; August 1, 2005 to July 31, 2006**

**Award number - CFDA 93.837 1R01HL076312-01A1, CFDA 93.859 5R01GM071011-02, CFDA 93.847 5R01DK067690-03, CFDA 93.397 5P30CA054174-16**

**Type of finding - Reportable Condition Control and Non-Compliance**

Institutions of higher education, hospitals, and other non-profit organizations are required to follow procurement procedures that conform to applicable federal laws and regulations and standards identified in Office of Management and Budget (OMB) Circular A-110. These laws and regulations require that files document the significant history of the procurement, that procurements provide full and open competition, and the performance of appropriate cost or price analyses to support procurement actions, including contract modifications.

Initial Year Written: 2006 Status: Implemented  Federal Agencies that provide R & D Grants
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The University of Texas Health Science Center at San Antonio (Health Science Center) has a policy that requires the documentation of bidding or proprietary purchases greater than \$5,000.

Three of the 40 procurement files tested did not contain bidding documentation to verify the presence of full and open competition or documentation supporting the rationale to limit competition (sole-source or sole-brand purchases). All three files contained a letter indicating the Health Science Center's policy regarding requests for quotations had been temporarily suspended for purchase orders costing less than \$15,000 because of an increase in the volume of purchases to be processed at the end of the fiscal year. The suspension of the Health Science Center's policy created conflicts with federal regulations related to purchases with federal funds.

For 1 of 40 procurements tested, the Health Science Center issued a request for bids (RFB), but the RFB named a particular brand of product in the specifications. The Health Science Center did not retain justification for the decision to sole-brand this purchase as required by its internal purchasing procedures.

The total value of the four procurements discussed above was \$138,932.91. Procurements for which there is not full and open competition reduce the likelihood that the Health Science Center obtains the best value for the use of federal funds.

**Corrective Action:**

Corrective action was taken.

## University of Texas M.D. Anderson Cancer Center

Reference No. 05-60

### Allowable Costs

(Prior Audit Issue - 02-30)

#### Research and Development Cluster

**Award Year - Multiple**

**Award Number - Multiple**

**Type of finding - Non-Compliance**

Prior to fiscal year 2004, the University of Texas M.D. Anderson Cancer Center (M.D. Anderson) used the plan confirmation method as its effort reporting system, which is an acceptable method under OMB Circular A-21 (A-21). However, as M.D. Anderson is recognized as a hospital, the cost principles set forth in "A Guide for Hospitals", Office of Assistant Secretary Comptroller (OASC-3) should be followed. The plan confirmation method is not included as an acceptable method under OASC-3.

Initial Year Written: 2001  
Status: Implemented

U.S. Department of Health and  
Human Services

OASC-3 requires that, for members of the professional staff, current and reasonable estimates of the percentage distribution of their total effort may be used as support in the absence of actual time records. In order to qualify as current and reasonable, estimates must be made no later than one month after the month in which the services were performed. Estimates determined before the performance of services, such as budget estimates on a monthly, quarterly, or yearly basis do not qualify as estimates of effort spent. (45 CFR 74, App. E, IX B7)

Prior to August 1995, M.D. Anderson had prepared their indirect cost proposals in accordance with OMB Circular A-21, which were approved by Department of Health and Human Services (DHHS). However in August 1995, DHHS informed M.D. Anderson that they were recognized as a hospital and should be utilizing the DHHS cost principles and procedures as set forth in OASC-3. At that time, M.D. Anderson was in the midst of implementing the plan confirmation system, which was in accordance with OMB Circular A-21.

In the summer of 1995, M.D. Anderson representatives met with DHHS officials in Washington, DC to discuss M.D. Anderson's continued use of the plan confirmation method. Since 1995, M.D. Anderson has prepared and submitted its yearly cost proposals in accordance with OASC-3, which have been approved by DHHS with no objections related to M.D. Anderson's continued use of the plan confirmation effort certification method.

In July 2000, M.D. Anderson sent a letter to DHHS requesting the consideration of a change to OASC-3, as it is being revised, to include alternative effort reporting methodologies consistent with OMB Circular A-21. This letter again advised DHHS that M.D. Anderson was using the plan confirmation effort certification method. Additionally, this letter included background and procedural attachments related to M.D. Anderson's plan confirmation certification. To date, M.D. Anderson has not received a response from DHHS.

During fiscal year 2004, M.D. Anderson altered their time and effort reporting to an after-the-fact confirmation effort certification method. M. D. Anderson required each member of the professional staff to complete the after-the-fact confirmation certification on a quarterly basis. This effort reporting system is acceptable under OASC-3 but completion of the certifications quarterly does not meet OASC-3's required timeframe of monthly. Approximately \$69,242,000 in salary and benefit expense was charged to the research and development cluster during fiscal year 2004.

#### Corrective Action:

Corrective action was taken.



Reference No. 05-61

**Procurement and Suspension and Debarment**

**Research and Development Cluster**

**Award year - Multiple**

**Award number - Multiple**

**Type of finding - Reportable Condition Control and Material Non-Compliance**

Under federal rules in effect prior to November 26, 2003, contractors receiving individual awards for \$100,000 or more and all subrecipients must certify that the organization and its principals are not suspended or debarred. Effective November 26, 2003 (per the Federal Register, Vol. 68, No. 228/ Wednesday, November 26, 2003/ Rules and Regulations), the threshold was decreased to \$25,000 and the verification may be accomplished by (1) checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity.

Initial Year Written: 2004  
Status: Implemented

Federal Agencies that Provide  
R&D Grants

Our audit procedures found that the University of Texas M.D. Anderson Cancer Center did not have any controls in place to identify the change in procurement threshold. Therefore, they were not verifying that the vendors between \$25,000 and \$100,000 after November 26, 2003 were not suspended or debarred. Subsequent to November 26, 2003, there was \$3,693,501 of purchase orders received between the amounts of \$25,000 and \$100,000. Upon review of the EPLS, none of the vendors were suspended or debarred.

In addition, institutions of higher education shall use procurement procedures that conform to applicable Federal law and regulations and standards identified in OMB Circular A-110. Specifically, the U.S. Department of Health and Human Services requires the following with regard to procurement (45CFR 92.36):

- Verify the contract file documents the significant history of the procurement.
- Verify the procurements provide full and open competition.
- Verify that contract files exist and ascertain if appropriate cost or price analysis was performed in connection with procurement actions, including contract modifications and that this analysis supported the procurement action.
- Verify that the awarding federal agency approved procurements exceeding \$100,000 when such approval was required. Generally procurements (1) awarded by noncompetitive negotiation, (2) awarded when only a single bid or offer was received, (3) awarded to other than the apparent low bidder, or (4) specifying a “brand name” product may require prior federal awarding agency approval.

Of the 30 items selected for compliance procedures, 11 files with expenditures in the amount of \$264,771 did not have documentation of formal bids, sole sourcing, or price/cost analysis. In addition, the University of Texas M.D. Anderson Cancer Center does not have any procedures in place to determine if approval from the awarding agency is necessary. There were two vendors with contracts for \$558,368 that exceeded the \$100,000 threshold individually.

