



An Audit Report on

Financial Processes at Texas Woman's University

January 2020

Report No. 20-023



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Overall Conclusion

For its \$42.0 million contract for Hubbard Hall renovations and additions, Texas Woman's University (University) planned, formed, and monitored that contract in compliance with requirements tested. The University also developed a *Contract Administration and Management Handbook* that complied with most applicable requirements. However, the University should strengthen its processes to ensure that conflict of interest and nepotism disclosures are completed as required.

In addition, the University established processes and controls to ensure that its purchases complied with policies and procedures and were approved as required. However, it should strengthen those processes to ensure that it consistently obtains and retains supporting documentation and complies with the State's Prompt Payment Act.

The University also should strengthen its reviews of purchases made with procurement cards. Specifically, the University did not identify purchases that were not in compliance with its requirements. When it did identify noncompliance, the University did not always document the corrective action taken.

In addition, the University should improve its information technology controls over its financial system and its change management processes.

Table 1 on the next page presents a summary of the findings in this report and the related issue ratings. (See Appendix 2 for more information about the issue rating classifications and descriptions.)

Background Information

Texas Woman's University (University) was established in 1901 and is the largest public university primarily for women in the United States. Its main campus is located in Denton with health science centers in Dallas and Houston, which collectively serve around 15,000 students.

The University offers degree programs in the liberal arts, nursing, health sciences, the sciences, business, and education.

For the 2018 and 2019 biennium, the University was appropriated \$154.4 million with an annual operating budget of \$256.0 million.

Sources: The University and the General Appropriations Act (85th Legislature).

Table 1

Summary of Chapters/Subchapters and Related Issue Ratings		
Chapter/ Subchapter	Title	Issue Rating ^a
1-A	The University Planned, Formed, and Monitored the Contract Audited in Compliance with Requirements Tested	Low
1-B	The University Did Not Ensure That Conflict of Interest and Nepotism Disclosures Were Signed and Proposals Were Appropriately Scored for the Contract Audited	High
1-C	The University's <i>Contract Administration and Management Handbook</i> Is Consistent with Most Applicable Requirements	Low
2-A	The University Had Processes to Ensure That Its Purchases Complied with Requirements; However, It Should Strengthen Certain Parts of Those Processes	Medium
2-B	The University Should Strengthen Its Reviews for Its Procurement Card Purchases	Medium
3	The University Had Significant Weaknesses in Its Controls Over Access to Its Financial System and Did Not Appropriately Manage System Changes	High

^a A chapter/subchapter is rated **Priority** if the issues identified present risks or effects that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern and reduce risks to the audited entity.

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

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

A chapter/subchapter is rated **Low** if the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

Auditors communicated other, less significant issues separately in writing to the University management.

Summary of Management's Response

At the end of certain chapters in this report, auditors made recommendations to address the issues identified during this audit. The University agreed with the recommendations in this report.

Audit Objective and Scope

The objective of the audit was to determine whether the University has processes and related controls to help ensure that it administers financial transactions in accordance with applicable requirements.

The scope of this audit covered the University's selected activities related to purchasing, procurement cards, contracting, and information technology systems from September 1, 2017, through May 31, 2019.

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Detailed Results

Chapter 1

The University Planned, Formed, and Monitored the Contract Audited in Compliance with Requirements Tested; However, It Should Strengthen Its Processes to Ensure That Conflict of Interest and Nepotism Disclosures Are Completed

For its \$42.0 million contract with McCarthy Building Companies for renovations and additions to Hubbard Hall, Texas Woman’s University (University) followed its handbook’s policies when it planned, formed, and monitored that contract. That contract was signed on March 28, 2018, with an estimated completion date of September 27, 2019 (see text box for more information about the requirements tested). However, the University should strengthen its processes to ensure that conflict of interest and nepotism disclosures are completed as required.

Requirements Tested
Auditors tested only certain contracting requirements to determine compliance with the University’s Contract Handbook. Those requirements tested included:
▪ Planning and Formation - Scope of work requirements.
▪ Procurement - Scoring proposals and conflict of interest disclosure requirements.
▪ Monitoring - Contractor payment requirements.