Corrective Action:

Corrective action was taken.

Reference No. 05-62

**Reporting**

**Research and Development Cluster**

**Award year - Multiple**

**Award number - Multiple**

**Type of finding - Reportable Condition Control and Material Non-Compliance**

45CFR74.52 requires that the following forms be used for obtaining financial information from subrecipients: SF 269 (Financial Status Report) and PMS 272 (Report of Federal Cash Transactions). NIH Grants Policy Statement (3/01 and 2/03, revised) - Part II, Terms and Conditions of NIH Grant Awards, financial or expenditure reporting is required as documentation of the financial status of grants and is accomplished using the Financial Status Report (FSR). The FSR is required on an annual basis, submitted for each budget period, unless the grant is under the Streamlined Non-competing Award Process (SNAP) in which case in lieu of the annual FSR, NIH will use the quarterly SF 272, to monitor the financial aspects of the grant. All non-SNAP NIH grants are required to file an annual SF 269.

Initial Year Written: 2004  
 Status: Partially Implemented  
  
 Federal Agencies that Provide  
 R&D Grants

Our audit procedures found that the University of Texas M.D. Anderson Cancer Center did not have a control in place to ensure that the Non-SNAP NIH grants were meeting the annual reporting requirements. In addition, five of the 13 U.S. Department of Army grants were not included in the reporting due date matrix that is the primary control to ensure that reports are prepared and submitted timely. Reports that were submitted were found to agree to support documentation. In our sample of 40 grants, the following discrepancies were noted:

- The annual FSR report was not prepared for eight of the 27 NIH grants tested.
- The FSR report was not completed timely for two NIH grants.
- The PMS 272 report was not completed in accordance with due date requirements for 13 of 13 U.S. Department of Army grants.

Corrective Action:

This finding was reissued as current year reference number: 08-84.

Reference No. 05-64

**Subrecipient Monitoring**

**Research and Development Cluster**

**Award year - Multiple**

**Award number - Multiple**

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

M.D. Anderson is required by OMB Circular A-133, Section .400, to monitor subrecipients to ensure compliance with Federal rules and regulations, as well as the provisions of the contracts or grant agreements. M.D. Anderson's subrecipient monitoring procedures include a standardized contract, risk assessment process, site visits, close out procedures, and OMB Circular A-133 audit report reviews. According to OMB Circular A-133, M.D. Anderson must assure that subrecipients expending Federal funds in excess of \$500,000 have an OMB Circular A-133 Single Audit performed and provide a copy to M.D. Anderson, which should include any necessary management corrective actions. M.D. Anderson's total payments to subrecipients for fiscal year 2004 were approximately \$9,290,000.

Initial Year Written: 2004 Status: Implemented  Federal Agencies that Provide R&D Grants
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In our sample of 50 subrecipients, the following discrepancies were noted:

- Required award identification information (i.e., CFDA title and number, award name, name of federal agency, and applicable compliance requirements) was not included in 16 files.
- The OMB Circular A-133 Certification Form notifying the University of Texas M.D. Anderson Cancer Center if the subrecipient was required to have an OMB Circular A-133 audit was not available for 15 subrecipients.
- Risk assessments were not performed on 13 subrecipients.
- Close out procedures had not been performed within 90 days for six subrecipients.
- There was no site visit or any other monitoring procedures for 26 subrecipients.
- Reviews were not performed on OMB Circular A-133 reports submitted for 32 subrecipients.
- Contract agreement or modification document could not be located, therefore the budget period or first date of disbursement could not be determined for five files.

Corrective Action:

Corrective action was taken.

## University of Texas Medical Branch at Galveston

Reference No. 06-71

### Allowable Costs/Cost Principles

### Cash Management

### Matching

### Period of Availability

### Reporting

### Research and Development Cluster

Award year - 2005

Award number - All Research and Development Grants

Type of finding - Material Weakness Control and Non-Compliance

Recipients of federal awards are required to have financial management systems that (1) accurately disclose the financial results of each federally-sponsored project or program; (2) identify adequately the source and application of funds for federally-sponsored activities; and (3) provide effective control over and accountability for all funds, property, and other assets (per OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Section \_21).

Initial Year Written: 2005  
Status: Partially Implemented  
Federal Agencies that Provide  
R&D Grants

In September of 2003, the University of Texas Medical Branch at Galveston (Medical Branch) implemented a new accounting system, converting from a mainframe to a complex database system. In the subsequent periods, the Medical Branch began to identify a number of problems with the system implementation. Of particular concern were problems with one module of the database system. This module is the basis for billing the federal government for research and development grants. It also contains information, such as the agreed-upon F&A (facilities and administration or indirect cost) rate and base for each grant, used to allocate costs among the various Medical Branch accounts. The Medical Branch was also experiencing problems with its time and effort reporting.

Subsequently, the Medical Branch contracted with an external specialist to identify the nature and extent of the compliance and operational problems with the system implementation. The Medical Branch expects that process to be complete in December 2006.

The Medical Branch's inadequate planning for and management of its financial management systems represents an overall control weakness in the accounting for federal programs and noncompliance with Uniform Administrative Requirements. During the audit period (fiscal year ended August 31, 2005), Medical Branch management did not know the full effect of the implementation problems on its accounting for federal programs, which represents a material weakness in management's controls over research and development programs. The compliance requirements most affected by these controls are Allowable Costs/Cost Principles, Cash Management, Matching, Period of Availability, and Reporting requirements.

In the third quarter of fiscal year 2005, the Medical Branch implemented a manual control to detect and correct any salary payments in excess of the limits set by the National Institutes of Health (NIH), which funds many of the Medical Branch's research and development programs. However, this control does not appear to be effective. It was not possible to determine within a reasonable amount of time the extent of noncompliance or whether there were questioned costs, but auditors identified at least two instances when the control did not detect overpayment of salary for the quarter tested.

On December 6, 2005, the Medical Branch advised the National Institutes of Health (NIH), which funds many of the Medical Branch's research and development programs, of compliance issues related to this system conversion. Among the issues specifically identified were billings, cost allocation, and noncompliance with NIH salary caps.

The Medical Branch reported total expenditures of \$129,600,257 for the research and development cluster in the Schedule of Expenditures of Federal Awards in the fiscal year ended August 31, 2005.

Recommendation:

To help ensure that the Medical Branch's financial management system conforms to Uniform Administrative Requirements and can be relied upon for the management and reporting of sponsored programs, the Medical Branch should continue its efforts to identify and correct system problems that affect the accounting for its federal programs.

Management Response and Corrective Action Plan 2005:

*Senior leadership at the Medical Branch is actively involved in the ongoing operational changes necessary to achieve research compliance, including resolution of system problems, accuracy of Time and Effort reporting, and integration of key operational areas which may affect the accounting for its federal programs. Efforts were initiated in August 2004 that led to an upgrade in July 2005 of the database system; the upgrade resolved the majority of the technical issues encountered with the system implementation. Additionally, specific projects addressing grants administration operational and accounting issues were initiated in November 2004 and continue at this time. In November 2005, an integrated team of senior leaders began an effort to strengthen our infrastructure and foundation to support our expanding research enterprise. Many corrective actions have already been taken, including reviewing and refreshing, a variety of policies and operating procedures during the early months of FY 2006.*

*A manual review and reconciliation was undertaken to scrutinize all Time & Effort entries for FY 2005, including approximately 4,500 worksheets detailing certification periods by individual. Secondary reviews of this data resulted in identification of improvements that could be made in the reconciliation process and these are being retrospectively incorporated into the FY 2005 review. The manual reconciliation process will continue for all periods until an automated system can be implemented for management of Time & Effort. Accountability for accurate entry of Time and Effort will be re-emphasized and continues to be the responsibility of each individual at all levels of involvement with the system. A mandatory, comprehensive training program for all those entering and/or reconciling time is being implemented in March 2006 to reinforce the Time & Effort guidelines.*

*Due to the complex nature of the issues and database systems we continue to monitor and refine our processes. Senior leadership is committed to providing effective control over and accountability for all federally sponsored activities. We will provide the status of our corrective actions to address this finding at the next quarterly audit finding update.*

Management Response and Corrective Action Plan 2006:

*During the initial install of PeopleSoft training for the end-user and the processing areas was not emphasized. There was a deficiency in knowledge about how information flowed through the various modules. A highly integrated, de-centralized system was rolled out to campus without adequate training and changes to existing business processes. In addition, numerous module-specific customizations were programmed. These customizations negatively impacted other modules because of the integrated nature of the system. Since the original install (version 8.4), an upgrade (version 8.8) has been installed. During the upgrade many of the previous customizations were removed and a rigorous systems implementation approach was used. A priority focus of the upgrade was the training of the end user and processing units. The training is ongoing and expanding today.*

*In addition to the training, a “help-desk” was established. The help desk is staffed with employees who previously worked in processing units, thereby making them functionally and technically knowledgeable. The help-desk also maintains a list of module specific ‘subject matter experts’ who also serve as a source of expertise.*

*UTMB has conducted a significant review of its PeopleSoft financial system through various projects. The “Balance Forward” project entailed reloading the balances that existed at the time of conversation then applying 30 months of transactions to compare against the production database. The variance was .003%. The results of this project established a high level of confidence in our financial system.*

*Staging reports have been developed to identify errors within the billing system. The reports are validated prior to initiating a draw. Templates have been created as a mechanism of standardizing the worksheets supporting financial reports. Additional staff is being hired to increase productivity, new processes are being implemented to increase accuracy and analysis is being done to reconcile and confirm balances within the system. Communications continue with Federal sponsors.*

*Other projects included a review of the contract limit (spending authority) conducted for all UTMB awards to assure that we could not inadvertently draw more than the value of any given award and implementation of a mechanism for stopping all expenditures on the research account while still allowing for revenue and adjustments, if applicable, related to the final report to be processed.*

*The 100% reconciliation of effort to salary expense is continuing from its inception (FY 2005) through the current period. This reconciliation process will continue until a new software program has been implemented that integrates with the PeopleSoft Human Capital Management system. Review of FY 2005 for all salary cap salaries has been performed and any necessary adjustments have been made.*

*Mandatory training for the research community is ongoing for Time & Effort and Financial Responsibility. Through a variety of targeted courses, the entire research community involved in these two areas will be trained by August 31, 2006.*

*Management Response and Corrective Action Plan 2007:*

*Research Services continues to enhance the identification and improvement of financial systems that support federal programs. Quality control reports are developed for currently identified issues. Additionally, there is an increased awareness of the need to identify and update review and monitoring processes for potential future items. System problems previously identified have been corrected and review/monitoring activities are being implemented to ensure correction of items on a timely basis. Additionally, an effort reporting risk assessment has been completed and is under review. A new effort reporting information system is being implemented.*

*Implementation Date: December 31, 2007*

*Responsible Person: William New*

Reference No. 06-73

**Procurement and Suspension and Debarment**

**Research and Development Cluster**

**Award Year - March 1, 2004 to February 28, 2005 and September 30, 2003 to March 31, 2009**

**Award Number - CFDA 93.853 NIH 2 R01 NS030045-10, CFDA 93.000 NIH N01-AI-30065**

**Type of Finding - Reportable Condition Control and Non-compliance**

Federal rules require that, when a non-federal entity enters into a covered transaction that is expected to equal or exceed \$25,000 with an entity at a lower tier, the non-federal entity must verify that the entity at the lower tier is not suspended, debarred, or otherwise excluded from federal contracts. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the U.S. General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

Initial Year Written: 2005 Status: Implemented  Federal Agencies that Provide R&D Grants
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Procurement policies for the University of Texas Medical Branch at Galveston (Medical Branch) require that purchasing managers or buyers with a delegated authority over \$25,000 review all procurements using more than \$25,000 in federal funds to ensure that the vendor is not on any federal or state excluded, suspended, or debarred list. The Medical Branch's procurement policy further states the buyer shall ensure that all purchase orders/contracts/agreements using federal funds that are greater than or equal to \$25,000 include a federal/state debarment affirmation.

Of 30 procurements tested, 12 were greater than or equal to \$25,000. Of these 12, 2 did not have the required suspension and debarment certifications. The EPLS indicated that neither vendor was suspended or debarred.

Corrective Action:

Corrective action was taken.

Reference No. 06-74

**Subrecipient Monitoring**

**Research and Development Cluster**

**Award year - 2005**

**Award number - See Below**

**Type of finding - Reportable Condition Control and Non-Compliance**

An entity that passes federal funds through to subrecipients is required to monitor the subrecipients' use of federal funds through reporting, site visits, regular contact, or other means. This monitoring should be adequate to provide reasonable assurance that subrecipients administer federal awards in compliance with laws, regulations and provisions of contracts or grant agreements (per Office of Management and Budget Compliance Supplement, Part 3, Section M).

Initial Year Written: 2005 Status: Partially Implemented  U.S. Department of Health and Human Services
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For 8 of 30 projects tested that involved subrecipients, the University of Texas Medical Branch at Galveston (Medical Branch) did not have evidence that it monitored the subrecipients during the projects.

Award Numbers -

- CFDA 17.261 AH124700260
- CFDA 93.000 N01-HV-28184
- CFDA 93.822 1 D18 HP 10040-03-00
- CFDA 93.359 6 D66HP01379-02-01
- CFDA 93.856 1 U54 AI057156-02, 5 U54 AI057156-02
- CFDA 93.865 1 P01 HD0389833-03, 5 P01 HD0389833-03

Recommendation:

The Medical Branch should retain evidence that it has properly monitored subrecipients during research and development projects.