The University developed a *Contract Administration and Management Handbook* (Contract Handbook) that complied with most applicable requirements.

Chapter 1-A

The University Planned, Formed, and Monitored the Contract Audited in Compliance with Requirements Tested

The University planned and formed the Hubbard Hall contract in accordance with the requirements tested. It also paid the contractor in compliance with the contract terms and the University’s Contract Handbook. Specifically, for the Hubbard Hall contract:

- **Scope of Work.** The University’s solicitation included the information required by its Contract Handbook, such as contract terms, contractor qualifications, payment methodology, and evaluation criteria. In addition, the University formed the contract using the same scope of work listed in the solicitation, as required by its Contract Handbook.

**Chapter 1-A
Rating:
Low ¹**

¹ The risk related to the issues discussed in Chapter 1-A is rated as Low because the audit identified strengths that support the audited entity’s ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity’s ability to effectively administer the program(s)/function(s) audited.

- **Monitoring Contractor Payments.** From the contract’s commencement on March 28, 2018, through May 31, 2019, the University made 14 payments to the contractor totaling \$27 million. All 14 payments were made within 30 days as required by the Prompt Payment Act (see text box in chapter 2-A for more information on the Prompt Payment Act); approved as required; and included all the required documents.

Management’s Response

TWU is appreciative of the review and validation of the Hubbard Hall contract, as a sample of the internal auditing process. TWU is committed to continuous compliance of its internal policies, procedures and related controls resulting in the satisfactory execution of state requirements, including its compliance with Texas Government Code, Section 2252.021. TWU will continue to actively review related contract management processes to ensure compliance and leadership in industry standards.

Chapter 1-B
Rating:
High ²

Chapter 1-B

The University Did Not Ensure That Conflict of Interest and Nepotism Disclosures Were Signed and Proposals Were Appropriately Scored for the Contract Audited

The University did not ensure that conflict of interest and nepotism disclosures were completed as required for the Hubbard Hall contract. In addition, the University did not ensure that the proposals were appropriately scored and reviewed. Specifically:

- **Conflict of interest disclosures.** None of the nine employees involved in the procurement and management of the contract completed conflict of interest disclosure forms. The University established policies that require the completion of conflict of interest disclosures for employees and officials involved in the procurement and management of a contract, as required by Texas Government Code, Section 2261.252 (see text box). However, when it was procuring and managing the

Texas Government Code, Section 2261.252

CONFLICT OF INTEREST. Each higher education institution employee or official who is involved in procurement or in contract management shall disclose any potential conflict of interest with respect to any contract with a private vendor or bid for purchase of goods or services.

Texas Government Code, Section 2262.004

NEPOTISM FORM. Each of the higher education institution’s purchasing personnel working on the contract must disclose in writing any relationship with the contractor. Purchasing personnel is defined as an employee of an institution who makes decisions on behalf of the institution or recommendations regarding (A) contract terms, (B) who is awarded the contract, (C) preparation of a solicitation of the contract, and (D) evaluation of a bid or proposal.

² The risk related to the issues discussed in Chapter 1-B is rated as High because they present risks or effects that if not addressed could substantially affect the audited entity’s ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.

Hubbard Hall contract, the University did not ensure that staff complied with that policy.

- **Nepotism disclosures.** Eight (88.9 percent) of the 9 employees involved in making the purchasing decision for the contract did not complete the nepotism disclosure forms, as required by Texas Government Code, Section 2262.004 (see text box). All purchasing personnel must complete that form before a higher education institution may award a contract valued at least \$1 million.

Having conflict of interest and nepotism disclosure forms completed by all applicable parties involved would help the University ensure that its contract procurement process is fair and objective, and that a procurement award is not made based on an individual's financial interest or personal relationship.

- **Scoring Proposals.** The University reviewed each proposal using the same scoring matrix and point scale listed in its solicitation. In addition, when scoring the vendor proposals, 25 (89.3 percent) of the 28 score sheets completed by the 7 evaluators were accurate and used the same evaluation criteria. However, the other 3 score sheets incorrectly awarded points for previous experience. The University did not have documentation showing that the contract review team leader verified the accuracy of the evaluation scores as required by the University's Contract Handbook.