Management Response and Corrective Action Plan 2005:

*Research Services established a subrecipient administrative review program in late summer 2005. A checklist and standard procedure have been identified. In the four months since the inception of this program, work has been started to include all subrecipients in a review process but because of the time frame since inception, not all the population has been incorporated. Certain sponsored projects that may have been administered in areas at UTMB other than Research Services have now been included in the population of projects that will be administered as part of this function. The program is expanding to include all prior subrecipients and the current ones being added.*

Management Response and Corrective Action Plan 2006:

*The sub-recipient monitoring function is fully implemented. Projects not previously under the purview of Research Services have been included in the subrecipient monitoring function. These include the projects listed above. They have each been reviewed and included in the database. In addition, as part of the mandatory "Financial Management for PIs" training course, all Principal Investigators are educated regarding their responsibilities as it pertains to sub-recipients*

Management Response and Corrective Action Plan 2007:

*Research Services has implemented a subrecipient monitoring policy designed to ensure compliance with OMB Circular A-133 requirements. Research Services has initiated steps to insure that current procedures include a quarterly review to insure that all subrecipients will be reviewed over a one year period. As part of Research Services' SOP and review checklist, a determination is made regarding subrecipients requirement to meet A-133. This procedure will be continued.*



*Research Services was actively monitoring subrecipients prior to the implementation of InfoEd in December 2006. The change in information systems required changes to the established procedures and resulted in delays in the on-going monitoring process. Research Services has completed the transition to InfoEd and established effective quality assurance monitoring activities to ensure compliance with the established subrecipient monitoring policy. Additionally, the subrecipient monitor is using a quarterly/YTD progress report for management that will include the population reviewed, selection method for review, timeline of reviews and completeness with the federal guidelines. Management's review of this report will provide support that the monitoring program is addressing the necessary review components.*

*Implementation Date: August 31, 2007*

*Responsible Person: William G. New*

## University of Texas of the Permian Basin

Reference No. 07-74

### Eligibility

#### Student Financial Assistance Cluster

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

Award number - CFDA 84.063 P063P053265

Type of finding - Reportable Condition Control and Non-Compliance

A student is eligible to receive title IV, Higher Education Act (HEA) program assistance if the student maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Title 34, Code of Federal Regulations (CFR), Section 668.16(e), and, if applicable, the provisions of Title 34, CFR, Section 668.34 (Title 34, CFR, Section 668.32(f)). A student is making satisfactory progress if, at the end of the second year, the student has a grade point average of at least a "C" or its equivalent, or has academic standing consistent with the institution's requirements for graduation (Title 34, CFR, Section 668.34).

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

According to the Satisfactory Academic Progress (SAP) policy established by the University of Texas of the Permian Basin (University), "Undergraduate students are expected to maintain a minimum Cumulative Grade Point Average (CGPA) of 2.00 each semester they are enrolled. Students falling below this minimum CGPA are subject to academic probation or dismissal as described in the 'Grading Policies' section of the catalog. Failure to meet the minimum standards described above or in the 'Grading Policies' section of the catalog will result in sanctions ranging from losing eligibility for scholarships to termination of all financial aid eligibility."

The University did not enforce its SAP policy for 2 of 33 students tested, and these two students continued to receive Title IV loan funds after establishing CGPAs below 2.0. University management attributed the oversight to a breakdown in the manual process involving the review and follow-up on reported information related to academic progress.

### Recommendations:

The University should:

- Ensure that students who fail to meet satisfactory academic progress do not receive Title IV loan funds.
- Maintain adequate documentation to support any decisions to grant exceptions in accordance with its SAP policy to students on academic probation.
- Consider determining the feasibility of automating enforcement of the SAP policy to help ensure compliance with federal and University requirements.

### Management Response and Corrective Action Plan 2006:

*With regards to ensuring students who fail to meet SAP, we concur with the finding. The university will enhance its processes in uploading SAP data from prior years to ensure all previous students placed on SAP do not receive financial aid.*

*The University of Texas of the Permian Basin has reviewed its process of maintaining adequate documentation and as a result will upgrade present maintenance. Annual review of prior year SAP students will be preformed.*

*UTPB's Office of Student Financial Aid will work closely with our Information Resource Office to identify automated enforcement of the SAP policies.*

Management Response and Corrective Action Plan 2007:

*The OSFA implemented a process of manually entering previous SAP students into the present year in May of 2007. This should prevent previous SAP students from receiving Title IV loan funds.*

*The OSFA maintains adequate documentation to support decisions through manual input of appeal letters, Financial Assistance Committee forms and student transcripts into the POISE system and PaperFlow. Manual input of documentation of previous suspended or probation students began in May 2007.*

*The OSFA has contacted Campus America Tulsa about automating the SAP processes.*

*Implementation Date: May 2007*

*Responsible Person: Robert Vasquez*

Reference No. 07-75

**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 - All Awards**

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

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 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).

Initial Year Written: 2006 Status: Partially Implemented  U.S. Department of Education
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The University of Texas of the Permian Basin (University) did not send the required disbursement notifications to FFELP loan recipients during the 2005-2006 award year. The University does not participate in the FPL program.

Returning Funds to a Lender

An institution must return Federal Family Education Loan Program (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) or master check on or after July 1, 1999, or 30 days after the institution receives the funds if a lender provides those funds by a check payable to the borrower or copayable to the borrower and the institution (Title 34, Code of Federal Regulations, Section 668.167).

For 4 of 43 students tested (6 of 62 disbursements), the University held funds for longer than the maximum number of days allowed before disbursing them.

Disbursing Title IV, Higher Education Act Program Funds

If a student is enrolled in a credit-hour educational program that is offered in semester, trimester, or quarter academic terms, the earliest an institution may disburse Title IV, Higher Education Act (HEA) program funds to a student or parent for any payment period is 10 days before the first day of classes for a payment period. The earliest an institution may disburse the initial installment of a loan under the Direct Loan program or Federal Family Education Loan Program (FFELP) to a first-year, first-time borrower is 30 days after the first day of the student's program of study (Title 34, Code of Federal Regulations, Section 668.164).

The University did not maintain support that enabled auditors to determine which students were first-time, first-year borrowers. As a result, the University was unable to demonstrate compliance with this requirement. As an alternative approach, auditors identified two students who appeared to be first-year students because the University's student information system showed no accumulated credits for these students at the beginning of the award year. Auditors tested information associated with these two students (which included three disbursements) and determined that the University did not wait the required 30 days after the first day of the students' program before disbursing loan funds.

Disbursement dates are not set in the financial aid system to ensure funds are disbursed within the appropriate timeframe. The financial aid office relies on an undocumented, manual process to determine when to distribute loan funds.

Required Reviews Prior to Disbursement

Before an institution may disburse Title IV, HEA program funds to a student who previously attended another eligible institution, the institution must use information it obtains from the National Student Loan Data System (NSLDS) or its successor system, to determine (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, 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; (4) the outstanding principal balance of loans made to the student under each of the Title IV, HEA loan programs; and (5) for the academic year for which Title IV, HEA aid is requested, the amount of, and period of enrollment for, loans made to the student under each of the Title IV, HEA loan programs (Title 34, Code of Federal Regulations, Section 668.19).

The University did not maintain evidence that it verified the required information described above with information received from NSLDS prior to disbursing Title IV loan funds. It is the University's practice to assign responsibility for verifying the information from NSLDS for all transfer students to staff in the Student Financial Aid Office; however, auditors found no indications that this verification was occurring.

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)).

The University does not have appropriate segregation of duties within its student financial aid office. Managers have the ability to manipulate the entire award process, including loading students in the student information system, awarding federal assistance, and disbursing funds to that student with no effective approvals throughout the process. In addition, disbursements of less than \$5,000 are generally processed without further inquiry.

All staff within the financial aid office also have the same level of access to the financial aid system (POISE). Student workers with access to POISE can perform the same functions that the financial aid director can perform, including viewing sensitive student information and changing award amounts.

Access to the financial accounting system (DEFINE) also is not appropriately restricted. The financial aid director has access that would allow updates to DEFINE and the creation of journal vouchers resulting in payables to anyone (including payments to university employees). Student workers have this same update access to DEFINE; therefore, they have the ability to view sensitive student information and create checks.

As a result of these weaknesses in internal controls, auditors expanded audit procedures. Auditors did not identify any fictitious students or inappropriate disbursements.

Recommendations:

The University should ensure that it sends disbursement notifications to FFELP loan recipients within the required time periods.

The University should:

- Ensure that it does not hold loan funds for more than three days before disbursing those funds to students.
- Ensure that it maintains information enabling it to identify first-time, first-year borrowers, and that it does not disburse funds to these students prior to 30 days after classes begin.
- Implement a documented process that would help ensure that it complies with the appropriate disbursement date timeframes.
- Consider researching opportunities to automate as many components of the disbursement process as may be feasible given the University's current systems.
- Verify all required information from NSLDS for each transfer student, and it should maintain evidence of this verification.
- Segregate duties in the financial aid office.
- Restrict access to the financial aid system so that student workers cannot view or update sensitive student information or change award amounts.
- Restrict access to the accounting system so that staff in the financial aid office have access to only view (and not change) information in that system.

Management Response and Corrective Action Plan 2006:

*The University of Texas of the Permian Basin has reviewed the issue and proposed recommendation, and will implement a disbursement notification process. All student awarded financial aid will receive a General Notice electronically at the beginning of each term which advises students of their rights to cancel loans or disbursements. An explanation of the procedure will be included. Students will also be reminded of their access to Campus Connect where they can review account information.*

*With regards to the recommendations ensuring that the university does not hold loan funds for more than three day before disbursing and maintaining information to identify first-time first-year borrowers, the university concurs with the finding. The Office of Student Financial Aid will work with the Information Resources Office to review and implement automated disbursement procedures. The OSFA will establish a documented process that ensures compliance with appropriate disbursement date timeframes.*

*The University of Texas of the Permian Basin has reviewed the issue and proposed recommendation, and will implement a maintenance process of verification of NSLDS data. Research of the FAMS will be performed to determine the most efficient and effective maintenance process.*

*With regards to segregating duties in the financial aid office, we concur with the finding. The OSFA will implement functional responsibilities to prevent staff from processing through the entire process. Functional responsibilities will be assigned to ensure that appropriate approvals are implemented during each phase of the financial aid process. Research in determining automation of specific functions will be performed to determine which processes can be established within the FAMS.*

*The University of Texas of the Permian Basin has reviewed student worker's access to the POISE and DEFINE systems and as a result will restrict student workers access to sensitive student information. Student workers will be assigned duties that do not require access to sensitive student information and be appropriately restricted in usage of POISE and DEFINE. The OSFA will research the possibility of adding additional full-time staff to address the issue of Student workers' access. The NASFAA Staffing Model will be a guide in determining the need for additional full-time staff.*

*Research in determining automation of specific functions will be preformed to determine which processes can be established within the two systems.*

*The University of Texas of the Permian Basin has reviewed staff access to the accounting system and as a result will implement access to view only. Disbursement of residual checks will be delegated to the Office of Accounting. The OSFA will approve a list of students who are eligible for residuals and the Office of Accounting will cut the checks. Research in determining automation of specific functions will be performed to determine which processes can be established to enhance compliance and efficiency.*

Management Response and Corrective Action Plan 2007:

*Disbursement of loan funds will be after each term's census date. The initial term for implementing after census date disbursement will begin with the Fall 2007 semester. The move to after census date should provide the OSFA with actual student enrollment without any adds/drops taking place through disbursement.*

*The OSFA ensures that first-time, first year borrowers do not receive funds prior to 30 days after the first class date by manually locating students who fall into this category. The POISE system provides a check through a date as input by OSFA staff. The loan officer double checks the 30 day rule when loans are certified and inputs a corresponding disbursement date. The OSFA has obtained information and cost on purchasing an interface that would track all loan applications and disbursements.*

*Date timeframes are being established for Fall 2007 loan disbursements. Students have been notified of the disbursement dates twice, once in March 2007 and May 2007. Students will be notified again in July 2007 and with each Award Letter for Award Year 2007-2008. Documentation would be enhanced by purchasing the interface.*

*Implementing a double check of transfer students beginning Fall 2007. OSFA personnel will verify transfer student data through manually accessing NSLDS for each transfer student. Verification will be done through a batch generated in POISE. Each transfer student's file will be reviewed prior to awarding and disbursing of loan funds.*

*Segregation of duties in reference to Packaging, Awarding and Disbursing began transitioning in May 2007. Disbursement is being integrated into the Office of Accounting. Full disbursement activity through the Office of Accounting will be in-place by August 2007.*

*Implemented March 2007. Student workers are limited to accessing sensitive student information and are unable to change award amounts.*

*Processing of residuals is being integrated into the Office of Accounting as stated above. The OSFA staff will be limited to view only beginning in September 2007 with the new fiscal year.*

*Implementation Date: Fall 2007*

*Person Responsible: Robert Vasquez*

## University of Texas at San Antonio

Reference No. 07-76

### Reporting - Pell Payment Data

#### Student Financial Assistance Cluster

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

**Award number - CFDA 84.063 P063P053294**

**Type of finding - Reportable Condition Control and Non-Compliance**

Institutions submit Pell origination records and disbursement records to the Common Origination and Disbursement (COD) System. 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).

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

For all 40 students tested, the University of Texas at San Antonio (University) reported an inaccurate cost of attendance (COA) amount to the COD System. The differences between the actual full-time, full year amounts according to the campus budgets and the amounts reported to the COD System ranged from \$862 to \$2,833. In each case, the University reported a lower COA to the COD System. University management attributed these differences to a failure to update all Pell Budgets in the Student Financial Aid System based on the revised campus budgets for the 2005-2006 award year. These differences did not result in any over-awards of Pell grants in the 2005-2006 award year.

#### Corrective Action:

This finding was reissued as current year reference number: 08-86.

Reference No. 07-77

### Special Tests and Provisions - Verification

#### Student Financial Assistance Cluster

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

**Award number - CFDA 84.063 P063P053294, CFDA 84.032 Award Number Not Applicable**

**Type of finding - Reportable Condition Control and Non-Compliance**

The primary factors considered in determining whether a student is eligible for federal financial assistance are cost of attendance (COA) and expected family contribution (EFC). The EFC is the amount a student and his or her family are expected to pay for educational expenses, and it is determined based on financial information provided by the student and parent(s) on the Free Application for Federal Student Aid (FAFSA). The information on the FAFSA is subject to verification (Title 34, Code of Federal Regulations, Sections 668.51, 668.52, and 668.56).