Although the errors did not change the final result and the University selected the appropriate contractor based on the evaluation criteria, similar evaluation errors and lack of an adequate review could result in the University awarding a contract to a vendor that is not the best qualified for the job.

Recommendations

The University should ensure that:

- (1) All required individuals complete and sign conflict of interest and nepotism disclosure forms and (2) it retains those forms.
- Scoring sheets and final evaluation scores are reviewed as required prior to awarding a contract.

Management's Response

TWU agrees with the recommendations. The recommendations have been fully implemented, including the replacement of the Non-Disclosure form with the Conflict of Interest and Nepotism Disclosure forms. A process is in place for relevant staff to complete, update (as needed), and retain the Conflict of Interest and Nepotism Disclosure forms. The tallying process associated with all competitive processes has been updated to require dual verification of accuracy.

Responsible Person: Director of Purchasing & Contracts

Target Date of Completion: July 2020

Chapter 1-C

The University's Contract Administration and Management Handbook Is Consistent with Most Applicable Requirements

The University developed a contract management handbook that was consistent with the *State of Texas Procurement and Contract Management Guide*, as required by Texas Government Code, Chapter 2261. The University's Contract Handbook provides overall contract management principles and includes procedures for the planning, procurement, formation, and monitoring of its contracts.

The University should develop purchasing accountability and risk analysis procedures as required by Texas Government Code, Chapter 2261. Those procedures would help the University (1) identify contracts at higher risk that require enhanced contract monitoring, (2) define what is expected of enhanced monitoring for the higher risk contracts, and (3) document the performance of the enhanced monitoring.

Recommendation

The University should ensure that it establishes and completes the purchasing accountability and risk analysis procedures as required.

Chapter 1-C
Rating:
Low ³

³ The risk related to the issues discussed in Chapter 1-C is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

Management's Response

TWU agrees with the recommendations, and internal procedures have been put in place to ensure compliance. The purchasing accountability and risk analysis form has been added to the contract management handbook, which is to be used and referenced in conjunction with internal policy that clearly defines categories assessed when determining the level of risk for contracts.

Responsible Person: *Director of Purchasing & Contracts*

Target Date of Completion: *July 2020*

The University Had Processes to Ensure That It Complied with Most Requirements for Purchases; However, It Should Strengthen Its Reviews of Procurement Card Purchases

The University established processes and controls to ensure that its purchases complied with its policies and procedures and were approved. However, it should strengthen its reviews of procurement card purchases to ensure that it consistently identifies purchases that do not comply with requirements.

In addition, the University did not adequately document the corrective action taken for identified noncompliance with procurement card requirements. Establishing an effective review process is important because it helps the University manage the risks associated with procurement card purchases.

Between September 1, 2017, and May 31, 2019, the University made purchases totaling \$154.4 million, of which \$9.8 million were procurement card purchases.

**Chapter 2-A
Rating:
Medium ⁴**

Chapter 2-A

The University Had Processes to Ensure That Its Purchases Complied with Requirements; However, It Should Strengthen Certain Parts of Those Processes

The University established processes and controls to initiate, review, and approve its purchases. However, it should strengthen its processes by obtaining and retaining sufficient documentation to demonstrate that required approvals were obtained, vendors paid did not have outstanding liabilities to the State, and payments were in compliance with the State's Prompt Payment Act.

Purchases. The University followed its processes for 54 (90.0 percent) of 60 purchases tested. For the remaining 6 (10.0 percent) purchases, the required support was not complete. For example, 2 of the 6 purchases tested did not have the University-required preapproval from Facilities Management and Construction services.

Vendor Hold Status. Texas Government Code, Section 403.055, prohibits payments to a vendor with outstanding liabilities to the State. However, for 5 of the 60 purchases tested, the University did not have documentation verifying that the vendor did not have an outstanding debt to the State.

⁴ The risk related to the issues discussed in Chapter 2-A is rated as Medium because they present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

Without this documentation, the University cannot ensure that it complied with the statutory requirements.

Compliance with Prompt Payment Act. The University's process did not ensure compliance with the Prompt Payment Act (see text box for more information). Therefore, the University could not show that it made any of the 60 payments that auditors tested within 30 days of initial receipt as required.