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



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, Code of Federal Regulations, Section 668.56).

For the 2005-2006 award year, the University of Texas at San Antonio (University) did not properly verify required items on the FAFSAs for 4 of 50 students tested. For these students, dollar amounts associated with the items the University did not verify exceeded the acceptable tolerance level of \$400. The following specific errors were identified:

- For one student, the need analysis screen in the University's Banner Student Information System (SIS) indicated no AGI for the student and no untaxed income and benefits. However, auditors identified AGI of \$309 on the student's tax return and \$7,860 of disability benefits from the U.S. Department of Veterans Affairs on the student's verification worksheet. The student qualified for an automatic zero EFC; therefore, his eligibility for Title IV was not affected. The student received \$8,806.00 in Title IV assistance.
- For one student, the SIS did not reflect any untaxed benefits, but, auditors identified an earned income credit of \$2,351 and an additional child tax credit of \$1,000 through review of the student's tax return. The student qualified for an automatic zero EFC; therefore, her eligibility for Title IV was not affected. The student received \$14,942.50 in Title IV assistance.
- For one student, the SIS reflected a household size of seven in one field, but another field showed a household size of eight with two family members in college. The student's verification worksheet indicated there were nine family members. After auditors discussed this student with financial aid staff, the staff investigated further and determined that the need analysis should have reflected only two family members, with only one family member in college. The student's award was based on an EFC of \$0; the recalculated EFC, taking into account these corrections, was \$668. Based on the incorrect EFC of \$0, the University over-awarded the student \$325 in Pell Grant assistance. The student received a total of \$7,117.50 in Title IV assistance.
- For one student, the SIS reflected a parental AGI of \$23,400 and untaxed benefits of \$2,626. However, the parent's tax return indicated an AGI of \$24,300 and untaxed benefits of \$2,560. Additionally, the SIS indicated that the student had an AGI of zero, while the student's tax return indicated an AGI of \$4,732. The University based the student's award on an EFC of \$223, while the recalculated EFC after these corrections was \$1,036. Based on the incorrect EFC of \$223, the University over-awarded the student in \$400 in Pell Grant assistance. The student received a total of \$1,900 in Title IV assistance.

According to the Schedule of Expenditures of Federal Awards, the University awarded \$151,327,744 in federal financial assistance to students during fiscal year 2006.

Corrective Action:

Corrective action was taken.

Reference No. 07-78

**Special Tests and Provisions - Verification**

(Prior Audit Issue - 06-79)

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.007 P007A054169, CFDA 84.063 P063P053294, CFDA 84.032 Award Number Not Applicable**

**Type of finding - Reportable Condition Control and Non-Compliance**

The primary factors considered in determining whether a student is eligible for federal financial assistance are cost of attendance (COA) and expected family contribution (EFC). The EFC is the amount a student and his or her family are expected to pay for educational expenses, and it is determined based on financial information provided by the student and parent(s) on the Free Application for Federal Student Aid (FAFSA). The information on the FAFSA is subject to verification (Title 34, Code of Federal Regulations, Sections 668.51, 668.52, and 668.56).

Initial Year Written: 2005  
Status: Implemented

U.S. Department of Education

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, Code of Federal Regulations, Section 668.56).

For 3 of 50 students tested, the University of Texas at San Antonio (University) could not provide auditors with documentation that it collected during the FAFSA verification process. Without this documentation, auditors were unable to determine whether the University verified students' FAFSAs before the students received federal assistance.

The University reported in the Schedule of Expenditures of Federal Awards that it awarded \$151,327,744 in federal financial assistance to students during fiscal year 2006.

Corrective Action:

Corrective action was taken.

Reference No. 07-79

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

(Prior Audit Issue - 06-80)

**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 - Reportable Condition Control and 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 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).

Initial Year Written: 2005  
Status: Implemented  
  
U.S. Department of Education

The University of Texas at San Antonio (University) did not send disbursement notifications within the required time period to 2 of 37 students tested. Both instances related to Summer 2006 disbursements. In discussions with management, auditors determined that the University did not send notifications to students enrolled in the Summer 2006 term until August 2006. A memo from management states that the University created new summer fund codes to automatically package students' awards, but these new codes were not added to the automated process for sending electronic funds transfer notifications to students. This oversight was discovered in August 2006, and all notification letters were then created and distributed to students via paper mail.

The University distributed \$5,851,519 in FFELP loans through electronic funds transfer for the Summer 2006 term. It did not make any disbursements by master check.

Corrective Action:

Corrective action was taken.

Reference No. 07-80

**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 - Reportable Condition Control and Non-Compliance**

An institution must return Federal Family Education Loan Program (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 or master check on or after July 1, 1999, or 30 days after the institution receives the funds if a lender provides those funds by a check payable to the borrower or copayable to the borrower and the institution (Title 34, Code of Federal Regulations, Section 668.167(b)).

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

If an institution does not disburse FFELP funds by the required disbursement date, it is required to return those funds to the lender within 10 business days after the required disbursement date (Title 34, Code of Federal Regulations, Section 668.167(b)(2)).

For 4 of 8 students tested, the University of Texas at San Antonio (University) did not return funds to the lender within the required time period. In those instances, funds were returned to the lender 6 to 14 days later than the required 10 business days.

Corrective Action:

Corrective action was taken.

Reference No. 07-81

**Special Tests and Provisions - Student Status Changes**

**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 - Reportable Condition Control and Non-Compliance**

Unless an institution expects to submit its next student status confirmation report to the 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)).

<p>Initial Year Written: 2006 Status: Implemented</p> <p>U.S. Department of Education</p>
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The University of Texas at San Antonio (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 the University's responsibility to ensure that the respective parties are notified of status changes within the required time period.

Four of 30 student status changes tested were not reported to NSLDS within the required 60 days. These errors were generally associated with situations in which students dropped classes late in a semester. The University did not report enrollment status to NCS for those students until 38 to 42 days after the changes occurred. NSLDS did not receive notification of those changes from NCS or the guaranty agency until 69 to 82 days after the changes occurred.

The University reported Federal Family Education Loan Program disbursements totaling \$123,773,265 for the fiscal year ending August 31, 2006.

Corrective Action:

Corrective action was taken.

University of Texas Southwestern Medical Center at Dallas

Reference No. 07-82

**Allowable Costs/Cost Principles**

**Research and Development Cluster**

**Award year - September 1, 2005 to June 30, 2006 and February 1, 2006 to January 31, 2007**

**Award number - CFDA 93.859 7R01GM06715904, CFDA 93.837 5R01HL06376207**

**Type of finding - Reportable Condition Control and Non-Compliance**

The method of payroll distribution used by entities that receive federal awards must recognize the principle of “after-the-fact” confirmation or determination so that the costs that are distributed from federal awards represent actual costs, unless a mutually satisfactory alternative agreement is reached. Direct cost activities and facilities and administrative cost activities may be confirmed by responsible persons, with suitable means of verification that the work was performed.

Additionally, for professorial and professional staff, activity reports must be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, activity reports must be prepared no less frequently than monthly and must coincide with one or more pay periods (OMB Circular A-21, Cost Principles for Educational Institutions, Section J, Subsection 10).

Initial Year Written: 2006  
Status: Implemented

Federal Agencies that Provide  
R&D Grants

The University of Texas Southwestern Medical Center at Dallas’s (Medical Center) activity reports did not include information for 2 of 18 employees tested. These two individuals worked on an hourly basis, and the Medical Center does not include hourly employees in its activity reporting system. Therefore, it does not perform systematic, “after-the-fact” activity confirmation for hourly employees. Although hourly employees complete timesheets affirming the number of hours they work, their timesheets do not identify the breakdown of time they work among awards. If an employee works on multiple awards, this could result in incorrect disbursements from the awards.

Less than one percent (or approximately \$195,000) of the Medical Center's payroll distributed from federal awards was for wages earned by hourly employees during the period September 1, 2005, to June 30, 2006.

The Medical Center did not confirm activity reports for an additional four employees in a timely manner. As of July 12, 2006, the most recent confirmed activity reports for these four employees were for the six-month period ending August 2005. In one instance, an activity report for the period ending August 2005, was not confirmed until July 13, 2006, which was approximately 11 months after the activity reporting period. The Medical Center does not have a written policy that identifies how long departments can wait before they must confirm the activity reports for their employees. The prolonged time between the activity and the confirmation of the activity potentially decreases the accuracy of reporting and increases the time between the payroll distribution and any required adjustments to that distribution.

For the period ending February 2006, management asserts that the Medical Center delayed confirmation of activity because enhancements were being made to the activity reporting system. While this upgrade may have contributed to the delayed confirmation for that period, it does not account for all of the delays in confirmation that auditors identified.

Corrective Action:

Corrective action was taken.

Reference No. 07-83

**Procurement and Suspension and Debarment**

(Prior Audit Issue - 06-83)

**Research and Development Cluster**

**Award year - June 6, 2005 to August 31, 2006 and February 1, 2005 to January 31, 2006**

**Award number - CFDA 93.279 1U10DA02002401 and CFDA 93.855 5U01A105641203**

**Type of finding - Reportable Condition Control and Non-Compliance**

Institutions of higher education, hospitals, and other non-profit organizations are required to follow procurement procedures that conform to applicable federal laws and regulations and standards identified in Office of Management and Budget Circular A-110. These laws and regulations require that procurement files document the significant history of the procurement; that procurements provide for full and open competition; and that organizations perform appropriate cost or price analyses to support procurement actions, including contract modifications.

Initial Year Written: 2005  
 Status: Implemented

Federal Agencies that Provide  
 R&D Grants

According to the University of Texas Southwestern Medical Center at Dallas's (Medical Center) *Handbook of Operating Procedures*, Section 6.22.7.8 - Proprietary Purchases, competitive bidding requirements are generally applicable to all purchases made by the Medical Center. This includes requirements to ensure both price competition and product competition. If product competition is not available, but price competition can be obtained, the purchase may be referred to as a "proprietary purchase." If both product and price competition are not available, the purchase is a "sole source purchase." According to the *Handbook of Operating Procedures*, individuals must justify proprietary or sole source purchases that they wish to make. The justification must be made online and must be based upon a need for some feature or characteristic (such as a specification) that is unique to the requested product or service. In addition, the feature or characteristic underlying the justification cannot be provided by any other product or service.

One of the 50 procurement files tested did not contain bidding documentation to verify the presence of full and open competition or documentation to support the rationale to limit competition. This purchase order was initially under the Medical Center's bidding threshold of \$5,000, but the final procurement amount exceeded that threshold.

Another one of the 50 procurement files tested did not contain adequate justification of the rationale to limit competition. The file contained justification for a proprietary purchase (for a specific brand required). However, because of the absence of any bids to support the purchase, in effect the procurement was treated as a sole source purchase.

The total value of the two procurements discussed above was \$11,431.04. Procurements for which there is not full and open competition reduce the likelihood that the Medical Center obtains the best value for its use of federal funds.

Corrective Action:

Corrective action was taken.

Reference No. 07-84

**Procurement and Suspension and Debarment**

(Prior Audit Issues - 06-82 and 05-65)

**Research and Development Cluster**

**Award year - September 1, 2005 to August 31, 2006 and June 1, 2005 to May 31, 2006**

**Award number - CFDA 93.959 031349062PPI and CFDA 93.837 7P01HL04995313**

**Type of finding - Reportable Condition Control and Non-Compliance**

Federal rules require that, when a non-federal entity enters into a covered transaction that is expected to equal or exceed \$25,000 with an entity at a lower tier, the non-federal entity must verify that the entity at the lower tier is not suspended, debarred, or otherwise excluded from federal contracts. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the U.S. General Services Administration (GSA), collecting a certification

Initial Year Written: 2004 Status: Implemented
Federal Agencies that Provide R&D Grants

from the entity, or adding a clause or condition to the covered transaction with that entity. (Office of Management and Budget Circulars A-102, Grants and Cooperative Agreements with State and Local Governments, Section 1.d and A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Subpart B.13; Executive Orders 12549 and 12689, Debarment and Suspension; Title 45 Code of Federal Regulations, Part 76, Governmentwide Debarment and Suspension).

The University of Texas Southwestern Medical Center at Dallas's (Medical Center) procurement policy requires vendor suspension and debarment certifications for transactions with amounts that are greater than or equal to \$25,000. It also requires that buyers check the EPLS Web site and print screen views from that system to verify that the vendor has not been suspended or debarred.

Three of the 52 vendor files tested did not contain suspension and debarment certifications or screen prints from the EPLS Web site. One of these files was for the lease of equipment from a state-certified vendor. The other two files were for purchases under blanket purchase orders that were originally below the \$25,000 threshold but later exceeded the threshold. The Medical Center does not have a process to identify blanket purchase orders that would require verification that the vendor was not suspended or debarred. A review of the ELPS Web site indicated that none of the three vendors was suspended or debarred.

Corrective Action:

Corrective action was taken.

Reference No. 07-85

**Special Tests and Provisions - Key Personnel**

**Research and Development Cluster**

**Award year - All Grants**

**Award number - All Grants**

**Type of finding - Reportable Condition Control**

For federal awards issued by the National Institute of Health (NIH), the grantee is required to notify the grant management officer in writing if the principal investigator or key personnel specifically named in the Notice of Grant Award (NOGA) will withdraw from the project entirely, be absent from the project during any continuous period of 3 months or more, or reduce time devoted to the project by 25 percent or more from the level that was approved at the time of award (for example, a proposed change from 40 percent effort to 30 percent effort or less). NIH must approve any alternate arrangement proposed by the grantee, including any replacement of the principal investigator or key personnel named in the NOGA. The requirement to obtain NIH prior approval for a change in status pertains only to the principal investigator and those key personnel NIH names in the NOGA, regardless of whether the grantee designates others as key personnel for its own purposes. (NIH Grants Policy Statement (12/03) Part II: Terms and Conditions of NIH Grant Awards Subpart A: General). Federal grantors other than NIH have similar requirements.