Recommendations

The University should:

- Obtain and retain supporting documentation for its purchases.
- Establish a process to consistently document the date it initially receives goods, services, or invoices.

Management's Response

TWU agrees with the recommendations and will:

- *Review and update Accounts Payable and Procurement procedures to include the task of obtaining and retaining all valid documentation required to ensure vendor payments are aligned with internal processes, and*
- *Create and implement a documented process through the Controller's Office to ensure the correct date is consistently being used to calculate prompt payment. Process steps include revising the Accounts Payable website with better visibility of the State's definitions and guidelines for both prompt payment and vendor hold process, reviewing current payment procedures and updating the document to include any additional/missing tasks to calculate prompt payment, reviewing automated capabilities Oracle has to offer within the AP module, and communicating the implementation of the changes to the campus community. Additionally, the Accounts Payable staff will complete the prompt payment web-based training course offered by the State Comptroller's Office on an annual basis, and new Accounts Payable staff will receive this training within 30 days of starting their position. We anticipate our review and revisions will improve the current process and*

Prompt Payment Act

Texas Government Code, Section 2251.021, states that a payment by a governmental entity is overdue on the 31st day after the later of:

- (1) The date the governmental entity receives the goods under the contract;
- (2) The date the performance of the service under the contract is completed; or
- (3) The date the governmental entity receives an invoice for the goods or service.

In addition, Texas Government Code, Section 2251.026, states that a state agency is liable for any interest that it accrues on an overdue payment.

Source: Texas Government Code, Sections 2251.021 and 2251.026.

ensure the correct date is consistently being used to calculate prompt payment for all TWU invoices.

Responsible Persons: Director of Purchasing & Contracts and Director, Grants & Payables Operations

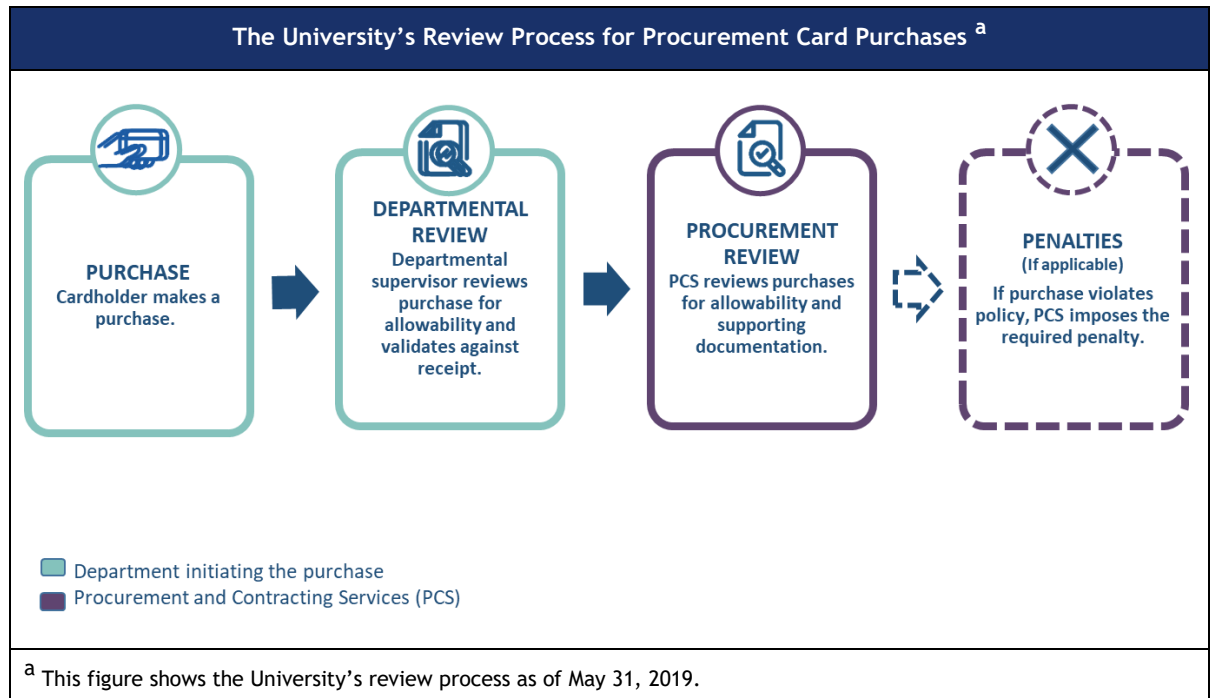
Target Date for Completion: July 2020

**Chapter 2-B
Rating:
Medium⁵**

Chapter 2-B
The University Should Strengthen Its Reviews for Its Procurement Card Purchases

The University developed policies and a process to manage its procurement card purchases; however, it should improve its review processes to ensure that purchases that do not comply with University policy are consistently identified and appropriate action is taken. As Figure 1 shows, those reviews are the primary method for the University to ensure that procurement card purchases comply with University policies.

Figure 1



Source: Based on information from the University.

⁵ The risk related to the issues discussed in Chapter 2-B is rated as Medium because they present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

The University should strengthen its review process.

The University implemented a review process for procurement card purchases. However, some purchases identified through testing did not comply with University requirements, and the University's review process did not identify that noncompliance. Specifically:

- **Unallowable procurement card purchases.** Of the 60 transactions tested (see text box for more information about auditors' testing methodology), 22 transactions totaling \$15,854 were for items that should not have been purchased through the procurement card process, according to University policy. Those transactions included purchases for laptop and tablet computers, and Amazon Prime memberships. The University's review process identified 2 (9.1 percent totaling \$102) of those 22 transactions. Additionally, 4 of the 22 transactions did not have departmental approval as required by University policy.

Methodology
Auditors selected 60 transactions totaling \$79,411 based on the following:
<ul style="list-style-type: none">▪ Through data analysis, auditors identified transactions that may be unallowable based on the purchase descriptions in the financial system. Auditors then selected a non-random sample of 33 transactions totaling \$23,859 for testing.▪ Auditors selected an additional 27 transactions totaling \$55,552. These transactions were either purchases for more than \$2,500 or were associated with cardholders or vendors for which there was a high volume of procurement card purchases.

- **Split purchases.** An additional 72 purchases totaling \$87,064 did not comply with the University's dollar limit policy. Those purchases were identified through data analysis and verified based on supporting documentation. University policy limits purchases to \$2,500 per vendor per day and does not allow a transaction that would exceed that limit to be split into multiple smaller transactions. The University's review process identified 6 (8.3 percent) of those purchases totaling \$9,657 as noncompliant with their policy.

Not having an adequate review process could increase the risk of improper purchases and abuse of the procurement card privilege.

Additionally, the University had not developed any training for the reviewers of procurement card purchases or detailed documented procedures for conducting those reviews. Because the individual departments are responsible for conducting the initial reviews of procurement card purchases, it is important that those reviewers understand how to conduct those reviews and what is permitted according to the University's policy.

The University should strengthen its process to track instances of noncompliance and corrective action taken.

According to the University's procurement card policies, its Procurement and Contracting Services department should document noncompliance in a tracking database to identify reoccurring or excessive violations. However, the University did not ensure that instances of noncompliance were recorded in that database.

From April 2018 to July 2019, the University had 17 instances of noncompliance documented in its tracking database. However, the University did not consistently include whether it provided required notices of identified violations or what corrective actions it took. Without adequately tracking noncompliant transactions and corrective actions taken, the University cannot verify that (1) its reviews are working as intended and (2) appropriate corrective action was taken in compliance with its policies.

Recommendations

The University should:

- Strengthen its reviews of procurement card transactions to ensure that purchases comply with requirements. This should include developing and implementing training and documented policies and procedures for its reviewers of procurement card transactions.
- Ensure that it (1) adequately tracks instances of noncompliance in its tracking database and (2) documents the corrective action taken.