Initial Year Written: 2006 Status: Implemented  Federal Agencies that Provide R&D Grants
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The University of Texas Southwestern Medical Center at Dallas (Medical Center) does not have written policies or procedures to ensure that principal investigators and other key personnel named in the NOGA are involved in the project, or that it obtains approval for changes in the principal investigator or key personnel from the awarding agency. However, the Medical Center's Office of Grants Management performs procedures to seek approval from the awarding agency if it becomes aware of changes in the effort of principal investigators or other key personnel. Compliance testing did not identify any exceptions related to this requirement.

Corrective Action:

Corrective action was taken.



**The University of Texas at Tyler**

Reference No. 07-86

**Eligibility**

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.007 P007A054158**

**Type of finding - Reportable Condition Control and Non-Compliance**

In determining awards for Federal Supplemental Educational Opportunity Grants (FSEOG), an institution must give priority to students with the lowest expected family contributions (EFC) who also receive Pell Grants in that year (Title 34, Code of Federal Regulations, Section 676.10).

Initial Year Written: 2006  
Status: Implemented

U.S. Department of Education

An institution is not in compliance with the U.S. Higher Education Act, as amended, and FSEOG regulations if it awards FSEOG funds on a first-come, first-serve basis or arbitrarily sets expected EFC benchmarks (or cut-offs) below which it selects FSEOG recipients. Such a practice could exclude eligible students from the FSEOG award process (U.S. Department of Education's 2005 - 2006 *Federal Student Aid Handbook*, Volume 3, Chapter 5).

In our sample of 40 students at the University of Texas at Tyler (University), one student received FSEOG funds without having received a Pell Grant or having the lowest EFC. After further investigation, ten other students were identified as also having received FSEOG funds without having received a Pell Grant or having the lowest EFC. The 11 students who received funds in error were awarded a total of \$10,000 in FSEOG funds. These errors occurred because a table in the University's financial aid system was coded incorrectly. There was no independent review of this table setup by another individual.

According to its 2005-2006 federal award letter, the University had \$94,241 in FSEOG funds available to award. Auditors identified the 11 students who received FSEOG funds in error before the University had drawn down all of its FSEOG funds for the year. After auditors brought this matter to the University's attention, the University replaced the FSEOG funds it had awarded in error to students with Texas Public Educational Grants Program funds.

Corrective Action:

Corrective action was taken.

Reference No. 07-87

**Eligibility****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 - Reportable Condition Control and Non-Compliance**

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 minus the expected family contribution (EFC). For Title IV programs, the amount of financial resources available is generally the EFC that 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 (Federal Perkins Loan, Federal Work Study, and Federal Supplemental Educational Opportunity Grant, Title 34, Code of Federal Regulations, Sections 673.5 and 673.6; Federal Family Education Loans, Title 34, Code of Federal Regulations, Section 682.603).

Initial Year Written: 2006 Status: Partially Implemented
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U.S. Department of Education
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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." The University may also include an allowance for books, supplies, transportation, miscellaneous personal expenses, and room and board (Title 20, United States Code, Chapter 28, Subchapter IV, Section 108711).

The University of Texas at Tyler (University) estimates a student's cost of attendance based on half-time enrollment for each semester a student is enrolled, regardless of the number of hours in which the student is actually enrolled for the semester. Therefore, if a student is enrolled in more than a half-time course load, the student's cost of attendance and financial need are understated. This understatement of financial need could result in the student not receiving aid for which he or she is eligible.

The University incorrectly calculated the cost of attendance for 31 (78 percent) of 40 students tested.

According to the Schedule of Expenditure of Federal Awards, the University awarded \$21,573,820 in federal financial assistance to students during 2005-2006.

Recommendation:

The University should determine each student's cost of attendance and financial need based on the student's actual enrollment status.

Management Response and Corrective Action Plan 2006:

*UT Tyler initially uses the half-time cost of attendance budget, but Federal Pell Grant awards are based on full-time enrollment level. Pell awards adjust within our system based on the student's enrollment level. Other state and institutional awards that require full-time enrollment are made at the full-time level also. This information is noted on the Award Notice that students must sign to receive funding. However, we make adjustments to the COA for any student who is full-time and requests the adjustment. This is the method we use to comply with these regulations:*

*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 (Federal Perkins Loan, Federal Work Study, and Federal Supplemental Educational Opportunity Grant, Title 34, Code of Federal Regulations, Sections 673.5 and 673.6; Federal Family Education Loans, Title 34, Code of Federal Regulations, Section 682.603).*

*The awards that are usually impacted, if any, are student loans. Many UT Tyler students attend on a part-time basis consistently, but others have enrollment fluctuations for various reasons. If we make half-time our standard, we are less likely to over-fund, yet we maintain the flexibility to adjust awards for those who want and/or need more money. Our corrective action plan was to increase the awareness of this policy to our students by adding information to our website instructing students to contact us if they meet certain circumstances and want to have their eligibility reviewed.*

Management Response and Corrective Action Plan 2007:

*UT Tyler will change financial aid packaging procedures for the Spring 2008 semester to use actual cost of attendance. We have completed our original corrective action plan by placing a statement on our website notifying students that they can seek additional aid. Upon receiving clarification on federal guidance regarding cost of attendance, we were unable to make the necessary changes to our packaging for the fall 2007 semester.*

*Implementation Date: Fall 2007*

*Responsible Person: Candice Lindsey*

Reference No. 07-88

**Special Test and Provisions - Disbursements To or On Behalf of Students**

**Student Financial Assistance Cluster**

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

**Award number - CFDA 84.032 Award Number Not Applicable**

**Type of finding - Reportable Condition Control and Non-Compliance**

If a student is enrolled in a credit-hour educational program that is offered in semester, trimester, or quarter academic terms, the earliest an institution may disburse Title IV, Higher Education Act (HEA) program funds to a student or parent for any payment period is 10 days before the first day of classes for a payment period. The earliest an institution may disburse the initial installment of a loan under the Direct Loan program or Federal Family Education Loan Program (FFELP) to a first-year, first-time borrower is 30 days after the first day of the student's program of study (Title 34, Code of Federal Regulations, Section 668.164).

Initial Year Written: 2006 Status: Implemented  U.S. Department of Education
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The University of Texas at Tyler (University) disburses loan funds to student accounts upon the receipt of funds from the lenders. For all other types of financial aid, the University initially uses institutional funds to credit student accounts. For 11 of 42 students tested (which covered 17 of 76 fall 2005 disbursements tested), the University disbursed loan funds to the students' accounts 12 days before the start of the fall 2005 semester, which was two days earlier than is allowed by federal regulations. For one other student who was a first-year, first-time borrower, the University disbursed loan funds to the student's account 29 days after the start of fall classes, which was one day earlier than is allowed by federal regulations.

According to the Schedule of Expenditures of Federal Awards for 2005-2006, the University disbursed \$17,186,207 in FFELP loans during the 2005-2006 fiscal year.

Corrective Action:

Corrective action was taken.