Management's Response

TWU agrees with the recommendations and is in the process of finalizing procedural updates that:

- *Strengthen the current purchase card policy and procedures and disseminate updates to users and approvers;*
- *Require a designated secondary approver for all credit card reconciliations, addressing the concern regarding unallowable card purchases;*
- *Utilize variable transaction limits based on need and history rather than one uniform limit for all cardholders, addressing the concern regarding both unallowable card purchases and split purchases;*

- *Include a clearer definition and description of a split purchase, addressing the concern regarding split purchases;*
- *Requires approver and card user training. For the user, training will be administered upon receipt of the card and annually thereafter. If the card is suspended for any reason or due to fraudulent activity whereby the user's card needs to be cancelled and reissued, training will be re-administered upon reissue. It is anticipated that approvers will receive training online annually; and*
- *Utilize a newly developed violation tracker tool that will gather data regarding violation level, suspension date, correction date, and violations within a six month period.*

Responsible Person: *Director of Purchasing & Contracts*

Target Date of Completion: *July 2020*

The University Had Significant Weaknesses in Its Controls Over Access to Its Financial System and Did Not Appropriately Manage System Changes

**Chapter 3
Rating:
High ⁶**

While the University implemented certain controls over the processing of transactions in its financial system, the University should improve controls over (1) logical access to systems containing its financial data and (2) change management for its financial system.

Access to systems. The University did not ensure that access to its financial system was appropriately restricted. Specifically, the University should strengthen controls in the following areas:

- Inadequate segregation of duties⁷ that would allow a specific user to perform unauthorized transactions without detection.
- Access that was beyond a user's needs and could increase the risk of unauthorized payments to vendors.
- Inadequate implementation of its access requirements.
- Lack of periodic access reviews.

The University had controls over its financial system to help ensure that procurement-related transactions are properly processed. Additionally, the University implemented firewalls to help limit access.

In addition, the University's access to the State's accounting system did not provide for proper segregation of duties and included access to functions that were not required for the account owners to complete their job duties.

To minimize security risks, auditors communicated details about the user access weaknesses directly to the University's management in writing.

Change Management. The University had significant weaknesses in its change management processes. For instance, the University did not always ensure that changes to its financial system were properly tested and approved prior to implementation, and that it had appropriate segregation of duties while migrating those changes to the live system. This was caused in part because

⁶ The risk related to the issues discussed in Chapter 3 is rated as High because they present risks or effects that if not addressed could substantially affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.

⁷ The University's internal auditor identified similar segregation of duties weaknesses during a review of application access, which were discussed in a report released in May 2018. The University asserted that it was in the process of reviewing user access to implement that report's recommendations as of September 2019.

the University did not have documented policies and procedures for its change management processes.

Without proper controls over access and change management, there is an increased risk of unintentional or unauthorized modification to data, disclosure of sensitive or confidential information, and misuse of the University's information assets.

Recommendations

The University should:

- Ensure that access to systems containing its financial data is appropriately restricted.
- Perform periodic access reviews and document the results of those reviews.
- Implement documented and approved change management policies and procedures to address the weaknesses identified.

Management's Response

TWU management agrees. TWU reviewed access to systems containing financial data, significantly reduced the number of personnel with application access, created a separation of duties matrix, created a separation of duties exception form (requiring Vice President Approval), and documented the change management policies and procedures to include a semi-annual access review.

Responsible person: Director, Enterprise Applications & Integrations

Target Date of Completion: March 2020

Appendices

Appendix 1

Objective, Scope, and Methodology

Objective

To determine whether Texas Woman’s University (University) has processes and related controls to help ensure that it administers financial transactions in accordance with applicable requirements.

Scope

The scope of this audit covered the University’s selected activities related to purchasing, procurement cards, contracting, and information technology systems from September 1, 2017, through May 31, 2019.

Methodology

The audit methodology included interviewing University staff regarding financial, contracting, and operational processes; collecting information and documentation; analyzing and testing transactions in the University’s financial system and procurement card bank statements; testing selected contracting functions; reviewing access to and controls for key information systems; and analyzing and evaluating the results of audit tests.

Data Reliability and Completeness

Auditors reviewed the data sets from the University’s financial system for validity, accuracy, and completeness by (1) reviewing user access; (2) reviewing data query language; (3) performing analysis of the data; (4) tracing information from the source documents to the University’s financial records; and (5) testing application controls over data accuracy. The data was determined to be reliable for purposes of this audit.

Sampling Methodology

For purchases, auditors selected a non-random sample of 60 transactions totaling \$1.4 million based on dollar amounts and expenditure types to ensure coverage of the University’s various purchasing processes. For example, certain purchases require additional approvals to be obtained or forms to be completed.

For procurement card purchases, auditors selected a non-random sample of 60 transactions totaling \$79,411 to ensure coverage of transactions higher than \$2,500, cardholders who had a high volume of transactions, vendors for which there was a high volume of procurement card purchases, and

transactions that may not comply with University policies based on the purchase descriptions in its financial system.

The sample items selected were generally not representative of the population and, therefore, it would not be appropriate to project those test results to the population.

Information collected and reviewed included the following:

- The University's policies, procedures, and guidelines.
- The University's contract with McCarthy Building Companies for Hubbard Hall renovations and additions and supporting documentation.
- Expenditure data from the University's financial system.
- The University's documentation related to purchase orders and invoices.
- The University's bank statements and supporting documentation related to procurement card transactions.
- User access data, change management data, and other supporting documentation related to general and application controls over the University's financial system.

Procedures and tests conducted included the following:

- Interviewed University staff.
- Performed analysis on the population of purchases.
- Tested certain procurement card purchases for compliance with applicable requirements.
- Tested certain purchases for compliance with applicable requirements.
- Tested contract documentation for compliance with selected contracting requirements.
- Reviewed user access, application, and change management controls in the University's financial system and the University's access to the State's financial system.

Criteria used included the following:

- University policies and procedures.
- The University's Contract Administration and Management Handbook.

- Department of Information Resources' *Information Security Control Standards Catalog*, Version 1.3.
- Office of the Comptroller of Public Accounts' *eXpendit* purchasing procedures, *Manual of Accounts*, *Tax Publications*, and *USAS* [Uniform Statewide Accounting System] *User's Manual*.
- *State of Texas Contract Management Guide*, Version 1.16.
- *State of Texas Procurement and Contract Management Guide*, Version 1.1.
- Texas Government Code, Chapters 403, 2113, 2251, 2261, and 2262.
- Title 34, Texas Administrative Code, Section 5.57.

Project Information

Audit fieldwork was conducted from April 2019 through October 2019. We conducted this performance audit in accordance with generally accepted government auditing standards.⁸ Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

- Serra Tamur, MPAff, CISA, CIA (Project Manager)
- Michelle Rodriguez, CFE (Assistant Project Manager)
- Evan Cresap, CPA
- Jennifer Fries, MS
- Michael Yokie, CISA
- Michelle Ann Duncan Feller, CPA, CIA (Quality Control Reviewer)
- Cesar Saldivar, CFE, CGAP (Audit Manager)

⁸ United States Government Accountability Office's *Government Auditing Standards*, 2011 Revision.

Issue Rating Classifications and Descriptions

Auditors used professional judgment and rated the audit findings identified in this report. Those issue ratings are summarized in the report chapters/sub-chapters. The issue ratings were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.

Table 2 provides a description of the issue ratings presented in this report.

Table 2

Summary of Issue Ratings	
Issue Rating	Description of Rating
Low	The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited <u>or</u> the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.
Medium	Issues identified present risks or effects that if not addressed could <u>moderately affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.
High	Issues identified present risks or effects that if not addressed could <u>substantially affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.
Priority	Issues identified present risks or effects that if not addressed could <u>critically affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair
The Honorable Dennis Bonnen, Speaker of the House, Joint Chair
The Honorable Jane Nelson, Senate Finance Committee
The Honorable Robert Nichols, Member, Texas Senate
The Honorable Giovanni Capriglione, House Appropriations Committee
The Honorable Dustin Burrows, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Texas Woman's University

Members of the Texas Woman's University Board of Regents

Ms. Jill Jester, Board Chair and Presiding Officer

Ms. Kathleen Wu, Vice Chair and Assistant Presiding Officer

Ms. Bernadette C. Coleman

Ms. Teresa H. Doggett

Mr. Carlos L. Gallardo

Mr. Bob Hyde

Ms. Stacie D. McDavid

Ms. Janelle Shepard

Ms. Mary Pincoffs Wilson

Ms. Lexi M. D'Abrosca, Student Regent

Dr. Carine M. Feyten, Chancellor and President



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